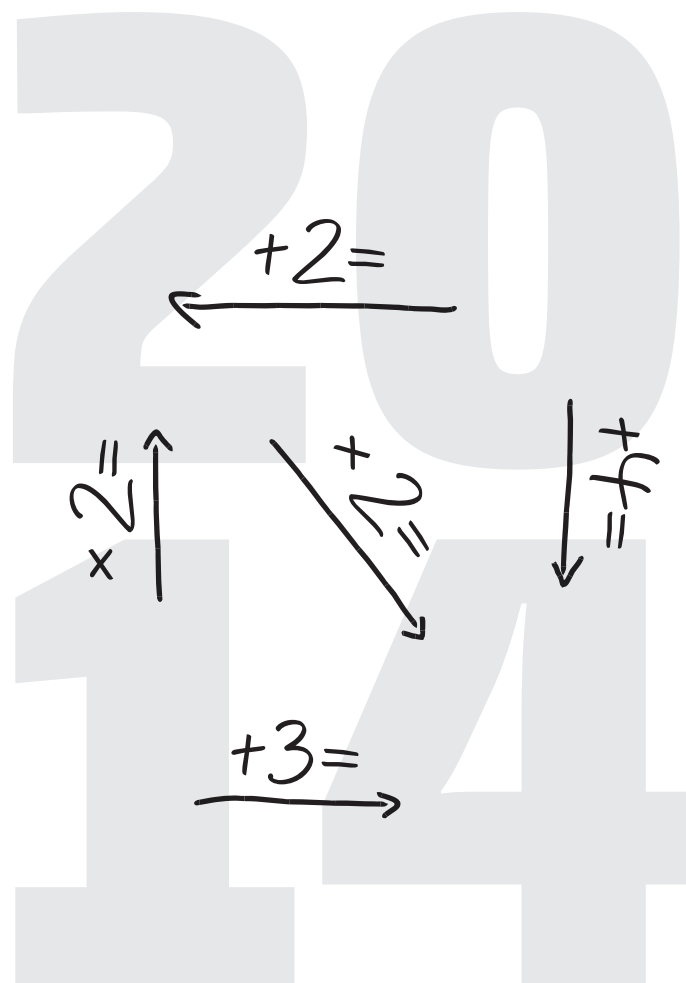


Financial Report 2014



= successful
financial year

“2014 was a successful year for BKW and we are pleased to present very strong results.”

Suzanne Thoma, CEO

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FINANCIAL RESULT

BKW impresses with strong results

The BKW Group¹ achieved a strong operating profit (EBIT) during the reporting year, in a continuing difficult environment for the sector. At CHF 346.7 million, the result is almost 10% above the adjusted previous year figure. A range of factors contributed to this good operating profit. In particular, BKW realised effective measures to improve efficiency, reduced costs and successfully managed its energy position. Furthermore, the significantly growing business in energy and infrastructure services and the stable networks business added to the positive outcome. Due to the stronger operating profit and various special items, net profit rose strikingly by 75% to CHF 291.9 million.

Strong operating profit – striking increase in net profit due to special items

In 2014 BKW achieved a strong operating profit of CHF 346.7 million. Compared with the previous year's result of CHF 316.9 million after adjustment for impairments on production plants, this represents an improvement of around 10%. A particular contribution to the above-average operating profit was made by the energy and services business, while the networks business achieved a stable result.

Net profit increased to CHF 291.9 million, which is a 75% rise compared with the previous year's adjusted figure of CHF 166.4 million. Alongside the strengthening effect of the operating profit, it was also positively affected by special items. These include the exceedingly strong performance by the securities in the Decommissioning and Disposal Funds, which increased by CHF 91.6 million in 2014 and therefore finished CHF 40.5 million above the already high returns achieved in the previous year. In addition, the sale of a shareholding in Jungfraubahn Holding AG achieved a one-off gain of around CHF 25 million. In income taxes, the cessation of a previous-year one-off negative effect in relation to changes in taxation in Italy resulted in a significantly lower tax charge.

¹ The BKW Group comprises BKW Inc. 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 Inc. or BKW Energy Ltd., this is expressly mentioned.

Striking increase in comparison with the previous year's adjusted result

CHF millions	2013 reported	2013 adjustments	2013 adjusted	2014	% change
Total operating revenue	2,733.7	–	2,733.7	2,844.9	4.1%
Energy procurement	–1,597.6	194.7	–1,402.9	–1,478.1	5.4%
Operating expenses excluding energy procurement	–843.3		–843.3	–838.6	–0.6%
Operating profit before depreciation, amortisation and impairment	292.8	194.7	487.5	528.2	8.3%
Depreciation, amortisation and impairment	–494.4	293.8	–200.6	–217.7	8.5%
Income from associates	30.0	–	30.0	36.2	20.7%
Operating profit/loss	–171.6	488.5	316.9	346.7	9.4%
Financial result	–64.2	–	–64.2	–12.6	–80.4%
Profit/loss before income taxes	–235.8	488.5	252.7	334.1	32.2%
Income taxes	19.1	–105.4	–86.3	–42.2	–51.1%
Net profit/loss	–216.7	383.1	166.4	291.9	75.4%

Changes in accounting principles and in the scope of consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). No changes to the IFRS came into effect in 2014 that had a material influence on the financial position, the results of operations and the cash flows of BKW.

The scope of consolidation includes various new smaller companies in the services area (heating installation and infrastructure services), which were acquired during the reporting year.

Total operating revenue increased, Services business reporting high rates of growth

CHF millions	2013	Energy 2014	2013	Networks 2014	2013	Services 2014	Consolidation 2013	2014	2013	Total 2014
Net turnover (internal)	1,968.1	2,066.4	401.2	424.6	197.7	231.2			2,567.0	2,722.2
Net turnover (external)	15.0	15.8	1.1	1.0	42.8	41.7	–58.9	–58.5	0.0	0.0
Own work capitalised	8.7	8.6	34.4	38.4	0.0		2.2	2.4	45.3	49.4
Other operating income	128.0	82.2	64.6	22.1	4.5	18.3	–75.7	–49.3	121.4	73.3
Total operating revenue	2,119.8	2,173.0	501.3	486.1	245.0	291.2	–132.4	–105.4	2,733.7	2,844.9

Total operating revenue was 4% higher with CHF 2,844.9 million compared with the previous year. All three areas of business contributed to this improvement. Energy achieved performance of 3% in an environment of falling prices thanks to active management of the energy position. However, Networks recorded a fall of 3% owing to the rather unfavourable weather conditions with a mild winter. With a growth rate of 19%, Services improved total operating revenue to CHF 291.2 million. Both organic growth and acquisitions contributed to this striking increase.

Focus on operating expenses: reduction favours strong operating profit

Energy procurement costs in the reporting period totalled CHF 1,478.1 million. This equates to a rise of 5.4% compared with the previous year's adjusted expense. The reason for the increase comprised higher procurement volumes in conjunction with the active management of the energy position. By way of comparison, lower energy prices had a positive effect on procurement in the market.

The operating expense excluding energy procurement was marked by a consistent focus on efficiency and cost reduction measures, but also by the targeted expansion of the Services business. The measures were successful as the overall operating expense excluding energy procurement fell from 31% to 29% of total operating revenue. The final figure of CHF 838.6 million for the year under review was achieved despite the continued expansion of the Services business through a combination of acquisitions and organic growth. Expenses for materials and third-party services decreased by 6.9%, while other operating expenses were also reduced, decreasing by 3.0%. In contrast, personnel expenses increased by 4.5% due to the strong expansion in the workforce in respect of Services. After allowing for the effects of acquisitions, the reduction in expenses excluding energy procurement totalled some CHF 23 million.

Thanks to a clear focus on efficiency improvements and cost reduction measures, BKW successfully increased its operating profit by almost 10% year-on-year, to CHF 346.7 million.

Positive one-off effects in financial result lead to high net profit

The financial result improved significantly compared with the previous year. The increase of CHF 51.6 million to CHF –12.6 million is attributed in particular to improved earnings from securities in the Decommissioning and Disposal Funds, which are measured at fair value, and on the securities accounts. These state funds performed extremely strongly in 2014, growing by around 11.4%. The gain of CHF 91.6 million was CHF 40.5 million higher than the already above-average performance of the previous year. In addition, the sale of a non-strategic shareholding in Jungfraubahn Holding AG achieved a one-off gain of around CHF 25 million. In income taxes, the cessation of a previous-year one-off effect in relation to changes in taxation in Italy resulted in a significantly lower tax charge of CHF 42.2 million (2013 adjusted figure: CHF 86.3 million). Compared with the previous year, BKW's net profit increased significantly by CHF 125.5 million to CHF 291.9 million, in particular owing to these one-off items.

Production: Lower internal transfer prices for energy partially offset by efficiency improvements and cost reductions

The result of the Production business segment was affected materially by significantly lower internal transfer prices for energy, but also by a reduction in energy production costs in the power plant portfolio and higher production volumes from nuclear power plants.

CHF millions	2013 adjusted	2014	% change
Electricity sales	1,117.0	1,035.2	-7.3%
Income from other energy business	34.1	7.2	-78.9%
Income from services and other operating income	52.1	41.4	-20.5%
Total operating revenue	1,203.2	1,083.8	-9.9%
Energy procurement	-552.8	-513.9	-7.0%
Expense from other energy business	-14.9	-29.8	100.0%
Material and third-party services and other operating expenses	-209.8	-171.3	-18.4%
Personnel expenses	-80.8	-82.3	1.9%
Total operating expenses	-858.3	-797.3	-7.1%
Operating profit before depreciation, amortisation and impairment	344.9	286.5	-16.9%
Depreciation, amortisation and impairment	-66.4	-78.9	18.8%
Income from associates	20.4	18.6	-8.8%
Operating profit	298.9	226.2	-24.3%

As expected, the total operating revenue of the Production business segment decreased in 2014. This fall of 9.9% to CHF 1,083.8 million is primarily attributable to the lower internal transfer prices for energy compared with the previous year. Electricity production of 10,549 GWh was on a par with the previous year's figure of 10,513 GWh. However, the production mix changed in the reporting year. The amount of electricity generated by nuclear power plants increased by 247 GWh owing to improved availability, with the Mühleberg nuclear power plant achieving its best ever production figure of 3,023 GWh. Generation by hydro power plants of 4,001 GWh was at practically the same level as the previous year. Lower production from Swiss hydro plants was offset by increased volumes from the plants in Italy. Market factors caused a drop in production of 210 GWh from fossil-fuel thermal power plants, however.

Efficiency improvements and cost savings in relation to the operation of power plants resulted in a significant decrease in expenses for materials and third-party services, as well as other operating expenses, of 18.4% or CHF 38.5 million. The continued expansion of the Services business caused a slight increase in personnel expenses.

Alongside the improved production mix, measures achieving greater efficiency and cost reductions were especially successful in offsetting some of the effects of lower internal transfer prices for energy. However, operating profit fell by 24.3% to CHF 226.2 million. It should be noted, nonetheless, that a reimbursement of costs for system services had contributed an approximate CHF 17 million positive effect to the previous year's operating profit.

Renewables & Efficiency: increasing revenue from services, positive operating result

As a consequence of the consistent expansion of the Services business and effective measures to reduce costs, the Renewables & Efficiency business segment recorded its first operating profit.

