

BKW GROUP

Half-Year Report 2017



BKW Group

Financials

| CHF millions | 2016 (restated) | 1 st half-year 2016 (restated) | 1 st half-year 2017 |
|--|--------------------|---|-----------------------------------|
| Total operating revenue | 2,490.0 | 1,190.0 | 1,297.7 |
| Operating profit | 383.6 | 171.0 | 181.9 |
| Net profit | 322.1 | 124.0 | 115.8 |
| Cash flow from operating activities | 358.1 | 60.9 | 217.1 |
| Investments in property, plant and equipment and intangible assets | 303.7 | 134.2 | 112.0 |
| Acquisition of Group companies and associates | 495.3 | 196.3 | 86.2 |
| Balance sheet total | 8,581.5 | 8,226.6 | 8,696.0 |
| Shareholders' equity | 2,940.9 | 2,519.9 | 3,123.1 |
| as % of balance sheet total | 34.3 | 30.6 | 35.9 |

Electricity business

| GWh | 2016 | 1 st half-year 2016 | 1 st half-year 2017 |
|---|---------------|-----------------------------------|-----------------------------------|
| Sales | | | |
| Sales Switzerland | 7,147 | 3,575 | 3,956 |
| Sales International | 2,348 | 1,174 | 1,161 |
| Market sales | 11,370 | 5,393 | 5,662 |
| Pump/substitution energy | 382 | 204 | 208 |
| Transmission losses/own consumption | 202 | 101 | 102 |
| Total | 21,449 | 10,447 | 11,089 |
| Generation and purchases (incl. financial interests) | | | |
| Hydroelectric plants | 3,614 | 1,563 | 1,543 |
| Nuclear power plants incl. purchase contracts | 5,261 | 3,148 | 2,769 |
| Fossil-fuel power plants | 1,421 | 700 | 1,207 |
| New renewable energy | 922 | 443 | 579 |
| Trade (purchases) and energy buy-backs | 10,231 | 4,593 | 4,991 |
| Total | 21,449 | 10,447 | 11,089 |

Employees

| Full-time equivalent | 31.12.2016 | 30.06.2016 | 30.06.2017 |
|----------------------|------------|------------|------------|
| Employees | 5,007 | 4,830 | 5,768 |

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FOREWORD

Higher revenues and operating profit

In the first half of 2017, the BKW Group¹ again achieved an excellent financial result and successfully offset the persistent negative effects of falling electricity prices. At CHF 1.3 billion, total operating revenue was 9% higher than the previous year's adjusted figure, while operating profit increased by CHF 11 million to CHF 182 million.



Dear Shareholder, Dear Sir/Madam,

BKW continues to achieve pioneering feats in various regions. The global energy sector is currently in the midst of an enormous transformation. This calls for more than just a good strategy. We need courage, endurance, entrepreneurial thinking and focused work to continue being successful.

We are stable yet agile

We are focusing on three overriding objectives: strengthening the Energy segment, developing our Grid business and, at the same time, expanding our Services. We are systematically pursuing a strategy that provides us with stability and gives us the agility we need – irrespective of future electricity prices. For example, we are transforming our company into a provider of energy and infrastructure services.

We are maintaining our strong regional roots and becoming more connected

We continue to experience strong growth in the Services segment and are gradually becoming a unique network of companies, one that already employs more than 6,000 people. We strive to preserve the regional ties of the companies that join BKW and to ensure that they all work together to the benefit of the Group. At the same time, we are accessing new markets, making the most of available expertise and seeking inspiration from innovative technologies.

¹ The BKW Group comprises BKW AG and its Group companies. In order to make this report easier to read, the Group is referred to as BKW. Where the text relates specifically to BKW AG or BKW Energie AG, this is expressly mentioned.

We are successfully optimising our energy position through trading

With traditional management of our energy position, expansion of the trading services and highly successful electricity trading, we were able to offset the negative effects of electricity prices to a large extent. We are continuously expanding the trading services – in particular the direct marketing of renewable wind energy. We already manage a wind portfolio with an output of more than 5 gigawatts, directly integrated into the electricity market for our partners.

We are systematically managing our costs

With systematic and continuous cost management, we again managed to increase efficiency and thereby make a considerable contribution towards the strong operating result.

We are stepping up the production of renewable energy

With the Marker wind farm project in Norway and the ongoing projects in France, we are stepping up our commitment to wind energy production and using the excellent local wind conditions to produce renewable energy. In Switzerland, we are continuing to increase the supply of hydroelectric power with two additional small hydroelectric plants in the Bernese Oberland.

We are developing solutions for a worthwhile future

BKW is committed to finding future-proof, economically viable solutions. We make a contribution to important social issues in the areas of energy and modern infrastructures. We have a future-oriented mindset, operate responsibly and see challenges as opportunities. As a service provider, we see things through our customers' eyes, which allows us to create solutions for a worthwhile future.

Good result expected for 2017

We confirm our previously communicated financial outlook for the current financial year and are expecting an operating profit (excluding exceptional items) in line with the previous year's figure.

Kind regards,

A handwritten signature in black ink, appearing to read 'S. Thoma'.

Suzanne Thoma, CEO

FINANCIAL RESULT

Higher total operating revenue and increased operating profit

BKW can once again point to an excellent financial result. Despite the continued negative development of electricity prices, BKW was able to increase total operating revenue by 9% to CHF 1.3 billion. This growth is mainly attributable to the ongoing expansion of the Services business. Operating profit (EBIT) was also up by 6% to CHF 182 million, which enabled the negative effects of fluctuating electricity prices to be offset once again. All three segments – Energy, Grid and Services – contributed to this positive development.

Strong operating profit – negative effects of electricity prices offset successfully

BKW finished the first half of 2017 with operating profit amounting to an excellent CHF 181.9 million, up by 6% (CHF 10.9 million) on the previous year's adjusted figure. The persistent negative effects of fluctuating electricity prices were therefore more than offset in the first half of the year. Optimum management of the energy position, a good trading result, a greater earnings contribution from the Services business, and continuous and consistent cost management were the main factors in offsetting the negative price effects and increasing the operating profit.

At CHF 115.8 million, net profit was 7% (or CHF 8.2 million) below the previous year's figure, due solely to the one-off gain from the sale of the participating interest in Romande Energie in 2016. Without this one-off effect, net profit would have been up slightly. The results for operating activities therefore improved at all levels.

Operating cash flow stood at CHF 217.1 million, up on the previous year's figure, which means that active investment can be financed entirely from funds generated internally on an ongoing basis. BKW's liquidity therefore remains high, amounting to CHF 1.2 billion as at 30 June 2017.

| CHF millions | 1 st half-year 2016 (restated) | 1 st half-year 2017 | % change |
|--|---|-----------------------------------|------------|
| Total operating revenue | 1,190.0 | 1,297.7 | 9% |
| Energy procurement/transport | -472.9 | -514.4 | 9% |
| Operating costs | -454.0 | -527.4 | 16% |
| – Material and third-party services | -127.2 | -133.9 | 5% |
| – Personnel expenses | -249.5 | -302.7 | 21% |
| – other operating expenses | -77.3 | -90.8 | 17% |
| Operating profit before depreciation, amortisation and impairment | 263.1 | 255.9 | -3% |
| Depreciation, amortisation and impairment | -91.6 | -95.9 | 5% |
| Income from associates | -0.5 | 21.9 | - |
| Operating profit/loss | 171.0 | 181.9 | 6% |
| Financial result | -18.2 | -20.7 | 14% |
| Profit/loss before income taxes | 152.8 | 161.2 | 5% |
| Income taxes | -29.0 | -43.9 | 51% |
| Net profit from continuing operations | 123.8 | 117.3 | -5% |
| Net profit/loss from discontinued operations | 0.2 | -1.5 | - |
| Net profit | 124.0 | 115.8 | -7% |

Greater revenues due to sustained active acquisitions in all areas

Total operating revenue increased to CHF 1,297.7 million, up by a total of 9% on the previous year (adjusted), despite price-related sales declines in the Energy segment. Both the Services business (+37% to CHF 331.7 million) and the Grid business (+16% to CHF 342.8 million) enjoyed double-digit growth as a result of acquisitions. As anticipated, total operating revenue from the Energy business was down due to lower electricity prices (-4% to CHF 666.2 million), despite the acquisition of AEK Energie AG (AEK) in the previous year and further expansion in the areas of wind and small hydro energy.

