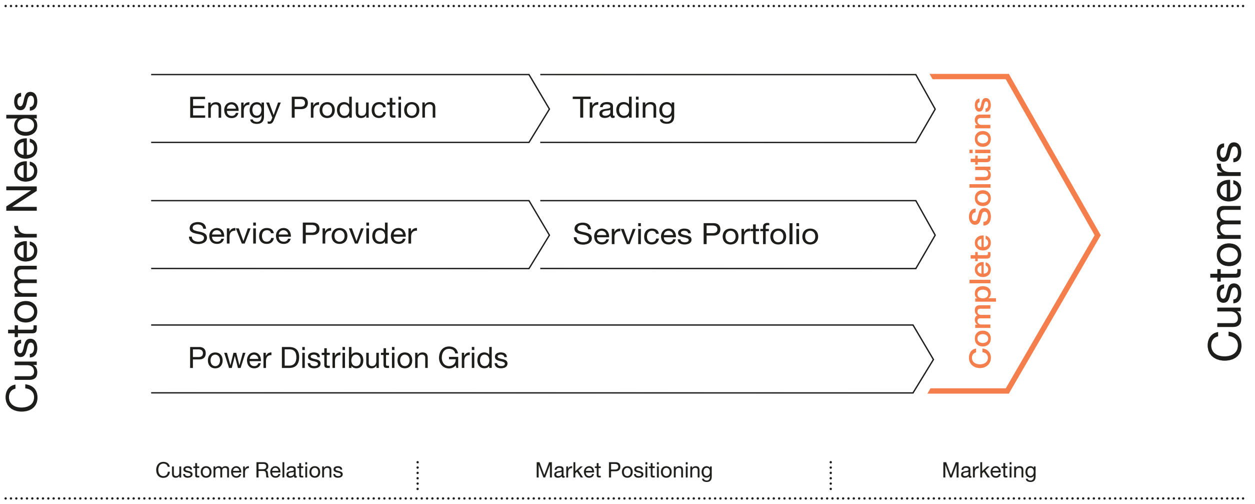
BKW

BKW Group
Financial Report 2013

The BKW Group is one of Switzerland's largest energy companies. It employs more than 3,000 people, with its partners supplies around one million people with electricity, and covers all stages of energy supply: from production and transport to trading and sales. In addition to pure energy supply, BKW develops, implements and operates comprehensive energy solutions for private and commercial customers, as well as for energy utility companies and local authorities. It is also committed to programmes focusing on research and development of innovative technologies to ensure a sustainable, secure energy supply.

All stages of the value chain under one roof



Facts & Figures 2013
BKW Group

Financials

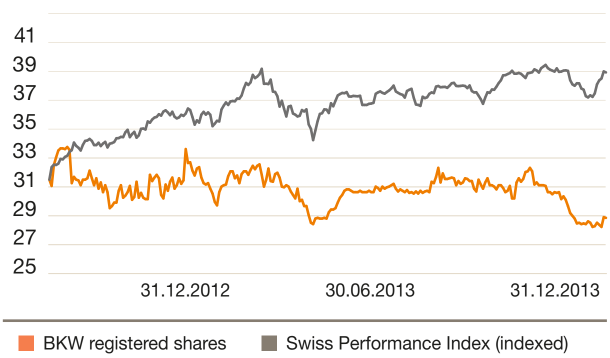
CHF millions	2013	2012 restated	2011	2010 restated	2009
Total operating revenue	2,733.7	2,859.8	2,632.8	2,788.1	3,592.6
Operating profit before depreciation, amortisation and impairment	292.8	451.9	138.1	474.1	501.6
Net profit/loss	–216.7	130.5	–66.2	228.3	298.5
Cash flow from operating activities	310.8	321.5	292.4	274.8	602.7
Purchase of property, plant and equipment	215.1	209.3	256.8	317.7	289.7
Balance sheet total	7,675.5	7,338.4	7,082.9	6,569.6	6,519.0
Shareholders’ equity	2,365.7	2,476.6	2,654.9	2,904.7	3,244.3
– as % of balance sheet total	30.8	33.7	37.5	44.2	49.8

Key figures per share

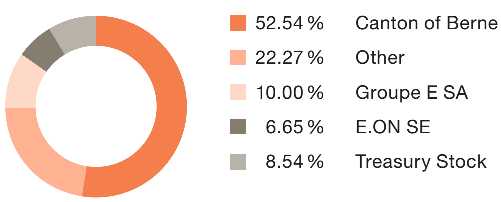
CHF	2013	2012 restated	2011	2010	2009
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
– Year-end price	28.65	31.40	36.45	70.70	80.50
– Year high	33.75	39.25	79.95	82.85	108.00
– Year low	28.00	28.80	28.00	62.90	63.35
Result per share (BKW shareholders’ portion)	–4.51	2.70	–1.43	4.54	5.74
Equity per share (BKW shareholders’ portion)	48.11	51.15	55.22	60.57	61.87
Market capitalisation in CHF millions	1,383.3	1,497.5	1,723.4	3,359.9	4,190.5

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 2009, however, leading to limited comparability.

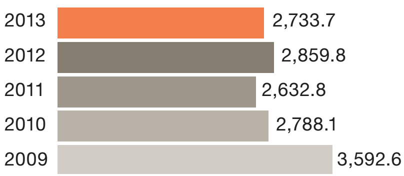
Performance of the BKW share 31.12.2012 – 31.12.2013



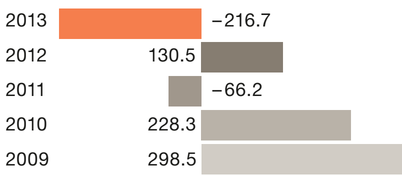
Shareholders



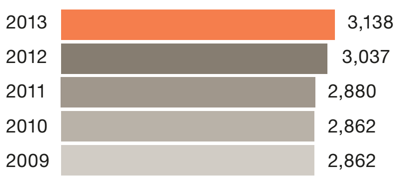
Total revenue
CHF million



Net profit/loss
CHF million



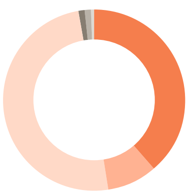
Number of employees
Full-time equivalents



Electricity business

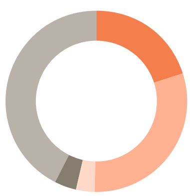
GWh	2013	2012	2011	2010 restated	2009
Sales					
Electricity sales Switzerland	7,536	7,465	8,186	8,153	8,075
Electricity sales International	1,762	1,696	1,630	1,838	5,768
Electricity trading	9,637	10,384	10,332	11,838	12,638
Pump/substitution energy	240	260	295	331	509
Transmission losses/own consumption	196	199	202	236	265
Direct sales from financial interests	30	36	76	111	55
Total	**19,401**	**20,040**	**20,721**	**22,507**	**27,310**
Generation and purchases (incl. financial interests)					
Hydroelectric plants	3,912	3,963	3,406	3,743	4,052
Nuclear power plants incl. purchase contracts	5,833	5,769	5,373	5,921	5,784
Fossil-fuel power plants	679	475	703	700	648
New renewable energy	756	604	383	188	94
Trade (purchases) and energy buy-backs	8,221	9,229	10,856	11,955	16,732
Total	**19,401**	**20,040**	**20,721**	**22,507**	**27,310**

Sales 2013



- 38.8 % Electricity sales Switzerland
- 9.1 % Electricity sales International
- 49.7 % Electricity trading
- 1.2 % Pump/substitution energy
- 1.0 % Transmission losses/own consumption
- 0.2 % Direct sales from financial interests

Generation and purchases 2013



- 20.2 % Hydroelectric plants
- 30.1 % Nuclear power plants incl. purchase contracts
- 3.5 % Fossil-fuel power plants
- 3.9 % New renewable energy
- 42.3 % Trade (purchases) and energy buy-backs

Contents
Financial Report 2013

Cover photo: Switzerland's largest wind farm on Mont-Crosin

BKW company Juvent SA carried out the first ever repowering of a wind farm in Switzerland in autumn 2013. It replaced the four oldest turbines, increasing generating capacity by 40%.

Financial result
A solid operating performance – high level of impairments and provisions needed

In what was an exceptionally challenging economic and regulatory environment, BKW Group[1] achieved a very good operating profit for the past financial year. Contributory factors included in particular higher production volumes, largely hedged energy prices and stable networks business. The result was, however, also marked by a high level of one-off charges on production facilities, with the result that a loss was recorded for the 2013 financial year.

BKW achieved a strong operating profit in the past financial year. However, owing to distortions in the electricity market, significant provisions and impairments for production facilities had to be recorded in the annual accounts. As a result, the 2013 operating profit before depreciation and impairments (EBITDA) was CHF 292.8 million, while operating profit including income from associates (EBIT) was CHF –171.6 million. After adjusting for one-off charges, EBITDA amounted to CHF 487.5 million and EBIT was CHF 316.9 million. The financial result was down on the previous year, with a corresponding effect on the annual result. With regard to income taxes, the change to the Robin Hood tax adopted in Italy and applicable to companies in the energy sector resulted in a higher one-off deferred tax expense. The net loss reported for the 2013 financial year was CHF –216.7 million. After adjusting for the one-off charges resulting from impairment testing of production facilities, BKW recorded a net profit of CHF 166.4 million.

Onerous one-off impairments and provisions

The environment and general conditions on the energy market remain exceptionally demanding, affecting BKW's income situation both now and in the future. As part of its year-end activities, BKW conducted impairment testing of its production facilities and investments in production plants, as well as of the related energy procurement contracts. On the basis of an assessment of future market conditions, significant one-off provisions for onerous energy procurement contracts and one-off impairment charges for production facilities were made both in Switzerland and abroad. The facilities affected are primarily newer installations, and are not limited to any specific technology or location. The correction totalled CHF 488.5 million. Of this amount, CHF 194.7 million was concerned with provisions for onerous energy procurement contracts, and was therefore recorded as an energy procurement expense. CHF 293.8 million related to impairment charges, and was therefore included in depreciation. Adjusted for these one-off charges, EBITDA ended the year 7.8 % down on the adjusted figure for the previous year, at CHF 487.5 million. At CHF 316.9 million, adjusted net profit (EBIT) was CHF 7.1 million lower year-on-year. After taking taxation into account, the adjusted net profit was CHF 166.4 million (down 17.0 % compared with the previous year's adjusted figure).

[1] The BKW Group comprises BKW Inc. and its Group companies. For easier reading, these are all referred to in the following report as "BKW". Where the text relates specifically to BKW Inc. or BKW Energy Ltd., this is expressly mentioned.

Reconciliation of reported to adjusted result

CHF millions	2013 reported	2013 adjustments	**2013 adjusted**	2012 reported	2012 adjustments	2012 adjusted	% change adjusted
Total operating revenue	2,733.7	–	2,733.7	2,859.8		2,859.8	−4.4 %
Total operating expenses	−2,440.9	194.7	−2,246.2	−2,407.9	76.8	−2,331.1	−3.6 %
Operating profit before depreciation, amortisation and impairment	**292.8**	**194.7**	**487.5**	**451.9**	**76.8**	**528.7**	**−7.8 %**
Depreciation, amortisation and impairment	−494.4	293.8	−200.6	−233.0	35.4	−197.6	1.5 %
Income from associates	30.0	–	30.0	−7.1		−7.1	–
Operating profit/loss	**−171.6**	**488.5**	**316.9**	**211.8**	**112.2**	**324.0**	**−2.2 %**
Financial result	−64.2	–	−64.2	−50.1		−50.1	28.1 %
Profit/loss before income taxes	**−235.8**	**488.5**	**252.7**	**161.7**	**112.2**	**273.9**	**−7.7 %**
Income taxes	19.1	−105.4	−86.3	−31.2	−42.2	−73.4	17.6 %
Net profit/loss	**−216.7**	**383.1**	**166.4**	**130.5**	**70.0**	**200.5**	**−17.0 %**

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). A number of changes were made to IFRS in the 2013 financial year, leading to adjustments in the previous year's figures:

– Application of IFRS 11 Joint Arrangements resulted in two holdings that had previously been recorded using the equity method now being proportionately consolidated, and therefore recognised in the consolidated financial statements according to their share of assets and liabilities and their share of income and expenses. This change affects the operating result, but not the annual result.

– The revised IAS 19 Employee Benefits contains a number of significant new alterations that result in increased volatility of pension plan assets and obligations, and of consolidated equity. As a result, equity capital at 31 December 2012 was reduced by CHF 246.8 million. Instead of reporting the credit from pension surpluses, a new employee pension plan obligation has been reported.

In addition, the accounting policies for emissions rights and green certificates have been changed: These certificates are no longer reported as intangible assets, but are recognised as inventories. The change to the accounting policies relates only to the reporting of certificates, and not to their valuation.

In respect of the successful implementation of its new corporate strategy, BKW adjusted its Group and organisational structure with effect from 1 July 2013. In the context of this adjustment, segment reporting is now done for the four business segments Production, Renewables & Efficiency, Markets and Networks. In accordance with the internal performance measurement, the 'operating result' indicator now also includes income from associates. In addition, the refocusing on the services business has resulted in changes to the reporting of revenue strands within the total operating revenue.

Various revenue items that had previously been summarised within other operating income are now allocated to net revenue. This does not affect the total amount reported for total operating revenue.

The following major changes occurred within the BKW Group of consolidated companies during the reporting year: In Italy, BKW acquired the Green Castellaneta S.p.A. wind farm and the company CHI.NA.CO S.r.l., which has five small-scale hydro power plants. In addition, a majority shareholding was acquired in Tamarete Energia S.r.l. (now 60 %). The transmission grid has been sold to Swissgrid as planned.

Falling total operating revenue, expansion of Services business

Total operating revenue was 4.4 % lower in 2013 than in the previous year, at CHF 2,733.7 million. Net revenue from external customers totalled CHF 2,567.0 million, of which CHF 1,962.7 million is attributable to Energy (–6.1 % compared with 2012), CHF 406.6 million to Networks (–14.6 %) and CHF 197.7 million to Services (+12.4 %). Energy consists in particular of the sale of energy products, the delivery of electricity through trading, income from proprietary energy trading and energy hedging, and other energy-related business. Networks includes charges for the use of the BKW distribution network, while Services comprises, in particular, comprehensive services in relation to energy efficiency and smart energy, and construction and engineering services for network construction and electrical installation.

Production: Increased generation volumes, but significantly lower market prices

The Production segment operates and maintains the Group's own large power plants, as well as small hydro power plants. Alongside the Mühleberg nuclear power plant and hydro plants in Switzerland and abroad, the power plant portfolio also includes fossil-fuel thermal power plants in Italy and Germany. The Production division draws up projects and designs for new plants and expansion of existing power plants.

CHF millions	2013 adjusted	2012 adjusted	% change
Electricity sales	1,117.0	1,112.6	0.4 %
Income from other energy business	34.1	27.2	25.4 %
Income from services	11.5	17.2	−33.1 %
Other operating income and own work capitalised	40.6	31.3	29.7 %
Total operating revenue	**1,203.2**	**1,188.3**	**1.3 %**
Electricity procurement	−552.8	−488.9	13.1 %
Material and third-party services	−114.4	−88.3	29.6 %
Personnel expenses	−80.8	−79.6	1.5 %
Other operating expenses	−110.3	−99.8	10.5 %
Total operating expenses	**−858.3**	**−756.6**	**13.4 %**
Operating profit before depreciation, amortisation and impairment	**344.9**	**431.7**	**−20.1 %**
Depreciation, amortisation and impairment	−66.4	−72.5	−8.4 %
Income from associates	20.4	−9.7	
Operating profit/loss	**298.9**	**349.5**	**−14.5 %**

The Production segment slightly improved its total operating revenue by 1.3 % to CHF 1,203.2 million. Sales of electricity increased marginally by CHF 4.4 million to CHF 1,117.0 million. Alongside the good availability of the nuclear power plants, production was improved at fossil-fuel thermal power plants in particular. At hydro power plants, production fell compared with the previous year, owing to reduced inflow. Electricity procurement includes a diminishing special item of CHF 17.0 million in relation to a decision of the federal court on the reimbursement of costs for system services in 2009 and 2010 by Swissgrid AG. The adjusted operating profit fell by 14.5 % to CHF 298.9 million. Increased production volumes and cost reductions were only partially able to offset the effects of significantly lower internal transfer prices for energy and higher production costs at power plants.

Renewables & Efficiency: Continued expansion of production from new renewable energy sources and the services business

The Renewables & Efficiency segment covers production from new renewable energy sources, in particular wind power. It also provides comprehensive energy services relating to energy efficiency, smart energy and electrical installation.

CHF millions	2013 adjusted	2012	% change
Electricity sales	53.9	53.4	0.9 %
Income from other energy business	56.2	35.7	57.4 %
Income from services	64.9	58.7	10.6 %
Other operating income and own work capitalised	14.4	11.3	27.4 %
Total operating revenue	**189.4**	**159.1**	**19.0 %**
Material and third-party services	–62.7	–41.8	50.0 %
Personnel expenses	–42.0	–40.3	4.2 %
Other operating expenses	–42.5	–31.5	34.9 %
Total operating expenses	**–147.2**	**–113.6**	**29.6 %**
Operating profit before depreciation, amortisation and impairment	**42.2**	**45.5**	**–7.3 %**
Depreciation, amortisation and impairment	–46.8	–39.6	18.2 %
Income from associates	–0.5	0.7	
Operating profit/loss	**–5.1**	**6.6**	

The total operating revenue of the Renewables & Efficiency segment in 2013 rose by CHF 30.3 million to CHF 189.4 million. Revenue from services, which increased by 10.6 % to CHF 64.9 million, contributed to this improvement. Partnership in the realisation of photovoltaic installations also helped to generate growth in the services revenue. At CHF 53.9 million, sale of electricity remained at the level of the previous year. The effects of additional production resulting from the acquisition of wind farms were neutralised by less amenable wind conditions in Germany and low prices for electricity in Italy. Income from other energy business comprised income from ecological added value, in particular. Operating expenses in the reporting year were impacted by set-up costs for the services and innovation areas. At CHF –5.1 million, adjusted operating profit was CHF 11.7 million lower year-on-year.

Market: Challenging market environment once again impacts on result

The Market segment comprises BKW's sales and trading activities. It covers sales of energy in Switzerland and Italy, as well as trading in electricity, gas, certificates, coal and oil, and development and management of the BKW portfolio of products and services.

CHF millions	2013 adjusted	2012	% change
Electricity sales Switzerland	647.8	658.1	–1.6 %
Electricity sales international	154.0	187.1	–17.7 %
Electricity trading	1,018.7	1,060.4	–3.9 %
Income from other energy business	199.3	207.3	–3.9 %
Income from services	0.1	2.0	–95.0 %
Income from proprietary energy trading	12.1	15.1	–19.9 %
Income from energy hedging	23.6	6.0	293.3 %
Other operating income	62.5	54.7	14.3 %
Total operating revenue	**2,118.1**	**2,190.7**	**–3.3 %**
Electricity procurement	–1,818.5	–1,969.4	–7.7 %
Expense from other energy business	–228.8	–208.1	9.9 %
Material and third-party services	–21.4	–37.3	–42.6 %
Personnel expenses	–49.1	–50.5	–2.8 %
Other operating expenses	–62.8	–56.6	11.0 %
Total operating expenses	**–2,180.6**	**–2,321.9**	**–6.1 %**
Operating profit before depreciation, amortisation and impairment	**–62.5**	**–131.2**	**–52.4 %**
Depreciation, amortisation and impairment	–3.0	–1.9	57.9 %
Income from associates	5.7	0.1	
Operating profit/loss	**–59.8**	**–133.0**	

The Market segment recorded total operating revenue of CHF 2,118.1 million, which represents a small year-on-year drop of 3.3 %. The sale of electricity in Switzerland fell by 1.6 % to CHF 647.8 million due to decreased prices. The slight increase in sales volumes was not able to compensate for lower average sales prices. Volumes also increased in international sales, but significantly lower prices had a negative effect here, too. Sales of electricity fell accordingly by CHF 33.1 million to CHF 154 million. Electricity trading also decreased slightly due to market conditions, dropping by 3.9 % to CHF 1,018.7 million. Income from proprietary energy trading fell down by CHF 3.0 million at the end of the year due to the negative price performance, while income from energy hedging, at CHF 23.6 million, was CHF 17.6 million up compared with the previous year's figure.