CHF millions	2013 adjusted	2014	% change
Electricity sales	53.9	52.2	-3.2%
Income from other energy business	56.2	59.1	5.2%
Income from services	64.9	77.6	19.6%
Other operating income and own work capitalised	14.4	24.2	68.1%
Total operating revenue	189.4	213.1	12.5%
Material and third-party services and other operating expenses	-105.2	-103.5	-1.6%
Personnel expenses	-42.0	-49.1	16.9%
Total operating expenses	-147.2	-152.6	3.7%
Operating profit before depreciation, amortisation and impairment	42.2	60.5	43.4%
Depreciation, amortisation and impairment	-46.8	-52.5	12.2%
Income from associates	-0.5	-1.3	
Operating profit/loss	-5.1	6.7	

Total operating revenue in the Renewables & Efficiency business segment grew by CHF 23.7 million of 12.5% to CHF 213.1 million. The services business which grew by almost 20% compared with the previous year made a particular contribution to this result. The acquisitions in the area of heating installation greatly assisted in generating the growth in this segment.

Energy production from new renewable energy sources increased in 2014 by 32 GWh to 700 GWh. Higher production volumes from German wind farms and the record production of the Juvent wind farm offset the lower production volumes resulting from less precipitous wind conditions in Italy and resulted in greater production. The CHF 52.2 million revenue from the delivery of electricity fell slightly below the previous year's figure, owing to lower prices for electricity in Italy.

Even though the services and innovation area was expanded significantly through both organic growth and acquisitions, the operating expense increased only slightly by 3.7%. While personnel expenses rose following the acquisitions, other operating expenses decreased thanks to effective measures to improve efficiency.

Whereas in the previous year the segment had reported an operating loss, in 2014 it made an operating profit. The services business in particular contributed to this positive development. Business in energy from wind and other renewable production technologies was on a par with the previous year.

Market: Successful management of the energy position, lower sales volumes owing to weather conditions

Successful management of the energy position allowed the Market segment to record an operating profit despite continuing low energy prices, thus offsetting some of the decrease in profit recorded in the Production segment. Worse weather conditions compared with the previous year resulted in lower sales volumes.

CHF millions	2013 adjusted	2014	% change
Electricity sales Switzerland	647.8	553.6	-14.5%
Electricity sales international	154.0	131.0	-14.9%
Electricity trading	1,018.7	1,150.8	13.0%
Income from other energy business	235.0	293.5	24.9%
Income from services and other operating income	99.0	83.8	-15.4%
Total operating revenue	2,154.5	2,212.7	2.7%
Energy procurement	-1,818.5	-1,793.6	-1.4%
Expense from other energy business	-228.8	-242.7	6.1%
Material and third-party services and other operating expenses	-120.6	-104.6	-13.3%
Personnel expenses	-49.1	-52.9	7.7%
Total operating expenses	-2,217.0	-2,193.8	-1.0%
Operating profit before depreciation, amortisation and impairment	-62.5	18.9	
Depreciation, amortisation and impairment	-3.0	-0.7	-76.7%
Income from associates	5.7	6.1	7.0%
Operating profit/loss	-59.8	24.3	

Total operating revenue of the Market segment improved by 2.7% to CHF 2,212.7 million. The quantity of electricity sold by BKW in the retail market fell by 9% to 8.5 TWh. While the number of customers registered a gratifying increase, weather conditions caused the quantity sold in Switzerland to fall by 10% and in international markets by 4%. Including the effects of lower electricity prices, revenue from the delivery of electricity for sale in Switzerland and international markets therefore fell by 14.6% to CHF 684.6 million.

The income from electricity trading improved by 13% to CHF 1,150.8 million thanks to increased sales volumes. The amount of energy sold through the trading channel increased in particular as direct sales fell and the total production volume achieved by BKW was largely stable, thus benefiting trading. Low price levels in the energy market had a negative impact on revenue, however.

The low market prices had a positive effect on energy procurement in the market, and this was one of the reasons for a slight fall in energy procurement.

Cost savings resulted in an approximate 7% fall in the operating expense excluding energy procurement and other energy business.

After taking all of these effects into account, Market achieved an operating profit of CHF 24.3 million in 2014, following the operating loss of CHF 59.8 million that it reported in the previous year.

Networks: Stable results and continued expansion of services

The lower result of the Networks business segment is due in particular to the discontinuation of a one-off effect that occurred in the previous year. Increased grid usage fees had a positive effect on the result. However, transit volumes were significantly lower than the comparable figures for the previous year owing to the weather conditions. Revenue from services once again increased.

CHF millions	2013	2014	% change
Distribution grid usage fees	391.9	415.2	5.9%
Income from services	130.5	141.1	8.1%
Income from other energy business	10.4	10.6	1.9%
Other operating income and own work capitalised	94.1	66.6	-29.2%
Total operating revenue	626.9	633.5	1.1%
Material and third-party services and other operating expenses	-206.5	-220.3	6.7%
Expense from other energy business	-55.2	-65.8	19.2%
Personnel expenses	-135.5	-147.5	8.9%
Total operating expenses	-397.2	-433.6	9.2%
Operating profit before depreciation, amortisation and impairment	229.7	199.9	-13.0%
Depreciation, amortisation and impairment	-75.0	-76.8	2.4%
Income from associates	4.4	12.8	190.9%
Operating profit	159.1	135.9	-14.6%

During the year under review, the Networks segment stabilised its total operating revenue at CHF 633.5 million (+1.1% compared with the previous year). Distribution grid usage fee revenue increased by CHF 23.3 million during the reporting year. However it should be noted that the additional revenue from higher grid usage fees was partially neutralised as a result of the lower volume of power carried on the distribution grid owing to the mild winter. Revenue from services also increased once again. It rose by 8.1% to CHF 141.1 million, primarily owing to acquisitions. The reduction in other operating revenue is due to the previous-year profit from sale of the transmission grid, which netted CHF 31.3 million.

Operating expenses increased by 9.2% overall, owing to both the acquisitions and the planned expansion in staffing in the services business, and to higher costs arising from growing electricity distribution. The implemented efficiency improvement and cost reduction measures and improved result from associates had positive effects.

Operating profit fell by CHF 23.2 million compared with the previous year, which had benefited from a one-off factor, to CHF 135.9 million. Without accounting for this one-off item, the operating profit would have risen by around 6%.

Large cash inflow from operations

BKW generated a cash inflow of CHF 538.1 million from operating activities. This figure is significantly higher than comparable figures from the past five years. The main reason for the increase is the significantly higher EBITDA of CHF 528.2 million.

The cash flow from operating activities was therefore more than double the level of investments undertaken in the year under review.

Owing to the successfully issued convertible bond and the sale of minority interests in the Swissgrid shareholding, the cash flow from financing activities netted an inflow of CHF 109.6 million.

Cash and cash equivalents grew by CHF 55.4 million to CHF 552.2 million. Including current financial assets, BKW had liquidity of around CHF 1.3 billion at the end of the year (2013: CHF 0.8 billion).

Equity and financing situation remains sound, maintaining financial and operational flexibility

CHF millions	2013	2014
Non-current assets	5,590.9	5,554.5
Current assets	2,084.6	2,385.4
Non-current liabilities	4,396.3	4,578.9
Current liabilities	913.5	836.0
Shareholders' equity	2,365.7	2,525.0
Balance sheet total	7,675.5	7,939.9

The balance sheet total once again increased year on year. As at the end of 2014 it amounted to around CHF 8 billion, 3.4% higher than at the end of the previous year. Non-current assets remained largely stable, while in current assets there were significant increases in the size of current financial assets and cash and cash equivalents in particular. In terms of liabilities, the non-current liabilities increased in particular owing to financial liabilities and pension liabilities, while current liabilities fell. Despite the high balance sheet total, the equity ratio increased slightly from 30.8% to 31.8%.

BKW's sound financing situation also improved. Net debts (financial liabilities less current financial assets and cash and cash equivalents) were significantly reduced as at the end of 2014 by around CHF 320 million to CHF 470.2 million. The first refinancing of outstanding bonds is not due until 2018. In addition, BKW continues to have access to an unused syndicated loan. The financial framework for maintaining financial and operational flexibility therefore remains unchanged. During the reporting year, BKW also successfully completed a CHF 163.4 million convertible bond issue to run for 6 years.

Higher dividends

A dividend of CHF 1.60 will be proposed to the Annual General Meeting on 8 May 2015. This represents a 33.3% increase on the dividend of CHF 1.20 granted in the previous year. Accordingly, the dividend yield is an attractive 5.4% (2013: 4.2%), based on the year-end share price. The payout ratio once again remains at around 40% of net profit after adjustment for the effects of special items, reflecting the consistency of BKW's dividend policy

Outlook

BKW is not expecting any change in the challenging market environment in the current financial year, with the negative impact of energy prices further exacerbating conditions on international markets. The further strengthened Swiss franc will add an additional burden to the operating result. Thanks to focused efficiency improvements and cost management, active management of the energy position, the stabilising effect of the Networks business and not least continued expansion of the services business, some of the negative factors will be offset. Nevertheless, BKW anticipates that the operating result for 2015 will fall below the strong figures reported for 2014.

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

CHF millions	Note	2013	2014
Net sales	7	2,567.0	2,722.2
Own work capitalised		45.3	49.4
Other operating income		121.4	73.3
Total operating revenue		2,733.7	2,844.9
Energy procurement	8	-1,597.6	-1,478.1
Material and third-party services		-211.3	-196.7
Personnel expenses	9	-382.5	-399.8
Other operating expenses	10	-249.5	-242.1
Total operating expenses		-2,440.9	-2,316.7
Operating profit before depreciation, amortisation and impairment		292.8	528.2
Depreciation, amortisation and impairment	11	-494.4	-217.7
Income from associates	16	30.0	36.2
Operating profit/loss		-171.6	346.7
Financial income	12	76.9	142.2
Financial expenses	12	-141.1	-154.8
Profit/loss before income taxes		-235.8	334.1
Income taxes	13	19.1	-42.2
Net profit/loss		-216.7	291.9
attributable to:			
– BKW shareholders		-216.7	288.2
– Non-controlling interests		0.0	3.7
Result per share in CHF (undiluted)	14	-4.51	5.96
Result per share in CHF (diluted)	14	-4.51	5.85

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

CHF millions	2013	2014
Net profit/loss	-216.7	291.9
Actuarial gains/losses (Group companies)		
– Actuarial gains/losses	135.0	-135.8
– Income taxes	-29.7	29.9
Actuarial gains/losses (associates)		
– Actuarial gains/losses	19.1	-19.8
– Income taxes	-1.5	1.5
Total items that will not be reclassified to income statement, net of tax	122.9	-124.2
Currency translations		
– Currency translations	12.6	-22.6
– Reclassification to the income statement	0.7	-0.3
Available-for-sale financial assets		
– Value adjustments	-2.3	0.9
– Reclassification to the income statement	0.7	-25.0
– Income taxes	0.3	5.3
Hedging transactions		
– Value adjustments	0.5	-0.1
– Reclassification to the income statement	0.0	-0.1
– Income taxes	-0.2	0.3
Total items that may be reclassified to income statement, net of tax	12.3	-41.6
Other comprehensive income	135.2	-165.8
Comprehensive income	-81.5	126.1
attributable to:		
– BKW shareholders	-81.5	122.1
– Non-controlling interests	0.0	4.0

