

Annual Report 2018



*We are growing
as a network!*

Facts & Figures

Financials

CHF millions	2014	2015	2016	2017	2018
Net sales ¹	2,406.6	2,145.7	2,236.8	2,341.7	2,525.5
Own work capitalised/other operating income	112.3	111.5	196.9	161.0	149.7
Total operating revenue ¹	2,518.9	2,257.2	2,433.7	2,502.7	2,675.2
Operating profit ¹	346.7	381.1	383.5	379.0	416.5
Net profit	291.9	284.0	322.1	270.6	203.0
Cash flow from operating activities	538.1	575.8	358.1	493.4	373.4
Investments in property, plant and equipment	222.6	223.6	254.5	244.9	228.2
Balance sheet total	7,939.9	8,007.3	8,581.5	9,088.5	9,053.3
Shareholders' equity	2,525.0	2,576.0	2,940.9	3,406.3	3,472.3
– as % of balance sheet total	31.8	32.2	34.3	37.5	38.4

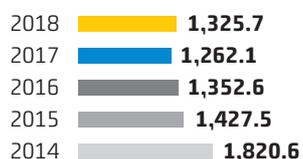
1 Comparable figures

Sales and employees per business area

	2014	2015	2016	2017	2018
Energy					
– Sales (CHF millions)	1,820.6	1,427.5	1,352.6	1,262.1	1,325.7
– Employees	850	870	860	860	880
Grid					
– Sales (CHF millions)	492.8	510.7	599.5	591.5	555.4
– Employees	650	660	670	630	630
Services					
– Sales (CHF millions)	320.4	429.7	564.5	736.4	880.8
– Employees	1,600	2,300	3,400	4,300	5,200

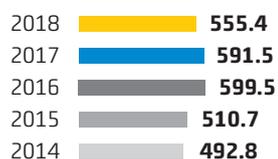
Sales Energy

CHF millions



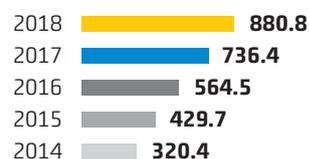
Sales Grid

CHF millions

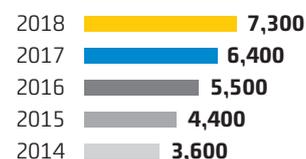


Sales Services

CHF millions



Employees



Key figures per share

CHF	2014	2015	2016	2017	2018
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
– Year-end price	29.45	38.00	49.25	57.95	68.70
– Year high	33.75	38.95	49.60	62.15	71.60
– Year low	28.25	26.70	36.20	49.00	53.80
Result per share (BKW shareholders' portion) (undiluted)	5.96	5.71	6.41	4.92	3.56
Equity per share (BKW shareholders' portion)	50.28	51.05	54.39	60.61	60.66
Market capitalisation in CHF millions	1,425.1	1,843.3	2,428.8	3,004.4	3,622.5

Solutions for a liveable future

Throughout the course of 2019, we will be launching our new series of videos. Remember: BKW makes it happen! Our short commercials will highlight solutions from our five fields of expertise: BKW Building Solutions, BKW Engineering, BKW Infra Services, BKW Energy and BKW Power Grid.

Because we know that impressive results are achieved through a strong network of people who pull together and combine their ideas. “Regional base, international reach, and together we are unbeatable” – we work together with our customers to find the best solutions.

On our way to becoming the leading energy and infrastructure services provider, we take the long view and are active in doing our part for the key issues faced by society. Combining an efficient mindset with an entrepreneurial spirit, we create infrastructure for the liveable spaces of the future.

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Letter to Shareholders



Dear Shareholders,
Dear Sir/Madam,

The BKW Group¹ has successfully held its ground in the market. The 2018 operating result showed a 10 percent improvement over the previous year. Total operating revenue rose 7 percent, to CHF 2,675 million, while EBIT saw a 10 percent increase to CHF 417 million. Owing to the low returns on investment funds versus the previous year, reported net profit stood at CHF 203 million.

We are growing as a network

As in previous years, the 2018 financial year was marked by the growth and by the transformation of the Energy business. Our company now employs more than 7,000 people. As we continue to resolutely pursue our strategy in the three business areas, we will rigorously align the Energy business area with the future, further develop the Grid business area (Power Grid) and grow the Services business area (Building Solutions, Engineering and Infra Services). Sixty-six percent of our investments go to supporting growth in renewable energies and services. Of the investments in maintenance, 80 percent flowed into the Grid. These investments enable us to restructure our

supply systems and seek out renewable energy sources, and in this way, they form a solid basis for our Grid business. Our strategy provides us with stability and gives us the agility we need.

We manage our company as a network of regionally based firms that successfully operate in the market. We exploit synergies where we find them and work together whenever it makes sense. In this way we generate added value for our shareholders, customers, employees and our society. We are on the way to becoming the leading energy and infrastructure services provider, and as such we look to do our part to create infrastructure for the liveable spaces of the future.

We are well positioned in growth markets

In financial year 2018, we recorded revenues of CHF 881 million (+20 percent) for the Services business, representing a contribution of CHF 58 million (+26 percent) to the operating result. Thanks to the decisive implementation of our strategy, we are on target and are currently smartly positioned in growth markets. As in previous financial years, we have managed to bolster the network with specific skills and

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

expand our activities in the countries of Germany, Austria and Switzerland.

As the needs of our society change, we will be prepared to do our part. Half of the energy produced is consumed by buildings. Switzerland's building stock is still mainly heated with gas and oil. If Switzerland intends to meet its climate and energy goals, this is where the greatest potential lies. As a key provider of building technology solutions, we play a part in reducing CO₂ emissions as well as lowering buildings' dependency on fossil fuels or even in eliminating it all together. We provide our customers with solutions they can use to build, convert or renovate their properties for a liveable future. There is also a great need for investment in the maintenance and expansion of transport, energy, water, waste disposal and communication networks. In 2018 we contributed to the renewal of this infrastructure throughout the whole of Switzerland.

Energy business fit for the future

The conventional electricity business will continue to face considerable challenges. Electricity prices remain low and volatile. In this environment, the maximum potential value must be gleaned from infrastructure items. To this end, we are increasingly capitalising on digital technologies and making use of the opportunities that arise from pan-European commercial activities.

The electricity market is changing as the number of wind farms and solar plants increase, while the number of coal and nuclear power plants declines. Controllable and flexible power plants are gaining in importance. The expansion of wind power has taken off. We were able to boost the production of renewable energies in the previous financial year by 10 percent. The new wind farms in France in particular are responsible for this increase as they were able to produce electricity for the entire year for the first time in 2018.

Decommissioning project on target

We achieved a key milestone in our largest project – the decommissioning of the Mühleberg Nuclear Power Plant – in 2018. In June we received the decommissioning order, which has been legally binding since September. Now, as the legal foundation has been laid, we will take the Mühleberg Nuclear Power Plant off the grid permanently on 20 December of this year and decommission it. By decommissioning it in a safe and efficient manner, we are making a significant contribution to society and the generations to come.

Grid as a stable anchor

Despite large investments of over CHF 100 million per year, it is the grids that make BKW more robust, since income is largely independent of the international electricity markets. We are optimising our grids with a view to digitalisation. We are making them intelligent and preparing them for the integration of decentralised and fluctuating energy production. This endeavour is going well and as planned.

Our sincere thanks

We would like to thank our shareholders, customers and suppliers and partners for their trust and loyalty. Our greatest thanks go to our employees, who show their dedication to our company every day. In 2019 we will continue to drive the development of our company actively and proactively forward in order to create infrastructure for the liveable spaces of the future.

Kind regards,



Urs Gasche
Chairman of the Board

Suzanne Thoma
CEO

REVIEW OF THE 2018 RESULTS

BKW sees increase in both revenue and operating result

BKW grew its revenue by 7% to CHF 2,675 million in financial year 2018 owing to the continued success in the expansion of its services business (+ 20%). The Energy business also generated a 5% increase in revenue, which more than offset the negative impact of low electricity prices. At CHF 417 million, reported operating profit is 10% higher year-on-year. Excluding the special effect from the change in the benefit plan of the BKW pension fund, comparable operating profit came in at CHF 364 million. Net profit was CHF 203 million.

CHF millions	2017 (restated)	2018	% change
Total operating revenue	2,491.7	2,675.2	7%
Reported operating profit	379.0	416.5	10%
Comparable operating profit	368.0	364.1	-1%
Reported net profit	270.6	203.0	-25%
Comparable net profit	215.0	239.0	11%

BKW closed 2018 with an operating profit of CHF 417 million (up 10% on the previous year). Adjusted for the non-cash special effect of CHF 52 million from the change enacted in the benefit plan of the BKW pension fund, EBIT amounted to CHF 364 million. Comparable operating profit thus came in higher than the forecast figure that was communicated for 2018 and just 1% lower than the high recorded in the previous year. In view of the electricity price effects that have remained negative, this is a good result. The negative electricity price effects are associated with the typical three-year hedging horizon. The bulk of the 2018 production volume was hedged in 2015 at historically low forward prices. They were even lower than those for the 2014 hedges of the 2017 production volumes. The impact from the currently rising electricity prices will be seen starting in 2020. The solid result in the 2018 reporting year, in which more than 50% of the negative electricity price effects were offset, primarily saw continued increases in efficiency in the established business areas due to higher production volumes from wind farms and to the higher contribution from the Services business.

At CHF 203 million, reported net profit is 25% lower than the prior-year figure. The primary reason for the decline is the negative performance of the Decommissioning and Waste Disposal Funds in 2018, which stand in contrast to the excellent returns of the previous year. Normalised to the planned return for the fund and the adjustment for the special effect from the pension fund, comparable net profit posted an 11% increase to CHF 239 million from CHF 215 million.

Comparable operating profit just 1% under the previous year's record high

CHF millions	2017 (restated) ¹	Adjust- ments ²	2017 (comparable)	2018	Adjust- ments ²	2018 (comparable)	% change
Total operating income	2,502.7	-11.0	2,491.7	2,675.2		2,675.2	7%
Energy procurement/transport	-875.3		-875.3	-938.6		-938.6	7%
Operating costs	-1,098.5		-1,098.5	-1,140.3	-52.4	-1,192.7	9%
– Material and third-party services	-305.1		-305.1	-347.1		-347.1	14%
– Personnel expenses	-606.8		-606.8	-589.3	-52.4	-641.7	6%
– Other operating expenses	-186.6		-186.6	-203.9		-203.9	9%
Operating profit before depreciation, amortisation and impairment	528.9	-11.0	517.9	596.3	-52.4	543.9	5%
Depreciation, amortisation and impairment	-198.7		-198.7	-208.1		-208.1	5%
Income from associates	48.8		48.8	28.3		28.3	-42%
Operating profit/loss	379.0	-11.0	368.0	416.5	-52.4	364.1	-1%
Financial result	-9.9	-60.3	-70.2	-167.6	98.5	-69.1	-2%
Profit/loss before income taxes	369.1	-71.3	297.8	248.9	46.1	295.0	-1%
Income taxes	-94.4	15.7	-78.7	-45.9	-10.1	-56.0	-29%
Net profit from continuing operations	274.7	-55.6	219.1	203.0	36.0	239.0	9%
Net loss from discontinued operations	-4.1		-4.1	-		-	-100%
Net profit	270.6	-55.6	215.0	203.0	36.0	239.0	11%

1 Under IFRS 15, certain charges that are passed on to customers, as well as grid usage fees for third-party grid operators, are now shown net. The previous year has been adjusted accordingly. This had no effect on the profit figures.

2 2017 adjusted for one-off cost reimbursements from the transfer of the transmission grid to Swissgrid in 2013. 2018 adjusted for the effect of the transition from the current defined benefit plan of the BKW pension fund to a defined contribution plan under the Swiss Occupational Benefits Act (BVG) as of 1 January 2019. Normalisation in both years of the return achieved by the decommissioning and disposal funds to the planned return.

Revenue higher in both Services business and Energy business

Revenue increased to CHF 2,675 million, up by a total of 7% on the previous year despite the ongoing price-related sales decline in the Energy segment. In particular, the Services business once again saw strong growth. With a 20% increase to CHF 881 million, a third of Group revenue is now generated by the Services business. Although revenue for the Grid business is down slightly (-4% to CHF 555 million) due to tariff reductions, it remains a solid anchor for the BKW Group. Despite the downward pressure of the low electricity price hedge, the Energy business area realised stronger revenue. At CHF 1,326 million, total operating revenue was up 5%. The additional sales as a result of the expansion in renewable energies, the actively managed electricity positions and slightly higher wholesale market volumes more than offset the negative effects of low electricity prices.

Operating costs in traditional business areas reduced further

In established business areas, operating costs were once again reduced by tens of millions of francs thanks to continuous and consistent cost management. This is a remarkable success given the savings that have already been achieved over the past few years. The corporate services and production areas in particular achieved further improvements in efficiency and optimisations. Overall, the adjusted operating costs versus the previous year still climbed 9% as a result of the acquisitions in the Services business. As at the end of the year, BKW employed some 7,300 employees, representing an increase of about 900 people in the reporting year. Two-thirds of

staff now work in the Services business. The increase in staff during the financial year occurred exclusively in the Services business, while the number of personnel was down slightly in the established business.

Performance of the Decommissioning and Waste Disposal Funds dragged down net profit

At CHF 203 million, reported net profit is 25% lower than in the previous year. The reason for the decline can be attributed in particular to the performance of the Decommissioning and Waste Disposal Funds. While the previous year saw exceptionally strong returns, performance in 2018 was negative. Year-on-year, net profit dropped by some CHF 155 million as a result. When the actual return for the funds for 2017 and 2018 was normalised with the planned return, comparable net profit rose 11% from CHF 215 million to CHF 239 million. The funds were recognised at year-end at around CHF 1.2 billion.

Adjusted income tax expense amounted to CHF 34 million, CHF 60 million lower than the previous year. The effective tax rate for the reporting year is 19% (previous year: 26%) and is affected by taxable adjustments of participations in financial statements under commercial law.

Energy: negative impact of electricity price largely offset

The Energy business area 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.

In 2018 the price of electricity remained low and volatile, and managing both the electricity positions and the strategic positioning was once again a top priority. Year-on-year, the average price realised in 2018 on the majority of the electricity sales that were hedged three years ago was slightly lower. Nonetheless, revenue still rose in the year under review. Starting in 2020, the hedged electricity prices will see a positive development. The decommissioning of the Mühleberg Nuclear Power Plant reached a key milestone in 2018 with the receipt of the decommissioning order.

CHF millions	2017	2018	% change
Electricity sales Switzerland	492.8	481.2	
Other electricity sales	725.7	801.6	
Other operating income and own work capitalised	43.6	42.9	
Total operating income	1,262.1	1,325.7	5%
Energy procurement	-760.6	-832.1	
Operating costs	-289.6	-277.6	
– Personnel expenses	-111.1	-98.1	-12%
– Material and third-party services and other operating expenses	-178.5	-179.5	1%
Operating profit before depreciation, amortisation and impairment	211.9	216.0	2%
Depreciation, amortisation and impairment	-80.4	-82.7	
Income from associates	26.2	8.4	
Operating profit/loss	157.7	141.7	-10%

The low electricity prices continued to put negative pressure on revenue in the Energy business in 2018 (CHF –80 million). However, higher production volumes in wind power and slightly higher volumes on the wholesale market served to more than offset this influence. Overall, revenue in the Energy business grew by a total of 5% to CHF 1,326 million.

In the Swiss distribution business, volumes were down somewhat (–0.3 TWh to a total of 7.4 TWh), causing income to fall 2% to CHF 481 million. The decline came about due to the internal relocation of individual key clients from the distribution business to the wholesale business. The corresponding revenues are recorded under “Other electricity business” from 2018. However, other electricity business (including market sales, direct sales from power plants and trading activities) boosted income by CHF 76 million to CHF 802 million as a result of higher volumes.

Energy procurement costs increased by a total of CHF 72 million, attributable in particular to higher fuel costs at fossil-fuel power plants and the replacement value for the lack of production volumes at the run-of-river power stations caused by the dry summer. In contrast, production costs at our partner power stations fell (hydroelectric and nuclear power plants delivered efficiency gains as well as higher production volumes), which led to lower average energy procurement prices. Electricity production totalled 11.7 TWh in 2018.

Thanks to further efficiency gains and ongoing cost savings, BKW once again lowered its operating costs, which declined a further 4%, or CHF 12 million. Income from associates was considerably lower in 2018, at CHF –18 million. This decrease is primarily due to a one-time adjustment in the accounts of the Wilhelmshaven coal power plant.

At CHF 142 million, reported operating profit came in at just CHF 16 million lower than the prior-year figure. Consequently, the greater part of the negative electricity price effects could be made up for. Owing to smaller production volumes at the run-of-river power stations during the dry summer and the stronger long positioning of the energy trading contracts, which will see the benefits next year, the negative impact could not be entirely compensated for. With its improved margin, electricity distribution contributed to a gratifying result in financial year 2018. Combined with the efficiency gains and lower procurement costs at the partner plants, the Energy business area achieved a solid operating result.

Grid business area: stable earnings contribution

The Grid business area builds, operates and maintains BKW's distribution grid.

In 2018, significant investments were again made in the maintenance and expansion of the distribution grid. The focus was on optimising the grid with a view to digitalisation. The distribution grid is being prepared for the integration of decentralised and fluctuating energy production. This work went according to schedule in financial year 2018. The Grid business area remained a solid source of income in 2018 as well.

CHF millions	2017 (restated) ¹	2018	% change
Distribution grid usage fees	495.8	480.4	
Other operating income and own work capitalised	95.7	75.0	
Total operating income	591.5	555.4	-6%
Energy transport expense	-115.2	-106.7	
Operating costs	-202.2	-195.4	
– Personnel expenses	-79.5	-71.9	-10%
– Material and third-party services and other operating expenses	-122.7	-123.5	1%
Total operating expenses	-317.4	-302.1	-5%
Operating profit before depreciation, amortisation and impairment	274.1	253.3	-8%
Depreciation, amortisation and impairment	-85.4	-85.1	
Income from associates	22.7	21.4	
Operating profit/loss	211.4	189.6	-10%

1 Under IFRS 15, certain charges that are passed on to customers, as well as grid usage fees for third-party grid operators, are now shown net. The previous year has been adjusted accordingly. This had no effect on the profit figures.

Revenue for the Grid business fell by CHF 37 million to CHF 555 million against the adjusted figures of the previous year. Income from distribution grid usage fees for the distribution grid slipped 3% to CHF 480 million, primarily owing to slightly lower rates and reduced costs for the distribution grid. One-time cost reimbursements of CHF 11 million from the transfer of the transmission grid to the Swissgrid were also recorded in the previous year.

The cost of transporting energy fell due to a circa 7% reduction in the cost for system services of the transmission grid. Operating costs were also reduced again by CHF 7 million to CHF 195 million thanks to further efficiency gains. Overall, comparable operating profit for the Grid business area was stable at CHF 190 million.

Services business area: profitable growth

The Services business area includes engineering planning and consulting for energy (Engineering), infrastructure and environmental projects, integrated services in the area of building solutions (Building Solutions), as well as the construction, servicing and maintenance of energy, water and telecommunication networks (Infra Services).

Growth in the Services business area in 2018 was marked by further acquisitions. The Services business network in the German-speaking area of Europe was further expanded and strengthened. All activities in this business area saw a rise in revenue, once again with above-average growth in profitability.

CHF millions	2017	2018	% change
Income from services	699.1	852.1	
Other operating income	37.3	28.7	
Total operating income	736.4	880.8	20 %
Operating costs	-669.9	-797.2	
– Personnel expenses	-329.2	-391.7	19 %
– Material and third-party services and other operating expenses	-340.7	-405.5	19 %
Total operating expenses	-669.9	-797.2	19 %
Operating profit before depreciation, amortisation and impairment	66.5	83.6	26 %
Depreciation, amortisation and impairment	-20.6	-25.6	
Income from associates	0.1	0.0	
Operating profit/loss	46.0	58.0	26 %

Owing to acquisitions, income from services advanced 20% to CHF 881 million in 2018, which is equivalent to approximately one-third of BKW's Group revenue. This is the successful continuation of the strategic expansion of the Services business. In 2018, a total of 18 new businesses were added to the BKW services network. The Engineering and Building Solutions areas have again been strengthened significantly. The Engineering business has been heavily expanded, particularly in Germany, but specific expertise has been added in Austria and Switzerland as well. BKW's engineering network has been strengthened considerably by the acquisitions in the areas of technical building equipment, traffic planning, building information modelling and general planning. With over 2,500 planners and engineers, BKW has become one of the largest engineering groups in German-speaking Europe.

Building Solutions' geographical presence was expanded in the western region via targeted acquisitions in western Switzerland and Valais. Through the acquisition of E3 HLK, BKW has gained access to a large part of eastern Switzerland in the areas of heating, ventilation and air conditioning, and can further enlarge its network of installation companies in eastern Switzerland as well.

Owing to their strong growth through acquisitions, both Engineering and Building Solutions now each account for slightly more than one-third of the total operating revenue in the Services business area. The market leader in construction and commissioning Swiss power grids, the Infra Services business area also saw modest organic growth in line with the market in 2018. Infra Services continues to achieve growth in both the power grid area and the Hydro Services business. In the Infra Services network, BKW owns Arpe AG and Hinni AG, market leaders in sewer technology and service providers and product manufacturers in the hydro area for maintaining critical drinking and fire-fighting water infrastructure.

Operating costs in the Services business, with its higher personnel requirements, have risen in line with its substantial revenue growth. Reported EBIT for the Services business was CHF 58 million, which, at 26% over the previous year, represents an outsize increase relative to revenues. As in previous years, this includes expenditures for acquisition and integration costs resulting from the purchase of companies. Despite the acquisition-related costs, the reported EBIT margin is 7% (previous year: 6%), and is thus on track.

Solid cash inflow from operating activities

Operating cash flow was a solid CHF 373 million. Robust operating cash flow in the previous year was mainly influenced by the positive performance of net working capital. Funds from Operations amounted to CHF 381 million, putting them just below the long-term average.

CHF millions	2017	2018	% change
Cash flow from operating activities	493.4	373.4	-24%
Change in net working capital and income taxes paid	-28.0	7.8	
Funds from operations	465.4	381.2	-18%
Liquidity as at 31.12	1,223.1	1,094.9	-10%

BKW invested a total of around CHF 485 million during the reporting year. Some two-thirds of investments went to growth areas. Investments in growth were made in the further expansion of the Services business as well as in the construction of power plants for new renewable energies (wind, small hydro). Around CHF 170 million was spent in maintenance and replacements, primarily for the grid. The power plant area saw a reduced capital outlay thanks to optimisations in condition-based investment planning. Net investments to the tune of CHF 356 million in 2018 were financed through cash flow. For this reason, short-term liquidity at year-end remained practically unchanged at over CHF 1 billion, despite substantial acquisitions and investments.

Equity and financing situation: financial and operational flexibility is assured

At CHF 9.1 billion, the balance sheet total is relatively unchanged year-on-year. The equity ratio notched up slightly to 38.4% at year-end (previous year: 37.5%). In addition to annual profit, equity also rose as a result of the conversion of treasury shares for convertible bonds. At CHF 3.5 billion, equity remained solid at year-end.

CHF millions	2017	2018
Current assets	2,382.2	2,242.8
Non-current assets	6,706.3	6,810.5
Current liabilities	1,323.5	1,547.0
Non-current liabilities	4,358.7	4,034.0
Shareholders' equity	3,406.3	3,472.3
Balance sheet total	9,088.5	9,053.3

BKW's financing situation remains solid. Financial liabilities, at CHF 1.6 billion, are on par with the previous year. Despite the successful CHF 200 million bond issue with a coupon of 0.75% in October to refinance the CHF 150 million expired bond, gross debt did not increase as a consequence. The main reason for this is the early full conversion of the convertible bond. Cash and cash equivalents are unchanged year-on-year at CHF 0.8 billion. Current financial assets decreased CHF 120 million due to investment activities. Net debt (financial liabilities less current financial assets and cash and cash equivalents) now stands at CHF 475 million (previous year: CHF 377 million). As at 31 December 2018 BKW's liquidity remained at CHF 1.1 billion, thus ensuring the company's financial and operational flexibility. Consequently, even when the CHF 350 million debenture bond falls due in 2019, BKW will still have all refinancing options available to it. In addition, BKW continues to have access to an unused syndicated loan of CHF 250 million.

Stable dividend

Based on comparable net profit, it will be proposed at the General Meeting that the dividend remain the same as in 2017 at CHF 1.80 per share. This is equivalent to a payout ratio of 40% on comparable net profit. The dividend yield thus amounts to 2.6% of the share price at year's end (previous year: 3.1%). The proposed dividend reflects the stability of BKW's dividend policy.

Outlook: solid result expected in a challenging 2019

The Energy business will be affected by falling electricity prices for the last time in the 2019 financial year. The historically low hedged electricity prices will again have a considerable negative impact on the 2019 result. As in previous years, BKW will seek to offset a large portion of this negative influence through successful management of its energy position and by continuing its policy of consistent cost management. It expects stable development for its Grid business that will continue to make a positive contribution to the operating profit. The rapid expansion of the Services business will continue in the 2019 financial year, and we can expect its contribution to the operating profit to increase further. For 2019, BKW expects a good comparable operating profit (excluding one-off effects) in the range of CHF 320 million to CHF 340 million.

BKW GROUP

BKW Group Consolidated Financial Statements

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

CHF millions	Note	2017 (restated)	2018
Net sales	9	2,341.7	2,525.5
Own work capitalised		71.0	74.8
Other operating income		90.0	74.9
Total operating income		2,502.7	2,675.2
Energy procurement/transport	10	-875.3	-938.6
Material and third-party services		-305.1	-347.1
Personnel expenses	11	-606.8	-589.3
Other operating expenses	12	-186.6	-203.9
Total operating expenses		-1,973.8	-2,078.9
Operating profit before depreciation, amortisation and impairment		528.9	596.3
Depreciation, amortisation and impairment	13	-198.7	-208.1
Income from associates	22	48.8	28.3
Operating profit		379.0	416.5
Financial income	14	119.2	10.4
Financial expenses	14	-129.1	-178.0
Profit/loss before income taxes		369.1	248.9
Income taxes	15	-94.4	-45.9
Net profit from continuing operations		274.7	203.0
Net loss from discontinued operations		-4.1	
Net profit		270.6	203.0
attributable to:			
– BKW shareholders		251.3	186.4
– Non-controlling interests		19.3	16.6
Earnings per share in CHF (undiluted)	16	4.92	3.56
Earnings per share in CHF (diluted)	16	4.77	3.53
Result per share in CHF from continuing operations (undiluted)		5.00	3.56
Result per share in CHF from discontinued operations (undiluted)		-0.08	
Result per share in CHF from continuing operations (diluted)		4.85	3.53
Result per share in CHF from discontinued operations (diluted)		-0.08	

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	2017	2018
Net profit		270.6	203.0
Actuarial gains/losses (Group companies)	28		
– Actuarial gains/losses		102.1	–39.3
– Income taxes		–22.5	5.0
Actuarial gains/losses (associates)	22		
– Actuarial gains/losses		9.5	17.2
– Income taxes		–0.7	–1.4
Financial assets at fair value through other comprehensive income ¹	30		
– Value adjustments			–0.2
Total items that will not be reclassified to income statement, net of tax		88.4	–18.7
Currency translations	30		
– Currency translations		99.5	–47.1
– Reclassification to the income statement		0.5	0.1
Hedging transactions	30		
– Value adjustments		1.2	–0.3
– Income taxes		–0.2	0.0
Total items that may be reclassified to income statement, net of tax		101.0	–47.3
Other comprehensive income		189.4	–66.0
Comprehensive income		460.0	137.0
attributable to:			
– BKW shareholders		440.3	117.6
– Non-controlling interests		19.7	19.4

1 Due to the introduction of IFRS 9, equity instruments previously classified as "Available-for-sale" were reclassified as "Financial assets at fair value through other comprehensive income" (FVOCI) on 1 January 2018. Gains and losses from the disposal of these equity instruments will no longer be reclassified to the income statement, but instead recorded directly in retained earnings.

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

CHF millions	Note	31.12.2017 ¹	31.12.2018
Assets			
Cash and cash equivalents	35	825.5	817.4
Trade accounts receivable and other receivables	17	820.5	720.1
Work in progress	18	68.0	93.3
Current tax receivables		11.4	19.6
Financial assets	21	397.6	277.5
Derivatives	31	101.3	197.7
Inventories	19	60.4	43.5
Prepaid expenses and accrued income	20	97.5	73.7
Total current assets		2,382.2	2,242.8
Financial assets	21	1,332.2	1,279.2
Derivatives	31	51.6	35.4
Investments in associates	22	1,439.6	1,481.7
Property, plant and equipment	23	3,221.4	3,234.8
Intangible assets	24	620.5	747.4
Deferred tax receivables	15	41.0	32.0
Total non-current assets		6,706.3	6,810.5
Total assets		9,088.5	9,053.3
Shareholders' equity and liabilities			
Trade accounts payable and other liabilities	25	597.2	551.0
Prepayments received for work in progress	18	49.0	41.5
Current tax liabilities		49.9	41.2
Financial liabilities	26	211.8	413.3
Derivatives	31	109.6	192.5
Provisions	27	78.2	67.6
Deferred income and accrued expenses	20	227.8	239.9
Total current liabilities		1,323.5	1,547.0
Financial liabilities	26	1,387.6	1,156.1
Derivatives	31	47.3	52.9
Pension liability	28	201.8	195.7
Other liabilities	29	416.8	407.7
Provisions	27	1,850.9	1,777.2
Deferred tax liabilities	15	454.3	444.4
Total non-current liabilities		4,358.7	4,034.0
Total liabilities		5,682.2	5,581.0
Share capital	30	132.0	132.0
Capital reserves	30	41.3	41.3
Retained earnings	30	3,206.5	3,270.6
Other reserves	30	-171.7	-240.3
Treasury shares	30	-65.8	-4.8
Equity attributable to BKW shareholders		3,142.3	3,198.8
Equity attributable to non-controlling interests		264.0	273.5
Total shareholders' equity		3,406.3	3,472.3
Total shareholders' equity and liabilities		9,088.5	9,053.3

1 Due to the provisions of IFRS 15, "Work in progress" (contract assets) and "Advance payments received on work in progress" (contract liabilities) are now presented as separate items in the balance sheet. An adjustment has been made to the previous year's figures. Work in progress was previously included in the item "Trade accounts receivable and other receivables", while advance payments received on work in progress were included in the item "Trade accounts payable and other liabilities".

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

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 31.12.2016	132.0	41.3	3,114.4	-360.7	-244.6	2,682.4	258.5	2,940.9
Net profit			251.3			251.3	19.3	270.6
Other comprehensive income				189.0		189.0	0.4	189.4
Comprehensive income			251.3	189.0		440.3	19.7	460.0
Dividend			-82.6			-82.6	-4.6	-87.2
Transactions in treasury shares			-82.6		178.8	96.2		96.2
Share-based payments			2.9			2.9		2.9
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
Capital repayment to non-controlling interests						0.0	-3.5	-3.5
Change in liabilities relating to non-controlling interests			4.8			4.8		4.8
Equity at 31.12.2017	132.0	41.3	3,206.5	-171.7	-65.8	3,142.3	264.0	3,406.3
Effect from initial application of IFRS 9			-1.6			-1.6		-1.6
Equity at 01.01.2018 (restated)	132.0	41.3	3,204.9	-171.7	-65.8	3,140.7	264.0	3,404.7
Net profit			186.4			186.4	16.6	203.0
Other comprehensive income				-68.7		-68.7	2.7	-66.0
Comprehensive income			186.4	-68.7		117.7	19.3	137.0
Dividend			-94.4			-94.4	-8.5	-102.9
Transactions in treasury shares			-31.9		61.0	29.1		29.1
Share-based payments			4.7			4.7		4.7
Acquisition of non-controlling interests			-2.2			-2.2	-1.1	-3.3
Changes in the scope of consolidation						0.0	0.3	0.3
Capital repayment to non-controlling interests						0.0	-0.5	-0.5
Change in liabilities relating to non-controlling interests			3.2			3.2		3.2
Sale of financial assets at fair value through other comprehensive income			-0.1	0.1		0.0		0.0
Equity at 31.12.2018	132.0	41.3	3,270.6	-240.3	-4.8	3,198.8	273.5	3,472.3

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

CHF millions	Note	2017	2018
Result before income taxes from continuing operations		369.1	248.9
Result before income taxes from discontinued operations		-4.1	0.0
Adjustment for non-cash transactions	35	101.0	135.6
Change in net working capital (excl. financial assets/liabilities and derivatives)		80.3	49.6
Income taxes paid		-52.3	-57.4
Other financial expenses/income		-0.6	-3.3
Cash flow from operating activities		493.4	373.4
Investments in property, plant and equipment	23	-244.9	-228.2
Disposal of property, plant and equipment		22.5	29.4
Acquisition of Group companies	7/35	-122.6	-121.8
Disposals of Group companies		1.9	-0.9
Investments in associates	22	-15.2	-43.2
Disposals of associates		24.9	35.9
Investments in current and non-current financial assets		-172.2	-94.5
Disposals of current and non-current financial assets		69.0	171.0
Investments in intangible assets	24	-30.9	-29.3
Disposals of intangible assets		1.1	0.5
Interest received		8.7	6.0
Dividends received		17.3	19.9
Cash flow from investing activities		-440.4	-255.2
Sale/purchase of treasury shares	30	-5.1	-6.6
Acquisition of non-controlling interests		-9.2	-3.3
Capital repayment to non-controlling interests		-3.5	-0.5
Increase in current and non-current financial liabilities		10.4	214.7
Decrease in current and non-current financial liabilities		-45.8	-197.2
Increase in other long-term liabilities		19.8	25.1
Decrease in other long-term liabilities		-4.0	-5.0
Interest paid		-44.8	-46.2
Dividends paid		-87.2	-102.9
Cash flow from financing activities		-169.4	-121.9
Translation adjustments on cash and cash equivalents		3.9	-4.4
Net change in cash and cash equivalents		-112.5	-8.1
Cash and cash equivalents at start of reporting period		938.0	825.5
Cash and cash equivalents at end of reporting period	35	825.5	817.4

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Financial Statements

1 Business activities

BKW AG, Bern (CH), along with its Group companies (hereinafter “BKW” or the “BKW Group”), is an international energy and infrastructure company. 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 of services comprises everything from engineering consultancy and planning for energy, infrastructure and environmental projects, through integrated offers in the field of building technology, to the construction, servicing and maintenance of energy, telecommunications, transport and water networks.

