

BKW GROUP

# Half-Year Report 2019

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# Facts & Figures

## Financials

CHF millions	2018	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Total operating income	2,675.2	1,281.2	1,370.2
Reported operating profit	416.5	223.6	207.4
Comparable operating profit	364.1	171.2	207.4
Net profit	203.0	126.3	200.9
Cash flow from operating activities before utilisation of nuclear provisions	421.2	128.5	156.3
Investments in property, plant and equipment and intangible assets	257.5	154.4	105.6
Acquisition of Group companies and associates	165.0	77.2	36.8
Balance sheet total	9,053.3	9,027.8	9,131.0
Shareholders' equity	3,472.3	3,482.1	3,562.8
– as % of balance sheet total	38.4	38.6	39.0

## Sales and employees per business area

	31.12.2018	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Energy			
– Sales (CHF millions)	1,325.7	647.3	672.3
– Employees	880	880	850
Grid			
– Sales (CHF millions)	555.4	279.2	265.3
– Employees	630	630	600
Services			
– Sales (CHF millions)	880.8	395.0	475.0
– Employees	5,200	4,600	5,600

## Key figures per share

CHF	31.12.2018	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Par value	2.50	2.50	2.50
Share price			
– period end	68.70	64.00	65.20
– period high	71.60	67.70	71.90
– period low	53.80	53.80	63.60
Result (undiluted)	3.56	2.28	3.64
Equity per share	60.66	60.84	62.24
Market capitalisation in CHF millions	3,622.5	3,376.7	3,439.8

<sup>1</sup> Attributable to shareholders of BKW AG

# Solutions for a future worth living for

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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## FOREWORD

# BKW increases revenue and profit

In the first half of 2019, BKW produced an excellent result. Due to the growth of the Services business and very successful management of the electricity position, revenue increased by 7% to around CHF 1.4 billion. Net profit stood at CHF 201 million, an increase of 59% over the previous year. Operating cash flow went up by 27% to CHF 132 million.



Dear Shareholders,  
Dear Sir/Madam,

BKW continued to perform well in the first half of 2019 in a challenging market environment after continuing to experience negative electricity price effects. Its transformation into a leading energy and infrastructure service provider is progressing well. Our company strategy continues to focus on expanding the Services business and investing in renewable energies.

Together with the successful management of our electricity position and consistent cost management, we have been able to offset the continuing negative effects on electricity prices and deliver strong half-year results. BKW's successful performance shows that the implementation of our strategy has been successful. It is also proving effective because we are consistently managing

costs. The Services business is playing an increasingly important role. More than two thirds of the around 8,000 employees currently work in the Services business area (Building Solutions, Engineering and Infra Services).

### **BKW successfully growing**

In the first half-year of 2019, we again succeeded in strengthening BKW's network with specific expertise. With an international network of around 100 companies now, we offer comprehensive energy and infrastructure services for our customers. We have expanded our engineering activities in Germany, Austria and Switzerland. BKW Engineering has become an important corporate network in the fields of energy, the environment and infrastructure and makes use of its diverse expertise and synergies. BKW Building Solutions' Swiss-wide building technology network is also growing successfully – thanks to its inno-

vative technologies: customers receive comprehensive economic and ecological solutions in the areas of building technology and building automation. Finally, Infra Services has contributed to the renewal of important infrastructure by maintaining and expanding transport, energy, water, waste disposal and communications networks.

#### **Investing in a sustainable future**

The world is hungry for energy, which should be produced as sustainably as possible. At BKW, we are committed to this: by 2023, 75% of the installed capacity of our production park should be renewable. BKW is a pioneer: it was the first listed Swiss company to launch a green bond in Switzerland on 1 July 2019. The green bond is used to refinance wind farms in Norway and France as well as small hydroelectric power plants in Switzerland. In other words, strictly only projects with measurable ecological added value, as the guidelines for this type of investment require.

#### **Mühleberg Nuclear Power Plant to be taken off the grid**

We are pioneers when it comes to the decommissioning of a nuclear power plant in Switzerland. 2019 is a crucial year for us: The Mühleberg Nuclear Power Plant (KKM) will be taken off the grid on 20 December. What is pioneering work for Switzerland has for us become a symbol of our transformation. We decided to switch off KKM back in 2013. Since then, specialists have been meticulously planning the shutdown. We are on track in terms of process engineering as well as planning and finance. The financing of the decommissioning and waste disposal has also been taken care of. We are bearing the costs in full and have set aside the necessary provisions and paid the funds into the decommissioning and waste disposal funds monitored by the federal government.

#### **Investing in the distribution grid**

Each year we invest over CHF 100 million in maintaining and improving the grid. In June 2019 we inaugurated the new substation in Bassecourt. The modernisation of this key power supply hub in the Jura region is a milestone, especially as the Bassecourt substation is a central hub for the entire Swiss electricity grid. All voltage levels are bundled at this location, underlining its importance for international electricity transport. For us, the substation is a point of access to the European electricity grid.

#### **Energy business fit for the future**

The expansion of renewable energies is progressing well around the world. The electricity market is changing as the number of wind farms and solar plants increases, while the number of coal and nuclear power plants declines. Controllable and flexible power plants are gaining in importance. In March 2019, we put the onshore wind farm at Marker in south-east Norway into operation. This strengthens our commitment to CO<sub>2</sub>-neutral power generation and our Swiss leadership role in the operation of wind farms in Switzerland and abroad.

#### **Financial outlook for 2019 increased**

Based on the very good half-year results, we are increasing our previously communicated financial outlook for the current financial year and now expect an operating profit (excluding one-off effects) in the region of CHF 350–370 million (previously CHF 320–340 million).

Kind regards,



Dr. Suzanne Thoma, CEO

## FINANCIAL RESULT

# Strong half-year results

BKW produced a very good result in the first half of 2019. Despite the continuing negative electricity price effects, revenue and profit went up significantly. This was due to the continued profitable growth of the Services business and an excellent management performance for the electricity position. Revenue grew by 7% to CHF 1.4 billion. Net profit amounted to CHF 201 million and has risen by 59%. The operating profit (EBIT) improved by 21% compared with the previous year adjusted for special effects.

## Excellent operating profit – negative effects of electricity prices more than offset

BKW closed the first half of 2019 with an extremely strong operating profit of CHF 207 million. Compared to the previous year's figure, the increase amounted to CHF 36 million or 21%. The persistent negative electricity price effects were therefore more than offset in the first half of the year. Besides the further expansion of the Services business and consistent cost management, the very successful management of the electricity position contributed to this excellent result.

At CHF 201 million, the net profit was CHF 75 million (+59%) higher than in the previous year. Adjusted for the one-off effect from the change in benefit plan in 2018, the increase was as much as CHF 116 million (+135%). The increase in net profit was due to the strong operating profit and the significantly better performance of the assets in the decommissioning and waste disposal funds.