The reporting of the total operating revenue was adjusted due to the ongoing assessment of the distribution business in Italy. BKW is currently assessing various options, with the main focus on selling the sales activities. The distribution business in Italy is therefore classified as a "discontinued operation" in accordance with the guidelines of IFRS 5. The income and expenses associated with these discontinued operations have been eliminated and summarised on one line. The previous year's figures have been adjusted accordingly.

Further reduction of operating expenses in established business areas

In the established business areas, operating expenses were again reduced in the region of double-digit millions thanks to continuous and consistent cost management. However, as a whole, the reported operating expenses increased by CHF 73.4 million (16%) in comparison to the previous year. This rise is attributable solely to the considerable expansion of the Services business with its high personnel requirements. Due to the acquisitions, 750 new employees joined BKW in the first half of 2017.

Stable financial result despite absence of one-off positive effect

At CHF -20.7 million, the financial result was only slightly lower than the previous year's result, which was positively influenced by the one-off gain from the sale of the participating interest in Romande Energie (CHF 11 million). The decommissioning and disposal funds performed better than in the first half of 2016, meaning that the eventual difference over the previous year was just CHF -2.5 million.

At CHF 115.8 million, net profit was 7% (or CHF 8.2 million) down on the previous year's figure. Adjusted for last year's one-off effect in the financial result, the comparative net profit was about 2% higher.

Energy: negative effects of electricity prices offset successfully

The Energy business builds, operates and maintains BKW's pool of power plants in Switzerland and abroad. It also includes the sale of energy and trading in electricity, certificates and raw materials. The revenues and expenses for energy deliveries relating to the distribution business in Italy were eliminated, as there are plans to sell it. The previous year was adjusted in the interest of comparability.

| CHF millions | 1 st half-year 2016 (restated) | 1 st half-year 2017 | % change |
|--|---|-----------------------------------|--------------|
| Electricity sales Switzerland | 253.0 | 260.9 | 3 % |
| Other electricity sales | 381.1 | 340.6 | -11 % |
| Income from other energy business | 41.9 | 50.8 | 21 % |
| Other operating income and own work capitalised | 16.0 | 13.9 | -13 % |
| Total operating revenue | 692.0 | 666.2 | -4 % |
| Energy procurement | -378.0 | -400.8 | 6 % |
| Expense from other energy business | -12.1 | -14.5 | 20 % |
| Operating costs | -156.9 | -143.5 | -9 % |
| – Personnel expenses | -53.8 | -57.7 | 7 % |
| – Material and third-party services and other operating expenses | -103.1 | -85.8 | -17 % |
| Total operating expenses | -547.0 | -558.8 | 2 % |
| Operating profit before depreciation, amortisation and impairment | 145.0 | 107.4 | -26 % |
| Depreciation, amortisation and impairment | -46.3 | -37.3 | -19 % |
| Income from associates | -18.5 | 11.0 | – |
| Operating profit/loss | 80.2 | 81.1 | 1 % |

As anticipated, the lower electricity prices affected sales in the Energy business. Despite the very successful management of the energy position, excellent electricity trading, a further increase in new wind and small hydro plants, and the acquisition of AEK, the negative development of electricity prices still had an impact. As a result, total operating revenue increased only slightly by 4% to CHF 666.2 million. In the partially regulated Swiss distribution business, higher volumes (+0.4 TWh) due to acquisitions resulted in a small increase in revenue (3%) to CHF 260.9 million. However, other electricity sales (including market sales, direct sales from power plants and trading activities) were down by CHF 40.5 million as a result of price factors.

Energy procurement costs increased by 6% to CHF 400.8 million. However, the previous year's figure includes a partial release of the provision for onerous energy procurement contracts for the gas power plant in Livorno Ferraris in the amount of CHF 28 million. Taking into account this special item, energy procurement costs decreased by CHF 5.2 million in comparison. This was due mainly to lower market procurement costs as a result of price factors. In contrast, production costs from power plants in which BKW owns a minority stake have increased. The volume produced by nuclear power plants was considerably lower, due in particular to the extended outage of the Leibstadt plant. This led to procurement of higher volumes from the market. Fossil-fuel power plants, on the other hand, generated higher volumes, which meant that the variable procurement costs also increased. At 6.1 TWh, total electricity production was 0.2 TWh higher than in the previous year.

Thanks to improvements in efficiency and continuous cost savings, it was again possible to cut operating expenses, which were down by 9% (CHF –13.4 million).

At CHF 81.1 million, the reported operating profit was slightly higher than in the previous year (+1%). Given the known negative impact of electricity prices, this was an excellent result. Thanks to optimum management of the energy position and systematic cost management, these negative price effects were again offset successfully.

Grid: contribution to overall result increased again

The Grid segment builds, operates and maintains BKW's distribution grid. It also includes the transport of energy for end consumers outside BKW's supply region. The revenues and expenses for energy deliveries relating to the distribution business in Italy were eliminated, as there are plans to sell it. The previous year was adjusted in the interest of comparability.

| CHF millions | 1 st half-year 2016 (restated) | 1 st half-year 2017 | % change |
|--|---|-----------------------------------|-------------|
| Distribution grid usage fees | 257.9 | 290.0 | 12 % |
| Other operating income and own work capitalised | 38.3 | 52.8 | 38 % |
| Total operating revenue | 296.2 | 342.8 | 16 % |
| Energy transport expense | –82.3 | –98.5 | 20 % |
| Operating costs | –99.9 | –101.4 | 2 % |
| – Personnel expenses | –41.4 | –42.0 | 1 % |
| – Material and third-party services and other operating expenses | –58.5 | –59.4 | 2 % |
| Total operating expenses | –182.2 | –199.9 | 10 % |
| Operating profit before depreciation, amortisation and impairment | 114.0 | 142.9 | 25 % |
| Depreciation, amortisation and impairment | –35.4 | –43.4 | 23 % |
| Income from associates | 17.9 | 11.0 | –39 % |
| Operating profit/loss | 96.5 | 110.5 | 15 % |

Total operating revenue of the Grid business improved by 16% to CHF 342.8 million. Distribution grid usage fee revenue increased by 12% to CHF 290.0 million. This increase is due in particular to the acquisition of AEK in the previous year. Other operating revenue also includes cost reimbursements relating to the transfer of the transmission system in 2013.

Energy transport costs increased by 20% due to higher volumes of distributed power. The reported operating expenses increased by 1% due to the extra business from AEK. On the other hand, costs in the established business areas were cut considerably (–6%).

The result from associates was CHF 6.9 million lower, as AEK was still included in this item last year. At CHF 110.5 million in total, the operating profit of the Grid business is 15% higher than in the previous year. This means the grids have yet again made an essential contribution to the overall result of BKW.

Services: rapid expansion leads to higher operating profit

The Services business includes engineering planning and consulting for energy, infrastructure and environmental projects, integrated services in the area of building technology, and the construction, servicing and maintenance of network infrastructures (energy, water, telecommunication).

| CHF millions | 1 st half-year 2016 | 1 st half-year 2017 | % change |
|--|-----------------------------------|-----------------------------------|-------------|
| Income from services | 234.6 | 313.2 | 34 % |
| Other operating income | 7.9 | 18.5 | 134 % |
| Total operating revenue | 242.5 | 331.7 | 37 % |
| Operating costs | -225.8 | -307.2 | 36 % |
| – Personnel expenses | -108.5 | -158.5 | 46 % |
| – Material and third-party services and other operating expenses | -117.3 | -148.7 | 27 % |
| Total operating expenses | -225.8 | -307.2 | 36 % |
| Operating profit before depreciation, amortisation and impairment | 16.7 | 24.5 | 47 % |
| Depreciation, amortisation and impairment | -6.1 | -9.6 | 57 % |
| Income from associates | 0.1 | 0.1 | 0 % |
| Operating profit/loss | 10.7 | 15.0 | 40 % |

The Services business again recorded a considerable rise in total operating revenue. Revenues grew by CHF 89.2 million (37%) to CHF 331.7 million, which meant that the strategic expansion of the Services business continued apace. In the first half of 2017, a total of ten companies were acquired in the building technology (in particular heating installation), grid/infrastructure services, and engineering sectors. As well as expanding the engineering business through acquisitions in Germany (in particular the Assmann Group) and in Switzerland (the Grunder Group), BKW also enhanced its geographical presence in the building technology sector as a national service provider and is now represented in western Switzerland as well. In addition, it further expanded its network infrastructure services considerably with the acquisition of Hinni AG.

