



BKW

BKW Group
Half-Year Report 2013

Facts & Figures

BKW Group

Electricity business

GWh	1 st half-year 2013	1 st half-year 2012	2012
Sales			
Electricity sales Switzerland	3,903	3,847	7,465
Electricity sales International	874	868	1,696
Electricity trading	4,783	4,763	10,384
Pump/substitution energy	96	136	260
Transmission losses/own consumption	105	111	199
Direct sales from financial interests	10	23	36
Total	9,771	9,748	20,040
Generation and procurement (incl. financial interests)			
Hydroelectric plants	1,765	1,793	3,963
Nuclear power plants incl. purchase contracts	3,128	3,217	5,769
Thermal power plants	261	132	475
New renewable energy	392	323	604
Trade (purchases) and energy buy-backs	4,225	4,283	9,229
Total	9,771	9,748	20,040

Financials

CHF millions	1 st half-year 2013	1 st half-year 2012 (restated)	2012 (restated)
Total operating revenue	1,388.9	1,368.4	2,859.8
Operating profit before depreciation, amortisation and impairment	288.2	252.9	451.9
Net profit	103.6	109.1	130.5
Cash flow from operating activities	205.5	167.2	321.5
Purchase of property, plant and equipment	103.9	80.2	209.4
Balance sheet total	7,690.2	7,030.1	7,338.4
Shareholders' equity	2,628.7	2,451.2	2,476.6
> as % of balance sheet total	34.2	34.9	33.7

Number of employees

Full-time equivalent	30.06.2013	30.06.2012	31.12.2012
Employees	3,085	2,973	3,037

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As a link between Production and Consumption, electricity networks play a core role in the energy supply system. Ever greater numbers of consumers demand increasing amounts of electricity, and distributed generation from renewable energy sources is rising. Distribution networks must be further developed to become flexible, active networks to meet this challenge. BKW is establishing itself as an operator of modern networks and is successfully bringing new, competitive business models to the market. The company continues to make a key contribution to ensuring a sustainable energy supply, and is focusing investment on expanding renewable energy.

Foreword

Stable financial result despite difficult market situation

The BKW Group¹ has been able to improve its operating profit despite a persistently difficult economic environment. Net profit fell by 5% against the first half of the previous year.

First half of 2013: Market situation and financial results

BKW was again faced with a challenging market environment during the first half of 2013. The difficult economic situation in the European Union combined with overcapacity meant that energy prices remained low. At the same time, the subsidised expansion of renewable energies resulted in market distortions and had a negative impact on energy production on the free market.

Despite this testing market situation, BKW succeeded in recording solid growth in its operations. Operating profit before interest, depreciation and impairment (EBITDA) totalled CHF 288.2 million, an increase of 14% on the prior-year period. This increase can be attributed to both network business and energy business, while two one-off factors also played a part, namely the gains made on the sale of the transmission grid to Swissgrid and also the claim arising from the reimbursement of costs for system services (SDL) in 2009 as ordered by the Federal Court with regard to various partner power plants. The cost-reduction programme continues to be implemented on a consistent basis. Net profit was hit by a one-off effect following a tax-rate increase in Italy, falling by 5% year on year to CHF 103.6 million.

A strong BKW

In order to ensure our long-term success in this challenging environment, it is particularly important that we adapt to new conditions. It is with this in mind that BKW is focusing on renewable energies, on energy-efficient, innovative products and on network business and new energy services. At the same time, in launching a new group and organisational struc-

ture with effect from 1 July 2013, BKW has created the necessary basis from which to harness vertical integration more effectively and to exploit potential for synergies and innovation. A pooling of skills and knowledge gives BKW the strength and flexibility that it needs to focus on new technologies and meet customers' demands, as well as dealing with traditional energy business, and to position itself as a leading energy service-provider in Switzerland.

Selected highlights from the first half of 2013

Hydropower: Following the positive decision of the Federal Court on 30 May 2013, BKW has been given the go-ahead to construct its hydropower plant at Laubeggfall. With average annual production of 12.5 gigawatt hours (GWh), this new power plant will meet the electricity needs of some 2,500 households, supplying a locally produced and CO₂-free form of energy.

Wind power: During the first half of 2013 BKW completed its acquisition of the Castellaneta wind farm in Apulia, Italy with a total output of 56 megawatts (MW). In Switzerland, JUVENT SA, which is managed by BKW, is carrying out the first wind energy repowering in Switzerland. The four oldest wind turbines at Switzerland's largest wind farm in the Bernese Jura are to be replaced by four state-of-the-art turbines whilst respecting the natural environment and landscape. These new turbines can produce about seven times as much energy annually, as a result of which production at this wind farm will be raised by around 40 percent.

Mühleberg nuclear power plant (KKM): On 28 March 2013 the Federal Court fully upheld the appeal lodged by BKW against the Federal Administrative Court's decision of 1 March 2012. This means that the KKM has an unlimited operating licence and will be entitled to the same treatment as other nuclear power plants in Switzerland. On 28 June 2013 BKW submitted its plans for upgrading the KKM's cooling systems to the

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

Swiss Federal Nuclear Safety Inspectorate (ENSI), thereby complying with the demand made by the ENSI in late 2012. The BKW Board of Directors will make its decision on the further operation of the KKM and future investment in the plant by the end of 2013.

Fossil-thermal power plants: BKW and its Italian partners, Hera Group and Zecca S.r.l., inaugurated the Tamarete Energia S.r.l. gas power plant in Ortona on 31 May 2013 in the presence of official representatives and regional and national politicians. This gas power plant, with production of 104 MW and designed to cover peak times, will make a key contribution to meeting the region's electricity needs.

Energy efficiency: BKW's new energy efficiency portal "Oscars Energiesparwelt" ("Oscar's energy-saving world"), launched in autumn 2011, already has more than 23,000 registered customers, with effect from the end of the first six months of 2013. This portal provides information, advice, arguments and special offers relating to the subject of energy efficiency.

Second half of 2013: Outlook

BKW is not expecting any change in the challenging market environment in the current financial year, with energy prices set to remain low and ongoing margin pressure on the international markets. Coupled with regulatory requirements and a persistently strong Swiss franc, this will also affect the operating result for 2013. The power plants will be subject to impairment testing in the context of the annual financial statements. Subject to any required impairments in relation to individual power plants, BKW expects its EBITDA and net profit for the current year to be in line with the figures reported for 2012.

In order to increase both its efficiency and its effectiveness even further, BKW is continuing to work on its cost reduction and efficiency measures. Following the introduction of the new organisational structure, further structural and process-related adjustments are also being put in place at the lower levels. BKW's adopted strategy is being harnessed to drive wind power and hydropower production technology projects

forward. Armed with these new products and services, BKW is looking to transform itself from a mere energy supplier to a service provider.



Dr. Suzanne Thoma, CEO

Energy volumes

Stable sales, slight increase in production

In the first half of 2013, BKW saw its electricity sales rise slightly. Total production was up slightly thanks to higher production volumes from renewable energy sources and thermal power plants.