CHF millions	1 <sup>st</sup> half-year 2018 (reported)	Adjustments <sup>1</sup>	1 <sup>st</sup> half-year 2018 (comparable)	1 <sup>st</sup> half-year 2019	% change
Total operating income	1,281.2		1,281.2	1,370.2	7%
Energy procurement/transport	-450.8		-450.8	-424.6	-6%
Operating costs	-533.4	-52.4	-585.8	-642.3	10%
– Material and third-party services	-154.9		-154.9	-178.8	15%
– Personnel expenses	-276.7	-52.4	-329.1	-356.9	8%
– Other operating expenses	-101.8		-101.8	-106.6	5%
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>297.0</b>	<b>-52.4</b>	<b>244.6</b>	<b>303.3</b>	<b>24%</b>
Depreciation, amortisation and impairment	-100.5		-100.5	-123.6	23%
Income from associates	27.1		27.1	27.7	2%
<b>Operating profit/loss</b>	<b>223.6</b>	<b>-52.4</b>	<b>171.2</b>	<b>207.4</b>	<b>21%</b>
Financial result	-56.1		-56.1	41.5	
<b>Profit/loss before income taxes</b>	<b>167.5</b>	<b>-52.4</b>	<b>115.1</b>	<b>248.9</b>	<b>116%</b>
Income taxes	-41.2	11.5	-29.7	-48.0	62%
<b>Net profit</b>	<b>126.3</b>	<b>-40.9</b>	<b>85.4</b>	<b>200.9</b>	<b>135%</b>

1 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.



**Increase in revenue in Energy and Services businesses: + 7%**

At CHF 1,370 million, total operating income was CHF 89 million higher than the previous year's figure. The negative electricity price effects in the Energy business were more than compensated for. The Energy business area was able to make up for the price-related reduction in revenue thanks to higher production volumes from wind farms, very good trading results and higher volumes in the distribution business, and to increase its total operating income by 4%. In the Grid business, revenue was slightly down (–5%) due to lower volumes of distributed power and reduced costs for the transmission grid. The Services business continued to grow strongly. With a growth rate of 20%, it now accounts for around one third of BKW's total revenue.

**Further reduction of operating costs in the traditional business**

The further expansion of the Services business resulted in an increase (+ 10%) in operating costs. More than 300 new employees joined BKW in the first half of 2019 as a result of the acquisitions made. Meanwhile, operating costs were reduced again in organic business (–2%). There was a slight reduction in the number of personnel in the traditional business. As at the end of June, BKW had around 8,000 employees in total.

The new IFRS standard on leases was adopted on 1 January 2019. The new standard stipulates that almost all assets (right to use the leased asset) and liabilities arising from leases are recognised in the balance sheet. The change in the recognition of lease expenses for operating leases increased operating profit before depreciation, amortisation and impairment in the income statement by CHF 12 million. However, the amount of depreciation on the newly recognised right-of-use assets increased by a similar amount, which is why there was only a minor impact on operating profit.

**Positive financial result thanks to the performance of the decommissioning and waste disposal funds**

In the first half of 2019, the financial result was positive at CHF 42 million (previous year: –CHF 56 million). The reason for the noticeable increase was the performance of the state decommissioning and waste disposal funds. After being slightly negative in the previous year, the return on investment was very good in the first half of 2019. The positive development of the stock markets led to an 8% gain in the decommissioning and waste disposal funds. The funds were valued at CHF 1.2 billion as at the end of June.

**Energy: negative impact of electricity prices more than 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.

CHF millions	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	% change
Electricity sales Switzerland	246.7	264.1	7 %
Other electricity sales	387.2	383.7	-1 %
Other operating income and own work capitalised	13.4	24.5	83 %
<b>Total operating income</b>	<b>647.3</b>	<b>672.3</b>	<b>4 %</b>
Energy procurement	-399.9	-372.5	-7 %
Operating costs	-153.3	-150.2	-2 %
– Personnel expenses	-60.4	-51.8	-14 %
– Material and third-party services and other operating expenses	-92.9	-98.4	6 %
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>94.1</b>	<b>149.6</b>	<b>59 %</b>
Depreciation, amortisation and impairment	-38.7	-51.1	32 %
Income from associates	16.8	16.0	-5 %
<b>Operating profit</b>	<b>72.2</b>	<b>114.5</b>	<b>59 %</b>

Low electricity prices continued to negatively impact revenue in the Energy business in the first half of 2019. Electricity sales in 2019 were largely hedged three years ago at lower average prices than in the previous year (total CHF –60 million). But the negative impact of the lower electricity prices was more than compensated for by additional volumes in the production of wind farms, a successful trading business and higher volumes in the distribution business. At CHF 672 million, total operating income was 4% higher than in the previous year. In the regulated Swiss distribution business, weather conditions had a slightly adverse effect on sales to private customers. On the other hand, business customers were won, so that the electricity sales through distribution channels increased by 0.4 TWh to 4.1 TWh. Accordingly, sales revenue rose by 7%. Revenue from the other Energy business (market sales, direct sales from power plants and trading activities) fell by only 1% despite the negative impact of price factors.

Energy procurement costs were down by CHF 27 million to CHF 373 million. This is due to lower costs for procurement on the market and lower procurement costs at the partner plants. Total electricity production fell by 5.7 TWh (-0.4 TWh) in comparison to the previous year. This decline was due in particular to market-related shortfalls in production volumes from fossil-fuel power plants. However, wind farms increased their volume due to good wind conditions.

Operating costs fell by 2% to CHF 150 million thanks to further consistent cost management. At CHF 115 million, the operating profit was markedly higher than in the previous year (+59%). The effect of the renewed negative trend in electricity prices was therefore offset substantially.

**Grid: stable contribution operating profit**

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

CHF millions	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	% change
Distribution grid usage fees	243.1	236.0	-3 %
Other operating income and own work capitalised	36.1	29.3	-19 %
<b>Total operating income</b>	<b>279.2</b>	<b>265.3</b>	<b>-5 %</b>
Energy transport expense	-51.2	-52.1	2 %
Operating costs	-95.3	-92.7	-3 %
– Personnel expenses	-38.6	-33.4	-13 %
– Material and third-party services and other operating expenses	-56.7	-59.3	5 %
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>132.7</b>	<b>120.5</b>	<b>-9 %</b>
Depreciation, amortisation and impairment	-42.1	-40.8	-3 %
Income from associates	11.7	11.6	-1 %
<b>Operating profit</b>	<b>102.3</b>	<b>91.3</b>	<b>-11 %</b>

At CHF 265 million, total operating income from the Grid business was 5% lower than the previous year's figure. Revenue from distribution grid usage fees decreased by 3% to CHF 236 million. This decrease was mainly due to lower volumes of distributed power and lower costs associated with the transmission grid. Own work capitalised in grid construction is below the figure for the same period in the previous year, contributing to the decline in total operating income.

Expenses for energy transport remained stable overall. Operating costs were slightly lower as a result of organisational changes as well as consistent cost management.

At CHF 91 million, the operating profit was stable overall, taking into account the lower volumes of distributed power.

