BKW Group

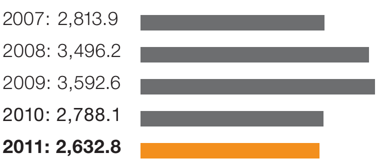
Financial Report 2011

The BKW Group is one of Switzerland's largest energy companies. It employs more than 2,800 people and covers all stages of energy supply: from production and transmission to trading and distribution. Directly and indirectly via its distribution partners, BKW supplies power to more than a million people. BKW's production portfolio covers hydroelectric power plants, a nuclear power plant, a gas-fired combined-cycle power plant and new renewable energy facilities.

Facts & Figures 2011
BKW Group

Total operating revenue

CHF millions



Net loss/profit

CHF millions

Number of employees

Full-time equivalents

Electricity business

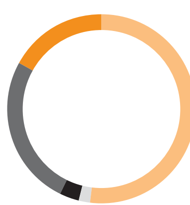
GWh	**2011**	2010 restated	2009	2008	2007
Sales					
Electricity sales Switzerland	8,186	8,153	8,075	7,978	7,760
Electricity sales International	1,630	1,838	5,768	5,201	4,835
Electricity trading	10,332	11,838	12,638	11,882	10,842
Pump/substitution energy	295	331	509	536	465
Transmission losses/own consumption	202	236	265	372	317
Direct sales from financial interests	76	111	55	0	0
Total	**20,721**	**22,507**	**27,310**	**25,969**	**24,219**
Generation and purchases (incl. financial interests)					
Hydroelectric plants	3,406	3,743	4,052	4,012	3,875
Nuclear power plants incl. purchase contracts	5,373	5,921	5,784	5,884	5,799
Thermal power plants	703	700	648	375	0
New renewable energy	383	188	94	28	14
Trade (purchases) and energy buy-backs	10,856	11,955	16,732	15,670	14,531
Total	**20,721**	**22,507**	**27,310**	**25,969**	**24,219**

Sales 2011

Electricity sales Switzerland	39.5%
Electricity sales International	7.9%
Electricity trading	49.9%
Pump/substitution energy	1.4%
Transmission losses/own consumption	0.9%
Direct sales from financial interests	0.4%

Generation and purchases 2011

Hydroelectric plants	16.5%
Nuclear power plants incl. purchase contracts	25.9%
Thermal power plants	3.4%
New renewable energy	1.8%
Trade (purchases) and energy buy-backs	52.4%



Financials

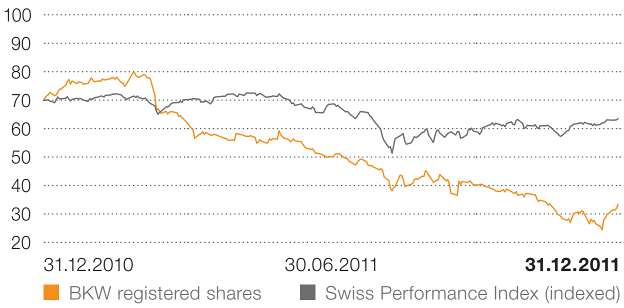
CHF millions	**2011**	2010 restated	2009	2008	2007
Total operating revenue	2,632.8	2,788.1	3,592.6	3,496.2	2,813.9
Operating profit before depreciation, amortisation and impairment	138.1	474.1	501.6	471.3	412.6
Net profit/loss	– 66.2	228.3	298.5	138.7	226.9
Cash flow from operating activities	292.4	274.8	602.7	242.5	362.1
Purchase of property, plant and equipment	256.8	317.7	289.7	270.3	211.5
Balance sheet total	7,082.9	6,569.6	6,519.0	5,989.3	5,868.3
Shareholders' equity	2,654.9	2,904.7	3,244.3	3,069.8	3,104.9
› as % of balance sheet total	37.5	44.2	49.8	51.3	52.9

Key figures per share

CHF	**2011**	2010	2009	2008	2007
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
› Year-end price	36.45	70.70	80.50	102.00	144.00
› Year high	79.95	82.85	108.00	159.50	148.00
› Year low	28.00	62.90	63.35	90.00	114.40
Net loss/profit (BKW shareholders' portion)	– 1.44	4.54	5.74	2.65	4.36
Equity per share (BKW shareholders' portion)	55.22	60.57	61.87	58.63	59.43
Market capitalisation in CHF millions	1,723.4	3,359.9	4,190.5	5,298.3	7,463.6

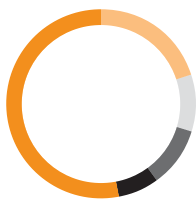
Due to the disposal of the sales business in Germany as of 1 January 2011, total operating revenue, operating profit and the energy statistics for 2010 were adjusted by these activities but not for the 2007–2009 financial years; hence there is limited scope for comparison.

Performance of the BKW share 31.12.2010 – 31.12.2011



Shareholders

Canton of Berne	52.91%
Groupe E SA	10.07%
E.ON Energie AG	7.07%
Treasury stock	9.83%
Other	20.12%



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→ Cover picture: New Mühleberg East substation – the Mühleberg East and Mühleberg West outdoor installations, built more than 40 years ago, were replaced by modern, compact interior facilities. The brand-new installation is scheduled to go into operation in the second half of 2012.

Financial Result
Difficult market environment and special charges impact result

A difficult market environment and special charges had an adverse effect on the results of the BKW Group[1] for the 2011 financial year, resulting in a decline in revenue and operating profit. The positive contribution made to results by the Swiss supply business was severely reduced by a market-related reduction in income from trading, lower volumes of energy produced and special charges. The result was also weighed down by the lower financial result.

Challenging environment drives results down
In the challenging economic and regulatory environment that characterised fiscal 2011, the BKW Group generated lower operating profit. Low market prices coupled with the strong Swiss franc and, above all, special impairment charges and provisions for new fossil-fuelled thermal power plants, led to an operating profit of CHF 138.1 million before depreciation, amortisation and impairment (EBITDA). Adjusted for the special charges, EBITDA amounted to CHF 417.9 million, corresponding to a reduction of 11.8% versus the prior-year figure. The positive contribution made to results by the Swiss supply business was more than offset by market-related reductions in income from trading, lower energy production volumes and special charges. The results were also weighed down by the lower financial result, leading to a net loss of CHF 66.2 million. Adjusted net profit amounted to CHF 122.8 million, corresponding to a drop of 46.2% versus the prior year.

Result impacted by special charges
When preparing the year-end financial statements, BKW tested its production plants for impairment and identified the need for a correction in the amount of CHF –317.7 million. These special impairment charges and provisions concern the new fossil-fuelled thermal production plants in Wilhelmshaven, Livorno Ferraris and Tamarete: plants in which the BKW Group holds a non-controlling interest and from which it purchases electricity at production cost. Based on estimated future market developments, BKW expects that the production costs of these power plants will be higher than the future realisable market prices. For this reason the bulk of the revaluation requirement was recognised as a provision for onerous energy procurement contracts and thus as energy procurement costs. Adjusted for these special charges, EBITDA ended the year 11.8% lower at CHF 417.9 million. Another impairment charge concerns the revaluation of the carrying amount of the interest in Livorno Ferraris and is accounted for under income from equity-valued companies. The adjusted profit before income taxes amounts to CHF 150.4 million. The special impairment charges and provisions result in a tax income CHF 128.7 million. This effect is so high because impairments on the carrying amount of interests under commercial law result in additional income tax relief under IFRS. This leads to an annual result net effect of CHF – 189.0 million attributable to the special charges, and an adjusted net profit of CHF 122.8 million, equivalent to a decline of 46.2% versus the prior year.

Changes in accounting principles and the scope of consolidation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The 2011 financial year saw the introduction of only a few new or revised accounting standards. These changes in accounting principles currently have no relevance for BKW and therefore have no effect on the financial position, results of operations and cash flows of BKW or on disclosures in the 2011 Financial Report.

The following changes were made to the BKW scope of consolidation in the 2011: The sales business in Germany was disposed of on 1 January 2011. The gain of CHF 5.9 million from the sale is disclosed in the income statement as net profit from discontinued operations. The comparative figures were adjusted accordingly in the 2011 Financial Report, in compliance with IFRS requirements.

→ [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 FMB Energy Ltd., this is expressly mentioned.

Reconciliation from reported to adjusted result	2011 reported	2011 Adjustments	2011 adjusted	2010*	% change
Total operating revenue	2,632.8		2,632.8	2,788.1	–5.6%
Total operating expenses	–2,494.7	279.8	–2,214.9	–2,314.0	–4.3%
Operating profit before depreciation, amortisation and impairment (EBITDA)	**138.1**	**279.8**	**417.9**	**474.1**	**–11.8%**
Depreciation, amortisation and impairment	–190.4	4.5	–185.9	–140.6	32.2%
Operating loss/profit (EBIT)	**–52.3**	**284.3**	**232.0**	**333.5**	**–30.4%**
Financial result	–88.3		–88.3	–56.3	56.8%
Income from equity-valued companies	–26.7	33.4	6.7	–0.2	––
Loss/profit before income taxes	**–167.3**	**317.7**	**150.4**	**277.0**	**–45.7%**
Income taxes	95.2	–128.7	–33.5	–53.0	–36.8%
Net profit from discontinued operations	5.9		5.9	4.3	––
Net profit/loss	**–66.2**	**189.0**	**122.8**	**228.3**	**–46.2%**

* The sales business in Germany was divested as of 1 January. The comparative figures for 2010 were adjusted accordingly.

In the 2011 financial year, BKW acquired several new renewable energy plants, further expanding its production capacities:

- In Italy, six wind farms were acquired in Apulia. BKW already held a stake in five of these wind farms via its 33% non-controlling interest in Fortore Wind S.r.l. BKW now holds 100% of the shares in all six wind farms with a collective capacity of 140 Megawatts (MW).
- In Germany, BKW acquired 100% of the shares in wind farms in Bippen (Lower Saxony) and Holleben (Saxony-Anhalt) with a total capacity of 53 MW.
- BKW acquired five small hydroelectric power stations in Italy's Aosta Valley, with an installed capacity of 8 MW.

Slight drop in total capacity

In 2011 BKW recorded consolidated operating revenue of CHF 2,632.8 million, 5.6% lower than the prior-year period. This decline was attributable in particular to lower electricity prices, the strong Swiss franc and the challenging economic climate.

Energy Switzerland: Solid supply business, lower production volume

The Energy Switzerland business segment grew total operating revenue by 4.9% to CHF 2,262.8 million. While the volume of electricity sold to external customers remained stable in the supply region, net sales rose slightly by 2.1% to end the year at CHF 1,175.5 million. Net sales to other segments rose by 6.8% to CHF 998.6 million due to higher internal transfer prices. EBIT dropped sharply by 31.1% to CHF 160.2 million. The reduction in operating profit is attributable to lower proprietary production, higher energy procurement costs and impairment charges of CHF 14 million for costs incurred prior to the suspension of the general licence application for replacement nuclear power plants. In addition, EBIT for 2010 was positively impacted by the reversal of a provision of CHF 28.9 million for onerous energy procurement contracts with partner plants.

Energy and International Trading: Difficult market environment impacts revenue and result

The Energy International and Trading business segment posted a 6.9% reduction in total operating revenue to CHF 2,072.1 million. Net sales to external customers fell by 15.8% to CHF 1,144.6 million due to market and currency-related factors. Conversely, net sales to other segments rose by 7.3% to CHF 918.5 million on account of higher internal transfer prices for energy. The segment generated CHF 20.0 million in income from proprietary energy trading. This represents a year-on-year increase of CHF 21.0 million and can be viewed as positive in view of the difficult market environment. Income from energy hedging is disclosed for the first time in 2011. This concerns energy transactions conducted for the purpose of managing the power plant base, which according to IFRS must be treated as financial instruments and therefore measured at fair value on the balance sheet date. The result of CHF – 41.2 million represents an opportunity loss but does not provide a full evaluation of BKW's energy position since the corresponding energy transactions are recognised only at the time of delivery and hence will largely be included in the income statements for subsequent years. While revenue from international sales rose by 7.4% to CHF 213.6 million thanks to leveraging opportunities on the balance energy market, the volume of sales dropped due to economic factors. Adjusted operating income (EBIT) ended the year with a loss of CHF 40.0 million (compared to the positive result of CHF 44.7 million recorded in the prior year). The reduction in adjusted operating income is primarily attributable to low energy prices, the strong Swiss franc, and the narrower spreads for peak and off-peak energy as a result of changed market structures.

Networks: Higher revenue and operating income

Total operating revenue generated by the Networks business segment improved by 4.2% to CHF 685.5 million. Net sales to external customers increased by 9.5% to CHF 182.9 million, while net sales to other segments rose by 1.3% to CHF 436.9 million. Despite the negative volume trend, sales increased due to a slight rise in prices for grid usage. Since external revenue for grid usage is largely invoiced by Energy Switzerland and disclosed as internal revenue under "Networks", network revenue generated outside the Group is low. The bulk of this revenue is accounted for by engineering services and the electrical installation business, which grew revenue by another 10.1% to CHF 122.8 million (including changes in work in progress). Operating income (EBIT) virtually doubled to end the year at CHF 120.4 million. The prior-year figure included additional charges of around CHF 51 million for ancillary service costs due to an ElCom ruling for 2009 and 2010 and a provision recognised for a trade reversal. The provision was reversed in the year under review.

Lower adjusted operating income and negative financial result

Adjusted costs for energy procurement in 2011 amounted to CHF 1,424.5 million, 8.4% below the prior-year period.

Personnel expenses were 2.2% higher at CHF 349.2 million. The 2010 figure was lower in 2010 due to a cost-reducing change of CHF 6.7 million in pension plan assets. In the year under review this change resulted in an expense of CHF 1.4 million. Due primarily to the additional charge for costs of around CHF 14 million which are no longer recoverable following cancellation of the general licence application for replacement nuclear power plants, material and third-party services were 5.9% higher at CHF 212.9 million. Other operating expenses rose by 5.4% to CHF 228.3 million. This includes higher taxes and charges.

Adjusted operating profit before depreciation, amortisation and impairment (EBITDA) fell by 11.8% to CHF 417.9 million. Adjusted depreciation expenses were CHF 45.3 million higher year-on-year at CHF 185.9 million. This includes an impairment of CHF 18 million for CO_2 certificates due to the drop in price in 2011. At CHF 232.0 million, adjusted operating profit is CHF 101.5 million lower than the prior year.

Developments on equity markets, coupled with higher financing costs and the strong Swiss franc, reduced the financial result by CHF 32.0 million to CHF – 88.3 million. The main influencing factor was the return on shares in the decommissioning and disposal funds, which are measured at fair value. Contrary to the gains recorded in the prior-year period, the state funds recorded a loss of CHF 1.1 million in 2011.

BKW's adjusted net profit fell by 46.2% year-on-year from CHF 228.3 million to CHF 122.8 million.

Higher balance sheet total, solid equity and financing situation

In 2011 the balance sheet total grew by 7.8% to CHF 7,082.9 million. While non-current assets increased by 9.3%, current assets were 7.9% lower, largely due to an investment-related reduction in current financial liabilities. On the liabilities side, long-term liabilities were higher chiefly due to the updated cost estimate for nuclear decommissioning and disposal and the addition of financial liabilities related to the acquisition of wind farms in Germany and Italy. Short-term liabilities rose due primarily to the replacement values of derivatives and of short-term financial liabilities.

BKW's financing situation remains solid. The first refinancing of outstanding bonds is not due until 2018. Moreover, in October BKW raised a syndicate loan of CHF 300 million which is currently not in use, thereby creating the right financial conditions to strengthen its liquidity reserves. The minimum term of the loan is three years.

Largely on account of the higher balance sheet total and the net loss recorded in 2011, the equity ratio dropped from 44.2% to 37.5% but can still be regarded as sound.

The assets and liabilities of the legally autonomous BKW Übertragungsnetz AG are disclosed separately on the year-end 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 in the course of 2012. The prior-year figures for these separate positions refer to the assets and liabilities of the sales business in Germany which was disposed of in the year under review.

Stable cash flow from operating activities

In the year under review, cash flow from operating activities amounted to CHF 292.4 million, corresponding to an increase of CHF 17.6 million despite the net loss recorded for 2011. The main reason for the higher figure is that the special impairment charges and provisions recognised in the year under review do not affect cash. While net current assets rose in 2011, income taxes paid were lower, commensurate with the lower annual result.

Investments in property, plant and equipment and intangible assets, Group companies and equity-valued companies resulted in a cash outflow of CHF 552.8 million (2010: CHF 656.1 million). These investments were largely financed by short-term time deposits, which have been reduced accordingly, resulting in a net cash outflow from investing activities of CHF 89 million (2010: CHF 339.8 million).

The cash outflow of CHF 110.2 million from financing activities is primarily related to dividend payments. In 2010 the cash inflow of CHF 58.4 million was largely related to the issuing of bonds.

Cash and cash equivalents ended the year higher at CHF 91.7 million.