Sales business edges upwards

Electricity sales in Switzerland rose slightly against the same period of 2012, up by 1.5% to 3,903 GWh. This increase is partly attributable to an increase in sales to private customers, with lower average temperatures pushing up consumption levels. Additionally, BKW also succeeded in acquiring new customers from outside its supply region. Electricity trading, at 4,783 GWh (H1 2012: 4,763 GWh), remained stable in what continued to be a challenging market environment. Electricity sales in Italy, at 874 GWh (H1 2012: 868 GWh), were practically unchanged.

Overall, for the first half of 2013, BKW recorded electricity sales of 9,771 GWh. Compared with the same period of the previous year (9,748 GWh), total sales therefore remained stable.

Higher production from renewable energies and thermal power plants

The total volume of electricity generated by BKW rose slightly year on year, increasing by 81 GWh to 5,546 GWh.

Hydroelectricity production in Switzerland and Italy dipped by 28 GWh to 1,765 GWh. This slight decline can be explained by lower inflows from storage power plants compared with the previous year. At the end of the first half-year, reservoir levels were down on the prior year and on the long-term average. The run-of-river power plants once again recorded a high level of production thanks to the good water management.

Energy production from renewable energies totalled 392 GWh, marking a further significant increase of 69 GWh, despite the poor wind conditions compared with previous year, which caused production to fall in Germany. In Switzerland too, the wind conditions for the Juvent wind farm were worse than during 2012. The Volturino wind farm commissioned in late 2012 and the Castellaneta wind farm acquired in February 2013, both in Italy, pushed the production volume upwards.

Electricity production from nuclear power plants, at 3,128 GWh, was down on the previous year's figure of 3,217 GWh. During the first half of 2013, the Mühleberg nuclear power plant produced 1,567 GWh, a year-on-year fall of 63 GWh. Energy procurement from French nuclear power plants also declined on a year-on-year basis due to a drop in availability.

The gas-fired combined-cycle power plant in Livorno Ferraris, in the Piedmont region of Italy, increased its production by 124 GWh to 256 GWh. Including the Tamarete gas-fired power plant commissioned in late May 2013, total production from thermal power plants was 261 GWh.

Financial Result

Operating business makes solid progress

BKW was able to make solid progress in the further development of its operations. With two one-off effects playing their part, operating profit (EBITDA) rose significantly, totalling CHF 288.2 million, a year-on-year improvement of 14%. This increase can be attributed to both network business and energy business. The one-off items concerned the gains made on the sale of the transmission grid to Swissgrid and the reimbursement of costs for system services (SDL) in 2009 to various partner power plants. The cost-reduction programme continues to be implemented on a consistent basis.

One-off factors affect operating profit and net profit

Compared with the restated figure for the previous year, operating profit (EBITDA) rose by 14% to CHF 288.2 million. This increase includes the gain of CHF 31.2 million from the sale of the transmission grid to Swissgrid. Additionally, the ruling of the Federal Court with regard to SDL 2009 meant that various partner plants were to have costs that they had already paid refunded by Swissgrid, resulting in a reduction in BKW's energy procurement costs. BKW's share of this cost refund amounted to CHF 15.4 million. Operating profit (EBIT) grew by CHF 27.1 million to CHF 180.1 million. Negative factors impacting on net profit included the changes agreed in Italy to the Robin Hood tax for companies operating in the energy sector. The adjustment of deferred tax liabilities to take account of this new rate of tax resulted in an extraordinary charge of CHF 26.1 million. Net profit was slightly down on the same period of 2012, falling by 5.0% to CHF 103.6 million.

Changes in accounting principles and in the scope of consolidation

The unaudited consolidated financial statements for the half-year ended 30 June 2013 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34). In the 2013 financial year various changes in IFRS accounting standards entered into force, resulting in a need for prior-year figures to be restated.

- › The application of IFRS 11 Joint Arrangements means that two of BKW's interests that were previously measured using the equity method must now be proportionately consoli-

dated. Their assets and liabilities, and revenues and expenses are now reported in the group financial statements using proportional consolidation. This change affects operating profit but not net profit.

- › The revised version of IAS 19 Employee Benefits contains various key changes, increasing the volatility of pension plan assets/obligations and of consolidated equity. Consequently, equity as at 31 December 2012 fell by CHF 246.8 million. The previously reported pension plan assets are now replaced by an employee benefit obligation.
- › The balance sheet reporting of emission rights and green certificates has also been changed. The certificates are no longer reported under intangible assets but have been reclassified under inventories. This change affects how the certificates are reported but does not impact on their measurement.

There was one significant addition to the BKW Group's scope of consolidation in the first half of 2013 with the acquisition of the Castellaneta wind farm, which has a total production of 56 MW.

Energy Switzerland: Sales slightly up, operating profit down

The overall performance of the Energy Switzerland segment was down by 5.4% to CHF 1,041.9 million. Net sales to external customers rose slightly, up by 0.7% to CHF 558.3 million. Lower average sales prices were offset by higher sales volumes. Net sales to other segments dropped by a considerable 13.1% to CHF 446.0 million due to price-related factors. Energy procurement, at CHF 184.5 million, was CHF 0.2 million higher than during the first half of 2012 and included a one-off effect to the amount of CHF 15.4 million. During the first half of 2013 the Federal Court ruled that Swissgrid should reimburse various partner power plants for the costs of system services in 2009. These partner plants are therefore reporting lower costs for the 2013 financial year, resulting in lower energy procurement costs for the shareholders. Operating profit (EBIT) fell markedly, down by 28.5% to CHF 73.3 million.

Energy and International Trading: A positive operating result in a still difficult market environment

The Energy International and Trading segment recorded operating revenue of CHF 1,004.2 million, which represents a year-on-year decrease of 6.2%. Net sales to external customers fell by 2.4% to CHF 641.1 million. This drop can be attributed in particular to business in Italy, where sales of CHF 76.5 million were 26.9% down on the previous year as a result of fewer opportunities in the balancing energy market. Electricity trading was down 10.1% to CHF 409.3 million. Revenue from electricity trading rose by CHF 0.4 million year on year due to market factors, with revenue from energy hedging up by CHF 17.3 million.

Net sales to other segments dropped by 12.4% to CHF 357.1 million due to price-related factors. In the same way, energy procurement costs from other segments fell by CHF 64.6 million to CHF 438.2 million. Operating profit (EBIT) grew by a considerable CHF 31.8 million to CHF 17.1 million.

Networks: A solid operating result with a one-off effect

The Networks segment grew its total operating revenue by CHF 35.9 million to CHF 372.9 million, mainly as a result of the gain of CHF 31.2 million made on the sale of the transmission grid to Swissgrid. Net sales to external customers remained at a gratifyingly stable level, totalling CHF 96.3 million (H1 2012: CHF 98.7 million). This meant that the loss of operating income associated with the sale of the transmission grid was practically offset by a rise in construction and engineering services and expansion in the electrical installation business. Net sales to other segments were also up slightly, reaching CHF 215.0 million. This increase was primarily due to a slightly higher throughput volume caused by lower average temperatures at the beginning of the year. 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. Operating profit (EBIT) rose by 51.1% to CHF 95.5 million due to the one-off impact of the transmission grid sale. Even without this one-off factor, however, EBIT increased.