**Services: further profitable growth**

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

CHF millions	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	% change
Revenue from services	379.1	457.7	21 %
Other operating income	15.9	17.3	9 %
<b>Total operating income</b>	<b>395.0</b>	<b>475.0</b>	<b>20 %</b>
Operating costs	-364.6	-429.5	18 %
– Personnel expenses	-187.8	-224.6	20 %
– Material and third-party services and other operating expenses	-176.8	-204.9	16 %
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>30.4</b>	<b>45.5</b>	<b>50 %</b>
Depreciation, amortisation and impairment	-11.9	-21.6	82 %
<b>Operating profit</b>	<b>18.5</b>	<b>23.9</b>	<b>29 %</b>

In the first half of 2019, the Services business expanded further and total operating income increased by 20% to reach CHF 475 million. The repeated double-digit growth rate was largely due to acquisitions. BKW made a total of seven acquisitions in the first six months. In Germany, the Engineering business is being further expanded and strengthened with skills in testing and construction, supplemented by architectural skills for general planning. In the building solutions area, BKW is making targeted acquisitions to complement its network of companies across Switzerland that are optimised both geographically and technically. Growth in Infra Services is well above the market as a whole and purely organic.

Operating costs also increased due to the strong growth in revenue. The reported figures continue to include temporary acquisition and integration costs that have a negative impact on expenses. The operating profit of the Services business increased to CHF 24 million (29%) in the first half of the year. This represents disproportionately high growth compared to sales. The margin has therefore been improved, despite acquisition-related costs. A stronger second half of the year is expected due to the heavily seasonal nature of the industry (especially in the areas of infra services and building solutions).

### Funds from operations at record level

Funds from operations amounted to CHF 244 million (previous year: CHF 194 million), exceeding the already strong previous year's figures and reaching the highest in recent years. Before utilisation of provisions for nuclear decommissioning and waste disposal, funds from operations amounted to CHF 268 million (+ 23%).

The reported cash flow from operating activities includes not only cash flows from operating activities, but also the utilisation of provisions for nuclear decommissioning and waste disposal. Most of these utilisations lead to refund claims against the state-run decommissioning and waste disposal funds. To improve comparability and interpretability, BKW therefore uses the key figures "funds from operations before utilisation of nuclear provisions" and "cash flow from operating activities before utilisation of nuclear provisions". This cash flow amounted to CHF 156 million (previous year: CHF 129 million) and was 22% higher than in the previous year. Reported operating cash flow for the first half of 2019 amounted to CHF 132 million (previous year: CHF 104 million).

Investments in expansion of the Services business, in new power plants, and in the grid infrastructure amounted to CHF 141 million in the first half of 2019 (previous year: CHF 237 million). Around half of this was invested in the strategic growth areas of services and renewable energies. About CHF 70 million was invested in replacement/maintenance, especially the grid. Acquisitions and investments were financed from the funds generated internally in the first half of 2019. Short-term liquidity, including current financial assets, remained unchanged at around CHF 1 billion at the end of the first half-year.

CHF millions	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	% change
Funds from operations before utilisation of nuclear provisions	218.7	268.3	23 %
Funds from operations	194.4	244.2	26 %
Cash flow from operating activities before utilisation of nuclear provisions	128.5	156.3	22 %
Utilisation of nuclear provisions with no claim to refunds of state funds	-0.8	-1.7	
Utilisation of nuclear provisions with a claim to refunds of state funds	-23.5	-22.4	
Cash flow from operating activities	104.2	132.2	27 %

**Equity and financing situation: financial and operational flexibility unchanged**

The balance sheet total rose slightly by 0.9% to year-end, to about CHF 9.1 billion. The main reason for the increase was the first-time application of the new IFRS 16 lease standard, which initially boosted non-current assets by around CHF 140 million and the lease liabilities by the same amount. Owing to the strong half-year results, the equity ratio rose to 39.0% (end of 2018: 38.4%).

<b>CHF millions</b>	31.12.2018	30.06.2019
Current assets	2,242.8	2,132.6
Non-current assets	6,810.5	6,998.4
Current liabilities	1,547.0	1,473.1
Non-current liabilities	4,034.0	4,095.1
Shareholders' equity	3,472.3	3,562.8
<b>Balance sheet total</b>	<b>9,053.3</b>	<b>9,131.0</b>

BKW's financing situation remains solid. Net debt (financial liabilities less current financial assets and cash and cash equivalents) were higher by CHF 211 million at the half-year point at CHF 686 million. The main reason for the increase of this key figure was the first-time application of the new lease standard IFRS 16. Excluding this accounting effect, the increase would have amounted to only CHF 80 million. The latter is due to investing and acquisition activity in the first half of 2019.

In July 2019, the CHF 350 million bond due was repaid. At the same time, BKW successfully issued a 0.25% green bond worth CHF 200 million with a term of eight years. The partial refinancing will produce future interest savings of around CHF 11 million. In addition, BKW continues to have access to an unused syndicated loan totalling around CHF 250 million. The financial framework necessary for implementing and safeguarding financial and operational flexibility is sufficient and thus ensured at all times.

HALF-YEAR REPORT 2019

# Half-Year Financial Statements of the BKW Group

# Consolidated Income Statement

CHF millions	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Net sales	1,217.5	1,299.8
Own work capitalised	31.7	33.9
Other operating income	32.0	36.5
<b>Total operating income</b>	<b>1,281.2</b>	<b>1,370.2</b>
Energy procurement/transport	-450.8	-424.6
Material and third-party services	-154.9	-178.8
Personnel expenses	-276.7	-356.9
Other operating expenses	-101.8	-106.6
<b>Total operating expenses</b>	<b>-984.2</b>	<b>-1,066.9</b>
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>297.0</b>	<b>303.3</b>
Depreciation, amortisation and impairment	-100.5	-123.6
Income from associates	27.1	27.7
<b>Operating profit</b>	<b>223.6</b>	<b>207.4</b>
Financial income	6.1	99.6
Financial expenses	-62.2	-58.1
<b>Profit/loss before income taxes</b>	<b>167.5</b>	<b>248.9</b>
Income taxes	-41.2	-48.0
<b>Net profit</b>	<b>126.3</b>	<b>200.9</b>
attributable to:		
– BKW shareholders	119.1	191.8
– Non-controlling interests	7.2	9.1
Earnings per share in CHF (undiluted)	2.28	3.64
Earnings per share in CHF (diluted)	2.26	3.64



# Consolidated Statement of Comprehensive Income

<b>CHF millions</b>	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
<b>Net profit</b>	<b>126.3</b>	<b>200.9</b>
Actuarial gains/losses (Group companies)		
– Actuarial gains/losses (-)	16.3	7.9
– Income taxes	-3.6	-1.7
Actuarial gains/losses (associates)		
– Actuarial gains/losses (-)	15.2	-4.8
– Income taxes	-1.7	0.3
Financial assets at fair value through other comprehensive income		
– Value adjustments	-0.4	0.0
<b>Total items that will not be reclassified to income statement, net of tax</b>	<b>25.8</b>	<b>1.7</b>
Currency translations		
– Currency translations	-13.9	-17.1
Hedging transactions		
– Value adjustments	-0.3	0.0
– Income taxes	0.5	0.0
<b>Total items that may be reclassified to income statement, net of tax</b>	<b>-13.7</b>	<b>-17.1</b>
<b>Other comprehensive income</b>	<b>12.1</b>	<b>-15.4</b>
<b>Comprehensive income</b>	<b>138.4</b>	<b>185.5</b>
attributable to:		
– BKW shareholders	128.0	176.8
– Non-controlling interests	10.4	8.7