2 Basis of preparation

2.1 General principles

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

The consolidated financial statements have been prepared on the historical cost basis. Exceptions are described in the Accounting and valuation principles.

2.2 Adoption of new standards and interpretations in 2018

BKW applied the following new standards that are relevant to the BKW Group for the first time in the 2018 financial year:

- IFRS 9 – “Financial Instruments”
- IFRS 15 – “Revenue from Contracts with Customers”
- Amendments to IFRS 2 – “Classification and Measurement of Share-based Payment Transactions”
- IFRIC 22 – “Foreign Currency Transactions and Advance Consideration”

These changes have had no material impact on the presentation of BKW’s financial position and financial performance and its cash flows (see Note 3), but resulted in adjusted and additional disclosures.

2.3 Future adoption of new standards and interpretations

The following new and amended standards and interpretations that are potentially relevant to BKW were published before 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 16 "Leases" (1 January 2019)
- 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)
- Annual Improvements in 2015–2017 Cycle
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (1 January 2019)
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (1 January 2019)
- Amendments to IFRS 3 "Definition of a Business" (1 January 2020)

BKW is currently examining the possible effects of applying other amended standards and interpretations.

The new IFRS 16 standard "Leases" results in fundamental changes to how they are recognised on the balance sheet. The standard provides a single accounting model for the lessee, which means that in future almost all assets (right of use) and liabilities from leasing agreements must be recognised in the balance sheet. The distinction between operating and finance leases no longer applies. In the case of BKW, the new requirement will lead to an increase in non-current assets and, at the same time, an increase in financial liabilities. Payments from prior operating leases will no longer be recorded under "Other operating expenses". However, the depreciation on the new right-of-use model will result in a higher depreciation charge. These two effects will largely cancel one another out, so that no material effects are expected at the "operating result" level.

BKW will apply IFRS 16 for the first time from 1 January 2019 using the modified retrospective method. For this reason the cumulative effect from the application of IFRS 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019 with no adjustments being made to the comparative information.

IFRS 16 is applied to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4. Contracts that have not yet been identified as leases in accordance with IAS 17 and IFRIC 4 are therefore not reclassified.

BKW will recognise right-of-use assets and leasing liabilities of some CHF 140 million. This will increase the balance sheet total by 1.5%. The 2019 income statement will see an increase of some CHF 25 million in the operating result before depreciation, amortisation and impairment. At the same time, the depreciation charge will increase by roughly the same amount so that, at the level of the operating result, the impact will only be minor.

Existing leases are presented in Note 34 of the 2018 Financial Report.

3 Changes to accounting principles

First-time application of IFRS 9 and IFRS 15 had no material impact on BKW's annual financial statements or its financial position and financial performance. The balance sheet as at 31 December 2017 was not adjusted retrospectively. However, the income statement for the 2017 financial year was restated due to new provisions of IFRS 15 on principal-agent relationships and certain transactions are now reported net. This adjustment had no effect on the profit figures for the comparison period.

The impact of the new standards is explained in more detail below and a description provided of the new accounting and valuation principles from 1 January 2018 that deviate from previous application.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 and contains, in particular, new rules concerning the classification and measurement of financial assets and liabilities, the recognition of hedges and the calculation of impairments of financial assets. The application of IFRS 9 did not lead to any material changes in the classification of financial assets. There was no need to adjust existing hedges. There was only a minor impact on the calculation and recognition of impairments. In accordance with the transitional provisions, no retrospective adjustments were made to the previous year's figures.

Due to the introduction of IFRS 9, the equity instruments of CHF 8.6 million previously classified as "Available for sale" were reclassified as "Financial assets at fair value through other comprehensive income" (FVOCI) on 1 January 2018 as these assets are held as non-current interests. There is therefore no change compared with the previous valuation. However, in the future gains and losses from the disposal of these assets will no longer be recognised in the income statement but directly in retained earnings.

The provisions of IFRS 9 concerning the calculation and recognition of impairments of financial assets resulted in a minor effect of CHF 1.6 million on equity. This effect was not recognised in the balance sheet as at 31 December 2017, but in the opening balance sheet as at 1 January 2018.

	CHF millions
Retained earnings at 31.12.2017	3,206.5
Addition to loss allowances	-0.4
Impairment increases for other receivables, prepaid expenses and accrued income	-0.7
Impairment increases for work in progress (contract assets)	-0.3
Impairment increases for fixed-term deposits and loans	-0.6
Change in deferred tax liabilities related to impairment increases	0.4
Adjustment of retained earnings due to first-time adoption of IFRS 9 on 01.01.2018	-1.6
Retained earnings at 01.01.2018	3,204.9

Previously, the “incurred loss model” pursuant to IAS 39 was used to determine the impairment of financial assets. The forward-looking expected credit loss model is now used to calculate the impairment of financial assets. In the case of loans, term deposits and energy trading receivables, probabilities of default are calculated on the basis of externally or internally calculated counterparty ratings and corresponding impairments are recognised for expected losses occurring within the next 12 months. The simplified impairment model is applied to receivables (excluding energy trading receivables), accruals and deferrals and work in progress. Assets are assessed here on the basis of being in arrears and grouped into various categories. Different impairment rates for the expected losses over the entire residual term are allocated to these groups based on historical values.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 replaces IAS 11, IAS 18 and the related interpretations. The new standard establishes a uniform model for the calculation and recognition of revenue from the transfer of promised goods and services.

The application of IFRS 15 did not give rise to any material changes in the timing or amount of revenue recognition. However, certain transactions are now presented net in the income statement. BKW has applied the full retrospective method for the first time to IFRS 15 and adjusted the income statement for the previous year accordingly. BKW applies the exemption provided for in IFRS 15 and does not disclose the remaining performance obligations for the reporting periods prior to the date of first-time application. In addition, BKW does not capitalise costs to obtain customer contracts if these costs would be amortised within one year. Thus, there is very little capitalisation of costs to obtain contracts.

Net sales generated by BKW comprises income from the Energy, Grid and Services businesses.

- Sales in the Energy business segment mainly comprise income from the sale of energy to end customers and distribution partners in Switzerland, income from the sale of electricity, certificates and raw materials on the wholesale market, income from the direct feed-in of energy from power plants with feed-in remuneration and income from the production of heat. In the energy sector, the provisions of IFRS 15 apply to “own use” transactions (“own use exemption” under IFRS 9). Sales from these business activities must be recognised over the duration of the agreed performance. However, since the energy is consumed at the same time as the delivery, the sale of energy immediately gives rise to a right to payment which is directly equivalent to the value to the customer of the energy delivered. In these cases, IFRS 15 permits an exemption from revenue recognition. BKW applies this exemption and books revenue in the amount that can be invoiced. Hence the new provisions of IFRS 15 did not give rise to any change in the timing or amount of revenue recognition.

- The Grid business segment mostly generates income from charging distribution grid usage fees for the distribution grid. Income from the transmission of energy must be recognised over the duration of the agreed performance. When energy is transmitted, there is a direct entitlement to remuneration which corresponds directly to the value to the customer of the energy transmitted. This performance falls under the exemption in IFRS 15 for revenue recognition. BKW applies this exemption and books revenue in the amount that can be invoiced. IFRS 15 did not produce any changes in the timing and amount of revenue recognition.
- In the Services segment, revenues are generated mainly through the provision of engineering planning and consulting services for energy, infrastructure and environmental projects, planning and installation services in the field of building technology, and the construction, servicing and maintenance of energy, telecommunications, transport and water networks. These are principally customer-specific construction contracts that were previously recognised using the percentage-of-completion (POC) method and whose revenues were generated over a certain period. Owing to the contractual provisions governing these services, which grant BKW the right to compensation for the performance, revenue recognition over a certain period must still be applied under IFRS 15. The extent of performance is measured using the cost-to-cost method. First-time application of IFRS 15 therefore did not cause any material changes regarding the recognition of revenues for a specific period or amount.

Net sales are broken down into external and internal revenues by business segment and by geographical region in Note 9 "Segment reporting".

New provisions on principal-agent relationships resulted in a change in the Grid business area relating to charges passed on to customers for compensatory feed-in remuneration (KEV) and for grid usage fees of third-party grid operators. BKW bears the default risk for these services, and was therefore previously classified as a principal and they were accordingly shown gross in the income statement as net sales on the one hand and energy procurement/transport expenses on the other. Under IFRS 15, default risk is now no longer a relevant criterion for assessing whether a principal or agent relationship exists. In such cases BKW is now reclassified as an agent and therefore shown net. This change has no impact on the operating result or net profit.

The impact of this new net presentation is shown in the table below. No changes were made to the balance sheet, statement of changes in equity or cash flow statement.

CHF millions	2017	Effect from IFRS 15	2017 (restated)
Total operating income	2,577.4	–74.7	2,502.7
Total operating expenses	–2,048.5	74.7	–1,973.8
Operating profit before depreciation, amortisation and impairment	528.9	0.0	528.9
Operating profit/loss	379.0	0.0	379.0
Profit/loss before income taxes	369.1	0.0	369.1
Net profit	270.6	0.0	270.6

4 Consolidation

4.1 Consolidation principles

The consolidation is based on the financial statements of the individual Group companies, which have been drawn up according to uniform principles of valuation and presentation. Intragroup balances, transactions, profits and expenses are eliminated in full.

With one exception, all Group companies use 31 December as their closing date. The closing date for some associates and one joint arrangement differs from that of BKW since these companies close their accounts on 30 September in line with the hydrological year. The closing date for consolidation of these companies is set at 30 September. Adjustments are made for material transactions that occur between the closing date of the companies and the closing date of BKW.

4.2 Scope of consolidation

Group companies

Group companies are included in the consolidated financial statements in their entirety. There are no material restrictions on the transfer of funds from subsidiaries to the parent company.

Joint arrangements

Companies over which there is joint control are treated as joint ventures or joint operations. Joint operations are accounted for in the Group financial statements by recognising the Group's share of the assets and liabilities and of the revenues and expenses. The Group's joint ventures are accounted for using the equity method.

Associates

Investments in companies in which BKW is able to exercise significant influence but not overall control are classified as associates and accounted for using the equity method. A significant influence is generally held to be a share of voting rights of between 20% and 50%. Rights agreed in contract may in some circumstances mean that a significant influence can be exerted even though the share of voting rights is smaller than 20%. This applies in particular in the case of partner plants.

Partner plants comprise companies that build and operate power plants or that manage energy procurement rights and plan nuclear storage facilities. The energy produced by these companies is purchased at production cost in line with contractual agreements. Partner plants are assigned to the Energy business area.

4.3 Acquisition and sale of Group companies

Companies acquired by BKW during the year are consolidated as from the effective date of acquisition. Net assets acquired are measured at fair value and integrated using the acquisition method. The excess of the cost of acquisition over the fair value of net assets acquired is classified as goodwill. Any negative difference is immediately recognised in income.

Group companies that BKW ceases to control are excluded from consolidation as of the date on which control ceases. The difference between the proceeds from the sale and the net assets disposed of is recognised in the income statement on the effective date. Attributable goodwill and accumulated foreign currency translation differences and revaluations of financial instruments recognised in other comprehensive income are derecognised in income as a component of the gain or loss on sale.

In the course of acquisitions, non-controlling interests are sometimes provided with put options, with BKW receiving call options under the same conditions. If this should cause BKW to receive economic ownership, the transaction is represented as though the shares in question had also been acquired. Otherwise, the non-controlling interest is recorded under "Other liabilities" due to the put option. Any surplus on balance sheet date is reclassified in retained earnings.

Acquisition-related transaction costs are recorded as "Other operating expenses".

4.4 Foreign currency translation

The reporting currency is the Swiss franc (CHF). BKW records transactions in foreign currencies at the prevailing exchange rates on the transaction date. Exchange rate gains and losses arising from such transactions and the translation of foreign currency balances on the balance sheet date are charged to the financial result.

Foreign-currency financial statements of Group companies outside Switzerland are converted to Swiss francs according to the following principles:

- Balance sheet, at the prevailing exchange rates on 31 December;
- Income statement, at average exchange rates for the reporting year;
- Cash flow, at average exchange rates for the reporting year.

	Closing date 31.12.2017	Closing date 31.12.2018	Average 2017	Average 2018
CHF/EUR	1.1702	1.1269	1.1115	1.1550

Goodwill and adjustments to fair value made in the apportionment of purchase prices to the carrying amounts of identified net assets of companies in foreign currency are carried in the foreign currency.

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

5 Accounting policies and valuation

5.1 Revenue recognition

BKW generates revenue in its three business segments: Energy, Grid and Services.

Energy

Sales in the Energy business segment mainly comprise income from the sale of energy to end customers and distribution partners in Switzerland, income from the sale of electricity, certificates and raw materials on the wholesale market, income from the direct feed-in of energy from power plants with feed-in remuneration and income from the production of heat.

In the energy sector, "own use" transactions ("own use exemption" under IFRS 9) fall under the provisions of IFRS 15. Sales from these business activities must be recognised over the duration of the agreed performance. However, since the energy is consumed at the same time as the delivery, the sale of energy immediately gives rise to a right to payment that is directly equivalent to the value to the customer of the energy delivered. Thus, in these cases, an exemption under IFRS 15 is applied to revenue recognition and revenue is recognised in the amount that can be invoiced. Thus the income is considered to be realised and recognised as revenue when delivery has taken place.

Energy-trading revenue is presented according to the purpose of the underlying transaction. Energy transactions are conducted either for the purpose of actively managing the power plant portfolio or to ensure physical coverage of energy supply or purchase contracts. Such management transactions can be broken down into "own-use" and "hedging" transactions. The revenue from own-use transactions falls under the provisions of IFRS 15 and is recorded as gross in revenue at the time of delivery.

Hedging transactions result from extended activities to manage the production portfolio, comprising additional transactions undertaken to hedge BKW's own production. These additional hedging transactions qualify as financial instruments under IFRS 9. Other energy transactions are conducted with the sole intention of achieving a trading margin. Such transactions also qualify as financial instruments under IFRS 9.

Energy transactions defined as financial instruments are measured at fair value at the closing date; realised and unrealised gains and losses from these transactions are recorded as net figures in "Income from energy hedging" and "Income from proprietary energy trading" (see Note 39.2). The income from such transactions consists of two components: on the one hand, the effective realised gains or losses from transactions in progress is recorded. On the other hand, the unrealised evaluation gains and losses flow from measurement at fair value of the open contracts.

Grid

The Grid business segment mostly generates income from charging distribution grid usage fees for the distribution grid. Income from the transmission of energy must be recognised over the duration of the agreed performance. When energy is transmitted, there is a direct entitlement to remuneration which corresponds directly to the value to the customer of the energy transmitted. This performance falls under the exemption in IFRS 15 for revenue recognition. BKW applies this exemption and books revenue in the amount that can be invoiced. Thus the income is considered to be realised and recognised as revenue when delivery has taken place.

Fees charged to customers for compensatory feed-in remuneration (KEV) and grid usage fees of third-party grid operators are not recognised as revenue owing to the provisions governing principal-agent relationships, but are shown net against the corresponding energy procurement/transport costs.

Services

In the Services segment, revenues are generated mainly through the provision of engineering planning and consulting services for energy, infrastructure and environmental projects, planning and installation services in the field of building technology, and the construction, servicing and maintenance of energy, telecommunications, transport and water networks. These are principally customer-specific construction contracts. Owing to the contractual provisions governing these services, which grant BKW the right to compensation for the performance, revenue is recognised over a certain period. The extent of performance is measured using the cost-to-cost method. The costs incurred to obtain customer contracts are not capitalised if these costs are amortised within one year.

5.2 Trade accounts receivable/payable, and prepaid/accrued expenses and prepaid expenses and accrued income

Trade accounts receivable/payable are recognised as financial instruments at amortised cost in accordance with IFRS 9. The forward-looking expected credit loss model is now used to calculate the loss allowance of receivables.

Depending on the amount, trade accounts receivable are subjected to an impairment test and, if necessary, individual writedowns are made. In the case of energy trading trade accounts receivable, probabilities of default are calculated on the basis of externally or internally calculated counterparty ratings and corresponding impairments are recognised for expected losses occurring within the next 12 months. The simplified impairment model is applied to the remaining trade receivables. Assets are assessed here on the basis of being in arrears and grouped into various categories. Different impairment rates for the expected losses over the entire residual term are allocated to these groups based on historical values.

Prepaid/accrued expenses and deferred/accrued income cover the periodic adjustment of expenses and income and are also recorded at nominal value and broken down into financial and other accruals. Financial accruals consist of goods and services provided or purchased on a contractual basis but not billed by the balance sheet date. In the case of financial accruals and deferrals, a general impairment is recognised in accordance with the simplified impairment model pursuant to IFRS 9.

5.3 Work in progress and advance payments received on work in process

Work in progress (contract assets) exists in connection with the provision of engineering planning and consulting services for energy, infrastructure and environmental projects, planning and installation services in the field of building technology, and the construction, servicing and maintenance of energy, telecommunications, transport and water networks. These are primarily customer-specific construction contracts for which a right to consideration exists for goods or services that are transferred to the customer. If consideration is received before goods or services are transferred to the customer, a contract liability "Advance payments received for work in progress" is recognised.

BKW evaluates the extent of performance for the purposes of valuing work in progress. The extent of performance is measured using the cost-to-cost method. Work in progress is assessed for credit risk and valued using the simplified impairment model under IFRS 9. Anticipated losses are immediately recorded in their entirety.

5.4 Inventories

5.4.1 Stock materials

Materials held in stock for grid construction and the electrical installation business are recorded at the lower of acquisition/manufacturing cost or net realisable value. The acquisition/manufacturing cost of raw and auxiliary materials is measured at the weighted moving average. Semi-finished and finished products include the directly assignable cost and share of overall construction costs. Stock materials with an unsatisfactory turnover are written off in full or in part.

5.4.2 Emission rights and green certificates

For emission rights held under national or international emissions allowance schemes for the purpose of compliance with carbon emission allowances, the net liability method is used. These emission rights are recorded at the lower of acquisition cost or net realisable value. A provision is recognised as soon as the carbon output exceeds the emission allowances originally allocated and still held. The value of the emission rights and certificates is realised when they are sold or returned to the authorities as compensation for emissions.

Green certificates certify the generation of electricity from renewable energies and can be sold separately from the delivery of electricity. Income from green certificates from BKW's own production is accrued at the time the energy is produced based on the expected proceeds from the sale. Purchased green certificates are carried in the balance sheet at acquisition cost.

For transactions in emission rights and certificates conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption for traders in raw materials and commodities. The brokerage exemption stipulates that these may be recognised at fair value, less costs to sell. Changes in value on the balance sheet date as well as realised purchases and sales are recorded in the income statement. Transactions in derivatives on emission rights that are conducted with the intention of achieving a trading margin are treated in the same way as energy-trading derivatives (see Note 5.6.1).

5.5 Financial assets

Financial assets cover holdings, securities, loans, term deposits and other financial assets. Receivables from state funds that are not recognised in accordance with the provisions of IFRIC 5 and do not therefore fall under the scope of IAS 32, IFRS 7 and IFRS 9 are also included as financial assets.

Financial assets are recorded and derecognised on the trade date.

Stock exchange-listed securities that constitute part of a portfolio of financial instruments, that are jointly managed and that are regularly purchased and sold are categorised as "Assets at fair value through profit or loss" and recorded under current assets. Other holdings and securities are allocated to the "Financial assets at fair value through other comprehensive income" category and reported under non-current assets. Term deposits, loans and other financial assets are valued at amortised cost. Pursuant to IFRS 9, in the case of term deposits and loans, probabilities of default are calculated on the basis of externally or internally calculated counterparty ratings, and corresponding impairments are recognised for expected losses occurring within the next 12 months.

Nuclear power plant operators are required by law to make annual payments to state funds (Federal Decommissioning and Waste Disposal Funds). The operators will be paid the future costs for disposal and decommissioning by these state funds according to the statutory requirements. Such payments are regarded as reimbursements and are capitalised as receivables from state funds pursuant to IFRIC 5. Changes in fund valuations are recorded in the financial result for the period in question.

5.6 Derivatives

5.6.1 Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles, and futures on electricity, gas, oil, coal and certificates. Contracts concluded with the sole intention of achieving a trading margin, as well as hedging transactions resulting from extended production portfolio management, are treated as financial instruments and designated as energy derivatives.

Transactions that are open on the balance sheet date are measured at fair value. BKW receivables in respect of counterparties are recorded under assets as positive replacement values (under Derivatives), while payables are recorded under liabilities as negative replacement values (under Derivatives). Positive replacement values correspond to the costs that BKW would incur to replace all transactions that represent benefits for BKW if all counterparties were simultaneously unable to pay and the transactions could be immediately replaced. Negative replacement values correspond to the costs that counterparties would incur to replace all transactions that represent benefits for them if BKW were no longer able to meet its obligations. Ongoing transactions with positive or negative replacement values are netted if the respective contract terms provide for this, and settlement is legally enforceable and intended.

Realised and unrealised gains and losses from energy derivatives are recorded as income from proprietary energy trading or as income from energy hedges as applicable within net revenue.

5.6.2. Hedge accounting

Financial instruments can be used to hedge fluctuations in the fair value of an asset or liability (fair value hedge), to hedge exposure to variability in cash flows (cash flow hedge) and to hedge exposure of net investments in business operations abroad (net investment hedge). This is done in accordance with the existing guidelines governing BKW's hedging and credit risk policy.

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

5.7 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and recognised impairment losses. Depreciation is calculated systematically using the straight-line method and based on the useful lives of the assets. The useful lives and indications of impairment are reviewed annually. Impairments in respect of property, plant and equipment are determined according to the principles set out in Note 5.9. Property, plant and equipment dependent on concessions that are revertible without compensation are written down at most over the expected term of the concession.

The present values of estimated dismantling, decommissioning and disposal costs are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 5.13). Fuel elements produced specifically for the nuclear power plant are disclosed in the balance sheet under property, plant and equipment. They are written down on the basis of wear and tear (burn-up).

For long-term investment projects, the borrowing interest is charged to the balance sheet during the set-up phase. Land is valued at acquisition cost. Depreciation is recorded only in the event of impairment.

The costs of repairs and maintenance that do not add value are charged to the income statement as they are incurred. They are carried as assets only if the costs extend the original useful life or give rise to other significant economic benefits (cost reduction, increase in earnings). Costs incurred due to legal requirements that generate no direct future benefit are capitalised only if and when this enables other assets to generate benefits. The estimated useful lives of property, plant and equipment lie within the ranges listed below and are unchanged compared with the previous year:

Buildings	50 years
Power plants	12 to 80 years
Distribution grid	20 to 60 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years
Fuel rods	according to burn-up

5.8 Intangible assets

Intangible assets include rights of use, contractual or legal rights acquired as a result of acquisitions, brands, customer relationships, software and goodwill.

Rights of use comprise contractually agreed one-off amounts to a contractual partner for the use of its operating installations as well as licences for the construction and operation of BKW's own installations.

Intangible assets are amortised over the period of use, or at most the contract period, using the straight-line method. Goodwill is not written down but assigned to the relevant cash-generating unit and subjected to annual impairment tests or ad hoc tests whenever impairment is indicated.

Rights of use

Licences	60 to 80 years
Energy procurement rights	36 to 60 years
Installation utilisation rights	7 to 50 years
Transit rights	25 to 60 years

Other

Software	3 to 8 years
Brands, customer lists, technologies	4 to 10 years

5.9 Impairment of non-financial non-current assets

On each balance sheet date, assets are tested for impairment or improvement in value. If indications of impairment or improvement are identified, the recoverable amount of the asset is measured. Assets with an indefinite useful life are assessed for impairment irrespective of whether there are any indications.

The value of assets with a carrying value that exceeds the recoverable amount is adjusted in the income statement. If the amount estimated for an impairment loss is greater than the carrying value of the asset, a liability is recognised only if the requirements for a provision or other obligation are met. An impairment loss recognised in previous years for an asset other than goodwill is reversed if no impairment or only a reduced impairment exists. Impairment losses for assets subject to depreciation are reversed to the value that would have been determined had the acquisition value been depreciated on a systematic basis. The reverse posting is also charged to income.

Energy produced by partner plants is billed to shareholders on the basis of existing agreements – irrespective of the current market prices – at the cost of production. Provisions for onerous energy procurement contracts are formed if the cost of production is above the future expected market price due to the contractual obligation to pay energy production costs. Based on the obligation of the shareholders to pay production costs, it is assumed that the holdings in partner plants measured at the proportionate equity value are recoverable.

5.10 Financial liabilities

Financial liabilities comprise interest-bearing financial obligations, namely bonds, loans and finance leasing liabilities. Bonds and loans are carried at amortised cost using the effective interest method. Finance lease liabilities are recognised in accordance with IAS 17.

5.11 Assigned rights of use

Assigned rights of use are recognised under other non-current liabilities. They consist of third-party payments for transit rights to transmission systems, plant usage rights and contributions to grid costs (connection contributions). Such assigned rights are recognised in the balance sheet at the nominal value of the cash inflow less any reversed amounts charged to income. The liability is reversed on a straight-line basis over the useful life of the facility but for no longer than the life of the relevant assigned right.

5.12 Pension plans

BKW operates various pension plans in accordance with legal requirements. The majority of employees are covered by the Pensionskasse BKW. This is a legally autonomous defined benefit scheme compliant with the terms of IAS 19. In addition, employees are also members of other pension funds, which are similarly classed as defined benefit plans.

5.13 Provisions

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

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

The provision is calculated based on the following key assumptions, which are unchanged compared with the previous year:

- Assumed operating period of 47 years (until 2019).
- Average inflation rate of 1.5%.
- Interest rate of 3.5%.

The inflation and interest rate parameters are used in relation to the revised Decommissioning and Waste Disposal Funds Ordinance (SEFV) that came into effect on 1 January 2015. The parameters set by the federal government in the SEFV to calculate the contributions for the Decommissioning and Waste Disposal Funds have been applied in the calculation of the provisions.

BKW holds non-controlling interests in power plant companies, under the terms of which it is committed to purchasing the energy generated by these plants at production cost. Provisions are recognised for obligations to purchase energy at production costs that exceed the expected future realisable sales prices. The calculations are made using the discounted cash flow method.

5.14 Income taxes

Income taxes include current taxes based on profit and deferred taxes based on valuation differences. Current income taxes are determined based on local tax regulations. Deferred taxes account for the income tax effects between internal and local tax valuation guidelines for assets and liabilities according to the liability method. This is based on the actual tax rates or the tax rates expected to apply when this difference is adjusted.

Deferred tax liabilities are always recognised in the balance sheet. Deferred tax assets are recognised only if it appears probable on the basis of future anticipated gains that they can be realised.

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

5.15 Leasing

Under the accounting standards, leasing arrangements are divided into operating leases and finance leases.

A finance lease is a leasing arrangement in which the lessor essentially transfers to the lessee all risks and opportunities associated with the ownership of an asset. Assets held by BKW as the lessee in a finance leasing arrangement are initially accounted for as property, plant and equipment at the lower of the fair value and the present value of the minimum lease payments. They are depreciated over the shorter of the lease term or the life of the asset. The lease instalments are divided into interest costs and repayment amounts using the annuity method. Finance lease liabilities are presented in the balance sheet under current and non-current financial liabilities.

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

5.16 Segment reporting

Segments and segment results are defined on the basis of the management approach. The reportable segments correspond to the business areas of BKW: Energy, Grid and Services. The CEO, who has prime decision-making authority, uses the operating result (EBIT) as the basis for allocating resources and measuring performance.

6 Measurement uncertainties

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

6.1 Impairment testing of non-current assets

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

6.2 Mühleberg Nuclear Power Plant/provisions for nuclear waste disposal

Measurement of the provision for nuclear waste disposal and the inherent value of property, plant and equipment (power plant and equipment, fuel rods, including present disposal value) is material for the purposes of assessing BKW's balance sheet and income statement. Detailed costs for decommissioning nuclear power plants and nuclear waste disposal are jointly calculated by the industry and updated every five years in accordance with the Ordinance on the Decommissioning and Waste Disposal Fund for Nuclear Power Plants (STENFO). These cost calculations are reviewed by independent cost specialists and the Swiss Federal Nuclear Safety Inspectorate (ENSI). A new estimate of the decommissioning and waste disposal costs (KS16) occurred in 2016 as scheduled. The adjustment was carried out at the request of and in accordance with the strict requirements of the Administrative Commission for the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (AC STENFO) and in collaboration with swiss-nuclear. The KS16 estimates the overall costs (overnight costs) in the baseline variant for the Mühleberg Nuclear Power Plant to be CHF 3.06 billion. On this basis, BKW assumes overnight costs of CHF 3.0 billion for calculating its provisions. BKW considers it most likely that the "combination repository" (cost-reducing) and "conventional dismantling" (cost-increasing) scenarios envisaged in KS16 will be implemented. In addition, BKW takes plant-specific costs into account. The difference between BKW's estimated overnight costs and the provisions recorded on the balance sheet as at 31 December 2018 in the amount of CHF 1.5 billion is due to costs of around CHF 835 million that had already been paid by the end of 2018 and to discounting effects of CHF 627 million.

After reviewing the KS16, AC STENFO increased its cost estimates, including through flat safety surcharges, and the Federal Department of the Environment, Transport, Energy and Communications (DETEC) also ordered additional costs. The cost adjustments made by AC STENFO and DETEC are not operationally justified from BKW's perspective. For this reason, BKW is keeping to the cost estimates submitted by the industry association swissnuclear and to its own estimates for recognition of nuclear provisions on the balance sheet.

Work in connection with decommissioning is expected to last until 2034. Costs for operations related to the repository and monitoring of stored nuclear materials are expected to be incurred until 2126. The long-term inflation expectations can be compared with those from macroeconomic studies of third parties for only a limited period of time. There is, however, no corresponding data for the time period up to 2126. For this reason, the parameters provided by the federal government in the SEFV (inflation and return on investment) were used as the best estimate for calculating the provisions. The discount rate of 3.5% for provisions is determined based on the expected return on investment. This rate takes into account the long-term economic forecasts of the federal government and represents a transparent, best estimate. The inflation rate of 1.5% and discount rate of 3.5% parameters used resulted in a real discount rate of 2%. The decommissioning and waste disposal funds have achieved an average actual yield of 2% in the past.

At the end of 2018, DETEC launched the consultation process for partial revision of the SEFV. The consultation draft provides for the elimination of the 30% flat safety surcharge previously applied to the setting of contributions, the reduction of inflation from 1.5% to 0.5% and the reduction of the return on investment from 3.5% to 2.1%. This would lead to a reduction in the actual yield from the previous 2.0% to 1.6%. The consultation will wind up at the end of March 2019. DETEC's decision is expected later on in 2019. BKW will examine application of the changed parameters for the calculation of nuclear provisions.

Changes to cost calculations and the statutory requirements for nuclear waste disposal may have a material effect on the Group's results of operations and cash flows. The inflation and discount rate parameters are also particularly relevant for determining the level of provisions for decommissioning (expected costs up to 2034) and nuclear waste disposal (expected costs up to 2126). In the event of an increase/decrease in the assumptions shown below, provisions as at 31 December 2018 would vary as follows (+ increase in provisions/- decrease in provisions):

CHF millions	Inflation +0.5%	Inflation -0.5%	Discount rate +0.5%	Discount rate -0.5%
Decommissioning	36.3	-34.7	-25.8	27.0
Waste disposal	111.7	-89.5	-81.0	101.3
Total	148.0	-124.2	-106.8	128.3

Effects on contribution payments

AC STENFO sets the amounts to be paid to the decommissioning and waste disposal funds based on the decommissioning and disposal costs ordered by DETEC and application of the SEFV. The contribution payments are not carried through the income statement. Since the state funds are managed by the federal government, BKW has, however, no access to the managed assets.

In November 2018, AC STENFO ordered the revised provisional contributions for the 2017 to 2021 period. For BKW this generated CHF 12.1 million in higher annual contributions to the decommissioning fund and CHF 1.1 million in higher contributions to the waste disposal fund than in the previous year.

If the Federal Council were to approve the adjustment of the assumptions for inflation and the return on investment in accordance with the partial revision of the SEFV, BKW's annual contributions to the decommissioning fund would increase by CHF 1.3 million and to the waste disposal fund by CHF 27.2 million.

6.3 Provision for onerous energy procurement contracts

Provisions for onerous energy procurement costs are calculated using the discounted cash flow method. Measurement of the provision depends primarily on estimated future energy prices, estimated production costs of the power plant, and the assumed discount rates. The calculations are also usually made over an extremely long period, generally over the licence term or useful life of the power plants. These estimations and assumptions constitute uncertainties and can deviate significantly from actual results.

6.4 Pension plans

The pension liabilities arising from defined benefit pension plans are calculated based on actuarial assumptions that may not reflect reality and hence may have an impact on BKW's results of operations and cash flows. The actuarial assumptions used in the calculation and a corresponding sensitivity analysis are disclosed in Note 28.

6.5 ECom legal proceedings

The tariffs that BKW is permitted to charge to its customers for grid usage and energy are partly reviewed by the Federal Electricity Commission (ECom). At present, there are several proceedings awaiting decisions by various bodies. The main object of the proceedings is to rule on the chargeable capital and operating costs. Decisions issued by the court of last instance may have implications for BKW's future cash flows.

7 Business combinations

Business combinations in 2018

CHF millions	Total
Cash and cash equivalents	15.5
Trade accounts receivable	21.8
Other current assets	26.7
Financial assets	2.5
Property, plant and equipment	6.6
Intangible assets	30.5
Current liabilities	-27.8
Non-current financial liabilities	-0.4
Non-current provisions	-3.0
Deferred tax liabilities	-8.0
Pension liability	-6.6
Fair value of acquired net assets	57.8
Non-controlling interests	-0.2
Goodwill	113.7
Purchase price	171.3
Cash and cash equivalents acquired	-15.5
Deferred and contingent purchase price liabilities	-35.2
Deferred and uncontingent purchase price liabilities	-12.6
Cash outflow	108.0

Unless stated otherwise, the values for the transactions listed are provisional as the purchase price allocations have not been finalised.

In the current year, BKW acquired a number of companies and allocated them to the Services segment.