Operating profit higher, net profit dealt a blow

Energy procurement costs in the reporting period amounted to CHF 686.7 million. This fall of 5.6% against the prior-year period can be explained by lower procurement volumes and was also affected by the one-off reimbursement to various partner plants of costs paid for system services.

Personnel expenses increased by CHF 10.9 million to CHF 189.6 million. This rise was due to the planned increase in staffing levels in line with BKW's strategy, coupled with the impact of the new accounting rules on employee benefits. The increase in personnel expenses was mitigated by HR measures in conjunction with the cost-reduction programme. Material and third-party services rose by CHF 9.1 million to CHF 111.7 million, mainly as a result of higher operating and maintenance expenses for power plants. Other operating expenses increased by CHF 5.9 million to CHF 112.7 million, primarily as a result of higher taxes and charges and following one-off expenses associated with changes to BKW's organisational structure.

Depreciation expenses were CHF 8.2 million higher on a year-on-year basis, totalling CHF 108.1 million. This increase is mainly attributable to the larger portfolio of power plants following acquisitions and project completions. Operating profit (EBIT) grew by 17.7% to reach CHF 180.1 million. Both energy business and grid services (service and infrastructure business) recorded a slight increase in their EBIT overall in what remained a challenging environment.

The financial result was down on the same period of 2012. The fall of CHF 8.7 million to CHF -30.8 million is mainly due to the weaker development of the capital market compared with the previous year. This had a knock-on effect on the return on shares in the decommissioning and disposal funds, which are measured at fair value, and on the securities accounts. The state funds posted a gain of CHF 22.1 million in the first half of 2013, although this represented a year-on-year decrease of CHF 8.0 million.

Income tax expenses rose considerably, up by CHF 27.6 million to CHF 52.8 million due to a one-off factor. This one-off effect relates to the adjustment of the tax rate applicable to Italian companies operating in the energy sector (Robin Hood

tax). The change to tax law adopted in Italy resulted in deferred tax liabilities being adjusted by CHF 26.1 million as at 30 June 2013. Compared with the restated figures for the previous year, BKW's net profit fell, down from CHF 109.1 million to CHF 103.6 million. This equates to a fall of 5.0%.

100 million in cash was also invested in time deposits with a term of more than 90 days. Cash outflow from financing activities fell by CHF 39.1 million to CHF 41.8 million, particularly as a result of the repayment of short-term financial liabilities during the previous year.

Higher total assets and a stable equity ratio

Total asset and the equity ratio were considerably affected by the changes in the IFRS accounting rules to be applied retrospectively. The new rules on the balance sheet treatment of pension plan obligations pushed down equity capital as at 31 December 2012 by CHF 246.8 million, with a corresponding impact on the equity ratio.

Total assets were up slightly against the restated prior-year figures, rising by CHF 351.8 million to CHF 7,690.2 million. This is an increase of 4.8% against the 2012 year-end. Non-current assets increased by 9.8%, mainly due to the acquisition of the Castellaneta wind farm, the increase in value of state funds for decommissioning and disposal, and the loan to Swissgrid. On the liabilities side, non-current liabilities for nuclear disposal and deferred tax liabilities increased, whilst pension plan liabilities pursuant to IAS 19 fell markedly as at 30 June 2013. Shareholders' equity rose by 6.1% against the 2012 year-end to total CHF 2,628.7 million. The equity ratio increased slightly, from 33.7% to 34.2%.

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

Higher cash inflow from operating activities

Cash inflow from operating activities, at CHF 205.5 million, was CHF 38.3 million above the restated prior-year figure. This increase is mainly due to the change in net current assets.

Investments in non-current assets resulted in a cash outflow of CHF 328.0 million. The most significant investment was the acquisition of the Castellaneta wind farm. Approximately CHF

Interim Financial Statements of the BKW Group

Consolidated Income Statement

	1 st half-year 2013	1 st half-year 2012 (restated)
CHF millions		
Net sales	1,295.7	1,310.0
Own work capitalised	20.3	22.1
Other operating income	72.9	36.3
Total operating revenue	1,388.9	1,368.4
Energy procurement	-686.7	-727.4
Material and third-party services	-111.7	-102.6
Personnel expenses	-189.6	-178.7
Other operating expenses	-112.7	-106.8
Total operating expenses	-1,100.7	-1,115.5
Operating profit before depreciation, amortisation and impairment	288.2	252.9
Depreciation, amortisation and impairment	-108.1	-99.9
Operating profit	180.1	153.0
Financial income	39.3	40.9
Financial expenses	-70.1	-63.0
Income from equity-valued companies	7.1	3.4
Profit before income taxes	156.4	134.3
Income taxes	-52.8	-25.2
Net profit	103.6	109.1
attributable to:		
› BKW shareholders	106.5	108.2
› Non-controlling interests	-2.9	0.9
Earnings per share in CHF (diluted and undiluted)	2.22	2.28

Interim Financial Statements of the BKW Group

Consolidated Statement of Comprehensive Income

	1 st half-year 2013	1 st half-year 2012 (restated)
CHF millions		
Net profit	103.6	109.1
Actuarial gains/losses		
› Actuarial gains/losses	81.3	22.7
› Income taxes	-16.6	-5.0
Total items that will not be reclassified to income statement, net of tax	64.7	17.7
Currency translations		
› Currency translations	21.1	-14.5
› Transfer to the income statement	0.0	1.3
› Income taxes	0.1	0.0
Available-for-sale financial assets		
› Value adjustments	6.3	-0.8
› Income taxes	-1.4	-2.4
Cash flow hedges		
› Value adjustments	-0.2	1.3
› Income taxes	0.0	-0.3
Total items that may be reclassified to income statement, net of tax	25.9	-15.4
Total other comprehensive income	90.6	2.3
Comprehensive income	194.2	111.4
attributable to:		
› BKW shareholders	197.1	110.5
› Non-controlling interests	-2.9	0.9

Interim Financial Statements of the BKW Group

Consolidated Balance Sheet

	30.06.2013	31.12.2012 (restated)	01.01.2012 (restated)
CHF millions			
Assets			
Property, plant and equipment	3,009.9	2,822.0	2,871.9
Investments in equity-valued companies	1,125.5	1,006.0	991.7
Derivatives	96.3	72.0	32.6
Non-current financial assets	1,141.4	991.6	911.0
Intangible assets	242.4	224.1	211.0
Deferred tax assets	18.1	16.9	8.6
Total non-current assets	5,633.6	5,132.6	5,026.8
Inventories	81.9	104.4	74.3
Accounts receivable	719.9	661.7	607.9
Current tax receivable	10.7	8.9	38.3
Derivatives	209.9	155.0	75.6
Current financial assets	349.2	234.0	209.9
Prepaid expenses and accrued income	250.0	157.4	176.3
Cash and cash equivalents	435.0	599.2	526.8
Total current assets	2,056.6	1,920.6	1,709.1
Assets held for sale	0.0	285.2	254.8
Total assets	7,690.2	7,338.4	6,990.7