Operating expenses in the Services business, with its higher personnel requirements, have risen in parallel to the strong growth in sales. One-off company acquisition and integration costs resulting from business purchases continue to be a burden on the expense items. In addition, since the Services business typically experiences significant sector-specific seasonal effects (particularly for grid services and building technologies), a strong second half of the year is expected in this area. At CHF 15.0 million, the reported EBIT of the Services business in the first half of the year was still considerably higher than the previous year's figure and disproportionately higher than sales. Despite persistently high acquisition-related costs, the margin is still on target.

Large cash inflow from operating activities

Operating cash flow from the first half of the year amounted to CHF 217.1 million (previous year: CHF 60.9 million). The considerable increase in comparison to the previous year is due primarily to the improved net working capital. Funds from operations (cash inflow from the change in net working capital) amounted to CHF 222.8 million (previous year: CHF 191.7 million), its highest level for five years.

The investing activities in the first half of 2017 can therefore be financed almost entirely from funds generated internally within this period. Investments in expansion of the Services business, in new power plants, and in the grid infrastructure amounted to CHF 198.2 million in the first half of 2017. Growth investments make up almost two thirds of this figure.

Equity and financing situation: financial and operational flexibility

The balance sheet total rose by 1.3% compared with the end of the year, coming in at CHF 8.7 billion at the half-year mark. Despite the higher balance sheet total, the equity ratio increased to 35.9% (end of 2016: 34.3%). Due to the half-year profit and the sale of treasury shares for conversion of the convertible bond, equity increased to CHF 3.1 billion.

| CHF millions | 31.12.2016 | 30.06.2017 |
|----------------------------|----------------|----------------|
| Current assets | 2,400.5 | 2,331.7 |
| Non-current assets | 6,181.0 | 6,364.3 |
| Current liabilities | 1,089.2 | 1,112.8 |
| Non-current liabilities | 4,551.4 | 4,460.1 |
| Shareholders' equity | 2,940.9 | 3,123.1 |
| Balance sheet total | 8,581.5 | 8,696.0 |

BKW's financing situation remains solid. Net debts (financial liabilities less current financial assets and cash and cash equivalents) were down by CHF 18 million to CHF 420.9 million at the half-year point, due in particular to the conversion of outstanding convertible bonds. The first refinancing of outstanding bonds amounting to CHF 150 million is due in 2018. In addition, BKW maintains an unused syndicated loan of CHF 250 million. The financial framework needed for maintaining financial and operational flexibility is therefore sufficient and secured on an ongoing basis.

HALF-YEAR REPORT 2017

Half-Year Financial Statements of the BKW Group

Consolidated Income Statement

| CHF millions | 1 st half-year 2016 (restated) | 1 st half-year 2017 |
|--|---|-----------------------------------|
| Net sales | 1,126.9 | 1,222.0 |
| Own work capitalised | 31.3 | 35.5 |
| Other operating income | 31.8 | 40.2 |
| Total operating revenue | 1,190.0 | 1,297.7 |
| Energy procurement/transport | -472.9 | -514.4 |
| Material and third-party services | -127.2 | -133.9 |
| Personnel expenses | -249.5 | -302.7 |
| Other operating expenses | -77.3 | -90.8 |
| Total operating expenses | -926.9 | -1,041.8 |
| Operating profit before depreciation, amortisation and impairment | 263.1 | 255.9 |
| Depreciation, amortisation and impairment | -91.6 | -95.9 |
| Income from associates | -0.5 | 21.9 |
| Operating profit/loss | 171.0 | 181.9 |
| Financial income | 45.6 | 38.8 |
| Financial expenses | -63.8 | -59.5 |
| Profit/loss before income taxes | 152.8 | 161.2 |
| Income taxes | -29.0 | -43.9 |
| Net profit from continuing operations | 123.8 | 117.3 |
| Net profit/loss from discontinued operations | 0.2 | -1.5 |
| Net profit | 124.0 | 115.8 |
| attributable to: | | |
| – BKW shareholders | 119.8 | 108.1 |
| – Non-controlling interests | 4.2 | 7.7 |
| Earnings per share in CHF (undiluted) | 2.47 | 2.14 |
| Earnings per share in CHF (diluted) | 2.29 | 2.05 |
| Result per share in CHF from continuing operations (undiluted) | 2.46 | 2.17 |
| Result per share in CHF from continuing operations (diluted) | 2.28 | 2.08 |

Consolidated Statement of Comprehensive Income

| CHF millions | 1 st half-year 2016 | 1 st half-year 2017 |
|--|-----------------------------------|-----------------------------------|
| Net profit | 124.0 | 115.8 |
| Actuarial gains/losses (Group companies) | | |
| – Actuarial gains/losses(-) | –121.4 | 48.0 |
| – Income taxes | 26.7 | –10.6 |
| Actuarial gains/losses (associates) | | |
| – Actuarial gains/losses(-) | –5.7 | –2.5 |
| – Income taxes | 0.4 | 0.4 |
| Total items that will not be reclassified to income statement, net of tax | –100.0 | 35.3 |
| Currency translations | | |
| – Currency translations | 0.1 | 19.8 |
| Available-for-sale financial assets | | |
| – Value adjustments | –2.0 | 0.0 |
| – Reclassification to the income statement | –10.8 | 0.0 |
| – Income taxes | 2.8 | 0.0 |
| Hedging transactions | | |
| – Value adjustments | –0.3 | –0.7 |
| – Income taxes | 0.1 | 0.1 |
| Total items that may be reclassified to income statement, net of tax | –10.1 | 19.2 |
| Other comprehensive income | –110.1 | 54.5 |
| Comprehensive income | 13.9 | 170.3 |
| attributable to: | | |
| – BKW shareholders | 9.8 | 163.5 |
| – Non-controlling interests | 4.1 | 6.8 |

Consolidated Balance Sheet

| CHF millions | 31.12.2016 | 30.06.2017 |
|---|----------------|----------------|
| Assets | | |
| Cash and cash equivalents | 938.0 | 843.3 |
| Trade accounts receivable and other receivables | 811.3 | 880.3 |
| Current tax receivables | 9.4 | 8.5 |
| Financial assets | 309.5 | 338.0 |
| Derivatives | 127.8 | 61.7 |
| Inventories | 42.4 | 38.8 |
| Prepaid expenses and accrued income | 162.1 | 161.1 |
| Total current assets | 2,400.5 | 2,331.7 |
| Financial assets | 1,216.3 | 1,255.8 |
| Derivatives | 46.3 | 29.9 |
| Investments in associates | 1,352.0 | 1,372.9 |
| Property, plant and equipment | 3,077.7 | 3,106.9 |
| Intangible assets | 453.5 | 565.6 |
| Deferred tax receivables | 35.2 | 33.2 |
| Total non-current assets | 6,181.0 | 6,364.3 |
| Total assets | 8,581.5 | 8,696.0 |
| Shareholders' equity and liabilities | | |
| Trade accounts payable and other liabilities | 588.8 | 625.5 |
| Current tax liabilities | 35.8 | 43.1 |
| Financial liabilities | 82.4 | 75.4 |
| Derivatives | 119.3 | 57.1 |
| Provisions | 73.0 | 72.6 |
| Deferred income and accrued expenses | 189.9 | 239.1 |
| Total current liabilities | 1,089.2 | 1,112.8 |
| Financial liabilities | 1,604.0 | 1,526.8 |
| Derivatives | 38.1 | 21.5 |
| Pension liability | 281.1 | 251.8 |
| Other liabilities | 393.6 | 404.1 |
| Provisions | 1,842.0 | 1,847.5 |
| Deferred tax liabilities | 392.6 | 408.4 |
| Total non-current liabilities | 4,551.4 | 4,460.1 |
| Total liabilities | 5,640.6 | 5,572.9 |
| Share capital | 132.0 | 132.0 |
| Capital reserves | 41.3 | 41.3 |
| Retained earnings | 3,114.4 | 3,064.7 |
| Other reserves | -360.7 | -305.3 |
| Treasury shares | -244.6 | -64.5 |
| Equity attributable to BKW shareholders | 2,682.4 | 2,868.2 |
| Equity attributable to non-controlling interests | 258.5 | 254.9 |
| Total shareholders' equity | 2,940.9 | 3,123.1 |
| Total shareholders' equity and liabilities | 8,581.5 | 8,696.0 |

