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Axpo Trading AG

Key figures

		2015/16	2014/15 restated	2013/14 restated	2012/13	2011/12
Axpo Trading Group						
Total income	CHF million	3 989.8	4 621.5	5 001.5	4 752.6	3 470.2
Gross margin[1]	CHF million	117.8	437.9	445.7	655.4	416.9
Earnings before interest and tax (EBIT)[1,2]	CHF million	61.1	–417.5	–440.8	192.6	–18.1
Net profit incl. non-controlling interests	CHF million	–87.2	–580.0	–454.9	123.9	–86.1
in % of total income	%	–2.2	–12.6	–9.1	2.6	-2.5
Cash flow from operating activities	CHF million	90.8	–194.5	153.8	109.5	115.2
Total capital as at 30 September	CHF million	6 867.9	6 616.5	6 666.7	6 925.9	5 926.8
Total equity as at 30 September	CHF million	1 779.9	1 686.5	1 603.7	1 994.4	1 611.4
Gearing	%	–12.9	3.4	26.2	24.6	39.8
Net debt (asset)	CHF million	–229.9	56.9	419.8	491.1	641.5
Cash and cash equivalents	CHF million	425.4	438.8	460.8	450.3	350.2
Average number of employees	FTE	836	745	734	714	719
Axpo Trading AG						
Result for the period	CHF million	–287.5	–386.8	–680.4	190.6	–40.7

1 In the previous year the currency hedging transactions entered into to hedge exchange differences on energy procurement or sales contracts in a foreign currency were included in the calculation of gross margin and hence EBIT. The figures for the financial year 2013/14 were restated; the figures before the 2013/14 year-end closing remain unchanged.
2 The share of profit from partner plants and other associates was reclassified from below EBIT to the operating result.

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Satisfactory result despite challenging conditions

Axpo Trading AG can look back on a satisfactory 2015/2016 financial year. Under still challenging market conditions, EBIT came in at CHF 61.1 million. This EBIT was affected by three exceptionals, without which EBIT amounts to CHF 194.8 million.

Fewer impairments for Axpo Trading

The ongoing erosion of wholesale prices triggered negative value adjustments to the energy supply contracts of Axpo Trading Group of CHF 160.4 million in gross margin. On the other hand, the company benefited from its broad diversification across the fields of energy procurement and production. Thanks to improved market conditions, the impairments recognised on the Italian gas-fired combined-cycle power plants in the previous year in particular could be corrected. This resulted in net impairment reversals of CHF 224.3 million on the EBIT level. The net effect of value adjustments on own power plants and investments as well as energy procurement contracts on EBIT is CHF 63.9 million.

Impact of hedging of market risks and exchange rate risks

Axpo Trading Group makes all of Axpo Group's generation. The hedging activities extend some years into the future, where market liquidity is limited. Axpo Trading Group hedges in more liquid products that are highly correlated with the underlying products. However, the accounting treatment of these hedges is at fair value, whereas the underlying products are treated on accrual basis (own use accounting). The mismatch from this so-called hedge book effect is CHF 119.7 million, which will be recovered in accounting over the next few years. The amount can be found in the pro forma figures shown below.

Axpo Trading Group consistently hedges FX exposure from its trading, origination and power plants' energy hedging activities. The scrapping of the euro floor in January 2015 and the resulting massive increase of the value of the Swiss franc led to a one-off foreign exchange rate gain in the previous year, of which CHF 133.0 million will offset reduced income over the next few years. The effect on business year 2015/16, including minor effects from foreign exchange gain mismatches with the underlying contracts during the reporting year, amounts to a reduction in gross margin by CHF 77.9 million.

The three effects of (1) value adjustments on own power plants and investments as well as energy procurement contracts, (2) hedge book effects and (3) foreign exchange effects, are identified in the pro forma statement as in the table below.

The pro forma figures give testimony to a successful year of Axpo Trading Group in its core trading, origination and power plants' energy hedging activities.

Axpo Holding AG increased the equity of Axpo Trading AG by CHF 230.0 million, and granted a debt waiver in the amount of CHF 171.6 million. With these measures, the company is sufficiently capitalised and equipped to make acquisitions and investments and act as a counterparty on the energy trading market. In this way

CHF million	**Audited figures**	Impairments and provisions	Hedge book effects	Foreign exchange effects	**Pro forma figures**
Gross margin	**117.8**	160.4	119.7	77.9	**475.8**
Share of profit from partner plants and other associates	**43.2**	12.1			**55.3**
Depreciation, amortisation and impairments	**159.2**	–236.4			**–77.2**
EBIT	**61.1**	–63.9	119.7	77.9	**194.8**

Table: Audited figures 2015/16 including bridging to pro forma statement.

CHF million	**Audited figures**	Impairments and provisions	Hedge book effects	Foreign exchange effects	**Pro forma figures**
Gross margin	**437.9**	129.4	107.0	–133.0	**541.3**
Depreciation, amortisation and impairments	**–603.6**	573.2			**–30.4**
EBIT	**–417.5**	702.6	107.0	–133.0	**259.1**

Table: Audited figures 2014/15 restated including bridging to pro forma statement.

the Axpo Group also acknowledges the importance of business in tailor-made energy solutions and expresses its determination to continue along this strategic path.

Satisfactory cashflow from operating activities

The Group's cashflow from operating activities increased from the previous year's CHF –194.5 million to CHF 90.8 million. The cashflow from operating activities is satisfactory, especially when taking into account the growth in customer business that has at the same time increased the net working capital of the Group.

Strengthened core business

The establishment and expansion of its own sales markets and customer portfolios in a highly competitive energy market is of central and ongoing importance for Axpo. The Italian subsidiary was particularly successful in this regard in the past financial year and increased its number of electricity customers by as much as 20% to 55,700, even though total sales volume dropped by 3%. The increase was even more pronounced for the gas business, where the number of customers grew by 40% while total sales volume rose by 10%. The growth in electricity sales was mainly driven by medium-sized industrial customers, while gas sales grew mainly thanks to SMEs and private customers.

The consistent expansion of the company's presence and activities in Europe also continues to bear fruit in the trading business. At the beginning of 2016 Axpo was once again the recipient of various awards at the widely recognised Energy Risk Commodity Rankings. What's more, the company was also acclaimed the leading global energy trader for the second consecutive year.

Exploration of new business areas and new markets

The expansion of branch offices continued in the past financial year. An office was opened in Bratislava in Slovakia to enable the company to better service the Czech and Slovak markets. Axpo is convinced that the origination model successfully established in more than

The Axpo Group reliably produces, trades and sells energy in over 30 European countries.

20 markets can be applied in these two countries. Here, like elsewhere, it offers energy trading solutions for industrial customers, power plants and energy suppliers.

However, the biggest step for Axpo Trading was the establishment of a subsidiary in New York in the USA. After laying the groundwork and successfully recruiting a team in the past few months, the next financial year will see the establishment of a customer business.

Axpo has been operating in Portugal for several years. Since October 2015 Axpo Iberia owns 25% of the Portuguese energy supplier Goldenergy. Thanks to this investment, Axpo can now deliver electricity and natural gas to SMEs and private customers in Portugal. By September 2016 the number of Goldenergy's electricity customers had risen to more than 95,000, which is 50% more than the previous year. Energy sales rose by around 40% to almost 160,000 MWh over the same period, and Goldenergy now delivers natural gas to almost 200,000 customers.

Innovative products and risk management

In the course of further development of tailor-made energy solutions, new customer needs have to be identified quickly and suitable products offered. Drive, innovative strength and excellent risk management are key factors in the company's success.

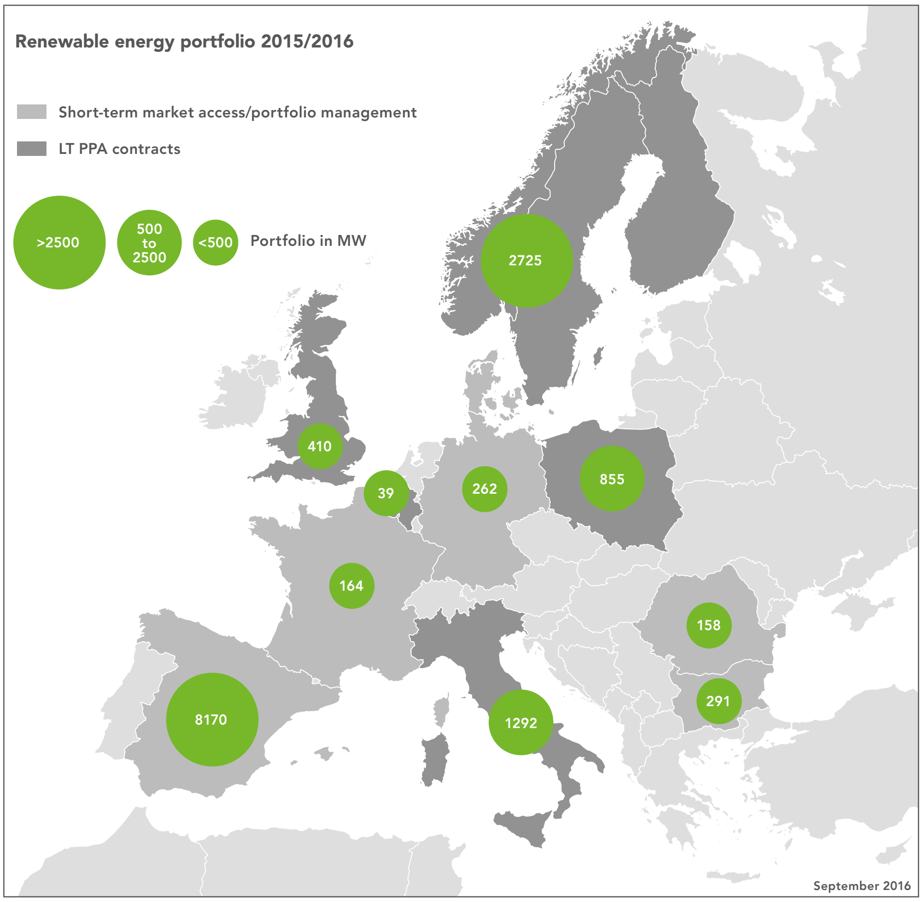
Volume hedging for wind farms is a highly innovative product. Owners of wind power plants face a dual risk: low prices and low production. For them, a regular income to secure the financing of their wind farm is often of central importance.

For some time, a number of market participants have been offering energy offtake agreements at a fixed price to reduce operators' risk of price fluctuations. Axpo Trading is one of very few companies to date that offers agreements that also cover the volume risk. In January 2016, the first three-year contract was concluded with four wind farms in the vicinity of Sant'Agata in Italy with a joint annual production of some 140 GWh.

Strong presence in renewable energies market

Axpo can offer this dual hedging because of its risk management expertise as well as the fact that its wind farm portfolio includes power plants everywhere in Europe. This product plays an important role in further strengthening Axpo's position as a leading provider of offtake agreements to producers of renewable energies.

Axpo is by now very well established in this market. In Sweden, Axpo currently markets almost one forth of the wind energy that is produced, and in Spain, Axpo manages the largest renewable energies customer portfolio. With its stake of 24.1% in Global Tech I, the offshore



Axpo manages a renewable energy portfolio of more than 13,000 MW across Europe.

wind farm in the North Sea that came on line in the past financial year, and the wind farms of the Axpo subsidiary Volkswind GmbH, Axpo Trading AG is also strong in own production, the output of which it successfully sells on the market.

Large companies put their trust in Axpo

This situation enables Axpo to deliver large volumes of renewable energies. In future, Axpo Iberia, for example, will supply 100% renewable energy to 58 Fluidra locations in Spain, which equals around 27 GWh per year and will enable this large international group to improve its environmental performance.

In June 2016 Axpo achieved a further success: the aluminium company Hydro Aluminium Rolled Products will in future rely almost exclusively on Axpo to supply the Rheinwerk in Neuss, Germany's largest aluminium mill, with electricity. The total volume of electricity required for the Rheinwerk has been secured until 2025 under a contract of more than 1.3 TWh per year.

For such companies, the decisive factor is that Axpo is willing to enter into very long-term supply contracts, in this case a contract with a time horizon of ten years.

The French energy supplier Sorégies relies on Axpo for the same reason. It has secured its basic supply under an eleven-year supply contract for 100 MW.

Consistent implementation of strategy continues

The successes achieved in customer business, and further diversification of business activities, are reason for optimism. Axpo Trading AG now faces the challenge of continuing to successfully implement its strategy in the coming years.

The energy market will remain challenging, wholesale prices are not expected to recover sustainably, and volatility is likely to remain high. Proximity to customers, capacity for innovation and the ability to adjust to changing market conditions are central requirements in this regard.

The encouraging result for the past financial year and the confidence in Axpo Trading AG shown by Axpo Group confirm that we are on the right track.

Martin Schwab
Chairman of the Board
of Directors

Domenico De Luca
CEO

Contents Financial Report

Section A: Consolidated financial statements of Axpo Trading Group

Section B: Statutory financial statements of Axpo Trading AG

Consolidated income statement

CHF million	Notes	2015/16	2014/15 restated[1]
Revenues from sales of energy	8	3 879.3	4 281.6
Changes in inventories		–2.8	4.8
Capitalised production costs		0.2	1.5
Other operating income	9	113.1	333.6
Total income		**3 989.8**	**4 621.5**
Expenses for energy procurement and cost of goods purchased	10	–3 770.1	–4 136.2
Expenses for materials and third-party supplies		–29.5	–34.6
Personnel expenses	11	–142.3	–131.0
Other operating expenses	12	–189.2	–167.0
Share of profit from partner plants and other associates	18	43.2	33.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**–98.1**	**186.1**
Depreciation, amortisation and impairments	13	159.2	–603.6
Earnings before interest and tax (EBIT)		**61.1**	**–417.5**
Financial income	14	19.8	48.0
Financial expense	14	–80.4	–164.7
Earnings before tax (EBT)		**0.5**	**–534.2**
Income tax expense	15	–87.7	–45.8
Result for the period		**–87.2**	**–580.0**
Attributable to:			
Axpo Trading shareholders		**–89.9**	**–587.6**
Non-controlling interests		**2.7**	**7.6**

1 The "Share of profit from partner plants and other associates" as well as the dilution resulting from the capital increase in Swissgrid were reclassified to the operating result, resulting in a change in financial result, EBIT and EBITDA.

CHF million	2015/16	2014/15
Earnings per share		
Total average number of registered shares issued with a par value of CHF 50.00[2]	17 816 438	2 927 671
Result for the period in CHF million	–89.9	–587.6
Earnings per share in CHF	**–5.0**	**–200.7**

2 In the reporting period the share capital of Axpo Trading AG was increased in the amount of CHF 230.0 million (previous year: CHF 750.0 million) and 4,600,000 bearer shares were issued at nominal value (previous year: 15,000,000 bearer shares).

Consolidated statement of comprehensive income

CHF million	Notes	2015/16	2014/15
Result for the period		**–87.2**	**–580.0**
Financial assets available-for-sale		**–0.1**	**0.0**
Fair value adjustments		–0.1	0.0
Cash flow hedges group companies		**–221.3**	**50.7**
Fair value adjustments		–59.1	262.7
Result transferred to the income statement		–222.2	–192.3
Income taxes on fair value adjustments	15	60.0	–19.7
Cash flow hedges other associates	18	**–3.4**	**–8.9**
Fair value adjustments		1.1	–12.4
Income taxes on fair value adjustments	15	–4.5	3.5
Currency translation differences group companies		**–0.7**	**–90.0**
Currency translation differences for the year		–0.7	–90.0
Currency translation differences other associates	18	**0.9**	**–2.7**
Currency translation differences for the year		0.9	–2.7
Income and expenses to be reclassified subsequently to profit or loss, net after income tax		**–224.6**	**–50.9**
Remeasurement defined benefit plans group companies		**6.3**	**–21.3**
Remeasurement defined benefit plans		9.3	–27.1
Income taxes	15	–3.0	5.8
Remeasurement defined benefit plans partner plants and other associates	18	**0.8**	**–6.4**
Remeasurement defined benefit plans		1.0	–8.0
Income taxes	15	–0.2	1.6
Income and expenses not to be reclassified subsequently to profit or loss, net after income tax		**7.1**	**–27.7**
Other comprehensive income after income tax		**–217.5**	**–78.6**
Total comprehensive income		**–304.7**	**–658.6**
Attributable to:			
Axpo Trading shareholders		**–308.2**	**–663.6**
Non-controlling interests		**3.5**	**5.0**

Consolidated balance sheet

CHF million	Notes	30.9.2016	30.9.2015
Assets			
Property, plant and equipment	16	538.3	236.4
Intangible assets	17	400.3	88.9
Investments in partner plants and other associates	18	317.8	314.0
Derivative financial instruments	6	773.7	932.3
Other financial assets	20	330.6	187.6
Other receivables	24	114.6	99.8
Deferred tax assets	15	45.7	38.6
Total non-current assets		**2 521.0**	**1 897.6**
Assets held for sale	16	0.0	3.5
Inventories	21	405.3	390.4
Trade receivables	22	646.1	731.0
Financial receivables	23	359.1	406.0
Current tax assets		32.9	63.9
Derivative financial instruments	6	914.9	1 137.8
Other receivables	24	1 563.2	1 547.5
Cash and cash equivalents	25	425.4	438.8
Total current assets		**4 346.9**	**4 718.9**
Total assets		**6 867.9**	**6 616.5**
Equity and liabilities			
Share capital	26	1 112.0	882.0
Retained earnings	26	937.9	853.2
Other reserves	26	–310.7	–83.5
Total equity excluding non-controlling interests		**1 739.2**	**1 649.9**
Non-controlling interests		40.7	36.6
Total equity including non-controlling interests		**1 779.9**	**1 686.5**
Financial liabilities	27	767.3	731.2
Derivative financial instruments	6	777.4	598.4
Other liabilities	28	196.4	157.6
Deferred tax liabilities	15	163.2	61.3
Provisions	29	401.9	274.8
Total non-current liabilities		**2 306.2**	**1 823.3**
Trade payables		526.7	552.3
Financial liabilities	30	117.9	358.1
Current tax liabilities		37.0	35.1
Derivative financial instruments	6	788.8	723.9
Other liabilities	31	1 249.9	1 411.4
Provisions	29	61.5	25.9
Total current liabilities		**2 781.8**	**3 106.7**
Total liabilities		**5 088.0**	**4 930.0**
Total equity and liabilities		**6 867.9**	**6 616.5**

Consolidated statement of changes in equity

	Share capital	Retained earnings	Other reserves	**Total equity excluding non-controlling interests**	Non-controlling interests	**Total equity including non-controlling interests**
Equity at 30.9.2014	**132.0**	**1 475.6**	**−36.6**	**1 571.0**	**32.6**	**1 603.6**
Total other comprehensive income after income tax		−27.3	−48.7	**−76.0**	−2.6	**−78.6**
Result for the period		−587.6		**−587.6**	7.6	**−580.0**
Total comprehensive income		**−614.9**	**−48.7**	**−663.6**	**5.0**	**−658.6**
Dividend		0.0		**0.0**	−0.1	**−0.1**
Increase and decrease in capital	750.0	−7.5		**742.5**	−0.9	**741.6**
Equity at 30.9.2015	**882.0**	**853.2**	**−85.3**	**1 649.9**	**36.6**	**1 686.5**
Total other comprehensive income after income tax		7.1	−225.4	**−218.3**	0.8	**−217.5**
Result for the period		−89.9		**−89.9**	2.7	**−87.2**
Total comprehensive income		**−82.8**	**−225.4**	**−308.2**	**3.5**	**−304.7**
Dividend		0.0		**0.0**	−0.2	**−0.2**
Change in consolidation scope		0.0		**0.0**	0.8	**0.8**
Capital contribution		169.8[1]		**169.8**	0.0	**169.8**
Increase in capital	230.0	−2.3[2]		**227.7**	0.0	**227.7**
Equity at 30.9.2016	**1 112.0**	**937.9**	**−310.7**	**1 739.2**	**40.7**	**1 779.9**

1 In the reporting period Axpo Holding AG granted a waiver of debt in the amount of CHF 171.6 million. The deducted emission duty equals CHF 1.7 million.
2 Emission duty of share capital increase.

Consolidated cash flow statement

CHF million	Notes	2015/16	2014/15 restated[1]
Earnings before tax (EBT)		0.5	–534.2
Financial result	14	60.6	116.7
Earnings before interest and tax (EBIT)		**61.1**	**–417.5**
(Gains)/losses on disposal of non-current assets		–54.1	0.0
Adjustment of non-cash expenses and income:			
Depreciation, amortisation and impairments		–159.2	603.6
Increase and reversal of provisions (excluding interest, net)	29	180.4	136.0
Unrealised (gain)/loss on derivative financial instruments		316.4	–83.3
Increase and reversal of provisions on inventories and bad debt allowances		5.6	19.5
Share of profit of partner plants and associates	18	–43.2	–33.4
Other non-cash items		–12.6	–15.6
Change in net working capital:			
Change in inventories		6.1	–15.3
Change in trade receivables		82.0	–145.8
Change in other receivables		–67.5	89.1
Change in trade payables		–14.9	–20.1
Change in other liabilities (current)		–131.1	–71.1
Change in derivative financial instruments		–58.0	46.8
Usage of provisions	29	–12.2	–75.8
Dividends received	18	24.9	6.4
Other financial result		–20.3	–109.8
Income taxes paid		–12.6	–108.2
Cash flow from/(used in) operating activities		**90.8**	**–194.5**
Property, plant and equipment:			
Investments net of capitalised borrowing costs	16	–29.6	–11.5
Disposals and cost contributions		0.2	0.2
Intangible assets:			
Investments (excluding goodwill)	17	–3.2	–3.6
Acquisition of subsidiaries (net of cash acquired)	7	–284.0	0.0
Cash flow from non-current assets held for sale and disposal of subsidiaries		–2.6	0.0
Investments in partner plants and other associates:			
Investments		–16.3	–7.3
Disposals and capital repayments		0.0	3.1
Other financial assets:			
Investments		–41.4	–40.9
Disposals and repayments		0.1	0.0
Financial receivables (current)		91.5	–369.4
Change in financial assets (current)		0.1	0.0
Interest received		22.7	23.2
Cash flow used in investing activities		**–262.5**	**–406.2**

CHF million	Notes	2015/16	2014/15 restated[1]
Financial liabilities (current and non-current):			
Proceeds		577.5	1 949.2
Repayment		–586.2	–1 788.5
Increase in capital[2]		226.0	492.5
Changes in non-controlling interests		0.0	–0.9
Dividend payments to non-controlling interests		–0.2	–0.1
Interest paid		–54.5	–55.8
Cash flow from financing activities		**162.6**	**596.4**
Currency translation effect		–4.3	–17.7
Change in cash and cash equivalents		**–13.4**	**–22.0**
Cash and cash equivalents at the beginning of the reporting period	25	**438.8**	**460.8**
Cash and cash equivalents at the end of the reporting period	25	**425.4**	**438.8**

1 The "Share of profit from partner plants and other associates" as well as the dilution resulting from the capital increase in Swissgrid were reclassified to the operating result, resulting in a change in financial result and EBIT.
2 During the reporting period the share capital of Axpo Trading AG was increased by CHF 230.0 million. Further a waiver of debt in the amount of CHF 171.6 million was granted by Axpo Holding AG. The emission duty amounted to 1% (CHF 4.0 million).