	30.06.2013	31.12.2012 (restated)	01.01.2012 (restated)
CHF millions			
Shareholders' equity and liabilities			
Share capital	132.0	132.0	131.1
Capital reserves	35.0	35.0	35.0
Retained earnings	2,797.0	2,759.8	2,663.5
Other reserves	-36.4	-127.0	-133.0
Treasury shares	-334.9	-360.6	-363.7
Equity attributable to BKW shareholders	2,592.7	2,439.2	2,332.9
Equity attributable to non-controlling interests	36.0	37.4	43.9
Total shareholders' equity	2,628.7	2,476.6	2,376.8
Deferred tax liabilities	501.4	420.3	424.4
Derivatives	56.2	39.4	33.3
Long-term provisions	1,856.0	1,835.9	1,692.6
Long-term financial liabilities	1,358.0	1,351.7	1,245.9
Other long-term liabilities	216.4	211.2	193.2
Pension liability	107.6	177.3	215.6
Total long-term liabilities	4,095.6	4,035.8	3,805.0
Other short-term liabilities	499.3	409.0	409.2
Derivatives	185.4	157.2	99.4
Short-term provisions	43.5	39.4	36.1
Short-term financial liabilities	25.4	24.3	46.5
Current tax payable	22.1	23.6	29.0
Deferred income and accrued expenses	190.2	122.7	147.9
Total short-term liabilities	965.9	776.2	768.1
Liabilities held for sale	0.0	49.8	40.8
Total liabilities	5,061.5	4,861.8	4,613.9
Total shareholders' equity and liabilities	7,690.2	7,338.4	6,990.7

Interim Financial Statements of the BKW Group

Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Retained earnings	Other reserves	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
Equity at 31.12.2011 (reported)	131.1	35.0	2,941.6	-133.0	-363.7	2,611.0	43.9	2,654.9
Changes in accounting principles			-278.1			-278.1		-278.1
Equity at 31.12.2011 (restated)	131.1	35.0	2,663.5	-133.0	-363.7	2,332.9	43.9	2,376.8
Net profit			108.2			108.2	0.9	109.1
Other comprehensive income				2.3		2.3		2.3
Comprehensive income			108.2	2.3		110.5	0.9	111.4
Dividend			-47.7			-47.7	-0.6	-48.3
Share capital increase ¹	0.9		17.3			18.2	-18.2	0.0
Transactions in treasury shares			-1.6		3.0	1.4		1.4
Share-based payments			0.4			0.4		0.4
Acquisition of non-controlling interests			0.3			0.3	-4.5	-4.2
Changes in the scope of consolidation			-0.7			-0.7	1.8	1.1
Contribution to equity from non-controlling interests						0.0	12.5	12.5
Equity at 30.06.2012 (restated)	132.0	35.0	2,739.7	-130.7	-360.7	2,415.3	35.8	2,451.1
Equity at 31.12.2012 (reported)	132.0	35.0	3,042.7	-162.4	-360.6	2,686.7	36.7	2,723.4
Changes in accounting principles			-282.9	35.4		-247.5	0.7	-246.8
Equity at 31.12.2012 (restated)	132.0	35.0	2,759.8	-127.0	-360.6	2,439.2	37.4	2,476.6
Net profit			106.5			106.5	-2.9	103.6
Other comprehensive income				90.6		90.6		90.6
Comprehensive income			106.5	90.6		197.1	-2.9	194.2
Dividend			-57.6			-57.6	-0.9	-58.5
Transactions in treasury shares			-12.3		25.7	13.4		13.4
Share-based payments			0.7			0.7		0.7
Acquisition of non-controlling interests			-0.1			-0.1	0.1	0.0
Changes in the scope of consolidation						0.0	0.3	0.3
Contribution to equity from non-controlling interests						0.0	2.0	2.0
Equity at 30.06.2013	132.0	35.0	2,797.0	-36.4	-334.9	2,592.7	36.0	2,628.7

¹ due to the squeeze-out of the non-exchanged shares of BKW Energy Ltd. into shares of BKW Inc.

Interim Financial Statements of the BKW Group

Consolidated Cash Flow Statement

	1 st half-year 2013	1 st half-year 2012 (restated)
CHF millions		
Loss/profit before income taxes	156.4	134.3
Adjustment for:		
› Depreciation, amortisation and impairment	108.1	99.9
› Income from equity-valued companies	-7.1	-3.4
› Financial result	30.8	22.1
› Gains/losses from sale of non-current assets	-33.1	-0.7
› Change in long-term provisions (excl. interest)	-43.9	-10.1
› Change in assigned rights of use	-4.3	-4.6
› Change from the valuation of energy derivatives	-38.5	-41.3
› Other non-cash positions	6.1	2.4
Change in net current assets (excl. current financial assets/liabilities and derivatives)	57.1	-29.0
Income taxes paid	-25.6	-1.6
Other financial items paid	-0.5	-0.8
Cash flow from operating activities	205.5	167.2
Purchase of property, plant and equipment	-103.9	-80.2
Proceeds from sale of property, plant and equipment	4.4	8.2
Acquisition of Group companies	-152.2	4.6
Disposal of Group companies	79.4	0.6
Investments in equity-valued companies	-34.7	-25.7
Disposals of equity-valued companies	0.0	1.3
Investments in current and non-current financial assets	-154.0	-29.9
Disposals of current and non-current financial assets	13.4	40.4
Purchase of intangible assets	-5.1	-4.6
Disposals of intangible assets	0.0	1.0
Interest received	4.0	3.7
Dividends received	20.7	26.8
Cash flow from investing activities	-328.0	-53.8
Sale/purchase of treasury shares	9.3	0.5
Acquisition of non-controlling interests	0.0	-3.0
Contribution to capital from non-controlling interests	0.3	12.5
Increase in long-term financial liabilities	15.8	0.0
Decrease in long-term financial liabilities	-1.4	-3.5
Increase in other long-term liabilities	10.1	12.2
Decrease in other long-term liabilities	-1.0	-5.1
Increase in short-term financial liabilities	0.5	0.0
Decrease in short-term financial liabilities	-8.7	-35.8
Interest paid	-8.2	-10.4
Dividends paid	-58.5	-48.3
Cash flow from financing activities	-41.8	-80.9
Translation adjustments on cash and cash equivalents	0.1	-0.6
Net change in cash and cash equivalents	-164.2	31.9
Cash and cash equivalents at start of reporting period	599.2	526.8
Cash and cash equivalents at end of reporting period	435.0	558.7

Interim Financial Statements of the BKW Group

Notes to the Interim Financial Statements

1 Description of business

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

2 Accounting principles

2.1 General principles

The unaudited consolidated financial statements for the half-year ended 30 June 2013 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34) and should be read in conjunction with the consolidated financial statements at 31 December 2012. These interim financial statements have been drawn up in accordance with the principles described in the 2012 Financial Report (pages 11 to 23). The consolidated interim financial statements for the period ended 30 June 2013 were approved by the BKW Inc. Board of Directors on 5 September 2013 and released for publication.