Changes in Consolidated Equity

| CHF millions | Share capital | Capital reserves | Retained earnings | Treasury shares | Other reserves | Attributable to BKW shareholders | Attributable to non-controlling interests | Total |
|---|---------------|------------------|-------------------|-----------------|----------------|----------------------------------|---|----------------|
| Equity at 31.12.2015 | 132.0 | 41.3 | 2,924.2 | -302.9 | -318.1 | 2,476.5 | 99.5 | 2,576.0 |
| Net profit | | | 119.8 | | | 119.8 | 4.2 | 124.0 |
| Other comprehensive income | | | | | -110.0 | -110.0 | -0.1 | -110.1 |
| Comprehensive income | | | 119.8 | | -110.0 | 9.8 | 4.1 | 13.9 |
| Dividend | | | -77.8 | | | -77.8 | -0.9 | -78.7 |
| Transactions in treasury shares | | | -3.7 | 6.4 | | 2.7 | | 2.7 |
| Share-based payments | | | 1.0 | | | 1.0 | | 1.0 |
| Acquisition of non-controlling interests | | | -0.8 | | | -0.8 | -1.9 | -2.7 |
| Changes in the scope of consolidation | | | | | | 0.0 | 15.3 | 15.3 |
| Change in liabilities relating to non-controlling interests | | | -7.6 | | | -7.6 | | -7.6 |
| Equity at 30.06.2016 | 132.0 | 41.3 | 2,955.1 | -296.5 | -428.1 | 2,403.8 | 116.1 | 2,519.9 |
| Equity at 31.12.2016 | 132.0 | 41.3 | 3,114.4 | -244.6 | -360.7 | 2,682.4 | 258.5 | 2,940.9 |
| Net profit | | | 108.1 | | | 108.1 | 7.7 | 115.8 |
| Other comprehensive income | | | | | 55.4 | 55.4 | -0.9 | 54.5 |
| Comprehensive income | | | 108.1 | | 55.4 | 163.5 | 6.8 | 170.3 |
| Dividend | | | -82.6 | | | -82.6 | -4.3 | -86.9 |
| Transactions in treasury shares | | | -80.8 | 180.1 | | 99.3 | | 99.3 |
| Share-based payments | | | 1.8 | | | 1.8 | | 1.8 |
| Acquisition of non-controlling interests | | | -1.7 | | | -1.7 | -7.4 | -9.1 |
| Changes in the scope of consolidation | | | | | | 0.0 | 1.3 | 1.3 |
| Change in liabilities relating to non-controlling interests | | | 5.5 | | | 5.5 | | 5.5 |
| Equity at 30.06.2017 | 132.0 | 41.3 | 3,064.7 | -64.5 | -305.3 | 2,868.2 | 254.9 | 3,123.1 |

Consolidated Cash Flow Statement

| CHF millions | 1 st half-year 2016 | 1 st half-year 2017 |
|---|-----------------------------------|-----------------------------------|
| Profit/loss before income taxes from continuing operations | 152.8 | 161.2 |
| Profit/loss before income taxes from discontinued operations | 0.2 | -2.1 |
| Adjustment for: | | |
| – Depreciation, amortisation and impairment | 91.7 | 96.0 |
| – Income from associates | 0.5 | -21.9 |
| – Financial result | 18.4 | 20.8 |
| – Gains/losses from sale of non-current assets | -8.8 | -3.1 |
| – Change in non-current provisions (excl. interest) | -63.4 | -30.5 |
| – Change in assigned rights of use | -5.1 | -5.7 |
| – Change from the valuation of energy derivatives | 0.3 | 2.9 |
| – Other non-cash positions | 5.1 | 5.2 |
| Change in net working capital (excl. financial assets/liabilities and derivatives) | -90.9 | 25.4 |
| Income taxes paid | -39.6 | -30.0 |
| Other financial items paid | -0.3 | -1.1 |
| Cash flow from operating activities | 60.9 | 217.1 |
| Investments in property, plant and equipment | -113.2 | -98.0 |
| Disposal of property, plant and equipment | 28.9 | 8.0 |
| Acquisition of Group companies | -170.1 | -80.1 |
| Investments in associates | -26.2 | -6.1 |
| Investments in current and non-current financial assets | -79.9 | -78.9 |
| Disposals of current and non-current financial assets | 181.2 | 40.6 |
| Investments in intangible assets | -21.0 | -14.0 |
| Disposals of intangible assets | 0.0 | 0.5 |
| Interest received | 3.5 | 5.9 |
| Dividends received | 11.7 | 15.1 |
| Cash flow from investing activities | -185.1 | -207.0 |
| Sale/purchase of treasury shares | 2.1 | -1.1 |
| Acquisition of non-controlling interests | -2.7 | -9.1 |
| Increase in current and non-current financial liabilities | 3.3 | 8.9 |
| Decrease in current and non-current financial liabilities | -9.4 | -13.1 |
| Increase in other long-term liabilities | 8.2 | 4.7 |
| Decrease in other long-term liabilities | -5.5 | -0.5 |
| Interest paid | -7.4 | -7.9 |
| Dividends paid | -78.7 | -86.9 |
| Cash flow from financing activities | -90.1 | -105.0 |
| Translation adjustments on cash and cash equivalents | -0.2 | 0.2 |
| Net change in cash and cash equivalents | -214.5 | -94.7 |
| Cash and cash equivalents at start of reporting period | 834.2 | 938.0 |
| Cash and cash equivalents at end of reporting period | 619.7 | 843.3 |

Notes to the Interim Financial Statements

1 Business activities

BKW AG, Bern (CH), together with its Group companies, is an international energy and infrastructure business. Its company network and extensive expertise allow it to offer its customers a full range of overall solutions. The Group plans, builds and operates infrastructure to produce and supply energy to businesses, households and the public sector, and offers digital business models for renewable energies. The BKW Group portfolio comprises everything from engineering consultancy and planning for energy, infrastructure and environmental projects, to integrated offers in the field of building technology and the construction, servicing and maintenance of energy, telecommunications, transport and water networks

2 Basis of preparation

2.1 General principles

The unaudited consolidated financial statements for the half-year ended 30 June 2017 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 to 31 December 2016. These interim financial statements have been drawn up in accordance with the principles described in the Financial Report 2016 (pages 19 to 32). The consolidated interim financial statements for the period ended 30 June 2017 were approved by the BKW AG Board of Directors on 31 August 2017 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 financial year 2017, BKW was required to adopt the following new or revised standards:

- Amendments to IAS 7 – “Disclosure Initiative”
- Amendments to IAS 12 – “Recognition of Deferred Tax Assets for Unrealised Losses”
- Annual Improvements to 2014 – 2016 Cycle

These changes have had no effect on the presentation of the financial position, results of operations and cash flows of BKW. The application of the IAS 7 amendments did not have any effect on the preparation of this Half-Year Report.

2.3 Future adoption of new standards and interpretations

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

- IFRS 9 – “Financial Instruments” (1 January 2018)
- IFRS 15 – “Revenue from Contracts with Customers” (1 January 2018)
- IFRS 16 – “Leases” (1 January 2019)
- IFRIC 22 – “Foreign Currency Transactions and Advance Consideration” (1 January 2018)
- IFRIC 23 – “Uncertainty over Income Tax Treatments” (1 January 2019)
- Amendments to IFRS 10 and IAS 28 – “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (to be determined)
- Amendments to IFRS 15 – “Clarifications” (1 January 2018)
- Changes to IFRS 2 – “Classification and Measurement of Share-based Payment Transactions” (1 January 2018)

BKW is currently examining the possible effects of applying these new or changed standards and interpretations.

2.4 Discontinued operations

BKW is currently assessing various options for the Italian distribution business, with the main focus on selling the sales activities, including the corresponding sales contracts and customer base. These services are performed by the group company Electra Italia S.p.A., which is classified as a “discontinued operation” pursuant to the guidelines of IFRS 5 “Non-current assets or disposal groups held for sale”. In the income statement, the revenues and expenses from these discontinued operations are summarised on one line. The previous year’s figures have been adjusted accordingly.