Dividend yield of 2.7%

The Annual General Meeting on 11 May 2012 will be asked to approve a dividend of CHF 1.00 per share, corresponding to a dividend yield of 2.7% (based on the year-end share price). The proposed dividend is based on net profit for the year of CHF 122.8 million adjusted for the non-cash special impairment charges and provisions. This equates to a payout ratio of around 40% (excluding treasury stock) and reflects the continuity of BKW's dividend policy.

Outlook

BKW expects no change in the challenging market environment in the current financial year, with energy prices remaining low and greater margin pressure on international markets. Coupled with regulatory requirements and a persistently strong Swiss franc, this will also weigh down the operating result for 2012. The full impact of efficiency enhancements generated by the cost reduction measures will not yet be felt. Taking all these factors into account and given the ongoing uncertainties, also on financial markets, operating profit before depreciation, amortisation and impairment (EBITDA) and net profit for the following financial year may deviate significantly from the adjusted figures for 2011.

Consolidated Financial Statements of the BKW Group
Consolidated Income Statement

CHF millions	Note	2011	2010 restated
Net sales	7	2,503.0	2,677.5
Own work capitalised		46.2	46.7
Other operating income		83.6	63.9
Total operating revenue		**2,632.8**	**2,788.1**
Energy procurement	7	–1,704.3	–1,554.7
Material and third-party services		–212.9	–201.1
Personnel expenses	8	–349.2	–341.6
Other operating expenses	9	–228.3	–216.6
Total operating expenses		**–2,494.7**	**–2,314.0**
Operating profit before depreciation, amortisation and impairment		**138.1**	**474.1**
Depreciation, amortisation and impairment	10	–190.4	–140.6
Operating loss/profit		**–52.3**	**333.5**
Financial income	11	19.8	62.1
Financial expenses	11	–108.1	–118.4
Income from equity-valued companies	16	–26.7	–0.2
Loss/profit before income taxes		**–167.3**	**277.0**
Income taxes	12	95.2	–53.0
Net loss/profit from continuing operations		**–72.1**	**224.0**
Net profit from discontinued operations		5.9	4.3
Net loss/profit		**–66.2**	**228.3**
Profit attributable to non-controlling interests		2.0	1.5
Loss/profit attributable to BKW shareholders		–68.2	226.8
Earnings per share in CHF (diluted and undiluted)	13	–1.44	4.54
Earnings per share in CHF from continuing operations (diluted and undiluted)		–1.57	4.45

Consolidated Financial Statements of the BKW Group
Consolidated Statement of Comprehensive Income

CHF millions	2011	2010
Net loss/profit	**–66.2**	**228.3**
Currency translations		
› Currency translations	–26.2	–147.4
› Transfer to the income statement	4.9	
Available-for-sale financial assets		
› Value adjustments	–58.4	–4.6
› Income taxes	13.0	1.9
Cash flow hedges		
› Value adjustments	–7.7	5.1
› Income taxes	1.7	–1.1
Total changes in value recorded in shareholders' equity	**–72.7**	**–146.1**
Total comprehensive income	**–138.9**	**82.2**
Total comprehensive income attributable to non-controlling interests	2.0	1.1
Total comprehensive income attributable to BKW shareholders	–140.9	81.1

Consolidated Financial Statements of the BKW Group
Consolidated Balance Sheet

CHF millions	Note	31.12.2011	31.12.2010
Assets			
Property, plant and equipment	15	2,833.0	2,271.8
Investments in equity-valued companies	16	1,035.4	1,127.9
Derivatives	28	32.6	15.7
Non-current financial assets	17	1,014.7	1,097.4
Intangible assets	18	245.4	193.8
Deferred tax assets	12	8.6	21.6
Total non-current assets		**5,169.7**	**4,728.2**
Inventories	19	39.9	20.6
Accounts receivable	20	607.5	559.9
Income tax receivables		38.3	5.0
Derivatives	28	75.6	54.5
Current financial assets	17	196.3	558.3
Prepaid expenses and accrued income	21	176.4	169.2
Cash and cash equivalents	31	524.4	432.7
Total current assets		**1,658.4**	**1,800.2**
Assets held for sale	6	254.8	41.2
Total assets		**7,082.9**	**6,569.6**

CHF millions	Note	31.12.2011	31.12.2010
Liabilities			
Share capital	22	131.1	132.0
Capital reserves		35.0	35.0
Retained earnings		2,808.6	3,084.0
Treasury shares	22	–363.7	–372.4
Equity attributable to BKW shareholders		**2,611.0**	**2,878.6**
Equity attributable to non-controlling interests		43.9	26.1
Total shareholders' equity		**2,654.9**	**2,904.7**
Deferred tax liabilities	12	494.1	551.6
Derivatives	28	33.3	9.9
Long-term provisions	23	1,692.5	1,147.3
Long-term financial liabilities	24	1,213.4	1,054.4
Other long-term liabilities	25	193.0	199.6
Total long-term liabilities		**3,626.3**	**2,962.8**
Other short-term liabilities	26	405.4	418.7
Derivatives	28	99.4	50.3
Short-term provisions	23	36.0	55.8
Short-term financial liabilities	24	43.5	1.6
Liabilities from income taxes		29.0	19.6
Deferred income and accrued expenses	21	147.6	126.8
Total short-term liabilities		**760.9**	**672.8**
Liabilities held for sale	6	40.8	29.3
Total liabilities		**4,428.0**	**3,664.9**
Total liabilities and shareholders' equity		**7,082.9**	**6,569.6**

Consolidated Financial Statements of the BKW Group
Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Accumulated profit	Currency translations	Revaluation reserve available-for-sale financial assets	Hedging reserves	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	**Total**
Equity at 31.12.2009	132.0	35.0	3,052.7	−43.5	128.9	0.0	−84.3	3,220.8	23.5	3,244.3
Total comprehensive income			226.8	−147.0	−2.7	4.0		81.1	1.1	82.2
Dividend			−130.8					−130.8	−0.5	−131.3
Purchase/sale of treasury shares			−4.0				−288.1	−292.1		−292.1
Acquisition of non-controlling interests			−0.3					−0.3	−0.6	−0.9
Foundation of Group companies								0.0	0.4	0.4
Changes in investments in Group companies			−0.1					−0.1	2.2	2.1
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			−68.2	−21.3	−45.4	−6.0		−140.9	2.0	−138.9
Dividend			−119.1					−119.1	−0.8	−119.9
Purchase/sale of treasury shares			−0.5				9.7	9.2		9.2
Reclassification due to new structure (BKW FMB Energy Ltd. shares not exchanged)	−0.9		−16.3				−1.0	−18.2	18.2	0.0
Acquisition of non-controlling interests			1.4					1.4	−2.2	−0.8
Foundation of Group companies								0.0	0.2	0.2
Changes in investments in Group companies								0.0	0.4	0.4
Equity at 31.12.2011	**131.1**	**35.0**	**2,941.6**	**−211.8**	**80.8**	**−2.0**	**−363.7**	**2,611.0**	**43.9**	**2,654.9**

Consolidated Financial Statements of the BKW Group
Consolidated Cash Flow Statement

CHF millions	Note	2011	2010
Loss/profit before income taxes (incl. discontinued operations)		–161.3	283.2
Adjustment for:			
› Depreciation, amortisation and impairment	10	190.4	140.9
› Income from equity-valued companies	16	26.7	0.2
› Financial result (incl. discontinued operations)	6/11	82.3	56.3
› Gains/losses from sale of non-current assets		–2.4	–0.1
› Change in long-term provisions (excl. interest)		259.1	–54.9
› Change in assigned rights of use		–8.9	–8.3
› Change from the valuation of derivatives		32.9	5.1
› Other non-cash positions		7.7	–1.6
Other financial items paid		–1.8	–1.7
Change in net current assets (excl. financial assets/liabilities and derivatives)		–73.5	–53.8
Income taxes paid		–58.8	–90.5
Cash flow from operating activities		**292.4**	**274.8**
Purchase of property, plant and equipment	15	–256.8	–317.7
Proceeds from sale of property, plant and equipment		8.6	7.3
Acquisition of Group companies	5/31	–180.4	–62.8
Disposal of Group companies		18.3	0.1
Investments in equity-valued companies	16	–77.2	–220.9
Disposals of equity-valued companies		0.4	14.9
Investments in current and non-current financial assets		–42.5	–117.8
Disposals of current and non-current financial assets		423.4	352.6
Purchase of intangible assets	18	–38.5	–54.7
Disposals of intangible assets	18	15.0	24.4
Interest received		8.7	11.3
Dividends received		32.0	23.5
Cash flow from investing activities		**–89.0**	**–339.8**
Sale/purchase of treasury shares	22	4.6	–298.9
Acquisition of non-controlling interests		–0.8	–0.6
Foundation of Group companies (non-controlling interest)		0.6	0.4
Increase in long-term financial liabilities		7.9	477.4
Decrease in long-term financial liabilities		–2.5	0.0
Increase in other long-term liabilities		43.4	32.3
Decrease in other long-term liabilities		–2.1	–2.3
Increase in short-term financial liabilities		0.1	1.6
Decrease in short-term financial liabilities		–7.8	0.0
Interest paid		–33.7	–20.2
Dividends paid		–119.9	–131.3
Cash flow from financing activities		**–110.2**	**58.4**
Translation adjustments on cash and cash equivalents		–1.5	–20.5
Net change in cash and cash equivalents		**91.7**	**–27.1**
Cash and cash equivalents at start of reporting period		**432.7**	**459.8**
Cash and cash equivalents at end of reporting period	31	**524.4**	**432.7**

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

On 28 February 2011, with a view to introducing a new holding structure, BKW FMB Energy Ltd. founded a Group company over which it had full ownership and which now operates under the name BKW Inc. On 18 October 2011, BKW Inc. – as the new holding company – submitted to BKW FMB Energy Ltd. shareholders a 1:1 public exchange offer for all registered shares in free float. For each BKW FMB Energy Ltd. share tendered, shareholders in BKW FMB Energy Ltd. were offered a new BKW Inc. share at the same par value. At the end of the offer period, BKW Inc. held 52,434,811 or 99.31% of all BKW FMB Energy Ltd. shares which were transferred to BKW Inc. as a non-cash contribution; this transfer took the form of an exchange for the issuance of new BKW Inc. shares to the tendering shareholders. The transfer resulted in a new BKW Inc. share capital of CHF 131,087,027.50. BKW Inc. was listed on the SIX Swiss Exchange and the BX Berne Exchange as of 12 December 2011, and the BKW FMB Energy Ltd. share will be delisted on 20 April 2012. In accordance with Article 33 of the Federal Stock Exchange Act, a declaration of invalidity was requested for the shares remaining in free float on completion of the exchange offer. Once the Commercial Court has authorised this, holders of BKW FMB Energy Ltd. shares which have been declared invalid will receive the same number of BKW Inc. shares. When this process has been successfully completed, BKW Inc. will have a share capital of CHF 132,000,000.00 and hold 100% of the shares in BKW FMB Energy Ltd. The information provided in this Financial Report on earlier reporting periods still reflects the old structure.

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

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

2.2 Presentation of prior-year figures
The sales business in Germany was disposed of on 1 January 2011. While "continuing operations" and "discontinued operations" are separately disclosed in the consolidated income statement in the 2010 Financial Report, income and expenses for "discontinued operations" are combined on one line in this Financial Report. The comparative figures were adjusted accordingly.

2.3 Adoption of new standards and interpretations
All standards and interpretations in force on the balance sheet date were applied in preparing the consolidated financial statements.

In 2011 BKW was required to adopt the following new or revised standards and interpretations:
- IAS 24 Related Party Disclosures
- Amendment to IAS 32 – Classification of Rights Issues
- Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Improvements to International Financial Reporting Standards
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These changes had no effect on the presentation of the financial position, results of operations and cash flows of BKW. Under certain circumstances, the changes to IAS 24 would allow BKW to reduce the extent to which transactions with the canton of Berne are disclosed. However, BKW does not make use of this option.

2.4 New standards and interpretations published but not yet applied

Various amendments as well as new standards and interpretations which had been published by the balance sheet date 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 10 Consolidated Financial Statements (1 January 2013)
- IFRS 11 Joint Arrangements (1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13 Fair Value Measurement (1 January 2013)
- Amendment to IAS 1 – Presentation of Financial Statements (1 July 2012)
- Amendment to IAS 19 – Employee Benefits (1 January 2013)
- Amendment to IAS 27 – Separate Financial Statements (1 January 2013)
- Amendment to IAS 28 – Investments in Associates (1 January 2013)
- IFRS 9 Financial Instruments (1 January 2015)
- Amendments to IAS 32 – Financial Instruments: Presentation (1 January 2014)
- Amendments to IFR 7 – Financial Instruments: Disclosures (1 January 2013)
- IFRIC 20 Stripping costs in the production phase of a surface mine (1 January 2013)

BKW is currently examining the possible effects of applying these new or changed standards and interpretations. As things stand at present and with the exception of the following standards, these changes are not expected to have a significant impact on the financial position, results of operations and cash flows of BKW published for the year ended 31 December 2011.

IFRS 11 largely replaces the provisions of IAS 31 on the treatment of joint ventures. The new standard distinguishes between joint operations and joint ventures. Joint ventures are accounted for using the equity method, whereas joint operations are disclosed in proportion to their share of assets, liabilities revenues and expenses. BKW is of the opinion that an assessment of the classification of existing investments under IFRS 11 may lead to a change in the way they are accounted for in the financial statements.

The revised IAS 19 Employee Benefits contains various important changes. BKW currently applies the corridor method and charges to income the actuarial gains and losses from periodic recalculations of the defined benefit obligation – provided they exceed the greater of 10% of plan assets and 10% of the defined benefit obligation – on a straight-line basis over the average remaining period of service. Due to the elimination of the corridor method, actuarial gains and losses are now recognised in the statement of comprehensive income in the period in which they occur. This is likely to result in greater volatility of the plan assets and obligations and hence also of consolidated equity. The revised standard also requires the net interest on net defined benefit assets/net defined benefit liabilities to be determined uniformly using the discount rate, thereby removing the concept of expected return on plan assets that was previously estimated based on expectations of returns on the investment portfolio. The employer's net plan expenses are therefore expected to be higher in future.

3 Consolidation principles

3.1 Consolidation method

The financial statements are based on the closing statements of the individual Group companies drawn up according to Group-wide principles of valuation and presentation. Group companies are included in the consolidated financial statements in their entirety. Assets and liabilities as well as expenses and income are included in their entirety. Non-controlling interests in shareholders' equity and in net income of the relevant Group companies are disclosed separately in the balance sheet and income statement. Intercompany income and expenditure as well as intercompany assets and liabilities are eliminated on consolidation. Profits from intercompany transactions and balances not yet realised from sales to third parties are eliminated.

3.2 Investments in associates and joint ventures

Investments in companies in which BKW is able to exercise reasonable influence but not overall control (generally ownership between 20% and 50%) are classified as associates and accounted for using the equity method.

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

BKW's share of assets and liabilities as well as expenses and income of associates and joint ventures is disclosed in Note 16. The closing date for some partner plants differs from that of BKW since these companies close their accounts on 30 September in line with the hydrological year.

3.3 Acquisition and sale of Group companies

Companies acquired by BKW during the year are consolidated as from the effective date of acquisition. Net assets acquired (including intangible assets) are measured at fair value and integrated using the acquisition method. Differences between the higher purchase price and the fair value of net assets are classified as goodwill from acquisitions. Goodwill in respect of acquisitions is subjected to annual impairment tests or ad hoc testing whenever impairment is indicated. Any negative difference is immediately recognised in income.

Companies disposed of during the year are excluded from the date of sale. Differences between the selling price and the net assets disposed of are recorded in income on the effective date. Goodwill recorded in the balance sheet as well as accumulated foreign currency translation differences and value fluctuations for financial instruments charged to the statement of 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

Goodwill and adjustments made to the carrying amounts of identified net assets in the course of the purchase price apportionment are carried in the foreign currency and converted to the reporting currency on the balance sheet date without affecting income.

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

4 Principles of accounting and valuation

4.1 Presentation of sales

Sales of energy in the sales business are considered as realised and are recorded as sales when delivery is complete.

Energy trading revenue is presented according to the underlying transaction motive. Energy transactions are conducted either for the purpose of actively managing the power plant base ("own-use transactions") or for physical coverage of energy supply or purchase contracts ("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. Under IAS 39, these additional hedging transactions qualify as 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 capital gains and losses from valuation of the fair value of open contracts.

4.2 Financial instruments (general)

Financial instruments constitute all contractual agreements that give rise to financial assets for BKW and financial liabilities for a counterparty, and vice versa. In accordance with IAS 39, 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 has the positive intention and ability to hold to maturity);
- Loans and receivables;
- Financial assets held for sale (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 held for sale are also measured at fair value but the gains or losses are recorded in the statement of 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 statement of comprehensive income is transferred to the income statement. Held-to-maturity investments as well as loans granted by and receivables due to BKW are carried at amortised cost using the effective interest method less impairments.

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

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

As yet, BKW has not made use of the "Fair Value Option" described in IAS 39.