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

2.2 Adoption of new standards and interpretations

In the 2013 financial year BKW was required to adopt the following new or revised standards:

- › IFRS 10 Consolidated Financial Statements
- › IFRS 11 Joint Arrangements
- › IFRS 12 Disclosure of Interests in Other Entities
- › IFRS 13 Fair Value Measurement
- › Amendment to IAS 1 Presentation of Financial Statements
- › Amendment to IAS 19 Employee Benefits
- › Amendment to IAS 27 Separate Financial Statements
- › Amendment to IAS 28 Investments in Associates and Joint Ventures
- › Amendments to IFRS 7 Financial Instruments: Disclosures
- › IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- › Annual Improvements to IFRSs 2009–2011 Cycle
- › Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

With the exception of the application of IFRS 11 Joint Arrangements and amendments to IAS 19 Employee Benefits, these changes had no impact on BKW's financial position, results of operations or cash flows. The changes were applied retrospectively in accordance with IAS 8 and are explained below. The impact on the balance sheet and income statement is also shown in tabular form. The effect on cash flow is negligible, eliminating the need for a detailed reconciliation statement.

As a result of IFRS 13 being applied, this half-year report contains additional disclosures on assets and liabilities measured at fair value. Additionally, IFRS 12 will result in modified and new disclosures for subsidiaries, joint arrangements and associates in the annual financial statements.

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

- › Amendments to IAS 32 Financial Instruments: Presentation (1 January 2014)
- › Amendments to IFRS 10, IFRS 12 and IFRS 27 Investment Entities (1 January 2014)
- › Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (1 January 2014)
- › Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014)
- › IFRIC 21 Levies (1 January 2014)
- › IFRS 9 Financial Instruments (1 January 2015)

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

3 Significant changes to the principles of accounting and valuation

3.1 IFRS 11 Joint Arrangements

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

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

The introduction of IFRS 10 with its new definition of “control” has not resulted in any new assessment with regard to the control of investments compared with the previous rules, and the group of consolidated companies therefore remains unchanged.

The scopes of IFRS 10 and IFRS 11 are mutually exclusive. With the introduction of IFRS 11, all companies that are not covered by IFRS 10 and for which there are contractual agreements between the shareholders are reviewed for the existence of joint control as defined in IFRS 11. In accordance with the new standard, contractually agreed unanimity is needed for there to be joint control. In the absence of such unanimity, it is conceivable that, in individual cases, joint control could arise indirectly from the overall existence of contractual provisions and their application. It was found that joint control pursuant to IFRS 11 existed in the case of both Bielersee Kraftwerke AG BIK and Kraftwerk Sanetsch AG (KWS). These holdings are classed as joint operations as defined in IFRS 11 and, rather than being valued using the equity method as in the past, are now included in the consolidated financial statements on the basis of the proportional value of their assets and liabilities and income and expenses. The other companies operated jointly with partners do not fulfil the criterion of joint control pursuant to IFRS 11 and are classed as associates. The associates are consolidated, as previously, using the equity method.

The application of IFRS 12 will create additional disclosure obligations in the annual financial statements in relation to entity’s interests in subsidiaries, joint arrangements and associates.

3.2 IAS 19 Employee Benefits

The revised IAS 19 Employee Benefits contains various important changes. The abolition of the corridor method used up until now by BKW means that it is no longer possible to record actuarial gains and losses from the 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. Now, such actuarial gains and losses are to be recognised directly in other comprehensive income. This is likely to make plan assets and obligations and hence also consolidated equity more volatile. Additionally, past service cost must now be recognised immediately under income at the time incurred. Also, under the terms of the revised standard, a uniform discount rate must be applied to the net value of both the plan assets and the benefit obligation. Previously, the expected return on plan assets was estimated on the basis of the pension fund’s investment portfolio and in accordance with the anticipated level of return. The expected employee contributions to be made in future are also to be taken into account when determining the present value of the benefit obligation. This allocation of risk between employer and employees has impacted on the benefit obligation and allocation of the current service cost.

As well as the Group companies, equity valued companies have also been affected by the application of the revised IAS 19 and, in particular, the transition from the corridor method to the immediate recognition of actuarial gains and losses in other comprehensive income.

The changes to IAS 19 have also affected the balance sheet and statement of comprehensive income. The pension plan obligation is now reported as a separate item under non-current liabilities. Previously this item was still included in the form of a debit balance under non-current financial assets. Similarly, the actuarial gains and losses must be reported separately in the statement of comprehensive income.

3.3 Certificates

The method of reporting emission rights and green certificates (hereinafter referred to as certificates) has been changed, with the accounting guidelines having been amended with effect from 1 January 2013. The figures for the prior-year period have been restated accordingly.

Accounting rules for certificates are not currently included in IFRS. There are different options available in terms of how the accounting guidelines are formulated. Based on a draft standard on emission rights (IFRIC 3), which has now been withdrawn again, BKW has to date always reported certificates in accordance with their purpose.

- › Consequently, certificates intended for BKW's own use were reported as intangible assets under non-current assets,
- › whilst certificates held for the sole purpose of achieving a trading margin were reported as current assets under inventories.

Now, all certificates are reported under inventories. Regardless of their purpose, the certificates are easily realisable goods that are not depreciated over several periods. As a result, BKW considers it to be more appropriate to report them under current assets.

The proposed change to the accounting guidelines affects how the certificates are reported but does not impact on their measurement. Certificates held for BKW's own use will continue to be measured at cost and subject to impairment testing. Certificates held for trading will be measured at their fair value minus costs to sell.

3.4 Reconciliation (restatement) for 2012

Balance sheet as at 1 January 2012

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

Balance sheet as at 31 December 2012

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

Income statement for 1st half-year 2012

	1 st half-year 2012 (reported)	IFRS 11	IAS 19	Certificates	1 st half-year 2012 (restated)
CHF millions					
Net sales	1,308.6	1.4			1,310.0
Own work capitalised	21.7	0.4			22.1
Other operating income	37.8	-1.5			36.3
Total operating revenue	1,368.1	0.3	0.0	0.0	1,368.4
Energy procurement	-728.8	1.4			-727.4
Material and third-party services	-103.0	0.4			-102.6
Personnel expenses	-175.4		-3.3		-178.7
Other operating expenses	-105.7	-1.1			-106.8
Total operating expenses	-1,112.9	0.7	-3.3	0.0	-1,115.5
Operating profit before depreciation, amortisation and impairment	255.2	1.0	-3.3	0.0	252.9
Depreciation, amortisation and impairment	-99.3	-0.6			-99.9
Operating profit	155.9	0.4	-3.3	0.0	153.0
Financial income	40.9				40.9
Financial expenses	-62.5	-0.5			-63.0
Income from equity-valued companies	3.9	0.1	-0.6		3.4
Profit before income taxes	138.2	0.0	-3.9	0.0	134.3
Income taxes	-25.9		0.7		-25.2
Net profit	112.3	0.0	-3.2	0.0	109.1
attributable to:					
> BKW shareholders	111.4		-3.2		108.2
> Non-controlling interests	0.9				0.9
Earnings per share in CHF					
(diluted and undiluted)	2.35		-0.07		2.28

4 Business combinations

CHF millions	1st half-year 2013 (Castellaneta)	1 st half-year 2012 (Total)
Property, plant and equipment	174.1	3.4
Intangible assets	0.0	0.7
Deferred tax assets	0.0	0.4
Financial assets	0.6	0.0
Other current assets	23.4	3.9
Cash and cash equivalents	0.0	5.6
Deferred tax liabilities	-21.5	-0.1
Other non-current liabilities	-2.1	-2.2
Current liabilities	-14.6	-3.2
Fair value of acquired net assets	159.9	8.5
Non-controlling interests	0.0	-1.5
Fair value of interests already held	0.0	-6.0
Goodwill	0.0	0.0
Purchase price	159.9	1.0
Deferred purchase price payments	-8.0	0.0
Cash and cash equivalents acquired	0.0	-5.6
Cash outflow	151.9	-4.6

Business combinations, 1st half-year 2013

In April 2012, BKW signed an agreement with the industrial group Tozzi on the purchase of a 100% stake in a wind farm with a total installed capacity of 56 MW in Castellaneta, in the Italian region of Apulia. The sale was finalised on 20 February 2013 once the wind farm had been completed. As of this date, Green Castellaneta S.p.A., with its registered office in Ravenna, Italy, was included in the consolidated financial statements.