Adjusted operating profit, at CHF –59.8 million, rose significantly by CHF 73.2 million compared with the previous year, Nevertheless, owing to the price difference between internal procurement prices from the Production segment and the sales prices offered to energy customers, it remains negative.

Networks: Increased income from services and also higher operating profit

The Networks segment builds, operates and maintains the Group's own distribution network and provides energy services for the creation and maintenance of electricity and telecommunications networks as well as traffic infrastructure facilities.

CHF millions	2013	2012	% change
Distribution grid usage fees	391.9	394.3	−0.6 %
Income from services	130.5	107.1	21.8 %
Income from other energy business	10.4	68.4	−84.8 %
Other operating income and own work capitalised	94.1	54.7	72.0 %
Total operating revenue	**626.9**	**624.5**	**0.4 %**
Material and third-party services	−92.9	−116.2	−20.1 %
Personnel expenses	−135.5	−125.5	8.0 %
Other operating expenses	−168.8	−173.5	−2.7 %
Total operating expenses	**−397.2**	**−415.2**	**−4.3 %**
Operating profit before depreciation, amortisation and impairment	**229.7**	**209.3**	**9.7 %**
Depreciation, amortisation and impairment	−75.0	−73.1	2.6 %
Income from associates	4.4	1.8	
Operating profit/loss	**159.1**	**138.0**	**15.3 %**

During the year under review, the Networks segment stabilised its total operating revenue at CHF 626.9 million (+0.4 % compared with the previous year). Distribution grid usage fees were comparable to the previous year. Income from services rose considerably, up by 21.8 % to CHF 130.5 million, in conjunction with orders relating to the maintenance of the transmission grid which had been sold off. At the same time, there was a fall in income from usage of the transmission grid that had been included in other energy business in the previous year. Operating expenditure fell by CHF 18.0 million overall despite continued expansion of the workforce in the services business. The decrease is a result of lower grid usage costs for the transmission grid and also due to cost savings. Operating profit rose by CHF 21.1 million to CHF 159.1 million. This increase is primarily due to the CHF 31.3 million surplus from the disposal of the transmission grid to Swissgrid that is included in other operating revenue, as well as to the reimbursement of system services costs for 2009 in the amount of CHF 12.2 million, reducing expenses for material and third-party services. In 2012, coverage differences from 2011 and 2012 on the transmission grid amounting to CHF 17 million were carried in the income statement, with regard to which Swissgrid compensated BKW following the transfer of the grid.

Strong adjusted operating profit and one-off tax charge

The adjusted energy procurement expense over all business segments during the reporting year was CHF 1,402.9 million (2012: CHF 1,531.7 million). This equates to a year-on-year decrease of 8.4 %. The fall was caused by lower procurement volumes, and was also positively affected by the one-off effect of reimbursement of costs paid to partner plants in respect of system services provided.

Employee expenses rose by CHF 21.4 million to CHF 382.5 million. The increase is due to the expansion in the workforce in respect of services, carried out in line with strategy. At the same time, new accounting policies relating to pension plans led to increased expenditure. Personnel measures in conjunction with the cost reduction programme had the effect of mitigating the increase in employee expenses. Expenses for material and third-party services increased by CHF 10.1 million to CHF 211.3 million, owing, in particular, to higher costs of operation and maintenance of power plants. Other operating expenses also rose by CHF 12.4 million to CHF 249.5 million, primarily because of higher charges, levies and other taxes, and because of one-off expenses in relation to the changes to the organisational structure.

The adjusted depreciation expenses were CHF 3.0 million higher year on year at CHF 200.6 million. This increase can be largely attributed to an increased portfolio of power plants following acquisitions and completion of construction projects. The adjusted operating profit fell slightly by CHF 7.1 million to CHF 316.9 million. The Energy business and the Networks and Services businesses achieved a positive adjusted operating profit, despite a continuing challenging environment.

The financial result was down, year on year. The reduction of CHF 14.1 million to CHF –64.2 million is first due to the weaker performance of the capital market compared to the previous year. This had corresponding effects on the return on securities recognised at market value in the decommissioning and disposal funds, and on securities custody accounts. In the 2013 reporting year the state funds achieved a surplus of CHF 51.1 million, which was nevertheless around CHF 7.3 million lower than the very strong surplus of the previous year. Second, interest expense relating to debt financing rose by CHF 7.9 million, while the interest expense on provisions increased by CHF 4.8 million. The adjusted income tax expense recorded a significant hike of CHF 12.9 million to CHF 86.3 million, owing in part to a one-off factor. This arose as a result of the change in taxation for Italian energy-sector businesses (the Robin Hood Tax). The change in legislation passed in Italy required an adjustment of CHF 26.1 million to be made in respect of deferred tax liabilities on 30 June 2013. The adjusted net profit of BKW fell by CHF 34.1 million in comparison with the 2012 adjusted figure, to CHF 166.4 million.

Equity and financing situation remains sound

Compared with adjusted 2012 figures, the balance sheet total rose significantly by CHF 337.1 to CHF 7,675.5 million. This represents an increase of 4.6 % compared with the situation at the end of 2012. Fixed assets grew by 8.9 % in particular owing to the acquisition of production plants, further investment in the completion of the Wilhelmshaven power plant, as well as the increase in value of the state decommissioning and disposal funds and a rise in loans to associates. On the liabilities side, exceptional provisions for onerous energy procurement contracts rose in particular, as did the provisions for disposal of nuclear waste, while employee pension obligations according to IAS 19 fell significantly. Compared with the situation at the end of 2012, equity capital declined by 4.5 % to CHF 2,365.7 million. The equity ratio dipped accordingly from 33.7 % to 30.8 %.

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. During the reporting year, BKW also successfully completed a EUR 150 million registered bond issue to run for 20 years. This placement secures BKW matched-currency funding for foreign investments.

Solid cash inflow from operating activities, significant investment activities

Cash inflow from operating activities remained solid in 2013, at CHF 310.8 million (2012: CHF 321.5 million). It was therefore only slightly below the previous year's value, despite the reported net loss. A major reason in this is that the exceptional impairments and provisions recorded during the year under review are non-cash items.

Investments in property, plant and equipment, Group companies and associated companies resulted in a cash outflow of CHF 488.6 million (2012: CHF 270.7 million). These investments related in particular to the acquisition and construction of production plants, and to the expansion of the distribution network. Overall, cash outflow for investment activity amounted to CHF 532.1 million.

Owing in major part to the placement of the registered bond, cash inflow from financing activity was CHF 118.7 million (2012: CHF 41.0 million).

Cash and cash equivalents fell by CHF 102.4 million to CHF 496.8 million.

Dividends

The Annual General Meeting of 9 May 2014 will be asked to approve a dividend of CHF 1.20 per share, which equates to a dividend yield of 4.2 % (based on the year-end share price). The proposed dividend is based on the CHF 166.4 million net profit for the year adjusted for non-cash exceptional impairment charges and provisions for production facilities. 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. Coupled with regulatory requirements and a persistently strong Swiss franc, this will also affect the operating result for 2014. Stable networks business, production volumes that have been largely hedged for some time now and the ongoing expansion of the services business lead BKW to expect its operating profit and net profit to remain in line with the adjusted figures for the 2013 financial year, subject to any impairments.

Consolidated Financial Statements of the BKW Group

Consolidated Income Statement

CHF millions	Note	2013	2012 (restated)
Net sales	9	2,567.0	2,742.6
Own work capitalised		45.3	49.8
Other operating income		121.4	67.4
Total operating revenue		**2,733.7**	**2,859.8**
Energy procurement	11	–1,597.6	–1,608.5
Material and third-party services		–211.3	–201.2
Personnel expenses	12	–382.5	–361.1
Other operating expenses	13	–249.5	–237.1
Total operating expenses		**–2,440.9**	**–2,407.9**
Operating profit before depreciation, amortisation and impairment		**292.8**	**451.9**
Depreciation, amortisation and impairment	14	–494.4	–233.0
Operating profit before income from associates		**–201.6**	**218.9**
Income from associates	19	30.0	–7.1
Operating profit/loss		**–171.6**	**211.8**
Financial income	15	76.9	75.9
Financial expenses	15	–141.1	–126.0
Profit/loss before income taxes		**–235.8**	**161.7**
Income taxes	16	19.1	–31.2
Net loss/profit		**–216.7**	**130.5**
attributable to:			
– BKW shareholders		–216.7	128.4
– Non-controlling interests		0.0	2.1
Result per share in CHF (diluted and undiluted)	17	–4.51	2.70

Consolidated Financial Statements of the BKW Group

Consolidated Statement of Comprehensive Income

CHF millions	2013	2012 (restated)
Net loss/profit	**–216.7**	**130.5**
Actuarial gains/losses (Group companies)		
– Actuarial gains/losses	135.0	44.7
– Income taxes	–29.7	–9.8
Actuarial gains/losses (associates)		
– Actuarial gains/losses	19.1	0.6
– Income taxes	–1.5	–0.1
Total items that will not be reclassified to income statement, net of tax	**122.9**	**35.4**
Currency translations		
– Currency translations	12.6	–8.1
– Transfer to the income statement	0.7	1.4
– Income taxes	0.0	0.1
Available-for-sale financial assets		
– Value adjustments	–2.3	–28.3
– Transfer to the income statement	0.7	0.0
– Income taxes	0.3	3.6
Hedging transactions		
– Value adjustments	0.5	–0.8
– Transfer to the income statement	0.0	3.3
– Income taxes	–0.2	–0.6
Total items that may be reclassified to income statement, net of tax	**12.3**	**–29.4**
Other comprehensive income	**135.2**	**6.0**
Comprehensive income	**–81.5**	**136.5**
attributable to:		
– BKW shareholders	–81.5	134.4
– Non-controlling interests	0.0	2.1

Consolidated Financial Statements of the BKW Group

Consolidated Balance Sheet

CHF millions	Note	31.12.2013	31.12.2012 (restated)	01.01.2012 (restated)
Assets				
Property, plant and equipment	18	2,985.2	2,822.0	2,871.9
Shareholdings in associates	19	1,187.3	1,006.0	991.7
Derivatives	31	58.2	72.0	32.6
Non-current financial assets	20	1,153.0	991.6	911.0
Intangible assets	21	164.7	224.1	211.0
Deferred tax assets	16	42.5	16.9	8.6
Total non-current assets		**5,590.9**	**5,132.6**	**5,026.8**
Inventories	22	133.5	104.4	74.3
Accounts receivable	24	773.7	661.7	607.9
Current tax receivable		9.1	8.9	38.3
Derivatives	31	105.2	155.0	75.6
Current financial assets	20	300.5	234.0	209.9
Prepaid expenses and accrued income	23	265.8	157.4	176.3
Cash and cash equivalents	35	496.8	599.2	526.8
Total current assets		**2,084.6**	**1,920.6**	**1,709.1**
Assets held for sale	8	0.0	285.2	254.8
Total assets		**7,675.5**	**7,338.4**	**6,990.7**
Shareholders' equity and liabilities				
Share capital	25	132.0	132.0	131.1
Capital reserves		35.0	35.0	35.0
Retained earnings		2,467.0	2,759.8	2,663.5
Other reserves	25	8.2	−127.0	−133.0
Treasury shares	25	−319.2	−360.6	−363.7
Equity attributable to BKW shareholders		**2,323.0**	**2,439.2**	**2,332.9**
Equity attributable to non-controlling interests		42.7	37.4	43.9
Total shareholders' equity		**2,365.7**	**2,476.6**	**2,376.8**
Non-current provisions	26	2,045.9	1,835.9	1,692.6
Non-current financial liabilities	27	1,563.3	1,351.7	1,245.9
Deferred tax liabilities	16	470.4	420.3	424.4
Pension liability	30	52.9	177.3	215.6
Derivatives	31	33.0	39.4	33.3
Other non-current liabilities	28	230.8	211.2	193.2
Total non-current liabilities		**4,396.3**	**4,035.8**	**3,805.0**
Other current liabilities	29	567.8	409.0	409.2
Current provisions	26	62.3	39.4	36.1
Current financial liabilities	27	26.7	24.3	46.5
Current tax liabilities		13.4	23.6	29.0
Derivatives	31	85.2	157.2	99.4
Deferred income and accrued expenses	23	158.1	122.7	147.9
Total current liabilities		**913.5**	**776.2**	**768.1**
Liabilities held for sale	8	0.0	49.8	40.8
Total liabilities		**5,309.8**	**4,861.8**	**4,613.9**
Total shareholders' equity and liabilities		**7,675.5**	**7,338.4**	**6,990.7**

Consolidated Financial Statements of the BKW Group

Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
Equity at 31.12.2011 (reported)	131.1	35.0	2,941.6	–363.7	–133.0	2,611.0	43.9	2,654.9
Changes in accounting principles			–278.1			–278.1		–278.1
Equity at 31.12.2011 (restated)	**131.1**	**35.0**	**2,663.5**	**–363.7**	**–133.0**	**2,332.9**	**43.9**	**2,376.8**
Net profit (restated)			128.4			128.4	2.1	130.5
Other comprehensive income (restated)					6.0	6.0		6.0
Comprehensive income (restated)			**128.4**		**6.0**	**134.4**	**2.1**	**136.5**
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
Changes in the scope of consolidation			–0.7			–0.7	2.2	1.5
Contribution to equity from non-controlling interests						0.0	12.5	12.5
Equity at 31.12.2012 (restated)	**132.0**	**35.0**	**2,759.8**	**–360.6**	**–127.0**	**2,439.2**	**37.4**	**2,476.6**
Net loss			–216.7			–216.7		–216.7
Other comprehensive income					135.2	135.2		135.2
Comprehensive income			**–216.7**		**135.2**	**–81.5**	**0.0**	**–81.5**
Dividend			–57.6			–57.6	–0.9	–58.5
Transactions in treasury shares			–19.1	41.4		22.3		22.3
Share-based payments			0.7			0.7		0.7
Acquisition of non-controlling interests			–0.1			–0.1	0.1	0.0
Changes in the scope of consolidation						0.0	3.7	3.7
Contribution to equity from non-controlling interests						0.0	2.4	2.4
Equity at 31.12.2013	**132.0**	**35.0**	**2,467.0**	**–319.2**	**8.2**	**2,323.0**	**42.7**	**2,365.7**

[1] Due to the squeeze-out of BKW Energy Ltd. shares not exchanged for BKW Inc. shares (see Note 25).

Consolidated Financial Statements of the BKW Group

Consolidated Cash Flow Statement

CHF millions	Note	2013	2012 (restated)
Loss/profit before income taxes		−235.8	161.7
Adjustment for:			
– Depreciation, amortisation and impairment	14	494.4	233.0
– Income from associates	19	−30.0	7.1
– Financial result	15	64.2	50.1
– Gains/losses from sale of non-current assets		−35.4	−1.2
– Change in non-current provisions (excl. interest)		124.5	50.0
– Change in assigned rights of use		−9.9	−9.5
– Change from the valuation of energy derivatives		−19.9	−49.9
– Other non-cash positions		12.5	5.0
Change in net current assets (excl. financial assets/liabilities and derivatives)		−19.6	−71.7
Income taxes paid		−32.7	−49.8
Other financial items paid		−1.5	−3.3
Cash flow from operating activities		**310.8**	**321.5**
Purchase of property, plant and equipment	18	−215.1	−209.3
Proceeds from disposal of property, plant and equipment		15.5	20.1
Acquisition of Group companies	7/35	−198.8	−1.2
Disposal of Group companies		79.5	0.6
Investments in associates	19	−74.7	−60.2
Proceeds from sale of associates		0.8	4.8
Investments in current and non-current financial assets		−174.0	−111.3
Disposals of current and non-current financial assets		22.5	40.2
Purchase of intangible assets	21	−22.2	−12.4
Interest received		9.8	8.3
Dividends received		24.6	30.7
Cash flow from investing activities		**−532.1**	**−289.7**
Sale/purchase of treasury shares	25	16.0	0.8
Acquisition of non-controlling interests		0.0	−3.0
Contribution to capital from non-controlling interests		0.3	12.5
Increase in current and non-current financial liabilities		199.1	146.9
Decrease in current and non-current financial liabilities		−28.7	−67.1
Increase in other long-term liabilities		30.7	37.8
Decrease in other long-term liabilities		−1.5	−5.6
Interest paid		−38.7	−33.0
Dividends paid		−58.5	−48.3
Cash flow from financing activities		**118.7**	**41.0**
Translation adjustments on cash and cash equivalents		0.2	−0.4
Net change in cash and cash equivalents		**−102.4**	**72.4**
Cash and cash equivalents at start of reporting period		**599.2**	**526.8**
Cash and cash equivalents at end of reporting period	35	**496.8**	**599.2**

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

1 DESCRIPTION OF BUSINESS

BKW Inc., Berne (CH) and its Group companies are a leading energy provider in Switzerland, and deliver 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 production, through transport and trading, to the sale of energy. In addition to pure energy supply, BKW develops, implements and operates comprehensive energy solutions for private and commercial customers, as well as for energy utility companies and local authorities.

2 ACCOUNTING PRINCIPLES

2.1 GENERAL PRINCIPLES

The consolidated financial statements have been prepared in accordance with the 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 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 2013 FINANCIAL YEAR

BKW is required to adopt the following new and amended standards for the first time in the 2013 financial year:
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- Amendment to IAS 1 – Presentation of Financial Statements
- Amendment to IAS 19 – Employee Benefits
- Amendment to IAS 28 – Investments in Associates and Joint Ventures
- Amendments to IFRS 7 – Financial Instruments: Disclosures
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Annual Improvements to IFRSs 2009–2011 Cycle
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

With the exception of the application of IFRS 11 and the amendment to IAS 19, the changes have no effect on the financial position, results of operations or cash flows of BKW. The changes have been applied retrospectively in accordance with IAS 8. Explanations are provided in Note 6. The effects on the balance sheet and income statement are also shown in tables. As the effects on the cash flow statement are not material, no detailed reconciliation accounts have been prepared.

The figures for 2012 in the Notes have been adjusted accordingly.

The application of IFRS 12 results in changed and new disclosure obligations in relation to interests in subsidiaries, joint arrangements and associates.

2.3 FUTURE ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

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 come into force (entry into force for financial years beginning on or after the dates in brackets).
- IFRS 9 – Financial Instruments (to be confirmed)
- IFRIC 21 – Levies (1 January 2014)
- Amendments to IFRS 32 – Financial Instruments: Presentation (1 January 2014)
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014)
- Amendments to IFRS 9, IFRS 7 and IAS 39 – Hedge Accounting (to be confirmed)
- Amendments to IAS 19 – Employee Benefits entitled Defined Benefit Plans: Employee Contributions (1 July 2014)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

BKW is currently examining the possible effects of applying these new or changed standards and interpretations. As things stand at present, these changes are not expected to have any significant impact on the financial position, results of operations and cash flows of BKW.

