Axpo Solutions AG

Annual Report 2020/21

Key figures

Axpo Solutions Group

		2020/21	2019/20	2018/19	2017/18	2016/17
Total income	CHF million	4 719.1	3 325.9	3 599.0	3 423.8	3 949.5
Gross margin	CHF million	883.7	1 061.7	975.8	746.9	217.5
Earnings before interest and tax (EBIT)	CHF million	247.6	454.7	527.3	271.2	–130.4
Net profit incl. non-controlling interests	CHF million	119.7	421.1	473.7	149.8	–244.4
in % of total income	%	2.5	12.7	13.2	4.4	–6.2
Cash flow from operating activities	CHF million	329.9	139.0	109.4	225.5	34.1
Total capital as at 30 September	CHF million	34 108.5	10 820.2	9 779.8	10 970.5	8 125.1
Total equity including non-controlling interests as at 30 September	CHF million	2 561.9	2 847.0	2 390.7	1 682.2	1 786.8
Net debt (+) / net asset (–)[1]	CHF million	340.0	413.3	159.8	–399.0	–243.2
Cash and cash equivalents	CHF million	728.8	483.2	525.2	411.1	238.8
Average number of employees	FTE	1 560	1 362	1 084	912	876

1 In the previous reporting period, the net debt calculation was adjusted. Current and non-current financial receivables, except financial receivables from cash pool, are not included in the net debt calculation anymore. All prior-year figures have been adjusted accordingly.

Performance view

Business area Trading & Sales[1]

		2020/21	2019/20	2018/19	2017/18	2016/17
Trading & Sales total[2]	EUR million	880.4	699.9	543.9	345.0	375.4
Asset-backed Trading	EUR million	324.5	230.8	119.9	119.4	133.9
Origination	EUR million	476.5	202.6	246.5	127.9	166.7
Prop Trading	EUR million	79.1	264.7	174.9	95.9	76.4

1 The business area Trading & Sales encompasses the areas of energy trading, risk and portfolio management, and customer service as well as optimal development of power plant portfolio from an economic supply perspective. The business area Generation & Distribution is not included in the figures above.
2 Sum of trading activities does not tally up to Trading & Sales total due to performance of centralised FX/IR hedging activities. 2016/17 (EUR –2.0 million) and 2015/16 (EUR –13.6 million) contain additional activities.

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Axpo Solutions delivers on its strategy

Axpo Solutions Group posted an operating result of CHF 247.6 million for 2020/21. This performance is below the CHF 454.7 million achieved in the previous year, which can be explained by several accounting mismatches. Taking these into account, the operational performance marked another strong year.

Cash flow from operating activities was strong at CHF 329.9 million in the reporting period, up from CHF 139.0 million in the previous year. Free cash flow remained positive at CHF 94.6 million (CHF 19.6 million in previous year).

Axpo Solutions has a net debt of CHF 340.0 million. The cash pool receivable from Axpo Holding in the amount of CHF 1,478.3 million, which is part of financial receivables, is of particular importance. In addition, Axpo Solutions holds CHF 718.2 million in readily saleable inventories of gas and certificates.

Trading & Sales' geographic presence in all major European markets and its comprehensive diversified commodities portfolio enabled the business to leverage its long-standing expertise in market and credit risk management, providing clients with customised risk management solutions to help manage cash flow and risk.

The table on page 5 shows the bridging from audited figures to a pro forma view. The pro forma view removes the effects of impairments and provisions, hedge book effects and foreign exchange effects to provide a performance view of the business (see box). Apart from the accounting mismatches mentioned in the pro forma statement, there are other deviations between the gross margin performance view (on page 2) and IFRS. Between the business years 2019/20 and 2020/21, the valuation difference for gas had an especially prominent influence. Whereas in IFRS the value of gas in storage is always measured at spot price on the balance sheet date, the performance view considers the economic value that will be extracted by optimising the withdrawal of the gas from storage. In particular, the high price expectations in the coming winter season are not fully reflected in the IFRS result. These, together with the effects for the previous year, explain the difference of CHF 150.4 million between the years, thereby confirming that the performance in the reported period exceeds the performance of the previous period.

Axpo Solutions Group

CHF million	**Audited figures**	Impairments and provisions	Hedge book effect	Foreign exchange effects	**Pro forma figures**
Gross margin	**883.7**	–44.2	19.8	63.0	**922.3**
Depreciation, amortisation and impairments	**–160.1**	–23.0			**–183.1**
EBIT	**247.6**	–67.2	19.8	63.0	**263.2**

Table: Audited figures 2020/21 including bridging to pro forma statement.

CHF million	**Audited figures**	Impairments and provisions	Hedge book effect	Foreign exchange effects	**Pro forma figures**
Gross margin	**1 061.7**	–65.2	–33.2	35.3	**998.6**
Share of profit from partner plants and other associates	**23.5**				**23.5**
Depreciation, amortisation and impairments	**–98.6**	–61.8			**–160.4**
EBIT	**454.7**	–127.0	–33.2	35.3	**329.8**

Table: Audited figures 2019/20 including bridging to pro forma statement.

The performance view gross margin for the business area Trading & Sales was EUR 880.4 million. We are very pleased with this performance as it marks the third year in a row of very solid results. It is also testament to our continued focus and application of prudent risk management, which has been key in navigating the extreme volatility that ensued during the second half of the year.

During the year, the business area Trading & Sales benefitted from the recovery of worldwide energy and gas demand. The latter in particular became the main transitional energy source used not only to bridge the gap left by the phasing out of coal and nuclear power, but also to address the intermittency of renewable production, especially in Europe.

Accounting mismatches: hedge book and foreign exchange effects
Part of Axpo Solutions' hedging transactions are reported on the balance sheet at fair value, whereas the underlying energy revenue is accounted for on an accrual basis, resulting in a hedge book effect.

The foreign exchange movements of the euro against the Swiss franc since the end of the previous financial year resulted in a foreign exchange effect. The positive impact arising from foreign exchange derivative hedges on the sale of underlying energy is recognised at fair value, while the negative impact on the underlying energy revenue will be recognised over the next few years.

Both the hedge book and foreign exchange effects are temporary mismatches, which cancel out once the hedge and underlying transaction are realised. This is usually the case within three years or less of the transaction.

A very cold winter in 2020/21 and below-average wind conditions in Europe, combined with supply-side constraints from domestic gas production and imports, saw the tightening of European gas supplies. This led to extreme market volatility and record-high energy commodity prices in gas to coal, carbon and electricity.

The continuing application of prudent risk management underpinned our solid performance throughout the year.

In these conditions, Trading & Sales' geographic presence in all major European markets and its comprehensive diversified commodities portfolio enabled the business to leverage its long-standing expertise in market and credit risk management, providing clients with customised risk management solutions to help manage cash flow and risk.

Asset-backed Trading

Asset-backed Trading performed strongly again this year, making a EUR 324.5 million contribution to Axpo's P&L, up from EUR 230.8 million in the previous year.

Management of the gas-fired combined-cycle power plants in Italy made a significant contribution to the division's results. The business continued to perform well, providing ancillary services and applying strong risk management to help navigate the volatile markets. Similarly, Axpo's assets in Switzerland performed well in the ancillary service market, as well through applying prudent risk management to its hedging activities.

This year also saw the successful start of gas deliveries to Italy by the Trans Adriatic Pipeline AG, in which Axpo has a 5% shareholding. First gas was delivered to our gas fired power plants in Italy, ensuring continuing supply in very tight markets.

Proprietary Trading/Merchant Trading

Proprietary/Merchant Trading contributed EUR 79.1 million to the company's results. Despite being lower than in 2019/20, the contribution of proprietary/merchant trading during extreme market volatility remained robust. Underpinning this solid performance was the application of our continuous prudent market risk management. The result was affected by some additional provisions for potential counterparty default due to the stress caused by the volatile market environment.

As they continue their bridging role in the energy transition, gas and LNG (liquefied natural gas) are becoming key commodities in the Axpo portfolio. The establishment of a Singapore office at the end of 2020 enabled Axpo to address the rising demand for LNG both in Asia and globally. The team was strengthened during the year and closed its first transactions for LNG cargoes. In addition, to support its strategy of diversification, the division also successfully established an LPG desk in 2020 which has also begun to trade successfully.

We forecast that LNG and LPG will continue to play a key role in the future, mainly in Asia. This is also the reason why Axpo is further expanding its presence in Asia, setting up a base in Singapore.

Origination
Axpo's customer-oriented culture, unique local presence, knowledge of local markets and risk management skills continue to contribute to the business division's year-on-year growth.

Against the backdrop of difficult markets, characterised by extremely high price volatility, our customers retained their trust in us. With Axpo's highly skilled teams developing effective risk management solutions for them, our origination business remained the company's growth driver, contributing EUR 476.5 million to its overall results for the year. This reflects the consistent growth story of the past 10 and more years.

Supporting the energy transition
At the same time, we are pleased to play a supporting role in the ongoing energy transition, applying our long-standing expertise in innovative power purchase agreements (PPAs).

Several long-term milestone transactions during 2020/21 included a PPA signed with Romania's largest windfarm, CEZ's Fântânele-Cogealac-Gradina. The seven-year deal will see Axpo hedge approximately 50% of CEZ's combined installed capacity of 600 MW from the three wind farms owned and managed by a Macquarie Asset Management long-term infrastructure fund in the country. It is estimated that this is the largest renewable PPA concluded to date in Eastern Europe.

Increasing our green product customer offering
Other highlights saw innovative deal structures put in place for customers. In Poland, for example, Axpo signed a 10-year green power deal with Green Investment Group (GIG) and Danone. This provides a GIG-owned wind farm with route-to-market and balancing services. Consumers are also given access to long-term green electricity delivered to Danone's metering points in Poland. We were also able to put in place multi-country procurement structures for energy consumers with a pan-European presence, such as Nestlé, and also closed several agreements with retailers to support the growth of their business. In addition, we were able to support our customers in the optimisation and monetisation of the flexibility embedded in the production and/or consumption process.

In Spain, a long-term agreement was reached to buy and sell the biomethane produced by one of Spain's largest dairy farms, Torre Santa María, via green biomethane certificates. In addition, we closed approximately 10.2 TWhs of PPAs for both producers and consumers, reflecting the increasing demand for renewables in the region. Axpo's Spanish division also continued to manage 8,500 MW of power generation facilities into the different power markets in Iberia, with our dispatching centre distributing electricity to the Spanish mainland, the Canary Islands and Portugal.

Against the backdrop of difficult markets, characterised by high price volatility, our customers retained their trust in us. With Axpo's highly skilled teams developing effective risk management solutions for them, our origination business remained the company's growth driver.

In the Nordic and Baltic region, we further strengthened our position as one of the leading marketers and a key player in the provision of power from renewable energies. Several long-term PPAs were closed with new and existing customers, including a long-term renewable energy PPA in which Axpo Nordic AS agreed to buy the output generated by the 60 MW Hultema and 16.4 MW Norra Hunna wind farms, currently under construction in Sweden. In addition, we were able to supply the increasing demand from customers for green certificates and guarantees of origin.

In Italy, the PPA market continues to develop. To support this, we developed the Green Route programme for our customers to foster further understanding of how corporate PPAs offer access to long-term renewable energy.

Increasing success of our growing/expanding business in the U.S.

Our U.S. business continued to underline Axpo's leading position in delivering PPAs and hedging solutions in the renewable sector. Working closely together with its client, Cypress Creek Renewables and investors, Axpo US was able to deliver an innovative long-dated PPA solution that enabled a 270MW solar development project "Shakes" (owned and developed by Cypress Creek Renewables) to reach financial close. Following the market dislocation in Texas caused by winter storm Uri, achieving this milestone required collaboration and application of our risk management skills to develop an innovative structure that met the needs of all parties involved.

We are pleased to play a supporting role in the ongoing energy transition, applying our long-standing expertise in innovative power purchase agreements (PPAs).

The U.S. division also expanded its provision and trading of renewable products such as carbon offsets and renewable energy certificates, which added to the diversification and product offering of the business and supported its continued success in the wholesale supply business.

Retail

In Italy, points of delivery now number approximately 630,000, including around 100,000 domestic customers. Various marketing initiatives are ongoing, focused mainly on digital tools to engage and consolidate the customer base and build customer loyalty.

With consumers increasingly interested in energy efficiency, cogeneration, renewable energy and e-mobility projects, Axpo has launched a number of initiatives in this area, including the launch of the first public charging points for electric vehicles in Rome this year, providing 24/7 double-sided charging points in the city centre.

Goldenergy wins best supplier of the year award

We were delighted that this year our wholly owned Portuguese subsidiary won a prestigious award (Premio Escolha Consumidor 2021) for best renewable energy supplier of the year.

Poland increases points of delivery

In Poland we were able to increase our points of delivery to almost 24,000 in energy and gas, while focusing on increasing the digitisation of our sales channels and dividing our SME business into three main sales channels focused on partners, an online platform and internal sales.

Volkswind

This year, Volkswind grew its portfolio by constructing 44 wind turbines with a total installed capacity of 132 MW. In addition, Volkswind continued its strategy of capital recycling by selling 29 newly built wind turbines with a total capacity of 75 MW to Encavis. As such, Volkswind's total installed capacity now stands at 364 MW.

With more than 3,400 MW in terms of capacity of future projects in the pipeline, full focus is being placed on its strategic target of developing a total of 3 GW of new wind capacity across Europe by 2030.

Urbasolar

This year saw Urbasolar expand its portfolio to Spain and Italy, establishing dedicated offices and teams in each of the countries. Other highlights during the year included building the next phase of a project with one of our major customers, Disneyland Paris, where Urbasolar as co-investor is participating in the creation of the largest solar canopy plant in Europe. Located at the resort's main guest parking lot, the project will contribute to the reduction of Val d'Europe local territory greenhouse gas (GHG) emissions by approximatively 750 tons of CO_2 per year. Another flagship project concluded during the year included the inauguration of the Toulouse-Oncopole solar energy plant, the largest in France to date. In operation for a year now, this power plant with an output of 15 MW and located on 25 hectares of land produces the equivalent of the power needs of 4,000 homes annually.

Engaging and developing the best talent

During the year, Axpo continued to hire and develop the best talent. In particular, a new head of LPG for the newly established LPG desk was recruited and additional members of the Singapore team were hired and on-boarded successfully.
The organisation continued to develop its workforce with a number of initiatives to attract new talent internationally.
A lot of focus was also put on supporting employees and the leadership through the continuing COVID-19 pandemic and the situation of having to work from home. In addition, the business area has continued its investment in the Advanced Analytics team, which is beginning to successfully contribute to our trading activities.

We thank our customers and business partners for their trust in us to deliver optimal solutions for their needs.

This has been another positive year for Axpo Solutions. We would, as always, like to thank our customers and business partners for their trust in us to deliver optimal solutions for their needs. We also wish to thank our employees for their ongoing commitment in making this year a success, once again. Future changes, whether regulatory, economic or social, will undoubtedly continue to challenge all of us. Nevertheless, we remain confident that Axpo has the right people, technologies and strategies in place to continue to drive our business forward successfully.

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Consolidated statement of comprehensive income

CHF million	Notes	2020/21	2019/20
Income statement			
Revenues from sales of energy	2.1	4 652.4	3 319.1
Result from currency forward contracts		–27.4	–19.5
Other operating income		94.1	26.3
Total income		**4 719.1**	**3 325.9**
Expenses for energy procurement and cost of goods purchased	2.2	–3 741.3	–2 237.9
Expenses for materials and third-party supplies		–45.2	–50.2
Personnel expenses	5.1	–289.8	–231.3
Other operating expenses	2.3	–259.3	–276.7
Share of profit from partner plants and other associates	6.3	24.2	23.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**407.7**	**553.3**
Depreciation, amortisation and impairments	2.4	–160.1	–98.6
Earnings before interest and tax (EBIT)		**247.6**	**454.7**
Financial income	2.5	29.2	24.2
Financial expense	2.5	–90.2	–76.4
Earnings before tax (EBT)		**186.6**	**402.5**
Income tax expense	2.6	–66.9	18.6
Result for the period		**119.7**	**421.1**

CHF million	Notes	2020/21	2019/20
Other comprehensive income			
Currency translation differences	4.1	5.7	–10.3
Share of currency translation differences – other associates	4.1, 6.3	0.5	1.1
Changes in cash flow hedges – group companies	4.1	–144.1	95.1
Changes in cash flow hedges – other associates	4.1, 6.3	5.7	2.0
Income and expenses to be reclassified subsequently to profit or loss, net after income tax		**–132.2**	**87.9**
Remeasurement of defined benefit plans – group companies	4.1	23.0	17.7
Remeasurement of defined benefit plans – partner plants and other associates	4.1, 6.3	6.2	4.5
Income and expenses not to be reclassified subsequently to profit or loss, net after income tax		**29.2**	**22.2**
Other comprehensive income after income tax		**–103.0**	**110.1**
Total comprehensive income		**16.7**	**531.2**
Allocation of the result for the period:			
Axpo Solutions shareholders		123.7	429.2
Non-controlling interests		–4.0	–8.1
Allocation of total comprehensive income:			
Axpo Solutions shareholders		18.5	542.5
Non-controlling interests		–1.8	–11.3
Earnings per share			
Earnings per share in CHF		3.9	13.7
Dividends per share			
Dividends per share in CHF		9.6	2.6

There are no circumstances that would lead to a dilution in earnings per share.

Consolidated balance sheet

CHF million	Notes	30.9.2021	30.9.2020
Assets			
Property, plant and equipment	3.1	938.4	927.1
Right-of-use assets	3.2	132.2	136.3
Intangible assets	3.3	470.0	527.9
Investments in partner plants and other associates	6.3	347.8	320.5
Derivative financial instruments	4.5	6 939.4	1 765.2
Financial receivables	4.3	352.2	358.7
Other receivables	3.5	167.0	77.3
Deferred tax assets	2.6	132.6	70.2
Total non-current assets		**9 479.6**	**4 183.2**
Assets held for sale	6.2	242.1	34.2
Inventories	3.4	881.0	561.2
Trade receivables		1 475.1	763.8
Financial receivables	4.3	1 665.8	1 314.6
Current tax assets		36.3	16.5
Derivative financial instruments	4.5	12 406.0	1 500.7
Other receivables	3.5	7 193.8	1 962.8
Cash and cash equivalents	4.2	728.8	483.2
Total current assets		**24 628.9**	**6 637.0**
Total assets		**34 108.5**	**10 820.2**

CHF million	Notes	30.9.2021	30.9.2020
Equity and liabilities			
Share capital	4.1	1 567.0	1 567.0
Retained earnings	4.1	1 551.3	1 697.6
Other reserves	4.1	–577.0	–444.6
Total equity excluding non-controlling interests		**2 541.3**	**2 820.0**
Non-controlling interests	4.1	20.6	27.0
Total equity including non-controlling interests		**2 561.9**	**2 847.0**
Financial liabilities	4.4	819.3	957.8
Derivative financial instruments	4.5	7 392.2	1 520.7
Other liabilities	3.6	214.0	113.0
Deferred tax liabilities	2.6	93.5	130.1
Provisions	3.7	221.1	260.7
Total non-current liabilities		**8 740.1**	**2 982.3**
Liabilities held for sale	6.2	263.0	28.7
Trade payables		683.4	476.5
Financial liabilities	4.4	1 751.8	1 124.8
Current tax liabilities		133.2	55.2
Derivative financial instruments	4.5	14 557.1	1 461.2
Other liabilities	3.6	4 819.1	1 774.5
Provisions	3.7	598.9	70.0
Total current liabilities		**22 806.5**	**4 990.9**
Total liabilities		**31 546.6**	**7 973.2**
Total equity and liabilities		**34 108.5**	**10 820.2**

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 as at 1.10.2019	**1 567.0**	**1 320.6**	**–535.8**	**2 351.8**	**45.1**	**2 396.9**
Total other comprehensive income after income tax		21.9	91.4	**113.3**	–3.2	**110.1**
Result for the period		429.2		**429.2**	–8.1	**421.1**
Total comprehensive income		**451.1**	**91.4**	**542.5**	**–11.3**	**531.2**
Dividend payment		–80.0		**–80.0**	–0.3	**–80.3**
Change in scope of consolidation		5.9	–0.2	**5.7**	–6.5	**–0.8**
Equity as at 30.9.2020	**1 567.0**	**1 697.6**	**–444.6**	**2 820.0**	**27.0**	**2 847.0**
Total other comprehensive income after income tax		28.8	–134.0	**–105.2**	2.2	**–103.0**
Result for the period		123.7		**123.7**	–4.0	**119.7**
Total comprehensive income		**152.5**	**–134.0**	**18.5**	**–1.8**	**16.7**
Dividend payment		–300.0		**–300.0**	–1.7	**–301.7**
Change in scope of consolidation		2.1	4.1	**6.2**	–6.3	**–0.1**
Non-controlling interests acquired		–1.0	–2.5	**–3.5**	–8.8	**–12.3**
Increase and decrease in capital	0.0	0.1		**0.1**	12.2	**12.3**
Equity as at 30.9.2021	**1 567.0**	**1 551.3**	**–577.0**	**2 541.3**	**20.6**	**2 561.9**