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

CHF millions	Note	31.12.2013	31.12.2014
Assets			
Property, plant and equipment	15	2,985.2	2,882.8
Investments in associates	16	1,187.3	1,173.5
Derivatives	28	58.2	45.2
Non-current financial assets	17	1,153.0	1,230.0
Intangible assets	18	164.7	179.4
Deferred tax assets	13	42.5	43.6
Total non-current assets		5,590.9	5,554.5
Inventories	19	133.5	123.0
Accounts receivable	21	773.7	757.7
Current tax receivable		9.1	20.5
Derivatives	28	105.2	104.3
Current financial assets	17	300.5	711.8
Prepaid expenses and accrued income	20	265.8	115.9
Cash and cash equivalents	32	496.8	552.2
Total current assets		2,084.6	2,385.4
Total assets		7,675.5	7,939.9
Shareholders' equity and liabilities			
Share capital	22	132.0	132.0
Capital reserves	22	35.0	41.3
Retained earnings	22	2,467.0	2,728.3
Other reserves	22	8.2	-157.4
Treasury shares	22	-319.2	-311.1
Equity attributable to BKW shareholders		2,323.0	2,433.1
Equity attributable to non-controlling interests		42.7	91.9
Total shareholders' equity		2,365.7	2,525.0
Non-current provisions	23	2,045.9	2,035.9
Non-current financial liabilities	24	1,563.3	1,668.3
Deferred tax liabilities	13	470.4	425.8
Pension liability	27	52.9	197.5
Derivatives	28	33.0	23.2
Other non-current liabilities	25	230.8	228.2
Total non-current liabilities		4,396.3	4,578.9
Other current liabilities	26	567.8	439.1
Current provisions	23	62.3	52.7
Current financial liabilities	24	26.7	65.9
Current tax liabilities		13.4	21.7
Derivatives	28	85.2	65.2
Deferred income and accrued expenses	20	158.1	191.4
Total current liabilities		913.5	836.0
Total liabilities		5,309.8	5,414.9
Total shareholders' equity and liabilities		7,675.5	7,939.9

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
Equity at 31.12.2012	132.0	35.0	2,759.8	-360.6	-127.0	2,439.2	37.4	2,476.6
Net loss			-216.7			-216.7		-216.7
Other comprehensive income					135.2	135.2		135.2
Comprehensive income			-216.7		135.2	-81.5	0.0	-81.5
Dividend			-57.6			-57.6	-0.9	-58.5
Transactions in treasury shares			-19.1	41.4		22.3		22.3
Share-based payments			0.7			0.7		0.7
Acquisition of non-controlling interests			-0.1			-0.1	0.1	0.0
Changes in the scope of consolidation						0.0	3.7	3.7
Contribution to equity from non-controlling interests						0.0	2.4	2.4
Equity at 31.12.2013	132.0	35.0	2,467.0	-319.2	8.2	2,323.0	42.7	2,365.7
Net profit			288.2			288.2	3.7	291.9
Other comprehensive income					-166.1	-166.1	0.3	-165.8
Comprehensive income			288.2		-166.1	122.1	4.0	126.1
Dividend			-58.0			-58.0	-2.9	-60.9
Transactions in treasury shares			29.0	8.1		37.1		37.1
Share-based payments			1.7			1.7		1.7
Acquisition of non-controlling interests			-0.8			-0.8		-0.8
Sale of non-controlling interests			1.2		0.5	1.7	45.6	47.3
Changes in the scope of consolidation						0.0	0.4	0.4
Contribution to equity from non-controlling interests						0.0	2.1	2.1
Convertible bond		6.3				6.3		6.3
Equity at 31.12.2014	132.0	41.3	2,728.3	-311.1	-157.4	2,433.1	91.9	2,525.0

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

CHF millions	Note	2013	2014
Result before income taxes		-235.8	334.1
Adjustment for:			
– Depreciation, amortisation and impairment	11	494.4	217.7
– Income from associates	16	-30.0	-36.2
– Financial result	12	64.2	12.6
– Gains/losses from sale of non-current assets		-35.4	-2.7
– Change in non-current provisions (excl. interest)		124.5	-17.3
– Change in assigned rights of use		-9.9	-9.6
– Change from the valuation of energy derivatives		-19.9	-15.0
– Other non-cash positions		12.5	2.8
Change in net current assets (excl. financial assets/liabilities and derivatives)		-19.6	66.9
Income taxes paid		-32.7	-14.5
Other financial items paid		-1.5	-0.7
Cash flow from operating activities		310.8	538.1
Purchase of property, plant and equipment	15	-215.1	-222.6
Proceeds from disposal of property, plant and equipment		15.5	16.3
Acquisition of Group companies	6/32	-198.8	-13.2
Disposals of Group companies		79.5	0.3
Investments in associates	16	-74.7	-33.9
Proceeds from sale of associates		0.8	2.4
Investments in current and non-current financial assets		-174.0	-458.2
Disposals of current and non-current financial assets		22.5	64.0
Purchase of intangible assets	18	-22.2	-12.8
Disposals of intangible assets		0.0	1.0
Interest received		9.8	9.2
Dividends received		24.6	55.3
Cash flow from investing activities		-532.1	-592.2
Sale/purchase of treasury shares	22	16.0	1.6
Acquisition of non-controlling interests		0.0	-0.8
Sale of non-controlling interests		0.0	47.3
Contribution to capital from non-controlling interests		0.3	2.1
Increase in current and non-current financial liabilities		199.1	179.9
Decrease in current and non-current financial liabilities		-28.7	-26.8
Increase in other long-term liabilities		30.7	19.7
Decrease in other long-term liabilities		-1.5	-7.2
Interest paid		-38.7	-45.3
Dividends paid		-58.5	-60.9
Cash flow from financing activities		118.7	109.6
Translation adjustments on cash and cash equivalents		0.2	-0.1
Net change in cash and cash equivalents		-102.4	55.4
Cash and cash equivalents at start of reporting period		599.2	496.8
Cash and cash equivalents at end of reporting period	32	496.8	552.2

BKW GROUP CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Financial Statements

1 Business activity

BKW Inc., Berne (CH), together with its Group companies, is a leading energy provider in Switzerland and delivers a comprehensive range of products and services to residential and business customers. Energy is sold in neighbouring countries via the Group's own sales channels. BKW covers the entire value chain, from production and distribution to the trading and sale of energy. In addition to pure energy supply, BKW develops, implements and operates comprehensive energy solutions for private and commercial customers, as well as for energy utility companies and local authorities.

2 Accounting principles

2.1 General principles

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

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

2.2 Adoption of new standards and interpretations in 2014

In the 2014 financial year BKW was required to adopt the following new or revised standards:

- IFRIC 21 Levies
- Amendments to IAS 32 Financial Instruments: Presentation
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These changes have had no effect on the presentation of the financial position, results of operations and cash flows of BKW.

2.3 Adoption of new standards and interpretations

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

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2017)
- Amendments to IAS 1 Disclosure Initiative (1 January 2016)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (1 January 2016)
- Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations (1 January 2016)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciations and Amortisation (1 January 2016)
- Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (1 July 2014)
- Annual Improvements to IFRSs 2010–2012 Cycle (1 July 2014)
- Annual Improvements to IFRSs 2011–2013 Cycle (1 July 2014)
- Annual Improvements to IFRSs 2012–2014 Cycle (1 January 2016)

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

3 Consolidation

3.1 Consolidation principles

The consolidation is based on the closing statements of the individual Group companies drawn up according to uniform principles of valuation and presentation. Intra-group balances, transactions, profits and expenses are eliminated in full.

The closing date for all Group companies is 31 December. 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.

3.2 Scope of consolidation

Group companies

Group companies are included in the consolidated financial statements in their entirety. Assets and liabilities as well as expenses and income are included in their entirety. Non-controlling interests in shareholders' equity and in net income of the relevant Group companies are disclosed separately in consolidated equity and in the consolidated income statement. Intercompany income and expenditure as well as intercompany assets and liabilities are eliminated on consolidation. Interim profits on inter-company goods and services that have not yet been realised from sales to third parties are eliminated. 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. A contractually agreed unanimity is a prerequisite for the existence of joint control. In the absence of such unanimity, it is conceivable that, in individual cases, joint control could arise indirectly from the overall existence of contractual provisions and their application. Joint operations are accounted for in the Group financial statements according to the Group's proportionate share of their assets and liabilities and of their revenues and expenses, while 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 stations 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 Production segment.

3.3 Acquisition and sale of Group companies

Companies acquired by BKW during the year are consolidated as from the effective date of acquisition. Net assets acquired are measured at fair value and integrated using the acquisition method. Differences between the higher purchase price and the fair value of net assets acquired are classified as goodwill from acquisitions. Any negative difference is immediately recognised in income.

Group companies with regard to which BKW ceases to have control are excluded from consolidation as of the date on which control ceases to exist. 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 value fluctuations for financial instruments charged to the statement of other comprehensive income are derecognised in income as a component of the gain or loss on sale.

3.4 Foreign currency translation

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

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

- balance sheet, at the prevailing exchange rate on 31 December;
- income statement, at average exchange rates for the reporting year;
- cash flow, at average exchange rates for the reporting year.

	Closing date 31.12.2013	Closing date 31.12.2014	Average 2013	Average 2014
CHF/EUR	1.2262	1.2024	1.2302	1.2139

Goodwill and adjustments to fair value made in the course of the purchase price apportionment 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.

4 Principles of accounting and valuation

4.1 Presentation of sales

Sales of energy to end customers and sales partners are considered as having been realised and are recorded as sales when delivery is complete. Sales from customer-specific manufacturing orders in Services are posted according to the Percentage of Completion (POC). The proportionate revenue is recognised according to the degree of completion of the order.

Energy-trading revenue is presented according to the underlying transaction motive. Energy transactions are conducted either for the purpose of actively managing the power plant base or for physical coverage of energy supply or purchase contracts. Such management transactions can be broken down into "own-use" and "hedging" transactions. The gross revenue from own-use transactions is recorded as sales ("Electricity Trading" or "Gas Business") at the time of delivery. Hedging transactions result from extended production portfolio management for the purpose of engaging in additional transactions to hedge BKW's own production. These additional hedging transactions also fall under the definition of financial instruments. Other energy transactions are conducted with the sole intention of achieving a trading margin. These transactions also come under the definition of financial instruments.

Energy transactions defined as financial instruments are measured at the fair value on the closing date, with realised as well as unrealised gains and losses from these transactions recorded net under "Income from Energy Hedging" and "Income from Proprietary Energy Trading" (see Note 35.2). The income from such transactions consists of two components: effective realised gains or losses from transactions in progress, and unrealised measurement gains and losses from measurement at fair value of the open contracts.

4.2 Financial instruments

Financial instruments constitute all contractual agreements that give rise to financial assets for BKW and financial liabilities for a counterparty, and vice versa. Financial assets and liabilities are categorised as follows:

- Financial assets or financial liabilities at fair value through profit or loss (financial instruments held for trading and derivatives);
- Held-to-maturity investments (non-derivative financial assets with fixed or determinable payments and fixed maturity that the company intends and is able to hold to maturity);
- Loans and receivables;
- Available-for-sale financial assets (non-derivative financial assets that cannot be classified under any other category);
- Financial liabilities at amortised cost.

Financial assets are recorded and derecognised on the trade date. Financial assets and liabilities are subjected to a standard valuation procedure according to category. They are initially recognised at fair value. Transaction costs for financial instruments not categorised as "at fair value through profit or loss" are assigned to the acquisition or issuance of the financial instrument. For subsequent valuation, financial instruments categorised as "at fair value through profit or loss" are recorded in the balance sheet at fair value, and the related gains or losses are recorded in the income statement. Financial assets available for sale are also recorded at fair value in the balance sheet. While available-for-sale financial assets are measured at fair value, the gains or losses are recorded in other comprehensive income, unless they qualify as an impairment or the financial instrument is

sold. In the event of impairment, disposal or other derecognition, the amount recorded in other comprehensive income is transferred to the income statement. Held-to-maturity investments, loans granted by and receivables due to BKW as well as liabilities incurred are carried at amortised cost using the effective interest method less impairments.

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

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

4.3 Derivatives

4.3.1 Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles, and futures with electricity, gas, oil, coal and certificates as the underlying. 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 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). 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.

4.3.2 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. They are measured at fair value.