# Consolidated Balance Sheet

CHF millions	31.12.2018	30.06.2019
<b>Assets</b>		
Cash and cash equivalents	817.4	799.5
Trade accounts receivable and other receivables	720.1	665.9
Work in progress	93.3	127.2
Current tax receivables	19.6	23.7
Financial assets	277.5	200.4
Derivatives	197.7	133.1
Inventories	43.5	51.2
Prepaid expenses and accrued income	73.7	131.6
<b>Total current assets</b>	<b>2,242.8</b>	<b>2,132.6</b>
Financial assets	1,279.2	1,340.3
Derivatives	35.4	16.5
Investments in associates	1,481.7	1,476.3
Property, plant and equipment	3,234.8	3,368.7
Intangible assets	747.4	765.3
Deferred tax receivables	32.0	31.3
<b>Total non-current assets</b>	<b>6,810.5</b>	<b>6,998.4</b>
<b>Total assets</b>	<b>9,053.3</b>	<b>9,131.0</b>
<b>Shareholders' equity and liabilities</b>		
Trade accounts payable and other liabilities	551.0	589.5
Prepayments received for work in progress	41.5	37.3
Current tax liabilities	41.2	43.8
Financial liabilities	413.3	427.9
Derivatives	192.5	104.8
Provisions	67.6	69.8
Deferred income and accrued expenses	239.9	200.0
<b>Total current liabilities</b>	<b>1,547.0</b>	<b>1,473.1</b>
Financial liabilities	1,156.1	1,257.7
Derivatives	52.9	40.1
Pension liability	195.7	197.9
Other liabilities	407.7	383.0
Provisions	1,777.2	1,765.5
Deferred tax liabilities	444.4	450.9
<b>Total non-current liabilities</b>	<b>4,034.0</b>	<b>4,095.1</b>
<b>Total liabilities</b>	<b>5,581.0</b>	<b>5,568.2</b>
Share capital	132.0	132.0
Capital reserves	41.3	41.3
Retained earnings	3,270.6	3,368.7
Other reserves	-240.3	-255.3
Treasury shares	-4.8	-2.9
<b>Equity attributable to BKW shareholders</b>	<b>3,198.8</b>	<b>3,283.8</b>
Equity attributable to non-controlling interests	273.5	279.0
<b>Total shareholders' equity</b>	<b>3,472.3</b>	<b>3,562.8</b>
<b>Total shareholders' equity and liabilities</b>	<b>9,053.3</b>	<b>9,131.0</b>

# 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
<b>Equity at 31.12.2017</b>	<b>132.0</b>	<b>41.3</b>	<b>3,206.5</b>	<b>-171.7</b>	<b>-65.8</b>	<b>3,142.3</b>	<b>264.0</b>	<b>3,406.3</b>
Effect from adoption of IFRS 9			-1.6			-1.6		-1.6
<b>Equity at 01.01.2018 (restated)</b>	<b>132.0</b>	<b>41.3</b>	<b>3,204.9</b>	<b>-171.7</b>	<b>-65.8</b>	<b>3,140.7</b>	<b>264.0</b>	<b>3,404.7</b>
Net profit			119.1			119.1	7.2	126.3
Other comprehensive income				8.9		8.9	3.2	12.1
<b>Comprehensive income</b>			<b>119.1</b>	<b>8.9</b>		<b>128.0</b>	<b>10.4</b>	<b>138.4</b>
Dividend			-94.3			-94.3	-2.8	-97.1
Transactions in treasury shares			-30.4		63.4	33.0		33.0
Share-based payments			2.8			2.8		2.8
Changes in the scope of consolidation						0.0	0.3	0.3
<b>Equity at 30.06.2018</b>	<b>132.0</b>	<b>41.3</b>	<b>3,202.1</b>	<b>-162.8</b>	<b>-2.4</b>	<b>3,210.2</b>	<b>271.9</b>	<b>3,482.1</b>
<b>Equity at 31.12.2018</b>	<b>132.0</b>	<b>41.3</b>	<b>3,270.6</b>	<b>-240.3</b>	<b>-4.8</b>	<b>3,198.8</b>	<b>273.5</b>	<b>3,472.3</b>
Net profit			191.8			191.8	9.1	200.9
Other comprehensive income				-15.0		-15.0	-0.4	-15.4
<b>Comprehensive income</b>			<b>191.8</b>	<b>-15.0</b>		<b>176.8</b>	<b>8.7</b>	<b>185.5</b>
Dividend			-95.0			-95.0	-1.3	-96.3
Transactions in treasury shares			-3.3		1.9	-1.4		-1.4
Share-based payments			3.2			3.2		3.2
Acquisition of non-controlling interests			-0.1			-0.1	-1.3	-1.4
Changes in the scope of consolidation						0.0	-0.6	-0.6
Change in liabilities relating to non-controlling interests			1.5			1.5		1.5
<b>Equity at 30.06.2019</b>	<b>132.0</b>	<b>41.3</b>	<b>3,368.7</b>	<b>-255.3</b>	<b>-2.9</b>	<b>3,283.8</b>	<b>279.0</b>	<b>3,562.8</b>

# Consolidated Cash Flow Statement

CHF millions	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Profit/loss before income taxes	167.5	248.9
Adjustment for non-cash transactions	51.2	19.4
Change in net working capital (excl. financial assets/liabilities and derivatives)	-58.7	-62.5
Income taxes paid	-30.4	-48.2
Other financial items paid	-1.1	-1.3
<b>Cash flow from operating activities before utilisation of nuclear provisions</b>	<b>128.5</b>	<b>156.3</b>
Utilisation of nuclear provisions with no claim to refunds of state funds	-0.8	-1.7
Utilisation of nuclear provisions with a claim to refunds of state funds	-23.5	-22.4
<b>Cash flow from operating activities</b>	<b>104.2</b>	<b>132.2</b>
Investments in property, plant and equipment	-138.4	-100.5
Disposal of property, plant and equipment	18.3	4.0
Acquisition of Group companies	-48.8	-36.8
Disposals of Group companies	0.0	1.4
Investments in associates	-28.4	0.0
Disposals of associates	6.1	11.4
Payments into decommissioning and waste disposal funds	-8.6	-10.6
Refunds of decommissioning and waste disposal funds	0.0	24.2
Investments in other current and non-current financial assets	-34.4	-2.3
Disposals of other current and non-current financial assets	148.9	81.4
Investments in intangible assets	-16.0	-5.1
Disposals of intangible assets	0.2	0.0
Interest received	2.2	2.4
Dividends received	7.0	7.7
<b>Cash flow from investing activities</b>	<b>-91.9</b>	<b>-22.8</b>
Sale/purchase of treasury shares	-2.7	-1.5
Acquisition of non-controlling interests	0.0	-1.4
Increase in current and non-current financial liabilities	15.0	3.4
Decrease in current and non-current financial liabilities	-36.8	-29.2
Increase in other long-term liabilities	9.2	8.4
Decrease in other long-term liabilities	-3.8	-0.1
Interest paid	-7.9	-8.2
Dividends paid	-97.1	-96.3
<b>Cash flow from financing activities</b>	<b>-124.1</b>	<b>-124.9</b>
Translation adjustments on cash and cash equivalents	-0.9	-2.4
<b>Net change in cash and cash equivalents</b>	<b>-112.7</b>	<b>-17.9</b>
<b>Cash and cash equivalents at start of reporting period</b>	<b>825.5</b>	<b>817.4</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>712.8</b>	<b>799.5</b>