3 CONSOLIDATION

3.1 CONSOLIDATION PRINCIPLES

The consolidation is based on the closing statements of the individual Group companies drawn up according to Group-wide principles of valuation and presentation. Inter-company balances, transactions, profits and expenditures are eliminated in full.

The closing date is 31 December for all Group companies. The closing date for some associates and one joint arrangement differs from that of BKW since these companies close their accounts on 30 September in line with the hydrological year. The closing date for these companies for consolidation purposes has been fixed at 30 September. Adjustments are made for any material transactions falling between the closing date of these companies and that of BKW.

3.2 SCOPE OF CONSOLIDATION

Group companies

Group companies are included in the consolidated financial statements in full. 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. Inter-company income and expenditure as well as inter-company assets and liabilities are eliminated on consolidation. Profits on inter-company supplies of goods and services that have not yet been realised from sales to third parties are eliminated. There are no material restrictions on the transfer of funds from subsidiaries to the parent company.

Joint arrangements

Companies in which there is joint control are treated as joint ventures or joint operations. Joint control is determined by the existence of a contractually agreed unanimity. If no such contractual agreement is in place, it is possible that joint control may also occur indirectly on the basis of the complete set of contractual agreements and their application in the individual case. Joint operations are included in the consolidated financial statements in proportion to their share of assets and liabilities, and revenues and expenses; joint ventures are accounted for using the equity method.

Associates

Investments in companies in which BKW is able to exercise significant influence but not overall control are classified as associates and accounted for using the equity method. Significant influence is generally deemed to be a share of voting rights of between 20 % and 50 %. In some circumstances, contractually agreed rights may mean that a share of voting rights of less than 20 % represents significant influence. This is the case in particular for partner plants.

Partner plants are companies that build and operate power stations or manage energy purchase rights, and plan nuclear storage facilities. The energy produced by these companies is purchased at production cost in accordance with contractual agreements. The partner plants are assigned to the Production segment.

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. Attributable goodwill and accumulated foreign currency translation differences and value fluctuations for financial instruments charged to other comprehensive income are derecognised in income as a component of 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.

	Closing date 31.12.2013	Closing date 31.12.2012	**Average 2013**	Average 2012
CHF/EUR	1.2262	1.2090	1.2302	1.2054

Goodwill and adjustments made in the course of the purchase price allocation to the fair value 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 arrangements 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. Sales arising from production contracts are posted according to the Percentage of Completion (POC) method. The proportion of income is recorded according to the percentage of completion of the order.

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 procurement 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 the 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 extinguished.

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 liabilities 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), to hedge exposure to variability in cash flows (cash flow hedge) and to hedge net investments (net investment hedge) in a foreign business operation. This is done in accordance with the existing guidelines governing the 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 (qualifying 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 are used to hedge cash flows (qualifying as cash flow hedges) or to hedge net investments in a foreign business operation (qualifying as net investment 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 based on the useful life of the objects. The useful life and indications of impairment are reviewed annually. Impairments in respect of property, plant and equipment are determined according to the principles set forth in Note 4.11. 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 dismantling, decommissioning and disposal costs are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 4.13). 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
Distribution equipment	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 and goodwill.

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. Intangible assets obtained as a result of an acquisition are written down using the straight-line method over the period of use, or at most the contract period.

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.

4.6 FINANCIAL ASSETS

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

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 capitalised as receivables from state funds. Changes in fund valuations are recorded in the financial result for the period in question.

4.7 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.

4.8 INVENTORIES

4.8.1 Stock materials

Stock materials used in network construction and the electrical installation business 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. The value of insufficiently fast moving stock materials is adjusted in full or in part.

4.8.2 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 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. 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 corresponding indications.

Green certificates which certify the generation of electricity from renewable energies are treated in the same way as emission rights. 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 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 reported net 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).

4.9 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.

4.10 NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR 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.

4.11 IMPAIRMENT OF NON-FINANCIAL NON-CURRENT 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.

4.12 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. The liability is reversed on a straight-line basis over the useful life of the facility and for no longer than the contractual term of the assigned right.

4.13 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 its useful life using the straight-line method. The incurred costs related to commissioning were capitalised and the corresponding provision was recognised on the date on which the plant went into operation. Furthermore, the annual additional decommissioning and disposal costs incurred by power plant operation are capitalised and written down using the straight-line method 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 47 years (until 2019)
– Average inflation rate of 3 %
– Interest rate of 5 %

4.14 INCOME TAXES

Income taxes include current taxes based on profit and deferred taxes based on valuation differences. 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 can be realised 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.

4.15 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.

4.16 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.

Obligations or surpluses arising from defined benefit schemes are determined annually by independent actuaries using the projected unit credit method, which reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions. 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 consideration of the asset ceiling. Annual service costs related to employment during the reporting period and the interest on the employee pension obligation or assets are charged to income in personnel expenses. The actuarial gains and losses from periodic recalculations are charged to other comprehensive income in the statement of comprehensive income.

4.17 SHARE-BASED PAYMENT

BKW employees have the opportunity to purchase BKW Inc. share capital on preferential terms. 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.

4.18 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. 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 is used by the senior decision-making body, the Group Executive Board, as the basis for resource allocation and performance measurement.

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 recognised in the period in which they are identified.

5.1 IMPAIRMENT TESTING OF NON-CURRENT ASSETS

The recoverable amount calculated for the purposes of impairment testing is the higher of the net selling price and value in use (present value of estimated future cash flows), The calculation of the recoverable amount is reliant to a significant extent on estimates of the expected future cash flows from use, long-term growth rates, discounting rates and on estimates of the potential net sale price of the asset. The actual results may differ significantly from these estimates.

The estimates of the useful life of assets have a significant influence on assessments made by management. A change in these estimates may have an effect on the future level of depreciation.

5.2 MÜHLEBERG NUCLEAR POWER PLANT (KKM)

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. The estimates of BKW are applied for plant-specific obligations. In a judgement by the Federal Court of 28 March 2013, the time limit on the operating licence imposed until 28 June 2013 by the Federal Administrative Court was rescinded. KKM therefore now holds an open-ended operating licence. On 30 October 2013, BKW communicated the decision of the Board of Directors that KKM would not continue operation beyond 2019. Before this decision, planning had been based on operation continuing into 2022. Due to this reduced operating life, it has been necessary to adjust the provision for nuclear waste disposal and consequently recognise an impairment in the value of the power plants.

Cost calculations based on incorrect estimates, changes in legislation governing nuclear waste disposal, as well as the premature decommissioning of the plant before 2019, could significantly affect the Group's financial position and result of operation. As at 31 December 2013, property, plant and equipment at the Mühleberg power plant was carried at around CHF 300 million in the balance sheet.

The Federal Council is proposing, among other things, to amend the parameters for calculation of contributions to the Decommissioning and Waste Disposal funds in relation to revision of the Decommissioning and Disposal Funds Ordinance (SEFV). A general inflation rate of 1.5 % and a return on investment of 3.5 % will be applied. In addition, a new safety supplement of 30 % must be applied to the estimate of the disposal and decommissioning costs in respect of the collection of contributions. Application of the new parameters relating to decommissioning and disposal provisions would have a substantial impact on the annual results and balance sheet for BKW.

5.3 PENSION PLAN

The calculation of pension obligations arising from defined benefit pension plans is based on actuarial assumptions which may not reflect reality and hence may have an impact on BKW's results of operations and cash flows. The actuarial assumptions used in the calculation and a corresponding sensitivity analysis have been disclosed in Note 30.

5.4 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.

5.5 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. Decisions issued by the court of last instance may have implications for BKW's future cash flows. In connection with the transfer of the transmission grid to Swissgrid AG, the expected final compensation for the installations is currently provisional owing to ongoing court proceedings (see Note 8).

6 MATERIAL CHANGES IN ACCOUNTING POLICIES

6.1 IFRS 11 – JOINT ARRANGEMENTS

As part of the project to reform group accounting, IFRS 10, IFRS 11 and IFRS 12 are applicable 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 whether companies should be consolidated or not.
- IFRS 11 deals with joint arrangements under "joint control".
- IFRS 12 deals with disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structured entities".

The introduction of IFRS 10 with a new definition of "control" has not resulted in any difference in the assessment of control of holdings compared with the previous interpretation, and therefore does not require any changes to be made to the scope of consolidation.

The areas of application of IFRS 10 and IFRS 11 are mutually exclusive. With the introduction of IFRS 11, all companies that do not fall within the scope of IFRS 10 and for which contractual agreements exist between the shareholders have been examined for the existence of "joint control" in accordance with IFRS 11. In line with the new standard, the definition of "joint control" requires the existence of a contractually agreed unanimity. If no such contractual agreement is in place, it is possible that joint control may also occur indirectly on the basis of the complete set of contractual agreements and their application in the individual case. As a result of this examination, it has been determined that the two shareholdings Bielersee Kraftwerke AG BIK and Kraftwerk Sanetsch AG (KWS) both constitute "joint control" under IFRS 11. In the case of these two companies, two partners each hold 50 % of the shares and key business management decisions require agreement of both partners. These shareholdings constitute joint operations as defined in IFRS 11 and are therefore now recognised in the consolidated financial statements according to their share of assets and liabilities and their share of income and expenses, rather than according to the previous equity method. The other companies that are operated with partners do not fulfil the joint control criteria as defined in IFRS 11, and are therefore recognised as associates. Associates continue to be recognised in the consolidated financial statements using the equity method.

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

6.2 IAS 19 – EMPLOYEE BENEFITS

The revised IAS 19 Employee Benefits contains various important changes. With the move away from the corridor method previously applied by BKW, it is no longer possible to charge 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 – to income on a straight-line basis over the average remaining period of service. Net actuarial losses and gains must now be recognised immediately in other comprehensive income. Moreover, the past service cost must be charged to income immediately it occurs. Also, under the terms of the revised standard, a uniform discount rate must be applied to both the net value of 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 has altered the level of benefit obligation and allocation of the current service cost.

The application of the amended IAS 19 and in particular the switch from the corridor method to immediate charging of actuarial gains and losses to other comprehensive income affects associates as well as the Group companies.

An employee pension obligation is now reported as a separate item within non-current liabilities. Previously this item took the form of a credit amount in non-current financial assets. The net actuarial gains and losses are reported as separate items in the statement of comprehensive income.

6.3 CERTIFICATES

The method for reporting emission rights and green certificates (referred to below as certificates) has been changed. The voluntary change in accounting policy was made with effect from 1 January 2013. Figures for comparable periods have been adjusted.

IFRS does not currently stipulate accounting rules for certificates. The accounting treatment is subject to an accounting policy choice. On the basis of a draft standard on emission rights that has since been withdrawn (IFRIC 3), BKW has previously reported its certificates in accordance with their intended use:

- certificates held for own consumption were reported as intangible assets under non-current assets.
- certificates held solely with the intention of obtaining a trading profit on their sale were reported as inventories under current assets.

Now, all certificates held are reported as inventories. Regardless of their intended use, certificates are goods that can be realised in the short term and do not depreciate over multiple periods. Therefore BKW considers it to be more appropriate to report these certificates under current assets.

The change to the accounting policies relates only to the reporting of certificates, and not to their value. Certificates that are intended for own use continue to be carried at their acquisition value, and are subject to impairment testing where corresponding indications show this to be necessary. Certificates that are held for trading purposes are carried at fair value minus any cost of sales.

6.4 DEFINITION OF “OPERATING PROFIT”

As was the case in the previous year, BKW reports on “operating profit” in its income statement. In contrast to the previous year, “operating profit” now also includes the “income from associates”. The previous year’s figures have been adjusted accordingly.

This change to external reporting is in line with a new method of measuring income internally. The business segments now also report this inclusive of “income from associates”. The previously used definition of “operating profit” now corresponds to the newly reported sub total “Operating profit before income from associates”.

6.5 DEFINITION OF NET REVENUE

In the context of implementation of a new organisational structure and BKW’s refocusing as an energy services business, various services that were previously reported in other operating income are now reported in net revenue. The previous year’s figures have been adjusted accordingly. This adjustment has no effect on the amount previously reported for total operating revenue.

6.6 RECONCILIATION WITH 2012 RESTATED FIGURES

Balance sheet at 1 January 2012

CHF millions	01.01.2012 (reported)	IFRS 11	IAS 19	Certificates	01.01.2012 (restated)
Assets					
Property, plant and equipment	2,833.0	38.9			2,871.9
Shareholdings in associates	1,035.4	–14.7	–29.0		991.7
Derivatives	32.6				32.6
Non-current financial assets	1,014.7		–103.7		911.0
Intangible assets	245.4			–34.4	211.0
Deferred tax assets	8.6				8.6
Total non-current assets	**5,169.7**	**24.2**	**–132.7**	**–34.4**	**5,026.8**
Total current assets	**1,658.4**	**16.3**	**0.0**	**34.4**	**1,709.1**
Assets held for sale	254.8				254.8
Total assets	**7,082.9**	**40.5**	**–132.7**	**0.0**	**6,990.7**
Shareholders' equity and liabilities					
Equity attributable to BKW shareholders	2,611.0	0.0	–278.1	0.0	2,332.9
Equity attributable to non-controlling interests	43.9				43.9
Total shareholders' equity	**2,654.9**	**0.0**	**–278.1**	**0.0**	**2,376.8**
Long-term provisions	1,692.5	0.1			1,692.6
Long-term financial liabilities	1,213.4	32.5			1,245.9
Deferred tax liabilities	494.1	0.5	–70.2		424.4
Pension liability	0.0		215.6		215.6
Derivatives	33.3				33.3
Other long-term liabilities	193.0	0.2			193.2
Total long-term liabilities	**3,626.3**	**33.3**	**145.4**	**0.0**	**3,805.0**
Total short-term liabilities	**760.9**	**7.2**	**0.0**	**0.0**	**768.1**
Liabilities held for sale	40.8				40.8
Total liabilities	**4,428.0**	**40.5**	**145.4**	**0.0**	**4,613.9**
Total shareholders' equity and liabilities	**7,082.9**	**40.5**	**–132.7**	**0.0**	**6,990.7**

Balance sheet at 31 December 2012

CHF millions	31.12.2012 (reported)	IFRS 11	IAS 19	Certificates	31.12.2012 (restated)
Assets					
Property, plant and equipment	2,806.4	15.6			2,822.0
Shareholdings in associates	1,050.1	–14.4	–29.7		1,006.0
Derivatives	72.0				72.0
Non-current financial assets	1,092.7		–101.1		991.6
Intangible assets	283.7			–59.6	224.1
Deferred tax assets	9.9	7.3	–0.3		16.9
Total non-current assets	**5,314.8**	**8.5**	**–131.1**	**–59.6**	**5,132.6**
Total current assets	**1,853.7**	**7.3**	**0.0**	**59.6**	**1,920.6**
Assets held for sale	285.2				285.2
Total assets	**7,453.7**	**15.8**	**–131.1**	**0.0**	**7,338.4**
Shareholders' equity and liabilities					
Equity attributable to BKW shareholders	2,686.7	0.0	–247.5	0.0	2,439.2
Equity attributable to non-controlling interests	36.7		0.7		37.4
Total shareholders' equity	**2,723.4**	**0.0**	**–246.8**	**0.0**	**2,476.6**
Long-term provisions	1,871.2	–35.3			1,835.9
Long-term financial liabilities	1,314.2	37.5			1,351.7
Deferred tax liabilities	474.1	7.8	–61.6		420.3
Pension liability	0.0		177.3		177.3
Derivatives	39.4				39.4
Other long-term liabilities	210.7	0.5			211.2
Total long-term liabilities	**3,909.6**	**10.5**	**115.7**	**0.0**	**4,035.8**
Total short-term liabilities	**770.9**	**5.3**	**0.0**	**0.0**	**776.2**
Liabilities held for sale	49.8				49.8
Total liabilities	**4,730.3**	**15.8**	**115.7**	**0.0**	**4,861.8**
Total shareholders' equity and liabilities	**7,453.7**	**15.8**	**–131.1**	**0.0**	**7,338.4**

Income statement 2012

CHF millions	2012 (reported)	IFRS 11	IAS 19	Certificates	2012 (restated)
Net sales	2,739.9	2.7			2,742.6
Own work capitalised	48.4	1.4			49.8
Other operating income	72.1	−4.7			67.4
Total operating revenue	**2,860.4**	**−0.6**	**0.0**	**0.0**	**2,859.8**
Energy procurement	−1,653.5	37.8		7.2	−1,608.5
Material and third-party services	−202.7	1.5			−201.2
Personnel expenses	−357.3		−3.8		−361.1
Other operating expenses	−236.2	−0.9			−237.1
Total operating expenses	**−2,449.7**	**38.4**	**−3.8**	**7.2**	**−2,407.9**
Operating profit before depreciation, amortisation and impairment	**410.7**	**37.8**	**−3.8**	**7.2**	**451.9**
Depreciation, amortisation and impairment	−189.3	−36.5		−7.2	−233.0
Operating profit before income from associates	**221.4**	**1.3**	**−3.8**	**0.0**	**218.9**
Income from associates	−5.8	−0.2	−1.1		−7.1
Operating profit	**215.6**	**1.1**	**−4.9**	**0.0**	**211.8**
Financial income	75.9				75.9
Financial expenses	−125.0	−1.0			−126.0
Profit before income taxes	**166.5**	**0.1**	**−4.9**	**0.0**	**161.7**
Income taxes	−31.9	−0.1	0.8		−31.2
Net profit	**134.6**	**0.0**	**−4.1**	**0.0**	**130.5**
attributable to:					
– BKW shareholders	132.5		−4.1		128.4
– Non-controlling interests	2.1				2.1
Result per share in CHF (diluted and undiluted)	2.79		−0.09		2.70

In other comprehensive income, the changes to accounting and valuation principles resulted in a positive adjustment to the previous year’s figures of CHF 35.4 million. This effect is entirely due to the change in IAS 19.

7 BUSINESS COMBINATIONS

CHF millions	Green Castellaneta S.p.A.	CHI.NA.CO. S.r.l.	Tamarete Energia S.r.l.	Other	2013	2012
Property, plant and equipment	174.1	64.4	47.9	0.0	286.4	18.8
Intangible assets	0.0	0.0	0.0	0.2	0.2	2.3
Deferred tax assets	0.0	0.0	17.7	0.0	17.7	0.4
Financial assets	0.6	0.0	0.0	0.1	0.7	0.0
Other current assets	23.4	1.0	15.1	0.2	39.7	11.6
Cash and cash equivalents	0.0	0.0	2.7	0.2	2.9	6.8
Deferred tax liabilities	–21.5	–18.2	0.0	–0.1	–39.8	–1.3
Non-current financial liabilities	0.0	0.0	–108.5	0.0	–108.5	0.0
Other non-current liabilities	–2.1	0.0	–1.1	0.0	–3.2	–13.9
Current liabilities	–14.6	0.0	–16.2	–0.1	–30.9	–9.4
Fair value of acquired net assets	**159.9**	**47.2**	**–42.4**	**0.5**	**165.2**	**15.3**
Elimination of provision (net of taxes)	0.0	0.0	48.2	0.0	48.2	0.0
Fair value after elimination of provision	**159.9**	**47.2**	**5.8**	**0.5**	**213.4**	**15.3**
Non-controlling interests	0.0	0.0	–3.7	0.0	–3.7	–1.8
Fair value of interests already held	0.0	0.0	–4.6	0.0	–4.6	–6.9
Goodwill	0.0	0.0	0.0	0.0	0.0	7.5
Purchase price	**159.9**	**47.2**	**–2.5**	**0.5**	**205.1**	**14.1**
Deferred purchase price payments	–8.0	0.0	0.0	0.0	–8.0	–6.1
Cash and cash equivalents acquired	0.0	0.0	–2.7	–0.2	–2.9	–6.8
Cash outflow	**151.9**	**47.2**	**–5.2**	**0.3**	**194.2**	**1.2**

Business combinations in 2013

All stated transactions are provisional values since the purchase price allocations have not yet been finalised.