In the infrastructure engineering sector in Germany, BKW acquired 90% of the shares in Michael Thillmann GmbH and KHP Architekten Planungsgesellschaft mbH and 100% of the shares in Kulla, Herr + Partner GbR, WALD + CORBE GmbH & Co. KG, WALD + CORBE Consulting GmbH, WALD + CORBE Infrastrukturplanung GmbH, Climaplan GmbH, Igr AG, emutec GmbH and emutec energy link GmbH, IHB GmbH Ingenieurdienstleistungen, Ingenieurbüro Prof. Dr. Ing. Vogt Planungsgesellschaft mbH, the Swiss company IWM AG and the Austria-based IKK Group GmbH. Architects firm Podufal-Wiehofsky and consulting engineers PartmbB were also taken over.

In the building technology sector, electrical installation companies Michel Rime AG, Elektro Winter AG, Werner Electro AG, MORA Holding AG with its 100% subsidiary Elektro Naegelin AG, and also E3 HLK AG, and Kurz Heizungen AG were acquired in Switzerland.

The German company TSS Technischer Strahlenschutz e.K. was acquired and integrated into DfN Dienstleistungen für Nukleartechnik GmbH.

The transactions included goodwill of CHF 113.7 million. The goodwill recognised is mainly attributable to the expected future synergies and acquisition of a qualified workforce. There are no material value adjustments in the trade accounts receivable.

At the acquisition date, there were contingent purchase price liabilities amounting to CHF 35.2 million in relation to the acquisition of these companies. The final amount due will depend on the future business performance of the companies and on unconditional purchase price liabilities of CHF 12.6 million. The transaction costs amounted to CHF 1.7 million.

Had the companies already been acquired as at 1 January 2018, total operating revenue for the current year would have been CHF 83.3 million higher and the net profit CHF 8.3 million higher.

Between the point at which the individual companies were fully consolidated and 31 December 2018, the acquired companies recorded cumulative total operating revenue of CHF 76.3 million and a total net profit of CHF 9.7 million.

CHF 6.4 million was paid for conditional purchase price liabilities and CHF 7.4 million for unconditional purchase price liabilities for acquisitions made in prior years.

Business combinations in 2017

CHF millions	Assmann Beraten + Planen	Hinni Group	Miscellaneous	Total
Cash and cash equivalents	4.9	1.6	20.7	27.2
Trade accounts receivable	3.7	3.1	15.5	22.3
Other current assets	64.5	7.5	16.5	88.5
Financial assets	0.2		1.1	1.3
Property, plant and equipment	1.6	1.0	11.3	13.9
Intangible assets	4.3	6.0	25.8	36.1
Deferred tax assets	1.7		0.2	1.9
Current liabilities	-70.6	-4.1	-27.7	-102.4
Non-current financial liabilities	-0.1	-0.1	-0.7	-0.9
Non-current provisions	0.0	-1.1	-1.1	-2.2
Deferred tax liabilities	-2.7	-0.5	-6.7	-9.9
Pension liability	0.0	-6.7	-8.4	-15.1
Fair value of acquired net assets	7.5	6.7	46.5	60.7
Non-controlling interests	-0.3		-1.1	-1.4
Fair value of interests already held			-0.8	-0.8
Goodwill	31.3	16.6	65.7	113.6
Purchase price	38.5	23.3	110.3	172.1
Cash and cash equivalents acquired	-4.9	-1.6	-20.7	-27.2
Deferred and contingent purchase price liabilities	-4.9	-4.0	-18.3	-27.2
Deferred and uncontingent purchase price liabilities			-12.1	-12.1
Cash outflow	28.7	17.7	59.2	105.6

In 2017, BKW acquired a number of companies. The values for the transactions conducted in the previous year are provisional since the purchase price allocations had not been finalised. The purchase price allocations are now final and have resulted in slight changes for one smaller business combination.

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 mainly attributable to the expected synergies and the acquisition of a qualified workforce. There are no material loss allowances in the trade accounts receivable. The transaction costs amounted to CHF 0.3 million.

Had the company been acquired at the start of the current year, total operating revenue for 2017 would have been CHF 7.8 million higher and net profit CHF 5.5 million lower. Between the point at which the company was fully consolidated and 31 December 2017, the acquired company recorded total operating revenue of CHF 52.3 million and a net profit of CHF 4.5 million.

Hinni Group

At the end of March 2017, BKW acquired 100% of the shares in Hinni AG and thus 100% of the shares in Italian Traitall SRL, as well as a 70% stake in Swiss Benco Service GmbH. The company is a leading Swiss manufacturer of residential water systems and products. The company has been assigned to the Services segment.

At the acquisition date, there were contingent purchase price payments of CHF 4.0 million. These purchase price payments depend on economic development in the coming years. The goodwill recognised is mainly attributable to the expected synergies and the assembled, qualified workforce. There are no material loss allowances in the trade accounts receivable. There were no transaction costs.

Had the company already been acquired on 1 January 2017, total operating revenue for 2017 would have been CHF 5.7 million higher and the net profit CHF 0.9 million lower. Between the point at which the company was fully consolidated and 31 December 2017, the acquired company recorded total operating revenue of CHF 23.1 million and a net profit of CHF 2.3 million.

Miscellaneous

In the 2017 financial year, 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 each of the following: AEP Planung + Beratung GmbH (A), QSB Gruppe (D), the Gründer Group, Darnuzer Ingenieure AG, Jermann Ingenieure und Geometer AG, BPU Ingenieurunternehmung AG, LAMI ING EUR SRL and 90% of the Wintecs GmbH, all of which specialise in infrastructure engineering. 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%. In this respect, it also acquired 100% of the shares in Winkelmann Elektro AG. Both companies specialise in electrical installations. In addition, 100% of the shares in Raboud Energie SA, CM Engineering GmbH, ASK Holding AG, enerpeak ag, Ceed Ltd, Electricité G. Bugnard SA and A1 Elektro AG, which are active in the area of building technology, were also acquired. 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 of the businesses acquired will be assigned to the Services segment.

The purchase price of Jermann Ingenieure und Geometer AG was adjusted slightly. This is therefore definitive.

In the Energy segment, 100% of the shares of each of the following were acquired: BfN Dienstleistungen für Nukleartechnik GmbH, Marker Vindpark AS and Hydronext SAS.

At the acquisition date, there were contingent purchase price payments amounting to CHF 18.3 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 65.7 million. The goodwill recognised is mainly attributable to the expected future synergies and the assembled, qualified workforces. There are no material value adjustments in the trade accounts receivable. The transaction costs amounted to CHF 0.5 million.

Had the companies already been acquired as at 1 January 2017, total operating revenue for the current year would have been CHF 31.6 million higher and the net profit CHF 3.8 million higher.

Between the point at which the individual companies were fully consolidated and 31 December 2017, the acquired companies recorded cumulative total operating revenue of CHF 52.0 million and a total net profit of CHF 3.2 million.

8 Discontinued operations

The focus of BKW's activities in Italy is on energy production. Against this backdrop, BKW signed agreements to sell its distribution business in Italy, including the supply agreements and the unrecognised customer base, with E.ON and Illumia in September 2017. The necessary approval of the Italian antitrust authorities was obtained in October and November 2017. E.ON acquired the wholesale business. The SME and Reseller divisions were taken over by Illumia.

These distribution activities were classified as "Discontinued operations". They were previously part of the Energy and Grid segments.

The result from the distribution business in Italy in 2017 comprised the following:

CHF millions	Energy 2017	Grid 2017	Total 2017
Total operating revenue	130.8	214.6	345.4
Total operating expenses	-134.4	-214.6	-349.0
Operating profit before depreciation, amortisation and impairment	-3.6	0.0	-3.6
Depreciation, amortisation and impairment	-0.2	0.0	-0.2
Operating profit/loss	-3.8	0.0	-3.8
Financial result	-0.3	0.0	-0.3
Profit/loss before income taxes	-4.1	0.0	-4.1
Income taxes	0.0	0.0	0.0
Net loss from discontinued operations	-4.1	0.0	-4.1

There were no significant cash flows from discontinued operations in 2017. A cash outflow from investing activities of CHF 0.8 million was offset by a cash inflow from operating activities of CHF 0.8 million.

9 Segment reporting

Segments and segment results are defined on the basis of the management approach. In line 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 segment builds, operates and maintains BKW's pool of power plants in Switzerland and abroad. It is also responsible for the sale of energy in Switzerland and for trading in electricity, certificates and commodities.
- The Grid segment builds, operates and maintains BKW's distribution grid. This also includes the transport of energy for end consumers outside BKW's supply region.
- The Services business segment comprises planning and engineering consultancy for energy, infrastructure and environmental projects, integrated services in the area of building technology, as well as the construction, servicing and maintenance of energy, telecommunication, transport and water networks.

The column "Other" covers activities that are centrally managed within the Group; these largely consist 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.

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

Information by business segment

2018 CHF millions	Energy	Grid	Services	Other	Consolidation	Total
External revenue	1,296.1	536.4	788.4	19.9	34.4	2,675.2
– Net sales	1,266.5	495.6	762.1	1.3	0.0	2,525.5
– Own work capitalised	3.4	34.4	0.1	2.5	34.4	74.8
– Other operating income	26.2	6.4	26.2	16.1	0.0	74.9
Internal revenue	29.6	19.0	92.4	127.6	–268.6	0.0
– Net sales	16.3	1.0	90.1	0.0	–107.4	0.0
– Other operating income	13.3	18.0	2.3	127.6	–161.2	0.0
Total operating income	1,325.7	555.4	880.8	147.5	–234.2	2,675.2
Total operating expenses	–1,109.7	–302.1	–797.2	–98.0 ¹⁾	228.1	–2,078.9
Operating profit before depreciation, amortisation and impairment	216.0	253.3	83.6	49.5	–6.1	596.3
Depreciation, amortisation and impairment	–82.7	–85.1	–25.6	–17.5	2.8	–208.1
Income from associates	8.4	21.4	0.0	–1.5	0.0	28.3
Operating profit/loss	141.7	189.6	58.0	30.5	–3.3	416.5
Financial result						–167.6
Profit/loss before income taxes						248.9

1 Operating expenses were positively influenced by the one-off effect of CHF 52.4 million from the change to the benefit plan of the BKW pension fund.

2017 CHF millions	Energy	Grid (restated)	Services	Other	Consolidation	Total (restated)
External revenue	1,236.5	571.4	657.8	15.2	21.8	2,502.7
– Net sales	1,205.8	510.9	625.5	–1.1	0.6	2,341.7
– Own work capitalised	5.0	41.3	0.6	2.6	21.5	71.0
– Other operating income	25.7	19.2	31.7	13.7	–0.3	90.0
Internal revenue	25.6	20.1	78.6	120.9	–245.2	0.0
– Net sales	12.7	0.9	73.7	0.0	–87.3	0.0
– Other operating income	12.9	19.2	4.9	120.9	–157.9	0.0
Total operating income	1,262.1	591.5	736.4	136.1	–223.4	2,502.7
Total operating expenses	–1,050.2	–317.4	–669.9	–155.2	218.9	–1,973.8
Operating profit before depreciation, amortisation and impairment	211.9	274.1	66.5	–19.1	–4.5	528.9
Depreciation, amortisation and impairment	–80.4	–85.4	–20.6	–14.6	2.3	–198.7
Income from associates	26.2	22.7	0.1	–0.2	0.0	48.8
Operating profit/loss	157.7	211.4	46.0	–33.9	–2.2	379.0
Financial result						–9.9
Profit/loss before income taxes						369.1

Net sales per business segment are broken down as follows between Switzerland and abroad:

CHF millions	Switzerland (restated)	Foreign countries	Switzerland	Foreign countries
	2017	2017	2018	2018
Energy	607.3	598.5	719.5	547.0
Grid	510.9	0.0	495.6	0.0
Services	497.3	128.2	561.6	200.5
Other	-0.5	0.0	1.3	0.0
Total net sales	1,615.0	726.7	1,778.0	747.5

Of net sales, CHF 2,479.1 million or 98% (previous year: CHF 2,282.1 million or 97%) relates to revenues from contracts with customers in accordance with IFRS 15. In the Energy business segment, certain transactions come under the provisions of IFRS 9.

Information by country

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

CHF millions	Switzerland (adjusted)		Germany		Italy		France		Other countries		Total (adjusted)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Net sales	1,615.0	1,778.0	425.1	557.4	118.6	32.2	129.6	86.7	53.4	71.2	2,341.7	2,525.5
Non-current assets	3,675.3	3,791.6	763.2	807.9	622.8	562.1	146.9	138.3	73.3	164.0	5,281.5	5,463.9

Information on significant customers

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

10 Energy procurement/transport

CHF millions	2017 (restated)	2018
Cost of energy procurement from third parties and associates	788.3	913.5
Provision for onerous energy procurement contracts		
– Provisions used	–43.9	–39.6
– Provisions added	31.2	0.0
– Provisions released	–15.2	–42.3
Total energy procurement expenses	760.4	831.7
Energy transport expenses	114.9	106.9
Total	875.3	938.6

Expenses for energy transport include expenses for system services and municipal taxes, while expenses for water rates are included in energy procurement costs.

11 Personnel expenses

CHF millions	2017	2018
Salaries and wages	487.8	533.9
Social security contributions and other personnel expenses ¹	119.0	55.4
Total	606.8	589.3

1 In 2018 social security expenses were positively affected by the one-off effect of CHF 52.4 million from the change to the benefit plan of the BKW pension fund on 1 January 2019

12 Other operating expenses

CHF millions	2017	2018
Charges, levies and other taxes	17.4	19.8
Rent, fees for use and leasing	31.0	36.9
Miscellaneous operating expenses	138.2	147.2
Total	186.6	203.9

13 Depreciation, amortisation and impairment

CHF millions	2017	2018
Depreciation		
– Property, plant and equipment	167.3	172.6
– Intangible assets	25.7	34.5
Impairment		
– Property, plant and equipment	16.8	15.1
– Intangible assets	0.0	0.7
Reversal of impairments		
– Property, plant and equipment	–11.1	–14.8
Total	198.7	208.1

The impairments in the current year relate to wind farms and hydroelectric plants in the Energy business area. Existing impairments on hydroelectric plants and heating plants were simultaneously reversed. The impairments in the previous year related to wind farms and hydroelectric plants in the Energy business area. Existing impairments on wind farms were simultaneously reversed.

14 Financial result

CHF millions	2017	2018
Interest income	9.9	7.7
Dividend income	0.2	0.1
Value adjustment on state funds	97.7	0.0
Gains from the disposal of financial assets	1.7	0.0
Reversal of impairment of financial assets	6.0	0.0
Other financial income	3.7	2.6
Financial income	119.2	10.4
Interest expenses	–49.8	–48.1
Capitalised borrowing costs	1.3	0.0
Interest on provisions	–62.8	–63.3
Value adjustment on state funds	0.0	–57.1
Losses from the disposal of financial assets	–1.8	–1.0
Value adjustment on financial instruments held for trading ¹	–1.9	–0.6
Impairment of financial assets	–10.8	0.0
Currency translations	–0.7	–3.0
Other financial expenses	–2.6	–4.9
Financial expenses	–129.1	–178.0
Financial result	–9.9	–167.6

1 New designation under IFRS 9. Previously designated as "Financial instruments held for trading".

15 Income taxes

CHF millions	2017	2018
Current income taxes	68.3	43.2
Deferred taxes	26.1	2.7
Total	94.4	45.9

Reconciliation with reported income taxes

CHF millions	2017	2018
Profit/loss before income taxes	369.1	248.9
Tax expenses at anticipated rate of 25.3% (2017: 21.1%)	77.9	63.0
Effects of changes in tax rate	-3.7	0.0
Participation reduction and non-taxable income	-17.5	-17.2
Use/capitalisation of uncapitalised tax losses	-5.6	-3.0
Non-tax-deductible expenses	11.8	7.4
Uncapitalised or partially capitalised tax losses	0.6	2.9
Taxes in respect of previous years	13.6	-3.8
Write-down/reversal of write-down of participations	16.9	-5.1
Other items	0.4	1.7
Total income taxes	94.4	45.9
Effective tax rate	25.6%	18.4%

The anticipated tax rate is determined annually as a weighted average (based on the pre-tax earnings of individual Group companies and the applicable local tax rate). The increase on the previous year is due to the acquisition of new foreign subsidiaries with higher tax rates.

Changes in deferred tax assets/liabilities

CHF millions	2017	2018
Net deferred tax liabilities at 01.01.	-357.4	-413.3
Changes in the scope of consolidation	-8.0	-7.9
Addition/release in the income statement	-26.1	-2.7
Change in value of cash flow and net investment hedges in other comprehensive income	-0.2	0.0
Taxes on actuarial gains/losses	-22.5	5.0
Transactions in treasury shares	8.4	2.7
Currency translations	-7.5	3.8
Net deferred tax liabilities at 31.12.	-413.3	-412.4

Deferred tax assets/liabilities by origin of temporary difference

CHF millions	31.12.2017		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Current assets	2.8	-23.3	2.2	-13.9
Financial assets and holdings	6.0	-58.5	0.7	-50.4
Property, plant and equipment	17.2	-281.9	16.5	-266.5
Intangible assets	0.6	-27.2	0.4	-37.5
Current liabilities	9.4	-1.9	3.7	-2.6
Provisions	4.7	-126.4	1.3	-120.6
Other non-current liabilities	62.0	-7.1	55.1	-6.5
Capitalised loss carry-forwards	10.3	0.0	5.7	0.0
Credit/liability for gross deferred taxes	113.0	-526.3	85.6	-498.0
Netting of assets and liabilities	-72.0	72.0	-53.6	53.6
Credit/liability for deferred taxes according to balance sheet	41.0	-454.3	32.0	-444.4

The change in temporary differences resulted in deferred tax revenue of CHF 0.7 million recorded in the income statement (previous year: tax expense of CHF 32.3 million).

As in the previous year, on 31 December 2018 no deferred tax liabilities were recognised in respect of temporary differences with associates. No deferred taxes are recognised for Group companies, joint arrangements or partner plants at which a dividend payment is contractually agreed, since BKW is able to monitor the reversal of the temporary difference and such a difference is not probable in the foreseeable future. The temporary differences for which no deferred tax liabilities have been recognised in this respect amount to CHF 709.7 million in total (previous year: CHF 640.9 million).

Tax loss carry-forwards

As at 31 December 2018, there were tax loss carry-forwards of CHF 16.6 million (previous year: CHF 10.5 million) for which deferred taxes were not capitalised. These were not capitalised since their charge against future taxable earnings is not regarded as probable within the permissible tax period. The average applicable tax rate on tax loss carry-forwards will be 21.1% (previous year: 21.7%).

These loss carry-forwards fall due in the following periods:

in CHF millions	31.12.2017	31.12.2018
Expiry within 1 year	0.0	0.0
Expiry within 2 to 5 years	3.1	2.6
Expiry after 5 years	4.3	9.1
Valid indefinitely	3.1	4.9
Total	10.5	16.6

16 Earnings per share

The undiluted earnings per share is calculated based on the weighted average number of outstanding shares. The diluted earnings per share includes the dilution effect arising from the convertible bond still outstanding at the end of June 2018 (see Note 26). When calculating the diluted earnings per share, it is assumed that the outstanding conversion rights had already been exercised at the beginning of the year. The net profit attributable to the shareholders is adjusted according to the corresponding interest expense for the convertible bond after accounting for tax.

Earnings per share

	2017	2018
Net profit attributable to BKW shareholders, in CHF millions	251.3	186.4
Number of shares issued (weighted average)	52,800,000	52,800,000
Less treasury shares (weighted average)	-1,685,064	-379,568
Number of outstanding shares (weighted average)	51,114,936	52,420,432
Earnings per share in CHF	4.92	3.56
Earnings per share in CHF from continuing operations	5.00	3.56
Earnings per share in CHF from discontinued operations	-0.08	

Diluted earnings per share

	2017	2018
Net profit attributable to BKW shareholders, in CHF millions	251.3	186.4
Tax-adjusted interest expense on convertible bonds	0.4	0.1
BKW shareholders' portion of net profit, adjusted for dilution effect	251.7	186.5
Number of outstanding shares (weighted average)	51,114,936	52,420,432
Adjustment for theoretical conversion of convertible bonds	1,617,442	338,382
Number of shares in circulation, adjusted for dilution effect	52,732,378	52,758,814
Diluted earnings per share in CHF	4.77	3.53
Diluted earnings per share in CHF from continuing operations	4.85	3.53
Diluted earnings per share in CHF from discontinued operations	-0.08	

Dividend per share

The dividend of CHF 1.80 per share for the 2018 financial year (previous year: CHF 1.80) corresponds to the proposal by the Board of Directors to the General Meeting and must be approved by shareholders at this meeting. Based on the shares in circulation on the balance sheet date, the proposed dividend amounts to CHF 94.9 million.

17 Trade accounts receivable and other receivables

CHF millions	31.12.2017 ¹ (restated)	31.12.2018
Trade accounts receivable	637.0	595.5
Other financial receivables	90.5	70.0
Other receivables	93.0	54.6
Total	820.5	720.1

1 Due to the provisions of IFRS 15, "Work in progress" (contract assets) is now presented as a separate item in the balance sheet. An adjustment has been made to the previous year's figures. Previously, work in progress was included in "Trade accounts receivable and other receivables".

The following table shows the aging of trade accounts receivable:

CHF millions	31.12.2017			31.12.2018		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Trade accounts receivable	653.2	-16.2	637.0	612.8	-17.3	595.5
of which:						
– not past due	543.2	-3.7	539.5	507.2	-0.6	506.6
– 1 – 30 days past due	68.0	-3.8	64.2	51.0	-0.8	50.2
– 31 – 360 days past due	33.9	-3.0	30.9	27.5	-3.3	24.2
– over 360 days past due	8.1	-5.7	2.4	27.1	-12.6	14.5

Most of the trade accounts receivable are due for payment between 30 and 60 days. The business combinations carried out increased trade accounts receivable by CHF 21.8 million.

The loss allowance for trade accounts receivable, other financial receivables, and loans are as follows:

CHF millions	Trade receivables	Other financial receivables	Loans
Loss allowances at 31.12.2016	9.0	2.0	22.3
Addition/release	9.8	0.9	-6.0
Derecognition of uncollectable receivables	-2.6		-8.1
Loss allowances at 31.12.2017	16.2	2.9	8.2
Initial application of IFRS 9	0.4	0.3	0.2
Addition/release	2.5	-0.5	
Derecognition of uncollectable receivables	-1.8		
Loss allowances at 31.12.2018	17.3	2.7	8.4

There is no material loss allowance for other financial assets. The other balance sheet items contain no material overdue but unimpaired financial assets.

18 Work in progress and advance payments received for work in progress

Due to the provisions of IFRS 15, "Work in progress" (contract assets) and "Advance payments received on work in progress" (contract liabilities) are now presented as separate items in the balance sheet. An adjustment has been made to the previous year's figures. Work in progress was previously included in the item "Trade accounts receivable and other receivables", while advance payments received on work in progress were included in the item "Trade accounts payable and other liabilities".

Work in progress as at 31 December 2018 includes a writedown of CHF 0.1 million for expected defaults on receivables in accordance with the provisions of IFRS 9.

		31.12.2017		31.12.2018
		Advance payments received for work in progress	Work in progress	Advance payments received for work in progress
CHF millions	Work in progress			
Services provided (cumulative costs and gains)	301.1	164.5	421.1	260.3
Partial payments received/advance payments	-233.1	-213.5	-327.8	-301.8
Construction contracts surplus/advance payments surplus	68.0	-49.0	93.3	-41.5
CHF millions			2017	2018
Partial payments received/advance payments received on work in progress as at 01.01			273.4	446.6
Income recognised in the balance of partial payments received/advance payments in the current year			-177.7	-290.3
Payments received for work in progress in the current year			350.9	473.3
Advance payments received on work in progress as at 31.12			446.6	629.6
CHF millions				2018
Expected future income from outstanding work in progress				731.3
thereof:				
– expected within the next 12 months				469.3
– expected after 12 months				262.0

19 Inventories

CHF millions	31.12.2017	31.12.2018
Goods and materials	26.2	21.8
Valuation adjustment on goods and materials	-1.5	-0.2
Certificates (proprietary trading)	14.2	0.7
Certificates (own use)	21.5	21.2
Total	60.4	43.5

20 Accrued/deferred income and prepaid/accrued expenses

CHF millions	31.12.2017	31.12.2018
Financial accruals	87.9	57.4
Other prepaid expenses and accrued income	9.6	16.3
Total prepaid expenses and accrued income	97.5	73.7
Financial accruals	187.6	167.6
Other deferred income and accrued expenses	40.2	72.3
Total deferred income and accrued expenses	227.8	239.9

21 Financial assets

CHF millions	Financial assets at fair value through other comprehensive income ¹	Financial assets at fair value through profit or loss ²	Loans	Term deposits	Receivables from state funds	Other non-current assets	Total
At 31.12.2016	18.5	147.2	90.1	111.1	1,068.4	90.5	1,525.8
Changes in the scope of consolidation	0.1	0.2	0.6	0.3		0.4	1.6
Additions	0.1	71.7	4.3	193.6	17.2	15.2	302.1
Disposals	-0.3	-41.3	-34.0	-113.8		-0.4	-189.8
Currency translations	1.0		3.0	0.3		-0.1	4.2
Value adjustment in the income statement		-1.7			97.7		96.0
Value adjustment in other comprehensive income						-5.3	-5.3
Impairment	-10.8						-10.8
Reversal of impairment			6.0				6.0
At 31.12.2017	8.6	176.1	70.0	191.5	1,183.3	100.3	1,729.8
Effect of first-time application of IFRS 9			-0.2	-0.1			-0.3
At 01.01.2018 (restated)	8.6	176.1	69.8	191.4	1,183.3	100.3	1,729.5
Changes in the scope of consolidation	0.2	0.4				1.9	2.5
Additions	0.5	13.2	18.1	105.1	43.6	1.6	182.1
Disposals	-1.7	-52.2	-15.4	-190.0		-36.9	-296.2
Currency translations	0.1		-1.3	-0.2		-0.1	-1.5
Value adjustment in the income statement		-0.6			-57.1	-1.8	-59.5
Value adjustment in other comprehensive income	-0.3			0.1			-0.2
At 31.12.2018	7.4	136.9	71.2	106.4	1,169.8	65.0	1,556.7
of which:							
– Current financial assets		136.9	34.7	105.9			277.5
– Non-current financial assets	7.4		36.5	0.5	1,169.8	65.0	1,279.2
of which:							
– Financial assets according to IAS 32 and IFRS 9	7.4	136.9	71.2	106.4		59.4	381.3
– Other assets					1,169.8	5.6	1,175.4

1 New designation under IFRS 9. Previously designated as "Available-for-sale financial assets".

2 New designation under IFRS 9. Previously designated as "Securities held for trading".

The state funds are managed by the Federal Government; BKW has no access to the managed assets.

The "Other non-current assets" include credit from pension plans of CHF 4.0 million (previous year: CHF 6.9 million), see Note 28.

In November 2016, BKW sold a Swissgrid convertible bond totalling CHF 97.2 million to Credit Suisse. The loan was sold without the associated conversion right. As certain conditions transpire, Swissgrid can or must convert the loan into equity, and BKW undertakes to acquire the resulting share of Swissgrid equity. Thus, although BKW sold the loan, it entered into a directly linked obligation at the same time. The loan could therefore not be derecognised. In the 2018 financial year, the loan was amortised to CHF 19.4 million. As at 31 December 2018, CHF 58.3 million was still reported under "Other non-current assets" and CHF 19.5 million under "Other receivables". The liabilities of CHF 77.8 million are entered under the "Other liabilities" item (see Note 25 and 29).

22 Investments in associates

CHF millions	Total
At 31.12.2016	1,352.0
Additions	21.2
Changes in the consolidation method	-0.8
Disposals	-25.2
Dividends	-17.1
Pro rata income	48.8
Currency translations	51.9
Actuarial gains/losses	8.8
At 31.12.2017	1,439.6
Additions	79.9
Disposals	-35.9
Dividends	-19.8
Pro rata income	28.3
Currency translations	-26.2
Actuarial gains/losses	15.8
At 31.12.2018	1,481.7

The acquisition of 5% of shares in the power plant affected additions in the reporting year. As of the end of 2018, BKW held 14.5% of the company. The additions also include capital investments in power plants under construction, in particular for Norwegian wind farms.

Of the additions during the current year, CHF 36.7 million were non-cash (previous year: CHF 6.0 million non-cash additions).

The disposals include a capital reduction by ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG of CHF 33.7 million.

Pro rata key figures for associates at 31.12.2018

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

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	New renewable energy	Other	Total Energy	Grid	Total
Current assets	47.3	79.6	56.4	16.4	5.6	205.3	210.0	415.3
Non-current assets	1,031.2	740.4	544.8	143.5	26.5	2,486.4	961.7	3,448.1
Current liabilities	-133.5	-81.8	-39.6	-10.5	-2.4	-267.8	-142.0	-409.8
Non-current liabilities	-662.6	-599.3	-20.8	-52.2	-17.1	-1,352.0	-619.9	-1,971.9
Shareholders' equity	282.4	138.9	540.8	97.2	12.6	1,071.9	409.8	1,481.7
Income	158.1	114.7	140.6	15.5	8.1	437.0	296.7	733.7
Expenses	-148.2	-111.5	-144.5	-16.3	-8.2	-428.7	-276.7	-705.4
Net profit/loss	9.9	3.2	-3.9	-0.8	-0.1	8.3	20.0	28.3
Other comprehensive income	6.2	5.8	0.0	0.0	0.0	12.0	5.2	17.2
Comprehensive income	16.1	9.0	-3.9	-0.8	-0.1	20.3	25.2	45.5

All associates are valued using the equity method.

Of the total pro rata assets and liabilities, CHF 1,396.0 million (previous year: CHF 1,318.6 million) relate to net financial debt (financial liabilities less cash and cash equivalents and current financial assets).

Associates in the Energy segment are, in particular, partner plants. For these, BKW is obliged to pay the annual costs due on its share (including interest and repayment of borrowed funds). The pro rata annual costs for BKW for the purchase of energy in 2018 amounted to CHF 428.6 million (previous year: CHF 413.3 million). These are included in the energy procurement expense. CHF 797.0 million of the total pro rata assets and liabilities of partner plants (previous year: CHF 795.7 million) relate to net financial debt.

Pro rata key figures for associates at 31.12.2017

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

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	New renewable energy	Other	Total Energy	Grid	Services	Total
Current assets	48.4	40.5	53.3	20.0	4.8	167.0	259.7	0.3	427.0
Non-current assets	1,062.0	531.1	594.7	107.0	25.9	2,320.7	1,061.0	0.0	3,381.7
Current liabilities	-155.2	-62.4	-32.6	-10.3	-2.2	-262.7	-253.4	-0.1	-516.2
Non-current liabilities	-686.6	-408.6	-13.1	-57.1	-15.7	-1,181.1	-671.6	-0.2	-1,852.9
Shareholders' equity	268.6	100.6	602.3	59.6	12.8	1,043.9	395.7	0.0	1,439.6
Income	162.7	122.0	109.1	16.3	7.8	417.9	453.4	0.5	871.8
Expenses	-154.3	-114.6	-97.6	-17.7	-7.6	-391.8	-430.9	-0.3	-823.0
Net profit/loss	8.4	7.4	11.5	-1.4	0.2	26.1	22.5	0.2	48.8
Other comprehensive income	4.2	1.9	0.0	0.0	0.0	6.1	2.7	0.0	8.8
Comprehensive income	12.6	9.3	11.5	-1.4	0.2	32.2	25.2	0.2	57.6

Key figures for major associates

The table below gives the key figures for the major associates. The holdings ENGIE Kraftwerk Wilhelmshaven, EP Produzione Livorno Ferraris and Kraftwerke Oberhasli are part of the Energy business area. The interest in Swissgrid is assigned to the Grid business area.

The reported figures are provisional and come from the respective companies, with the exception of Swissgrid, which has bonds listed on the SIX Swiss Exchange. BKW has no final figures for Swissgrid. The key figures as at 31.12 and the income statement including the net profit will be estimated by BKW on the basis of Swissgrid's business reports from the previous year, as well as relevant press releases issued in the current financial year and transferred to IFRS. Deviations from Swissgrid's actual figures will be captured in profit and loss calculations for the following year.

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

100 % key figures CHF millions	ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG		EP Produzione Livorno Ferraris S.p.A.		Kraftwerke Oberhasli AG		Swissgrid AG	
	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018
Non-current assets	1,684.0	1,547.3	155.8	136.7	843.6	812.4	2,890.1	2,623.2
Current assets	76.3	73.1	112.5	129.1	50.2	44.3	686.5	553.9
Non-current liabilities	-39.6	-56.9	0.0	-8.3	-628.7	-588.7	-1,826.5	-1,692.1
Current liabilities	-53.0	-75.4	-60.5	-58.8	-86.6	-72.6	-692.3	-386.0
Shareholders' equity	1,667.7	1,488.1	207.8	198.7	178.5	195.4	1,057.8	1,099.0
Shareholding in % as at 31.12.	33.0%	33.0%	25.0%	25.0%	50.0%	50.0%	36.4%	36.4%
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	5.9	6.0
Reported carrying amount of the investment	550.3	491.1	52.0	49.7	89.3	97.7	390.9	406.0
Income	125.3	201.9	270.7	296.0	153.6	145.1	1,240.4	762.0
Expenses	-92.7	-218.7	-267.5	-290.0	-146.9	-133.1	-1,178.7	-704.4
Net profit/loss	32.6	-16.8	3.2	6.0	6.7	12.0	61.7	57.6
Other comprehensive income	0.0	0.0	0.0	0.0	-4.8	-4.9	-7.5	-13.6
Comprehensive income	32.6	-16.8	3.2	6.0	1.9	7.1	54.2	44.0
Shareholding in % as at 31.12.	33.0%	33.0%	25.0%	25.0%	50.0%	50.0%	36.4%	36.4%
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognised proportionate result from associates	10.8	-5.5	0.8	1.5	3.4	6.0	22.5	21.0
Dividend received	0.0	0.0	0.0	0.0	0.0	0.0	7.9	10.7

23 Property, plant and equipment

CHF millions	Power plants	Mühleberg Nuclear Power Plant	Distribution grid	Buildings and land	Other property, plant and equipment	Construction in progress	Total
Gross values at 31.12.2017	2,256.8	1,461.4	3,069.2	233.9	264.4	199.5	7,485.2
Changes in the scope of consolidation				0.4	4.1	1.9	6.4
Additions	1.4	8.6	6.2		8.0	209.8	234.0
Disposals	-17.5	-2.3	-32.0	-9.2	-22.2	-2.7	-85.9
Reclassifications	6.5	0.6	131.3	0.5	10.3	-149.2	0.0
Currency translations	-41.4			-0.1	-0.6	-2.9	-45.0
Gross values at 31.12.2018	2,205.8	1,468.3	3,174.7	225.5	264.0	256.4	7,594.7
Accumulated depreciation and impairments at 31.12.2017	968.1	1,461.4	1,539.4	117.7	175.6	1.6	4,263.8
Changes in the scope of consolidation					-0.1		-0.1
Depreciation	65.7	6.9	71.3	5.0	23.7		172.6
Impairment	14.1			0.4		0.6	15.1
Disposals	-9.8		-28.1	-4.5	-20.6		-63.0
Reversal of impairment	-14.3					-0.5	-14.8
Reclassifications			0.1		-0.1		0.0
Currency translations	-13.5				-0.2		-13.7
Accumulated depreciation and impairments at 31.12.2018	1,010.3	1,468.3	1,582.7	118.6	178.3	1.7	4,359.9
Net values at 31.12.2018	1,195.5	0.0	1,592.0	106.9	85.7	254.7	3,234.8
– thereof in financial leasing	70.6				1.5		72.1
– thereof pledged for liabilities	20.3						20.3

The column “Mühleberg Nuclear Power Plant” covers all relevant property, plant and equipment including nuclear fuels. The additions to the Mühleberg Nuclear Power Plant include a non-cash increase in provisions of CHF 5.8 million owing to the annual additional disposal costs of operating the power plant (previous year: CHF 5.8 million).