# Notes to the Half-Year 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 unaudited, consolidated half-year financial statements for the half-year ended 30 June 2019 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34) and should be read in conjunction with the consolidated financial statements to 31 December 2018. These half-year financial statements have been drawn up in accordance with the principles described in the Financial Report 2018 (pages 23 to 41). The consolidated half-year financial statements for the period ended 30 June 2019 were approved by the BKW AG Board of Directors on 29 August 2019 and released for publication.

The preparation of this Half-Year Report entailed assumptions and estimates. Actual results may differ from these estimates.

### 2.2 Adoption of new standards and interpretations

From 1 January 2019 BKW has applied various new and amended standards and interpretations which, with the exception of the changes brought by IFRS 16 as described in Note 3, have no material impact on BKW's financial position, results of operations or cash flows.

### 2.3 Future adoption of new standards and interpretations

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

- Amendments to IFRS 3 “Definition of a Business” (1 January 2020)
- Amendments to IAS 1 and IAS 8 – “Definition of materiality” (1 January 2020)
- Changes in references to the framework in IFRS standards (1 January 2020)
- Amendments to IFRS 10 and IAS 28 – “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (to be determined)

No material effects on BKW's consolidated financial statements are expected.

## 2.4 Foreign currency exchange rates

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

	Closing date 31.12.2018	Closing date 30.06.2019	Average 1 <sup>st</sup> half-year 2018	Average 1 <sup>st</sup> half-year 2019
EUR/CHF	1.1269	1.1105	1.1698	1.1296

## 3 Changes to accounting principles

The first-time application of IFRS 16 had a material impact on the consolidated half-year financial statements. The effects of IFRS 16 are explained in more detail below, along with the accounting and measurement principles that have applied since 1 January 2019 or that differ from existing principles.

### IFRS 16 – “Leases”

IFRS 16 amends the rules on accounting for leases and replaces the previous standard IAS 17 and related interpretations. The standard provides a single accounting model for lessees, which means that almost all assets (right of use to the leased asset) and liabilities from leases must be recognised in the balance sheet. The distinction between operating and finance leases does not apply to lessees. The right of use is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset. The lease liability is carried forward using the effective interest method and taking lease payments into account. The lease liability is discounted by applying incremental borrowing rates specific to maturities and countries, unless the interest rate on which the lease payments are based is available. In the cash flow statement, the amortisation amount of the newly recognised leases reduces the cash flow from financing activities. Previously, lease payments from operating leases reduced the cash flow from operating activities. Interest payments continue to be reported as cash flows from financing activities.

Lessor accounting essentially corresponds to the former rules of IAS 17. Lessors continue to classify operating and finance leases on the basis of the distribution of opportunities and risks arising from the asset.

IFRS 16 was adopted using the modified retrospective approach. The comparative figures for the 2018 financial year have not been restated.

Using the option provided for in the standard, it was elected to keep the previous assessment under IAS 17 and IFRIC 4 instead of reassessing whether a lease that was concluded before the date of transition was or contained a lease at the date of initial application. BKW has also made use of the simplifications relating to the accounting for short-term and low-value leases. Payments made under leases with a term of no more than 12 months and leases in which the underlying asset is of low value are expensed linearly over the lease term, as permitted under the option provided. At the date of initial application, leases that expire before 1 January 2020 were classified as current leases regardless of the lease's inception date.

With the transition to IFRS 16, right-of-use assets of CHF 139.7 million ("property, plant and equipment" balance sheet item) and lease liabilities ("financial liabilities" balance sheet item) in the same amount were recognised as at 1 January 2019. The transition had no effect on equity as at 1 January 2019.

Based on the operating lease liabilities as at 31 December 2018, the following reconciliation was made to the opening balance sheet value of the lease liabilities as at 1 January 2019:

	CHF millions
Operating lease commitments as at 31.12.2018	82.0
Minimum lease payments (notional amount) on finance lease liabilities as at 31.12.2018	36.6
Relief option for short-term leases	-2.0
Relief option for leases of low-value assets	-1.5
Reasonably certain extension and termination options	79.1
<b>Gross lease liabilities as at 01.01.2019</b>	<b>194.2</b>
Discounting	-24.1
<b>Lease liabilities as at 01.01.2019</b>	<b>170.1</b>
Present value of finance lease liabilities as at 31.12.2018	-30.4
<b>Additional lease liabilities as a result of the initial application of IFRS 16 as at 01.01.2019</b>	<b>139.7</b>

The additional lease liabilities shown in the balance sheet were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average interest rate was 2.3%.

Payments from prior operating leases will no longer be recorded under "Other operating expenses". In the income statement, this increased the operating profit before depreciation, amortisation and impairment by CHF 12.1 million. However, the amount of depreciation on the newly recognised right-of-use assets was similar, which is why there was only a minor impact on operating profit.

As at 30 June 2019, the following right-of-use assets and financial liabilities from leases existed in the balance sheet:

CHF millions	30.06.2019
<b>Non-current assets</b>	
<b>Right-of-use assets</b>	
Power plants	64.6
Distribution grid	5.3
Buildings and land	124.7
– of which land lease for wind parks	40.7
Other property, plant and equipment	4.2
<b>Total</b>	<b>198.8</b>
<b>Financial Liabilities</b>	
Current lease liabilities	27.9
Non-current lease liabilities	133.0
<b>Total</b>	<b>160.9</b>

## 4 Business combinations

### Business combinations 1<sup>st</sup> half-year 2019

CHF millions	Miscellaneous
Cash and cash equivalents	5.8
Trade accounts receivable	7.7
Other current assets	5.9
Financial assets	1.6
Property, plant and equipment	7.3
Intangible assets	5.1
Deferred tax assets	0.4
Current liabilities	-10.7
Non-current financial liabilities	-4.9
Non-current provisions	-0.4
Deferred tax liabilities	-1.5
Pension liability	-5.2
<b>Fair value of acquired net assets</b>	<b>11.0</b>
Goodwill	31.3
<b>Purchase price</b>	<b>42.3</b>
Cash and cash equivalents acquired	-5.8
Deferred and contingent purchase price liabilities	-8.3
Deferred and uncontingent purchase price liabilities	-3.2
<b>Cash outflow</b>	<b>25.0</b>

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

BKW made the following corporate acquisitions in the first half of 2019. All of the businesses acquired have been assigned to the Services segment. Due to the number of acquisitions, their key financial figures and their allocation to the same segment, aggregated figures are shown with no separate presentation of individual business combinations. In the engineering sector in Germany, BKW acquired 100% of the shares in Institut Gauer GmbH, Dr.-Ing. Gauer Ingenieurgesellschaft mbH, KMT Planungsgesellschaft mbH and KMT Port Consult GmbH. Hascher Jehle Architektur was also taken over.

