

BKW Group  
Half-Year Report 2012





# Facts & Figures

## BKW Group

### Electricity business

| GWh   | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 | 2011          |
|---|-----------------------------------|-----------------------------------|---------------|
| <b>Sales</b>  |                                   |                                   |               |
| Electricity sales Switzerland                                     | 3,847                             | 4,138                             | 8,186         |
| Electricity sales International                                   | 868                               | 804                               | 1,630         |
| Electricity trading   | 4,763                             | 5,475                             | 10,332        |
| Pump/substitution energy  | 136                               | 149                               | 295           |
| Transmission losses/own consumption                               | 111                               | 101                               | 202           |
| Direct sales from financial interests                             | 23                                | 49                                | 76            |
| <b>Total</b>  | <b>9,748</b>                      | <b>10,716</b>                     | <b>20,721</b> |
| <b>Generation and procurement<br/>(incl. financial interests)</b> |                                   |                                   |               |
| Hydroelectric plants  | 1,793                             | 1,535                             | 3,406         |
| Nuclear power plants incl. purchase contracts                     | 3,217                             | 3,221                             | 5,373         |
| Thermal power plants  | 132                               | 637                               | 703           |
| New renewable energy  | 323                               | 168                               | 383           |
| Trade (purchases) and energy buy-backs                            | 4,283                             | 5,155                             | 10,856        |
| <b>Total</b>  | <b>9,748</b>                      | <b>10,716</b>                     | <b>20,721</b> |

### Financials

| CHF millions  | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 | 2011    |
|---|-----------------------------------|-----------------------------------|---------|
| Total operating revenue   | 1,368.1                           | 1,346.4                           | 2,632.8 |
| Operating profit before depreciation, amortisation and impairment | 255.2                             | 220.8                             | 138.1   |
| Net profit/loss   | 112.3                             | 90.5                              | -66.2   |
| Cash flow from operating activities                               | 168.7                             | 137.7                             | 292.4   |
| Purchase of property, plant and equipment                         | 75.0                              | 101.4                             | 256.8   |
| Balance sheet total   | 7,123.0                           | 6,784.1                           | 7,082.9 |
| Shareholders' equity  | 2,714.7                           | 2,853.9                           | 2,654.9 |
| > as % of balance sheet total                                     | 38.1                              | 42.1                              | 37.5    |

### Number of employees

| Full-time equivalent | 30.06.2012 | 30.06.2011 | 31.12.2011 |
|----------------------|------------|------------|------------|
| Employees            | 2,973      | 2,829      | 2,880      |

# Contents

## Half-Year Report 2012

|    |   |
|----|---|
| 04 | Foreword                                      |
| 08 | Energy Volumes                                |
| 09 | Financial Result                              |
| 12 | Interim Financial Statements of the BKW Group |
| 26 | Investor Information                          |
| 29 | Addresses                                     |
| 31 | Legal Notice                                  |

# Foreword

## Positive developments in a difficult environment

Although the economic environment continues to be difficult, the BKW Group<sup>1</sup> succeeded in increasing operating profit and improving net profit.

### Results

In the first half of 2012, BKW improved operating profit before interest, depreciation and impairment (EBITDA) by 15.6% year-on-year to CHF 255.2 million, putting in a positive performance despite the persistent and extremely challenging economic, regulatory and political environment and declining sales volumes. Both the energy business and the grid business contributed to this improvement. The improvement was also driven by the cost reduction and productivity enhancement programme, which is being implemented on schedule and is beginning to take effect. The trend in equity markets led to a better financial result year-on-year. This in turn had a positive impact on net profit, which improved by 24.1% compared with the previous year to CHF 112.3 million. Total operating revenue for the first half of 2012 was 1.6% higher year-on-year at CHF 1,368.1 million.

### Energy policy environment remains challenging

The first half of 2012 was highly challenging for BKW. Business development was impacted by the political and economic environment as well as the consequences of the events in Fukushima and the resultant energy policy U-turn. At the political level, the first half of 2012 was dominated by the ongoing work on the 2050 energy strategy, which will be submitted for public consultation in autumn 2012. Even now it looks likely that the 2050 energy strategy will necessitate a radical restructuring of Switzerland's existing energy supply landscape. As an important source of expertise, BKW is prepared to contribute to reshaping Switzerland's electricity supply system. But it must be noted that this task will be extremely challenging, particularly in economic terms. To restructure the electricity landscape sustainably, it is essential to have stable political conditions and a new social consensus. The Association of Swiss Electricity Companies (VSE) came to the same conclusion in its study "Wege in die Stromzukunft" ("Ways Forward to the Electricity Future") presented in June 2012. Fifty industry specialists examined the conditions under which an electricity

supply without nuclear power could be realised, as well as the implications of such an approach, and concluded that, without gas-fired combined-cycle power plants or imports of non-renewable energy, Switzerland's electricity future would only be possible if accompanied by a major drive to save on electricity and such drastic measures as high incentive taxes.

### Into the future with the new "BKW 2030" Group strategy

In March 2011 BKW announced plans to completely overhaul its strategy in the light of regulatory and economic challenges and the new post-Fukushima energy policy situation. At the annual press conference in March 2012 it presented its new Group strategy, "BKW 2030", which focuses on the transition and the period following the shutdown of Mühleberg nuclear power plant (KKM). At the core of the strategy is BKW's commitment to supply electricity to its customers reliably, cost-effectively and ecologically, and to consolidate and expand its position as the largest vertically integrated energy supplier in Switzerland. In place of the KKM, BKW is planning an expansion of renewable energies with the focus on hydroelectricity and wind power. In its new Group strategy BKW also abides by its long-term goal of CO<sub>2</sub>-neutral electricity production but reserves the option to build already-planned gas-fired power plants in Switzerland or neighbouring countries. At the same time it is developing innovative offerings and models that support its customers in their efforts to increase energy efficiency, for example with campaigns to promote the use of energy-efficient electrical appliances and a modern, interactive efficiency platform. In view of its changed role as an energy provider, BKW is equipping its grid infrastructure with innovative new technologies in preparation for the challenges of an increasingly decentralised production and consumption mix.

### Implementation of cost-reduction programme is on track

To address the challenging environment it faces, BKW has launched a cost reduction and productivity enhancement programme aimed at a sustained annual reduction in costs both in the operating business and in management and support processes. The related measures will be fully implemented by 2015. To date, more than 100 measures have been developed across all business divisions, with the potential to cut

→ <sup>1</sup> 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 FMB Energy Ltd., this is expressly mentioned

costs by around CHF 95 million. In the first half of 2012 a substantial number of these measures were rolled out and, in some cases, are already having a financial impact. As part of this programme, BKW is also planning a phased reduction of the workforce by around 255 jobs, spread across all business divisions and Group companies. The reduction will be carried out primarily by not filling vacant positions, natural fluctuation and early retirement. In the first six months of 2012 – on completion of the consultation procedure with the Personnel Committee – BKW began the phased rollout of the planned personnel measures. Thus the cost reduction and productivity enhancement programme is on track.

#### **Expansion of hydropower in Switzerland and abroad**

In keeping with the new “BKW 2030” Group strategy, BKW is aiming to expand its hydropower production. For example, work on upgrading Hagneck hydroelectric power plant, which is jointly owned by the city of Biel and BKW, will enable electricity production to be increased by 35 percent. The KWO plus programme will also enable additional gains in energy and capacity. In this context the Grand Council of Berne granted the licence for Grimsel 3 pumped storage plant in March 2012. The Grand Council also voted in favour of extending the licence to upgrade Hagneck 2 and Innertkirchen 1 power plants and the licensing procedure for utilisation of the Soubach River in Lauterbrunnen Valley, to the extent that it relates to BKW’s licence application.

Four licence and construction permit applications were submitted in the first half of 2012 for new small hydroelectric power plants, which BKW is planning to build in conjunction with local partners on the banks of the Venoge (Cossonay, canton Vaud), Areuse (Boudry, canton Neuchâtel), Gamchibach and Spiggenbach (Reichenbach, canton Berne). BKW also increased its hydropower capacities in Italy. BKW had already acquired five small run-of-river power plants in the Aosta Valley with an installed capacity of close to eight megawatts (MW) in December 2011, and in the spring of 2012 the responsible authorities in Lombardy renewed the licence for Paraviso hydroelectric power plant, with an installed capacity of 35 MW, and granted the water usage rights to Idroelettrica Lombarda S.r.l. (a subsidiary of BKW Italia S.p.A.) until the end of December 2045.