Notes to the consolidated financial statements

1 | General information

Axpo Trading Group provides origination and retail services for its customers and trades in energy. Its activities are targeted primarily at the European corporate customer and producer segment and increasingly also to the small and medium enterprise segment. Axpo Trading Group operates trading and sales companies in various European countries, in a number of neighbouring countries and in the United States of America (see Note 37 "Investments"). In addition, Axpo Trading Group has investments in power plants in Switzerland as well as long-term procurement agreements with power plants in France and wind farms in various European countries. It also owns gas-fired combined-cycle power plants in Italy and wind farms in France, Germany, Italy and Spain. With the acquisition of the Volkswind Group, Axpo Trading Group moved into the business of building, operating and selling wind farms in Germany and France. Axpo Trading AG is a wholly owned subsidiary of Axpo Holding AG, Baden.

Axpo Trading Group acts as the single market access for Axpo Power AG and its power plant participations. The energy produced is transferred to Axpo Trading Group for the purpose of hedging. Axpo Trading Group manages the supply contracts with the Swiss cantonal utilities on behalf of Axpo Group. Axpo Power AG renders services to Axpo Trading Group with respect to the management of its power plants.

2 | Basis of accounting

General principles

The consolidated financial statements of Axpo Trading Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. The consolidated financial statements were approved for publication by the Board of Directors of Axpo Trading Group on 9 December 2016 and are subject to the approval of the Annual General Meeting on 17 February 2017.

Measurement bases

The consolidated financial statements are based on the historic cost principle. Exceptions are described in Note 4 "Accounting policies".

Significant changes in accounting policies

All standards and interpretations effective at the end of the reporting period were applied when preparing the consolidated financial statements. For the reporting year 2015/16 new or revised standards and interpretations applied for the first time by Axpo Trading Group had no significant effect on the consolidated financial statements and the disclosures.

Voluntary changes in accounting policies

Axpo Trading obtains and sells proportionally to its ownership the energy produced from partner plants and various other associates. The expenses for the energy procurement, revenues from the sales of energy, necessary provisions for onerous energy procurement contracts as well as impairments and impairment reversals on investments are presented above EBIT. However, the share of profit from partner plants and other associates was presented below EBIT in the previous years. Since the 2015/16 reporting period the share of profit from partner plants and other associates is presented in the operating result. This change provides more reliable and relevant information and reflects better the operational nature of the investments accounted for using the equity method.

Due to the reclassification of the share of profit from partner plants and other associates, as well as the reclassification of the dilution resulting from the capital increase in Swissgrid from the financial result to the operating result, as of 30 September 2015 the EBITDA and EBIT increased from CHF 153.2 million (reported) to CHF 186.1 million (restated) and from CHF –450.4 million (reported) to CHF –417.5 million (restated), respectively. The reclassifications do not have an impact on the result for the period.

Future application of new standards and interpretations

Axpo Trading Group is currently analysing the potential impact of the following new and revised standards and interpretations that have already been issued but whose adoption in the consolidated financial statements of Axpo Trading Group is not yet mandatory. They will be adopted by Axpo Trading Group no later than the financial year beginning on or after the date specified in brackets.

- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 11 (amended) – Accounting for Acquisitions of Interests in Joint Operations (1 January 2016)
- IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 – Leases (1 January 2019)

– IAS 1 (amended) – Disclosure Initiative (1 January 2016)
– IAS 7 (amended) – Disclosure Initiative (1 January 2017)
– IAS 12 (amended) – Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
– IAS 16 and IAS 38 (amended) – Clarification of Acceptable Methods of Depreciation and Amortisation (1 January 2016)
– IFRSs (Cyclus 2012–2014) – Annual Improvements (1 January 2016)

The impact on the consolidated financial statements of some standards and interpretations has not yet been determined on a sufficiently reliable basis. Based on current analysis and with the exception of the application of IFRS 9, IFRS 15 and IFRS 16 Axpo Trading Group does not expect any material impact on the Group's financial position and results of operations.

IFRS 9 – Financial Instruments
IFRS 9 – Financial Instruments replaces the requirements of IAS 39 governing the classification and measurement of financial assets and liabilities, hedge accounting and impairments. The new standard reduces the number of measurement categories for financial assets. The aim of the new hedge accounting requirements is to better reflect risk management activities in the consolidated financial statements. For this purpose, IFRS 9 extends amongst others the qualifying transactions for hedge accounting and simplifies effectiveness testing. Impairments are no longer recognised on the basis of losses already incurred, but instead on the basis of expected losses. The impact of IFRS 9 on the consolidated financial statements of Axpo Trading Group is still being analysed.

IFRS 15 – Revenue from Contracts with Customers
In May 2014 the IASB published the new standard IFRS 15 – Revenue from Contracts with Customers. The new standard replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The standard defines when and at which amount revenues have to be recognised. According to IFRS 15 revenues will be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The recognition occurs at a certain point of time (or over time) when the control of the underlying goods or services has been transferred from the entity to the client. The framework is given by a five level model. The new standard also contains new and extensive disclosure requirements. The impact of IFRS 15 on the consolidated statements of the Axpo Trading Group has not yet been assessed.

IFRS 16 – Leases
IFRS 16 – Leases was published on 13 January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases unless the term of the contract is twelve months or less or the underlying asset is of low value (optional recognition). A lessor continues to classify its leases as operating leases or finance leases. The accounting model for those two types of leases is not significantly different from that in IAS 17 Leases. The impact of IFRS 16 on the consolidated statements of the Trading Group is still being analysed.

3 | Consolidation principles

Scope of consolidation
The consolidated financial statements are based on the audited separate financial statements of the subsidiaries. Subsidiaries are companies controlled by the Group. The Group controls a company if it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company concerned. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ends.

Business combinations
Business combinations are accounted for at the date of acquisition using the acquisition method. Assets and liabilities of subsidiaries acquired are measured at their fair value. Transaction costs incurred in connection with an acquisition are recognised in the income statement.

Any positive amount arising from an acquisition is capitalised as goodwill. Goodwill corresponds to the excess of the sum of the purchase price, the amount of any non-controlling interest and the fair value of the previously held equity share in the acquired subsidiary less the balance of the acquired assets and liabilities measured at fair value. There is an option for measuring non-controlling interests in each transaction. These can be valued either at fair value or at the corresponding share of the non-controlling interests in the fair value of the net assets acquired.

If the fair value of the net assets acquired is in excess of the aggregated consideration transferred, the fair value of the net assets acquired is reassessed and any remaining excess is immediately recognised in the income statement.

Goodwill is tested for impairment at least annually, or earlier if there is any indication for impairment.

Non-controlling interests are reported separately from the equity of the Group. Changes in the Group's interest in a subsidiary that do not result in a loss of control are treated as equity transactions with owners. Any difference between the purchase price paid or the consideration received and the amount by which the minority interest is changed is recognised directly in equity.

Investments in partner plants and other associates
An associate is a company over which Axpo Trading Group exercises significant influence without having control over its financial and business policy. As of the date of acquisition, the fair value of the proportional net assets is calculated and, together with any goodwill, recognised in the balance sheet under investments in partner plants and other associates. In subsequent reporting periods, this amount is adjusted for any change in Axpo Trading Group's share of the capital, income earned and impairment losses/reversals as well as any dividends.

Partner plants are companies that design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies that administer energy procurement rights. The shareholders commit to purchase a pro-rata share of the energy and to pay a pro-rata share of the annual costs. Partner plants in which Axpo Trading Group does not hold a majority interest or does not have control are also classified as associates and accounted for using the equity method.

Due to the legal obligation to pay the annual costs, the acquisition of an investment in a partner plant may result in a provision for an onerous energy procurement contract rather than an asset for an energy procurement right.

Intragroup transactions
Electricity produced by partner plants is invoiced to the shareholders at annual production cost on the basis of existing partnership agreements and irrespective of market prices. Market prices generally apply for the invoicing of other goods and services between group companies and related parties. Intercompany profits and transactions within Axpo Trading Group are eliminated in the consolidated financial statements.

Presentation currency and foreign currency translation
The presentation currency, which is also Axpo Trading AG's functional currency, is the Swiss franc. Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction or at an exchange rate which approximately corresponds to the transaction rate. At the end of the reporting period, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Any resulting translation differences which arise are recognised in the income statement.

Assets and liabilities of subsidiaries and of associates accounted for using the equity method whose functional currency is not the Swiss franc are translated on consolidation into Swiss francs at the exchange rate prevailing on the balance sheet date. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are recognised in the balance sheet as assets of the acquired entity. The income statement, cash flow statement and other movement positions are translated at the average exchange rate for the reporting period. Exchange differences arising from the translation of the balance sheet and the income statement of foreign subsidiaries and associates accounted for using the equity method are recognised directly in other comprehensive income and accumulated in consolidated equity and reported separately in the notes as foreign currency translation reserve.

Non-current receivables or loans to group companies for which repayment is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that group company. Foreign exchange differences resulting from such non-current receivables or loans are recognised in the other comprehensive income and in the income statement on liquidation or disposal of the foreign operation.

Foreign currency exchange rates
The following exchange rates were applied:

		Year-end rates		Average rates	
Currency	**Unit**	**30.9.2016**	**30.9.2015**	**2015/16**	**2014/15**
EUR	1	1.0876	1.0915	1.0913	1.0986
GBP	1	1.2631	1.4780	1.4004	1.4771
NOK	100	12.1026	11.4599	11.6488	12.5600
USD	1	0.9745	0.9743	0.9827	0.9559

Axpo Trading Group enters into forward contracts to hedge its exposure from certain foreign currency risks. The accounting policies applied to these derivative financial instruments are described below.

4 | Accounting policies

Revenue recognition

Revenue is recognised in the income statement upon delivery of goods or rendering of services to the customer or on the date on which the significant risks and rewards related to the sale are transferred to the purchaser. Revenue is presented based on energy sales effectively invoiced and revenue accrued during the reporting period. In general, sales are reported net after deduction of value added tax and trade discounts.

In the case of standardised forward contracts that are processed and invoiced in the same way as traditional energy contracts, the focus is often on managing a trading position rather than on the final physical supply of energy. Standardised forward contracts entered into mainly for trading purposes are measured at fair value, with the underlying sales revenue and procurement costs being offset against each other and reported as net gains or losses from energy trading.

Distinction between energy trading and other energy business

Recognition of revenue in energy business is based on the allocation of all trading transactions to one of two categories: "energy trading" or "other energy business". Each transaction is assigned to a book that initiates the transaction (the term "book" stands for the smallest unit for which risk, profit and sales amount are recorded and managed). Transactions in the "energy trading" category are assigned to a trading book, and transactions in the "other energy business" category are assigned to an own-use book.

Other energy business covers the large-scale provision and procurement of electricity for physical delivery to customers. The sum of all invoiced supplies from these transactions flows entirely into net sales from the energy business for the reporting period.

In the case of transactions in energy trading, large volumes of energy are traded with counterparties for the purpose of building up and managing positions (the transactions are in derivatives such as options and swaps or have a derivative character as defined under IAS 39). Transactions in energy trading are therefore financial in nature.

Amounts invoiced in energy trading during the period are not included in net sales from energy business but instead reported as income from energy trading. These consist of two components. Firstly, the effectively realised gains or losses from completed transactions are recognised in the income statement. Secondly, unrealised valuation gains or losses based on current market prices are recognised in the income statement.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs directly related to the long-term acquisition or construction of a facility are capitalised for the period from the commencement of the acquisition or construction work until the facility is ready for operational use.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or manufacturing cost and are subject to regular straight-line depreciation over the estimated useful life of each asset category or over the period to the date of reversion of the power plants. Unscheduled depreciation is only recognised in the case of damage or impairment, as described under "impairment of non-financial assets" below. The acquisition or manufacturing costs of property, plant and equipment comprise the purchase price, including import duties and any non-recoverable purchase taxes, and all directly attributable costs incurred to make the asset ready for operational use. Further components are the estimated costs of dismantling and removing of the asset and the restoration of the site. In the case of long-term investment projects, borrowing costs are capitalised during the construction phase.

The estimated useful lives for the individual asset categories are reviewed annually and lie within the following ranges:

Land and assets under construction	Only in the case of impairment
Operational and administrative buildings	15–60 years
Power plants	10–80 years depending on the type of installation and the concession period
Distribution systems	10–80 years
Equipment and fixtures	3–15 years
IT hardware and software	3–5 years

If significant components of an item of property, plant and equipment have a different useful life, they are depreciated separately (component approach).

Ordinary repairs and maintenance of buildings and operating facilities are accounted for directly as expenses. Expenditures for extensions and replacements are capitalised if it is probable that the future economic benefits associated with the expenditures will flow to Axpo Trading Group and the cost of the investments can be measured reliably. Assets under construction are assets which are unfinished or not yet ready for operation. Depreciation of these assets begins upon completion or when they are ready for operational use.

Intangible assets

Intangible assets are recognised in the balance sheet at acquisition cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of the asset, unless the useful life is indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised, but tested for impairment annually. The accounting of goodwill is explained in detail in Note 3 "Consolidation principles". Energy procurement rights comprise advance payments for the rights to the long-term supply of electricity including capitalised interest. These rights are amortised over the contract term using the straight-line method.

Rights of use for facilities comprise contractually agreed one-time payments to a contracting party as compensation for the use of that party's transmission and distribution systems. These rights are amortised over the contract term using the straight-line method.

All intangible assets apart from goodwill have finite useful lives and are therefore amortised on a systematic basis.

Inventories

Wind farms which are built for sale in the ordinary course of business are measured at cost incurred or at their lower net realisable value.

Emission certificates, green certificates and gas inventories that have been acquired for own use are measured at weighted average cost. If the net realisable value is below the purchase or production cost, an impairment loss is recognised in the income statement.

Emission certificates, green certificates and gas inventories that have been acquired for resale in the near term with a view to generating a profit from price fluctuations or dealer's margin are measured at fair value less costs to sell. Changes in value are recognised net in the income statement.

Provisions

Provisions are recognised when the Axpo Trading Group has a present obligation from past business transactions or events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably.

Long-term provisions are recognised at the present value of the expected cash outflow at the balance sheet date where the effect is significant. The provisions are reviewed annually at the balance sheet date and adjusted, taking into account current developments.

With regard to long-term energy procurement and supply contracts, identifiable losses from onerous contracts are provided for, taking into account market price developments, the effective costs of procurement and sales revenue. Additionally, the acquisition of an investment in a partner plant may result in a provision for an onerous energy procurement contract instead of an asset for the energy purchase right due to the legal obligation to assume the annual costs.

A provision is also recognised for the obligation to deliver certificates in relation with the energy production or energy sales. If certificates have already been purchased, a provision equivalent to the purchase cost of the certificates is recognised.

Provisions are also recognised for the dismantling and removing of conventional thermal gas-fired combined-cycle power plants and wind farms.

Employee benefits

Axpo Trading Group operates pension plans in accordance with national legislation in each country. Swiss employees are insured with the PKE-CPE Vorsorgestiftung Energie, a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. There are also defined contribution plans. Employer contributions paid or owed for pension funds with defined contribution plans are recognised in the income statement.

The defined benefit obligation attributable to Axpo Trading Group is calculated annually by an independent actuary using the projected unit credit method. The discount rate used for the calculation is based on the interest rate for high quality corporate bonds with virtually the same maturities as the liabilities. The market value of the plan assets is deducted from the liability.

Three components make up the pension costs:
– Service cost, recorded under personnel expenses in the income statement
– Net interest expense, recorded under personnel expenses in the income statement
– Remeasurement components, recorded in other comprehensive income

The service cost encompasses current service cost, past service cost, and gains and losses from plan settlements. Gains or losses from curtailments form part of the past service cost. Net interest expense is calculated by multiplying the net pension liability (or asset) at the beginning of the financial year with the discount rate, taking into account any changes during the year as a result of contributions and pension payments. Remeasurement components comprise actuarial gains and losses from the development in the present value of the defined benefit obligation arising from changes in the assumptions and experience adjustments, as well as the return on plan assets minus amounts included in the net interest expense, and changes in the asset ceiling minus effects included in net interest expense. Remeasurement components are recognised in other comprehensive income and cannot be recycled. The amount recognised in the consolidated financial statements corresponds to the surplus or deficit of the defined benefit plans (net pension liability or asset).

Income taxes

These include current and deferred income taxes and are normally recognised in the income statement unless they are related to transactions that are recognised in other comprehensive income or directly in equity.

Current income taxes are calculated on taxable profits and accrued for the relevant period. The deferred tax assets and liabilities shown in the consolidated financial statements are calculated using the balance sheet liability method, where deferred taxes are recognised for all temporary differences. Temporary differences arise from differences between the carrying amount of an asset or liability and its relevant tax value. These differences will reverse in one or more future periods. Temporary differences resulting from the initial recognition of goodwill, from the initial recognition of assets or liabilities in a transaction which impact neither the taxable results nor profit for the year, and from investments in subsidiaries, if it is likely that the temporary difference will not be reversed in the foreseeable future, are not recognised. Country-specific tax rates are used for calculating deferred taxes. Tax assets and liabilities are offset if they involve the same tax subject and the same tax jurisdiction. Deferred tax assets or liabilities are presented as non-current assets or liabilities. Deferred tax assets arising from losses carried forward and deductible temporary differences are capitalised only if it is likely that they can be realised in the future.

Contingent liabilities

These are obligations for which an outflow of cash is considered unlikely but possible and obligations which are possible but whose existence is not yet confirmed. They are not recognised in the balance sheet unless they were acquired as part of the acquisition of a subsidiary. In contrast, the amount of a possible obligation is disclosed at the balance sheet date as a contingent liability in the notes to the consolidated financial statements.

Impairment on non-financial assets

At the balance sheet date, Axpo Trading Group reviews the carrying amounts of tangible and intangible assets or investments in partner plants and other associates to determine whether there is any indication of impairment. If any such indications exist, the recoverable amount of the asset or, if this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs, is estimated and compared with the carrying amount (impairment test). If the carrying amount exceeds the estimated recoverable amount, an impairment loss is recognised in the amount of the difference. The recoverable amount is equivalent to the higher of the value-in-use and the fair value less costs to sell. When calculating the value-in-use, the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate takes into account the current market estimate of the time value of money and the risks inherent in the asset, insofar as these risks have not already been included in the estimate of the cash flows. Once impaired, the carrying amount of assets is adjusted annually to the amount obtained using the discounted cash flow method, but in the case of a reversal the carrying amount is increased to the depreciated amount that would have been determined if no impairment loss had been recognised. This excludes reversals of impairment in respect of goodwill. Goodwill arising from business combinations is allocated on the acquisition date to the cash-generating units that are expected to benefit from the synergies of the business combination. Regardless of indicators, goodwill is tested for impairment annually.

Financial assets and liabilities

Financial assets and liabilities comprise other financial assets, financial receivables, cash and cash equivalents, current and non-current derivative financial instruments, trade receivables and payables, current and non-current financial liabilities and, to some extent, other current and non-current receivables and liabilities.

Financial assets and liabilities are categorised according to IAS 39 as:
– Financial assets and liabilities at fair value through profit or loss
– Loans and receivables
– Available-for-sale financial assets
– Other liabilities measured at amortised cost

The financial assets and liabilities are consistently measured within each category of financial assets and liabilities. They are initially recognised at fair value and, in the case of financial instruments which are not classified as "at fair value through profit or loss", including directly attributable transaction costs. The subsequent measurement is based on the category to which the financial assets and liabilities are assigned.

Financial assets and liabilities are classified as at fair value through profit or loss if they were designated as such upon initial recognition or if they are held for trading. Financial assets held for trading also include derivative financial instruments. Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at their fair value and changes therein are recognised in the income statement. Purchases and sales are recognised in the balance sheet at the time when the relevant agreement is concluded (closing date).

Subsequent to initial recognition, loans and receivables of Axpo Trading Group are measured at amortised cost using the effective interest method, less any impairment. An impairment loss is calculated as the difference between the carrying amount and the present value of expected recoverable future cash flows discounted using the original effective interest rate.

Available-for-sale financial assets are remeasured at fair value subsequent to initial recognition, and the difference is recognised in other comprehensive income, taking into account deferred taxes. Realised gains or losses are recognised in the income statement. Impairment losses are recognised in the income statement after an analysis of the individual securities. An impairment exists in particular if the fair value of a share either remains below the purchase price for an extended period or is significantly below the purchase price. Debt instruments such as bonds are regarded as impaired if there is objective evidence such as insolvency, default of payment or other significant financial difficulties of the issuer. In contrast to debt instruments, subsequent reversals of impairment losses on equity instruments are not recognised in the income statement.

Other financial assets

All equity investments in which Axpo Trading Group does not have significant influence or control but which are held over the long term are recorded under other investments. These investments are classified as “available-for-sale” and measured in the balance sheet at their fair value or, if that cannot be reliably determined, at their acquisition cost less impairments. Changes in the fair value are recognised in other comprehensive income. On disposal, the gains or losses accumulated in equity are reclassified to the income statement.