Green Castellaneta S.p.A.

In April 2012, BKW signed an agreement with the industrial conglomerate Tozzi to purchase 100 % of 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. The fair value of the receivables of the acquired company amounts to CHF 23.4 million. The default risk for these receivables is estimated to be extremely low, hence no adjustments were made to the value of these receivables. The contingent deferred purchase price payments at the time of acquisition are related to outstanding services of the seller. In connection with this, payments amounting to CHF 4.6 million were made by the end of 2013. In 2014, a cash outflow of CHF 3.4 million is expected.

Had the acquisition already been completed on 1 January 2013, total operating revenue would have been CHF 3.9 million higher and the net loss CHF 1.2 million lower. Since being fully consolidated, the wind farm has recorded total operating revenue of CHF 18.7 million and a net profit of CHF 3.2 million.

CHI.NA.CO. S.r.l.

On 3 July 2013, BKW acquired a 100 % holding in CHI.NA.CO S.r.l. in Roè Volciano (I) from A2A S.p.A. The company operates five small hydro power plants with a capacity of almost 10 MW. The fair value of the receivables of the acquired company amounts to CHF 1.0 million. The default risk for these receivables is estimated to be extremely low, hence no adjustments were made to the value of these receivables.

Had the acquisition already been completed on 1 January 2013, total operating revenue would have been CHF 3.1 million higher and the net loss CHF 1.0 million lower. Since being fully consolidated, total operating revenue of CHF 3.1 million has been recorded, with a net profit of CHF 1.0 million.

Tamarete Energia S.r.l.

On 13 December 2013 BKW acquired a majority shareholding in Tamarete Energia S.r.l. in Ortona, Italy. The company operates a gas-fired combined cycle power plant designed to cover peak load. The previous shareholder Zecca S.r.l. decided to transfer its shares to the partners BKW and Hera S.p.A. Formerly, BKW held 48 % of the company and accounted for its share using the equity method. BKW now holds 60 % and the Hera Group holds 40 % of the shares in the power plant company. The business is therefore now fully consolidated. No profit or loss resulted from the valuation of previously held shares. The non-controlling interests were stated at the carrying amount of the proportionate equity.

BKW buys energy from Tamarete Energia S.r.l. at production cost. As the expected future production costs exceed the expected achievable sales prices, BKW has previously recorded a provision for an onerous energy procurement agreement. As at 13 December 2013, this provision amounted to CHF 66.5 million, CHF 48.2 million net of tax. Following the full consolidation of the company, this provision has now been eliminated. The balance of expected production costs and expected sales prices is taken into account when determining the fair value of the power plant systems. The fair value of the receivables of the acquired company amounts to CHF 14.5 million. The default risk for these receivables is estimated to be extremely low, hence no adjustments were made to the value of these receivables.

Had the acquisition already been completed on 1 January 2013, total operating revenue would have been CHF 19.2 million higher and the net loss CHF 1.3 million higher. Since being fully consolidated, total operating revenue of CHF 1.4 million has been recorded, with a net loss of CHF 0.5 million.

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.

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.

8 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 AG. The transfer of the combined assets and liabilities of the legally autonomous BKW Übertragungsnetz AG was completed on 3 January 2013. At 31 December 2012, these assets and liabilities were reported in the financial statements as held for sale. The transmission grids were assigned to the Networks segment.

The transfer of BKW Übertragungsnetz AG was completed at a value determined by the federal authorities. The definitive amount of compensation payable by Swissgrid AG to BKW is currently unconfirmed owing to pending legal proceedings. The compensation set provisionally was CHF 31.3 million higher than the IFRS carrying amounts of the disposed assets and liabilities. The corresponding accounting profit is reported in “Other operating income”.

The compensation for the transfer was made primarily in the form of shares in Swissgrid AG and a loan receivable from BKW to Swissgrid AG. The loan receivable to Swissgrid was split between a short-term loan and a long-term loan. The short-term loan was repaid shortly after completion of the transaction. The long-term loan takes the form of a mandatory convertible loan maturing in ten years and can or must be converted into equity by Swissgrid AG on fulfilment of certain criteria.

9 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. In view of the successful implementation of its new corporate strategy, BKW reformed its Group and organisational structure with effect from 1 July 2013. The results for the entire financial year for each business division are reported in line with the new structure. The previous year's figures have been adjusted accordingly.

BKW now operates the following four reportable business segments:
- The Production segment operates and maintains the Group's own large power plants in Switzerland and abroad, as well as small hydro power plants. The power plant portfolio comprises the Mühleberg nuclear power plant and Swiss and foreign hydro power plants, and fossil-fuel power plants in Italy and Germany. The Production segment plans and designs new plants and expansion of existing power plants.
- The Renewables & Efficiency segment covers production from renewable energy sources, in particular wind power. This segment also provides integrated energy services in relation to energy efficiency, smart energy and electrical installation.
- The Market segment comprises BKW's sales and trading activities. It covers sales of energy in Switzerland and Italy, as well as trading in electricity, gas, certificates, coal and oil and development and management of the BKW portfolio of products and services.
- The Networks segment builds, operates and maintains the Group's own distribution network and provides energy services in relation to the creation and maintenance of electricity and telecommunications networks as well as traffic infrastructure facilities.

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.

The column "Other" covers activities which are centrally managed within the Group; these largely consist of the decommissioning and disposal funds, Group financing, real estate, financial assets and tax. In addition, the exchange-rate effect, which occurs in the Market segment owing to timing differences in assuming energy positions, is borne centrally within the Group. The effect of differences in exchange rates between the assumption and supply date of the power is therefore charged from the Market segment to the core Treasury function. The corresponding item is carried in net sales.

INFORMATION BY BUSINESS SEGMENT

2013 **CHF millions**	Production	Renewables & Efficiency	Market	Networks	Other	Consolidation	**Total**
External revenue	112.3	136.3	1,861.5	608.2	13.3	2.1	2,733.7
– Net sales	83.5	129.0	1,829.5	525.4	–0.4	0.0	2,567.0
– Own work capitalised	6.1	1.3	1.3	34.5		2.1	45.3
– Other operating income	22.7	6.0	30.7	48.3	13.7		121.4
Internal revenue	1,090.9	53.1	256.6	18.7	79.0	–1,498.3	0.0
– Net sales	1,079.2	46.0	226.0	7.4	–60.7	–1,297.9	0.0
– Own work capitalised	11.7	7.1	30.6	11.3	139.7	–200.4	0.0
Total operating revenue	**1,203.2**	**189.4**	**2,118.1**	**626.9**	**92.3**	**–1,496.2**	**2,733.7**
Total operating expenses	–1,053.0	–147.2	–2,180.6	–397.2	–162.7	1,499.8	–2,440.9
Operating profit before depreciation, amortisation and impairment	**150.2**	**42.2**	**–62.5**	**229.7**	**–70.4**	**3.6**	**292.8**
Depreciation, amortisation and impairment	–187.5	–208.6	–13.9	–75.0	–9.6	0.2	–494.4
Operating profit before income from associates	**–37.3**	**–166.4**	**–76.4**	**154.7**	**–80.0**	**3.8**	**–201.6**
Income from associates	20.4	–0.5	5.7	4.4			30.0
Operating profit/loss	**–16.9**	**–166.9**	**–70.7**	**159.1**	**–80.0**	**3.8**	**–171.6**
Financial result							–64.2
Profit/loss before income taxes							**–235.8**
Additions to property, plant and equipment, intangible assets and state funds	143.2	32.4	13.3	104.2	35.8	–0.9	328.0
Additions to associates	74.4	1.9	0.0	73.0			149.3
Shareholdings in associates at 31.12.2013	993.8	14.1	94.7	84.7			1,187.3
Total assets at 31.12.2013	4,375.1	934.4	1,371.7	1,711.9	5,995.9	–6,713.5	7,675.5

2012 (restated) **CHF millions**	Production	Renewables & Efficiency	Market	Networks	Other	Consolidation	**Total**
External revenue	89.6	117.1	2,025.0	607.9	17.0	3.2	2,859.8
– Net sales	68.3	109.3	2,002.4	562.6			2,742.6
– Own work capitalised	5.5	0.8	1.0	39.1	0.1	3.3	49.8
– Other operating income	15.8	7.0	21.6	6.2	16.9	−0.1	67.4
Internal revenue	1,098.7	42.0	165.7	16.6	104.1	−1,427.1	0.0
– Net sales	1,088.7	38.4	133.6	7.2	−38.1	−1,229.8	0.0
– Other operating income	10.0	3.6	32.1	9.4	142.2	−197.3	0.0
Total operating revenue	**1,188.3**	**159.1**	**2,190.7**	**624.5**	**121.1**	**−1,423.9**	**2,859.8**
Total operating expenses	−833.4	−113.6	−2,321.9	−415.2	−143.5	1,419.7	−2,407.9
Operating profit before depreciation, amortisation and impairment	**354.9**	**45.5**	**−131.2**	**209.3**	**−22.4**	**−4.2**	**451.9**
Depreciation, amortisation and impairment	−107.9	−39.6	−1.9	−73.1	−10.9	0.4	−233.0
Operating profit before income from associates	**247.0**	**5.9**	**−133.1**	**136.2**	**−33.3**	**−3.8**	**218.9**
Income from associates	−9.7	0.7	0.1	1.8			−7.1
Operating profit/loss	**237.3**	**6.6**	**−133.0**	**138.0**	**−33.3**	**−3.8**	**211.8**
Financial result							−50.1
Profit/loss before income taxes							**161.7**
Additions to property, plant and equipment, intangible assets and state funds	41.9	38.0	10.0	138.7	46.0	−0.3	274.3
Additions to associates	59.4	0.7	0.1				60.2
Shareholdings in associates at 31.12.2012	899.8	12.6	89.5	4.1			1,006.0
Total assets at 31.12.2012	3,726.2	899.8	1,312.9	1,965.6	5,935.4	−6,501.5	7,338.4

INFORMATION ABOUT PRODUCTS AND SERVICES

CHF millions	**2013**	2012
Energy	1,962.7	2,090.6
Networks	406.6	476.1
Services	197.7	175.9
Net sales	**2,567.0**	**2,742.6**

- Energy consists in particular of the sale of energy products, the delivery of electricity through trading, revenue from proprietary energy trading and energy hedging, and other energy-related business.
- Networks covers charges for the use of the BKW distribution network.
- Services comprise, in particular, comprehensive services in relation to energy efficiency and smart energy, and construction and engineering services for network construction and electrical installation.

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 associates in the respective countries.

	Switzerland		Germany		Italy		Other countries		**Total**	
CHF millions	2013	2012	2013	2012	2013	2012	2013	2012	**2013**	2012
Net sales	1,342.3	1,601.7	666.1	510.3	508.8	548.2	49.8	82.4	2,567.0	2,742.6
Non-current assets	2,847.1	2,745.3	665.8	614.0	824.3	692.8			4,337.2	4,052.1

INFORMATION ON SIGNIFICANT CUSTOMERS

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

10 IMPAIRMENTS AND PROVISIONS FOR ONEROUS ENERGY PROCUREMENT CONTRACTS

As part of its year-end activities, BKW conducted impairment testing of its production facilities. On the basis of an updated assessment of future market developments in terms of energy prices, increased costs for power plants under construction and adjusted assessments in relation to the useful life of power plants, BKW has had to record impairments in respect of production facilities and create provisions for onerous energy procurement contracts. The facilities affected are primarily newer installations, and are not limited to any specific technology or location.

	Property, plant and equipment (Note 18)	Intangible assets (Note 21)	Provisions (Note 26)	Total	
CHF millions	Impairments		Onerous contracts	2013	2012
– Nuclear power plants incl. purchase contracts	97.8		–0.6	97.2	33.3
– Hydroelectric plants	23.3			23.3	35.4
– Fossil-fuel power plants			195.3	195.3	43.5
Total for Production segment	**121.1**	**0.0**	**194.7**	**315.8**	**112.2**
– Wind power installations	56.0	90.1		146.1	
– Photovoltaic, heating and contracting installations	15.7			15.7	
Total for Renewables & Efficiency segment	**71.7**	**90.1**	**0.0**	**161.8**	**0.0**
– Gas distribution installations	10.9			10.9	
Total for Market segment	**10.9**	**0.0**	**0.0**	**10.9**	**0.0**
Total for BKW	**203.7**	**90.1**	**194.7**	**488.5**	**112.2**

The impairment testing was conducted by comparing the carrying amounts of the production plants with their realisable values, which correspond to their value in use. The calculations used the discounted cash flow method on the basis of business plans that had been approved by the management. These take account of assumptions regarding future production and sale prices, growth and discount rates, and planned investment activity.

The calculations of the value in use of the power plant installations and the provisions for the onerous energy procurement contracts are subject to the following discount rates:

%	WACC (before tax) 31.12.2013	WACC (before tax) 31.12.2012	WACC (after tax) 31.12.2013	WACC (after tax) 31.12.2012
Production segment	7.2–9.4	7.3–10.0	5.8–6.6	6.1–7.0
Renewables & Efficiency segment	6.5–8.1	n/a	4.8–5.7	n/a
Market segment	6.9	n/a	5.4	n/a

11 ENERGY PROCUREMENT

CHF millions	2013	2012
Cost of energy procurement from third parties and associates	1,435.6	1,534.8
Provision for onerous energy procurement contracts		
– Provisions used	−32.7	−3.1
– Provisions formed	195.3	98.8
– Provisions released	−0.6	−22.0
Total	**1,597.6**	**1,608.5**

12 PERSONNEL EXPENSES

CHF millions	2013	2012
Salaries and wages	304.6	289.2
Social security contributions and other personnel expenses	77.9	71.9
Total	**382.5**	**361.1**

13 OTHER OPERATING EXPENSES

CHF millions	2013	2012
Charges, levies and other taxes	95.1	88.6
Miscellaneous operating expenses	154.4	148.5
Total	**249.5**	**237.1**

14 DEPRECIATION, AMORTISATION AND IMPAIRMENT

CHF millions	2013	2012
Depreciation		
– Property, plant and equipment	192.4	192.1
– Intangible assets	8.2	5.5
Impairment (net)		
– Property, plant and equipment	203.7	35.4
– Intangible assets	90.1	0.0
Total	**494.4**	**233.0**

15 FINANCIAL RESULT

CHF millions	2013	2012
Interest income	12.8	8.8
Dividends	6.3	5.0
Value adjustment on state funds	51.1	58.4
Gains from the disposal of financial assets and investments in associates	1.9	0.6
Value adjustment on securities held for trading	0.0	2.2
Other financial income	1.9	0.9
Currency translations	2.9	0.0
Financial income	**76.9**	**75.9**
Interest expenses	−44.0	−36.1
Capitalised borrowing costs	1.3	0.0
Interest on provisions	−85.7	−80.9
Losses from the disposal of financial assets and investments in associates	−1.5	−0.5
Value adjustment on securities held for trading	−4.1	−0.1
Impairment of financial assets	−1.3	−0.4
Other financial expenses	−5.8	−4.8
Currency translations	0.0	−3.2
Financial expenses	**−141.1**	**−126.0**

16 INCOME TAXES

CHF millions	2013	2012
Current income taxes	27.2	38.6
Deferred taxes	–46.3	–7.4
Total income taxes	**–19.1**	**31.2**

Reconciliation with reported income taxes

CHF millions	2013	2012
Profit/loss before income taxes	–235.8	161.7
Tax expenses at anticipated rate of 31.04 % (2012: 15.6 %)	–73.2	25.2
Effects of changes in tax rate	26.1	0.1
Participation reduction and non-taxable income	10.8	9.2
Use/capitalisation of uncapitalised tax losses	–0.6	–0.3
Non-tax-deductible expenses	18.9	7.9
Uncapitalised or partially capitalised tax losses	3.5	4.9
Taxes in respect of previous years	–7.6	2.5
Participation write-down	3.8	–15.6
Other items	–0.8	–2.7
Total income taxes	**–19.1**	**31.2**
Effective tax rate	8.1 %	19.3 %

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 increase in comparison with the previous year can be attributed to the fact that losses occurred overall and in companies subject to higher tax rates, thus increasing the weighted average tax rate.

Changes in relation to the “Robin Hood Tax” in Italy were adopted in 2013. The “Robin Hood Tax” is an additional tax on income in Italy that applies to businesses in the energy sector that meet certain size-based criteria. It imposes an additional tax rate of 6.5 % on profits for an unlimited period. Several of BKW’s Group companies now fall within the scope of this tax. Owing to these changes, BKW revalued its deferred tax liabilities at 31 December 2013, resulting in an increase of CHF 26.1 million and a corresponding charge on income tax expense.

Changes in deferred tax assets/liabilities

CHF millions	2013	2012
Net deferred tax liabilities at 01.01.	**403.4**	**415.8**
Changes in the scope of consolidation	40.4	0.9
Formation/release in the income statement	–46.3	–7.4
Value adjustment to financial instruments in other comprehensive income	–0.3	–3.6
Change in value of cash flow and net investment hedges in other comprehensive income	0.2	0.6
Taxes on actuarial gains/losses	29.7	9.9
Currency translations	0.8	–0.5
Reclassification to assets held for sale	0.0	–12.3
Net deferred tax liabilities at 31.12.	**427.9**	**403.4**

Deferred tax assets/liabilities by origin of the temporary difference

CHF millions	31.12.2013	31.12.2012
Property, plant and equipment	292.0	276.4
Financial assets and holdings	49.7	42.5
Intangible assets	4.1	29.6
Current assets	42.0	44.8
Provisions	130.8	74.2
Other non-current liabilities	–44.8	–65.2
Current liabilities	8.5	2.0
Capitalised loss carry-forwards	–54.4	–0.9
Net deferred tax liabilities	**427.9**	**403.4**
of which taxes disclosed in the balance sheet as:		
– Deferred tax liabilities	470.4	420.3
– Deferred tax assets	–42.5	–16.9

CHF 40.1 million of deferred tax assets is attributable to temporary differences in non-current assets (2012: CHF 16.8 million), and CHF 0.7 million to temporary differences in liabilities (2012: CHF 0.1 million). The remaining amount is attributable to capitalised loss carry-forwards. The change in temporary differences resulted in a deferred tax expense of CHF 7.2 million (2011: CHF 1.3 million) recorded in the income statement.

As at 31 December 2013 there were tax loss carry-forwards of CHF 73.9 million (2012: CHF 34.3 million), for which no deferred taxes were 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 20.8 %. These loss carry-forwards fall due in the following periods:

Expiry of non-capitalised losses carried forward

in CHF millions	31.12.2013	31.12.2012
Expiry within 1 year	3.4	0.0
Expiry within 2 to 5 years	1.3	4.5
Expiry after 5 years	4.0	2.3
Valid indefinitely	65.2	27.5
Total	**73.9**	**34.3**

As in the previous year, at 31 December 2013 no deferred tax liabilities were accounted for temporary differences with associates. No deferred taxes are recognised for Group companies, joint arrangements and partner plants at which a dividend payment is contractually agreed, since BKW is able to monitor the reversal of the temporary difference and such a difference is not probable in the foreseeable future.

The temporary differences for which no deferred tax liabilities have been recognised in this respect amount to CHF 554.8 million (2012: CHF 504.6 million) in total.

