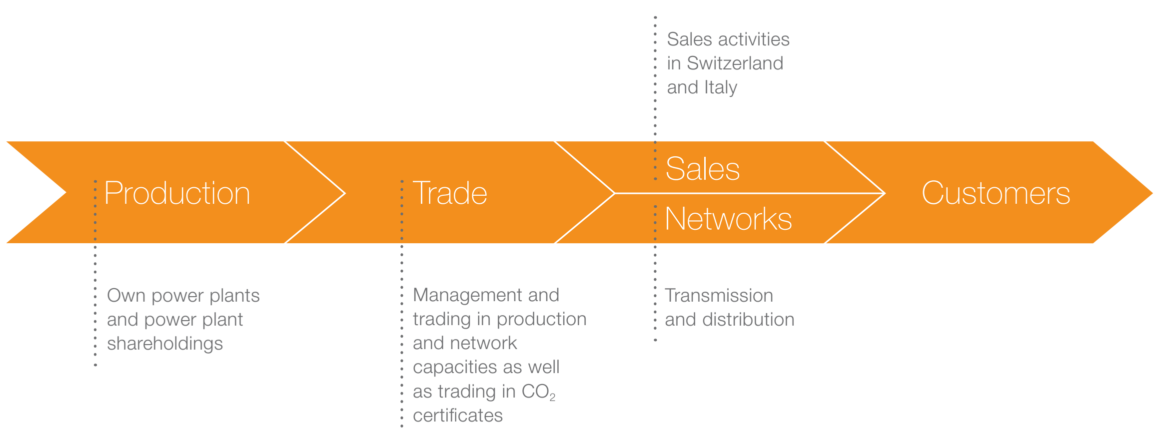
BKW

BKW Group
Financial Report 2012

The BKW Group is one of Switzerland's largest energy companies. It employs more than 3,000 people and covers all stages of energy supply: from production and transmission to trading and distribution. Directly and indirectly via its distribution partners, BKW supplies power to more than a million people. The BKW production portfolio incorporates hydroelectric and nuclear power plants, gas-fired combined-cycle power plants and renewable energy facilities in Switzerland and other parts of Europe.



Facts & Figures 2012
BKW Group

Total operating revenue

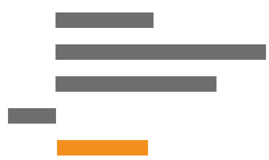
CHF millions

2008: 3,496.2
2009: 3,592.6
2010: 2,788.1
2011: 2,632.8
2012: 2,860.4

Net profit/loss

CHF millions

2008: 138.7
2009: 298.5
2010: 228.3
2011: –66.2
2012: 134.6



Number of employees

Full-time equivalents

2008: 2,781
2009: 2,862
2010: 2,862
2011: 2,880
2012: 3,037

Electricity business

GWh	**2012**	2011	2010 restated	2009	2008
Sales					
Electricity sales Switzerland	7,465	8,186	8,153	8,075	7,978
Electricity sales International	1,696	1,630	1,838	5,768	5,201
Electricity trading	10,384	10,332	11,838	12,638	11,882
Pump/substitution energy	260	295	331	509	536
Transmission losses/own consumption	199	202	236	265	372
Direct sales from financial interests	36	76	111	55	0
Total	**20,040**	**20,721**	**22,507**	**27,310**	**25,969**
Generation and purchases (incl. financial interests)					
Hydroelectric plants	3,963	3,406	3,743	4,052	4,012
Nuclear power plants incl. purchase contracts	5,769	5,373	5,921	5,784	5,884
Thermal power plants	475	703	700	648	375
New renewable energy	604	383	188	94	28
Trade (purchases) and energy buy-backs	9,229	10,856	11,955	16,732	15,670
Total	**20,040**	**20,721**	**22,507**	**27,310**	**25,969**

Sales 2012

Electricity sales Switzerland	37.2%
Electricity sales International	8.5%
Electricity trading	51.8%
Pump/substitution energy	1.3%
Transmission losses/own consumption	1.0%
Direct sales from financial interests	0.2%

Generation and purchases 2012

Hydroelectric plants	19.8%
Nuclear power plants incl. purchase contracts	28.8%
Thermal power plants	2.4%
New renewable energy	3.0%
Trade (purchases) and energy buy-backs	46.0%

Financials

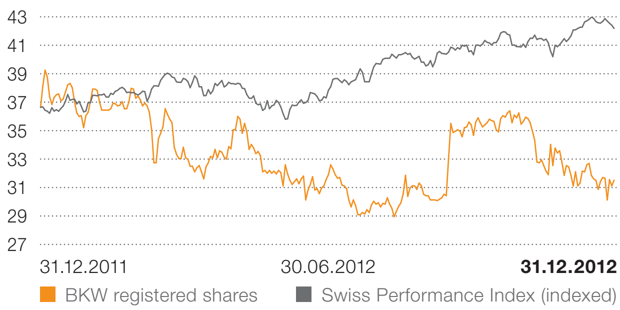
CHF millions	**2012**	2011	2010 restated	2009	2008
Total operating revenue	2,860.4	2,632.8	2,788.1	3,592.6	3,496.2
Operating profit before depreciation, amortisation and impairment	410.7	138.1	474.1	501.6	471.3
Net profit/loss	134.6	– 66.2	228.3	298.5	138.7
Cash flow from operating activities	338.6	292.4	274.8	602.7	242.5
Purchase of property, plant and equipment	196.1	256.8	317.7	289.7	270.3
Balance sheet total	7,453.7	7,082.9	6,569.6	6,519.0	5,989.3
Shareholders' equity	2,723.4	2,654.9	2,904.7	3,244.3	3,069.8
› as % of balance sheet total	36.5	37.5	44.2	49.8	51.3

Key figures per share

CHF	**2012**	2011	2010	2009	2008
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
› Year-end price	31.40	36.45	70.70	80.50	102.00
› Year high	39.25	79.95	82.85	108.00	159.50
› Year low	28.80	28.00	62.90	63.35	90.00
Net profit/loss (BKW shareholders' portion)	2.79	– 1.43	4.54	5.74	2.65
Equity per share (BKW shareholders' portion)	56.34	55.22	60.57	61.87	58.63
Market capitalisation in CHF millions	1,497.5	1,723.4	3,359.9	4,190.5	5,298.3

Following the disposal of the German sales operations on 1 January 2011, the total revenue, operating result and energy figures for 2010 have been adjusted accordingly. This adjustment has not been carried out for 2008 and 2009, however, leading to limited comparability.

Performance of the BKW share 31.12.2011 – 31.12.2012



Shareholders

Canton of Berne	52.54%
Groupe E SA	10.00%
E.ON Energie AG	7.03%
Treasury stock	9.68%
Other	20.75%

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Financial Report 2012

Title image: The Holleben wind farm in Saxony-Anhalt (Germany) has an installed capacity of 25.5 MW. It comprises 17 wind turbines, generating 46.8 GWh of electricity in 2012. The facility is located near BKW's Dubener Platte, Lüdersdorf-Parstein and Bockelwitz wind farms.

BKW is now Switzerland's largest producer of electricity from the wind. At the end of 2012, it had a total installed capacity of 308 MW in Switzerland, Italy and Germany.

Financial Result
A solid operating profit in a difficult environment

The BKW Group[1] recorded a solid operating profit in 2012, which was significantly higher than the previous year's figure. Key factors included higher production volumes and the impact of cost-cutting measures, but also low energy prices and one-off charges. The performance of the international financial markets had a positive impact on the financial result and thus also on net profit.

Rising operating profit and net profit in a demanding environment

In the challenging economic and regulatory environment that characterised fiscal 2012, BKW recorded a solid level of operating profit. Both the energy and network business contributed to this positive development, which was supported by higher production volumes from renewable energies and nuclear power plants, coupled with positive effects from the programme of measures introduced to cut costs and improve efficiency. The figure was however also affected by a fall in electricity sales, a continuation of low market prices, and special provisions for energy procurement contracts. Operating profit before depreciation, amortisation and impairment (EBITDA) grew by CHF 272.6 million to CHF 410.7 million. Adjusted to take account of one-off charges, EBITDA totalled CHF 522.9 million, an increase of CHF 105.0 compared with the adjusted figure for the previous year. Furthermore, the performance of the international financial markets had a positive impact on the financial result and thus also on net profit, which totalled CHF 134.6 million. Adjusted for special provisions, profit amounted to CHF 204.6 million.

Special provisions

The impairment testing of production plants carried out as part of the preparation of the year-end financial statements resulted in the need for a correction totalling CHF –112.2 million. It is new production plants in particular that are affected by these special charges, namely the Hagneck hydro station and the fossil-fuelled thermal power plants in Wilhelmshaven, Livorno Ferraris and Tamarete. A value adjustment was also needed in the case of the Fessenheim nuclear power plant. BKW purchases the electricity produced at these plants at production cost. Based on the updated assessment of future market developments, BKW expects the production costs of these power plants to be higher than the market prices that can be achieved in future, despite provisions having been made in some cases in 2011. Consequently, the impairment has been recorded as a provision for onerous energy procurement contracts and thus as an energy procurement expense. Adjusted for these special charges, EBITDA ended the year 25.1% up on the adjusted figure for the previous year, at CHF 522.9 million. The net effect of special charges, after taxes, on the annual result is CHF 70.0 million, with an adjusted net profit of CHF 204.6 million (+ 66.6% compared with the adjusted figure for the previous year).

Changes in accounting principles and in the scope of consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

No IFRS changes with an effect on the financial position, results of operations or cash flows of BKW entered into effect during 2012. Similarly, there were only a few changes with regard to the disclosure rules, and BKW was not affected by these.

The group of consolidated companies was extended in 2012, particularly as a result of the acquisition of various electrical installation and network construction companies, the switch to the full consolidation of cc energie sa (62% share), and the full takeover of Landkern wind park (previously a 50% share).

[1] The BKW Group comprises BKW Inc. and its consolidated companies. In order to make this report easier to read, the Group will be referred to below simply as BKW. Specific reference to BKW Inc. or BKW FMB Energy Ltd. will be made where appropriate.

Reconciliation from reported to adjusted result	2012 reported	2012 Adjustments	**2012 adjusted**	2011 reported	2011 Adjustments	2011 adjusted	% change
Total operating revenue	2,860.4		2,860.4	2,632.8		2,632.8	8.6%
Total operating expenses	–2,449.7	112.2	–2,337.5	–2,494.7	279.8	–2,214.9	5.5%
Operating profit before depreciation, amortisation and impairment	**410.7**	**112.2**	**522.9**	**138.1**	**279.8**	**417.9**	**25.1%**
Depreciation, amortisation and impairment	–189.3		–189.3	–190.4	4.5	–185.9	1.8%
Operating profit/loss	**221.4**	**112.2**	**333.6**	**–52.3**	**284.3**	**232.0**	**43.8%**
Financial result	–49.1		–49.1	–88.3		–88.3	–44.4%
Income from equity-valued companies	–5.8		–5.8	–26.7	33.4	6.7	–
Profit/loss before income taxes	**166.5**	**112.2**	**278.7**	**–167.3**	**317.7**	**150.4**	**85.3%**
Income taxes	–31.9	–42.2	–74.1	95.2	–128.7	–33.5	121.2%
Net profit from discontinued operations	0.0		0.0	5.9		5.9	–
Net profit/loss	**134.6**	**70.0**	**204.6**	**–66.2**	**189.0**	**122.8**	**66.6%**

Slight increase in operating revenue

BKW recorded a 8.6% increase in its consolidated operating revenue in 2012, up to CHF 2,860.4 million, despite what remained a difficult economic and regulatory environment. Net sales to external customers increased in the Energy International and Trading business divisions and also in Networks, while there was a slight fall in sales in the case of Energy Switzerland.

Energy Switzerland: production volumes up substantially, sales down slightly

The operating revenue of Energy Switzerland fell by 4.2% to CHF 2,167.9 million. Net sales to external customers were down as a result of declining volumes, falling by 8.0% to CHF 1,081.9 million. This development can be attributed to a fall in sales to distribution partners, particularly outside the BKW supply region. Despite the higher production volume, net sales to other segments remained almost unchanged compared with the previous year, at CHF 997.8 million, which can be attributed to the lower internal transfer prices compared with 2011. Adjusted operating profit (EBIT) rose strongly, up by 24.1% to CHF 198.8 million. The main factors responsible for this increase were significant rises in production resulting from exceptionally good outputs from the hydroelectric power plants and the high availability of the Mühleberg nuclear power plant. The same period of 2011 was also negatively affected by a one-off factor, in that the cancellation of the general licence application for replacement nuclear power plants resulted in impairments of CHF 14 million during the first half of 2011, which were charged to the income statement.

Energy International and Trading: difficult market environment affects result again

The Energy International and Trading business division recorded operating revenue of CHF 2,203.4 million, which represents a year-on-year rise of 6.3%. Net sales to external customers grew by 22.5% to reach CHF 1,402.6 million. Electricity trading was increased by 11.5% to CHF 965.0 million. Income from proprietary energy trading dipped slightly year on year, down by CHF 4.9 million due to market-related factors, while income from energy hedging, at CHF 6.0 million, was CHF 47.2 million up on the previous year's figure. International sales business was down slightly, due to market-related pricing issues, with sales totalling CHF 187.1 million (2011: CHF 213.6 million).

Net sales to other segments dropped by 14.4% to CHF 785.8 million due to price and volume-related factors. Adjusted operating profit (EBIT), at CHF –9.9 million, actually rose by CHF 30.1 million compared with the previous year, but was negative due to low energy prices, the strength of the Swiss franc and the development of the difference between peak and off-peak prices. Higher production volumes from the Group's own wind power plants had a positive impact.

Networks: repeated increase in revenue and operating profit

The Networks segment grew its total operating revenue by 2.2% to CHF 700.7 million. Net sales to external customers rose by 26.7% to CHF 231.7 million, while net sales to other segments were down slightly due to lower grid usage charges

(– 6.4%). Since external revenue for grid usage is largely invoiced by Energy Switzerland and disclosed as internal revenue under “Networks”, network revenue generated outside the Group is low. The bulk of this revenue is accounted for by engineering services and the electrical installation business, which posted a CHF 25.9 million rise in revenue to a significantly increased level of CHF 148.7 million (including changes in work in progress). Operating profit (EBIT) grew by 15.1% to CHF 138.6 million despite ElCom cutting the amount of chargeable costs in the distribution grid. A higher throughput and the impact of cost-cutting measures were key factors in this regard. Additionally, coverage differences in 2011 and 2012 on the transmission grid amounting to CHF 17 million were carried in the income statement, with regard to which Swissgrid provided BKW with compensation following the transfer of the transmission grid in 2013.

Increase in adjusted operating profit and significant easing in the financial result

Adjusted energy procurement costs in 2012 totalled CHF 1,541.3 million (CHF 1,424.5 million). This equates to a year-on-year rise of 8.2%.

Personnel expenses grew during the reporting year, up by 2.3% to CHF 357.3 million. The number of employees increased due to the creation of new positions in engineering services and the electrical installation business. Business combinations also resulted in a higher number of staff. In contrast, the measures introduced as part of the cost-cutting programme had a reducing impact. Material and third-party services fell by CHF 10.2 million to CHF 202.7 million. In 2011 this item included one-off charges in the form of impairments of around CHF 14 million resulting from the cancellation of the general licence application for replacement nuclear power plants. Other operating expenses increased by 3.5% to CHF 236.2 million, mainly due to higher taxes and charges.

EBITDA rose by 25.1% to CHF 522.9 million. There was only a slight change in the depreciation figures compared with the previous year. Adjusted profit (EBIT), at CHF 333.6 million, was CHF 101.6 million higher than the previous year’s figure.

Buoyed by the positive development on the stock markets, higher financing costs and the strength of the Swiss franc, the financial result climbed by CHF 39.2 million compared with the previous year to reach CHF – 49.1 million. The main contributory factor was the return on shares in the decommissioning and disposal funds, which are measured at fair value. In contrast with the slight price losses of the previous year, the state funds recorded a profit of CHF 58.4 million for the reporting year.

Expenses relating to the interest on provisions increased by CHF 23.3 million compared with the previous year to CHF 80.9 million. This was due to the formation of provisions for loss-making energy procurement contracts as at 31 December 2011 and the increase in the reserves for nuclear disposal based on the updated 2011 cost estimate. The interest on these provisions was charged to income for the first time in the 2012 financial year.

A sound equity and financing situation

Total assets in 2012 grew by 5.2% compared with the previous year to CHF 7,453.7 million. On the assets side, non-current assets grew slightly, up by 2.8%, due to the increase in value of state funds for decommissioning and disposal. Current assets increased by 11.8% as a result of a rise in cash and cash equivalents and current financial assets, as well as due to higher replacement values of derivatives. On the liabilities side, non-current liabilities rose primarily due to the formation of special provisions for onerous energy procurement contracts and due to the addition of financial liabilities in conjunction with the issuing of two registered bonds.

Equity rose by CHF 68.5 million on a year-on-year basis. The rise in total assets meant, however, that the equity ratio dipped slightly to 36.5% (2011: 37.5%). The BKW Group’s equity situation remains stable.

Similarly, BKW’s financing situation remains solid. The first refinancing of outstanding bonds is not due until 2018. The syndicated loan in the amount of CHF 300 million agreed in October 2011 remains unused. Consequently, the financial conditions for strengthening the liquidity reserves are unchanged. In November 2012 BKW also successfully placed two registered bonds in the amount of EUR 125 million. By borrowing in euros in this way, BKW is able to obtain partly currency and country-matched financing for its investment projects in Germany from local investors, while also expanding its investor base.

The assets and liabilities of BKW Übertragungsnetz AG continue to be disclosed separately in the year-end balance sheet under “Assets held for sale” and “Liabilities held for sale”. This is due to the sale of the transmission grid to Swissgrid, which was completed on 3 January 2013.

Strong cash flow from operating activities, reserved investment activity

Cash flow from operating activities totalled CHF 338.6 million during the year under review. This represents a marked rise of CHF 46.2 million compared with the previous year.

Investments in non-current assets resulted in a cash outflow of CHF 295.0 million (2011: CHF 552.9 million). Investment activity tended to be more reserved in light of current market conditions and the prevailing uncertainties. Overall, the cash outflow from investing activity totalled CHF 307.8 million. During the previous year, investments were primarily financed using long-term time deposits, resulting in a lower cash outflow.

The inflow of CHF 37.2 million from financing activities is primarily related to the placement of two registered bonds and to dividend payments. In 2011 the cash outflow of CHF 110.2 million was largely related to the payment of dividends.

Cash and cash equivalents grew by CHF 67.6 million to CHF 592.0 million.

Dividends

The Annual General Meeting of 17 May 2013 will be asked to approve a dividend of CHF 1.20 per share, which equates to a dividend yield of 3.8% (based on the year-end share price). The proposed dividend is based on the net profit for the year of CHF 204.6 million adjusted for the non-cash special provisions. Taking into account further non-cash effects, and the profit from the shares in the state funds for decommissioning and disposal in particular, this equates to a payout ratio of around 40% and reflects the consistency of BKW’s dividend policy.

Outlook

BKW is not expecting any change in the challenging market environment in the current financial year, with energy prices set to remain low and ongoing margin pressure on the international markets. Coupled with regulatory requirements and a persistently strong Swiss franc, this will also affect the operating result for 2013. The full impact of efficiency enhancements resulting from the cost reduction measures is not yet being felt. Based on all of these factors, BKW expects its EBITDA and net profit to be in line with the figures reported for 2012.