Consolidated cash flow statement

CHF million	Notes	2020/21	2019/20
Earnings before tax (EBT)		186.6	402.5
Financial result	2.5	61.0	52.2
Earnings before interest and tax (EBIT)		**247.6**	**454.7**
(Gains)/losses on disposal of non-current assets and liabilities held for sale		–59.5	16.5
Non-cash expenses and income	4.2	2 702.2	–56.8
Change in net working capital	4.2	–2 746.2	–350.1
Change in derivative financial instruments and other financial result		–219.0	113.6
Change in provisions (excluding interest, net)	3.7	483.9	–38.7
Dividends received		5.4	10.6
Income taxes paid		–84.5	–10.8
Cash flow from operating activities		**329.9**	**139.0**
Property, plant and equipment:			
Investments net of capitalised borrowing costs	3.1	–248.9	–118.4
Disposals and cost contributions		4.0	2.9
Lease investments			
Receipt of deferred consideration		2.0	0.0
Intangible assets:			
Investments (excluding goodwill)	3.3	–9.4	–16.7
Disposals		0.3	0.0
Acquisition of subsidiaries (net of cash acquired)		–3.9	–11.0
Disposals of subsidiaries (net of cash transferred)		16.9	–0.1
Cash flow from non-current assets held for sale	6.2	0.0	34.7
Investments in partner plants and other associates:			
Investments		–3.7	–22.6
Disposals and capital repayments		7.4	18.4
Other financial assets:			
Investments		–59.5	–95.9
Disposals and repayments		0.5	3.8
Financial receivables (current)		–283.3	–51.1
Interest received		20.4	18.2
Cash flow used in investing activities		**–557.2**	**–237.8**

CHF million	Notes	2020/21	2019/20
Financial liabilities (current and non-current):			
Proceeds	4.4	1 840.8	1 140.4
Repayment	4.4	–1 021.5	–947.7
Dividend payments (including non-controlling interests)		–301.7	–80.3
Interest paid		–58.3	–41.3
Cash flow from financing activities		**459.3**	**71.1**
Foreign currency translation effect on cash and cash equivalents		13.6	–14.3
Change in cash and cash equivalents		**245.6**	**–42.0**
Cash and cash equivalents at the beginning of the reporting period	4.2	**483.2**	**525.2**
Cash and cash equivalents at the end of the reporting period	4.2	**728.8**	**483.2**

Notes to the consolidated financial statements

1. Basic information

1.1 General information

Axpo Solutions AG is a public limited company incorporated under Swiss law with its registered office in Baden. It is a wholly owned subsidiary of Axpo Holding AG, Baden. Axpo Solutions AG and its subsidiaries constitute Axpo Solutions Group.
Axpo Solutions Group provides origination and retail services for its customers and trades in energy. Its activities are targeted primarily at the corporate customer and producer segment and increasingly also at the small and medium-sized enterprise segment. Axpo Solutions Group operates trading and sales companies in various European countries, in a number of neighbouring countries, in the United States of America and in Singapore (see Note 6.6 "Investments"). In addition, Axpo Solutions 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 in 2016 and the Urbasolar Group in 2019, Axpo Solutions Group moved into the business of building, operating and selling wind farms in Germany and France and solar plants mainly in France.
Axpo Solutions Group acts as the single market access for Axpo Power AG and its power plant participations. The energy produced is transferred to Axpo Solutions Group for the purpose of hedging. Axpo Solutions Group also manages the supply contracts with the Swiss cantonal utilities and large consumers on behalf of the Axpo Group. Axpo Power AG renders services to Axpo Solutions Group with respect to the management of its Swiss power plant participations.

The 2020/21 financial year was characterised by sharply rising energy prices. The increase intensified again in the last month of the reporting year. This market development is reflected in the balance sheet and equity as at 30 September 2021 as well as in the following Note tables: 2.6 "Income taxes", 3.4 "Inventories", 3.5 "Other receivables", 3.6 "Other liabilities" and 4.5 "Risk management".

1.2 Basis of accounting principles

General principles
The consolidated financial statements of Axpo Solutions 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 Solutions Group on 6 December 2021 and are subject to the approval of the Annual General Meeting on 21 January 2022.

Measurement bases
The consolidated financial statements are based on the historical cost principle and prepared on a going concern basis. Exceptions are described in the accounting principles section of the respective note.

Presentation currency and foreign currency translation
The presentation currency, which is also Axpo Solutions 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 other 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. They are reported separately in the notes as foreign currency translation reserves.
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 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**	**30.9.2021**	**30.9.2020**	**2020/21**	**2019/20**
EUR	1	1.0830	1.0804	1.0872	1.0749
GBP	1	1.2585	1.1842	1.2455	1.2245
NOK	100	10.6542	9.7326	10.5033	10.2067
PLN	100	23.4431	23.7649	23.9700	24.5200
RON	1	0.2189	0.2217	0.2218	0.2234
SEK	100	10.6508	10.2201	10.6816	10.1623
USD	1	0.9353	0.9228	0.9097	0.9603

Application of new standards and interpretations

All standards and interpretations effective at the end of the reporting period were applied when preparing the consolidated financial statements. The following new and revised standards and interpretations were applied on 1 October 2020 for the first time:

Standard	Title	Effective from
Amendments to IFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Framework for financial reporting	Framework for the Preparation and Presentation of Financial Statements	1 January 2020
Amendments to IFRS 3	Definition of Business Operations	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Materiality	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform – phase 1	1 January 2020

The new and revised standards and interpretations had no significant effect on the consolidated financial statements and disclosures of Axpo Solutions Group.

Future application of new and revised standards and interpretations

Axpo Solutions 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 Solutions Group is not yet mandatory. They will be adopted by Axpo Solutions Group no later than the financial year beginning on or after the date specified in brackets.

Standard	Title	Effective from
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2	1 January 2021
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
IFRSs (2018–2020 cycle)	Annual Improvements	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policy	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising form a Single Transaction	1 January 2023

Axpo Solutions Group will review its reporting for those new or revised standards effective on or after 1 January 2021 and which will not be adopted early by Axpo Solutions Group. Based on the current analyses, Axpo Solutions Group does not expect any material impact on the Group's financial position and results of operations.

1.3 Significant judgements and estimation uncertainties in the application of accounting policies

In the process of preparing the consolidated financial statements in accordance with IFRS, Axpo Solutions 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 the 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 have 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 in the following notes.

Description	**Significant judgements**	**Estimation uncertainties**	**Further information see Note**
Impairment on property, plant and equipment, right-of-use assets and intangible assets		X	2.4
Provisions for onerous energy procurement contracts		X	2.4
Income taxes		X	2.6
Other provisions		X	3.7.1
Valued added taxes		X	3.7.2
Accounting for energy derivatives	X		4.5.4
Fair value of financial instruments		X	4.5.4
Defined benefit plan		X	5.2
Classification of partner plants	X		6.3

1.4 Events after the balance sheet date

In the financial year 2020/21, Axpo Solutions Group concluded an agreement with an investor for the sale of photovoltaic portfolios with newly built photovoltaic plants in France. The closing for one of these photovoltaic portfolios took place on 25 October 2021. The corresponding assets and liabilities were recognised as "held for sale" as at 30 September 2021.
There are no further events after the balance sheet date which have to be disclosed.

2. Operational performance

2.1 Revenues from sales of energy

CHF million	2020/21	2019/20
Revenue from contracts with customers		
Net sales from energy business	3 166.2	2 779.2
Other net sales	168.1	49.8
Result from energy trading	1 318.1	490.1
Total	**4 652.4**	**3 319.1**

Result from energy trading also contains the positive result of economic hedge contracts entered into to hedge retail sales contracts. The expenses for the creation of onerous contract provisions for these sale contracts are recognised in the expenses for energy procurement from third parties and associates (see Note 2.2 "Expenses for energy procurement and cost of goods purchased" and Note 3.7.1 "Provisions").

Accounting principles

Generally

Revenue in Axpo Solutions Group is realised when the service is rendered or when control is transferred to the customer. Accordingly, revenue is recognised when either the products or goods are delivered or the contractually agreed services have been rendered. Performance obligations with regard to returns, refunds, warranties and similar obligations are not material to Axpo Solutions Group.

In general, revenue is reported net after deduction of value added tax and other discounts. The payment to which Axpo Solutions Group is entitled for the rendering of the various performance obligations may consist of fixed and variable consideration. For the measurement of the transaction price, variable components are only included if it is highly probable that there will be no significant reversal of the recognised cumulative revenues as soon as the uncertainty in connection with the variable consideration no longer exists. Penalties, which might be owed by the customers, e.g. for deviations between delivered and contractually agreed energy volumes, represent a variable component. This component is only included in the measurement of the transaction price if its occurrence is highly probable, which can normally only be estimated towards the end of the delivery period.

Commissions paid to agents as a result of concluding a contract are capitalised as additional costs of obtaining the contract. These costs essentially comprise commissions paid to sales agents when customers are successfully referred to Axpo Solutions Group. Amortisation is in line with the transfer of the goods or services to the customer and is based on the average customer retention period.

Axpo Solutions Group does not adjust the amount of the promised consideration to reflect the effects of a significant financing component if, at the inception of the contract, it expects that the time period between the transfer of a good or service to the customer and payment by the customer will not exceed one year.

Result from energy derivatives trading

Revenue and costs related to the customer solution business as well as energy trades, which are measured at fair value, are presented net in the result from energy trading. Such contracts do not fall within the scope of IFRS 15 but are accounted for according to IFRS 9 and IFRS 13.

Distinction between sale of own energy production, retail business and customer solution business

For the first sale of self-produced energy, revenue is recognised upon delivery of goods in net sales from energy business, whereas all following contracts in the management chain are treated as hedge products, measured at fair value and recognised in the result from energy trading.

The retail business mainly consists of physical energy deliveries and other services, such as installation and grid connections. Counterparties are households and small to medium-sized entities. The related revenue is recognised upon delivery of the goods in net sales from energy business or upon rendering of the service in other net sales.

All other business including origination is referred to as customer solution business. The recognition of revenue in the customer solution business is based on a portfolio approach, where all contracts are measured at fair value and booked in the result from energy trading. These contracts, portfolios and inventories are principally acquired with the purpose of selling them in the near future and generating a profit from fluctuations in price or broker-traders' margin. Energy trades, which are a purely financial speculative business, are presented net in the result from energy trading.

Revenues from energy sales and grid usage

The first sale of self-produced energy from the Axpo Group's own production portfolio and the physical delivery of energy to retail customers are classified as own-use contracts and recognised over the period of the agreed service provision. As the criteria listed in IFRS 15 are met, energy deliveries will be accounted for as a single performance obligation (series of distinct goods or services). In the case of energy deliveries, Axpo Solutions Group has a right to a consideration that is directly equivalent to the value of the energy already delivered to the customer. Axpo Solutions Group applies the exemption in IFRS 15 in such cases and recognises revenue at the amount that can be invoiced. Income is therefore considered realised and recognised as revenue when delivery has taken place. Deliveries to retail customers are largely based on individual meter readings at the end of the financial year. If the meters cannot be read at this time, revenue is estimated and recognised on the basis of statistical values. Revenue from electricity supplies not yet invoiced at the balance sheet date is shown as "Revenues not yet invoiced (financial instruments)" under other receivables.

In accordance with IFRS 15, transport costs for energy, such as grid usage fees for grids not owned by Axpo Solutions Group, are now reported net in revenue. In such cases, Axpo Solutions acts only as agent of the grid operator since it collects these charges from the customer on the latter's behalf and forwards them to the grid operator.

The payment periods are usually 30 days and in exceptional cases longer.

Other net revenue

Other net revenue includes revenue from rendered services and energy efficiency projects. For customer-specific construction contracts for which Axpo Solutions has an enforceable right to payment for performance completed to date under the terms of the contract, revenue is recognised on a period basis. Revenue is recognised on the basis of the stage of completion of the order, which is determined separately for each customer order using the cost-to-cost method. Under the cost-to-cost method, the costs already incurred for the customer order are compared with the expected costs. The profit of an order, which is accounted for on a period basis, is realised on the basis of the calculated stage of completion. Revenue that cannot yet be offset is recognised in the balance sheet as contract assets (included in line item "Other receivables") less advance payments already made. In the event of a surplus of advance payments, revenue that cannot yet be offset is recognised as contract liabilities (included in line item "Other liabilities"). The provision of services can take place both over a period of time and at a point in time.

2.2 Expenses for energy procurement and cost of goods purchased

CHF million	2020/21	2019/20
Expenses for energy procurement from third parties and associates	–3 549.4	–2 059.1
Expenses for energy procurement from partner plants	–195.7	–180.8
Increase in provisions for onerous energy procurement contracts (excluding interest) (Note 3.7.1)	–0.1	–0.2
Reversal of provisions for onerous energy procurement contracts (excluding interest) (Note 3.7.1)	3.9	2.2
Total	**–3 741.3**	**–2 237.9**

Expenses for energy procurement from third parties and associates also contain expenses for recognising provisions for onerous energy sales contracts related to the retail business. The positive result of the corresponding economic hedge contracts is recognised in "Result from energy trading" (see Note 2.1 "Revenues from sale of energy" and Note 3.7.1 "Provisions").

2.3 Other operating expenses

CHF million	2020/21	2019/20
IT expenses	–69.7	–72.1
Charges, fees and capital taxes	–18.0	–20.5
Loss allowances on receivables	–21.9	–24.1
Other operating expenses	–149.7	–160.0
Total	**–259.3**	**–276.7**

Other operating expenses mainly include fees for management services and consulting expenses.

2.4 Impairment losses, impairment reversals and changes in provisions for onerous energy procurement contracts

Allocation of impairment losses, impairment reversals and provisions for onerous energy procurement contracts

CHF million			2020/21	2019/20
Production abroad	Property, plant and equipment	Impairment losses	0.0	–61.5
		Impairment reversals	0.0	77.8
	Intangible assets	Impairment losses	–0.6	0.0
Investments Switzerland	Other associates	Impairment losses	–0.7	0.0
Investments abroad		Impairment reversals	0.0	19.8
Total impairment losses/reversals on assets			**–1.3**	**36.1**
Depreciation and amortisation on property, plant and equipment, right-of-use assets and intangible assets			–158.8	–134.7
Total depreciation, amortisation and impairments			**–160.1**	**–98.6**
Provisions for onerous energy procurement contracts (net change)			**3.8**	**2.0**

In the previous reporting period, net impairment reversals of CHF 38.1 million on power plants, investments and energy procurement contracts were due to power plant-specific factors.

Discount rates

For the value-in-use calculation, the following discount rates, differentiated between production method and country, were applied:

in %	30.9.2021	30.9.2020
	After-tax real discount rate	After-tax real discount rate
Gas-fired combined-cycle power plants, Italy	n/a	4.5
Wind production, France	n/a	3.6
Wind production, Germany	n/a	2.9–3.1
Goodwill Axpo Italia S.p.A.	4.5	4.8
Goodwill Urbasolar Group	3.5	3.6

Sensitivities

in %	30.9.2021	30.9.2020
	Break-even after-tax real discount rate	Break-even after-tax real discount rate
Axpo Italia S.p.A.	12.3	17.7
Urbasolar Group	11.3	6.4

Accounting principles

Impairment on non-financial assets

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 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 regarding capital expenditures, the regulatory environment, growth rates, discount and exchange rates, and forecasts for the proportional annual expenses for energy procurement (only for power plants and energy procurement contracts).
The discount rate is based on a Weighted Average Cost of Capital (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.

Impairment on property, plant and equipment, right-of-use assets, intangible assets and other associates

At the balance sheet date, Axpo Solutions Group reviews the carrying amounts of tangible and intangible assets as well as investments in 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, not exceeding the depreciated amount that would have been determined if no impairment loss had been recognised.

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.

Provisions for onerous energy procurement contracts with partner plants

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. Due to the legal obligation to assume the annual cost, 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 rights.
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.

Goodwill

Regardless of indicators, goodwill is tested for impairment annually. The test is performed in the fourth quarter of the reporting period or whenever there is an indication of impairment. The projected cash flows used for the determination of the value-in-use are based on various assumptions.

Significant judgements and estimation uncertainties

Impairment on property, plant and equipment, right-of-use assets and intangible assets

Axpo Solutions Group has property, plant and equipment with a carrying amount of CHF 938.4 million (previous year: CHF 927.1 million; see Note 3.1 "Property, plant and equipment") and right-of-use assets with a carrying amount of CHF 132.2 million (previous year: CHF 136.3 million; see Note 3.2, "Leases") as well as energy procurement rights and right-of-use for facilities and concessions in the amount of CHF 177.2 million (previous year: CHF 224.5 million; see Note 3.3 "Intangible assets"). These assets are tested for impairment if there is an indication of impairment. 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, energy price movements, CHF/EUR exchange rate developments and the discount rate are by their nature subject to major uncertainties. The estimates regarding the development of energy prices is based on the expected price development on the supply and trading market.

Provisions for onerous energy procurement contracts

Provisions for energy procurement contracts in the amount of CHF 172.9 million (previous year: CHF 211.1 million; see Note 3.7.1 "Provisions") relate to identifiable losses from the procurement of electricity from power generation plants and long-term procurement contracts. The amount of the provisions depends on different assumptions. Particularly the energy price development, the EUR/CHF exchange rate trend and the discount rate are subject to major uncertainties.

2.5 Financial result

CHF million	2020/21	2019/20
Interest income	22.3	18.3
Net exchange rate gains	6.0	1.2
Other financial income	0.9	4.7
Total financial income	**29.2**	**24.2**
Interest expense	–70.8	–53.4
Other financial expense	–19.4	–23.0
Total financial expense	**–90.2**	**–76.4**
Total	**–61.0**	**–52.2**

Realised and unrealised gains and losses from other financial instruments are reported net in line items "Other financial income" and "Other financial expense", respectively.
The interest expense of CHF 70.8 million (previous year: CHF 53.4 million) includes interest of CHF 9.1 million (previous year: CHF 8.8 million) on provisions for onerous energy procurement contracts and other provisions (see Note 3.7.1 "Provisions").

Expenses/income from financial assets and liabilities included in financial result

CHF million	Income statement 2020/21	Other comprehensive income 2020/21	Income statement 2019/20	Other comprehensive income 2019/20
Net profit/losses included in the financial result				
On financial assets and liabilities at fair value through profit or loss (held for trading)	2.7	0.0	–3.7	0.0
On derivatives designated as hedges	0.0	17.5	0.0	–20.8
On financial assets and liabilities at fair value through profit or loss (mandatory)	0.3	0.0	–0.1	0.0
At amortised cost	–22.6	0.0	–16.7	0.0
Interest income and expense				
Interest income from financial assets not accounted for at fair value through profit or loss	22.2	0.0	18.1	0.0
Interest expense from financial liabilities not accounted for at fair value through profit or loss	–61.6	0.0	–44.7	0.0

2.6 Income taxes

CHF million	2020/21	2019/20
Current income taxes	–143.4	–78.4
Deferred income taxes	76.5	97.0
Total income taxes directly recognised in the income statement	**–66.9**	**18.6**
Deferred taxes directly recognised in other comprehensive income	24.0	–24.1
Total income taxes directly recognised in other comprehensive income	**24.0**	**–24.1**

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 of tax expense

CHF million	2020/21	2019/20
Earnings before tax (EBT)	186.5	402.5
Expected tax rate (ordinary tax rate at head office)	18.55%	18.61%
Income tax at expected tax rate	**–34.6**	**–74.9**
Non-tax-deductible expenses	–21.9	–12.1
Effect from previous periods	5.6	–2.1
Effect of tax rate changes	2.3	–0.2
Effect of income not subject to tax or tax privileged[1]	32.8	12.6
Unrecorded tax loss carry forward	–25.7	–9.5
Utilisation of previously unrecorded tax loss carry forward	0.2	126.2
Impairment of previously recorded carry forward of loss	–0.2	0.0
Earnings taxable at different tax rates	–24.9	–17.8
Reassessment of deferred tax assets	0.0	–3.8
Other effects	–0.5	0.2
Total income taxes (current and deferred)	**–66.9**	**18.6**

1 The main effect of income not subject to tax or tax privileged comes from the sale of subsidiaries.

The ordinary tax rate at the head office comprises direct federal tax (8.5%) and cantonal and municipal taxes of the canton of Aargau (14.28%). The deductibility of both taxes from taxable income results in an effective ordinary tax rate for the head office of 18.55% (previous year: 18.61%).

Deferred taxes by origin of temporary differences

CHF million	Assets 30.9.2021	Liabilities 30.9.2021	Assets 30.9.2020	Liabilities 30.9.2020
Property, plant and equipment	78.4	27.0	71.6	27.6
Right-of-use assets	0.1	28.6	3.1	29.2
Intangible assets	0.7	76.6	0.7	96.7
Investments	4.6	21.3	4.8	16.6
Positive derivative financial instruments (current and non-current)	0.4	772.7	5.7	15.6
Other assets (non-current)	0.1	3.5	0.2	2.1
Trade receivables	21.6	0.0	22.1	0.0
Other receivables (current)	43.0	14.0	4.5	13.9
Provisions (current and non-current)	73.7	59.5	2.0	62.3
Negative derivative financial instruments (current and non-current)	755.8	33.0	23.4	29.8
Other liabilities (non-current)	31.6	0.2	31.5	2.7
Other liabilities (current)	26.3	0.0	21.4	0.6
Tax loss carry forward capitalised	39.2	0.0	46.2	0.0
Deferred taxes, gross	**1 075.5**	**1 036.4**	**237.2**	**297.1**
Offsetting of assets and liabilities	–942.9	–942.9	–167.0	–167.0
Deferred taxes, net	**132.6**	**93.5**	**70.2**	**130.1**

In the previous year, as well as at 30 September 2021, there were no temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities were recognised.