4.3 Derivatives

4.3.1 Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles, and futures for the underlying energy, gas, oil, coal and certificates. Contracts concluded with the sole intention of achieving a trading margin 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, while payables are recorded under liabilities as negative replacement values. 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 energy derivative trading within net revenue.

A table listing replacement values and contract volumes, i.e. the basis or nominal value of the transactions, is provided in Note 28.

4.3.2 Hedge accounting

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

To qualify as a hedging transaction under IAS 39, strict criteria must be observed in terms of documentation, the effectiveness of a hedging instrument, and the probability of occurrence. On conclusion of a hedging transaction, the relationship between the hedging instrument and the hedged position as well as the purpose and strategy of risk hedging must be documented. The effectiveness of the hedging relationship is assessed and documented at the inception of the hedge and throughout its duration.

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

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

4.4 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and impairment losses recognised. Depreciation is calculated systematically using the straight-line method and based on the useful lives of the objects. The useful lives 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 4.13. Property, plant and equipment dependent on concessions are written down at most over the expected term of the concession.

Present values of estimated decommissioning and disposal costs are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 4.15). Fuel elements produced specifically for the nuclear power plant are disclosed in the balance sheet under property, plant and equipment and 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 from the figures given in last year's report:

Buildings	50 years
Power plants	20 to 80 years
Transmission and distribution systems	20 to 50 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years
Fuel elements	After burn-up

4.5 Intangible assets

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

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

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

4.6 Emission rights

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

For transactions in emission rights conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption defined by IAS 2, under which emission rights can be recognised at fair value through profit or loss, less costs to sell. Changes in value on the balance sheet date as well as realised purchases and sales are recorded in the income statement. Transactions in derivatives on emission rights which are conducted with the intention of achieving a trading margin are treated in the same way as energy trading derivatives (see Note 4.3.1).

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

4.7 Financial assets

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

Stock-exchange-listed securities which constitute part of a portfolio of financial instruments, jointly managed and 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 under the terms of IFRIC 5 and are charged to income as receivables from state funds. The receivables are measured at the lower of the obligation (see Note 4.15) and the fair value of the proportional net assets of the fund. Changes in fund valuations are recorded in the financial result for the period in question. The pension surplus is valued on the basis of IAS 19 (see Note 4.18.).

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

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

4.9 Inventories

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

4.10 Work in progress

Production contracts are valued according to the Percentage of Completion (POC) method. The stage of completion is determined on the basis of individual progress reports or cost estimates. Progress is expressed as the proportion that contract costs incurred for work performed to date bears to 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 they will result in revenue and can be reliably measured. Orders and order groups whose 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 short-term liabilities as customer payments.

4.11 Cash and cash equivalents

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

4.12 Non-current assets or disposal groups held for sale and discontinued operations

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

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

4.13 Impairment of property, plant and equipment and intangible assets

On each balance sheet date, assets are tested for impairment or reversal of impairment. If indications of impairment or reversal of impairment are identified, the recoverable amount of the asset is measured. The recoverable amount of assets with an indefinite useful life is measured irrespective of whether there is any indication of impairment. Assets whose carrying value exceeds the recoverable amount are value-adjusted. The recoverable amount is the higher of the net selling price and value in use (present value of estimated future cash flows), and is separately measured 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 actual cost. Overvaluation of partner companies' production plants is accounted for under onerous energy purchase contracts, due to the contractual obligation to pay energy production costs. Based on the obligation to pay actual costs, the recoverability of the holdings in partner plants measured at the proportional equity value is taken by shareholders as a given.

4.14 Assigned rights of use

Assigned rights of use consist of third-party payments for transit rights to transmission systems, plant usage rights and contributions to grid costs (connection contributions), and are recorded under other long-term liabilities at the nominal value of the cash inflow less reversals to income. They are recognised in profit and loss on a straight-line basis over the useful life of the facility or the life of the relevant assigned right, whichever is lower.

4.15 Provisions

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

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

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

4.16 Income taxes

Income taxes include current and deferred taxes based on profit. Deferred income taxes are determined based on local tax regulations. Deferred tax assets 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 enacted 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 these deferred tax assets will be of benefit on the basis of future anticipated gains.

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

4.17 Leasing

Leasing arrangements are divided into operating leases and finance leases.

A finance lease is a leasing arrangement in which the lessor essentially transfers to the lessee all risks and opportunities associated with the ownership of an asset. Assets held by BKW as the lessee in a finance leasing arrangement are 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 short- and long-term financial liabilities.

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

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

The costs and obligations arising from defined benefit schemes are determined on an actuarial basis using the projected unit credit method, which reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Until this obligation 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 accordance with IAS 19. In this case the economic benefit from future reductions in contributions is measured in accordance with the guidelines in IFRIC 14. Annual service costs related to employment during the reporting period are charged to income. Actuarial gains and losses arising from periodic recalculations are charged to income on a straight-line basis over the average remaining period of service, provided they exceed the greater of 10% of plan assets and 10% of the defined benefit obligation.

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

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

4.20 Segment reporting
Segments and segment results are defined on the basis of the management approach. Reportable segments under the terms of IFRS 8 are based on the internal organisational and reporting structure. BKW is organised into business divisions which have operational responsibility for results and manage a defined part of BKW's activities autonomously. Operating income (EBIT) is used by the senior decision-making body, the Group Executive Board, as a basis for resource allocation and performance measurement.

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

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

4.21.1 Projects (construction in progress, investments in equity-valued companies)
BKW invests in a wide range of projects to build new production and grid capacities and expand existing ones. The various projects are at different stages of development. The earlier the development phase, the more difficult it is to determine whether a project will be realised. The feasibility of projects and their subsequent profit-generating operation are dependent on various factors such as the legal framework, the granting of licences and future market trends. Costs incurred at the project initialisation stage and for preliminary analyses are not capitalised. Only when concrete, directly assignable project costs are

incurred (i.e. from the planning/design phase) are they capitalised. As soon as the realisation of the project is regarded as no longer probable, they are written off against income. Consequently, the balance sheet value of assets under construction and project companies in which BKW has an investment and which are accounted for using the equity method may deviate from the future recoverable amount.

4.21.2 Goodwill

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

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

4.21.3 Mühleberg nuclear power plant

Measurement of the provision for nuclear waste disposal and the inherent value of property, plant and equipment recorded in the balance sheet (power plant and equipment, fuel rods, including present disposal value) is material for the purposes of assessing BKW's balance sheet and income statement. Detailed costs for decommissioning nuclear power plants and nuclear waste disposal are jointly calculated by the industry and updated every five years in accordance with the Ordinance on the Decommissioning and Disposal Funds for Nuclear Power plants. These cost calculations are reviewed by the Swiss federal government. In the year under review a new provisional estimate of decommissioning and disposal costs was drawn up. The definitive government-sanctioned version of the new cost studies is expected in the course of 2012. Since December 2009, when the Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) granted Mühleberg nuclear power plant an open-ended operating licence, BKW has applied an assumed operating period of 50 years for the facility, in line with operators of other Swiss nuclear power plants. The estimates of BKW are applied for plant-specific obligations. Cost calculations based on incorrect estimates, changes in legislation governing decommissioning and nuclear waste disposal, as well as the premature decommissioning of the plant before 2022 can significantly affect the Group's financial position, results of operations and cash flows.

4.21.4 Pension plan

Pension obligations arising from defined benefit pension plans are calculated based on actuarial assumptions which may not reflect reality and hence may have an impact on the Group's financial position, results of operations and cash flows.

4.21.5 Revenue recognition

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

4.21.6 Provision for onerous energy procurement contracts

BKW holds non-controlling interests in power plant companies, under the terms of which it is committed to purchasing the energy generated by these plants at production cost. Provisions are recognised for obligations to purchase energy at production costs which 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.

4.21.7 ElCom proceedings

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

5 Business combinations

Business combinations in 2011

Wind farms in Italy

In the year under review BKW acquired from Fortore Energia S.p.A. various wind farms in Apulia (I). Control was handed over on 26 May 2011. BKW already held a stake in five of these wind farms via its non-controlling interest in Fortore Wind S.r.l. In 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. BKW now holds 100% of the shares in six wind farms with a collective installed capacity of 144 MW, making it one of Italy's leading producers of wind power.
One of the main factors determining the wind farm purchase price is the future average capacity of the facilities. If the capacity underlying the purchase price calculation is significantly exceeded, the purchase price could rise. If, for example, capacity were 5% higher, this would result in an additional payment of CHF 4.6 million. Based on the information available, however, BKW does not expect the capacity underlying the purchase price to be exceeded, hence an adjustment to the purchase price is unlikely. Based on this assessment, the conditional purchase price obligation was therefore not charged to the balance sheet.
The fair value of the receivables of the companies acquired amounts to CHF 18.9 million. The default risk for these receivables is estimated to be extremely low, hence no value adjustments were made.

The acquired wind farms are largely financed via long-term leasing contracts. As of 26 May 2011, property, plant and equipment classified as financial leased items were included at a net book value of CHF 276.7 million. Liabilities included leasing liabilities of CHF 129.7 million, of which CHF 12.4 million was accounted for as short-term liabilities and CHF 117.3 million as long-term liabilities.

Had the companies been acquired on 1 January 2011, total operating revenue for 2011 would have been CHF 26 million higher and net loss for the year CHF 3.7 million lower. Since being fully consolidated on 26 May 2011, the wind farms have recorded total operating revenue of CHF 10.4 million and a net loss of CHF 9.1 million. This does not include revenues and profits from green certificate entitlements for the current year. These revenues and profits are realised only when the respective certificates are sold.

This acquisition has increased the goodwill total by CHF 0.4 million. After a currency translation adjustment of CHF –0.1 million, goodwill at 31 December 2011 stood at CHF 92.4 million.

Bippen and Holleben wind farms in Germany

In the year under review BKW acquired Bippen wind farm in Bippen (D) and Holleben wind farm in Teutschenthal (D). The acquisition date for both wind farms was 27 December 2011. Bippen wind farm in the German state of Lower Saxony has an installed capacity of 27.6 MW and has been connected to the grid since 2004/2005. The twelve turbines generate 52 GWh of electricity a year. Holleben wind farm in Saxony-Anhalt has an installed capacity of 25.5 MW and has been connected to the grid since 2004/2005. The annual volume generated by the seventeen 1.5 MW-turbines is around 59 GWh.

The fair value of the receivables of the companies acquired amounts to CHF 2.7 million. The default risk for these receivables is estimated to be extremely low, hence no value adjustments were made.

Had the companies been acquired on 1 January 2011, total operating revenue for 2011 would have been CHF 11.6 million higher and the net loss CHF 1.1 million lower. Since becoming fully consolidated on 27 December 2011, the company has generated no significant revenue or results.

Idroelettrica Val d'Aosta

BKW also acquired Idroelettrica Val d'Aosta S.r.l. (I) from Italian conglomerate Sorgenia on 19 December 2011. The company operates five small run-of-river power plants situated in the Aosta Valley, with a collective installed capacity of close to 8 MW. The fair value of the receivables of the acquired company amounts to CHF 0.3 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 company been acquired on 1 January 2011, total operating revenue for 2011 would have been CHF 3.6 million higher and net loss for the year CHF 0.8 million lower. Since becoming fully consolidated on 19 December 2011 the company has generated no significant revenue or results.

The following table shows the allocation of the purchase price to assets and liabilities.

CHF millions	Wind farms Italy	Idroelettrica Val d'Aosta	Bippen	Holleben	Total
Property, plant and equipment	324.2	44.9	33.9	42.0	445.0
Intangible assets	90.2	0.0	0.0	0.0	90.2
Other current assets	21.1	0.3	2.3	3.0	26.7
Cash and cash equivalents	0.8	0.5	1.3	2.0	4.6
Long-term liabilities	–230.6	–9.2	–15.6	–16.6	–272.0
› of which deferred taxes	–76.1	–9.2	0.0	0.0	–85.3
Short-term liabilities	–21.6	–0.3	–1.5	–1.7	–25.1
Net assets acquired	**184.1**	**36.2**	**20.4**	**28.7**	**269.4**
Goodwill	0.4	0.0	0.0	0.0	0.4
Purchase price	**184.5**	**36.2**	**20.4**	**28.7**	**269.8**
Deferred purchase price payments	5.2				5.2
Fair value of interests already held	–67.9				–67.9
Charged against receivable from surrender of shares to Fortore Wind S.r.l.	–32.7				–32.7
Minus cash and cash equivalents acquired	–0.8	–0.5	–1.3	–2.0	–4.6
Cash outflow	**88.3**	**35.7**	**19.1**	**26.7**	**169.8**

The above amounts are provisional values since the purchase price allocations have not yet been finalised.

The amounts recognised in the consolidated financial statements for the assets acquired and liabilities assumed on the acquisition date correspond to the fair values.

Business combinations in 2010

In 2010 BKW Dubener Platte Wind GmbH of Wiesbaden, Germany, acquired the Dubener Platte wind farm in the German federal state of Brandenburg. The acquisition date was 17 November 2010. With 20 turbines and an installed capacity of 40 MW, the wind farm produces around 85.5 GWh of electricity per year and was expanded in the fourth quarter of 2010. No significant net revenue or results were achieved by the wind farm up to 31 December 2010. Since the purchase price was CHF 74 million and the net assets acquired on the acquisition date also amounted to CHF 74 million, the acquisition did not result in any goodwill.

6 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. At present BKW assumes that the assets and liabilities aggregated under the legally autonomous BKW Übertragungsnetz AG will be transferred by 31 December 2012. BKW therefore regards the criteria for their classification under IFRS 5 as “held for sale” as fulfilled as at 31 December 2011.

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 as at 31 December 2011 are provisional, as the final figures for assets and liabilities to be transferred will only become available on completion of the transactions:

CHF millions	**31.12.2011**
Non-current assets	238.0
Current assets	16.8
Total assets held for sale	**254.8**
› of which Cash and cash equivalents	0.0
Long-term liabilities	–39.0
Short-term liabilities	–1.8
Total liabilities held for sale	**–40.8**

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.

Sales business in Germany

BKW intends to focus its future activities in Germany on electricity production and trading. BKW exited the sales business in Germany with the sale of BKW Energie GmbH (D) and BKW Balance GmbH (D), both of which were assigned to the Energy International and Trading segment. The sale was contractually agreed in 2010, and the units were transferred on 1 January 2011.

CHF millions	**31.12.2011**	31.12.2010
Total operating revenue	0.0	399.1
Total operating expenses	0.0	–392.6
Depreciation, amortisation and impairment	0.0	–0.3
Financial result	6.0	0.0
Profit before income taxes	**6.0**	**6.2**
Income taxes	–0.1	–1.9
Net profit from discontinued operations	**5.9**	**4.3**
Earnings per share in CHF (diluted and undiluted) from discontinued operations	0.12	0.09

Cash flow from discontinued operations is broken down as follows:

CHF millions	**2011**	2010
Cash flow from operating activities	0.0	–12.7
Cash flow from investing activities	18.3	–0.4
Cash flow from financing activities	0.0	–2.3
Translation adjustments on cash and cash equivalents	0.0	–1.1
Net change in cash and cash equivalents from discontinued operations	**18.3**	**–16.5**
Cash and cash equivalents attributable to assets held for sale	0.0	0.0

The following table lists assets and liabilities held for sale, measured at the existing carrying amount:

CHF millions	31.12.2010
Non-current assets	1.4
Current assets	39.8
Total assets held for sale	**41.2**
› of which Cash and cash equivalents	0.0
Long-term liabilities	0.1
Short-term liabilities	29.2
Total liabilities held for sale	**29.3**

7 Segment reporting

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

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

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

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

In the Energy Switzerland business segment, the reversal of a provision for onerous energy purchase contracts in the first half of 2010 reduced the expense for "Energy procurement from third parties, partner plants and associates" by CHF 28.9 million.

The Energy International and Trading business segment now includes in its statements the position, "Income from energy hedging". Internal guidelines were amended in order to extend and optimise the options for managing the production portfolio. This allows BKW to engage in additional energy trading transactions to hedge its own production. In accordance with the accounting requirements, these additional hedging transactions qualify as financial instruments which must be measured and accounted for on the balance sheet date. The gains measured and reported represent an opportunity gain but do not provide a full financial view of BKW's energy position.

When preparing the year-end financial statements, BKW tested its production plants for impairment and identified the need for a correction totalling CHF –317.7 million in the Energy International and Trading business segment for the new fossil-fuelled thermal production plants in Wilhelmshaven, Livorno Ferraris and Tamarete. The bulk of the revaluation requirement (CHF 279.8 million) was recognised as a provision for onerous energy procurement contracts and thus as energy procurement costs. The remainder is accounted for under depreciation, amortisation and impairment (CHF 4.5 million) and income from equity-valued companies (CHF 33.4 million).