In the building solutions area, 100% of the shares in WAB Technique S.à.r.l., Jaggi & Rieder AG, TECPLAN AG, Hensel AG Elektrotechnische Unternehmungen and ASAG Air System AG were acquired in Switzerland.

The transactions created total goodwill of CHF 31.3 million. The goodwill recognised is mainly attributable to the expected future synergies and the acquisition of a qualified workforce. There are no material value adjustments in trade accounts receivable.



The contingent purchase price liabilities recognised on the acquisition date are due depending on the future economic growth of the companies. The transaction costs amounted to CHF 0.5 million.

Had the companies already been acquired as at 1 January 2019, total operating income for the first half of 2019 would have been CHF 11.1 million higher and net profit CHF 0.2 million higher.

Between the point at which the individual companies were fully consolidated and 30 June 2019, the acquired companies recorded cumulative total operating income of CHF 10.4 million and a total net profit of CHF 0.4 million.

In the first half-year of 2019, CHF 10.1 million was paid for conditional purchase price liabilities and CHF 3.1 million for unconditional purchase price liabilities for acquisitions made in prior years.

#### Business combinations 1<sup>st</sup> half-year 2018

CHF millions	Miscellaneous
Cash and cash equivalents	5.4
Trade accounts receivable	5.4
Other current assets	5.8
Financial assets	0.2
Property, plant and equipment	1.6
Intangible assets	16.1
Deferred tax assets	0.0
Current liabilities	-7.2
Non-current financial liabilities	-0.4
Non-current provisions	-0.5
Deferred tax liabilities	-3.1
Pension liability	-1.8
Other non-current liabilities	0.0
<b>Fair value of acquired net assets</b>	<b>21.5</b>
Non-controlling interests	-0.1
Fair value of interests already held	0.0
Goodwill	41.8
<b>Purchase price</b>	<b>63.2</b>
Cash and cash equivalents acquired	-5.4
Deferred and contingent purchase price liabilities	-13.4
Deferred and uncontingent purchase price liabilities	-3.8
<b>Cash outflow</b>	<b>40.6</b>

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 only resulted in very minor changes.

BKW made the following corporate acquisitions in the first half of 2018. All of the businesses acquired have been assigned to the Services segment. Due to the number of acquisitions, their key financial figures and their allocation to the same segment, aggregated figures were shown with no separate presentation of individual business combinations.

In the area of infrastructure engineering 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 and WALD + CoRBE Infrastrukturplanung GmbH. Podufal-Wiehofsky Architektin und beratender Ingenieur PartmbB was also taken over.

In the building technology sector, BKW acquired the electrical installation companies Michel Rime AG, Elektro Winter AG and Werner Electro AG in Switzerland.

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

The transactions created goodwill of CHF 41.8 million. The goodwill recognised is mainly attributable to the expected future synergies and the acquisition of a qualified workforce. There are no material value adjustments in trade accounts receivable.

The contingent purchase price liabilities recognised on the acquisition date are due depending on the future economic growth of the companies. The transaction costs amounted to CHF 0.5 million.

Had the companies already been acquired as at 1 January 2018, total operating income for the first half of 2018 would have been CHF 6.3 million higher and net profit CHF 1.3 million higher. Between the point at which the individual companies were fully consolidated and 30 June 2018, the acquired companies recorded cumulative total operating income of CHF 14.2 million and a total net profit of CHF 0.5 million.

In the first half-year of 2018, CHF 3.6 million was paid for conditional purchase price liabilities and CHF 4.6 million for unconditional purchase price liabilities for acquisitions made in prior years.

## 5 Seasonality and fluctuations in business over the year

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

## 6 Segment reporting

Segments and segment results are defined on the basis of the management approach. In 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 and heat and for trading in electricity, certificates and raw materials.
- The Grid segment builds, operates and maintains BKW's distribution grid.
- 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).

The column "Other" covers activities that are centrally managed within the Group. These are primarily central services, real estate, fleet management and procurement. Some of the costs that arise in conjunction with the build-up of 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

<b>1<sup>st</sup> half-year 2019</b>	Energy	Grid	Services	Other	Consoli- dation	Total
<b>CHF millions</b>						
External revenue	658.6	261.5	425.0	10.0	15.1	1,370.2
– Net sales	639.3	244.1	416.3	0.1		1,299.8
– Own work capitalised	2.5	15.6	0.1	0.6	15.1	33.9
– Other operating income	16.8	1.8	8.6	9.3	0.0	36.5
Internal revenue	13.7	3.8	50.0	69.0	–136.5	0.0
– Net sales	8.5	0.4	41.4		–50.3	0.0
– Other operating income	5.2	3.4	8.6	69.0	–86.2	0.0
<b>Total operating income</b>	<b>672.3</b>	<b>265.3</b>	<b>475.0</b>	<b>79.0</b>	<b>–121.4</b>	<b>1,370.2</b>
Total operating expenses	–522.7	–144.8	–429.5	–88.9	119.0	–1,066.9
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>149.6</b>	<b>120.5</b>	<b>45.5</b>	<b>–9.9</b>	<b>–2.4</b>	<b>303.3</b>
Depreciation, amortisation and impairment	–51.1	–40.8	–21.6	–11.5	1.4	–123.6
Income from associates	16.0	11.6	0.0	0.1		27.7
<b>Operating profit/loss</b>	<b>114.5</b>	<b>91.3</b>	<b>23.9</b>	<b>–21.3</b>	<b>–1.0</b>	<b>207.4</b>
Financial result						41.5
Profit/loss before income taxes						248.9
			Switzerland	Foreign countries	Switzerland	Foreign countries
<b>CHF millions</b>			1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	1 <sup>st</sup> half-year 2019
Energy			396.4	230.0	364.2	275.1
Grid			250.7	0.0	244.1	0.0
Services			258.2	81.8	295.9	120.4
Other			0.4	0.0	0.1	0.0
<b>Total net sales</b>			<b>905.7</b>	<b>311.8</b>	<b>904.3</b>	<b>395.5</b>