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

Changes in the value of financial instruments which are used to hedge the fair value of a balance sheet item and are highly effective (qualification as a fair value hedge) are recognised in profit or loss together with the respective change in fair value of the underlying asset or liability. The effective portion of the gain or loss on financial instruments that qualify as cash flow hedges or as hedges for net investments in business operations abroad is recognised in other comprehensive income. The ineffective portion of the gain or loss is recognised in profit or loss. If the qualifying criteria for accounting as a hedging instrument are no longer met, the hedging transaction has expired, been sold, ended or exercised without rolling over into another hedging transaction, then the amounts previously recognised in other comprehensive income remain in equity until the hedged transaction has occurred.

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

4.4 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and impairment losses recognised. Depreciation is calculated systematically using the straight-line method and based on the useful lives of the assets. The useful lives and indications of impairment are annually reviewed. Impairments in respect of property, plant and equipment are determined according to the principles set forth in Note 4.11. Property, plant and equipment dependent on concessions that are revertible without compensation are written down at most over the expected term of the concession.

Present values of estimated dismantling, decommissioning and disposal costs are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 4.14). 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 with no added value are charged to the income statement as incurred. They are carried as assets only if the costs extend the original useful life or give rise to other significant economic benefits (cost reduction, increase in earnings). Costs incurred due to legal requirements that generate no direct future benefit are capitalised only if and when this enables other assets to generate benefits.

The estimated useful lives of property, plant and equipment lie within the ranges listed below and are unchanged compared with the previous year:

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

4.5 Intangible Assets

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

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

Goodwill is not written down but assigned to the relevant cash generating unit and subjected to annual impairment tests or ad hoc tests whenever impairment is indicated.

4.6 Financial assets

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

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 categorised as "available-for-sale" and assigned to non-current assets.

Term deposits and loans are valued at amortised cost.

Nuclear power plant operators are required by law to make annual payments to state funds (federal decommissioning and disposal funds). Future costs for disposal and decommissioning are paid to the operators by these state funds according to the statutory requirements. These payments are regarded as reimbursements and are charged to income as receivables from state funds. Changes in fund valuations are recorded in the financial result for the period in question.

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

Accounts receivable are stated at nominal value less any adjustment in value required due to assessments of individual receivables, non-performance of contractual receivables and debtor payment behaviour. Accounts receivable are derecognised only if there is sufficient indication that payment can no longer be expected. Trade accounts payable are not subject to interest and are recorded at nominal value. Prepaid/accrued expenses and deferred/accrued income cover the 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.

4.8 Inventories

4.8.1 Stock materials

Materials held in stock for network 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.

4.8.2 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 of the energy being produced based on the expected proceeds from the sale. Purchased green certificates are carried in the balance sheet at their cost of acquisition.

For transactions in emission rights and certificates conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption, under which 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 which are conducted with the intention of achieving a trading margin are treated in the same way as energy-trading derivatives (see Note 4.3.1).

4.9 Work in progress

Production contracts are valued according to the Percentage of Completion (POC) method. The stage of completion is determined on the basis of individual progress reports or cost estimates (contract costs incurred for work performed to date as a proportion of the estimated total contract costs). The associated income is recorded in the income statement as revenue. The income includes the original contract sum as well as variations in contract work, claims and incentive premiums, to the extent that it is probable that they will result in revenue and can be reliably measured. Orders and order groups for which pro rata income cannot be reliably estimated are capitalised at cost. Anticipated losses are immediately recorded in their entirety. After taking into account customer progress billings and advance payments, work in progress is stated under accounts receivable as net assets from production contracts or under other current liabilities as customer payments.

4.10 Non-current assets or disposal groups held for sale

Non-current assets and disposal groups that are held for sale are presented separately in current assets and in current liabilities. Non-current assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, and impairment losses arising from initial recognition are presented in profit or loss. Assets and disposal groups held for sale are no longer written down.

4.11 Impairment of non-financial non-current assets

On each balance sheet date, assets are tested for impairment or reversal of impairment. If indications of impairment or reversal of impairment are identified, the recoverable amount of the asset is measured. The recoverable amount of assets with an indefinite useful life is measured irrespective of whether there is any indication of impairment. Assets whose carrying value exceeds the recoverable amount are value adjusted. The recoverable amount is the higher of the net selling price and value in use (present value of estimated future cash flows), and is measured separately for each asset or, if this is not possible, for the cash-generating unit to which the asset belongs. If the amount estimated for an impairment loss is greater than the carrying value of the asset, a liability is recognised only if the requirements for a provision or other obligation are met. An impairment loss recognised in previous years for an asset other than goodwill is reversed if no impairment or only a reduced impairment exists. Impairment losses for assets subject to depreciation are reversed to the value which would have been determined had the acquisition value been depreciated on a systematic basis. The reverse booking is also charged to income.

Energy produced by partner plants is billed to shareholders on the basis of existing agreements – irrespective of the current market prices – at the cost of production. Overvaluation of partner companies' production plants is accounted for under onerous energy procurement contracts, due to the contractual obligation to pay energy production costs. Based on the obligation of the shareholders to pay production costs, the recoverability of the holdings in partner plants measured at the proportional equity value is taken as a given.

4.12 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). They are recognised in the balance sheet at the nominal value of the cash inflow less any reversed amounts charged to income. They are recognised in profit and loss on a straight-line basis over the useful life of the facility but for no longer than the life of the relevant assigned right.

4.13 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 leasing liabilities are carried in accordance with IAS 17.

Convertible bonds are investigated for the existence of a debt and an equity component. The fair value of the debt component is calculated at the time of issue on the basis of the market interest rate for comparable instruments with no conversion rights, and subsequently valued at amortised cost. Any equity component is allocated to the residual value that remains after deducting the amount separately calculated for the debt component from the fair value of the instrument as a whole. The equity component is not revalued following its initial recognition. Transaction costs are allocated to the debt and equity components on a pro rata basis.

4.14 Provisions

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

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

- Assumed operating period of 47 years (until 2019)
- Average inflation rate of 1.5% (2013: 3%)
- Interest rate of 3.5% (2013: 5%)

The inflation and interest rate parameters have been adjusted in relation to the revised Decommissioning and Disposal Funds Ordinance (SEFV). The new parameters used in the SEFV to calculate the contributions for the Decommissioning and Waste Disposal Funds have been applied in the calculation of the provisions (see Note 23).

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 realisable sales prices in the future. The calculations are made using the discounted cash flow method.

4.15 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 evaluation guidelines for assets and liabilities according to the liability method, and are 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.

4.16 Leasing

Leasing arrangements are divided into operating leases and finance leases.

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

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

4.17 Pension plan

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

The costs and obligations arising from defined benefit schemes are determined annually on an actuarial basis using the projected unit credit method, which reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions. Until this obligation or surplus is recalculated, current service costs are charged on the basis of selected parameters. A pension surplus is capitalised if over funding of a pension plan generates an economic benefit. In this case the economic benefit from future reductions in contributions is measured after taking account of the asset ceiling. Annual service costs related to employment during the reporting period and the interest on the defined benefit obligation or plan assets are charged to income in personnel expenses. The actuarial gains and losses from periodic recalculations are charged to other comprehensive income in the statement of comprehensive income.

4.18 Share-based payment

BKW employees have the opportunity to purchase BKW Inc. share capital on preferential terms. Full-time employees of BKW are offered a defined number of BKW shares every year at a fixed preferential price, set for that year, subject to a blocking period. In addition, a performance-related bonus has been allocated to members of the Group Executive Board and upper management in the form of BKW shares as part of their fixed annual base salary. The allocation of shares is decided on an annual basis for the current financial year. The shares are subject to a blocking period.

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, with fair value 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 experience corresponds to the difference between the fair value and the preferential price paid by employees.

The issued shares are deducted from the number of treasury shares.

4.19 Segment reporting

Segments and segment results are defined on the basis of the management approach. Reportable segments are based on the internal organisational and reporting structure. BKW is organised into business divisions which have operational responsibility for results and manage a defined part of BKW's activities autonomously. No operating divisions were combined to create the reportable business segments.

The results of the business divisions are separately monitored by the Group Executive Board in order to make decisions on resource allocation and to assess the earning power of the units. Operating profit is used by the senior decision-making body, the Group Executive Board, as the basis for resource allocation and performance measurement.

5 Measurement uncertainties

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

5.1 Impairment testing of non-current assets

The recoverable amount calculated for the purposes of impairment testing is the higher of the net selling price 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, discounting rates and on estimates of the potential net sale price of the asset. The actual results may differ significantly from these estimates.

5.2 Mühleberg nuclear power plant (KKM)

Measurement of the provision for nuclear waste disposal and the inherent value of property, plant and equipment recorded in the balance sheet (power plant and equipment, fuel rods, including present disposal value) is material for the purposes of assessing BKW's balance sheet and income statement. Detailed costs for decommissioning nuclear power plants and nuclear waste disposal are jointly calculated by the industry and updated every five years in accordance with the Ordinance on the Decommissioning and Disposal Funds for Nuclear Power Plants. These cost calculations are reviewed by the Swiss federal government. In 2011, the most recent estimate of the decommissioning and waste disposal costs was produced, which was confirmed by the Swiss Federal Nuclear Safety Inspectorate (ENSI) on 5 November 2012. The estimates of BKW are applied for plant-specific obligations.

Changes to the cost calculations, changes in legislation governing nuclear waste disposal, and the premature decommissioning of the plant before 2019 could significantly affect the Group's results of operations and cash flows. As at 31 December 2014, property, plant and equipment at the Mühleberg nuclear power plant was carried at CHF 170 million along with provisions for nuclear disposal of CHF 1,558.9 million.

5.3 Pension plan

The pension liabilities arising from defined benefit pension plans are calculated based on actuarial assumptions which 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 have been disclosed in Note 27.

5.4 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.

5.5 ECom proceedings

The tariffs which 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. In connection with the transfer of the transmission grid to Swissgrid Ltd., the expected final compensation for the installations is currently provisional owing to ongoing court proceedings.

6 Business combinations

CHF millions	Heating installation	Infrastructure services	Other	Total
Property, plant and equipment	0.7	2.3	0.4	3.4
Intangible assets	0.0	0.0	0.2	0.2
Deferred tax assets	0.3	0.2	0.0	0.5
Other current assets	7.7	9.9	0.4	18.0
Cash and cash equivalents	0.4	4.1	1.5	6.0
Non-current financial liabilities	0.0	-0.8	-0.1	-0.9
Pension liability	-1.6	-2.8	0.0	-4.4
Other non-current liabilities	-0.2	-0.1	0.0	-0.3
Current liabilities	-8.1	-5.6	-0.6	-14.3
Fair value of acquired net assets	-0.8	7.2	1.8	8.2
Non-controlling interests	0.0	0.0	-0.5	-0.5
Fair value of interests already held	0.0	0.0	-0.1	-0.1
Goodwill	4.1	7.9	0.0	12.0
Purchase price	3.3	15.1	1.2	19.6
Deferred purchase price payments	-0.3	-1.2	0.0	-1.5
Cash and cash equivalents acquired	-0.4	-4.1	-1.5	-6.0
Cash outflow	2.6	9.8	-0.3	12.1

Business combinations in 2014

In the reporting year, BKW conducted a number of smaller corporate acquisitions, for which summarised figures are reported due to the individual size of each operation. The values for the transactions listed are provisional since the purchase price allocations have not been finalised.

Heating installation

With its entry into the heating installation market, in the second half of 2014 BKW acquired 100% of the shares in Armin Neukom Installationen AG, Hertig Haustechnik AG and Cantoni Haustechnik AG. The new acquisitions have been assigned to the Renewables & Efficiency business segment. At the acquisition date, there were deferred purchase price payments of CHF 0.3 million in conjunction with these acquisitions. By the end of 2014 no payments had yet been made in respect of these.

The goodwill recognised is mainly attributable to the expected future synergies and the assembled, qualified workforce. The fair value of the receivables amounted to CHF 4.8 million. These largely consist of trade receivables for which the risk of default is estimated to be extremely low. Therefore no impairments were recorded for these receivables.