No borrowing costs were capitalised in the current year (previous year: CHF 1.3 million). In the year under review, compensation of CHF 1.0 million for property, plant and equipment that was impaired, lost or decommissioned was charged to the income statement (previous year: CHF 0.5 million).

Changes in the scope of consolidation relate to business combinations to the amount of CHF 6.6 million (previous year: CHF 13.9 million) and disposals of companies to the amount of CHF -0.2 million (previous year: CHF -0.2 million).

In the previous year, meters and measuring equipment with a gross value of CHF 142.3 million and cumulative value adjustments of CHF 92.8 million were reclassified from Other property, plant and equipment to the distribution grid.

CHF millions	Power plants	Mühleberg Nuclear Power Plant	Distribution grid	Buildings and land	Other property, plant and equipment	Construction in progress	Total
Gross values at 31.12.2016	2,041.0	1,455.7	2,819.1	239.1	394.7	223.9	7,173.5
Changes in the scope of consolidation					6.9	6.8	13.7
Additions	3.8	9.3	0.1	0.3	5.4	233.6	252.5
Disposals	-1.2	-4.0	-13.9	-9.8	-16.4	-1.0	-46.3
Reclassifications	126.7	0.4	263.9	4.2	-127.4	-267.8	0.0
Currency translations	86.5			0.1	1.2	4.0	91.8
Gross values at 31.12.2017	2,256.8	1,461.4	3,069.2	233.9	264.4	199.5	7,485.2
Accumulated depreciation and impairments at 31.12.2016	875.6	1,455.7	1,390.2	115.3	258.7	0.3	4,095.8
Changes in the scope of consolidation					-0.1		-0.1
Depreciation	64.4	5.7	69.2	5.3	22.7		167.3
Impairment	14.2					2.6	16.8
Disposals	-0.9		-12.8	-2.9	-13.4	-1.0	-31.0
Reversal of impairment	-11.1						-11.1
Reclassifications	0.2		92.8		-92.8	-0.2	0.0
Currency translations	25.7				0.5	-0.1	26.1
Accumulated depreciation and impairments at 31.12.2017	968.1	1,461.4	1,539.4	117.7	175.6	1.6	4,263.8
Net values at 31.12.2017	1,288.7	0.0	1,529.8	116.2	88.8	197.9	3,221.4
– thereof in financial leasing	146.7				2.4		149.1
– thereof pledged for liabilities	39.9						39.9

24 Intangible assets

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2017	172.7	517.2	248.7	938.6
Changes in the scope of consolidation		113.7	30.3	144.0
Additions from acquisitions	5.2		17.9	23.1
Additions from internally generated intangible assets			6.2	6.2
Disposals	0.2	-2.0	-3.1	-4.9
Currency translations	-3.8	-7.4	-2.2	-13.4
Gross values at 31.12.2018	174.3	621.5	297.8	1,093.6
Accumulated depreciation and impairments at 31.12.2017	132.3	94.1	91.7	318.1
Changes in the scope of consolidation			-0.1	-0.1
Depreciation	2.6		31.9	34.5
Impairment			0.7	0.7
Disposals		-0.2	-2.6	-2.8
Currency translations	-3.6		-0.6	-4.2
Accumulated depreciation and impairments at 31.12.2018	131.3	93.9	121.0	346.2
Net values at 31.12.2018	43.0	527.6	176.8	747.4

Changes in the scope of consolidation relate to business combinations to the amount of CHF 144.2 million (previous year: CHF 149.6 million) and disposals of companies to the amount of CHF -0.2 million (previous year: CHF -2.1 million).

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2016	178.1	393.2	184.2	755.5
Changes in the scope of consolidation	0.4	111.9	35.2	147.5
Additions from acquisitions	2.8		23.0	25.8
Additions from internally generated intangible assets			5.1	5.1
Disposals	-17.6		-2.1	-19.7
Currency translations	9.0	12.1	3.3	24.4
Gross values at 31.12.2017	172.7	517.2	248.7	938.6
Accumulated depreciation and impairments at 31.12.2016	138.8	94.1	69.1	302.0
Changes in the scope of consolidation			-0.1	-0.1
Depreciation	2.5		23.4	25.9
Disposals	-17.6		-1.5	-19.1
Currency translations	8.6		0.8	9.4
Accumulated depreciation and impairments at 31.12.2017	132.3	94.1	91.7	318.1
Net values at 31.12.2017	40.4	423.1	157.0	620.5

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

CHF millions	31.12.2017	31.12.2018
Energy	108.9	108.3
Services	314.2	419.3
Total	423.1	527.6

The goodwill carried in the balance sheet was tested for impairment by comparing the carrying value with the realisable value of the cash-generating units. The realisable value corresponds to the value in use. The calculations were made on the basis of estimated cash flows from business projections approved by management over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill disclosed in the balance sheet did not identify any need for impairment.

The value in use is measured on the basis of the following material assumptions:

%	WACC (before tax)		WACC (after tax)		Long-term growth rate	
	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018
Energy	7.3	7.2	5.9	5.9	1.0	1.0
Services	8.0	8.1	6.5	6.5	1.0	1.0

Based on the findings of a sensitivity analysis, realistic changes in the material assumptions do not suggest that the recoverable amount could fall below the carrying amount.

25 Trade accounts payable and other liabilities

CHF millions	31.12.2017 ¹ (restated)	31.12.2018
Trade accounts payable ¹	418.3	327.5
Other financial liabilities	142.8	186.9
Other liabilities ¹	25.0	27.5
Pension plans	11.1	9.1
Total	597.2	551.0

1 Due to the provisions of IFRS 15, "Advance payments received on work in progress" (contract assets) are now presented as a separate item in the balance sheet. An adjustment has been made to the previous year's figures. Previously, advance payments received on work in process were included in "Trade accounts receivable and other receivables".

Other financial liabilities include the short-term portion of the sold Swissgrid convertible loan in the amount of CHF 19.5 million (previous year: CHF 20.0 million) (see Note 21).

26 Financial liabilities

CHF millions	31.12.2017	31.12.2018
Bonds	995.2	1,043.4
Convertible bond	33.8	0.0
Registered bonds	304.9	294.4
Finance leasing liabilities	53.0	30.4
Bank liabilities	125.1	119.3
Other financial liabilities	87.4	81.9
Total	1,599.4	1,569.4
of which:		
– Current financial liabilities	211.8	413.3
– Non-current financial liabilities	1,387.6	1,156.1

In 2014, BKW issued a convertible bond in the amount of CHF 163.4 million to run from 30 September 2014 to 30 September 2020 with an interest rate of 0.125%. The conversion price was CHF 37.81 as at 31 December 2017.

In 2018 BKW decided to redeem the convertible bond early. The outstanding nominal value of the convertible bond had fallen below 15% of its original nominal value due to conversions. This meant the bond could be redeemed prematurely in accordance with its covenants. As a result the conversion period ended on 18 June 2018 and repayment took place on 26 June 2018. In 2018, conversions with a total nominal value of CHF 34.6 million (previous year: CHF 98.8 million) were undertaken, resulting in 910,822 shares (previous year: 2,572,249 shares). A nominal value of CHF 95,000 was repaid.

In October, BKW successfully issued a bond in the amount of CHF 200 million with an interest rate of 0.75% and a term of seven years to refinance the expired CHF 150 million bond.

CHF millions	31.12.2017	Cash flows	Foreign exchange movement	Changes in fair values	Other	31.12.2018
Current financial liabilities	211.8	-172.0	-1.5	0.0	375.0	413.3
– Bonds	149.8	-150.0			349.7	349.5
– Finance leasing liabilities	8.9	-8.5	-0.2		4.7	4.9
– Bank liabilities	7.9	-5.2	-0.1		16.2	18.8
– Other financial liabilities	45.2	-8.3	-1.2		4.4	40.1
Non-current financial liabilities	1,387.6	189.5	-13.6	-3.1	-404.3	1,156.1
– Bonds	845.5	198.8		-3.1	-347.3	693.9
– Convertible bond	33.8	-0.1			-33.7	0.0
– Registered bonds	304.9		-11.4		0.9	294.4
– Finance leasing liabilities	44.1	-12.9	-1.1		-4.6	25.5
– Bank liabilities	117.3	1.2	-1.1		-16.9	100.5
– Other financial liabilities	42.0	2.5			-2.7	41.8
Other non-current liabilities	416.8	20.1			-29.2	407.7
Total liabilities from financing activities	2,016.2	37.6	-15.1	-3.1	-58.3	1,977.1

CHF millions	31.12.2016	Cash flows	Foreign exchange movement	Changes in fair values	Other	31.12.2017
Current financial liabilities	82.4	-25.8	4.4	0.0	150.8	211.8
– Bonds	0.0				149.8	149.8
– Finance leasing liabilities	8.3	-7.9	0.7		7.8	8.9
– Bank liabilities	36.1	-19.5	0.3		-9.0	7.9
– Other financial liabilities	38.0	1.6	3.4		2.2	45.2
Non-current financial liabilities	1,603.9	-9.6	31.9	-2.7	-235.9	1,387.6
– Bonds	996.1			-2.8	-147.8	845.5
– Convertible bond	128.7				-94.9	33.8
– Registered bonds	279.1		25.1		0.7	304.9
– Finance leasing liabilities	49.3	-0.7	3.8		-8.3	44.1
– Bank liabilities	108.4	-1.4	2.9		7.4	117.3
– Other financial liabilities	42.3	-7.5	0.1	0.1	7.0	42.0
Other non-current liabilities	393.6	15.8			7.4	416.8
Total liabilities from financing activities	2,079.9	-19.6	36.3	-2.7	-77.7	2,016.2

27 Provisions

CHF millions	Nuclear waste disposal	Onerous contracts, energy procurement	Other provisions	Total
At 31.12.2016	1,489.5	372.4	53.1	1,915.0
Changes in the scope of consolidation			4.4	4.4
Provisions added	5.8	31.2	7.7	44.7
Interest	52.1	10.1	0.6	62.8
Provisions used	-30.2	-43.9	-5.0	-79.1
Provisions released		-15.2	-6.3	-21.5
Currency translations			2.8	2.8
At 31.12.2017	1,517.2	354.6	57.3	1,929.1
Changes in the scope of consolidation			3.1	3.1
Provisions added	5.8		3.1	8.9
Interest	53.1	9.5	0.7	63.3
Provisions used	-47.8	-39.6	-7.0	-94.4
Provisions released	-14.6	-42.3	-7.1	-64.0
Currency translations			-1.2	-1.2
At 31.12.2018	1,513.7	282.2	48.9	1,844.8
of which:				
– Current provisions	27.2	35.8	4.6	67.6
– Non-current provisions	1,486.5	246.4	44.3	1,777.2

Nuclear waste disposal

At 31 December 2018, the provision for nuclear waste disposal comprised the following:

- CHF 838.2 million (previous year: CHF 842.4 million) is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown of the power operation, as well as the costs of dismantling and disposing of the plant and rehabilitation of the surrounding area. Payments are anticipated from the end of commercial operation in 2019 until completion of the decommissioning work after approximately 15 years. The costs for disposal of decommissioning waste will fall due on an ongoing basis until the waste is put into the final storage depot for weak to medium-active nuclear waste (scheduled for 2061).
- A further CHF 675.5 million (previous year: CHF 674.8 million) is set aside for the disposal of spent fuel elements and radioactive waste outside the plant compound. These payments will fall due on an ongoing basis until the final storage depot for highly active nuclear waste is sealed off. This is currently scheduled for the year 2116.

The current year saw an allocation of CHF 5.8 million (previous year: CHF 5.8 million) owing to the annual additional disposal costs of operating the power plant. This also resulted in an increase in the acquisition cost for nuclear fuels without affecting income. In addition, CHF 47.8 million was used for planning and preparatory work for post-operation and decommissioning.

BKW is required to make regular payments to the state funds for decommissioning and nuclear waste disposal. These funds pay the costs of decommissioning and disposal on behalf of operators following shutdown of the plants. The state fund receivables are disclosed under non-current financial assets (see Note 21).

Onerous contracts, energy procurement

The provisions for onerous energy procurement contracts cover the future purchase of energy from partner plants at production costs that exceed the expected realisable selling prices. These provisions are associated with the energy procurement contracts agreed with the fossil-fuel power stations at Livorno Ferraris in Italy and Wilhelmshaven in Germany. Thanks to updated expectations regarding future electricity price developments and as a result of the strength of the Swiss franc, provisions of CHF 42.3 million could be reversed in the reporting year.

The cash outflow from provisions results from BKW's obligation to take the electricity produced at production cost and extends over a period of around 10 years.

Other provisions

The provision for restructuring, which covers future expenses for defined restructuring measures, stood at CHF 0.4 million as at 31 December 2018 (previous year: CHF 0.3 million).

Other provisions include guarantee obligations related to personnel, estimations of probable payments in respect of legal disputes and various minor operating obligations. Cash outflows in respect of these provisions are largely anticipated over the next three years. There are also provisions for the dismantling and break-up of power plants and for rehabilitation of the environment. These costs will be incurred at the end of the useful life of the respective power plants; the cash outflow is anticipated within the next 20 to 25 years.

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

28 Pension plans

Pension funds are regulated by the Federal Act on Occupational Retirement, Survivors' and Invalidity Pension (BVG). This requires pension funds to be managed by independent, legally autonomous bodies. Employees and their survivors are insured through the pension plan against the economic consequences of old age, invalidity and death. All actuarial risks are borne by the BKW pension fund (Pensionskasse BKW). The pension plan is financed through contributions and revenue from the assets. The member companies and insured persons pay the premium contributions to the pension scheme as a percentage of the insured salary of the insured person. Responsibility for investing the pension assets is held by the Board of the foundation.

Employees of BKW are covered by Pensionskasse BKW and other autonomous pensions funds, which are classed as defined benefit plans under IAS 19. Therefore, an independent pensions expert carries out an annual assessment in line with the terms of IAS 19, in addition to the assessment carried out by the pensions expert based on the project-unit-credit method.

Pensionskasse BKW

The majority of employees are covered by the Pensionskasse der Bernischen Kraftwerke (Pensionskasse BKW) pension fund. At the end of April 2018, the Board of Trustees of the pension fund decided on a change of priority with a view to strengthening and improving long-term financial stability. On 1 January 2019 the existing defined benefit plan was converted into a defined contribution plan under the Swiss Occupational Pension Plan Act (BVG).

In the 2018 annual financial statements, the conversion results in a one-off, non-cash effect in the amount of CHF 52.4 million. Operating expenses for 2018 are lower by this amount. The one-off effect is due to the new pension obligation calculated in line with the defined contribution plan, which, because of the system, is lower than with a defined benefit plan. The future current service cost will be slightly lower than before owing to the change in the defined benefit plan.

Despite the changeover to a defined contribution plan under Swiss law, the BKW pension fund's pension plan continues to meet the characteristics of a defined benefit plan under IAS 19.

Pensionskasse BKW takes the form of a pension fund organised as a foundation established under private law. The supreme governing body of the Pensionskasse BKW foundation is the Board of Trustees, which is composed of an equal number of representatives of the employer and the employees. The benefits and financing of Pensionskasse BKW are stipulated in pension regulations. These are issued by the Board of the foundation. The Board delegates the management of the business to the executive management. The foundation is subject to supervision by the relevant authority of the Canton of Bern.

The pension plan assets are invested in a widely diversified portfolio in Switzerland and abroad in line with the statutory requirements and the guidelines issued by the Board. Assets are invested to guarantee security and an appropriate return on the investment, with a balanced distribution of risks and coverage of the forecast requirement of cash and cash equivalents. The occupational pensions expert prepares the annual actuarial valuation and verifies the financial and actuarial situation of Pensionskasse BKW. The unaudited actuarial coverage rate of Pensionskasse BKW in accordance with BVG at 31 December 2018 with an actuarial interest rate of 2.0% (previous year: 2.0%) was 106.4% (previous year: 111.7%). In the event of a coverage shortfall according to BVG, the Board must, in agreement with the occupational pensions expert,

agree suitable recovery measures (such as increasing the ordinary contributions or collecting recovery contributions). The contribution made by the employer must be at least equivalent to the total contributions paid by the employee.

28.1 Pension liability recorded in the balance sheet

CHF millions	31.12.2017	31.12.2018
Present value of defined benefit obligations	-2,023.2	-2,007.6
Fair value of plan assets	1,828.3	1,815.9
Net pension liability recorded in the balance sheet	-194.9	-191.7
of which amount disclosed as credit	6.9	4.0
of which amount disclosed as liability	-201.8	-195.7

28.2 Pension expense according to IAS 19

CHF millions	2017	2018
Current service cost (employer)	41.6	38.6
Past service cost (employer)	0.0	-52.4
Interest expenses on defined benefit obligation	13.2	13.3
Interest income from plan assets	-11.3	-12.0
Administration costs excluding costs for management of plan assets	1.0	1.0
Pension plan expenses	44.5	-11.5

28.3 Remeasurement of pension plans

CHF millions	2017	2018
Actuarial gains/losses		
– Change in financial assumptions	0.0	-4.3
– Change in demographic assumptions	0.0	-4.9
– Adjustments based on experience	24.1	-5.2
Return on plan assets (excluding interest based on discount rate)	-126.2	53.7
Total revaluation reported in other comprehensive income	-102.1	39.3

28.4 Change in present value of defined benefit obligation

CHF millions	2017	2018
Present value of defined benefit obligation at 01.01.	1,978.6	2,023.2
Interest expenses on defined benefit obligation	13.2	13.3
Current service cost (employer)	41.6	38.6
Contributions paid/benefits paid out	-96.0	-77.6
Employee contributions	20.5	22.9
Past service cost (employer)	0.0	-52.4
Business combination	40.2	53.6
Administration costs (excluding asset management costs)	1.0	1.0
Actuarial gains/losses	24.1	-15.0
Present value of defined benefit obligations at 31.12.	2,023.2	2,007.6

At the balance sheet date, the active members' share of the defined benefit obligation was CHF 1,052.6 million (previous year: CHF 1,073.0 million). The share of those drawing a pension in the defined benefit obligation was CHF 955.0 million (previous year: CHF 950.2 million).

28.5 Change in fair value of plan assets

CHF millions	2017	2018
Fair value of plan assets at 01.01.	1,709.9	1,828.3
Interest income from plan assets	11.3	12.0
Employer contributions	31.3	37.0
Employee contributions	20.5	22.9
Contributions paid/benefits paid out	-96.0	-77.6
Business combination	25.1	47.0
Return on plan assets (excluding interest based on discount rate)	126.2	-53.7
Fair value of plan assets at 31.12.	1,828.3	1,815.9

28.6 Asset structure of plan assets

CHF millions	31.12.2017	%	31.12.2018	%
Cash and cash equivalents	67.4	3.7	60.3	3.3
Equity instruments	628.3	34.4	572.2	31.5
Debt instruments	640.8	35.0	651.7	35.9
Other instruments	147.0	8.0	169.6	9.3
Properties	344.8	18.9	362.1	20.0
Total plan assets	1,828.3	100.0	1,815.9	100.0
– thereof own transferrable financial instruments	2.8		3.3	
– thereof properties used by BKW	17.7		16.8	

Equity capital instruments include investments in shares and are generally listed at their market price in an active market. As a percentage of the total assets, the proportion of Swiss shares at the end of the reporting period was 13.5% (previous year: 14.7%) and that of foreign shares was 17.9% (previous year: 19.7%). Investments in Swiss and foreign shares are made directly (through external asset managers) and through investment foundations and funds.

The composition of debt instruments as a percentage of total assets on 31 December 2018 was 14.5% (previous year: 14.7%) for Swiss bonds, 9.5% (previous year: 9.5% for foreign bonds with currency hedging and 11.9% (previous year: 10.8%) for mortgage loans and mortgage bonds. The bonds and mortgage bonds are listed in an active market at their market price, whereas there is no market price listing in an active market for the mortgage loans.

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

On 31 December 2018, the proportion of property as a percentage of total assets was split between 12.4% (previous year: 11.9%) for properties (direct investments in Switzerland) and 7.6% (previous year: 7.4%) for property funds listed in active markets (of which almost half involved foreign properties).

The effective return from the plan assets was -2.4% in the current year (previous year: 8.4%).

28.7 Actuarial assumptions

	2017	2018
Discount rate	0.70 %	0.80 %
Expected rate of future salary increases	0.50 %	0.50 %
Expected rate of future pension increases	0.00 %	0.00 %
Mortality table	BVG 2015 GT	BVG 2015 GT

The weighted average term of the employee pension plan obligation amounted to 14.0 years (previous year: 14.4 years).

Sensitivities of the major actuarial assumptions

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

31.12.2018 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-61.6	65.8
Salary increase (0.25% change)	3.3	-3.3
Changes in pensions (+0.20% change)	54.0	-
Life expectancy (1 year change)	61.7	-62.8

31.12.2017 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-71.6	70.8
Salary increase (0.25% change)	10.7	-10.4
Changes in pensions (+0.20% change)	46.7	-
Life expectancy (1 year change)	65.2	-66.5

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

28.8 Estimated contributions for the next period

CHF millions	2017	2018
Expected employer contributions	33.9	29.7
Expected employee contributions	23.4	22.0

29 Other non-current liabilities

CHF millions	31.12.2017	31.12.2018
Assigned rights of use	286.2	295.2
Other non-current financial liabilities	130.1	112.1
Other non-current liabilities	0.5	0.4
Total	416.8	407.7

Liabilities resulting from the sale of the Swissgrid convertible bond in November 2016 are recorded at CHF 58.3 million under "Other non-current liabilities". The transaction is detailed in Note 21.

30 Share capital and reserves

30.1 Share capital

The issued and fully paid-in share capital of BKW AG amounting to CHF 132.0 million consists of 52,800,000 registered shares at a par value of CHF 2.50 each.

Major shareholders and treasury shares

To BKW's knowledge, the following shareholders held more than 3% of the shares as at 31 December.

	31.12.2017	31.12.2018
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%
Prudential plc	3.01%	n/a
Treasury shares	1.80%	0.13%

Transactions in treasury shares

	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2016	3,485,021	244.6	
Purchases	200,000	10.4	7.8
Sales	-2,729,100	-189.2	-2.7
31.12.2017	955,921	65.8	5.1
Purchases	400,735	26.0	26.0
Sales	-1,286,562	-87.0	-19.4
31.12.2018	70,094	4.8	6.6

30.2 Reserves

Capital reserves

Capital reserves include reserves paid in by shareholders.

Retained earnings

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

Treasury shares

BKW shares held by BKW or its Group companies are deducted from equity at acquisition cost. As at 31 December 2018, 70,094 shares (previous year: 955,921) were held by BKW AG and its Group companies and no shares (previous year: none) were held by associates.

Other reserves

CHF millions	Currency translations	Valuation reserve of financial assets measured at fair value	Hedging	Actuarial gains/losses	Total
At 31.12.2016	-355.9	0.0	1.2	-6.0	-360.7
Currency translations					
– Currency translations	100.6				100.6
– Reclassification to the income statement	0.5				0.5
Hedging transactions					
– Value adjustments			1.2		1.2
Actuarial gains/losses					
– of Group companies				102.1	102.1
– of associates				7.8	7.8
Income taxes			-0.3	-22.9	-23.2
At 31.12.2017	-254.8	0.0	2.1	81.0	-171.7
Currency translations					
– Currency translations	-47.4				-47.4
– Reclassification to the income statement	0.1				0.1
Financial assets at fair value through other comprehensive income					
– Value adjustments		-0.2			-0.2
– Reclassification to retained earnings		0.1			0.1
Hedging transactions					
– Value adjustments			-0.3		-0.3
Actuarial gains/losses					
– of Group companies				-39.3	-39.3
– of associates				14.0	14.0
Income taxes				4.4	4.4
At 31.12.2018	-302.1	-0.1	1.8	60.1	-240.3

Currency translations

Reserves for currency translations contains currency differences arising from the translation of the financial statements drawn up in foreign currencies of foreign Group companies and associates.

Valuation reserve of financial assets at fair value through other comprehensive income

This valuation reserve includes changes in the value of financial assets at fair value through profit or loss (until 31 December 2017 designated as "Available-for-sale financial assets") until their realisation. When these financial assets are sold, the valuation reserve is reclassified to retained earnings.

Hedging

The hedging reserve comprises unrealised changes in the value of financial instruments as a hedge of payment streams (cash flow hedge) and as a hedge of net investment in a foreign business operation (net investment hedge) in the amount of the effective portion of the hedge, as well as the realised gains and losses from completed hedging transactions that have not yet been recognised in profit or loss since the underlying transaction has not yet been recognised in income.

Actuarial gains/losses

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

30.3 Capital management

BKW pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW capital management is to ensure the Group's long-term capital market standing and financing capability by maintaining a balance sheet structure that is compatible with the defined target rating, and to keep the potential impact of fluctuations in the value of the entire financial and risk portfolio within narrow boundaries. BKW is committed to a consistent dividend payout based on a ratio of 40% to 50% of adjusted net profit. BKW's financial resources primarily serve the core business and provide the requisite scope for action in accordance with the requirements of the Group strategy. There were no changes in capital management in 2018.

31 Derivatives

The following table provides information on replacement values and contract volumes for derivative financial instruments open on the balance sheet date in respect of energy trading, and of interest and exchange rate hedging. Derivatives that qualify as hedging instruments under IFRS 9 and are treated according to hedge accounting provisions are disclosed separately.

Derivatives are recorded at fair value in the balance sheet, as positive replacement values (receivables) or negative replacement values (liabilities). The contract volume corresponds to the basic value or contract volume of the underlying derivative financial instrument.

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

CHF millions	Positive replacement value		Negative replacement value		Contract volume	
	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018
Futures (energy trading)					144.4	189.1
Forward contracts (energy trading)	144.4	230.8	152.4	242.0	1,546.7	1,826.7
Swaps			3.8	3.4	25.0	25.0
Exchange rate hedging		0.4			46.8	175.1
Hedge accounting						
– Swaps	4.9	1.9			110.0	110.0
– Exchange rate hedging	3.6		0.7		33.7	5.6
Total	152.9	233.1	156.9	245.4	1,906.6	2,331.5
of which:						
– Current derivatives	101.3	197.7	109.6	192.5		
– Non-current derivatives	51.6	35.4	47.3	52.9		

32 Hedge accounting

The following hedging transactions were open on 31 December 2018:

Fair value hedge

On the balance sheet date, an interest rate swap existed for the purpose of hedging fluctuations in the fair value of a portion of the bonds issued. This hedging relationship is assessed as highly effective and qualifies as a fair value hedge. The change in the fair value of the underlying portion of the bonds amounted to CHF 3.1 million (previous year: CHF 2.8 million). No ineffective portion of hedging relationships was reported in the financial result either in 2018 or in 2017.

Cash flow hedge

Hedges relating to outstanding investment obligations continue to exist on the balance sheet date. These hedging instruments are assessed as highly effective and also qualify as cash flow hedges. The gain or loss measured for these cash flow hedges is recorded in other comprehensive income (CHF 0.0 million in the reporting year; previous year: CHF 2.2 million). No ineffective portion of hedging relationships was reported in the financial result either in 2018 or in 2017.

The interest rate swap concluded in connection with the external financing of power plants to hedge fluctuations in interest payments expired in 2017. No new hedging transactions were concluded in the current year. In the previous year the hedging instrument qualified as a highly effective cash flow hedge. The gain or loss measured for these cash flow hedges was recorded in other comprehensive income at CHF 0.0 million in 2017. In 2017, no ineffective portion of hedging relationships was reported in the financial result.

The various forward contracts for hedging exchange rate fluctuations on revenue in EUR also expired in the previous year and no new hedges were concluded in the year under review. There were no open positions on the balance sheet date. These hedging instruments were classified as highly effective in the previous year and qualify as cash flow hedges. In the previous year, a loss of CHF 1.0 million was recorded for this hedging activity in net sales. Gains and losses associated with this hedging instrument were recognised in income in the same way as the underlying transaction.

Net investment hedge

In previous years, BKW placed three registered bonds with nominal amounts of EUR 275.0 million in total. The registered bonds were placed in Germany and hedge a part of its investment projects in that country. The registered bonds have been designated as a net investment hedge. Foreign exchange gains or losses on the registered bonds are recognised in other comprehensive income and correspondingly offset the gains or losses from currency conversion of the designated net investments. In the current year, no ineffective portion of hedging relationships was reported in the financial result.

33 Related parties

The following financial relationships between BKW and related parties existed in the periods reported. Unless stated otherwise, all transactions were conducted under the same terms and conditions as with independent third parties:

CHF millions	Parent		Companies exerting significant influence over the Group		Associates		Pension funds	
	2017	2018	2017	2018	2017	2018	2017	2018
Income								
– Energy sales	3.4	3.3	13.5	0.0	37.1	43.2		
– Other sales and services	7.7	6.3	3.2	0.0	31.9	21.3	1.2	1.3
– Interest and dividends	1.9	2.2			28.7	21.7		
Expenses								
– Energy purchases			3.7	0.0	257.0	276.5		
– Water charges	18.6	19.0						
– Other purchases and services	0.3	0.4	0.1	0.0	96.3	108.8	31.2	37.1
– Taxes and charges	2.2	5.6						
– Interest and dividends	44.6	50.1	8.4	0.0	0.7	0.1		
– Income taxes	13.3	4.8						
Assets								
– Cash and cash equivalents	36.8	33.9						
– Receivables and accruals	1.7	4.5			27.7	15.9		
– Current financial assets					23.5	32.8		
– Loans					27.5	26.2		
– Rights of use					12.7	11.6		
Liabilities								
– Liabilities and accruals	14.1	5.5			36.4	51.1	10.5	9.2
– Loans	1.3	0.8						
– Rights of use					0.3	0.4		

Transactions with the parent

The Canton of Bern is the majority shareholder of BKW. As such, it has a controlling influence on all decisions at the Annual General Meeting, including the election of members of the Board of Directors and the appropriation of retained earnings. The relationship with the Canton of Bern, its authorities, public-law institutions and the private-law companies it controls takes place on many levels: BKW delivers energy and other services, purchases material and services, and pays taxes, water rates and other levies and charges. In addition, financial transactions are conducted with Berner Kantonalbank, in which the Canton of Bern holds a majority interest.

Transactions with companies exerting significant influence over BKW

Paul-Albert Nobs resigned as the representative of Groupe E on the Board of Directors of BKW at the General Meeting on 12 May 2017. Groupe E has had no representative on the Board of Directors of BKW since then. Groupe E has therefore not been treated as a related company since that date.

Transactions with associates

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), operational management and maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). Energy produced by partner plants is billed to shareholders at production cost on the basis of existing agreements. In the 2018 financial year, associates borrowed CHF 17.4 million in loans from BKW (previous year: CHF 1.9 million in loans granted). In the previous year, an improvement in value of CHF 6.0 million was recorded in the case of one loan. This loan was subsequently converted into equity in the case of the associate and into an interest in the case of BKW. Repayments reduced loans in the current year by CHF 8.3 million (previous year: repayments CHF 25.6 million). In the current year, BKW capitalised services and materials from associates worth CHF 14.8 million (previous year: CHF 14.4 million).

Transactions with pension funds

Transactions with pension funds are conducted as part of the occupational pension plan and consist of employer contributions, administrative charges (personnel, operational and administrative costs), real estate services (management of properties) and financial transactions (liquidity management including interest).

Transactions with the Board of Directors and Group Executive Board

Remuneration

CHF millions	2017	2018
Short-term benefits	4.0	3.9
Contributions to pension plans	0.7	1.2
Share-based payments	1.0	1.5
Total	5.7	6.6

The performance-related payments contained in short-term benefits reflect the variable profit shares for the corresponding financial year.

Detailed information on the remuneration paid to the Board of Directors and the Group Executive Board can be found in the Remuneration Report, which is published in accordance with the Ordinance against Excessive Compensation in Listed Stock Companies.

Transactions with companies in which members of the Board of Directors and Group Executive Board have significant influence

In the 2018 financial year, BKW supplied companies in which members of the Board of Directors and the Group Executive Board have significant influence with energy amounting to CHF 1.7 million (previous year: none) and provided services amounting to CHF 1.3 million (previous year: none). At the balance sheet date, there were outstanding receivables from these companies in the amount of CHF 0.6 million (previous year: none).

34 Leasing

34.1 Operating leases

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

CHF millions	Lessor 31.12.2017	Lessor 31.12.2018	Lessee 31.12.2017	Lessee 31.12.2018
Up to 1 year	8.4	1.0	9.6	14.3
Later than 1 year and not later than 5 years	1.8	2.5	23.6	32.0
More than 5 years	1.2	4.1	39.2	35.7
Total	11.4	7.6	72.4	82.0

The leases relate to rental agreements for operational properties, tenancies and vehicle leasing. The posted leasing expense from operational leasing agreements amounted to CHF 15.9 million in the current year (previous year: CHF 10.1 million).

34.2 Finance leases

CHF millions	Minimum lease payments 31.12.2017	Minimum lease payments 31.12.2018	Present value 31.12.2017	Present value 31.12.2018
Up to 1 year	12.1	6.5	8.9	4.7
Later than 1 year and not later than 5 years	40.0	24.7	32.8	20.5
More than 5 years	12.0	5.4	11.3	5.2
Total	64.1	36.6	53.0	30.4
Financing costs	-11.1	-6.2		
Present value of minimum lease payments	53.0	30.4		

Finance leases are related to wind farms that are funded via long-term leasing contracts.