Consolidated Financial Statements of the BKW Group
Consolidated Income Statement

CHF millions	Note	2012	2011
Net sales	8	2,716.2	2,503.0
Own work capitalised		48.4	46.2
Other operating income		95.8	83.6
Total operating revenue		**2,860.4**	**2,632.8**
Energy procurement	8	–1,653.5	–1,704.3
Material and third-party services		–202.7	–212.9
Personnel expenses	9	–357.3	–349.2
Other operating expenses	10	–236.2	–228.3
Total operating expenses		**–2,449.7**	**–2,494.7**
Operating profit before depreciation, amortisation and impairment		**410.7**	**138.1**
Depreciation, amortisation and impairment	11	–189.3	–190.4
Operating profit/loss		**221.4**	**–52.3**
Financial income	12	75.9	19.8
Financial expenses	12	–125.0	–108.1
Income from equity-valued companies	17	–5.8	–26.7
Profit/loss before income taxes		**166.5**	**–167.3**
Income taxes	13	–31.9	95.2
Net profit/loss from continuing operations		**134.6**	**–72.1**
Net profit from discontinued operations	7	0.0	5.9
Net profit/loss		**134.6**	**–66.2**
attributable to:			
› BKW shareholders		132.5	–68.2
› Non-controlling interests		2.1	2.0
Earnings per share in CHF (diluted and undiluted)	14	2.79	–1.43
Earnings per share in CHF from continuing operations (diluted and undiluted)		2.79	–1.56

Consolidated Financial Statements of the BKW Group

Consolidated Statement of Comprehensive Income

CHF millions	2012	2011
Net profit/loss	**134.6**	**–66.2**
Currency translations		
› Currency translations	–8.1	–26.2
› Transfer to the income statement	1.4	4.9
› Income taxes	0.1	0.0
Available-for-sale financial assets		
› Value adjustments	–28.3	–58.4
› Income taxes	3.6	13.0
Cash flow hedges		
› Value adjustments	2.5	–7.7
› Income taxes	–0.6	1.7
Total other comprehensive income	**–29.4**	**–72.7**
Comprehensive income	**105.2**	**–138.9**
attributable to:		
› BKW shareholders	103.1	–140.9
› Non-controlling interests	2.1	2.0

Consolidated Financial Statements of the BKW Group

Consolidated Balance Sheet

CHF millions	Note	31.12.2012	31.12.2011
Assets			
Property, plant and equipment	16	2,806.4	2,833.0
Investments in equity-valued companies	17	1,050.1	1,035.4
Derivatives	29	72.0	32.6
Non-current financial assets	18	1,092.7	1,014.7
Intangible assets	19	283.7	245.4
Deferred tax assets	13	9.9	8.6
Total non-current assets		**5,314.8**	**5,169.7**
Inventories	20	44.8	39.9
Accounts receivable	21	661.6	607.5
Current tax receivable		8.9	38.3
Derivatives	29	155.0	75.6
Current financial assets	18	234.0	196.3
Prepaid expenses and accrued income	22	157.4	176.4
Cash and cash equivalents	33	592.0	524.4
Total current assets		**1,853.7**	**1,658.4**
Assets held for sale	7	285.2	254.8
Total assets		**7,453.7**	**7,082.9**

CHF millions	Note	31.12.2012	31.12.2011
Shareholders' equity and liabilities			
Share capital	23	132.0	131.1
Capital reserves		35.0	35.0
Retained earnings		2,880.3	2,808.6
Treasury shares	23	−360.6	−363.7
Equity attributable to BKW shareholders		**2,686.7**	**2,611.0**
Equity attributable to non-controlling interests		36.7	43.9
Total shareholders' equity		**2,723.4**	**2,654.9**
Deferred tax liabilities	13	474.1	494.1
Derivatives	29	39.4	33.3
Non-current provisions	24	1,871.2	1,692.5
Non-current financial liabilities	25	1,314.2	1,213.4
Other non-current liabilities	26	210.7	193.0
Total non-current liabilities		**3,909.6**	**3,626.3**
Other current liabilities	27	407.4	405.4
Derivatives	29	157.2	99.4
Current provisions	24	39.4	36.0
Current financial liabilities	25	21.8	43.5
Current tax liabilities		23.6	29.0
Deferred income and accrued expenses	22	121.5	147.6
Total current liabilities		**770.9**	**760.9**
Liabilities held for sale	7	49.8	40.8
Total liabilities		**4,730.3**	**4,428.0**
Total shareholders' equity and liabilities		**7,453.7**	**7,082.9**

Consolidated Financial Statements of the BKW Group
Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Accumulated profit	Currency translations	Revaluation reserve available-for-sale financial assets	Hedging reserves	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	**Total**
Equity at 31.12.2010	132.0	35.0	3,144.3	–190.5	126.2	4.0	–372.4	2,878.6	26.1	2,904.7
Net loss			–68.2					–68.2	2.0	–66.2
Other comprehensive income				–21.3	–45.4	–6.0		–72.7		–72.7
Comprehensive income			**–68.2**	**–21.3**	**–45.4**	**–6.0**		**–140.9**	**2.0**	**–138.9**
Dividend			–119.1					–119.1	–0.8	–119.9
Transactions in treasury shares			–3.8				9.7	5.9		5.9
Share-based payments			3.3					3.3		3.3
Reclassification due to new structure (BKW FMB Energy Ltd. shares not exchanged)	–0.9		–16.3				–1.0	–18.2	18.2	0.0
Acquisition of non-controlling interests			1.4					1.4	–2.2	–0.8
Contribution to equity from non-controlling interests								0.0	0.6	0.6
Equity at 31.12.2011	**131.1**	**35.0**	**2,941.6**	**–211.8**	**80.8**	**–2.0**	**–363.7**	**2,611.0**	**43.9**	**2,654.9**
Net profit			132.5					132.5	2.1	134.6
Other comprehensive income				–6.6	–24.7	1.9		–29.4		–29.4
Comprehensive income			**132.5**	**–6.6**	**–24.7**	**1.9**		**103.1**	**2.1**	**105.2**
Dividend			–47.7					–47.7	–0.6	–48.3
Share capital increase [1]	0.9		17.3					18.2	–18.2	0.0
Transactions in treasury shares			–1.7				3.1	1.4		1.4
Share-based payments			0.4					0.4		0.4
Acquisition of non-controlling interests			0.3					0.3	–4.5	–4.2
Contribution to equity from non-controlling interests								0.0	12.5	12.5
Changes in the scope of consolidation								0.0	1.5	1.5
Equity at 31.12.2012	**132.0**	**35.0**	**3,042.7**	**–218.4**	**56.1**	**–0.1**	**–360.6**	**2,686.7**	**36.7**	**2,723.4**

[1] Due to squeeze-out of BKW FMB Energy Ltd. shares not exchanged for BKW Inc. shares (see Note 23).

Consolidated Financial Statements of the BKW Group
Consolidated Cash Flow Statement

CHF millions	Note	2012	2011
Profit/loss before income taxes (incl. discontinued operations)		166.5	–161.3
Adjustment for:			
› Depreciation, amortisation and impairment	11	189.3	190.4
› Income from equity-valued companies	17	5.8	26.7
› Financial result (incl. discontinued operations)	7/12	49.1	82.3
› Gains/losses from sale of non-current assets		–1.2	–2.4
› Change in non-current provisions (excl. interest)		85.4	259.1
› Change in assigned rights of use		–9.5	–8.9
› Change from the valuation of energy derivatives		–49.9	32.9
› Other non-cash positions		1.2	7.7
Change in net current assets (excl. financial assets/liabilities and derivatives)		–45.0	–73.5
Income taxes paid		–49.8	–58.8
Other financial items paid		–3.3	–1.8
Cash flow from operating activities		**338.6**	**292.4**
Purchase of property, plant and equipment	16	–196.1	–256.8
Proceeds from disposal of property, plant and equipment		20.1	8.6
Acquisition of Group companies	6/33	–1.2	–180.4
Disposal of Group companies		0.6	18.3
Investments in equity-valued companies	17	–60.2	–77.2
Disposals of equity-valued companies		4.8	0.4
Investments in current and non-current financial assets		–111.3	–42.5
Disposals of current and non-current financial assets		26.6	423.4
Purchase of intangible assets	19	–37.5	–38.5
Disposals of intangible assets	19	7.0	15.0
Interest received		8.3	8.7
Dividends received		31.1	32.0
Cash flow from investing activities		**–307.8**	**–89.0**
Sale/purchase of treasury shares	23	0.8	4.6
Acquisition of non-controlling interests		–3.0	–0.8
Contribution to capital from non-controlling interests		12.5	0.6
Increase in current and non-current financial liabilities		142.1	8.0
Decrease in current and non-current financial liabilities		–67.1	–10.3
Increase in other non-current liabilities		37.8	43.4
Decrease in other non-current liabilities		–5.6	–2.1
Interest paid		–32.0	–33.7
Dividends paid		–48.3	–119.9
Cash flow from financing activities		**37.2**	**–110.2**
Translation adjustments on cash and cash equivalents		–0.4	–1.5
Net change in cash and cash equivalents		**67.6**	**91.7**
Cash and cash equivalents at start of reporting period		**524.4**	**432.7**
Cash and cash equivalents at end of reporting period	33	**592.0**	**524.4**

Consolidated Financial Statements of the BKW Group
Notes to the Financial Statements

1 Description of business

BKW Inc., Berne (CH), together with its Group companies, is a leading energy provider in Switzerland and delivers a comprehensive range of products and services to residential and business customers. Energy is sold in neighbouring countries via the Group's own sales channels. BKW covers the entire value chain, from the production, transmission and distribution to the trading and sale of energy.

With a view to introducing a new holding structure, BKW Inc. had issued a public exchange offer for all registered BKW FMB Energy Ltd. shares in free float in October 2011. Shareholders in BKW FMB Energy Ltd. were offered a new BKW Inc. share with the same par value for each BKW FMB Energy Ltd. share tendered. The exchange offer was successfully concluded in December 2011, with a 99.31% take-up rate. BKW Inc. was listed on the SIX Swiss Exchange and BX Berne Exchange on 12 December 2011. Following the exchange offer, BKW introduced squeeze-out proceedings for the BKW FMB Energy Ltd. shares that had not been tendered for exchange. In its decision of 21 March 2012, the Commercial Court of the Canton of Berne declared the remaining registered BKW FMB Energy Ltd. shares in free float as being invalid. Holders of these BKW FMB Energy Ltd. shares that had been declared invalid therefore received BKW Inc. shares on a 1:1 basis. The additional BKW Inc. shares issued in this way were listed on 11 April 2012. BKW Inc. now has a share capital of CHF 132,000,000 and holds 100% of the shares in BKW FMB Energy Ltd.

2 Accounting principles

2.1 General principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They provide a true and fair view of the financial position, the results of operations and the cash flows of BKW. The financial statements also comply with Swiss company law. The closing date for the Group financial statements and those of its fully consolidated companies is 31 December. The statements are presented in Swiss francs (CHF).

The consolidated financial statements have been prepared on the basis of historical acquisition costs. Exceptions are described in the "Principles of accounting and valuation".

2.2 Adoption of new standards and interpretations in the 2012 financial year

All standards and interpretations in force on the balance sheet date were applied in preparing the consolidated financial statements. No new or amended standards or interpretations were applied earlier than required.

The following standards and interpretations applied to BKW for the first time in the 2012 financial year:

- Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Amendment to IFRS 7 Disclosures – Transfers of Financial Assets

These changes had no effect on the presentation of the financial position, results of operations and cash flows of BKW.

2.3 Application of standards and interpretations from the 2013 financial year onwards

The following new and amended standards and interpretations had been published by the balance sheet date but will not be applied until subsequent financial years. BKW intends to apply the changes from the date on which they enter into force (entry into force for financial years beginning on or after the dates in brackets):

- Amendment to IAS 1 Presentation of Financial Statements (1 July 2012)
- IFRS 10 Consolidated Financial Statements (1 January 2013)
- IFRS 11 Joint Arrangements (1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13 Fair Value Measurement (1 January 2013)
- Amendment to IAS 19 Employee Benefits (1 January 2013)
- Amendment to IAS 27 Separate Financial Statements (1 January 2013)
- Amendment to IAS 28 Investments in Associates (1 January 2013)

- Amendments to IFRS 7 Financial Instruments: Disclosures (1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)
- Annual Improvements to IFRSs 2009 – 2011 Cycle (1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation (1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (1 January 2014)
- IFRS 9 Financial Instruments (1 January 2015)

Some of these changes will apply to BKW for the first time during the 2013 financial year. The subsequent changes will have a significant influence on the presentation of BKW's financial position, results of operations and cash flows. Based on current information, BKW does not expect other changes or changes that will only enter into force for financial years from 2014 onwards to have any significant impact on its financial position, results of operation or cash flows.

2.3.1 Group accounting (IFRS 10/IFRS 11/IFRS 12)

As part of the project to reform group accounting, IFRS 10, IFRS 11 and IFRS 12 are being applied for the first time during the 2013 financial year. The new standards replace the previously applicable rules on group accounting (primarily IAS 27 and IAS 31, and the interpretations SIC 12 and SIC 13):

- In particular, IFRS 10 contains a new definition of the concept of "control" to be applied when deciding on whether companies should be consolidated or not.
- IFRS 11 deals with joint arrangements.
- IFRS 12 deals with disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structured entities".

With regard to the investments held as at 31 December 2012, BKW does not expect the application of IFRS 10 to lead to any changes in the assessment of control and thus to any changes in the scope of consolidation. In contrast, the application of IFRS 11 is likely to mean that two investments that were previously accounted for using the equity method will now be disclosed in the consolidated financial statements in proportion to their share of assets and liabilities, and revenues and expenses. As a result of this change, the total assets of the BKW Group as at 1 January 2012 and 31 December 2012 will increase by CHF 40.1 million and CHF 7.4 million respectively, with total operating revenue for 2012 up by CHF 2.8 million. Equity, net profit for the year and earnings per share will remain unchanged.

The application of IFRS 12 will create additional disclosure obligations in relation to interests in subsidiaries, joint arrangements and associates.

2.3.2 IAS 19 Employee Benefits

The revised IAS 19 Employee Benefits contains various important changes. BKW currently applies the corridor method and charges to income the actuarial gains and losses from periodic recalculations of the defined benefit obligation – provided they exceed the greater of 10% of plan assets and 10% of the defined benefit obligation – on a straight-line basis over the average remaining period of service. Due to the elimination of the corridor method, actuarial gains and losses are now recognised in other comprehensive income in the period in which they occur. This is likely to result in greater volatility of the plan assets and obligations and hence also of consolidated equity. Also under the terms of the revised standard, a uniform discount rate must be applied to both the plan assets and the benefit obligation. Previously, the expected return on plan assets was estimated on the basis of the pension fund's investment portfolio and in accordance with the anticipated level of return. Additionally, the expected employee contributions to be made in future are to be included when determining the present value of the benefit obligation. This allocation of risk between employer and employees will alter the benefit obligation and allocation of the current service cost in future.

The revised standard will be applied with effect from the 2013 financial year with the previous years' figures being adjusted accordingly (restatement). As at 1 January 2012 and 31 December 2012, BKW's reported pension plan assets of CHF 103.7 million and CHF 101.1 million respectively will be reported as pension plan liabilities of approximately CHF 216 million and CHF 177 million respectively. Taking deferred income taxes into account, the consolidated equity as at 1 January 2012 or 31 December 2012 will fall by around CHF 249 million or CHF 217 million respectively. Personnel expenses for 2012 will increase by CHF 3.8 million, net profit will fall by CHF 3 million and earnings per share will decrease by CHF 0.06. A further change expected as a result of the revision of IAS 19 relates to investments measured using the equity method. It is not yet possible to quantify this effect however. The application of the new IAS 19 rules is expected to result in net plan expenses increasing by some CHF 8 million in the 2013 financial year.

3 Consolidation principles

3.1 Consolidation method

The financial statements are based on the closing statements of the individual Group companies drawn up according to Group-wide principles of valuation and presentation. Group companies are included in the consolidated financial statements in their entirety. Assets and liabilities as well as expenses and income are included in their entirety. Non-controlling interests in shareholders' equity and in net income of the relevant Group companies are disclosed separately in consolidated equity and in the consolidated income statement. Intercompany income and expenditure as well as inter-company assets and liabilities are eliminated on consolidation. Interim profits on inter-company goods and services that have not yet been realised from sales to third parties are eliminated.

3.2 Investments in associates and joint ventures

Investments in companies in which BKW is able to exercise significant influence but not overall control (generally share of voting rights of between 20% und 50%), are classified as associates and accounted for using the equity method.

Companies which are jointly managed on the basis of contractual agreements between the shareholders (usually partner plants) are treated as joint ventures. Joint ventures are consolidated using the equity method, irrespective of the size of the holding.

The closing date for some partner plants differs from that of BKW since these companies close their accounts on 30 September in line with the hydrological year.

3.3 Acquisition and sale of Group companies

Companies acquired by BKW during the year are consolidated as from the effective date of acquisition. Net assets acquired are measured at fair value and integrated using the acquisition method. Differences between the higher purchase price and the fair value of net assets acquired are classified as goodwill from acquisitions. Any negative difference is immediately recognised in income.

Group companies with regard to which BKW ceases to have control are excluded from consolidation as of the date on which control ceases to exist. The difference between the proceeds from the sale and the net assets disposed of is recognised in the income statement on the effective date. Goodwill still recorded in the balance sheet and accumulated foreign currency translation differences and value fluctuations for financial instruments charged to the statement of other comprehensive income are derecognised in income as a component or the gain or loss on sale.

3.4 Foreign currency translations

The reporting currency is Swiss francs (CHF). BKW records transactions in foreign currencies at the prevailing exchange rates on the transaction date. Exchange rate gains and losses arising from such transactions as well as the translation of foreign currency balances on the balance sheet date are charged to the financial result. Foreign-currency financial statements of Group companies outside Switzerland are converted to Swiss francs according to the following principles:

- balance sheet, at the prevailing exchange rate on 31 December;
- income statement, at average exchange rates for the reporting year;
- cash flow, at average exchange rates for the reporting year.

Goodwill and adjustments made in the course of the purchase price apportionment to the carrying amounts of identified net assets of companies in foreign currency are carried in the foreign currency.

Differences arising from the translation of the financial statements of Group companies, associates and joint ventures in foreign currencies are accounted for in other comprehensive income.

4 Principles of accounting and valuation

4.1 Presentation of sales

Sales of energy to end customers and sales partners are considered as having been realised and are recorded as sales when delivery is complete.

Energy-trading revenue is presented according to the underlying transaction motive. Energy transactions are conducted either for the purpose of actively managing the power plant base or for physical coverage of energy supply or purchase contracts. Such management transactions can be broken down into “own-use” and “hedging” transactions. The gross revenue from own-use transactions is recorded as sales (“Electricity Trading” or “Gas Business”) at the time of delivery. Hedging transactions result from extended production portfolio management for the purpose of engaging in additional transactions to hedge BKW’s own production. These additional hedging transactions also fall under the definition of financial instruments. Other energy transactions are conducted with the sole intention of achieving a trading margin. These transactions also come under the definition of financial instruments.

Energy transactions defined as financial instruments are measured at the fair value on the closing date, with realised as well as unrealised gains and losses from these transactions recorded net under “Income from Energy Hedging” and “Income from Proprietary Energy Trading”. The income from such transactions consists of two components: effective realised gains or losses from transactions in progress, and unrealised measurement gains and losses from measurement at fair value of the open contracts.

4.2 Financial instruments

Financial instruments constitute all contractual agreements that give rise to financial assets for BKW and financial liabilities for a counterparty, and vice versa. Financial assets and liabilities are categorised as follows:

- financial assets or financial liabilities at fair value through profit or loss (financial instruments held for trading and derivatives);
- held-to-maturity investments (non-derivative financial assets with fixed or determinable payments and fixed maturity that the company intends and is able to hold to maturity);
- loans and receivables;
- available-for-sale financial assets (non-derivative financial assets that cannot be classified under any other category);
- financial liabilities at amortised cost.

Financial assets are recorded and derecognised on the trade date. A standard valuation procedure is followed for each category of financial assets and liabilities. They are initially recognised at fair value. Transaction costs for financial instruments not categorised as "at fair value through profit or loss" are assigned to the acquisition or issuance of the financial instrument. For subsequent valuation, financial instruments categorised as "at fair value through profit or loss" are recorded in the balance sheet at fair value, and the related gains or losses are recorded in the income statement. Financial assets available for sale are also recorded at fair value in the balance sheet. While available-for-sale financial assets are measured at fair value, the gains or losses are recorded in other comprehensive income, unless they qualify as an impairment or the financial instrument is sold. In the event of impairment, disposal or other derecognition, the amount recorded in other comprehensive income is transferred to the income statement. Held-to-maturity investments, loans granted by and receivables due to BKW as well as liabilities incurred are carried at amortised cost using the effective interest method less impairments.

Impairment is recognised if there are objective indications that the value of an asset is at risk. Assets carried at amortised costs are considered to be impaired if the carrying amount is higher than the present value of estimated future cash flows. Available-for-sale assets are considered to be impaired if the fair value is lower than the acquisition value. Equity instruments are considered to be impaired only if the decline in value is significant or prolonged.

The fair value for a stock-exchange quoted share for which the market is assumed to be active is determined based on the published market price. The fair value of other financial instruments is determined using the discounted cash flow method or other recognised measurement methods. Financial assets are derecognised when the rights are realised or have expired, or when BKW hands over control. Financial liabilities are derecognised only when they are discharged.

4.3 Derivatives

4.3.1 Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles, and futures with electricity, gas, oil, coal and certificates as the underlying. Contracts concluded with the sole intention of achieving a trading margin, as well as hedging transactions resulting from extended production portfolio management, are treated as financial instruments and designated as energy derivatives. Transactions open on the balance sheet date are measured at fair value. BKW receivables in respect of counterparties are recorded under assets as positive replacement values (under Derivatives), while payables are recorded under liabilities as negative replacement values (under Derivatives). Ongoing transactions with positive or negative replacement values are netted if the respective contract terms provide for this, and settlement is legally enforceable and intended. Realised and unrealised gains and losses from energy derivatives are recorded as income from proprietary energy trading or as income from energy hedges as applicable within net revenue.

4.3.2 Hedge accounting

Derivative financial instruments can be used to hedge fluctuations in the fair value of an asset or liability (fair value hedge) and to hedge exposure to variability in cash flows (cash flow hedge). This is done in accordance with the existing guidelines governing BKW's hedging and credit risk policy. They are measured at fair value.

To qualify as a hedging transaction, strict criteria must be met in terms of documentation, the effectiveness of a hedging instrument and the probability of occurrence. On conclusion of a hedging transaction, the relationship between the hedging instrument and the hedged position as well as the purpose and strategy of risk hedging must be documented. The effectiveness of the hedging relationship is assessed and documented at the inception of the hedge and throughout its duration.

Changes in the value of financial instruments which are used to hedge the fair value of a balance sheet item and are highly effective (qualification as a fair value hedge) are recognised in profit or loss together with the respective change in fair value of the underlying asset or liability. The effective portion of the gain or loss on financial instruments that qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion of the gain or loss is recognised in profit or loss.

Realised and unrealised changes in the value of financial instruments that serve economically and according to Group guidelines to hedge against exchange rate and interest rate risks related to ongoing business activities, but which do not qualify as hedging transactions, are charged to income as financial income/expenses.

4.4 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and impairment losses recognised. Depreciation is calculated systematically using the straight-line method and based on the useful lives of the assets. The useful lives and indications of impairment are annually reviewed. Impairments in respect of property, plant and equipment are determined according to the principles set forth in Note 4.13. Property, plant and equipment dependent on concessions that are revertible without compensation are written down at most over the expected term of the concession.