2.5 Foreign currency exchange rates

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

| | Closing date 31.12.2016 | Closing date 30.06.2017 | Average 1 st half-year 2016 | Average 1 st half-year 2017 |
|---------|----------------------------|----------------------------|--|--|
| EUR/CHF | 1.0739 | 1.0930 | 1.0962 | 1.0765 |

3 Business combinations

Business combinations 1st half-year 2017

| CHF millions | Assmann Beraten + Planen | Miscellaneous | Total |
|---|--------------------------------|---------------|--------------|
| Cash and cash equivalents | 4.9 | 11.1 | 16.0 |
| Trade accounts receivable | 3.7 | 6.4 | 10.1 |
| Other current assets | 64.5 | 16.1 | 80.6 |
| Financial assets | 0.2 | 0.5 | 0.7 |
| Property, plant and equipment | 1.6 | 2.4 | 4.0 |
| Intangible assets | 4.3 | 24.2 | 28.5 |
| Current liabilities | -70.7 | -13.7 | -84.4 |
| Non-current financial liabilities | -0.1 | -0.1 | -0.2 |
| Pension liability | 0.0 | -11.1 | -11.1 |
| Non-current provisions | 0.0 | -1.4 | -1.4 |
| Deferred tax liabilities | -2.7 | -3.6 | -6.3 |
| Fair value of acquired net assets | 5.7 | 30.8 | 36.5 |
| Non-controlling interests | -0.3 | -0.9 | -1.2 |
| Fair value of interests already held | 0.0 | -0.8 | -0.8 |
| Goodwill | 33.0 | 46.3 | 79.3 |
| Purchase price | 38.6 | 75.4 | 114.0 |
| Deferred and contingent purchase price payments | -4.9 | -18.3 | -23.2 |
| Cash and cash equivalents acquired | -4.9 | -11.1 | -16.0 |
| Cash outflow | 28.8 | 46.0 | 74.8 |

The values for the transactions listed are provisional since the purchase price allocations have not been finalised.

Assmann Beraten + Planen

On 1 March 2017, BKW acquired a majority stake of 95.6% in Assmann Beraten + Planen AG (Assmann). The Berlin-based engineering company is one of the largest general contractor and project management firms in Germany. The company has been assigned to the Services segment.

At the acquisition date, there were contingent purchase price payments of CHF 4.9 million. These purchase price payments depend on business performance in the coming years. The goodwill recognised is attributable mainly to the expected synergies and the acquisition of a qualified workforce. There are no considerable value adjustments in the trade accounts receivable. The transaction costs amounted to CHF 0.3 million.

Had the company been acquired at the start of the reporting year, total operating revenue for the first half of 2017 would have been CHF 7.0 million higher and net profit CHF 3.8 million lower. Between the point at which the company was fully consolidated and 30 June 2017, the acquired company recorded a total operating revenue of CHF 19.3 million and a net profit of CHF 1.6 million.

Miscellaneous

In the first half of 2017, BKW conducted a number of other corporate acquisitions, for which summarised figures are reported due to the individual size of each operation. BKW acquired 100% of the shares in AEP Planung + Beratung GmbH (Austria), the QSB Group (Germany) and the Grunder Group, all of which specialise in infrastructure engineering. The company also acquired 100% of the shares in Hinni AG, which operates mainly in the drinking water and extinguishing water segments. In addition, BKW acquired a further 30% of Hertli & Bertschy AG and is now the majority shareholder of the company with a stake of 70%. BKW also acquired 100% of the shares in Winkelmann Elektro AG. Both companies specialise in electrical installations. In addition, BKW acquired 100% of the shares in Raboud Energie SA, which operates in the building technologies industry. In Germany, a majority stake of 85% was acquired in Giesen-Gillhoff-Loomans GbR. This planning bureau is active in the area of technical building equipment. A majority stake of 80% was acquired in the Düsseldorf-based company Propertunities Immobilien Consulting GmbH, which offers project management services in particular. All the businesses acquired are assigned to the Services segment.

At the acquisition date, contingent purchase price payments amounted to CHF 11.2 million in relation to the acquisition of these companies. The final amount due will depend on the future business performance of the companies.

The transactions included goodwill of CHF 46.3 million. The goodwill recognised is attributable primarily to the expected future synergies and the acquisition of a qualified workforce. There are no considerable value adjustments in the trade accounts receivable. The transaction costs amounted to CHF 0.2 million.

Had the companies already been acquired as at 1 January 2017, total operating revenue for the first half of 2017 would have been CHF 11.6 million higher and net profit unchanged. Between the point at which the individual companies were fully consolidated and 30 June 2017, the acquired companies recorded cumulative total operating revenue of CHF 25.9 million and a total net profit of CHF 1.5 million.

Business combinations 1st half-year 2016

| CHF millions | AEK | Lindschulte | Inag- Nievergelt | Miscellaneous | Total |
|---|--------------|-------------|---------------------|---------------|--------------|
| Cash and cash equivalents | 14.0 | 5.5 | 2.5 | 8.2 | 30.2 |
| Trade accounts receivable | 22.3 | 2.5 | 9.1 | 7.9 | 41.8 |
| Other current assets | 13.3 | 19.0 | 1.5 | 16.0 | 49.8 |
| Financial assets | 13.1 | 0.3 | 0.2 | 0.1 | 13.7 |
| Property, plant and equipment | 246.5 | 0.4 | 0.4 | 3.7 | 251.0 |
| Intangible assets | 1.9 | 5.3 | 10.3 | 7.0 | 24.5 |
| Deferred tax assets | 0.0 | 0.0 | 0.0 | 0.6 | 0.6 |
| Current liabilities | -35.1 | -19.9 | -10.0 | -21.6 | -86.6 |
| Non-current financial liabilities | -30.0 | -0.8 | 0.0 | -1.3 | -32.1 |
| Non-current provisions | -0.7 | -0.3 | -0.4 | -0.3 | -1.7 |
| Deferred tax liabilities | -35.5 | -2.6 | -1.9 | -0.8 | -40.8 |
| Other non-current liabilities | -25.1 | 0.0 | -3.0 | -7.7 | -35.8 |
| Fair value of acquired net assets | 184.7 | 9.4 | 8.7 | 11.8 | 214.6 |
| Non-controlling interests | -12.6 | -0.5 | -1.7 | -0.5 | -15.3 |
| Fair value of interests already held | -72.9 | 0.0 | 0.0 | 0.0 | -72.9 |
| Goodwill | 21.2 | 16.2 | 17.6 | 28.4 | 83.4 |
| Purchase price | 120.4 | 25.1 | 24.6 | 39.7 | 209.8 |
| Deferred and contingent purchase price payments | 0.0 | -2.9 | -2.8 | -7.2 | -12.9 |
| Cash and cash equivalents acquired | -14.0 | -5.5 | -2.5 | -8.2 | -30.2 |
| Cash outflow | 106.4 | 16.7 | 19.3 | 24.3 | 166.7 |

All the transactions for the previous year are shown as definitive figures, as purchase price allocations have now been finalised. These final purchase price allocations resulted in some minor differences when set against figures from the Half-Year Report 2016.

AEK Energie AG (AEK)

On 28 June 2016, BKW acquired 53.7% of AEK Energie AG (AEK), thus increasing its stake from 39.5% to 93.2%. AEK operates in various fields and therefore affects all three segments – Energy, Grid and Services.

The goodwill recognised is attributable to the expected future synergies and the acquisition of a qualified workforce: CHF 11.0 million is allocated to the Energy segment and CHF 10.2 million to the Services segment. The transaction costs amounted to CHF 0.3 million.

Had the company already been acquired as at 1 January 2016, total operating revenue for the first half of 2016 would have been CHF 66.5 million higher and net profit CHF 4.8 million higher.

Lindschulte Group

On 22 April 2016, BKW acquired 100% of the shares in Lindschulte Ingenieur-Holding GmbH, based in Germany. The company has been assigned to the Services segment.

At the acquisition date, contingent purchase price payments amounted to CHF 1.5 million, of which CHF 0.4 million had been paid by the middle of 2017. These purchase price payments depend on business performance in the coming years. The goodwill recognised is attributable primarily to the expected synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.4 million.

Had the company already been acquired as at 1 January 2016, total operating revenue for the previous year would have been CHF 8.6 million higher and net profit CHF 0.5 million higher. Between the point at which the company was fully consolidated and 30 June 2016, the acquired company recorded a total operating revenue of CHF 1.8 million and a net profit of CHF 0.1 million.