17 RESULT PER SHARE

	2013	2012
Number of shares issued (weighted average)	52,800,000	52,693,487
Less treasury shares (weighted average)	−4,775,675	−5,126,313
Number of shares in circulation (weighted average)	**48,024,325**	**47,567,174**
Net profit/loss attributable to BKW shareholders, in CHF millions	−216.7	128.4
Result per share in CHF	−4.51	2.70
Dividend per share in CHF	1.20	1.20

The undiluted result per share is calculated based on the weighted average share capital. There are no circumstances which lead to a dilution of the result per share.

The dividend of CHF 1.20 per share for fiscal 2013 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 57.9 million.

18 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 31.12.2012 (restated)	**2,324.4**	**2,335.3**	**283.3**	**752.0**	**333.4**	**209.9**	**6,238.3**
Changes in the scope of consolidation	284.7		0.3		0.1	1.3	286.4
Additions	57.1	2.0	0.4	39.8	4.2	172.0	275.5
Disposals	–17.0	–17.2	–2.6		–13.4	–8.6	–58.8
Reclassifications	57.9	108.0	1.6		16.5	–184.0	0.0
Currency translations	9.1		0.2			0.1	9.4
Gross values at 31.12.2013	**2,716.2**	**2,428.1**	**283.2**	**791.8**	**340.8**	**190.7**	**6,750.8**
Accumulated depreciation and impairments at 31.12.2012 (restated)	**1,242.6**	**1,244.4**	**119.7**	**562.2**	**213.1**	**34.3**	**3,416.3**
Depreciation	80.1	53.2	6.0	29.9	23.2		192.4
Impairment	184.7	10.9				9.5	205.1
Disposals	–9.1	–15.9	–1.2		–12.7	–8.4	–47.3
Reversal of impairment	–1.4						–1.4
Reclassifications	–9.1				–0.1	9.2	0.0
Currency translations	0.5						0.5
Accumulated depreciation and impairments at 31.12.2013	**1,488.3**	**1,292.6**	**124.5**	**592.1**	**223.5**	**44.6**	**3,765.6**
Net values at 31.12.2013	**1,227.9**	**1,135.5**	**158.7**	**199.7**	**117.3**	**146.1**	**2,985.2**
– thereof in financial leasing	245.8						245.8
– thereof pledged for liabilities	105.3						105.3

For information on impairments recorded in the reporting year, refer to Note 10.

CHF 1.3 million in borrowing costs was capitalised in 2013 (2012: nil). Compensation of CHF 0.7 million (2012: CHF 1.9 million) for property, plant and equipment that was impaired, lost or decommissioned was charged to the income statement.

Following the increase in provisions for decommissioning and disposal of the Mühleberg nuclear power plant (see Note 26), non-cash additions were made in the value of CHF 45.8 million and CHF 9.7 million to power plants and nuclear fuels, respectively. The additions to nuclear fuels also include a non-cash increase in provisions of CHF 4.9 million owing to the annual additional disposal costs of operating the power plant (2012: CHF 4.9 million). In the previous year, CHF 7.4 million in relation to obligations to dismantle wind power stations did not affect cash.

Owing to the early decommissioning of the Mühleberg nuclear power station in 2019, the useful life of these power plants is reduced by three years. The change in useful life resulted in additional depreciation of some CHF 1.0 million in the reporting year, and will result in additional depreciation of some CHF 5.0 million annually in the six subsequent years.

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 31.12.2011 (reported)	2,151.5	2,309.6	251.1	746.2	330.5	239.4	6,028.3
Changes in accounting principles	53.2		25.9		1.5	13.2	93.8
Gross values at 31.12.2011 (restated)	**2,204.7**	**2,309.6**	**277.0**	**746.2**	**332.0**	**252.6**	**6,122.1**
Changes in the scope of consolidation	13.0		2.9		2.2		18.1
Additions	28.2	3.1	0.1	5.8	4.6	179.8	221.6
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 (restated)	**2,324.4**	**2,335.3**	**283.3**	**752.0**	**333.4**	**209.9**	**6,238.3**
Accumulated depreciation and impairments at 31.12.2011 (reported)	1,127.6	1,222.4	102.6	530.0	204.7	8.0	3,195.3
Changes in accounting principles	41.6		11.9		1.4		54.9
Accumulated depreciation and impairments at 31.12.2011 (restated)	**1,169.2**	**1,222.4**	**114.5**	**530.0**	**206.1**	**8.0**	**3,250.2**
Changes in the scope of consolidation					–0.4		–0.4
Depreciation	74.7	53.0	6.2	32.2	24.8	1.2	192.1
Impairment	9.2					26.2	35.4
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 (restated)	**1,242.6**	**1,244.4**	**119.7**	**562.2**	**213.1**	**34.3**	**3,416.3**
Net values at 31.12.2012 (restated)	**1,081.8**	**1,090.9**	**163.6**	**189.8**	**120.3**	**175.6**	**2,822.0**
– thereof in financial leasing	253.6						253.6
– thereof pledged for liabilities	126.3						126.3

19 SHAREHOLDINGS IN ASSOCIATES

CHF millions	Total
At 31.12.2011 (reported)	1,035.4
Changes in accounting principles	–43.7
At 31.12.2011 (restated)	**991.7**
Additions	60.2
Changes in the consolidation method	–4.9
Disposals	–4.8
Dividends	–25.8
Pro rata income	2.6
Impairment	–9.7
Currency translations	–3.8
Actuarial gains/losses	0.5
At 31.12.2012 (restated)	**1,006.0**
Additions	149.3
Changes in the consolidation method	–4.6
Disposals	–0.8
Dividends	–18.3
Pro rata income	30.5
Impairment	–0.5
Currency translations	8.1
Actuarial gains/losses	17.6
At 31.12.2013	**1,187.3**

Investments in associates include in particular capital investments in the 33 % stake in GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG (D) to finance the power plant currently under construction and capital investment in Swissgrid AG. Inflows amounting to CHF 74.6 million have no effect on cash primarily in conjunction with the spin off of transmission networks to Swissgrid AG.

Due to the results of impairment testing, the carrying amount of interests was reduced to the recoverable amount. The impairments totalling CHF 0.5 million (2012: CHF 9.7 million) were charged to income from associates; CHF 0.1 million (2012: CHF 5.2 million) concerned the Production segment while CHF 0.4 million (2012: nil) related to the Renewables & Efficiency segment. No impairment was charged to the Market segment (2012: CHF 4.6 million).

Pro rata key figures for associates at 31.12.2013

The table below gives the pro rata key figures for associates by segment. In addition, the Production segment is broken down by type of power plant.

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	Other technologies	Total Production	Renewables & Efficiency	Market	Networks	**Total**
Non-current assets	1,078.7	524.7	639.0	5.6	2,248.0	67.3	77.3	288.8	2,681.4
Current assets	117.5	52.4	32.6	3.4	205.9	11.5	53.1	58.2	328.7
Non-current liabilities	–824.1	–457.1	–2.8	0.0	–1,284.0	–41.1	–16.0	–189.6	–1,530.7
Current liabilities	–102.3	–34.7	–30.1	–9.0	–176.1	–23.6	–19.7	–72.7	–292.1
Shareholders' equity	269.8	85.3	638.7	0.0	993.8	14.1	94.7	84.7	1,187.3
Income	186.6	168.7	68.6	4.9	428.8	9.1	74.1	123.2	635.2
Expenses	–179.3	–163.1	–61.1	–4.9	–408.4	–9.7	–68.4	–118.7	–605.2
Net profit/loss	7.3	5.7	7.4	0.0	20.4	–0.6	5.7	4.5	30.0
Other comprehensive income	7.2	6.0	0.0	0.0	13.2	0.0	1.1	3.3	17.6
Comprehensive income	14.5	11.7	7.4	0.0	33.6	–0.6	6.8	7.8	47.6

All associates are valued using the equity method.

CHF 1,061.7 million (2012: CHF 832.0 million) of the total pro rata assets and liabilities relate to net financial debt (financial liabilities minus cash and cash equivalents and current financial assets).

Associates in the Production segment are, in particular, partner plants. For these, BKW is obliged to pay the annual costs due on its share (including interest and repayment of borrowed funds). The pro rata annual costs for BKW for the purchase of energy in 2013 amounted to CHF 377.2 million (2012: CHF 353.6 million). These are included in the energy procurement expense. CHF 833.6 million (2012: CHF 865.3 million) of the total pro rata assets and liabilities of partner plants relate to net financial debt.

Pro rata key figures for associates at 31.12.2012

The table below gives the pro rata key figures for associates by segment. In addition, the Production segment is broken down by type of power plant.

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	Other technologies	Total Production	Renewables & Efficiency	Market	Networks	Total
Non-current assets	1,042.2	526.0	626.9	5.2	2,200.3	28.6	75.0	20.1	2,324.0
Current assets	72.1	53.0	40.4	4.3	169.8	6.2	59.8	61.4	297.2
Non-current liabilities	−776.1	−467.9	−48.6	0.0	−1,292.6	−8.7	−19.6	−35.8	−1,356.7
Current liabilities	−78.5	−33.7	−56.0	−9.5	−177.7	−13.5	−25.7	−41.6	−258.5
Shareholders’ equity	259.7	77.4	562.7	0.0	899.8	12.6	89.5	4.1	1,006.0
Income	185.7	155.2	61.7	0.0	402.6	9.1	81.3	89.7	582.7
Expenses	−174.0	−147.6	−88.4	−2.3	−412.3	−8.3	−81.3	−87.9	−589.8
Net profit/loss	11.7	7.6	−26.7	−2.3	−9.7	0.8	0.0	1.8	−7.1
Other comprehensive income	1.5	−1.3	0.0	0.0	0.2	0.0	0.7	−0.4	0.5
Comprehensive income	13.2	6.3	−26.7	−2.3	−9.5	0.8	0.7	1.4	−6.6

Key figures for major associates

The table below gives the key figures for the major associates. The three holdings listed are all part of the Production segment.

100 % key figures	GDF Suez Kraftwerk Wilhelmshaven GmbH & Co. KG		E.ON Produzione Centrale Livorno Ferraris S.p.A.		Kraftwerke Oberhasli AG	
CHF millions	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Non-current assets	1,654.8	1,459.2	364.5	377.5	746.8	664.4
Current assets	16.3	28.2	108.8	105.9	168.1	87.1
Non-current liabilities	–2.3	–2.5	–7.8	–7.3	–722.8	–579.7
Current liabilities	–48.9	–86.7	–58.8	–73.5	–36.2	–29.6
Shareholders' equity	1,619.9	1,398.2	406.7	402.6	155.9	142.2
% Holding	33.0 %	33.0 %	25.0 %	25.0 %	50.0 %	50.0 %
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Reported carrying amount of the investment	537.0	456.3	101.7	100.7	78.0	71.1
Dividend received	0.0	0.0	5.9	13.6	0.0	0.0
Income	0.4	0.6	236.5	245.9	167.4	171.8
Expenses	–13.8	–69.9	–214.4	–228.4	–162.0	–164.9
Net profit/loss	–13.4	–69.3	22.1	17.5	5.4	6.9
Other comprehensive income	0.0	0.0	0.0	0.0	8.4	4.2
Comprehensive income	–13.4	–69.3	22.1	17.5	13.8	11.1
% Holding	33.0 %	33.0 %	25.0 %	25.0 %	50.0 %	50.0 %
Goodwill impairment	0.0	–3.5	0.0	0.0	0.0	0.0
Pro rata income reported	3.1	–30.3	5.5	4.4	2.7	3.5

The company GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG is a limited partnership under German law. In companies with this legal form, the effective share of profit and capital of the partners may differ from their share of investment.

20 FINANCIAL ASSETS

CHF millions	Available-for-sale financial assets	Securities held for trading	Loans	Term deposits	Receivables from state funds	Total
At 31.12.2011 (restated)	239.0	132.7	68.6	64.1	602.9	1,107.3
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	60.5
Value adjustment in other comprehensive income	−28.3					−28.3
Impairment	−0.1		−0.3			−0.4
At 31.12.2012 (restated)	**206.2**	**134.2**	**85.9**	**97.7**	**701.6**	**1,225.6**
Changes in the scope of consolidation			−64.4			−64.4
Additions	0.7	18.6	141.5	180.1	30.3	371.2
Disposals	−4.2	−18.2	−1.9	−100.0		−124.3
Currency translations	0.2		1.1			1.3
Value adjustment in the income statement	0.7	−4.1			51.1	47.7
Value adjustment in other comprehensive income	−2.3					−2.3
Impairment	−0.9		−0.4			−1.3
At 31.12.2013	**200.4**	**130.5**	**161.8**	**177.8**	**783.0**	**1,453.5**
of which:						
– Current financial assets		130.5		170.0		300.5
– Non-current financial assets	200.4		161.8	7.8	783.0	1,153.0
of which:						
– Financial assets according to IAS 32/39	200.4	130.5	161.8	177.8		670.5
– Other assets					783.0	783.0

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.

In the previous year, financial assets included a credit from pension surpluses. Benefit obligations have been recalculated following changes to the accounting standard IAS 19. Instead of the credit from pension surpluses, a new employee pension liability has been reported (see Note 6).

21 INTANGIBLE ASSETS

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2012 (restated)	**166.1**	**185.1**	**35.1**	**386.3**
Changes in the scope of consolidation	14.7		0.2	14.9
Additions from acquisitions	0.7		17.0	17.7
Additions from internally generated intangible assets			4.5	4.5
Disposals	−0.1		−1.0	−1.1
Currency translations	1.6	0.1		1.7
Gross values at 31.12.2013	**183.0**	**185.2**	**55.8**	**424.0**
Accumulated depreciation and impairments at 31.12.2012 (restated)	**53.7**	**92.4**	**16.1**	**162.2**
Depreciation	2.0		6.2	8.2
Impairment	90.1			90.1
Disposals	−0.1		−1.0	−1.1
Currency translations	−0.1			−0.1
Accumulated depreciation and impairments at 31.12.2013	**145.6**	**92.4**	**21.3**	**259.3**
Net values at 31.12.2013	**37.4**	**92.8**	**34.5**	**164.7**

Owing to changes in estimates relating to the impairment testing of usage rights for wind farms, impairments of CHF 90.1 million were made in the Renewables & Efficiency segment for the reporting year (see Note 10).

Inventories of certificates held for own use were reported in intangible assets in the previous year. With the change to the accounting policies for emission rights and green certificates, all holdings of certificates are now reported in inventories, irrespective of their intended purpose (see Note 6).

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2011 (restated)	**166.5**	**177.8**	**28.2**	**372.5**
Changes in the scope of consolidation		7.5	1.3	8.8
Additions from acquisitions	1.3		9.8	11.1
Additions from internally generated intangible assets	1.3			1.3
Disposals			−4.2	−4.2
Reclassification to assets held for sale	−2.3			−2.3
Currency translations	−0.7	−0.2		−0.9
Gross values at 31.12.2012 (restated)	**166.1**	**185.1**	**35.1**	**386.3**
Accumulated depreciation and impairments at 31.12.2011 (restated)	**53.0**	**92.4**	**16.2**	**161.6**
Changes in the scope of consolidation			−0.5	−0.5
Depreciation	0.9		4.6	5.5
Impairment				0.0
Disposals			−4.2	−4.2
Reclassification to assets held for sale	−0.2			−0.2
Accumulated depreciation and impairments at 31.12.2012 (restated)	**53.7**	**92.4**	**16.1**	**162.2**
Net values at 31.12.2012 (restated)	**112.4**	**92.7**	**19.0**	**224.1**

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

CHF millions	31.12.2013	31.12.2012
Production	84.8	84.7
Renewables & Efficiency	7.9	7.9
Networks	0.1	0.1
Total	**92.8**	**92.7**

Following the reorganisation, goodwill has been reallocated to the new business segments. Figures for the previous year have been adjusted. The increase in the goodwill of the cash-generating unit Production is attributable to fluctuations in the exchange rate for the euro.

The impairment testing of the goodwill in the balance sheet comprised a comparison of the carrying value with the realisable value of the cash-generating units. The realisable value corresponds 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
%	31.12.2013	31.12.2013	31.12.2013
Production	7.2	5.8	1.0
Renewables & Efficiency	6.5	4.9	1.0
Networks	5.8	4.7	1.0

	WACC (before tax)	WACC (after tax)	Long-term growth rate
%	31.12.2012	31.12.2012	31.12.2012
Energy Switzerland	7.3	5.7	1.0
Energy International and Trading	7.4	5.8	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.

22 INVENTORIES

CHF millions	31.12.2013	31.12.2012
Goods and materials	12.8	10.4
Valuation adjustment on goods and materials	–1.2	–1.7
Certificates (proprietary trading)	86.8	36.1
Certificates (own use)	51.9	71.5
Valuation adjustment on certificates (own use)	–16.8	–11.9
Total	**133.5**	**104.4**

23 ACCRUED/DEFERRED INCOME AND PREPAID/ACCRUED EXPENSES

CHF millions	31.12.2013	31.12.2012
Financial accruals	178.0	118.8
Other prepaid expenses and accrued income	87.8	38.6
Total prepaid expenses and accrued income	**265.8**	**157.4**
Financial accruals	109.0	84.6
Other deferred income and accrued expenses	49.1	38.1
Total deferred income and accrued expenses	**158.1**	**122.7**

24 ACCOUNTS RECEIVABLE

CHF millions	31.12.2013	31.12.2012
Trade accounts receivable	592.9	502.7
Other financial receivables	58.5	58.4
Other receivables	94.7	60.2
Prepayments	2.9	15.7
Work in progress	24.7	24.7
Total	**773.7**	**661.7**

Work in progress includes advance payments of CHF 48.2 million (2012: CHF 52.3 million) as well as pro rata profits of CHF 3.6 million (2012: CHF 3.0 million).

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

CHF millions	31.12.2013	31.12.2012
Trade accounts receivable	592.9	502.7
of which:		
– not past due	516.7	417.6
– 1–30 days past due	13.6	10.1
– 31–90 days past due	53.6	66.1
– 91–180 days past due	8.6	1.2
– 181–360 days past due	0.0	7.3
– Over 360 days past due	0.4	0.4

There were no indicators on the balance sheet date 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 31.12.2011	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**	**1.9**
Net charge for the year	0.7	0.0
Derecognition of uncollectable receivables	–0.8	
Provisions for impairment at 31.12.2013	**5.0**	**1.9**

With the exception of long-term loans and available-for-sale financial assets (see Note 20), there are no provisions for impairment for other financial assets. The other balance sheet items contain no significant overdue but unimpaired financial assets.

25 SHARE CAPITAL AND RESERVES

25.1 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 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 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 Energy Ltd. shares that had been declared invalid therefore received BKW Inc. shares additionally issued on a 1:1 basis.

Major shareholders and their direct holdings

	31.12.2013	31.12.2012
Canton of Berne	52.54 %	52.54 %
Groupe E Ltd.	10.00 %	10.00 %
E.ON SE	6.65 %	7.03 %
Treasury stock	8.54 %	9.68 %

Transactions in treasury shares

	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2011	5,152,605	363.7	
Purchases	0	0.0	0.0
Sales	−43,623	−3.1	−0.8
	5,108,982	**360.6**	
Purchases	0	0.0	0.0
Sales	−590,932	−41.4	−16.0
31.12.2013	**4,518,050**	**319.2**	

25.2 RESERVES

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.

Treasury shares

BKW shares held by BKW or its Group companies are deducted from equity at acquisition cost. At 31 December 2013, 4,518,050 BKW shares (2012: 5,108,982) were held by Group companies and 3,000 (2012: 3,000) by associates.