The fair value of the acquired company's receivables totals CHF 23.4 million. The default risk applicable to these receivables is classed as exceptionally low, with the result that no impairments have been recorded. The deferred and conditional purchase price instalments are related to outstanding performance on the part of the seller. The cash outflow is expected to take place in 2014.

Had the company already been acquired as at 1 January 2013, total operating revenue would have been CHF 3.9 million higher and the net profit CHF 1.2 million higher. Since the date of full consolidation (20 February 2013) the acquired wind farm has contributed total revenue of CHF 8.5 million and a net loss of CHF 3.3 million. The above amounts are provisional values since the purchase price allocation has not yet been finalised.

Business combinations, 1st half-year 2012

During the first six months of 2012, BKW conducted a number of smaller corporate acquisitions and other takeover operations for which figures are reported in aggregate due to the individual size of each operation. There were no conditional purchase price payments in relation to these transactions. Had these companies and controlling interests already been acquired as at 1 January 2012, the net sales of BKW for the first half of 2012 would have been CHF 2.5 million higher and the net profit CHF 0.2 million higher.

5 Discontinued operations and assets held for sale

Disposal of the transmission grid

The Electricity Supply Act (StromVG) which came into effect on 1 January 2008 requires the transfer of the Swiss transmission grid to the national grid company, Swissgrid Ltd. The assets and liabilities aggregated under the legally autonomous BKW Übertragungsnetz AG were transferred with effect from 3 January 2013. Under IFRS 5, these assets and liabilities have therefore been recognised in the financial statements as at 31 December 2012 as assets held for sale. The transmission grids were assigned to the Networks segment.

The transfer of BKW Übertragungsnetz AG is being carried out at a value determined by the Federal Electricity Commission (ElCom). The definitive amount of the payment from Swissgrid Ltd. to BKW is still unknown due to pending legal proceedings. The provisional recorded amount at the time of the transfer was CHF 31.2 million higher than the carrying amounts under IFRS of the transferred assets and liabilities. The resulting gain has been reported under "Other operating income".

The payment for the transfer mainly took the form of Swissgrid Ltd. shares and a BKW loan receivable from Swissgrid Ltd. The loan receivable from Swissgrid had been divided into a short-term and a long-term loan. The short-term loan had already been repaid shortly after the transaction. The long-term loan is a ten-year convertible loan which can/must be converted into equity by Swissgrid Ltd. if certain criteria are met.

6 Tax burden

Following changes to the Italian "Robin Hood" tax, BKW has revalued its deferred tax liabilities as at 30 June 2013, resulting in an increase of CHF 26.1 million and thus pushing up income tax expenses.

This tax is an additional income tax in Italy applied to companies operating in the energy sector and exceeding certain size limits. By virtue of a decree of 21 June 2013, the Italian government reduced the thresholds above which the tax is applied. This decree was introduced with immediate legal effect, was subsequently debated in both chambers of the Italian parliament and was finally approved on 9 August 2013. Under the Robin Hood tax rules, companies are subject to an additional profit tax at a rate of 6.5%, to be levied indefinitely.

Several BKW Group companies are covered by the scope of this tax under the new rules. With regard to current income taxes, BKW is assuming that the changes will apply as of the 2014 tax year.

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

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

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

Adjustment of Group and organisational structure

In the context of the successful implementation of its new corporate strategy, BKW is also making changes to its Group and organisational structure. This will allow the Group to take advantage of the commercial opportunities presented by the Energy Strategy 2050. The restructuring takes into account the stronger focus on efficiency and renewable energies, provides the conditions necessary for developing new business areas and allows BKW to benefit from existing synergies.

The new organisational structure became operational as of 1 July 2013. This means that the figures disclosed for the first half of 2013 are still based on the old organisational and reporting structure. At year-end the segment reporting for the full financial year will be carried out on the basis of the new structure.

	Energy Switzerland	Energy International & Trading	Networks	Other	Consolidation	Total
1st half-year 2013						
CHF millions						
Electricity sales Switzerland	346.5					346.5
Distribution grid usage fees	198.6		9.6			208.2
Electricity sales international		76.5				76.5
Electricity trading		409.3				409.3
Income from proprietary energy trading		7.9				7.9
Income from energy hedging		18.4				18.4
Other energy business	10.3	100.3	4.3			114.9
Gas business	2.2	28.7				30.9
Construction/engineering services and electrical installation business	1.2		74.7			75.9
Changes in work in progress	-0.5		7.7			7.2
Net sales to external customers	558.3	641.1	96.3	0.0	0.0	1,295.7
Net sales to other segments	446.0	357.1	215.0	24.0	-1,042.1	0.0
Own work capitalised	2.3	0.7	16.7		0.6	20.3
Other operating income	35.3	5.3	44.9	51.8	-64.4	72.9
Total operating revenue	1,041.9	1,004.2	372.9	75.8	-1,105.9	1,388.9
Electricity procurement, third parties	-38.5	-349.0				-387.5
Electricity procurement from equity-valued companies	-133.4	-17.3				-150.7
Other expenses for energy procurement	-10.7	-78.6	-27.9			-117.2
Gas procurement	-1.9	-29.4				-31.3
Energy procurement from third parties and equity-valued companies	-184.5	-474.3	-27.9	0.0	0.0	-686.7
Energy procurement from other segments	-557.1	-438.2	-11.0		1,006.3	0.0
Operating expenses excluding energy procurement	-181.5	-53.5	-201.7	-77.6	100.3	-414.0
Operating expenses	-923.1	-966.0	-240.6	-77.6	1,106.6	-1,100.7
Operating profit before depreciation, amortisation and impairment	118.8	38.2	132.3	-1.8	0.7	288.2
Depreciation, amortisation and impairment	-45.5	-21.1	-36.8	-4.8	0.1	-108.1
Operating profit	73.3	17.1	95.5	-6.6	0.8	180.1
Financial result						-30.8
Income from equity-valued companies						7.1
Profit before income taxes						156.4
Additions property, plant and equipment, intangible assets and state funds	57.8	9.1	43.1	7.6	-0.1	117.5
Additions equity-valued companies	2.4	32.3	73.0			107.7
Investments in equity-valued companies						
at 30.06.2013	442.9	602.7	79.9			1,125.5
Total assets at 30.06.2013	3,421.6	2,553.2	1,632.7	5,917.5	-5,834.8	7,690.2