Had the companies already been acquired as at 1 January 2014, total operating revenue for 2014 would have been CHF 18.3 million higher and the net profit CHF 1.2 million lower. Between the point at which the individual companies were fully consolidated and 31 December 2014, the acquired companies recorded a cumulative operating revenue of CHF 7.6 million and a total net loss of CHF 0.8 million.

Infrastructure services

In the area of infrastructure services, in the second half of 2014 BKW acquired 100% of the shares in Baumeler Leitungsbau AG and Cabcon Ltd. The acquired companies have been assigned to the Networks business segment. At the acquisition date, there were deferred purchase price payments of CHF 1.2 million in conjunction with these acquisitions. By the end of 2014, no payments had yet been made in respect of these.

The goodwill recognised is mainly attributable to the expected future synergies and the assembled, qualified workforce. The fair value of the receivables amounted to CHF 4.2 million. These largely consist of trade receivables for which the risk of default is estimated to be extremely low. Therefore no impairments were recorded for these receivables.

Had the companies already been acquired as at 1 January 2014, total operating revenue for 2014 would have been CHF 19.9 million higher and the net profit CHF 0.6 million higher. Between the point at which the individual companies were fully consolidated and 31 December 2014, the acquired companies recorded a cumulative operating revenue of CHF 10.2 million and a total net profit of CHF 0.4 million.

Business combinations in 2013

CHF millions	Green Castellaneta S.p.A.	CHI.NA.CO. S.r.l.	Tamarete Energia S.r.l.	Other	Total
Property, plant and equipment	174.1	64.4	47.9	0.0	286.4
Intangible assets	0.0	0.0	0.0	0.2	0.2
Deferred tax assets	0.0	0.0	17.7	0.0	17.7
Financial assets	0.6	0.0	0.0	0.1	0.7
Other current assets	23.4	1.0	15.1	0.2	39.7
Cash and cash equivalents	0.0	0.0	2.7	0.2	2.9
Deferred tax liabilities	-21.5	-18.2	0.0	-0.1	-39.8
Non-current financial liabilities	0.0	0.0	-108.5	0.0	-108.5
Other non-current liabilities	-2.1	0.0	-1.1	0.0	-3.2
Current liabilities	-14.6	0.0	-16.2	-0.1	-30.9
Fair value of acquired net assets	159.9	47.2	-42.4	0.5	165.2
Elimination of provision (net of taxes)	0.0	0.0	48.2	0.0	48.2
Fair value after elimination of provision	159.9	47.2	5.8	0.5	213.4
Non-controlling interests	0.0	0.0	-3.7	0.0	-3.7
Fair value of interests already held	0.0	0.0	-4.6	0.0	-4.6
Goodwill	0.0	0.0	0.0	0.0	0.0
Purchase price	159.9	47.2	-2.5	0.5	205.1
Deferred purchase price payments	-8.0	0.0	0.0	0.0	-8.0
Cash and cash equivalents acquired	0.0	0.0	-2.7	-0.2	-2.9
Cash outflow	151.9	47.2	-5.2	0.3	194.2

The values for the transactions conducted in the previous year are provisional since the purchase price allocations had not been finalised. The final purchase price allocation has since been completed and has not resulted in any changes.

Green Castellaneta S.p.A.

On 20 February 2013, BKW acquired 100% of the shares of Green Castellaneta S.p.A., from which date this company was fully consolidated. The company owns a wind farm with a total output of 56 MW in Castellaneta, in the Italian region of Apulia. At the acquisition date, there were deferred conditional purchase price payments of CHF 8.0 million. In total, payments of CHF 5.2 million had been made in respect of these in the reporting year and in the previous year. An amount of CHF 2.8 million was not due for payment and was derecognised in income in 2014.

Had the company already been acquired as at 1 January 2013, total operating revenue for 2013 would have been CHF 3.9 million higher and the net loss CHF 1.2 million lower.

CHI.NA.CO. S.r.l.

On 3 July 2013, BKW acquired 100% of the shares of CHI.NA.CO S.r.l. in Roè Volciano, Italy, from A2A S.p.A., after which date this company was fully consolidated. The company operates five small-scale hydropower plants with a capacity of just under 10 MW.

Had the company already been acquired as at 1 January 2013, total operating revenue would have been CHF 3.1 million higher and the net loss CHF 1.0 million lower.

Tamarete Energia S.r.l.

On 13 December 2013, BKW acquired a majority shareholding in Tamarete Energia S.r.l. based in Ortona, Italy. The company operates a gas-fired combined-cycle power plant designed to cover peak load. Before that date, BKW already held 48% of the company's shares and accounted for its shareholding using the equity method. With this transaction BKW acquired a further 12% of the shares, taking its shareholding to 60% and a majority interest in the power plant company. From this point in time, the company has been fully consolidated. No profit or loss has been derived from the valuation of the previously held shares. The non-controlling interests were stated at the carrying amount of the proportionate equity.

Had the company acquisition already been completed as at 1 January 2013, total operating revenue would have been CHF 19.2 million higher and the net loss CHF 1.3 million higher.

7 Segment reporting

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

BKW operates the following four reportable business segments:

- The Production segment operates and maintains the Group's own large power plants in Switzerland and abroad, as well as small hydro power plants. In addition to the Mühleberg nuclear power plant, the power plant portfolio comprises Swiss and foreign hydro power plants, and fossil-fuel power plants in Italy and Germany. The Production segment plans and designs new plants and expansion of existing power plants, and provides services to third parties in this area.
- The Renewables & Efficiency segment covers production from renewable energy sources, in particular wind power. This segment also provides integrated energy services in relation to energy efficiency, smart energy and electrical installation.
- The Market segment comprises BKW's sales and trading activities. It covers sales of energy in Switzerland and Italy, as well as trading in electricity, gas, certificates, coal and oil, and development and management of the BKW portfolio of products and services.
- The Networks segment builds, operates and maintains the Group's own distribution network and provides energy services in relation to the creation and maintenance of electricity and telecommunications networks as well as traffic infrastructure facilities.

The column "Other" covers activities which are centrally managed within the Group; these largely consist of the decommissioning and disposal funds, Group financing, real estate, financial assets and tax. In addition, costs that arise in conjunction with the creation of new business areas are borne centrally within the Group and are not charged to the business segments. The exchange-rate effect, which occurs in the Market segment owing to timing differences in assuming energy positions, is also borne centrally within the Group. The effect of differences in exchange rates between the assumption and supply date of the power is therefore charged from the Market segment to the core Treasury function. The corresponding item is carried in net sales.

Segment figures are determined in accordance with the same accounting and valuation principles as 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

	Production	Renewables & Efficiency	Market	Networks	Other	Consoli- dation	Total
2014							
CHF millions							
External revenue	107.2	158.1	1,974.9	589.9	12.6	2.2	2,844.9
– Net sales	79.9	144.1	1,957.9	539.1	1.2		2,722.2
– Own work capitalised	6.1	1.0	1.6	38.4	0.1	2.2	49.4
– Other operating income	21.2	13.0	15.4	12.4	11.3		73.3
Internal revenue	976.6	55.0	237.8	43.6	107.1	–1,420.1	0.0
– Net sales	967.5	44.8	210.2	27.7	–27.7	–1,222.5	0.0
– Other operating income	9.1	10.2	27.6	15.9	134.8	–197.6	0.0
Total operating revenue	1,083.8	213.1	2,212.7	633.5	119.7	–1,417.9	2,844.9
Total operating expenses	–797.3	–152.6	–2,193.8	–433.6	–157.1	1,417.7	–2,316.7
Operating profit before depreciation, amortisation and impairment	286.5	60.5	18.9	199.9	–37.4	–0.2	528.2
Depreciation, amortisation and impairment	–78.9	–52.5	–0.7	–76.8	–9.1	0.3	–217.7
Income from associates	18.6	–1.3	6.1	12.8			36.2
Operating profit/loss	226.2	6.7	24.3	135.9	–46.5	0.1	346.7
Financial result							–12.6
Profit/loss before income taxes							334.1
Additions:							
– Property, plant and equipment and intangible assets	88.3	10.8	9.8	124.9	10.6		244.4
– Due to business combinations	0.3	1.0		2.3			3.6
– State funds					30.4		30.4
– Associates	31.6			2.3			33.9
Shareholdings in associates at 31.12.2014	996.4	11.5	69.5	96.1			1,173.5
Total assets at 31.12.2014	4,618.1	916.3	1,115.6	1,774.8	6,373.2	–6,858.1	7,939.9

2013	Production	Renewables & Efficiency	Market	Networks	Other	Consoli- dation	Total
CHF millions							
External revenue	112.3	136.3	1,897.9	571.8	13.3	2.1	2,733.7
– Net sales	83.5	129.0	1,865.9	489.0	–0.4		2,567.0
– Own work capitalised	6.1	1.3	1.3	34.5		2.1	45.3
– Other operating income	22.7	6.0	30.7	48.3	13.7		121.4
Internal revenue	1,090.9	53.1	256.6	55.1	79.0	–1,534.7	0.0
– Net sales	1,079.2	46.0	226.0	43.8	–60.7	–1,334.3	0.0
– Other operating income	11.7	7.1	30.6	11.3	139.7	–200.4	0.0
Total operating revenue	1,203.2	189.4	2,154.5	626.9	92.3	–1,532.6	2,733.7
Total operating expenses	–1,053.0	–147.2	–2,217.0	–397.2	–162.7	1,536.2	–2,440.9
Operating profit before depreciation, amortisation and impairment	150.2	42.2	–62.5	229.7	–70.4	3.6	292.8
Depreciation, amortisation and impairment	–187.5	–208.6	–13.9	–75.0	–9.6	0.2	–494.4
Income from associates	20.4	–0.5	5.7	4.4			30.0
Operating profit/loss	–16.9	–166.9	–70.7	159.1	–80.0	3.8	–171.6
Financial result							–64.2
Profit/loss before income taxes							–235.8
Additions:							
– Property, plant and equipment and intangible assets	143.2	32.4	13.3	104.2	5.5	–0.9	297.7
– Due to business combinations	112.3	174.3					286.6
– State funds					30.3		30.3
– Associates	74.4	1.9		73.0			149.3
Shareholdings in associates at 31.12.2013	993.8	14.1	94.7	84.7			1,187.3
Total assets at 31.12.2013	4,375.1	934.4	1,371.7	1,711.9	5,995.9	–6,713.5	7,675.5

BKW's sales activities are represented to customers through the Market business segment. This includes the sale of services that are provided by other business segments. In this respect, the segment reporting for 2013 has been restated to improve the comparability of these figures. Income and expenses arising from the provision of services by the Networks segment have been shifted to the Market segment.

Information on products and services

CHF millions	2013	2014
Energy	1,968.1	2,066.4
Networks	401.2	424.6
Services	197.7	231.2
Net sales	2,567.0	2,722.2

- Energy consists in particular of the sale of energy products, the delivery of electricity through trading, revenue from proprietary energy trading and energy hedging, and other energy-related business.
- Networks includes charges for the use of the BKW distribution network.
- Services comprises, in particular, comprehensive services in relation to energy efficiency and smart energy, and infrastructure services for network construction and electrical installation as well as for heating installation.