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

2010 restated CHF millions	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	**Total**
Electricity sales Switzerland	754.9					754.9
Distribution grid usage fees	374.1		6.6			380.7
Electricity sales international		198.9				198.9
Electricity trading		1,063.7				1,063.7
Income from proprietary energy trading		–1.0				–1.0
Other energy business	15.2	71.3	48.9			135.4
Gas business	3.2	26.4				29.6
Construction/engineering services and electrical installation business	2.8		112.4			115.2
Changes in work in progress	1.0		–0.9			0.1
Net sales to external customers	**1,151.2**	**1,359.3**	**167.0**	**0.0**	**0.0**	**2,677.5**
Net sales to other segments	934.7	856.4	431.2	48.1	–2,270.4	0.0
Own work capitalised	4.1	0.4	37.5		4.7	46.7
Other operating income	66.2	8.5	21.9	117.5	–150.2	63.9
Total operating revenue	**2,156.2**	**2,224.6**	**657.6**	**165.6**	**–2,415.9**	**2,788.1**
Electricity procurement, third parties	–19.2	–1,004.4				–1,023.6
Electricity procurement, partner plants and associates	–291.0	–28.9				–319.9
Other expenses for electricity procurement	–15.3	–105.7	–60.5			–181.5
Gas procurement	–5.2	–24.5				–29.7
Energy procurement from third parties, partner plants and associates	**–330.7**	**–1,163.5**	**–60.5**	**0.0**	**0.0**	**–1,554.7**
Energy procurement from other segments	–1,257.0	–907.2	–21.4		2,185.6	0.0
Operating expenses excluding energy procurement	–299.3	–100.7	–432.5	–156.4	229.6	–759.3
Operating expenses	**–1,887.0**	**–2,171.4**	**–514.4**	**–156.4**	**2,415.2**	**–2,314.0**
Operating profit before depreciation, amortisation and impairment	**269.2**	**53.2**	**143.2**	**9.2**	**–0.7**	**474.1**
Depreciation, amortisation and impairment	–36.6	–8.5	–81.4	–14.2	0.1	–140.6
Operating profit	**232.6**	**44.7**	**61.8**	**–5.0**	**–0.6**	**333.5**
Financial result						–56.3
Income from equity-valued companies						–0.2
Profit before income taxes						**277.0**
Additions property, plant and equipment, intangible assets and state funds	147.3	57.5	158.8	14.2	–1.1	376.7
Additions equity-valued companies	11.3	212.3	0.1			223.7
Investments in equity-valued companies at 31.12.2010	475.4	646.8	5.7			1,127.9
Total assets at 31.12.2010	2,791.5	1,627.5	1,637.3	5,007.2	–4,493.9	6,569.6

Information by country

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

	Switzerland		Germany (restated)		Italy		Other countries		**Total** (restated)	
CHF millions	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net sales to external customers	1,467.2	1,493.8	401.1	559.8	540.3	501.6	94.4	122.3	2,503.0	2,677.5
Non-current assets	2,817.4	2,735.3	595.3	466.9	701.1	392.7			4,113.8	3,594.9

Information on significant customers

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

8 Personnel expenses

CHF millions	**2011**	2010 restated
Salaries and wages	279.2	284.7
Social security contributions and other personnel expenses	68.6	63.6
Change in pension surplus	1.4	– 6.7
Total	**349.2**	**341.6**

Number of employees on balance sheet date (full-time equivalent/FTE)	**31.12.2011**	31.12.2010
Employees	2,717	2,695
Apprentices/trainees	163	167
Total	**2,880**	**2,862**

9 Other operating expenses

CHF millions	2011	2010 restated
Charges, levies and other taxes	75.2	70.5
Miscellaneous operating expenses	153.1	146.1
Total	**228.3**	**216.6**

10 Depreciation, amortisation and impairment

CHF millions	2011	2010 restated
Property, plant and equipment	153.6	134.6
Intangible assets	36.8	6.0
Total	**190.4**	**140.6**

11 Financial result

CHF millions	2011	2010
Interest income	8.9	11.5
Dividends	5.0	5.3
Value adjustment on state funds	0.0	23.1
Gain on sale of financial assets	1.1	1.2
Gains from the disposal of investments in associates	0.3	7.4
Value adjustment on securities held for trading	4.2	12.4
Other financial income	0.3	1.2
Financial income	**19.8**	**62.1**
Interest expenses	–33.4	–21.7
Capitalised borrowing costs	0.2	1.1
Interest on provisions	–57.6	–56.4
Value adjustment on state funds	–1.1	0.0
Loss from sales of financial assets	–0.4	–1.8
Value adjustment on securities held for trading	–0.1	–8.4
Impairment of financial assets	–6.9	0.0
Other financial expenses	–4.1	–4.2
Currency translations	–4.7	–27.0
Financial expenses	**–108.1**	**–118.4**
Total	**–88.3**	**–56.3**

12 Income taxes

CHF millions	2011	2010 restated
Current income taxes	32.5	45.2
Deferred taxes	–127.7	7.8
Total income taxes	**–95.2**	**53.0**

Reconciliation with reported income taxes CHF millions	2011	2010 restated
Loss/profit before income taxes	–167.3	277.0
Tax expenses at anticipated rate of 20.6% (2010: 20.0%)	–34.5	55.4
Effects of changes in tax rate	2.6	0.0
Valuation adjustment on deferred tax assets	0.0	1.2
Participation reduction and non-taxable income	4.3	0.9
Use/capitalisation of uncapitalised tax losses	–3.4	–0.9
Non-tax-deductible expenses	1.3	0.8
Uncapitalised or partially capitalised tax losses	0.9	3.4
Taxes in respect of previous years	–2.5	–7.3
Participation write-down	–63.2	0.0
Other items	–0.7	–0.5
Total income taxes	**–95.2**	**53.0**
Effective tax rate	56.9%	19.4%

Changes in deferred tax assets/liabilities CHF millions	2011	2010
Net deferred tax liabilities at 01.01.	**530.0**	**525.6**
Changes in the scope of consolidation	85.3	0.3
Formation/release in the income statement	–127.7	7.8
Value adjustment to financial instruments in the statement of comprehensive income	–13.0	–1.9
Change in the value of cash flow hedges in the statement of comprehensive income	–1.7	1.1
Currency translations	–1.5	–2.9
Reclassification to assets held for sale	14.1	0.0
Net deferred tax liabilities at 31.12.	**485.5**	**530.0**

Deferred tax assets/liabilities by origin of temporary differences CHF millions	**31.12.2011**	31.12.2010
Non-current assets	370.0	261.8
Current assets	40.8	24.4
Provisions and other long-term liabilities	80.3	238.9
Short-term liabilities	–4.8	9.5
Capitalised loss carry-forwards	–0.8	–4.6
Net deferred tax liabilities	**485.5**	**530.0**
of which taxes disclosed in the balance sheet as:		
› Deferred tax liabilities	494.1	551.6
› Deferred tax assets	–8.6	–21.6

CHF 7.4 million of deferred tax assets is attributable to temporary differences in non-current assets (2010: CHF 14.4 million), and CHF 0.4 million to temporary differences in liabilities (2010: CHF 2.6 million). The change in temporary differences resulted in a deferred tax expense of CHF 130.7 million (2010: CHF 6.5 million) recorded in the income statement.

The anticipated tax rate is determined annually as a weighted average (based on the pre-tax earnings of individual Group companies and the applicable local tax rate). In 2011 there was no significant year-on-year change in the anticipated tax rate.

At 31 December 2011 there were uncapitalised loss carry-forwards of CHF 10.0 million (2010: CHF 14.0 million). These were not capitalised since their charging against future taxable earnings is not regarded as probable within the permissible tax period. CHF 0.1 million of these loss carry-forwards falls due in 2012, CHF 0.3 million in 2013, CHF 4.1 million in 2014, CHF 0.9 million in 2015, CHF 1.1 million in 2016, CHF 0.8 million in 2017 and CHF 0.8 million in 2018. CHF 1.9 million remains valid indefinitely. The average applicable tax rate on tax loss carry-forwards will be 22.3%.

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

13 Earnings per share

	2011	2010
Number of shares issued (at a par value of CHF 2.50)	52,434,811	52,800,000
Less treasury shares (weighted average)	–5,183,158	–2,812,733
Number of shares in circulation (weighted average)	**47,251,653**	**49,987,267**
Net loss/profit attributable to BKW shareholders, in CHF millions	–68.2	226.8
Loss/profit per share in CHF	–1.44	4.54
Dividend per share in CHF	1.00	2.50

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

The dividend of CHF 1.00 per share for fiscal 2011 corresponds to the proposal by the Board of Directors to the Annual General Meeting and must be approved by shareholders at this meeting. At the time of preparing the annual financial statements, 365,189 registered shares in BKW FMB Energy Ltd. had not yet been exchanged for shares in BKW Inc. Since the exchange should be completed by the date of the BKW Inc. Annual General Meeting, the proposal for the appropriation of retained earnings is based on 52,800,000 issued registered shares and amounts to CHF 52.8 million.

14 Foreign currency exchange rates

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

	Closing date **31.12.2011**	Closing date 31.12.2010	Average **2011**	Average 2010
CHF/EUR	1.2174	1.2472	1.2335	1.3854

15 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 31.12.2009	1,500.8	2,413.0	223.9	568.0	309.5	290.5	5,305.7
Changes in the scope of consolidation	16.5		5.4			76.7	98.6
Additions	15.0	3.2	4.6	43.8	5.3	247.3	319.2
Disposals	–29.0	–13.1	–0.6		–25.8		–68.5
Reclassifications	165.5	127.3	15.8		24.4	–333.0	0.0
Reclassification to assets held for sale					–1.2		–1.2
Currency translations	–27.0	–0.2	–0.2		–0.8	–6.1	–34.3
Gross values at 31.12.2010	**1,641.8**	**2,530.2**	**248.9**	**611.8**	**311.4**	**275.4**	**5,619.5**
Changes in the scope of consolidation	439.0	3.1	0.2		2.7		445.0
Additions	108.2	5.5	0.3	134.4	5.4	230.8	484.6
Disposals	–90.6	–8.1	–1.1		–11.4		–111.2
Reclassifications	62.0	76.7	2.8		22.5	–164.0	0.0
Reclassification to assets held for sale		–297.7				–102.6	–400.3
Currency translations	–8.9	–0.1			–0.1	–0.2	–9.3
Gross values at 31.12.2011	**2,151.5**	**2,309.6**	**251.1**	**746.2**	**330.5**	**239.4**	**6,028.3**
Accumulated depreciation and impairments at 31.12.2009	1,181.4	1,316.7	92.3	494.6	188.5	7.1	3,280.6
Depreciation	19.9	62.2	5.3	18.1	26.6		132.1
Impairment		0.9				1.7	2.6
Disposals	–22.7	–12.7	–0.5		–25.6		–61.5
Reclassification to assets held for sale					–0.6		–0.6
Currency translations	–3.7				–0.4	–1.4	–5.5
Accumulated depreciation and impairments at 31.12.2010	**1,174.9**	**1,367.1**	**97.1**	**512.7**	**188.5**	**7.4**	**3,347.7**
Depreciation	39.7	62.8	5.9	17.3	27.2		152.9
Impairment						0.7	0.7
Disposals	–86.5	–7.1	–0.4		–11.0		–105.0
Reclassification to assets held for sale		–200.4					–200.4
Currency translations	–0.5					–0.1	–0.6
Accumulated depreciation and impairments at 31.12.2011	**1,127.6**	**1,222.4**	**102.6**	**530.0**	**204.7**	**8.0**	**3,195.3**
Net values at 31.12.2010	**466.9**	**1,163.1**	**151.8**	**99.1**	**122.9**	**268.0**	**2,271.8**
Net values at 31.12.2011	**1,023.9**	**1,087.2**	**148.5**	**216.2**	**125.8**	**231.4**	**2,833.0**

The fire insurance values at 31 December 2011 amounted to CHF 4,476.6 million (2010: CHF 3,947.3 million). Borrowing costs for investments of CHF 0.2 million (2010: CHF 1.1 million) were capitalised using an average interest rate of 3.0%. In the year under review, compensation of CHF 0.6 million (2010: CHF 0.5 million) for property, plant and equipment which was impaired, lost or decommissioned was charged to the income statement.

Increases of CHF 227.8 million do not affect cash. This mainly relates to increases for the decommissioning and disposal of Mühleberg nuclear power plant. In 2011 the revised estimates for decommissioning and disposal costs resulted in increase in the provision of CHF 223.9 million. Under IFRIC 1, this change was also capitalised. The resultant non-cash increases amounted to CHF 123.9 million for nuclear fuels and CHF 100.0 million for power plant facilities. In addition to increases arising from the revised cost estimate, further non-cash increases of CHF 4.7 million (2010: CHF 4.7 million) were recorded for nuclear fuels. These relate to the addition for additional annual disposal costs incurred by the power plant.

Power plant facilities include assets at a net carrying amount of CHF 264.4 million (2010: CHF 0.0 million) which are held as finance leases.

16 Investments in equity-valued companies

CHF millions	Joint ventures	Associates	**Total**
At 31.12.2010	**384.3**	**743.6**	**1,127.9**
Additions	0.3	76.9	77.2
Changes in the consolidation method	0.0	–100.6	–100.6
Disposals	0.0	–0.8	–0.8
Dividends	–11.6	–15.4	–27.0
Pro rata income	7.3	–0.6	6.7
Impairment	0.0	–33.4	–33.4
Currency translations	–0.1	–14.5	–14.6
At 31.12.2011	**380.2**	**655.2**	**1,035.4**

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. The change in the consolidation method concerns Fortore Wind S.r.l. The transaction is described in Note 5 Business combinations.

Due to indications of impairment, individual investments in equity-valued companies were tested for impairment. The carrying amount of the investment in E.ON Produzione Centrale Livorno Ferraris S.p.A. was found to exceed the recoverable amount. The recoverable amount of the holding corresponds to its value in use. The calculations were made based on the company's estimated cash flows of the companies, discounted at a WACC (post-tax) of 7.13%. The value of the investment was therefore reduced by CHF 33.4 million. The impairment was charged to income from equity-valued companies and concerned the Energy International and Trading segment.

Financial values of joint ventures CHF millions	Gross values **31.12.2011**	Gross values 31.12.2010	Share **31.12.2011**	Share 31.12.2010
Non-current assets	9,261.0	8,928.1	1,610.9	1,575.5
Current assets	725.9	747.9	148.2	129.8
Long-term liabilities	7,373.9	6,629.4	1,234.2	1,082.3
Short-term liabilities	718.1	1,079.7	144.7	238.7
Shareholders' equity	1,894.9	1,966.9	380.2	384.3
Income	1,757.7	1,777.6	363.3	369.7
Expenses	1,755.1	1,709.9	356.0	355.8
Profit	2.6	67.7	7.3	13.9

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

Financial values of associates CHF millions	Gross values **31.12.2011**	Gross values 31.12.2010	Share **31.12.2011**	Share 31.12.2010
Non-current assets	2,163.8	2,724.4	684.7	860.3
Current assets	841.1	866.5	175.2	189.8
Long-term liabilities	214.4	532.1	65.9	167.3
Short-term liabilities	743.6	698.9	138.8	139.2
Shareholders' equity	2,046.9	2,359.9	655.2	743.6
Income	1,344.3	1,520.2	235.2	294.2
Expenses	1,475.3	1,561.7	269.2	308.3
Loss	– 131.0	– 41.5	– 34.0	– 14.1

17 Financial assets

CHF millions	Available-for-sale financial assets	Securities held for trading	Loans	Term deposits	Receivables from state funds	Pension surplus	**Total**
At 31.12.2009	285.1	264.1	78.9	587.9	579.3	98.7	1,894.0
Changes in the scope of consolidation			–0.1				–0.1
Additions	18.7	45.8	42.5	455.9	0.8		563.7
Disposals		–144.8	–23.5	–650.0		–0.3	–818.6
Currency translations	–1.0		–6.9	–0.1			–8.0
Value adjustment in the income statement		–0.5			23.1	6.7	29.3
Value adjustment in the statement of comprehensive income	–4.6						–4.6
At 31.12.2010	**298.2**	**164.6**	**90.9**	**393.7**	**603.2**	**105.1**	**1,655.7**
Additions	0.1	31.9	10.2	55.4	0.8		98.4
Disposals	–0.1	–68.8	–24.9	–385.0			–478.8
Currency translations	–0.4		–1.1				–1.5
Value adjustment in the income statement		5.0			–1.1	–1.4	2.5
Value adjustment in the statement of comprehensive income	–58.4						–58.4
Impairment	–0.4		–6.5				–6.9
At 31.12.2011	**239.0**	**132.7**	**68.6**	**64.1**	**602.9**	**103.7**	**1,211.0**
of which:							
› Current financial assets		132.7		63.6			196.3
› Non-current financial assets	239.0		68.6	0.5	602.9	103.7	1,014.7
of which:							
› Financial assets according to IFRS 7	239.0	132.7	68.6	64.1			504.4
› Other assets					602.9	103.7	706.6

The weighted average residual term to maturity of short-term investments is 5.6 months (2010: 5.1 months), and the weighted average interest rate is 0.4% (2010: 0.4%).

Financial assets held 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 these managed assets.

The impairment of CHF 6.5 million under loans concerns the Energy Switzerland business segment and is disclosed under financial expenses.