	Energy Switzerland	Energy International & Trading	Networks	Other	Consolidation	Total
1 st half-year 2012 CHF millions (restated)						
Electricity sales Switzerland	346.1					346.1
Distribution grid usage fees	194.7		8.0			202.7
Electricity sales international		104.7				104.7
Electricity trading		455.1				455.1
Income from proprietary energy trading		7.5				7.5
Income from energy hedging		1.1				1.1
Other energy business	8.1	59.3	25.1			92.5
Gas business	2.1	29.3				31.4
Construction/engineering services and electrical installation business			61.7			61.7
Changes in work in progress	3.3		3.9			7.2
Net sales to external customers	554.3	657.0	98.7	0.0	0.0	1,310.0
Net sales to other segments	513.5	407.7	209.5	23.2	-1,153.9	0.0
Own work capitalised	2.6	0.5	18.1		0.9	22.1
Other operating income	30.6	5.0	10.7	55.3	-65.3	36.3
Total operating revenue	1,101.0	1,070.2	337.0	78.5	-1,218.3	1,368.4
Electricity procurement, third parties	-36.2	-412.1				-448.3
Electricity procurement from equity-valued companies	-136.6	-11.1				-147.7
Other expenses for energy procurement	-9.8	-62.2	-27.1			-99.1
Gas procurement	-1.7	-30.6				-32.3
Energy procurement from third parties and equity-valued companies	-184.3	-516.0	-27.1	0.0	0.0	-727.4
Energy procurement from other segments	-600.1	-502.8	-11.0		1,113.9	0.0
Operating expenses excluding energy procurement	-172.6	-49.0	-199.6	-70.2	103.3	-388.1
Operating expenses	-957.0	-1,067.8	-237.7	-70.2	1,217.2	-1,115.5
Operating profit before depreciation, amortisation and impairment	144.0	2.4	99.3	8.3	-1.1	252.9
Depreciation, amortisation and impairment	-41.5	-17.1	-36.1	-5.6	0.4	-99.9
Operating profit	102.5	-14.7	63.2	2.7	-0.7	153.0
Financial result						-22.1
Income from equity-valued companies						3.4
Profit before income taxes						134.3
Additions property, plant and equipment, intangible assets and state funds	24.7	9.7	53.4	7.8	-0.8	94.8
Additions equity-valued companies	2.8	24.9				27.7
Investments in equity-valued companies						
at 31.12.2012	436.4	564.5	5.1			1,006.0
Total assets at 31.12.2012	3,378.1	2,302.1	1,946.9	5,971.6	-6,260.3	7,338.4

8 Financial result

CHF millions

	1st half-year 2013	1 st half-year 2012 (restated)
Interest income	5.4	4.1
Dividends	6.2	4.7
Value adjustment on state funds	22.1	30.1
Gain on sale of financial assets	0.9	0.0
Value adjustment on securities held for trading	0.0	1.3
Other financial income	1.7	0.7
Currency translations	3.0	0.0
Financial income	39.3	40.9
Interest expenses	-20.9	-18.0
Interest on provisions	-42.8	-40.3
Loss from sales of financial assets	-0.6	0.0
Value adjustment on securities held for trading	-3.7	0.0
Impairment of financial assets	-0.1	0.0
Other financial expenses	-2.0	-2.2
Currency translations	0.0	-2.5
Financial expenses	-70.1	-63.0

9 Foreign currency exchange rates

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

	Closing date 30.06.2013	Closing date 31.12.2012	Average 1st half-year 2013	Average 1 st half-year 2012
CHF/EUR	1.2343	1.2090	1.2281	1.2049

10 Dividends

In accordance with the decision of the BKW Inc. Annual General Meeting held on 17 May 2013, a dividend of CHF 1.20 (previous year CHF 1.00) per share was paid out for the 2012 financial year.

11 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value 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** Valuations where the asset cannot be actively traded at all times but for which the inputs are based on directly or indirectly observable market data. The input parameters have a material impact on fair value. Currently classed under this level by BKW are over-the-counter derivatives (all forward energy trading contracts, interest rate swaps and forward currency contracts) and the pro rata net assets in state funds.
- › **Level 3** Valuations that apply inputs with a material impact on fair value that are not based on observable market data. BKW mainly classifies unlisted securities designated as available-for-sale financial assets under this level. The valuation requires estimates from the management with regard to non-observable input factors. The fair values of Level 3 financial assets and liabilities were determined using the discounted cash flow method and discounted based on a WACC of 5.7%. A constant margin (real growth of zero) is assumed for the purposes of the valuation models. The impact of a change of 10% in the two most important non-observable input factors would have no material impact on BKW's overall result or equity.

There were no transfers between the different levels during the reporting period or during the same period of the previous year.

CHF millions	Carrying amount at 30.06.2013	Level 1	Level 2	Level 3
Financial assets at fair value				
Non-current financial assets				
› Available-for-sale financial assets	210.1	104.8		105.3
› Receivables from state funds	738.8		738.8	
Derivatives (current and non-current)	306.2		306.2	
Current financial assets				
› Securities held for trading	131.0	131.0		
Inventories				
› Certificates (proprietary trading)	12.0	12.0		
Financial liabilities at fair value				
Derivatives (current and non-current)	241.6		241.6	

CHF millions	Carrying amount at 31.12.2012	Level 1	Level 2	Level 3
Financial assets at fair value				
Non-current financial assets				
> Available-for-sale financial assets	206.2	98.7		107.5
> Receivables from state funds	701.6		701.6	
Derivatives (current and non-current)	227.0		227.0	
Current financial assets				
> Securities held for trading	134.2	134.2		
Inventories				
> Certificates (proprietary trading)	36.1	36.1		
Financial liabilities at fair value				
Derivatives (current and non-current)	196.6		196.6	

The pro rata net assets in the state funds are valued at their fair value and reported in full under Level 2. The assets of the state funds (federal decommissioning and disposal funds) are managed by the federal government, with BKW having no access to the assets under management. These assets are invested in accordance with the defined investment strategy, generally in products that have listed prices on active markets. To a limited extent, investments may also be made in assets for which there are no listed prices on active markets. These assets are valued by the global custodian. For its part, BKW has no influence on the valuation method used. The funds' annual accounts are audited annually by an external auditor and published by the federal agencies responsible.

The Level 3 assets measured at fair value developed as follows during the period under review:

CHF millions	Available-for-sale financial assets
At 31.12.2012	107.5
Additions	0.7
Disposals	-3.2
Transfers to other levels	0.0
Transfers from other levels	0.0
Value adjustment	
> Transfer to income statement	0.0
> Changes in value included in other comprehensive income	0.3
At 30.06.2013	105.3

12 Financial assets and liabilities measured at amortised cost

The carrying amounts of the financial assets closely correspond to the fair values. Due to short residual terms to maturity, the carrying amounts of financial liabilities at amortised cost corresponds approximately to the fair value. At 30 June 2013 there was a difference between these two values in the case of bonds with a nominal value of CHF 1,000 million reported under non-current financial liabilities. The share price of the bonds as at the reporting date was CHF 1,027.8 million compared with a carrying amount of CHF 990.7 million (of which CHF 117.9 million was reported at fair value as part of a fair value hedge transaction). The share price of the bonds as at 31 December 2012 was CHF 1,053.4 million compared with a carrying amount of CHF 993.6 million (of which CHF 120.7 million was reported at fair value as part of a fair value hedge transaction).