Long-term loans to third parties, as well as to associates, are measured at amortised cost using the effective interest method. If, when the loan is paid out, the agreed interest rate equals the market interest rate and both the disbursement and the repayment are made at nominal value, the amortised cost is equal to the nominal value of the loan.

Trade receivables, other receivables and financial receivables

Trade receivables as well as other receivables are recorded at amortised cost, which is generally equivalent to their nominal value, less any appropriate allowances for estimated irrecoverable amounts. In principle, bad debt allowances are recognised for specifically identified risks for individual receivables. However, in addition to specific bad debt allowances, allowances are also made on a portfolio basis for losses not yet known based on statistical calculations of default risk.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash and credit balances at banks, as well as sight deposits and deposits with a term of no more than 90 days from the time of acquisition.

Financial liabilities

Financial liabilities consist of loans from third parties and associates as well as bonds. On initial recognition, they are measured at fair value less transaction costs and thereafter at amortised cost. Amortisation of the difference between the fair value of the consideration received less transaction costs and the repayment value is calculated using the effective interest method and recorded in the income statement over the duration of the finance term.

Other liabilities (non-current)

This position includes all other liabilities which will become due more than twelve months after the balance sheet date and which cannot be assigned to any other position of non-current liabilities. It also includes liabilities from assigned rights of use. Payments received from third parties in consideration for rights to use facilities and procure energy are recognised under this position and released to the income statement on a straight-line basis over the life of the respective rights of use. The respective useful life is reviewed at the end of each financial year. The individual contractual useful life applies in all cases.

Derivative financial instruments

Derivative financial instruments are accounted for as assets or liabilities and measured at fair value. Changes in fair value are recorded in the income statement unless the derivative financial instrument forms part of a hedging relationship (derivatives designated as hedging instruments). In that case the recording of the change in fair value is recognised in accordance with the underlying hedge type.

Energy derivatives

Axpo Trading Group trades with contracts in the form of forward transactions (forwards, futures, swaps) and options with energy as underlying (electricity, gas, oil, coal, LNG, biomass and certificates). Contracts which are entered into solely with the intention of generating a profit from short-term fluctuations in price or dealer’s margin are presented as current, independent of their contract term. Derivatives which have a term to maturity of more than twelve months and have no speculative intention are presented as non-current.

The management of the production portfolio of Axpo is usually carried out using energy derivatives, which are designated as hedging instruments in a cash flow hedge relationship. Cash flow hedges are applied to hedge future cash flow risks from existing underlying transactions or highly probable forecast transactions. The effective portion of the change in fair value of the hedging instrument is recognised in other comprehensive income taking into account the deferred taxes. The ineffective portion of the hedging relationship is recognised in profit or loss in the line item "revenues from sales of energy". As soon as the underlying transaction is recognised in "revenues from sales of energy", the accumulated changes in fair value of the hedging instrument are transferred from equity to the same line item.

Contracts which were entered into for the purpose of the receipt or supply of energy in accordance with Axpo Trading Group's expected purchase, sale or usage requirements are classified as own use contracts. They are not measured at fair value according to IAS 39 but accounted for as executory contracts according to IAS 37.

If a framework agreement with a netting clause exists for a counterparty and if there is an enforceable legal right to offset and the intention to settle net, the positive and negative replacement values which fall due simultaneously are netted. However, no netting is applied between derivative financial instruments which are "held for trading" and derivative financial instruments which are designated as hedging instruments.

Foreign currency and interest rate derivatives

To hedge exchange and interest rate risks, derivative financial instruments are used when required. This is done in accordance with existing guidelines on hedging.

Financial instruments, which are entered into to hedge foreign exchange risks of the current operating activities, are classified as "held for trading". Realised and unrealised changes in fair value are recognised in other operating income.

Cash flow hedge accounting is applied to hedge future cash flow risks from interests on long-term loans. The effective portion of the change in fair value of the hedging instrument is recognised in other comprehensive income taking into account the deferred taxes. The ineffective portion of the hedging relationship is recognised in "financial income" or "financial expense". As soon as the underlying transaction is recognised in the income statement, the accumulated changes in fair value of the hedging instrument are transferred from equity to "financial income" or "financial expense".

5 | Estimation uncertainties and significant judgements in the application of accounting policies

In the process of preparing the consolidated financial statements in accordance with IFRS, Axpo Trading Group management made judgements, estimates and assumptions which have an effect on the applicable accounting policies and the amounts recognised under assets, liabilities, income and expenses as well as their presentation. The estimates and assumptions are based on existing knowledge and various other factors which are regarded as appropriate under the given circumstances. These serve as a basis for recognition of assets and liabilities which cannot be measured directly through any other source. The actual values may deviate from these estimates.

The estimates and assumptions are regularly reviewed. Where necessary, adjustments are made to estimates if the circumstances on which they were based have changed or if new information and additional facts become known. Such adjustments are recognised in the period in which the estimates were adjusted.

The key assumptions concerning the future development and other key sources of estimation uncertainty which could result in material adjustments to the carrying amounts of assets and liabilities are described below.

Significant judgements in the application of accounting policies

Classification of partner plants

Axpo Trading Group holds a majority share in certain partner plants. Due to the special circumstances with partner plants, it has to be assessed whether Axpo Trading Group has control over these partner plants through its majority shares.

The definition of control in accordance with IFRS 10 requires an investor to hold rights that give it power over the relevant activities of the investee. In the case of a corporation, the voting rights constitute such rights. However, IFRS 10 also makes clear that the (voting) rights must not only exist in principle, but also represent (economically) substantive rights. This means that the holder of the rights must have the practical ability to exercise such rights. Therefore when assessing whether Axpo Trading has control over individual partner plants, other factors in addition to the proportion of voting rights must be considered. Axpo Trading holds a majority interest in certain partner plants and operates these plants jointly with other commercial energy companies in the Swiss market. At the same time, these partners also hold interests in other partner plants in which Axpo Trading does not hold a majority interest. Given these mutual dependencies/interests and the conditions governing the Swiss energy market, Axpo Trading has concluded that the voting rights it holds in some cases do not represent substantive rights, despite a majority interest being held, and that it therefore does not have control. These partner plants are classified as associates and are accounted for using the equity method. The assessment if and in which cases the factors mentioned above prevent Axpo Trading as a majority shareholder from exercising control is a management judgement.

Estimation uncertainties

Property, plant and equipment

Axpo Trading Group has property, plant and equipment with a carrying amount of CHF 538.3 million. These are tested for impairment annually. To determine whether there is an impairment, these asset values are assessed based on the expected future cash flows from the use of these assets. The actual cash flows may differ significantly from the future cash flows based on these estimates. Significant parameters such as useful life, electricity price movements and the discount rate are by their nature subject to major uncertainties.

Transmission systems

The Swiss Electricity Supply Act (StromVG) entered into force on 1 January 2008. The law requires all transmission systems to be transferred to the national grid operator Swissgrid AG within five years. On 3 January 2013, transmission system owner EGL Grid AG was transferred to Swissgrid AG on the basis of an agreement for a contribution in kind at the provisional transfer value (2012 tariff ruling by the Federal Electricity Commission, ElCom).

The previous owners of the transmission systems were compensated in the form of shares of Swissgrid AG and loans to Swissgrid AG. The final valuation of the transmission system will be made as part of a further valuation adjustment or purchase price adjustment (valuation adjustment 2), with the participation of all former transmission system owners. This requires binding decisions for all open proceedings relevant for the valuation (tariff proceedings for the years 2009 to 2012, proceedings concerning cover differences in 2011 and 2012 as well as the proceedings for determining the asset value for the transfer of the transmission system to Swissgrid). Depending on the outcome of these pending proceedings, the definitive transfer values of the transmission systems may in some cases differ from the provisional transfer values.

In relation with the transfer of the transmission system and the related equipment from the previous owners to Swissgrid AG, the method for determining the relevant asset value was decreed on 20 October 2016 by ElCom. Prior to this, ElCom has decided on 20 September 2012 that the compensation has to correspond to the regulatory values. This decision was appealed. In its ruling of 11 November 2013 the Swiss Federal Administrative Court stated that a constitutional right to a full compensation according to expropriation law exists. The decision for the determination of the relevant asset values was rejected to ElCom.

In consequence the previous owners prepared a contractual solution regarding the method for determining the relevant asset value. With the new ruling on this method, ElCom is implementing the order of the Swiss Federal Administrative Court. The ruling has become final and binding by the end of November 2016.

For Axpo Trading Group this leads to a first impact on the result in the amount of CHF 32.0 million (gain) for the reporting period 2016/17. The cash transfer is expected at the beginning of 2017. After closing the tariff proceedings and the proceedings concerning cover differences as well as the valuation adjustment 2, the final application of the method for determining the relevant asset value takes place. This will probably lead to a further positive effect on the result.

Goodwill

As at 30 September 2016, the net carrying value of goodwill from business combinations was CHF 74.8 million. Goodwill is tested for impairment in the fourth quarter of each year, or earlier if there are indications of impairment. The value of the goodwill is largely determined by expected future cash flows, the discount rate and long-term growth rates. The key assumptions are explained in Note 13. A change in the assumptions in future periods can result in an impairment loss.

Employee benefits

Employees in Switzerland are insured with PKE-CPE Vorsorgestiftung Energie, a pension fund which meets the criteria of a defined benefit plan under IAS 19. The reported asset or liability for this pension plan is calculated on the basis of an actuarial calculation by an actuary. In particular, the present value of the defined benefit obligation is dependent on assumptions such as the discount rate, future wage and salary increases and the expected increase in pension benefits. In addition, independent actuaries base their assumptions on statistical data such as the probability of employees leaving the company and the life expectancy of insured members. The assumptions may deviate substantially from actual results due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of insured members and other estimated factors. These deviations may have an impact on pension assets and liabilities reported in future reporting periods. The key assumptions are explained in Note 32.

Fair values of financial instruments

Financial assets and liabilities as well as derivatives are recognised in the balance sheet at their fair value. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As at 30 September 2016, Axpo Trading Group had derivative financial instruments with positive and negative replacement values totalling CHF 1,688.6 million (previous year: CHF 2,070.1 million) and CHF 1,566.2 million (previous year: CHF 1,322.3 million), respectively. Wherever possible, the fair value applied to financial instruments is based on rates and prices quoted on active markets. The fair value of financial instruments for which no active market or official quoted prices exist is determined using valuation models, applying observable market data, if available, as input factors. If no observable market data are available, the input factors are estimated based on reasonable assumptions.

Models always provide an estimation or approximation of a value which cannot be determined with certainty. The fair value obtained using this method reflects the assumptions of management and may vary depending on the choice of input factors and model. The actually realisable cash flows may therefore deviate from the model values based on estimates and assumptions (see Note 6 “Financial risk management”).

6 | Financial risk management

General principles

Axpo Trading Group is exposed to various financial risks in the course of its business activities: market risks (including exchange rate, interest and energy price risks), credit risks and liquidity risks. Financial risk management complies with the principles and directives drawn up by the Board of Directors and Executive Management governing the management of market, credit and liquidity risks. The responsible units within Risk Management & Valuation monitor the risks of the front division of the business area Trading & Sales, which is managed by Axpo Trading Group. The Axpo Trading Risk Management Directive approved by Axpo Group Management describes the aims and principles of risk management for Axpo Trading Group. It also includes information on the organisation (governing bodies, tasks, responsibilities and authorities), risk measurement and management, and implementation of limit systems. Executive Management is responsible for drawing up the concrete details and for implementation. The Risk Management & Valuation department is responsible for measuring and monitoring market price risks, as well as credit risks, and for the provision of timely and relevant risk reports to the relevant units.

Risks of the assets of Axpo Trading Group are monitored by Axpo's Group-wide risk management. Risk in the Axpo Group is managed in accordance with the Axpo Group Risk Management Manual.

The Treasury department of Axpo Group is responsible for monitoring and managing financial market risks, such as interest risks, exchange rate risks and liquidity risks.

Capital management

Gearing is the controlling instrument which is actively monitored by the Board of Directors. The maximum acceptable level of gearing is approximately 70%. As at 30 September 2016 gearing amounted to –12.9% (previous year: 3.4%). As the calculation of the net debt ratio results in a net asset of CHF 229.9 million (previous year: net debt of CHF 56.9 million), the key figure is negative.

Axpo Trading Group also obtains financing through interest-bearing financial liabilities, ensuring that the amount of financing does not have an unreasonable impact on profitability. An optimal capital structure keeps interest costs at a reasonably low level.

In addition, one Axpo Trading Group subsidiary is subject to regulatory equity requirements and supervision of a local supervisory authority. The regulatory equity requirements were complied with at all times in both the 2014/15 and 2015/16 financial years.

Market price risks

Market price risks arise from price and exchange rate movements in respect of unhedged positions held in energy and financial transactions.

To hedge part of the expected future energy procurement and energy sales and to hedge currency and interest rate fluctuations, Axpo Trading Group enters into derivative financial instruments when necessary.

Energy price risks

Axpo Trading Group defines energy price risks as the impact from unexpected changes in energy prices. Price fluctuations and correlations between the various markets and products may affect Axpo Trading Group negatively. These risks are therefore monitored and reported on a daily basis by Risk Management & Valuation of the business area Trading & Sales. Monitoring follows the principles set out in the Risk Management Directive as well as the trading mandates based thereon.

The market price risk is limited using a transparent limit system consisting of a VaR and volume limits. The total risk limits for market and credit risks are approved annually by the Board of Directors at the request of the Executive Management, and subsequently broken down by individual divisions, departments and books.

Some of the energy derivatives concluded by Axpo Trading are designated as hedging instruments in cash flow hedges for the purpose of hedging procurement contracts. As at 30 September 2016, these derivatives had a contract volume of CHF 1,785.5 million (previous year: CHF 2,383.0 million) and were 100% effective during the reporting period.

The following table shows the expected amounts of reclassifications to profit or loss relating to cash flow hedges from energy hedging transactions:

CHF million	Effect on profit or loss 30.9.2016	Contract volume 30.9.2016	Effect on profit or loss 30.9.2015	Contract volume 30.9.2015
2015/16	–	–	232.5	846.0
2016/17	87.5	753.9	135.7	762.3
2017/18	87.3	640.9	77.5	622.3
2018/19	–7.4	331.5	8.2	151.6
2019/20	–10.9	59.2	0.0	0.8
Total	**156.5**	**1 785.5**	**453.9**	**2 383.0**

Sensitivity analysis of energy price risks

Energy price risks are quantified using the Value-at-Risk (VaR) method, assuming a holding period of five days and a confidence interval of 99%. The VaR method defines a potential loss which, with 99% probability, will not be exceeded, taking into account the historic market developments.

CHF million	30.9.2016	30.9.2015
VaR business area Trading & Sales	23.6	24.7

Currency risks

Due to the international nature of its operations and the involvement in various foreign currencies, Axpo Trading Group is exposed to exchange rate risks, particularly with regard to the euro. Currency risk arises from business transactions, recognised assets and liabilities, if these are not denominated in the functional currency of the respective subsidiary and from net investments in foreign operations.

To reduce the currency risk related to business transactions as well as the recognised assets and liabilities, Group entities mainly use forward contracts in compliance with the Group's principles governing currency risks. The currency risk arising from trading, origination and sales activities are managed by the front office staff. Axpo Group Treasury, in close coordination with Axpo Trading Group's operating entities, is responsible for managing the amount of the remaining net positions in all main currencies through appropriate hedging transactions (mainly transaction risk).

Sensitivity analysis of the currency risks

A reasonably possible change in exchange rates would have had the following impact on the income statement and on equity, assuming that the other parameters remain the same:

CHF million		30.9.2016		30.9.2015	
	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
CHF/EUR foreign currency risk	10%	–70.5	–13.6	–76.5	–40.4

Interest rate risks

Financial assets and liabilities subject to variable interest rates, as well as cash and cash equivalents, expose the Group to a cash flow interest rate risk. Financial liabilities issued with mainly fixed interest rates do not expose the Group to any interest rate risk.

It is the Axpo Group's policy to manage interest rate expenses by means of variable- and fixed-rate interest-bearing liabilities and interest-based derivatives in the form of interest rate swaps. Axpo Group Treasury monitors the ratio between variable and fixed-rate interest-bearing net debts on an ongoing basis.

Interest-bearing financial assets and liabilities

The interest-bearing financial assets and liabilities held by Axpo Trading Group relate to petty cash and cash at banks, given loans as well as bank liabilities, received loans and issued bonds.

CHF million	Fixed rate 30.9.2016	Variable rate 30.9.2016	Fixed rate 30.9.2015	Variable rate 30.9.2015
Loans and receivables	**246.7**	**925.5**	**216.8**	**981.7**
Petty cash and cash at banks	0.0	425.4	0.0	438.8
Other financial assets (non-current)	231.6	156.1	203.1	150.6
Financial receivables (current)	15.1	344.0	13.7	392.3
Financial liabilities at fair value through profit or loss (held for trading)	**0.0**	**22.3**	**0.0**	**36.7**
Financial liabilities measured at amortised cost	**384.0**	**501.2**	**301.4**	**787.9**
Financial liabilities (current and non-current)	384.0	501.2	301.4	787.9
Net exposure	**–137.3**	**402.0**	**–84.6**	**157.1**

Variable interest-bearing financial liabilities relating to the construction of gas-fired combined cycle power plants in Italy and wind farms in Germany and France expose Axpo Trading Group to an interest rate risk. This risk is reduced through an adequate use of derivative financial instruments in the form of interest rate swaps. These interest rate swaps were designated as hedging instruments in cash flow hedges and were 100% effective during the reporting period. As at 30 September 2016, interest rate swaps with a contract volume of CHF 443.7 million (previous year: CHF 427.8 million) and a carrying amount of CHF 22.3 million (previous year: CHF 36.7 million) exist. The cash flows from these swaps will mainly occur in the next one to two years and will be recognised in the income statement during this period.

Sensitivity analysis of interest rate risk

A reasonably possible change in interest rates would have had the following impact on the income statement and on equity, assuming that the other parameters remain the same:

CHF million		30.9.2016		30.9.2015	
	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
Interest rate risk	1%	0.7	–0.2	3.1	–0.4

Credit risks

The need for credit risk management arises from the fundamental risk of trading partners or origination customers of Axpo Trading Group not being able to meet all or part of their obligations, which could result in a financial loss. To avoid this risk, receivables and replacement values from trading partners or origination customers are monitored and future developments analysed. In addition creditworthiness is analysed on an ongoing basis. Business units and subsidiaries are involved in credit risk management.

Credit risks are managed by establishing internal credit limits. The credit limits are based on the rating of the trading partners or origination customers and define the limit for the exposure to each of them. These limits are established by the independent Credit Risk Department as the maximum total exposure and are applicable throughout the Axpo Trading Group. The rating of trading partners or origination customers is based on their creditworthiness, which defines the probability of default. The internal score resulting from the rating process is converted into external credit rating classes. At the balance sheet date, 2% of the total exposure was classified as AAA (previous year: 5%), 11% as AA (previous year: 6%), 21% as A (previous year: 19%) and 32% as BBB (previous year: 36%). Transactions may only be entered into with business partners that have been subject to prior analysis. The credit exposures are actively mitigated by the use of guarantees, collateral, insurance and advance payments received. Receivables from counterparties are monitored through regular reporting on a daily basis. In addition, a formalised process is applied to introduce countermeasures in due time in the event that negative trends are identified.

Due to the fact that risk is distributed among various counterparties, customers and countries in Europe, the credit risk is spread accordingly.

Carrying amount of financial assets

The following table shows the carrying amount of the financial assets held by Axpo Trading Group, grouped according to the categories defined in IAS 39:

CHF million	Notes	Carrying amount 30.9.2016	Carrying amount 30.9.2015
Loans and receivables		**3 070.4**	**3 059.5**
Other financial assets (non-current)	20	328.5	187.5
Other receivables (current and non-current)	24	378.9	246.3
Trade receivables	22	646.1	731.0
Financial receivables (current)	23	359.1	406.0
Revenues not yet invoiced	24	932.4	1 049.9
Cash and cash equivalents	25	425.4	438.8
Available-for-sale financial assets		**2.1**	**0.1**
Other financial assets (current and non-current)	20	2.1	0.1
Financial assets at fair value through profit or loss (held for trading)		**1 476.2**	**1 629.5**
Derivative financial instruments with positive replacement values		1 476.2	1 629.5
Energy derivatives		1 366.5	1 285.0
Currency forward contracts		109.7	271.1
Other derivative financial instruments		0.0	73.4
Derivatives designated as hedges		**212.4**	**440.6**
Derivative financial instruments with positive replacement values		212.4	440.6
Energy derivatives		212.4	440.6
Total financial assets		**4 761.1**	**5 129.7**
./. Total available-for-sale shares and participation certificates		–2.1	–0.1
Maximum credit default risk		**4 759.0**	**5 129.6**

Credit risk concentration of trade receivables/revenue not yet invoiced by geographical area

CHF million	Carrying amount 30.9.2016	Carrying amount 30.9.2015
Western Europe	340.7	330.8
Southern Europe	734.6	910.0
Central Europe	416.2	454.8
Others	87.0	85.3
Total	**1 578.5**	**1 780.9**

Ageing analysis of trade receivables and their bad debt allowances

The following disclosures relate to trade receivables:

CHF million	Gross 30.9.2016	Bad debt allowances 30.9.2016	Gross 30.9.2015	Bad debt allowances 30.9.2015
Not yet due	452.6	–0.5	507.9	0.0
Past due 1–60 days	107.8	–3.7	177.6	–2.2
Past due 61–150 days	22.3	–1.7	21.8	–4.1
Past due 151–360 days	57.8	–5.9	33.8	–12.4
Past due more than 360 days	89.2	–71.8	68.4	–59.8
Total	**729.7**	**–83.6**	**809.5**	**–78.5**

Bad debt allowances created, released or no longer required for trade receivables in the 2014/15 and 2015/16 reporting years:

	Trade receivables	
CHF million	General allowances	Specific allowances
Bad debt allowances as at 30.9.2014	**–6.1**	**–64.0**
Net increase	–10.3	–10.8
Uncollectible receivables written off	0.1	6.2
Currency effects	0.4	6.0
Bad debt allowances as at 30.9.2015	**–15.9**	**–62.6**
Net increase	0.0	–19.9
Net reversal	5.3	0.0
Uncollectible receivables written off	0.0	8.9
Currency effects	0.1	0.5
Bad debt allowances as at 30.9.2016	**–10.5**	**–73.1**

All bad debt allowances relate to smaller receivables with various counterparties that were impaired. Due to the financial difficulties of these counterparties, the management of Axpo Trading Group no longer expects these receivables to be fully collectible.