Present values of estimated decommissioning and disposal costs are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 4.15). Fuel elements produced specifically for the nuclear power plant are disclosed in the balance sheet under property, plant and equipment. They are written down on the basis of wear and tear (burn-up).

For long-term investment projects the borrowing interest is charged to the balance sheet during the set-up phase. Land is valued at acquisition cost. Depreciation is recorded only in the event of impairment.

The costs of repairs and maintenance with no added value are charged to the income statement as incurred. They are carried as assets only if the costs extend the original useful life or give rise to other significant economic benefits (cost reduction, increase in earnings). Costs incurred due to legal requirements that generate no direct future benefit are capitalised only if and when this enables other assets to generate benefits.

The estimated useful lives of property, plant and equipment lie within the ranges listed below and are unchanged compared with the previous year:

Buildings	50 years
Power plants	20 to 80 years
Transmission and distribution eqpt.	20 to 50 years
IT systems	10 to 30 years
Operating equipment and vehicles	3 to 20 years
Fuel elements	after burn-up

4.5 Intangible assets

Intangible assets cover rights of use and contractual or legal rights acquired as a result of acquisitions, as well as software, goodwill and certificates.

Rights of use are contractually agreed one-off amounts to compensate a contractual partner for the use of its operating installations as well as licences for the construction and operation of BKW's own installations. Rights of use and intangible assets obtained as a result of an acquisition are written down over the period of use, or at most the contract period, using the straight-line method.

Goodwill is not written down but assigned to the relevant cash-generating unit and subjected to annual impairment tests or ad hoc tests whenever impairment is indicated. For the treatment of certificates, see Note 4.6.

4.6 Emission rights and green certificates

For emission rights held under national or international emissions allowance schemes for the purpose of compliance with carbon emission allowances, the net liability method is used. Assigned or purchased emission rights are recognised as intangible assets at the nominal value of the consideration. A provision is recognised as soon as the carbon output exceeds the emission allowances originally allocated and still held. A defined useful life is assumed for emission rights. However, there is no distortion of value as long as the certificates are held, hence they are not amortised on a systematic basis. The value of the certificates is realised when they are sold or returned to the authorities as compensation for emissions. Emission rights are tested for impairment if there are indications of impairment.

Green certificates certify the generation of electricity from renewable energies and can be sold separately from the delivery of electricity. Income from green certificates is accrued at the time of the energy being produced based on the expected proceeds from the sale. Purchased green certificates are carried as intangible assets in the balance sheet at their cost of acquisition. If green certificates are needed in sales business or to offset emissions, the net liability method is applied, as in the case of emission rights.

For transactions in emission rights conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption, under which emission rights may be recognised at fair value through profit or loss, less costs to sell. Changes in value on the balance sheet date as well as realised purchases and sales are recorded in the income statement. Transactions in derivatives on emission rights which are conducted with the intention of achieving a trading margin are treated in the same way as energy-trading derivatives (see Note 4.3.1).

4.7 Financial assets

Financial assets cover holdings, securities, loans and term deposits. Also included under financial assets are receivables from state funds and pension surpluses which do not come under the scope of IAS 32, IAS 39 and IFRS 7.

Stock-exchange-listed securities that constitute part of a portfolio of financial instruments, that are jointly managed and that are regularly purchased and sold, are categorised as “assets at fair value through profit or loss” and recorded under current assets. Other holdings and securities are categorised as “available for sale” and assigned to non-current assets.

Term deposits and loans are valued at amortised cost.

Nuclear power plant operators are required by law to make annual payments to state funds (federal decommissioning and disposal funds). Future costs for disposal and decommissioning are paid to the operators by these state funds according to the statutory requirements. These payments are regarded as reimbursements and are charged to income as receivables from state funds. The receivables are measured at the lower of the obligation (see Note 4.15) and the fair value of the proportional net assets of the fund. Changes in fund valuations are recorded in the financial result for the period in question.

4.8 Trade accounts receivable/payable, and prepaid/ accrued expenses and deferred/accrued income

Accounts receivable are stated at nominal value minus any adjustment in value required due to assessments of individual receivables, non-performance of contractual receivables and debtor payment behaviour. Accounts receivable are derecognised only if there is sufficient indication that payment can no longer be expected. Trade accounts payable are not subject to interest and are recorded at nominal value. Prepaid/accrued expenses and deferred/accrued income cover the periodic adjustment of expenses and income and are also recorded at nominal value and broken down into financial and other accruals. Financial accruals consist of goods and services provided or purchased on a contractual basis but not billed by the balance sheet date.

4.9 Inventories
Inventories include materials held in stock for network construction and the electrical installation business. These are recorded at the lower of acquisition/manufacturing cost or net realisable value. The acquisition/manufacturing cost of raw and auxiliary materials is measured at the weighted moving average. Semi-finished and finished products include the directly assignable cost and share of overall construction costs. Impairments on materials held in stock are calculated based on a markdown for changes in market demand. Interest on borrowed capital is not capitalised. Inventories also include certificates which are purchased with the intention of achieving a trading margin. These certificates are measured at fair value (see Note 4.6).

4.10 Work in progress
Production contracts are valued according to the Percentage of Completion (POC) method. The stage of completion is determined on the basis of individual progress reports or cost estimates (contract costs incurred for work performed to date as a proportion of the estimated total contract costs). The associated income is recorded in the income statement as revenue. The income includes the original contract sum as well as variations in contract work, claims and incentive premiums, to the extent that it is probable that they will result in revenue and can be reliably measured. Orders and order groups for which pro rata income cannot be reliably estimated are capitalised at cost. Anticipated losses are immediately recorded in their entirety. After taking into account customer progress billings and advance payments, work in progress is stated under accounts receivable as net assets from production contracts or under other current liabilities as customer payments.

4.11 Cash and cash equivalents
Cash is stated at fair value and covers cash on hand, bank account balances and cash invested with financial institutes for a maximum period of three months. This definition of cash also applies to the cash flow statement.

4.12 Non-current assets or disposal groups held for sale and discontinued operations
A discontinued operation is a component of an entity that either has been sold or is classified as held for sale and that represents a separate major line of business or geographical area of operations. An operation is classified as discontinued from the date of disposal or from the date on which it meets the criteria for classification as held for sale. For this to be the case, the sale must be highly probable and the non-current asset or disposal group must be available for immediate sale. Non-current assets or disposal groups held for sale are presented separately under current assets and current liabilities. Non-current assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, and impairment losses arising from initial recognition are presented in profit or loss. Assets and disposal groups held for sale are no longer written down. The assets and liabilities of a discontinued operation are regarded as disposal groups.

If discontinued operations are classified as held for sale or disposed of, a separate income statement must be prepared for discontinued operations. The components of discontinued operations are collectively disclosed under net profit from discontinued operations in the consolidated income statement for the full reporting period as well as for the corresponding prior period. The detailed disclosures on the individual income statement positions provided in the Notes contain continuing operations only. The consolidated cash flow statement presents cash flows, including those from discontinued operations.

4.13 Impairment of property, plant and equipment and intangible assets

On each balance sheet date, assets are tested for impairment or reversal of impairment. If indications of impairment or reversal of impairment are identified, the recoverable amount of the asset is measured. The recoverable amount of assets with an indefinite useful life is measured irrespective of whether there is any indication of impairment. Assets whose carrying value exceeds the recoverable amount are value adjusted. The recoverable amount is the higher of the net selling price and value in use (present value of estimated future cash flows), and is measured separately for each asset or, if this is not possible, for the cash-generating unit to which the asset belongs. If the amount estimated for an impairment loss is greater than the carrying value of the asset, a liability is recognised only if the requirements for a provision or other obligation are met. An impairment loss recognised in previous years for an asset other than goodwill is reversed if no impairment or only a reduced impairment exists. Impairment losses for assets subject to depreciation are reversed to the value which would have been determined had the acquisition value been depreciated on a systematic basis. The reverse booking is also charged to income.

Energy produced by partner plants is billed to shareholders on the basis of existing agreements – irrespective of the current market prices – at the cost of production. Overvaluation of partner companies' production plants is accounted for under onerous energy procurement contracts, due to the contractual obligation to pay energy production costs. Based on the obligation of the shareholders to pay production costs, the recoverability of the holdings in partner plants measured at the proportional equity value is taken as a given.

4.14 Assigned rights of use

Assigned rights of use are recognised under other non-current liabilities. They consist of third-party payments for transit rights to transmission systems, plant usage rights and contributions to grid costs (connection contributions). They are recognised in the balance sheet at the nominal value of the cash inflow minus any reversed amounts charged to income. They are recognised in profit and loss on a straight-line basis over the useful life of the facility but for no longer than the life of the relevant assigned right.

4.15 Provisions

Provisions cover all obligations on the balance sheet date arising from past transactions and events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the amount of which is not known but can be reliably measured. If an outflow of resources is no longer probable or determinable, a provision is charged to contingent liabilities. If the effect of the time value of the cash outflow is material, the amount of the provision is measured at the present value of the expected cash outflow.

As the operator of Mühleberg nuclear power plant, BKW is required by law to decommission the plant after the operating phase and to dispose of the nuclear waste. The resultant costs are regularly reviewed, and the present value of estimated decommissioning and disposal costs is provisioned and adjusted annually subject to interest. The same amount is carried together with the acquisition/manufacturing costs of the plant and written down over the useful life using the straightline method. The costs incurred related to commissioning were capitalised and the corresponding provision was recognised on the date on which the plant went into operation. Furthermore, the additional decommissioning and disposal costs incurred by power plant operation are capitalised annually over the operating period using the straight-line method and written down over the average useful life of the fuel elements, and the corresponding provision is recognised. The provision is calculated based on the following assumptions:

- Assumed operating period of 50 years
- Average inflation rate of 3%
- Interest rate of 5%

4.16 Income taxes
Income taxes include current and deferred taxes based on profit. Current income taxes are determined based on local tax regulations. Deferred taxes account for the income tax effects between internal and local tax evaluation guidelines for assets and liabilities according to the liability method, and are based on the actual tax rates or the tax rates expected to apply when this difference is adjusted.

Deferred tax liabilities are always recognised in the balance sheet. Deferred tax assets are recognised only if it appears probable that they will be of benefit on the basis of future anticipated gains.

Changes in deferred taxes are recorded in the income statement except when the origin of temporary differences is recognised as not affecting income. In this case, deferred taxes are recorded in other comprehensive income.

4.17 Leasing
Leasing arrangements are divided into operating leases and finance leases.

A finance lease is a leasing arrangement in which the lessor essentially transfers to the lessee all risks and opportunities associated with the ownership of an asset. Assets held by BKW as the lessee in a finance leasing arrangement are initially accounted for as property, plant and equipment at the lower of the fair value and the present value of the minimum lease payments and depreciated over the shorter of the lease term or the life of the asset. The lease instalments are divided into interest costs and repayment amounts under the annuity method. Finance leasing liabilities are presented in the balance sheet under current and non-current financial liabilities.

Other leasing arrangements are classified as operating leases and not recorded in the balance sheet. The leasing payments are recorded as operating expenses on a straight-line basis over the contract term.

4.18 Pension plan
BKW operates various pension plans in accordance with legal requirements. The majority of employees are covered by the Pensionskasse BKW, a legally autonomous defined benefit scheme compliant with the terms of IAS 19.

The costs and obligations arising from defined benefit schemes are determined on an actuarial basis using the projected unit credit method, which reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Until this obligation or surplus is recalculated, current service costs are charged on the basis of selected parameters. A pension surplus is capitalised if overfunding of a pension plan generates an economic benefit. In this case the economic benefit from future reductions in contributions is measured in accordance with the guidelines in IFRIC 14. Annual service costs related to employment during the reporting period are charged to income. Actuarial gains and losses arising from periodic recalculations are charged to income on a straight-line basis over the average remaining period of service, provided they exceed the greater of 10% of plan assets and 10% of the defined benefit obligation.

Contributions payable towards defined contribution schemes are periodically recorded and recognised in the income statement.

4.19 Share-based payment
BKW employees have the opportunity to purchase BKW Inc. share capital on preferential terms. Until further notice, full-time employees of BKW are offered a defined number of BKW registered shares every year at a fixed preferential price, set for that year, subject to a blocking period. Allocation of shares to employees is not subject to any other conditions, hence there is no vesting period and the compensation is recorded on the grant date, with fair value measured on the basis of the share price. The difference between the fair value and the preferential price paid by employees is recorded under personnel expenses on the date on which the shares were granted. The issued shares are deducted from the number of treasury shares.

4.20 Segment reporting

Segments and segment results are defined on the basis of the management approach. Reportable segments are based on the internal organisational and reporting structure. BKW is organised into business divisions which have operational responsibility for results and manage a defined part of BKW's activities autonomously. Operating profit (EBIT) is used by the senior decision-making body, the Group Executive Board, as the basis for resource allocation and performance measurement.

Segment figures are obtained in accordance with the same accounting and valuation principles as are applied for the Group-level presentation of consolidated figures. The prices for inter-company transactions (transfer prices) are based on the market price on the transaction date.

5 Measurement uncertainties

Preparation of the financial statements in accordance with the applicable accounting standards necessitates the use of estimates and assumptions that affect the reported amounts of assets, provisions, liabilities and contingent liabilities on the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on past findings and best possible assessment of future developments. Actual results may differ from these estimates. Estimates and assumptions are regularly reviewed, and changes are charged to income in the period in which they were identified.

5.1 Projects (construction in progress, investments in equity-valued companies)

BKW is investing in a wide range of projects to build new production and grid capacities and expand existing ones. These projects are at different stages of development. The earlier the development phase, the more difficult it is to determine whether a project will be realised. The feasibility of projects and their subsequent profit-generating operation are dependent on various factors such as the legal framework, the granting of licences and future market trends. Costs incurred at the project initialisation stage and for preliminary analyses are not capitalised. Only when concrete, directly assignable project costs are incurred (i.e. from the planning/design phase) are they capitalised. As soon as the realisation of a project is regarded as no longer probable, the costs are written off against income. Consequently, the balance-sheet value of construction in progress and project companies in which BKW has an investment and which are measured using the equity method may deviate from the future recoverable amount.

5.2 Goodwill

Goodwill acquired as a result of a business combination is subjected to impairment tests on an annual basis or more frequently if events or a change in circumstances indicate the possibility of impairment. The recoverable amount estimated as a result of an impairment test is assigned to one or more cash-generating units.

The recoverable amount of a cash-generating unit is the higher of the fair value minus selling costs and value in use. In determining the value in use, various assumptions are made with regard to medium and long-term developments, for example estimated payment streams or growth rates. The applicable discount rate is based on the average weighted capital costs of BKW, taking into account appropriate adjustments for the specific risk profile of the cash-generating unit.

Due to the internal organisational and reporting structure according to business divisions with responsibility for operating results, goodwill is tested for impairment at the segment level. For the purpose of assessing goodwill disclosed in the balance sheet, business segments are therefore defined as the relevant cash-generating units.

5.3 Mühleberg nuclear power plant

Measurement of the provision for nuclear waste disposal and the inherent value of property, plant and equipment recorded in the balance sheet (power plant and equipment, fuel rods, including present disposal value) is material for the purposes of assessing BKW's balance sheet and income statement. Detailed costs for decommissioning nuclear power plants and nuclear waste disposal are jointly calculated by the industry and updated every five years in accordance with the Ordinance on the Decommissioning and Disposal Funds for Nuclear Power Plants. These cost calculations are reviewed by the Swiss federal government. In 2011, a new estimate of the decommissioning and waste disposal costs was produced, which was confirmed by the Swiss Federal Nuclear Safety Inspectorate (ENSI) on 5 November 2012. In a judgment of the federal Administrative Court of 1 March 2012, the time limit on the operating license of the end of 2012 was rescinded and a new limit of 28 June 2013 was granted based on safety considerations. This ruling has been challenged in the federal court; a decision is still pending. In July 2012, BKW took the precautionary measure of filing a comprehensive maintenance concept with the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and submitted an extension request for the operating license. BKW continues to apply an assumed operating period of 50 years for the facility in estimating its costs and for the purpose of preparing the balance sheet, in line with operators of other Swiss nuclear power plants. The estimates of BKW are applied for plant-specific obligations.

Cost calculations based on incorrect estimates, changes in legislation governing nuclear waste disposal, as well as the premature decommissioning of the plant before 2022, could significantly affect the Group's results of operations and cash flows. If it is not possible to continue operating the Mühleberg nuclear power plant past mid-2013, the balance sheet values of the power plant will have to be written off and the provisions for disposal of nuclear waste increased. As at 31 December 2012, property, plant and equipment at the Mühleberg power plant was carried at CHF 350 million in the balance sheet. In the case of decommissioning in 2013, BKW estimates that around CHF 200 million in additional provisions will be required, based on the costs estimated in 2011.

5.4 Pension plan

The pension obligations arising from defined benefit pension plans are calculated based on actuarial assumptions which may not reflect reality and hence may have an impact on BKW's results of operations and cash flows.

5.5 Revenue recognition

Energy sales in the sales business are partly calculated and billed, particularly in the case of residential customers, only on a half-yearly basis at the end of March and end of September based on meter readings. Energy sales unbilled at the balance sheet date on 31 December are therefore accrued. The accrual is calculated based on a simulation which takes into account the historic consumption of customers as well as current product prices, where the total sum of volumes delivered can be estimated relatively accurately on the basis of known feed-in and feed-out volumes. The accrual calculated in this way may deviate from the actual values determined from meter readings and billing.

5.6 Provision for onerous energy procurement contracts

BKW holds non-controlling interests in power plant companies, under the terms of which it is committed to purchasing the energy generated by these plants at production cost. Provisions are recognised for obligations to purchase energy at production costs that exceed the expected realisable sales prices in the future. The calculations are made using the discounted cash flow method. Measurement of the provision depends primarily on estimated future energy prices, estimated production costs of the power plant, and the assumed discount rates. The calculations are also usually made over an extremely long period, generally over the licence term or useful life of the power plants. These estimations and assumptions constitute uncertainties and can deviate significantly from actual results.

5.7 ElCom proceedings

The tariffs which BKW is permitted to charge to its customers for grid usage and energy are partly reviewed by the Federal Electricity Commission (ElCom). At present there are several proceedings awaiting decisions by various bodies. The main object of the proceedings is to rule on the chargeable capital and operating costs. While BKW does not expect the outcome of these proceedings to have any impact on the financial position, results of operations and cash flows presented in this Financial Report, decisions issued by the court of last instance may have implications for BKW's future cash flows.

6 Business combinations

CHF millions	2012	2011
Property, plant and equipment	18.8	445.0
Intangible assets	2.3	90.2
Deferred tax assets	0.4	0.0
Other current assets	11.6	26.7
Cash and cash equivalents	6.8	4.6
Deferred tax liabilities	–1.3	–85.3
Other non-current liabilities	–13.9	–186.7
Current liabilities	–9.4	–25.1
Fair value of acquired net assets	**15.3**	**269.4**
Non-controlling interests	–1.8	0.0
Fair value of interests already held	–6.9	–67.9
Goodwill	7.5	0.4
Purchase price	**14.1**	**201.9**
Receivables from purchase price adjustments	0.0	5.2
Deferred purchase price payments	–6.1	0.0
Charged against receivable from surrender of shares to Fortore Wind S.r.l.	0.0	–32.7
Cash and cash equivalents acquired	–6.8	–4.6
Cash outflow	**1.2**	**169.8**

Business combinations in 2012

In 2012, BKW conducted a number of smaller corporate acquisitions and other takeover operations for which summarised figures are reported due to the individual size of each operation. In one transaction, the shares are transferred in two tranches. The second, as yet untransferred tranche, is subject to a call/put agreement. It is probable that this option will be exercised. The amount of the purchase price payment postponed in this context depends on the future results of the acquired company (according to a multiplier) and may differ from the purchase price accepted at the time of acquisition.

The fair value of receivables amounted to CHF 10.7 million. These are largely trade receivables, the credit risk of which is assessed as being extremely low. Therefore no impairments were recorded for these receivables.

Had these companies and controlling interests already been acquired as at 1 January 2012, the operating revenue of BKW for 2012 would have been CHF 17.8 million higher and the net profit CHF 0.3 million higher. Between the point at which the individual companies were consolidated in their entirety and the 2012 year-end, the acquired companies recorded a cumulative operating revenue of CHF 11.5 million and a total net profit of CHF 0.6 million. The non-controlling interests were stated at the carrying amount of the proportionate equity.

Business combinations in 2011
In the previous year, BKW had completed the following business combinations:

On 26 May 2011, BKW purchased several wind farms in Apulia (I) from Fortore Energia S.p.A. BKW already held an interest in five of these wind farms through its non-controlling interest in Fortore Wind S.r.l. In the context of a measure conducted before the acquisition to restructure the wind farms into legal entities, BKW gave up its interest in the restructured Fortore Wind S.r.l. in exchange for complete acquisition of six wind farms. The consideration amounted to CHF 184.5 million. The acquired net assets totalled CHF 184.1 million at the time of acquisition. The acquisition increased goodwill by CHF 0.4 million.

In the Aosta Valley (I), BKW acquired Idroelettrica Val d'Aosta S.r.l. from the Italian Sorgenia group on 19 December 2011. In the meantime, the company name has been changed to BKW Hydro Valle d'Aosta S.r.l. It operates five small run-of-river power plants, with a collective installed capacity of close to 8 MW. The consideration amounted to CHF 36.2 million. The acquired net assets also totalled CHF 36.2 million at the time of acquisition. The acquisition did not therefore lead to an increase in goodwill.