#### **BKW expands its leading position in wind power**

In the first half of 2012 BKW signed an agreement with the Tozzi industrial group to acquire Castellaneta wind farm in Apulia, Italy. Currently under construction, the wind farm is scheduled for completion by the end of 2012. Acquisition of this wind farm with a total capacity of 56 MW will expand BKW’s wind power capacities in this region, bringing the total installed capacity to close to 400 MW. In Switzerland, Juvent SA – a company managed by sol-E Suisse AG – is aiming to replace the oldest four 0.6-MW wind turbines in 2013 with much more powerful 2-MW machines with a view to increasing the power generated by Switzerland’s largest wind farm by some 40 percent.

#### **Mühleberg nuclear power plant: Upgrade concept submitted, earthquake resistance proven**

BKW is committed to the continued operation of Mühleberg nuclear power plant for as long as safety and profitability are assured. True to this maxim, in the first half of 2012 BKW submitted numerous proofs as stipulated by the Federal Nuclear Safety Inspectorate (ENSI), formulated upgrade concepts and implemented initial measures. On 29 June 2012, BKW submitted documentation on the concept for upgrading an earthquake-proof, Aare-independent cooling agent supply for the SUSAN emergency system and an enhancement of the fuel pool cooling system, also stipulated by ENSI. The proposed upgrades are also an important part of the maintenance concept which BKW submitted in the summer of 2012 as part of the procedure to grant an unlimited operating permit.

In July 2012 ENSI confirmed that Mühleberg nuclear power plant had furnished all the proofs of earthquake and flood safety which were required in the wake of Fukushima. In addition to reviewing the resistance to earthquake of important parts of the facility and systems, BKW also had to provide proof that the weirs in the intake area of the plant could withstand a once-in-10,000-years earthquake, and that an uncontrolled water discharge could be excluded. Although ENSI confirmed all proofs, in the interests of its “safety first” policy, BKW applied in July 2012 for a construction permit to reinforce the Mühleberg dam so as to increase the dam’s safety well beyond the legally required level.

### **Fossil-thermal power plant as transitional solution**

Thanks to existing interests abroad – coal in Germany (Wilhelmshaven) and gas in Italy (Livorno Ferraris and Tamarate) – BKW has in-house expertise on the generation of electricity from fossil fuels. In Switzerland it has acquired a production site in Utzenstorf. The Papierfabrik Utzenstorf AG is a customer for the waste heat generated by the plant, adding even more value to the project. BKW is also well-positioned with its partner Groupe E in Cornaux (NE). In June 2012, Groupe E submitted to the municipal authorities an application for permission to construct a 420-MW plant. BKW's stake in this project is likely to be around 20 percent. Before gas-fired combined-cycle power plants can be built in Switzerland, however, politicians need to create the right conditions for cost-effective operation.

### **BKW: partner for municipalities**

Thanks to its know-how right along the electricity supply value chain, BKW intends to be a full-service partner for municipalities. It already works closely with municipalities in this capacity. BKW is currently in the process of designing a range of offerings to meet the specific needs of municipalities, covering such areas as energy structure planning, decentralised power generation technology and energy efficiency. For example, as a member of the "inergie" Association, BKW is running the "iSmart" project in the municipality of Ittigen. Smart meters as well as a visualisation system have been installed in the homes of 270 citizens, to provide pilot trial participants with full transparency over their power consumption both in terms of time and volume. Now that the project has been running for a good eighteen months, initial findings show that customers are extremely interested in the power consumption statistics. To analyse consumption and potential savings in greater detail, the project has been extended to the end of 2013 and supplemented by additional projects. In Ostermundigen BKW and the municipality worked closely with LED suppliers to install public lighting in one of the most rapidly growing residential districts in Switzerland. In so doing BKW is setting a milestone in its drive to reposition itself from a dedicated electricity supplier to a competent provider of energy services.

### **Energy efficiency as a key issue**

Energy efficiency meets a growing need on the part of our customers, and as such is a key priority for BKW. A commitment to optimising costs and energy efficiency is therefore an important part of our strategy. BKW's new energy efficiency portal "Oscars Energiesparwelt" ("Oscar's energy-saving world") and the related advertising campaign provide practical tips on using energy more efficiently. Twelve months after its launch, more than 20,000 registered users have signed up to the online portal, where they can find information, advice, arguments and special offers to help them manage energy efficiently.

### **Electricity prices unchanged for 2013**

Despite difficult conditions such as regulatory intervention and rising costs, BKW has opted not to make any general adjustment in its electricity prices from 1 October 2012. Minor individual increases may, however, arise due to adjustments in the ratio of high to low tariffs. The 2013 prices can be kept stable not least thanks to the cost reduction and efficiency enhancement measures adopted by BKW. Despite these measures, investments in the production and grid areas which are essential in the interests of security of supply will necessitate a price rise at some point in the future.

**Annual General Meeting**

The Annual General Meeting held on 11 May 2012 approved the 2011 annual and consolidated financial statements and voted in favour of a dividend payment of CHF 1.00 per share (previous year: CHF 2.50).

The following members of the Board of Directors were re-elected for the next term of office i.e. until the 2015 Annual General Meeting: Marc-Alain Affolter, Dr. Georges Bindschedler, Ueli Dietiker, Barbara Egger-Jenzer, Urs Gasche, Hartmut Geldmacher, Antoinette Hunziker-Ebnetter, Prof. Dr. Eugen Marbach, Beatrice Simon-Jungi and Philippe Viridis.

Kurt Rohrbach and Kurt Schär were elected to the Board of Directors. Kurt Rohrbach, formerly CEO of BKW, will bring his extensive expertise to the Board and, as full-time second Vice Chairman, will help to drive further development of the new Group strategy. With Kurt Schär the Board of Directors has acquired another experienced business manager who will enhance the company's know-how in the field of modern electricity applications and decentralised power generation. Kurt Schär is CEO and Chairman of the Board of Directors of Biketec AG.

**Outlook**

BKW expects the market environment to remain challenging in the second half of 2012, with energy prices remaining low and strong margin pressure on international markets. Regulatory requirements and a persistently strong Swiss franc will weigh down the operating result for 2012. The full impact of efficiency enhancements generated by the cost reduction measures already in place will not yet be felt. Taking all these factors into account and given the ongoing uncertainties, also on financial markets, operating profit before interest, depreciation and impairment (EBITDA) as well as net profit for the current year may deviate significantly from the adjusted figures for 2011.

## Energy volumes

### Decreased sales, higher production from renewable energies

In the first half of 2012 BKW saw electricity sales decline. Total production was slightly lower year-on-year despite significantly higher volumes of electricity generated from renewable energies.

#### **Decline in volume sold**

The volume of electricity sold dropped by 9% compared to the same period in 2011, ending the first six months of 2012 at 9,748 GWh.

Electricity sales in Switzerland fell by 7% year-on-year to 3,847 GWh, primarily due to reduced business with sales partners outside the supply region. Sales to private and business customers rose in the first half-year as a result of lower average temperatures. Sales of electricity in the trading business were 712 GWh lower at 4,763 GWh due to the challenging price and market trend. The sales business in Italy posted an 8% increase in the volume of electricity sold to 868 GWh. The 64 GWh increase is attributable in particular to the successful acquisition of new customers.

#### **Total production slightly lower, much higher volumes generated from renewable energies**

The total volume of electricity generated by BKW fell by 96 GWh year-on-year to 5,465 GWh. This slight reduction was a result of the 505 GWh decline in volume generated by the Livorno Ferraris gas-fired combined-cycle power plant in Italy. However, this was partly offset by a significant rise of 413 GWh in production from renewable energies.

Hydroelectricity production in Switzerland and Italy was increased by 258 GWh to 1,793 GWh for the first half of 2012. This increase is mainly due to greater inflow, resulting from higher precipitation and warmer temperatures in the second quarter of 2012. At the end of the first half-year, reservoir levels were above those of the prior year and equivalent to the long-term average.