35 Additional disclosures on the cash flow statement

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

CHF millions	31.12.2017	31.12.2018
Bank and cash balances	665.5	602.9
Term deposits	160.0	214.5
Total cash and cash equivalents	825.5	817.4

Adjustments to the operating cash flow for non-cash transactions are composed as follows:

CHF millions	31.12.2017	31.12.2018
Depreciation, amortisation and impairment	198.9	208.1
Income from associates	-48.8	-28.3
Financial result	10.2	167.6
Gains/losses from sale of non-current assets	-6.9	-4.2
Change in non-current provisions (excl. interest)	-65.5	-144.9
Change in assigned rights of use	0.5	-11.9
Change from the valuation of energy derivatives	20.7	3.3
Other non-cash positions	-8.1	-54.1
Total adjustment for non-cash transactions	101.0	135.6

Details on acquisitions of Group companies in the current year are provided in Note 7. The cash flow arising from the acquisition of Group companies amounting to CHF 121.8 million corresponds to the purchase price of CHF 171.3 million less the acquired cash and cash equivalents of CHF 15.5 million and the deferred, contingent purchase price payments of CHF 47.8 million at the time of acquisition, plus the payment of CHF 13.8 million that had been made in respect of deferred, contingent purchase price payments in 2018.

36 Share-based payment

BKW employees have the opportunity to purchase BKW AG share capital on preferential terms. Full-time employees of BKW and members of the Board of Directors (except the Group Executive Board and senior management) are offered a limited number of BKW shares every year at a fixed preferential price, set for that year, subject to a blocking period. In the current year, employees had the opportunity to acquire up to 327,450 shares in BKW (previous year: 320,100 shares) at a preferential price. In the 2018 reporting year, 77,701 shares (previous year: 80,701 shares) were purchased at a price of CHF 40.75 per share (previous year: CHF 32.40). The underlying present value per share was CHF 60.00 (previous year: CHF 54.75). The personnel expense for this share-based payment was CHF 1.5 million (previous year: CHF 1.8 million). No purchase rights remained open on the balance sheet date.

In addition, a performance-related bonus has been allocated to members of the Group Executive Board and senior management in the form of BKW shares as part of their fixed annual base salary. The allocation of shares to members of the Group Executive Board is decided on an annual basis for the current financial year. The shares are subject to a blocking period. In the 2018 reporting year, 26,546 shares (previous year: 19,000 shares) were allocated at an underlying fair value of CHF 71.60 per share (previous year: CHF 57.05). As part of the performance management process, BKW shares are allocated to senior management in March of the following year. In the 2018 financial year, 21,213 shares were allocated (no shares were allocated in the previous year due to the first-time postponement of the performance appraisals from December to March) with an underlying fair value of CHF 63.60. The shares are subject to a blocking period. The total personnel expense booked for profit-sharing to the Group Executive Board and senior management amounted to CHF 3.2 million (previous year: CHF 1.1 million). No purchase rights remained open on the balance sheet date.

Allocation of shares to employees is not subject to any other conditions in either of the aforementioned cases, hence there is no vesting period and the compensation is recorded on the grant date. Fair value is measured on the basis of the share price. The corresponding expense is recognised in personnel expenses at the time of the grant being made. In relation to the share purchase programme, the personnel expense corresponds to the difference between the fair value and the preferential price paid by employees.

37 Group companies with material non-controlling interests

With BKW Netzbeteiligung Ltd., which is headquartered in Switzerland, BKW holds a Group company with material non-controlling interests. BKW Netzbeteiligung Ltd. holds interests in Swissgrid Ltd.

The financial information of BKW Netzbeteiligung Ltd. is disclosed separately in the table below. The breakdown is before the elimination of inter-company transactions.

CHF millions	BKW Netzbeteiligung Ltd.	
	31.12.2017	31.12.2018
Non-controlling interests in %	49.9%	49.9%
Carrying amount of non-controlling interests	181.0	180.6
Net income allocated to non-controlling interests	3.9	5.3
Dividends on non-controlling interests	4.5	5.6
Balance sheet		
Non-current assets	361.7	361.7
Current assets	1.1	0.3
Non-current liabilities	0.0	0.0
Current liabilities	0.1	0.0
Income statement		
Financial income	7.9	10.7
Net profit	7.8	10.7
Cash flow statement		
Cash flow from operating activities	10.0	10.6
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	-9.1	-11.3

38 Assets and liabilities measured at fair value and liabilities

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, the inputs to which are based on directly or indirectly observable market data. The inputs have a material impact on the recognised fair value. At this hierarchy level, BKW includes over-the-counter derivatives (all forward energy trading contracts, interest rate swaps and forward currency contracts) and the proportional share of net assets of the state funds (federal decommissioning and disposal funds). The assets of the state funds are managed by the government; BKW has no access to the managed assets. 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. Such investments are valued by the global custodian. BKW has no influence on the valuation method used. The annual statement of the funds is audited by external auditors each year and published by the federal offices responsible.
- Level 3: valuations that apply inputs with a material impact on fair value that are not based on observable market data. BKW mainly classifies unlisted equity instruments, contingent purchase price payments and liabilities relating to non-controlling interests under this level. Valuation of such assets requires management estimates of non-observable input factors and deferred purchase price payments. The fair values of Level 3 financial assets were determined using the discounted cash flow method and discounted based on a WACC of 5.3% (previous year: 5.4%). A realistic, constant margin was applied to the valuation models (the annual growth in the margin corresponds to inflation). The contingent purchase price payments and liabilities relating to non-controlling interests result from business combinations. The fair values take into account expected cash flows, sales forecasts and other performance criteria. The effect of a change of 10% in the most important non-observable input factors would have no material impact on comprehensive income and the equity of BKW.

There were no transfers between the different levels during the year under review or during the previous year.

CHF millions	Carrying amount at 31.12.2018	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Current financial assets				
– Debt instruments	136.9	106.9	30.0	
Inventories				
– Certificates (proprietary trading)	0.7	0.7		
Derivatives (current and non-current)	233.1		233.1	
Non-current financial assets				
– Receivables from state funds	1,169.8		1,169.8	
Financial assets at fair value through other comprehensive income				
– Equity instruments	7.4			7.4
Financial liabilities at fair value through profit or loss (FVPL)				
Derivatives (current and non-current)	245.4		245.4	
Other financial liabilities				
– Contingent purchase price liabilities in relation to business combinations	56.8			56.8
– Liabilities relating to non-controlling interests	8.1			8.1
CHF millions	Carrying amount at 31.12.2017	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Current financial assets				
– Securities held for trading	176.1	176.1		
Inventories				
– Certificates (proprietary trading)	14.2	14.2		
Derivatives (current and non-current)	152.9		152.9	
Non-current financial assets				
– Available-for-sale financial assets	8.6			8.6
– Receivables from state funds	1,183.3		1,183.3	
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	156.9		156.9	
Other financial liabilities				
– Contingent purchase price liabilities in relation to business combinations	41.4			41.4
– Liabilities relating to non-controlling interests	11.7			11.7

In addition, the liabilities on 31 December 2018 include the following at fair value:

- Bonds in the amount of CHF 111.8 million (previous year: CHF 114.7 million) as part of a fair-value hedge (Level 2).

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

CHF millions	Contingent purchase price liabilities		Equity instruments		Liabilities to non-controlling interests	
	2017	2018	2017	2018	2017	2018
At 01.01.	44.5	41.4	18.5	8.6	16.0	11.7
Additions	27.2	35.2	0.4	0.7		
Disposals	-10.5	-6.4	-0.2	-1.7	-4.3	-3.4
Value adjustment						
– Transfer to income statement	-23.1	-12.2	-10.8	n/a		-0.2
– Changes in value included in other comprehensive income	3.3	-1.2	0.7	-0.2		
At 31.12.	41.4	56.8	8.6	7.4	11.7	8.1

39 Disclosure of financial assets and liabilities

39.1 Carrying amount by balance sheet item and allocation to measurement categories in accordance with IFRS 9

Financial assets

CHF millions	Note	Financial assets at amortised cost ¹		Financial assets at fair value through profit or loss ¹		Financial assets at fair value through other comprehensive income ¹		Total	
		2017	2018	2017	2018	2017	2018	2017	2018
Cash and cash equivalents	35	825.5	817.4					825.5	817.4
Trade accounts receivable	17	637.0	595.5					637.0	595.5
Other current financial receivables	17	90.5	70.0					90.5	70.0
Current financial assets	21	221.5	140.6	176.1	136.9			397.6	277.5
Derivatives (current and non-current)	31			152.9	233.1			152.9	233.1
Financial accruals	20	87.9	57.4					87.9	57.4
Non-current financial assets	21	118.4	96.4			8.6	7.4	127.0	103.8
Total		1,980.8	1,777.3	329.0	370.0	8.6	7.4	2,318.4	2,154.7

1 New designation under IFRS 9. Previously designated as "Loans and receivables", "At fair value through profit or loss" and "Available-for-sale financial assets".

Financial liabilities

CHF millions	Note	Financial liabilities at amortised cost		Financial liabilities at fair value through profit or loss		Recognised according to IAS 17		Total	
		2017	2018	2017	2018	2017	2018	2017	2018
Trade accounts payable	25	418.3	327.5					418.3	327.5
Other current financial liabilities	25	130.9	157.4	11.9	29.5			142.8	186.9
Current financial liabilities	26	203.0	408.6			8.8	4.7	211.8	413.3
Derivatives (current and non-current)	31			156.9	245.4			156.9	245.4
Financial accruals	20	187.6	167.6					187.6	167.6
Non-current financial liabilities	26	1,228.8	1,018.6	114.7	111.8	44.1	25.7	1,387.6	1,156.1
Other non-current financial liabilities	29	87.3	66.2	42.8	45.9			130.1	112.1
Total		2,255.9	2,145.9	326.3	432.6	52.9	30.4	2,635.1	2,608.9

Due to short residual terms to maturity, the carrying amounts of loans and receivables and financial liabilities at amortised cost correspond approximately to the fair value. On 31 December 2018, a difference existed between these values in respect of the debenture bonds, which are included under non-current financial liabilities. The price of the bonds (fair value Level 1) as at year-end amounted to CHF 1,118.9 million (previous year: CHF 1,140.3 million) with a carrying amount of CHF 1,050.0 million (previous year: CHF 1,033.8 million).

39.2 Net results of financial assets and liabilities by measurement category in accordance with IFRS 9

Net result

CHF millions	Financial assets at amortised cost ¹		Financial assets and liabilities at fair value through profit or loss ¹		Financial assets at fair value through other comprehensive income ¹		Financial liabilities at amortised cost		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Included in net sales:										
– Income from proprietary energy trading			36.8	5.5					36.8	5.5
– Income from energy hedging			22.8	21.0					22.8	21.0
Included in other operating revenue:										
– Change in conditional purchase price payments			23.1	12.2					23.1	12.2
Included in operating expenses	–9.8	–2.5							–9.8	–2.5
Included in financial result	15.5	3.1	–8.6	–3.2	–1.6	–0.2	–48.5	–46.5	–43.2	–46.8
Included in other comprehensive income			1.2	–0.3	0.0	–0.2	–25.1	11.3	–23.9	10.8
Total	5.7	0.6	75.3	35.2	–1.6	–0.4	–73.6	–35.2	5.8	0.2

1 New designation under IFRS 9. Previously designated as "Loans and receivables", "At fair value through profit or loss" and "Available-for-sale financial assets".

In the financial years shown, no financial instruments were designated as being measured "At fair value through profit or loss".

39.3 Netting arrangements

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

The following amounts are netted off in the balance sheet on the balance sheet date:

CHF millions	2017			2018		
	Gross values	Netting off	Net values	Gross values	Netting off	Net values
Trade accounts receivable	1,179.0	-542.0	637.0	1,332.3	-736.8	595.5
Trade accounts payable	-960.3	542.0	-418.3	-1,064.3	736.8	-327.5
Positive replacement values	807.7	-663.3	144.4	1,239.7	-1,008.9	230.8
Negative replacement values	-815.7	663.3	-152.4	-1,250.9	1,008.9	-242.0

40 Financial risk management

40.1 Principles of risk management

Risk management is viewed as a supporting function for senior management. Its purpose is to provide decision makers with a transparent representation of the risks associated with individual business activities. The core element is the risk management process, which systematically identifies, assesses and manages risks and monitors the implementation of risk mitigation measures. It is integrated into the financial management process.

The defined risk management principles govern the management of operational risks as well as market price, share price, currency, liquidity, interest rate and credit risks. Principles have also been laid down governing the management of cash and cash equivalents and short and long-term cash deposits. The Group monitors and controls these risks. Risk Management reports directly to the Head of Finance and Controlling, defines Group-wide requirements for measuring risk, and aggregates risks at Group level.

The risk spectrum monitored by the Group Executive Board covers risks related to operating activities, as well as to strategy and its implementation in projects. A Risk Committee at Group Executive Board level prepares guidelines and risk reports as a decision-making basis for the Group Executive Board. The Risk Committee is an advisory body that submits independent recommendations on risk issues to the Group Executive Board in predefined processes. The Board of Directors last assessed the risks related to operating activities at its meeting on 6 December 2018.

40.2 Credit risks

Credit risk is defined as the potential loss that may arise due to a possible deterioration in credit-worthiness or the insolvency of business partners or the non-fulfilment of contractual obligations. Credit risk comprises replacement value, receivables and advance performance risks. The credit risks are managed centrally by Risk Management. The risk management process comprises credit appraisals on counterparties, rating and limit allocations, exposure monitoring and reporting.

Credit risks are managed using credit limits. Credit appraisal involves the use of an internal rating system that is similar to the nomenclature of Standard & Poor's (S&P) and assigns credit rating categories to counterparties. Under the system, a rating above BBB- corresponds to an investment grade. The rating is calculated based on the Basel II Internal Rating approach. The appraisal also takes into account external ratings by recognised rating agencies. A credit limit is allocated to each counterparty based on the defined credit rating category and the reported equity, and this is monitored daily. If a credit limit is breached, measures are initiated in cooperation with operational areas.

The following table indicates the credit risk related to trade accounts receivable, to derivatives with a positive replacement value, and to current accounts and term deposits with credit institutions on the balance sheet date, broken down by credit rating. The standardised rating process covers trading, bank and sales counterparties, as well as other counterparties above a certain credit risk threshold. The monitoring of other counterparties is carried out decentrally on the basis of individual approaches.

CHF millions	31.12.2017	31.12.2018
Rating AAA to AA–	326.6	285.9
Rating A+ to BBB–	1,125.0	1,102.1
Rating BB+ and lower	31.4	38.6
Other counterparties	323.3	325.3
Total	1,806.3	1,751.9
Included under:		
– Trade accounts receivable	637.0	595.5
– Derivatives (current and non-current)	152.9	233.1
– Current financial assets (term deposits only)	190.9	105.9
– Cash and cash equivalents	825.5	817.4

The maximum credit risk (excluding guarantees granted) corresponds to the amount of outstanding monetary financial assets on the balance sheet date. As at 31 December 2018, the maximum credit risk for BKW was CHF 2,147.3 million (previous year: CHF 2,309.8 million) and represents the carrying amount of all financial assets in accordance with Note 39.1, with the exception of the equity instruments contained there. The maximum loss presented is based on the assumption that all counterparties simultaneously become unable to discharge their payment obligations and that existing collateral and netting arrangements cannot be utilised.

As at the balance sheet date, there were issued guarantees of CHF 79.4 million (previous year: CHF 77.0 million), which increase the maximum credit risk accordingly.

Collateral is required primarily for counterparties in the energy trading business, whereby the creditworthiness of the collateral issuer is assessed and rated. Investment grade customers may be granted a higher limit than defined for the assigned credit category if collateral is provided. A business relation with non-investment grade counterparties is normally permissible only if collateral is provided. These securities can cover both billed and unbilled items. Collateral amounting to CHF 131.8 million was held for trade accounts receivable and derivatives recorded on the balance sheet as at 31 December 2018 (previous year: CHF 90.9 million).

A cluster risk would arise if excessive credit were granted to an individual customer. The potential loss and the resultant write-down would be disproportionately high if the counterparty were to default. For this reason, care is taken to ensure risks are adequately distributed, with a maximum limit (maximum permissible loan amount) set for each counterparty or group.

In geographical terms, the credit risks are primarily concentrated in Switzerland. On the balance sheet date, counterparties in Switzerland accounted for 77% of the credit risk (previous year: 81%).

40.3 Liquidity risks

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

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

Residual terms to maturity of financial liabilities

The following tables provide information on the residual terms to maturity and cash flows of financial liabilities:

CHF millions	Note	Carrying amount at 31.12.2018	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Trade accounts payable	25	327.5	327.5				
Other current financial liabilities	25	186.9	186.9				
Financial accruals	20	167.6	167.6				
Financial liabilities	26	1,569.4	431.9	56.6	55.5	255.3	1,110.6
Other non-current financial liabilities	29	112.1		78.3	18.9	6.7	8.2
Total non-derivative liabilities		2,363.5	1,113.9	134.9	74.4	262.0	1,118.8
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	31	230.8	197.2	42.7	10.3		
– Negative replacement values	31	–242.0	–192.3	–52.8	–16.3		
Net replacement values		–11.2	4.9	–10.1	–6.0	0.0	0.0
Currency forwards and swaps							
– Positive replacement values	31	2.3	2.3				
– Negative replacement values	31	–3.4				–1.9	–1.5
Net replacement values		–1.1	2.3	0.0	0.0	–1.9	–1.5
Gross cash flows related to derivatives							
– Gross outflow			–7,369.8	–727.4	–264.0	–7.4	
– Gross inflow			7,601.6	712.5	250.1	11.3	

Amounts in foreign currencies are converted at the exchange rate on the balance sheet date. The table shows the cash flows for interest-bearing liabilities including the corresponding interest rate payments. The cash flows for derivative financial instruments do not take netting arrangements into account. In the case of the convertible bond fully converted or repaid early in 2018, a cash outflow was shown in the amount of the nominal value of CHF 33.8 million outstanding as of 31 December 2017 at the time of the original contractual maturity (in 2020) in the previous year.

CHF millions	Note	Carrying amount at 31.12.2017	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Trade accounts payable	25	418.3	418.3				
Other current financial liabilities	25	142.8	142.8				
Financial accruals	20	187.6	187.6				
Financial liabilities	26	1,599.4	222.9	429.2	92.6	59.2	1,184.7
Other non-current financial liabilities	29	130.1		48.0	24.9	50.8	6.7
Total non-derivative liabilities		2,478.2	971.6	477.2	117.5	110.0	1,191.4
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	31	144.4	117.1	35.4	11.2		
– Negative replacement values	31	–152.4	–128.2	–32.9	–10.4	–0.2	
Net replacement values		–8.0	–11.1	2.5	0.8	–0.2	0.0
Currency forwards and swaps							
– Positive replacement values	31	8.5	3.6	5.0			
– Negative replacement values	31	–4.5	–0.8				–3.8
Net replacement values		4.0	2.8	5.0	0.0	0.0	–3.8
Gross cash flows related to derivatives							
– Gross outflow			–4,069.1	–488.6	–163.6		
– Gross inflow			4,126.6	466.9	158.0	11.8	

40.4 Market risks

Market risks arise from price and exchange rate fluctuations on unsecured positions of the energy and financial business. In accordance with BKW's risk policy, the procedure for measuring, managing and monitoring risk positions has been defined. Energy and certificate price risks are managed centrally in Trading. Overall risk is effectively limited using systematic analyses, which take correlations into account, and efficient management based on value-at-risk (VaR) indicators. BKW's interest rate, share price risk and exchange rate risk are aggregated in a Group-level risk portfolio. The VaR and position limits required for management purposes are approved by the Group Executive Board. Risk management ensures risks are continuously monitored and reported.

40.4.1 Share price risk

BKW is exposed to a share price risk for assets at fair value through other comprehensive income not affecting results and assets at fair value through profit and loss, as well as for receivables from state funds (see Note 21). Receivables from state funds do not come under the definition of a financial instrument under the terms of IAS 32 and consequently are not covered by the following statements on risk measurement.

40.4.2 Interest rate risks

The production of power and operation of transmission and distribution grids are capital-intensive. They are financed over the long term with phased due dates. This minimises the impact of interest rate changes on the cash flow situation. In addition, interest rate hedging instruments are used where necessary. Cash is invested over the short to medium term, primarily in variable-interest positions.

40.4.3 Currency risks

Energy trading is largely conducted in euros. Exchange rate fluctuations have an impact on the results of operations and cash flow positions stated in Swiss francs. To the extent considered necessary, foreign currency positions are secured by means of forward exchange transactions or currency swaps.

40.4.4 Energy price risks/CO₂ certificate price risks

Energy and certificate positions are taken in asset management and proprietary trading. Non-hedged material energy and CO₂ positions are permitted in the current year and in up to six subsequent years.

40.4.5 Risk measurement

Interest rate, exchange rate, energy price risks and share price risks are regularly measured and reported on the basis of value at risk. BKW uses a confidence level of 99% with a one-year holding period for interest rate products and shares, and a one-day holding period for foreign exchange and energy products.

Value at risk

CHF millions	31.12.2017	31.12.2018
Interest	8.6	5.3
Share price ¹	3.0	3.1
Currencies	2.4	3.2

1 Related to "Financial assets at fair value through other comprehensive income" (previously designated as "Available-for-sale financial assets").

The value at risk shows value fluctuation risk based on individual risks that, given no change, could occur in a twelve-month/one-day period respectively, taking into account the defined confidence level. The values shown would impact the results and equity.

In the absence of any impairments, fluctuations in the value of assets at fair value through other comprehensive income not affecting results have no influence on the annual results but are recorded directly in Other comprehensive income.

The risk of unfavourable price movements for unsecured positions in electricity, gas, CO₂, coal (financial) and oil (financial) is determined using the Cross-Commodity-Value-at-Risk (CC-VaR) method. CC-VaR factors in the mutual impact of these commodities. The calculation follows a model-based Monte Carlo method for a one-day holding period and a confidence level of 99%. The model parameters are estimated based on a rolling 512-day observation period. Risk management is based on CC-VaR, position and trading volume limits. Proprietary trading is additionally subject to loss limits. At 31 December 2018, the CC-VaR for proprietary trading amounted to CHF 3.3 million (previous year: CHF 2.4 million).

41 Contingent liabilities and investment obligations

CHF millions	31.12.2017	31.12.2018
Guarantees		
– in favour of associates	8.7	0.7
– in favour of third parties	68.3	78.7
Investment obligations	53.1	27.3
Total	130.1	106.7

Contingent liabilities

CHF 45.0 million of the guarantees granted (previous year: CHF 25.6 million) have a term to maturity of up to 12 months. Guarantees amounting to CHF 5.7 million (previous year: CHF 2.5 million) are granted for an unlimited term.

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

In the event of a claim, power plant operators who are members of the European EMANI insurance pool must pay a contractually defined supplementary contribution of six annual premiums, which for BKW corresponds to a maximum obligation of around CHF 1.1 million (previous year: CHF 1.2 million).

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

Investment obligations

The investment obligations relate to two Norwegian wind farm projects with several wind farm sites under construction. One wind farm site was connected to the grid in 2018. The remaining wind farms are expected to be connected to the grid from 2019 to 2020. The expected investment costs for BKW amount to a total of EUR 141.7 million. Around EUR 117.5 million was invested up to 31 December 2018.

42 Events after the balance sheet date

Approval of the consolidated financial statements

The Board of Directors of BKW authorised the approval of these consolidated financial statements on 15 March 2019. The consolidated financial statements are subject to the approval of the BKW General Meeting on 24 May 2019.

Group companies and Associates

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies									
Switzerland									
A. Dietrich Kälte Klima Lüftung AG			•		Beringen	0.2	CHF	100.0	31.12.
A1 Elektro AG			•		Urdorf	0.1	CHF	100.0	31.12.
AEK Elektro AG			•		Solothurn	0.5	CHF	100.0	31.12.
AEK Energie AG	•	•	•	•	Solothurn	6.0	CHF	96.5	31.12.
AEK onyx AG	•	•		•	Solothurn	1.0	CHF	100.0	31.12.
AEK Pellet AG	•				Klus-Balsthal	9.0	CHF	100.0	31.12.
ahochn AG			•		Dübendorf	0.3	CHF	100.0	31.12.
Aicher, De Martin, Zweng AG			•		Lucerne	0.1	CHF	100.0	31.12.
antec group AG			•		Dübendorf	0.4	CHF	100.0	31.12.
antec operations AG			•		Dübendorf	0.1	CHF	100.0	31.12.
Arnold AG			•		Wangen an der Aare	0.5	CHF	100.0	31.12.
Arpe AG			•		Buckten	0.1	CHF	100.0	31.12.
Balzer Ingenieure AG			•		Chur	0.1	CHF	100.0	31.12.
Baumeler Leitungsbau AG			•		Buchrain	0.1	CHF	100.0	31.12.
BEBAG Bioenergie Bätterkinder AG	•				Bätterkinder	0.1	CHF	56.0	31.12.
Benco Service GmbH			•		Biel-Benken	0.02	CHF	100.0	31.12.
Biomassekraftwerk Otelfingen AG	•				Otelfingen	0.5	CHF	50.0	31.12.
BKW AEK Contracting AG	•				Solothurn	0.2	CHF	100.0	31.12.
BKW Building Solutions AG			•		Ostermundigen	0.2	CHF	100.0	31.12.
BKW Energie AG	•	•	•	•	Bern	132.0	CHF	100.0	31.12.
BKW Grid Switzerland Ltd.		•			Bern	0.1	CHF	100.0	31.12.
BKW Netzbeteiligung Ltd.		•			Bern	25.2	CHF	50.1	31.12.
BKW Wallis AG	•				Visp	0.1	CHF	100.0	31.12.
BPU Ingenieurunternehmung AG	•				Burgdorf	0.1	CHF	100.0	31.12.
cc energie sa			•		Murten	1.0	CHF	66.7	31.12.
ceed Ltd.			•		Solothurn	0.1	CHF	68.0	31.12.
Corell Technologies Sàrl			•		Martigny	0.02	CHF	100.0	31.12.
Curea Elektro AG			•		Landquart	0.2	CHF	100.0	31.12.
Darnuzer Ingenieure AG			•		Davos	0.4	CHF	100.0	31.12.
E3 HLK AG			•		Kriens	0.1	CHF	100.0	31.12.
Electricité G. Bugnard S.A.			•		Val-de-Charmey	0.1	CHF	100.0	31.12.
Elektrizitätswerke Wynau AG, Langenthal	•				Langenthal	3.0	CHF	100.0	31.12.
Elektro Feuz AG			•		Grindelwald	0.1	CHF	100.0	31.12.
Elektro Naegelin AG			•		Frenkendorf	0.1	CHF	100.0	31.12.
Elektro Winter AG			•		Rapperswil-Jona	0.3	CHF	100.0	31.12.
Emeltec Sàrl			•		Martigny	0.04	CHF	100.0	31.12.
Energie Biberist AG EBAG	•				Biberist	5.0	CHF	65.0	31.12.
enerpeak ag			•		Dübendorf	0.1	CHF	100.0	31.12.
engytec AG				•	Risch	0.3	CHF	60.0	31.12.
Frey + Gnehm Ingenieure AG			•		Oltten	0.1	CHF	100.0	31.12.
Gesellschaft Mont-Soleil	•				Bern	–	CHF	65.0	31.12.
GRIAG Holding AG			•		Burgdorf	0.1	CHF	100.0	31.12.
Grunder Ingenieure AG			•		Rüegsau	0.1	CHF	100.0	31.12.
Hertig Haustechnik AG			•		Wohlen (AG)	0.1	CHF	100.0	31.12.
Hertli & Bertschy AG, elektrische Anlagen			•		Tafers	0.1	CHF	70.0	31.12.
Hinni AG			•		Biel-Benken	0.2	CHF	100.0	31.12.
Holzwärme Grindelwald AG	•				Grindelwald	2.5	CHF	93.4	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Inag-Nievergelt AG			•		Zurich	0.7	CHF	85.0	31.12.
inelectro sa			•		Porrentruy	0.5	CHF	100.0	31.12.
Ingenieurteam IFE AG			•		Widnau	0.2	CHF	100.0	31.12.
ISP Electro Solutions AG			•		Ostermundigen	0.9	CHF	100.0	31.12.
IWAG Ingenieure AG			•		Zurich	0.1	CHF	100.0	31.12.
IWM AG			•		Monthey	0.1	CHF	100.0	31.12.
Jermann Ingenieure und Geometer AG			•		Arlesheim	0.1	CHF	100.0	31.12.
Juvent SA	•				Saint-Imier	6.0	CHF	70.0	31.12.
Karl Waechter AG			•		Zurich	0.1	CHF	100.0	31.12.
Kasteler-Guggisberg AG			•		Bern	0.2	CHF	100.0	31.12.
Kraftwerk Gohlhaus AG	•				Lützelflüh	1.3	CHF	59.9	31.12.
Kraftwerk Lauenen AG	•				Lauenen	2.0	CHF	85.0	31.12.
Kraftwerk Spiggebach AG	•				Reichenbach im Kandertal	3.8	CHF	51.0	31.12.
Kraftwerke Fermelbach AG	•				St. Stephan	4.5	CHF	80.0	31.12.
Kraftwerke Kander Alp AG	•				Kandersteg	2.5	CHF	60.0	31.12.
Kraftwerke Milibach AG	•				Wiler (Lötschen)	1.0	CHF	80.0	31.12.
Kraftwerke Ragn d'Err AG	•				Surses	6.0	CHF	80.0	31.12.
Kurz Heizungen AG			•		Urtenen-Schönbühl	0.3	CHF	100.0	31.12.
Lami SA, bureau d'études et atelier de dessins			•		Martigny	0.2	CHF	100.0	31.12.
Lutz Bodenmüller AG			•		Beringen	0.1	CHF	100.0	31.12.
Marcel Rieben Ingenieure AG			•		Köniz	0.1	CHF	100.0	31.12.
Marzolo & Partner AG			•		Uster	0.1	CHF	100.0	31.12.
Michel Rime SA			•		Echallens	0.2	CHF	100.0	31.12.
Mollet Energie AG			•		Solothurn	0.2	CHF	66.3	31.12.
MORA Holding AG			•		Frenkendorf	0.2	CHF	100.0	31.12.
Neukom Installationen AG			•		Rafz	0.2	CHF	100.0	31.12.
Onyx Energie Dienste AG	•				Langenthal	2.0	CHF	100.0	31.12.
Onyx Energie Mittelland AG				•	Langenthal	10.5	CHF	100.0	31.12.
Onyx Energie Netze AG		•	•	•	Langenthal	10.5	CHF	100.0	31.12.
OSTAG Ingenieure AG	•				Burgdorf	0.1	CHF	100.0	31.12.
Raboud Energie SA			•		Bulle	0.1	CHF	100.0	31.12.
Regionaler Wärmeverbund AG Heimberg-Steffisburg (REWAG)	•				Heimberg	2.5	CHF	51.0	31.12.
Ruefer Ingenieure AG	•				Langnau im Emmental	0.1	CHF	100.0	31.12.
Schmid, Amrhein AG			•		Lucerne	0.3	CHF	100.0	31.12.
Schönenberger & Partner AG Sanitäre Anlagen			•		Tobel-Tägerschen	0.1	CHF	100.0	31.12.
Securon AG	•				Solothurn	0.1	CHF	100.0	31.12.
Simmentaler Kraftwerke AG	•				Erlenbach i. S.	7.3	CHF	84.2	31.12.
Société des forces électriques de la Goule SA	•	•			Saint-Imier	3.5	CHF	84.3	31.12.
sol-E Suisse AG				•	Bern	0.1	CHF	100.0	31.12.
TID Technische Informationen & Dienstleistungen									
P. Tschannen GmbH			•		Schüpfen	0.1	CHF	100.0	31.12.
Weber AG, Stäfa			•		Stäfa	0.1	CHF	100.0	31.12.
Werner Electro AG			•		Brig-Glis	0.1	CHF	100.0	31.12.
Wind Energy Trading WET AG	•				Lausanne	0.1	CHF	60.0	31.12.
Winkelmann Elektro AG			•		Kerzers	0.1	CHF	100.0	31.12.
Wymann Elektro AG			•		Steffisburg	0.2	CHF	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
China									
Solar-Log New energy Tech. Co. Ltd.			●		Shanghai	10.0	CNY	100.0	31.12.
Germany									
Assmann Beraten + Planen AG			●		Berlin	0.6	EUR	100.0	31.12.
Bajuenergy Wind GmbH			●		Eberswalde	0.03	EUR	100.0	31.12.
BKW Bippen Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Borkum West II Beteiligungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Deutschland GmbH	●		●		Berlin	0.1	EUR	100.0	31.12.
BKW Dubener Platte Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Energie Dörpen Beteiligungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Erneuerbare Energien GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Europa SE			●		Berlin	0.1	EUR	100.0	31.12.
BKW Holleben Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Landkern Wind GmbH	●				Berlin	0.1	EUR	100.0	31.12.
BKW Wind Service GmbH	●		●		Berlin	0.03	EUR	100.0	31.12.
CLIMAPLAN GmbH. Ingenieure für Versorgungstechnik			●		Munich	0.1	EUR	100.0	31.12.
DfN Dienstleistungen für Nukleartechnik GmbH	●				Heidelberg	0.03	EUR	100.0	31.12.
emutec energy link GmbH			●		Norderstedt	0.03	EUR	100.0	31.12.
EMUTEC GmbH			●		Norderstedt	0.03	EUR	100.0	31.12.
EWIS GmbH			●		Lübeck	0.03	EUR	100.0	31.12.
IFB Eigenschenk + Partner GmbH			●		Freital	0.1	EUR	100.0	31.12.
IFB Eigenschenk GmbH			●		Deggendorf	0.03	EUR	100.0	31.12.
igr Aktiengesellschaft			●		Rockenhausen	1.9	EUR	100.0	31.12.
IHB GmbH Ingenieurdienstleistungen			●		Leipzig	0.1	EUR	100.0	31.12.
Ingenieurbüro Prof. Dr.-Ing. Vogt Planungsgesellschaft mbH			●		Leipzig	0.03	EUR	100.0	31.12.
ITS Ingenieurgesellschaft mbH			●		Gotha	0.03	EUR	85.0	31.12.
KAE Kraftwerks- & Anlagen-Engineering GmbH			●		Hausen	0.03	EUR	100.0	31.12.
Lindschulte + GGL Ingenieurgesellschaft mbH			●		Krefeld	0.03	EUR	85.0	31.12.
Lindschulte Ingenieurgesellschaft mbH			●		Düsseldorf	0.03	EUR	75.0	31.12.
Lindschulte Ingenieurgesellschaft mbH			●		Burgwedel	0.03	EUR	75.0	31.12.
Lindschulte Ingenieurgesellschaft mbH			●		Nordhorn	0.03	EUR	100.0	31.12.
Lindschulte Ingenieurgesellschaft mbH			●		Münster	0.03	EUR	87.5	31.12.
Lindschulte Ingenieurgesellschaft mbH			●		Erfurt	0.03	EUR	75.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Emsland			●		Meppen	0.03	EUR	50.0	31.12.
Lindschulte Ingenieur-Holding GmbH			●		Nordhorn	0.1	EUR	100.0	31.12.
Lindschulte KHP Planungsgesellschaft mbH			●		Oldenburg	0.03	EUR	90.0	31.12.
Lindschulte Sachverständigen und Gutachter GmbH			●		Nordhorn	0.03	EUR	75.0	31.12.
Lindschulte Thillmann GmbH			●		Koblenz	0.03	EUR	90.0	31.12.
PALATIA Ingenieur- und Städtebau GmbH			●		Rockenhausen	0.04	EUR	100.0	31.12.
Podufal-Wiehofsky Generalplanung GmbH			●		Löhne	0.03	EUR	100.0	31.12.
Propertunities Immobilien Consulting GmbH			●		Düsseldorf	0.03	EUR	80.0	31.12.
QSB Holding GmbH			●		Lübbecke	0.03	EUR	100.0	31.12.
QSB Industrial GmbH			●		Speyer	0.03	EUR	100.0	31.12.
Schweisstechnik Gentner GmbH			●		Speyer	0.1	EUR	100.0	31.12.
Schwesig + Lindschulte GmbH			●		Rostock	0.03	EUR	75.0	31.12.
SDS Entwicklung GmbH				●	Berlin	0.03	EUR	100.0	31.12.
Solare Datensysteme GmbH			●		Geislingen	0.03	EUR	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
STKW Energie Dörpen Verwaltungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
Wald + Corbe Consulting GmbH			●		Hügelsheim	0.03	EUR	100.0	31.12.
Wald + Corbe Infrastrukturplanung GmbH			●		Hügelsheim	0.03	EUR	100.0	31.12.
Wintecs GmbH			●		Lingen	0.03	EUR	90.0	30.06.
France									
BKW France SAS	●				Paris	4.0	EUR	100.0	31.12.
Ferme Eolienne de St. Germier SAS	●				Paris	3.0	EUR	100.0	31.12.
Ferme Eolienne St. Julien du Terroux SAS	●				Paris	2.8	EUR	100.0	31.12.
Hydronext SAS	●				Neuilly-sur-Seine	0.2	EUR	100.0	31.12.
Parc Eolien de Fresnoy Brancourt SAS	●				Paris	0.04	EUR	100.0	31.12.
RAZ Energie 3 SAS	●				Paris	3.9	EUR	100.0	31.12.
Saméole Bois du Goulet SAS	●				Paris	2.3	EUR	100.0	31.12.
Italy									
BKW Hydro Italia S.r.l.	●				Milan	25.4	EUR	100.0	31.12.
BKW Italia S.p.A.	●	●	●		Milan	13.4	EUR	100.0	31.12.
Frosio S.r.l.			●		Brescia	0.02	EUR	70.0	31.12.
Green Castellana S.p.A.	●				Milan	0.1	EUR	100.0	31.12.
Proxima S.r.l.			●		Milan	0.01	EUR	100.0	31.12.
Tamarete Energia S.r.l.	●				Ortona	3.6	EUR	60.0	31.12.
Traital S.r.l.			●		Milan	0.04	EUR	100.0	31.12.
Volturino Wind S.r.l.	●				Milan	0.03	EUR	100.0	31.12.
Wind Farm Buglia S.r.l.	●				Milan	0.03	EUR	100.0	31.12.
Wind Farm S.r.l.	●				Milan	0.02	EUR	100.0	31.12.
Wind International Italy S.r.l.	●				Milan	52.2	EUR	100.0	31.12.
Croatia									
igr d.o.o.			●		Zagreb	0.02	HRK	100.0	31.12.
Montenegro									
igr consult d.o.o.			●		Tivat	0.001	EUR	100.0	31.12.
Norway									
BKW Norway NWP AS	●				Oslo	0.1	CHF	100.0	31.12.
Marker Vindpark AS	●				Oslo	0.003	EUR	100.0	31.12.
Proxima Scandinavia AS			●		Oslo	0.1	NOK	60.0	31.12.
Austria									
AEP Planung und Beratung Gesellschaft mbH			●		Schwaz	0.04	EUR	100.0	31.12.
Hydroconsult GmbH			●		Graz	0.03	EUR	100.0	31.12.
IKK Engineering GmbH			●		Graz	0.04	EUR	100.0	31.12.
IKK Group GmbH			●		Graz	0.04	EUR	100.0	31.12.
Ingenieurgemeinschaft DI Anton Bilek und DI Gunter Krischner GmbH			●		Graz	0.04	EUR	100.0	31.12.
QSB Industrial GmbH			●		Vienna-Airport	0.04	EUR	100.0	31.12.
TBH Ingenieur GmbH			●		Seiersberg-Pirka	0.04	EUR	100.0	31.12.
Romania									
LAMI ING EUR S.r.l.			●		Timișoara	0.1	RON	100.0	31.12.
Joint operations									
Bielensee Kraftwerke AG BIK	●				Biel	20.0	CHF	50.0	31.12.
Kraftwerk Sanetsch AG (KWS)	●				Gsteig	3.2	CHF	50.0	30.09.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Associates									
Switzerland									
Abonax AG	●				St. Gallen	1.0	CHF	34.0	31.12.
EDJ, Energie du Jura SA	●				Delémont	7.4	CHF	41.0	30.09.
Electra-Massa AG	●				Naters	20.0	CHF	16.1	31.12.
Electricité de la Liègne SA	●				Sion	24.0	CHF	33.3	30.09.
Erdgas Thunersee AG	●				Interlaken	6.9	CHF	33.3	31.12.
ETRANS Ltd.		●			Laufenburg	7.5	CHF	11.5	31.12.
EVTL Energieversorgung Talschaft Lötschen AG	●				Wiler (Lötschen)	1.3	CHF	49.0	31.12.
Externes Lager der Kernkraftwerke Schweiz	●				Baden	–	CHF	25.0	31.12.
Forces Motrices de Mauvoisin SA	●				Sion	100.0	CHF	19.5	30.09.
GEBNET AG	●				Buchegg	7.0	CHF	40.9	31.12.
Grande Dixence SA	●				Sion	300.0	CHF	13.3	31.12.
Grass Biogas und Service	●				Zernez	–	CHF	22.9	31.12.
Kernkraftwerk Leibstadt AG	●				Leibstadt	450.0	CHF	14.5	31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●				Bern	150.0	CHF	33.3	31.12.
Kraftwerk Berschnerbach AG	●				Walenstadt	4.5	CHF	49.0	31.12.
Kraftwerk Wannenfluh AG	●				Rüderswil	0.3	CHF	31.9	31.12.
Kraftwerke Hinterrhein AG	●				Thusis	100.0	CHF	7.7	30.09.
Kraftwerke Mattmark AG	●				Saas-Grund	90.0	CHF	11.1	30.09.
Kraftwerke Oberhasli AG	●				Innertkirchen	120.0	CHF	50.0	31.12.
Kraftwerke Wiler-Kippel AG	●				Kippel	6.0	CHF	34.0	31.12.
La Prairie Biogaz SA	●				Porrentruy	1.4	CHF	30.0	31.12.
Metanord SA	●				Bellinzona	18.0	CHF	33.3	31.12.
Nagra, Nat. Coop. for the Disposal of Radioactive Waste	●				Wettingen	–	CHF	14.3	31.12.
NIS AG		●			Sursee	1.0	CHF	25.0	31.12.
Oberland Energie AG	●				Thun	9.1	CHF	49.0	31.12.
Officine Elettriche dell'Engadina SA	●				Zernez	140.0	CHF	30.0	30.09.
Officine Idroelettriche della Maggia SA	●				Locarno	100.0	CHF	10.0	30.09.
Officine idroelettriche di Blenio SA	●				Blenio	60.0	CHF	12.0	30.09.
Société des Forces Motrices du Châtelot SA	●				Les Planchettes	6.0	CHF	11.7	31.12.
Solutions Renouvelables Boudry SA	●				Boudry	0.9	CHF	49.0	31.12.
Spontis SA		●			Avenches	2.7	CHF	30.0	31.12.
Swisseldex Ltd.		●			Bern	1.0	CHF	21.4	31.12.
Swissgrid Ltd.		●			Aarau	318.1	CHF	36.4	31.12.
Thermosource AG	●				Biel	2.0	CHF	50.0	31.12.
Trinkwasserkraftwerk Saas-Grund AG	●				Saas-Grund	1.2	CHF	40.0	31.12.
Wärme Mittelland AG	●				Solothurn	1.0	CHF	50.0	31.12.
Zwilag Zwischenlager Würenlingen AG	●				Würenlingen	5.0	CHF	10.7	31.12.
Germany									
ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG	●				Wilhelmshaven	–	EUR	33.0	31.12.
HelveticWind Deutschland GmbH	●				Berlin	0.03	EUR	29.0	31.12.
France									
Centrale Electrique de la Plaine	●				Drémil Lafage	–	EUR	33.3	31.12.
Italy									
EP Produzione Livorno Ferraris S.p.A.	●				Milan	10.0	EUR	25.0	31.12.
HelveticWind Italia S.r.l.	●				Milan	0.01	EUR	29.0	31.12.
Norway									
Nordic Wind Power DA	●				Oslo	–	EUR	28.1	31.12.