Inag-Nievergelt AG

On 14 June 2016, BKW acquired a majority stake of 80% in Inag-Nievergelt AG (Inag). The company has been assigned to the Services segment.

At the acquisition date, deferred purchase price payments amounted to CHF 2.8 million, which had been fully paid up as at the reporting date. The goodwill recognised is attributable to the expected synergies and the acquisition of a qualified workforce. There were no significant transaction costs.

Had the company already been acquired at the start of the reporting year, total operating revenue for the first half of 2016 would have been CHF 16.4 million higher and net profit CHF 0.8 million higher. Between the point at which the company was fully consolidated and 30 June 2016, the acquired company recorded a total operating revenue of CHF 4.5 million and a net profit of CHF 0.7 million.

Miscellaneous

In the first half of 2016, BKW conducted a number of other corporate acquisitions, for which summarised figures are reported due to the individual size of each operation. BKW acquired 100% of the shares in Schmid Amrhein AG, Marcel Rieben Ingenieure AG, Aichner, de Martin, Zweng AG and in the electrical installation specialist Hug AG, as well as in the Arpe Group and Aqua Innovation GmbH. In addition, a majority stake of 70% was acquired in the Italian company Frosio S.r.l. All the businesses acquired have been assigned to the Services segment.

At the acquisition date, contingent purchase price payments amounted to CHF 4.9 million in relation to the acquisition of these companies, of which CHF 1.3 million had been paid by the half year point in 2017. These purchase price payments depend on business performance in the coming years. The transactions included goodwill of CHF 28.4 million. The goodwill recognised is attributable primarily to the expected future synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.5 million.

Had the companies already been acquired as at 1 January 2016, total operating revenue for the first half of 2016 would have been CHF 15.7 million higher and net profit CHF 2.2 million higher. Between the point at which the individual companies were fully consolidated and 30 June 2016, the acquired companies recorded cumulative total operating revenue of CHF 13.1 million and a total net profit of CHF 0.5 million.

4 Discontinued operations

BKW is intending to focus its activities in Italy on energy production and engineering, and energy contracting and services in the building technologies industry. BKW is therefore assessing various options for the Italian distribution business, with the main focus on selling the sales activities, including the corresponding sales contracts and customer base. These services are performed by the group company Electra Italia S.p.A., which is classified as a “discontinued operation”. The business of Electra Italia is assigned to the Energy and Grid segments. Sales negotiations are currently in progress with various potential buyers. BKW expects these negotiations to be concluded during the second half of 2017. The results of Electra Italia are composed as follows:

| CHF millions | 1 st half-year 2016 | Energy 1 st half-year 2017 | 1 st half-year 2016 | Grid 1 st half-year 2017 | 1 st half-year 2016 | Total 1 st half-year 2017 |
|--|-----------------------------------|---|-----------------------------------|---|-----------------------------------|--|
| Total operating revenue | 61.8 | 62.0 | 120.9 | 119.2 | 182.7 | 181.2 |
| Total operating expenses | -61.3 | -63.9 | -120.9 | -119.2 | -182.2 | -183.1 |
| Operating profit before depreciation, amortisation and impairment | 0.5 | -1.9 | 0.0 | 0.0 | 0.5 | -1.9 |
| Depreciation, amortisation and impairment | -0.1 | -0.1 | 0.0 | 0.0 | -0.1 | -0.1 |
| Operating profit/loss | 0.4 | -2.0 | 0.0 | 0.0 | 0.4 | -2.0 |
| Financial result | -0.2 | -0.1 | 0.0 | 0.0 | -0.2 | -0.1 |
| Profit before income taxes | 0.2 | -2.1 | 0.0 | 0.0 | 0.2 | -2.1 |
| Income taxes | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 |
| Net profit from discontinued operations | 0.2 | -1.5 | 0.0 | 0.0 | 0.2 | -1.5 |

In the consolidated statement of comprehensive income, cumulative revenues and expenses from currency translations amounting to CHF 7.5 million (31 December 2016: CHF 7.9 million) are reported in the equity.

The cash flows from discontinued operations are composed as follows:

| CHF millions | 1 st half-year 2016 | 1 st half-year 2017 |
|---|-----------------------------------|-----------------------------------|
| Cash flow from operating activities | 0.0 | 0.8 |
| Cash flow from investing activities | -0.1 | -0.8 |
| Cash flow from financing activities | 0.0 | 0.0 |
| Translation adjustments on cash and cash equivalents | 0.0 | 0.0 |
| Net change in cash and cash equivalents from discontinued operations | -0.1 | 0.0 |

Assets intended for sale include in particular the sales contracts and the customer base of the company, not the net assets of the company. These are therefore not classified and are reported as “assets held for sale”.

5 Seasonality and fluctuations in business over the year

According to experience, performance of sales in the Services business is subject to seasonal fluctuations. Normally, business activity is higher in the second half of the year than in the first six months.

6 Segment reporting

Segments and segment results are defined on the basis of the management approach. In accordance with the strategy, BKW's reporting lines are structured around the business areas Energy, Grid and Services.

BKW operates the following three reportable business segments:

- The Energy business segment builds, operates and maintains BKW's pool of power plants in Switzerland and abroad. It is also responsible for the sale of energy and for trading in electricity, certificates and raw materials.
- The Grid segment builds, operates and maintains BKW's distribution grid. It is also responsible for the transport of energy for end customers outside BKW's supply region.
- The Services business segment provides energy services in the fields of building technologies, infrastructure and energy efficiency. It also provides services relating to the project management and design of new plants and the expansion of existing power plants for third parties.

The column "Other" covers activities that are centrally managed within the Group; these consist largely of Group financing, real estate, financial assets and tax. Some of the costs that arise in conjunction with the expansion of the business areas (acquisition/integration costs, technology development costs, etc.) are borne centrally. The decommissioning and disposal funds have been assigned to the Energy segment since the start of the reporting year. In addition, the participations have been held directly by the business segments since the start of the reporting year. An adjustment has been made to the previous year's figures.

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

Information by business segment

| 1st half-year 2017 CHF millions | Energy | Grid ¹ | Services | Other | Consoli- dation | Total |
|--|--------------|-------------------|--------------|--------------|--------------------|----------------|
| External revenue | 654.3 | 332.5 | 291.2 | 8.7 | 11.0 | 1,297.7 |
| – Net sales | 645.9 | 296.9 | 279.1 | 0.1 | 0.0 | 1,222.0 |
| – Own work capitalised | 2.3 | 20.0 | 0.4 | 1.7 | 11.1 | 35.5 |
| – Other operating income | 6.1 | 15.6 | 11.7 | 6.9 | –0.1 | 40.2 |
| Internal revenue | 11.9 | 10.3 | 40.5 | 59.8 | –122.5 | 0.0 |
| – Net sales | 6.4 | 0.5 | 34.2 | 0.0 | –41.1 | 0.0 |
| – Other operating income | 5.5 | 9.8 | 6.3 | 59.8 | –81.4 | 0.0 |
| Total operating revenue | 666.2 | 342.8 | 331.7 | 68.5 | –111.5 | 1,297.7 |
| Total operating expenses | –558.8 | –199.9 | –307.2 | –85.3 | 109.4 | –1,041.8 |
| Operating profit before depreciation, amortisation and impairment | 107.4 | 142.9 | 24.5 | –16.8 | –2.1 | 255.9 |
| Depreciation, amortisation and impairment | –37.3 | –43.4 | –9.6 | –6.7 | 1.1 | –95.9 |
| Income from associates | 11.0 | 11.0 | 0.1 | –0.2 | 0.0 | 21.9 |
| Operating profit/loss | 81.1 | 110.5 | 15.0 | –23.7 | –1.0 | 181.9 |
| Financial result | | | | | | –20.7 |
| Profit/loss before income taxes | | | | | | 161.2 |
| Additions: | | | | | | |
| – Property, plant and equipment and intangible assets | 35.4 | 72.7 | 4.7 | 6.6 | –2.1 | 117.3 |
| – from business combinations | | | 32.5 | | | 32.5 |
| – State funds | 8.6 | | | | | 8.6 |
| – Associates | 6.1 | | | | | 6.1 |
| Investments in associates at 30.06.2017 | 993.0 | 378.2 | 0.0 | 1.7 | 0.0 | 1,372.9 |
| Total assets at 30.06.2017 | 4,560.5 | 2,331.9 | 786.4 | 2,743.5 | –1,726.3 | 8,696.0 |