The first half of 2012 saw another increase in the volume of energy generated from new renewable energies. In Switzerland this increase amounted to 13 GWh, mainly due to higher production volumes from Juvent wind farm. In neighbouring countries an increase of 142 GWh to 260 GWh was achieved. The higher volume is a result of the continued expansion of production capacity, good wind conditions and the very good technical availability of BKW plants.

At 3,217 GWh, the volume of electricity generated by nuclear power plants was on a par with the prior-year volume of 3,221 GWh. In the first half of 2012 Mühleberg nuclear power plant generated 1,630 GWh of electricity, corresponding to a slight increase of 9 GWh compared to the prior-year period. On the other hand the gas-fired combined-cycle power plant in Livorno Ferraris, in the Piedmont region of Italy, posted a market-related decline in production from 637 GWh to 132 GWh.



## Financial Result

### Positive development despite persistently challenging environment

In the first half of 2012 BKW succeeded in growing operating profit before depreciation, amortisation and impairment (EBITDA) despite an economic, regulatory and political environment that remained highly challenging. Both the energy business and the grid business contributed to this positive development. The cost reduction measures which have been rolled out are beginning to take effect.

#### Higher operating profit and net profit

BKW saw operating profit before depreciation, amortisation and impairment (EBITDA) increase by 15.6% year-on-year to CHF 255 million. Operating profit (EBIT) also improved, rising by 10.1% to CHF 155.9 million. The trend on equity markets led to a better financial result than the previous year. This in turn had a positive impact on net profit, which ended the first half-year 24.1% higher at CHF 112.3 million.

#### Changes in accounting principles and the scope of consolidation

The unaudited consolidated financial statements for the half-year ended 30 June 2012 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34). In the 2012 financial year no changes in IFRS accounting standards were introduced which have an effect on the financial position, results of operations and cash flows of the BKW Group. Disclosure requirements, which generally come into force only at year-end, have undergone only a few changes which, as things stand at present, are also of no relevance for BKW. In the first half of 2012 there were no significant changes in the BKW Group scope of consolidation.

#### Total operating revenue slightly higher

In the first half of 2012 BKW posted consolidated operating revenue of CHF 1,368.1 million, corresponding to a slight increase of 1.6% versus the prior-year period. Net sales to external customers were up at the Energy International and Trading business segments, while Energy Switzerland posted a decline.

#### Energy Switzerland: slight reduction in sales business and sharp rise in operating profit

The Energy Switzerland segment posted a 5.1% reduction in total operating revenue to CHF 1,100.7 million. The sales business recorded a volume-related reduction in net sales to external customers, which dropped by 7.1% to CHF 552.9 million

primarily due to changes in the customer segment of sales partners. Net sales to other segments remained stable, dipping by 1.6% to CHF 513.5 million. Operating profit (EBIT) was significantly higher, rising by 54.0% to CHF 102.1 million. This increase was driven by higher production volumes from hydro-electric power plants as well as price- and volume-related reductions in external and internal energy procurement costs, which more than offset the decline in the sales business. In addition, the result for the prior-year period was weighed down by an exceptional item: due to the decision to suspend the general licence application for replacement nuclear power plants, non-recoverable costs of around CHF 14 million were charged to income in the first half of 2011.

#### Energy International and Trading: Market environment remains difficult

The Energy International and Trading segment recorded total operating revenue of CHF 1,070.1 million, corresponding to a reduction of 0.4% versus the prior-year period. Net sales to external customers rose by 7.5% to CHF 657.0 million, chiefly due to the sales business in Italy, which grew sales by 38.1% to CHF 104.7 million by exploiting opportunities on the balance energy market and thanks to new customer acquisition. Revenue from electricity trading declined slightly by 1.6% to CHF 455.1 million. Net sales to other segments saw a price- and volume-related reduction of 11.3% to CHF 407.7 million. Operating income (EBIT) also fell from CHF 41 million to CHF – 14.8 million. This reduction is primarily attributable to the further weakening of the euro, lower market prices and higher internal transfer prices for energy.

#### Networks: further increase in revenue and operating profit

Total operating revenue generated by the Networks business segment was stable, rising by 0.7% to CHF 337.0 million. Net sales to external customers grew by a further 23.8% to CHF 98.7 million, while net sales to other segments fell by 6.6% to CHF 209.5 million due to lower grid usage prices. Since external revenue for grid usage is largely invoiced by Energy Switzerland and disclosed as internal revenue under "Networks", network revenue generated outside the Group is low. Once more the bulk of this revenue was accounted for by construction and engineering services and the electrical installation business, where sales increased to CHF 65.6 million, corresponding to a sharp rise of 25.1%. Despite ECom's decision to reduce chargeable costs for the distribution grid, operating profit

(EBIT) rose by CHF 7.3 million to CHF 63.1 million, mainly on account of a higher transit volume and the effect of cost reduction measures.

#### **Operating profit higher, improvement in financial result**

Energy procurement costs in the reporting period amounted to CHF 728.8 million, corresponding to a reduction of 0.6% compared to the same costs in the prior-year period.

At CHF 175.4 million, personnel expenses remained virtually stable despite a significant increase in the engineering services/electrical installation workforce, since the measures under the cost reduction programme have begun to take effect. Material and third-party services expenses fell by CHF 12.2 million to CHF 103.0 million. In the prior-year period, this position contained a special charge for costs of around CHF 14 million which are no longer recoverable following cancellation of the general licence applications for replacement nuclear power plants. Other operating expenses were CHF 3.5 million higher at CHF 105.7 million, largely due to higher expenses for taxes and charges.

Operating profit before depreciation, amortisation and impairment (EBITDA) rose by 15.6% to CHF 255.2 million. Depreciation expenses were CHF 20.1 million higher year-on-year at CHF 99.3 million. This increase is attributable on the one hand to the power generating facilities (wind and hydro power) acquired in the second half of 2011, and on the other hand because a revised cost estimate for nuclear waste disposal recognised at the end of 2011 resulted in an increase in property, plant and equipment and a correspondingly higher figure for depreciation and amortisation. Operating profit (EBIT) was 10.1% higher at CHF 155.9 million. In a persistently challenging environment, the energy business posted a slight drop in EBIT but an improvement in income from grid services (service and infrastructure business).

In the first half of 2012 the financial result improved year-on-year by CHF 27.4 million to CHF –21.6 million. This positive development versus the prior-year period is attributable to the favourable trend on equity markets, which had a positive impact on the return on shares in the decommissioning and disposal funds, which are measured at fair value. Contrary to the losses recorded in the prior-year period, the state funds posted a gain of CHF 30.1 million in the first half of 2012. The interest expense on provisions rose year-on-year, increasing by CHF 11.5 million to CHF 40.3 million. This sharp rise is attributable to the provisions made for loss-making energy procurement contracts as well as higher provisions for nuclear waste disposal due to the revised cost estimate for 2011. Since these provisions were made at the end of 2011, this is the first time the interest has been charged to income. Because the value of the euro dropped less strongly than in the first half of 2011, exchange rate losses for the reporting period were CHF 3.0 million lower at CHF 2.5 million. BKW's net profit rose year-on-year from CHF 90.5 million to CHF 112.3 million, corresponding to an increase of 24.1%.

#### **Stable balance sheet total and slightly higher equity ratio**

At the end of the first half-year the balance sheet total had risen slightly by CHF 40.1 million to CHF 7,123.0 million, an increase of 0.6% compared to the 2011 year-end figure. Shareholders' equity rose by 2.3% to CHF 2,714.7 million versus the end of 2011, while the equity ratio was up slightly from 37.5% to 38.1%.

BKW's financing situation remains solid. The first refinancing of outstanding bonds is not due until 2018. The syndicated loan of CHF 300 million which was raised in October 2011 remains unused. The financial framework for strengthening liquid reserves therefore remains unchanged.

The assets and liabilities of BKW Übertragungsnetz AG are disclosed separately on the balance sheet under "Assets held for sale" and "Liabilities held for sale". This is due to the forthcoming sale of the transmission grid to swissgrid ag which is expected to take place at the beginning of 2013.