On 27 December 2011, BKW acquired two German wind farms in Bippen and Holleben in Teutschenthal. Both installations had been connected to the grid since 2004/5. The Bippen wind farm in Lower Saxony has an installed capacity of 27.6 MW. The Holleben wind farm in Saxony-Anhalt has an installed capacity of 25.5 MW. The consideration for the two wind farms amounted to CHF 49.1 million. The acquired net assets also totalled CHF 49.1 million at the time of acquisition. The acquisition did not therefore lead to an increase in goodwill.

Had the companies been acquired on 1 January 2011, total operating revenue in the consolidated accounts for 2011 would have been CHF 41.2 million higher and the net loss CHF 5.6 million lower. Between the point at which the individual companies were consolidated in their entirety and the 2011 year-end, the acquired companies recorded a cumulative operating revenue of CHF 10.4 million and a total net loss of CHF 9.1 million.

The transactions were disclosed in detail in the 2011 Financial Report. The above amounts were provisional values since the purchase price allocations had not been finalised. This process has now been completed. The final purchase price allocation figures did not differ from those disclosed in the 2011 Financial Report.

7 Discontinued operations and assets held for sale

Disposal of the transmission grid

The Electricity Supply Act (StromVG) which came into effect on 1 January 2008 requires the transfer of the Swiss transmission grid to the national grid company, Swissgrid Ltd. The assets and liabilities aggregated under the legally autonomous BKW Übertragungsnetz AG were transferred at 3 January 2013. As a result, these assets and liabilities are classified as being "held for sale" in accordance with IFRS 5.

The transfer will be completed at a value determined by the federal authorities. The selling price of the transmission grid will be above the IFRS carrying amounts. The transmission grids are assigned to the Networks segment.

The carrying amounts of the assets and liabilities being sold were composed as follows as at year-end:

CHF millions	**31.12.2012**	31.12.2011
Non-current assets	267.3	238.0
Current assets	17.9	16.8
Total assets held for sale	**285.2**	**254.8**
› of which cash and cash equivalents	0.0	0.0
Non-current liabilities	–49.7	–39.0
Current liabilities	–0.1	–1.8
Total liabilities held for sale	**–49.8**	**–40.8**

There are no revenues or expenses which were charged to the statement of other comprehensive income and related to non-current assets classified as held for sale.

Sale of the sales business in Germany as at 1 January 2011

During fiscal 2010, BKW decided to focus its activities in Germany on the production of electricity and on electricity trading. For this reason, the sales companies BKW Energie GmbH and BKW Balance GmbH were sold (both had been assigned to the Energy International and Trading segment). The sale was contractually agreed in 2010 and the shareholdings were transferred on 1 January 2011. The sale produced a net profit in 2011 of CHF 5.9 million and cash inflow from investing activity of CHF 18.3 million.

8 Segment reporting

Reportable segments are based on the internal organisational and reporting structure. BKW is organised into business divisions. Business divisions are defined as economic units which have responsibility for operating results and manage a defined part of BKW's activities autonomously. BKW operates the following three reportable business segments:

- Energy Switzerland is responsible for energy production in the Group's own power plants as well as partner plants in Switzerland, and sales of energy to end customers and sales partners in Switzerland.
- Energy International and Trading is responsible for energy production in the Group's own power plants and in partner plants, sales of energy in Italy, as well as trading in electricity, gas, certificates, coal and oil in Switzerland and abroad.
- The Networks segment builds, operates and maintains the Group's own transmission and distribution systems and is responsible for setting up and servicing electrical installations, electricity and telecommunications networks as well as traffic infrastructure facilities on behalf of third parties.

No operating divisions were combined to create the reportable business segments. The results of the business divisions are separately monitored by the Group Executive Board in order to make decisions on resource allocation and to assess the earning power of the units. Operating profit (EBIT) is used for internal management and to assess sustainable earning power.

The "Other" column covers activities that are centrally managed within the Group; these largely consist of the decommissioning and disposal funds, Group financing, real estate, financial assets and tax.

The impairment tests conducted during the reporting year on production plants resulted in a provision requirement in the Energy Switzerland division of CHF 68.7 million for onerous energy procurement contracts in place with the Fessenheim nuclear power plant and Bielersee Kraftwerke AG BIK. In the Energy International and Trading business segment, balance-sheet provisions made in 2011 for onerous energy procurement contracts agreed with the fossil-thermal production plants had to be increased by CHF 65.5 million for Livorno Ferraris and Tamarete and reduced by CHF 22.0 million for Wilhelmshaven (2011: provisions of CHF 71.8 million created for Livorno Ferraris and Tamarete, and of CHF 208.0 million for Wilhelmshaven).

2012 CHF millions	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	**Total**
Electricity sales Switzerland	673.5					673.5
Distribution grid usage fees	380.2		14.6			394.8
Electricity sales international		187.1				187.1
Electricity trading		965.0				965.0
Income from proprietary energy trading		15.1				15.1
Income from energy hedging		6.0				6.0
Other energy business	21.0	170.2	68.4			259.6
Gas business	3.8	59.2				63.0
Construction/engineering services and electrical installation business	0.2		150.1			150.3
Changes in work in progress	3.2		−1.4			1.8
Net sales to external customers	**1,081.9**	**1,402.6**	**231.7**	**0.0**	**0.0**	**2,716.2**
Net sales to other segments	997.8	785.8	408.9	46.4	−2,238.9	0.0
Own work capitalised	4.9	1.0	39.7	0.1	2.7	48.4
Other operating income	83.3	14.0	20.4	110.9	−132.8	95.8
Total operating revenue	**2,167.9**	**2,203.4**	**700.7**	**157.4**	**−2,369.0**	**2,860.4**
Electricity procurement, third parties	−135.0	−923.0				−1,058.0
Electricity procurement from equity-valued companies	−304.7	−25.7				−330.4
Other expenses for energy procurement	−12.3	−134.8	−53.2			−200.3
Gas procurement	−3.3	−61.5				−64.8
Energy procurement from third parties and equity-valued companies	**−455.3**	**−1,145.0**	**−53.2**	**0.0**	**0.0**	**−1,653.5**
Energy procurement from other segments	−1,166.2	−974.4	−21.3		2,161.9	0.0
Operating expenses excluding energy procurement	−337.1	−112.0	−414.0	−139.8	206.7	−796.2
Operating expenses	**−1,958.6**	**−2,231.4**	**−488.5**	**−139.8**	**2,368.6**	**−2,449.7**
Operating profit/loss before depreciation, amortisation and impairment	**209.3**	**−28.0**	**212.2**	**17.6**	**−0.4**	**410.7**
Depreciation, amortisation and impairment	−79.8	−25.4	−73.6	−10.9	0.4	−189.3
Operating profit/loss	**129.5**	**−53.4**	**138.6**	**6.7**	**−0.0**	**221.4**
Financial result						−49.1
Income from equity-valued companies						−5.8
Profit before income taxes						**166.5**
Additions to property, plant and equipment, intangible assets and state funds	45.3	56.0	139.2	46.0	−0.3	286.2
Additions to equity-valued companies	2.2	58.0				60.2
Investments in equity-valued companies at 31.12.2012	477.7	564.5	7.9			1,050.1
Total assets at 31.12.2012	3,387.3	2,302.1	1,949.7	6,073.8	−6,259.2	7,453.7

2011 CHF millions	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	**Total**
Electricity sales Switzerland	752.6					752.6
Distribution grid usage fees	399.4		10.4			409.8
Electricity sales international		213.6				213.6
Electricity trading		865.3				865.3
Income from proprietary energy trading		20.0				20.0
Income from energy hedging		–41.2				–41.2
Other energy business	15.6	64.5	49.7			129.8
Gas business	3.3	22.4				25.7
Construction/engineering services and electrical installation business			118.9			118.9
Changes in work in progress	4.6		3.9			8.5
Net sales to external customers	**1,175.5**	**1,144.6**	**182.9**	**0.0**	**0.0**	**2,503.0**
Net sales to other segments	998.6	918.5	436.9	43.8	–2,397.8	0.0
Own work capitalised	3.0	0.9	39.5	0.0	2.8	46.2
Other operating income	85.7	8.1	26.2	117.3	–153.7	83.6
Total operating revenue	**2,262.8**	**2,072.1**	**685.5**	**161.1**	**–2,548.7**	**2,632.8**
Electricity procurement, third parties	–57.6	–1,192.5				–1,250.1
Electricity procurement from equity-valued companies	–276.4	–25.4				–301.8
Other expenses for energy procurement	–16.6	–54.4	–57.3			–128.3
Gas procurement	–2.8	–21.3				–24.1
Energy procurement from third parties and equity-valued companies	**–353.4**	**–1,293.6**	**–57.3**	**0.0**	**0.0**	**–1,704.3**
Energy procurement from other segments	–1,336.7	–957.9	–22.6		2,317.2	0.0
Operating expenses excluding energy procurement	–365.6	–97.4	–402.5	–155.4	230.5	–790.4
Operating expenses	**–2,055.7**	**–2,348.9**	**–482.4**	**–155.4**	**2,547.7**	**–2,494.7**
Operating profit/loss before depreciation, amortisation and impairment	**207.1**	**–276.8**	**203.1**	**5.7**	**–1.0**	**138.1**
Depreciation, amortisation and impairment	–46.9	–47.5	–82.7	–14.0	0.7	–190.4
Operating profit/loss	**160.2**	**–324.3**	**120.4**	**–8.3**	**–0.3**	**–52.3**
Financial result						–88.3
Income from equity-valued companies						–26.7
Loss before income taxes						**–167.3**
Additions to property, plant and equipment, intangible assets and state funds	286.4	56.8	172.3	9.8	–1.0	524.3
Additions to equity-valued companies	0.7	76.4	0.1			77.2
Investments in equity-valued companies at 31.12.2011	471.4	558.1	5.9			1,035.4
Total assets at 31.12.2011	3,326.1	2,088.4	1,724.7	4,748.0	–4,804.3	7,082.9

Information by country

Net sales to external customers by country are broken down by the place of delivery for the respective product. Non-current assets cover property, plant and equipment, intangible assets and holdings in equity-valued companies in the respective countries.

	Switzerland		Germany		Italy		Other countries		**Total**	
CHF millions	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net sales to external customers	1,575.3	1,467.2	510.3	401.1	548.2	540.3	82.4	94.4	2,716.2	2,503.0
Non-current assets	2,833.4	2,817.4	614.0	595.3	692.8	701.1			4,140.2	4,113.8

Information on significant customers

There are no transactions with individual external customers which generate revenue accounting for 10% or more of net sales.

9 Personnel expenses

CHF millions	**2012**	2011
Salaries and wages	289.2	279.2
Social security contributions and other personnel expenses	67.6	68.6
Change in pension surplus	0.5	1.4
Total	**357.3**	**349.2**

Number of employees on balance sheet date (full-time equivalent/FTE)	**31.12.2012**	31.12.2011
Employees	2,870	2,717
Apprentices/trainees	167	163
Total	**3,037**	**2,880**

10 Other operating expenses

CHF millions	2012	2011
Charges, levies and other taxes	87.4	75.2
Miscellaneous operating expenses	148.8	153.1
Total	**236.2**	**228.3**

11 Depreciation, amortisation and impairment

CHF millions	2012	2011
Property, plant and equipment	191.0	153.6
Intangible assets	–1.7	36.8
Total	**189.3**	**190.4**

12 Financial result

CHF millions	2012	2011
Interest income	8.8	8.9
Dividends	5.0	5.0
Value adjustment on state funds	58.4	0.0
Gain on disposal of financial assets	0.4	1.1
Gains from the disposal of investments in associates	0.2	0.3
Value adjustment on securities held for trading	2.2	4.2
Other financial income	0.9	0.3
Financial income	**75.9**	**19.8**
Interest expenses	–35.1	–33.4
Capitalised borrowing costs	0.0	0.2
Interest on provisions	–80.9	–57.6
Value adjustment on state funds	0.0	–1.1
Loss from disposal of financial assets	–0.3	–0.4
Loss on disposal of associated companies	–0.2	0.0
Value adjustment on securities held for trading	–0.1	–0.1
Impairment of financial assets	–0.4	–6.9
Other financial expenses	–4.8	–4.1
Currency translations	–3.2	–4.7
Financial expenses	**–125.0**	**–108.1**

13 Income taxes

CHF millions	2012	2011
Current income taxes	38.3	32.5
Deferred taxes	–6.4	–127.7
Total income taxes	**31.9**	**–95.2**

Reconciliation with reported income taxes CHF millions	2012	2011
Profit/loss before income taxes	166.5	–167.3
Tax expenses at anticipated rate of 15.6% (2011: 20.6%)	26.0	–34.5
Effects of changes in tax rate	0.1	2.6
Participation reduction and non-taxable income	9.2	4.3
Use/capitalisation of uncapitalised tax losses	–0.3	–3.4
Non-tax-deductible expenses	7.9	1.3
Uncapitalised or partially capitalised tax losses	4.9	0.9
Taxes in respect of previous years	2.5	–2.5
Participation write-down	–15.6	–63.2
Other items	–2.8	–0.7
Total income taxes	**31.9**	**–95.2**
Effective tax rate	19.2%	56.9%

Changes in deferred tax assets/liabilities CHF millions	2012	2011
Net deferred tax liabilities at 01.01.	**485.5**	**530.0**
Changes in the scope of consolidation	0.9	85.3
Formation/release in the income statement	–6.4	–127.7
Value adjustment to financial instruments in other comprehensive income	–3.6	–13.0
Value adjustment to cash flow hedges in other comprehensive income	0.6	–1.7
Currency translations	–0.5	–1.5
Reclassification to assets held for sale	–12.3	14.1
Net deferred tax liabilities at 31.12.	**464.2**	**485.5**

Deferred tax assets/liabilities by origin of temporary differences CHF millions	**31.12.2012**	31.12.2011
Property, plant and equipment	283.7	272.9
Financial assets and holdings	64.7	70.4
Intangible assets	29.6	26.7
Current assets	44.8	40.8
Provisions	66.5	111.1
Other non-current liabilities	–26.2	–30.8
Current liabilities	2.0	–4.8
Capitalised loss carry-forwards	–0.9	–0.8
Net deferred tax liabilities	**464.2**	**485.5**
of which taxes disclosed in the balance sheet as:		
› Deferred tax liabilities	474.1	494.1
› Deferred tax assets	–9.9	–8.6

CHF 8.9 million of deferred tax assets is attributable to temporary differences in non-current assets (2011: CHF 7.4 million), and CHF 0.1 million to temporary differences in liabilities (2011: CHF 0.4 million). The change in temporary differences resulted in a deferred tax expense of CHF 0.3 million (2011: CHF 130.7 million) recorded in the income statement.

The anticipated tax rate is determined annually as a weighted average (based on the pre-tax earnings of individual Group companies and the applicable local tax rate). The decrease in comparison with the previous year can be attributed to the fact that losses occurred in companies subject to higher tax rates, thus reducing the weighted average tax rate.

As at 31 December 2012 there were tax loss carry-forwards of CHF 34.3 million (2011: CHF 10.0 million) for which deferred taxes were not capitalised. These were not capitalised since their charging against future taxable earnings is not regarded as probable within the permissible tax period. The average applicable tax rate on tax loss carry-forwards will be 17.3%. These loss carry forwards fall due in the following periods:

Expiry of non-capitalised losses carried forward in CHF millions	**31.12.2012**	31.12.2011
Expiry within 1 year	0.0	0.1
Expiry within 2 to 5 years	4.5	5.3
Expiry after 5 years	2.3	2.7
Valid indefinitely	27.5	1.9
Total	**34.3**	**10.0**

On the balance sheet date there were no temporary differences on holdings with tax consequences. No deferred taxes were recognised since the reversal of the temporary difference can be controlled and is not probable in the foreseeable future.

14 Earnings per share

	2012	2011
Number of shares issued (weighted average)	52,693,487	52,784,784
Less treasury shares (weighted average)	–5,126,313	–5,183,158
Number of shares in circulation (weighted average)	**47,567,174**	**47,601,626**
Net profit/loss attributable to BKW shareholders, in CHF millions	132.5	–68.2
Profit/loss per share in CHF	2.79	–1.43
Dividend per share in CHF	1.20	1.00

Undiluted earnings per share are calculated based on the weighted average share capital. There are no circumstances which lead to a dilution of earnings per share.

The dividend of CHF 1.20 per share for fiscal 2012 corresponds to the proposal by the Board of Directors to the Annual General Meeting and must be approved by shareholders at this meeting. Based on the shares in circulation on the balance sheet date, the proposed dividend amounts to CHF 57.1 million.

15 Foreign currency exchange rates

The reporting currency is Swiss francs (CHF). The currency exchange rates applied to the consolidated financial statements were as follows:

	Closing date **31.12.2012**	Closing date 31.12.2011	Average **2012**	Average 2011
CHF/EUR	1.2090	1.2174	1.2054	1.2335

16 Property, plant and equipment

CHF millions	Power plants	Transmission and distribution plants	Buildings and land	Nuclear fuel	Other property, plant and equipment	Construction in progress	**Total**
Gross values at 31.12.2010	1,641.8	2,530.2	248.9	611.8	311.4	275.4	5,619.5
Changes in the scope of consolidation	439.0	3.1	0.2		2.7		445.0
Additions	108.2	5.5	0.3	134.4	5.4	230.8	484.6
Disposals	–90.6	–8.1	–1.1		–11.4		–111.2
Reclassifications	62.0	76.7	2.8		22.5	–164.0	0.0
Reclassification to assets held for sale		–297.7				–102.6	–400.3
Currency translations	–8.9	–0.1			–0.1	–0.2	–9.3
Gross values at 31.12.2011	**2,151.5**	**2,309.6**	**251.1**	**746.2**	**330.5**	**239.4**	**6,028.3**
Changes in the scope of consolidation	13.0		2.9		2.2		18.1
Additions	28.0	3.1	0.1	5.8	4.6	166.8	208.4
Disposals	–13.9	–24.7	–0.7		–20.2	–0.1	–59.6
Reclassifications	96.5	110.7	4.0		14.8	–226.0	0.0
Reclassification to assets held for sale		–63.4				4.1	–59.3
Currency translations	–4.1					–0.5	–4.6
Gross values at 31.12.2012	**2,271.0**	**2,335.3**	**257.4**	**752.0**	**331.9**	**183.7**	**6,131.3**
Accumulated depreciation and impairments at 31.12.2010	1,174.9	1,367.1	97.1	512.7	188.5	7.4	3,347.7
Depreciation	39.7	62.8	5.9	17.3	27.2		152.9
Impairment						0.7	0.7
Disposals	–86.5	–7.1	–0.4		–11.0		–105.0
Reclassification to assets held for sale		–200.4					–200.4
Currency translations	–0.5					–0.1	–0.6
Accumulated depreciation and impairments at 31.12.2011	**1,127.6**	**1,222.4**	**102.6**	**530.0**	**204.7**	**8.0**	**3,195.3**
Changes in the scope of consolidation					–0.4		–0.4
Depreciation	74.1	53.0	5.7	32.2	24.8	1.2	191.0
Disposals	–10.3	–10.9	–0.7		–17.7	–1.1	–40.7
Reclassifications			–0.3		0.3		0.0
Reclassification to assets held for sale		–20.1					–20.1
Currency translations	–0.2						–0.2
Accumulated depreciation and impairments at 31.12.2012	**1,191.2**	**1,244.4**	**107.3**	**562.2**	**211.7**	**8.1**	**3,324.9**
Net values at 31.12.2011	**1,023.9**	**1,087.2**	**148.5**	**216.2**	**125.8**	**231.4**	**2,833.0**
Net values at 31.12.2012	**1,079.8**	**1,090.9**	**150.1**	**189.8**	**120.2**	**175.6**	**2,806.4**

The fire insurance values at 31 December 2012 amounted to CHF 4,451.5 million (2011: CHF 4,476.6 million). No borrowing costs for investments were capitalised in 2012 (2011: CHF 0.2 million). In the year under review, compensation of CHF 1.9 million (2011: CHF 0.6 million) for property, plant and equipment which was impaired, lost or decommissioned was charged to the income statement.

With regard to power plants, increases of CHF 7.4 million did not affect cash. These relate to the increase in provisions for the dismantling of wind power facilities. In 2011, an amount of CHF 223.9 million in conjunction with the increase in provisions for the decommissioning and disposal of the Mühleberg nuclear power plant did not affect cash. The amount of CHF 4.9 million (2011: CHF 4.7 million) in relation to nuclear fuels include increases of non-cash provisions in conjunction with the annual additional disposal costs associated with the operation of the power plant.

Power plant facilities include assets at a net carrying amount of CHF 253.6 million (2011:CHF 264.4 million) which are held as finance leases. Assets totalling CHF 126.3 million were pledged for financial liabilities (2011: CHF 120.9 million).

17 Investments in equity-valued companies

CHF millions	Joint ventures	Associates	**Total**
At 31.12.2010	384.3	743.6	1,127.9
Additions	0.3	76.9	77.2
Changes in the consolidation method	0.0	–100.6	–100.6
Disposals	0.0	–0.8	–0.8
Dividends	–11.6	–15.4	–27.0
Pro rata income	7.3	–0.6	6.7
Impairment	0.0	–33.4	–33.4
Currency translations	–0.1	–14.5	–14.6
At 31.12.2011	**380.2**	**655.2**	**1,035.4**
Additions	1.4	58.8	60.2
Changes in the consolidation method	–1.4	–3.5	–4.9
Disposals	–4.7	–0.1	–4.8
Dividends	–11.6	–14.6	–26.2
Pro rata income	19.6	–15.7	3.9
Impairment	–1.6	–8.1	–9.7
Currency translations	0.0	–3.8	–3.8
At 31.12.2012	**381.9**	**668.2**	**1,050.1**

Investments in associates include in particular capital investments in the 33% stake in GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG, Germany, to finance the power plant currently under construction.