Statutory auditor's report on the audit of the consolidated financial statements



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To the General Meeting of
BKW AG, Berne

Berne, 16 March 2019

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of BKW AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, changes in consolidated equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 18 to 102) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Classification and valuation of energy trading contracts

– Risk

As disclosed in the valuation principles in 5.1 Presentation of revenue and 5.6.1 Energy derivatives, BKW enters into energy supply and purchase contracts with third parties. Depending on the motive for entering into these contracts, they either qualify as own use transactions or as financial instruments (hedges or trading). This distinction between own-use transaction and financial instrument has far-reaching implications, since own use transactions are not recognized on the balance sheet, but recorded as energy procurement and revenue on a gross basis. Financial instruments are recorded on a net basis at fair value at each balance sheet date and income resulting therefrom is presented under net sales. BKW has defined clear rules for categorizing, measuring and recognizing contracts on the balance sheet.

– Our audit response

Our audit procedures based on internal controls and included interviews with the persons responsible to confirm that there were no reclassifications of contracts initially classified as own use transactions or financial instruments, and the accounting treatment applied corresponds to the original motive of the contract. Furthermore, we tested the existing internal controls with regard to the reconciliation of the contracts entered into with counterparties and assessed these controls on the basis of representative samples. At year end, we involved our valuation specialists in performing sample testing to assess balance sheet recognition of the contracts qualifying as financial instruments. Our audit procedures did not lead to any reservations concerning classification and valuation of energy trading contracts.

Valuation of nuclear provision

– Risk

BKW operates the Mühleberg nuclear power plant and is legally required to pay for the future decommissioning of the power plant and the disposal of its nuclear waste. As it is material, this provision is a key element of our audit. As described in Note 6.2, every five years an updated cost study is prepared which is subsequently assessed by the Swiss Federal Nuclear Safety Inspectorate (ENSI). In accordance with Note 27, the provisions are adjusted for every reassessment as well as in each business year using this cost estimate.

– Our audit response

To assess the provision, among other things we gained an understanding of the different assumptions and of the recorded amounts, and compared them with the calculations and records of BKW. In addition, we compared the recorded amounts with the latest available cost study and examined the cause and extent of the changes as well as of the adjustments to estimates based on internal and external documents of BKW. Moreover, we assessed the recording of the adjustments. Our audit procedures did not lead to any reservations concerning valuation of the nuclear provision.



Valuation of onerous contracts (price curves)

– Risk

According to the list of shareholdings, BKW holds investments in various associates. With regard to the so-called partner power plants, BKW has committed itself to purchase energy at production costs plus a margin. Depending on the cost structure of the partner power plant as well as the current and expected development of prices, this can result in an onerous contract. BKW does not recognize such losses as an impairment on the investment, but records a provision under “Onerous contracts energy procurement” in accordance with Note 27. Various assumptions concerning future values are made in connection with onerous contracts; these assumptions can have a significant impact on the valuation of onerous contracts. In addition, the provisions for onerous contracts are also material.

– Our audit response

Among other things, we enquired of management about the process for identifying onerous contracts. To assess the calculation of the onerous contracts, we involved internal valuation specialists, who reviewed the calculation as well as the assumptions. The price curves were compared with external studies. Our audit procedures did not lead to any reservations concerning the Valuation of onerous contracts (price curves).

Materiality and assessment of employee benefit plan obligation

– Risk

The employees of BKW are members of independent pension funds under which the risks of old age, death and invalidity are insured in accordance with the legal provisions. As described in Note 28 Employee benefits, these are material obligations that by law must be covered by plan assets in part or in full. The position is important for our audit work, because in calculating the employee benefit plan obligation, different assumptions are made that have a significant impact on the consolidated financial statements. Depending on the cause, changes of the defined benefit obligation recorded in the balance sheet have to be recorded differently.

– Our audit response

On the one hand, our audit procedures included tests regarding the inclusion of all current and former employees in the defined benefit obligation. On the other hand, we compared, among other things, actuarial assumptions with our internal guidelines and external sources. Moreover, we assessed the actuaries' calculations as well as their competency, skills and objectivity to be able to include their work in our audit. We also tested the fair value of plan assets using available market data and valuation methods used. Finally, we evaluated the recognition of the changes in the Group's consolidated financial statements. Our audit procedures did not lead to any reservations concerning the assessment of employee benefit plan obligation.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTSuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

ANNUAL REPORT 2018

Financial Statements of BKW AG

FINANCIAL STATEMENTS OF BKW AG

Income statement

CHF millions	2017	2018
Dividend income	132.3	121.4
Interest income	41.9	41.4
Other operating income	0.3	0.4
Total earnings	174.5	163.2
Interest expense	-38.8	-38.6
Other financial expenses	-0.9	-1.0
Other operating expenses	-3.9	-4.7
Direct taxes	-3.7	-0.9
Total expenses	-47.3	-45.2
Net profit	127.2	118.0

FINANCIAL STATEMENTS OF BKW AG

Balance sheet

CHF millions	31.12.2017	31.12.2018
Assets		
Cash and cash equivalents	3.1	5.8
Receivables		
– with third parties	0.1	0.1
– with shareholdings	0.0	172.1
Loans	150.0	350.0
Prepaid expenses and accrued income	5.2	4.0
Total current assets	158.4	532.0
Loans	1,316.6	994.4
Other financial assets		
– with third parties	9.9	8.8
Investments	1,491.0	1,490.5
Total non-current assets	2,817.5	2,493.7
Total assets	2,975.9	3,025.7
Liabilities		
Trade accounts payable		
– with third parties	0.5	0.6
– with shareholdings	3.3	0.0
Short-term interest-bearing liabilities		
– Bonds	150.0	350.0
Other current liabilities	3.7	1.8
Deferred income and accrued expenses	13.6	13.2
Total current liabilities	171.1	365.6
Non-current interest-bearing liabilities		
– Bonds	884.6	700.0
– Loans payable	304.9	294.4
Total non-current liabilities	1,189.5	994.4
Total liabilities	1,360.6	1,360.0
Share capital	132.0	132.0
Statutory capital reserves		
– Reserves from capital contributions	26.1	26.1
Statutory retained earnings	1,155.0	1,155.0
Voluntary retained earnings		
– Profit carried forward	206.5	239.4
– Net profit	127.2	118.0
Unappropriated retained earnings	333.7	357.4
Treasury shares	–31.5	–4.8
Total shareholders' equity	1,615.3	1,665.7
Total liabilities and shareholders' equity	2,975.9	3,025.7

FINANCIAL STATEMENTS OF BKW AG

Notes to the Financial Statements

Accounting policies and valuation

The financial statements were prepared in accordance with the requirements of Swiss law, in particular the articles on commercial accounting and financial reporting of the Swiss Code of Obligations (Articles 957 to 962).

Receivables

Receivables are stated at their nominal value minus operationally necessary impairments. The receivables stated in the balance sheet are mainly current account receivables from BKW Energie AG.

Fixed assets

The holdings retained by BKW AG have been valued individually at acquisition cost minus any necessary impairments.

Finance loans exist in respect of BKW Energie AG and are valued at the nominal value.

Non-current liabilities

The bonds include the convertible bonds in the previous year and the regular bonds. The registered bonds are stated as loans payable. Non-current liabilities are valued at nominal value.

Investments

Company name, legal form, headquarters	Purpose	Share capital	Quote
		CHF	%
BKW Energie AG, Bern	Energy, Grid, Services	132,000,000	100.0
BKW Netzbeteiligung Ltd., Bern	Grid	25,200,000	50.1
BKW Grid Switzerland Ltd., Bern	Grid	100,000	100.0
sol-E Suisse AG, Bern	Energy	100,000	100.0

In all cases, the holding corresponds to the percentage of shares and voting rights. The companies in which BKW AG holds indirect interests are listed on pages 98 to 102.

Bonds

CHF millions	31.12.2017	31.12.2018
1.875% debenture bond 2010 – 2018	150.0	n/a
3.375% debenture bond 2009 – 2019	350.0	350.0
3% debenture bond 2007 – 2022	200.0	200.0
0.75% debenture bond 2018 – 2025	n/a	200.0
2.5% debenture bond 2010 – 2030	300.0	300.0
0.125% convertible bond 2014 – 2020	34.7	n/a
Total	1,034.7	1,050.0

In the 2018 financial year, BKW decided to redeem the 0.125% convertible bond with an original term of 2014 to 2020 (CH0253592742) early. The outstanding nominal value of the convertible bond had fallen below 15% of its original nominal value of CHF 163,375,000 due to conversions. This meant the bond could be redeemed prematurely in accordance with its covenants. As a result the conversion period ended on 18 June 2018 and repayment took place on 26 June 2018. Conversions with a nominal value of CHF 34.6 million (previous year: CHF 98.8 million) were made in the current year.

In October, BKW successfully issued a bond in the amount of CHF 200 million with an interest rate of 0.75% and a term of seven years to refinance the expired CHF 150 million bond.

Share capital

The BKW AG share capital at 31 December 2018 amounts to CHF 132 million and is divided into 52,800,000 registered shares at a par value of CHF 2.50 each.

Major shareholders and treasury shares

To BKW's knowledge, the following shareholders held more than 3% of the shares as at 31 December.

	31.12.2017	31.12.2018
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%
Prudential plc	3.01%	n/a
Treasury shares	1.80%	0.13%

Treasury shares

	BKW AG		Group companies		Total	
	CHF millions	Number	CHF millions	Number	CHF millions	Number
At 31.12.2016	103.9	3,485,021	0.0	0	103.9	3,485,021
Additions			10.1	186,122	10.1	186,122
Transfer	10.1	186,122	-10.1	-186,122	0.0	0
Disposals	-82.5	-2,715,222			-82.5	-2,715,222
At 31.12.2017	31.5	955,921	0.0	0	31.5	955,921
Additions	20.8	320,280	5.2	80,455	26.0	400,735
Transfer	-2.4	-45,005	2.4	45,005	0.0	0
Disposals	-45.1	-1,161,102	-7.6	-125,460	-52.7	-1,286,562
At 31.12.2018	4.8	70,094	0.0	0	4.8	70,094

Contingent liabilities

CHF millions	31.12.2017	31.12.2018
Guarantees for consolidated companies in favour of third parties	636.0	503.7

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

Members of the Board of Directors

Number of shares		31.12.2017	31.12.2018
Urs Gasche	Chairman	4,347	4,547
Hartmut Geldmacher	Deputy Chair	4,320	4,920
Dr. Carole Ackermann	Member (from 18.05.2018)	n/a	0
Marc-Alain Affolter	Member (until 18.05.2018)	5,520	n/a
Roger Baillod	Member	3,400	4,000
Dr. Georges Bindschedler	Member (until 18.05.2018)	7,520	n/a
Barbara Egger-Jenzer	Member (until 18.05.2018)	1,000	n/a
Rebecca Guntern	Member (from 01.09.2018)	n/a	0
Andreas Rickenbacher	Member (from 18.05.2018)	n/a	0
Kurt Schär	Member	2,200	2,800
Total		28,307	16,267

In 2018, the members of the Board of Directors acquired a total of 3,600 shares in the scope of the BKW share purchase programme (previous year: 4,400 shares). The share-based payments from the purchase amount to CHF 125,000 (previous year: CHF 60,000) and comprise the benefit in fair value of the preferential purchase of BKW shares.

Members of the Group Executive Board

Number of shares		31.12.2017	31.12.2018
Dr. Suzanne Thoma	CEO	25,493	33,708
Hermann Ineichen	Head of Production	14,693	19,693
Dr. Roland K�pfer	Head of Networks	1,250	5,341
Ronald Tr�chsel	CFO	9,870	14,870
Renato Sturani	Head of Renewables & Efficiency (until 15.05.2018)	11,428	n/a
Total		62,734	73,612

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

APPROPRIATION OF RETAINED EARNINGS

Proposal to the General Meeting

CHF	
Profit carried forward	239,345,240
Net profit	118,004,217
Unappropriated retained earnings	357,349,457

The Board of Directors proposes that retained earnings be appropriated as follows:

CHF	
Dividend of CHF 1.80 per share entitled to a dividend ¹	94,913,831
Balance carried forward	262,435,626
Total	357,349,457

1 Dividends are not paid on treasury shares held by BKW AG. The number of shares that are entitled to receive a dividend at the time of preparation of the financial statements amounts to 52,729,906. The last trading day on which a right to receive dividends is granted is 27 May 2019. As of 28 May 2019, the shares will be traded ex-dividend. Had all shares been entitled to receive a dividend, the dividend payment would have amounted to CHF 95,040,000 and the balance carried over would have been CHF 262,309,457 CHF.

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

CHF	
Dividend per share	1.80
Minus 35% withholding tax	0.63
Net dividend	1.17

Bern, 15 March 2019

In the name of the Board of Directors
 Chairman of the Board
 Urs Gasche

Report of the statutory auditor on the financial statements



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To the General Meeting of
BKW AG, Berne

Berne, 16 March 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW AG, which comprise the income statement, balance sheet and notes to the financial statements (pages 110 to 114), for the year ended 31 December 2018.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

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

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



Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

**Report on other legal requirements**

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

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

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

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

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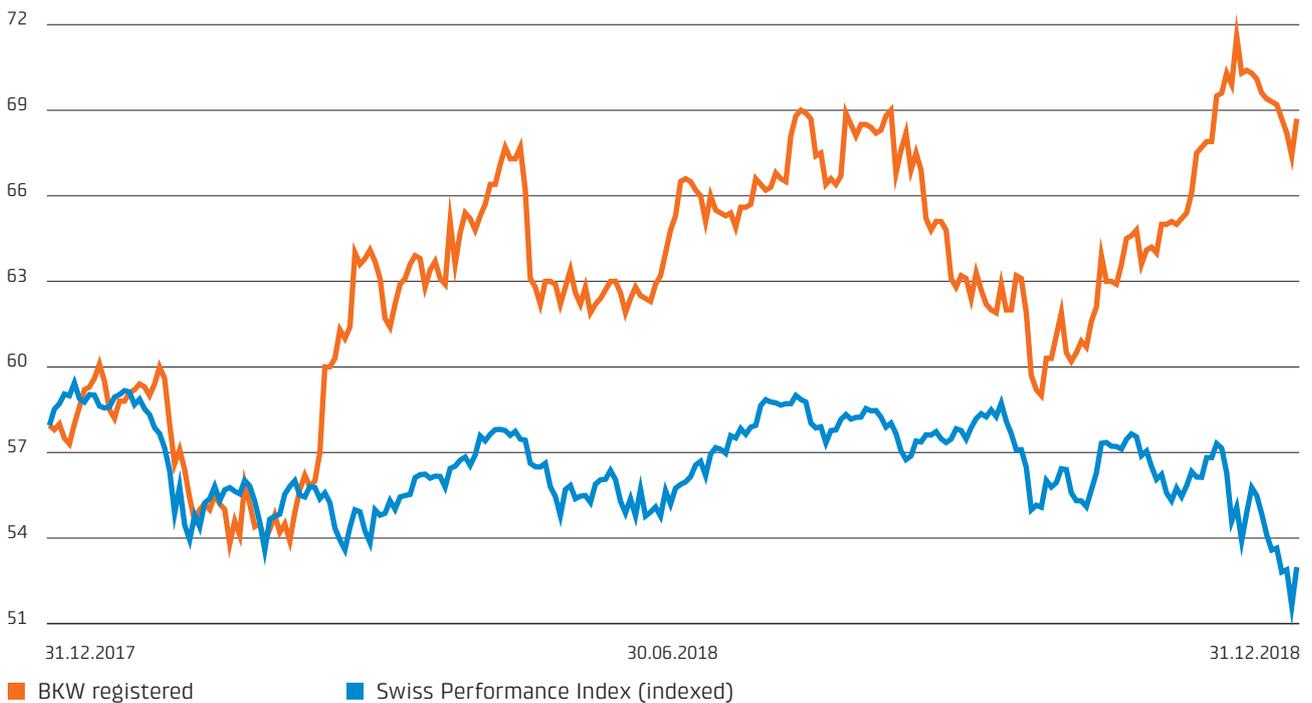
Investor Information

INVESTOR INFORMATION

Important information on the share, bonds and financial calendar

Performance of the BKW share

31.12.2017 – 31.12.2018



The price performance of the BKW share was again positive in 2018. However, at the start of the year, the share was unable to escape the drop in the overall market and, like the SPI, lost around 6%. In March, it steered clear of the SPI's sideways movement and rebounded. On 20 March, BKW unveiled very good operating results for the 2017 calendar year: operating profit had increased by just under 10% and net profit by 16%. The BKW share price responded positively and continued on its upward trajectory until May. After the dividend payment, profit-taking pushed the share price down. Subsequently, however, the share price stabilised and climbed steadily until the start of September.

On 4 September, BKW presented a strong half-year result. The steady significant growth in the Services business lifted sales. The ongoing negative effects of low electricity prices were largely offset, with the result that the operating result was only slightly below the previous year's figure.

Despite the good half-year results and the confirmation of the outlook for 2018, the BKW share, just as with other second-line stocks, fell sharply in the autumn in the wake of developments on the international capital markets. From the end of October, the trend pivoted in a positive direction again. Increased demand for defensive stocks in the fourth quarter elevated the share price to its September level, and the BKW share broke through the CHF 70 barrier for the first time.

The BKW share closed the year at CHF 67.80, achieving the double-digit percentage growth it has notched up in previous years. With a gain of more than 18% since the beginning of the year, it has performed significantly better than the falling SPI (-8%).

Listing

The shares of BKW AG are listed on the main segment of the SIX Swiss Exchange. Up to the end of 2018 there was an additional listing on the BX Berne Exchange.

Ticker symbol on SIX	BKW
Securities number	13.029.366
ISIN code	CH0130293662

Appropriation of retained earnings

The Board of Directors proposes to the General Meeting a dividend of CHF 1.80 per share for the 2018 financial year. The dividend will be paid out on 31 May 2019.

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 has acquired the shares in his own name and on his own behalf.

Major shareholders and treasury shares

To BKW's knowledge, the following shareholders held more than 3% of the shares as at 31 December.

	31.12.2017	31.12.2018
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%
Prudential plc	3.01%	n/a
Treasury shares	1.80%	0.13%

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

In 2018, the market capitalisation of BKW increased by around 20% to CHF 3.6 billion.

Key figures per share

CHF	31.12.2017	31.12.2018
Result	4.92	3.56
Equity	60.61	60.66
Dividend	1.80	1.80
Dividend yield (in %) ¹	3.1	2.6
Price/earnings ratio ¹	11.8	19.3
Year-end	57.95	68.70
Year high	62.15	71.60
Year low	49.00	53.80

1 Based on year-end price

Bonds

At 31 December 2018, BKW had the following bonds outstanding:

	Nominal amount	Term	Due	ISIN code
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
0.75% debenture bond	CHF 200 million	2018–2025	25.10.2025	CH0435590358
2.5% debenture bond	CHF 300 million	2010–2030	15.10.2030	CH0117843745

In the first half of 2018, BKW decided to redeem the outstanding 0.125% convertible bond with a term of 2014 to 2020 (CH0253592742) early. The outstanding nominal value of the convertible bond had fallen below 15% of its original nominal value of CHF 163,375,000 due to conversions. This meant the bond could be redeemed prematurely in accordance with its covenants. As a result the conversion period ended on 18 June 2018 and repayment took place on 26 June 2018.

In October, BKW successfully issued a bond in the amount of CHF 200 million with an interest rate of 0.75% and a term of seven years to refinance the expired CHF 150 million bond.

Financial calendar

General meeting	24 May 2019
Ex-dividend date	28 May 2019
Dividend payment	31 May 2019
Publication of 2019 half-year results	3 September 2019

Contact: investor.relations@bkw.ch

Production Facts and Figures

	Energy portion ¹ %	Installed production, BKW portion MW	2017 BKW purchases GWh	2018 BKW purchases GWh	Change %
Own power plants and Group companies					
Hydroelectric plants					
Aarberg	100.0	15.0	78.6	83.4	6.1
Bannwil	100.0	27.0	128.2	144.0	12.3
Kallnach	100.0	8.1	61.2	61.1	-0.2
Kandergrund	100.0	18.8	94.4	105.5	11.8
Mühleberg	100.0	45.0	142.0	162.3	14.3
Niederried-Radelfingen	100.0	15.0	69.0	82.3	19.3
Spiez	100.0	18.6	99.7	103.4	3.7
Simmentaler Kraftwerke AG	100.0	29.1	99.5	90.1	-9.4
Isch	100.0	1.4	6.5	5.3	-18.5
Société des forces électriques de la Goule SA	100.0	5.2	17.3	20.2	16.8
Elektrizitätswerke Wynau AG	100.0	20.2	76.8	75.1	-2.2
Total hydroelectric plants		203.4	873.2	932.7	6.8
Nuclear power plants					
Mühleberg	100.0	373.0	2,983.4	2,940.4	-1.4
Fossil-fuel power plants					
Tamarete Energia S.r.l.	60.0	62.4	176.3	100.7	-42.9
New renewable energy					
Fotovoltaik Schweiz	100.0	9.8	7.5	11.5	53.6
Biomasse Schweiz	100.0	1.4	21.4	19.0	-11.6
Kleinwasser Schweiz	100.0	33.3	124.5	139.2	11.8
BKW Hydro Italia S.r.l.	100.0	59.8	141.9	188.1	32.6
Juvent S.A.	100.0	24.2	74.1	67.0	-9.6
Parc Eolien Fresnoy Brancourt SAS	100.0	13.8	31.0	32.1	3.6
Sameole Bois du Goulet SAS	100.0	10.0	19.9	22.5	13.3
Ferme Eolienne St Julien du Terroux SAS	100.0	10.3	2.5	19.1	665.6
Ferme Eolienne de Saint Germier SAS	100.0	10.0	6.1	29.3	382.1
RAZ Energie 3 SAS	100.0	18.4	2.4	39.4	1,510.6
BKW Erneuerbare Energien GbmH	100.0	15.0	20.5	17.3	-15.4
BKW Holleben Wind GmbH	100.0	25.5	42.7	35.9	-16.0
BKW Bippen Wind GmbH	100.0	27.6	39.3	37.9	-3.7
BKW Dubener Platte Wind GmbH	100.0	40.0	64.2	61.4	-4.3
BKW Landkern Wind GbmH	100.0	8.0	13.8	12.5	-9.1
Wind Farm S.r.l.	100.0	41.4	56.4	51.2	-9.2
Wind Farm Buglia S.r.l.	100.0	20.0	32.5	27.9	-14.1
Wind International Italy S.r.l.	100.0	81.9	139.8	124.6	-10.9
Volturino Wind S.r.l.	100.0	25.2	66.0	59.4	-10.0
Green Castellaneta S.p.A.	100.0	56.0	125.4	123.7	-1.4
Total new renewable energy		531.6	1,031.9	1,118.9	8.4
Total own power plants and Group companies		1,170.4	5,064.8	5,092.7	0.6

1 Due to special energy supply agreements, the energy portion may deviate from the capital shareholding.

	Energy portion ¹ %	Installed production, BKW portion MW	2017 BKW purchases GWh	2018 BKW purchases GWh	Change %
Holdings and purchasing rights					
Hydroelectric plants					
Bielensee Kraftwerke AG BIK	50.0	18.9	48.2	56.8	17.8
Officine idroelettriche di Blenio SA	12.0	50.0	78.2	91.7	17.2
Electra-Massa AG	16.1	54.8	121.2	131.2	8.2
Electricité de la Lienne SA	25.0	24.9	52.2	59.8	14.6
Engadiner Kraftwerke AG	29.7	121.8	359.4	360.6	0.3
Grande Dixence SA	13.3	206.0	311.4	313.6	0.7
Kraftwerke Hinterrhein AG	7.6	50.0	94.1	91.5	-2.8
Kraftwerke Mattmark AG	11.1	29.3	76.2	71.8	-5.8
Forces Motrices de Mauvoisin SA	19.5	82.2	194.5	212.2	9.1
Kraftwerke Oberhasli AG	50.0	659.8	991.9	951.1	-4.1
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	15.9	18.8	18.6
Officine idroelettriche della Maggia SA	10.0	57.2	133.6	89.0	-33.4
Flumenthal	37.9	9.5	45.0	50.7	12.6
Société des Forces Motrices du Châtelot SA	11.7	4.6	6.0	10.0	66.6
Argessa AG	63.0	20.8	47.3	57.2	20.8
Total hydroelectric plants		1,398.9	2,575.1	2,566.0	-0.4
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.5	179.3	826.9	1,153.2	39.5
Cattenom	3.0	155.0	946.3	979.6	3.5
Fessenheim	5.0	0.0	290.7	0.0	-100.0
Total nuclear power plants		334.3	2,063.9	2,132.8	3.3
New renewable energy					
HelveticWind Sendenhorst GmbH	100.0	4.2	6.8	21.7	218.4
HelveticWind Lüdersdorf Parstein GmbH	100.0	6.5	13.2	38.0	187.8
HelveticWind Wulkow GmbH	100.0	2.9	6.5	19.8	206.7
HelveticWind Prötzel GmbH	100.0	5.2	7.1	22.3	211.5
HelveticWind Gross Welle GmbH	100.0	5.8	9.1	29.6	224.0
Ventisei S.r.l.	100.0	16.0	9.4	35.9	281.7
Mont-Soleil solar power plant	100.0	0.2	0.6	0.6	0.0
Total new renewable energy		40.8	52.8	167.9	1,330.1
Fossil-fuel power plants					
EP Produzione Livorno Ferraris S.p.A.	25.0	192.0	1,072.5	752.3	-29.9
ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG	33.0	239.6	1,081.1	963.1	-10.9
Total fossil-fuel power plants		431.6	2,153.6	1,715.4	-20.3
Unmanaged energy from financial interests		15.4	20.2	17.0	-15.8
Total holdings and purchasing rights		2,221.1	6,865.6	6,599.1	-3.9
Total production including purchases		3,391.5	11,930.4	11,691.8	-2.0

1 Due to special energy supply agreements, the energy portion may deviate from the capital shareholding.

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Corporate Governance

Corporate Governance

BKW's Board of Directors and the Group Executive Board attribute great importance to good corporate governance in the interests of its shareholders and other stakeholders such as customers, public corporations and employees. In addition to the relevant provisions of Swiss company law and the Ordinance against Excessive Compensation in Listed Stock Companies, the basic principles and rules relating to corporate governance at BKW are embodied in BKW's articles of incorporation, organisational regulations, code of conduct and regulations governing the BKW Board Committees.