**Higher cash inflow from operating activities,  
restrained investing activities**

At CHF 168.7 million, cash inflow from operating activities was CHF 31.0 million above the prior-year figure. This increase is mainly due to the higher operating result as well as lower income tax payments.

Investments in non-current assets resulted in a cash outflow of CHF 57.8 million. In the prior-year period the reduction in term deposits led to a cash inflow of CHF 48.3 million from investing activities. Investments in property, plant and equipment and equity-valued companies, Group companies and intangible assets were well below the same figures in the prior-year period, attesting to BKW's cautious approach to investing activities due to the current market environment and political uncertainties. Cash outflow from financing activities fell, chiefly due to the dividend payment which was CHF 24.9 million lower at CHF 80.4 million.

# Interim Financial Statements of the BKW Group

## Consolidated Income Statement

| CHF millions   | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 |
|--|-----------------------------------|-----------------------------------|
| Net sales  | 1,308.6                           | 1,285.6                           |
| Own work capitalised   | 21.7                              | 22.2                              |
| Other operating income   | 37.8                              | 38.6                              |
| <b>Total operating revenue</b>   | <b>1,368.1</b>                    | <b>1,346.4</b>                    |
| Energy procurement   | -728.8                            | -732.9                            |
| Material and third-party services  | -103.0                            | -115.2                            |
| Personnel expenses   | -175.4                            | -175.3                            |
| Other operating expenses   | -105.7                            | -102.2                            |
| <b>Total operating expenses</b>  | <b>-1,112.9</b>                   | <b>-1,125.6</b>                   |
| <b>Operating profit before depreciation, amortisation and impairment</b>     | <b>255.2</b>                      | <b>220.8</b>                      |
| Depreciation, amortisation and impairment                                    | -99.3                             | -79.2                             |
| <b>Operating profit</b>  | <b>155.9</b>                      | <b>141.6</b>                      |
| Financial income   | 40.9                              | 10.8                              |
| Financial expenses   | -62.5                             | -59.8                             |
| Income from equity-valued companies  | 3.9                               | 5.9                               |
| <b>Profit before income taxes</b>  | <b>138.2</b>                      | <b>98.5</b>                       |
| Income taxes   | -25.9                             | -13.9                             |
| <b>Net profit from continuing operations</b>                                 | <b>112.3</b>                      | <b>84.6</b>                       |
| Net profit from discontinued operations                                      | 0.0                               | 5.9                               |
| <b>Net profit</b>  | <b>112.3</b>                      | <b>90.5</b>                       |
| attributable to:   |                                   |                                   |
| › BKW shareholders   | 111.4                             | 90.0                              |
| › Non-controlling interests  | 0.9                               | 0.5                               |
| Earnings per share in CHF (diluted and undiluted)                            | 2.35                              | 1.89                              |
| Earnings per share in CHF from continuing operations (diluted and undiluted) | 2.35                              | 1.77                              |



# Interim Financial Statements of the BKW Group

## Consolidated Statement of Comprehensive Income

|  | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 |
|--|-----------------------------------|-----------------------------------|
| CHF millions   |                                   |                                   |
| <b>Net profit</b>  | <b>112.3</b>                      | <b>90.5</b>                       |
| Currency translations  |                                   |                                   |
| › Currency translations  | -14.5                             | -36.2                             |
| › Transfer to the income statement                             | 1.3                               | 4.9                               |
| › Income taxes   | 0.0                               | 0.6                               |
| Available-for-sale financial assets                            |                                   |                                   |
| › Value adjustments  | -0.8                              | 1.6                               |
| › Income taxes   | -2.4                              | -0.3                              |
| Cash flow hedges   |                                   |                                   |
| › Value adjustments  | 1.3                               | -0.6                              |
| › Income taxes   | -0.3                              | 0.2                               |
| <b>Total changes in value recorded in shareholders' equity</b> | <b>-15.4</b>                      | <b>-29.8</b>                      |
| <b>Total comprehensive income</b>                              | <b>96.9</b>                       | <b>60.7</b>                       |
| attributable to:   |                                   |                                   |
| › BKW shareholders   | 96.0                              | 60.2                              |
| › Non-controlling interests                                    | 0.9                               | 0.5                               |

# Interim Financial Statements of the BKW Group

## Consolidated Balance Sheet

| CHF millions                           | 30.06.2012     | 31.12.2011     |
|--|----------------|----------------|
| <b>Assets</b>                          |                |                |
| Property, plant and equipment          | 2,779.2        | 2,833.0        |
| Investments in equity-valued companies | 1,029.8        | 1,035.4        |
| Derivatives                            | 71.6           | 32.6           |
| Non-current financial assets           | 1,075.6        | 1,014.7        |
| Intangible assets                      | 245.8          | 245.4          |
| Deferred tax assets                    | 11.6           | 8.6            |
| <b>Total non-current assets</b>        | <b>5,213.6</b> | <b>5,169.7</b> |
| Inventories                            | 41.3           | 39.9           |
| Accounts receivable                    | 585.2          | 607.5          |
| Current tax receivable                 | 7.4            | 38.3           |
| Derivatives                            | 117.3          | 75.6           |
| Current financial assets               | 164.3          | 196.3          |
| Prepaid expenses and accrued income    | 164.8          | 176.4          |
| Cash and cash equivalents              | 554.3          | 524.4          |
| <b>Total current assets</b>            | <b>1,634.6</b> | <b>1,658.4</b> |
| Assets held for sale                   | 274.8          | 254.8          |
| <b>Total assets</b>                    | <b>7,123.0</b> | <b>7,082.9</b> |

| CHF millions                                      | 30.06.2012     | 31.12.2011     |
|---|----------------|----------------|
| <b>Shareholders' equity and liabilities</b>       |                |                |
| Share capital                                     | 132.0          | 131.1          |
| Capital reserves                                  | 35.0           | 35.0           |
| Retained earnings                                 | 2,873.3        | 2,808.6        |
| Treasury shares                                   | -360.7         | -363.7         |
| <b>Equity attributable to BKW shareholders</b>    | <b>2,679.6</b> | <b>2,611.0</b> |
| Equity attributable to non-controlling interests  | 35.1           | 43.9           |
| <b>Total shareholders' equity</b>                 | <b>2,714.7</b> | <b>2,654.9</b> |
| Deferred tax liabilities                          | 493.4          | 494.1          |
| Derivatives                                       | 47.6           | 33.3           |
| Long-term provisions                              | 1,724.1        | 1,692.5        |
| Long-term financial liabilities                   | 1,203.9        | 1,213.4        |
| Other long-term liabilities                       | 198.5          | 193.0          |
| <b>Total long-term liabilities</b>                | <b>3,667.5</b> | <b>3,626.3</b> |
| Other short-term liabilities                      | 349.4          | 405.4          |
| Derivatives                                       | 121.6          | 99.4           |
| Short-term provisions                             | 29.2           | 36.0           |
| Short-term financial liabilities                  | 13.7           | 43.5           |
| Current tax payable                               | 12.2           | 29.0           |
| Deferred income and accrued expenses              | 178.5          | 147.6          |
| <b>Total short-term liabilities</b>               | <b>704.6</b>   | <b>760.9</b>   |
| Liabilities held for sale                         | 36.2           | 40.8           |
| <b>Total liabilities</b>                          | <b>4,408.3</b> | <b>4,428.0</b> |
| <b>Total shareholders' equity and liabilities</b> | <b>7,123.0</b> | <b>7,082.9</b> |