Based on past experience, the Axpo Trading Group does not expect any significant impairment losses on trade receivables not yet due. The bad debt allowances consist of individual allowances and allowances on a portfolio basis.

Significant bad debt allowances on other receivables

In the previous year an impairment loss of CHF 166.2 million was recognised on loans due from other associates. In the reporting period the impairment loss was reversed by CHF109.2 million (see Note 20, “Other financial assets”).

Cash and cash equivalents and financial receivables

Cash and cash equivalents and time deposits are preferably held with banks which have been rated at least “BBB” by an internationally recognised rating agency. Cash deposits are held in a limited amount, with sliding maturities and are diversified among different banks. The limits on these deposits are reviewed on a regular basis. No write-downs have been necessary to date.

Collaterals

A significant portion of the energy transactions in the Axpo Trading Group are concluded on the basis of framework agreements such as the EFET (European Federation of Energy Traders) General Agreement on Power or Gas, the ISDA (International Swaps and Derivatives Association) or the DRV (German Master Agreement for Financial Forward Transactions). In the event of the insolvency of a business partner, those provide for an offsetting of open transactions (see table "Netting of positive and negative replacement values" column "additional netting potential").

In addition, the credit risk is reduced by the collateral received. In the case of major credit risks, credit support annexes (CSAs) are attached to the framework agreements in which regular reciprocal margin payments are agreed as additional collateral, mostly in the form of cash. Since such collaterals are not only received for transactions allocated to a trading book but also for off-balance-sheet items that are assigned to an "own use" book, the collateral cannot be meaningfully allocated to individual balance sheet items. For further contingent liabilities and legal disputes as well as pledged assets please, refer to Note 34 "Pledged assets" and Note 35 " Other contingent liabilities, contingent assets and legal disputes", respectively.

Financial securities received and delivered as at 30 September 2016

CHF million	Financial securities received	Financial securities delivered
Credit Support Annex (CSA)	103.3	235.9
Bank guarantee	178.5	0.4
Others	580.0	45.3
Total	**861.8**	**281.6**

Financial securities received and delivered as at 30 September 2015

CHF million	Financial securities received	Financial securities delivered
Credit Support Annex (CSA)	185.6	118.3
Bank guarantee	196.3	0.4
Others	59.3	388.2
Total	**441.2**	**506.9**

Guarantees and parent company guarantees within Axpo Trading Group are only presented in the separate financial statements of the company that granted them.

In the previous reporting period "Others" included short-term sureties of CHF 259.7 million which were already waived in October 2015.

In the 1998/99 and 1997/98 financial years, Misoxer Kraftwerke AG concluded financial transactions to lease out its facilities over the long term and simultaneously lease them back (lease-and-lease-back transactions). In connection with these transactions, assurance was given to American investors that all contractual obligations arising from these transactions would be guaranteed. The risk from these transactions is covered by provisions in the company mentioned. Since the risk declines over the term of the transactions, this provision is reversed on a straight-line basis.

Netting of positive and negative replacement values as at 30 September 2016

CHF million	Assets subject to legally enforceable netting agreements: Gross assets before balance sheet netting	Netting	Net assets after balance sheet netting	Assets not subject to master netting agreements or to legally enforceable master netting agreements	Total assets recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Assets after recognition of the netting potential
Financial assets at fair value							
Financial assets at fair value through profit or loss (held for trading)							
Energy derivatives	2 291.9	–1 534.3	757.6	608.9	1 366.5	–306.9	1 059.6
Currency forward contracts	0.0	0.0	0.0	109.7	109.7	0.0	109.7
Derivatives designated as hedges							
Energy derivatives	238.4	–44.1	194.3	18.1	212.4	–34.8	177.6
Total	**2 530.3**	**–1 578.4**	**951.9**	**736.7**	**1 688.6**	**–341.7**	**1 346.9**

CHF million	Liabilities subject to legally enforceable netting agreements: Gross liabilities before balance sheet netting	Netting	Net liabilities after balance sheet netting	Liabilities not subject to master netting agreements or to legally enforceable master netting agreements	Total liabilities recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Liabilities after recognition of the netting potential
Financial liabilities at fair value							
Financial liabilities at fair value through profit or loss (held for trading)							
Energy derivatives	2 203.2	–1 534.3	668.9	701.3	1 370.2	–306.9	1 063.3
Currency forward contracts	0.0	0.0	0.0	96.9	96.9	0.0	96.9
Other derivative financial instruments	0.0	0.0	0.0	0.6	0.6	0.0	0.6
Derivatives designated as hedges							
Energy derivatives	113.3	–44.1	69.2	7.0	76.2	–34.8	41.4
Other derivative financial instruments	0.0	0.0	0.0	22.3	22.3	0.0	22.3
Total	**2 316.5**	**–1 578.4**	**738.1**	**828.1**	**1 566.2**	**–341.7**	**1 224.5**

Netting of positive and negative replacement values as at 30 September 2015

CHF million	Assets subject to legally enforceable netting agreements: Gross assets before balance sheet netting	Netting	Net assets after balance sheet netting	Assets not subject to master netting agreements or to legally enforceable master netting agreements	Total assets recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Assets after recognition of the netting potential
Financial assets at fair value							
Financial assets at fair value through profit or loss (held for trading)							
Energy derivatives	1 464.0	–849.9	614.1	670.9	1 285.0	–237.2	1 047.8
Currency forward contracts	0.0	0.0	0.0	271.1	271.1	0.0	271.1
Other derivative financial instruments	0.0	0.0	0.0	73.4	73.4	0.0	73.4
Derivatives designated as hedges							
Energy derivatives	424.3	–34.5	389.8	50.8	440.6	–21.1	419.5
Total	**1 888.3**	**–884.4**	**1 003.9**	**1 066.2**	**2 070.1**	**–258.3**	**1 811.8**

CHF million	Liabilities subject to legally enforceable netting agreements: Gross liabilities before balance sheet netting	Netting	Net liabilities after balance sheet netting	Liabilities not subject to master netting agreements or to legally enforceable master netting agreements	Total liabilities recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Liabilities after recognition of the netting potential
Financial liabilities at fair value							
Financial liabilities at fair value through profit or loss (held for trading)							
Energy derivatives	1 467.6	–849.9	617.7	498.4	1 116.1	–237.2	878.9
Currency forward contracts	0.0	0.0	0.0	132.4	132.4	0.0	132.4
Derivatives designated as hedges							
Energy derivatives	65.4	–34.5	30.9	6.2	37.1	–21.1	16.0
Other derivative financial instruments	0.0	0.0	0.0	36.7	36.7	0.0	36.7
Total	**1 533.0**	**–884.4**	**648.6**	**673.7**	**1 322.3**	**–258.3**	**1 064.0**

Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The offset receivables and payables included in revenues not yet invoiced and in operating expenses not yet invoiced amount to CHF 1,085.5 million (previous year: CHF 1,327.0 million; see Note 24 "Other receivables" and Note 31 "Other liabilities").

Liquidity risks

A large portion of receivables in European energy trading are offset (so-called netting) and settled at fixed dates. Advance margin payments are standard practice among large energy traders and at energy exchanges to reduce the counterparty risk. This may result in large cash outflows arising at short notice due to energy price movements. Axpo Trading Group meets this potential need with cash and cash equivalents as well as through agreed credit lines. Axpo Group Treasury is responsible for the Axpo Trading Group's financing flexibility. This task includes the planning, monitoring, provision and optimisation of liquidity for the entire Group. Liquidity is ensured through cash flows from operating activities, credit lines, project financing and through the capital market.

Axpo Trading Group has aggregated uncommitted credit lines totalling CHF 1,759.3 million (previous year: CHF 1,739.5 million) available from banks and financial institutions. Of these amounts, at 30 September 2016, CHF 757.4 million (previous year: CHF 667.8 million) was used for guarantees and CHF 79.8 million (previous year: CHF 79.6 million) for loans. There is also a credit line of CHF 1,837.6 million (previous year: CHF 1,841.5 million) from Axpo Holding AG. In the reporting period, all covenants relating to significant credit agreements were complied with.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2016

CHF million	Carrying amount	Cash flows	at sight	< 3 mths	3–12 mths	1–5 years	> 5 years
Non-derivative financial liabilities measured at amortised cost							
Trade payables	526.7	526.7	0.0	514.6	11.8	0.0	0.3
Financial liabilities (current and non-current)	885.2	924.9	6.1	71.0	48.3	419.1	380.4
Other liabilities (current and non-current)	269.4	269.4	0.1	193.8	19.6	49.1	6.8
Operating expenses not yet invoiced	937.9	937.9	0.0	937.9	0.0	0.0	0.0
Total cash outflow		**2 658.9**	**6.2**	**1 717.3**	**79.7**	**468.2**	**387.5**
Derivative financial instruments							
Net carrying amount of energy derivatives	132.5						
Gross cash inflow		19 998.4	9 401.6	1 761.9	3 631.5	4 560.0	643.4
Gross cash outflow		16 858.5	9 286.5	1 386.4	2 647.6	2 970.7	567.3
Net carrying amount of currency forward contracts	12.8						
Gross cash inflow		4 183.7	5.8	705.2	1 154.7	2 318.0	0.0
Gross cash outflow		4 184.6	4.1	712.0	1 087.8	2 380.7	0.0
Net carrying amount of other derivative financial instruments	–22.9						
Gross cash inflow		36.2	0.0	2.3	7.0	26.9	0.0
Gross cash outflow		26.0	0.0	1.7	2.3	22.0	0.0
Total net cash (inflow) outflow		**–3 149.2**	**–116.8**	**–369.3**	**–1 055.5**	**–1 531.5**	**–76.1**

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2015

CHF million	Carrying amount	Cash flows	at sight	< 3 mths	3–12 mths	1–5 years	> 5 years
Non-derivative financial liabilities measured at amortised cost							
Trade payables	552.3	552.3	0.0	540.9	11.4	0.0	0.0
Financial liabilities (current and non-current)	1 089.3	1 178.7	3.8	312.8	62.0	370.8	429.3
Other liabilities (current and non-current)	286.1	286.1	8.2	215.6	31.4	17.4	13.5
Operating expenses not yet invoiced	1 026.0	1 026.0	0.0	1 026.0	0.0	0.0	0.0
Total cash outflow		**3 043.1**	**12.0**	**2 095.3**	**104.8**	**388.2**	**442.8**
Derivative financial instruments							
Net carrying amount of energy derivatives	572.4						
Gross cash inflow		18 538.8	9 769.7	1 522.7	3 140.4	3 626.0	480.0
Gross cash outflow		15 638.4	9 367.6	1 261.2	2 114.5	2 185.7	709.4
Net carrying amount of currency forward contracts	138.7						
Gross cash inflow		3 642.0	718.8	1 286.0	763.5	873.7	0.0
Gross cash outflow		3 573.2	751.0	1 267.4	767.8	787.0	0.0
Net carrying amount of other derivative financial instruments	36.7						
Gross cash inflow		256.3	0.0	256.3	0.0	0.0	0.0
Gross cash outflow		219.9	0.0	187.3	12.1	20.5	0.0
Total net cash (inflow) outflow		**–3 005.6**	**–369.9**	**–349.1**	**–1 009.5**	**–1 506.5**	**229.4**

Cash flows are not discounted for the maturity analysis. In accordance with the applicable standard, the liquidity risk relates exclusively to financial liabilities. In order to show the effective liquidity risk arising from derivative financial instruments, the cash inflow/outflow in the above table relates to contracts with positive and negative replacement values.

However, Axpo Trading Group enters into energy sales and purchase contracts, which are assigned to hedge or trading books in order to hedge energy production, long-term energy sales and purchase contracts assigned to own use books. As contracts assigned to own use books are executory contracts no cash flow is presented in the table above for these contracts, thus generating significant mismatches in cash inflow and outflow presentation. Moreover, in some cases, Axpo Trading Group enters into stack and roll hedges to hedge long-term contracts. These hedges are assigned to trading books. Cash flows from these hedges are not presented in the same time period as cash flows from long-term contracts.

Net result from financial assets and liabilities

CHF million	Income statement 2015/16	Other comprehensive income 2015/16	Income statement 2014/15	Other comprehensive income 2014/15
Net profit/losses included in revenues from sales of energy				
On financial assets and liabilities at fair value through profit or loss (held for trading)	–89.9	0.0	–92.0	0.0
On derivatives designated as hedges	222.2	–76.2	192.3	246.8
Net profit/losses included in other operating income				
On financial assets and liabilities at fair value through profit or loss (held for trading)	7.8	0.0	292.5	0.0
Net profit/losses included in the financial result				
On financial assets and liabilities at fair value through profit or loss (held for trading)	0.5	0.0	17.7	0.0
On derivatives designated as hedges	0.0	18.2	0.0	3.5
On loans and receivables	–9.0	0.0	–8.9	0.0
On available-for-sale financial assets	0.1	–0.1	0.0	0.0
Interest income and expense				
Interest income from financial assets not accounted for at fair value through profit or loss	17.0	0.0	22.2	0.0
Interest expense from financial liabilities not accounted for at fair value through profit or loss	–37.0	0.0	–51.7	0.0
Currency effects on financial assets and liabilities				
Currency effects on financial assets and liabilities	–12.7	0.0	–87.3	0.0

Three-level hierarchy

The fair value of derivative financial instruments is dependent on the development of the underlying market factors. For the measurement of derivatives, prices from active markets, such as stock exchange prices, are used where possible. The relevant fair values are calculated and monitored at regular intervals. If there are no such prices available, fair value is determined using measurement methods accepted and customary in the markets. If available, observable market data are used as input factors. If no observable market data are available, company-specific valuation assumptions are applied. The fair value calculated for all derivative financial instruments is the price at which one party would take over the rights and/or obligations of another party.

Forward contracts and derivatives are measured based on the following general principles:
- Electricity, gas, oil, coal, certificates and currency forward contracts are measured at the balance sheet date based on forward rates. The rates used are rates noted at the respective exchanges or provided by various brokers. If no published prices are available, internal measurement models are used.
- Futures are not measured, since due to the exchange listing they are offset daily via a margin account.

The following overview describes the key parameters used for the measurement of assets and liabilities at fair value. The individual Levels are defined in accordance with IFRS 13 as follows:

Level 1

Financial assets/liabilities measured using quoted and market prices in active markets (without adjustments or change in composition).

Level 2

Financial assets/liabilities measured using observable market data that flow either directly or indirectly (i.e. derived from prices) into the valuation models.

Level 3

Financial assets/liabilities whose value is determined using valuation methods where significant input parameters are based on non-observable data.

Three-level hierarchy as at 30 September 2016

CHF million	Level 1	Level 2	Level 3	Fair value[1]
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	48.2	2 417.4	158.3	2 623.9
Currency forward contracts	0.0	109.7	0.0	109.7
Derivatives designated as hedges				
Energy derivatives	0.0	256.4	0.0	256.4
Available-for-sale financial assets	0.0	2.0	0.1	2.1
Inventories	18.0	362.4	0.0	380.4
Assets not measured at fair value				
Other financial assets (non-current)	0.0	335.1	0.0	335.1
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	19.6	2 396.5	211.5	2 627.6
Currency forward contracts	0.0	96.9	0.0	96.9
Other derivative financial instruments	0.0	0.6	0.0	0.6
Derivatives designated as hedges				
Energy derivatives	0.0	120.3	0.0	120.3
Other derivative financial instruments	0.0	22.3	0.0	22.3
Liabilities not measured at fair value				
Financial liabilities (non-current)	0.0	754.1	0.0	754.1

1 Gross values without considering the netting agreements.

Three-level hierarchy as at 30 September 2015

CHF million	Level 1	Level 2	Level 3	Fair value[1]
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	33.3	1 957.2	144.4	2 134.9
Currency forward contracts	0.0	271.1	0.0	271.1
Other derivative financial instruments	0.0	73.4	0.0	73.4
Derivatives designated as hedges				
Energy derivatives	0.0	475.1	0.0	475.1
Available-for-sale financial assets	0.0	0.0	0.1	0.1
Held-for-sale assets	0.0	3.5	0.0	3.5
Inventories	0.0	373.8	0.0	373.8
Assets not measured at fair value				
Other financial assets (non-current)	0.0	198.9	0.0	198.9
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	26.4	1 778.1	161.4	1 965.9
Currency forward contracts	0.0	132.4	0.0	132.4
Derivatives designated as hedges				
Energy derivatives	0.0	71.7	0.0	71.7
Other derivative financial instruments	0.0	36.7	0.0	36.7
Liabilities not measured at fair value				
Financial liabilities (non-current)	0.0	751.6	0.0	751.6
Financial liabilities (current)	250.9	108.5	0.0	359.4

1 Gross values without considering the netting agreements.

The fair values of "Other financial assets (non-current)" and "Financial liabilities (non-current)" are equivalent to the net present value of the payments associated with these assets and liabilities, calculated using the interest rates which apply to the loans, or the current bond price of bonds issued without including the interest accrued.

Movements in Level 3 instruments

CHF million	Assets	Liabilities	Total
Balance as at 30.9.2014	**173.8**	**–178.8**	**–5.0**
Currency translation effect on opening balance	–2.4	5.6	3.2
Purchases	26.8	0.0	26.8
Profit or loss recognised in the income statement	–13.2	–34.7	–47.9
Transfer to Level 3	6.5	–7.2	–0.7
Transfer out of Level 3	–46.6	47.5	0.9
Currency translation effect on movements	–0.4	6.2	5.8
Balance as at 30.9.2015	**144.5**	**–161.4**	**–16.9**
Currency translation effect on opening balance	–2.2	–3.2	–5.4
Purchases	17.3	–0.3	17.0
Profit or loss recognised in the income statement	20.6	–55.2	–34.6
Transfer to Level 3	0.2	–0.3	–0.1
Transfer out of Level 3	–22.7	9.3	–13.4
Currency translation effect on movements	0.7	–0.4	0.3
Balance as at 30.9.2016	**158.4**	**–211.5**	**–53.1**

The table shows the financial instruments whose fair value is measured using valuation models in which significant parameters are based on non-observable market data. On initial recognition, financial instruments of this type are accounted for at fair value using the valuation model on day one, although this value may deviate from the transaction price. Any material deviation from the transaction price is accrued as a day-one profit or loss. The transfer from Level 3 to Level 2 relates to financial instruments whose measurement is now based on observable market data, and the transfer from Level 2 to Level 3 relates to financial instruments whose measurement is no longer based on observable market data. There were no transfers between Level 1 and 2 in the current financial year or the previous year.

A change in energy prices of +/– 10% would lead to an decrease/increase in fair value of Level 3 energy derivates of CHF –30.1 million (previous year: CHF 5.8 million) and CHF 28.2 million (previous year: CHF –9.9 million), respectively. In order to hedge long-term contracts assigned to Level 3. Axpo Trading Group enters into hedges possibly classified as Level 2. Thus the sensitivity analysis of Level 3 instruments does not include the offsetting effect from the hedging position.

Movements in day-one profits or losses

CHF million	Day-one loss	Day-one profit	Total
Balance as at 30.9.2014	**14.6**	**–83.5**	**–68.9**
Deferred profit/loss arising from new transactions	0.0	–26.8	–26.8
Profit or loss recognised in the income statement	–11.9	28.3	16.4
Currency translation effect	–2.0	4.2	2.2
Balance as at 30.9.2015	**0.7**	**–77.8**	**–77.1**
Deferred profit/loss arising from new transactions	0.3	–17.3	–17.0
Profit or loss recognised in the income statement	–0.3	8.8	8.5
Currency translation effect	0.0	0.4	0.4
Balance as at 30.9.2016	**0.7**	**–85.9**	**–85.2**

The table shows the accrued day-one profits or losses not yet recognised in the income statement and a reconciliation of changes.

The accrued day-one profits or losses are amortised based on the terms and conditions of the contract and are recognised in net sales from energy business. They are also reclassified to the income statement if the transaction is settled.

Profits and losses on Level 3 instruments including day-one profits or losses

CHF million	Net sales 2015/16	Net sales 2014/15
Total profit or loss for the financial year recognised in the income statement	–26.1	–31.5
Total profit or loss recognised in the income statement on financial instruments held at financial year end	–32.1	–32.4

7 | Changes in scope of consolidation

Company formation, acquisition and merger

Under the agreement dated 15 July 2015 and with economic effect from 15 October 2015, Axpo Trading Group acquired via the Group company Axpo Renewables Deutschland GmbH, 100.0 percent of the shares and thus control over Volkswind GmbH (with domicile in Ganderkesee) and its subsidiaries. The company is a leading wind farm developer and operator in Germany and France. During the reporting period, two wind farms of Volkswind Group portfolio were completed and two wind farms were developed. The respective companies were sold.

On 1 April 2016 Axpo Trading Group acquired the remaining 50.0 percent interest of Axpo Turkey Energji A.S. (fomerly Demirören Axpo Enerji Toptan Ticaret A.S.), resulting in a fully ownership of the company.

Acquired assets and liabilities

A fair value evaluation was conducted for the identified assets and liabilities. At the acquisition date the following values existed:

CHF million	Remarks	Fair value of assets acquired
Property, plant and equipment	16	167.1
Intangible assets	17	360.0
Investment associates	18	–13.9
Other assets (current and non-current)		95.7
Financial liabilities (current and non-current)		–127.6
Provisions (current and non-current)		–6.7
Other liabilities (current and non-current)		–126.3
Total net identifiable assets and liabilities at fair value		**348.3**
Non-controlling interests at fair value		–0.8
Goodwill acquired		0.8
Acquired cash and cash equivalents		–31.8
Deferred acquisition price		–32.5
Total cash outflow		**284.0**

The book value of the trade receivables corresponds to the market value. No impairment was recognised.