Reconciliation of deferred taxes

CHF million	Assets	Liabilities
Balance as at 1.10.2019, gross	**198.8**	**333.7**
Change in scope of consolidation	0.7	0.0
Change in other comprehensive income	6.4	29.4
Change in income statement	32.5	–64.5
Foreign currency translation effect	–1.2	–1.5
Balance as at 30.9.2020, gross	**237.2**	**297.1**
Offsetting of assets and liabilities	–167.0	–167.0
Balance as at 30.9.2020, net	**70.2**	**130.1**
Balance as at 1.10.2020, gross	**237.2**	**297.1**
Change in scope of consolidation	–2.0	0.0
Change in other comprehensive income	36.9	11.0
Change in income statement	803.6	727.1
Foreign currency translation effect	–0.2	1.2
Balance as at 30.9.2021, gross	**1 075.5**	**1 036.4**
Offsetting of assets and liabilities	–942.9	–942.9
Balance as at 30.9.2021, net	**132.6**	**93.5**

Tax loss carry forwards for which no deferred tax assets are recognised, by term to expiry

CHF million	30.9.2021	30.9.2020
Expiring within 2 to 5 years	79.9	82.2
Expiring in more than 5 years	400.9	360.5
Total tax loss carry forward	**480.8**	**442.7**

Accounting principles

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 income 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.

Significant judgements and estimation uncertainties

Income taxes

The subsidiaries of Axpo Solutions Group are subject to the applicable tax laws in the countries in which they have tax bases. The scope of the tax liability and the amount of tax owed is determined by the applicable tax laws and their interpretation by the tax authorities and the relevant jurisdiction. The subsidiaries are subject to regular audits by the competent tax authorities. However, these audits are sometimes carried out several years after the end of the reporting period, especially abroad. Changes in interpretation and practice may therefore lead to a subsequent reassessment of current and deferred taxes. Furthermore, there is still a need for clarification regarding the taxation of the partner plants in the canton of Grisons. An agreement was concluded with the canton of Valais in the past fiscal year that met Axpo's financial expectations.

The risks resulting from uncertainties are assessed on an ongoing basis and recorded where necessary. Even if the management of Axpo Solutions Group considers the current tax estimates to be reasonable, the effective tax liabilities as well as any penalties and default interest may differ from the tax provisions and deferred liabilities.

3. Operational assets and liabilities

3.1 Property, plant and equipment

CHF million	Power plants	Land and buildings	Other property, plant and equipment	Assets under construction	Total
Carrying amount as at 1.10.2019	**838.6**	**8.3**	**20.6**	**114.9**	**982.4**
thereof acquisition cost	1 883.8	11.3	32.7	149.2	2 077.0
thereof accumulated depreciation and impairments	–1 045.2	–3.0	–12.1	–34.3	–1 094.6
Change in scope of consolidation	–1.2	2.5	0.0	0.6	1.9
Additions (investments)	2.0	0.1	2.7	113.6	118.4
Disposals	–3.3	0.0	–5.7	–0.3	–9.3
Reclassification to/from assets held for sale	–29.3	0.0	0.0	0.0	–29.3
Reclassifications	5.8	0.0	11.4	–100.2	–83.0
Depreciation in the reporting period	–62.2	–0.1	–3.8	0.0	–66.1
Impairment losses	–61.5	0.0	0.0	0.0	–61.5
Impairment reversals	77.8	0.0	0.0	0.0	77.8
Foreign currency translation effect	–3.2	–0.1	0.0	–0.9	–4.2
Carrying amount as at 30.9.2020	**763.5**	**10.7**	**25.2**	**127.7**	**927.1**
thereof acquisition cost	1 849.0	13.8	39.0	170.9	2 072.7
thereof accumulated depreciation and impairments	–1 085.5	–3.1	–13.8	–43.2	–1 145.6
Change in scope of consolidation	–70.1	–2.8	0.0	–53.3	–126.2
Additions (investments)	4.1	0.1	4.2	240.5	248.9
Disposals	–2.0	0.0	–1.9	–1.6	–5.5
Adjustments to acquisition costs IFRIC 1	2.3	0.0	0.0	0.0	2.3
Reclassification to/from assets held for sale	–19.2	–0.4	0.0	–96.0	–115.6
Reclassifications	236.6	–3.5	11.8	–164.6	80.3
Depreciation in the reporting period	–71.5	–0.1	–3.8	0.0	–75.4
Foreign currency translation effect	1.8	0.0	0.0	0.7	2.5
Carrying amount as at 30.9.2021	**845.5**	**4.0**	**35.5**	**53.4**	**938.4**
thereof acquisition cost	1 997.8	7.0	52.8	94.5	2 152.1
thereof accumulated depreciation and impairments	–1 152.3	–3.0	–17.3	–41.1	–1 213.7

In the reporting period, property, plant and equipment with a carrying amount of CHF 115.6 million (previous year: CHF 29.3 million) were qualified as “held for sale” and reclassified to the line item “Reclassification to/from assets held for sale”.
Further, photovoltaic systems in the amount of CHF 81.0 million, which were due to a change in strategy reclassified to inventories in the previous year, were moved back to property, plant and equipment.

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. The previous owner of the transmission system was compensated in the form of shares in Swissgrid AG and loans to Swissgrid AG based on provisional transfer values. On 9 February 2021, ElCom issued a decree concerning cover differences in 2011 and 2012 and thus determined the regulatory values as at 31 December 2012. No appeal was filed against the decree. Thus it became legally effective by March 2021. Based on the decree, the valuation adjustment 2 for determining the definitive transfer value was performed and audited by an independent entity. Within the scope of this valuation adjustment 2, additional sales proceeds in the amount of CHF 22.5 million were received and recognised as other operating income. The interest component in the amount of CHF 6.1 million was recognised in the financial result.

Investment commitments

Investment commitments in the amount of CHF 119.2 million relate to the acquisition of property, plant and equipment (previous year: CHF 93.4 million).

Pledged assets

Property, plant and equipment in the amount of CHF 440.1 million (previous year: CHF 549.0 million) were pledged to secure financial liabilities. The pledged property, plant and equipment mainly relate to wind farms and solar plants.

Capitalised borrowing costs

In the 2019/20 and 2020/21 reporting years, no borrowing costs were capitalised.

Accounting principles

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation and impairments. The acquisition or manufacturing costs also include the estimated costs of dismantling and removing the asset and restoration of the site. In the case of long-term investment projects, borrowing costs are capitalised during the construction phase. Unscheduled depreciation is only recognised in the case of damage or impairment, as described in Note 2.4 “Accounting principles; Impairment on property, plant and equipment, right-of-use assets, intangible assets and other associates”.
The estimated economic useful lives for the individual asset categories are reviewed annually and are 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 Solutions 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.

3.2 Leases

Lessee

The following table shows the development of right-of-use assets from leases:

CHF million	Land and buildings	Vehicles	Other	Total
Carrying amount as at 1.10.2019	**102.0**	**2.8**	**1.8**	**106.6**
thereof acquisition costs	102.0	2.8	1.8	106.6
thereof accumulated amortisation and impairments	0.0	0.0	0.0	0.0
Additions (investments)	43.3	1.0	0.0	44.3
Disposals	–0.5	–0.2	0.0	–0.7
Reclassification to/from assets held for sale	–1.2	0.0	0.0	–1.2
Depreciation in reporting period	–11.3	–1.3	–0.4	–13.0
Foreign currency translation effect	0.3	0.0	0.0	0.3
Carrying amount as at 30.9.2020	**132.6**	**2.3**	**1.4**	**136.3**
thereof acquisition costs	143.3	3.5	1.8	148.6
thereof accumulated amortisation and impairments	–10.7	–1.2	–0.4	–12.3
Change in scope of consolidation	–20.4	0.0	0.0	–20.4
Additions (investments)	44.1	1.0	0.2	45.3
Disposals	–4.9	–0.1	0.0	–5.0
Reclassification to/from assets held for sale	–9.5	0.0	0.0	–9.5
Depreciation in the reporting period	–12.8	–1.4	–0.8	–15.0
Foreign currency translation effect	0.4	0.1	0.0	0.5
Carrying amount as at 30.9.2021	**129.5**	**1.9**	**0.8**	**132.2**
thereof acquisition costs	150.1	3.9	2.1	156.1
thereof accumulated depreciation and impairments	–20.6	–2.0	–1.3	–23.9

The following amounts are recognised in the income statement in connection with leases:

CHF million	2020/21	2019/20
Other operating income		
Net gain (+)/loss (–) remeasurement lease contracts	0.1	0.1
Other operating expenses		
Expense short-term leases	0.1	0.2
Expense low-value underlying lease asset	0.4	0.3
Expense related to variable lease payments not included in lease liabilities (and not index or interest dependent)	1.5	0.4
Depreciation and impairment losses/reversals		
Depreciation right-of-use assets	15.0	13.0
Financial expense		
Interest expense leases	2.1	2.1

In the reporting period, the total cash outflows for leases amounted to CHF 20.7 million (previous year: CHF 16.1 million).

Lessor

Axpo Solutions acts as lessor mainly in the area of finance leases, where energy production plants, in particular photovoltaic, wind power or combined heat and power plants, are made available to customers for their use. Lease receivables in the amount of CHF 7.4 million (previous year: CHF 7.8 million) were recognised. The future undiscounted lease payments as at the balance sheet date were CHF 8.2 million (previous year: CHF 8.2 million).

Accounting principles

Generally

Leases are accounted for in accordance with IFRS 16 “Leases”. A lease is a contract that gives the right to use an identified asset for a specified period of time in return for payment of a fee. A right-of-use for an identified asset can exist in many contracts irrespective of their formal structure, such as in rental, lease and service contracts, but also in outsourcing transactions. The formal designation of an arrangement is not relevant for the purpose of identifying a lease. Axpo concludes contracts both as lessee and lessor.

Lessee

Transactions, in which Axpo acts as lessee, are accounted for in accordance with the right-of-use model, irrespective of the economic (ownership) relationship to the leased asset at the inception of the lease. Low-value leases and leases with a term of less than 12 months (short-term leases) are not recognised as right-of-use assets and lease liabilities; instead, the payments are recognised as an expense in the income statement on a straight-line basis.

A lease liability is recognised in the amount of the present value of the existing payment obligation. In determining the binding term of a lease contract with an extension or termination option, not only contractual penalties but also other economic incentives are taken into account. This may result in longer lease terms and thus in higher right-of-use assets and lease liabilities recognised in the balance sheet. If a contract provides payments for lease and non-lease components, separation is waived in accordance with the exemption option under IFRS 16.5; the lease liabilities are measured from the total of the payments. The present value is determined by discounting using an incremental borrowing rate equivalent to the risk and term or the interest rate on which the lease is based, if this can be determined. The liability is subsequently measured in the following periods using the effective interest method. The short-term portion of the lease liability (disclosed separately in the balance sheet) is determined by the principal portion received in the next 12 months, which is included in the lease instalments. A reassessment of the liability is required whenever there is a change in the expected lease payments or lease term, e.g. due to a change in the assessment regarding the exercise of a contractual option. Corresponding to the lease liability, a right-of-use asset is recognised in the amount of the present value of the lease liability. The acquisition value of the right-of-use asset is increased by initial direct costs and advance payments. Any received lease incentives and sublease contracts that qualify as finance lease reduce the acquisition value. Depreciation is calculated using the straight-line method over the shorter of the lease term and the useful life of the identified asset. If events or changes in circumstances indicate an impairment, an impairment test is carried out in accordance with IAS 36.

The Axpo Solutions Group acts as a lessee, particularly in the areas of land and roofs for energy production systems such as wind power and photovoltaic systems as well as distribution systems. Furthermore, Axpo Solutions is also a lessee for commercial properties, easements on land, vehicles and other mobile tangible assets as well as IT infrastructure. The lease contracts for land and roofs in connection with energy production as well as distribution systems are usually concluded for a fixed period of 15 to 20 years. For all other contracts, the term of the lease agreements is usually 3 to 5 years. In some cases, lease agreements also contain options for extension and termination.

Lessor

Lease transactions in which Axpo Solutions is the lessor are classified as operating or finance leases, depending on the allocation of rewards and risks. If a lease is classified as an operating lease,
Axpo Solutions recognises the identified asset in its balance sheet and the lease payments as other operating income on a straight-line basis over the term of the lease. For finance leases, the identified asset is derecognised and a receivable is recognised at the net investment value. Payments made by the lessee are treated as amortisation payments or interest income. Income is recognised over the term of the lease using the effective interest method. The classification of subleases is based on the right-of-use asset under the head lease.

Axpo Solutions acts as lessor mainly in the area of finance leases, where energy production plants, in particular photovoltaic, wind power or combined heat and power plants, are made available to customers for their use.

3.3 Intangible assets

CHF million	Energy procurement rights, right-of-use for facilities and concessions	Goodwill	Other	Total
Carrying amount as at 1.10.2019	**264.8**	**168.4**	**126.5**	**559.7**
thereof acquisition costs	384.4	173.5	222.0	779.9
thereof accumulated amortisation and impairments	–119.6	–5.1	–95.5	–220.2
Additions (investments)	0.0	17.0	16.7	33.7
Disposals	0.0	–7.0	–0.1	–7.1
Amortisation in reporting period	–38.9	0.0	–16.7	–55.6
Foreign currency translation effect	–1.4	–0.8	–0.6	–2.8
Carrying amount as at 30.9.2020	**224.5**	**177.6**	**125.8**	**527.9**
thereof acquisition costs	382.9	182.6	250.5	816.0
thereof accumulated amortisation and impairments	–158.4	–5.0	–124.7	–288.1
Additions (investments)	0.1	0.0	9.3	9.4
Disposals	0.0	0.0	–0.4	–0.4
Reclassification to/from “assets held for sale”	–0.2	0.0	0.0	–0.2
Reclassifications	0.0	0.0	0.8	0.8
Amortisation in reporting period	–47.9	0.0	–20.5	–68.4
Impairment losses	0.0	0.0	–0.6	–0.6
Foreign currency translation effect	0.7	0.4	0.4	1.5
Carrying amount as at 30.9.2021	**177.2**	**178.0**	**114.8**	**470.0**
thereof acquisition costs	361.0	183.0	260.6	804.6
thereof accumulated amortisation and impairments	–183.8	–5.0	–145.8	–334.6

All intangible assets apart from goodwill have finite useful lives and are therefore amortised on a systematic basis. The carrying amount of goodwill is allocated to the following cash-generating units:

CHF million	30.9.2021	30.9.2020
Urbasolar Group	104.2	104.0
Axpo Italia S.p.A.	73.8	73.6
Total Goodwill	**178.0**	**177.6**

Accounting principles

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 useful lives for the individual asset categories are reviewed annually.

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.

Right-of-use for facilities comprises 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.

For the impairment test, please refer to the explanations in Note 2.4 “Impairment losses, impairment reversals and changes in provisions for onerous energy procurement contracts“.

3.4 Inventories

CHF million	30.9.2021	30.9.2020
Inventories held for own use		
Work in progress	85.3	158.8
Other inventories	17.7	3.4
Total	**103.0**	**162.2**
Inventories held for trading		
Gas inventories	580.9	179.6
Certificates	197.1	219.4
Total	**778.0**	**399.0**
Total	**881.0**	**561.2**

In the previous reporting period, work in progress not only included wind farms but also photovoltaic systems, which were reclassified to property, plant and equipment during the reporting period (see Note 3.1 "Property,plant and equipment").

Pledged inventories

Inventories in the amount of CHF 44.5 million (previous year: CHF 127.9 million) were pledged to secure financial liabilities. The pledged inventories relate to wind farms built for sale.

Accounting principles

Inventories held for own use

Inventories held in relation to own energy production and the retail business include materials, certificates and inventories of other energy sources and 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.
Wind and photovoltaic farms which are built for sale in the ordinary course of business are measured at cost incurred or at their lower net realisable value and presented as "Work in progress".

Inventories held for trading

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

3.5 Other receivables (current and non-current)

CHF million	30.9.2021	30.9.2020
Non-current other receivables (non-financial instruments)		
Receivables from pension plans	4.7	4.3
Employee benefit asset (Note 5.2)	16.0	0.0
Other	166.5	68.3
Allowance for doubtful debts	–35.3	–4.2
Total	**151.9**	**68.4**
Non-current other receivables (financial instruments)		
Other	46.3	40.1
Loss allowances	–31.2	–31.2
Total	**15.1**	**8.9**
Total non-current other receivables	**167.0**	**77.3**
Current other receivables (non-financial instruments)		
Accrued income and prepaid expenses	54.8	54.3
Advance payments	37.8	23.0
Variation margin futures own use[1]	1 492.7	0.0
Other	108.0	106.4
Allowance for doubtful debts	–0.1	–0.1
Total	**1 693.2**	**183.6**
Current other receivables (financial instruments)		
Revenues not yet invoiced	2 657.5	1 147.3
Accrued income and prepaid expenses	14.2	22.2
Credit Support Annexes	1 732.7	193.2
Initial margin for exchanges	978.6	303.8
Other	118.3	113.9
Loss allowances	–0.7	–1.2
Total	**5 500.6**	**1 779.2**
Total current other receivables	**7 193.8**	**1 962.8**
Total current and non-current other receivables	**7 360.8**	**2 040.1**

1 Variation margin for futures which are recognised as first sale of self-produced energy and which are realised upon delivery of energy (see also Note 2.1 "Accounting principles; Distinction between sale of own energy production, retail business and customer solution business").

In the previous year, the variation margin futures own use in the amount of CHF 36.0 million was negative and thus recognised in the position "Other"; "Current other liabilities (non-financial instruments)" (see Note 3.6 "Other liabilities"). The received Credit Support Annexes are presented in Note 3.6 "Other liabilities" (see also Note 4.5 "Risk Management").
The offset receivables and payables included in "Revenues not yet invoiced" and "Operating expenses not yet invoiced" amount to CHF 2,232.1 million (previous year: CHF 1,254.7 million; see Note 3.6 "Other liabilities").

Accounting principles

Revenues not yet invoiced
Invoices not yet issued for energy supplied in the traditional energy business as well as in energy trading are accounted for in revenue not yet invoiced. Trade receivables from customers who are simultaneously suppliers are offset against trade payables, provided a netting arrangement has been agreed.

Other receivables (financial instruments)
Other receivables which are subject to IFRS 9 are initially recognised at fair value less transaction costs and less loss allowances. Subsequently, they are measured at amortised cost less loss allowances.

Contract assets
Contract assets exist in connection with energy efficiency projects. The majority of these are customer-specific construction contracts for which a right to a consideration exists for goods or services that are transferred to the customer. Contract assets are presented in other receivables (non-financial instruments).

3.6 Other liabilities (current and non-current)

CHF million	30.9.2021	30.9.2020
Non-current other liabilities (non-financial instruments)		
Employee benefit liability (Note 5.2)	0.0	10.9
Other	178.7	71.3
Total	**178.7**	**82.2**
Non-current other liabilities (financial instruments)		
Other	35.3	30.8
Total	**35.3**	**30.8**
Total non-current other liabilities	**214.0**	**113.0**
Current other liabilities (non-financial instruments)		
Accrued expenses and deferred income	61.3	37.0
Advance payments from customers	86.0	107.0
Other	189.3	99.8
Total	**336.6**	**243.8**
Current other liabilities (financial instruments)		
Accrued expenses and deferred income	194.8	131.9
Operating expenses not yet invoiced	2 824.3	1 099.7
Credit Support Annexes	1 353.3	170.0
Other	110.1	129.1
Total	**4 482.5**	**1 530.7**
Total current other liabilities	**4 819.1**	**1 774.5**
Total current and non-current liabilities	**5 033.1**	**1 887.5**
Maturities of the non-current other liabilities at the end of the financial year:		
Due within 1 to 5 years	172.5	77.1
Due in more than 5 years	41.5	35.9
Total other liabilities	**214.0**	**113.0**

The delivered Credit Support Annexes are presented in Note 3.5 "Other receivables" (see also Note 4.5 "Risk Management").
The offset receivables and payables included in "Revenues not yet invoiced" and "Operating expenses not yet invoiced" amount to CHF 2,232.1 million (previous year: CHF 1,254.7 million; see Note 3.5 "Other receivables").

Accounting principles

Operating expenses not yet invoiced

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 offset against trade payables, provided a netting arrangement has been agreed.

Other liabilities (non-financial instruments)

This position mainly includes day-one profits resulting from long-term contracts whose valuation is partly based on non-observable input data (see Note 4.5.4 "Market price risks") as well as contract liabilities and advance payments.