# Interim Financial Statements of the BKW Group

## Changes in consolidated Equity

|   | Share capital | Capital reserves | Accumulated profit | Currency translations | Revaluation reserve available-for-sale financial assets | Hedging reserves | Treasury shares | Attributable to BKW shareholders | Attributable to non-controlling interests | Total          |
|---|---------------|------------------|--------------------|-----------------------|---|------------------|-----------------|----------------------------------|---|----------------|
| CHF millions  |               |                  |                    |                       |   |                  |                 |                                  |   |                |
| Equity at 31.12.2010                                  | 132.0         | 35.0             | 3,144.3            | -190.5                | 126.2   | 4.0              | -372.4          | 2,878.6                          | 26.1                                      | 2,904.7        |
| Total comprehensive income                            |               |                  | 90.0               | -30.7                 | 1.3   | -0.4             |                 | 60.2                             | 0.5                                       | 60.7           |
| Dividend  |               |                  | -119.1             |                       |   |                  |                 | -119.1                           | -0.8                                      | -119.9         |
| Transactions in treasury shares                       |               |                  | -3.0               |                       |   |                  | 8.7             | 5.7                              |   | 5.7            |
| Share-based payments                                  |               |                  | 3.3                |                       |   |                  |                 | 3.3                              |   | 3.3            |
| Acquisition of non-controlling interests              |               |                  | 1.4                |                       |   |                  |                 | 1.4                              | -2.2                                      | -0.8           |
| Contribution to equity from non-controlling interests |               |                  |                    |                       |   |                  |                 | 0.0                              | 0.2                                       | 0.2            |
| Equity at 30.06.2011                                  | 132.0         | 35.0             | 3,116.9            | -221.2                | 127.5   | 3.6              | -363.7          | 2,830.1                          | 23.8                                      | 2,853.9        |
| <b>Equity at 31.12.2011</b>                           | <b>131.1</b>  | <b>35.0</b>      | <b>2,941.6</b>     | <b>-211.8</b>         | <b>80.8</b>   | <b>-2.0</b>      | <b>-363.7</b>   | <b>2,611.0</b>                   | <b>43.9</b>                               | <b>2,654.9</b> |
| Total comprehensive income                            |               |                  | 111.4              | -13.2                 | -3.2  | 1.0              |                 | 96.0                             | 0.9                                       | 96.9           |
| Dividend  |               |                  | -47.7              |                       |   |                  |                 | -47.7                            | -0.6                                      | -48.3          |
| Share capital increase <sup>1</sup>                   | 0.9           |                  | 17.3               |                       |   |                  |                 | 18.2                             | -18.2                                     | 0.0            |
| Transactions in treasury shares                       |               |                  | -1.6               |                       |   |                  | 3.0             | 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                 |               |                  |                    |                       |   |                  |                 | 0.0                              | 1.1                                       | 1.1            |
| Contribution to equity from non-controlling interests |               |                  |                    |                       |   |                  |                 | 0.0                              | 12.5                                      | 12.5           |
| <b>Equity at 30.06.2012</b>                           | <b>132.0</b>  | <b>35.0</b>      | <b>3,021.7</b>     | <b>-225.0</b>         | <b>77.6</b>   | <b>-1.0</b>      | <b>-360.7</b>   | <b>2,679.6</b>                   | <b>35.1</b>                               | <b>2,714.7</b> |

→ <sup>1</sup> due to squeeze-out of the non-exchanged shares of BKW FMB Energy Ltd. into shares of BKW Inc. (see Note 8)



# Interim Financial Statements of the BKW Group

## Consolidated Cash Flow Statement

| CHF millions   | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 |
|--|-----------------------------------|-----------------------------------|
| Loss/profit before income taxes (incl. discontinued operations)                              | 138.2                             | 104.5                             |
| Adjustment for:  |                                   |                                   |
| ‣ Depreciation, amortisation and impairment  | 99.3                              | 79.2                              |
| ‣ Income from equity-valued companies  | -3.9                              | -5.9                              |
| ‣ Financial result (incl. discontinued operations)   | 21.6                              | 43.0                              |
| ‣ Gains/losses from sale of non-current assets   | -0.7                              | -0.7                              |
| ‣ Change in long-term provisions (excl. interest)  | -10.1                             | -27.9                             |
| ‣ Change in assigned rights of use   | -4.6                              | -4.4                              |
| ‣ Change from the valuation of energy derivatives  | -41.3                             | -20.2                             |
| ‣ Other non-cash positions   | -0.9                              | 8.3                               |
| Change in net current assets<br>(excl. current financial assets/liabilities and derivatives) | -26.5                             | 16.4                              |
| Income taxes paid  | -1.6                              | -54.0                             |
| Other financial items paid   | -0.8                              | -0.6                              |
| <b>Cash flow from operating activities</b>   | <b>168.7</b>                      | <b>137.7</b>                      |
| Purchase of property, plant and equipment  | -75.0                             | -100.8                            |
| Proceeds from sale of property, plant and equipment  | 8.2                               | 2.5                               |
| Acquisition of Group companies   | 4.6                               | -99.0                             |
| Disposal of Group companies  | 0.6                               | 18.3                              |
| Investments in equity-valued companies   | -25.7                             | -34.1                             |
| Disposals of equity-valued companies   | 1.3                               | 0.4                               |
| Investments in current and non-current financial assets                                      | -29.9                             | -16.5                             |
| Disposals of current and non-current financial assets  | 31.8                              | 268.5                             |
| Purchase of intangible assets  | -8.8                              | -29.2                             |
| Disposals of intangible assets   | 4.2                               | 12.2                              |
| Interest received  | 3.7                               | 3.0                               |
| Dividends received   | 27.2                              | 23.0                              |
| <b>Cash flow from investing activities</b>   | <b>-57.8</b>                      | <b>48.3</b>                       |
| Sale/purchase of treasury shares   | 0.5                               | 3.0                               |
| Acquisition of non-controlling interests   | -3.0                              | -0.8                              |
| Contribution to capital from non-controlling interests                                       | 12.5                              | 0.2                               |
| Increase in long-term financial liabilities  | 0.0                               | 7.8                               |
| Decrease in long-term financial liabilities  | -3.5                              | -2.0                              |
| Increase in other long-term liabilities  | 12.2                              | 17.0                              |
| Decrease in other long-term liabilities  | -5.1                              | -0.4                              |
| Decrease in short-term financial liabilities   | -35.8                             | -1.0                              |
| Interest paid  | -9.9                              | -9.1                              |
| Dividends paid   | -48.3                             | -120.0                            |
| <b>Cash flow from financing activities</b>   | <b>-80.4</b>                      | <b>-105.3</b>                     |
| Translation adjustments on cash and cash equivalents   | -0.6                              | -1.7                              |
| <b>Net change in cash and cash equivalents</b>   | <b>29.9</b>                       | <b>79.0</b>                       |
| <b>Cash and cash equivalents at start of reporting period</b>                                | <b>524.4</b>                      | <b>432.7</b>                      |
| <b>Cash and cash equivalents at end of reporting period</b>                                  | <b>554.3</b>                      | <b>511.7</b>                      |

# Interim Financial Statements of the BKW Group

## Notes to the interim 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 the production, transmission and distribution to the trading and sale of energy.

In October 2011, BKW Inc. submitted a public exchange offer for all BKW FMB Energy Ltd. registered shares in free float, with a view to introducing a holding structure. In return for each tendered share in BKW FMB Energy Ltd., shareholders of BKW FMB Energy Ltd. were offered one new share in BKW Inc. with the same par value. In December 2011 the exchange offer was successfully completed with 99.31% of the shares tendered. BKW Inc. was listed on the SIX Swiss Exchange and the BX Berne Exchange on 12 December 2011. Following the exchange offer, BKW Inc. launched the annulment procedure (squeeze out) for the untendered shares in BKW FMB Energy Ltd. In its decision dated 21 March 2012, the Canton of Berne Commercial Court declared the remaining registered BKW FMB Energy Ltd. shares in free float annulled, and owners of the annulled shares in BKW FMB Energy Ltd. received the same number of shares in BKW Inc. The BKW Inc. shares issued in this context were listed on 11 April 2012. BKW Inc. therefore now has a share capital of CHF 132,000,000 and holds 100% of the shares in BKW FMB Energy Ltd.

### 2 Accounting principles

#### 2.1 General principles

The unaudited consolidated financial statements for the half-year ended 30 June 2012 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34) and should be read in conjunction with the consolidated financial statements at 31 December 2011. These interim financial statements have been drawn up in accordance with the principles described in the 2011 Financial Report (pages 11 to 22). The consolidated financial statements for the period ended 30 June 2012 were approved by the BKW Inc. Board of Directors on 6 September 2012 and released for publication.

The preparation of this half-year report entailed assumptions and estimates. The actual results may differ from these estimates.

#### 2.2 Adoption of new standards and interpretations

BKW is required to adopt the following amendments to standards for the first time in the 2012 financial year:

- › Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets
- › Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- › Amendment to IFRS 7 Disclosures – Transfers of Financial Assets

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

The following amendments to standards were issued since the publication of the 2011 financial report. BKW has opted against early adoption.