Due to the results of impairment testing, the carrying amount of interests was reduced to the recoverable amount. The impairments totalling CHF 9.7 million (2011: CHF 33.4 million) were charged to income from equity-valued companies; CHF 5.1 million (2011: CHF 33.4 million) concerned the Energy International and Trading segment while CHF 4.6 million (2011: nil) related to the Energy Switzerland segment.

Financial values of joint ventures CHF millions	Gross values **31.12.2012**	Gross values 31.12.2011	Share **31.12.2012**	Share 31.12.2011
Non-current assets	9,537.2	9,261.0	1,640.2	1,610.9
Current assets	709.7	725.9	140.3	148.2
Non-current liabilities	7,628.8	7,373.9	1,263.2	1,234.2
Current liabilities	682.8	718.1	135.4	144.7
Shareholders' equity	1,935.3	1,894.9	381.9	380.2
Income	1,810.8	1,757.7	360.2	363.3
Expenses	1,699.4	1,755.1	342.2	356.0
Profit	111.4	2.6	18.0	7.3

Joint ventures primarily consist of partner plants. Due to existing partner contracts, shareholders in partner plants are obliged to pay the annual costs due on their shares (including interest and repayment of borrowed funds).

Financial values of associates CHF millions	Gross values **31.12.2012**	Gross values 31.12.2011	Share **31.12.2012**	Share 31.12.2011
Non-current assets	2,313.7	2,163.8	734.2	684.7
Current assets	842.1	841.1	164.9	175.2
Non-current liabilities	450.1	214.4	102.3	65.9
Current liabilities	625.4	743.6	128.6	138.8
Shareholders' equity	2,080.3	2,046.9	668.2	655.2
Income	1,347.4	1,344.3	267.5	235.2
Expenses	1,408.1	1,475.3	291.3	269.2
Loss	–60.7	–131.0	–23.8	–34.0

18 Financial assets

CHF millions	Available-for-sale financial assets	Securities held for trading	Loans	Term deposits	Receivables from state funds	Pension surplus	**Total**
At 31.12.2010	298.2	164.6	90.9	393.7	603.2	105.1	1,655.7
Additions	0.1	31.9	10.2	55.4	0.8		98.4
Disposals	−0.1	−68.8	−24.9	−385.0			−478.8
Currency translations	−0.4		−1.1				−1.5
Value adjustment in the income statement		5.0			−1.1	−1.4	2.5
Value adjustment in other comprehensive income	−58.4						−58.4
Impairment	−0.4		−6.5				−6.9
At 31.12.2011	**239.0**	**132.7**	**68.6**	**64.1**	**602.9**	**103.7**	**1,211.0**
Changes in the scope of consolidation						−2.1	−2.1
Additions		22.3	20.4	90.0	40.3		173.0
Disposals	−4.2	−22.9	−2.5	−56.4			−86.0
Currency translations	−0.2		−0.3				−0.5
Value adjustment in the income statement		2.1			58.4	−0.5	60.0
Value adjustment in other comprehensive income	−28.3						−28.3
Impairment	−0.1		−0.3				−0.4
At 31.12.2012	**206.2**	**134.2**	**85.9**	**97.7**	**701.6**	**101.1**	**1,326.7**
of which:							
› Current financial assets		134.2	2.5	97.3			234.0
› Non-current financial assets	206.2		83.4	0.4	701.6	101.1	1,092.7
of which:							
› Financial assets according to IFRS 7	206.2	134.2	85.9	97.7			524.0
› Other assets					701.6	101.1	802.7

The weighted average residual term to maturity of short-term deposits is 4.4 months (2011: 5.6 months), and the weighted average interest rate is 0.4% (2011: 0.4%).

Financial assets available for sale, securities held for trading, and shares in the state funds are recorded at fair value. Since the state funds are managed by the federal government, BKW has no access to the managed assets.

19 Intangible assets

CHF millions	Rights of use	Goodwill	Certificates	Other	**Total**
Gross values at 31.12.2010	115.5	177.5	43.1	21.5	357.6
Changes in the scope of consolidation	90.2	0.4			90.6
Additions from acquisitions	6.4		25.1	5.6	37.1
Additions from internally generated intangible assets				1.4	1.4
Disposals	–9.5		–12.8	–0.3	–22.6
Reclassification to assets held for sale	–34.5				–34.5
Currency translations	–1.6	–0.1	–0.5		–2.2
Gross values at 31.12.2011	**166.5**	**177.8**	**54.9**	**28.2**	**427.4**
Changes in the scope of consolidation		7.5		1.3	8.8
Additions from acquisitions	1.3		25.1	9.8	36.2
Additions from internally generated intangible assets	1.3				1.3
Disposals			–8.3	–4.2	–12.5
Reclassification to assets held for sale	–2.3				–2.3
Currency translations	–0.7	–0.2	–0.2		–1.1
Gross values at 31.12.2012	**166.1**	**185.1**	**71.5**	**35.1**	**457.8**
Accumulated amortisation and impairments at 31.12.2010	60.3	92.4	2.2	8.9	163.8
Depreciation	6.0			7.6	13.6
Impairment	4.6		18.6		23.2
Disposals	–6.9		–0.4	–0.3	–7.6
Reclassification to assets held for sale	–10.6				–10.6
Currency translations	–0.4				–0.4
Accumulated amortisation and impairments at 31.12.2011	**53.0**	**92.4**	**20.4**	**16.2**	**182.0**
Changes in the scope of consolidation				–0.5	–0.5
Depreciation	0.9			4.6	5.5
Reversal of impairments			–7.2		–7.2
Disposals			–1.3	–4.2	–5.5
Reclassification to assets held for sale	–0.2				–0.2
Accumulated amortisation and impairments at 31.12.2012	**53.7**	**92.4**	**11.9**	**16.1**	**174.1**
Net values at 31.12.2011	**113.5**	**85.4**	**34.5**	**12.0**	**245.4**
Net values at 31.12.2012	**112.4**	**92.7**	**59.6**	**19.0**	**283.7**

In 2011, due to the revised assessment of future market developments, an energy procurement right related to Wilhelmshaven power plant, which is accounted for under rights of use, was fully impaired. Moreover, the carrying amount of certificates was adjusted to the recoverable amount. In the previous year this adjustment resulted in a reduction in the carrying amount. The impairments and reversal of impairments were charged to income under "Depreciation, amortisation and impairment" and concerned the Energy International and Trading segment.

On the balance sheet date, goodwill was distributed among the following cash-generating units:

CHF millions	**31.12.2012**	31.12.2011
Energy Switzerland	77.6	77.6
Energy International and Trading	7.6	7.7
Networks	7.6	0.1
Total	**92.8**	**85.4**

The change with regard to the goodwill of the Networks cash-generating unit is due to a company acquisition in Switzerland, while that of the Energy International and Trading cash-generating unit is attributable to fluctuations in the euro exchange rate.

In the year under review, goodwill disclosed in the balance sheet was tested for impairment by comparing the carrying amount of the cash-generating units with their recoverable amount (corresponding to the value in use). The calculations were made on the basis of estimated cash flows from business projections approved by management over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill disclosed in the balance sheet did not identify any need for impairment.

The value in use is measured on the basis of the following material assumptions:

%	WACC (before tax)		WACC (after tax)		Long-term growth rate	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Energy Switzerland	7.3	7.3	5.7	5.7	1.0	1.0
Energy International and Trading	7.4	8.0	5.8	6.4	1.0	1.0
Networks	5.0	–	4.1	–	1.0	–

Based on the findings of a sensitivity analysis, realistic changes in the material assumptions do not suggest that the recoverable amount could fall below the carrying amount.

20 Inventories

CHF millions	**31.12.2012**	31.12.2011
Goods and materials	10.4	16.0
Valuation adjustment on goods and materials	–1.7	–3.2
Certificates	36.1	27.1
Total	**44.8**	**39.9**

21 Accounts receivable

CHF millions	**31.12.2012**	31.12.2011
Trade accounts receivable	503.2	471.5
Other financial receivables	58.4	61.9
Other receivables	59.6	43.8
Prepayments	15.7	11.2
Work in progress	24.7	19.1
Total	**661.6**	**607.5**

Work in progress includes advance payments of CHF 52.3 million (2011: CHF 18.2 million) as well as pro rata profits of CHF 3.0 million (2011: CHF 1.1 million).

The following table shows the age of trade accounts receivable which are overdue but not impaired:

CHF millions	**31.12.2012**	31.12.2011
Trade accounts receivable	503.2	471.5
of which:		
› not past due	418.1	390.5
› 1–30 days past due	10.1	8.6
› 31–90 days past due	66.1	66.5
› 91–180 days past due	1.2	3.5
› 181–360 days past due	7.3	1.1
› Over 360 days past due	0.4	1.3

There were no indicators in the balance sheet that parties owing trade accounts receivable as well as other financial assets that are neither overdue nor impaired would be unable to meet their payment obligations.

The value adjustments for trade accounts receivable and other financial receivables are as follows:

CHF millions	Trade receivables	Other financial receivables
Provisions for impairment at 31.12.2010	7.0	3.5
Net release	–0.9	
Derecognition of uncollectable receivables	–0.1	
Provisions for impairment at 31.12.2011	**6.0**	**3.5**
Net release	–0.6	
Derecognition of uncollectable receivables	–0.3	–1.6
Provisions for impairment at 31.12.2012	**5.1**	**3.5**

With the exception of non-current loans and available-for-sale financial assets (see Note 18), there are no provisions for impairment for other financial assets. The other balance sheet items contain no material overdue but unimpaired financial assets.

22 Accrued/deferred income and prepaid/accrued expenses

CHF millions	**31.12.2012**	31.12.2011
Financial accruals	118.8	164.3
Other prepaid expenses and accrued income	38.6	12.1
Total prepaid expenses and accrued income	**157.4**	**176.4**
Financial accruals	84.6	109.4
Other deferred income and accrued expenses	36.9	38.2
Total deferred income and accrued expenses	**121.5**	**147.6**

23 Share capital and reserves

Significant shareholders and their direct holdings	**31.12.2012**	31.12.2011
Canton of Berne	52.54%	52.91%
Groupe E Ltd.	10.00%	10.07%
E.ON Energie AG	7.03%	7.07%
Treasury stock	9.68%	9.83%

Treasury share transactions	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2010	5,276,692	372.4	
Purchases	241	0.0	0.0
Sales/allotments	−124,328	−8.7	−4.6
31.12.2011	**5,152,605**	**363.7**	
Purchases	0.0	0.0	0.0
Sales/allotments	−43,623	−3.1	−0.8
31.12.2012	**5,108,982**	**360.6**	

Share capital
The fully paid up and issued share capital of BKW Inc. amounting to CHF 132.0 million consists of 52,800,000 registered shares at a par value of CHF 2.50 each. In 2012 the share capital was increased by 365,189 shares or CHF 0.9 million. This increase was linked to the public exchange offer in December 2011 conducted by BKW Inc. for registered BKW FMB Energy Ltd. shares in free float. In conclusion to the successfully conducted exchange offer, BKW Inc. initiated squeeze-out proceedings for the 365,189 BKW FMB Energy Ltd. shares that had not been tendered for exchange. In its decision of 21 March 2012 the commercial court of the Canton of Berne then declared these registered shares to be invalid. Holders of the BKW FMB Energy Ltd. shares that had been declared invalid therefore received BKW Inc. shares additionally issued on a 1:1 basis.

Capital reserves
Capital reserves include reserves paid in by shareholders.

Retained earnings
Retained earnings consist of legal and statutory reserves (excluding capital reserves), retained earnings from previous years, and gains/losses on the sale of treasury shares.

Currency translations
Reserves for currency translations cover currency differences arising from the conversion of foreign Group companies' financial statements.

Revaluation reserve for financial assets available for sale
The revaluation reserve includes fair value adjustments for available-for-sale assets until their realisation or their classification as an impairment.

Hedging reserves
Hedging reserves cover unrealised changes in the value of financial instruments as a hedge of payment streams in the amount of the effective portion of the hedge, as well as the realised gains and losses from completed hedging transactions which have not yet been recognised in profit or loss since the underlying transaction has not yet been charged to income.

Treasury shares

BKW shares held by BKW or its Group companies are deducted from equity at acquisition cost. At 31 December 2012, 5,108,982 BKW shares (2011: 5,152,605) were held by Group companies and 3,000 (2011: 3,000) by equity-valued companies.

Capital management

BKW pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW capital management is to ensure the Group's long-term capital market standing and financing capability by maintaining a balance sheet structure that is compatible with the defined target rating, and to keep the potential impact of fluctuations in the value of the entire financial and risk portfolio within narrow boundaries. BKW is committed to a consistent dividend payout based on a ratio of 40 to 50% of net profit. BKW's financial resources primarily serve the core business and provide the requisite scope for action in accordance with the requirements of the Group strategy. There were no changes in capital management in 2012.

24 Provisions

CHF millions	Nuclear waste disposal	Onerous contracts, energy procurement	Restructuring	Other provisions	**Total**
At 31.12.2010	1,145.5	0.0	3.3	54.3	1,203.1
Changes in the scope of consolidation				1.9	1.9
Provisions made	228.6	279.8	4.3	7.3	520.0
Interest	57.6				57.6
Provisions used	–21.0		–0.4	–10.0	–31.4
Provisions released			–1.2	–20.5	–21.7
Currency translations		–0.8		–0.2	–1.0
At 31.12.2011	**1,410.7**	**279.0**	**6.0**	**32.8**	**1,728.5**
Changes in the scope of consolidation				0.5	0.5
Provisions made	4.9	134.2	1.8	17.4	158.3
Interest	69.9	10.8		0.2	80.9
Provisions used	–17.1	–3.1	–3.8	–5.7	–29.7
Provisions released		–22.0		–5.5	–27.5
Currency translations		–0.4			–0.4
At 31.12.2012	**1,468.4**	**398.5**	**4.0**	**39.7**	**1,910.6**
of which:					
› Current provisions	14.0	13.5	1.7	10.2	39.4
› Non-current provisions	1,454.4	385.0	2.3	29.5	1,871.2

At 31 December 2012 the provision of CHF 1,468.4 million for nuclear waste disposal comprised the following:

- CHF 688.9 million is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown, as well as the costs of dismantling and disposing of the plant and rehabilitation of the surrounding area. Payments are anticipated from the end of commercial operation (provisionally the end of 2022) until completion of the decommissioning work (after approximately 15 years).The costs for disposal of decommissioning waste will fall due on an ongoing basis until the decommissioning waste is put into the final storage depot for weak to medium-active nuclear waste (scheduled for 2061).
- An additional CHF 696.7 million is set aside for disposal, outside the plant compound, of spent fuel elements and radioactive waste. These payments will fall due on an ongoing basis until the final storage depot for highly active nuclear waste is sealed off. This is currently scheduled for the year 2116.
- CHF 82.8 million is set aside for plant-specific costs. These cover the costs of waste disposal within the power plant and will be payable on an ongoing basis until a few years after commercial operations cease.

In the previous year, the decommissioning and disposal costs were updated. As a result of the new cost estimates, a provision amounting to CHF 223.9 million was formed with no effect on income. The acquisition costs of the Mühleberg nuclear power plant (power plant and fuel rods) were increased by the same amount (see Note 16). The addition during the reporting year of CHF 4.9 million concerns the annual disposal costs incurred by the power plant, which also resulted in an increase in the acquisition cost for nuclear fuels without affecting income.

BKW is required to make regular payments to the state funds for decommissioning and nuclear waste disposal. These funds pay the costs of decommissioning and disposal on behalf of operators following shutdown of the plants. The state fund receivables are disclosed under non-current financial assets (see Note 18).

The provisions for onerous energy procurement contracts cover the future purchase of energy from partner plants at production costs which exceed the expected realisable selling prices. In the previous year, the environment and basic parameters of the energy market changed dramatically for the long term. Provisions of CHF 279.8 million had to be formed for the energy procurement contracts agreed with the two gas-fired power plants in Italy – Livorno Ferraris and Tamarete – and for the coal-fired power plant in Wilhelmshaven, Germany. A reassessment of the energy procurement contracts held with these power plant interests led to a further net requirement for provisions of CHF 43.5 million in the reporting year. Additional provisions of CHF 68.7 million were formed for the energy procurement contracts with the Fessenheim nuclear power plant and the Bielersee Kraftwerke AG BIK.

The cash outflow from provisions results from BKW being obliged to take the electricity produced by these power plants at production costs, and can extend over the lives of the power plants up to a maximum of 80 years.

The provision for restructuring covers future expenses for defined restructuring measures. The payments are largely spread over the next four years.

Other provisions include obligations related to personnel as well as estimations of probable payments in respect of legal disputes and various minor operating obligations. Cash outflows in respect of these provisions are largely anticipated over the next five years. There are also provisions for the dismantling and break-up of wind farm installations and for rehabilitation of the environment. These costs will be incurred at the end of the useful life of the installation; the cash outflow is anticipated within the next 25 years.

Interest on provisions calculated at present value is charged via financial expenses.

25 Financial liabilities

CHF millions	31.12.2012	31.12.2011
3% debenture bond 2007–2022 (nom. CHF 200 million)	196.5	196.2
3.375% debenture bond 2009–2019 (nom. CHF 350 million)	357.7	355.2
1.875% debenture bond 2010–2018 (nom. CHF 150 million)	148.2	147.9
2.5% debenture bond 2010–2030 (nom. CHF 300 million)	291.2	290.9
Registered bonds	142.6	0.0
Pension plans	0.0	30.0
Finance leasing liabilities	109.2	121.8
Bank liabilities	78.8	76.3
Other financial liabilities	11.8	38.6
Total	**1,336.0**	**1,256.9**
of which:		
› Current financial liabilities	21.8	43.5
› Non-current financial liabilities	1,314.2	1,213.4

On the balance sheet date the weighted average interest rate for financial liabilities, based on the nominal value, amounted to 2.9% (2011: 2.8%).

The effective interest rate on bonds and registered bonds of 3.2% (2011: 3.0%) led to interest expenses of CHF 27.9 million in the year under review (2011: CHF 27.4 million).

26 Other non-current liabilities

CHF millions	31.12.2012	31.12.2011
Assigned rights of use	197.5	185.1
Other non-current financial liabilities	12.5	7.2
Other non-current liabilities	0.7	0.7
Total	**210.7**	**193.0**

27 Other current liabilities

CHF millions	31.12.2012	31.12.2011
Trade accounts payable	307.2	311.5
Other financial liabilities	25.0	25.4
Other liabilities	65.6	60.3
Pension plans	1.0	0.8
Customer prepayments	8.6	7.4
Total	**407.4**	**405.4**

Customer prepayments relate to work in progress and comprise order costs of CHF 41.4 million as at the balance sheet date (2011: CHF 21.4 million). This includes pro rata profits of CHF 1.1 million (2011: CHF 2.2 million).

28 Pension plan

Pension plan expenses CHF millions	2012	2011
Current service cost (employer)	31.4	35.4
Interest expenses	35.7	38.8
Expected return on plan assets	–50.6	–52.3
Losses according to § 58A	17.0	4.0
Past service cost (employer)	–6.2	0.0
Pension plan expenses	**27.3**	**25.9**

Plan assets CHF millions	2012	2011
Fair value of plan assets at 01.01.	**1,280.6**	**1,315.9**
Expected return on plan assets	50.6	52.3
Employer contributions	26.7	24.5
Employee contributions	15.6	14.7
Contributions paid/benefits paid out	–74.2	–56.8
Business combination	10.9	0.0
Actuarial gains/losses	45.8	–70.0
Fair value of plan assets at 31.12.	**1,356.0**	**1,280.6**

CHF millions	**31.12.2012**	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Fair value of plan assets	1,356.0	1,280.6	1,315.9	1,280.7	1,158.7
Present value of pension plan obligations	–1,540.1	–1,502.8	–1,390.2	–1,278.9	–1,214.7
Surplus/shortfall	**–184.1**	**–222.2**	**–74.3**	**1.8**	**–56.0**
Experience adjustment to pension obligation	–12.0	–0.2	8.9	43.2	4.0
Experience adjustment to plan assets	45.8	–70.0	–7.4	85.9	–246.3

Amount recorded in the balance sheet at year-end CHF millions	**31.12.2012**	31.12.2011
Fair value of plan assets	1,356.0	1,280.6
Present value of funded pension plan obligation	–1,540.1	–1,502.8
Shortfall	–184.1	–222.2
Unrecorded actuarial losses	285.2	325.9
Amount recorded in the balance sheet at 31.12.	**101.1**	**103.7**

Present value of pension plan obligation CHF millions	**2011**	2011
Present value of pension plan obligation at 01.01.	**1,502.8**	**1,390.2**
Interest expenses	35.7	38.8
Current service cost (employer)	31.4	35.4
Contributions paid/benefits paid out	–74.2	–56.8
Employee contributions	15.6	14.7
Past service cost (employer)	–6.2	0.0
Business combination	13.0	0.0
Actuarial losses	22.0	80.5
Present value of pension plan obligation at 31.12.	**1,540.1**	**1,502.8**

Effective return on plan assets CHF millions	**2012**	2011
Expected return on plan assets	50.6	52.3
Actuarial gains/losses	45.8	–70.0
Effective return on plan assets	**96.4**	**–17.7**

Breakdown of fair value of plan assets CHF millions	**31.12.2012**	31.12.2011
BKW investment instruments	1.4	1.7
Third-party investment instruments	530.1	472.0
BKW debt instruments	0.3	27.4
Third-party debt instruments	509.4	499.4
Real estate used by BKW	8.9	8.6
Other real estate	261.2	245.3
Other	44.7	26.2
Total	**1,356.0**	**1,280.6**

Actuarial assumptions	**2012**	2011
Discount rate	1.90%	2.40%
Expected rate of return on plan assets	4.00%	4.00%
Expected rate of future salary increases	1.25%	1.50%
Expected rate of future pension increases	0.20%	0.30%

On the basis of the investment strategy adopted by the pension funds and the anticipated rate of return on individual investment categories, the long-term return was measured over the average remaining period of service.