Other reserves

CHF millions	Currency translations	Revaluation reserve available-for-sale financial assets	Hedging	Actuarial gains/losses	Total
At 31.12.2011	–211.8	80.8	–2.0	0.0	–133.0
Currency translations					
– of Group companies	–4.3				–4.3
– of associates	–3.8				–3.8
– Transfer to the income statement	1.4				1.4
Available-for-sale financial assets					
– Value adjustments		–28.3			–28.3
Hedging transactions					
– Value adjustments			–0.8		–0.8
– Transfer to the income statement			3.3		3.3
Actuarial gains/losses					
– of Group companies				44.8	44.8
– of associates				0.5	0.5
Income taxes	0.1	3.6	–0.6	–9.9	–6.8
At 31.12.2012	**–218.4**	**56.1**	**–0.1**	**35.4**	**–127.0**
Currency translations					
– of Group companies	4.5				4.5
– of associates	8.1				8.1
– Transfer to the income statement	0.7				0.7
Available-for-sale financial assets					
– Value adjustments		–2.3			–2.3
– Transfer to the income statement		0.7			0.7
Hedging transactions					
– Value adjustments			0.5		0.5
Actuarial gains/losses					
– of Group companies				135.0	135.0
– of associates				19.1	19.1
Income taxes		0.3	–0.2	–31.2	–31.1
At 31.12.2013	**–205.1**	**54.8**	**0.2**	**158.3**	**8.2**

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

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

Hedging
The hedging reserve covers unrealised changes in the value of financial instruments as a hedge of payment streams (cash flow hedge) and as a hedge of net investment in a foreign business operation (net investment hedge) 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.

Actuarial gains/losses
The reserve for actuarial gains and losses recognises the effect of periodic actuarial recalculations.

25.3 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 2013.

26 PROVISIONS

CHF millions	Nuclear waste disposal	Onerous contracts, energy procurement	Restructuring	Other provisions	Total
At 31.12.2011 (reported)	1,410.7	279.0	6.0	32.8	1,728.5
Changes in accounting principles				0.2	0.2
At 31.12.2011 (restated)	**1,410.7**	**279.0**	**6.0**	**33.0**	**1,728.7**
Changes in the scope of consolidation				0.5	0.5
Provisions made	4.9	98.8	1.8	17.4	122.9
Interest	69.9	10.8		0.2	80.9
Provisions used	−17.1	−3.1	−3.9	−5.7	−29.8
Provisions released		−22.0		−5.5	−27.5
Currency translations		−0.4			−0.4
At 31.12.2012 (restated)	**1,468.4**	**363.1**	**3.9**	**39.9**	**1,875.3**
Changes in the scope of consolidation		−66.5		3.2	−63.3
Provisions made	60.4	195.3	0.5	7.9	264.1
Interest	72.2	13.1		0.4	85.7
Provisions used	−13.9	−32.7	−1.6	−0.1	−48.3
Provisions released		−0.6	−0.2	−7.5	−8.3
Currency translations		2.7		0.3	3.0
At 31.12.2013	**1,587.1**	**474.4**	**2.6**	**44.1**	**2,108.2**
of which:					
– Current provisions	15.0	30.5	1.4	15.4	62.3
– Non-current provisions	1,572.1	443.9	1.2	28.7	2,045.9

Nuclear waste disposal

At 31 December 2013 the provision of CHF 1,587.1 million for nuclear waste disposal comprised the following:

- CHF 765.0 million is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shut-down, 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 in 2019) 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 waste is put into the final storage depot for weak to medium-active nuclear waste (scheduled for 2061).
- An additional CHF 733.8 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 2061.
- CHF 88.3 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.

The allocation during the reporting year is largely the result of BKW's decision to reduce the operating life of the Mühleberg nuclear power plant from 50 to 47 years. As a result of this adjustment, a provision amounting to CHF 55.5 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 18). Moreover, during the reporting year an allocation of CHF 4.9 million (2012: CHF 4.9 million) was made as a result of the annual additional disposal costs associated with the operation of the power plant. This 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 shut-down of the plants. The state fund receivables are disclosed under non-current financial assets (see Note 20).

Onerous energy procurement contracts

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. The allocation in the year under review relates to the energy procurement contracts agreed with the fossil-fuel power stations at Livorno-Ferraris in Italy and Wilhelmshaven in Germany.

In previous years, provisions were formed for onerous energy procurement contracts agreed with the companies Tamarete Energia S.r.l. and Bielersee Kraftwerke AG BIK. Both of these companies had been accounted for using the equity method. Tamarete is now fully consolidated, while BIK is included in the consolidated financial statements according to its share of assets and liabilities and proportion of revenue and expense (see Notes 6 and 7). The balance of expected production costs and expected sales prices is now taken into account in determining the fair value of the power plants. For this reason the provisions were transferred to impairments for the power plant facilities. The provision of CHF 35.4 million formed in respect of energy procurement from BIK at 31 December 2012 was reversed. A provision to the amount of CHF 66.5 million in respect of energy procurement from the Tamarete power plant was reposted at the time of acquisition on 13 December 2013.

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 40 years.

Restructuring and other provisions

The provision for restructuring covers future expenses for defined restructuring measures. The payments are largely spread over the next three 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 power plant facilities 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.

27 FINANCIAL LIABILITIES

CHF millions	31.12.2013	31.12.2012
Bonds	991.8	993.6
Registered bonds	316.4	142.6
Finance leasing liabilities	98.2	109.2
Bank liabilities	131.8	118.8
Other financial liabilities	51.8	11.8
Total	**1,590.0**	**1,376.0**
of which:		
– Current financial liabilities	26.7	24.3
– Non-current financial liabilities	1,563.3	1,351.7

On the balance sheet date the weighted average interest rate for financial liabilities, based on the nominal value, amounted to 3.1 % (2012: 2.9 %).

The effective interest rate on bonds and registered bonds of 3.4 % (2012: 3.2 %) led to interest expenses of CHF 36.1 million in the year under review (2012: CHF 27.9 million).

28 OTHER NON-CURRENT LIABILITIES

CHF millions	31.12.2013	31.12.2012
Assigned rights of use	210.9	197.5
Other non-current financial liabilities	13.8	12.5
Other non-current liabilities	6.1	1.2
Total	**230.8**	**211.2**

29 OTHER CURRENT LIABILITIES

CHF millions	31.12.2013	31.12.2012
Trade accounts payable	375.2	308.8
Other financial liabilities	99.3	25.0
Other liabilities	80.1	65.6
Pension plans	1.4	1.0
Customer prepayments	11.8	8.6
Total	**567.8**	**409.0**

Customer prepayments relate to work in progress and comprise order costs of CHF 41.2 million as at the balance sheet date (2012: CHF 41.4 million). This includes pro rata profits of CHF 1.3 million (2012: CHF 1.1 million).

30 PENSION PLAN

The majority of employees are covered by the Pensionskasse der Bernischen Kraftwerke (Pensionskasse BKW) pension fund. Pensionskasse BKW manages a defined benefit pension plan that meets the criteria of a defined benefit plan under IAS 19.

Pensionskasse BKW takes the form of a pension fund organised as a foundation established under private law. It operates the mandatory and supplementary occupational pension provision in accordance with the Federal Law on Occupational Retirement, Survivors' and Invalidity Pension (BVG). The supreme governing body of the Pensionskasse BKW foundation is the Board, which is composed of an equal number of representatives of the employer and the employees. The benefits and financing of Pensionskasse BKW, as well as its organisation and administration, relationship with member companies and actively insured persons and beneficiaries are governed by the Pension and Organisational Regulations, which are issued by the Board. The Board delegates the management of the business to the executive management. The foundation is subject to supervision by the relevant authority of the Canton of Berne.

Employees and their survivors are insured through the pension plan against the economic consequences of old age, invalidity and death. The insured benefits are supplementary to the statutory requirements and are fundamentally paid out in the form of a pension. All actuarial risks are borne by Pensionskasse BKW. The pension plan is financed through contributions and revenue from the assets. Contributions are collected through the group mechanism. The member companies and insured persons pay the premium contributions to the pension scheme, as a percentage of the insured salary of the insured person. Contributions are set at a level that ensures that they and the expected returns from investment of the assets together guarantee the obligations (benefits). Additional payments are required in the event of an increase in the insured salaries.

Responsibility for investing the pension assets is held by the Board of the foundation. The investment activities and the associated competencies are organised according to the instructions of the Pensionskasse BKW Investment Regulations issued by the Board. The Investment Regulations are supplemental to the applicable statutory framework. They define the asset structure and contain qualitative and quantitative requirements for the individual investment categories. Assets are invested to guarantee security and an appropriate return on the investment, with a balanced distribution of risks and coverage of the forecast requirement of cash and cash equivalents. The Board of the foundation has delegated responsibility for carrying out the investment activity to an Investment Committee. The investment activity of Pensionskasse BKW is primarily exercised by external providers (investment foundations, asset managers, funds) with oversight by the Investment Committee and the executive management. The pension plan assets are invested in a widely diversified portfolio in Switzerland and abroad in line with the statutory requirements and the guidelines issued by the Board. Recognised Swiss banking institutions take the role of custodian.

The occupational pensions expert prepares the annual actuarial valuation and verifies the financial and actuarial situation of Pensionskasse BKW. The unaudited actuarial coverage rate of Pensionskasse BKW in accordance with BVG at 31 December 2013 is 111.6 % (2012: 107.5 %). In the event of a coverage shortfall according to BVG, the Board must, in agreement with the occupational pensions expert, agree suitable recovery measures (such as increasing the ordinary contributions or collecting recovery contributions). The contribution made by the employer must be at least equivalent to the total contributions paid by the employee.

The annual assessment prepared for Pensionskasse BKW by the occupational pensions expert is not based on the projected-unit-credit method as required by IFRS. Therefore, BKW obtains an additional assessment according to the requirements of IFRS from an independent pensions expert each year.

30.1 EMPLOYEE PENSION PLAN OBLIGATION RECORDED IN THE BALANCE SHEET

CHF millions	31.12.2013	31.12.2012
Present value of employee pension plan obligation at 31.12.	–1,490.5	–1,533.3
Fair value of plan assets at 31.12.	1,437.6	1,356.0
Employee pension plan obligation recorded in the balance sheet at 31.12.	**–52.9**	**–177.3**

30.2 EMPLOYEE PENSION EXPENSE ACCORDING TO IAS 19

CHF millions	2013	2012
Current service cost (employer)	31.5	34.0
Past service cost (employer)	4.5	–8.8
Interest expense on pension plan obligation	28.9	35.6
Interest income from plan assets	–25.6	–30.4
Management costs excluding costs for management of plan assets	0.8	0.7
Pension plan expenses	**40.1**	**31.1**

30.3 REVALUATION OF PENSION PLAN

CHF millions	2013	2012
Actuarial gains/losses		
– Change in financial assumptions	–60.8	84.7
– Change in demographic assumptions	–0.3	–52.1
– Adjustments based on experience	3.8	–11.4
Income from plan assets (excluding interest based on discount rate)	–77.7	–66.0
Total revaluation reported in other comprehensive income	**–135.0**	**–44.8**

30.4 CHANGE IN PRESENT VALUE OF EMPLOYEE PENSION PLAN OBLIGATION

CHF millions	2013	2012
Present value of employee pension plan obligation at 01.01.	**1,533.3**	**1,496.2**
Interest expenses	28.9	35.6
Current service cost (employer)	31.5	34.0
Contributions paid/benefits paid out	–68.5	–74.2
Employee contributions	17.3	15.6
Past service cost (employer)	4.5	–8.8
Business combination	0.0	13.0
Management costs (excluding asset management costs)	0.8	0.7
Actuarial gains/losses	–57.3	21.2
Present value of pension plan obligations at 31.12.	**1,490.5**	**1,533.3**

At the balance sheet date, the active members' share of the pension plan obligation was CHF 708.1 million (2012: CHF 756.1 million). The share of those drawing a pension in the pension plan obligation was CHF 782.4 million (2012: CHF 777.2 million).

30.5 CHANGE IN FAIR VALUE OF PLAN ASSETS

CHF millions	2013	2012
Fair value of plan assets at 01.01.	**1,356.0**	**1,280.6**
Interest income from plan assets	25.6	30.4
Employer contributions	29.5	26.7
Employee contributions	17.3	15.6
Contributions paid/benefits paid out	–68.5	–74.2
Business combination	0.0	10.9
Income from plan assets (excluding interest based on discount rate)	77.7	66.0
Fair value of plan assets at 31.12.	**1,437.6**	**1,356.0**

30.6 ASSET STRUCTURE OF PLAN ASSETS

CHF millions	31.12.2013	%	31.12.2012	%
Cash and cash equivalents	56.0	3.9	43.4	3.2
Equity instruments	527.1	36.7	481.7	35.5
Debt instruments	534.4	37.2	511.0	37.7
Other instruments	51.4	3.6	49.8	3.7
Properties	268.7	18.6	270.1	19.9
Total plan assets	**1,437.6**		**1,356.0**	
– thereof own transferrable financial instruments	1.3		1.4	
– thereof properties used by BKW	9.5		9.6	

Equity capital instruments include investment in shares and are generally listed at their market price in an active market. The proportion of Swiss shares as a percentage of the total assets at the end of the reporting period was 13.0 % (2012: 13.1 %), with foreign shares taking 23.7 % (2012: 22.4 %). Investments in Swiss and foreign shares are made directly (through external asset managers) and through investment foundations and funds.

The composition of debt instruments as a percentage of total assets at 31 December 2013 was 16.9 % (2012: 16.9 %) for Swiss bonds, 9.8 % (2012: 9.9 %) for foreign bonds with currency hedging and 10.5 % (2012: 10.9 %) for mortgage loans and mortgage bonds. The bonds and mortgage bonds are listed in an active market at their market price, whereas there is no market price listing in an active market for the mortgage loans.

Most of the other instruments are listed in an active market at their market price.

At 31 December 2013 the proportion of property as a percentage of the total assets was split between 12.4 % (2012: 13.9 %) for properties (direct investments in Switzerland) and 6.2 % (2012: 6.0 %) for property funds listed in an active market (of which almost half involved foreign properties).

The effective income from the plan assets was 7.4 % in the reporting year (2012: 7.6 %).

30.7 ACTUARIAL ASSUMPTIONS

	2013	2012
Discount rate	2.20 %	1.90 %
Expected rate of future salary increases	1.25 %	1.25 %
Expected rate of future pension increases	0.20 %	0.20 %
Mortality table	BVG 2010 GT	BVG 2010 GT

The weighted average term of the employee pension plan obligation amounted to 13.6 years (2012: 14.1 years).

Sensitivities of the major actuarial assumptions

The discount rate, changes in salaries and pensions, and life expectancy constitute significant actuarial assumptions and were therefore subjected to a sensitivity analysis. In the event of an increase/decrease in the assumptions shown below, the employee pension plan obligation will vary as follows:

31.12.2013	Employee pension obligation	
CHF millions	Increase	Decrease
Discount rate (0.25 % change)	−47.2	50.3
Salary increase (0.25 % change)	7.7	−7.6
Changes in pensions (0.20 % change)	33.6	−32.4
Life expectancy (1 year change)	46.7	−48.2

The sensitivity analysis was conducted on the basis of a method that extrapolates the impact on the employee pension plan obligation through changes in the above assumptions at the end of the reporting period.

30.8 ESTIMATED CONTRIBUTIONS FOR THE NEXT PERIOD

CHF millions	2013	2012
Expected employer contributions	23.0	25.1
Expected employee contributions	15.2	15.7

31 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	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
Futures (energy trading)	0.0	0.0	0.0	0.0	177.4	123.3
Forward contracts (energy trading)	153.9	214.5	114.1	194.5	3,298.6	1,597.9
Exchange rate hedging	0.6	0.1	2.9	0.1	201.5	6.4
Hedge accounting						
– Swaps	8.4	12.4	1.1	1.9	129.6	134.0
– Exchange rate hedging	0.5	0.0	0.1	0.1	117.8	141.6
Total	**163.4**	**227.0**	**118.2**	**196.6**	**3,924.9**	**2,003.2**
of which:						
– Current derivatives	105.2	155.0	85.2	157.2		
– Non-current derivatives	58.2	72.0	33.0	39.4		

32 HEDGE ACCOUNTING

The following hedging transactions were open at 31 December 2013:

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 –3.5 million (2012: +1.9 million). In 2013 there was a CHF 0.5 million ineffective portion of hedging relationships, which was reported as a loss under financial income (2012: CHF 0.1 million gain).

Cash flow hedge

In relation to borrowings for power plants, interest rate swaps existed on the balance sheet date for the next four 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 0.0 million in the reporting year; 2012: CHF –0.4 million). In 2013 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 outstanding investment obligations for the Wilhelmshaven power plant in Germany. 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 2014. A loss of CHF 0.4 million (2012: CHF 3.3 million) was recognised in net revenue for the reporting year relating to amounts that had been hedged in previous years.

Net investment hedge

In the two previous years, BKW placed three registered bonds with nominal amounts of EUR 275 million in total. 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 the reporting year there was no ineffective portion of hedging relationships reported under financial income.

33 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		Pension funds	
CHF millions	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Income								
– Energy sales	4.4	4.8	52.9	34.7	115.8	110.7		
– Other sales and services	9.2	8.2	10.3	8.7	94.1	93.8	1.2	1.3
– Interest and dividends	2.7	5.3	3.5	2.1	26.0	27.6		
Expenses								
– Energy purchases			29.5	14.7	338.9	325.2		
– Other purchases and services	0.5	1.0	0.9	0.4	76.4	107.0	26.0	28.5
– Taxes and charges	21.3	19.8						
– Interest and dividends	33.9	28.0	6.3	5.3				0.7
– Income taxes	3.6	7.8						
Assets								
– Non-current financial assets	5.1							
– Loans					139.3	70.5		
– Rights of use					13.7			
– Current financial assets		5.1						
– Receivables and accruals	6.1	29.6	10.5	6.1	53.4	68.6		
– Cash and cash equivalents	87.1	40.1						
Liabilities								
– Loans			0.1	0.8				
– Rights of use			0.1	0.1	0.5			
– Liabilities and accruals	5.3	1.9	0.4		51.6	49.5	1.0	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 AG 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 AG.

TRANSACTIONS WITH ASSOCIATES

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 2013 associates borrowed CHF 132.3 million in loans from BKW (2012: CHF 17.1 million). The loans were reduced by CHF 65.1 million during the reporting year owing to changes in the group of consolidated companies (2012: repayment of CHF 0.4 million and impairments of CHF 0.1 million). In 2013 BKW acquired property, plant and equipment from associates at a purchase price of CHF 0.1 million (2012: CHF 0.3 million). BKW also sold property, plant and equipment in the value of CHF 0.5 million (2012: CHF 0.3 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	2013	2012
Short-term benefits	4.1	3.5
Contributions to pension plans	0.8	0.4
Share-based payments	0.0	0.0
Total	**4.9**	**3.9**

The profit sharing allocations now correspond to the variable bonuses for the corresponding financial year. Previous reports showed the variable bonuses paid out during the financial year, relating to the previous year. The previous year's figures have been adjusted accordingly.

As in the previous year, on the balance sheet date there were no loans relating to members of the Group Executive.

Details of remuneration to the Board of Directors and Group Executive Board as well as their shareholdings pursuant to Art. 663bbis and Art. 663c para. 3 of the Swiss Code of Obligations (CO) are provided in the financial statements of BKW Inc. on pages 102 to 104.

34 LEASING

34.1 OPERATING LEASES

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

CHF millions	Lessor 31.12.2013	Lessor 31.12.2012	Lessee 31.12.2013	Lessee 31.12.2012
Up to 1 year	8.0	7.9	7.9	6.9
Later than 1 year and not later than 5 years	32.1	31.6	18.4	23.2
More than 5 years	0.0	7.9	55.7	40.1
Total	**40.1**	**47.4**	**82.0**	**70.2**

The leases relate to rental agreements for operational properties, tenancies and vehicle leasing. The posted leasing expense from operational leasing agreements amounted to CHF 7.1 million in the reporting period (2012: CHF 8.1 million).