Information by country

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

CHF millions	Switzerland		Germany		2013	Italy 2014	Other countries		2013	Total 2014
	2013	2014	2013	2014			2013	2014		
Net sales	1,342.3	1,467.2	666.1	756.1	508.8	390.6	49.8	108.3	2,567.0	2,722.2
Non-current assets	2,847.1	2,790.9	665.8	666.7	824.3	778.1			4,337.2	4,235.7

Information on significant customers

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

8 Energy procurement

CHF millions	2013	2014
Cost of energy procurement from third parties and associates	1,435.6	1,486.2
Provision for onerous energy procurement contracts		
– Provisions used	–32.7	–6.6
– Provisions formed	195.3	9.2
– Provisions released	–0.6	–10.7
Total	1,597.6	1,478.1

9 Personnel expenses

CHF millions	2013	2014
Salaries and wages	304.6	321.8
Social security contributions and other personnel expenses	77.9	78.0
Total	382.5	399.8

10 Other operating expenses

CHF millions	2013	2014
Charges, levies and other taxes	95.1	92.4
Miscellaneous operating expenses	154.4	149.7
Total	249.5	242.1

11 Depreciation, amortisation and impairment

CHF millions	2013	2014
Depreciation		
– Property, plant and equipment	192.4	202.5
– Intangible assets	8.2	9.0
Impairment		
– Property, plant and equipment	205.1	26.2
– Intangible assets	90.1	0.1
Reversal of impairments		
– Property, plant and equipment	–1.4	–20.1
– Intangible assets	0.0	0.0
Total	494.4	217.7

Impairments of CHF 15.2 million were recorded on property, plant and equipment in the Production segment in 2014, and CHF 11.0 million in the Renewables & Efficiency segment.

Of the impairments on property, plant and equipment reversed in 2014, CHF 12.2 million related to the Production segment, CHF 3.7 million to the Networks segment and CHF 4.2 million to the Renewables & Efficiency segment.

12 Financial result

CHF millions	2013	2014
Interest income	12.8	10.5
Dividend income	6.3	5.2
Value adjustment on state funds	51.1	91.6
Gains from the disposal of financial assets	1.9	25.5
Value adjustment on securities held for trading	0.0	5.7
Other financial income	1.9	2.4
Currency translations	2.9	1.3
Financial income	76.9	142.2
Interest expenses	–44.0	–51.9
Capitalised borrowing costs	1.3	1.6
Interest on provisions	–85.7	–94.6
Losses from the disposal of financial assets	–1.5	–0.1
Value adjustment on securities held for trading	–4.1	–0.4
Impairment of financial assets	–1.3	–3.4
Other financial expenses	–5.8	–6.0
Financial expenses	–141.1	–154.8

13 Income taxes

CHF millions	2013	2014
Current income taxes	27.2	8.6
Deferred taxes	-46.3	33.6
Total income taxes	-19.1	42.2

Reconciliation with reported income taxes

CHF millions	2013	2014
Profit/loss before income taxes	-235.8	334.1
Tax expenses at anticipated rate of 23.6% (2013: 31.04%)	-73.2	78.8
Effects of changes in tax rate	26.1	0.0
Participation reduction and non-taxable income	10.8	-33.7
Use/capitalisation of uncapitalised tax losses	-0.6	-0.8
Non-tax-deductible expenses	18.9	2.5
Uncapitalised or partially capitalised tax losses	3.5	1.9
Taxes in respect of previous years	-7.6	-2.5
Participation write-down	3.8	-1.4
Other items	-0.8	-2.6
Total income taxes	-19.1	42.2
Effective tax rate	8.1%	12.6%

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 decrease in comparison with the previous year can be attributed to the fact that greater profits occurred in companies subject to lower tax rates, thus reducing the weighted average tax rate.

Changes in deferred tax assets/liabilities

CHF millions	2013	2014
Net deferred tax liabilities at 01.01.	-403.4	-427.9
Changes in the scope of consolidation	-40.4	0.5
Formation/release in the income statement	46.3	-33.6
Value adjustment to financial instruments in other comprehensive income	0.3	-0.2
Realisation of financial instruments from equity	0.0	5.5
Change in value of cash flow and net investment hedges in other comprehensive income	-0.2	0.3
Taxes on actuarial gains/losses	-29.7	29.9
Tax effect of issue of convertible bond	0.0	-0.5
Transactions in treasury shares ¹	0.0	41.8
Currency translations	-0.8	2.0
Net deferred tax liabilities at 31.12.	-427.9	-382.2

1 In 2014, BKW Inc. issued a convertible bond for its own shares. For this purpose, shares previously carried as treasury shares in the BKW Energy Ltd. balance sheet were allocated to BKW Inc. in the form of a dividend. As a consequence of differences in tax rate, this transfer of treasury shares within the Group required an adjustment to be made in respect of deferred taxes, which was recognised directly in equity.

Deferred tax assets/liabilities by origin of temporary difference

CHF millions	31.12.2013		31.12.2014	
	Credit	Liabilities	Credit	Liabilities
Property, plant and equipment	30.9	-322.9	16.3	-285.9
Financial assets and holdings	6.9	-56.6	9.0	-52.3
Intangible assets	1.7	-5.8	1.3	-5.6
Current assets	10.1	-52.1	8.2	-20.0
Provisions	1.3	-64.8	1.6	-26.0
Other non-current liabilities	39.6	-62.1	29.4	-54.5
Current liabilities	4.7	-13.2	5.7	-10.6
Capitalised loss carry-forwards	54.4	0.0	1.2	0.0
Credit/liability for gross deferred taxes	149.6	-577.5	72.7	-454.9
Netting of assets and liabilities	-107.1	107.1	-29.1	29.1
Credit/liability for deferred taxes according to balance sheet	42.5	-470.4	43.6	-425.8

The change in temporary differences resulted in a deferred tax expense of CHF 19.6 million (2013: CHF 7.2 million) recorded in the income statement.

As in the previous year, at 31 December 2014 no deferred tax liabilities were accounted in respect of temporary differences with associates. No deferred taxes are recognised for Group companies, joint arrangements and 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 520.8 million (2013: CHF 554.8 million) in total.

Tax loss carry-forwards

As at 31 December 2014, there were tax loss carry-forwards of CHF 59.9 million (2013: CHF 73.9 million), for which no deferred taxes were capitalised. These were not capitalised since their charging 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 21.6% (2013: 20.8%).

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

in CHF millions	31.12.2013	31.12.2014
Expiry within 1 year	3.4	0.3
Expiry within 2 to 5 years	1.3	1.6
Expiry after 5 years	4.0	9.8
Valid indefinitely	65.2	48.2
Total	73.9	59.9

14 Result per share

The undiluted result per share is calculated based on the weighted average number of shares in circulation. The diluted result per share consists of the dilution effect arising from the issue of a convertible bond (see Note 24). When calculating the diluted result per share, it is assumed in the financial year 2014 that the convertible bonds had already been converted into shares at the time of issue. The net profit attributable to the shareholders is adjusted according to the corresponding interest expense for the convertible bond after accounting for tax.

Undiluted result per share

	2013	2014
Result attributable to BKW shareholders, in CHF millions	-216.7	288.2
Number of shares issued (weighted average)	52,800,000	52,800,000
Less treasury shares (weighted average)	-4,775,675	-4,463,973
Number of shares in circulation (weighted average)	48,024,325	48,336,027
Undiluted result per share in CHF	-4.51	5.96

Diluted result per share

	2013	2014
Result attributable to BKW shareholders, in CHF millions	-216.7	288.2
Tax-adjusted interest expense on convertible bonds	0.0	0.4
BKW shareholders' portion of result, adjusted for dilution effect	-216.7	288.6
Number of shares in circulation (weighted average)	48,024,325	48,336,027
Adjustment for theoretical conversion of convertible bonds	0	969,222
Number of shares in circulation, adjusted for dilution effect	48,024,325	49,305,249
Diluted result per share in CHF	-4.51	5.85

Dividend per share

The dividend of CHF 1.60 per share for the financial year 2014 corresponds to the proposal by the Board of Directors to the Annual 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 77.4 million.

15 Property, plant and equipment

CHF millions	Power plants	Transmission and distribution plants	Buildings and land	Nuclear fuel	Other property, plant and equipment	Construction in progress	Total
Gross values at 31.12.2013	2,716.2	2,428.1	283.2	791.8	340.8	190.7	6,750.8
Changes in the scope of consolidation	-3.6				3.0	-0.9	-1.5
Additions	10.5	1.9	0.2	9.3	3.2	206.5	231.6
Disposals	-57.2	-20.8	-3.7	-48.6	-9.4	-1.2	-140.9
Reclassifications	37.4	82.6	3.3		23.9	-147.2	0.0
Currency translations	-19.6	-0.1	-0.1		-0.1		-19.9
Gross values at 31.12.2014	2,683.7	2,491.7	282.9	752.5	361.4	247.9	6,820.1
Accumulated depreciation and impairments at 31.12.2013	1,488.3	1,292.6	124.5	592.1	223.5	44.6	3,765.6
Changes in the scope of consolidation	-0.7					-1.1	-1.8
Depreciation	81.8	55.1	6.0	35.3	24.3		202.5
Impairment	14.0		0.5			11.7	26.2
Disposals	-2.2	-18.6	-0.3		-9.4	-0.7	-31.2
Reversal of impairment	-16.4	-3.7					-20.1
Reclassifications	0.1	-0.1					0.0
Currency translations	-3.8				-0.1		-3.9
Accumulated depreciation and impairments at 31.12.2014	1,561.1	1,325.3	130.7	627.4	238.3	54.5	3,937.3
Net values at 31.12.2014	1,122.6	1,166.4	152.2	125.1	123.1	193.4	2,882.8
– thereof in financial leasing	195.3						195.3
– thereof pledged for liabilities	84.7						84.7

Following the adjustment of provisions for decommissioning and disposal of the Mühleberg nuclear power plant (see Note 23), non-cash disposals were made in the value of CHF 47.6 million (2013: non-cash additions of CHF 45.8 million) and CHF 48.6 million (2013: non-cash additions of CHF 9.7 million) to power plants and nuclear fuels, respectively. In addition, there were non-cash additions of CHF 4.0 Mio. (2013: nil) in conjunction with the increase in provisions for dismantling at power plants. The additions to nuclear fuels also include a non-cash increase in provisions of CHF 5.0 million owing to the annual additional disposal costs of operating the power plant (2013: CHF 4.9 million).

Borrowing costs amounting to CHF 1.6 million were capitalised in the reporting year (2013: CHF 1.3 million). In the year under review, compensation of CHF 1.4 million (2013: CHF 0.7 million) for property, plant and equipment which was impaired, lost or decommissioned was charged to the income statement.

CHF millions	Power plants	Transmission and distribution plants	Buildings and land	Nuclear fuel	Other property, plant and equipment	Construction in progress	Total
Gross values at 31.12.2012	2,324.4	2,335.3	283.3	752.0	333.4	209.9	6,238.3
Changes in the scope of consolidation	284.7		0.3		0.1	1.3	286.4
Additions	57.1	2.0	0.4	39.8	4.2	172.0	275.5
Disposals	-17.0	-17.2	-2.6		-13.4	-8.6	-58.8
Reclassifications	57.9	108.0	1.6		16.5	-184.0	0.0
Currency translations	9.1		0.2			0.1	9.4
Gross values at 31.12.2013	2,716.2	2,428.1	283.2	791.8	340.8	190.7	6,750.8
Accumulated depreciation and impairments at 31.12.2012	1,242.6	1,244.4	119.7	562.2	213.1	34.3	3,416.3
Depreciation	80.1	53.2	6.0	29.9	23.2		192.4
Impairment	184.7	10.9				9.5	205.1
Disposals	-9.1	-15.9	-1.2		-12.7	-8.4	-47.3
Reversal of impairment	-1.4						-1.4
Reclassifications	-9.1				-0.1	9.2	0.0
Currency translations	0.5						0.5
Accumulated depreciation and impairments at 31.12.2013	1,488.3	1,292.6	124.5	592.1	223.5	44.6	3,765.6
Net values at 31.12.2013	1,227.9	1,135.5	158.7	199.7	117.3	146.1	2,985.2
– thereof in financial leasing	245.8						245.8
– thereof pledged for liabilities	105.3						105.3

16 Shareholdings in associates

CHF millions	Total
At 31.12.2012	1,006.0
Additions	149.3
Changes in the consolidation method	-4.6
Disposals	-0.8
Dividends	-18.3
Pro rata income	30.5
Impairment	-0.5
Currency translations	8.1
Actuarial gains/losses	17.6
At 31.12.2013	1,187.3
Additions	33.9
Disposals	-2.7
Dividends	-50.1
Pro rata income	36.8
Impairment	-0.6
Currency translations	-12.8
Actuarial gains/losses	-18.3
At 31.12.2014	1,173.5

Investments in associates include in particular capital investments in the 33% stake in GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG, Germany, to finance the power plant currently under construction.