Estimated contributions for the next period CHF millions	**2012**	2011
Expected employer contributions	25.1	22.9
Expected employee contributions	15.7	14.2

29 Derivatives

The following table provides information on replacement values and contract volumes for derivative financial instruments open on the balance sheet date in respect of energy trading, and of interest and exchange rate hedging. Derivatives that qualify as hedging instruments under IAS 39 and are treated according to hedge accounting provisions are disclosed separately.

Derivatives are recorded at fair value in the balance sheet, as positive replacement values (receivables) or negative replacement values (liabilities). Positive replacement values correspond to the costs which BKW would incur to replace all transactions that represent benefits for BKW if all counterparties were simultaneously unable to pay and the transactions could be immediately replaced. Negative replacement values correspond to the costs that counterparties would incur to replace all transactions that represent benefits for them if BKW were no longer able to meet its obligations. The contract volume corresponds to the basic value or contract volume of the underlying derivative financial instrument.

The replacement value for futures is zero, since price fluctuations are offset daily compared with the agreed closing prices. Forward energy trading contracts include forwards with fixed and flexible profiles.

	Positive replacement value		Negative replacement value		Contract volume	
CHF millions	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Futures (energy trading)	0.0	0.0	0.0	0.0	123.3	131.1
Forward contracts (energy trading)	214.5	97.3	194.5	127.3	1,597.9	1,969.1
Exchange rate hedging	0.1	0.0	0.1	0.0	6.4	0.0
Hedge accounting						
Swaps	12.4	10.5	1.9	1.5	134.0	131.9
Exchange rate hedging	0.0	0.4	0.1	3.9	141.6	58.0
Total	**227.0**	**108.2**	**196.6**	**132.7**	**2,003.2**	**2,290.1**
of which:						
› Current derivatives	155.0	75.6	157.2	99.4		
› Non-current derivatives	72.0	32.6	39.4	33.3		

30 Hedge accounting

The following hedging transactions were open at 31 December 2012:

Fair value hedge
On the balance sheet date an interest rate swap existed for the purpose of hedging fluctuations in the fair value of a portion of the bonds issued. This hedging relationship is assessed as highly effective and qualifies as a fair value hedge. The change in the fair value of the underlying portion of the bonds amounted to CHF 1.9 million (2011: 7.9 million). The ineffective portion of the hedging instrument is recognised in the income statement (under financial income) as a gain of CHF 0.1 million (2011: 0.1 million).

Cash flow hedge
In relation to borrowings for power plants, interest rate swaps existed on the balance sheet date for the next five years, in order to hedge fluctuations in interest payments. The hedging instrument qualifies as a cash flow hedge and is assessed as highly effective. The gain or loss measured for these cash flow hedges is recognised in other comprehensive income (CHF –0.4 million in the reporting year; 2011: CHF 0.0 million). In 2012 there was no ineffective portion of hedging relationships reported under financial income.

Various forward contracts existed on the balance sheet date for the purpose of hedging euro exchange rate fluctuations. These hedging instruments are assessed as highly effective and qualify as cash flow hedges. They comprise hedges of euro-denominated revenue for the following financial year and hedges relating to the acquisition of the Castellaneta wind farm in Italy. The gain or loss measured for these cash flow hedges is recorded in other comprehensive income. No ineffective portion of hedging relationships was reported under financial income in either the year under review or the previous year. The cash flow hedges relating to euro-denominated revenue will be charged to income in fiscal 2013. A loss of CHF 3.3 million was recognised under “Electricity trading” for the reporting year relating to amounts that had been hedged in previous years.

Net investment hedge
In the reporting year, BKW offered two registered bonds with maturities of 15 and 20 years and nominal amounts of EUR 40 million and EUR 85 million, respectively. The registered bonds were placed in Germany and allow BKW to obtain an element of matched-currency financing for its investment projects from local investors in that country. The registered bonds have been designated as a net investment hedge. Foreign exchange gains or losses on the registered bonds are recognised in other comprehensive income and correspondingly offset the gains or losses from currency conversion of net investments in a foreign business operation. In 2012 there was no ineffective portion of hedging relationships reported under financial income.

31 Related parties

The following financial relationships between BKW and related parties existed in the periods reported. Unless stated otherwise, all transactions were conducted on the same terms and conditions as with independent third parties:

	Parent		Companies exerting significant influence over the Group		Associates		Joint ventures		Pension funds	
CHF millions	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Income										
› Energy sales	4.8	4.5	34.7	125.1	84.8	102.7	25.8	28.2		
› Other sales and services	8.2	7.2	8.7	0.6	86.1	54.5	17.2	25.2	1.3	1.2
› Interest and dividends	5.3	3.3	2.1	2.0	16.2	17.0	11.8	11.9		
Expenses										
› Energy purchases			14.7	132.7	17.3	15.6	312.9	286.2		
› Other purchases and services	1.0	2.6	0.4	9.3	98.8	104.0	8.3	28.4	28.5	25.0
› Taxes and charges	19.8	18.3								
› Interest and dividends	28.0	69.7	5.3	22.5					0.7	1.0
› Income taxes	7.8	–1.7								
Assets										
› Loans					64.7	54.2	5.8			
› Rights of use										
› Current financial assets	5.1	5.1								
› Receivables and accruals	29.6	42.0	6.1	7.4	58.1	41.1	13.7	32.0		
› Cash and cash equivalents	40.1	90.9								
Liabilities										
› Loans			0.8	0.9						30.0
› Rights of use			0.1	0.1						
› Liabilities and accruals	1.9	4.3		0.2	40.6	38.5	9.3	15.2	0.7	0.7

Transactions with the parent

The Canton of Berne is the majority shareholder of BKW. As such, it has a controlling influence on all decisions at the Annual General Meeting, including the election of members of the Board of Directors and the appropriation of retained earnings. The relationship with the Canton of Berne, its authorities, public-law institutions and the private-law companies it controls takes place on many levels: BKW delivers energy and other services, purchases material and services, and pays taxes, water rates and other levies and charges. In addition, financial transactions are conducted with Berner Kantonalbank, in which the Canton of Berne holds a majority interest.

Transactions with companies exerting significant influence over the Group

Groupe E Ltd. is represented on the BKW Board of Directors and is therefore able to influence decisions on BKW's financial and business policies. BKW supplies and procures energy, procures materials and services, and supplies services. All these transactions are performed at market conditions. In turn, BKW holds a 10.0% share in Groupe E Ltd.

Until September 2011, E.ON Group was treated as a related party.

Transactions with associated companies

Reported transactions consist of energy supplies, energy transportation, dividends, construction/engineering services (income), maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). In 2012 associated companies borrowed CHF 11.3 million in loans from BKW (2011: CHF 9.4 million). During the year under review, loans totalling CHF 0.4 million were repaid (2011: CHF 2.5 million) and loan impairments amounting to CHF 0.1 million were recorded (2011: CHF 0.4 million). In 2012 BKW acquired property, plant and equipment from associates at a purchase price of CHF 0.2 million (2011: CHF 0.5 million).

Transactions with joint ventures

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), operational management and maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). Energy produced by partner plants is billed to shareholders at production cost on the basis of existing agreements. In 2012 the companies took out CHF 5.8 million in loans from BKW (2011: repayment of loans of CHF 20.3 million). During the reporting year, BKW acquired property, plant and equipment from joint ventures at a purchase price of CHF 0.1 million (2011: CHF 0.5 million). BKW also sold property, plant and equipment in the value of CHF 0.3 million to joint ventures (2011: intangible assets in the amount of CHF 2.5 million).

Transactions with pension funds

Transactions with pension funds are conducted as part of the occupational pension plan and consist of employer contributions, administrative charges (personnel, operational and administrative costs), real estate services (management of properties) and financial transactions (liquidity management including interest).

Transactions with the Board of Directors and Group Executive Board

Remuneration CHF millions	**2012**	2011
Short-term benefits	3.2	3.4
Contributions to pension plans	0.4	0.6
Share-based payments	0.0	0.1
Total	**3.6**	**4.1**

No loans relating to members of the Group Executive Board existed on the balance sheet date (2011: CHF 0.03 million).

Details of remuneration to the Board of Directors and Group Executive Board as well as their shareholdings pursuant to Art. 663b^{bis} and Art. 663c para. 3 of the Swiss Code of Obligations (CO) are provided in the financial statements of BKW Inc. on pages 78 to 80.

32 Leasing

32.1 Operating leases

Future minimum lease payments under non-cancellable operating leases on the balance sheet date:

CHF millions	Lessor **31.12.2012**	Lessor 31.12.2011	Lessee **31.12.2012**	Lessee 31.12.2011
Up to 1 year	7.9	8.0	6.9	4.3
Later than 1 year and not later than 5 years	31.6	31.8	23.2	12.3
More than 5 years	7.9	15.9	40.1	11.8
Total	**47.4**	**55.7**	**70.2**	**28.4**

The leases relate to rental agreements for operational properties, tenancies and vehicle leasing. The posted leasing expense from operational leasing agreements amounted to CHF 8.1 million in 2012 (2011: CHF 4.3 million).

32.2 Finance leases

CHF millions	Minimum lease payments **31.12.2012**	Minimum lease payments 31.12.2011	Present value **31.12.2012**	Present value 31.12.2011
Up to 1 year	18.9	19.0	12.5	11.9
Later than 1 year and not later than 5 years	63.8	71.2	45.2	49.6
More than 5 years	62.7	75.2	51.5	60.3
Total	**145.4**	**165.4**	**109.2**	**121.8**
Financing costs	–36.2	–43.6		
Present value of minimum lease payments	109.2	121.8		

Finance leases are related to wind farms which are funded via long-term leasing contracts. Leasing liabilities of CHF 109.2 million (2011: CHF 121.8 million) were accounted for in the balance sheet, of which CHF 12.5 million (2011: CHF 11.9 million) was designated as current liabilities and CHF 96.7 million (2011: CHF 109.9 million) as non-current liabilities.

33 Additional disclosures on the cash flow statement

Cash and cash equivalents CHF millions	**31.12.2012**	31.12.2011
Bank and cash balances	541.6	464.1
Term deposits	50.4	60.3
Total	**592.0**	**524.4**

Details on acquisitions of Group companies in the year under review are provided in Note 6.

The acquisition of Group companies amounting to CHF 1.2 million corresponds to the purchase price of CHF 14.1 million minus a deferred purchase price adjustment of CHF 6.1 million and minus cash and cash equivalents of CHF 6.8 million.

Among the additions to property, plant and equipment, increases of CHF 12.3 million do not affect cash (see Note 16).

34 Share-based payment

In the year under review BKW employees and members of the BKW Board of Directors had an opportunity to acquire up to 138,375 shares in BKW (2011: 243,535 shares) at a preferential price. In 2012 36,716 shares (2011: 102,213 shares) were purchased at a price of CHF 22.00 each (2011: CHF 45.00 each). The underlying present value per share was CHF 33.00 (2011: CHF 77.00). The personnel expense for this share-based payment was CHF 0.4 million (2011: CHF 3.5 million). No purchase rights remained open on the balance sheet date.

35 Disclosure of financial assets and liabilities

35.1 Carrying amount by balance sheet item and allocation to individual categories in accordance with IAS 39

Financial assets	Note	Loans and receivables		Fair value through profit or loss		Available for sale		Total	
CHF millions		2012	2011	2012	2011	2012	2011	2012	2011
Non-current financial assets	18	83.8	69.1			206.2	239.0	290.0	308.1
Trade accounts receivable	21	503.2	471.5					503.2	471.5
Other current financial receivables	21	58.4	61.9					58.4	61.9
Derivatives (current and non-current)	29			227.0	108.2			227.0	108.2
Current financial assets	18	99.8	63.6	134.2	132.7			234.0	196.3
Financial accruals	22	118.8	164.3					118.8	164.3
Cash and cash equivalents	33	592.0	524.4					592.0	524.4
Total		**1,456.0**	**1,354.8**	**361.2**	**240.9**	**206.2**	**239.0**	**2,023.4**	**1,834.7**

Due to short residual terms to maturity, the carrying amounts of loans and receivables correspond approximately to their fair values. The carrying amount of term deposits included under current financial assets differs from the fair value. The fair value of term deposits corresponds to the present value of payments related to assets, taking into account the respective current interest rate parameters. At 31 December 2012 the fair value of term deposits was CHF 98.0 million and the carrying amount was CHF 97.7 million (2011: fair value CHF 63.8 million, carrying amount CHF 63.6 million).

Financial liabilities	Note	Liabilities at amortised cost		Fair value through profit or loss		Total	
CHF millions		2012	2011	2012	2011	2012	2011
Non-current financial liabilities	25	1,314.2	1,213.4			1,314.2	1,213.4
Other non-current financial liabilities	26	12.5	7.2			12.5	7.2
Trade accounts payable	27	307.2	311.5			307.2	311.5
Other current financial liabilities	27	25.0	25.4			25.0	25.4
Derivatives (current and non-current)	29			196.6	132.7	196.6	132.7
Current financial liabilities	25	21.8	43.5			21.8	43.5
Financial accruals	22	84.6	109.4			84.6	109.4
Total		**1,765.3**	**1,710.4**	**196.6**	**132.7**	**1,961.9**	**1,843.1**

Due to short residual terms to maturity, the carrying amount of financial liabilities at amortised cost corresponds approximately to the fair value. At 31 December 2012 a difference existed between these values for the bonds included under non-current financial liabilities at a nominal value of CHF 1,000 million. At the end of 2012 the market value of the bonds was CHF 1,053.4 million and the carrying amount was CHF 993.6 million (of which CHF 120.7 million was accounted for at fair value as part of a fair value hedge relationship). In the previous year, the corresponding market value at year-end was CHF 1,032.2 million and the carrying amount CHF 990.2 million (of which CHF 118.6 million formed part of a fair value hedge relationship).

35.2 Hierarchy of fair values

Financial assets and liabilities measured at fair value through profit or loss are classified according to the following hierarchy:

- Level 1: valuations based exclusively on listed prices in active markets for identical assets or liabilities. BKW currently classifies listed securities and energy futures under this level.
- Level 2: over-the-counter derivatives. These transactions are conducted with a specific counterparty and cannot therefore be designated as actively held for trading at any time, but for all inputs which have a material impact on the fair value they are based on directly or indirectly observable market data. BKW currently classifies all forward energy trading contracts as well as interest rate swaps and forward currency contracts under this level.
- Level 3: valuations which apply inputs with a material impact on the fair value that are not based on observable market data. BKW mainly classifies unlisted securities designated as available-for-sale financial assets under this level.

CHF millions	Carrying amount at **31.12.2012**	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Non-current financial assets				
› Available-for-sale financial assets	206.2	98.7		107.5
Derivatives (current and non-current)	227.0		227.0	
Current financial assets				
› Securities held for trading	134.2	134.2		
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	196.6		196.6	

CHF millions	Carrying amount at **31.12.2011**	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Non-current financial assets				
› Available-for-sale financial assets	239.0	102.0		137.0
Derivatives (current and non-current)	108.2		108.2	
Current financial assets				
› Securities held for trading	132.7	132.7		
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	132.7		132.7	

In 2012, the following fair values of level 3 financial assets and liabilities were determined using the discounted cash flow method and discounted based on a WACC of 5.7%.

CHF millions	Available-for-sale financial assets
At 31.12.2011	**137.0**
Additions	0.0
Disposals	−4.2
Value adjustment	
› Transfer to income statement	0.0
› Changes in value included in other comprehensive income	−25.3
At 31.12.2012	**107.5**

35.3 Net results of financial assets and liabilities measured in accordance with IAS 39:

Net result	Loans and receivables		Fair value through profit or loss		Available for sale		Liabilities at amortised cost		**Total**	
CHF millions	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Included in net sales:										
› Income from proprietary energy trading			15.1	20.0					15.1	20.0
› Income from energy hedging			6.0	−41.2					6.0	−41.2
› Change in provision for impairment of receivables	0.9	1.0							0.9	1.0
Included in financial result:										
› Interest income	4.0	5.2	2.9	3.1					6.9	8.3
› Interest expense							−35.1	−33.4	−35.1	−33.4
› Dividends				0.2	5.0	4.8			5.0	5.0
› Gains from subsequent measurement at fair value			2.1	4.1					2.1	4.1
› Gains from sales			0.1	0.7					0.1	0.7
› Impairment of financial assets	−0.3	−6.5			−0.1	−0.4			−0.4	6.9
› Other financial income	−3.6	2.8	0.5	0.2					−3.1	3.0
› Currency translations	−3.2	−4.6		0.2				−0.3	−3.2	−4.7
Included in other comprehensive income:										
› Gains from subsequent measurement at fair value					−28.3	−58.4			−28.3	−58.4
Total	**−2.2**	**−2.1**	**26.7**	**−12.7**	**−23.4**	**−54.0**	**−35.1**	**−33.7**	**−34.0**	**−102.5**

In the fiscal years shown, no financial instruments were designated as being measured “at fair value.”

36 Financial risk management

36.1 Principles of risk management

Risk management is viewed as a supporting function for senior management. Its purpose is to provide decision-makers with a transparent representation of the risks associated with individual business activities. The core element is the risk management process, which systematically identifies, assesses and manages risks and monitors the implementation of risk mitigation measures. It is integrated into the financial management process.

The defined risk management principles govern the management of operational risks as well as market price, share price, currency, interest rate and credit risks. Principles have also been laid down governing the management of cash and cash equivalents as well as short and long-term cash deposits. The Group monitors and controls these risks. Corporate Risk Management reports directly to the Head of Finance and Controlling, defines Group-wide requirements for measuring risk, and aggregates risks at Group level.

The risk spectrum monitored by the Group Executive Board covers risks related to operating activities as well as to strategy and its implementation in projects. A Risk Committee at Group Executive Board level prepares guidelines and risk reports as a decision-making basis for the Group Executive Board. The Risk Committee is an advisory body which submits independent recommendations on risk issues to the Group Executive Board in predefined processes. The Board of Directors last assessed the risks related to operating activities at its meeting on 7 December 2012.

36.2 Credit risks

A credit risk is the possibility of a loss which may be incurred if a customer or counterparty is unable to discharge its contractual obligations. Standardised credit risk management with defined limits per counterparty is practised with respect to accounts receivable from energy-trading activities, sales activities and the investment of funds.

The majority of credit risks are managed centrally by Corporate Risk Management. The process is separated into two parts: credit appraisal with defined limits, and limit monitoring and reporting. Credit appraisal involves the use of an internal rating system which assigns credit ratings of A, B or C to counterparties. A and B correspond to the standard “Investment Grade” used by rating agencies. The rating is calculated based on the Basel II Internal Rating approach. The credit appraisal also takes into account external ratings by recognised rating agencies. A limit is defined for each counterparty based on the defined credit rating and the counterparty’s equity situation.

The following table indicates the credit risk related to trade accounts receivable, to derivatives with a positive replacement value, and to current accounts and term deposits with credit institutions on the balance sheet date, broken down by credit rating. The standardised rating process covers trading and bank counterparties as well as sales counterparties in Switzerland. Credit risk management for other counterparties is carried out decentrally on the basis of individual approaches.

CHF millions	31.12.2012	31.12.2011
Credit rating A	316.3	305.1
Credit rating B	895.5	674.0
Credit rating C	11.8	24.4
Other counterparties	195.9	164.2
Total	**1,419.5**	**1,167.7**
Included under:		
› Trade accounts receivable	503.2	471.5
› Derivatives (current and non-current)	227.0	108.2
› Current financial assets (term deposits only)	97.3	63.6
› Cash and cash equivalents	592.0	524.4

The maximum credit risk (excluding guarantees granted) corresponds to the amount of outstanding financial assets on the balance sheet date. At 31 December 2012 the maximum credit risk for BKW was CHF 2,023.4 million compared with CHF 1,834.7 million in 2011 (carrying amount of all financial assets in accordance with Note 35.1). The maximum loss presented is based on the assumption that all counterparties simultaneously become unable to discharge their payment obligations and that existing collateral and netting arrangements cannot be utilised.

On the balance sheet date there were issued guarantees of CHF 35.9 million (2011: CHF 26.9 million), which increase the maximum default risk accordingly.

Collateral is required primarily for counterparties in the energy-trading business, whereby the creditworthiness of the collateral issuer is assessed and rated. Customers with A and B ratings may be granted a higher limit than defined for the assigned credit category if collateral is provided. A business relation with C-rated counterparties is normally permissible only if collateral is provided to cover both billed and unbilled items. Collateral amounting to CHF 138.5 million (2011: 134.8 million) was held for trade receivables and derivatives recorded on the balance sheet at 31 December 2012.

A cluster risk would arise if excessive credit were granted to an individual customer. The potential loss and the resultant write-down would be disproportionately high if the counterparty were to default. For this reason, care is taken to ensure an adequate spread of risks and limits, with a maximum limit defined per credit category.

In geographical terms, the credit risks are primarily concentrated on Switzerland. On the balance sheet date, counterparties in Switzerland accounted for 81% of the credit risk (2011: 82%).

36.3 Liquidity risks

Liquidity is defined as the ability to cover cash outflow requirements at any time without restrictions.

At Group level, liquidity management is based on the Group's mid-term planning, budget and forecast. Rolling liquidity plans with a 12-month horizon are drawn up for the entire Group on the basis of these documents as well as current findings. These plans are used to examine the rationale behind long-term measures in light of the latest information, as well as to identify potential liquidity shortfalls and formulate tactics to optimise the financial result.