Contract liabilities

If a consideration is received for contracts with customers before goods or services are transferred to the customer, a contract liability is recognised. Advance payments for future physical energy deliveries are also recorded as a contractual liability. Contract liabilities are presented in other liabilities (non-financial instruments).

3.7 Provisions, contingent liabilities and contingent assets

3.7.1 Provisions

CHF million	Onerous energy procurement contracts	Onerous energy sales contracts	Other provisions[1]	Total
Balance as at 1.10.2020	**211.1**	**0.0**	**119.6**	**330.7**
Change in scope of consolidation	0.0	0.0	–4.0	–4.0
Increase in provisions	0.1	527.1	51.5	578.7
Interest	6.0	0.0	3.1	9.1
Reversal of provisions	–3.9	0.0	–34.7	–38.6
Usage of provisions	–40.4	0.0	–10.0	–50.4
Reclassification to/from liabilities held for sale	0.0	0.0	–1.1	–1.1
Foreign currency translation effect	0.0	–4.5	0.1	–4.4
Balance as at 30.9.2021	**172.9**	**522.6**	**124.5**	**820.0**
Current portion of provisions	44.4	522.6	31.9	598.9
Non-current portion of provisions	128.5	0.0	92.6	221.1
Total	**172.9**	**522.6**	**124.5**	**820.0**
Due within 1 year	44.4	522.6	31.9	598.9
Due within 1 to 5 years	59.3	0.0	66.4	125.6
Due in more than 5 years	69.2	0.0	26.2	95.5
Total	**172.9**	**522.6**	**124.5**	**820.0**

1 The "Increase in provisions" contains an amount of CHF 5.8 million not recognised in profit or loss for wind parks in France. The same amount was capitalised under Note 3.4 "Inventories" (CHF 3.5 million) and Note 3.1 "Property, plant and equipment" (CHF 2.3 million). The recognition is consistent with the requirements of IFRIC 1.

Provisions for onerous energy procurement contracts

The provisions for "Onerous energy procurement contracts" in the amount of CHF 172.9 million relate to identifiable losses from the procurement of electricity from power generation plants and long-term supply contracts (previous year: CHF 211.1 million). For details regarding the valuation method used, refer to Note 2.4 "Impairment losses, impairment reversals and changes in provisions for onerous energy procurement contracts".

Provisions for onerous energy sales contracts

The provisions for "onerous energy sales contracts" amount to CHF 522.6 million and relate to physical energy delivery contracts to households and small to medium-sized entities. The corresponding positive economic hedge contracts are measured at fair value and are recognised in "Result from energy trading" (see Note 2.1 "Revenues from sales of energy").

Other provisions

The position contains provisions for storage contracts in the amount of CHF 18.1 million (previous year: CHF 23.9 million), provisions for the decommissioning of power plants of CHF 25.8 million (previous year: CHF 21.5 million) as well as provisions for contracts belonging to the customer solution portfolio but which are measured at cost amounting to CHF 17.3 million (previous year: CHF 28.3 million) and provisions for personnel expenses, including bonus accruals.

Significant judgements and estimation uncertainties

Other provisions At the balance sheet date, other provisions are recognised based on facts and management estimates. The legal assessment and accounting treatment are subject to significant estimation uncertainties and judgements regarding the probability of occurrence and the amount of possible cash outflow.

3.7.2 Contingent liabilities

Obligation to capital payment
Axpo Solutions Group is contractually obliged to pay capital in the amount of CHF 0.3 million (previous year: CHF 30.4 million) to various companies. These relate to both, companies with share capital that is not fully paid up (see Note 6.6 "Investments") as well as project companies that call up additional capital from investors based on the progress of the project.

Joint liabilities at exchanges
In some countries, Axpo Solutions Group has joint liabilities in the case of default of another exchange participant, regardless of whether this participant is a counterparty of Axpo Solutions Group or not. If a case of default becomes known, a liability is recognised.

Further contingent liabilities
In the reporting period, there are other off-balance sheet commitments in the amount of CHF 79.2 million (previous year: CHF 100.2 million). Additionally, there is an ongoing investigation concerning collected VAT assets in Spain, the risk of which is assessed as low by Axpo Solutions Group.

Significant judgements and estimation uncertainties	
Value added taxes	Complex tax regulations in Switzerland and abroad create estimation uncertainty for Axpo Solutions Group. In addition, any changes in practice by the tax authorities in Switzerland and abroad may lead to reassessments of tax obligations. The Axpo Solutions Group is subject to regular audits by the tax authorities, which may lead to different results with regard to the tax estimates or the Group's judgement. Even if Axpo Solutions' management considers its tax estimates to be appropriate, the final decision on such tax audits may differ from the tax provisions and deferred liabilities. As a result, Axpo Solutions Group may be subject to additional tax liabilities, interest, penalties or regulatory, administrative or other related sanctions.

3.7.3 Contingent assets

Market premium for large-scale hydroelectric plants
With the entry into force of the new Energy Act (EnG) on 1 January 2018, the operators of large-scale hydroelectric power plants that have to sell their power on the market for less than the full generation costs are entitled to a market premium. To assert a claim for a market premium, the Axpo Group has to submit an application by no later than 31 May of the subsequent year. If the claims of all eligible applicants exceed the funds available, all claims are reduced on a linear basis. Since both the total amount of funds available and the actual claims are still unknown at the time of the first ruling, the Swiss Federal Office of Energy (SFOE) initially pays out only 80% of the provisional amount ordered and withholds the remaining 20% for technical reasons. The remaining amount will only be paid out with the second ruling.

The first ruling for the application year 2021 is expected to be sent to the applicants in mid-December 2021. The payment will be made in January 2022 after becoming legally binding. Since both the total amount of funds available for the market premium as well as any objections by applicants to the first ruling have an influence on the final entitlement, the entitlement for 2021 will only be known after the legally binding second ruling, which is expected in December 2022. Due to the lack of legal force of this first ruling, Axpo has not recognised any receivables or corresponding income from this ruling in the 2020/21 financial year.
The 2020/21 financial year includes market premium payments of CHF 3.0 million for the 2020 application year.

Accounting principles	
Market premium for large-scale hydroelectric plants	The market premium for large-scale hydropower plants in Switzerland relates to government grants as defined by IAS 20. Government grants may not be posted until there is reasonable assurance to the entitlement. Axpo considers the entitlement to a market premium in the amount of the prospective payment to be sufficiently certain within the meaning of IAS 20 as soon as the order is legally binding. This means that as soon as the first ruling is legally binding, 100% or 80% of the provisional amount will be recognised, depending on the amount of the payment. The remaining amount will be recognised as soon as the second ruling is legally binding.

4. Capital and risk management

4.1 Capital management and equity

Capital management

Axpo Solutions Group manages capital by setting a maximum risk tolerance relative to equity and liquidity. The risk tolerance of Axpo Solutions Group is based on the Group's ability to bear risks in relation to equity and liquidity. This overall capability is broken down and distributed among the business areas Generation & Distribution and Trading & Sales and further to their individual divisions for the purpose of allocating risk capital. For the business area Trading & Sales, the risk is allocated in the form of trading limits and monitored using the Value-at-Risk (VaR) method as well as a Profit-at-Risk (PaR) Add-On. For further information please refer to Note 4.5.4 "Market price risks"; "Energy price risks".

CHF million	30.9.2021	30.9.2020
Financial liabilities current	1 751.8	1 124.8
Financial liabilities non-current	819.3	957.8
Total eligible debt	**2 571.1**	**2 082.6**
Cash and cash equivalents	–728.8	–483.2
Financial receivables from cash pool	–1 478.3	–1 184.7
Financial assets at fair value (through profit or loss)	–24.0	–1.4
Total liquidity	**–2 231.1**	**–1 669.3**
Net debt (+) / net asset (–)	**340.0**	**413.3**
Gearing	13%	15%

The net debt ratio is the controlling instrument which is actively monitored by the Board of Directors. Axpo Solutions 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.

Equity information

Share capital

The share capital of CHF 1,567.0 million consists of 31,340,000 fully paid-in bearer shares issued with a nominal value of CHF 50.00 per share.

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. The calculation of the maximum distributable part of the retained earnings is based on the statutory financial statements of Axpo Solutions AG.

Own shares

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

Other reserves

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 has not yet been recycled to profit or loss.

Foreign currency translation reserves

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

Development of retained earnings and other reserves

CHF million	Retained earnings	Reserves from hedge accounting	Foreign currency translation reserves	Total reserves excluding controlling interests	Non-controlling interests	Total reserves including non-controlling interests
Balance as at 1.10.2019	**1 320.6**	**–142.9**	**–392.9**	**784.8**	**45.1**	**829.9**
Result for the period	**429.2**	**0.0**	**0.0**	**429.2**	**–8.1**	**421.1**
Foreign currency translation	0.0	0.0	–9.2	–9.2	0.0	–9.2
Cash flow hedges						
Fair value adjustments energy price risk	0.0	122.6	0.0	122.6	0.0	122.6
Gains (–) / losses (+) transferred to the income statement	0.0	14.4	0.0	14.4	0.0	14.4
Fair value adjustments interest rate risk	0.0	–16.0	0.0	–16.0	–4.8	–20.8
Deferred tax / income tax thereon	0.0	–20.4	0.0	–20.4	1.3	–19.1
Items recyclable in the income statement	**0.0**	**100.6**	**–9.2**	**91.4**	**–3.5**	**87.9**
Remeasurement of defined benefit plans	26.9	0.0	0.0	26.9	0.3	27.2
Deferred tax / income tax thereon	–5.0	0.0	0.0	–5.0	0.0	–5.0
Items not recyclable in the income statement	**21.9**	**0.0**	**0.0**	**21.9**	**0.3**	**22.2**
Other comprehensive income	**21.9**	**100.6**	**–9.2**	**113.3**	**–3.2**	**110.1**
Total comprehensive income	**451.1**	**100.6**	**–9.2**	**542.5**	**–11.3**	**531.2**
Dividend	–80.0	0.0	0.0	–80.0	–0.3	–80.3
Change in scope of consolidation	5.9	0.0	–0.2	5.7	–6.5	–0.8
Balance as at 30.9.2020	**1 697.6**	**–42.3**	**–402.3**	**1 253.0**	**27.0**	**1 280.0**
Result for the period	**123.7**	**0.0**	**0.0**	**123.7**	**–4.0**	**119.7**
Foreign currency translation	0.0	0.0	6.2	6.2	0.0	6.2
Cash flow hedges						
Fair value adjustments energy price risk	0.0	–306.1	0.0	–306.1	0.0	–306.1
Gains (–) / losses (+) transferred to the income statement	0.0	119.7	0.0	119.7	0.0	119.7
Fair value adjustments interest rate risk	0.0	14.8	0.0	14.8	2.7	17.5
Deferred tax / income tax thereon	0.0	31.4	0.0	31.4	–0.9	30.5
Items recyclable in the income statement	**0.0**	**–140.2**	**6.2**	**–134.0**	**1.8**	**–132.2**
Remeasurement of defined benefit plans	35.3	0.0	0.0	35.3	0.4	35.7
Deferred tax / income tax thereon	–6.5	0.0	0.0	–6.5	0.0	–6.5
Items not recyclable in the income statement	**28.8**	**0.0**	**0.0**	**28.8**	**0.4**	**29.2**
Other comprehensive income	**28.8**	**–140.2**	**6.2**	**–105.2**	**2.2**	**–103.0**
Total comprehensive income	**152.5**	**–140.2**	**6.2**	**18.5**	**–1.8**	**16.7**
Dividend	–300.0	0.0	0.0	–300.0	–1.7	–301.7
Change in scope of consolidation	2.1	4.1	0.0	6.2	–6.3	–0.1
Non-controlling interests acquired	–1.0	–0.9	–1.6	–3.5	–8.8	–12.3
Increase and decrease in capital	0.1	0.0	0.0	0.1	12.2	12.3
Balance as at 30.9.2021	**1 551.3**	**–179.3**	**–397.7**	**974.3**	**20.6**	**994.9**

4.2 Cash and cash equivalents and additional information to the cash flow statement

CHF million	30.9.2021	30.9.2020
Petty cash and cash at banks	728.8	483.2
Total	**728.8**	**483.2**
Thereof:		
in CHF	5.1	7.1
in EUR	365.2	237.1
in USD	187.3	60.1
in NOK	9.9	47.8
in PLN	15.0	19.3
in RON	28.8	11.8
in GBP	49.8	29.4
in SEK	50.7	48.0
in other currencies	17.0	22.6

Additionally to cash and cash equivalents, Axpo Solutions Group has funds from the cash pooling with Axpo Holding AG in the amount of CHF 1,478.3 million (previous year: CHF 1,184.7 million), see Note 4.3 "Financial receivables".

Non-cash expense and income

The table below shows the detail of non-cash expense and income of the consolidated cash flow statement:

CHF million	2020/21	2019/20
Depreciation, amortisation and impairments	160.1	98.7
Share of result of partner plants and other associates	–24.2	–23.5
Unrealised result on derivative financial instruments	2 548.2	–157.2
Loss allowances on net working capital	9.2	21.1
Other non-cash items	8.9	4.1
Total	**2 702.2**	**–56.8**

Change in net working capital

The table below shows the detail of net working capital of the consolidated cash flow statement:

CHF million	2020/21	2019/20
Change in inventories	37.2	–36.0
Change in trade receivables	–718.5	–78.3
Change in other receivables	–5 263.8	–334.2
Change in trade payables	222.4	67.8
Change in other liabilities (current)	2 976.5	30.6
Total	**–2 746.2**	**–350.1**

4.3 Financial receivables (current and non-current)

CHF million	30.9.2021	30.9.2020
Financial assets at fair value through profit or loss	1.5	1.4
Loan receivables	441.3	452.7
Loss allowances	–90.6	–95.4
Total non-current financial receivables	**352.2**	**358.7**
Financial investments at fair value through profit or loss	22.5	0.0
Loan receivables	14.3	20.4
Other financial receivables	1 629.7	1 295.1
Loss allowances	–0.7	–0.9
Total current financial receivables	**1 665.8**	**1 314.6**
Total	**2 018.0**	**1 673.3**
thereof cash pool with Axpo Holding AG	1 478.3	1 184.7

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 3.1 "Property, plant and equipment"; "Significant judgements and estimation uncertainties"). The loans include a unilateral conversion right on the part of Swissgrid AG to convert said loans into Swissgrid AG shares if certain conditions arise. In the reporting period, a partial early repayment of the loan in the amount of CHF 14.3 million was made.

Loan receivables outstanding at the balance sheet date

CHF million	Maturity date	Interest rate % 30.9.2021	Acquisition value 30.9.2021	Acquisition value 30.9.2020
Global Tech I Offshore Wind GmbH	31.12.2030	6.00%	106.2	100.0
Società EniPower Ferrara S.r.l.	20.06.2023	0.97%[1]	28.8	43.2
Swissgrid AG	03.01.2022	3.93%	14.3	28.5
Terravent AG	31.03.2042	0.75%	17.6	18.6
Trans Adriatic Pipeline AG	12/28/2034	1.16%–1.75%[2]	205.5	193.2
Other loan receivables < CHF 10 million			83.2	89.6
Total aquisition value			**455.6**	**473.1**
Loss allowances			–90.6	–95.4
Total carrying amount			**365.0**	**377.7**

1 Variable interest rate linked to positive or negative 6-month EURIBOR plus 1.2%.
2 The variable interest rate on the various tranches is linked to 3-month EURIBOR plus 1.70% or 1.75% (positive and negative EURIBOR) and plus 1.75% with 0.0% base rate in case of negative EURIBOR.

Accounting principles

Loan receivables

Non-current loan receivables to third parties as well as to other associates are measured at amortised cost using the effective interest rate method, less loss allowances. If, when the loan is paid out, the agreed interest rate equals the market interest rate and both the disbursement and repayment are made at nominal value, the amortised cost is equal to the nominal value of the loan.

Financial assets at fair value through profit or loss

All equity investments over which Axpo Solutions Group does not have significant influence or control, but which are held over the long term are recorded as financial assets. These financial assets are classified as "at fair value through profit or loss". Changes in the fair value are recognised in profit or loss.

Current other financial receivables

This position includes receivables from cash pool and pledged cash at banks that are not available for discretionary use as well as deposits to blocked accounts.

4.4 Financial liabilities (current and non-current)

CHF million	Bonds	Loans	Lease liabilities	Other financial liabilities	Total
Balance as at 1.10.2019	**456.3**	**1 220.3**	**103.7**	**148.4**	**1 928.7**
Cash relevant					
Increase	0.1	916.4	0.0	223.9	1 140.4
Repayment	–59.1	–854.3	–13.1	–21.2	–947.7
Not cash relevant					
New lease contracts	0.0	0.0	42.8	0.0	42.8
Change in scope of consolidation	0.0	–1.3	0.0	0.0	–1.3
Reclassification to/from liabilities held for sale	0.0	–26.4	–1.1	–1.0	–28.5
Interest	0.0	0.0	2.1	0.0	2.1
Valuation change	0.0	0.0	0.1	0.0	0.1
Reclassifications	–4.3	–23.7	0.0	–5.8	–33.8
Foreign currency translation effect	–2.1	–3.0	0.2	–15.3	–20.2
Balance as at 30.9.2020	**390.9**	**1 228.0**	**134.7**	**329.0**	**2 082.6**
Cash relevant					
Increase	0.0	1 785.6	0.0	55.2	1 840.8
Repayment	–167.5	–652.3	–16.5	–185.2	–1 021.5
Not cash relevant					
New lease contracts	0.0	0.0	41.9	0.0	41.9
Change in scope of consolidation	0.0	–165.5	–20.6	–0.1	–186.2
Reclassification to/from liabilities held for sale	0.0	–178.8	–8.3	–34.0	–221.1
Contract modifications	0.0	0.0	–2.7	0.0	–2.7
Interest	0.0	0.0	2.1	0.0	2.1
Reclassifications	–4.6	–26.1	0.2	53.8	23.3
Foreign currency translation effect	1.5	2.4	0.4	7.6	11.9
Balance as at 30.9.2021	**220.3**	**1 993.3**	**131.2**	**226.3**	**2 571.1**

CHF million	Bonds	Loans	Lease liabilities	Other financial liabilities	Total
Maturities as at 30.9.2020					
Due within 1 year	108.0	662.3	25.5	329.0	1 124.8
Due within 1 to 5 years	81.0	230.1	34.4	0.0	345.5
Due in more than 5 years	201.9	335.6	74.8	0.0	612.3
Total	**390.9**	**1 228.0**	**134.7**	**329.0**	**2 082.6**
Maturities as at 30.9.2021					
Due within 1 year	61.2	1 441.6	22.7	226.3	1 751.8
Due within 1 to 5 years	20.0	189.2	34.7	0.0	243.9
Due in more than 5 years	139.1	362.5	73.8	0.0	575.4
Total	**220.3**	**1 993.3**	**131.2**	**226.3**	**2 571.1**

Loan and lease liabilities outstanding at the balance sheet date

CHF million	Maturity date	Interest rate as at 30.9.2021	Carrying amount 30.9.2021	Carrying amount 30.9.2020
Loan liabilities with a carrying amount > CHF 10 million				
Loan liabilities in EUR	2022–2041	0.97%–2.80%	345.7	439.4
Loan liabilities in CHF	2021–2032	0.65%–2.42%	1 378.8	496.5
Total loan liabilities			**1 724.5**	**935.9**
Loan liabilities with a carrying amount < CHF 10 million				
Loan liabilities in EUR	2021–2042	0.00%–6.00%	262.8	286.1
Loan liabilities in CHF	2023	0.55%	6.0	6.0
Total loan liabilities			**268.8**	**292.1**
Lease liabilities				
Lease liabilities in EUR	2021–2061	0.74%–3.95%	117.2	118.4
Lease liabilities in CHF	2021–2029	0.74%–1.16%	7.5	8.2
Lease liabilities in other currencies	2021–2027	1.46%–18.6%	6.5	8.1
Total lease liabilities			**131.2**	**134.7**

Loan liabilities are mainly related to wind farms and photovoltaic systems. Current loan liabilities include a short-term loan from Axpo Holding AG in the amount of CHF 1,343.8 million with an interest rate of 0.65% (previous year: CHF 461.2 million; 0.65%).

Bonds from private placements outstanding at the balance sheet date

CHF million	Duration in years	Interest rate as at 30.9.2021	Carrying amount 30.9.2021	Carrying amount 30.9.2020
Private placements in EUR	2022–2036	1.00%–3.00%	180.3	350.9
Private placements in CHF	2025–2030	2.63%–2.68%	40.0	40.0
Total			**220.3**	**390.9**

Accounting principles

Other financial liabilities

Current financial liabilities include current accounts with a negative balance as well as daily cash pool settlement.

Loan liabilities

The financing of wind farms, which are built for sale in the ordinary course of business and presented as work in progress in inventories, is reported as current financial liabilities in order to achieve matching maturities between assets and liabilities. In contrast, the wind farms and photovoltaic systems built for own use are presented in property, plant and equipment and the financing is reported as non-current financial liabilities, accordingly.