Since entering the scope of consolidation the newly purchased companies generated total income in the amount of CHF 113.9 million and earnings before tax of CHF 8.8 million.

The transaction costs in the amount of CHF 3.9 million were recognised in the income statement.

8 | Revenues from sales of energy

CHF million	2015/16	2014/15
Net sales from energy business	3 957.4	4 366.6
Income from energy trading	–89.9	–92.0
Other net sales	11.8	7.0
Total	**3 879.3**	**4 281.6**

In addition to consolidated net sales, there are also energy sales under ceded energy procurement rights and sub-participations. Revenues from so-called “quota transactions” are not included in the above total, since they are offset against any energy procurement also ceded. They amount to CHF 474.2 million (previous year: CHF 404.8 million; see Note 10 “Expenses for energy procurement and cost of goods purchased”).

9 | Other operating income

CHF million	2015/16	2014/15
Gains on disposal of group companies and associates	54.6	0.0
Income from currency forward contracts	8.6	292.5
Other operating income	49.9	41.1
Total	**113.1**	**333.6**

Gains/losses on disposal of group companies and associates relate to the sale of the four companies of the Volkswind Group which contained the newly developed wind farms.

10 | Expenses for energy procurement and cost of goods purchased

CHF million	2015/16	2014/15
Expenses for energy procurement from third parties and associates	–3 438.7	–3 823.7
Expenses for energy procurement from partner plants (Note 33)	–171.0	–183.1
Increase in provisions (excluding interest) for onerous energy procurement contracts (Note 29)	–175.3	–131.0
Reversal of provisions (excluding interest) for onerous energy procurement contracts (Note 29)	14.9	1.6
Total	**–3 770.1**	**–4 136.2**

Expenses for energy procurement from quota transactions are not included in the above total since they are offset against any revenues also ceded. They amount to CHF 474.2 million (previous year: CHF 404.8 million; see Note 8 “Revenues from sales of energy”).

11 | Personnel expenses

CHF million	2015/16	2014/15
Salaries and wages	–110.3	–103.4
Employee benefit expense for defined benefit plans (Note 32)	–9.6	–8.8
Employee benefit expense for defined contribution plans	–2.1	–2.0
Social security and other personnel expenses	–20.3	–16.8
Total	**–142.3**	**–131.0**
Number of employees at the balance sheet date:		
Full-time equivalents	859	745
Total	**859**	**745**

12 | Other operating expenses

CHF million	2015/16	2014/15 restated[1]
Charges, fees and capital taxes	–16.6	–15.5
Other operating expenses	–172.6	–151.5
Total	**–189.2**	**–167.0**

1 The dilution resulting from the capital increase in Swissgrid was reclassified from the financial result to the operating result (see Note 2 "Basis of accounting", "Voluntary changes in accounting policies").

Other operating expenses mainly include IT expenses, consulting expenses, brand license costs as well as rental expenses.

13 | Impairment losses, impairment reversals, depreciation, amortisation and provisions for onerous contracts

The further drop of wholesale prices on the European energy market in the reporting period 2015/16 and repeated lower assumptions regarding future market prices for Switzerland and associated cash flows resulted in additional impairment losses and provisions for onerous contracts. The impairment reversals for the production abroad are mainly related to the reduction of production expenses, which compensated the turnover loss from energy sales for some power plants.

Allocation of impairments losses, impairment reversals and provisions

CHF million			2015/16	2014/15
Production Switzerland	Property, plant and equipment	Impairment losses	–13.1	–42.2
Production abroad	Property, plant and equipment	Impairment losses	–2.4	–234.5
		Impairment reversals	162.7	17.4
Investments abroad	Intangible assets	Impairment losses	–0.9	0
Investments abroad	Other associates	Impairment losses	–6.5	–147.7
Investments abroad	Other non-current financial assets	Impairment losses	0.0	–166.2
		Impairment reversals	96.8	0
Assets held for sale abroad	Property, plant and equipment	Impairment losses	–0.2	0
Total impairment losses/reversals on assets			**236.4**	**–573.2**
	Property, plant and equipment	Depreciation	–27.8	–26.9
	Intangible assets	Amortisation	–49.4	–3.5
Total depreciation, amortisation and impairments			**159.2**	**–603.6**
Provisions for onerous contracts (net)			**–160.4**	**–129.4**

Impairment losses and impairment reversals on the associate Global Tech I Offshore Wind GmbH are booked at entity level for the first time in this reporting period and are included in the income statement in line item "Share of profit from partner plants and other associates" (see Note 18 "Investments in partner plants and other associates").

Goodwill is tested for impairment annually in the fourth quarter or any time if there is an indication of impairment. For property, plant and equipment, intangible assets (mainly rights for energy procurement and rights of use for concessions) and other associates, an impairment test is only conducted if there is any indication of impairment.

All impairment tests are based on a value-in-use calculation using a discounted cash flow (DCF) calculation. The evaluation of provisions for onerous energy procurement contracts is also based on a DCF-calculation consistent with the value-in-use calculation.

The recoverable amount calculated for the production Switzerland impaired in the current reporting period (property, plant and equipment and intangible assets) amounts to CHF 67.3 million (previous year: CHF 74.0 million), for production abroad (property, plant and equipment and intangible assets) to CHF 28.7 million (previous year: CHF 38.2 million) and for investments abroad (Goodwill, other associates and long-term financial investments) to CHF 38.3 million (previous year: CHF 324.5 million). The recoverable amount for the impairment reversals for the production abroad in the current reporting period (property, plant and equipment and intangible assets) amounts to CHF 350.3 million (previous year: CHF 63.0 million) and for investments abroad (Goodwill, other associates and long-term financial investments) CHF 334.6 million (previous year: CHF 0.0 million).

Value-in-use calculation – property, plant and equipment, intangible assets and other associates
Value-in-use calculations are performed for each power plant, energy procurement right or other associate. The time horizon for the calculation extends over the concession period or the operating life of the asset. For the first three years, the value-in-use corresponds to the present value of cash flows based on the budget planning. From year four, the projected cash flows used for the determination of the value-in-use are based on various assumptions related to the market development (see "Key assumptions").

Value-in-use calculation – partner plants and energy procurement contracts
Value- in-use calculations are performed for each partner plant or energy procurement contract. The time horizon for the calculation extends over the concession period or the term of the procurement contract and the operating life of the plant. The cash flows used for the value-in-use calculation are based on the budget planning for the first three years and from year four, the projected cash flows used are based on various assumptions (see "Key assumptions").

Value-in-use calculation – goodwill
The value-in-use corresponds to the present value of the budgeted cash flows for five years and a residual value without taking into account any growth rate. The projected cash flows used for the determination of the value-in-use are based on various assumptions (see "Key assumptions").

Key assumptions
The key assumptions are based on past experience and management's estimate of the market development. The significant assumptions used for the determination of the value-in-use and the evaluation of the provisions include forecasts of future electricity and gas prices, assumptions for the capital expenditures, the regulatory environment, growth rates, discount and exchange rates and forecasts for the proportional annual expenses for energy procurement costs (only for power plants and energy procurement contracts).

Discount rates
The discount rate is based on a WACC calculated using the Capital Asset Pricing Model (CAPM). The parameters used were determined considering the risk profile of the respective cash-generating unit. For the value-in-use calculation and the evaluation of the provisions for onerous energy procurement contracts, different discount rates were used for each production type and country. For goodwill testing a specific discount rate per subsidiary was applied.

in %	30.9.2016	30.9.2015
	After-tax real discount rate	After-tax real discount rate
Gas-fired combined-cycle power plants, Italy	4.4	4.2
Wind production, Italy	4.0	3.9
Wind production, France	3.2	3.1
Wind production, Germany	3.2	3.2
Hydraulic plants, Switzerland	4.0–4.3	4.0–4.3
Nuclear power plant, Switzerland	4.4	4.4
Long-term procurement contracts France	4.7	4.7
Goodwill Axpo Italia S.p.A.	4.8	4.7

Sensitivities

in %	30.9.2016	30.9.2015
	Break-even after-tax real discount rate	Break-even after-tax real discount rate
Axpo Italia S.p.A.	12.2	13.4

At a discount rate in the above presented amount the recoverable amount would correspond to the carrying amount of the goodwill.

14 | Financial result

CHF million	2015/16	2014/15 restated[1]
Interest income	17.3	22.8
Other financial income	2.5	25.2
Total financial income	**19.8**	**48.0**
Interest expense	–56.4	–60.0
Impairment losses on financial investments	–0.4	–1.9
Investment property expense	0.0	–0.1
Net exchange rate gains (losses)	–12.5	–87.0
Other financial expense	–11.1	–15.7
Total financial expense	**–80.4**	**–164.7**
Total	**–60.6**	**–116.7**

1 The dilution resulting from the capital increase in Swissgrid was reclassified from the financial result to the operating result (see Note 2 "Basis of accounting", "Voluntary changes in accounting policies").

Realised and unrealised gains and losses from other financial instruments are reported net in the line item "Other financial income" and "Other financial expense", respectively.

The interest expense of CHF 56.4 million (previous year: CHF 60.0 million) includes interest of CHF 9.4 million (previous year: CHF 5.4 million) on provisions for onerous energy procurement contracts and other provisions (see Note 29 "Provisions").

15 | Income taxes

CHF million	2015/16	2014/15
Current income taxes	–45.2	–24.9
Deferred income taxes	–42.5	–20.9
Total income taxes	**–87.7**	**–45.8**
Deferred taxes recognised in other comprehensive income	52.3	–8.8
Total income taxes recognised in other comprehensive income	**52.3**	**–8.8**

Current income taxes consist of taxes paid or due on the results of the individual companies for the financial year in accordance with local regulations, as well as charges and credits from previous periods.

Reconciliation between expected tax expense and effective tax expense

The expected income tax of CHF –0.1 million (previous year: CHF 114.9 million) can be reconciled to the effective income tax of CHF –87.7 million (previous year: CHF –45.8 million) as follows:

CHF million	2015/16	2014/15
Earnings before tax (EBT)	0.5	–534.2
Expected tax rate (ordinary tax rate at head office)	21.5%	21.5%
Income tax at expected tax rate	–0.1	114.9
Non-tax-deductible expenses	–1.4	–53.5
Effect from previous periods	0.8	0.0
Effect of tax rate changes	10.0	0.0
Effect of income not subject to tax or tax privileged	62.9	12.2
Effect on waiver of debt from shareholder	–36.5	0.0
Unrecorded tax-loss carry forward	–63.0	–82.1
Earnings taxable at different tax rates	6.9	–24.1
Reassessment of deferred tax assets	–64.6	–13.6
Other effects	–2.7	0.4
Total income taxes (current and deferred)	**–87.7**	**–45.8**

Deferred taxes by origin of temporary differences

CHF million	Assets 30.9.2016	Liabilities 30.9.2016	Assets 30.9.2015	Liabilities 30.9.2015
Property, plant and equipment	82.3	25.6	134.8	19.3
Intangible assets	0.3	93.1	0.2	0.9
Investments	2.5	34.4	0.4	45.7
Derivative financial instruments (current and non-current)	0.0	62.1	0.0	111.0
Other assets (non-current)	0.0	1.2	0.8	0.9
Trade receivables	13.1	0.0	14.1	1.5
Other receivables (current)	4.9	2.0	0.6	12.2
Provisions (current and non-current)	3.7	141.6	1.6	195.6
Derivative financial instruments (current and non-current)	41.9	0.0	28.6	0.0
Other liabilities (non-current)	9.5	0.0	11.6	0.0
Other liabilities (current)	1.5	0.2	18.9	0.6
Tax-loss carry forwards capitalised	83.0	0.0	153.4	0.0
Deferred taxes, gross	**242.7**	**360.2**	**365.0**	**387.7**
Offsetting of assets and liabilities	–197.0	–197.0	–326.4	–326.4
Deferred taxes, net	**45.7**	**163.2**	**38.6**	**61.3**

Expiry dates of tax-loss carry forwards for which no deferred tax assets are recognised

CHF million	30.9.2016	30.9.2015
Expiring in the following year	0.8	1.1
Expiring within 1 to 5 years	498.0	0.4
Expiring in more than 5 years	849.1	656.7
Total	**1 347.9**	**658.2**

16 | Property, plant and equipment

CHF million	Power plants	Land and buildings	Other property, plant and equipment	Assets under construction	Total
Acquisition cost					
Balance as at 30.9.2014	**1 449.1**	**32.7**	**19.3**	**42.5**	**1 543.6**
Additions (investments)	4.1	0.0	0.6	6.8	11.5
Disposals	0.0	0.0	–0.5	0.0	–0.5
Reclassification to "assets held for sale"	0.0	–10.4	0.0	0.0	–10.4
Reclassifications	–0.5	0.0	0.8	–1.4	–1.1
Currency translation effect	–111.6	–1.2	–0.7	–4.0	–117.5
Balance as at 30.9.2015	**1 341.1**	**21.1**	**19.5**	**43.9**	**1 425.6**
Change in scope of consolidation	161.1	5.6	0.4	0.0	167.1 [1]
Additions (investments)	14.4	0.0	1.2	14.0	29.6
Disposals	–21.5	0.0	–0.8	0.0	–22.3
Reclassifications	18.8	0.0	5.9	–12.3	12.4
Currency translation effect	–4.4	0.0	–0.1	–0.2	–4.7
Balance as at 30.9.2016	**1 509.5**	**26.7**	**26.1**	**45.4**	**1 607.7**
Accumulated depreciation					
Balance as at 30.9.2014	**–925.7**	**–14.6**	**–12.6**	**–36.2**	**–989.1**
Depreciation in the reporting period	–24.6	–0.5	–1.8	0.0	–26.9
Impairment losses	–275.6 [2]	–1.1	0.0	0.0	–276.7
Impairment reversals	17.4	0.0	0.0	0.0	17.4
Disposals	0.0	0.0	0.3	0.0	0.3
Reclassifications	0.0	6.9	0.0	0.0	6.9
Currency translation effect	73.9	0.6	0.5	3.9	78.9
Balance as at 30.9.2015	**–1 134.6**	**–8.7**	**–13.6**	**–32.3**	**–1 189.2**
Depreciation in the reporting period	–23.4	–0.6	–3.8	0.0	–27.8
Impairment losses	–5.6	–7.7	0.0	–2.2	–15.5
Impairment reversals	162.7 [3]	0.0	0.0	0.0	162.7
Disposals	1.8	0.0	0.7	0.0	2.5
Reclassifications	–3.9	0.0	–1.0	0.0	–4.9
Currency translation effect	2.7	0.0	0.0	0.1	2.8
Balance as at 30.9.2016	**–1 000.3**	**–17.0**	**–17.7**	**–34.4**	**–1 069.4**
Carrying amount as at 1.10.2014	523.4	18.1	6.7	6.3	554.5
Carrying amount as at 30.9.2015	**206.5**	**12.4**	**5.9**	**11.6**	**236.4**
Carrying amount as at 1.10.2015	206.5	12.4	5.9	11.6	236.4
Carrying amount as at 30.9.2016	**509.2**	**9.7**	**8.4**	**11.0**	**538.3**

1 The "Change in scope of consolidation" contains the acquisition of Volkswind GmbH and its subsidiaries.
2 In the prior year, Axpo Trading AG recognised in the separate financial statements provisions for onerous energy procurement contracts instead of an impairment loss on the production facilities.
3 The impairment reversals relate to the power plants and wind farms in Italy. Axpo Trading AG released in the separate financial statements provisions for onerous energy procurement contracts instead of booking a reversal on the impairment loss on the production facilities.

Assets held for sale

In the previous year it was decided to sell land in Italy that was previously acquired in the context of a power plant project which was subsequently abandoned. The land has now been sold.

17 | Intangible assets

CHF million	Energy procurement rights, rights of use for facilities and concessions	Goodwill	Other	Total
Acquisition cost				
Balance as at 30.9.2014	**27.5**	**87.5**	**94.2**	**209.2**
Additions (investments)	0.4	0.0	3.2	3.6
Disposals	0.0	0.0	–1.9	–1.9
Currency translation effect	–2.0	–8.3	–5.0	–15.3
Balance as at 30.9.2015	**25.9**	**79.2**	**90.5**	**195.6**
Change in scope of consolidation	359.9	0.0	0.1	360.0
Additions (investments)	0.0	1.1	3.2	4.3
Disposals	–25.4	0.0	–4.7	–30.1
Reclassifications	0.0	0.0	0.4	0.4
Currency translation effect	–1.1	–0.7	–0.2	–2.0
Balance as at 30.9.2016	**359.3**	**79.6**	**89.3**	**528.2**
Accumulated amortisation				
Balance as at 30.9.2014	**–18.7**	**–5.4**	**–87.8**	**–111.9**
Amortisation in reporting period	–0.5	0.0	–3.0	–3.5
Disposals	0.0	0.0	1.9	1.9
Currency translation effect	1.6	0.6	4.6	6.8
Balance as at 30.9.2015	**–17.6**	**–4.8**	**–84.3**	**–106.7**
Amortisation in reporting period	–46.6	0.0	–2.8	–49.4
Impairment losses	–0.9	0.0	0.0	–0.9
Disposals	25.4	0.0	4.7	30.1
Reclassifications	–1.1	0.0	–0.2	–1.3
Currency translation effect	0.1	0.0	0.2	0.3
Balance as at 30.9.2016	**–40.7**	**–4.8**	**–82.4**	**–127.9**
Carrying amount as at 1.10.2014	8.8	82.1	6.4	97.3
Carrying amount as at 30.9.2015	**8.3**	**74.4**	**6.2**	**88.9**
Carrying amount as at 1.10.2015	8.3	74.4	6.2	88.9
Carrying amount as at 30.9.2016	**318.6**	**74.8**	**6.9**	**400.3**

Disposal

The disposal of CHF 25.4 million relates to the sale of four newly developed wind farms of the Volkswind Group portfolio.

18 | Investments in partner plants and other associates

CHF million	Partner plants	Other associates	Total
Carrying amount as at 30.9.2015	**190.8**	**123.2**	**314.0**
Change in scope of consolidation	0.0	–13.9	–13.9
Additions	0.0	20.0	20.0
Impairment losses	0.0	–18.6	–18.6
Dividend	–5.2	–19.7	–24.9
Share of profit	5.4	37.8	43.2
Cash flow hedges (other comprehensive income)	0.0	1.1	1.1
Currency translation differences (other comprehensive income)	0.0	0.9	0.9
Remeasurement defined benefit plans (other comprehensive income)	0.4	0.6	1.0
Deferred tax (other comprehensive income)	–0.1	–4.6	–4.7
Foreign currency translation	0.0	–0.3	–0.3
Carrying amount as at 30.9.2016	**191.3**	**126.5**	**317.8**

All significant partner plants and other associates are measured using uniform principles in accordance with IFRS. Where no financial statements prepared in accordance with IFRS were available, a reconciliation to IFRS accounts was prepared.

The reporting date of certain partner plants and other associates deviates from that of Axpo Trading Group. The most recent financial statements available for these companies were used for the preparation of the consolidated financial statements of Axpo Trading Group. Adjustments were made in the consolidated financial statements for the effect of significant transactions and events which took place between the balance sheet date of the most recent financial statements and 30 September.

Impairment losses and impairment reversals

Impairment losses and impairment reversals on the associate Global Tech I Offshore Wind GmbH are booked at entity level for the first time. The impairment reversal of the current reporting period is included in the line item “Share of profit” and in the income statement in the line item “Share of profit from partner plants and other associates”, respectively.

For Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l., a possible negative or positive carrying amount of the investment after consolidation of the share of profit is reclassified to long-term loan receivables. The reclassification of the net effects of CHF –12.4 million and CHF 0.3 million in the reporting period for Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l., respecitvely, were booked in the line item “Impairment losses” (see Note 20 “Other financial assets”).

Partner plants

Shareholders in partner plants have obliged themselves reciprocally within the scope of the partnership agreements to purchase the pro rata output of energy produced and to pay the pro rata annual costs (including interest and repayment of loans) during the term of the concession. The partnership agreements run for the useful life of the power plant or for the duration of the concession and cannot be terminated. A list of partner plants can be found in the Note 37 “Investments”.

The proportional annual costs for Axpo Trading Group amount to CHF 171.0 million (previous year: CHF 183.1 million). These costs are included in expenses for energy procurement costs and cost of goods purchased (see Note 10, “Expenses for energy procurement and cost of goods purchased”). Details of the equity-accounted partner plants are given in the annual reports of the individual partner plants.

Owners of nuclear power plants have a proportional obligation to make additional contributions to the Decommissioning and Waste Disposal Fund in the event that one of the primary obligated parties is unable to meet its payment obligations.

Other associates

Axpo Trading Group holds material investments in Società EniPower Ferrara S.r.l. and Global Tech I Offshore Wind GmbH. A list of other associates is included in the Note 37 “Investments”.

The additions to “Other associates” can be mainly attributed to a capital increase which was carried out at the Trans Adriatic Pipeline AG in the amount of CHF 11.5 million (proportionately). Further a 25% stake was acquired of the Portuguese Gold Energy-Comercializadora de Energía S.A., for which the capital was additionally increased during the reporting period.

The tables below summarise the financial information of the material investments in other associates mentioned before, as included in their own financial statements and adjusted to comply with IFRS.