- › Annual Improvements to IFRSs 2009–2011 Cycle (1 January 2013)
- › Amendment to IFRS 1 Government Loans (1 January 2013)
- › Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (1 January 2013)

IFRS 1 is relevant for the first-time adoption of IFRS and does not concern BKW. The potential effects of the other amendments are currently being examined.

### 3 Business combinations

| CHF millions   | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 |
|--|-----------------------------------|-----------------------------------|
| Property, plant and equipment  | 3.4                               | 324.2                             |
| Intangible assets  | 0.7                               | 90.2                              |
| Deferred tax assets  | 0.4                               | 0.0                               |
| Other current assets   | 3.9                               | 21.1                              |
| Cash and cash equivalents  | 5.6                               | 0.8                               |
| Deferred tax liabilities   | -0.1                              | -76.1                             |
| Other long-term liabilities  | -2.2                              | -154.5                            |
| Short-term liabilities   | -3.2                              | -21.6                             |
| <b>Net assets acquired</b>   | <b>8.5</b>                        | <b>184.1</b>                      |
| Goodwill   | 0.0                               | 0.4                               |
| <b>Purchase price</b>  | <b>8.5</b>                        | <b>184.5</b>                      |
| Plus:  |                                   |                                   |
| › Deferred purchase price payments   | 0.0                               | 5.2                               |
| Minus:   |                                   |                                   |
| › Non-controlling interests  | -1.5                              | 0.0                               |
| › Fair value of interests already held                                       | -6.0                              | -67.9                             |
| › Charged against receivable from surrender of shares to Fortore Wind S.r.l. | 0.0                               | -32.7                             |
| › Cash and cash equivalents acquired   | -5.6                              | -0.8                              |
| <b>Cash inflow/outflow</b>   | <b>-4.6</b>                       | <b>88.3</b>                       |

#### Business combinations, 1<sup>st</sup> half-year 2012

In the first half of 2012 BKW acquired various small companies and took control of others, for which the figures are reported in aggregate due to their individual sizes. These transactions entail no conditional purchase price obligations. The fair value of the receivables amounts to CHF 3.4 million. Since these largely consist of trade receivables for which the risk of default is estimated to be extremely low, no value adjustments were recognised. Had these companies been acquired and take-overs been effected by 1 January 2012, BKW's net sales for the first half of 2012 would have been CHF 2.5 million higher and net profit CHF 0.2 million higher.

#### Business combinations, 1<sup>st</sup> half-year 2011

In May 2011 BKW acquired various wind farms in Apulia, Italy, from Fortore Energia S.p.A. BKW already held a stake in five of these wind farms via its non-controlling interest in Fortore Wind S.r.l. As part of a move to restructure the wind farms to create legal entities ahead of the acquisition, BKW surrendered its stake in the restructured Fortore Wind S.r.l. in exchange for full acquisition of six wind farms.

The transaction was disclosed in detail in the 2011 financial report. The amounts recognised were provisional values since the purchase price allocation had not yet been finalised. This has now occurred, and the definitive purchase price allocation resulted in no difference in the values disclosed in the 2011 financial report.

#### 4 Discontinued operations and assets held for sale

##### Disposal of the transmission grid

The Electricity Supply Act (StromVG) which went into force on 1 January 2008 requires the Swiss transmission grid to be transferred to the national grid operator, swissgrid ag, by 1 January 2013. BKW assumes that the assets and liabilities aggregated under the legally autonomous BKW Übertragungsnetz AG will be transferred at the beginning of January 2013; these assets and liabilities were therefore recognised for the first time on 31 December 2011 as assets held for sale under IFRS 5.

As things stand at present, the transfer will be made at a value determined by the Federal Electricity Commission (ElCom). At this point in time, BKW assumes that the selling price of the transmission grid will be above the IFRS carrying amounts. The transmission grids are assigned to the Networks segment.

The figures in the following table are provisional, as the final figures for assets and liabilities to be transferred will only become available on completion of the transaction:

| CHF millions                           | 30.06.2012   | 31.12.2011   |
|--|--------------|--------------|
| Non-current assets                     | 257.1        | 238.0        |
| Current assets                         | 17.7         | 16.8         |
| <b>Total assets held for sale</b>      | <b>274.8</b> | <b>254.8</b> |
| › of which cash and cash equivalents   | 0.0          | 0.0          |
| Long-term liabilities                  | -36.0        | -39.0        |
| Short-term liabilities                 | -0.2         | -1.8         |
| <b>Total liabilities held for sale</b> | <b>-36.2</b> | <b>-40.8</b> |

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

##### Disposal of the sales business in Germany as at 1 January 2011

In 2010 BKW decided to focus its activities in Germany on electricity production and electricity trading. For this reason the sales companies BKW Energie GmbH and BKW Balance GmbH were sold (both were assigned to the Energy International and Trading segment). The sale was contractually agreed in 2010 and the shares were transferred on 1 January 2011. The sale resulted in a net gain of CHF 5.9 million and a cash inflow of CHF 18.3 million from investing activities for the first half of 2011.



## 5 Segment reporting

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

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

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

The 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.

|   | Energy<br>Switzerland | Energy<br>International &<br>Trading | Networks      | Other        | Consolidation   | Total           |
|---|-----------------------|--------------------------------------|---------------|--------------|-----------------|-----------------|
| 1 <sup>st</sup> half-year 2012<br>CHF millions                                |                       |                                      |               |              |                 |                 |
| Electricity sales Switzerland   | 344.8                 |                                      |               |              |                 | 344.8           |
| Distribution grid usage fees  | 194.7                 |                                      | 8.0           |              |                 | 202.7           |
| Electricity sales international   |                       | 104.7                                |               |              |                 | 104.7           |
| Electricity trading   |                       | 455.1                                |               |              |                 | 455.1           |
| Income from proprietary energy trading  |                       | 7.5                                  |               |              |                 | 7.5             |
| Income from energy hedging  |                       | 1.1                                  |               |              |                 | 1.1             |
| Other energy business   | 8.1                   | 59.2                                 | 25.1          |              |                 | 92.4            |
| Gas business  | 2.0                   | 29.4                                 |               |              |                 | 31.4            |
| Construction/engineering services and<br>electrical installation business     |                       |                                      | 61.7          |              |                 | 61.7            |
| Changes in work in progress   | 3.3                   |                                      | 3.9           |              |                 | 7.2             |
| <b>Net sales to external customers</b>  | <b>552.9</b>          | <b>657.0</b>                         | <b>98.7</b>   | <b>0.0</b>   | <b>0.0</b>      | <b>1,308.6</b>  |
| Net sales to other segments   | 513.5                 | 407.7                                | 209.5         | 23.2         | -1,153.9        | 0.0             |
| Own work capitalised  | 2.1                   | 0.5                                  | 18.1          |              | 1.0             | 21.7            |
| Other operating income  | 32.2                  | 4.9                                  | 10.7          | 55.3         | -65.3           | 37.8            |
| <b>Total operating revenue</b>  | <b>1,100.7</b>        | <b>1,070.1</b>                       | <b>337.0</b>  | <b>78.5</b>  | <b>-1,218.2</b> | <b>1,368.1</b>  |
| Electricity procurement, third parties  | -34.7                 | -412.1                               |               |              |                 | -446.8          |
| Electricity procurement from equity-valued<br>companies                       | -139.5                | -11.1                                |               |              |                 | -150.6          |
| Other expenses for energy procurement   | -9.8                  | -62.2                                | -27.2         |              |                 | -99.2           |
| Gas procurement   | -1.7                  | -30.5                                |               |              |                 | -32.2           |
| <b>Energy procurement from third parties and<br/>equity-valued companies</b>  | <b>-185.7</b>         | <b>-515.9</b>                        | <b>-27.2</b>  | <b>0.0</b>   | <b>0.0</b>      | <b>-728.8</b>   |
| Energy procurement from other segments  | -600.1                | -502.8                               | -11.0         |              | 1,113.9         | 0.0             |
| Operating expenses excluding<br>energy procurement                            | -171.9                | -49.1                                | -199.6        | -66.8        | 103.3           | -384.1          |
| <b>Operating expenses</b>   | <b>-957.7</b>         | <b>-1,067.8</b>                      | <b>-237.8</b> | <b>-66.8</b> | <b>1,217.2</b>  | <b>-1,112.9</b> |
| <b>Operating profit before depreciation,<br/>amortisation and impairment</b>  | <b>143.0</b>          | <b>2.3</b>                           | <b>99.2</b>   | <b>11.7</b>  | <b>-1.0</b>     | <b>255.2</b>    |
| Depreciation, amortisation and impairment                                     | -40.9                 | -17.1                                | -36.1         | -5.6         | 0.4             | -99.3           |
| <b>Operating profit</b>   | <b>102.1</b>          | <b>-14.8</b>                         | <b>63.1</b>   | <b>6.1</b>   | <b>-0.6</b>     | <b>155.9</b>    |
| Financial result  |                       |                                      |               |              |                 | -21.6           |
| Income from equity-valued companies   |                       |                                      |               |              |                 | 3.9             |
| <b>Profit before income taxes</b>   |                       |                                      |               |              |                 | <b>138.2</b>    |
| Additions property, plant and equipment,<br>intangible assets and state funds | 19.6                  | 10.9                                 | 53.4          | 7.8          | -0.8            | 90.9            |
| Additions equity-valued companies   | 2.8                   | 24.9                                 |               |              |                 | 27.7            |
| Investments in equity-valued companies<br>at 30.06.2012                       | 472.0                 | 550.6                                | 7.2           |              |                 | 1,029.8         |
| Total assets at 30.06.2012  | 3,295.8               | 2,089.0                              | 1,711.7       | 5,911.9      | -5,885.4        | 7,123.0         |