4.5 Risk management

4.5.1 General principles

Axpo Solutions' risks are managed within the Axpo Group-wide risk management framework. Risk management is an integral part of corporate governance. The primary goal of risk management is to contribute to the sustainable safeguarding of doing business. It is part of the legal responsibility of the Board of Directors and an integral part of all organisational processes, including the strategic planning and all projects and change processes. The aim is to systematically and comprehensibly assess risks in order for opportunities to be exploited in a controlled manner and to limit threats to balance sheet values, profitability and other potential damage to an acceptable level, as well as to ensure the achievement of corporate goals in respect of compliance.

Axpo Solutions 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 of Axpo Solutions. The Axpo Solutions risk management directive describes the aims and principles of risk management for the business area Trading & Sales. It also includes information on the organisation (governing bodies, tasks, responsibilities and authorities), risk measurement and management, and implementation of limit systems. An independent Risk Management & Valuation department is responsible for measuring and monitoring commodity market price risks and credit risks, as well as for providing timely and relevant risk reports to the relevant units.

Risks of the business area Generation & Distribution of Axpo Solutions Group are monitored by Axpo's Group-wide risk management. The risks are managed in accordance with the risk management principles laid out in the Board of Directors' Directive.

The Treasury department of the Axpo Group is responsible for the financing of Axpo Solution Group. It is responsible for monitoring and managing interest rate risks, exchange rate risks and the investment risk of financial funds. Its primary obligation is to ensure sufficient capital and financial liquidity.

4.5.2 Legal and regulatory risks

Axpo Solutions is active in many different international markets. The regulatory and increasingly complex tax law framework is subject to risks and uncertainties. Axpo Solutions counters these risks by consulting tax experts and law firms on site in order to be able to counter possible risks and challenges at an early stage (see also Note 2.6 "Income taxes"; "Significant judgements and estimation uncertainties").

Axpo Solutions is also engaged in the field of renewable energies as a project developer and operator, particularly in the construction and operation of wind farms and solar plants. Additionally, Axpo Solutions also operates gas-fired combined-cycle power plants in Italy and other conventional plants in Switzerland. The approval, construction and operation of these plants are subject to regulatory risks and changes. Axpo Group's Risk Management monitors these risks closely. This also includes running profitability scenarios and taking into account expected regulatory changes in order to be able to react quickly and adapt the project and operational planning accordingly.

4.5.3 Financial risk management

Summary of financial risks

Risk	Source of risk	Risk mitigation
Market price risk		
Energy price risk	Unexpected changes in energy prices might negatively impact Axpo Solutions Group	Value-at-Risk limits Volume limits
Currency risk	Currency risks arise from business transactions and from recognised assets and liabilties if they are not denominated in the functional currency of the respective subsidiary as well as from net investments in foreign operations	Conclusion of currency forward contracts
Interest rate risk	Financial assets and financial liabilities, as well as cash and cash equivalents, which are subject to variable interest rates expose Axpo Solutions Group to interest rate risk	Conclusion of interest rate swaps Time deposits Other investments
Credit risk	Risk that counterparties are not able to meet all or part of their obligations	Conclusion of netting agreements Establishing of internal credit lines Guarantee requests
Liquidity risk	Cash outflows (margin payments) arising at short notice due to energy price movements	High cash balance Credit lines

4.5.4 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 as well as currency and interest rate fluctuations, Axpo Solutions Group enters into derivative financial instruments when necessary.

Business model of the business area Trading & Sales

The current customer solution business model for tailor-made contracts is based on a portfolio approach. All contracts of the customer solution portfolio are measured at fair value as these contracts, portfolios and inventories are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. The risks in this business are also managed on a portfolio basis.
The business model for the management and sale of the company's own energy production reports the first sale of self-produced energy to the OTC market as sale to customers. All subsequent contracts in the management chain concluded for the management of own energy production are considered as hedging instruments and measured at fair value through profit or loss.

Energy price risks

Axpo Solutions 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 Solutions Group negatively. These risks are therefore monitored and reported on a daily basis by the Risk Management & Valuation department 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 comprehensive limit system and is monitored continuously. The limit system consists of a VaR and PaR Add-On as well as volume and term 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.

The exposure to variability of energy price from the own energy production of the Axpo Group is hedged by Axpo Solutions Group.
Fixed-price contracts that are accounted for as energy derivatives and which are settled gross, are designated as hedging instruments in cash flow hedges. The hedged item is the highly probable future sale of energy that will occur on gross settlement of the hedging contract itself. The price risks are hedged in their entirety and a hedge ratio of 1:1 is applied. The economic relationship between the underlying and hedging transaction is based on the fact that the key parameters of these underlying and hedging transactions, such as maturity date, nominal value and currency, are identical.

The following table shows the effect of energy hedging transactions on financial positions:

CHF million	Cash Flow Hedge 30.9.2021	Cash Flow Hedge 30.9.2020
Hedged item		
Nominal amount	56.9	276.2
Line item in the balance sheet	Highly probable forecast transaction	Highly probable forecast transaction
Change in value used for calculating hedge effectiveness	201.3	–122.6
Hedging instrument		
Nominal amount	56.9	276.2
Carrying amount asset	0.0	0.4
Carrying amount liability	1.8	0.9
Line item in the balance sheet	Derivative financial instruments	Derivative financial instruments
Change in fair value for calculating hedge effectiveness	–201.3	122.6
Change in the value of the hedging instrument recognised in equity	–306.1	122.6
Line item in profit or loss affected by the reclassification of the hedge ineffectiveness	Net sales from energy business	Net sales from energy business
Amount reclassified from the hedge reserve to profit or loss due to the realisation of the hedged item	–119.7	–14.4
Line item in profit or loss affected by the reclassification of the hedge reserve	Net sales from energy business	Net sales from energy business

The following table shows the timing of the nominal amount and average price of the hedging instrument:

	Maturity		
	2019/20	2020/21	2021/22
Cash Flow Hedge as at 30.9.2021			
Commodity contracts – sales			
Nominal amount in CHF million		55.8	1.1
Average price in CHF		42.6	49.9
Cash Flow Hedge as at 30.9.2020			
Commodity contracts – sales			
Nominal amount in CHF million	212.1	63.0	1.1
Average price in CHF	42.6	43.0	49.9

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 historic market developments. VaR is calculated on a daily basis on portfolio, division and business area level. Volatility and correlations are used consistently throughout all risk factors based on an estimation using a 60-day rolling window of daily market price returns. A rigorous backtesting procedure supports the applicability of the model to the whole portfolio of Axpo Solutions Group. Internally, sophisticated stress testing – planned and ad hoc – is used to compensate for the inherent shortcomings of VaR. For illiquid exposures, i.e. market risks that cannot be readily hedged such as long-term or profiled power contracts, the more adequate PaR Add-On (Profit-at-Risk Add-On) is used as a risk measure. PaR Add-On is a statistics-based risk measure similar to VaR, but uses a much longer and more adequate holding period depending on the product.

CHF million	30.9.2021	30.9.2020
VaR business area Trading & Sales	93.9	41.7

CHF million	30.9.2021	30.9.2020
PaR Add-On business area Trading & Sales	91.7	22.7

Currency risks

Due to the international nature of its operations and the involvement of various foreign currencies, Axpo Solutions Group is exposed to exchange rate risks, particularly with regard to the euro. Currency risks arise from business transactions, from recognised assets and liabilities if they 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 is managed by front office staff, whereby net exchange risks of subsidiaries denominated in non-EUR as well as transactional non-EUR exposures of Axpo Solutions AG are centrally hedged to EUR.

Axpo Group Treasury, in close coordination with Axpo Solutions 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).

The following table shows the main currencies economically hedged through currency forward contracts. In additon, other currencies are hedged on a smaller scale.

CHF million	Nominal value 30.9.2021	Net replacement value 30.9.2021	Nominal value 30.9.2020	Net replacement value 30.9.2020
Currency forward contracts measured at fair value through profit or loss				
Currency forward contracts CHF/EUR	920.4	1.3	1 462.2	–13.7
Currency forward contracts EUR/CHF	5 840.9	27.9	4 713.6	103.6
Currency forward contracts EUR/GBP	87.4	–0.3	26.2	0.0
Currency forward contracts EUR/NOK	143.3	1.4	85.6	–2.1
Currency forward contracts EUR/RON	373.1	3.2	122.5	2.4
Currency forward contracts EUR/USD	476.8	8.7	173.4	–2.5
Currency forward contracts GBP/EUR	99.0	–0.2	25.5	0.1
Currency forward contracts RON/EUR	242.8	–0.1	11.0	–0.1
Currency forward contracts SEK/EUR	65.5	–0.6	92.9	–0.9
Currency forward contracts USD/EUR	107.6	–2.0	168.9	3.6

Sensitivity analysis of the currency risks

The sensitivity analysis was carried out at individual entity level and then added up. A reasonably possible change in exchange rates would have had the following impact on the income statement and equity, assuming that the other parameters remained the same:

CHF million		30.9.2021		30.9.2020	
	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
CHF/USD foreign currency risk	10%	5.5	0.0	–1.5	0.0
CHF/EUR foreign currency risk	10%	–96.1	–0.2	–228.6	0.0
CHF/GBP foreign currency risk	10%	–8.5	0.0	–7.4	0.0
EUR/PLN foreign currency risk	10%	–0.9	0.0	–1.4	0.0
GBP/EUR foreign currency risk	10%	2.5	0.0	4.9	0.0
NOK/EUR foreign currency risk	10%	–8.0	0.0	0.7	0.0
NOK/SEK foreign currency risk	10%	0.8	0.0	–2.1	0.0
SEK/EUR foreign currency risk	10%	1.6	0.0	0.6	0.0
BGN/EUR foreign currency risk	10%	4.5	0.0	0.0	0.0
BGN/RON foreign currency risk	10%	–1.7	0.0	0.0	0.0

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 exhibit an interest rate risk in terms of present value.

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 debt on an ongoing basis.

Interest rate risks on derivative financial instruments are actively managed by the front office of the business area Trading & Sales.

Interest-bearing financial assets and liabilities

The interest-bearing financial assets and liabilities held by Axpo Solutions Group relate to petty cash and cash at banks, given loans as well as bank liabilities, received loans and issued bonds. At the balance sheet date, the interest profile was as follows:

CHF million	Fixed rate 30.9.2021	Variable rate 30.9.2021	Fixed rate 30.9.2020	Variable rate 30.9.2020
Financial assets measured at fair value through profit or loss (mandatory)	**16.1**	**0.0**	**1.1**	**0.0**
Financial assets at fair value (through profit or loss)	16.1	0.0	1.1	0.0
Financial assets measured at amortised cost	**234.2**	**5 154.7**	**182.9**	**2 437.0**
Petty cash and cash at banks	0.0	728.8	0.0	483.2
Financial receivables (non-current)	90.5	260.2	90.2	267.1
Financial receivables (current)	134.4	1 508.9	83.8	1 230.8
Other receivables (non-current)	6.2	2.2	7.0	0.4
Other receivables (current)	3.1	2 654.6	1.9	455.5
Total interest-bearing financial assets	**250.3**	**5 154.7**	**184.0**	**2 437.0**
Financial liabilities measured at amortised cost[1]	**2 338.2**	**1 629.3**	**1 505.1**	**800.1**
Financial liabilities (non-current)	768.3	51.0	821.4	136.4
Financial liabilities (current)	1 565.5	174.9	669.8	440.3
Other liabilities (non-current)	2.4	0.0	0.0	0.0
Other liabilities (current)	2.0	1 403.4	13.9	223.4
Total interest-bearing financial liabilities	**2 338.2**	**1 629.3**	**1 505.1**	**800.1**
Net exposure	**–2 087.9**	**3 525.4**	**–1 321.1**	**1 636.9**

1 Variable interest-bearing financial liabilities whose interest rate is converted into a fixed interest rate by an interest rate swap are reported as fixed interest-bearing.

Variable interest-bearing financial liabilities relating to the construction of photovoltaic systems expose Axpo Solutions Group to an interest rate risk. This risk is reduced through adequate use of derivative financial instruments in the form of interest rate swaps. Some of these interest rate swaps were designated as hedging instruments in cash flow hedges. A hedge ratio of 1:1 is applied. The economic relationship between the underlying (financial liability) and hedging instrument is based on the fact that the key parameters of these instruments, such as amount, interest rate, interest settlement dates, currency and maturity date, are identical.

The following table shows the effect of interest hedging transactions on financial positions:

CHF million	Cash Flow Hedge 30.9.2021	Cash Flow Hedge 30.9.2020
Hedged item		
Nominal amount	184.9	264.7
Carrying amount liability	184.9	264.7
Line item in the balance sheet	Financial liabilities	Financial liabilities
Change in value used for calculating hedge effectiveness	4.2	18.1
Hedging instrument		
Nominal amount	184.9	264.7
Carrying amount asset	0.3	0.0
Carrying amount liability	10.5	27.8
Line item in the balance sheet	Derivative financial instruments	Derivative financial instruments
Change in fair value for calculating hedge effectiveness	–4.2	–18.1
Change in the value of the hedging instrument recognised in equity[1]	4.9	–18.1
Line item in profit or loss affected by the reclassification of the hedge ineffectiveness	Financial income/ expense	Financial income/ expense

1 Excluding change in fair value of hedging instruments classified as held for sale.

The following table shows the timing of the nominal amount and average interest rate of the hedging instrument:

	Maturity					
	2019/20	2020/21	2021/22	2022/23	2023/24	Later
Cash Flow Hedge as at 30.9.2021						
Interest rate swaps – fixed to variable						
Nominal amount in CHF million		13.8	13.8	13.8	13.8	129.7
Average interest rate in %		0.8	0.8	0.8	0.8	0.8
Cash Flow Hedge as at 30.9.2020						
Interest rate swaps – fixed to variable						
Nominal amount in CHF million	51.5	14.7	14.7	14.7	14.7	154.4
Average interest rate in %	1.3	1.3	1.3	1.3	1.3	1.0

Sensitivity analysis of interest rate risk

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

CHF million		30.9.2021		30.9.2020	
	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
Interest rate risk	1%	42.2	–1.9	26.6	0.1

Fair value measurement of financial instruments

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 (e.g. 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:

Contract type	Valuation technique
Forward contracts	Electricity, gas, oil, coal and certificates forward contracts are measured at the balance sheet date based on forward prices. The prices used are prices noted at the respective exchanges or provided by various brokers. If no published prices are available, internal measurement models are used. In these cases, fundamental prices based on internal demand-supply forecasts are applied. In order to account for the risks embedded in any transaction, risk adjustments are used, such as adjustments for credit risk (CVA and DVA), liquidity risk, cannibalisation effects of intermittent energy and others.
Futures	Futures are not measured since, due to the exchange listing, they are offset daily via a margin account.
Currency forward contracts	At the balance sheet date, currency forward contracts are measured using discounted forward rates. The forward rates are quoted on the relevant stock exchange.
Interest rate swaps	Interest rate swaps are measured at fair value based on the difference of the discounted fixed interest rate payments and discounted floating interest rate payments. The future floating interests are calculated based on the discounted forward rates.

Three-level hierarchy

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	Key parameters
Level 1	Financial assets/liabilities measured using quoted 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, such as analyses of fundamental prices based on demand-supply forecasts. Generally, an increase in prices of these non-observable input data would increase (in case of a long buy) or decrease (in case of a short sell) the fair value of the level 3 financial instruments.

The transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Three-level hierarchy

	30.9.2021				30.9.2020			
CHF million	Level 1	Level 2	Level 3	Fair value[1]	Level 1	Level 2	Level 3	Fair value[1]
Assets measured at fair value								
Derivative financial instruments at fair value through profit or loss (held for trading)								
Energy derivatives	3.9	47 500.6	1 225.0	48 729.5	4.4	3 869.8	224.5	4 098.7
Currency forward contracts	0.0	80.8	0.0	80.8	0.0	153.8	0.0	153.8
Derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)								
Energy derivatives	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4
Interest rate swaps	0.0	0.3	0.0	0.3	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss (mandatory)								
Financial assets (non-current)	0.0	1.5	0.0	1.5	0.0	1.4	0.0	1.4
Financial assets (current)	0.0	22.5	0.0	22.5	0.0	0.0	0.0	0.0
Non-financial assets at fair value through profit or loss								
Inventories held for trading	85.5	632.7	59.8	778.0	151.5	212.5	35.0	399.0
Total	**89.4**	**48 238.4**	**1 284.8**	**49 612.6**	**155.9**	**4 237.9**	**259.5**	**4 653.3**
Assets not measured at fair value in the balance sheet								
Financial assets measured at amortised cost in the balance sheet								
Financial receivables (non-current)	0.0	357.4	0.0	357.4	0.0	370.9	0.0	370.9
Total	**0.0**	**357.4**	**0.0**	**357.4**	**0.0**	**370.9**	**0.0**	**370.9**
Liabilities measured at fair value								
Derivative financial instruments at fair value through profit or loss (held for trading)								
Energy derivatives	3.1	50 411.2	945.3	51 359.6	0.1	3 710.3	162.9	3 873.3
Currency forward contracts	0.5	41.6	0.0	42.1	0.0	63.2	0.0	63.2
Interest rate swaps	0.0	0.5	0.0	0.5	0.0	3.7	0.0	3.7
Derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)								
Energy derivatives	0.0	1.8	0.0	1.8	0.0	0.9	0.0	0.9
Interest rate swaps	0.0	10.5	0.0	10.5	0.0	27.8	0.0	27.8
Total	**3.6**	**50 465.6**	**945.3**	**51 414.5**	**0.1**	**3 805.9**	**162.9**	**3 968.9**
Liabilities not measured at fair value in the balance sheet								
Financial liabilities measured at amortised cost in the balance sheet								
Financial liabilities (non-current)	0.0	720.8	0.0	720.8	0.0	869.6	0.0	869.6
Total	**0.0**	**720.8**	**0.0**	**720.8**	**0.0**	**869.6**	**0.0**	**869.6**

1 Gross values without considering the netting agreements.

The table above does not include fair value information for financial assets and financial liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value. The fair values of "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 price of bonds issued without including the interest accrued.
Standard forward contracts and energy derivatives are reported gross in the three-level hierarchy, thus before netting the positive and negative replacement values.

Movements in level 3 instruments

CHF million	Assets	Liabilities	Total
Carrying amount as at 1.10.2019	**372.5**	**–196.6**	**175.9**
Purchases	28.0	–0.8	27.2
Sales	–0.2	0.0	–0.2
Profit or loss recognised in the income statement	–13.0	–11.7	–24.7
Transfer to Level 3	7.3	–0.5	6.8
Transfer out of Level 3	–123.7	39.8	–83.9
Foreign currency translation effect	–11.4	6.9	–4.5
Carrying amount as at 30.9.2020	**259.5**	**–162.9**	**96.6**
Purchases	397.6	–70.2	327.4
Sales	–12.6	0.0	–12.6
Profit or loss recognised in the income statement	885.0	–901.9	–16.9
Transfer to Level 3	3.4	0.0	3.4
Transfer out of Level 3	–260.1	194.3	–65.8
Foreign currency translation effect	12.0	–4.6	7.4
Carrying amount as at 30.9.2021	**1 284.8**	**–945.3**	**339.5**

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 level 2 in the current financial year or the previous year.
A change in energy prices of +/– 10% would lead to a decrease or increase in the total fair value of level 3 energy derivatives of CHF +82.3 million (previous year: CHF +73.7 million) and CHF –82.3 million (previous year: CHF –74.6 million), respectively. In order to hedge long-term contracts assigned to level 3, Axpo Solutions 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
Carrying amount as at 1.10.2019	**3.8**	**–102.2**	**–98.4**
Deferred profit/loss arising from new transactions	0.0	–14.7	–14.7
Profit or loss recognised in the income statement	–0.5	32.0	31.5
Foreign currency translation effect	0.0	3.9	3.9
Carrying amount as at 30.9.2020	**3.3**	**–81.0**	**–77.7**
Deferred profit/loss arising from new transactions	55.1	–160.3	–105.2
Profit or loss recognised in the income statement	–0.5	35.8	35.3
Foreign currency translation effect	1.3	–4.4	–3.1
Carrying amount as at 30.9.2021	**59.2**	**–209.9**	**–150.7**

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

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

CHF million	Result from energy trading 2020/21	Result from energy trading 2019/20
Total profit or loss for the financial year recognised in the income statement	18.4	6.8
Total profit or loss recognised in the income statement on financial instruments held at financial year-end	117.8	–115.2

Accounting principles

Energy derivatives

Net settled contracts that have a purely speculative intention are presented as current, independent of their contract term. Contracts which are entered into with the intention of physical delivery and which have a term to maturity of more than twelve months are presented as non-current.

Netting of derivative financial instruments

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

Financial instruments that 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".

Day-one profit/loss

When purchasing a financial instrument, which is measured at fair value using unobservable market data on the signing date of the contract, a positive difference between the calculated fair value and the purchase price is accrued as day-one profit. Day-one profit is released using the straight-line method on conclusion of the contract up to the point when the underlying market becomes liquid. It is also reclassified to the income statement when the transaction is settled. Day-one losses are mostly recognised in the income statement immediately.