34.2 FINANCE LEASES

CHF millions	Minimum lease payments 31.12.2013	Minimum lease payments 31.12.2012	Present value 31.12.2013	Present value 31.12.2012
Up to 1 year	19.2	18.9	13.4	12.5
Later than 1 year and not later than 5 years	57.2	63.8	40.9	45.2
More than 5 years	52.0	62.7	43.9	51.5
Total	**128.4**	**145.4**	**98.2**	**109.2**
Financing costs	–30.2	–36.2		
Present value of minimum lease payments	98.2	109.2		

Finance leases are related to wind farms which are funded via long-term leasing contracts. Leasing liabilities of CHF 98.2 million (2012: CHF 109.2 million) were accounted for in the balance sheet, of which CHF 13.4 million (2012: CHF 12.5 million) was designated as current liabilities and CHF 84.8 million (2012: CHF 96.7 million) as non-current liabilities.

35 ADDITIONAL DISCLOSURES ON THE CASH FLOW STATEMENT

Cash and cash equivalents

Cash and cash equivalents covers cash on hand, bank account balances and cash invested with financial institutes for a maximum period of three months.

CHF millions	31.12.2013	31.12.2012
Bank and cash balances	496.8	548.8
Term deposits	0.0	50.4
Total cash and cash equivalents	**496.8**	**599.2**

Details on acquisitions of Group companies in the year under review are provided in Note 7. The acquisition of Group companies amounting to CHF 198.8 million corresponds to the purchase price of CHF 205.1 million minus the deferred purchase price payments of CHF 8.0 million at the time of acquisition, plus the purchase price payment of CHF 4.6 million that had been made by 31 December 2013, minus the acquired cash and cash equivalents of CHF 2.9 million.

Among additions to property, plant and equipment, and to participations in associates, amounts of CHF 60.4 million (see Note 18) and CHF 74.6 million (see Note 19) respectively do not affect cash.

36 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 170,572 shares in BKW (2012: 138,375 shares) at a preferential price. In 2013 57,333 shares (2012: 36,716 shares) were purchased at a price of CHF 20.00 each (2012: CHF 22.00 each). The underlying present value per share was CHF 31.80 (2012: CHF 33.00). The personnel expense for this share-based payment was CHF 0.7 million (2012: CHF 0.4 million). No purchase rights remained open on the balance sheet date.

37 DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES

37.1 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		2013	2012	2013	2012	2013	2012	**2013**	2012
Non-current financial assets	20	169.6	83.8			200.4	206.2	370.0	290.0
Trade accounts receivable	24	592.9	502.7					592.9	502.7
Other current financial receivables	24	58.5	58.4					58.5	58.4
Derivatives (current and non-current)	31			163.4	227.0			163.4	227.0
Current financial assets	20	170.0	99.8	130.5	134.2			300.5	234.0
Financial accruals	23	178.0	118.8					178.0	118.8
Cash and cash equivalents	35	496.8	599.2					496.8	599.2
Total		**1,665.8**	**1,462.7**	**293.9**	**361.2**	**200.4**	**206.2**	**2,160.1**	**2,030.1**

Financial liabilities

	Note	Liabilities at amortised cost		Fair value through profit or loss		Recognised according to IAS 17		Total	
CHF millions		2013	2012	2013	2012	2013	2012	**2013**	2012
Non-current financial liabilities	27	1,361.1	1,134.3	117.4	120.7	84.8	96.7	1,563.3	1,351.7
Other non-current financial liabilities	28	8.3	7.0	5.5	5.5			13.8	12.5
Trade accounts payable	29	375.2	308.8					375.2	308.8
Other current financial liabilities	29	95.9	24.4	3.4	0.6			99.3	25.0
Derivatives (current and non-current)	31			118.2	196.6			118.2	196.6
Current financial liabilities	27	13.3	11.8			13.4	12.5	26.7	24.3
Financial accruals	23	109.0	84.6					109.0	84.6
Total		**1,962.8**	**1,570.9**	**244.5**	**323.4**	**98.2**	**109.2**	**2,305.5**	**2,003.5**

Due to short residual terms to maturity, the carrying amount of loans and receivables and financial liabilities at amortised cost correspond approximately to the fair value. At 31 December 2013 a difference existed between these values for the bonds included under non-current financial liabilities. At the end of 2013 the listed value of the bonds (fair value level 1) was CHF 1,027.4 million and the carrying amount was CHF 991.8 million (2012: listed value CHF 1,053.4 million, carrying amount CHF 993.6 million).

37.2 HIERARCHY OF FAIR VALUES

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: valuations, the inputs to which are based on directly or indirectly observable market data. The inputs have a material impact on the recognised fair value. At this hierarchy level, BKW includes over-the-counter derivatives (all forward energy trading contracts, interest rate swaps and forward currency contracts) as well as the proportional share of net assets of the state funds (federal decommissioning and disposal funds). The assets in the state funds are managed by the federal government; BKW has no access to the managed assets. The fund assets are invested in line with the agreed investment strategy principally in products with listed prices on active markets. Investments in assets for which there are no listed prices on active markets are also possible to a limited extent. Such investments are valued by the global custodian. BKW has no influence on the valuation method used. The annual statement of the funds is audited by external auditors each year and published by the federal offices responsible.
- 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. Valuation of such assets requires management estimates of non-observable input factors. The fair values of Level 3 financial assets and liabilities were determined using the discounted cash flow method and discounted based on a WACC of between 5.4 % and 5.7 %. A realistic, constant margin was applied to the valuation models (the annual growth in the margin corresponds to inflation). The effect of a 10 % change in the two most important non-observable input factors would have no significant impact on comprehensive income and the equity of BKW.

As in the comparable period, no assets were transferred between levels during the period under review.

CHF millions	Carrying amount at 31.12.2013	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Non-current financial assets				
– Available-for-sale financial assets	200.4	99.9		100.5
– Receivables from state funds	783.0		783.0	
Derivatives (current and non-current)	163.4		163.4	
Current financial assets				
– Securities held for trading	130.5	130.5		
Inventories				
– Certificates (proprietary trading)	86.8	86.8		
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	118.2		118.2	

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
– Receivables from state funds	701.6		701.6	
Derivatives (current and non-current)	227.0		227.0	
Current financial assets				
– Securities held for trading	134.2	134.2		
Inventories				
– Certificates (proprietary trading)	36.1	36.1		
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	196.6		196.6	

In addition, the liabilities at 31 December 2013 include the following at fair value:

– Bonds with an amount of CHF 117.4 million (2012: CHF 120.7 million) as part of a fair value hedge valued at Level 2.
– Other liabilities with an amount of CHF 8.9 million (2012: CHF 6.1 million) from deferred purchase price payments in relation to business combinations valued at Level 3.

The development of the Level 3 assets valued at fair value during the year under review was as follows:

CHF millions	Available-for-sale financial assets
At 31.12.2012	**107.5**
Additions	0.9
Disposals	−3.5
Value adjustment	
– Transfer to income statement	−0.9
– Changes in value included in other comprehensive income	−3.5
At 31.12.2013	**100.5**

37.3 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	2013	2012	2013	2012	2013	2012	2013	2012	**2013**	2012
Included in net sales:										
– Income from proprietary energy trading			12.1	15.1					12.1	15.1
– Income from energy hedging			23.6	6.0					23.6	6.0
– Change in provision for impairment of receivables	0.1	0.9							0.1	0.9
Included in financial result:										
– Interest income	9.9	4.0	2.9	2.9					12.8	6.9
– Interest expense							−44.0	−36.1	−44.0	−36.1
– Dividends					6.3	5.0			6.3	5.0
– Gains from subsequent measurement at fair value			−4.1	2.1					−4.1	2.1
– Gains from sales			0.4	0.1					0.4	0.1
– Impairment of financial assets	−0.4	−0.3			−0.9	−0.1			−1.3	−0.4
– Other financial income	−3.1	−3.6	0.5	0.5					−2.6	−3.1
– Currency translations	2.9	−3.2							2.9	−3.2
Included in other comprehensive income:										
– Gains from subsequent measurement at fair value					−2.3	−28.3			−2.3	−28.3
Total	**9.4**	**−2.2**	**35.4**	**26.7**	**3.1**	**−23.4**	**−44.0**	**−36.1**	**3.9**	**−35.0**

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

37.4 NETTING ARRANGEMENTS

BKW concludes reciprocal transactions with a range of contractual partners in the scope of its business activities. Where contractually agreed netting procedures have been agreed and the prerequisites for netting balance sheet items have been met, the resulting receivables and liabilities due and owed are reported as net items in the balance sheet.

The following amounts have been netted off in the balance sheet at the balance sheet date:

	2013			2012		
CHF millions	Gross values	Netting off	**Net values**	Gross values	Netting off	Net values
Trade accounts receivable	1,183.4	–590.5	592.9	878.9	–376.2	502.7
Trade accounts payable	–965.7	590.5	–375.2	–685.0	376.2	–308.8
Positive replacement values	480.3	–326.4	153.9	680.4	–465.9	214.5
Negative replacement values	–440.5	326.4	–114.1	–660.4	465.9	–194.5

38 FINANCIAL RISK MANAGEMENT

38.1 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 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 10 December 2013.

38.2 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 receivables, to derivatives with a positive replacement value, and to current accounts and term deposits with credit institutes on the balance sheet, 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	31.12.2013	31.12.2012
Credit rating A	276.3	316.3
Credit rating B	875.9	902.2
Credit rating C	28.5	11.8
Other counterparties	242.4	195.9
Total	**1,423.1**	**1,426.2**
Included under:		
– Trade accounts receivable	592.9	502.7
– Derivatives (current and non-current)	163.4	227.0
– Current financial assets (term deposits only)	170.0	97.3
– Cash and cash equivalents	496.8	599.2

The maximum credit risk (excluding guarantees granted) corresponds to the amount of outstanding financial assets on the balance sheet date. At 31 December 2013 the maximum credit risk for BKW was CHF 1,829.2 million compared with CHF 1,689.7 million in 2012 (carrying amount of all financial assets in accordance with Note 37.1, with the exception of the equity instruments contained there). 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 36.4 million (2012: CHF 35.9 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 128.4 million (2012: 138.5 million) was held for trade receivables and derivatives recorded on the balance sheet at 31 December 2013.

A cluster risk would arise if excessive credit were granted to an individual customer. The potential loss and the resultant writedown 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 78 % of the credit risk (2012: 81 %).

38.3 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 twelve-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 31.12.2013	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	27	1,590.0	90.3	88.3	87.5	161.9	1,924.4
Other non-current financial liabilities	28	13.8	0.2	1.6	4.8	5.8	1.5
Trade accounts payable	29	375.2	375.2				
Other current financial liabilities	29	99.3	99.3				
Financial accruals	23	109.0	109.0				
Total non-derivative liabilities		**2,173.9**	**674.0**	**89.9**	**92.3**	**167.7**	**1,925.9**
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	31	153.9	115.8	36.8	12.9	0.2	
– Negative replacement values	31	−114.1	−95.5	−22.5	−7.7	−0.2	
Net replacement values		**39.8**	**20.3**	**14.3**	**5.2**	**0.0**	**0.0**
Currency forwards and swaps							
– Positive replacement values	31	9.5	1.1				8.4
– Negative replacement values	31	−4.1	−0.7	−0.7	−0.7	−1.0	−1.0
Net replacement values		**5.4**	**0.4**	**−0.7**	**−0.7**	**−1.0**	**7.4**
Gross cash flows related to derivatives							
– Gross outflow			−3,809.4	−694.2	−163.2	−0.2	0.0
– Gross inflow			3,986.0	704.3	205.3	2.2	9.4

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	27	1,376.0	69.1	69.1	125.4	125.2	1,539.3
Other non-current financial liabilities	28	12.5			8.0	5.5	
Trade accounts payable	29	308.8	308.8				
Other current financial liabilities	29	25.0	25.0				
Financial accruals	23	84.6	84.6				
Total non-derivative liabilities		**1,806.9**	**487.5**	**69.1**	**133.4**	**130.7**	**1,539.3**
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	31	214.5	156.2	48.2	11.4		
– Negative replacement values	31	–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	31	12.5	0.1				12.4
– Negative replacement values	31	–2.1	–0.6	–0.5	–0.4	–0.4	–0.2
Net replacement values		**10.4**	**–0.5**	**–0.5**	**–0.4**	**–0.4**	**12.2**
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

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 cash flows from derivative financial instruments do not take netting arrangements into account.

38.4 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.

38.4.1 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 20). 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.

38.4.2 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 variable-interest positions.

38.4.3 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.

38.4.4 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.

38.4.5 RISK MEASUREMENT

Interest rate, share price and exchange rate risks are regularly measured and reported on the basis of value at risk (VaR). BKW uses a confidence level of 99 % with a one-year holding period for interest rate products and shares, and a one-day holding period for foreign exchange. The previous year’s figures have been adjusted in relation to the share price and exchange rate risks due to changes in the VaR model. The VaR for the share price risk is now calculated using a historical simulation method instead of the variance-covariance method, while the holding period for VaR of exchange rate risk is now one day instead of one year. No changes have been made to the method of calculating the interest rate risk. The previous year’s figures have been adjusted accordingly.

Value at risk

CHF millions	31.12.2013	31.12.2012 (restated)
Interest	6.3	5.0
Share price, financial instruments available for sale	61.7	65.0
Currencies	3.3	1.0

The value at risk shows value fluctuation risk based on individual risks which, given no change, could occur in a twelve-month/one-day period respectively, 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 2013 the CC-VaR amounted to CHF 3.5 million (2012: CHF 3.2 million).

39 CONTINGENT LIABILITIES AND INVESTMENT OBLIGATIONS

CHF millions	31.12.2013	31.12.2012
Guarantees		
– in favour of associates	15.6	23.1
– in favour of third parties	20.8	12.8
Investment obligations	115.2	311.0
Capital payment obligations	0.1	0.1
Total	**151.7**	**347.0**

Contingent liabilities

CHF 3.1 million of the guarantees granted have a term to maturity of up to 12 months (2012: CHF 3.5 million), while guarantees amounting to CHF 10.7 million were granted for an unlimited term (2012: CHF 22.8 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 1.2 million (2012: CHF 1.7 million).

Contingent liabilities of around CHF 28.1 million exist in respect of legal disputes. BKW does not consider it probable that decisions arising from these disputes will cause an additional cash outflow. Appropriate provisions have been formed for probable payments in respect of legal disputes.

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 will probably entail an investment of EUR 540 million on the part of BKW. By 31 December 2013, some EUR 460 million had been invested. The Wilhelmshaven plant is planned to enter into operation in 2014.

40 EVENTS AFTER THE BALANCE SHEET DATE

Approval of the consolidated financial statements

The Board of Directors of BKW authorised the approval of these consolidated financial statements on 14 March 2014. The consolidated financial statements are subject to the approval of the BKW General Shareholders' Meeting on 9 May 2014.

Holdings

	Production	Renewables & Efficiency	Market	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Company law closing date
Group companies											
Arnold AG				●		Wangen an der Aare	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.
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 Energie Wilhelmshaven Beteiligungs-GmbH	●					Berlin (D)	0.03	EUR	100.0		31.12.
BKW Energy Ltd.	●	●	●	●	●	Berne	132.0	CHF	100.0	●	31.12.
BKW Erneuerbare Energien GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
BKW France SAS	●					Paris (F)	0.1	EUR	100.0		31.12.
BKW Grid Switzerland Ltd.					●	Berne	0.1	CHF	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 Landkern Wind GmbH		●				Berlin (D)	0.05	EUR	100.0		31.12.
BKW Management Ltd.					●	Berne	0.1	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.
cc energie sa			●			Murten	1	CHF	62.0		31.12.
CHI.NA.CO S.r.l.	●					Roè Volciano (I)	2	EUR	100.0		31.12.
Curea Elektro AG				●		Landquart	0.15	CHF	100.0		31.12.
EES Jäggi-Bigler Inc.		●				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.
Green Castellaneta S.p.A.		●				Milan (I)	0.12	EUR	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	6.0	CHF	65.0		31.12.
Kraftwerk Lauenen AG	●					Lauenen	2.0	CHF	85.0		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.

	Production	Renewables & Efficiency	Market	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Company law 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	0.1	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.
Tamarete Energia S.r.l.	●					Ortona (I)	3.6	EUR	60.0		31.12
Termoelettrica Veneta S.r.l.	●					Milan (I)	0.01	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 operations											
Bielersee Kraftwerke AG BIK	●					Bienne	20	CHF	50.0		31.12.
Kraftwerk Sanetsch AG (KWS)	●					Gsteig	3.2	CHF	50.0		30.09.
Associates											
Aarewerke AG	●					Klingnau	16.8	CHF	10.1		30.06.
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.
Biopower Sardegna S.r.l.	●					Milan (I)	0.1	EUR	10.5		31.12.
Centrale Electrique de la Plaine	●					Dremil Lafage (F)	0.0	EUR	33.3		31.12.
DEVIWA AG			●			Leuk	0.1	CHF	20.0		31.12.
E.ON Produzione Centrale Livorno Ferraris S.p.A.	●					Milan (I)	10	EUR	25.0		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.
em electrocontrol ag		●				Urtenen-Schönbühl	0.25	CHF	20.0		31.12.
Energie Biberist AG EBAG			●			Biberist	5	CHF	25.0		31.12.
Engadiner Kraftwerke AG	●					Zernez	140	CHF	30.0		30.09.
ETRANS Ltd.				●		Laufenburg	7.5	CHF	11.5		31.12.
EVTL Energieversorgung Talschaft Lötschen AG			●			Wiler (Lötschen)	1.27	CHF	49.0		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.
GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG	●					Wilhelmshaven (D)	–	EUR	33.0		31.12.