1 Certain grid services were previously performed in the Grid segment and charged to the Services segment with no effect on income. The Services business segment has reported the corresponding external revenue from these services. From 2017 onwards, these grid services will be performed directly in the Services segment. In the first half of 2017, internal revenue and operating expenses from the Grid segment were down by CHF 12.8 million (previous year: CHF 10.8 million; the segment figures have been adjusted accordingly). This has not had an effect on the operating profit of the two business segments.

| 1st half-year 2016 (restated) CHF millions | Energy | Grid | Services | Other | Consoli- dation | Total |
|--|--------------|--------------|--------------|--------------|--------------------|----------------|
| External revenue | 679.8 | 283.8 | 200.7 | 15.8 | 9.9 | 1,190.0 |
| – Net sales | 668.0 | 263.1 | 195.8 | 0.0 | 0.0 | 1,126.9 |
| – Own work capitalised | 2.3 | 16.4 | 0.1 | 2.6 | 9.9 | 31.3 |
| – Other operating income | 9.5 | 4.3 | 4.8 | 13.2 | 0.0 | 31.8 |
| Internal revenue | 12.2 | 12.4 | 41.8 | 60.6 | –127.0 | 0.0 |
| – Net sales | 7.9 | 0.5 | 39.2 | 0.0 | –47.6 | 0.0 |
| – Other operating income | 4.3 | 11.9 | 2.6 | 60.6 | –79.4 | 0.0 |
| Total operating revenue | 692.0 | 296.2 | 242.5 | 76.4 | –117.1 | 1,190.0 |
| Total operating expenses | –547.0 | –182.2 | –225.8 | –86.8 | 114.9 | –926.9 |
| Operating profit before depreciation, amortisation and impairment | 145.0 | 114.0 | 16.7 | –10.4 | –2.2 | 263.1 |
| Depreciation, amortisation and impairment | –46.3 | –35.4 | –6.1 | –4.7 | 0.9 | –91.6 |
| Income from associates | –18.5 | 17.9 | 0.1 | 0.0 | 0.0 | –0.5 |
| Operating profit/loss | 80.2 | 96.5 | 10.7 | –15.1 | –1.3 | 171.0 |
| Financial result | | | | | | –18.2 |
| Profit/loss before income taxes | | | | | | 152.8 |
| Additions: | | | | | | |
| – Property, plant and equipment and intangible assets | 50.4 | 69.4 | 2.4 | 17.7 | –2.1 | 137.8 |
| – from business combinations | 71.0 | 172.5 | 31.6 | | | 275.1 |
| – State funds | 15.2 | | | | | 15.2 |
| – Associates | 26.2 | | | | | 26.2 |
| Investments in associates at 30.06.2016 | 992.1 | 107.5 | 0.6 | | | 1,100.2 |
| Total assets at 30.06.2016 | 4,753.8 | 2,097.3 | 581.6 | 2,272.1 | –1,478.2 | 8,226.6 |

7 Energy procurement/transport

| CHF millions | 1 st half-year 2016 (restated) | 1 st half-year 2017 |
|--|---|-----------------------------------|
| Cost of energy procurement from third parties and associates | 437.7 | 431.7 |
| Provision for onerous energy procurement contracts | | |
| – Provisions used | –19.9 | –22.0 |
| – Provisions added | 1.0 | 6.2 |
| – Provisions released | –28.2 | 0.0 |
| Total energy procurement expenses | 390.6 | 415.9 |
| Energy transport expenses | 82.3 | 98.5 |
| Total | 472.9 | 514.4 |

8 Financial result

| CHF millions | 1 st half-year 2016 (restated) | 1 st half-year 2017 |
|---|---|-----------------------------------|
| Interest income | 4.1 | 6.0 |
| Dividend income | 2.3 | 0.1 |
| Value adjustment on state funds | 24.0 | 30.2 |
| Gains from the disposal of financial assets | 10.9 | 0.4 |
| Value adjustment on securities held for trading | 3.7 | 0.0 |
| Other financial income | 0.6 | 1.7 |
| Currency translations | 0.0 | 0.4 |
| Financial income | 45.6 | 38.8 |
| Interest expenses | –25.1 | –25.0 |
| Capitalised borrowing costs | 1.4 | 0.5 |
| Interest on provisions | –32.8 | –31.5 |
| Losses from the disposal of financial assets | –0.2 | –0.4 |
| Value adjustment on securities held for trading | 0.0 | –1.4 |
| Impairment of financial assets | –4.0 | 0.0 |
| Other financial expenses | –2.8 | –1.7 |
| Currency translations | –0.3 | 0.0 |
| Financial expenses | –63.8 | –59.5 |
| Financial result | –18.2 | –20.7 |

9 Dividends

In accordance with the decision made at the BKW AG Annual General Meeting held on 12 May 2017, a dividend of CHF 1.60 (previous year: CHF 1.60) per share was paid for the financial year 2016.

10 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified according to a hierarchical structure for the purposes of valuation. The allocation is based on the principles described on page 78 of the Financial Report 2016, which remain unchanged. As in the same period last year, there were no transfers between the different levels during the period under review.

| CHF millions | Carrying amount at 30.06.2017 | Level 1 | Level 2 | Level 3 |
|---|-------------------------------|---------|---------|---------|
| Financial assets at fair value through profit or loss | | | | |
| Current financial assets | | | | |
| – Securities held for trading | 145.7 | 145.7 | | |
| Inventories | | | | |
| – Certificates (proprietary trading) | 0.6 | 0.6 | | |
| Derivatives (current and non-current) | 85.2 | | 85.2 | |
| Non-current financial assets | | | | |
| – Available-for-sale financial assets | 19.0 | | | 19.0 |
| – Receivables from state funds | 1,107.3 | | 1,107.3 | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives (current and non-current) | –78.6 | | –78.6 | |

| CHF millions | Carrying amount at 31.12.2016 | Level 1 | Level 2 | Level 3 |
|---|-------------------------------|---------|---------|---------|
| Financial assets at fair value through profit or loss | | | | |
| Current financial assets | | | | |
| – Securities held for trading | 147.2 | 147.2 | | |
| Inventories | | | | |
| – Certificates (proprietary trading) | 0.7 | 0.7 | | |
| Derivatives (current and non-current) | 174.1 | | 174.1 | |
| Non-current financial assets | | | | |
| – Available-for-sale financial assets | 18.5 | | | 18.5 |
| – Receivables from state funds | 1,068.4 | | 1,068.4 | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives (current and non-current) | –157.4 | | –157.4 | |

In addition, the liabilities at 30 June 2017 include the following at fair value:

- Bonds with an amount of CHF 115.7 million (31 December 2016: CHF 117.3 million) as part of a fair-value hedge (Level 2).
- Other liabilities amounting to CHF 52.3 million (31 December 2016: CHF 44.5 million) from contingent purchase price payments in relation to business combinations, and CHF 10.5 million (31 December 2016: CHF 16.0 million) for liabilities relating to non-controlling interests (both Level 3).

The Level 3 debts and assets measured at fair value developed as follows in the first half of 2017.

| CHF millions | Contingent purchase price payments | | Liabilities relating to non-controlling interests | | Available-for-sale financial assets | |
|---|------------------------------------|--------------------------------|---|--------------------------------|-------------------------------------|--------------------------------|
| | 1 st half-year 2016 | 1 st half-year 2017 | 1 st half-year 2016 | 1 st half-year 2017 | 1 st half-year 2016 | 1 st half-year 2017 |
| At 01.01. | 46.3 | 44.5 | 0.0 | 16.0 | 104.9 | 18.5 |
| Additions | 12.8 | 16.1 | 7.6 | 3.1 | 1.4 | 0.4 |
| Disposals | -2.8 | -2.9 | | -8.4 | -0.2 | -0.1 |
| Value adjustment | | | | | | |
| – Transfer to income statement | -4.0 | -5.9 | | | | |
| – Changes in value included in other comprehensive income | | 0.5 | | | | 0.2 |
| At 30.06 | 52.3 | 52.3 | 7.6 | 10.7 | 106.1 | 19.0 |

11 Financial assets and liabilities measured at amortised cost

The carrying amounts of the financial assets correspond closely to the fair values.