Residual terms to maturity of financial liabilities

The following tables provide information on the residual terms to maturity of financial liabilities on a non-discounted basis.

CHF millions	Note	Carrying amount at **31.12.2012**	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Financial liabilities	25	1,336.0	65.4	68.0	124.3	122.9	1,494.4
Other non-current financial liabilities	26	12.5			8.0	5.5	
Trade accounts payable	27	307.2	307.2				
Other current financial liabilities	27	25.0	25.0				
Financial accruals	22	84.6	84.6				
Total non-derivative liabilities		**1,765.3**	**482.2**	**68.0**	**132.3**	**128.4**	**1,494.4**
Derivative financial assets and liabilities							
Energy derivatives/options							
› Positive replacement values	29	214.5	156.2	48.2	11.4		
› Negative replacement values	29	–194.5	–158.6	–31.9	–5.2	–0.2	–0.2
Net replacement values		**20.0**	**–2.4**	**16.3**	**6.2**	**–0.2**	**–0.2**
Currency forwards and swaps							
› Positive replacement values	29	12.5	0.1				12.4
› Negative replacement values	29	–2.2	–0.6	–0.5	–0.4	–0.4	–0.3
Net replacement values		**10.3**	**–0.5**	**–0.5**	**–0.4**	**–0.4**	**12.1**
Gross cash flows related to derivatives							
› Gross outflow			–4,619.9	–981.5	–223.2	–0.5	0.0
› Gross inflow			4,817.1	991.9	217.0	0.0	12.4

CHF millions	Note	Carrying amount at **31.12.2011**	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Financial liabilities	25	1,256.9	84.7	82.3	53.4	108.0	1,320.6
Other non-current financial liabilities	26	7.2		7.2			
Trade accounts payable	27	311.5	311.5				
Other current financial liabilities	27	25.4	25.4				
Financial accruals	22	109.4	109.4				
Total non-derivative liabilities		**1,710.4**	**531.0**	**89.5**	**53.4**	**108.0**	**1,320.6**
Derivative financial assets and liabilities							
Energy derivatives/options							
› Positive replacement values	29	97.3	82.8	9.5	11.5	0.9	0.2
› Negative replacement values	29	–127.3	–102.9	–26.2	–5.3	–0.2	–0.1
Net replacement values		**–30.0**	**–20.1**	**–16.7**	**6.2**	**0.7**	**0.1**
Currency forwards and swaps							
› Positive replacement values	29	10.9	0.8				10.5
› Negative replacement values	29	–5.4	–4.3	–1.0			–0.3
Net replacement values		**5.5**	**–3.5**	**–1.0**	**0.0**	**0.0**	**10.2**
Gross cash flows related to derivatives							
› Gross outflow			–3,470.9	–1,155.8	–251.4	–1.2	–0.6
› Gross inflow			3,385.8	1,164.1	256.3	1.2	0.0

Amounts in foreign currencies are converted at the exchange rate on the balance sheet date. The table shows interest-bearing liabilities including the corresponding interest rate payments. The gross cash flows resulting from derivative financial instruments do not take netting arrangements into account.

36.4 Market risks

Market risks arise from price and exchange rate fluctuations on unsecured positions of the energy and financial business. BKW's risk policy enables the existence of monitored, open positions. Energy price, interest rate, share price, exchange rate and CO_2 certificate price risks are managed centrally. BKW's market risks are aggregated in a Group-level risk portfolio that takes account of the mutual dependencies of various risk classes (correlations and the associated diversification effects) and enables a systematic analysis as well as efficient controls and effective limitation of the overall risk. The value at risk (VaR) limits required for the purpose of controls must be approved by the Group Executive Board and Board of Directors.

36.4.1 Share price risk
BKW is exposed to a share price risk for financial assets held for trading and available-for-sale financial assets, as well as for receivables from state funds (see Note 18). Receivables from state funds do not come under the definition of a financial instrument under the terms of IAS 32 and are consequently not covered by the following statements on risk measurement.

36.4.2 Interest rate risks
The production of power and operation of transmission and distribution networks are capital-intensive. These are financed over the long term with phased due dates to minimise the impact of interest rate changes on the earnings situation. In addition, interest rate hedging instruments are used where necessary. Cash is invested over the short to medium term primarily in fixed-interest positions.

36.4.3 Currency risks
Energy trading is largely conducted in euros. Exchange rate fluctuations have an impact on the assets and earnings positions stated in Swiss francs. To the extent considered necessary, foreign currency positions are secured by means of forward exchange transactions or currency swaps.

36.4.4 Energy price risks/CO_2 certificate price risks
For the purpose of asset management and proprietary trading, unsecured positions in energy and CO_2 certificates trading are entered into, with smaller positions permitted for proprietary trading than for asset management. Unsecured energy positions can only be entered into in the current year and in up to three subsequent years. The permissible trading window for CO_2 positions extends to 2020.

36.4.5 Risk measurement
Interest rate, share price and exchange rate risks are regularly measured and reported on the basis of value at risk. BKW uses the variance/co-variance method with a one-year holding period, a confidence level of 99% and a historical rolling period of 250 days.

Value at risk CHF millions	**31.12.2012**	31.12.2011
Interest	5.0	6.2
Share price, financial instruments available for sale	44.2	60.1
Currencies	16.1	249.1

The value at risk shows the value fluctuation risk based on individual risks which, given no change, could occur in 12 months taking into account the defined confidence level. The values shown would impact the results as well as equity.

In the absence of any impairment, fluctuations in the value of available-for-sale financial instruments have no influence on the annual results but are recorded directly in other comprehensive income.

The risk of unfavourable price movements for unsecured positions in electricity, gas, CO_2, coal (financial) and oil (financial) is determined using the Cross-Commodity-Value-at-Risk (CC-VaR) method which factors in the mutual impact of these commodities. The calculation follows a model-based Monte Carlo method for a one-day holding period and a confidence level of 99%. The model parameters are estimated based on a rolling 260-day observation period. Besides CC-VaR limits, risk control covers position and trading volume limits. Proprietary trading is additionally subject to loss limits. At 31 December 2012 the CC-VaR amounted to CHF 3.2 million (2011: CHF 0.7 million).

37 Contingent liabilities and investment obligations

CHF millions	**31.12.2012**	31.12.2011
Guarantees		
› in favour of associates	23.1	24.9
› in favour of third parties	12.8	2.0
Investment obligations	311.0	215.5
Capital payment obligations	0.1	0.1
Total	**347.0**	**242.5**

Contingent liabilities

CHF 3.5 million of the guarantees granted have a term to maturity of up to 12 months (2011: CHF 0.8 million), while guarantees amounting to CHF 22.8 million were granted for an unlimited term (2011: CHF 18.0 million).

Nuclear power plant operators are under a limited obligation to make supplementary contributions to the decommissioning and disposal funds in the event that an individual contributor is unable to pay.

In the event of a claim, power plant operators who are members of the European EMANI insurance pool must pay a contractually defined supplementary contribution of six annual premiums, which for BKW corresponds to a maximum obligation of around CHF 1.7 million (2011: CHF 1.7 million).

Due to existing partner contracts, shareholders in partner plants are obliged to pay the annual costs due on their shares (including interest and repayment of borrowed funds).

Investment obligations

In January 2008 BKW acquired a 33% non-controlling interest in a coal-fired power plant project in Wilhelmshaven, northern Germany, from Electrabel Deutschland AG. The interest in the partner plant entails an investment of EUR 530 million on the part of BKW. By 31 December 2012, some EUR 412 million had been invested.

In April 2012, BKW signed an agreement to purchase a wind farm with a total installed capacity of 56 MW in Castellaneta, in the Italian region of Apulia. The purchase agreement reached between BKW and the industrial conglomerate Tozzi was concluded on 20 February 2013, following completion of the wind farm. The purchase price is around CHF 150 million (see Note 38).

38 Events after the balance sheet date

Disposal of the transmission grid
The assets and liabilities of BKW Übertragungsnetz AG were transferred to the national grid operator, Swissgrid Ltd., on 3 January 2013. This transfer was conducted in conjunction with the Electricity Supply Act (StromVG), which entered into force on 1 January 2008. Reference is made to Note 7 in this respect.

Business combination
In April 2012, BKW signed an agreement with the industrial conglomerate Tozzi to purchase a wind farm with a total installed capacity of 56 MW in Castellaneta, in the Italian region of Apulia. The purchase agreement was concluded on 20 February 2013, following completion of the wind farm. The Ravenna-based Green Castellaneta S.p.A has been consolidated in the Group accounts from this date. With this acquisition, BKW has expanded its position as the leading Swiss operator of wind power plants at home and abroad. The Castellaneta facility is located in the windy region of Apulia, in which BKW's other Italian wind-farm interests are also located.

As the acquisition was only conducted shortly before the completion and approval of the consolidated accounts, only a provisional balance sheet was available. The fair value of net assets provisionally established at the time of the acquisition was around CHF 150 million. The net assets comprise non-current assets of some CHF 173 million and non-current liabilities of around CHF 23 million. The purchase price of the wind farm is around CHF 150 million. BKW expects the acquisition to either have no effect on goodwill or to result in a merely negligible increase. The purchase agreement stipulates that Green Castellenata S.p.A. is acquired without net current assets or net debts. Any net current assets or net debts that are acquired will be offset through the purchase price. It is not possible to make any further disclosures required by IFRS 3 since the corresponding figures are not yet known.

Approval of the consolidated financial statements
The Board of Directors of BKW authorised the approval of these consolidated financial statements on 12 March 2013. The consolidated financial statements are subject to the approval of the BKW General Shareholders' Meeting on 17 May 2013.

Holdings

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Closing date
Group companies										
Arnold AG			●		Selzach	0.5	CHF	100.0		31.12.
BEBAG Bioenergie Bätterkinden AG	●				Bätterkinden	0.1	CHF	56.0		31.12.
Biogasanlage Piano di Magadino in Bern AG	●				Berne	1	CHF	80.0		31.12.
Biomassekraftwerk Otelfingen AG	●				Otelfingen	0.5	CHF	50.0		31.12.
BKWind GmbH & Co. KG		●			Wörrstadt (D)	–	EUR	100.0		31.12.
BKWind GmbH & Co. Wind Landkern KG		●			Wörrstadt (D)	–	EUR	100.0		31.12.
BKWind Verwaltungs GmbH		●			Wörrstadt (D)	0.03	EUR	100.0		31.12.
BKW Bippen Wind GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW Borkum West II Beteiligungs GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW Deutschland GmbH		●			Berlin (D)	0.1	EUR	100.0		31.12.
BKW Dubener Platte Wind GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW Energie Dörpen Beteiligungs-GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW Energy International and Trade Ltd.				●	Berne	0.1	CHF	100.0	●	31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW Erneuerbare Energien GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW FMB Energy Ltd.	●	●	●	●	Berne	132.0	CHF	100.0	●	31.12.
BKW France SAS		●			Paris (F)	0.1	EUR	100.0		31.12.
BKW Holleben Wind GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW Hydro Allevard SAS		●			Paris (F)	0.1	EUR	100.0		31.12.
BKW Hydro Valle d'Aosta S.r.l.		●			Milan (I)	0.05	EUR	100.0		31.12.
BKW ISP AG			●		Ostermundigen	0.9	CHF	100.0		31.12.
BKW Italia S.p.A.		●			Milan (I)	13.4	EUR	100.0		31.12.
BKW Management Ltd.				●	Berne	0.1	CHF	100.0	●	31.12.
BKW Grid Switzerland Ltd.				●	Berne	0.1	CHF	100.0	●	31.12.
BKW Übertragungsnetz AG			●		Berne	40	CHF	100.0		31.12.
BKW Wallis AG	●				Visp	0.1	CHF	100.0		31.12.
BKW Wind Italia S.r.l.		●			Milan (I)	0.01	EUR	100.0		31.12.
BKW Wind Service GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
Bradano Energia S.r.l.		●			Milan (I)	0.01	EUR	100.0		31.12.
Bratschi AG			●		Lengnau (BE)	0.1	CHF	100.0		31.12.
cc energie sa	●				Murten	1	CHF	62.0		31.12.
Curea Elektro AG			●		Landquart	0.15	CHF	100.0		31.12.
EES Jäggi-Bigler AG			●		Etziken	0.1	CHF	70.0		31.12.
Electra Italia S.p.A.		●			Milan (I)	1	EUR	100.0		31.12.
Elektrizitätswerk Grindelwald AG	●		●		Grindelwald	0.55	CHF	92.1		31.12.
Elektrizitätswerke Wynau AG	●				Langenthal	0.1	CHF	100.0		31.12.
Elektro Feuz AG			●		Grindelwald	0.1	CHF	66.0		31.12.
Energie Utzenstorf AG	●				Utzenstorf	1	CHF	100.0		31.12.
Erdgas Thunersee AG	●				Interlaken	6.9	CHF	66.7		31.12.
EWR Energie AG	●		●		Schattenhalb	2	CHF	100.0		31.12.
Holzwärme Grindelwald AG	●				Grindelwald	2.5	CHF	90.7		31.12.
Idroelettrica Lombarda S.r.l.		●			Milan (I)	25.43	EUR	100.0		31.12.
inelectro sa			●		Porrentruy	0.5	CHF	100.0		31.12.
Juvent SA	●				Saint-Imier	0.1	CHF	65.0		31.12.
Kraftwerk Utzenstorf AG	●				Utzenstorf	0.1	CHF	100.0		31.12.
Kraftwerke Kander Alp AG	●				Kandersteg	2.5	CHF	60.0		31.12.
Kraftwerke Milibach AG	●				Wiler (Lötschen)	1	CHF	80.0		31.12.
Luminosa S.r.l.		●			Milan (I)	0.1	EUR	94.0		31.12.

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Closing date
Group companies (continued)										
Onyx Energie Dienste AG	●				Langenthal	2	CHF	100.0		31.12.
Onyx Energie Mittelland AG	●				Langenthal	10.5	CHF	100.0		31.12.
Onyx Energie Netze AG			●		Langenthal	10.5	CHF	100.0		31.12.
Onyx Energie Produktion AG	●				Langenthal	3	CHF	100.0		31.12.
Regionaler Wärmeverbund AG Heimberg-Steffisburg (REWAG)	●				Heimberg	2.5	CHF	51.0		31.12.
Simmentaler Kraftwerke AG	●				Erlenbach i. S.	7.31	CHF	83.9		31.12.
Société des forces électriques de la Goule SA	●		●		Saint-Imier	3.5	CHF	84.3		31.12.
sol-E Suisse AG	●				Berne	30	CHF	100.0		31.12.
STKW Energie Dörpen GmbH & Co. KG		●			Dörpen (D)	–	EUR	100.0		31.12.
STKW Energie Dörpen Verwaltungs-GmbH		●			Dörpen (D)	0.03	EUR	100.0		31.12.
Termoelettrica Veneta S.r.l.		●			Milan (I)	0.11	EUR	100.0		31.12.
TW Energie AG	●				Berne	1.2	CHF	75.0		31.12.
Volturino Wind S.r.l.		●			Milan (I)	0.03	EUR	100.0		31.12.
WEV Spiez AG	●				Spiez	2.5	CHF	98.0		31.12.
Wind Farm Buglia S.r.l.		●			Milan (I)	0.03	EUR	100.0		31.12.
Wind Farm S.r.l.		●			Milan (I)	0.02	EUR	100.0		31.12.
Wind International Italy S.r.l.		●			Milan (I)	52.17	EUR	100.0		31.12.
Joint ventures										
Bielersee Kraftwerke AG BIK	●				Bienne	20	CHF	50.0		31.12.
Biopower Sardegna S.r.l.		●			Milan (I)	0.1	EUR	10.5		31.12.
EDJ, Energie du Jura S.A.	●				Delémont	7.43	CHF	41.0		30.09.
Electra-Massa AG	●				Naters	20	CHF	16.1		31.12.
Electricité de la Lienne SA	●				Sion	24	CHF	33.3		30.09.
Engadiner Kraftwerke AG	●				Zernez	140	CHF	30.0		30.09.
ETRANS Ltd.			●		Laufenburg	7.5	CHF	11.5		31.12.
Externes Lager der Kernkraftwerke Schweiz	●				Baden	–	CHF	25.0		30.09.
Forces Motrices de Mauvoisin SA	●				Sion	100	CHF	19.5		30.09.
Gommerkraftwerke AG	●				Ernen	30	CHF	25.0		31.12.
Grande Dixence SA	●				Sion	300	CHF	13.3		31.12.
HelveticWind Deutschland GmbH		●			Berlin (D)	0.03	EUR	29.0		31.12.
Kernkraftwerk Leibstadt AG	●				Leibstadt	450	CHF	9.5		31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●				Berne	150	CHF	33.3		31.12.
Kleinwasserkraftwerk Berschnerbach	●				Walenstadt	–	CHF	44.3		31.12.
Kraftwerk Sanetsch AG (KWS)	●				Gsteig	3.2	CHF	50.0		30.09.
Kraftwerke Hinterrhein AG	●				Thusis	100	CHF	7.7		30.09.
Kraftwerke Mattmark AG	●				Saas-Grund	90	CHF	11.1		30.09.
Kraftwerke Oberhasli AG	●				Innertkirchen	120	CHF	50.0		31.12.
La Prairie Biogaz	●				Porrentruy	–	CHF	30.0		31.12.
MOHA ZOFI	●				Brienz	–	CHF	38.5		31.12.
Officine idroelettriche della Maggia SA	●				Locarno	100	CHF	10.0		30.09.
Officine idroelettriche di Blenio SA	●				Blenio	60	CHF	12.0		30.09.
Replacement nuclear power plant Beznau Ltd.	●				Döttingen	1	CHF	11.5		31.12.
Replacement nuclear power plant Mühleberg Ltd.	●				Mühleberg	1	CHF	51.0		31.12.
Société des Forces Motrices du Châtelot SA	●				La Chaux-de-Fonds	12.0	CHF	11.7		31.12.
Zwilag Zwischenlager Würenlingen AG	●				Würenlingen	5	CHF	10.7		31.12.

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Closing date
Associates										
Abonax AG	●				St. Gallen	1	CHF	34.0		31.12.
AEK Energie AG	●				Solothurn	6	CHF	39.5		31.12.
Bio-Energ'Etique SA	●				Bure	0.53	CHF	25.0		31.12.
Biogaz du Vallon Sàrl	●				Cortébert	0.02	CHF	24.5		31.12.
Biomasse Jungfrau AG	●				Interlaken	0.11	CHF	33.3		31.12.
DEVIWA AG	●				Leuk	0.1	CHF	34.0		31.12.
E.ON Produzione Centrale Livorno Ferraris S.p.A.		●			Milan (I)	10	EUR	25.0		31.12.
em electrocontrol ag			●		Urtenen-Schönbühl	0.25	CHF	20.0		31.12.
Energie Biberist AG EBAG	●				Biberist	5	CHF	25.0		31.12.
EVTL Energieversorgung Talschaft Lötschen AG	●				Wiler (Lötschen)	1.27	CHF	49.0		31.12.
Gazobois S.A.	●				Cossonay	0.12	CHF	33.3		31.12.
GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG		●			Wilhelmshaven (D)	–	EUR	33.0		31.12.
GEBNET AG	●				Aetigkofen	6.97	CHF	40.9		31.12.
Hertli & Bertschy AG, elektrische Anlagen			●		Tafers	0.05	CHF	40.0		31.12.
Kraftwerk Gohlhaus AG	●				Lützelflüh	0.13	CHF	34.0		31.12.
Kraftwerk Wannenfluh AG	●				Rüderswil	0.3	CHF	31.9		31.12.
Kraftwerke Färdabach AG	●				Ferden	0.1	CHF	34.0		31.12.
Metanord SA	●				Bellinzona	18.59	CHF	30.9		31.12.
NIS AG			●		Emmen	1	CHF	25.0		31.12.
Oberland Energie AG	●				Thun	9.1	CHF	49.0		31.12.
RESUN AG	●				Aarau	1	CHF	33.3		30.09.
Solarkraftwerk Lawinenverbauung St. Antönien	●				St. Antönien	–	CHF	38.5		31.12.
sol-E Suisse Biogas Zernez	●				Zernez	–	CHF	22.9		31.12.
Spontis SA			●		Granges-Paccot	0.1	CHF	30.0		31.12.
Swissgrid Ltd.			●		Laufenburg	15.0	CHF	11.2		31.12.
Tamarete Energia S.r.l.		●			Ortona (I)	3.6	EUR	48.0		31.12.
Youtility AG	●				Berne	7.5	CHF	39.8		31.12.