	Production	Renewables & Efficiency	Market	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Company law closing date
Associates (continued)											
GEBNET AG			●			Aetigkofen	6.97	CHF	40.9		31.12.
Gesellschaft Mont-Soleil		●				Berne	–	CHF	20.2		31.12.
Gommerkraftwerke AG	●					Ernen	30	CHF	25.0		31.12.
Grande Dixence SA	●					Sion	300	CHF	13.3		31.12.
Hertli & Bertschy AG, elektrische Anlagen		●				Tafers	0.05	CHF	40.0		31.12.
HelveticWind Deutschland GmbH		●				Berlin (D)	0.03	EUR	29.0		31.12.
HelveticWind Italia S.r.l.		●				Milano (I)	0.01	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.
Kraftwerk Berschnerbach AG	●					Walenstadt	0.1	CHF	48.8		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.
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.
Metanord SA			●			Bellinzona	18.59	CHF	30.9		31.12.
MOHA ZOFI		●				Brienz	–	CHF	38.5		31.12.
Nagra	●					Wettingen	–	CHF	16.7		31.12.
NIS AG				●		Emmen	1	CHF	25.0		31.12.
Oberland Energie AG		●				Thun	9.1	CHF	49.0		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.
RESUN AG	●					Aarau	1	CHF	33.3		30.09.
Société des Forces Motrices du Châtelot SA	●					La Chaux-de-Fonds	6.0	CHF	11.7		31.12.
Solarkraftwerk Lawinenverbauung St. Antönien		●				St. Antönien	–	CHF	38.5		31.12.
sol-E Suisse Biogas Zernez		●				Zernez	–	CHF	22.9		31.12.
Solutions Renouveables Boudry SA	●					Boudry	0.9	CHF	49.0		31.12.
Spontis SA				●		Granges-Paccot	0.1	CHF	30.0		31.12.
Swissgrid Ltd.				●		Laufenburg	271.2	CHF	12.6		31.12.
Youtility AG			●			Berne	7.5	CHF	39.8		31.12.
Zwilag Zwischenlager Würenlingen AG	●					Würenlingen	5	CHF	10.7		31.12.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of BKW Inc., Berne

Berne, 14 March 2014

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 12 to 95), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation 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 2013 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 Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

Financial Statements of BKW Inc.
Income Statement

CHF millions	2013	2012
Share earnings	63.4	63.7
Interest income	44.9	36.4
Other operating income	0.4	0.3
Total earnings	**108.7**	**100.4**
Interest expense	36.1	28.3
Other financial expenses	0.3	0.7
Other operating expenses	5.8	4.7
Income taxes	1.8	1.5
Total expenses	**44.0**	**35.2**
Net profit	**64.7**	**65.2**

Financial Statements of BKW Inc.
Balance Sheet

CHF millions	31.12.2013	31.12.2012
Assets		
Holdings	1,315.0	1,315.0
Loans	1,316.4	1,142.6
Other financial assets	16.8	18.4
Total non-current assets	**2,648.2**	**2,476.0**
Dividend receivable	63.4	63.4
Other receivables	1.9	0.3
Prepaid expenses and accrued income	3.8	1.9
Cash and cash equivalents	1.0	0.5
Total current assets	**70.1**	**66.1**
Total assets	**2,718.3**	**2,542.1**
Liabilities		
Share capital	132.0	132.0
Reserves from capital contributions	26.1	26.1
General legal reserves	839.4	798.2
Reserves for treasury shares	315.5	356.8
Profit carried forward	6.6	4.7
Net profit	64.7	65.2
Total shareholders' equity	**1,384.3**	**1,383.0**
Bonds	1,000.0	1,000.0
Loans payable	316.4	142.6
Total non-current liabilities	**1,316.4**	**1,142.6**
BKW Energy Ltd. current account	2.0	1.1
Other current liabilities	1.9	3.7
Deferred income and accrued expenses	13.7	11.7
Total current liabilities	**17.6**	**16.5**
Total liabilities	**1,334.0**	**1,159.1**
Total liabilities and shareholders' equity	**2,718.3**	**2,542.1**

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 93 to 95.

SHARE CAPITAL

The BKW Inc. share capital at 31 December 2013 amounts to CHF 132 million and is divided into 52,800,000 registered shares at a par value of CHF 2.50 each.

Major shareholders

	31.12.2013	31.12.2012
Canton of Berne	52.54 %	52.54 %
Groupe E Ltd.	10.00 %	10.00 %
E.ON SE	6.65 %	7.03 %
Group companies	8.54 %	9.68 %

TREASURY SHARES

Treasury shares are held by the Group companies.

	CHF thousands	Number
At 31.12.2011	359.9	5,152,605
Additions	0.0	8,980
Disposals	–3.1	–52,603
At 31.12.2012	**356.8**	**5,108,982**
Additions	0.0	0
Disposals	–41.3	–590,932
At 31.12.2013	**315.5**	**4,518,050**

The total stock of 4,518,050 shares is reported at the acquisition value at 31 December 2013 as the treasury share reserve.

SHARE EARNINGS

The dividend of CHF 63.4 million paid by BKW Energy Ltd. was recorded prematurely. The Annual General Meeting of BKW Energy Ltd. approved this dividend payment.

BONDS

CHF millions	31.12.2013	31.12.2012
3 % debenture bond 2007–2022	200.0	200.0
3.375 % debenture bond 2009–2019	350.0	350.0
1.875 % debenture bond 2010–2018	150.0	150.0
2.5 % debenture bond 2010–2030	300.0	300.0
Total	**1,000.0**	**1,000.0**

CONTINGENT LIABILITIES

CHF millions	31.12.2013	31.12.2012
Guarantees for consolidated companies in favour of third parties	199.3	192.3

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 risks in connection with the Group's operative business activity in 2013.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE

Remuneration of members of the Board of Directors in 2013

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	Total
Urs Gasche	Chairman	280	3	45	328
Antoinette Hunziker-Ebneter	Vice-Chairwoman	90		5	95
Kurt Rohrbach[1]	2nd Deputy Chair	522	3	113	638
Marc-Alain Affolter	Member	66		14	80
Roger Baillod	Member (from 17.05.2013)	35		8	43
Dr Georges Bindschedler	Member	74	3	5	82
Ueli Dietiker	Member (until 17.05.2013)	31		6	37
Barbara Egger-Jenzer[2]	Member	74		10	84
Hartmut Geldmacher	Member	56	3	36	95
Prof. Dr Eugen Marbach	Member	58	3	13	74
Kurt Schär	Member	64	3	14	81
Beatrice Simon-Jungi[2]	Member	56	3	7	66
Philippe Virdis	Member	60	2	11	73
Total		**1,466**	**23**	**287**	**1,776**

[1] Full-time post.
[2] The fixed annual compensation of CHF 40,000 is paid to the Canton of Berne.

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
Kurt Rohrbach[1]	2nd Deputy Chair (from 11.05.2012)	0		0	0
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[2]	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[2]	Member	60		8	68
Philippe Virdis	Member	64		11	75
Total		**962**	**10**	**165**	**1,137**

[1] 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 deputy chair. 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.
[2] The fixed annual compensation of CHF 40,000 is paid to the Canton of Berne.

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 2013, each member of the Board of Directors was offered the opportunity to purchase 400 BKW shares at a preferential price (2012: 320 shares). The shares acquired are subject to a blocking period of three 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.

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

	Dr Suzanne Thoma CEO	Kurt Rohrbach CEO	Total paid to Group Executive Board members	
CHF thousands	2013	2012	**2013**	2012
Fixed remuneration	480	522	1,834	2,015
Profit sharing[1]	144	77	451	335
Share-based payment	3	2	11	7
Pension benefits[2]	289	90	811	363
Total	**916**	**691**	**3,107**	**2,720**

[1] The profit sharing allocations now correspond to the variable bonuses for the corresponding financial year. Previous reports showed the variable bonuses paid out during the financial year, relating to the previous year.
[2] Pensionskasse BKW manages a defined benefit pension plan. Therefore, in addition to the ordinary employer's contributions, the pension benefits also include the employer's share of back-payments resulting from increases in the insured salary.

Members of the Group Executive 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 2013, each member of the Group Executive was offered the opportunity to purchase 400 BKW shares at a preferential price (2012: 320 shares). The shares acquired are subject to a blocking period of three years, which is taken into account when measuring the remuneration by applying a reduction. 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.

As in the previous year, at 31 December 2013 there were no loans relating to members of the Group Executive.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE

Members of the Board of Directors

Number of shares		31.12.2013	31.12.2012
Urs Gasche	Chairman	2,177	1,777
Antoinette Hunziker-Ebneter	Vice-Chairwoman	300	300
Kurt Rohrbach	2nd Deputy Chair (from 11.05.2012)	12,157	11,757
Marc-Alain Affolter	Member	3,120	2,720
Roger Baillod	Member (from 17.05.2013)	1,000	0
Dr Georges Bindschedler	Member	5,120	4,720
Ueli Dietiker	Member (until 17.05.2013)	0	320
Barbara Egger-Jenzer	Member	400	400
Hartmut Geldmacher	Member	1,920	1,520
Prof. Dr Eugen Marbach	Member	3,000	2,600
Kurt Schär	Member (from 11.05.2012)	400	0
Beatrice Simon-Jungi	Member	1,000	600
Philippe Virdis	Member	4,520	4,220
Total		**35,114**	**30,934**

Members of the Group Executive Board

Number of shares		31.12.2013	31.12.2012
Dr Suzanne Thoma	CEO (from 01.01.2013)	2,560	2,160
Christophe Bossel	Head of Networks (from 01.01.2013)	400	n/a
Dr Monica Dell'Anna	Head of Market (from 01.09.2013)	0	n/a
Beat Grossenbacher	Head of Finance and Services	2,520	2,120
Hermann Ineichen	Head of Production	2,822	3,622
Renato Sturani	Head of Renewables & Efficiency (from 01.11.2013)	0	n/a
Samuel Leupold	Head of Energy International and Trading (until 15.02.2013)	n/a	1,620
Total		**8,302**	**9,522**

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

Appropriation of retained earnings
Proposal to the Annual General Meeting

CHF	
Retained earnings/profit carried forward	6,584,840
Net profit	64,710,435
Unappropriated retained earnings	**71,295,275**

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	7,935,275
Total	**71,295,275**

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, 14 March 2014

Members of the Board of Directors
Chairman
Urs Gasche

Group Executive Board

Dr Suzanne Thoma	Christophe Bossel	Dr Monica Dell Anna
Beat Grossenbacher	Hermann Ineichen	Renato Sturani

Report of the statutory auditor on the financial statements

To the General Meeting of BKW Inc., Berne

Berne, 14 March 2014

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 98 to 104), for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

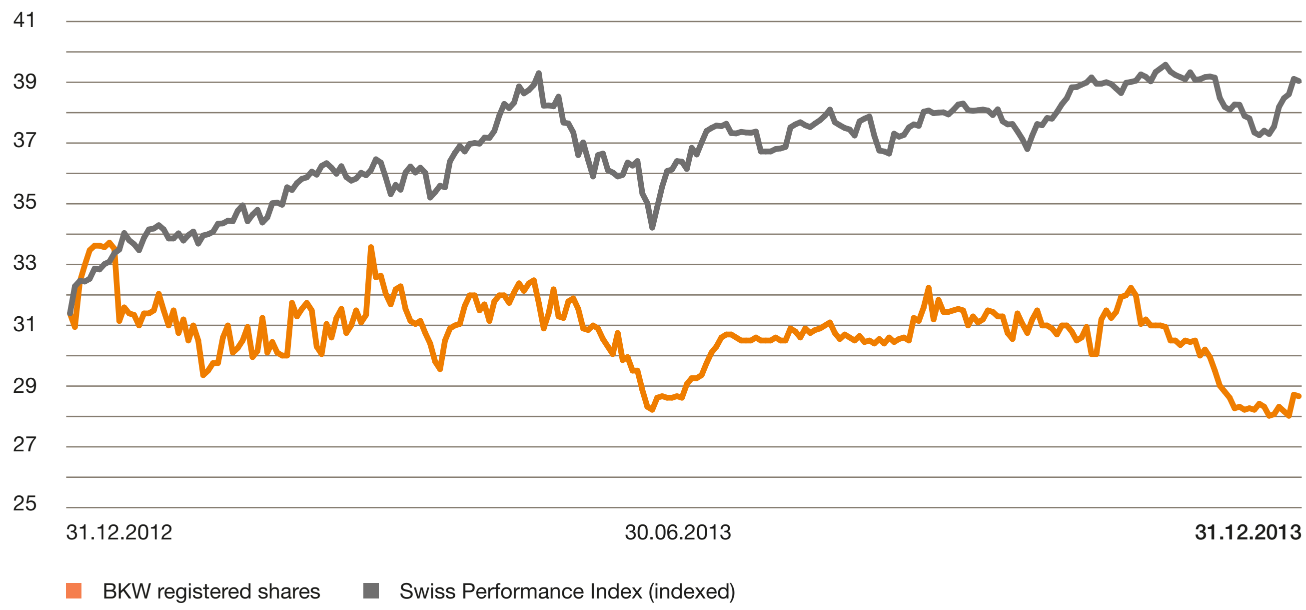
Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

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

Performance of the BKW share 31.12.2012 – 31.12.2013



The share price fell by 8.8 % during the period under review.

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 2013 financial year. The dividend will be paid out on 16 May 2014.

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.

Major shareholders

%	31.12.2013	31.12.2012
Canton of Berne	52.54	52.54
Groupe E Ltd.	10.00	10.00
E.ON SE	6.65	7.03
Treasury stock	8.54	9.66

The proportion of shares held by the public (free float) is 22.3 %. The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

CHF	31.12.2013	31.12.2012
Result (adjusted)[1]	3.46	4.26
Equity	48.11	51.15
Dividend	1.20	1.20
Dividend yield (in %)[2]	4.2	3.8
Price/earnings ratio[2]	8.3	7.4
Year-end price	28.65	31.40
Year high	33.75	39.25
Year low	28.00	28.80

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

Bonds

At 31 December 2013, 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

Financial Calendar

Annual General Meeting	9 May 2014
Ex-dividend date	13 May 2014
Dividend payment	16 May 2014
Publication of 2014 Interim Results	11 September 2014

Contact: investor.relations@bkw.ch

Production Facts and Figures

	Energy portion[1]	Installed production, BKW portion	2013 BKW purchases	2012 BKW purchases	Change versus 2012
	%	MW	GWh	GWh	%
Own power plants and Group companies					
Hydroelectric plants					
Aarberg	100.0	15.0	89.1	101.1	–11.9
Bannwil	100.0	28.5	161.4	161.5	–0.1
Kallnach	100.0	8.0	45.1	18.4	145.1
Kandergrund	100.0	18.8	101.2	101.3	–0.1
Mühleberg	100.0	45.0	174.4	174.3	0.1
Niederried-Radelfingen	100.0	15.0	92.6	102.9	–10.0
Spiez	100.0	18.6	104.1	109.2	–4.7
Simmentaler Kraftwerke AG	100.0	27.0	111.4	113.8	–2.1
Elektrizitätswerk Grindelwald AG	100.0	1.5	5.5	6.3	–12.7
EWR Energie AG (Schattenhalb 1)	100.0	4.5	9.8	10.7	–8.4
Société des forces électriques de la Goule SA	100.0	5.3	31.2	27.8	12.2
Onyx Energie Produktion AG	100.0	20.0	97.8	97.0	0.8
Idroelettrica Lombarda S.r.l.	100.0	42.0	146.4	129.8	12.8
BKW Hydro Valle d'Aosta S.r.l.	100.0	8.0	32.9	36.2	–9.1
Total hydroelectric plants		**257.2**	**1,202.9**	**1,190.3**	**1.1**
Nuclear power plants					
Mühleberg	100.0	373.0	2,938.0	2,988.2	–1.7
Fossil-fuel power plants					
Tamarete Energia S.r.l.	60.0	62.0	43.7	19.3	126.4
New renewable energy					
Photovoltaics Switzerland	100.0	3.0	2.6	2.8	–7.1
Biomass Switzerland	100.0	3.1	20.1	11.7	71.8
Small hydro Switzerland	100.0	14.3	65.9	66.2	–0.5
CHI.NA.CO S.r.l.[2]	100.0	10.0	22.6	0.0	
Juvent SA	100.0	16.4	40.3	45.2	–10.8
Bockelwitz wind farm	100.0	15.0	8.7	19.5	–55.4
BKW Holleben Wind GmbH	100.0	25.5	39.0	46.8	–16.7
BKW Bippen Wind GmbH	100.0	27.6	40.3	42.8	–5.8
BKW Dubener Platte Wind GmbH	100.0	40.0	65.3	71.0	–8.0
BKW Landkern Wind GmbH	100.0	8.0	11.8	0.0	
Wind Farm S.r.l.	100.0	41.4	57.8	59.4	–2.7
Wind Farm Buglia S.r.l.	100.0	20.0	31.1	41.1	–24.3
Wind International Italy S.r.l.	100.0	81.9	130.7	147.1	–11.1
Volturino Wind S.r.l.[3]	100.0	25.2	61.8	13.6	354.4
Green Castellaneta S.p.A.[4]	100.0	56.0	127.9	0.0	
Total new renewable energy		**387.4**	**725.9**	**567.2**	**28.0**
Total own power plants and Group companies		**1,079.6**	**4,910.5**	**4,765.0**	**3.1**

[1] The energy portion may deviate from the capital shareholding due to special energy supply agreements.
[2] Production from 03.07.2013
[3] Production from 20.10.2012
[4] Production from 28.02.2013

	Energy portion[1] %	Installed production, BKW portion MW	2013 BKW purchases GWh	2012 BKW purchases GWh	Change versus 2012 %
Holdings and purchasing rights					
Hydroelectric plants					
Bielersee Kraftwerke AG BIK	50.0	9.7	56.6	61.6	–8.1
Officine idroelettriche di Blenio SA	12.0	49.3	123.8	89.4	38.5
Electra-Massa AG	16.1	54.8	97.1	113.5	–14.4
Electricité de la Lienne SA	25.0	25.0	67.0	58.1	15.3
Engadiner Kraftwerke AG	29.7	128.0	449.2	430.6	4.3
Gommerkraftwerke AG	25.5	30.6	78.6	77.9	0.9
Grande Dixence SA	13.3	198.0	293.2	333.5	–12.1
Kraftwerke Hinterrhein AG	7.6	50.0	72.5	108.4	–33.1
Kraftwerke Mattmark AG	11.1	26.4	74.5	79.3	–6.1
Forces Motrices de Mauvoisin SA	19.5	77.2	218.8	217.8	0.5
Kraftwerke Oberhasli AG	50.0	551.0	893.6	947.1	–5.6
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	19.5	20.0	–2.5
Officine idroelettriche della Maggia SA	10.0	64.0	125.3	147.9	–15.3
Aarewerke AG	10.0	4.0	23.0	23.0	0.0
Flumenthal	37.9	8.2	59.6	58.0	2.8
Société des Forces Motrices du Châtelot SA	11.7	4.4	11.8	6.4	84.4
Argessa AG[2]	63.0	20.8	45.3	0.0	
Total hydroelectric plants		**1,310.4**	**2,709.4**	**2,772.5**	**–2.3**
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.7	171.0	1,423.8	1,158.9	22.9
Cattenom	3.0	155.0	1,015.3	1,005.7	1.0
Fessenheim	5.0	90.0	456.2	616.6	–26.0
Total nuclear power plants		**416.0**	**2,895.3**	**2,781.2**	**4.1**
New renewable energy					
Mont-Soleil solar power plant	100.0	0.5	0.5	0.5	0.0
Fossil-fuel power plants					
E.ON Produzione Centrale Livorno Ferraris S.p.A.	25.0	200.0	634.9	455.7	39.3
Unmanaged energy from financial interests		**39.5**	**30.0**	**36.5**	**–17.8**
Total holdings and purchasing rights		**1,966.4**	**6,270.1**	**6,046.4**	**3.7**
Total production including purchases		**3,046.0**	**11,180.6**	**10,811.4**	**3.4**

[1] The energy portion may deviate from the capital shareholding due to special energy supply agreements.
[2] Procurement from 01.04.2013

ADDRESSES

Investor Relations
BKW AG
Investor Relations
Viktoriaplatz 2
CH-3000 Berne 25
Telephone +41 58 477 53 56
Fax +41 58 477 58 04
investor.relations@bkw.ch

Media Communications
BKW AG
Media Communications
Viktoriaplatz 2
CH-3000 Berne 25
Telephone +41 58 477 51 07
Fax +41 58 477 57 90
info@bkw.ch

IMPRINT

Publisher / Editorial Office
Finance and Controlling BKW

Concept / Design
hilda design matters,
Zurich

Photography
Michael Lio, Winterthur

Printer
Jost Druck AG,
Hünibach BE

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

climate neutral
Print | ID: 53460-1403-1001

FSC MIX FSC® C011330

Jost Druck AG uses
100 % 1to1 energy water star
green energy generated
by Aarberg hydroelectric
power plant.

This 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.

BKW

BKW AG
Viktoriaplatz 2
CH-3000 Berne 25

Telephone +41 58 477 51 11
www.bkw.ch

ISSN 1662-9620 KS14E2001