13 Events after the balance sheet date

Acquisition of CHI.NA.CO S.r.l.

After the balance sheet date, BKW acquired CHI.NA.CO S.r.l. in Roè Volciano, Italy, from Italy's second-largest utility company, A2A, based in Milan. The company operates five small-scale hydropower plants with a capacity of just under 10 MW. The purchase agreement was closed on 3 July 2013. As of this date, the company was included in the consolidated financial statements. The acquisition of the hydroelectric power plants strengthens BKW's commitment to the Italian market.

As the acquisition was only conducted shortly before the completion and approval of the consolidated accounts, only a provisional balance sheet was available. The fair value of net assets provisionally established directly prior to the acquisition was approximately CHF 46 million. The net assets comprise non-current assets of approximately CHF 64 million and non-current liabilities of around CHF 18 million. The purchase price for the hydropower plants is in the region of CHF 46 million. BKW expects the acquisition either to have no effect on goodwill or to result in a merely negligible increase. The purchase agreement provides for the takeover of CHI.NA.CO S.r.l. excluding net current assets and net financial debts. Any such assets and liabilities that are additionally acquired will be offset through the purchase price. The additional disclosures required under IFRS cannot be made yet as the corresponding figures are not yet known.

Planned change to SEFV

On 14 August 2013 the Swiss Federal Council announced its intention, as part of the revision of the Decommissioning and Disposal Funds Ordinance (SEFV), to make changes to the parameters used to measure contributions to the decommissioning and disposal funds. A consultation phase was launched to consider these proposed changes. The new rules will not enter into force until mid-2014 at the earliest.

Specifically, a general rate of price increase of 1.5% (previously 3%) is to be applied and a new rate of return of 3.5% (previously 5%). Additionally, an uncertainty allowance of 30% is now to be included when estimating costs.

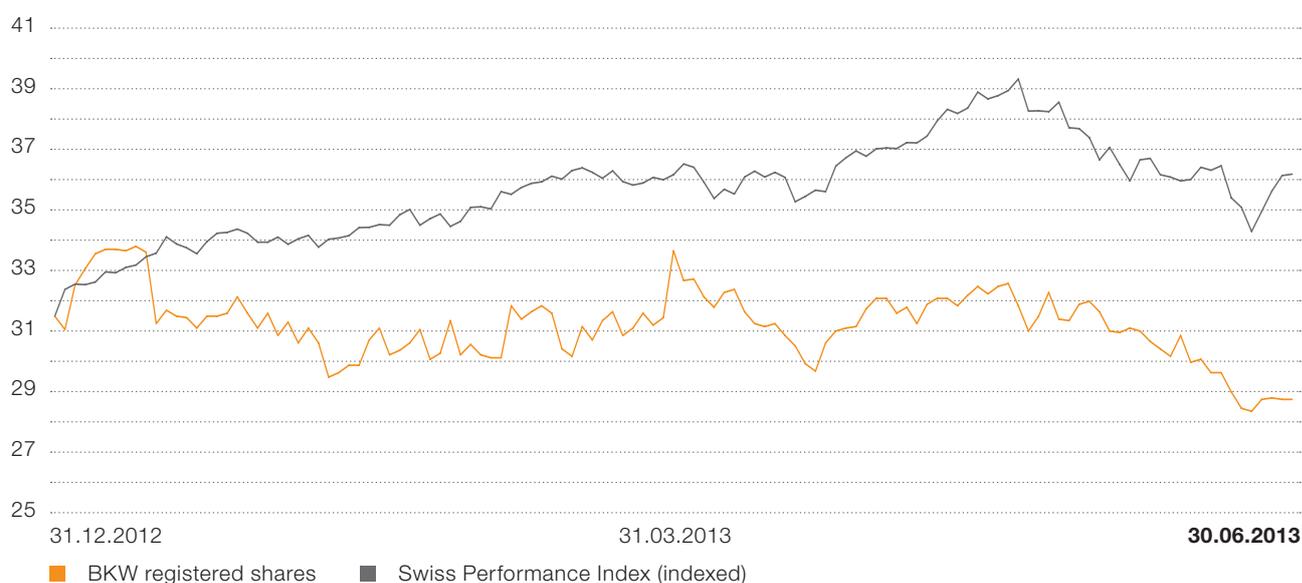
Based on the current calculation model, uncertainties and new findings are taken into account as part of a cost estimate carried out every five years. Against this background, the uncertainty allowance being proposed by the Federal Council will lead to high additional payments to the funds, which BKW does not believe to be necessary. The findings on specific cost increases relating to decommissioning and disposal based on future cost estimates could, as a result, lead to adjustments in the amount of the safety margin and in the rate of increase.

If the proposed parameters were also used for the formation of provisions for run-out operations, decommissioning and disposal, this would impact on BKW's income statement and balance sheet: provisions would have to be raised by around CHF 300 million. Provisions would be formed in the first instance via the balance sheet and result in a corresponding increase in the asset value of the Mühleberg nuclear power plant. This asset value would then have to be tested for impairment. It can be assumed that a large portion would have to be written off against income immediately.

Investor Information

Important information on the BKW share, bonds and financial calendar

Performance of the BKW share 01.01.2013–30.06.2013 (CHF)



The share price fell by 8.9% during the period under review.

Listing

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

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

Significant shareholders

%	30.06.2013	31.12.2012
Canton of Berne	52.54	52.54
Groupe E Ltd.	10.00	10.00
E.ON Energie AG	7.03	7.03
Treasury stock	8.96	9.68

The proportion of shares held by the public (free float) is approximately 21.5%. The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

CHF	1 st half-year 2013	1 st half-year 2012 (restated)	2012 (restated)
Par value	2.50	2.50	2.50
Share price			
> period end	28.60	31.80	31.40
> period high	33.75	39.25	39.25
> period low	28.20	30.00	28.80
Earnings per share (BKW shareholders' portion)	2.22	2.28	2.70
Equity per share (BKW shareholders' portion)	53.95	50.65	51.15
Market capitalisation in CHF millions	1,374.5	1,516.6	1,497.5

Bonds

At 30 June 2013, BKW had the following bonds outstanding:

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

Financial Calendar

Advance information on the 2013 annual results:	26 February 2014
Publication of 2013 annual results:	26 March 2014
Annual General Meeting:	09 May 2014
Ex-dividend date:	13 May 2014
Dividend payment:	16 May 2014
Publication of 2014 half-year report:	11 September 2014

Addresses

Investor Relations

BKW Inc.

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

Media Communications

BKW Inc.

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

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BKW Inc.
Viktoriaplatz 2
CH-3000 Berne 25
Tel + 41 58 477 51 11

www.bkw.ch