18 Intangible assets

CHF millions	Rights of use	Goodwill	Certificates	Other	**Total**
Gross values at 31.12.2009	126.4	178.9	23.2	15.5	344.0
Changes in the scope of consolidation	−8.7				−8.7
Additions from acquisitions	1.7		45.8	6.0	53.5
Additions from internally generated intangible assets				1.2	1.2
Disposals			−25.1		−25.1
Reclassification to assets held for sale	−0.1			−0.9	−1.0
Currency translations	−3.8	−1.4	−0.8	−0.3	−6.3
Gross values at 31.12.2010	**115.5**	**177.5**	**43.1**	**21.5**	**357.6**
Changes in the scope of consolidation	90.2				90.2
Additions from acquisitions	6.4	0.4	25.1	5.6	37.5
Additions from internally generated intangible assets				1.4	1.4
Disposals	−9.5		−12.8	−0.3	−22.6
Reclassification to assets held for sale	−34.5				−34.5
Currency translations	−1.6	−0.1	−0.5		−2.2
Gross values at 31.12.2011	**166.5**	**177.8**	**54.9**	**28.2**	**427.4**
Accumulated amortisation and impairments at 31.12.2009	67.7	92.4	2.9	5.2	168.2
Changes in the scope of consolidation	−5.6				−5.6
Depreciation	2.0			4.2	6.2
Disposals			−0.7		−0.7
Reclassification to assets held for sale				−0.3	−0.3
Currency translations	−3.8			−0.2	−4.0
Accumulated amortisation and impairments at 31.12.2010	**60.3**	**92.4**	**2.2**	**8.9**	**163.8**
Depreciation	6.0			7.6	13.6
Impairment	4.6		18.6		23.2
Disposals	−6.9		−0.4	−0.3	−7.6
Reclassification to assets held for sale	−10.6				−10.6
Currency translations	−0.4				−0.4
Accumulated amortisation and impairments at 31.12.2011	**53.0**	**92.4**	**20.4**	**16.2**	**182.0**
Net values at 31.12.2010	**55.2**	**85.1**	**40.9**	**12.6**	**193.8**
Net values at 31.12.2011	**113.5**	**85.4**	**34.5**	**12.0**	**245.4**

Due to the revised assessment of future market developments, an energy procurement right related to Wilhelmshaven power plant, which is accounted for under rights of use, was fully impaired. Certificates were also written down to their fair value, determined on the basis of the market price. The impairments were charged to income under "Depreciation, amortisation and impairment" and concerned the Energy International and Trading business segment.

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

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

CHF millions	**31.12.2011**	31.12.2010
Energy Switzerland	77.6	77.6
Energy International and Trading	7.7	7.4
Other	0.1	0.1
Total	**85.4**	**85.1**

The change in the goodwill of the Energy International and Trading cash-generating unit is attributable to fluctuations in the euro exchange rate and the increase from the acquisition of the wind farms in Italy.

In the year under review, goodwill disclosed on the balance sheet was tested for impairment by comparing the carrying amount of the cash-generating units with their recoverable amount (corresponding to the value in use). The calculations were made on the basis of estimated cash flows from business projections approved by management over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill disclosed on 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	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Energy Switzerland	7.3	7.4	5.7	5.9	1.0	1.0
Energy International and Trading	8.0	8.6	6.4	6.7	1.0	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.

19 Inventories

CHF millions	**31.12.2011**	31.12.2010
Goods and materials	16.0	16.3
Valuation adjustment on goods and materials	–3.2	–2.9
Certificates	27.1	7.2
Total	**39.9**	**20.6**

20 Accounts receivable

CHF millions	**31.12.2011**	31.12.2010
Trade accounts receivable	471.5	394.0
Other financial receivables	61.9	48.1
Other receivables	43.8	42.3
Prepayments	11.2	64.2
Work in progress	19.1	11.3
Total	**607.5**	**559.9**

Work in progress includes advance payments of CHF 18.2 million (2010: CHF 16.9 million) as well as pro rata profits of CHF 1.1 million (2010: CHF 1.4 million)

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

CHF millions	**31.12.2011**	31.12.2010
Trade accounts receivable	471.5	394.0
of which		
› not past due	390.5	301.9
› 1–30 days past due	8.6	17.6
› 31–90 days past due	66.5	62.5
› 91–180 days past due	3.5	4.4
› 181–360 days past due	1.1	6.8
› Over 360 days past due	1.3	0.8

On the balance sheet date there were no indications that parties owing trade accounts receivable as well as other financial assets 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 31.12.2009	6.5	1.6
Net charge for the year	0.9	1.9
Derecognition of uncollectable receivables	–0.1	
Currency translations	–0.3	
Provisions for impairment at 31.12.2010	**7.0**	**3.5**
Net release	–0.9	
Derecognition of uncollectable receivables	–0.1	
Provisions for impairment at 31.12.2011	**6.0**	**3.5**

With the exception of long-term loans and available-for-sale financial assets (see Note 17), there are no provisions for impairment for other financial assets. The other balance sheet items contain no material overdue but unimpaired financial assets.

21 Accrued/deferred income and prepaid/accrued expenses

CHF millions	**31.12.2011**	31.12.2010
Financial accruals	164.3	155.2
Other accruals	12.1	14.0
Total prepaid expenses and accrued income	**176.4**	**169.2**
Financial accruals	109.4	96.2
Other accruals	38.2	30.6
Total deferred income and accrued expenses	**147.6**	**126.8**

22 Share capital and reserves

Significant shareholders and their direct holdings	Holding in BKW Inc. at **31.12.2011**	Holding in BKW FMB Energy Ltd. at 31.12.2010
Canton of Berne	52.91%	52.54%
Groupe E Ltd.	10.07%	10.00%
E.ON Energie AG	7.07%	7.03%
Treasury stock	9.83%	9.99%

Treasury share transactions	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2009	743,757	84.3	
Purchases	4,732,188	308.0	308.0
Sales/allotments	– 199,253	– 19.9	– 9.1
31.12.2010	**5,276,692**	**372.4**	
Purchases	241	0.0	0.0
Sales/allotments	– 124,328	– 8.7	– 4.6
31.12.2011	**5,152,605**	**363.7**	

Share capital

The fully paid up and issued share capital consists of 52,434,811 registered shares at a par value of CHF 2.50 each.

Capital reserves

Capital reserves include reserves paid in by shareholders.

Retained earnings

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

Currency translations

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

Revaluation reserve

The revaluation reserve includes fair value adjustments for assets held for sale until their realisation or their classification as an impairment.

Hedging reserves

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

Treasury shares

BKW shares held by BKW or its Group companies are deducted from equity at acquisition cost. On 31 December 2011, 5,152,605 BKW shares (2010: 5,276,692) were held by Group companies and 3,000 (2010: 3,000) by equity-valued companies.

Capital management

BKW pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW capital management is to ensure the Group's long-term capital market standing and financing capability by maintaining a balance sheet structure that is compatible with the defined target rating, and to keep the potential impact of fluctuations in the value of the entire financial and risk portfolio within narrow boundaries. BKW is committed to a consistent dividend payout based on a ratio of 40 – 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 2011. The payout ratio for 2011 was determined based on the annual result, adjusted for the special charges related to fossil-fuelled thermal power plants.

On the balance sheet date the equity ratio was 37.5%, corresponding to reduction of 6.7% versus the previous year. This reduction is primarily attributable to the sharp rise in the balance sheet total and the reduction in equity. The latter fell as a result of the net loss recorded for 2011 and due to the loss recorded in the statement of comprehensive income due to the revaluation of financial instruments held for sale and to currency translation losses.

23 Provisions

CHF millions	Nuclear waste disposal	Onerous contracts, energy procurement	Onerous contracts, energy sales	Restructuring	Other provisions	**Total**
At 31.12.2009	1,109.8	28.9	1.0	4.3	44.9	1,188.9
Changes in the scope of consolidation					2.0	2.0
Provisions made	4.7		1.3	1.8	26.2	34.0
Interest	55.5	0.9				56.4
Provisions used	–24.5	–0.9		–0.5	–16.0	–41.9
Provisions released		–28.9		–2.3	–2.7	–33.9
Reclassification to liabilities held for sale					–0.1	–0.1
Currency translations					–2.3	–2.3
At 31.12.2010	**1,145.5**	**0.0**	**2.3**	**3.3**	**52.0**	**1,203.1**
Changes in the scope of consolidation					1.9	1.9
Provisions made	228.6	279.8		4.3	7.3	520.0
Interest	57.6					57.6
Provisions used	–21.0		–0.1	–0.4	–9.9	–31.4
Provisions released			–0.3	–1.2	–20.2	–21.7
Currency translations		–0.8			–0.2	–1.0
At 31.12.2011	**1,410.7**	**279.0**	**1.9**	**6.0**	**30.9**	**1,728.5**
of which:						
› Short-term provisions	26.3		1.3	0.6	7.8	36.0
› Long-term provisions	1,384.4	279.0	0.6	5.4	23.1	1,692.5

On 31 December 2011 the provision of CHF 1,410.7 million for nuclear waste disposal comprised the following:

- CHF 656.1 million is recognised for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown, as well as the costs of dismantling the plant and rehabilitation of the surrounding area. Payments are anticipated from the end of commercial operation (provisionally the end of 2022) until completion of the decommissioning work (after approximately 15 years). The costs for the disposal of decommissioning waste are due on an ongoing basis until the storage depot for low- to medium-level radioactive nuclear waste is sealed off (scheduled for 2101).
- An additional CHF 675.5 million is recognised for disposal, outside the plant compound, of spent fuel rods and radioactive waste. These payments are due on an ongoing basis until the storage depot for high-level radioactive nuclear waste is sealed off. This is currently scheduled for 2116.
- CHF 79.1 million is recognised for plant-specific costs. These cover the costs of waste disposal within the power plant and are payable on an ongoing basis until a few years after commercial operations cease.

In the year under review the decommissioning and disposal costs were updated. As a result of the new cost study, a non-cash provision of CHF 223.9 million was recognised in accordance with IFRIC 1 and the acquisition costs for Mühleberg power plant (power plant and fuel rods) were increased by the same amount (see Note 15). The addition of CHF 4.7 million concerns the annual disposal costs incurred by the power plant, which also results in a non-cash increase in the acquisition cost for nuclear fuels.

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 plant shutdown. The state fund receivables are disclosed under non-current financial assets (see Note 17).

The provision for onerous energy procurement contracts covers the future purchase of energy from partner plants at production costs which exceed the expected realisable selling prices. In 2010 the provision of CHF 28.9 million in respect of Swiss partner plants was reversed. The environment and boundary conditions of the energy market have changed dramatically and sustainably. BKW holds non-controlling interests in two gas-fired power plants in Italy – Livorno Ferraris and Tamarete – and in a coal-fired power plant in Wilhelmshaven, Germany. BKW has lowered its expectations of future earnings from fossil-fuelled thermal power plants. In addition, realisation of the Wilhelmshaven power plant has entailed higher than expected construction costs. BKW has therefore recognised provisions of CHF 279.8 million for these energy procurement contracts. The cash outflow from provisions results from BKW being obliged to offtake 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.

The provision for onerous energy sales contracts covers future below-market cash inflows from energy sales contracts. The contracts have a term of up to two years.

The provision for restructuring covers future expenses for defined or legally required restructuring measures. The provision of CHF 4.3 million relates to the cost reduction and personnel-related measures adopted in 2011. The payments are 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, rehabilitation commitments and various minor operating obligations. Of the CHF 15.5 million provision recognised for ancillary services, CHF 5.2 million was used and CHF 10.3 million was reversed. The expected cash outflow from other provisions is CHF 3.7 million over the next 25 years, CHF 6.2 over the next ten years, and CHF 21.0 million over the following three years.

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

24 Financial liabilities

CHF millions	31.12.2011	31.12.2010
3% debenture bond 2007 – 2022 (nom. CHF 200 mill.)	196.2	195.9
3.375% debenture bond 2009 – 2019 (nom. CHF 350 mill.)	355.2	346.8
1.875% debenture bond 2010 – 2018 (nom. CHF 150 mill.)	147.9	147.7
2.5% debenture bond 2010 – 2030 (nom. CHF 300 mill.)	290.9	290.4
Pension plans	30.0	30.0
Finance leasing liabilities	121.8	0.0
Bank liabilities	76.3	34.5
Other financial liabilities	38.6	10.7
Total	**1,256.9**	**1,056.0**
of which:		
› Short-term financial liabilities	43.5	1.6
› Long-term financial liabilities	1,213.4	1,054.4

On the balance sheet date, the weighted average interest rate for financial liabilities, based on the nominal value, was 2.8% (2010: 2.8%).

The effective interest rate of 3.0% (2010: 3.4%) led to interest expenses of CHF 27.4 million in the year under review (2010: CHF 21.0 million).

25 Other long-term liabilities

CHF millions	31.12.2011	31.12.2010
Assigned rights of use	185.1	191.4
Other long-term financial liabilities	7.2	7.5
Other long-term liabilities	0.7	0.7
Total	**193.0**	**199.6**

26 Other short-term liabilities

CHF millions	31.12.2011	31.12.2010
Trade accounts payable	311.5	283.2
Other financial liabilities	25.4	35.7
Other liabilities	60.3	92.4
Pension plans	0.8	1.5
Customer prepayments	7.4	5.9
Total	**405.4**	**418.7**

Customer prepayments concern work in progress and include order costs of CHF 21.4 million (2010: CHF 23.4 million) on the balance sheet date, as well as pro rata net income of CHF 2.2 million (2010: CHF 1.0 million).

27 Pension plan

Pension plan expenses CHF millions	2011	2010
Current service cost (employer)	35.4	31.5
Interest expenses	38.8	40.2
Expected return on plan assets	–52.3	–51.0
Actuarial gains/losses according to § 58A	4.0	0.0
Pension plan expenses	**25.9**	**20.7**

Plan assets CHF millions	2011	2010
Fair value of plan assets at 01.01.	**1,315.9**	**1,280.7**
Expected return on plan assets	52.3	51.0
Employer contributions	24.5	27.4
Employee contributions	14.7	13.6
Contributions paid/benefits paid out	–56.8	–49.4
Actuarial gains/losses	–70.0	–7.4
Fair value of plan assets at 31.12.	**1,280.6**	**1,315.9**

CHF millions	**31.12.2011**	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Fair value of plan assets	1,280.6	1,315.9	1,280.7	1,158.7	1,328.1
Present value of pension plan obligations	–1,502.8	–1,390.2	–1,278.9	–1,214.7	–1,191.4
Surplus/shortfall	**–222.2**	**–74.3**	**1.8**	**–56.0**	**136.7**
Experience adjustment to pension obligation	–0.2	8.9	43.2	4.0	38.6
Experience adjustment to plan assets	–70.0	–7.4	85.9	–246.3	–24.0

Amount recorded in the balance sheet at year-end CHF millions	**31.12.2011**	31.12.2010
Fair value of plan assets	1,280.6	1,315.9
Present value of funded pension plan obligation	–1,502.8	–1,390.2
Surplus/shortfall	–222.2	–74.3
Unrecorded actuarial gains/losses	325.9	179.4
Amount recorded in the balance sheet at 31.12.	**103.7**	**105.1**

Present value of pension plan obligation CHF millions	**2011**	2010
Present value of pension plan obligation at 01.01.	**1,390.2**	**1,278.9**
Interest expenses	38.8	40.2
Current service cost (employer)	35.4	31.5
Contributions paid/benefits paid out	–56.8	–49.4
Employee contributions	14.7	13.6
Actuarial gains/losses	80.5	75.4
Present value of pension plan obligation at 31.12.	**1,502.8**	**1,390.2**

Effective return on plan assets CHF millions	**2011**	2010
Expected return on plan assets	52.3	51.0
Actuarial gains/losses	–70.0	–7.4
Effective return on plan assets	**–17.7**	**43.6**

Breakdown of fair value of plan assets CHF millions	**31.12.2011**	31.12.2010
BKW investment instruments	1.7	3.2
Third-party investment instruments	472.0	506.9
BKW debt instruments	27.4	28.0
Third-party debt instruments	499.4	492.7
Real estate used by BKW	8.6	9.0
Other real estate	245.3	250.4
Other	26.2	25.7
Total	**1,280.6**	**1,315.9**

Actuarial assumptions	**2011**	2010
Discount rate	2.40%	2.80%
Expected rate of return on plan assets	4.00%	4.00%
Expected rate of future salary increases	1.50%	2.00%
Expected rate of future pension increases	0.30%	0.50%

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

Estimated contributions for the next period CHF millions	**2011**	2010
Expected employer contributions	22.9	21.9
Expected employee contributions	14.2	13.6

28 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 exchange rate hedging (forward currency contracts). Derivatives that qualify as hedging instruments under IAS 39 and are treated according to hedge accounting 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 instrument.