Significant judgements and estimation uncertainties

Accounting for energy derivatives

For some contracts, an analysis needs to be carried out to determine whether they should be treated as derivatives or own-use contracts, which are accounted for as executory contracts without recognising replacement values. At Axpo Solutions Group, the corresponding accounting of the contracts is based on the allocation to a business model. Contracts concluded under the customer solution business model generally meet the definition of a derivative and are managed on a portfolio basis. Therefore, all contracts of this business model are measured at fair value.
The production portfolio is managed by means of forward transactions and futures contracts, which are accounted for as own-use contracts (i.e. executory contracts) or designated as hedging instruments in a cash flow hedge relationship.
The distinction between business models and the subsequent definition of accounting for contracts is a discretionary decision of the management.

Fair value 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 for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. 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 accepted 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 actual realisable cash flows may therefore deviate from the model values, which are based on estimates and assumptions.

4.5.5 Credit risks

The need for credit risk management arises from the fundamental risk of trading partners or origination customers of Axpo Solutions 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 Axpo Solutions Group. The rating of trading partners or origination customers is based on their creditworthiness, which defines the probability of default. Transactions may only be entered into with business partners that have been subject to prior analysis. The credit exposures are actively mitigated through 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, the credit risk is spread accordingly and well diversified.

Carrying amount of financial assets

The following table shows the carrying amount of the financial assets held by Axpo Solutions Group, grouped according to the categories defined in IFRS 9:

CHF million	Notes	Carrying amount 30.9.2021	Carrying amount 30.9.2020
Financial assets measured at amortised cost		**9 713.6**	**4 707.0**
Loan receivables (current and non-current)	4.3	365.0	377.7
Other financial receivables (current and non-current)	4.3	1 629.0	1 294.2
Trade receivables		1 475.1	763.8
Revenues not yet invoiced	3.5	2 656.8	1 146.8
Other receivables (current and non-current)	3.5	2 858.9	641.3
Cash and cash equivalents	4.2	728.8	483.2
Financial assets at fair value through profit or loss (mandatory)		**19 369.1**	**3 266.9**
Other financial assets (current and non-current)	4.3	24.0	1.4
Energy derivatives		19 264.3	3 112.7
Currency forward contracts		80.8	152.8
Financial assets at fair value through other comprehensive income with recycling (hedge accounting)		**0.3**	**0.4**
Energy derivatives		0.0	0.4
Interest rate swaps		0.3	0.0
Total financial assets		**29 083.0**	**7 974.3**
./. Total shares and participation certificates accounted for at fair value		–7.9	–0.3
Maximum credit default risk		**29 075.1**	**7 974.0**

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

CHF million	Carrying amount 30.9.2021	Carrying amount 30.9.2020
Western Europe	1 215.5	506.0
Southern Europe	1 935.5	901.9
Central Europe	702.8	401.5
Rest of Europe	244.2	83.7
Outside Europe	33.9	17.5
Total	**4 131.9**	**1 910.6**

Ageing analysis trade accounts receivables / revenue not yet invoiced and their loss allowances

Industrial and wholesale customers as at 30 September 2021

CHF million	Not yet due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due more than 360 days	Total
Rating AAA	9.7	0.0	0.0	0.0	0.0	0.0	9.7
Rating AA	240.8	5.8	8.1	0.1	0.2	0.1	255.1
Rating A	410.9	15.9	0.9	0.5	0.0	0.3	428.5
Rating BBB	1 184.7	9.7	1.8	0.4	0.2	0.8	1 197.6
Rating BB	772.7	19.4	10.8	7.2	0.0	0.2	810.3
Rating B	401.6	33.7	1.4	0.6	1.1	0.1	438.5
Rating CCC	58.4	76.8	0.1	0.0	0.0	44.5	179.8
Acquisition cost	**3 078.8**	**161.3**	**23.1**	**8.8**	**1.5**	**46.0**	**3 319.5**
Loss allowances	–8.2	–0.2	–0.2	–0.3	0.0	–30.7	–39.6
Total	**3 070.6**	**161.1**	**22.9**	**8.5**	**1.5**	**15.3**	**3 279.9**

Industrial and wholesale customers as at 30 September 2020

CHF million	Not yet due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due more than 360 days	Total
Rating AAA	5.3	0.0	0.1	0.0	0.0	0.2	5.6
Rating AA	39.9	3.6	0.3	0.0	0.0	0.0	43.8
Rating A	161.1	10.9	1.5	1.8	0.0	0.0	175.3
Rating BBB	506.5	18.0	4.6	1.5	1.1	0.6	532.3
Rating BB	448.4	10.0	1.4	1.9	0.4	1.2	463.3
Rating B	221.9	8.8	1.6	1.7	0.6	15.4	250.0
Rating CCC	16.3	0.6	0.2	0.2	3.8	25.5	46.6
Rating < CCC	0.6	0.1	0.0	0.0	0.0	0.1	0.8
Acquisition cost	**1 400.0**	**52.0**	**9.7**	**7.1**	**5.9**	**43.0**	**1 517.7**
Loss allowances	–1.4	0.0	0.0	0.0	–1.4	–30.7	–33.5
Total	**1 398.6**	**52.0**	**9.7**	**7.1**	**4.5**	**12.3**	**1 484.2**

Retail customers as at 30 September 2021

CHF million	Not yet due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due more than 360 days	Total
Trade receivables and revenue not yet invoiced	799.2	29.8	7.2	13.5	16.4	67.9	934.0
Gross carrying amount	**799.2**	**29.8**	**7.2**	**13.5**	**16.4**	**67.9**	**934.0**
Loss allowances	–4.3	–1.2	–2.8	–4.5	–6.8	–62.4	–82.0
Net carrying amount	**794.9**	**28.6**	**4.4**	**9.0**	**9.6**	**5.5**	**852.0**

Retail customers as at 30 September 2020

CHF million	Not yet due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due more than 360 days	Total
Trade receivables and revenue not yet invoiced	390.6	23.6	6.5	9.9	11.1	63.2	504.9
Gross carrying amount	**390.6**	**23.6**	**6.5**	**9.9**	**11.1**	**63.2**	**504.9**
Loss allowances	–1.3	–1.5	–3.0	–4.8	–7.8	–60.1	–78.5
Net carrying amount	**389.3**	**22.1**	**3.5**	**5.1**	**3.3**	**3.1**	**426.4**

Loss allowances created, released or no longer required

The following table shows the development of the loss allowances on trade receivables/revenue not yet invoiced for the 2019/20 and 2020/21 reporting years:

CHF million	Industrial and wholesale customers	Retail customers	Total
Loss allowances as at 1.10.2019	**36.1**	**57.8**	**93.9**
Financial assets derecognised during reporting year	–2.8	–2.4	–5.2
Financial assets recognised during reporting year	2.7	25.5	28.2
Write-offs	–1.9	–4.2	–6.1
Changes in models/risk parameters	0.0	2.0	2.0
Currency effects	–0.6	–0.2	–0.8
Loss allowances as at 30.9.2020	**33.5**	**78.5**	**112.0**
Financial assets derecognised during reporting year	–1.1	–10.4	–11.5
Financial assets recognised during reporting year	9.1	17.5	26.6
Write-offs	–1.8	–3.6	–5.4
Changes in models/risk parameters	0.1	0.0	0.1
Currency effects	–0.2	0.0	–0.2
Loss allowances as at 30.9.2021	**39.6**	**82.0**	**121.6**

Development of the credit quality of loans and other financial receivables and the respective loss allowances

CHF million	No or low increase in default risk	Significant increase in default risk – credit impaired	Total
Gross carrying amount as at 1.10.2020	**1 764.9**	**3.3**	**1 768.2**
Additions	1 108.3	0.0	1 108.3
Repayments	–774.4	0.0	–774.4
Evaluation changes	0.4	0.0	0.4
Reclassification to/from “assets held for sale”	–40.7	0.0	–40.7
Reclassification	30.9	0.0	30.9
Change in scope of consolidation	–8.2	0.0	–8.2
Foreign currency translation	0.8	0.0	0.8
Gross carrying amount as at 30.9.2021	**2 082.0**	**3.3**	**2 085.3**
Counterparty rating AA	15.7	0.0	15.7
Counterparty rating A	90.4	0.0	90.4
Counterparty rating BBB	1 533.7	0.0	1 533.7
Counterparty rating BB	277.2	0.0	277.2
Counterparty rating B	165.0	0.0	165.0
Counterparty rating CCC	0.0	3.3	3.3
Gross carrying amount as at 30.9.2021	**2 082.0**	**3.3**	**2 085.3**
Loss allowances as at 1.10.2020	**93.0**	**3.3**	**96.3**
Financial assets derecognised during reporting year	–0.2	0.0	–0.2
Financial assets recognised during reporting year	0.9	0.0	0.9
Changes in models/risk parameters	–5.9	0.0	–5.9
Foreign currency translation	0.2	0.0	0.2
Loss allowances as at 30.9.2021	**88.0**	**3.3**	**91.3**
Net carrying amount as at 30.9.2021	**1 994.0**	**0.0**	**1 994.0**
thereof:			
Loans (non-current)			350.7
Loans (current)			14.3
Other financial receivables (current)			1 629.0

Development of the credit quality of loans and other financial receivables and the respective loss allowances

CHF million	No or low increase in default risk	Significant increase in default risk – credit impaired	Total
Gross carrying amount as at 1.10.2019	**1 632.9**	**3.7**	**1 636.6**
Additions	1 246.8	0.0	1 246.8
Repayments	–1 110.2	0.0	–1 110.2
Evaluation changes	–0.5	0.0	–0.5
Uncollectible receivables written off	0.0	–0.4	–0.4
Change in scope of consolidation	–3.3	0.0	–3.3
Foreign currency translation	–0.8	0.0	–0.8
Gross carrying amount as at 30.9.2020	**1 764.9**	**3.3**	**1 768.2**
Counterparty rating AA	28.6	0.0	28.6
Counterparty rating A	25.9	0.0	25.9
Counterparty rating BBB	1 226.1	0.0	1 226.1
Counterparty rating BB	335.9	0.0	335.9
Counterparty rating B	148.2	0.0	148.2
No Counterparty rating available	0.2	3.3	3.5
Gross carrying amount as at 30.9.2020	**1 764.9**	**3.3**	**1 768.2**
Loss allowances as at 1.10.2019	**123.7**	**3.7**	**127.4**
Financial assets derecognised during reporting year	–0.8	0.0	–0.8
Financial assets recognised during reporting year	1.7	0.0	1.7
Uncollectible receivables written off	0.0	–0.4	–0.4
Changes in models/risk parameters	–30.9	0.0	–30.9
Currency effects	–0.7	0.0	–0.7
Loss allowances as at 30.9.2020	**93.0**	**3.3**	**96.3**
Net carrying amount as at 30.9.2020	**1 671.9**	**0.0**	**1 671.9**
thereof:			
Loans (non-current)			357.3
Loans (current)			20.4
Other financial receivables (current)			1 294.2

Transfer of trade receivables

Axpo Solutions Group has transferred trade receivables to banks against cash. The carrying amount of the trade receivables transferred as at 30 September 2021 was CHF 379.6 million (previous year: CHF 57.8 million). The trade receivables were derecognised as substantially all risks and rewards, primarily the default risk, were transferred to banks. For part of the transferred trade receivables, the interest rate risk for the first 240 days remains with Axpo Solutions Group.

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 distributed among different banks. The limits on these deposits are reviewed on a regular basis. No write-downs have been necessary to date.

Collateral

A significant portion of the energy transactions in Axpo Solutions 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, they provide for an offsetting of open transactions (see table "Netting of positive and negative derivative financial instruments", 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 collateral is 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 refer to Note 3.7.2 "Contingent liabilities".

Financial securities received

CHF million	30.9.2021	30.9.2020
Credit Support Annex (CSA)	1 353.3	170.0
Bank guarantee	297.4	232.9
Payment guarantees	1 207.5	1 161.3
Other guarantees	107.5	89.0
Total	**2 965.7**	**1 653.2**

Financial securities delivered

CHF million	30.9.2021	30.9.2020
Credit Support Annex (CSA)	1 732.5	193.1
Payment guarantees	40.1	23.3
Other guarantees	615.0	41.1
Total	**2 387.6**	**257.5**

Collaterals posted under a Credit Support Annex are recognised at their nominal value in the balance sheet, whereas guarantees are measured at fair value. The fair value of the guarantees is normally zero.

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

Netting of positive and negative derivative financial instruments as at 30 September 2021

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
Positive derivative financial instruments at fair value through profit or loss (held for trading)							
Energy derivatives	37 615.8	–29 465.2	8 150.6	11 113.7	19 264.3	–2 221.3	17 043.0
Currency forward contracts	0.0	0.0	0.0	80.8	80.8	0.0	80.8
Positive derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)							
Interest rate swaps	0.0	0.0	0.0	0.3	0.3	0.0	0.3
Total	**37 615.8**	**–29 465.2**	**8 150.6**	**11 194.8**	**19 345.4**	**–2 221.3**	**17 124.1**

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
Negative derivative financial instruments at fair value through profit or loss (held for trading)							
Energy derivatives	40 224.1	–29 465.2	10 758.9	11 135.5	21 894.4	–2 221.3	19 673.1
Currency forward contracts	0.0	0.0	0.0	42.1	42.1	0.0	42.1
Interest rate swaps	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Negative derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)							
Energy derivatives	1.5	0.0	1.5	0.3	1.8	0.0	1.8
Interest rate swaps	0.0	0.0	0.0	10.5	10.5	0.0	10.5
Total	**40 225.6**	**–29 465.2**	**10 760.4**	**11 188.9**	**21 949.3**	**–2 221.3**	**19 728.0**

Netting of positive and negative derivative financial instruments as at 30 September 2020

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
Positive derivative financial instruments at fair value through profit or loss (held for trading)							
Energy derivatives	2 539.4	–986.0	1 553.4	1 559.3	3 112.7	–913.9	2 198.8
Currency forward contracts	2.7	–1.0	1.7	151.1	152.8	0.0	152.8
Positive derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)							
Energy derivatives	0.4	0.0	0.4	0.0	0.4	0.0	0.4
Total	**2 542.5**	**–987.0**	**1 555.5**	**1 710.4**	**3 265.9**	**–913.9**	**2 352.0**

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
Negative derivative financial instruments at fair value through profit or loss (held for trading)							
Energy derivatives	2 718.1	–986.0	1 732.1	1 155.2	2 887.3	–913.9	1 973.4
Currency forward contracts	4.0	–1.0	3.0	59.2	62.2	0.0	62.2
Interest rate swaps	0.0	0.0	0.0	3.7	3.7	0.0	3.7
Negative derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)							
Energy derivatives	0.9	0.0	0.9	0.0	0.9	0.0	0.9
Interest rate swaps	0.0	0.0	0.0	27.8	27.8	0.0	27.8
Total	**2 723.0**	**–987.0**	**1 736.0**	**1 245.9**	**2 981.9**	**–913.9**	**2 068.0**

In the table above, the column "Additional netting potential" presents replacement values which do not fall due simultaneously, but would also be nettable in case of default, as well as the offsetting of replacement values "held for trading" and hedging instruments. Additionally to the above presented "Netting" amounts, receivables and payables included in revenues not yet invoiced and in operating expenses not yet invoiced in the amount of CHF 2,232.1 million (previous year: CHF 1,254.7 million) were offset in the balance sheet (see Note 3.5 "Other receivables" and Note 3.6 "Other liabilities").

Accounting principles

Impairment of non-derivative financial assets

Axpo Solutions Group uses the simplified approach permitted by IFRS 9 for the calculation of loss allowances for the balance sheet positions trade receivables, revenue not yet invoiced, contract assets and current and non-current lease receivables. As a result, the loss allowance is calculated over the entire term of the contract. For these balance sheet positions, the loss allowance is calculated based on a maturity matrix. For customers of the retail business, the same maturity matrix is used per country. The loss allowance for all other counterparties is calculated based on a maturity matrix and the counterparty rating.

For all other financial assets for which the simplified approach is not envisaged, the loss allowance is calculated using the three-stage model. The calculation of the risk provision is based on the counterparty rating and the remaining contract term. Depending on which stage the financial asset is allocated to, the loss allowance is calculated over twelve months or the shorter remaining contract term (stage 1) or over the entire remaining contract term (stages 2 and 3). Counterparty ratings are prepared based on both quantitative and qualitative information and analysis. The probability of default per counterparty rating and contract term corresponds to the observable industrial values and is based on historical defaults, current information and future expectations.

From Axpo Solutions' point of view, a financial asset has low default risk if its counterparty rating meets the definition of "investment grade". Axpo Solutions defines a rating of up to and including BBB as investment grade. Financial assets with such a rating are assigned to stage 1. No further review regarding an increase in credit risk is performed.

Axpo also assumes that the risk of a financial asset defaulting has increased significantly if it is more than 30 days past due or if the counterparty rating has deteriorated by more than two stages since the contract was concluded and is outside investment grade. In this case, a financial asset is allocated to stage 2.

Axpo considers a financial asset to be credit-impaired if the borrower has filed for bankruptcy or the financial asset is more than 90 days past due. These assets are allocated to stage 3. Assets remain impaired on the balance sheet until foreclosure has been completed.

The assumptions made when a financial asset is 30 or 90 days past due can be rebutted if appropriate and supportive information is available.

If there are indications of impairment, a loss allowance is calculated on an individual basis and recognised. Axpo assumes a recovery rate of 20% on financial receivables past due for more than 360 days.

Loss allowances for financial receivables of an operating nature and for financial guarantees and credit lines not yet drawn are recognised above EBIT, while loss allowances for financial receivables of a financing nature are recognised in the financial result.

Netting agreements

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 (in the same calendar month) are netted. No netting is applied between derivative financial instruments which are "held for trading" and derivative financial instruments which are designated as hedging instruments.

Additionally, trade receivables from customers who are simultaneously suppliers are offset against trade payables, provided a netting arrangement has been agreed and there exists an enforceable legal right to offset and the intention to settle net or to settle simultaneously.

4.5.6 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 Solutions Group meets this potential need with cash and cash equivalents as well as through agreed credit lines. Axpo Group Treasury is responsible for ensuring Axpo Solutions 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.

Aggregated credit lines

CHF million	30.9.2021	30.9.2020
Banks and financial institutions	3 005.7	2 531.7
thereof used for loans and guarantees	2 148.3	1 537.0
Axpo Holding AG	1 583.0	1 601.5
thereof used for loans	1 343.8	409.7
Total remaining credit lines	**1 096.6**	**2 186.5**

In the reporting period, all financial covenants relating to significant credit agreements were complied with.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2021

CHF million	Carrying amount	Cash flows	At sight	< 3 mths	3–12 mths	1– 5 years	> 5 years
Financial liabilities measured at amortised cost							
Trade payables	683.4	683.4	0.0	679.4	2.7	1.3	0.0
Financial liabilities (current and non-current)	2 571.1	2 766.3	76.2	1 528.8	191.4	406.9	563.0
Other liabilities (current and non-current)	1 693.5	1 693.5	1 353.3	237.5	58.4	41.3	3.0
Operating expenses not yet invoiced	2 824.3	2 824.3	0.0	2 824.3	0.0	0.0	0.0
Total cash outflow		**7 967.5**	**1 429.5**[1]	**5 270.0**	**252.5**	**449.5**	**566.0**
Derivative financial instruments at fair value							
Net carrying amount of energy derivatives	–2 631.9						
Gross cash inflow		56 866.2	13 965.7	10 961.1	15 246.9	15 921.4	771.1
Gross cash outflow		49 441.7	12 735.2	10 016.2	12 627.8	12 490.2	1 572.3
Net carrying amount of currency forward contracts	38.7						
Gross cash inflow		5 609.2	1.9	825.4	1 723.6	3 051.7	6.6
Gross cash outflow		5 580.9	1.1	807.4	1 701.9	3 064.1	6.4
Net carrying amount of interest rate swaps	–10.7						
Gross cash inflow		126.8	0.0	1.0	0.0	0.2	125.6
Gross cash outflow		137.8	0.0	1.5	1.0	3.9	131.4
Total net cash inflow (–) / outflow (+)		**–7 441.8**	**–1 231.3**	**–962.4**	**–2 639.8**	**–3 415.1**	**806.8**

1 Amounts at sight are mainly received Credit Support Annexes. The cash inflows and outflows are not predictable and depend on market movements.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2020

CHF million	Carrying amount	Cash flows	At sight	< 3 mths	3–12 mths	1– 5 years	> 5 years
Financial liabilities measured at amortised cost							
Trade payables	476.5	476.5	0.0	472.2	4.3	0.0	0.0
Financial liabilities (current and non-current)	2 082.6	2 213.8	81.7	712.3	343.6	493.0	583.2
Other liabilities (current and non-current)	461.8	461.8	198.2	182.0	45.2	33.4	3.0
Operating expenses not yet invoiced	1 099.7	1 099.7	0.0	1 099.7	0.0	0.0	0.0
Total cash outflow		**4 251.8**	**279.9**[1]	**2 466.2**	**393.1**	**526.4**	**586.2**
Derivative financial instruments at fair value							
Net carrying amount of energy derivatives	224.9						
Gross cash inflow		33 906.0	9 421.3	4 692.2	10 134.8	9 025.9	631.8
Gross cash outflow		29 716.6	7 813.3	4 613.4	8 780.1	7 880.0	629.8
Net carrying amount of currency forward contracts	90.6						
Gross cash inflow		6 187.4	2.0	921.6	2 001.3	3 256.6	5.9
Gross cash outflow		6 105.2	3.2	904.1	1 966.3	3 225.8	5.8
Net carrying amount of interest rate swaps	–31.5						
Gross cash inflow		125.5	0.0	0.0	0.0	1.2	124.3
Gross cash outflow		156.9	0.0	0.2	7.3	9.4	140.0
Total net cash inflow (–) / outflow (+)		**–4 240.2**	**–1 606.8**	**–96.1**	**–1 382.4**	**–1 168.5**	**13.6**

1 Amounts at sight are mainly received Credit Support Annexes. The cash inflows and outflows are not predictable and depend on market movements.