Financial information of material other associates

CHF million	Gross value 30.9.2016		Gross value 30.9.2015	
	Global Tech I Offshore Wind GmbH	Società EniPower Ferrara S.r.l.	Global Tech I Offshore Wind GmbH	Società EniPower Ferrara S.r.l.
Balance sheet				
Other assets (non-current)	1 454.3	391.4	2 170.8	422.1
Cash and cash equivalents and financial receivables (current)	70.6	64.7	3.2	65.1
Other receivables (current)	26.9	0.0	100.0	0.0
Total assets	**1 551.8**	**456.1**	**2 274.0**	**487.2**
Financial liabilities (non-current)	1 577.5	207.3	1 678.7	237.7
Provisions (non-current)	18.9	0.0	132.4	0.0
Other liabilities (non-current)	0.0	0.0	50.4	0.0
Financial liabilities (current)	115.0	0.0	0.0	0.0
Provisions (current)	58.8	0.0	0.0	0.0
Other liabilities (current)	10.8	0.9	14.3	0.0
Equity	–229.2	247.9	398.2	249.5
Total equity and liabilities	**1 551.8**	**456.1**	**2 274.0**	**487.2**
Share (in %)	24.10%	49.00%	24.10%	49.00%
Accumulated impairments	0.0	–121.5	–96.0	–122.2
Negative equity value adjustment	55.2	0.0	0.0	0.0
Carrying amount of the investment	**0.0**	**0.0**	**0.0**	**0.0**

CHF million	Gross value 2015/16		Gross value 2014/15	
	Global Tech I Offshore Wind GmbH	Società EniPower Ferrara S.r.l.	Global Tech I Offshore Wind GmbH	Società EniPower Ferrara S.r.l.
Income statement				
Income	259.5	189.3	83.9	214.8
Expenses	–191.3	–157.1	–52.3	–189.7
Profit	68.2	32.2	31.6	25.1
Statement of comprehensive income				
Other comprehensive income	–16.7	0.0	–39.8	0.0
Total comprehensive income	51.5	32.2	–8.2	25.1
Share (in %)	24.10%	49.00%	24.10%	49.00%
Share of profit	16.4	15.8	7.6	12.3
Share of other comprehensive income	–4.0	0.0	–9.6	0.0
Share of total comprehensive income	12.4	15.8	–2.0	12.3

Axpo Trading Group sells the energy produced by Società EniPower Ferrara S.r.l. in proportion to its participation share through means of a tolling contract, thus bearing the energy price risk. Therefore, Società EniPower Ferrara S.r.l. as the energy generator is not impacted by the persistently low wholesale prices on the European energy market, but the respective losses are borne by Axpo Trading Group. For this reason the impairment for the Società EniPower Ferrara S.r.l. investment is booked at shareholder level.

Global Tech I Offshore GmbH on the other hand bears price risks, volume risks and other risks by itself. For this reason the impairment for the Global Tech I Offshore GmbH investment is booked at entity level. However, in the 2014/15 reporting period Axpo Trading Group carried out an impairment test applying the assumptions and estimates of Axpo Management. The impairment loss was booked at shareholder level.

The table below shows the aggregated financial information for the other, individually immaterial investments in partner plants and other associates (proportional):

Financial information for individually immaterial partner plants and other associates 2015/16

CHF million	Individually disclosed investments aggregated[1]	Partner plants	Other associates	Total
Carrying amount of the investments	0.0	191.3	126.5	317.8
Balance sheet				
Financial receivables (non-current)	0.0	33.3	4.4	37.7
Other assets (non-current)	542.3	844.3	403.9	1 790.5
Cash and cash equivalents and financial receivables (current)	48.7	28.5	44.9	122.1
Other receivables (current)	6.5	30.3	76.0	112.8
Total assets	**597.5**	**936.4**	**529.2**	**2 063.1**
Financial liabilities (non-current)	481.8	446.2	290.3	1 218.3
Provisions (non-current)	4.6	183.5	8.2	196.3
Other liabilities (non-current)	0.0	12.5	25.7	38.2
Financial liabilities (current)	27.7	62.7	8.2	98.6
Provisions (current)	14.2	3.0	1.5	18.7
Other liabilities (current)	3.0	37.2	89.5	129.7
Equity	66.2	191.3	105.8	363.3
Total equity and liabilities	**597.5**	**936.4**	**529.2**	**2 063.1**
Income statement				
Income	155.3	221.9	97.5	474.7
Expenses	–123.1	–216.5	–91.9	–431.5
Profit	**32.2**	**5.4**	**5.6**	**43.2**
Statement of comprehensive income				
Other comprehensive income	–4.0	0.3	2.0	–1.7
Total comprehensive income	28.2	5.7	7.6	41.5

1 The individually disclosed investments aggregated include the values of Societa EniPower Ferrara S.r.l. and Global Tech I Offshore Wind GmbH proportionately to the Group's share.

Financial information for individually immaterial partner plants and other associates 2014/15

CHF million	Individually disclosed investments aggregated[1]	Partner plants	Other associates	Total
Carrying amount of the investments	0.0	190.8	123.2	314.0
Balance sheet				
Financial receivables (non-current)	0.0	35.5	1.2	36.7
Other assets (non-current)	730.0	888.1	355.0	1 973.1
Cash and cash equivalents and financial receivables (current)	32.6	30.3	15.7	78.6
Other receivables (current)	24.1	24.2	67.4	115.7
Total assets	**786.7**	**978.1**	**439.3**	**2 204.1**
Financial liabilities (non-current)	521.0	465.9	238.8	1 225.7
Provisions (non-current)	31.9	200.1	10.2	242.2
Other liabilities (non-current)	12.2	10.7	27.4	50.3
Financial liabilities (current)	0.0	28.5	5.6	34.1
Provisions (current)	0.0	1.0	0.2	1.2
Other liabilities (current)	3.4	81.2	57.5	142.1
Equity	218.2	190.7	99.6	508.5
Total equity and liabilities	**786.7**	**978.1**	**439.3**	**2 204.1**
Income statement				
Income	125.5	206.1	122.6	454.2
Expenses	–105.6	–200.6	–114.6	–420.8
Profit	**19.9**	**5.5**	**8.0**	**33.4**
Statement of comprehensive income				
Other comprehensive income	–9.6	–4.9	–3.5	–18.0
Total comprehensive income	10.3	0.6	4.5	15.4

1 The individually disclosed investments aggregated include the values of Societa EniPower Ferrara S.r.l. and Global Tech I Offshore Wind GmbH proportionately to the Group's share.

19 | Subsidiaries with material non-controlling interests

A list of subsidiaries can be found in the Note 37 “Investments”. Axpo Trading Group holds Calenia Energia S.p.A., which has material non-controlling interests. The table below summarises the financial information of this subsidiary. The information represents amounts as included in the subsidiary’s financial statements before any intercompany eliminations.

CHF million	2015/16	2014/15
	Calenia Energia S.p.A.	Calenia Energia S.p.A.
Non-controlling interests (in %)	15.00%	15.00%
Balance sheet		
Non-current assets	312.6	305.8
Current assets	81.4	85.3
Non-current liabilities	183.8	211.9
thereof non-current financial liabilities	163.5	183.2
Current liabilities	67.7	61.0
thereof current financial liabilities	24.1	23.0
Equity	142.5	118.2
Equity attributable to Axpo Trading Group shareholders	121.1	100.5
Equity attributable to non-controlling interests	21.4	17.7
Income statement		
Total income	76.2	85.3
Operating expenses	–21.8	–31.2
Depreciation, amortisation and impairments	–17.3	–17.0
Financial result	–10.8	–11.7
Income tax expense	–6.8	–5.8
Profit of the period	**19.5**	**19.6**
Profit of the period attributable to Axpo Trading Group shareholders	16.6	16.7
Profit of the period attributable to non-controlling interests	2.9	2.9
Statement of comprehensive income		
Total comprehensive income	24.4	13.8
Total comprehensive income attributable to Axpo Trading Group shareholders	20.7	11.7
Total comprehensive income attributable to non-controlling interests	3.7	2.1
Dividends paid to non-controlling interests	0.0	0.0
Cash flow statement		
Cash flows from operating activities	39.6	39.5
Cash flows from investing activities	–14.8	–6.2
Cash flows from financing activities	–35.6	–33.5
Currency translation effect	–0.1	–4.3
Change in cash and cash equivalents	**–10.9**	**–4.5**

20 | Other financial assets

CHF million	30.9.2016	30.9.2015
Available-for-sale financial assets	2.1	0.1
Loans	387.7	353.7
Impairment allowances on loans	–59.2	–166.2
Total	**330.6**	**187.6**

All other equity investments are classified as “available-for-sale” and are measured at fair value with changes in fair value recognised in other comprehensive income.

The prior owners were compensated for the transfer of their transmission systems to Swissgrid AG based on the provisional transfer values. Seventy percent of the compensation paid in 2013 took the form of loans to Swissgrid AG (see also Note 5 “Estimation uncertainties and significant judgements in the application of accounting policies”, section “Transmission systems”). The loans include a unilateral conversion right of Swissgrid AG to convert the loan into Swissgrid AG shares in the event certain conditions arise.

Impairment on loans

Based on the impairment review performed for the investments in Società EniPower Ferrara S.r.l. and Global Tech I Offshore Wind GmbH impairment reversals were booked on the respective long-term loans in the amount of CHF 96.8 million and CHF 12.4 million, respectively (previous year: impairment loss of CHF 97.9 million and CHF 68.3 million, respectively). As both loans have equity nature, impairment losses and impairment reversals were recognised in the operating result. The impairment reversal on the loan with Società EniPower Ferrara S.r.l. was booked in the line item “Depreciation, amortisation and impairments” whereas the impairment reversal on the loan with Global Tech I Offshore Wind GmbH was presented in line item “Share profit of partner plants and other associates”.

For Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l. a possible negative or positive carrying amount of the investment after consolidation of the share of profit is reclassified to long-term loan receivables. The reclassification of the net effects of CHF 12.4 million and CHF –0.3 million for Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l., respectively, were booked in the line item “Impairment allowances on loans” (see Note 18 “Investments in partner plants and other associates”).

Non-current loan receivables (carrying amount > CHF 10 million) outstanding at the balance sheet date

CHF million	Maturity date	Interest rate % 30.9.2016	Carrying amount 30.9.2016	Carrying amount 30.9.2015
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	31.12.2016	0.0%	0.0	14.1
Global Tech I Offshore Wind GmbH	31.12.2030	6.0% resp. 10.0%	56.0	33.8
Società EniPower Ferrara S.r.l.	20.06.2023	1.04% [1]	100.7	19.3
Swissgrid AG	03.01.2022	3.93%	71.3	71.3
Terravent AG	31.03.2042	0.75%	13.8	13.8
Trans Adriatic Pipeline AG	12.02.2038	2.00% [2]	44.0	20.9
Total			**285.8**	**173.2**

1 Variable interest rate linked to 6-month EURIBOR plus 1.2%.
2 Variable interest rate linked to EUR 12-month interest rate for cross-border shareholder loans.

21 | Inventories

CHF million	30.9.2016	30.9.2015
Work in progress	18.5	0.0
Inventories held for own use	6.4	16.6
Gas inventories held for trading	183.8	204.8
Certificates held for trading	196.6	169.0
Total	**405.3**	**390.4**

Wind farms from the Volkswind Group portfolio, which are developed with the intention of selling them, are presented as “Work in progress” in inventories.

Certificates and gas inventories acquired for resale in the near term with a view to generating a profit from fluctuations in price or dealer’s margins are measured at fair value less costs to sell. Inventories held for own use include materials, certificates and inventories of other energy sources held for own use and is measured at the lower of cost or net realisable value.

In case that at the time of purchase it is not yet certain whether these certificates will be used for own use or resold, depending on the market situation, they are allocated to a trading book and measured at fair value.

22 | Trade receivables

CHF million	30.9.2016	30.9.2015
Trade receivables	729.7	809.5
Impairment allowances for bad debts	–83.6	–78.5
Total	**646.1**	**731.0**

The necessary allowances for bad debts were calculated based on past experience and based on an assessment of individual receivables. A detailed analysis of trade receivables and allowances for bad debts is presented in Note 6 "Financial risk management".

23 | Financial receivables (current)

CHF million	30.9.2016	30.9.2015
Financial receivables	359.1	406.0
Total	**359.1**	**406.0**
thereof Cash Pool with Axpo Holding AG	342.6	394.1

24 | Other receivables (current and non-current)

CHF million	30.9.2016	30.9.2015
Receivables from pension plans	3.6	3.1
Other (financial instruments)	73.1	75.6
Other (non-financial instruments)	75.9	59.1
Impairment allowances on financial instruments	–38.0	–38.0
Total non-current other receivables	**114.6**	**99.8**
Advance payments to suppliers (non-financial instruments)	130.1	69.0
Revenues not yet invoiced	932.4	1 049.9
Other (financial instruments)	343.8	208.7
Other (non-financial instruments)	156.9	219.9
Total current other receivables	**1 563.2**	**1 547.5**
Total	**1 677.8**	**1 647.3**

Revenues not yet invoiced relate to energy supplied in traditional energy business and in energy trading. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The offset receivables and payables included in revenues not yet invoiced and in operating expenses not yet invoiced amount to CHF 1,085.5 million (previous year: CHF 1,327.0 million; see Note 31 "Other liabilities").

25 | Cash and cash equivalents

CHF million	30.9.2016	30.9.2015
Petty cash and cash at banks	425.2	438.8
Short-term investments	0.2	0.0
Total	**425.4**	**438.8**

At the end of the reporting period, cash and cash equivalents held in Swiss francs and euros amounted to CHF 13.0 million (previous year CHF 95.8 million) and CHF 292.6 million (previous year: CHF 296.7 million), respectively.

Further Axpo Trading AG inserted cash into the Cash Pool with Axpo Holding AG in the amount of CHF 342.6 million (previous year: CHF 394.1 million, see Note 23 "Financial receivables").

26 | Equity

Equity
In the reporting period the share capital of Axpo Trading AG was increased in the amount of CHF 230.0 million (previous year: CHF 750.0 million) and 4,600,000 bearer shares were issued at nominal value (previous year: 15,000,000 bearer shares), resulting in a share capital of CHF 1,112.0 million, which is divided into 22,240,000 fully paid-up bearer shares issued with a par value of CHF 50.00 per share. Axpo Trading AG is a wholly owned subsidiary of Axpo Holding AG, Baden.

Retained earnings
The retained earnings consist of legal and statutory reserves, undistributable profits of previous years, emission duty for paid in capital and accumulated remeasurements on pension liabilities. In the 2015/16 financial year a waiver for a loan granted by Axpo Holding AG in the amount of CHF 171.6 million was recognised as a capital contribution in retained earnings. The calculation of the maximum distributable part of the retained earnings is based on the statutory financial statements of Axpo Trading AG.

Own shares
Axpo Trading AG and its subsidiaries do not hold any own shares.

Other retained earnings

CHF million	Reserves from hedge accounting	Unrealised gains or losses	Foreign currency translation reserve	Total
Balance as at 30.9.2014	**272.1**	**0.0**	**–308.7**	**–36.6**
Foreign currency translation			–89.6	–89.6
Cash flow hedges				
Fair value adjustments	248.5			248.5
Gains (–)/losses (+) transferred to the income statement	–192.3			–192.3
Deferred tax/income tax thereon	–15.3	0.0		–15.3
Total comprehensive income, net of tax	**40.9**	**0.0**	**–89.6**	**–48.7**
Balance as at 30.9.2015	**313.0**	**0.0**	**–398.3**	**–85.3**
Foreign currency translation			0.3	0.3
Available-for-sale financial assets				
Fair value adjustments		–0.1		–0.1
Gains (–)/losses (+) transferred to the income statement		0.0		0.0
Cash flow hedges				
Fair value adjustments	–59.3			–59.3
Gains (–)/losses (+) transferred to the income statement	–222.2			–222.2
Deferred tax/income tax thereon	55.9	0.0		55.9
Total comprehensive income, net of tax	**–225.6**	**–0.1**	**0.3**	**–225.4**
Balance as at 30.9.2016	**87.4**	**–0.1**	**–398.0**	**–310.7**

Reserves from hedge accounting
The reserves from hedge accounting include the effective portion of the cumulative net change in fair value of derivatives designated as cash flow hedging instruments (cash flow hedge), for which the hedged item has not yet been realised in the profit or loss account and thus their realisation was not yet recycled to profit or loss.

Unrealised gains or losses
The changes in fair value on available-for-sale investments are recognised in unrealised gains or losses until their realisation or until an impairment booking is necessary.

Foreign currency translation reserve
The foreign currency translation reserve contains the currency differences from the translation of financial statements in foreign currencies from subsidiaries and associates.

27 | Financial liabilities (non-current)

CHF million	30.9.2016	30.9.2015
Bonds	228.4	50.0
Non-current loans	538.9	681.2
Total	**767.3**	**731.2**
Maturities at the end of the financial year:		
Due within 1 to 5 years	365.1	313.5
Due in more than 5 years	402.2	417.7
Total	**767.3**	**731.2**

In the reporting period Axpo Holding AG granted a waiver of debt for a loan in the amount of CHF 171.6 million. The resulting gain was recognised as a capital contribution in retained earnings.

Non-current loans (carrying amount > CHF 10 million) outstanding at the balance sheet date

CHF million	Maturity date	Interest rate % 30.9.2016	Carrying amount 30.9.2016	Carrying amount 30.9.2015
Agent BNP Paribas Milano	30.11.2019	1.05%	159.2	183.3
Agent BNP Paribas Milano	30.06.2023	1.02%	237.0	256.7
Graubündner Kantonalbank	02.08.2022	2.42%	20.0	20.0
PAX, Schweizerischen Lebensversicherungsgesellschaft AG	13.08.2020	2.25%	20.0	20.0
Axpo Holding AG	03.01.2022	0.00%	0.00	171.6
Total			**436.2**	**651.6**

The interest rate risk on loans in the amount of CHF 443.7 million (previous year: CHF 427.8 million) is hedged through interest rate swaps (see Note 6 “Financial risk management”, “Interest-bearing financial assets and liabilities”).

Bonds outstanding at the balance sheet date

CHF million	Maturity date	Interest rate % 30.9.2016	Carrying amount 30.9.2016	Carrying amount 30.9.2015
Albula-Landwasser Kraftwerke AG	28.05.2018	3.75%	10.0	10.0
Albula-Landwasser Kraftwerke AG	13.08.2025	2.63%	20.0	20.0
Albula-Landwasser Kraftwerke AG	16.08.2030	2.68%	20.0	20.0
Axpo International S.A.	04.03.2026	2.00%	4.4	0.0
Axpo International S.A.	04.03.2028	2.38%	10.9	0.0
Axpo International S.A.	04.03.2036	3.00%	163.1	0.0
Total			**228.4**	**50.0**

28 | Other liabilities (non-current)

CHF million	30.9.2016	30.9.2015
Employee benefit liability (Note 32)	42.9	47.7
Other (financial instruments)	55.8	30.9
Other (non-financial instruments)	97.7	79.0
Total	**196.4**	**157.6**
Maturities at the end of the financial year:		
Due within 1 to 5 years	105.4	60.6
Due in more than 5 years	91.0	97.0
Total	**196.4**	**157.6**

Other non-current liabilities mainly relate to the sale of electricity procurement rights. Payments received are recognised as a liability and are subsequently reclassified to the income statement over the life of the rights.

In addition, other non-current liabilities include day-one profits resulting from long-term contracts whose valuation is partly based on non-observable input data (see Note 6 “Financial risk management”).

29 | Provisions

CHF million	Onerous energy procurement contracts	Other provisions	Total
Balance as at 30.9.2015	**268.7**	**32.0**	**300.7**
Change in scope of consolidation	0.0	4.5	4.5[1]
Increase in provisions	175.3	26.0	201.3
Interest	9.2	0.2	9.4
Reversal of provisions	–14.9	–6.0	–20.9
Usage of provisions (cash relevant)	–1.3	–10.9	–12.2
Usage of provisions (not cash relevant)	–17.2	0.0	–17.2
Reclassifications	–1.4	0.5	–0.9
Currency translation effect	–0.1	–1.2	–1.3
Balance as at 30.9.2016	**418.3**	**45.1**	**463.4**
Current portion of provisions	39.0	22.5	61.5
Non-current portion of provisions	379.3	22.6	401.9
Total	**418.3**	**45.1**	**463.4**
Due within 1 year	39.0	22.5	61.5
Due within 1 to 5 years	203.5	9.2	212.7
Due in more than 5 years	175.8	13.4	189.2
Total	**418.3**	**45.1**	**463.4**

1 The “Change in scope of consolidation” contains the acquisition of the Volkswind GmbH and its subsidiaries as well as the sale of two of these acquired wind farms in the reporting period.

Provisions for onerous energy procurement contracts

The provisions for “Onerous energy procurement contracts” in the amount of CHF 418.3 million relate to identifiable losses from the procurement of electricity from power-generation plants and from long-term supply contracts (previous year: CHF 268.7 million). For details regarding the valuation method used please refer to Note 13, “Impairment losses, impairment reversals, depreciation, amortisation and provisions for onerous contracts”.

Other provisions

The position “Other provisions” includes amongst other things provisions for claims related to a number of current legal proceedings, provisions in connection with the premature cancellation of lease agreements and provisions for anniversary bonuses. It further contains provisions for certificates. To achieve the greenification compliance for the year 2014, provisions for certificates in the amount of CHF 8.7 million were used.

30 | Financial liabilities (current)

CHF million	30.9.2016	30.9.2015
Bonds at carrying amount	0.0	249.9
Financial liabilities (current)	117.9	108.2
Total	**117.9**	**358.1**

A ten-year domestic bond with a principal amount of CHF 250.0 million was due for repayment on 23 November 2015.

31 | Other liabilities (current)

CHF million	30.9.2016	30.9.2015
Operating expenses not yet invoiced	937.9	1 026.0
Advance payments from customers	57.5	16.9
Other (financial instruments)	213.6	255.2
Other (non-financial instruments)	40.9	113.3
Total	**1 249.9**	**1 411.4**

Operating expenses not yet invoiced relate to accruals for electricity purchases, both in traditional energy business and energy trading. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The offset receivables and payables included in operating expenses not yet invoiced and in revenues not yet invoiced amount to CHF 1,085.5 million (previous year: CHF 1,327.0 million; see Note 24 “Other receivables”).

32 | Employee benefits

Axpo Trading Group has several pension plans in accordance with national legislation. The Swiss subsidiaries are affiliated to PKE-CPE Vorsorgestiftung Energie, a legally independent collective pension fund which qualifies as a defined benefit plan under IAS 19. Defined contribution plans also exist.