Report of the Statutory Auditor on the Consolidated Financial Statements

To the General Meeting of BKW Inc., Berne

Berne, 12 March 2013

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of BKW Inc., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, changes in consolidated equity, consolidated cash flow statement and notes to the financial statements (pages 6 to 71) for the year ended 31 December 2012.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

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

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

Financial Statements of BKW Inc.
Income Statement

CHF thousands	2012	2011 (28.02.–31.12.)
Share earnings	63,762	57,678
Interest income	36,368	0
Other financial income	1	0
Other operating income	313	0
Total earnings	**100,444**	**57,678**
Interest expense	28,290	0
Other financial expenses	689	1
Other operating expenses	4,704	134
Income taxes	1,559	0
Total expenses	**35,242**	**135**
Net profit	**65,202**	**57,543**

Financial Statements of BKW Inc.
Balance Sheet

CHF thousands	31.12.2012	31.12.2011
Assets		
Holdings	1,315,020	1,305,927
Loans	1,142,624	0
Other financial assets	18,425	0
Total non-current assets	**2,476,069**	**1,305,927**
Dividend receivable	63,360	57,678
Other receivables	338	0
Prepaid expenses and accrued income	1,862	0
Cash and cash equivalents	480	99
Total current assets	**66,040**	**57,777**
Total assets	**2,542,109**	**1,363,704**

CHF thousands	31.12.2012	31.12.2011
Liabilities		
Share capital	132,000	131,087
Reserves from capital contributions	26,129	26,129
General legal reserves	798,169	786,936
Reserves for treasury shares	356,792	359,845
Profit carried forward	4,743	0
Net profit	65,202	57,543
Total shareholders' equity	**1,383,035**	**1,361,540**
Bonds	1,000,000	0
Loans payable	142,624	0
Total non-current liabilities	**1,142,624**	**0**
BKW FMB Energy Ltd. current account	1,149	2,030
Other current liabilities	3,613	134
Deferred income and accrued expenses	11,688	0
Total current liabilities	**16,450**	**2,164**
Total liabilities	**1,159,074**	**2,164**
Total liabilities and shareholders' equity	**2,542,109**	**1,363,704**

Financial Statements of BKW Inc.
Notes to the Financial Statements

The explanations below include the information required under Article 663b of the Swiss Code of Obligations (CO). The companies in which BKW Inc. holds interests are listed on pages 69 to 71.

Share capital

In conclusion to the exchange offer successfully conducted in December 2011, BKW Inc. initiated squeeze-out proceedings for the 365,189 BKW FMB Energy Ltd. shares that had not been tendered for exchange. In its decision of 21 March 2012 the commercial court of the Canton of Berne then declared these registered shares to be invalid. Holders of the BKW FMB Energy Ltd. shares that had been declared invalid therefore received BKW Inc. shares additionally issued on a 1:1 basis. BKW Inc. thus completed the planned capital increase to the level of share capital of BKW FMB Energy Ltd. The BKW Inc. share capital at 31 December 2012 therefore amounts to CHF 132 million and is divided into 52,800,000 registered shares at a par value of CHF 2.50 each. The share ratios of major shareholders have changed as a result of this capital increase. The shares of BKW Inc. have been traded on the SIX Swiss Exchange since December 2011.

Major shareholders	**31.12.2012**	31.12.2011
Canton of Berne	52.54%	52.91%
Groupe E Ltd.	10.00%	10.07%
E.ON Energie AG	7.03%	7.07%
Group companies	9.68%	9.83%

Treasury shares

	BKW FMB Energy Ltd.		Other companies		**Total**	
	CHF thousands	Number	CHF thousands	Number	CHF thousands	Number
At 31.12.2010	371,279	5,258,712	53	17,980	371,331	5,276,692
Additions	141	40,690			141	40,690
Disposals	–11,628	–164,777			–11,628	–164,777
At 31.12.2011	**359,792**	**5,134,625**	**53**	**17,980**	**359,845**	**5,152,605**
Additions	28	8,980			28	8,980
Disposals	–3,053	–43,623	–28	–8,980	–3,081	–52,603
At 31.12.2012	**356,767**	**5,099,982**	**25**	**9,000**	**356,792**	**5,108,982**

The total stock of 5,108,982 shares is reported at the acquisition value at 31 December 2012 as the treasury share reserve.

Share earnings

The dividend of CHF 63,360 thousand paid by BKW FMB Energy Ltd. was recorded prematurely. The Annual General Meeting of BKW FMB Energy Ltd. approved this dividend payment.

Bonds

CHF thousands	31.12.2012	31.12.2011
3% debenture bond 2007–2022	200,000	0
3.375% debenture bond 2009–2019	350,000	0
1.875% debenture bond 2010–2018	150,000	0
2.5% debenture bond 2010–2030	300,000	0
Total	**1,000,000**	**0**

The bonds listed were originally issued by BKW FMB Energy Ltd. Subsequent to the transition to a holding structure, the Board of Directors of BKW resolved to transfer the bonds of BKW FMB Energy Ltd. to BKW Inc. The transfer of the four outstanding bonds of BKW FMB Energy Ltd. to BKW Inc. was carried out on 30 April 2012.

Contingent liabilities

CHF thousands	31.12.2012	31.12.2011
Guarantees for consolidated companies in favour of third parties	192,305	0

Information on the performance of risk assessment

Risk management is viewed as a supporting function for senior management. Its purpose is to provide decision-makers with a transparent representation of the risks associated with individual business activities. The core element is the risk management process, which systematically identifies, assesses and manages risks and monitors the implementation of risk mitigation measures.

Risk assessment was performed as part of the BKW Group's general management process. The Board of Directors assessed the risks in connection with the Group's operative business activity in 2012.

Remuneration of members of the Board of Directors and Group Executive Board

Remuneration of members of the Board of Directors in 2012

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	**Total**
Urs Gasche	Chairman	280	2	45	327
Antoinette Hunziker-Ebneter	Vice-Chairwoman	96		5	101
Marc-Alain Affolter	Member	72	2	15	89
Dr Georges Bindschedler	Member	78	2	5	85
Ueli Dietiker	Member	72	2	5	79
Barbara Egger-Jenzer	Member	80		10	90
Hartmut Geldmacher	Member	64	2	40	106
Prof. Dr Eugen Marbach	Member	60		13	73
Kurt Schär	Member (from 11.05.2012)	36		8	44
Beatrice Simon-Jungi	Member	60		8	68
Philippe Virdis	Member	64		11	75
Total		**962**	**10**	**165**	**1,137**

Remuneration of members of the Board of Directors in 2011

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	**Total**
Urs Gasche	Chairman	280	4	46	330
Antoinette Hunziker-Ebneter	Vice-Chairwoman	102		5	107
Marc-Alain Affolter	Member	66	8	15	89
Dr Georges Bindschedler	Member	60	8	6	74
Ueli Dietiker	Member (from 13.05.2011)	43		3	46
Barbara Egger-Jenzer	Member	78		10	88
Hartmut Geldmacher	Member	58	12	36	106
Prof. Dr Eugen Marbach	Member	58	8	14	80
Beatrice Simon-Jungi	Member	58	8	8	74
Ulrich Sinzig	Member (until 13.05.2011)	37		5	42
Philippe Virdis	Member	64	6	10	80
Total		**904**	**54**	**158**	**1,116**

Fixed remuneration comprises the fixed annual compensation and allowances for meetings which are paid to members of the Board of Directors for their services. The Chairman of the Board of Directors does not receive an allowance for meetings. For individual members of the Board, payment is made partly to the employers. Share-based payments comprise the benefit in fair value of the preferential purchase of BKW shares. In 2012, each member of the Board of Directors was offered the opportunity to purchase 320 BKW shares at a preferential price (2011: 600 shares). The shares acquired are subject to a blocking period of three or optionally five years, which is taken into account when measuring the remuneration by applying a reduction. Members of the Board of Directors also receive lump sum payments for expenses, which are included under “other remuneration”. Other remunerations also include the employer’s contributions to AHV/IV/ALV (Old Age and Surviving Dependants’ Insurance/Disability Insurance/Unemployment Insurance) as well as employee contributions and withholding tax paid by BKW.

No loans or credits have been granted to active or former members of the Board of Directors or parties related to them.

On 11 May 2012, Kurt Rohrbach, CEO of BKW, was elected to the Board by the Annual General Meeting, and then by the Board to the position of vice president. He exercised both functions for a transitional period until the end of 2012. He received no remuneration for his function on the Board of Directors during this period.

Remuneration of members of the Group Executive Board and the highest-earning member

	Kurt Rohrbach CEO		**Total paid to Group Executive Board members**	
CHF thousands	2012	2011	2012	2011
Fixed remuneration	522	519	2,015	2,011
Profit sharing	26	112	117	393
Share-based payment	2	8	7	55
Pension benefits	90	107	363	492
Total	**640**	**746**	**2,502**	**2,951**

Members of the Group Executive Board receive a fixed annual remuneration for their services, as well as a variable bonus of up to 35% of the annual remuneration, indexed to business success and personal performance. In 2012, each member of the Group Executive Board was offered the opportunity to purchase 320 BKW shares at a preferential price (2011: 600 shares). The shares acquired are subject to a blocking period of three or optionally five years, which is taken into account by applying a reduction to the reported value. All remuneration subject to social security contributions is recorded gross. Pension benefits include the employer’s contributions to the pension fund and AHV/IV/ALV insurance.

There were no outstanding loans to members of the Group Executive Board as at 31 December 2012 (2011: CHF 30,000).

Shares held by members of the Board of Directors and Group Executive Board

Members of the Board of Directors

Number of shares		31.12.2012	31.12.2011
Urs Gasche	Chairman	1,777	1,457
Antoinette Hunziker-Ebneter	Vice-Chairwoman	300	300
Marc-Alain Affolter	Member	2,720	2,400
Dr Georges Bindschedler	Member	4,720	4,400
Ueli Dietiker	Member	320	0
Barbara Egger-Jenzer	Member	400	400
Hartmut Geldmacher	Member	1,520	1,200
Prof. Dr Eugen Marbach	Member	2,600	2,600
Kurt Schär	Member (from 11.05.2012)	0	n/a
Beatrice Simon-Jungi	Member	600	600
Philippe Virdis	Member	4,220	4,220
Total		**19,177**	**17,577**

The shareholding of Kurt Rohrbach, CEO and Vice President of the Board of Directors, is listed under the Group Executive Board.

Members of the Group Executive Board

Number of shares		31.12.2012	31.12.2011
Kurt Rohrbach	CEO	11,757	11,437
Beat Grossenbacher	Head of Finance and Services	2,120	1,800
Dr Suzanne Thoma	Head of Networks	2,160	600
Hermann Ineichen	Head of Energy Switzerland	3,622	3,622
Samuel Leupold	Head of Energy International and Trading	1,620	1,620
Total		**21,279**	**19,079**

Individual shares held by members of the Board of Directors and Group Executive Board are subject to a blocking period of up to five years.

Appropriation of Retained Earnings
Proposal to the Annual General Meeting

CHF	
Retained earnings/profit carried forward	4,742,708
Net profit	65,202,132
Unappropriated retained earnings	**69,944,840**

The Board of Directors proposes the following appropriation of retained earnings:

CHF	
Dividend of CHF 1.20 per share	63,360,000
Balance carried forward	6,584,840
Total	**69,944,840**

Subject to approval by the Annual General Meeting, the following will be paid out:

CHF	
Dividend per share	1.20
Minus 35% withholding tax	0.42
Net dividend	0.78

Berne, 12 March 2013

Members of the Board of Directors
Chairman
Urs Gasche

Group Executive Board
Dr Suzanne Thoma Hermann Ineichen Beat Grossenbacher Christophe Bossel

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of BKW Inc., Berne

Berne, 12 March 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW Inc., which comprise the income statement, balance sheet and notes (pages 74 to 80) for the year ended 31 December 2012.

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 31 December 2012 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 Over-sight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompati-ble with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an inter-nal 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.

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

Investor Information
Important information on the share, bonds and financial calendar

In the first semester of 2012, the share capital of BKW Inc. was increased by 365,189 shares or CHF 0.9 million. This increase was linked to the public exchange offer in December 2011 conducted by BKW Inc. for registered BKW FMB Energy Ltd. shares in free float in relation to the introduction of a holding structure. In conclusion to the exchange offer successfully conducted in December 2011, BKW Inc. initiated squeeze-out proceedings for the 365,189 BKW FMB Energy Ltd. shares that had not been tendered for exchange. In its decision of 21 March 2012 the commercial court of the Canton of Berne then declared these registered shares to be invalid. Holders of the BKW FMB Energy Ltd. shares that had been declared invalid therefore received BKW Inc. shares additionally issued on a 1:1 basis. BKW Inc. thus completed the planned capital increase to the level of share capital of BKW FMB Energy Ltd. These additional 365,189 registered shares were listed on the SIX Swiss Exchange and BX Berne Exchange on 11 April 2012. Since this date, the BKW Inc. share capital has therefore amounted to CHF 132 million and is divided into 52,800,000 registered shares at a par value of CHF 2.50 each.

The shares of BKW FMB Energy Ltd. were delisted from the SIX Swiss Exchange and BX Berne Exchange on 20 April 2012.

The share price fell by 13.9% during the period under review.

Performance of the BKW share 31.12.2011 – 31.12.2012

Listing

The shares of BKW Inc. are listed on the main segment of the SIX Swiss Exchange. There is also a listing on the BX Berne Exchange.

Ticker symbol on SIX and BX	BKW
Securities number	13 029 366
ISIN code	CH0130293662

Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 1.20 per share for the 2012 financial year. The dividend will be paid out on 27 May 2013.

Restrictions on share transferability

The Company reserves the right to refuse registration of an acquirer of shares in the shareholder register if, through the acquisition, a natural person or legal entity or a partnership directly or indirectly would hold more than 5% of the entire share capital. The same restriction applies to corporate bodies, partnerships or groups of persons who are interrelated or otherwise linked and act in concert to acquire shares. Registration may also be refused if the acquirer has not expressly declared that the shares were acquired in his own name and for his own account.

Significant shareholders

	31.12.2012	31.12.2011
Canton of Berne	52.54%	52.91%
Groupe E Ltd.	10.00%	10.07%
E.ON Energie AG	7.03%	7.07%
Treasury stock	9.68%	9.83%

The proportion of shares held by the public (free float) is approximately 20.8%. The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

	31.12.2012 reported	**31.12.2012** adjusted[2]	31.12.2011 reported	**31.12.2011** adjusted[2]
Earnings per share (in CHF)	2.79	4.26	–1.43	2.54
Equity per share (in CHF)	56.34	57.80	55.22	59.22
Dividend per share (in CHF)	1.20	1.20	1.00	1.00
Dividend yield (in %)[1]	3.8	3.8	2.7	2.7
Price/earnings ratio[1]	11.3	7.4	n.a.	14.4
Year-end price (in CHF)	31.40	31.40	36.45	36.45
Year high (in CHF)	39.25	39.25	79.95	79.95
Year low (in CHF)	28.80	28.80	28.00	28.00

[1] Based on year-end price
[2] Adjusted for special impairment charges and provisions

Bonds

At 31 December 2012, BKW had the following bonds outstanding:

	Nominal amount	Term	Due	ISIN code
1.875% debenture bond	CHF 150 million	2010–2018	15.10.2018	CH0117843596
3.375% debenture bond	CHF 350 million	2009–2019	29.07.2019	CH0103164577
3% debenture bond	CHF 200 million	2007–2022	27.04.2022	CH0030356718
2.5% debenture bond	CHF 300 million	2010–2030	15.10.2030	CH0117843745

The bonds were originally issued by BKW FMB Energy Ltd. Subsequent to the transition to a holding structure, BKW Inc. as the holding company now represents the BKW Group's window on the capital markets, and thus replaces BKW FMB Energy Ltd. in this function. In this respect, the Board of Directors of BKW resolved to transfer the bonds of BKW FMB Energy Ltd. to BKW Inc. The transfer of the four outstanding bonds of BKW FMB Energy Ltd. to BKW Inc. was carried out on 30 April 2012. At the same time, the remaining financing agreements with the banks were transferred from BKW FMB Energy Ltd. to BKW Inc. Following this transfer, the former parent company BKW FMB Energy Ltd. no longer has any outstanding securities.

Financial Calendar

Annual General Meeting	17 May 2013
Ex-dividend date	22 May 2013
Dividend payment	27 May 2013
Publication of 2013 Interim Results	12 September 2013

Contact: investor.relations@bkw-fmb.ch

Production Facts and Figures

	Energy portion[1]	Installed production, BKW portion	**2012** BKW purchases	2011 BKW purchases	Change versus 2011
	%	MW	GWh	GWh	%
Own power plants and Group companies					
Hydroelectric plants					
Aarberg	100.0	15.0	101.1	70.5	43.4
Bannwil	100.0	28.5	161.5	116.7	38.4
Kallnach	100.0	8.0	18.4	52.2	–64.8
Kandergrund	100.0	18.8	101.3	94.4	7.3
Mühleberg	100.0	45.0	174.3	129.0	35.1
Niederried-Radelfingen	100.0	15.0	102.9	64.3	60.0
Spiez	100.0	18.6	109.2	91.8	19.0
Simmentaler Kraftwerke AG	100.0	27.0	113.8	80.7	41.0
Elektrizitätswerk Grindelwald AG	100.0	1.5	6.3	5.4	16.7
EWR Energie AG (Schattenhalb 1)	100.0	4.5	10.7	6.7	59.7
Société des forces électriques de la Goule SA	100.0	5.3	27.8	16.7	66.5
Onyx Energie Produktion AG	100.0	20.0	97.0	71.3	36.0
Idroelettrica Lombarda S.r.l.	100.0	42.0	129.8	146.1	–11.2
BKW Hydro Valle d'Aosta S.r.l.	100.0	8.0	36.2	0.5	7,140.0
Total hydroelectric plants		**257.2**	**1,190.3**	**946.3**	**25.8**
Nuclear power plants					
Mühleberg	100.0	373.0	2,988.2	2,494.0	19.8
New renewable energy					
sol-E Suisse AG	100.0	19.8	52.2	45.9	13.7
Biomassekraftwerk Otelfingen AG	100.0	2.6	8.2	0.4	1,950.0
EWR Energie AG (Schattenhalb 3)	100.0	9.9	49.7	43.9	13.2
Kraftwerke Kander Alp AG	100.0	2.2	10.9	9.0	21.1
Kraftwerke Milibach AG	100.0	1.4	4.9	4.3	14.0
Bockelwitz wind farm	100.0	15.0	19.5	20.9	–6.7
BKW Holleben Wind GmbH	100.0	25.5	46.8	0.0	
BKW Bippen Wind GmbH	100.0	27.6	42.8	0.0	
BKW Dubener Platte Wind GmbH	100.0	40.0	71.0	72.8	–2.5
Wind Farm S.r.l.	100.0	41.4	59.4	27.2	118.4
Wind Farm Buglia S.r.l.	100.0	20.0	41.1	18.2	125.8
Wind International Italy S.r.l.	100.0	81.9	147.1	63.7	130.9
Volturino Wind S.r.l.[2]	100.0	25.2	13.6	0.0	
Total new renewable energy		**312.5**	**567.2**	**306.3**	**85.2**
Total own power plants and Group companies		**942.7**	**4,745.7**	**3,746.6**	**26.7**

[1] The energy portion may deviate from the capital shareholding due to special energy supply agreements.
[2] Production from 20 October 2012

	Energy portion[1]	Installed production, BKW portion	**2012 BKW purchases**	2011 BKW purchases	Change versus 2011
	%	MW	GWh	GWh	%
Holdings and purchasing rights					
Hydroelectric plants					
Bielersee Kraftwerke AG BIK	50.0	9.7	61.6	47.1	30.8
Officine idroelettriche di Blenio SA	12.0	49.3	89.4	112.9	–20.8
Electra-Massa AG	16.1	54.8	113.5	116.4	–2.5
Electricité de la Lienne SA	25.0	25.0	58.1	38.3	51.7
Engadiner Kraftwerke AG	29.7	128.0	430.6	401.8	7.2
Gommerkraftwerke AG	25.5	30.6	77.9	71.4	9.1
Grande Dixence SA	13.3	198.0	333.5	253.7	31.5
Kraftwerke Hinterrhein AG	7.6	50.0	108.4	115.2	–5.9
Kraftwerke Mattmark AG	11.1	26.4	79.3	62.5	26.9
Forces Motrices de Mauvoisin SA	19.5	77.2	217.8	187.5	16.2
Kraftwerke Oberhasli AG	50.0	551.0	947.1	863.7	9.7
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	20.0	13.8	44.9
Officine idroelettriche della Maggia SA	10.0	64.0	147.9	118.8	24.5
Aarewerke AG	10.0	4.0	23.0	17.2	33.7
Flumenthal	37.9	8.2	58.0	38.9	49.1
Société des Forces Motrices du Châtelot SA	11.7	4.4	6.4	0.0	
Total hydroelectric plants		**1,289.6**	**2,772.5**	**2,459.2**	**12.7**
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.7	171.0	1,158.9	1,394.5	–16.9
Cattenom	3.0	155.0	1,005.7	1,109.7	–9.4
Fessenheim	5.0	90.0	616.6	374.4	64.7
Total nuclear power plants		**416.0**	**2,781.2**	**2,878.6**	**–3.4**
New renewable energy					
Mont-Soleil solar power plant	100.0	0.5	0.5	0.7	–28.6
Thermal power plants					
E.ON Produzione Centrale Livorno Ferraris S.p.A.	25.0	200.0	455.7	703.0	–35.2
Tamarete Energia S.r.l.	48.0	50.0	19.3	0.0	
Total thermal power plants		**250.0**	**475.0**	**703.0**	**–32.4**
Unmanaged energy from financial interests		**19.4**	**36.5**	**75.9**	**–51.9**
Total holdings and purchasing rights		**1,975.5**	**6,065.7**	**6,117.4**	**–0.8**
Total production including purchases		**2,918.2**	**10,811.4**	**9,864.0**	**9.6**

[1] The energy portion may deviate from the capital shareholding due to special energy supply agreements.

Publisher/Editorial Office
Finance and Controlling BKW

Concept/Design
Eclat, Erlenbach ZH

Photography
Beat Schweizer, Berne

Translation
BKW Language Service

Printer
Jost Druck AG, Hünibach BE

This Annual Report contains statements that constitute expectations and forward-looking statements. Because these statements are subject to risks and uncertainties, actual future results may differ materially from those expressed or implied by the expectations and statements. This report is published in German, French and English. The German version is the authoritative version.

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climate neutral
Print | ID: 53460-1302-1001

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FSC® C011330

Klimaneutral +++ Climate Neutral
myclimate

This book was produced climate neutral to the environment.
Printed on FSC mix paper.

ISSN 1662-9620 KS13E2001

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