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

	Positive replacement value		Negative replacement value		Contract volume	
CHF millions	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Futures (energy trading)	0.0	0.0	0.0	0.0	131.1	56.8
Forward contracts (energy trading)	97.3	62.8	127.3	59.8	1,969.1	1,786.8
Exchange rate hedging	0.0	0.1	0.0	0.0	0.0	5.8
Hedge accounting						
Swaps	10.5	2.7	1.5	0.0	131.9	110.0
Exchange rate hedging	0.4	4.6	3.9	0.4	58.0	121.8
Total	**108.2**	**70.2**	**132.7**	**60.2**	**2,290.1**	**2,081.2**
of which:						
› Current derivatives	75.6	54.5	99.4	50.3		
› Non-current derivatives	32.6	15.7	33.3	9.9		

Hedge accounting

The following hedging transactions were open at 31. December 2011:

Swaps

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 7.9 million (2010: 2.4 million). The ineffective portion of the hedging instrument is recognised in the income statement (under financial income) as a gain of CHF 0.1 million (2010: CHF 0.3 million).

Due to the acquisition of the wind farms in Bippen and Holleben, interest rate swaps also existed on the balance sheet date for the purpose of hedging fluctuations in interest rate payments related to borrowings for power plants over the next six years. The hedging instrument qualifies as a cash flow hedge and is assessed as highly effective. The gain measured for this cash flow is recorded in the comprehensive statement of income without affecting income. In the year under review, no measurement gain existed on 31 December 2011 as a result of the business combination.

Forward contracts (currencies)

Various forward contracts existed on the balance sheet 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. The gain or loss measured for these cash flow hedges is recorded in the comprehensive statement of income. The cash flow hedges are charged to the income statement in the 2012 financial year. In the year under review there was no ineffective portion of hedging relationships (in 2010 the ineffective portion of hedging relationships resulted in a gain of CHF 0.2 million recognised in financial income). A gain of CHF 5.4 million was recognised under “Electricity trading” for the purpose of hedging revenues in euros during the current year.

29 Related parties

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

	Parent		Companies exerting significant influence over the Group		Associates		Joint ventures		Pension funds	
CHF millions	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Income										
› Energy sales	4.5	6.4	125.1	66.8	102.7	107.4	28.2	31.6		
› Other sales and services	7.2	4.8	0.6	1.1	54.5	50.7	25.2	25.3	1.2	1.3
› Interest and dividends	3.3	1.5	2.0	1.5	17.0	5.1	11.9	13.4		
Expenses										
› Energy purchases			132.7	115.9	15.6	23.1	286.2	296.8		
› Other purchases and services	2.6	6.1	9.3	9.2	104.0	88.4	28.4	16.4	25.0	28.6
› Taxes and charges	18.3	15.5								
› Interest and dividends	69.7	69.7	22.5	33.0					1.0	1.0
› Income taxes	–1.7	18.3								
Assets										
› Loans					54.2	48.8		20.3		
› Rights of use										
› Current financial assets	5.1	8.0								
› Receivables and accruals	42.0	21.0	7.4	8.5	41.1	30.2	32.0	39.4		
› Cash and cash equivalents	90.9	56.4								
Liabilities										
› Loans			0.9	0.9					30.0	30.0
› Rights of use			0.1			1.8				
› Liabilities and accruals	4.3	8.6	0.2	17.2	38.5	23.3	15.2	36.8	0.7	1.4

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 is on many levels: BKW delivers energy and other services, purchases material and services, and pays taxes, water rates and other levies and charges. Furthermore, it conducts financial transactions with the Cantonal Bank of Berne (BEKB).

Transactions with companies exerting significant influence over the Group

Groupe E Ltd. is represented on the BKW Board of Directors and is therefore able to influence decisions on BKW's financial and business policies. BKW delivers energy to and buys energy from Groupe E. BKW also buys material and services from Groupe E, as well as delivering services to Groupe E. All these transactions are performed at market conditions. In turn, BKW holds a 10.0% share in Groupe E Ltd.

In 2010, following a reassessment of its strategy, E.ON Energie AG decided to dispose of its entire 20.99% holding in BKW FMB Energy Ltd. In July 2010 BKW acquired 8.95% of these shares and Groupe E Ltd. 5.01%. At the same time BKW was granted the right to acquire the remaining stake of 7.03% under an option agreement with a term until September 2011. This option lapsed in 2011 without being exercised. Under certain conditions, however, BKW retains a right of pre-emption for this share package, at no fixed price and for an indefinite period of time. Hartmut Geldmacher, E.ON Energie AG representative on the BKW Board, has not been employed by E.ON Energie AG or a company controlled by E.ON Energie AG since the end of September 2011; hence BKW no longer treats the E.ON Group as a related party as of this date.

Transactions with Group companies

No transactions were conducted which were not eliminated within the scope of consolidation.

Transactions with Associates

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), maintenance/servicing (income), energy purchases, energy transports, material/third-party services and other services (expense). In 2011 associates borrowed CHF 9.4 million in loans from BKW (2010: CHF 25.4 million), loan repayments of CHF 2.5 million (2010: CHF 2.4 million) were made, and loans amounting to CHF 0.4 million were impaired (2010: none). In 2011 BKW acquired property, plant and equipment from associates at a purchase price of CHF 0.5 million (2010: none).

Transactions with joint ventures

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), operational management and maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). Energy produced by partner plants is billed to shareholders at actual cost on the basis of existing agreements. In 2011 joint ventures paid back CHF 20.3 million in loans to BKW (2010: loans of CHF 1.3 million repaid and loans of CHF 10.6 million taken out). In 2011 BKW acquired property, plant and equipment from joint ventures at a purchase price of CHF 0.5 million (2010: CHF 13.3 million) and sold intangible assets valued at CHF 2.5 million to joint ventures (2010: none).

Transactions with pension funds

Transactions with the 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). In the year under review, BKW acquired real estate worth CHF 2.5 million from the Pensionskasse BKW (2010: none).

Transactions with the Board of Directors and Group Executive Board

Remuneration CHF millions	**2011**	2010
Short-term benefits	3.4	3.5
Contributions to pension plans	0.6	0.7
Share-based payments	0.1	0.1
Total	**4.1**	**4.3**

On the balance sheet date there were loans amounting to CHF 0.03 million (2010: CHF 0.1 million) to members of the Group Executive Board.

Details of remuneration to the Board of Directors and Group Executive Board as well as their shareholdings pursuant to Art. 663b^{bis} and Art. 663c para. 3 of the Swiss Code of Obligations are provided in the financial statements of BKW Inc. on pages 77 to 80.

30 Leasing

30.1 Operating leases

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

CHF millions	Lessor 31.12.2011	Lessor 31.12.2010	Lessee 31.12.2011	Lessee 31.12.2010
Up to 1 year	8.0	0.0	4.3	3.8
2 to 5 years	31.8	0.0	12.3	10.6
More than 5 years	15.9	0.0	11.8	2.1
Total	**55.7**	**0.0**	**28.4**	**16.5**

Leasing arrangements concern rental contracts for operating premises, tenancies and vehicle leasing arrangements.

In 2011 the leasing expense from operating leases amounted to CHF 4.3 million (2010: CHF 3.7 million)

30.2 Finance leases

CHF millions	Minimum lease payments 31.12.2011	Minimum lease payments 31.12.2010	Present value 31.12.2011	Present value 31.12.2010
Up to 1 year	19.0	0.0	11.9	0.0
2 to 5 years	71.2	0.0	49.6	0.0
More than 5 years	75.2	0.0	60.3	0.0
Total	**165.4**	**0.0**	**121.8**	**0.0**
Financing costs	–43.6	0.0		
Present value of minimum lease payments	121.8	0.0		

Finance leases are related to wind farms which are funded via long-term leasing contracts. Leasing liabilities of CHF 121.8 million were accounted for on the balance sheet, of which CHF 11.9 million was accounted for as short-term liabilities and CHF 109.9 million as long-term liabilities.

31 Additional disclosures on the cash flow statement

Cash and cash equivalents CHF millions	31.12.2011	31.12.2010
Bank and cash balances	464.1	349.2
Term deposits	60.3	83.5
Total	**524.4**	**432.7**

Details of Group companies acquired in the year under review are provided in Note 5.

The acquisition of Group companies amounting to CHF 180.4 million corresponds to the purchase price of CHF 179.6 million minus a deferred purchase price payment of CHF 5.2 million. On the acquisition date these companies had net assets of CHF 269.4 million as well as cash and cash equivalents of CHF 4.6 million. In addition, acquisitions include a deferred purchase price payment of CHF 10.6 million which was paid in the year under review and concerned the acquisition of Dubener Platte wind farm in 2010. Increases of CHF 227.8 million do not affect cash (see Note 15).

32 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 243,535 shares in BKW (2010: 258,412 shares) at a preferential price. In 2011 102,213 shares (2010: 102,193 shares) were assigned at a price of CHF 45.00 each (2010: CHF 50.00 each). The underlying present value per share was CHF 77.00 (2010: CHF 79.60). The personnel expense for this share-based payment was CHF 3.5 million (2010: CHF 3.1 million). No purchase rights remained open on the balance sheet date.

33 Disclosure of financial assets and liabilities

33.1 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		2011	2010	2011	2010	2011	2010	2011	2010
Non-current financial assets	17	69.1	90.9			239.0	298.2	308.1	389.1
Trade accounts receivable	20	471.5	394.0					471.5	394.0
Other short-term financial receivables	20	61.9	48.1					61.9	48.1
Derivatives (short- and long-term)	28			108.2	70.2			108.2	70.2
Current financial assets	17	63.6	393.7	132.7	164.6			196.3	558.3
Financial accruals	21	164.3	155.2					164.3	155.2
Cash and cash equivalents	31	524.4	432.7					524.4	432.7
Total		**1,354.8**	**1,514.6**	**240.9**	**234.8**	**239.0**	**298.2**	**1,834.7**	**2,047.6**

The applicable amount stated per category is described in the principles of accounting and valuation.

Due to short residual terms to maturity, the carrying amounts of loans and receivables correspond approximately to their fair values. The carrying amount of term deposits included under current financial assets differs from the fair value. The fair value of term deposits corresponds to the present value of payments related to assets, taking into account the respective current interest rate parameters. At 31 December 2011 the fair value of term deposits was CHF 63.8 million and the carrying amount was CHF 63.6 million (2010: fair value CHF 394.3 million, carrying amount CHF 393.6 million).

Financial liabilities	Note	Liabilities at amortised cost		Fair value through profit or loss		**Total**	
CHF millions		2011	2010	2011	2010	2011	2010
Long-term financial liabilities	24	1,213.4	1,054.4			1,213.4	1,054.4
Other long-term financial liabilities	25	7.2	7.5			7.2	7.5
Trade accounts payable	26	311.5	283.2			311.5	283.2
Other short-term financial liabilities	26	25.4	35.7			25.4	35.7
Derivatives (short- and long-term)	28			132.7	60.2	132.7	60.2
Short-term financial liabilities	24	43.5	1.6			43.5	1.6
Financial accruals	21	109.4	96.2			109.4	96.2
Total		**1,710.4**	**1,478.6**	**132.7**	**60.2**	**1,843.1**	**1,538.8**

Due to short residual terms to maturity, the carrying amount of financial liabilities at amortised cost corresponds approximately to the fair value. At 31 December 2011 a difference existed between these values for the bonds included under long-term financial liabilities at a nominal value of CHF 1,000 million. At the end of 2011 the listed value of the bonds was CHF 1,032.2 million and the carrying amount was CHF 990.2 million (2010: nominal value CHF 1,000 million, listed value CHF 1,024 million, carrying amount CHF 980.8 million).

33.2 Fair value hierarchy

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

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

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

In 2011 the following fair values of Level 3 financial assets and liabilities were determined using the discounted cash flow method and discounted based on a WACC of 5.7%:

CHF millions	Available-for-sale financial assets values, derivatives
At 31.12.2010	**178.8**
Additions	
Value adjustment	
› Transfer to income statement	
› Changes in value included in the statement of comprehensive income	–41.8
At 31.12.2011	**137.0**

33.3 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	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Included in net sales:										
› Income from proprietary energy trading			20.0	−1.0					20.0	−1.0
› Income from energy hedging			−41.2						−41.2	0.0
› Change in provision for impairment of receivables	1.0	−2.4							1.0	−2.4
Included in financial result:										
› Interest income	5.2	6.8	3.1	4.5					8.3	11.3
› Interest expense							−33.4	−21.7	−33.4	−21.7
› Dividends			0.2	0.6	4.8	4.7			5.0	5.3
› Gains from subsequent measurement at fair value			4.1	4.0					4.1	4.0
› Gains from sales			0.7	−0.6					0.7	−0.6
› Impairment of financial assets	6.5				0.4				6.9	0.0
› Other financial income	2.8	−1.8	0.2	−1.1					3.0	−2.9
› Currency translations	−4.6	−28.0	0.2				−0.3	1.0	−4.7	−27.0
Included in the statement of comprehensive income:										
› Gains from subsequent measurement at fair value					−58.4	−4.6			−58.4	−4.6
Total	**10.9**	**−25.4**	**−12.7**	**6.4**	**−53.2**	**0.1**	**−33.7**	**−20.7**	**−88.7**	**−39.6**

No financial instruments were designated at fair value through profit or loss.

34 Financial risk management

34.1 Principles of risk management

Risk management is viewed as a supporting function for senior management. The purpose of risk management 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 is integrated in the financial management process.

The defined risk management principles govern the management of operational, market price, share price, currency conversion, and 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 risk management, 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 Group Executive Board level Risk Committee 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 6 December 2011.

34.2 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 and the investment of funds.

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

The following table indicates the credit risk related to trade accounts receivable, to derivatives with a positive replacement value, and to current accounts and term deposits with credit 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	**31.12.2011**	31.12.2010
Credit rating A	305.1	418.8
Credit rating B	674.0	690.4
Credit rating C	24.4	26.5
Other counterparties	164.2	154.8
Total	**1,167.7**	**1,290.5**
Included under:		
› Trade accounts receivable	471.5	394.0
› Derivatives (short- and long-term)	108.2	70.2
› Current financial assets (term deposits only)	63.6	393.6
› Cash and cash equivalents	524.4	432.7

The maximum credit risk (without secured guarantees) corresponds to the amount of outstanding financial assets on the balance sheet date. At 31 December 2011 the maximum credit risk for BKW was CHF 1,834.7 million compared to CHF 2,047.6 million in 2010 (carrying amount of all financial assets in accordance with Note 33.1). The maximum loss presented is based on the assumption that all counterparties simultaneously become unable to discharge their payment obligations and that existing collateral and netting arrangements cannot be utilised.

On the balance sheet date there were secured guarantees of CHF 26.9 million (2010: CHF 37.0 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 134.8 million (2010: 94.9 million) was held for trade receivables and derivatives recorded on the balance sheet at 31 December 2011.

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

In geographical terms, the credit risks are primarily concentrated on Switzerland. On the balance sheet date, counterparties in Switzerland accounted for 82% of the credit risk (2010: 90%).

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

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

Residual terms to maturity of financial liabilities

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

CHF millions	Note	Carrying amount at **31.12.2011**	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Non-derivative financial liabilities							
Financial liabilities	24	1,256.9			84.7	243.7	1,320.6
Other long-term financial liabilities	25	7.2				7.2	
Trade accounts payable	26	311.5	259.0	48.2	4.3		
Other short-term financial liabilities	26	25.4	25.4				
Financial accruals	21	109.4	44.0	46.2	19.2		
Total non-derivative liabilities		**1,710.4**	**328.4**	**94.4**	**108.2**	**250.9**	**1,320.6**
Derivative financial assets and liabilities							
Energy derivatives/options							
› Positive replacement values	28	97.3	11.0	15.2	56.6	21.9	0.2
› Negative replacement values	28	–127.3	–15.6	–21.8	–65.5	–31.7	–0.1
Net replacement values		**–30.0**	**–4.6**	**–6.6**	**–8.9**	**–9.8**	**0.1**
Currency forwards and swaps							
› Positive replacement values	28	10.9	0.1	0.2	0.5	0.0	10.5
› Negative replacement values	28	–5.4	–0.3	–0.6	–3.4	–1.0	–0.3
Net replacement values		**5.5**	**–0.2**	**–0.4**	**–2.9**	**–1.0**	**10.2**
Gross cash flows related to derivatives							
› Gross outflow			–394.8	–599.1	–2,477.0	–1,408.4	–0.6
› Gross inflow			383.8	587.5	2,414.5	1,421.6	0.0

CHF millions	Note	Carrying amount at **31.12.2010**	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Non-derivative financial liabilities							
Financial liabilities	24	1,056.0			31.5	163.4	1,239.7
Other long-term financial liabilities	25	7.5				1.2	7.5
Trade accounts payable	26	283.2	228.5	51.1	3.6		
Other short-term financial liabilities	26	35.7	18.6	0.4	16.7		
Financial accruals	21	96.2	32.2	40.9	23.1		
Total non-derivative liabilities		**1,478.6**	**279.3**	**92.4**	**74.9**	**164.6**	**1,247.2**
Derivative financial assets and liabilities							
Energy derivatives/options							
› Positive replacement values	28	62.8	9.1	13.3	35.6	12.6	0.4
› Negative replacement values	28	–59.8	–9.4	–13.4	–35.1	–9.9	
Net replacement values		**3.0**	**–0.3**	**–0.1**	**0.5**	**2.7**	**0.4**
Currency forwards and swaps							
› Positive replacement values	28	7.4	0.4	0.8	3.5		2.7
› Negative replacement values	28	–0.4	–0.4				
Net replacement values		**7.0**	**0.0**	**0.8**	**3.5**	**0.0**	**2.7**
Gross cash flows related to derivatives							
› Gross outflow			–187.1	–313.2	–1,165.7	–527.6	–2.9
› Gross inflow			183.2	302.9	1,141.6	572.0	

Amounts in foreign currencies are converted at the exchange rate on the balance sheet date. In the absence of any contractual provision, the maturity date for other financial liabilities and financial accruals is estimated. The table shows interest-bearing liabilities including the corresponding interest rate payments. The gross cash flows resulting from derivative financial instruments do not take netting arrangements into account.