<b>1<sup>st</sup> half-year 2018</b>						
<b>CHF millions</b>	Energy	Grid	Services	Other	Consoli- dation	Total
External revenue	633.2	269.7	350.5	14.0	13.8	1,281.2
– Net sales	626.4	250.7	340.0	0.4		1,217.5
– Own work capitalised	1.2	15.4		1.3	13.8	31.7
– Other operating income	5.6	3.6	10.5	12.3		32.0
Internal revenue	14.1	9.5	44.5	59.5	–127.6	0.0
– Net sales	7.6	0.5	39.1		–47.2	0.0
– Other operating income	6.5	9.0	5.4	59.5	–80.4	0.0
<b>Total operating income</b>	<b>647.3</b>	<b>279.2</b>	<b>395.0</b>	<b>73.5</b>	<b>–113.8</b>	<b>1,281.2</b>
Total operating expenses	–553.2	–146.5	–364.6	–31.4	111.5	–984.2
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>94.1</b>	<b>132.7</b>	<b>30.4</b>	<b>42.1</b>	<b>–2.3</b>	<b>297.0</b>
Depreciation, amortisation and impairment	–38.7	–42.1	–11.9	–9.1	1.3	–100.5
Income from associates	16.8	11.7		–1.4		27.1
<b>Operating profit/loss</b>	<b>72.2</b>	<b>102.3</b>	<b>18.5</b>	<b>31.6</b>	<b>–1.0</b>	<b>223.6</b>
Financial result						–56.1
Profit/loss before income taxes						167.5

## 7 Energy procurement/transport

<b>CHF millions</b>	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Cost of energy procurement from third parties and associates	423.3	394.3
Provision for onerous energy procurement contracts		
– Provisions used	–19.9	–17.9
– Provisions added	0.0	0.0
– Provisions released	–3.9	–3.9
<b>Total energy procurement expenses</b>	<b>399.5</b>	<b>372.5</b>
Energy transport expenses	51.3	52.1
<b>Total</b>	<b>450.8</b>	<b>424.6</b>

## 8 Financial result

<b>CHF millions</b>	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Interest income	3.1	3.1
Dividend income	0.1	0.1
Value adjustment on state funds	0.0	94.4
Gains from the disposal of financial assets	0.0	0.5
Net gains on financial assets at fair value through profit or loss	0.0	0.7
Currency translations	1.4	0.0
Other financial income	1.5	0.8
<b>Financial income</b>	<b>6.1</b>	<b>99.6</b>
Interest expenses	-24.9	-24.0
Interest on provisions	-31.6	-30.8
Value adjustment on state funds	-2.3	0.0
Losses from the disposal of financial assets	-0.5	-0.1
Net losses on financial assets at fair value through profit or loss	-0.8	0.0
Currency translations	0.0	-0.7
Other financial expenses	-2.1	-2.5
<b>Financial expenses</b>	<b>-62.2</b>	<b>-58.1</b>
<b>Financial result</b>	<b>-56.1</b>	<b>41.5</b>

## 9 Dividends

In accordance with the decision made at the BKW AG Annual General Meeting held on 24 May 2019, a dividend of CHF 1.80 (previous year: CHF 1.80) per share was paid for the 2018 financial year.

## 10 Employee pension plans

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

The conversion resulted in a one-off, non-cash effect of CHF 52.4 million in the 2018 half-year financial statements. Operating expenses for the first half of 2018 were lower by this amount. The reason for the one-off effect was the new pension scheme commitment based on a defined contribution plan, which by virtue of its configuration is lower than for a defined benefit plan. From 2019, the current service cost will be slightly lower than before owing to the change in the defined benefit plan.

## 11 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified according to a hierarchical structure for the purposes of valuation. The allocation is based on the principles described on page 86 of the 2018 Financial Report, which remain unchanged. As in the same period last year, there were no transfers between the different levels during the period under review.

CHF millions	Carrying amount at 30.06.2019	Level 1	Level 2	Level 3
<b>Financial assets at fair value through profit or loss</b>				
Current financial assets				
– Debt instruments	73.6	43.8	29.8	
Inventories				
– Certificates (proprietary trading)	13.7	13.7		
Derivatives (current and non-current)	149.6		149.6	
Non-current financial assets				
– Receivables from state funds	1,250.5		1,250.5	
<b>Financial assets at fair value through other comprehensive income</b>				
Non-current financial assets				
– Equity instruments	7.3			7.3
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives (current and non-current)	144.9		144.9	
Other financial liabilities				
– Contingent purchase price liabilities	53.2			53.2
– Liabilities relating to non-controlling interests	6.5			6.5

In addition, the liabilities on 30 June 2019 include bonds in the amount of CHF 110.2 million (31 December 2018: CHF 111.8 million) as part of a fair value hedge (Level 2) measured at fair value.

CHF millions	Carrying amount at 31.12.2018	Level 1	Level 2	Level 3
<b>Financial assets at fair value through profit or loss</b>				
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	
<b>Financial assets at fair value through other comprehensive income</b>				
Non-current financial assets				
– Equity instruments	7.4			7.4
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives (current and non-current)	245.4		245.4	
Other financial liabilities				
– Contingent purchase price liabilities	56.8			56.8
– Liabilities relating to non-controlling interests	8.1			8.1

The Level 3 assets and liabilities measured at fair value developed as follows in the first half of 2019:

CHF millions	Equity instruments		Contingent purchase prices		Liabilities to non-controlling interests	
	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
<b>At 01.01.</b>	<b>8.6</b>	<b>7.4</b>	<b>41.4</b>	<b>56.8</b>	<b>11.7</b>	<b>8.1</b>
Additions	0.1	0.2	13.4	8.3		
Disposals	0.0	-0.3	-3.6	-8.8		-1.5
Value adjustment						
– Transfer to income statement			-6.7	-2.6		
– Changes in value included in other comprehensive income	-0.4	0.0	-0.2	-0.5	0.0	-0.1
<b>At 30.06</b>	<b>8.3</b>	<b>7.3</b>	<b>44.3</b>	<b>53.2</b>	<b>11.7</b>	<b>6.5</b>

## 12 Financial assets and liabilities measured at amortised cost

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

Due to short residual terms to maturity, the carrying amounts of financial liabilities at amortised cost correspond approximately to the fair value. A difference exists between these values in respect of the bonds, which are included under financial liabilities. The market price of the bonds (fair value Level 1) as at the reporting date was CHF 1,140.4 million, while the carrying amount was CHF 1,042.5 million. At 31 December 2018, the corresponding market price was CHF 1,118.9 million and the carrying amount CHF 1,043.4 million.



### 13 Additional disclosures on the cash flow statement

CHF millions	31.12.2018	30.06.2019
Bank and cash balances	602.9	699.6
Term deposits	214.5	99.9
<b>Total cash and cash equivalents</b>	<b>817.4</b>	<b>799.5</b>

CHF millions	30.06.2018	30.06.2019
Depreciation, amortisation and impairment	100.5	123.6
Income from associates	-27.1	-27.7
Financial result	56.1	-41.5
Gains/losses from sale of non-current assets	-5.3	1.6
Change in non-current provisions (excl. interest and excl. utilisation of nuclear provisions)	-23.8	-21.2
Change in assigned rights of use	-5.4	-5.9
Change from the valuation of energy derivatives	9.4	-17.8
Other non-cash positions	-53.2	8.3
<b>Total adjustment for non-cash transactions</b>	<b>51.2</b>	<b>19.4</b>

#### Sub-total "cash flow from operating activities before utilisation of nuclear provisions"

To ensure better interpretability and comparability of the effective operating cash flow, the "cash flow from operating activities" item now includes a sub-total of the cash flow before utilisation of provisions for nuclear decommissioning and waste disposal.