The maturity analysis is based on undiscounted cash flows. In accordance with the applicable standard, to show the liquidity risk, only maturity of financial liabilities is presented in the above table. 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 Solutions Group enters into energy sales and purchase contracts, which are assigned to hedge or trading books in order to hedge energy production and 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 the presentation of cash inflow and outflow. Moreover, in some cases, Axpo Solutions 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.

5. Employees

5.1 Personnel expenses

CHF million	2020/21	2019/20
Salaries and wages	–239.2	–186.4
Employee benefit expense for defined benefit plans (Note 5.2)	–8.2	–8.4
Employee benefit expense for defined contribution plans	–4.1	–3.1
Social security and other personnel expenses	–38.3	–33.4
Total	**–289.8**	**–231.3**
Number of employees at the balance sheet date:		
Full-time equivalents	1 668	1 428
Total	**1 668**	**1 428**

5.2 Employee benefits

Axpo Solutions Group has several pension plans in accordance with national legislation. The Swiss subsidiaries are affiliated with PKE-CPE Vorsorgestiftung Energie, a legally independent collective pension fund which qualifies as a defined benefit plan under IAS 19. The other defined benefit plans are insignificant. All other pension plans qualify as defined contribution plans.

PKE-CPE Vorsorgestiftung Energie

PKE-CPE Vorsorgestiftung Energie is a pension fund with the legal form of a foundation under the Swiss Civil Code 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, which protect 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 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 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-sum payment. The invalidity pension and the spouse's pension are defined as a percentage of the insured salary. The plan assets are invested by PKE-CPE Vorsorgestiftung Energie jointly for all affiliated companies, which share the actuarial and 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 in such a way that the benefits can be paid when they become due.
In the event of underfunding, the Board of Trustees, in collaboration with the recognised actuarial expert, implements 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.

Actuarial assumptions

Given the persistently low interest rates and increasing life expectancy, the liabilities from defined benefit plans in Switzerland were measured in accordance with the applicable Swiss law and company practice, taking into account risk sharing between the employer and employees. This is based on regulations as well as the history of cost sharing between Axpo and its employees as part of past restructuring measures. In the previous year, the effect of the first-time application of risk sharing resulted in a reduction of the pension liability in the amount of CHF 9.6 million, which was recognised in other comprehensive income. The extended risk sharing continues to be applied. However, due to the improved financial situation of the pension fund, the assumptions used were adjusted accordingly, resulting in a reversal of the previous year's adjustment on the employee benefit liabilities in a similar amount.

As at 30 September 2021, all companies of the Axpo Group have an asset surplus. As the present value of the future service cost is greater than the present value of the future contributions at all Axpo companies, the asset surplus did not have to be limited for any company.

Reconciliation of pension assets / liabilities

CHF million	2020/21	2019/20
Present value of defined benefit obligations as at 30.9.	279.1	257.6
Fair value of plan assets as at 30.9.	295.1	246.7
Surplus (–) / deficit (+) as at 30.9.	–16.0	10.9
Asset surplus (–) / deficit (+) recognised as at 30.9.	**–16.0**	**10.9**
thereof recognised as separate asset (–) (Note 3.5)	–16.0	0.0
thereof recognised as separate liability (+) (Note 3.6)	0.0	10.9

Pension costs in income statement

CHF million	2020/21	2019/20
Current service cost	8.1	8.3
Past service cost	0.0	0.0
Interest expense on defined benefit obligation	0.4	0.0
Interest income on plan assets	–0.4	0.0
Administration cost excluding asset management cost	0.1	0.1
Pension cost for the period recognised in profit or loss	**8.2**	**8.4**
thereof service cost and administration cost	8.2	8.4
thereof net interest expense (+) / income (–)	0.0	0.0

Pension costs in other comprehensive income

CHF million	2020/21	2019/20
Actuarial gains (–) / losses (+) on defined benefit obligation	5.7	–13.7
Gains (–) / losses (+) on plan assets excluding interest income	–33.9	–8.1
Pension costs for the period recognised in other comprehensive income	**–28.2**	**–21.8**

Change in pension asset / liability reported in the balance sheet

CHF million	2020/21	2019/20
Pension liability as at 1.10.	10.9	30.1
Pension cost for the period recognised in profit or loss	8.2	8.4
Pension cost for the period recognised in other comprehensive income	–28.2	–21.8
Employer contributions	–6.9	–5.8
Pension asset (–) / liability (+) as at 30.9.	**–16.0**	**10.9**

Change in the fair value of plan assets

CHF million	2020/21	2019/20
Fair value of plan assets as at 1.10.	246.7	232.9
Interest income on plan assets	0.4	0.0
Employer contributions	6.9	5.8
Employee contributions	4.3	3.7
Benefits paid in (+) / out (–)	2.9	–3.8
Return on plan assets excluding interest income	33.9	8.1
Fair value of plan assets as at 30.9.	**295.1**	**246.7**

Change in the present value of the defined benefit obligation

CHF million	2020/21	2019/20
Present value of defined benefit obligation as at 1.10.	257.6	263.0
Interest expense on defined benefit obligation	0.4	0.0
Current service cost	8.1	8.3
Employee contributions	4.3	3.7
Benefits paid in (+) / out (–)	2.9	–3.8
Past service cost	0.0	0.0
Administration cost excluding asset management cost	0.1	0.1
Actuarial gains (–) / losses (+) on defined benefit obligation	5.7	–13.7
Present value of defined benefit obligation as at 30.9.	**279.1**	**257.6**

Breakdown of defined benefit obligation

CHF million	30.9.2021	30.9.2020
Present value of defined benefit obligation as at 30.9. for active members	177.9	150.9
Present value of defined benefit obligation as at 30.9. for pensioners	101.2	106.7

Actuarial gains/losses on defined benefit obligation

CHF million	2020/21	2019/20
Actuarial gains (–) / losses (+) on defined benefit obligation from:		
changes in financial assumptions	11.2	–15.1
changes in demographic assumptions	–8.1	–0.5
experience adjustments	2.6	1.9
Actuarial gains (–) / losses (+) on defined benefit obligation	**5.7**	**–13.7**

Actuarial assumptions

	30.9.2021	30.9.2020
Discount rate for active members (in %)	0.2	0.2
Discount rate for pensioners (in %)	0.1	0.1
Expected future salary increase (in %)	0.5	0.5
Expected future pension increase (in %)	0.0	0.0
Long-term expected rate of change in the CMI model (BVG 2020/2015)	1.25	1.25

Sensitivity analysis of defined benefit obligation

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 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	30.9.2021	30.9.2020
Discount rate (–0.25% change)	289.6	265.1
Discount rate (+0.25% change)	269.4	250.6
Salary increase (–0.25% change)	277.9	256.5
Salary increase (+0.25% change)	280.4	258.7
Life expectancy (–1 year change)	269.8	249.5
Life expectancy (+1 year change)	288.4	265.6

Estimate of employer and employee contributions for subsequent period

CHF million	30.9.2021	30.9.2020
Expected employer contributions	7.2	6.2
Expected employee contributions	4.5	3.9

Major categories of plan assets

CHF million	30.9.2021	30.9.2020
Cash and cash equivalents	4.8	5.5
Equity instruments	119.1	93.1
Debt instruments	87.1	75.4
Real estate	14.1	12.4
Others	30.1	25.3
Total plan assets at fair value (quoted market price)	**255.2**	**211.7**
Real estate	39.9	35.0
Total plan assets at fair value (non-quoted market price)	**39.9**	**35.0**
Total plan assets at fair value	**295.1**	**246.7**

Maturity profile of the defined benefit obligation

	30.9.2021	30.9.2020
Weighted average duration of the defined benefit obligation in years	14.5	14.6

Accounting principles

Defined benefit plan

The defined benefit obligation attributable to Axpo Solutions Group is calculated annually by an independent actuary using the projected unit credit method. The discount rate is determined on the basis of the return from Swiss and foreign corporate bonds that are listed on the Swiss Stock Exchange (SIX). Only institutions whose bonds are rated with one of the two highest credit quality categories (AAA and AA) are considered. Wage growth is based on the long-term expectations of Axpo. Additionally, wage increases according to valid collective working agreements or other contractual commitments are considered. Life expectancy is calculated using a projection of future mortality improvement according to the Continuous Mortality Investigation (CMI) model based on observed actual mortality data in Switzerland.

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. The service cost is recognised in the income statement in personnel expenses.

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. The net interest expense is recognised in the income statement in personnel expenses.

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).

Since the 2019/20 financial year, risk sharing is taken into account when determining the financial assumptions. It also takes into account that under the Swiss pension fund plan (and the corresponding laws, ordinances and directives on occupational pensions) employees are also required to pay additional contributions to remedy any underfunding. The employer's restructuring contributions must be at least as high as the sum of the employee's contributions.

Defined contribution plan

In the case of pension schemes with defined contribution plans, the employer contributions paid or owed are recognised in the income statement.

Significant judgements and estimation uncertainties

Defined benefit plan

The calculation of the reported pension liability is based on statistical and actuarial assumptions. 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 the pension liability reported in future reporting periods.

6. Scope of consolidation

6.1 Changes in scope of consolidation

2020/21: Company formations, acquisitions and mergers
In the reporting period, Axpo Solutions signed an agreement for the sale of photovoltaic plant portfolios with newly built plants in France.

2019/20: Company formations, acquisitions and mergers
In the previous reporting period, the subsidiary Axpo Singapore Pte. Ltd., Singapore was founded. In addition, several subsidiaries were established in relation to the construction of wind farms and photovoltaic plants.

Accounting principles	
Scope of consolidation	Subsidiaries are companies controlled by the Group and are included in the consolidated financial statements using the method of full consolidation. 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. Investments in entities over which Axpo Solutions Group exercises significant influence without having control over its financial and business policy are classified as other associates and accounted for using the equity method. As at 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 Solutions Group's share of the capital, income earned and impairment losses/reversals as well as any dividends.
Capital consolidation	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. Net assets acquired are measured at their fair value and accounted for using the acquisition method. Any positive amount arising from an acquisition is capitalised as goodwill. A negative amount is immediately recognised in the income statement. Transaction costs incurred in connection with an acquisition are recognised in the income statement.
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 Solutions Group are eliminated in the consolidated financial statements.

6.2 Assets and liabilities held for sale

CHF million	30.9.2021	30.9.2020
Assets held for sale		
Property, plant and equipment (Note 3.1)	145.2	29.3
Right-of-use assets (Note 3.2)	9.5	1.2
Intangible assets (Note 3.3)	0.2	0.0
Derivative financial instruments (current and non-current)	9.5	0.0
Financial receivables (non-current)	21.5	0.0
Other receivables (current and non-current)	56.2	3.7
Total	**242.1**	**34.2**
Liabilities held for sale		
Financial liabilities (current and non-current) (Note 4.4)	247.6	28.5
Derivative financial instruments (current and non-current)	10.9	0.0
Other liabilities (current and non-current)	4.5	0.2
Total	**263.0**	**28.7**

In the reporting period, photovoltaic systems and wind parks, which were accounted for under property, plant and equipment and the corresponding assets with a book value of CHF 210.8 million and liabilities of CHF 226.5 million were advertised for sale. Assets held for sale amounting to CHF 228.9 million (previous year: CHF 33.6 million) were pledged as collateral for financial liabilities. The sale of all assets held for sale is expected within the next twelve months.
In the previous reporting period, photovoltaic systems with a book value of CHF 34.2 million and the associated liabilities of CHF 28.7 million were advertised for sale and presented as "Assets held for sale" and "Liabilities held for sale". As at 30 September 2020, the requirements for classifying the assets as "held for sale" were met. The lockdown imposed due to COVID, which is beyond Axpo's sphere of influence, led to delays in the entire settlement process. Since the intention to sell has not changed and the management continues to assume that the sale can be realised within the next twelve months, the investments remain in the "Assets and liabilities held for sale" accounts.

6.3 Investments in partner plants and other associates

CHF million	Partner plants	Other associates	Total
Carrying amount as at 1.10.2020	**175.4**	**145.1**	**320.5**
Change in scope of consolidation	0.0	5.6	5.6
Additions	0.0	3.3	3.3
Disposals	0.0	−8.0	−8.0
Impairment losses	0.0	−0.7	−0.7
Reclassification negative/(positive) investment value	0.0	−4.5	−4.5
Dividend	−4.7	−0.4	−5.1
Share of result	3.9	20.3	24.2
Cash flow hedges (other comprehensive income)	0.0	6.3	6.3
Currency translation differences (other comprehensive income)	0.0	0.5	0.5
Remeasurement defined benefit plans (other comprehensive income)	4.9	2.6	7.5
Deferred tax (other comprehensive income)	−0.9	−1.0	−1.9
Foreign currency translation effect	0.0	0.1	0.1
Carrying amount as at 30.9.2021	**178.6**	**169.2**	**347.8**

Other associates

In the reporting period, new wind farms and photovoltaic systems which, due to their project status, were previously included in the scope of consolidation as other associates, became operational and are therefore treated as fully consolidated subsidiaries. The disposal of the negative equity is presented in the line item "Change in scope of consolidation".
The disposal to "Other associates" is mainly attributed to a capital reduction of CHF 7.1 million (proportionally), which was carried out at Trans Adriatic Pipeline AG.

Axpo Solutions Group holds material investments in Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l. The following tables 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 30.9.2021		Gross value 30.9.2020	
	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				
Non-current assets	643.8	291.9	748.6	301.4
Current assets	43.0	14.4	130.0	18.7
Total assets	**686.8**	**306.3**	**878.6**	**320.1**
Non-current liabilities	914.7	69.9	1 132.8	88.2
Current liabilities	117.4	0.0	108.8	0.0
Equity	–345.3	236.4	–363.0	231.9
Total equity and liabilities	**686.8**	**306.3**	**878.6**	**320.1**
Share (in %)	24.10%	49.00%	24.10%	49.00%
Accumulated impairments	0.0	–102.0	0.0	–101.8
Negative equity value adjustment	83.2	0.0	87.5	0.0
Carrying amount of the investment	**0.0**	**13.8**	**0.0**	**11.8**

CHF million	Gross value 2020/21		Gross value 2019/20	
	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	287.6	125.6	331.4	57.0
Expenses	–275.7	–121.6	–270.3	–42.6
Result for the period	**11.9**	**4.0**	**61.1**	**14.3**
Statement of comprehensive income				
Other comprehensive income	6.8	0.0	9.3	0.0
Total comprehensive income	18.7	4.0	70.4	14.3
Share (in %)	24.10%	49.00%	24.10%	49.00%
Share of result	2.9	2.0	14.7	7.0
Share of other comprehensive income	1.6	0.0	2.2	0.0
Share of total comprehensive income	**4.5**	**2.0**	**16.9**	**7.0**

Axpo Solutions Group sells the energy produced by Società EniPower Ferrara S.r.l. in proportion to its participation share by means of a tolling contract, thus bearing the energy price risk. Therefore, Società EniPower Ferrara S.r.l. as the energy generator is not affected by the persistently low clean spark spread on the European energy market; the respective losses are borne by Axpo Solutions Group. For this reason, the impairment losses/reversals of the Società EniPower Ferrara S.r.l. investment are booked by Axpo Solutions Group at shareholder level and included in impairment losses/reversals.
Global Tech I Offshore GmbH, on the other hand, bears price risks, volume risks and other risks itself. For this reason, the impairment losses/reversals of the Global Tech I Offshore GmbH investment are booked at entity level by Global Tech I Offshore GmbH itself and are therefore included in the share of loss/gain.

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 as at 30 September 2021

CHF million	Individually disclosed investments aggregated[1]	Partner plants	Other associates	Total
Carrying amount of the investments	13.8	178.6	155.4	347.8
Balance sheet				
Non-current assets	298.2	707.6	581.6	1 587.4
Current assets	17.4	42.3	99.0	158.7
Total assets	**315.6**	**749.9**	**680.6**	**1 746.1**
Non-current liabilities	254.7	490.3	446.8	1 191.8
Current liabilities	28.3	81.2	81.9	191.4
Equity	32.6	178.4	151.9	362.9
Total equity and liabilities	**315.6**	**749.9**	**680.6**	**1 746.1**
Income statement				
Income	130.9	167.2	120.1	418.2
Expenses	–126.0	–163.3	–104.7	–394.0
Result for the period	**4.9**	**3.9**	**15.4**	**24.2**
Statement of comprehensive income				
Other comprehensive income	1.6	4.0	6.8	12.4
Total comprehensive income	**6.5**	**7.9**	**22.2**	**36.6**

1 The individually disclosed investments aggregated include the values of Società 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 as at 30 September 2020

CHF million	Individually disclosed investments aggregated[1]	Partner plants	Other associates	Total
Carrying amount of the investments	11.8	175.4	133.3	320.5
Balance sheet				
Non-current assets	328.1	704.1	563.3	1 595.5
Current assets	40.5	48.1	54.6	143.2
Total assets	**368.6**	**752.2**	**617.9**	**1 738.7**
Non-current liabilities	316.2	531.0	434.7	1 281.9
Current liabilities	26.2	46.0	53.1	125.3
Equity	26.2	175.2	130.1	331.5
Total equity and liabilities	**368.6**	**752.2**	**617.9**	**1 738.7**
Income statement				
Income	107.8	177.0	75.2	360.0
Expenses	–86.1	–171.8	–78.6	–336.5
Result for the period	**21.7**	**5.2**	**–3.4**	**23.5**
Statement of comprehensive income				
Other comprehensive income	2.2	2.8	2.6	7.6
Total comprehensive income	**23.9**	**8.0**	**–0.8**	**31.1**

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

Accounting principles

Investments in partner plants and other associates

For associated companies, Axpo Solutions differentiates between partner plants and other associates.

Partner plants are companies that design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies that administer energy procurement rights. 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). 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.

Partner plants as well as other associates are accounted for using the equity method.

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 Solutions Group. The most recent financial statements available for these companies were used for the preparation of the consolidated financial statements of Axpo Solutions 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.

Significant judgements and estimation uncertainties

Classification of partner plants

Axpo Solutions Group holds a majority share in certain partner plants. Due to the special circumstances with partner plants, it has to be assessed whether Axpo Solutions 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 Solutions has control over individual partner plants, other factors in addition to the proportion of voting rights must be considered. Axpo Solutions 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 Solutions does not hold a majority interest. Given these mutual dependencies/interests and the conditions governing the Swiss energy market, Axpo Solutions 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 accounted for using the equity method. The assessment if and in which cases the factors mentioned above prevent Axpo Solutions as a majority shareholder from exercising control is a management judgement.

6.4 Subsidiaries with material non-controlling interests

A list of subsidiaries can be found in Note 6.6 "Investments". Axpo Solutions 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	2020/21	2019/20
	Calenia Energia S.p.A.	Calenia Energia S.p.A.
Non-controlling interests (in %)	15.00%	15.00%
Balance sheet		
Non-current assets	211.0	230.4
Current assets	85.1	52.3
Total assets	**296.1**	**282.7**
Non-current liabilities	67.8	84.9
Current liabilities	64.7	31.9
Equity	163.6	165.9
Equity attributable to non-controlling interests	24.5	24.9
Total equity and liabilities	**296.1**	**282.7**
Income statement		
Total income	115.4	60.9
Result for the period	**–2.8**	**–0.2**
Result for the period attributable to non-controlling interests	–0.4	–0.0
Statement of comprehensive income		
Total comprehensive income	–2.4	–0.9
Total comprehensive income attributable to non-controlling interests	–0.4	–0.1
Dividends paid to non-controlling interests	0.0	0.0
Cash flow statement		
Cash flow from operating activities	15.5	23.0
Cash flow from investing activities	–1.2	–0.4
Cash flow from financing activities	–17.2	–30.2

6.5 Transactions with related parties

Majority shareholder

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

Subsidiaries and associated companies

Transactions between Axpo Solutions AG and its subsidiaries were eliminated during consolidation and are not explained in this note, while transactions between Axpo Solutions AG and its other associates and partner plants are disclosed below. Transactions between Axpo Solutions AG and its subsidiaries are disclosed in the separate financial statements of Axpo Solutions AG. The principal terms and conditions governing relationships with related parties are explained in Note 6.1 "Change in scope of consolidation".