|   | Energy<br>Switzerland | Energy<br>International &<br>Trading | Networks      | Other        | Consolidation   | Total           |
|---|-----------------------|--------------------------------------|---------------|--------------|-----------------|-----------------|
| 1 <sup>st</sup> half-year 2011  |                       |                                      |               |              |                 |                 |
| CHF millions  |                       |                                      |               |              |                 |                 |
| Electricity sales Switzerland   | 379.2                 |                                      |               |              |                 | 379.2           |
| Distribution grid usage fees  | 207.3                 |                                      | 4.7           |              |                 | 212.0           |
| Electricity sales international   |                       | 75.8                                 |               |              |                 | 75.8            |
| Electricity trading   |                       | 462.3                                |               |              |                 | 462.3           |
| Income from proprietary energy trading  |                       | 18.2                                 |               |              |                 | 18.2            |
| Income from energy hedging  |                       | 16.4                                 |               |              |                 | 16.4            |
| Other energy business   | 5.7                   | 29.2                                 | 22.5          |              |                 | 57.4            |
| Gas business  | 1.7                   | 9.1                                  |               |              |                 | 10.8            |
| Construction/engineering services and<br>electrical installation business     | 0.7                   |                                      | 43.2          |              |                 | 43.9            |
| Changes in work in progress   | 0.3                   |                                      | 9.3           |              |                 | 9.6             |
| <b>Net sales to external customers</b>  | <b>594.9</b>          | <b>611.0</b>                         | <b>79.7</b>   | <b>0.0</b>   | <b>0.0</b>      | <b>1,285.6</b>  |
| Net sales to other segments   | 521.9                 | 459.4                                | 224.4         | 23.9         | -1,229.6        | 0.0             |
| Own work capitalised  | 1.7                   | 0.4                                  | 18.4          |              | 1.7             | 22.2            |
| Other operating income  | 41.2                  | 3.8                                  | 12.2          | 56.1         | -74.7           | 38.6            |
| <b>Total operating revenue</b>  | <b>1,159.7</b>        | <b>1,074.6</b>                       | <b>334.7</b>  | <b>80.0</b>  | <b>-1,302.6</b> | <b>1,346.4</b>  |
| Electricity procurement, third parties  | -30.0                 | -459.0                               |               |              |                 | -489.0          |
| Electricity procurement from equity-valued<br>companies                       | -160.9                | -13.9                                |               |              |                 | -174.8          |
| Other expenses for energy procurement   | -9.7                  | -19.5                                | -30.0         |              |                 | -59.2           |
| Gas procurement   | -1.5                  | -8.4                                 |               |              |                 | -9.9            |
| <b>Energy procurement from third parties and<br/>equity-valued companies</b>  | <b>-202.1</b>         | <b>-500.8</b>                        | <b>-30.0</b>  | <b>0.0</b>   | <b>0.0</b>      | <b>-732.9</b>   |
| Energy procurement from other segments  | -678.6                | -498.7                               | -11.7         |              | 1,189.0         | 0.0             |
| Operating expenses excluding<br>energy procurement                            | -186.3                | -42.5                                | -197.8        | -79.4        | 113.3           | -392.7          |
| <b>Operating expenses</b>   | <b>-1,067.0</b>       | <b>-1,042.0</b>                      | <b>-239.5</b> | <b>-79.4</b> | <b>1,302.3</b>  | <b>-1,125.6</b> |
| <b>Operating profit before depreciation,<br/>amortisation and impairment</b>  | <b>92.7</b>           | <b>32.6</b>                          | <b>95.2</b>   | <b>0.6</b>   | <b>-0.3</b>     | <b>220.8</b>    |
| Depreciation, amortisation and impairment                                     | -26.4                 | -6.4                                 | -39.4         | -7.1         | 0.1             | -79.2           |
| <b>Operating profit</b>   | <b>66.3</b>           | <b>26.2</b>                          | <b>55.8</b>   | <b>-6.5</b>  | <b>-0.2</b>     | <b>141.6</b>    |
| Financial result  |                       |                                      |               |              |                 | -49.0           |
| Income from equity-valued companies   |                       |                                      |               |              |                 | 5.9             |
| <b>Profit before income taxes</b>   |                       |                                      |               |              |                 | <b>98.5</b>     |
| Additions property, plant and equipment,<br>intangible assets and state funds | 31.6                  | 33.3                                 | 71.0          | 2.6          | -0.6            | 137.9           |
| Additions equity-valued companies   | 0.5                   | 33.9                                 |               |              |                 | 34.4            |
| Investments in equity-valued companies<br>at 31.12.2011                       | 471.4                 | 558.1                                | 5.9           |              |                 | 1,035.4         |
| Total assets at 31.12.2011  | 3,326.1               | 2,088.4                              | 1,724.7       | 4,748.0      | -4,804.3        | 7,082.9         |

## 6 Financial result

| CHF millions   | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 |
|--|-----------------------------------|-----------------------------------|
| Interest income  | 4.1                               | 4.1                               |
| Dividends  | 4.7                               | 4.7                               |
| Value adjustment on state funds                                | 30.1                              | 0.0                               |
| Gain on sale of financial assets                               | 0.0                               | 1.0                               |
| Gains from the disposal of investments in associated companies | 0.1                               | 0.3                               |
| Value adjustment on securities held for trading                | 1.3                               | 0.2                               |
| Other financial income   | 0.6                               | 0.5                               |
| <b>Financial income</b>  | <b>40.9</b>                       | <b>10.8</b>                       |
| Interest expenses  | -17.5                             | -16.4                             |
| Capitalised borrowing costs                                    | 0.0                               | 0.1                               |
| Interest on provisions   | -40.3                             | -28.8                             |
| Value adjustment on state funds                                | 0.0                               | -7.0                              |
| Loss from sales of financial assets                            | 0.0                               | -0.4                              |
| Other financial expenses                                       | -2.2                              | -1.8                              |
| Currency translations  | -2.5                              | -5.5                              |
| <b>Financial expenses</b>                                      | <b>-62.5</b>                      | <b>-59.8</b>                      |

## 7 Foreign currency exchange rates

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

|         | Closing date<br>30.06.2012 | Closing date<br>31.12.2011 | Average<br>1 <sup>st</sup> half-year<br>2012 | Average<br>1 <sup>st</sup> half-year<br>2011 |
|---------|----------------------------|----------------------------|--|--|
| CHF/EUR | 1.2015                     | 1.2174                     | 1.2049                                       | 1.2710                                       |