Disposals of CHF 0.3 million did not affect cash (2013: non-cash additions of CHF 74.6 million).

Pro rata key figures for associates at 31.12.2014

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

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	Other technologies	Total Production	Renewables & Efficiency	Market	Networks	Total
Non-current assets	1,103.3	516.2	653.3	5.1	2,277.9	64.6	80.7	302.2	2,725.4
Current assets	82.4	56.0	35.6	4.0	178.0	10.2	34.3	41.5	264.0
Non-current liabilities	-822.1	-438.3	-2.8	0.0	-1,263.2	-55.5	-27.0	-188.1	-1,533.8
Current liabilities	-100.4	-45.3	-41.5	-9.1	-196.3	-7.8	-18.5	-59.5	-282.1
Shareholders' equity	263.2	88.6	644.6	0.0	996.4	11.5	69.5	96.1	1,173.5
Income	183.2	156.7	45.3	3.7	388.9	14.4	61.9	127.0	592.2
Expenses	-174.0	-143.9	-48.7	-3.7	-370.3	-15.7	-55.8	-114.2	-556.0
Net profit/loss	9.2	12.8	-3.4	0.0	18.6	-1.3	6.1	12.8	36.2
Other comprehensive income	-7.6	-5.3	0.0	0.0	-12.9	0.0	-1.6	-3.8	-18.3
Comprehensive income	1.6	7.5	-3.4	0.0	5.7	-1.3	4.5	9.0	17.9

All associates are valued using the equity method.

CHF 1,070.4 million (2013: CHF 1,061.7 million) of the total pro rata assets and liabilities relate to net financial debt (financial liabilities less cash and cash equivalents and current financial assets).

Associates in the Production 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 2014 amounted to CHF 337.2 million (2013: CHF 377.2 million). These are included in the energy procurement expense. CHF 945.3 million (2013: CHF 833.6 million) of the total pro rata assets and liabilities of partner plants relate to net financial debt.

Pro rata key figures for associates at 31.12.2013

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

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	Other technologies	Total Production	Renewables & Efficiency	Market	Networks	Total
Non-current assets	1,078.7	524.7	639.0	5.6	2,248.0	67.3	77.3	288.8	2,681.4
Current assets	117.5	52.4	32.6	3.4	205.9	11.5	53.1	58.2	328.7
Non-current liabilities	-824.1	-457.1	-2.8	0.0	-1,284.0	-41.1	-16.0	-189.6	-1,530.7
Current liabilities	-102.3	-34.7	-30.1	-9.0	-176.1	-23.6	-19.7	-72.7	-292.1
Shareholders' equity	269.8	85.3	638.7	0.0	993.8	14.1	94.7	84.7	1,187.3
Income	186.6	168.7	68.6	4.9	428.8	9.1	74.1	123.2	635.2
Expenses	-179.3	-163.1	-61.1	-4.9	-408.4	-9.7	-68.4	-118.7	-605.2
Net profit/loss	7.3	5.7	7.4	0.0	20.4	-0.6	5.7	4.5	30.0
Other comprehensive income	7.2	6.0	0.0	0.0	13.2	0.0	1.1	3.3	17.6
Comprehensive income	14.5	11.7	7.4	0.0	33.6	-0.6	6.8	7.8	47.6

Key figures for major associates

The table below gives the key figures for the major associates. The three holdings listed are all part of the Production segment.

100 % key figures CHF millions	GDF Suez Kraftwerk Wilhelmshaven GmbH & Co. KG		E.ON Produzione Centrale Livorno Ferraris S.p.A.		Kraftwerke Oberhasli AG	
	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Non-current assets	1,654.8	1,716.2	364.5	338.4	746.8	805.6
Current assets	16.3	27.2	108.8	106.4	168.1	105.0
Non-current liabilities	-2.3	-2.0	-7.8	-8.4	-722.8	-732.5
Current liabilities	-48.9	-80.0	-58.8	-60.5	-36.2	-24.9
Shareholders' equity	1,619.9	1,661.4	406.7	375.9	155.9	153.2
% Holding	33.0%	33.0%	25.0%	25.0%	50.0%	50.0%
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Reported carrying amount of the investment	537.0	550.6	101.7	94.0	78.0	76.6
Dividend received	0.0	0.0	5.9	9.5	0.0	0.0
Income	0.4	0.5	236.5	180.6	167.4	177.0
Expenses	-13.8	-22.0	-214.4	-165.6	-162.0	-170.7
Net profit/loss	-13.4	-21.5	22.1	15.0	5.4	6.3
Other comprehensive income	0.0	0.0	0.0	0.0	8.4	-9.0
Comprehensive income	-13.4	-21.5	22.1	15.0	13.8	-2.7
% Holding	33.0%	33.0%	25.0%	25.0%	50.0%	50.0%
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0
Recognised proportionate result from associates	3.1	-7.2	5.5	3.8	2.7	3.2

The company GDF SUEZ 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.

17 Financial assets

CHF millions	Available-for-sale financial assets	Securities held for trading	Loans	Term deposits	Receivables from state funds	Total
At 31.12.2012	206.2	134.2	85.9	97.7	701.6	1,225.6
Changes in the scope of consolidation			-64.4			-64.4
Additions	0.7	18.6	141.5	180.1	30.3	371.2
Disposals	-4.2	-18.2	-1.9	-100.0		-124.3
Currency translations	0.2		1.1			1.3
Value adjustment in the income statement	0.7	-4.1			51.1	47.7
Value adjustment in other comprehensive income	-2.3					-2.3
Impairment	-0.9		-0.4			-1.3
At 31.12.2013	200.4	130.5	161.8	177.8	783.0	1,453.5
Additions	0.3	22.5	6.0	610.1	30.4	669.3
Disposals	-41.1	-16.7	-6.6	-210.0		-274.4
Currency translations	-0.3		-0.7			-1.0
Value adjustment in the income statement		5.3			91.6	96.9
Value adjustment in other comprehensive income	0.9					0.9
Impairment			-3.4			-3.4
At 31.12.2014	160.2	141.6	157.1	577.9	905.0	1,941.8
of which:						
– Current financial assets		141.6	0.2	570.0		711.8
– Non-current financial assets	160.2		156.9	7.9	905.0	1,230.0
of which:						
– Financial assets according to IAS 32/39	160.2	141.6	157.1	577.9		1,036.8
– Other assets					905.0	905.0

Financial assets available-for-sale, securities held for trading, and shares in the state funds are recorded at fair value. Since the state funds are managed by the federal government, BKW has no access to the managed assets.

18 Intangible Assets

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2013	183.0	185.2	55.8	424.0
Changes in the scope of consolidation		12.0	0.2	12.2
Additions from acquisitions	0.2		10.2	10.4
Additions from internally generated intangible assets			2.4	2.4
Disposals	-0.6		-2.9	-3.5
Currency translations	-2.2	-0.1		-2.3
Gross values at 31.12.2014	180.4	197.1	65.7	443.2
Accumulated depreciation and impairments at 31.12.2013	145.6	92.4	21.3	259.3
Depreciation	1.9		7.1	9.0
Impairment	0.1			0.1
Disposals	-0.2		-2.3	-2.5
Currency translations	-2.1			-2.1
Accumulated depreciation and impairments at 31.12.2014	145.3	92.4	26.1	263.8
Net values at 31.12.2014	35.1	104.7	39.6	179.4

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2012	166.1	185.1	35.1	386.3
Changes in the scope of consolidation	14.7		0.2	14.9
Additions from acquisitions	0.7		17.0	17.7
Additions from internally generated intangible assets			4.5	4.5
Disposals	-0.1		-1.0	-1.1
Currency translations	1.6	0.1		1.7
Gross values at 31.12.2013	183.0	185.2	55.8	424.0
Accumulated depreciation and impairments at 31.12.2012	53.7	92.4	16.1	162.2
Depreciation	2.0		6.2	8.2
Impairment	90.1			90.1
Disposals	-0.1		-1.0	-1.1
Currency translations	-0.1			-0.1
Accumulated depreciation and impairments at 31.12.2013	145.6	92.4	21.3	259.3
Net values at 31.12.2013	37.4	92.8	34.5	164.7

Owing to changes in estimates relating to the impairment testing of usage rights for wind farms, impairments of CHF 90.1 million were made in the Renewables & Efficiency segment for the 2013 financial year.

On the balance sheet date, the allocation of goodwill among the following cash-generating units was as follows:

CHF millions	31.12.2013	31.12.2014
Production	84.8	84.7
Renewables & Efficiency	7.9	12.0
Networks	0.1	8.0
Total	92.8	104.7

The increase in the goodwill of the cash-generating units Renewables & Efficiency and Networks is attributable to the goodwill arising from business combinations (see Note 6). The decrease in the goodwill of the cash-generating unit Production is attributable to fluctuations in the exchange rate for the euro.

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. No impairment was required in respect of goodwill carried in the balance sheet.

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

%	31.12.2013	WACC (before tax)		WACC (after tax)		Long-term growth rate	
		31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Production	7.2	7.1	5.8	5.8	1.0	1.0	
Renewables & Efficiency	6.5	7.9	4.9	5.5	1.0	1.0	
Networks	5.8	5.8	4.7	4.7	1.0	1.0	

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

19 Inventories

CHF millions	31.12.2013	31.12.2014
Goods and materials	12.8	11.2
Valuation adjustment on goods and materials	-1.2	-1.1
Certificates (proprietary trading)	86.8	70.9
Certificates (own use)	51.9	43.7
Valuation adjustment on certificates (own use)	-16.8	-1.7
Total	133.5	123.0

20 Accrued/deferred income and prepaid/accrued expenses

CHF millions	31.12.2013	31.12.2014
Financial accruals	178.0	80.2
Other prepaid expenses and accrued income	87.8	35.7
Total prepaid expenses and accrued income	265.8	115.9
Financial accruals	109.0	143.7
Other deferred income and accrued expenses	49.1	47.7
Total deferred income and accrued expenses	158.1	191.4

21 Accounts receivable

CHF millions	31.12.2013	31.12.2014
Trade accounts receivable	592.9	589.6
Other financial receivables	58.5	33.3
Other receivables	94.7	98.3
Prepayments	2.9	2.6
Work in progress	24.7	33.9
Total	773.7	757.7

Work in progress at the balance sheet date includes advance payments of CHF 45.8 million (2013: CHF 48.2 million) as well as pro rata profits of CHF 2.1 million (2013: CHF 3.6 million).

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

CHF millions	31.12.2013	31.12.2014
Trade accounts receivable	592.9	589.6
of which:		
– not past due	516.7	544.2
– 1–30 days past due	13.6	38.5
– 31–90 days past due	53.6	2.0
– 91–180 days past due	8.6	0.7
– 181–360 days past due	0.0	0.0
– Over 360 days past due	0.4	4.2

There were no indications as at the balance sheet date that trade accounts receivable and other financial assets included items that are neither overdue nor impaired and are owed by parties that are unable to meet their payment obligations.