Management Board and Board of Directors

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

Open balance sheet positions with related parties as at 30 September 2021 and transactions between Axpo Solutions Group and related parties in 2020/21

CHF million	Shareholders and affiliates	Partner plants	Other associates
Balance sheet			
Non-current assets	482.3	0.0	399.7
Current assets	2 055.3	25.6	170.6
Non-current liabilities	503.3	0.0	23.5
Current liabilities	1 964.7	21.1	37.9
Income statement			
Total income	188.1	7.9	85.0
Operating expenses	–1 143.6	–131.1	–22.5
Financial result	–10.3	–6.1	17.3
Income tax	0.0	0.0	0.0

Open balance sheet positions with related parties as at 30 September 2020 and transactions between Axpo Solutions Group and related parties in 2019/20

CHF million	Shareholders and affiliates	Partner plants	Other associates
Balance sheet			
Non-current assets	280.4	0.0	343.5
Current assets	1 436.0	20.5	60.6
Non-current liabilities	189.2	0.0	8.0
Current liabilities	1 082.7	17.2	6.4
Income statement			
Total income	133.9	10.4	179.4
Operating expenses	–978.7	–180.8	–18.1
Financial result	–11.3	–8.7	13.2
Income tax	0.0	0.0	0.0

6.6 Investments

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of votes in %	Share of capital in %	Purpose
Group companies							
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.	Mostar (BA)	31.12.	BAM	1.000	100.0	100.0	H
Axpo Bulgaria EAD	Sofia (BG)	31.12.	BGN	18.119	100.0	100.0	D
Axpo CKW France SAS	Paris (FR)	30.09.	EUR	0.100	100.0	100.0	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 Energia Portugal, Unipessoal LDA	Lisbon (PT)	30.09.	EUR	0.050	100.0	100.0	H
Axpo Energy Romania S.A.	Bucharest (RO)	30.09.	RON	12.000	100.0	100.0	H
Axpo Energy Solutions Italia S.p.A.	Rome (IT)	30.09.	EUR	2.000	100.0	100.0	H
Axpo France SAS	Lyon (FR)	30.09.	EUR	0.380	100.0	100.0	H
Axpo Finland Oy	Helsinki (FI)	30.09.	EUR	0.250	100.0	100.0	H
Axpo Iberia S.L.	Madrid (ES)	30.09.	EUR	11.001	100.0	100.0	H
Axpo International SA	Luxembourg (LU)	30.09.	EUR	3.792	100.0	100.0	D
Axpo Italia S.p.A.	Rome (IT)	30.09.	EUR	3.000	100.0	100.0	H
Axpo Kosovo L.L.C.	Pristina (XK)	31.12.	EUR	0.100	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	0.100	100.0	100.0	H
Axpo Nordic AS	Oslo (NO)	30.09.	NOK	59.000	100.0	100.0	H
Axpo Polska Sp.z.o.o.	Warsaw (PL)	30.09.	PLN	241.250	100.0	100.0	H
Axpo Renewable Germany GmbH	Leipzig (DE)	30.09.	EUR	0.025	100.0	100.0	S
Axpo Servizi Produzione Italia S.p.A.	Rome (IT)	30.09.	EUR	0.300	100.0	100.0	D
Axpo Singapore Pte. Ltd.[2]	Singaporen (SG)	30.09.	USD	13.000	100.0	100.0	H
Axpo Slovensko, s.r.o.	Bratislava (SK)	30.09.	EUR	0.100	100.0	100.0	H
Axpo Storage IT1 S.r.l.[1]	Rome (IT)	30.09.	EUR	0.010	100.0	100.0	I
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	12.500	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	Wilmington, DE (US)	30.09.	USD	80.500	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.	Rome (IT)	30.09.	EUR	0.100	85.0	85.0	P

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of votes in %	Share of capital in %	Purpose
CERBIS S.R.L.	Napels (IT)	30.09.	EUR	0.020	100.0	100.0	P
Energia de la Zarza S.L.	Madrid (ES)	30.09.	EUR	0.103	100.0	100.0	I
Gold Energy-Comercializadora de Energía, S.A.	Vila Real (PT)	31.12.	EUR	1.500	100.0	100.0	H
Limited Liability Company "AXPO Ukraine"	Kiev (UA)	31.12.	UAH	29.450	100.0	100.0	H
Parc éolien de St Riquier 2 SAS	Strasbourg (FR)	30.09.	EUR	0.233	100.0	100.0	P
Parc éolien Plaine Dynamique SAS	Strasbourg (FR)	30.09.	EUR	0.015	100.0	100.0	P
Rizziconi Energia S.p.A.	Rome (IT)	30.09.	EUR	0.500	100.0	100.0	P
Urbasolar SAS[2]	Montpellier (FR)	30.04.	EUR	2.068	100.0	100.0	D
Volkswind GmbH[3]	Ganderkesee (DE)	30.09.	EUR	0.026	100.0	100.0	D
WinBis S.r.l.	Rome (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 / S = Other
1 Company formation.
2 Urbasolar SAS is the parent company of the Urbasolar Group. The entity holds several subsidiaries and associates which are not listed here.
3 Volkswind GmbH is the parent company of the Volkswind Group. The entity holds several subsidiaries and associates which are not listed here.

	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	50.000	34.6	36.7	P
Engadiner Kraftwerke AG	Zernez (CH)	30.09.	CHF	140.000	15.0	15.0	P
Etrans AG	Baden (CH)	31.12.	CHF	7.500	13.2	13.2	E
Forces Motrices de Mauvoisin SA	Sion (CH)	30.09.	CHF	100.000	29.3	29.3	P
Kernkraftwerk Gösgen-Däniken AG	Däniken (CH)	31.12.	CHF	350.000[1]	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

D = Services / H = Trading and supply / I = Project companies / E = Energy transmission / P = Production / S = Other
1 Paid in CHF 290.000 million.

	Domicile	Balance sheet date	Currency	Registered capital in million	Share of capital in %	Share of votes in %	Purpose
Associated companies (other associates)							
Albula Netz AG	Filisur (CH)	31.12.	CHF	1.700	45.0[1]	33.3	E
Alleanza Luce & Gas S.p.A.	Villanova Di Castenaso (IT)	31.12.	EUR	5.000	5.0	5.0	D
Global Tech I Offshore Wind GmbH	Hamburg (DE)	31.12.	EUR	1.000	24.1	24.1	P
Grischelectra AG	Chur (CH)	30.09.	CHF	1.000[2]	20.0	20.0	H
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	140.000	49.0	49.0	P
Sogesa Société de Gestion des Energies SA	Val de Bagnes (CH)	30.09.	CHF	2.000	30.0	30.0	H
Swissgrid AG	Aarau (CH)	31.12.	CHF	320.398	8.8	8.8	E
Swiss Green Gas International AG	Bern (CH)	31.12.	CHF	5.279	17.0	17.0	V
Terravent AG	Lucerne (CH)	30.09.	CHF	17.952	20.9	20.9	S
Trans Adriatic Pipeline AG	Baar (CH)	31.12.	CHF	1 264.311	5.0	5.0	I

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

1 The direct share held by an entity of Axpo Solutions Group amounts to 60%. Axpo Solutions Group in turn owns 75% of the respective entity, resulting in a capital share of 45% at Group level.

2 Paid in CHF 0.200 million.

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Statutory Auditor's Report to the General Meeting of Axpo Solutions AG, Baden

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Axpo Solutions AG and its subsidiaries (the Group), as presented on pages 11 to 73 which comprise the consolidated balance sheet as at 30 September 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

Axpo Solutions AG,
Baden
Statutory Auditor’s Report on
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Financial Statements to the
General Meeting

may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 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

Silvan Jurt Licensed Audit Expert Auditor in Charge	Daniel Haas Licensed Audit Expert

Basel, 6 December 2021

Income statement

CHF million	Notes	2020/21	2019/20
Revenue from sales of energy		2 381.2	2 102.9
Result from currency forward contracts		–28.5	–11.2
Other operating income		20.3	20.4
Total income		**2 373.0**	**2 112.1**
Energy procurement and material expenses		–2 165.2	–1 168.0
Personnel expenses	3	–117.6	–100.1
Other operating expenses	4	–152.2	–154.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**–62.0**	**689.9**
Depreciation, amortisation and impairments		–2.0	–10.7
Earnings before interest and tax (EBIT)		**–64.0**	**679.2**
Financial income		33.8	67.3
Financial expense		–44.0	–68.7
Financial result	5	**–10.2**	**–1.4**
Extraordinary, non-recurring or off-period income	6	28.6	0.0
Extraordinary, non-recurring or off-period expenses	7	–8.6	–8.0
Direct taxes		–1.7	1.9
Net loss for the year / net profit for the year		**–55.9**	**671.7**

Balance sheet

CHF million	Notes	30.9.2021	30.9.2020
Assets			
Cash and cash equivalents		188.1	96.7
Trade receivables	8	475.1	253.3
Current financial receivables	9	1 654.8	1 319.4
Current derivative financial instruments	10	9 253.3	981.8
Other receivables	11	3 783.4	321.6
Inventories	12	365.0	307.2
Accrued income and prepaid expenses	13	1 621.3	647.8
Total current assets		**17 341.0**	**3 927.8**
Non-current financial loans	14	586.1	396.7
Non-current derivative financial instruments	15	5 764.1	1 507.6
Other non-current financial assets	16	2.9	10.5
Investments		1 728.6	2 056.1
Other property, plant and equipment		0.3	0.1
Intangible assets	17	2.6	3.3
Total non-current assets		**8 084.6**	**3 974.3**
Total assets		**25 425.6**	**7 902.1**
Liabilities			
Trade payables	18	341.2	308.6
Current interest-bearing liabilities	19	2 222.3	616.7
Current derivative financial instruments	20	10 078.7	943.3
Other current liabilities	21	1 192.6	334.8
Accrued expenses and deferred income	22	1 446.4	644.7
Current provisions		72.3	84.9
Total current liabilities		**15 353.5**	**2 933.0**
Non-current derivative financial instruments	23	6 949.5	1 445.4
Non-current liabilities	24	34.6	38.0
Non-current provisions		490.9	532.7
Total non-current liabilities		**7 475.0**	**2 016.1**
Total liabilities		**22 828.5**	**4 949.1**
Share capital	25	1 567.0	1 567.0
General legal retained earnings		159.8	104.0
Profit carried forward		870.3	1 282.0
Total equity		**2 597.1**	**2 953.0**
Total equity and liabilities		**25 425.6**	**7 902.1**

Notes to the financial statements

1 General information

Axpo Solutions AG is a public limited company incorporated under Swiss law with its registered office in Baden.
The average number of employees in the reporting period was 329 full-time equivalents; in the previous year the average number was 302.

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 Solutions AG approved the financial statements on 6 December 2021 and they are subject to the approval of the Annual General Meeting.

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

	30.9.2021	30.9.2020
EUR / 1	1.0830	1.0804
USD / 1	0.9353	0.9228
GBP / 1	1.2585	1.1842
CZK / 100	4.2479	3.9673
PLN / 100	23.4431	23.7649
HUF / 100	0.3007	0.2956

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 Axpo Holding AG, less shareholders.

Cash pool

Axpo Solutions AG participates in a CHF and EUR cash pool (zero balancing) of Axpo Holding AG and a EUR cash pool of Axpo International SA.
The receivables or payables of Axpo Solutions AG are transmitted to the account of Axpo Holding AG and Axpo International SA daily. The balance is reported under current financial receivables/liabilities.

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.
Revenues and costs related to the customer solution business as well as energy trades, which are measured at fair value, are presented net 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 allocated to the customer solution business or for trading purposes are principally acquired for resale in the near term with a view to generating a profit from fluctuations in price or dealer’s margin. These are measured at fair value less costs to sell.
Inventories held in relation to own energy production and the retail business include materials, certificates and inventories of other energy sources. These inventories are measured at the lower of cost or net realisable value.

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.
Net settled contracts that have a purely speculative intention are presented as current, independent of their contract term. Contracts which are entered into with the intention of physical delivery and which have a term to maturity of more than twelve months are presented as non-current.

Variation margins from futures contracts

In order to provide the reader of the financial statements with more meaningful information, Axpo Solutions AG applies the same accounting logic in the statutory accounts as at 30 September 2021 as in the IFRS financial statements. It treats variation margin payments for futures contracts entered into for hedging purposes as a valuation unit with the underlying transaction, which is treated as an off-balance sheet item from own use accounting. Thus, in the case of an effective hedging relationship, unrealised gains and losses from the underlying and hedging transactions are offset. Gains and losses on futures contracts are recognised with matching maturities when the underlying transaction is realised. Until the underlying transaction is realised, the variation margin payments are shown under other receivables or other current liabilities.

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 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 non-current 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 an 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 Solutions Group has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), in accordance with the law, Axpo Solutions AG 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

In order to ensure the long-term growth of the company, use is made of the option to create and release hidden reserves.

3 Personnel expenses

CHF million	2020/21	2019/20
Salaries and wages	99.2	83.7
Social security expenses	10.1	8.7
Pension fund expenses	7.0	5.7
Other personnel expenses	1.3	2.0
Total	**117.6**	**100.1**

4 Other operating expenses

CHF million	2020/21	2019/20
Third parties	48.9	42.3
Shareholders	2.8	2.2
Investments and group companies	100.5	109.6
Total	**152.2**	**154.1**

Other operating expenses contain capital and property tax expenses in the amount of CHF 2.6 million (previous year: CHF 2.1 million).

5 Financial result

	2020/21	2019/20
Interest income		
Third parties	0.1	0.4
Investments and group companies	22.7	14.1
Dividend income		
Investments and group companies	7.0	43.4
Other financial income		
Investments and group companies	4.0	9.4
Total financial income	**33.8**	**67.3**
Interest expense		
Third parties	–27.3	–46.7
Shareholders	0.0	–3.8
Investments and group companies	–14.1	–8.1
Net exchange rate gains (losses)	–2.0	0.0
Other financial expense		
Third parties	–2.6	–2.6
Shareholders	4.6	–5.0
Investments and group companies	–2.6	–2.5
Total financial expense	**–44.0**	**–68.7**
Total financial result	**–10.2**	**–1.4**

6 Extraordinary, non-recurring or off-period income

In the current financial year, there was an expropriation compensation from Swissgrid AG of CHF 28.6 million.

7 Extraordinary, non-recurring or off-period expenses

In the current financial year, investments were impaired by CHF 8.6 million (previous year: CHF 8.0 million).

8 Trade receivables

CHF million	30.9.2021	30.9.2020
Third parties	424.6	166.2
Investments and group companies	50.5	87.1
Total	**475.1**	**253.3**

Allowances for bad debts amounted to CHF 2.4 million (previous year: CHF 2.7 million).

9 Current financial receivables

CHF million	30.9.2021	30.9.2020
Third parties	4.0	4.7
Shareholders	1 471.5	1 183.8
Investments and group companies	179.3	130.9
Total	**1 654.8**	**1 319.4**

10 Current derivative financial instruments (positive replacement values)

CHF million	30.9.2021	30.9.2020
Third parties	5 912.8	595.6
Shareholders	67.3	96.1
Investments and group companies	3 273.2	290.1
Total	**9 253.3**	**981.8**

11 Other receivables

CHF million	30.9.2021	30.9.2020
Third parties	3 760.4	320.9
Investments and group companies	23.0	0.7
Total	**3 783.4**	**321.6**

12 Inventories

CHF million	30.9.2021	30.9.2020
Inventories at fair value	365.0	307.1
Inventories at lowest value principle	0.0	0.1
Total	**365.0**	**307.2**

This position includes certificates and gas inventories.

13 Accrued income and prepaid expenses

CHF million	30.9.2021	30.9.2020
Third parties	942.6	431.6
Shareholders	11.9	8.8
Investments and group companies	666.8	207.4
Total	**1 621.3**	**647.8**

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 amounted to CHF 2,400.5 million (previous year: CHF 1,339.4 million; see Note 22).

14 Non-current financial loans

CHF million	30.9.2021	30.9.2020
Investments and group companies	586.1	396.7
Total	**586.1**	**396.7**

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

15 Non-current derivative financial instruments (positive replacement values)

CHF million	30.9.2021	30.9.2020
Third parties	4 150.4	1 122.3
Shareholders	82.1	113.0
Investments and group companies	1 531.6	272.3
Total	**5 764.1**	**1 507.6**

16 Other non-current financial assets

CHF million	30.9.2021	30.9.2020
Third parties	2.6	2.9
Investments and group companies	0.3	7.6
Total	**2.9**	**10.5**

17 Intangible assets

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

18 Trade payables

CHF million	30.9.2021	30.9.2020
Third parties	220.3	73.6
Shareholders	1.4	3.0
Investments and group companies	119.5	232.0
Total	**341.2**	**308.6**

19 Current interest-bearing liabilities

CHF million	30.9.2021	30.9.2020
Shareholders	1 364.5	616.7
Investments and group companies	857.8	0.0
Total	**2 222.3**	**616.7**

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

20 Current derivative financial instruments (negative replacement values)

CHF million	30.9.2021	30.9.2020
Third parties	7 865.3	638.3
Shareholders	67.0	43.4
Investments and group companies	2 146.4	261.6
Total	**10 078.7**	**943.3**

21 Other current liabilities

CHF million	30.9.2021	30.9.2020
Third parties	1 189.9	332.6
Investments and group companies	2.7	2.2
Total	**1 192.6**	**334.8**

22 Accrued expenses and deferred income

CHF million	30.9.2021	30.9.2020
Third parties	1 076.9	368.5
Shareholders	3.3	2.7
Investments and group companies	366.2	273.5
Total	**1 446.4**	**644.7**

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 amounted to CHF 2,400.5 million (previous year: CHF 1,339.4 million; see Note 13).

23 Non-current derivative financial instruments (negative replacement values)

CHF million	30.9.2021	30.9.2020
Third parties	5 240.8	1 011.6
Shareholders	182.3	80.1
Investments and group companies	1 526.4	353.7
Total	**6 949.5**	**1 445.4**

24 Non-current liabilities

CHF million	30.9.2021	30.9.2020
Third parties	29.7	31.9
Investments and group companies	4.9	6.1
Total	**34.6**	**38.0**

This position includes accrued day-one profits of CHF 31.6 million (previous year: CHF 35.0 million) resulting from long-term contracts, whose valuation is partly based on non-observable input data.

25 Share capital

The share capital is divided into 31,340,000 bearer shares issued with a nominal value of CHF 50 per share. Axpo Holding AG, Baden, is the sole shareholder.

26 Investments in partner plants and other associates

Note 6.6 "Investments" of the consolidated financial statements sets out the details of Axpo Solutions Group's direct or indirect equity interests in subsidiaries and associates.

27 Liabilities to pension funds

CHF million	30.9.2021	30.9.2020
Liabilities to pension funds	0.7	0.7
Total	**0.7**	**0.7**

28 Pledged assets

CHF million	30.9.2021	30.9.2020
Pledged cash and cash equivalent	401.2	120.0
Total	**401.2**	**120.0**

29 Contingent assets

With the entry into force of the new Energy Act, contingent assets exist in the form of a market premium for uncovered generation costs (see Note 3.7.3 "Contingent assets", consolidated financial statements of Axpo Solutions Group).

30 Contingent liabilities

CHF million	30.9.2021	30.9.2020
Bank guarantees	0.0	0.4
Letters of comfort	0.0	62.2
Other guarantees	1 238.4	965.3
Liabilities to capital payments	77.6	129.0
Total	**1 316.0**	**1 156.9**

Complex tax regulations at home and abroad create estimation uncertainty for Axpo Solutions AG. In addition, any changes in practice by the tax authorities in Switzerland and abroad may lead to reassessments of tax obligations. Axpo Solutions AG is subject to regular audits by the tax authorities, which may lead to different results with regard to the tax estimates or the management's judgement. Even if Axpo Solutions' management considers its tax estimates to be appropriate, the final decision on such tax audits or reviews may differ from its tax provisions and deferred liabilities. As a result, Axpo Solutions AG may be subject to additional tax liabilities, interest, penalties or regulatory, administrative or other related sanctions.

31 Leases

CHF million	30.9.2021	30.9.2020
Up to 1 year	1.4	1.2
1 to 5 years	5.0	4.8
Exceeding 5 years	2.8	3.5
Total	**9.2**	**9.5**

Proposal for the appropriation of available earnings

CHF million	30.9.2021	30.9.2020
Result brought forward from previous year	926.2	610.3
Reported net loss / Reported net profit	–55.9	671.7
Total available earnings	**870.3**	**1 282.0**
The Board of Directors proposes to the General Meeting the following appropriation:		
Transfer to general legal reserve	0.0	55.8
Dividend	0.0	300.0
Profit / Loss carried forward	870.3	926.2
Total	**870.3**	**1 282.0**

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Report of the Statutory Auditor to the General Meeting of Shareholders of Axpo Solutions AG, Baden

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Axpo Solutions AG, as presented on pages 76 to 82, which comprise the income statement, balance sheet and notes for the year ended 30 September 2021.

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 2021 comply with Swiss law and the company's articles of incorporation.

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

Silvan Jurt Licensed Audit Expert Auditor in Charge	Nadine Herzog Licensed Audit Expert

Basel, 6 December 2021

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