34.4 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. The BKW Group's market risks are aggregated in a Group-level risk portfolio that takes full 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.

34.4.1 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 17). 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.

34.4.2 Interest rate risks

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

34.4.3 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 currency swaps.

34.4.4 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 positions can only be entered into in the current year and with up to three subsequent years, The permissible trading window for CO_2 positions extends to 2020.

34.4.5 Risk measurement

Interest rate, share price and exchange rate risks are regularly measured and reported on the basis of value at risk. BKW uses the variance/co-variance method with a 1-year holding period, a confidence level of 99% and a historical rolling period of 250 days.

Value at risk CHF millions	**31.12.2011**	31.12.2010
Interest	6.2	8.9
Share price, financial instruments held for trading	n/a	10.6
Share price, financial instruments available for sale	60.1	57.9
Currencies	249.1	28.8

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

In the absence of any impairment, fluctuations in the value of assets held for sale have no influence on the annual results but are recorded directly in the statement of 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 2011 the CC-VaR amounted to CHF 0.7 million (2010: CHF 1.2 million).

35 Contingent liabilities and investment obligations

CHF millions	**31.12.2011**	31.12.2010
Guarantees		
› in favour of associates	24.9	25.7
› in favour of third parties	2.0	11.3
Investment obligations	215.5	173.2
Capital payment obligations	0.1	0.8
Total	**242.5**	**211.0**

Contingent liabilities

CHF 0.8 million of the secured guarantees have a term to maturity of up to 12 months. Unlimited guarantees amounting to CHF 18.0 million were granted.

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

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

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

Investment obligations

In January 2008 BKW acquired a 33% non-controlling interest in a coal-fired power plant project in Wilhelmshaven, Northern Germany, from Electrabel Deutschland AG. The total investment required by BKW for its share in the partner plant is EUR 530 million, of which around EUR 364 million had been invested by 31 December 2011.

36 Events after the balance sheet date

In its ruling of 1 March 2012, the Federal Administrative Court (FAC) upheld the 2009 decision by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) to lift the existing time limit on the operating permit for Mühleberg nuclear power plant, the limit having been originally stipulated solely on political grounds. At the same time and on its own authority, the FAC stipulated a new time limit up to 28 June 2013, on the grounds that the safety aspects which have long been identified as part of the ongoing supervision by the Federal Nuclear Safety Inspectorate/ENSI (viz. cracks in the core mantle, burst dam at Mühleberg hydroelectric plant, diversionary emergency cooling system) do not justify an immediate shutdown but require a time limit to be defined for the operating permit up to 28 June 2013 in order to clarify the aforementioned safety aspects. The FAC also decreed that a comprehensive maintenance concept for the long-term operation of the KKM be submitted to DETEC along with any application to renew the operating permit.

The deliberations and decrees of the FAC give rise to questions which must be clarified at supreme court level. BKW therefore intends to lodge an appeal against this ruling with the Federal Court. A provisional extension of the operating permit will be requested for the duration of the proceedings, so as to ensure the continued operation of the KKM beyond 28 June 2013. At the same time BKW, as required by the FAC, will also submit to DETEC a comprehensive maintenance concept along with an application for extension of the operating permit. This maintenance concept was already required by ENSI (the authority responsible for nuclear safety) following the tragic events in Fukushima, and has been under preparation for some time.

If, as a result of the FAC ruling, the KKM cannot be operated until 2022, as described under “Measurement uncertainties” (Note 4.21.3), the balance-sheet values of the nuclear power plant must be written down as of the decommissioning date and the provisions for nuclear waste disposal must be increased accordingly.

KKM property, plant and equipment of around CHF 400 million was recorded on the balance sheet as at 31 December 2011. If the plant were to be decommissioned in 2013, BKW estimates that a provision of CHF 200 million would need to be created, based on the current cost estimate.

These consolidated financial statements were approved by the Board of Directors on 13 March 2012. The consolidated financial statements are subject to the approval of the BKW Annual General Meeting on 11 May 2012.

Holdings

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Closing date
Group companies										
Arnold AG			●		Selzach	0.5	CHF	86.0		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 Energy International and Trade Ltd.				●	Berne	0.1	CHF	100.0	●	31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW enex AG		●			Berne	15	CHF	100.0		31.12.
BKW Erneuerbare Energien GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
BKW FMB Beteiligungen AG				●	Berne	50	CHF	100.0		31.12.
BKW FMB Energy Ltd.	●	●	●	●	Berne	132	CHF	99.3	●	31.12.
BKW France SAS		●			Paris (F)	0.1	EUR	100.0		31.12.
BKW Handel AG		●			Berne	7.5	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 ISP AG			●		Ostermundigen	0.9	CHF	100.0		31.12.
BKW Italia S.p.A.		●			Milan (I)	13.4	EUR	100.0		31.12.
BKW Management Ltd.				●	Berne	0.1	CHF	100.0	●	31.12.
BKW Grid Switzerland Ltd.				●	Berne	0.1	CHF	100.0	●	31.12.
BKW Übertragungsnetz AG			●		Berne	40	CHF	100.0		31.12.
BKW Wallis AG	●				Visp	0.1	CHF	100.0		31.12.
BKW Wind Italia S.r.l.		●			Milan (I)	0.01	EUR	100.0		31.12.
BKW Wind Service GmbH		●			Berlin (D)	0.03	EUR	100.0		31.12.
Bradano Energia S.r.l.		●			Milan (I)	0.01	EUR	100.0		31.12.
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.
Elektro Witschi + Bandi AG			●		Büren an der Aare	0.05	CHF	100.0		31.12.
Energie Utzenstorf AG	●				Utzenstorf	1	CHF	100.0		31.12.
Erdgas Thunersee AG	●				Interlaken	6.9	CHF	66.7		31.12.
EWR Energie AG	●		●		Schattenhalb	2	CHF	100.0		31.12.
Holzwärme Grindelwald AG	●				Grindelwald	2.5	CHF	90.7		31.12.
Idroelettrica Lombarda S.r.l.		●			Milan (I)	25.43	EUR	100.0		31.12.
Idroelettrica Val d'Aosta S.r.l.		●			Milan (I)	0.05	EUR	100.0		31.12.
inelectro sa			●		Porrentruy	0.5	CHF	100.0		31.12.
Juvent SA	●				Saint-Imier	0.1	CHF	65.0		31.12.
Kraftwerk Utzenstorf AG	●				Utzenstorf	0.1	CHF	100.0		31.12.
Kraftwerke Kander Alp AG	●				Kandersteg	2.5	CHF	60.0		31.12.
Kraftwerke Milibach AG	●				Wiler (Lötschen)	1	CHF	80.0		31.12.
Luminosa S.r.l.		●			Milan (I)	0.1	EUR	94.0		31.12.
NetLeit AG			●		Visp	0.1	CHF	67.0		31.12.

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Closing date
Group companies (contd)										
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	80.8		31.12.
sol-E Suisse AG	●				Berne	30	CHF	100.0		31.12.
Termoelettrica Veneta S.r.l.		●			Milan (I)	0.11	EUR	100.0		31.12.
TW Energie AG	●				Berne	0.4	CHF	75.0		31.12.
Volturino Wind S.r.l.		●			Milan (I)	0.03	EUR	100.0		31.12.
WEV Spiez AG	●				Spiez	0.1	CHF	50.0		31.12.
Wind Farm Buglia S.r.l.		●			Milan (I)	0.03	EUR	100.0		31.12.
Wind Farm S.r.l.		●			Milan (I)	0.02	EUR	100.0		31.12.
Wind International Italy S.r.l.		●			Milan (I)	52.17	EUR	100.0		31.12.
Joint ventures										
Bielersee Kraftwerke AG BIK	●				Bienne	20	CHF	50.0		31.12.
Biopower S.p.A.		●			Caserta (I)	4.7	EUR	24.9		31.12.
Biopower Sardegna S.r.l.		●			Milan (I)	0.1	EUR	10.5		31.12.
BKWind GmbH & Co. KG		●			Wörrstadt (D)	–	EUR	50.0		31.12.
BKWind Verwaltungs GmbH		●			Wörrstadt (D)	0.03	EUR	50.0		31.12.
Officine idroelettriche di Blenio SA	●				Blenio	60	CHF	12.0		30.09.
cc energie sa	●				Murten	1	CHF	65.0		31.12.
EDJ, Energie du Jura S.A.	●				Delémont	7.43	CHF	41.0		30.09.
Electra-Massa AG	●				Naters	40	CHF	16.1		31.12.
Electricité de la Lienne SA	●				Sion	24	CHF	33.3		30.09.
Engadiner Kraftwerke AG	●				Zernez	140	CHF	30.0		30.09.
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.
ETRANS Ltd			●		Laufenburg	7.5	CHF	11.5		31.12.
Gommerkraftwerke AG	●				Ernen	30	CHF	25.0		31.12.
Grande Dixence SA	●				Sion	300	CHF	13.3		31.12.
HelveticWind Deutschland GmbH		●			Berlin (D)	0.03	EUR	50.0		31.12.
Kernkraftwerk Leibstadt AG	●				Leibstadt	450	CHF	9.5		31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●				Berne	150	CHF	33.3		31.12.
Kleinwasserkraftwerk Berschnerbach	●				Walenstadt	–	CHF	44.3		31.12.
Kraftwerk Sanetsch AG (KWS)	●				Gsteig	3.2	CHF	50.0		30.09.
Kraftwerke Hinterrhein AG	●				Thusis	100	CHF	7.7		30.09.
Kraftwerke Mattmark AG	●				Saas-Grund	90	CHF	11.1		30.09.
Forces Motrices de Mauvoisin SA	●				Sion	100	CHF	19.5		30.09.
Kraftwerke Oberhasli AG	●				Innertkirchen	120	CHF	50.0		31.12.
La Prairie Biogaz	●				Porrentruy	–	CHF	30.0		31.12.
Officine idroelettriche della Maggia SA	●				Locarno	100	CHF	10.0		30.09.
MOHA ZOFI	●				Brienz	–	CHF	38.5		31.12.
Zwilag Zwischenlager Würenlingen AG	●				Würenlingen	5	CHF	10.7		31.12.

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Closing date
Associates										
Abonax AG	●				St. Gallen	1	CHF	34.0		31.12.
AEK Energie AG	●				Solothurn	6	CHF	39.5		31.12.
Biogaz du Vallon Sàrl	●				Cortébert	0.02	CHF	24.5		31.12.
Biomasse Jungfrau AG	●				Interlaken	0.11	CHF	33.3		31.12.
DEVIWA AG	●				Leuk	0.1	CHF	34.0		31.12.
E.ON Produzione Centrale Livorno Ferraris S.p.A.		●			Milan (I)	10	EUR	25.0		31.12.
em electrocontrol ag			●		Berne	0.25	CHF	20.0		31.12.
Energie Biberist AG EBAG	●				Biberist	5	CHF	25.0		31.12.
EVTL Energieversorgung Talschaft Lötschen AG	●				Wiler (Lötschen)	1.27	CHF	49.0		31.12.
Gazobois S.A.	●				Cossonay	0.12	CHF	33.3		31.12.
GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG		●			Wilhelmshaven (D)	–	EUR	33.0		31.12.
GEBNET AG	●				Lohn-Ammannsegg	6.24	CHF	44.5		31.12.
Gesellschaft Biogas-Ittigen	●				Ittigen	–	CHF	25.0		31.12.
Hertli & Bertschy AG, elektrische Anlagen			●		Tafers	0.05	CHF	40.0		31.12.
Kraftwerk Gohlhaus AG	●				Lützelflüh	0.13	CHF	34.0		31.12.
Kraftwerk Wannenfluh AG	●				Rüderswil	0.3	CHF	31.9		31.12.
Kraftwerke Färdabach AG	●				Ferden	0.1	CHF	34.0		31.12.
Metanord SA	●				Bellinzona	18.59	CHF	30.9		31.12.
NIS AG			●		Emmen	1	CHF	25.0		31.12.
Oberland Energie AG	●				Thun	9.1	CHF	49.0		31.12.
Panotron Ltd	●				Worb	1.94	CHF	27.1		31.12.
RESUN AG	●				Aarau	1	CHF	31.3		30.09.
sol-E Suisse Biogas Zernez	●				Zernez	–	CHF	22.9		31.12.
Spontis SA			●		Granges-Paccot	0.1	CHF	30.0		31.12.
STKW Energie Dörpen GmbH & Co. KG		●			Dörpen (D)	–	EUR	24.9		31.12.
swissgrid ltd			●		Laufenburg	15	CHF	11.2		31.12.
Tamarete Energia S.r.l.		●			Ortona (I)	3.6	EUR	48.0		31.12.
Youtility AG	●				Berne	7.5	CHF	39.8		31.12.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of BKW Inc., Berne

Berne, 13 March 2012

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of BKW Inc., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, changes in consolidated equity, consolidated cash flow statement and notes to the financial statements (pages 6 to 71) for the year ended 31 December 2011.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

Thomas Stenz
Licensed audit expert
(Auditor in charge)

Roland Ruprecht
Licensed audit expert

Financial Statements of BKW Inc.
Income Statement

for the period from 28 February 2011 to 31 December 2011

CHF thousands	2011
Share earnings	57,678
Total earnings	**57,678**
Bank expenses	1
Capital taxes	134
Total expenses	**135**
Net profit	**57,543**

Financial Statements of BKW Inc.
Balance Sheet

CHF thousands	31.12.2011
Assets	
Holdings	1,305,927
Dividend receivable	57,678
Cash and cash equivalents	99
Total assets	**1,363,704**

CHF thousands	31.12.2011
Liabilities	
Share capital	131,087
Reserves from capital contributions	26,129
General legal reserves	786,936
Reserves for treasury shares	359,845
Net profit	57,543
Total shareholders' equity	**1,361,540**
BKW FMB Energy Ltd. current account	2,030
Capital taxes owed	134
Total liabilities	**2,164**
Total liabilities and shareholders' equity	**1,363,704**

Financial Statements of BKW Inc.
Notes to the Financial Statements

BKW Inc. was founded on 28 February 2011 and is the new parent of the BKW Group. The companies in which it holds interests are listed on pages 69 to 71. BKW Inc. shares have been trading on the SIX Swiss Exchange since December 2011.

Significant shareholders and authorised capital

	31.12.2011
Canton of Berne	52.91%
Groupe E Ltd.	10.07%
E.ON Energie AG	7.07%
Group companies	9.83%

After all shares in BKW FMB Energy Ltd. have been converted to shares in BKW Inc., the share capital of BKW Inc. will amount to CHF 132 million. For the difference between the share capital at 31 December 2011 and the planned share capital following the comprehensive conversion of all shares, an authorised capital of CHF 912,972.50 exists. Following comprehensive conversion of all shares, the share ratios will change.

Treasury shares

	BKW FMB Energy Ltd.		Other companies		Total	
	CHF thousands	Number	CHF thousands	Number	CHF thousands	Number
At 31.12.2010	**371,278**	**5,258,712**	**53**	**17,980**	**371,331**	**5,276,692**
Additions	141	40,690			141	40,690
Disposals	–11,628	–164,777			–11,628	–164,777
At 31.12.2011	**359,791**	**5,134,625**	**53**	**17,980**	**359,844**	**5,152,605**

In the financial statements presented for the year ended 31 December 2010, BKW FMB Energy Ltd. shares were recorded as treasury shares. Following the conversion of these shares to BKW Inc. shares, as of 31 December 2011 the BKW Inc. shares are listed as treasury shares. The treasury share reserve for the entire BKW Group of CHF 359,844,000 was recorded in the financial statements of BKW Inc. presented for the year ended 31 December 2011.

As the market price on 31 December 2011 was lower than the purchase price, the treasury shares were adjusted by CHF 172,634,000 in the separate financial statements of BKW FMB Energy Ltd.

Share earnings
The dividend of CHF 57,678,292 paid by BKW FMB Energy Ltd. was recorded prematurely. The Annual General Meeting of BKW FMB Energy Ltd. approved this dividend payment. Until the dividend is ultimately paid by BKW FMB Energy Ltd., share earnings in BKW Inc. may increase to CHF 58,080,000 following the comprehensive conversion of all shares.