PKE-CPE Vorsorgestiftung Energie is a pension fund with the legal form of a foundation under the Swiss Civil Code (ZGB) and the Swiss Federal Law on Occupational Retirement, Survivors’ and Disability Pension Plans (BVG). The objective of the foundation is to provide occupational benefits in accordance with the BVG and its ordinances, protecting the employees of the affiliated companies and their family and survivors against the financial consequences of old age, invalidity and death. The pension fund is an independent pension fund and the contributions and benefits exceed the minimum legal requirements. The Board of Trustees is the most senior governing body of the PKE-CPE Vorsorgestiftung Energie. It is composed of an equal number of employee and employer representatives of the affiliated companies and constitutes itself. The pension fund regulations and the organisational regulations define the benefits provided by PKE-CPE Vorsorgestiftung Energie and their financing, the organisation and administration, and the relationship with the affiliated companies and with the active insured members and the pensioners.

The employer and employee contributions are defined as a percentage of the insured salary. The old-age pension is determined by multiplying the balance of the retirement savings capital at retirement with the conversion rate defined in the regulations. The employee may draw the pension benefits as a lump payment. The invalidity pension and the spouse’s pension are defined as a percentage of the insured salary. The plan assets are invested by the PKE-CPE Vorsorgestiftung Energie jointly for all affiliated companies, which share the actuarial and the investment risks of the pension fund. The Board of Trustees is responsible for the investment of the plan assets. The organisation of the investment activities and the related competencies are specified in the investment regulations and investment strategy. The pension fund is exposed to actuarial and investment risks. The investments are made such that the benefits can be paid when they come due.

In the event of an underfunding, the Board of Trustees, in collaboration with the recognised actuarial expert, implement measures suitable to eliminate the underfunding. If necessary, the interest rate on the retirement savings capital, the benefits in excess of the minimum requirement under BVG and their financing may be adjusted to bring them into line with the funds available. If other measures are not sufficient, PKE-CPE Vorsorgestiftung Energie may require the employer to pay additional contributions to eliminate the underfunding.

Employee benefits of Axpo Trading Group were as follows:

Pension liabilities according to the balance sheet

CHF million	2015/16	2014/15
Present value of defined benefit obligations as at 30.9.	243.6	237.1
Fair value of plan assets as at 30.9.	200.7	189.4
Deficit as at 30.9.	42.9	47.7
Pension liabilities recognised in the balance sheet as at 30.9.	**42.9**	**47.7**

Pension costs in income statement

CHF million	2015/16	2014/15
Current service cost	9.1	8.4
Interest expense on defined benefit obligation	1.7	3.3
Interest income on plan assets	–1.3	–3.0
Administration cost excluding asset management cost	0.1	0.1
Pension cost for the period recognised in profit or loss (Note 11)	**9.6**	**8.8**
thereof service cost and administration cost	9.2	8.5
thereof net interest expense (income)	0.4	0.3

Pension costs in other comprehensive income

CHF million	2015/16	2014/15
Actuarial losses/(gains) on defined benefit obligation	6.1	18.9
Return on plan assets excluding interest income	–15.4	8.2
Pension cost for the period recognised in other comprehensive income	**–9.3**	**27.1**

Change in employee benefit liability reported in the balance sheet

CHF million	2015/16	2014/15
Employee benefit liability as at 1.10.	47.7	17.5
Pension cost for the period recognised in profit or loss	9.6	8.8
Pension cost for the period recognised in other comprehensive income	–9.3	27.1
Employer contributions	–5.1	–5.7
Employee benefit liability as at 30.09.	**42.9**	**47.7**

Change in the fair value of plan assets

CHF million	2015/16	2014/15
Fair value of plan assets as at 1.10.	189.4	203.8
Interest income on plan assets	1.3	3.0
Employer contributions	5.1	5.7
Employee contributions	3.1	3.3
Benefits paid	–13.6	–18.2
Return on plan assets excluding interest income	15.4	–8.2
Fair value of plan assets as at 30.9.	**200.7**	**189.4**

Change in the present value of the defined benefit obligation

CHF million	2015/16	2014/15
Present value of defined benefit obligation as at 1.10.	237.1	221.3
Interest expense on defined benefit obligation	1.7	3.3
Current service cost	9.1	8.4
Employee contributions	3.1	3.3
Benefits paid	–13.6	–18.2
Administration cost excluding asset management cost	0.1	0.1
Actuarial losses/(gains) on defined benefit obligation	6.1	18.9
Present value of defined benefit obligation as at 30.9.	**243.6**	**237.1**

Breakdown of defined benefit obligation

CHF million	30.9.2016	30.9.2015
Present value of defined benefit obligation as at 30.9. for active members	130.3	128.0
Present value of defined benefit obligation as at 30.9. for pensioners	113.3	109.1

Actuarial gains/losses on defined benefit obligation

CHF million	2015/16	2014/15
Actuarial (gains)/losses on defined benefit obligation from:		
changes in financial assumptions	8.0	20.1
changes in demographic assumptions	–1.3	0.0
experience adjustments	–0.6	–1.2
Actuarial losses/(gains) on defined benefit obligation	**6.1**	**18.9**

Actuarial assumptions

	30.9.2016	30.9.2015
Discount rate for active members (in %)	0.4	1.0
Discount rate for pensioners (in %)	0.0	0.4
Expected future salary increase (in %)	0.5	2.0
Expected future pension increase (in %)	0.0	0.0

The calculation of life expectancy for the Swiss pension plans is based on the BVG 2015 generation tables.

Sensitivities of the key actuarial assumptions

The calculation of the defined benefit obligation is especially sensitive to changes in the discount rate, assumptions regarding salary trends and changes in life expectancy. The discount rate and the expected salary change were reduced/increased by 0.25%. Sensitivity to mortality rates was calculated by reducing/raising the mortality rate by a fixed factor such that the life expectancy for the majority of age categories was raised/reduced by approximately one year. The following table summarises the present value of the defined benefit obligation which would result when applying the above mentioned assumptions:

CHF million	30.9.2016	30.9.2015
Discount rate (–0.25% change)	253.6	246.7
Discount rate (+0.25% change)	234.3	228.1
Salary increase (–0.25% change)	242.4	235.9
Salary increase (+0.25% change)	244.8	238.3
Life expectancy (–1 year change)	235.4	229.8
Life expectancy (+1 year change)	251.7	244.3

Estimate of employer and employee contributions for subsequent period

CHF million	30.9.2016	30.9.2015
Expected employer contributions	5.2	5.4
Expected employee contributions	3.2	3.0

Major categories of plan assets

CHF million	30.9.2016	30.9.2015
Cash and cash equivalents	1.8	5.3
Equity instruments	77.5	72.5
Debt instruments	61.7	58.4
Real estate	11.2	13.8
Others	19.7	16.1
Total plan assets at fair value (quoted market price)	**171.9**	**166.1**
Real estate	28.8	23.3
Total plan assets at fair value (non-quoted market price)	**28.8**	**23.3**
Total plan assets at fair value	**200.7**	**189.4**

Maturity profile of the defined benefit obligation

	30.9.2016	30.9.2015
Weighted average duration of the defined benefit obligation in years	15.8	15.6

33 | Transactions with related parties

Majority shareholder

Axpo Holding AG, Baden, directly holds 100% of the share capital of Axpo Trading AG. Axpo Holding AG, the sister companies of Axpo Trading AG (Axpo Power AG, Avectris AG (former Axpo Informatik AG), Axpo Services AG and Centralschweizerische Kraftwerke AG) and their fully consolidated subsidiaries, and companies and public agencies whose ownership interest allow them to exercise significant influence over Axpo Holding AG are all treated as shareholders and parties related to shareholders.

Subsidiaries and associates

Transactions between Axpo Trading AG and its subsidiaries were eliminated during consolidation and are not explained in this note, while transactions between Axpo Trading AG and its associates and partner plants are disclosed below. Transactions between Axpo Trading AG and its subsidiaries are disclosed in the separate financial statements of Axpo Trading AG. The principal terms and conditions governing relationships with related parties are explained in Note 3 "Consolidation principles", section "Intragroup transactions".

Management Board and Board of Directors

The Management Board and the Board of Directors of Axpo Trading AG are also considered related parties. Transactions with related parties are conducted at arm's length.

Remuneration to current members of the Board of Directors and the Management Board

CHF million	2015/16	2014/15
Board of Directors		
Current employee benefits	0.0	0.0
Total	**0.0**	**0.0**
Management Board		
Current employee benefits	7.2	6.9
Pension fund contributions	1.2	0.8
Total	**8.4**	**7.7**

The business area Trading & Sales is managed by Axpo Trading Group. The Management Board includes ten members.

Transactions between Axpo Trading Group and related parties in 2015/16

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from sales of energy	348.7	2.5	104.5
Other operating income	33.1	4.3	2.1
Operating expenses			
Expenses for energy procurement and cost of goods purchased	–1 056.7	–171.0	–26.6
Expenses for materials and third-party supplies	–0.9	0.0	0.0
Personnel expenses	0.0	0.0	0.0
Other operating expenses	–66.3	0.0	–0.2
Financial result			
Financial result	–7.6	–9.1	15.0

Open positions with related parties as at the balance sheet date:

CHF million	Shareholders	Partner plants	Associates
Assets (non-current)			
Derivative financial instruments	14.3	0.0	8.5
Other financial assets	0.0	2.2	326.3
Assets (current)			
Trade receivables	25.1	9.6	5.5
Financial receivables	342.6	1.0	13.9
Current tax assets	0.3	0.0	0.0
Derivative financial instruments	93.3	0.0	4.0
Other receivables	68.1	13.4	9.3
Liabilities (non-current)			
Financial liabilities	3.7	0.0	0.0
Derivative financial instruments	72.6	0.0	3.2
Other liabilities	0.0	0.0	0.0
Liabilities (current)			
Trade payables	85.7	19.8	1.0
Financial liabilities	1.3	1.1	0.0
Derivative financial instruments	36.3	0.0	5.5
Other liabilities	122.6	7.8	4.3

Transactions between Axpo Trading Group and related parties in 2014/15

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from sales of energy	494.2	2.0	87.0
Other operating income	266.1	4.3	2.1
Operating expenses			
Expenses for energy procurement and cost of goods purchased	–1 346.3	–183.1	–40.0
Expenses for materials and third-party supplies	–0.8	0.0	0.0
Personnel expenses	0.0	0.0	0.0
Other operating expenses	–65.7	0.2	–0.3
Financial result			
Financial result	–2.3	–4.9	13.5

Open positions with related parties as at the balance sheet date:

CHF million	Shareholders	Partner plants	Associates
Assets (non-current)			
Derivative financial instruments	94.2	0.0	13.0
Other financial assets	0.0	15.9	171.6
Assets (current)			
Trade receivables	82.6	1.3	7.8
Financial receivables	395.4	0.9	9.4
Current tax assets	0.3	0.0	0.0
Derivative financial instruments	165.9	0.0	3.7
Other receivables	96.8	51.5	12.2
Liabilities (non-current)			
Financial liabilities	176.3	0.0	0.0
Derivative financial instruments	61.3	0.0	2.3
Other liabilities	0.0	16.2	1.3
Liabilities (current)			
Trade payables	146.0	0.7	3.6
Financial liabilities	0.0	3.1	0.0
Derivative financial instruments	52.4	0.0	5.1
Other liabilities	135.0	67.5	10.6

34 | Pledged assets

CHF million	30.9.2016	30.9.2015
Property, plant and equipment	395.5	82.7
Other	254.5	200.7
Total	**650.0**	**283.4**

Pledged property, plant and equipment are related to the gas-fired combined-cycle power plants in Italy and wind farms in France and Germany.

35 | Other contingent liabilities, contingent assets and legal disputes

CHF million	30.9.2016	30.9.2015
Investment commitment	64.9	2.4
Obligation to capital payment	48.8	5.3
Total	**113.7**	**7.7**

There is an ongoing investigation concerning CO_2 certificate transactions in Spain, the risk of which is assessed as low by Axpo Trading Group.

For obligations in connection with partner plants, see Note 18, "Investments in partner plants and other associates".

There are several open legal cases related to VAT recoveries in Italy for the financial years 2006 to 2009. According to the tax authority, input tax reclaimed does qualify as non-deductible and thus has been invoiced incorrectly by the supplier. Axpo Group Management is of the opinion that the reclaim of the input tax is justified and that the amount of CHF 44.7 million presented as other receivables is recoverable.

In relation with a gas procurement contract a pending proceeding on compensation payments (receivable) for not delivered gas volume as well as a counterclaim for too much procured gas volume (liability) exists. Axpo Group Management estimates the chances of a positive court decision to be good. Depending on the outcome of the respective proceedings, a liability instead of a receivable might result.

Contingent assets in the amount of CHF 32.0 million exist in relation with the compensation for the transfer of the transmission systems and the related assets to Swissgrid (see Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies").

Axpo Trading Group is involved in several other legal disputes related to its ordinary business activities.

36 | Events after the balance sheet date

There are no events after the balance sheet date which have to be disclosed.

37 | Investments

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of votes in %	Share of capital in %	Purpose
Group companies							
Axpo Trading AG	Dietikon (CH)[1]	30.09.	CHF	1 112.000			H
Axpo Albania sh.a.	Tirana (AL)	31.12.	ALL	19.235	100.0	100.0	H
Axpo Austria GmbH	Vienna (AT)	30.09.	EUR	0.035	100.0	100.0	H
Axpo Benelux SA	Brussels (BE)	30.09.	EUR	0.500	100.0	100.0	H
Axpo BH d.o.o.	Sarajevo (BA)	31.12.	BAM	1.000	100.0	100.0	H
Axpo Bulgaria EAD	Sofia (BG)	31.12.	BGN	9.000	100.0	100.0	H
Axpo CKW France SAS	Paris (FR)	30.09.	EUR	26.400	60.0	60.0	D
Axpo d.o.o. Beograd	Belgrade (RS)	30.09.	RSD	49.292	100.0	100.0	H
Axpo Deutschland GmbH	Leipzig (DE)	30.09.	EUR	3.500	100.0	100.0	H
Axpo Energy Romania S.A.	Bucharest (RO)	30.09.	RON	3.195	100.0	100.0	H
Axpo Finance Luxembourg S.à.r.l.	Luxembourg (LU)	30.09.	EUR	0.025	100.0	100.0	D
Axpo France SAS	Paris (FR)	30.09.	EUR	0.100	100.0	100.0	H
Axpo Finland Oy	Helsinki (FI)	30.09.	EUR	0.250	100.0	100.0	H
Axpo Gas Italia Service S.r.l.	Genoa (IT)	30.09.	EUR	0.100	100.0	100.0	H
Axpo Gen Hellas S.A.	Athens (GR)	30.09.	EUR	0.800	100.0	100.0	I
Axpo Hellas S.A.	Athens (GR)	30.09.	EUR	0.333	100.0	100.0	H
Axpo Hungary Kft.	Budapest (HU)	30.09.	HUF	3.000	100.0	100.0	H
Axpo Hydro France SAS	Paris (FR)	30.09.	EUR	0.103	100.0	100.0	D
Axpo Iberia S.L.	Madrid (ES)	30.09.	EUR	0.501	100.0	100.0	H
Axpo International SA	Luxembourg (LU)	30.09.	EUR	2.613	100.0	100.0	D
Axpo Italia S.p.A.	Genoa (IT)	30.09.	EUR	3.000	100.0	100.0	H
Axpo Kosovo L.L.C	Pristina (KOS)	31.12.	EUR	0.050	100.0	100.0	H
Axpo MK dooel Skopje	Skopje (MK)	31.12.	MKD	6.140	100.0	100.0	H
Axpo Netherlands BV	Amsterdam (NL)	30.09.	EUR	0.050	100.0	100.0	H
Axpo New Energy GmbH	Düsseldorf (DE)	30.09.	EUR	0.025	100.0	100.0	H
Axpo Nordic AS	Oslo (NO)	30.09.	NOK	58.000	100.0	100.0	H
Axpo Polska Sp.z.o.o.	Warsaw (PL)	30.09.	PLN	1.250	100.0	100.0	H
Axpo Renewables France SAS	Paris (FR)	30.09.	EUR	17.200	100.0	100.0	D
Axpo Renewables Germany GmbH	Leipzig (DE)	30.09.	EUR	0.200	100.0	100.0	D
Axpo Servizi Produzione Italia S.p.A.	Genoa (IT)	30.09.	EUR	0.300	100.0	100.0	D
Axpo Slovensko a Cesko s.r.o.[2]	Bratislava (SK)	30.09.	EUR	0.100	100.0	100.0	H
Axpo Sverige AB	Malmö (SE)	30.09.	SEK	52.000	100.0	100.0	H
Axpo Trgovina d.o.o.	Zagreb (HR)	30.09.	HRK	0.750	100.0	100.0	H
Axpo Tunisia S.L.	Tunis (TN)	30.09.	TND	0.150	100.0	100.0	H
Axpo Turkey Enerji A.S.	Istanbul (TR)	30.09.	TRY	4.600	100.0	100.0	H
Axpo UK Limited	London (GB)	30.09.	GBP	9.500	100.0	100.0	H
Axpo UK Trading Limited	London (GB)	30.09.	GBP	0.150	100.0	100.0	H
Axpo U.S. LLC[2]	Wilmington (US)	30.09.	USD	44.000	100.0	100.0	H
Albula-Landwasser Kraftwerke AG	Filisur (CH)	30.09.	CHF	22.000	75.0	75.0	P
Calenia Energia S.p.A.	Genoa (IT)	30.09.	EUR	0.100	85.0	85.0	P
Consorzio Energie Rinnovabili	Napels (IT)	30.09.	EUR	0.020	49.0	49.0	P
Energia de la Zarza S.L.	Madrid (ES)	30.09.	EUR	0.103	100.0	100.0	I
Energy Plus S.p.A.	Genoa (IT)	30.09.	EUR	0.300	100.0	100.0	I
FREA Axpo OOD	Sofia (BG)	31.12.	BGN	0.600	100.0	100.0	H
Parc éolien de St Riquier 2 SAS	Paris (FR)	30.09.	EUR	0.233	100.0	100.0	P
Parc éolien Plaine Dynamique SARL	Paris (FR)	30.09.	EUR	0.015	100.0	100.0	P
Rizziconi Energia S.p.A.	Genoa (IT)	30.09.	EUR	0.500	100.0	100.0	P
WinBis S.r.l.	Genoa (IT)	30.09.	EUR	0.120	100.0	100.0	P

D = Services / H = Trading and supply / I = Project companies / E = Energy transmission / P = Production

1 On 1 December 2016, the registered office was transferred from Dietikon to Baden.

2 Company formation

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of votes in %	Share of capital in %	Purpose
Group companies							
Volkswind GmbH	Ganderkesee (DE)	30.09.	EUR	0.026	100.0	100.0	D
Achte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.005	100.0	100.0	P
Dritte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.480[1]	100.0	100.0	P
Erste Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.300	100.0	100.0	P
Ferme éolienne d'Arcy-Precy SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0	I
Ferme éolienne d'Availles Thouarsais-Irais SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0	I
Ferme éolienne de Benet SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	P
Ferme éolienne de la Chapelle Laurent SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	P
Ferme éolienne de la Grande Pièce SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	I
Ferme éolienne de la Haute Epine SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	I
Ferme éolienne de Lichères-près-Aigremont SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	I
Ferme éolienne de Massay 2 SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0	I
Ferme éolienne de Quesnoy-sur-Airaines 3 SAS	Strasbourg (FR)	31.12.	EUR	0.037	60.0	60.0	P
Ferme éolienne de Trans et Courcité SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0	I
Ferme éolienne du Val de Noye 1 SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	P
Ferme éolienne du Val de Noye 2 SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	P
Le Champ Eolien de Saint Martin SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0	P
Natur-Energie GmbH & Co. Wehrbleck I KG	Ganderkesee (DE)	30.09.	EUR	0.038	100.0	100.0	P
PBS Gesellschaft zur Nutzung regenerativer Energie mb H & Co. KG	Coesfeld (DE)	31.12.	EUR	0.540	66.7	66.7	P
PBS Verwaltungsgesellschaft zur Nutzung regenerativer Energie mbH	Coesfeld (DE)	31.12.	EUR	0.025[2]	66.7	66.7	D
Siebte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.600	100.0	100.0	P
Vierte Volkswind GmbH & Co. KG	Prinzhöfte (DE)	30.09.	EUR	0.100	100.0	100.0	P
Volkswind Construction SARL	Strasbourg (FR)	30.09.	EUR	0.002	100.0	100.0	D
Volkswind Foncier SARL	Strasbourg (FR)	30.09.	EUR	0.002	100.0	100.0	D
Volkswind France SAS	Paris (FR)	30.09.	EUR	0.250	100.0	100.0	D
Volkswind GmbH & Co. Harlingerode KG	Ganderkesee (DE)	30.09.	EUR	0.317	100.0	100.0	P
Volkswind Immenrode GmbH	Ganderkesee (DE)	30.09.	EUR	0.025	100.0	100.0	P
Volkswind NT GmbH	Ganderkesee (DE)	30.09.	EUR	0.026	100.0	100.0	D
Volkswind Service GmbH	Ganderkesee (DE)	30.09.	EUR	0.250	100.0	100.0	D
Volkswind Winnigstedt GmbH	Ganderkesee (DE)	30.09.	EUR	0.025	100.0	100.0	P
Wind Triangel GmbH & Co. Gevensleben KG	Ganderkesee (DE)	30.09.	EUR	0.150[3]	100.0	100.0	P
Windkraft Domnitz GmbH	Egeln (DE)	30.09.	EUR	0.025	75.0	75.0	P
Zweite Volkswind GmbH & Co. KG	Prinzhöfte (DE)	30.09.	EUR	0.500	100.0	100.0	P

D = Services / H = Trading and supply / I = Project companies / E = Energy transmission / P = Production

1 paid in EUR 0.400 million
2 paid in EUR 0.013 million
3 paid in EUR 0.000 million