With this report, BKW aims to guarantee the required level of transparency and allow its shareholders and other stakeholders to make their investment decisions on the basis of sound facts. Moreover, with the implementation and continuous optimisation of the recognised corporate governance principles as well as a balanced combination of management and controls, BKW also manages the company in a value-driven, sustainable manner according to statutory requirements. To this end, BKW also integrates material sustainability aspects in its corporate strategy. It is based on regional and global challenges and integrates various stakeholders across dialogue processes.

The management structure of BKW is designed so that responsibilities are clearly assigned and unilateral concentration of powers and conflicts of interest are avoided. In line with this, the functions of Chairman and CEO are separate. All members of the Board of Directors are independent, which means there are no Board members with executive functions. All members, with the exception of Andreas Rickenbacher who was delegated by the Canton of Bern, were nominated individually for election to the Board of Directors at the General Meeting in May 2018. For many years, the Board of Directors has included both male and female members. The Board of Directors thereby also ensures the diversity of its membership.

The information below is presented in accordance with the current requirements of the corporate governance guidelines of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance 2016 produced by *economiesuisse*. Remuneration of the top-level management of the company is reported in the Remuneration Report on pages 147 to 157. The information disclosed in this report reflects the situation at 31 December 2018. Any material changes that have been agreed or have occurred between this date and the printing of the report are listed in Note 10 of this report. The articles of incorporation of BKW AG at www.bkw.ch/statutes, the organisational structure of the Group Executive Board at www.bkw.ch/organisation, the Code of Conduct at www.bkw.ch/codeofconduct, sustainability reports (in German) at www.bkw.ch/nachhaltigkeit and a range of other useful information can be found on the BKW website.

1 Group structure and shareholders

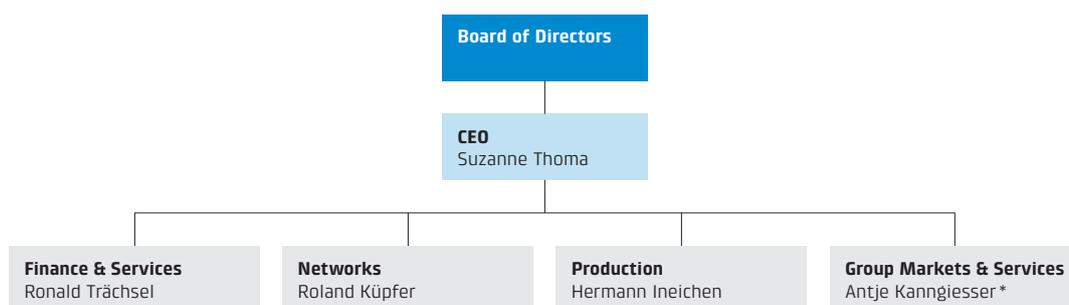
1.1 Group structure

The operational Group structure of BKW can be derived from the following illustration and the segment reporting under section 9 on pages 47 to 49 of the BKW Group's consolidated financial statements.

Following the merger of the wind business with the traditional energy business, the Renewables

& Efficiency division was abolished during the reporting year.

The entire organisation of the BKW Group can be viewed at www.bkw.ch/organisation.



* Member of the Group Executive Board as of 1 January 2019

Listed Group companies

The shares of BKW AG, which has its headquarters in Bern, have been listed on the SIX Swiss Exchange since 12 December 2011. On 31 December 2018, BKW's stock market capitalisation amounted to CHF 3,622.5 million. The shares of BKW AG were delisted from BX Swiss (secondary listing) on 28 December 2018 (last trade date).

About the BKW share

Securities code	BKW
Securities number	13.029.366
ISIN	CH0130293662
Trading currency	CHF
Type of security	Registered share

Scope of consolidation of the BKW Group

With the exception of BKW itself, BKW's consolidation group only includes companies that are not listed separately on the stock exchange. The individual holdings of BKW in companies that are fully consolidated in the consolidated financial statements are listed on pages 98 to 102. In all cases, the holding corresponds to the percentage of shares and voting rights.

1.2 Major shareholders

in %	Holding at 31.12.2017	Holding at 31.12.2018
Canton of Bern	52.54	52.54
Groupe E Ltd.	10.00	10.00
Prudential plc	3.01	n/a
BKW AG and Group companies	1.80	0.13

No other shareholders registered more than 3% of the voting rights of BKW during the reporting year in accordance with Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA).

The disclosures pursuant to Art. 120 FMIA that were published by BKW in the reporting year 2018 on the electronic publication platform of

SIX Exchange Regulation can be viewed at the following link <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

1.3 Cross shareholdings

BKW has no cross shareholdings of more than 5% in a company outside of the BKW Group.

2 Capital structure

2.1 Capital

The share capital of BKW as of 31 December 2018 amounts to CHF 132,000,000.00 and is divided into 52,800,000 fully paid-up registered shares, each with a par value of CHF 2.50.

2.2 Authorised and conditional share capital

As of 31 December 2018, BKW has no authorised share capital or conditional share capital.

2.3 Changes in equity for the last three years

The share capital of BKW remained unchanged from 2016 to 2018.

2.4 Shares and participation certificates

All 52,800,000 registered shares in BKW with a par value of CHF 2.50 each are fully paid up. All shares carry equal voting rights. Every share represented at the General Meeting is entitled to one vote. The company does not print or provide certificates for registered shares. However, any shareholder may request that certification of their shareholding be issued free of charge.

BKW has not issued any participation certificates.

2.5 Dividend rights certificates

BKW has not issued any dividend rights certificates.

2.6 Restrictions on transferability and nominee registration

Registered BKW shares can only be transferred by assignment or according to the provisions of the Swiss Intermediated Securities Act. BKW must be notified of the assignment. The Board of Directors may refuse to enter a purchaser in the share register as a shareholder with voting rights if the purchaser:

- controls, directly or indirectly, more than 5% of the total share capital as a result of the entry, or
- did not acquire the shares in his own name and for his own account.

For details on the entry restriction, see Art. 5 of the articles of incorporation: www.bkw.ch/statutes

Nominal entries, i. e. entries of shareholders who acquire shares in their own name but for the account of a third party, are possible, but these shares have no voting rights.

See Section 6.2 of this report for the procedure and conditions for lifting the restriction on transferability.

2.7 Convertible securities and options

In September 2014, BKW completed a full issue of a convertible bond amounting to CHF 163 million to run from 30 September 2014 to 30 September 2020, with an interest rate of 0.125% per annum. The conversion price was CHF 38.90, which equated to a conversion rate of 128.53755 shares

per bond at a nominal value of CHF 5,000.00 per bond. For all conversions, BKW, as the issuer, was obliged under the bond's terms of issue to initially deduct the withholding tax of 35% on the difference between the bond floor at the point of conversion and the bond floor at the point of issue. This resulted in a lower number of shares from the conversion. Fractions were paid out in cash. The conversion price and conversion rate were adjusted if a dividend of more than CHF 1.20 per share was paid out. The General Meeting of BKW AG on 18 May 2018 agreed to the payment of a dividend of CHF 1.80 per share for the 2017 financial year. In accordance with Section 6 (a) (iv) of the bond's terms of issue, the conversion price was therefore changed to CHF 37.47 on 23 May 2018 and the conversion rate was adjusted to 133.44009 shares per bond at a nominal value of CHF 5,000.00 per bond. The convertible bond was converted into around 4.2 million registered BKW shares at the point of issue, which were guaranteed by BKW's stock of treasury shares. The conversion period was set from 10 November 2014 to 20 September 2020. The nominal value of the convertible bond fell below 15% of its original nominal value of CHF 163,375,000.00 due to conversions. Based on Section 5 (b) (i) of the bond conditions, BKW decided to redeem the convertible bond early as of 26 June 2018. The conversion period now ended on 18 June 2018. In 2018, a nominal amount of CHF 34.6 million of the convertible bond was converted into 910,822 shares.

The company has not issued any options.

3 Board of Directors

According to the articles of incorporation, the Board of Directors shall consist of between seven and 10 members. There are currently seven members, all of whom are non-executive and independent. One member is appointed to

the Board of Directors by the Canton of Bern in accordance with Article 762 of the Swiss Code of Obligations (OR) and Article 19 of the articles of Incorporation.

3.1 Members

Composition	Role	Held office since
	Chairman	
Urs Gasche	Chairman of the Remuneration and Nomination Committee	2011
	Deputy Chair of the Board	
Hartmut Geldmacher	Member of the Remuneration and Nomination Committee	2011
	Member	
Dr. Carole Ackermann	Member of the Audit and Risk Management Committee	2018
	Member	
Roger Bailod	Chairman of the Audit and Risk Management Committee	2013
Rebecca Guntern	Member	2018
	Member	
Andreas Rickenbacher ¹	Member of the Remuneration and Nomination Committee	2018
	Member	
Kurt Schär	Deputy Chairman of the Audit and Risk Management Committee	2012

1 Delegate of the Canton of Bern

This means that no member of the Board of Directors is also a member of the BKW Group Executive Board or of the management body of any Group company. Nor was any member of the Board of Directors also a member of the BKW Group Executive Board or of the management body of any Group company in the past three financial years. Nor does any member have significant business relationships with BKW or a Group company.

Retirements and resignations during the reporting period

In the reporting year, the Board members Marc-Alain Affolter, Dr. Georges Bindschedler and Barbara Egger-Jenzer retired when their period of office ended at the General Meeting on 18 May 2018.

3.2 Activities and vested interests

Urs Gasche (1955, CH) Lawyer

Professional background, career

- Since 2018 Consultant to the attorneys-at-law and business consultants firm Markwalder Emmenegger, lawyer without forensic activity, mainly working on the boards of companies, foundations and associations in the energy sector (BKW), in the health sector and in cultural institutions
- 2011–2017 Member of the Swiss National Council
- 2010–2017 Partner in the attorneys-at-law and business consultants firm Markwalder Emmenegger, lawyer without forensic activity, mainly working on the boards of companies, foundations and associations in the energy sector (BKW), in the health sector and in cultural institutions
- 2002–2010 Finance Minister of the Canton of Bern, Member of the Executive Council and Representative of the Canton of Bern on the Board of Directors of BKW FMB Energie AG, Bern

Mandates in listed companies

None

Seats on the boards of for-profit companies

- Member of the Board of Kumagra AG, Bern
- Member of the Board of sitem-insel AG, Bern

Seats on the boards of other legal entities

- Chairman of the Board of the Schloss Jegenstorf foundation, Jegenstorf
- Member of the Board of the Swiss Alpine Museum Foundation, Bern

Seats on the boards of Industry associations and non-profit organisations

- Chairman of the Quality Alliance Eco-Drive association, Zurich
- Member of the Board of the Public Private Partnership (PPP) association, Zurich

Other major activities

None

Hartmut Geldmacher (1955, D) MBA

Professional background, career

- Since 2011 Independent businessman
- 2002–2011 Member of the Board of Management and Employee Relations Director at E.ON Energie AG, Munich

Mandates in listed companies

None

Seats on the boards of for-profit companies

- Member of the Supervisory Board and Chairman of the Accounts, Finance and Audit Committee of Bayernwerk AG, Regensburg
- Member of the Supervisory Board and Chairman of the Accounts, Finance and Audit Committee of Hansewerk AG, Quickborn

Seats on the boards of other legal entities

None

Seats on the boards of Industry associations and non-profit organisations

Chairman of the Board of the Bayerische EliteAkademie foundation, Munich

Other major activities

None

Carole Ackermann (1970, CH, A) Dr. oec. HSG

Professional background, career

- Since 2007 CEO and co-founder of Diamondscull AG, Zug
- 2004–2007 Member of the Executive Board of Ionbond AG, Olten, CEO Ionbond China
- 1999–2004 Director of Saurer Group AG, Arbon

Mandates in listed companies

- Member of the Board of BVZ Holding AG, and Member of the Board of Gornergrat Bahn AG and BVZ Asset Management AG, all in Zermatt (Group structure)
- Member of the Board of Plaston Holding AG, Widnau

Seats on the boards of for-profit companies

- Member of the Board of Allianz Suisse Insurance Company Ltd, Wallisellen
- Member of the Board of Allianz Suisse Life Insurance Company Ltd, Wallisellen
- Member of the Board of CAP Legal Protection Insurance Company Ltd., Wallisellen
- Member of the Board of Swiss TXT AG, Biel
- Member of the Board of Diamondscull AG, Zug

Seats on the boards of other legal entities

Member of the Board of Be-advanced Innovationsförderagentur, Bern

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

- Member of the Investment Committee at SVC – Ltd. for Risk Capital for SMEs
- Senior Lecturer BWL/Integration Project at the University of St. Gallen

Roger Baillod (1958, CH)**Degrees in business studies and auditing****Professional background, career**

Since 2017 Professional director and management consultant

1996–2016 Chief Financial Officer (to 09/2016) and Member of the Group Executive Board of Bucher Industries AG in Niederweningen, Zurich (to 12/2016)

1993–1996 Member of the management of two industrial companies

1984–1993 Auditor and consultant at ATAG Ernst & Young AG in Zurich and St. Gallen

Mandates in listed companies

- Member of the Board of Rieter Holding AG, Winterthur
- Member of the Board of Klingelberg AG, Zurich

Seats on the boards of for-profit companies

- Member of the Board of Migros-Genossenschafts-Bund, Zurich
- Deputy Chair of the Board of Ed. Geistlich Sons, Limited Company for Chemical Industry, Schlieren
- Chairman of the Board of Mitreva AG, Zurich
- Member of the Board of Cascina Immobilien AG, Vaz/Obervaz
- Member of the Board of Obere Au happy car AG, Chur

Seats on the boards of other legal entities

Member of the Board of the Joh. Jacob Rieter-Stiftung, Winterthur

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

None

Rebecca Guntern Flückiger (1972, CH)**Degree in pharmaceutical sciences from the University of Basel, Bachelor of Business Administration****Professional background, career**

Since 2018 Head of Cluster Europe, Sandoz Pharmaceuticals AG

2015–2018 Head of Cluster BACH, Sandoz Pharmaceuticals AG

2013–2015 Head of Strategic Accounts & Commercial Excellence WEMEA, Sandoz Pharmaceuticals AG

2011–2013 Country Head of Spain & Cyprus, Sandoz Pharmaceuticals AG

2008–2011 Country Head of Switzerland, Sandoz Pharmaceuticals AG

Mandates in listed companies

Member of the Board of
Sandoz Pharmaceuticals AG, Risch

Seats on the boards of for-profit companies

Member of the Board of
Société Suisse des Explosifs SA, Brig-Glis

Seats on the boards of other legal entities

Member of the Board of Intergenerika, Liestal

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

Deputy Chair/Member of the Board of
Advance – Women in Business, Zurich

Andreas Rickenbacher (1968, CH)

Lic. rer. pol., business economist

Professional background, career

Since 2016 Board of Directors, entrepreneur,
management consultant
(owner of Andreas Rickenbacher
Management AG)

2016–2018 Cantonal representative on the
Board of Directors of Swissgrid Ltd.
(05/2016 to 05/2018)

2006–2016 Executive Council of the Canton of
Bern, Minister of Economic Affairs
(to 06/2016); cantonal representative
on the Board of Directors of Gebäude-
versicherung des Kantons Bern (GVB)
(2006–2010, ex officio)

2004–2006 Owner of Rickenbacher Projekte GmbH
(marketing and communication con-
sulting; board of directors mandates)

1998–2004 Project manager at a small
corporate consulting company

1992–1998 Project assistant and, from 1996,
project manager at
GfS-Forschungsinstitut

Mandates in listed companies

Member of the Board of Bernexpo Holding AG,
Bernexpo AG, Messepark Bern AG, all in Bern
(Group structure)

Seats on the boards of for-profit companies

- Member of the Board of
Aebi Schmidt Holding AG, Frauenfeld
- Chairman of the Board of Bigla Care AG, Biglen
- Member of the Board of
Bantel + Partner AG, Zurich
- Member of the Board of HRS Holding AG,
HRS Real Estate AG, HRS Investment AG and
HRS Promotion AG, all in Frauenfeld,
HRS Real Estate AG, Vaduz, HRS Renovation AG
and HRS International AG, both in Zurich
(Group structure)
- Member of the Executive Board of
Leolea Stadt Bern GmbH, Bern
- Chairman of the Board of
BE! Tourismus AG, Bern

Seats on the boards of other legal entities

- Deputy Chair of the
Switzerland Innovation Foundation, Bern
- Deputy Chair, Head of Marketing for the
racing association Internationale Lauberhorn-
rennen Wengen, Lauterbrunnen

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

Member of the Advisory Board of the
Swiss Economic Forum SEF

Kurt Schär (1965, CH)

**Radio/TV electronics engineer, marketing
planner and board training Swiss Board School**

Professional background, career

Since 2014 Owner of Sunnsite Management AG
2001–2014 CEO of Biketec AG, manufacturer of
the Flyer electric bicycle in Huttwil

Mandates in listed companies

None

Seats on the boards of for-profit companies

- Chairman of the Board of Erlebnismacher AG,
Teufen AR, Herzroute AG and Emmental
Tours AG, both in Burgdorf (Group structure)
- Chairman of the Board of
Sunnsite Management AG, Luthern (LU)

- Chairman of the Board of Anavon Ski AG, Disentis
- Deputy Chair of the Board of Striebig AG, Lucerne
- Member of the Board of Möbel AG, Aesch (BL)
- Chairman of the Board of Sorglos Design AG, Luthern (LU)
- Member of the Board of IE Engineering Group AG, Zurich
- Chairman of the Board of Brau AG Langenthal, Langenthal
- Chairman of the Board of Sankt Martin Calfeisental AG, Pfäfers (SG)
- Deputy Chair of the Board of Bern Welcome AG, Bern Tourismus AG, Bern Meetings & Events AG, all in Bern (Group structure)

Seats on the boards of other legal entities

- Deputy Chair of the Board of the WBM foundation (workshop for disabled persons), Madiswil
- Member of the Board of the Pension Fund Foundation of Striebig AG, Lucerne
- Member of the Board of the Risiko-Dialog foundation, St. Gallen
- Chairman of the Board of the Taunerhaus Roggwil foundation, Roggwil

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

None

3.3 Number of permitted activities

The members of the Board of Directors may hold no more than 10 senior managerial and governing body mandates in for-profit companies outside of the BKW Group, no more than five of which may be stock-exchange listed companies, and no more than 10 mandates with other legal entities such as foundations and associations that are required to be entered in the commercial register. Exceptions and further information can be found in Art. 21 of the articles of incorporation at www.bkw.ch/statutes.

3.4 Election and term of office

With the exception of the representative appointed by the Canton of Bern, the members of the Board of Directors are elected individually by the General Meeting. Members may be re-elected subject to an age limit of 70 years. The term of office for members appointed by the Canton of Bern in accordance with article 762 OR shall be determined by the cantonal government.

The Chairman of the Board of Directors and members of the Remuneration and Nomination Committee are also elected individually by the General Meeting.

3.5 Internal organisation

3.5.1 Division of roles in the Board of Directors

The Board of Directors is responsible for the overall management of the company and supervision of its corporate bodies. No special functions are defined other than Chairman and Deputy Chair. The Secretary need not be a member of the Board. The Board of Directors is a collective body in which the Chairman is responsible for management and coordination duties as well as monitoring the implementation of the decisions of the Board of Directors and coordination with the CEO. Apart from the specific decisions of the Board of Directors, its members have no personal authority in respect of the company and therefore cannot issue instructions.

The Board of Directors may decide to delegate some of its activities and responsibilities to committees from among its own members. The Board of Directors is supported by two standing committees, the Audit and Risk Management Committee and the Remuneration and Nomination Committee. The function, organisation and responsibilities of these two committees are defined in detail in the regulations, which have been approved by the Board of Directors. The Board of Directors may also establish ad hoc committees at any time for matters such as major investments, alliances and cooperations. In the case of ad hoc committees, the Board of Directors will elect the members from among

its own members at the first meeting following the General Meeting.

3.5.2 Board committees

Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of three members elected by the Board of Directors. The Chairman of the Audit and Risk Management Committee is also elected by the Board of Directors, while the Deputy Chair is elected by the Audit and Risk Management Committee.

Members of the Audit and Risk Management Committee

Roger Baillod	Chairman
Kurt Schär	Deputy Chair
Dr. Carole Ackermann	Member

The Audit and Risk Management Committee supports the Board of Directors in supervising the financial management of the company and submits appropriate decision proposals.

Role

- Discussion concerning the consolidated financial statements and the half-yearly consolidated financial statements with the internal and external auditors
- Oversight of the subordinate internal auditor and assessment of the activities of the external auditor and its collaboration with the internal auditor
- Preparation for the appointment or discharge of the external auditor and the Head of Internal Audit
- Assessment of the quality of accounting and financial reporting to the Board of Directors based on an assessment by the internal and external auditors
- Assessment of the organisation and effectiveness of the internal control system
- Assessment of compliance and the associated organisational structure
- Assessment of the risk situation in the context of the financial statements, the budget and medium-term planning of the Board of Directors

- Regular and timely reporting to the Board of Directors on the Committee's activities and results

Responsibilities

- Authorising accounts involving credit approved by the Board of Directors, with the proviso that any extraordinary credit overdrafts are reported to the Board of Directors
- Awarding audit contracts
- Fostering direct contact through the Chairman and members of the Committee with the internal and external auditors and with the CEO and CFO
- Setting the amount of compensation paid to the Head of Internal Audit and of the external auditor

Remuneration and Nomination Committee

In accordance with Article 24 of the articles of incorporation, the Remuneration and Nomination Committee comprises three members who are each elected from the Board of Directors by the General Meeting for a term of one year. These members may be re-elected. The Remuneration and Nomination Committee decides how to organise all other matters regarding its operation.

Members of the Remuneration and Nomination Committee

Urs Gasche	Chairman
Hartmut Geldmacher	Member
Andreas Rickenbacher	Member

The Remuneration and Nomination Committee is responsible for developing principles for the selection of candidates for the Board of Directors and the Group Executive Board, and, in particular, at top corporate level, for the remuneration strategy and performance targets and criteria of the BKW Group. It assists the Board of Directors in establishing and reviewing the remuneration system and remuneration principles, and in preparing the proposals to the General Meeting in respect of the total amount of remuneration to be paid to the Board of Directors and the Group Executive Board. The Remuneration and Nomination Committee submits motions to the Board of

Directors in respect of all transactions negotiated under its responsibility.

The role and responsibilities of the Remuneration and Nomination Committee are described on pages 151 and 152 of the Remuneration Report.

3.5.3 The work of the Board of Directors and its committees

The Board of Directors meets at the invitation of the Chairman of the Board or the Deputy Chair acting in place of the Chair, as often as business requires; in general there are six meetings per financial year. In addition, any member may ask the Chairman of the Board to convene a meeting by submitting their reasons in writing. The dates of the ordinary meetings shall be agreed at an early stage so that all members may attend in person. Before the Board of Directors meetings, each member receives documents that they can use to prepare for the items on the agenda. The CEO and other members of the Group Executive Board participate in each meeting of the Board of Directors in an advisory capacity, unless instructed otherwise by the Chairman of the Board of Directors. Senior company management, members of the BKW Audit Department and other experts may also be invited to the meetings in an advisory capacity. The Secretary of the Board of Directors, Stefan Emmenegger, attends the meetings of the Board of Directors. The Board of Directors adopts its resolutions at meetings and in telephone or video conferences. It is quorate when the majority of its members are present at the meeting or participating in the telephone or video conference. Resolutions are adopted by a simple majority of members. In the event of parity of votes, the Chairman has a casting vote. Minutes shall be taken of the discussions and resolutions. The minutes shall be approved by the Chairman before being distributed to the other members of the Board, and being accepted at the next meeting of the Board of Directors. In 2018, there were six meetings of the Board of Directors with the CEO and the other members of the Group Executive Board in attendance, with the average meeting lasting 3.5 hours.

In accordance with its regulations, the Audit and Risk Management Committee convenes at least four ordinary meetings each year. Meetings are normally attended by the CEO, the CFO, the Head of Accounting and Tax, and the Head of Internal Audit. If required, the Chairman may call upon the external auditor, further members of the Group Executive Board, the extended Group Executive Board, senior management or external experts to attend and provide information. The Committee convened four ordinary meetings during the 2018 financial year, with the meetings lasting an average of 3.5 hours.

According to its regulations, the Remuneration and Nomination Committee meets as often as business requires, but at least three times a year. The CEO participates in the meetings of the Remuneration and Nomination Committee in an advisory capacity and has the right to submit motions. The CEO does not attend meetings during which her own remuneration and/or performance are discussed. If required, the Chairman may call upon further members of the Group Executive Board, the extended Group Executive Board, or external experts to attend and provide information. The Remuneration and Nomination Committee convened three ordinary meetings during the 2018 financial year, with the meetings lasting an average of three hours.

Both the Audit and Risk Management Committee and the Remuneration and Nomination Committee are authorised to negotiate and adopt resolutions provided that a majority of their members are present; resolutions are adopted by simple majority of votes. In the event of parity of votes, the Chairman has a casting vote.

3.6 Roles and responsibilities

In law the Board of Directors is responsible for the overall management and supervision of the BKW Group. In accordance with Article 716a para. 1 of the Swiss Code of Obligations (OR), this responsibility is both non-transferable and inalienable. In addition, the Board of Directors is authorised to adopt a resolution on all matters that have not been reserved for the General Meeting by law or in the articles of incorporation.

Pursuant to Article 20 of the articles of incorporation, the Board of Directors delegates the full operational business management to the CEO and defines her responsibilities in the organisational regulations. The CEO is the Chairman of the Group Executive Board and is supported by its members. She is responsible for the operational management of the Group and represents the Group externally.

The Group Executive Board consists of the CEO, the CFO and the heads of the Networks and Production divisions. Decisions of the Group Executive Board are made by the CEO in consultation with the other members of the Group Executive Board. The other members of the Group Executive Board have a right to a voice and may submit motions. The Group Executive Board generally met every two weeks during the 2018 financial year. The meetings last an average of three to five hours. The Group Executive Board supports the CEO in her responsibility for the operational management of the BKW Group. The business divisions are managed directly by their respective division heads. The Group Executive Board may delegate tasks and authorisations within its remit. It also performs preparatory work on matters that are within the remit of official bodies at a higher level.

Competences of the Board of Directors

In addition to its statutory duties, and the business reserved to it in the articles of incorporation, the Board of Directors has the following particular roles and competences:

- Definition of the *raison d'être*
- Definition of the overarching company strategy
- Approval of highly strategic business, based on the *raison d'être* and potential economic

- consequences, or of individual projects that could foreseeably have significant negative consequences for the public image of BKW
- Approval of business that is not planned for in the budget or medium-term planning, where BKW's investment exceeds an amount of CHF 25 million
- Approval of the expansion of geographical coverage into new countries
- Approval of the legal organisation and top-level management structure (Group Executive Board)
- Approval of financial matters such as budgets and planning, financial statements, the BKW Annual Report and accounting standards, and establishing the BKW Group's financing and investment policy
- Approval of the principles for operation of the internal control system and risk management of the BKW Group, and assessment of the significant risks
- Ensuring compliance with applicable standards

Competences of the CEO

The CEO has the following particular roles and competences:

- Integration of company strategy and operational business management by:
 - (I) Ensuring the commercial success of the company in the context of the overall economic and industry conditions
 - (II) Developing the main aspects of the implementation of the overall company strategy, including financing, for the attention of the Board of Directors
 - (III) Ensuring the strategic direction set by the Board of Directors
 - (IV) Leading the operational management of the company
 - (V) Reporting on the success of highly strategic business transactions that have been authorised by the Board of Directors, in general around two years after their approval
- Preparation of the financial plans of the company and responsibility for the overall financial results in accordance with the targets set by the Board of Directors
- Decision-making on the organisational structure and the roles and competences of mem-

bers of the Group Executive Board within the context of the instructions of the Board of Directors

- Appointment of other employees of the BKW Group, particularly the heads of business units for their areas of responsibility, as members of the extended Group Executive Board
- Management of the Group Executive Board and personnel under the CEO
- Creation of the performance assessment and preparation of the remuneration review and assessment for the members of the Group Executive Board to be submitted to the Remuneration and Nomination Committee
- Supervision of the Group Executive Board and creation of suitable supervisory bodies to ensure that the company remains on target to reach the defined objectives, meets basic commercial requirements and acts in accordance with the measures adopted by the Board of Directors
- Coordinating between the Group Executive Board and Board of Directors to ensure that the Board of Directors is provided with accurate information at an early stage
- Ensuring compliance with the *raison d'être*, regulations and codes of conduct, and with applicable requirements of legislation and the articles of incorporation
- Representing the company to employees and third parties, in particular ensuring effective communication with shareholders and stakeholders, including representatives of governments, regulators and organisations
- Supporting the Chairman in his role of leading the Board of Directors and preparing for meetings of the Board of Directors
- Implementation of the decisions of the Board of Directors and its committees

The CEO has delegated her roles and competences to qualified subordinate positions that she instructs and monitors accordingly.

Competences of the Group Executive Board

The Group Executive Board has the following particular roles and competences:

- Contributing significantly to the process of ensuring commercial success within the context of the Group strategy and instructions of the CEO
- Actively participating in the leadership, planning and implementation of the company strategy
- Coordinating and harmonising the activities and business actions of the individual divisions from the perspective of the BKW Group's overarching interests through close cooperation with the other members of the Group Executive Board
- Contributing proposals for strategic planning and its execution, introduction and monitoring
- Defining and implementing the principles for cooperation within the BKW Group
- Determining the central risks and risk management
- Promoting ethical behaviour and compliance with internal and external rules and regulations
- Responsibility for leadership of the assigned divisions
- Decision-making on the entry of the purchaser of shares in the register of BKW AG shares with voting rights, unless the decision falls under the remit of the Board of Directors. This authorisation may be delegated in full or in part to subordinate organisational units
- Preparation, implementation and creation of the annual plans and budget

The Group Executive Board may resolve to delegate part of its role and competences or the preparation, execution and monitoring of decisions of the Group Executive Board to committees. The composition, organisation, roles and competences of permanently staffed committees shall be defined in separate regulations. The roles and organisation of ad hoc committees shall be determined in the resolution adopted to create them. In respect of the decommissioning of the Mühleberg Nuclear Power Plant, the Group Executive Board has delegated some of its roles to the Group Executive Board Committee for the KKM Decommissioning Project.

Additional information about the Group Executive Board is provided in Section 4 on pages 141 to 143.

3.7 Information and monitoring instruments in relation to the Group Executive Board

The Board of Directors shall assume responsibility for the supervision of its own committees and shall monitor the work of the CEO and the Group Executive Board by means of a range of reporting processes and rights to inspect business processes and business transactions.

At each of its meetings, the Board of Directors is informed by the CEO and the other members of the Group Executive Board about current business and key business transactions. The Board of Directors is provided with detailed information regarding the course of business at least semi-annually when the semi-annual and annual reports are published. The BKW Group has a comprehensive electronic management information system (MIS). The Chairman of the Board of Directors is also informed of current business at regular meetings and discussions outside of the meetings of the Board of Directors. In the case of extraordinary events, the CEO shall inform the Chairman of the Board of Directors without delay. Comprehensive information about risk management is provided in conjunction with the planning and financial statements.

Business that must be dealt with by the Board of Directors is first discussed in a meeting of the Presiding Board. The participants in this meeting are the Chairman of the Board of Directors, the CEO, the other members of the Group Executive Board and the Head of Markets & Services.

Monitoring instruments of the Board of Directors in relation to the Group Executive Board

The Board of Directors is responsible for setting up and monitoring the risk management, compliance and internal audit processes within the BKW Group.

Risk Management

The Group Executive Board is responsible for implementing the risk management process as specified by the Board of Directors. The Board of Directors and the Group Executive Board are supported by the Risk Management division, which reports to the CFO. Risk Management is responsible for the Group's strategic risk management, credit risk management and the operational risk management of trading and treasury. The Group Executive Board and the CFO are advised by the committee and a professional risk organisation.

Risk Management continuously identifies and assesses risks to which the entire BKW Group is exposed, and formulates risk reduction measures. The ISO 31000 standard is used as the basis for the integrated risk management process. It takes account of internal and external events, and analyses and controls the risks of potential threats to people and the environment, risks relating to the safe operation of infrastructure, risks to BKW's reputation and to its liquidity, equity capital and results. The Group's risk bearing ability is also assessed. Group-wide risk management requirements have risen due to the strong growth experienced by the BKW Group in its Services business. For this reason, the current focus is on the gradual integration of new subsidiaries in the risk management process as well as the creation of a uniform and binding Group-wide risk policy. In addition to developments with respect to the Group structure, digitalisation is another area of focus: the optimisation and automation of data processing and data analysis as well as timely reporting will increase the transparency of business processes and thus of operational risk control.