## 8 Share capital increase

In the first half of 2012 the share capital of BKW Inc. was increased by 365,189 shares or CHF 0.9 million. This share capital increase is connected to the public exchange offer submitted by BKW Inc. in December 2011 for registered shares in BKW FMB Energy Ltd. in free float. Following the successful completion of the exchange offer, BKW Inc. launched the annulment procedure (squeeze out) for the 365,189 untendered shares in BKW FMB Energy Ltd. In its decision dated 21 March 2012, the Canton of Berne Commercial Court declared these registered shares annulled, following which owners of the annulled BKW FMB Energy Ltd. shares received the same number of BKW Inc. shares. As a result of these additionally issued shares in BKW Inc., the share capital of BKW Inc. now amounts to CHF 132,000,000.

|                         | <b>30.06.2012</b> | 31.12.2011  |
|-------------------------|-------------------|-------------|
| Number of shares issued | 52,800,000        | 52,434,811  |
| Par value (in CHF)      | 2.50              | 2.50        |
| Share capital (in CHF)  | 132,000,000       | 131,087,028 |

## 9 Dividends

In accordance with the decision of the BKW Inc. Annual General Meeting held on 11 May 2012, a dividend of CHF 1.00 (previous year CHF 2.50) per share was paid out for the 2011 financial year.

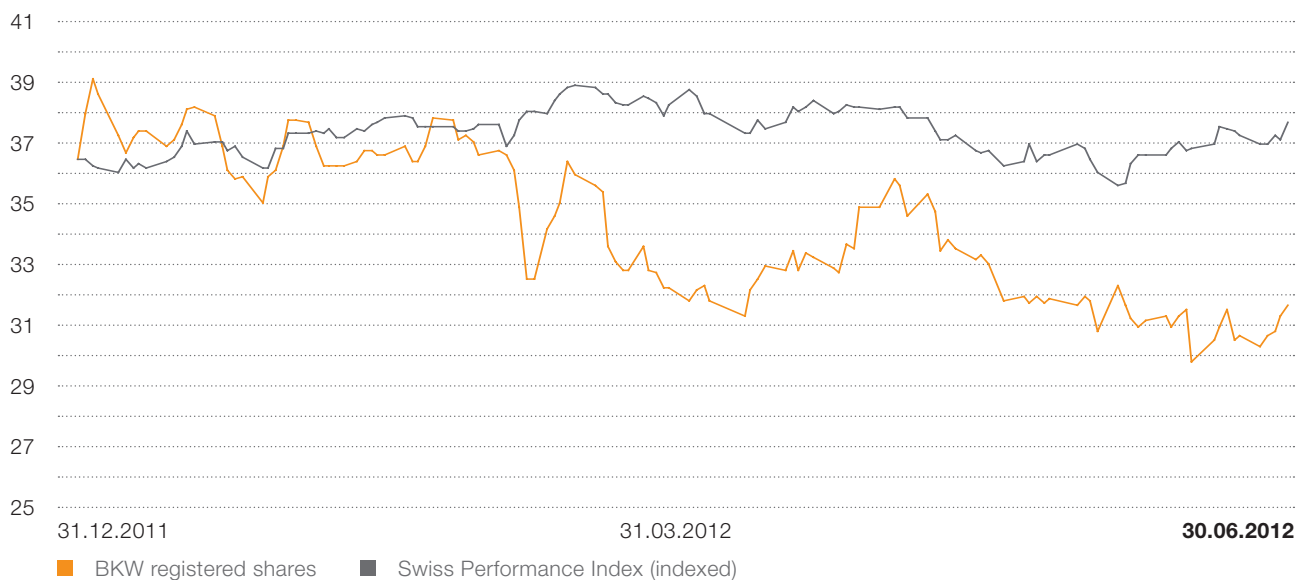
## Investor Information

### Key facts about the BKW share, bonds, and financial calendar

In the first half of 2012 the share capital of BKW Inc. was increased by 365,189 shares or CHF 0.9 million. This share capital increase is connected to the public exchange offer made by BKW Inc. in the fourth quarter of 2011 for registered shares in BKW FMB Energy Ltd. in free float, with a view to introducing a holding structure. Following the successful completion of the exchange offer in December 2011, BKW Inc. launched the annulment procedure (squeeze out) for the 365,189 untendered shares in BKW FMB Energy Ltd. In its decision dated 21 March 2012, the Canton of Berne Commercial Court declared these registered shares annulled, following which owners of the annulled BKW FMB Energy Ltd. shares received the same number of BKW Inc. shares. BKW Inc. has therefore completed the planned capital increase to reach the same level as BKW FMB Energy Ltd. These additional 365,189 registered shares were listed on the SIX Swiss Exchange and the BX Berne eXchange on 11 April 2012. At 30 June 2012, the share capital of BKW Inc. therefore amounts to CHF 132 million, divided into 52,800,000 registered shares with a par value of CHF 2.50 each.

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

#### Performance of the BKW share 01.01.2012–30.06.2012 (CHF)



The share price fell by 12.8% during the period under review.



## Listing

BKW Inc. shares are listed on the main segment of the SIX Swiss Exchange and are also quoted on the BX Berne Exchange.

|                               |               |
|-------------------------------|---------------|
| Ticker symbol for SWX and BX: | BKW           |
| Securities number:            | 13 029 366    |
| ISIN code:                    | CH 0130293662 |

## Significant shareholders

| %               | 30.06.2012 | 31.12.2011 |
|-----------------|------------|------------|
| Canton of Berne | 52.54      | 52.91      |
| Groupe E Ltd.   | 10.00      | 10.07      |
| E.ON Energie AG | 7.03       | 7.07       |
| Treasury stock  | 9.68       | 9.83       |

The proportion of shares held by the public (free float) is approximately 20.75%. The BKW share is listed on the Swiss Performance Index (SPI).

## Key figures per share

| CHF  | 1 <sup>st</sup> half-year<br>2012 | 1 <sup>st</sup> half-year<br>2011 | 2011    |
|--|-----------------------------------|-----------------------------------|---------|
| Par value                                      | 2.50                              | 2.50                              | 2.50    |
| Share price                                    |                                   |                                   |         |
| > period end                                   | 31.80                             | 51.80                             | 36.45   |
| > period high                                  | 39.25                             | 80.50                             | 79.95   |
| > period low                                   | 30.00                             | 51.50                             | 28.00   |
| Earnings per share (BKW shareholders' portion) | 2.35                              | 1.89                              | -1.44   |
| Equity per share (BKW shareholders' portion)   | 56.48                             | 59.38                             | 55.22   |
| Market capitalisation in CHF millions          | 1,516.6                           | 2,735.0                           | 1,723.4 |

## Bonds

At 30 June 2012, BKW had the following bonds outstanding:

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

The bonds were originally issued by BKW FMB Energy Ltd. Due to the change to a holding structure, BKW Inc. – as the holding company – now constitutes the BKW Group's window onto capital markets and, in this capacity, takes over this function from BKW FMB Energy Ltd. This being the case, the BKW Board of Directors decided to transfer BKW FMB Energy Ltd. bonds to BKW Inc. The four outstanding bonds were transferred from BKW FMB Energy Ltd. to BKW Inc. on 30 April 2012. At the same time, the existing financing agreements between BKW FMB Energy Ltd. and the banks were transferred to BKW Inc. As a result of this transfer, the former parent BKW FMB Energy Ltd. no longer holds any outstanding securities.

## Financial Calendar

|   |                   |
|---|-------------------|
| Advance information on the 2012 annual results: | 26 February 2013  |
| Publication of 2012 annual results:             | 21 March 2013     |
| Annual General Meeting:                         | 17 May 2013       |
| Dividend payment:                               | 27 May 2013       |
| Publication of 2013 half-year report:           | 12 September 2013 |

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#### Cover

The Hagneck hydroelectric power plant is the birthplace of BKW. It was built in 1898 and is one of the oldest power plants in Switzerland. Bielersee Power Plants AG, which is jointly owned by the city of Biel and BKW Energy Ltd., is upgrading the power plant, and the ground-breaking ceremony on 29 June 2011 was the beginning of a new era for the Hagneck Canal. From 2015, the new power plant will produce 35% more electricity and supply 27,000 households with renewable energy.

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