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of capital in %	Share of votes in %	Purpose
Significant associated companies (partner plants)							
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	Lucerne (CH)	31.12.	CHF	90.000	26.4	31.0	P
ENAG Energiefinanzierungs AG	Schwyz (CH)	31.12.	CHF	100.000	33.2	50.0	P
Engadiner Kraftwerke AG	Zernez (CH)	30.09.	CHF	140.000	15.0	15.0	P
Etrans AG	Laufenburg (CH)	31.12.	CHF	7.500	13.2	13.2	E
Kernkraftwerk Gösgen-Däniken AG	Däniken (CH)	31.12.	CHF	350.000	4.5	0.0	P
Kernkraftwerk Leibstadt AG	Leibstadt (CH)	31.12.	CHF	450.000	0.5	16.3	P
Kraftwerke Mattmark AG	Saas-Grund (CH)	30.09.	CHF	90.000	30.5	38.9	P
Kraftwerke Mauvoisin AG	Sion (CH)	30.09.	CHF	100.000	29.3	29.3	P
Lizerne et Morge SA	Sion (CH)	31.03.	CHF	10.000	50.0	50.0	P
Rheinkraftwerk Albbruck-Dogern AG	Waldshut (DE)	31.12.	EUR	27.814	5.0	5.0	P

D = Services / H = Trading and supply / I = Project companies / E = Energy transmission / P = Production

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of capital in %	Share of votes in %	Purpose
Associated companies (other associates)							
Centrale Eolienne Canet – Pont de Salars SAS	Paris (FR)	31.12.	EUR	0.100	29.4	49.0	P
Centrale Eolienne Gueltas Noyal-Pontivy SAS	Paris (FR)	31.12.	EUR	0.800	29.4	49.0	P
Centrale Eolienne Patay SAS	Paris (FR)	31.12.	EUR	0.100	29.4	49.0	P
Centrale Eolienne Saint Barnabé SAS	Paris (FR)	31.12.	EUR	0.100	29.4	49.0	P
Centrale Eolienne Ségur SAS	Paris (FR)	31.12.	EUR	0.100	29.4	49.0	P
Demirören EGL Gaz Toptan Ticaret A.S.	Istanbul (TR)	31.12.	TRY	3.400	50.0	50.0	H
Eolienne de Saugueuse S.à.r.l.	Paris (FR)	31.12.	EUR	0.001	29.4	49.0	P
Ferme éolienne d'Antezant la Chappelle SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne de Benet 2 SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne de Biozat SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne de Brillac-Oradour Fanais SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne de La Brousse-Bagnizeau SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne de Leigne Les Bois SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne de Lusseray-Paizay le Tort SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne de Marcilly-Ogny SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne de Massay SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne de Saint Martin de Lamps SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne de Sainte-Valière SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne des Hauts Prés SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne des Tilleulls SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne des Touches de Périgny SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne du Bois de la Hayette SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne du Mont de Trême SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Ferme éolienne du Saint-Quentinois SAS	Strasbourg (FR)	30.09.	EUR	0.037	100.0	100.0[1]	I
Ferme éolienne d'Yrouerre SAS	Strasbourg (FR)	30.09.	EUR	0.020	100.0	100.0[1]	I
Gold Energy-Comercializadora de Energía S.A.	Vila Real (PT)	31.12.	EUR	1.500	25.0	25.0	H
Global Tech I Offshore Wind GmbH	Hamburg (DE)	31.12.	EUR	1.000	24.1	24.1	I
Grischelectra AG	Chur (CH)	30.09.	CHF	1.000	20.0	20.0	H
IEL Exploitation 28 Sarl	Saint Brieuc (FR)	31.12.	EUR	0.001	25.0	25.0	I
Parc Eolien des Vatines SAS	Paris (FR)	31.12.	EUR	0.841	29.4	49.0	P
Parc Eolien du Clos Bataille SAS	Paris (FR)	31.12.	EUR	0.410	29.4	49.0	P
Parc Eolien de Varimpré SAS	Paris (FR)	31.12.	EUR	0.037	29.4	49.0	P
Parque Eólico la Peñuca S.L.	Ponferrada (ES)	31.12.	EUR	3.333	46.0	46.0	P
Società EniPower Ferrara S.r.l.	San Donato Milanese (IT)	31.12.	EUR	170.000	49.0	49.0	P
Sogesa SA	Le Chable (CH)	30.09.	CHF	2.000	30.0	30.0	H
Swissgrid AG	Laufenburg (CH)	31.12.	CHF	316.300	8.86	8.86	E
Terravent AG	Dietikon (CH)	30.09.	CHF	15.000	25.0	25.0	D
Trans Adriatic Pipeline AG	Baar (CH)	31.12.	CHF	504.500	5.0	5.0	I

D = Services / H = Trading and supply / I = Project companies / E = Energy transmission / P = Production

1 Companies at an early project stage

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Axpo Trading AG, Baden (formerly Dietikon)

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Axpo Trading AG, as presented on pages 10 to 65, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 30 September 2016.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 30 September 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG

Axpo Trading AG, Baden (formerly Dietikon)
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Pietro Di Fluri
Licensed Audit Expert
Auditor in Charge

Beatriz Vazquez
Licensed Audit Expert

Basel, 9 December 2016

Income statement

CHF million	Notes	2015/16	2014/15
Revenue from sales of energy	3	1 980.8	2 346.6
Other operating income	4	43.7	299.5
Total income		**2 024.5**	**2 646.1**
Energy procurement and material expenses	5	–2 214.8	–2 600.2
Personnel expenses	6	–67.7	–64.5
Other operating expenses	7	–116.1	–102.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**–374.1**	**–121.2**
Depreciation, amortisation and impairments		–30.7	–161.9
Earnings before interest and tax (EBIT)		**–404.8**	**–283.1**
Financial income		37.5	80.3
Financial expense		–91.7	–184.0
Financial result	8	**–54.2**	**–103.7**
Extraordinary income	9	171.5	–
Net loss for the year		**–287.5**	**–386.8**

Balance sheet

CHF million	Notes	30.9.2016	30.9.2015
Assets			
Cash and cash equivalents		139.8	206.8
Trade receivables	10	336.7	382.4
Current financial receivables	11	673.1	769.0
Current derivative financial instruments	12	700.5	847.3
Other receivables	13	284.3	205.3
Inventories	14	234.7	189.8
Accrued income and prepaid expenses	15	547.2	610.2
Total current assets		**2 916.3**	**3 210.8**
Long-term financial loans	16	131.2	121.9
Non-current derivative financial instruments	17	535.0	521.4
Other long-term financial assets	18	14.0	16.6
Investments		1 456.5	1 454.5
Land and buildings		3.4	11.5
Other property, plant and equipment		0.2	2.5
Intangible assets	19	4.2	5.8
Total non-current assets		**2 144.5**	**2 134.2**
Total assets		**5 060.8**	**5 345.0**
Liabilities			
Trade payables	20	282.2	312.0
Short-term interest-bearing liabilities	21	1.7	296.7
Current derivative financial instruments	22	654.4	650.6
Other current liabilities	23	167.5	184.3
Accrued expenses and deferred income	24	529.1	570.1
Current provisions		71.8	82.5
Total current liabilities		**1 706.7**	**2 096.2**
Long-term interest-bearing liabilities	25	0.0	171.5
Non-current derivative financial instruments	26	677.8	475.6
Long-term liabilities	27	72.7	77.1
Non-current provisions		1 232.9	1 096.4
Total non-current liabilities		**1 983.4**	**1 820.6**
Total liabilities		**3 690.1**	**3 916.8**
Share capital	28	1 112.0	882.0
General legal retained earnings		66.0	66.0
Other reserves and retained earnings		192.7	480.2
Total equity		**1 370.7**	**1 428.2**
Total equity and liabilities		**5 060.8**	**5 345.0**

Notes to the financial statements

1 | General information

Axpo Trading AG is a public limited company incorporated under Swiss law with its registered office in Dietikon. On 1 December 2016 the registered office was transferred to Baden.

The average number of employees in the reporting period was 262.0 full time equivalents, in the previous year the average number was 281.5.

2 | Accounting principles

The annual financial statements were prepared in accordance with the provisions of Swiss law on commercial accounting and financial reporting (32nd title of the Swiss Code of Obligations). The Board of Directors of Axpo Trading AG approved the financial statements on 9 December 2016 and they are subject to the approval of the of the Annual General Meeting on 17 February 2017.

First application of new accounting law

The 2015/16 statutory financial statements were prepared for the first time on the basis of the provisions of Swiss law on commercial accounting and financial reporting (32nd title of the Swiss Code of Obligations). In order to ensure comparability, the previous year figures were restated.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate at the time of the transaction or at an exchange rate that corresponds to the transaction price approximating that rate. For translation of the financial figures in Swiss francs the following rates were applied:

Currency / Unit

	30.9.2016	30.9.2015
EUR / 1	1.0876	1.0915
USD / 1	0.9745	0.9743
GBP / 1	1.2631	1.4780
CZK / 100	4.0250	4.0148
PLN / 100	25.1806	25.7138
HUF / 100	0.3511	0.3482

Transactions with shareholders, investments and group companies

Under "Shareholders" direct and indirect shareholders up to and including shareholders of Axpo Holding AG are reported. "Investments and group companies" includes all fully consolidated subsidiaries and equity accounted associates of the Axpo Holding AG, less shareholders.

Cash Pooling

Axpo Trading AG participates in a CHF Cash Pooling (zero balancing) of Axpo Holding AG and an EUR Cash Pooling of Axpo Finance Luxembourg S.à.r.l. The receivables or payables of Axpo Trading AG are daily transmitted to the account of Axpo Holding AG and Axpo Finance Luxembourg S.à.r.l. The balance is reported under current financial receivables/liabilities.

Revenues

Revenue from sales of energy are recognised as revenue upon delivery of the goods. For standardised forward contracts that are processed and invoiced in the same way as traditional energy contracts, the focus is often on managing a trading position rather than on the final physical delivery of energy. Standardised forward contracts entered into mainly for trading purposes are measured at fair value, with the underlying sales revenue and procurement costs being offset against each other. The realised and unrealised income from energy trading is also included in revenue from sales of energy.

Trade receivables

Trade receivables are recorded at their nominal value, less appropriate bad debt allowances.

Inventories

Certificates and gas inventories acquired for resale in the near term with a view to generating a profit from fluctuations in prices or broker-traders' margins are measured at fair value less cost to sell. Materials, certificates and inventories of other energy sources held for own use are measured at the lower of cost incurred or net realisable value. In case that at the time of purchase it is not yet certain whether these certificates will be used for own use or resold, depending on the market situation, they are measured at fair value less costs to sell.

Derivative financial instruments (replacement values)

The finance and energy derivatives at year-end closing are measured at fair value on the balance sheet date. The positive and negative derivative financial instruments are recognised in the corresponding balance sheet items.

Derivatives which have a term to maturity of more than twelve months and are not speculative in nature are classified as non-current. All transactions of a speculative nature which are primarily held for trading, and thus with the intention of generating a profit from fluctuations in prices or broker-traders' margins, are classified as current, irrespective of their term to maturity.

Property, plant and equipment

Property, plant and equipment are recognised in the balance sheet at acquisition cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of the asset. The estimated useful lives are reviewed annually and are within the following ranges:

Land and assets under construction	only in the case of impairment
Buildings	10–50 years
Other property, plant and equipment	3–15 years

Intangible assets

Intangible assets include usage rights, energy procurement rights and other intangible assets. They are recognised in the balance sheet at acquisition cost less accumulated amortisation and impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of the asset.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded in the balance sheet at cost, subject to any necessary value adjustments required.

Financial assets

Loan receivables are recognised at their nominal value, less any impairments.

Liabilities

Trade payables, other current liabilities and long-term loans are recognised at nominal value.

Provisions

Provisions are recognised at the expected cash outflow. Where the effect is significant, the present value of the expected cash outflow is used for recognition. With regard to long-term energy procurement obligations arising from onerous contracts, identifiable losses are provided for, taking into account market price trends and future procurement costs. Due to the legal obligation of shareholders to pay a pro-rata share of the annual costs, an investment in a partner plant may result in a provision for an onerous energy procurement contract instead of an asset for the energy purchase right. Due to the existing obligation to buy energy from power plants from some subsidiaries at production cost, a provision for onerous energy procurement contract is recognised in case the impairment test of the plants reveals an impairment loss.

Waiver of cash flow statement and additional information in the Notes

As Axpo Trading Group has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), in accordance with the law, it has dispensed with the presentation of additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement.

Hidden reserves

To ensure the long-term growth of the company the option is used to create and release hidden reserves.

3 | Revenue from sales of energy

CHF million	2015/16	2014/15
Third parties	1 085.1	1 463.8
Shareholders	278.9	415.3
Investments and group companies	616.8	467.5
Total	**1 980.8**	**2 346.6**

4 | Other operating income

CHF million	2015/16	2014/15
Third parties	–2.5	21.1
Shareholders	3.1	206.3
Investments and group companies	43.1	72.1
Total	**43.7**	**299.5**

Other operating income contains among others profit or loss from foreign exchange derivatives.

5 | Energy procurement and material expenses

CHF million	2015/16	2014/15
Third parties	665.8	795.3
Shareholders	13.2	20.5
Investments and group companies	1 535.8	1 784.4
Total	**2 214.8**	**2 600.2**

6 | Personnel expenses

CHF million	2015/16	2014/15
Salaries and wages	55.1	52.5
Social security expenses	4.7	4.1
Pension fund expenses	5.0	5.5
Other personnel expenses	2.9	2.4
Total	**67.7**	**64.5**

7 | Other operating expenses

CHF million	2015/16	2014/15
Third parties	29.0	28.9
Shareholders	12.8	15.4
Investments and group companies	74.3	58.3
Total	**116.1**	**102.6**

Other operating expenses contain capital and property tax expenses in the amount of CHF 2.5 million (previous year: CHF 2.6 million release).

8 | Financial result

CHF million	2015/16	2014/15
Interest income		
Third parties	0.7	4.3
Shareholders	0.0	0.3
Investments and group companies	11.4	7.4
Dividend income		
Investments and group companies	7.5	36.7
Other financial income		
Third parties	10.2	13.4
Shareholders	0.0	5.7
Investments and group companies	7.7	12.5
Total financial income	**37.5**	**80.3**
Interest expense		
Third parties	–59.6	–54.8
Shareholders	–5.5	–6.8
Investments and group companies	–9.5	–7.1
Net exchange rate gains (losses)	–11.0	–99.1
Other financial expense		
Third parties	–4.1	–2.0
Shareholders	–0.2	–7.5
Investments and group companies	–1.8	–6.7
Total financial expense	**–91.7**	**–184.0**
Total financial result	**–54.2**	**–103.7**

9 | Extraordinary income

This position contains a waiver of debt for a loan granted by Axpo Holding AG in the amount of CHF 171.5 million.

10 | Trade receivables

CHF million	30.9.2016	30.9.2015
Third parties	209.5	203.8
Shareholders	0.3	15.2
Investments and group companies	126.9	163.4
Total	**336.7**	**382.4**

Allowances for bad debts amount to CHF 1.1 million (previous year: CHF 12.8 million).

11 | Current financial receivables

CHF million	30.9.2016	30.9.2015
Shareholders	342.6	389.5
Investments and group companies	330.5	379.5
Total	**673.1**	**769.0**

This position contains loans granted by Axpo Trading AG with a remaining term to maturity of less than twelve months.

12 | Current derivative financial instruments (positive replacement values)

CHF million	30.9.2016	30.9.2015
Third parties	546.2	597.6
Shareholders	92.0	141.1
Investments and group companies	62.3	108.6
Total	**700.5**	**847.3**

This position contains contracts (options, forwards and swaps) from energy trading and foreign exchange forward contracts.

13 | Other receivables

CHF million	30.9.2016	30.9.2015
Third parties	283.0	205.3
Investments and group companies	1.3	0.0
Total	**284.3**	**205.3**

14 | Inventories

CHF million	30.9.2016	30.9.2015
Inventories at fair value	234.5	183.0
Inventories at lowest value principle	0.2	6.8
Total	**234.7**	**189.8**

This position includes green certificates, emission certificates and gas inventories.

15 | Accrued income and prepaid expenses

CHF million	30.9.2016	30.9.2015
Third parties	368.0	427.4
Shareholders	15.8	24.1
Investments and group companies	163.4	158.7
Total	**547.2**	**610.2**

Trade receivables from customers, who are simultaneously suppliers, are offset against trade payables, provided a netting arrangement has been agreed. The offset receivables and payables included in accrued income and prepaid expenses and accrued expenses and deferred income amount to CHF 1,140.9 million (previous year: CHF 1,327.0 million; see Note 24).

16 | Long-term financial loans

CHF million	30.9.2016	30.9.2015
Third parties	0.1	0.1
Investments and group companies	131.1	121.8
Total	**131.2**	**121.9**

This position includes loans granted with a term to maturity of more than twelve months.

17 | Non-current derivative financial instruments (positive replacement values)

CHF million	30.9.2016	30.9.2015
Third parties	479.0	366.4
Shareholders	11.6	92.7
Investments and group companies	44.4	62.3
Total	**535.0**	**521.4**

18 | Other long-term financial assets

CHF million	30.9.2016	30.9.2015
Third parties	6.5	9.1
Investments and group companies	7.5	7.5
Total	**14.0**	**16.6**

19 | Intangible assets

Intangible assets contain rights of use for foreign gas supply networks and capitalised costs for software applications.

20 | Trade payables

CHF million	30.9.2016	30.9.2015
Third parties	151.2	125.5
Shareholders	0.4	1.2
Investments and group companies	130.6	185.3
Total	**282.2**	**312.0**

21 | Short-term interest-bearing liabilities

CHF million	30.9.2016	30.9.2015
Third parties	0.0	250.0
Investments and group companies	1.7	46.7
Total	**1.7**	**296.7**

Current liabilities and cash pool positions with related parties and banks are recognised in the balance sheet as financial liabilities.

The ten-year domestic bond with a principal amount of CHF 250.0 million and a coupon of 2.5%, has been repaid in the current reporting period.

22 | Current derivative financial instruments (negative replacement values)

CHF million	30.9.2016	30.9.2015
Third parties	538.7	488.3
Shareholders	29.3	48.6
Investments and group companies	86.4	113.7
Total	**654.4**	**650.6**

23 | Other current liabilities

CHF million	30.9.2016	30.9.2015
Third parties	161.0	178.1
Investments and group companies	6.5	6.2
Total	**167.5**	**184.3**

Other liabilities and accrued expenses and deferred income include pension funds liabilities totalling CHF 0.3 million (previous year: CHF 0.8 million).

24 | Accrued expenses and deferred income

CHF million	30.9.2016	30.9.2015
Third parties	363.1	368.9
Shareholders	1.9	1.3
Investments and group companies	164.1	199.9
Total	**529.1**	**570.1**

Accrued expenses and deferred income mainly include payables that have not yet been charged and accruals for taxes as well as personnel-related accruals.

The offset receivables and payables included in accrued income and prepaid expenses and accrued expenses and deferred income amount to CHF 1,140.9 million (previous year: CHF 1,327.0 million; see Note 15).

25 | Long-term interest-bearing liabilities

CHF million	30.9.2016	30.9.2015
Shareholders	0.0	171.5
Total	**0.0**	**171.5**

Axpo Holding AG granted a waiver of debt for a loan in the amount of CHF 171.5 million. The loan had an interest rate of 2.98% and would have expired on 3 January 2022.

26 | Non-current derivative financial instruments (negative replacement values)

CHF million	30.9.2016	30.9.2015
Third parties	466.7	335.6
Shareholders	69.5	60.4
Investments and group companies	141.6	79.6
Total	**677.8**	**475.6**

27 | Long-term liabilities

CHF million	30.9.2016	30.9.2015
Third parties	63.2	51.3
Investments and group companies	9.5	25.8
Total	**72.7**	**77.1**

This position includes, among others, advance payments totalling CHF 13.9 million (previous year: CHF 18.1 million). It also includes day-one profits of CHF 58.8 million (previous year: CHF 50.4 million) resulting from long-term contracts, whose valuation is partly based on non-observable input data.

28 | Share capital

The share capital of Axpo Trading AG increased in the current reporting period by CHF 230.0 million (previous year: by CHF 750.0 million). The share capital is divided into 22,240,000 bearer shares (previous year: 17,640,000 bearer shares) issued with a par value of CHF 50 per share (previous year: CHF 50 per share). Axpo Holding AG, Baden, is the sole shareholder.

29 | Net release of hidden reserves

The statutory financial statements of the current financial year contains no net release of hidden reserves (previous year: CHF 9.7 million).

30 | Investments in partner plants and other associates

Note 37 "Investments" of the consolidated financial statements sets out the details of Axpo Trading Group's direct or indirect equity interests in subsidiaries and associates.

31 | Liabilities to pension funds

CHF million	30.9.2016	30.9.2015
Liabilities to pension funds	0.3	0.8
Total	**0.3**	**0.8**

32 | Pledged assets

CHF million	30.9.2016	30.9.2015
Pledged cash and cash equivalent	42.9	22.2
Total	**42.9**	**22.2**

33 | Contingent liabilities

CHF million	30.9.2016	30.9.2015
Guarantees	551.7	584.8
Liabilities to capital payments	51.4	5.3
Other delivery and acceptance obligations	0.0	2.4
Total	**603.1**	**592.5**

Proposal for the appropriation of retained earnings

CHF million	30.9.2016	30.9.2015
Result brought forward from previous year	480.2	867.0
Reported net loss	–287.5	–386.8
Total	**192.7**	**480.2**
The Board of Directors proposes to the General Meeting the appropriation of the profit as follows:		
Profit carried forward	192.7	480.2
Total	**192.7**	**480.2**

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Axpo Trading AG, Baden (formerly Dietikon)

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Axpo Trading AG, as presented on pages 68 to 77, which comprise the income statement, balance sheet and notes for the year ended 30 September 2016.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 30 September 2016 comply with Swiss law and the company's articles of incorporation.

KPMG

Axpo Trading AG, Baden (formerly Dietikon)
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Pietro Di Fluri
Licensed Audit Expert
Auditor in Charge

Beatriz Vazquez
Licensed Audit Expert

Basel, 9 December 2016

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