Information on the performance of risk assessment
Risk management is viewed as a supporting function for senior management. The purpose of risk management 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 2011.

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

Remuneration of members of the Board of Directors in 2011

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	**Total**
Urs Gasche	Chairman	280	4	46	330
Antoinette Hunziker-Ebneter	Vice Chairwoman	102	0	5	107
Marc-Alain Affolter	Member	66	8	15	89
Dr Georges Bindschedler	Member	60	8	6	74
Ueli Dietiker	Member (from 13.05.2011)	43	0	3	46
Barbara Egger-Jenzer	Member	78	0	10	88
Hartmut Geldmacher	Member	58	12	36	106
Prof. Dr Eugen Marbach	Member	58	8	14	80
Beatrice Simon-Jungi	Member	58	8	8	74
Ulrich Sinzig	Member (until 13.05.2011)	37	0	5	42
Philippe Virdis	Member	64	6	10	80
Total		**904**	**54**	**158**	**1,116**

Remuneration of members of the Board of Directors in 2010

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	**Total**
Urs Gasche	Chairman (from 01.06.2010)				
	Member (until 31.05.2010)	194	3	61	258
Dr Fritz Kilchenmann	Chairman (until 31.05.2010)	140	10	50	200
Antoinette Hunziker-Ebneter	Vice Chairwoman	89	0	5	94
Marc-Alain Affolter	Member	68	6	14	88
Dr Georges Bindschedler	Member	64	6	6	76
Barbara Egger-Jenzer	Member	78	0	10	88
Hartmut Geldmacher	Member	56	10	33	99
Prof. Dr Eugen Marbach	Member	68	6	14	88
Beatrice Simon-Jungi	Member (from 01.06.2010)	33	0	4	37
Ulrich Sinzig	Member	78	0	12	90
Dirk Steinheider	Member (until 07.07.2010)	28	10	18	56
Philippe Virdis	Member	58	10	10	78
Total		**954**	**61**	**237**	**1,252**

“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 2011 each member of the Board of Directors was given the opportunity to acquire 600 BKW shares (2010: 600) at a preferential price. The shares acquired are subject to a blocking period of up to five years, which is taken into account when measuring the remuneration by applying a reduction. Members of the Board of Directors also receive a lump sum payment for expenses, which are included under “other remuneration”. “Other remunerations” also include the employer’s contributions to AHV/IV (Old Age and Surviving Dependants’ Insurance/Disability 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 Board and the highest-earning member

	Kurt Rohrbach CEO		**Total paid to Group Executive Board members**	
CHF thousands	2011	2010	2011	2010
Fixed remuneration	519	531	2,011	1,954
Profit sharing	112	108	393	420
Share-based payment	8	10	55	51
Pension benefits	107	126	492	638
Total	**746**	**775**	**2,951**	**3,063**

Members of the Group Executive Board receive a fixed annual remuneration for their services as well as a variable profit share of up to 35% of their annual remuneration, indexed to business results and performance. In 2011 each member of the Group Executive Board was given the opportunity to acquire 600 BKW shares (2010: 600) shares at a preferential price. The shares acquired are subject to a blocking period of up to five 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.

On 31 December 2011 members of the Group Executive Board had loans outstanding in the total amount of CHF 30,000 (2010: CHF 99,000). No loans have been granted to the highest-earning member.

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

Members of the Board of Directors

Number of shares		31.12.2011	31.12.2010
Urs Gasche	Chairman	1,457	1,157
Antoinette Hunziker-Ebneter	Vice Chairwoman	300	300
Marc-Alain Affolter	Member	2,400	1,800
Dr Georges Bindschedler	Member	4,400	4,030
Ueli Dietiker	Member (from 13.05.2011)	0	n/a
Barbara Egger-Jenzer	Member	400	400
Hartmut Geldmacher	Member	1,200	600
Prof. Dr Eugen Marbach	Member	2,600	2,000
Beatrice Simon-Jungi	Member (from 01.06.2010)	600	0
Ulrich Sinzig	Member (until 13.05.2011)	n/a	2,300
Philippe Virdis	Member	4,220	3,920
Total		**17,577**	**16,507**

Members of the Group Executive Board

Number of shares		31.12.2011	31.12.2010
Kurt Rohrbach	CEO	11,437	10,427
Beat Grossenbacher	Head of Finance and Services	1,800	1,200
Dr Suzanne Thoma	Head of Networks (from 01.08.2010)	600	0
Hermann Ineichen	Head of Energy Switzerland	3,622	2,940
Samuel Leupold	Head of Energy International and Trading	1,620	2,355
Total		**19,079**	**16,922**

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

Appropriation of Retained Earnings
Proposal to the Annual General Meeting

CHF	
Retained earnings/profit carried forward	0
Net profit	57,542,707
Unappropriated retained earnings	**57,542,707**

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

CHF	
Dividend of CHF 1.00 per share	52,800,000
Balance carried forward	4,742,707
Total	**57,542,707**

On the date on which the financial statements were prepared, 365,189 registered shares in BKW FMB Energy Ltd. had still not been converted into shares in BKW Inc. Full conversion of all shares should be completed by the date of the Annual General Meeting and the date on which the BKW Inc. dividend payment is made.

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

CHF	
Dividend per share	1.00
Minus 35% withholding tax	–0.35
Net dividend	0.65

Berne, 13 March 2012

On behalf of the Board of Directors
Chairman
Urs Gasche

Group Executive Board
Kurt Rohrbach Hermann Ineichen Dr Suzanne Thoma Beat Grossenbacher Samuel Leupold

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of BKW Inc., Berne

Berne, 13 March 2012

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW Inc., which comprise the income statement, balance sheet and notes (pages 74 to 80) for the period from 28 February 2011 to 31 December 2011.

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 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young Ltd.

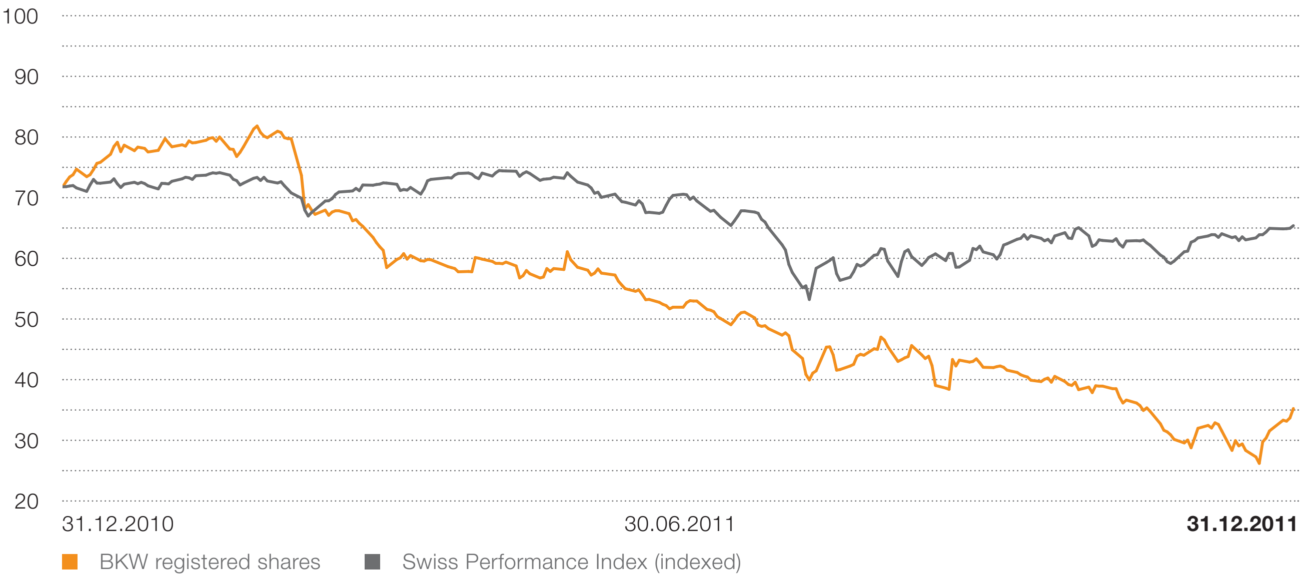
Thomas Stenz
Licensed audit expert
(Auditor in charge)

Roland Ruprecht
Licensed audit expert

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

BKW Inc. share capital of CHF 131.1 million is divided into 52,434,811 registered shares at a par value of CHF 2.50 each. The share price fell by 48.44% during the period under review

Performance of the BKW share 31.12.2010 – 31.12.2011



Figures prior to 12 December relate to BKW FMB Energy Ltd. (ticker symbol: BKWN, security number 2 160 700)

Exchange offer

In the year under review, BKW Inc. – as the new holding company of the BKW Group – submitted a public exchange offer to shareholders in BKW FMB Energy Ltd. , under the terms of which registered shares in BKW FMB Energy Ltd. could be exchanged for the same number of new BKW Inc. shares at the same par value (1:1 swap).

The exchange offer was prompted by BKW's plans to introduce a holding structure in order to enable a more flexible approach to changing market requirements and new regulatory challenges in the future.

The public exchange offer was launched on 18 October and successfully completed on 1 December 2011 with 99.31% of shares tendered. BKW Inc. was listed on the SIX Swiss Exchange (SIX) and the BX Berne Exchange (BX) as of 12 December 2011. To avoid duplicate listing, the decision to delist BKW FMB Energy Ltd. as of 20 April 2012 was taken and approved by the SIX and BX.

Steps were also taken to declare all BKW FMB Energy Ltd. shares remaining in free float invalid, with holders of BKW FMB Energy Ltd. shares receiving new-issued BKW Inc. shares on a 1:1 basis. This planned capital increase effected by BKW Inc. thus restores share capital to its previous level. Once the shares have been declared invalid, BKW Inc. will therefore have a share capital of CHF 132 million, divided into 52,800,000 registered shares at a par value of CHF 2.50 each.

Listing

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

Ticker symbol for SIX and BX	BKW
Security number	13 029 366
ISIN Code	CH 0130293662

Appropriation of Retained Earnings

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 1.00 per share for the 2011 financial year. The dividend will be paid out on 21 May 2012.

Restrictions on share transferability

BKW 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 holds 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 on his own account.

Significant shareholders

	Holding in BKW Inc. at **31.12.2011**	Holding in BKW FMB Energy Ltd. at 31.12.2010
Canton of Berne	52.91%	52.54%
Groupe E Ltd.	10.07%	10.00%
E.ON Energie AG	7.07%	7.03%
Treasury stock	9.83%	9.99%

The proportion of shares held by the public (free float) is approximately 20.1%. The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

	31.12.2011 reported	**31.12.2011 adjusted**[2]	31.12.2010
Earnings per share (in CHF)	–1.44	2.56	4.54
Equity per share (in CHF)	55.22	59.22	60.57
Dividend per share (in CHF)	1.00	1.00	2.50
Dividend yield (in %)[1]	2.7	2.7	3.5
Price/earnings ratio[1]	n.a.	14.2	15.6
Year-end price (in CHF)	36.45	36.45	70.70
Year high (in CHF)	79.95	79.95	82.85
Year low (in CHF)	28.00	28.00	62.90

1 Based on year-end price
2 Adjusted for special impairment charges and provisions for fossil-fuelled thermal power plants

Bonds

At 31 December 2011, BKW had the following bonds outstanding:

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

The bonds were issued by BKW FMB Energy Ltd.

BKW Inc. intends to take over all oustanding bonds and bank liabilities of BKW FMB Energy Ltd. in the 2012 financial year. The necessary steps will be carried out in consultation with the main paying agents and banks of BKW FMB Energy Ltd. and taking into account the interests of the bondholders and lenders.

Financial Calendar

Publication of 2011 Annual Results	20 March 2012
Annual General Meeting	11 May 2012
Ex-Dividend Date	15 May 2012
Dividend Payment	21 May 2012
Publication of 2012 Interim Results	13 September 2012

Contact: investor.relations@bkw-fmb.ch

Production Facts and Figures

	Energy portion[1]	Installed production, BKW portion	2011 BKW purchases	2010 BKW purchases	Change versus 2010
	%	MW	GWh	GWh	%
Own power plants and Group companies					
Hydroelectric plants					
Aarberg	100.0	15.0	70.5	80.7	–12.6
Bannwil	100.0	28.5	116.7	144.4	–19.2
Kallnach	100.0	8.0	52.2	59.4	–12.1
Kandergrund	100.0	18.8	94.4	93.2	1.3
Mühleberg	100.0	45.0	129.0	153.1	–15.7
Niederried-Radelfingen	100.0	15.0	64.3	69.9	–8.0
Spiez	100.0	18.6	91.8	96.6	–5.0
Simmentaler Kraftwerke AG	100.0	27.0	80.7	103.9	–22.3
Elektrizitätswerk Grindelwald AG	100.0	1.5	5.4	6.8	–20.6
EWR Energie AG (Schattenhalb 1 & 2)	100.0	6.0	6.7	18.9	–64.6
Société des forces électriques de la Goule SA	100.0	5.3	16.7	21.8	–23.4
Onyx Energie Produktion AG	100.0	20.0	71.3	87.2	–18.2
Idroelettrica Lombarda S.r.l.	100.0	42.0	146.1	161.6	–9.6
Idroelettrica Val d'Aosta S.r.l.[2]	100.0	8.0	0.5	0.0	
Total hydroelectric plants		**258.7**	**946.3**	**1,097.5**	**–13.8**
Nuclear power plants					
Mühleberg	100.0	373.0	2,494.0	2,979.5	–16.3
New renewable energy					
sol-E Suisse AG	100.0	20.1	45.9	17.0	170.0
Biomassekraftwerk Otelfingen AG	100.0	2.6	0.4	7.3	–94.5
EWR Energie AG (Schattenhalb 3)	100.0	9.9	43.9	24.6	78.5
Kraftwerke Kander Alp AG[3]	100.0	2.2	9.0	9.4	–4.3
Kraftwerke Milibach AG[3]	100.0	1.4	4.3	1.6	168.8
Bockelwitz wind farm	100.0	15.0	20.9	16.6	25.9
BKW Dubener Platte Wind GmbH	100.0	40.0	72.8	0.0	
Wind Farm S.r.l.	100.0	41.4	27.2	0.0	
Wind Farm Buglia S.r.l.	100.0	20.0	18.2	0.0	
Wind International Italy S.r.l.	100.0	81.9	63.7	0.0	
Total new renewable energy		**234.5**	**306.3**	**76.5**	**300.4**
Total own power plants and Group companies		**866.2**	**3,746.6**	**4,153.5**	**–9.8**

1 The energy portion may deviate from the capital shareholding due to special energy supply agreements.
2 Production from 20.12.2011
3 Disclosed under hydroelectric plants in the 2010 Financial Report

	Energy portion[1]	Installed production, BKW portion	**2011** BKW purchases	2010 BKW purchases	Change versus 2010
	%	MW	GWh	GWh	%
Holdings and purchasing rights					
Hydroelectric plants					
Bielersee Kraftwerke AG BIK	50.0	9.7	47.1	54.1	–12.9
Officine idroelettriche di Blenio SA	12.0	49.3	112.9	115.5	–2.3
Electra-Massa AG	16.1	54.8	116.4	84.6	37.6
Electricité de la Lienne SA	25.0	25.0	38.3	63.8	–40.0
Engadiner Kraftwerke AG	29.7	128.0	401.8	413.6	–2.9
Gommerkraftwerke AG	25.5	30.6	71.4	73.1	–2.3
Grande Dixence SA	13.3	198.0	253.7	351.0	–27.7
Kraftwerke Hinterrhein AG	7.6	50.0	115.2	121.2	–5.0
Kraftwerke Mattmark AG	11.1	26.4	62.5	77.0	–18.8
Forces Motrices de Mauvoisin SA	19.5	77.2	187.5	199.0	–5.8
Kraftwerke Oberhasli AG	50.0	551.0	863.7	856.2	0.9
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	13.8	20.0	–31.0
Officine idroelettriche della Maggia SA	10.0	64.0	118.8	143.5	–17.2
Aarewerke AG	10.0	4.0	17.2	21.2	–18.9
Flumenthal	37.9	8.2	38.9	51.6	–24.6
Total hydroelectric plants		**1,285.2**	**2,459.2**	**2,645.4**	**–7.0**
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.7	171.0	1,394.5	1,290.8	8.0
Cattenom	3.0	155.0	1,109.7	1,047.1	6.0
Fessenheim	5.0	90.0	374.4	603.3	–37.9
Total nuclear power plants		**416.0**	**2,878.6**	**2,941.2**	**–2.1**
New renewable energy					
Mont-Soleil solar power plant	100.0	0.5	0.7	0.5	40.0
Thermal power plants					
E.ON Produzione Centrale Livorno Ferraris S.p.A.	25.0	200.0	703.0	700.4	0.4
Unmanaged energy from financial interests		**26.9**	**75.9**	**111.0**	**–31.6**
Total holdings and purchasing rights		**1,928.6**	**6,117.4**	**6,398.5**	**–4.4**
Total production including purchases		**2,794.8**	**9,864.0**	**10,552.0**	**–6.5**

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

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