A system of limits applies to market, credit and liquidity risks. Individual measures are taken to counter the risks arising in relation to extraordinary market situations, and operational and strategic risks. Implementation of, and compliance with, the measures required for control purposes are monitored on a regular basis. Areas of trading and finance/treasury that are prone to higher risk are subject to more in-depth controls.

Compliance

The Board of Directors is responsible for ensuring compliance with applicable standards through its approval and regular inspection of the governance principles and Code of Conduct. The CEO ensures that an appropriately organised system is set up and that controls of compliance with applicable standards are implemented in all areas of the BKW Group. She provides the Board of Directors with a report to this effect at least once a year. In addition, she undertakes an annual comprehensive risk assessment and informs the Board of Directors of the results. For compliance risks, the focus is on identifying and assessing any violations of mandatory legal requirements and prohibitions. Measures include risk-based training, ad hoc information on new developments, updated regulations, maintenance of whistleblower systems as well as consultations.

A Group-wide whistleblower system that enables anonymous tips was introduced during the reporting year. In addition, a data protection concept for the BKW Group was prepared and risk-based training was conducted. These were based on the EU General Data Protection Regulation that has been binding since 25 May 2018 and is also relevant for BKW.

The Board of Directors and Group Executive Board are supported by the Compliance team.

Audit

Internal Audit submits a quarterly report on its auditing activities to the Audit and Risk Management Committee. In particular, the report covers audits of the internal control system of BKW, transaction and business processes for the whole Group. Internal Audit reports once annually on the implementation of the audit plan formulated by the Audit and Risk Management Committee, and on the implementation of the recommendations made to management on the basis of the audits that were conducted. In the event of serious shortcomings such as the detection of criminal acts or serious breaches of fundamental duties of care, the Internal Audit team will also provide the Audit and Risk Management Committee with a report.

BKW's external auditor is Ernst & Young Ltd., Bern. In its comprehensive report to the Board of Directors each year, it includes information about the audit of the annual financial statements as well as its findings regarding the internal control system.

4 Group Executive Board

4.1 Members



From left to right: Antje Kanngiesser, Ronald Tr chsel, Suzanne Thoma, Roland K pfer, Hermann Ineichen

Group Executive Board

Composition	Role	Since
Dr. Suzanne Thoma	CEO, Member of the Group Executive Board since 2010	2013
Hermann Ineichen	Head of Production, Deputy to the CEO	2000
Ronald Tr�chsel	CFO	2014
Dr. Roland K�pfer	Head of Networks	2017
Dr. Antje Kanngiesser	Head of Group Markets & Services	2019 ¹

¹ The Board of Directors elected Dr. Antje Kanngiesser as a member of the Group Executive Board on 7 December 2018 with effect as of 1 January 2019.

Retirements and resignations during the reporting period

As part of the merger of the wind business with the traditional energy business, the Renewables & Efficiency division was abolished during the reporting year. As a result, Renato Sturani left the Group Executive Board as head of Renewables & Efficiency with effect as of 31 May 2018.

4.2 Activities and vested interests

Suzanne Thoma (1962, CH) PhD in chemical engineering

Professional background, career

Since 2013 CEO
 2010–2013 Head of Networks
 2007–2009 Head of the Automotive division of the WICOR Group in Rapperswil
 2002–2007 CEO of Rolic Technologies Ltd, a high-tech supplier in the electrical sector
 1990–2002 Various roles in a variety of countries for Ciba Spezialitätenchemie AG (now BASF AG)

Mandates in listed companies

- Member of the Board of Schaffner Holding AG, Luterbach
- Member of the Board of UPM Corporation, Helsinki

Seats on the boards of for-profit companies

Member of the Board of Beckers Group, Sweden

Seats on the boards of other legal entities

None

Mandates held on the instruction of BKW

Chairman of the Board of BKW Building Solutions AG, Ostermundigen

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

None

Hermann Ineichen (1957, CH) Degree in electrical engineering and MSc in Energy Management

Professional background, career

Since 2013 Head of Production
 2001–2013 Head of Energy Switzerland
 1996–2000 Head of Trading
 Prior to 1996 Head of Pricing at Centralschweizerischen Kraftwerke AG

Mandates in listed companies

None

Seats on the boards of for-profit companies

Chairman of the Board of Energie Münchenbuchsee AG, Münchenbuchsee

Seats on the boards of other legal entities

None

Mandates held on the instruction of BKW

- Member of the Board of Kraftwerke Oberhasli AG, Innertkirchen
- Member of the Administrative Commission of the Decommissioning and Waste Disposal Fund, Bern

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

None

Ronald Trächsel (1959, CH) lic. rer. pol

Professional background, career

Since 2014 CFO
 2008–2014 CFO of the globally active Sika Group
 2000–2008 CEO and CFO of the globally active Vitra
 1995–1999 CFO of Ringier International

Mandates in listed companies

Member of the Board and Head of the Audit Committee of ContourGlobal PLC, London

Seats on the boards of for-profit companies

- Chairman of the Board of Wyss Samen und Pflanzen AG, Zuchwil
- Member of the Board of Baumann Holding AG, Langenthal

Seats on the boards of other legal entities

None

Mandates held on the instruction of BKW

- Chairman of the Board of AEK Onyx AG, Solothurn
- Member of the Board of Swissgrid Ltd., Laufenburg
- Member of the Board of Kraftwerke Oberhasli AG, Innertkirchen

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

None

Roland Küpfer (1958, CH)

Doctorate in economic science, MBA, degrees in electrical engineering, computer engineering

Professional background, career

- Since 2017 Head of Networks
 2013–2017 CEO technology company
 Multiple Dimensions
 2009–2013 CEO Cicor Group
 2007–2009 Member of the Executive Board
 ASCOM Security Communications,
 Internationalisation
 2001–2009 Division Head, Schaffner Components,
 Member of Group Management
 1983–2001 Various management positions around
 the world, including Haag-Streit AG,
 SC Technology AG, ASCOM Autelca AG

Mandates in listed companies

None

Seats on the boards of for-profit companies

None

Seats on the boards of other legal entities

None

Mandates held on the instruction of BKW

- Chairman of the Board of Arnold AG, Wangen an der Aare
- Member of the Board of cc energie sa, Murten

Seats on the boards of Industry associations and non-profit organisations

None

Other major activities

None

4.3 Number of permitted activities

The members of the Group Executive Board may hold no more than six senior managerial and governing body mandates in for-profit companies outside of the BKW Group, no more than three of which may be stock-exchange listed companies, and no more than five mandates with other legal entities such as foundations and associations that are required to be entered in the commercial register. Before accepting such new mandates, the members of the Group Executive Board are obliged to obtain the permission of the Chairman of the Board of Directors. Exceptions and further information can be found in Art. 21 of the articles of incorporation at www.bkw.ch/statutes.

4.4 Management contracts

BKW has not delegated any management responsibilities to third parties outside the Group.

5 Remuneration and shareholdings

All information on remuneration of the members of the Board of Directors and the Group Executive Board can be found in the Remuneration Report on pages 147 to 157. The information about shareholdings is on page 114 of the Notes to the Financial Statements.

6 Shareholders' participation rights

The following provisions are taken from the BKW articles of incorporation. These can be accessed at www.bkw.ch/statutes.

6.1 Voting-right restrictions and representation

Shareholders' rights may only be exercised by persons listed in the share register as a shareholder with voting rights. There are no limitations on voting rights for BKW shareholders attending the General Meeting.

Every shareholder with a voting right can attend the General Meeting in person or be represented by another shareholder or an independent designated representative. Shareholders may also assign their proxy and voting instructions electronically; the Board of Directors shall determine the details by which this is done. The independent proxy is obliged to exercise the assigned voting rights as instructed by the shareholder. If instructions were not provided, the vote must be withheld.

Public corporations, legal entities and trading companies are represented by their corporate bodies, partners or legal representatives, or by representatives with special written power of attorney.

Every share listed in the share register with voting rights is entitled to one vote at the BKW General Meeting. Shareholders who have participated in the management of the Company in any form shall not be entitled to vote on the resolution to grant discharge of the Board of Directors.

The Chairman shall have full power to determine the procedure for voting and elections. He may, in particular, order that an open vote or election be repeated at any time by means of a written or electronic ballot or election, if he is in doubt about the result, or order a secret ballot.

6.2 Statutory quorum

Decisions at the General Meeting require a simple majority of votes unless otherwise provided by law. A simple majority of votes also applies to decisions concerning the relaxation or lifting of restrictions on transferability of registered shares.

6.3 Convening the General Meeting and setting the agenda

Notice of the General Meeting is to be given by the Board of Directors at least 20 days prior to the date of the meeting. A meeting may also be called by one or more shareholders whose combined shareholding represents at least 10% of the share capital. This must be requested in writing, stating the agenda items and motions.

Shareholders representing shares with a par value of at least CHF 1 million may ask for items to be included on the agenda. This request must be submitted no later than 50 days before the date of the General Meeting.

6.4 Entries in the share register

The right to attend or to be represented at the General Meeting shall be determined on the basis of the shareholders with voting rights who are entered in the share register on the fifteenth day before the General Meeting.

7 Changes of control and defensive measures

Under the terms of Article 6 of the articles of incorporation, BKW has opted to increase the threshold for a mandatory takeover offer to 49% in accordance with Article 135 of the Financial Market Infrastructure Act (FMIA).

There are no agreements or plans for the benefit of members of the Board of Directors and/or the Group Executive Board or other members of senior management in the event of changes of control.

8 Auditors

Term of office

BKW's auditors are appointed on an annual basis. The current auditors are Ernst & Young Ltd.; the firm has acted as BKW's auditor since 1990. Rico Fehr has been the lead auditor since 2018. The lead auditor for 2017 was Bernadette Koch and the lead auditor from 2012 to 2016 was Roland Ruprecht.

Fees

The auditors' fees for expenditures incurred by statutory audits of BKW and its consolidated Group companies amounted to CHF 965,000 for the reporting year. The fees for other services including non-mandatory audits and consulting in financial reporting amounted to CHF 71,000.

Information instruments of the external auditors

Oversight and control of the external auditor is a key responsibility of the Audit and Risk Management Committee (cf. Section 3.5.1 and 3.5.2., pages 134 and 135, under "Audit and Risk Management Committee/Responsibilities"). The Audit and Risk Management Committee convenes four ordinary meetings per year, in which the auditors sometimes participate. The external auditors attended for parts of the agenda at three of these meetings during the 2018 reporting year.

On behalf of the Audit and Risk Management Committee, the external auditors examine the annual financial statements according to the Swiss Code of Obligations (OR) as well as the consolidated annual financial statements. Towards the end of the year, the external auditors must advise the Committee of the audit priorities they have set for the forthcoming year and the rationale for these priorities. The Committee must approve this audit plan and may commission the external auditors to conduct additional specific audits.

The performance of the external auditors and their independence are assessed annually by the Audit and Risk Management Committee. This assessment is based on the quality of the reports, implementation of the audit plans approved by the Committee, and collaboration with the internal auditors. With regard to independence, the Committee examines the relationship between the budgeted audit fee and the fee for other services provided by the auditing company, and what these additional services include.

9 Information policy

BKW is committed to the timely dissemination of transparent and comprehensive information to its shareholders and clients as well as its employees and the general public. It regularly informs the media about important events related to its business activities. Information on share prices is published in compliance with the applicable legal requirements for disclosure (ad hoc notifications). These ad hoc notifications can be accessed at the same time as the report to the SIX Swiss Exchange and for a further two years at: www.bkw.ch/media

There is also the option of directly receiving free and up-to-date information that may affect share prices from BKW via an email distribution list. This service is offered at: www.bkw.ch/pressrelease

BKW provides information on the annual results in the Annual Report, which is available in electronic form. The Annual Report can be downloaded at www.bkw.ch/annualreport18. BKW also presents its annual results at the yearly Annual Report and Financial Analyst Conference, as well as at the General Meeting. You can find the exact dates for the current and following year at: www.bkw.ch/financialcalendar.

The Half-Year Report as well as the half-year results from 30 June are available electronically at www.bkw.ch/halfyearreport18.

The Investor and Media Relations managers can be contacted via the website, email, telephone or post. Their contact details can be found in the editorial information on page 158, and the address of the headquarters is listed on the back cover of this report.

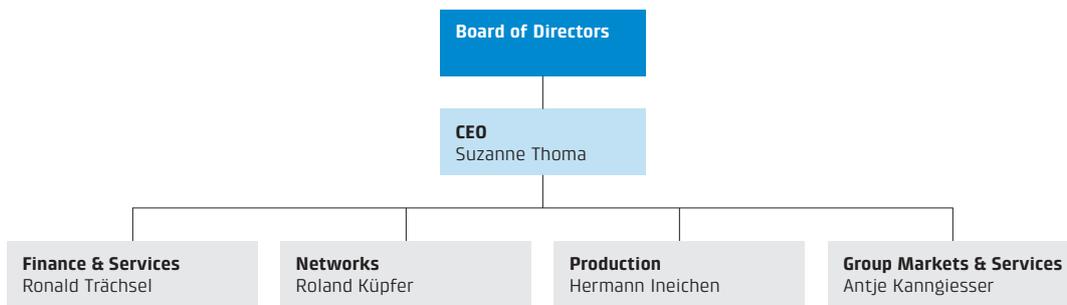
10 Significant changes since 31 December 2018

Organisational changes

No significant changes.

Changes in personnel

The Board of Directors of BKW elected Dr. Antje Kanngiesser to be a member of the Group Executive Board with effect on 1 January 2019. As a result, the Group Executive Board once again has five members.



ANNUAL REPORT 2018

Remuneration Report

Remuneration Report

Dear Shareholders,
Dear Sir/Madam,

The Remuneration Report provides you with an overview of BKW's salary policy and system of remuneration. It contains detailed information about the remuneration paid to the Board of Directors and the Group Executive Board during the 2018 financial year.

The remuneration system for the Board of Directors and the Group Executive Board is aimed at ensuring the long-term success of BKW. The remuneration of the Board of Directors is primarily comprised of a fixed base salary and attendance fees. In the case of the Group Executive Board, the base salary is weighted more heavily, with a significantly lower short-term performance-related component paid in cash (bonus) and long-term profit-sharing in the form of shares.

Based on the market comparison conducted in 2017, the Board of Directors decided to increase the compensation for the Board of Directors slightly starting in 2018 – the first time it has done so since 2009. The total remuneration for the Group Executive Board will gradually be raised in line with the market. The increase also takes account of the strong growth experienced by BKW. It was achieved in compliance with the salary policy that gives, on the one hand, special weight to the fixed remuneration and, on the other, a focus by the Group Executive Board on the interests of shareholders in the long-term performance of the overall company. As a result of the extremely good growth in the share price once again in 2018, long-term profit-sharing continued to grow in importance.

At the 2019 General Meeting, we will present this Remuneration Report for approval within the scope of a consultative vote. The remuneration to the Group Executive Board for the 2018 financial year as well as the remuneration of the Board of Directors for the period ending with the 2019 General Meeting will be within the limits approved by the 2017 and 2018 General Meetings.

Kind regards,



Urs Gasche
Chairman of the Board of Directors

1 BKW salary policy

The BKW salary policy defined by the Board of Directors is derived from the BKW strategy and is intended, in particular, to promote the long-term interests of the company. BKW aims to provide compensation in line with the market, rewarding expertise and responsibility as well as performance, with a focus on strategy implementation and the company's results. In doing so, the interests of Board of Directors, the members of the Group Executive Board and the shareholders are aligned. BKW aims to recruit suitable personnel from the labour market and to encourage them to make a long-term commitment to the company.

As part of its salary policy, BKW regularly reviews its remuneration system to ensure that the total level of remuneration is appropriate to the market and to performance. Where appropriate, it sets new rates and participation programmes for the Board of Directors and Group Executive Board. The last review was carried out by means of a market comparison conducted in 2017. Additional information can be found in the Remuneration Report included in the Annual Report for the previous year at www.bkw.ch/remunerationreport. As a first step, the resulting measures have now been implemented in financial year 2018 in compliance with the maximum compensation agreed by the General Meeting in 2017 and 2018.

2 Remuneration system

The fundamental details of the remuneration of the members of the Board of Directors and the Group Executive Board are governed by Articles 27 and 28 of the articles of incorporation. These can be found on the BKW website under www.bkw.ch/statutes.

The BKW remuneration system is transparent and focused on the long-term increase in the value of the company. The independence of the Board of Directors in its oversight of the Group Executive Board is ensured by providing the members of the Board of Directors with compensation that is mainly comprised of fixed remuneration components – they are not paid a performance-based component (see the details in Section 2.1). With respect to the Group Executive Board, incentives are provided to ensure the long-term performance of the company by paying a substantial fixed base salary and heavily weighted profit-sharing bonus in the form of restricted shares. The short-term variable remuneration, however, is set at a comparatively low level (for the details of the various elements, see Section 2.2).

2.1 Remuneration of the Board of Directors

a) Fixed payment (base remuneration)

The base salary of the Board of Directors comprises a fixed Board member fee. The level of the fee depends on the particular role (Chairman or Deputy Chair), and the membership and roles pertaining to Board committees.

b) Attendance allowance

A fixed attendance allowance is paid for each meeting of the Board of Directors or committee in which the Board member participates. The Chairman of the Board of Directors does not receive an allowance for meetings.

c) Share-based remuneration

The members of the Board of Directors have the option once each year to invest in the share capital of BKW on preferential conditions. Unless there is an exceptional situation, the maximum number of shares available on preferential conditions is 600. The discount is equal to 30% of the average share price over the last quarter of the previous financial year.

Participation in the share purchase programme for the members of the Board of Directors is an incentive to ensure the long-term increase of the value of the company. The shares acquired through this arrangement are subject to a three-year blocking period on their sale. This is taken into account when calculating the remuneration disclosed in this report for the deduction specified in Section 3.3 of Circular no. 37 of the Federal Tax Administration of 22 July 2013 on the taxation of employee shareholdings.

d) Other remuneration

Other remuneration paid to the members of the Board of Directors encompasses payments by BKW to the national social security funds and any withholding taxes.

2.2 Remuneration of the Group Executive Board

a) Fixed annual base remuneration

The base remuneration provides recompense for the role held within the organisation. This takes into account the person's experience, scope of responsibility and influence on the company's success. The base remuneration is paid in cash.

b) Short-term variable remuneration

The short-term variable remuneration takes account of the annual financial results achieved in particular. In addition, the Remuneration and Nomination Committee assesses the progress in implementing the strategy, as well as the achievement of other quantitative or qualitative objectives. As BKW's budget is prepared without reserves, the budgeted EBIT is a stretch figure. If the budgeted EBIT is achieved, this equates to maximum target performance. Extraordinary, unforeseeable events such as the removal of the CHF/EUR cap are taken into account in assessing

the level of target performance. The Remuneration and Nomination Committee prepare an overall assessment, taking into account the general economic situation and industry-specific environment in which the company is operating.

The short-term variable remuneration ranges from 0 to 30% of the base remuneration for the CEO and from 0 to 20% of the base remuneration for the members of the Group Executive Board. In compliance with the salary policy and the company strategy of BKW, the short-term variable remuneration is a less important component of the total compensation of the Group Executive Board. It is paid out in cash during the calendar year following the year for which it is awarded.

The short-term variable remuneration may be reduced or revoked in exceptional circumstances. Such a situation may arise if the company's existence is under threat and the payment of dividends and/or any variable components due to employees is cancelled. In this case, there may be no claim to short-term variable remuneration despite the achievement of targets. Any reductions in the dividend payment made to finance investment projects shall have no impact on the calculation of the variable remuneration.

c) Remuneration in restricted shares

Remuneration in restricted shares is aimed at securing long-term success and is linked directly to the opportunities and risks associated with the share price performance. Because the share has performed extremely well, it has become a central element of the total compensation of the Group Executive Board. The issued shares are subject to a blocking period of three years.

Long-term profit sharing in restricted shares amounts – except in exceptional circumstances – to 40% of the CEO's base remuneration for the current financial year and 30% for other members of the Group Executive Board. It is first calculated in Swiss francs and then paid out in the form of blocked shares of BKW AG. The share allocation is generally calculated by taking a share price of CHF 33.00 as the basis, which is the average share price for the years 2014 and 2015. The Remuneration and Nomination Committee reviews the calculation of the share component of the Group Executive Board each year to account for any changes in the share price. The allocation of shares is decided on an annual basis in December for the current financial year.

d) Pension contributions and social security contributions

Pension contributions include the employer contributions to the pension fund. The BKW pension fund (Pensionskasse BKW) operated a defined-benefit pension plan through the end of 2018 in accordance with the statutory requirements for occupational pensions (BVG). In addition to the ordinary employer contributions, the pension benefits for 2018 therefore also include the employer's share of any corrective payments arising from increases in the insured salary. With the introduction of the defined contribution plan as at 2019, these additional payments will no longer apply for increases to insured salary from 2019 on. The specified pension benefits also include the employer contributions to national social security funds due on the total remuneration.

3 Setting remuneration: organisation and responsibilities

Each year, at the request of the Board of Directors, the General Meeting approves the maximum overall amount of remuneration of the Board of Directors and the Group Executive Board. The overall amounts for the remuneration of the Board of Directors relate to the period from the current General Meeting until the next General Meeting. By contrast, the overall amount of remuneration of the Group Executive Board relates to the full financial year that follows the General Meeting. The details of the regulation and the consequences of the General Meeting's failure to ratify the proposal are defined in Art. 26 to 28 of the articles of incorporation. These also define the prerequisites and maximum amount of the additional contribution that can be paid to a member of the Group Executive Board appointed during a remuneration period for which the proposed remuneration has already been ratified by the General Meeting (Art. 28).

Members of the Remuneration and Nomination Committee

Urs Gasche	Chairman of the Board of Directors, Chairman
Hartmut Geldmacher	Deputy Chair of the Board of Directors, Member
Andreas Rickenbacher	Member of the Board of Directors, Member

According to Art. 25 of the articles of incorporation, the Remuneration Committee is particularly concerned at senior company management level with the remuneration strategy and with the company's objectives and performance criteria. In addition, it is authorised to develop criteria for the selection of candidates to the Board of Directors and the Group Executive Board. Due to this additional role, the Board of Directors has given the remuneration committee the name of Remuneration and Nomination Committee, and this is reflected in the organisational regulations and regulations of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee assists the Board of Directors in

establishing and reviewing the remuneration principles and remuneration system, and in preparing the proposals to the General Meeting in respect of the total amount of remuneration to be paid to the Board of Directors and the Group Executive Board.

The table below shows how the responsibilities and competences are divided between the General Meeting, the Board of Directors and the Remuneration and Nomination Committee.

Overview of roles and responsibilities

Object	Remuneration and Nomination Committee	Board of Directors	General Meeting
Maximum total amount of remuneration of the Board of Directors and the Group Executive Board	PS ¹	S ²	R ³
Additional amount for the remuneration of newly nominated members of the Group Executive Board ⁴	R ^{4, 5}		
BKW's salary policy and remuneration system	PS	R	
Remuneration principles and system for the Board of Directors and Group Executive Board	PS	R	
Performance criteria for remuneration of the CEO and the members of the Group Executive Board	PS	R ⁵	
Individual remuneration of the Board of Directors	PS	R ⁶	
Performance assessment and individual remuneration of the CEO	PS	R ⁶	
Performance assessment and individual remuneration of the members of the Group Executive Board (excluding the CEO)	R ^{4, 5, 6}		
Remuneration Report	PS	R	CV ⁷
Principles governing the selection of candidates for election or re-election to the Board of Directors	PS	R	
Election, dismissal and succession planning for members of the Group Executive Board	PS	R	
Treatment of elections and succession planning for the Board of Directors	PS	R	

1 PS means preparation and submission to Board of Directors

2 S means submission to the General Meeting

3 R means ratification

4 CEO's proposal

5 Within the scope of the articles of incorporation

6 Within the scope of the maximum total amount approved by the General Meeting

7 CV means consultative vote

4 Remuneration paid to the Board of Directors and Group Executive Board

The remuneration amounts paid to the Board of Directors and Group Executive Board are disclosed in the financial year in which they are recognised in the annual financial statements.

4.1 Remuneration paid to the Board of Directors

This report contains information about the remuneration paid to members of the Board of Direc-

tors for the financial years 2018 and 2017. The amounts paid in 2018 will be compared against the maximum overall remuneration ratified by the 2018 General Meeting in respect of the 2018/2019 term of office.

The fixed remuneration of the members of the Board of Directors and the attendance allowances were increased slightly for the 2018 financial year on the basis of the aforementioned market

comparison. For individual members of the Board, payment is made in whole or in part to their employers. The attendance fees paid depend on the number of meetings attended by the Board member. No attendance fees are paid to the Chair.

The other remuneration includes social security contributions and any statutory withholding tax. Following the approval of the expense regulations for the members of Board of Directors of BKW AG by the Tax Administration of the Canton of Bern, "Other remuneration" will no longer

include fixed expense payments from 2018 onwards.

Share-based payments comprise the benefit in fair value of the preferential purchase of BKW shares. In 2018, each member of the Board of Directors was offered the opportunity to purchase 600 BKW shares (2017: 600 shares) at a preferential price of CHF 40.75 per share (2017: CHF 32.40). The underlying market value was CHF 60.00 per share (2017: CHF 54.75).

AUDITED

Remuneration of members of the Board of Directors in 2018

CHF thousands		Fixed remuneration	Attendance allowance	Share-based payments	Other remuneration	Total
Urs Gasche	Chairman	336	0	2	49	387
Hartmut Geldmacher	Deputy Chair	62	17	6	47	132
Dr. Carole Ackermann	Member (from 18.05.2018)	32	19	0	0	51
Marc-Alain Affolter	Member (until 18.05.2018)	20	5	6	3	34
Roger Bailod	Member	60	24	6	1	91
Dr. Georges Bindschedler	Member (until 18.05.2018)	20	5	6	0	31
Barbara Egger-Jenzer ¹	Member (until 18.05.2018)	20	5	4	1	30
Rebecca Guntern	Member (from 01.09.2018)	32	7	0	4	43
Andreas Rickenbacher	Member (from 18.05.2018)	32	17	0	5	54
Kurt Schär	Member	48	24	6	1	79
Total		662	123	36	111	932

AUDITED

1 All remuneration, including attendance allowances, was paid to the Canton of Bern.

Remuneration of members of the Board of Directors in 2017

CHF thousands		Fixed remuneration	Attendance allowance	Share-based payments	Other remuneration	Total
Urs Gasche	Chairman	280	0	8	52	340
Hartmut Geldmacher	Deputy Chair	52	10	8	44	114
Marc-Alain Affolter	Member	40	20	8	13	81
Roger Bailod	Member	50	20	8	6	84
Dr. Georges Bindschedler	Member	40	30	8	6	84
Barbara Egger-Jenzer ¹	Member	40	28	3	5	76
Paul-Albert Nobs	Member (until 12.05.2017)	17	4	8	6	35
Kurt Schär	Member	40	20	8	6	74
Total		559	132	59	138	888

AUDITED

1 All remuneration, including attendance allowances, was paid to the Canton of Bern.

Maximum overall remuneration for the term of office 2018/2019

The General Meeting ratifies the maximum overall amount of remuneration of the Board of Directors for its term of office, i.e. from the General Meeting (each May) until the next General Meeting (the following April). This Remuneration Report is based on the financial year and, thus, the information published as of 31 December 2018; the amount disclosed in this report has therefore been adjusted to a period of eight months (May to December 2018).

The 2018 General Meeting ratified a proposal for a maximum overall amount of CHF 1,200,000 in respect of remuneration of the Board of Directors for the 2018/2019 term of office. Calculated for the period of eight months to 31.12.2018, the payments to members of the Board of Directors amounted to CHF 618,000. The amounts yet to be paid in 2019 (from January to April 2019) are within the maximum overall amount ratified by the General Meeting.

The General Meeting 2019 will receive a report on the entire remuneration period (General Meeting 2018 to General Meeting 2019). The Remuneration Report for the 2019 financial year will show an overall view of the remuneration period from the General Meeting 2018 to the General Meeting 2019.

Overall remuneration Board of Directors 2018/2019

CHF thousands	Entire term of office 2018/2019	Period 05–12/2018	Period 01–04/2019
Maximum overall remuneration ratified by the General Meeting	1,200		
Amount actually paid out	Information for the General Meeting 2019	618	Information for the General Meeting 2019

Overall remuneration Board of Directors 2017/2018

CHF thousands	Entire term of office 2017/2018	Period 05–12/2017	Period 01–04/2018
Maximum overall remuneration ratified by the General Meeting	1,500		
Amount actually paid out	879	569	310

4.2 Remuneration paid to the Group Executive Board

After remaining constant in the previous year, the total remuneration paid to the Group Executive Board and the CEO rose substantially in 2018. This was due to three main factors: the increase in the base salary with the aim of bringing it in line with market remuneration levels, the increase in the share-based remuneration in order to align the interests of the Group Executive Board more closely with the interests of shareholders and the positive development of the BKW share price. There were also much higher pension benefits. The pension benefits are primarily a one-off effect, which is due to the defined benefit plan of the BKW pension fund that still applied in 2018. The pension benefits also include the employer contributions to AHV/IV/ALV/EO, which

are paid on the base salary, the short-term variable remuneration and the share-based remuneration; consequently, they will also rise considerably in 2018.

Remuneration of members of the Group Executive Board and the highest-earning member in 2018

CHF thousands	Dr. Suzanne Thoma	Group Executive Board ¹
	CEO	(including CEO)
	2018	2018
Fixed basic remuneration	780	2,520
Short-term variable remuneration	234	563
Long-term profit sharing (share-based payments)	568	1,491
Pension benefits	449	1,097
Total	2,031	5,671

1 With the abolition of the Renewables and Efficiency division following the merger of the wind business with the traditional energy business, one member left the Group Executive Board on 31 May 2018.

Remuneration of members of the Group Executive Board and the highest-earning member in 2017

CHF thousands	Dr. Suzanne Thoma	Group Executive Board (including CEO)
	CEO	
	2017	2017
Fixed basic remuneration	650	2,713
Short-term variable remuneration	195	519
Long-term profit sharing (share-based payments)	287	910
Pension benefits	169	675
Total	1,301	4,817

Based on the review conducted in 2017, the base remuneration of the CEO was increased by 20% and that of the other members of the Group Executive Board by around 10%. As a result, the basis for calculating the short-term variable remuneration was also increased accordingly. As in 2017, the short-term variable remuneration for the CEO was 30% of the fixed base remuneration and that of the other members of the Group Executive Board 20%. Measured in terms of the base remuneration, therefore, the weight of the variable remuneration remained the same.

In order to focus the remuneration more on the long-term performance of BKW and thus the interests of shareholders, the proportion of share-based remuneration paid to the CEO was increased to 40% and that to the other members of the Group Executive Board to 30% of the fixed base remuneration. As a result, 9,455 shares (2017: 6,000) were transferred to the CEO and 24,796 (2017: 19,000) to the other members of the Group Executive Board. The reported value of long-term profit sharing also rose as a result of the extremely good performance of BKW's shares in 2018. The allocated shares are blocked from being sold by the Group Executive Board until 7 December 2021.

Pension benefits, comprised of employer contributions to AHV/IV/ALV/EO and employer payments to the pension fund, rose significantly in 2018. This was due to the defined benefit plan of the pension fund that still applied in 2018, which requires additional payments if remuneration subject to social security contributions increases. These special effects will no longer occur from 2019 onwards.

In summary, the remuneration paid fully complies with the maximum amount of CHF 8,000,000 ratified by the 2017 General Meeting for remuneration of the Group Executive Board for the 2018 financial year.

AUDITED

AUDITED

AUDITED

AUDITED

Measurement of the short-term variable remuneration

The short-term financial objectives for 2018 were achieved and the implementation of the strategy was continued consistently and with great speed. This was the case despite the ongoing negative environment in the energy area. Compared with 2017, revenues from the production of electricity fell sharply again as a result of the collapse in electricity prices. In addition, unusual weather patterns, unplanned disruptions at partner plants and the unclear situation regarding the integration of Switzerland in the European electricity market posed particular challenges for the management of electricity positions. Despite electricity prices that remain volatile at low levels and the uncertain regulatory environment, the Group achieved good results thanks to the ongoing restructuring and repositioning of the energy business. The Group continued its rapid technological optimisation of the Grid business with a view to digitalisation and the integration of decentralised and fluctuating energy production. The performance of the Grid business was positive and in line with the plan. The establishment of the Services business as a network of companies proceeded very well. Revenue and income rose substantially and profitability increased significantly. As a result, the CEO was allocated a short-term variable remuneration of 30% and the other members of the Group Executive Board 20% of their fixed remuneration.

Maximum overall remuneration of the Group Executive Board

Taking account of the change in the market level and maintaining the flexibility needed to achieve the desired positive growth in the share price in 2019, the 2018 General Meeting approved a maximum amount of CHF 8,800,000 for the 2019 financial year.

The 2019 General Meeting will be asked to approve an amount of CHF 9,300,000 for the 2020 financial year. This increase is intended – taking account of the strong share-based remuneration of the Group Executive Board – to create flexibility for the desired positive growth in the share price and also to ensure the necessary flexibility for any further development of the Group Executive Board.

5 Shareholdings

The shares held by members of the Board of Directors and the Group Executive Board of BKW and their associates as of 31 December 2018 and 2017 can be found in the annex to the annual financial statements on page 114.

6 Employment contracts with members of the Group Executive Board and contracts with members of the Board of Directors

Contracts between the company and members of the Board of Directors or the Group Executive Board that include compensation of these members must only be concluded for a period of less than one year or with a notice period of maximum 12 months in accordance with Article 29 of the articles of incorporation.

Fixed-term or permanent mandate agreements may be concluded with members of the Board of Directors; however, the effectiveness of the mandate is subject solely to the annual election to the Board of Directors by the General Meeting. The members of the Board of Directors are independent and their rights and obligations are based on the norms of company law and the provisions of the articles of incorporation, regulations and mandate agreements. No employment contracts exist between BKW and members of the Board of Directors.

The employment contracts of the members of the Group Executive Board have been drafted in accordance with the Ordinance against Excessive Compensation in Listed Stock Companies. During the reporting period, all Group Executive Board members had permanent employment contracts with a termination period of six months. The employment contracts do not provide for any severance payments.

Report of the statutory auditor on the remuneration report



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To the General Meeting of
BKW AG, Berne

Berne, 16 March 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of BKW AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 –16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables and sections labeled "audited" on pages 152 to 156 of the remuneration report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 –16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 –16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of BKW AG complies with Swiss law and articles 14 –16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

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

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