Due to short residual terms to maturity, the carrying amounts of financial liabilities at amortised cost correspond approximately to the fair value. A difference exists between these values in respect of the bonds and the convertible bond, which are included under non-current financial liabilities. The market price of the bonds (fair value Level 1) as at the reporting date was CHF 1,155.8 million, while the carrying amount was CHF 1,030.3 million. On 31 December 2016, the corresponding market price was CHF 1,270.3 million and the carrying amount CHF 1,124.8 million.

12 Events after the balance sheet date

Business combinations

Between the balance sheet date and approval of the interim financial statements by the Board of Directors, BKW conducted a number of corporate acquisitions. Darnuzer Ingenieure AG, based in Davos, was acquired in early July. With 24 employees, the company operates mainly in the measuring technology and geomatics engineering segments. BKW also acquired Electricité G. Bugnard SA, based in Charmey. With its 42 employees, it is a targeted enhancement to BKW's building technologies business in French-speaking Switzerland.

Wintecs GmbH, based in Lingen, Germany, is now part of the Lindschulte Group. The company, which employs 25 staff, specialises in planning for refineries, petrochemicals and the chemical industry.

In addition, BKW acquired a wind farm project in the region of Marker, south-east Norway. Construction of 15 wind turbines will commence in the next few months, and the plant is expected to be connected to the grid by the end of 2018. With installed capacity of 54 MW, the turbines will produce 193 GWh of electricity per year.

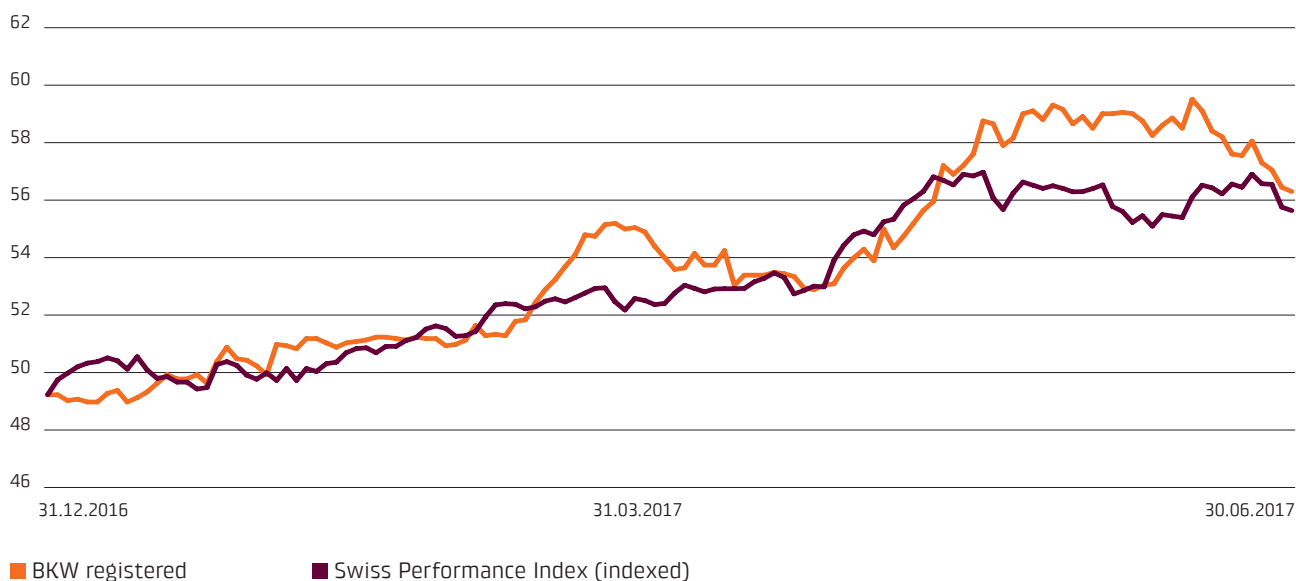
The purchase price allocations for these acquisitions have not yet been completed, since the transactions took place shortly before preparation and approval of the interim financial statements. BKW expects the net assets acquired to be in the single-digit million range.

INVESTOR INFORMATION

Important information on the BKW share, bonds and financial calendar

Performance of the BKW share

31.12.2016–30.06.2017



The price performance of the BKW share was again positive in the first half of 2017. On 16 March, BKW presented an excellent annual result for 2016. In a persistently challenging environment, it increased both its total operating revenue and profit considerably. The negative effects of falling electricity prices were more than offset by the renewed strong growth in the Services business, the further expansion of renewable energies, systematic cost management, and active management of the energy positions. BKW's operating profit was a pleasing CHF 384 million, while net profit was up by 13%.

The price of the BKW share responded positively and recorded considerable gains. On 30 June, the price of the BKW share closed at CHF 56.30, again recording double-digit percentage gains for the first half of 2017. At 14% since the beginning of the year, it was slightly above the SPI, which also performed well (+13%).

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

Appropriation of retained earnings

The General Meeting agreed a dividend of CHF 1.60 per share for the financial year 2016. The dividend was paid out on 18 May 2017.

Restrictions on share transferability

The Company may refuse to register an acquirer of shares in the register of voting shareholders for the following reasons:

- a) If the acquisition results in a natural person, a legal entity or a partnership holding (directly or indirectly) more than 5% of the entire share capital. The same restriction applies to legal entities, partnerships, groups of persons or joint ownerships that are bound by capital or voting rights, shared management or otherwise linked. Moreover, the restriction applies to all natural or legal persons or partnerships that act in concert to acquire shares;
- b) If the acquirer has not expressly declared that he/she has acquired the shares in his/her own name and on his/her own behalf.

Major shareholders and treasury shares

| | 31.12.2016 | 30.06.2017 |
|-----------------|------------|------------|
| Canton of Bern | 52.54 % | 52.54 % |
| Groupe E Ltd. | 10.00 % | 10.00 % |
| Treasury shares | 6.60 % | 1.76 % |

The proportion of shares held by the public (free float) is 37.5%. The BKW share is listed on the Swiss Performance Index (SPI).

BKW's stock market capitalisation rose by about 20% to CHF 2.9 billion in the first half of 2017.

Key figures per share

| CHF | 2016 | 1 st half-year 2016 | 1 st half-year 2017 |
|---------------------------------------|---------|-----------------------------------|-----------------------------------|
| Par value | 2.50 | 2.50 | 2.50 |
| Share price | | | |
| – period end | 49.25 | 43.30 | 56.30 |
| – period high | 49.60 | 43.65 | 59.50 |
| – period low | 36.20 | 36.20 | 49.00 |
| Result (undiluted) | 6.41 | 2.47 | 2.14 |
| Equity | 54.39 | 49.46 | 55.30 |
| Market capitalisation in CHF millions | 2,428.8 | 2,104.4 | 2,920.2 |

Bonds

As at 30 June 2017, BKW had the following bonds outstanding:

| | Nominal amount | Term | Due | ISIN code |
|-------------------------|------------------|-----------|------------|--------------|
| 1.875% debenture bond | CHF 150 million | 2010–2018 | 15.10.2018 | CH0117843596 |
| 3.375% debenture bond | CHF 350 million | 2009–2019 | 29.07.2019 | CH0103164577 |
| 3% debenture bond | CHF 200 million | 2007–2022 | 27.04.2022 | CH0030356718 |
| 2.5% debenture bond | CHF 300 million | 2010–2030 | 15.10.2030 | CH0117843745 |
| 0.125% convertible bond | CHF 36.1 million | 2014–2020 | 30.09.2020 | CH0253592742 |

The conversion price of the convertible bond issued in 2014 was again slightly down on the original value as a result of the dividend paid and is now CHF 37.81. The convertible bond had a nominal value of CHF 163.375 million at the point of issue and was converted into about 4.2 million registered shares in BKW, which are guaranteed by BKW's stock of treasury shares. The bond will be repaid at the nominal value on 30 September 2020.

Of the nominal value of the convertible bonds, an overall value of CHF 127.3 million was converted into a total of 3.3 million shares by mid-2017. This reduced the nominal value to CHF 36.1 million as at 30 June 2017.

Financial calendar

| | |
|------------------------------------|---------------|
| Publication of annual results 2017 | 20 March 2018 |
| Publication of Annual Report 2017 | 20 March 2018 |
| General meeting | 18 May 2018 |
| Ex-dividend date | 23 May 2018 |
| Dividend payment | 25 May 2018 |

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

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