This is because the costs for nuclear decommissioning and waste disposal have already been incurred in connection with the decommissioning of the Mühleberg Nuclear Power Plant and will continue to be incurred in the future. These costs represent the utilisation of existing provisions and are therefore charged to "cash flow from operating activities" determined in accordance with IAS 7. However, the nuclear decommissioning is not related to BKW's actual operating performance and reported "cash flow from operating activities" is therefore not a suitable metric for assessing operating cash generation.

Most of the costs for nuclear decommissioning and waste disposal are borne by the state-run decommissioning and waste disposal funds. BKW is thus entitled to a refund of the costs incurred, although the costs incurred and the refund do not coincide chronologically. Both payments into and refunds from the state funds are classified in the cash flow statement as part of "cash flow from investing activities". This means there is therefore a discrepancy in the presentation of these directly related cash flows. To adequately interpret cash flow, the corresponding individual items presented separately in the cash flow statement should be considered together. Therefore, the utilisation of provisions with and without claim to refunds is now reported separately in "cash flow from operating activities".

## 14 Events after the balance sheet date

### **Green bond**

In July, BKW became the first listed Swiss company to launch a green bond. The green bond was in great demand from investors and oversubscribed several times over. BKW's fixed-interest, primarily green bond worth CHF 200 million has a coupon of 0.25% and a term of eight years. The payment of the bond took place on 29 July 2019. BKW is thus refinancing the construction of various Swiss small hydroelectric power stations and wind farms in Norway and France. The bond will be listed on the SIX Swiss Exchange.

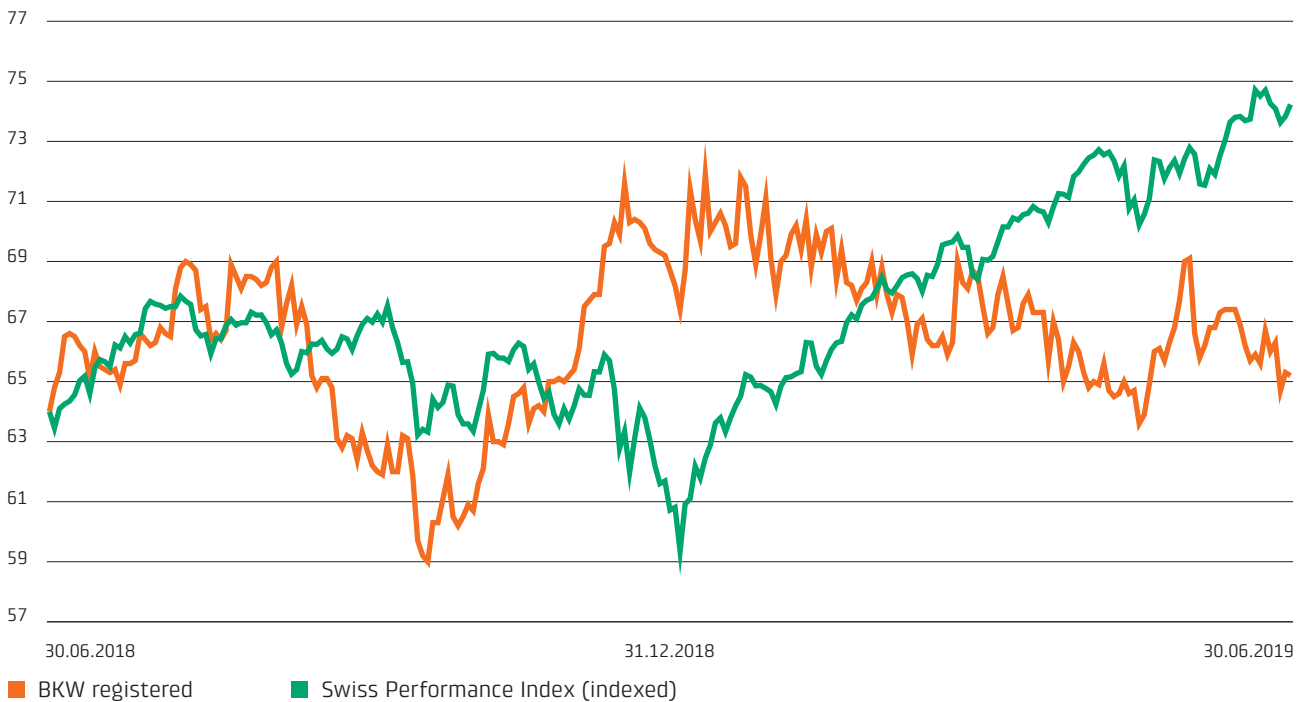
At the same time, the 3.375% bond of CHF 350 million matured and was repaid.

INFORMATION FOR INVESTORS

# Important information on the BKW share, bonds and financial calendar

## Development of the BKW share price

30.06.2018 – 30.06.2019



In the first half-year of 2019, the BKW share largely moved sideways. This was the case even though BKW posted a strong 2018 net profit for the year in March, which beat market expectations. The BKW share closed at CHF 65.20 on 30 June 2019. With a fall of 5% since the beginning of the year, it underperformed the SPI for once (+22%).

### Listing

The shares of BKW AG are listed on the main segment of the SIX Swiss Exchange.

Ticker symbol on SIX	BKW
Securities number	13.029.366
ISIN code	CH0130293662

The BKW share is included in the following indices: SPI, SPI Extra, SPI ex SLI, SPI Select Dividend 20 Index, Swiss All Share Index, UBS 100

### Appropriation of profit

The General Meeting agreed a dividend of CHF 1.80 per share for the 2018 financial year. The dividend was 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 they have acquired the shares in their own name and on their own behalf.

**Major shareholders and treasury shares**

	31.12.2018	30.06.2019
Canton of Bern	52.54 %	52.54 %
Groupe E Ltd.	10.00 %	10.00 %

The free float amounts to 37.5%.

**Key figures per share**

CHF	31.12.2018	1 <sup>st</sup> half-year 2018	1 <sup>st</sup> half-year 2019
Par value	2.50	2.50	2.50
Share price			
– period end	68.70	64.00	65.20
– period high	71.60	67.70	71.90
– period low	53.80	53.80	63.60
Result (undiluted)	3.56	2.28	3.64
Equity per share	60.66	60.84	62.24
Market capitalisation in CHF millions	3,622.5	3,376.7	3,439.8

<sup>1</sup> Attributable to shareholders of BKW AG

**Bonds**

At 30 June 2019, 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 July, BKW became the first listed Swiss company to launch a green bond. BKW's fixed-interest, primarily green bond worth CHF 200 million has a coupon of 0.25% and a term of eight years. The payment of the bond took place on 29 July 2019. BKW is thus refinancing the construction of various Swiss small hydroelectric power stations and wind farms in Norway and France. The bond will be listed on the SIX Swiss Exchange (ISIN-Code CH0487087295).

**Financial calendar**

Publication of 2019 annual results	18 March 2020
Publication of 2019 Annual Report	18 March 2020
General meeting	15 May 2020
Ex-dividend date	19 May 2020
Dividend payment	22 May 2020

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