The value adjustments for trade accounts receivable and other financial receivables are as follows:

CHF millions	Trade receivables	Other financial receivables
Provisions for impairment at 31.12.2012	5.1	1.9
Net charge for the year	0.7	0.0
Derecognition of uncollectable receivables	-0.8	
Provisions for impairment at 31.12.2013	5.0	1.9
Net charge for the year	4.0	0.5
Derecognition of uncollectable receivables	-0.8	
Provisions for impairment at 31.12.2014	8.2	2.4

With the exception of long-term loans and available-for-sale financial assets (see Note 17), there are no provisions for impairment for other financial assets.

The other balance sheet items contain no material overdue but unimpaired financial assets.

22 Share capital and reserves

22.1 Share capital

The issued and fully paid share capital of BKW Inc. 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 their direct holdings

	31.12.2013	31.12.2014
Canton of Berne	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%
E.ON SE	6.65%	6.65%
Treasury stock	8.54%	8.35%

Transactions in treasury shares

	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2012	5,108,982	360.6	
Purchases	0	0.0	0.0
Sales	-590,932	-41.4	-16.0
31.12.2013	4,518,050	319.2	
Purchases	170	0.0	0.0
Sales	-109,123	-8.1	-1.6
31.12.2014	4,409,097	311.1	

22.2 Reserves

Capital reserves

Capital reserves include reserves paid in by shareholders.

In September 2014, BKW issued a convertible bond in the amount of CHF 163.4 million. The equity component recognised in the capital reserves amounts to CHF 6.8 million, minus deferred income taxes of CHF 0.5 million.

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. At 31 December 2014, 4,409,097 BKW shares (2013: 4,518,050) were held by BKW Inc. and its group companies and 3,000 shares (2013: 3,000) were held by associates.

Other reserves

CHF millions	Currency translations	Revaluation reserve available-for-sale financial assets	Hedging	Actuarial gains/losses	Total
At 31.12.2012	-218.4	56.1	-0.1	35.4	-127.0
Currency translations					
– of Group companies	4.5				4.5
– of associates	8.1				8.1
– Reclassification to the income statement	0.7				0.7
Available-for-sale financial assets					
– Value adjustments		-2.3			-2.3
– Reclassification to the income statement		0.7			0.7
Hedging transactions					
– Value adjustments			0.5		0.5
Actuarial gains/losses					
– of Group companies				135.0	135.0
– of associates				19.1	19.1
Income taxes		0.3	-0.2	-31.2	-31.1
At 31.12.2013	-205.1	54.8	0.2	158.3	8.2
Currency translations					
– of Group companies	-10.0				-10.0
– of associates	-12.8				-12.8
– Reclassification to the income statement	-0.3				-0.3
Available-for-sale financial assets					
– Value adjustments		0.9			0.9
– Reclassification to the income statement		-25.0			-25.0
Hedging transactions					
– Value adjustments			-0.1		-0.1
– Reclassification to the income statement			-0.1		-0.1
Actuarial gains/losses					
– of Group companies				-135.8	-135.8
– of associates				-19.4	-19.4
Income taxes		5.3	0.3	31.4	37.0
At 31.12.2014	-228.2	36.0	0.3	34.5	-157.4

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.

Revaluation reserve available-for-sale financial assets

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

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 which 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.

22.3 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 2014.

23 Provisions

CHF millions	Nuclear waste disposal	Onerous contracts, energy procurement	Restructuring	Other provisions	Total
At 31.12.2012	1,468.4	363.1	3.9	39.9	1,875.3
Changes in the scope of consolidation		-66.5		3.2	-63.3
Provisions added	4.9	195.3	0.5	7.9	208.6
Interest	72.2	13.1		0.4	85.7
Provisions used	-13.9	-32.7	-1.6	-0.1	-48.3
Provisions released		-0.6	-0.2	-7.5	-8.3
Change in estimate for nuclear disposal	55.5				55.5
Currency translations		2.7		0.3	3.0
At 31.12.2013	1,587.1	474.4	2.6	44.1	2,108.2
Changes in the scope of consolidation				0.3	0.3
Provisions added	5.0	9.2	0.2	10.8	25.2
Interest	78.1	15.9		0.6	94.6
Provisions used	-13.8	-6.6	-1.2	-1.9	-23.5
Provisions released		-10.7		-7.4	-18.1
Change in estimate for nuclear disposal	-97.5				-97.5
Currency translations				-0.6	-0.6
At 31.12.2014	1,558.9	482.2	1.6	45.9	2,088.6
of which:					
– Current provisions	15.5	24.7	0.7	11.8	52.7
– Non-current provisions	1,543.4	457.5	0.9	34.1	2,035.9

Nuclear waste disposal

At 31 December 2014 the provision of CHF 1,558.9 million for nuclear waste disposal comprised the following:

- CHF 759.0 million is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown, as well as the costs of dismantling and disposing of the plant and rehabilitation of the surrounding area. Payments are anticipated from the end of commercial operation (planned for 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).
- An additional CHF 713.4 million is set aside for disposal, outside the plant compound, of spent fuel elements and radioactive waste. 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.
- CHF 86.5 million is set aside for plant-specific costs. These cover the costs of waste disposal within the power plant and will be payable on an ongoing basis until a few years after commercial operations cease.

The adjustment in estimates for nuclear disposal during the reporting year is attributable to the application of new parameters in the calculation of provisions. In the revised Decommissioning and Disposal Funds Ordinance (SEFV), which came into force on 1 January 2015, the Federal Council has made adjustments including alterations to the parameters used to calculate contributions for the Decommissioning and Disposal Funds. Specifically, a general inflation rate of 1.5% (previously 3%) is to be applied along with a new return on investment of 3.5% (previously 5%). These adjusted parameters in the SEFV have been applied in calculating the provisions for nuclear disposal. As a result of this adjustment, provisions have been reduced by CHF 97.5 million. Owing to the associated present-value adjustment of the acquisition costs of the Mühleberg nuclear power plant (power plant and fuel rods) of CHF 96.2 million, the reversal of this provision had largely no effect on income (see Note 15). The change in estimates for nuclear disposal in the previous year arose primarily owing to the decision to reduce the operating life of the Mühleberg nuclear power plant from 50 to 47 years. As a result of this adjustment, a provision was increased by CHF 55.5 million with no effect on income.

Moreover, during the reporting year an allocation of CHF 5.0 million (2013: CHF 4.9 million) was made as a result of the annual additional disposal costs associated with the operation of the nuclear power plant. This also resulted in an increase in the acquisition cost for nuclear fuels without affecting income.

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 17).

Onerous contracts, energy procurement

The provisions for onerous energy procurement contracts cover the future purchase of energy from partner plants at production costs which exceed the expected realisable selling prices. These provisions are primarily associated with the energy procurement contracts agreed with the fossil-fuel power stations at Livorno-Ferraris in Italy and Wilhelmshaven in Germany.

The cash outflow from provisions results from BKW being obliged to take the electricity produced by these power plants at production costs, and can extend over the lives of the power plants up to a maximum of 40 years.

Restructuring and other provisions

The provision for restructuring covers future expenses for defined restructuring measures. The payments are largely spread over the next three years.

Other provisions include obligations related to personnel as well as estimations of probable payments in respect of legal disputes 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 installation; the cash outflow is anticipated within the next 25 years.

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

24 Financial liabilities

CHF millions	31.12.2013	31.12.2014
Bonds	991.8	996.4
Convertible bond	0.0	154.5
Registered bonds	316.4	311.0
Finance leasing liabilities	98.2	83.3
Bank liabilities	131.8	139.2
Other financial liabilities	51.8	49.8
Total	1,590.0	1,734.2
of which:		
– Current financial liabilities	26.7	65.9
– Non-current financial liabilities	1,563.3	1,668.3

In the reporting year, 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 is CHF 38.90. So far no conversion rights have been exercised.

On the balance sheet date the weighted average interest rate for financial liabilities, based on the nominal value, amounted to 2.8% (2013: 3.1%).

The effective interest rate on bonds and registered bonds of 3.2% (2013: 3.4%) led to interest expenses of CHF 41.9 million in the year under review (2013: CHF 36.1 million).

25 Other non-current liabilities

CHF millions	31.12.2013	31.12.2014
Assigned rights of use	210.9	220.6
Other non-current financial liabilities	13.8	7.0
Other non-current liabilities	6.1	0.6
Total	230.8	228.2

26 Other current liabilities

CHF millions	31.12.2013	31.12.2014
Trade accounts payable	375.2	308.8
Other financial liabilities	99.3	54.4
Other liabilities	80.1	54.7
Pension plans	1.4	3.1
Customer prepayments	11.8	18.1
Total	567.8	439.1

Customer prepayments relate to work in progress and comprise order costs of CHF 52.8 million as at the balance sheet date (2013: CHF 41.2 million). This includes pro rata profits of CHF 1.4 million (2013: CHF 1.3 million).

27 Pension plan

The majority of employees are covered by the Pensionskasse der Bernischen Kraftwerke (Pensionskasse BKW) pension fund. Pensionskasse BKW manages a defined benefit pension plan that meets the criteria 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. It operates the mandatory and supplementary occupational pension provision in accordance with the Federal Law on Occupational Retirement, Survivors' and Invalidation Pension (BVG). The supreme governing body of the Pensionskasse BKW foundation is the Board, which is composed of an equal number of representatives of the employer and the employees. The benefits and financing of Pensionskasse BKW, as well as its organisation and administration, relationship with member companies and actively insured persons and beneficiaries are governed by the Pension and Organisational Regulations, which are issued by the Board. 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 Berne.

Employees and their survivors are insured through the pension plan against the economic consequences of old age, invalidity and death. The insured benefits are supplementary to the statutory requirements and are fundamentally paid out in the form of a pension. All actuarial risks are borne by Pensionskasse BKW. The pension plan is financed through contributions and revenue from the assets. Contributions are collected through the group mechanism. 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. Contributions are set at a level that ensures that they and the expected returns from investment of the assets together guarantee the obligations (benefits). Additional payments are required in the event of an increase in the insured salaries.

Responsibility for investing the pension assets is held by the Board of the foundation. The investment activities and the associated competencies are organised according to the instructions of the Pensionskasse BKW Investment Regulations issued by the Board. The Investment Regulations are supplemental to the applicable statutory framework. They define the asset structure and contain qualitative and quantitative requirements for the individual investment categories. 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 Board of the foundation has delegated responsibility for carrying out the investment activity to an Investment Committee. The investment activity of Pensionskasse BKW is primarily exercised by external providers (investment foundations, asset managers, funds) with oversight by the Investment Committee and the executive management. 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. Recognised Swiss banking institutions take the role of custodian.

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 2014 is 116.2% (2013: 111.6%). 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.

The annual assessment prepared for Pensionskasse BKW by the occupational pensions expert is not based on the projected-unit-credit method as required by IFRS. Therefore, BKW obtains an additional assessment according to the requirements of IFRS from an independent pensions expert each year.

27.1 Pension liability in the balance sheet

CHF millions	31.12.2013	31.12.2014
Present value of defined benefit obligations at 31.12.	-1,490.5	-1,755.3
Fair value of plan assets at 31.12.	1,437.6	1,557.8
Pension liability recorded in the balance sheet at 31.12.	-52.9	-197.5

27.2 Pension expense according to IAS 19

CHF millions	2013	2014
Current service cost (employer)	31.5	30.0
Past service cost (employer)	4.5	0.0
Interest expenses on defined benefit obligation	28.9	32.6
Interest income from plan assets	-25.6	-31.5
Administration costs excluding costs for management of plan assets	0.8	0.7
Pension plan expenses	40.1	31.8

27.3 Revaluation of pension plan

CHF millions	2013	2014
Actuarial gains/losses		
– Change in financial assumptions	-60.8	252.1
– Change in demographic assumptions	-0.3	-30.3
– Adjustments based on experience	3.8	7.1
Return on plan assets (excluding interest based on discount rate)	-77.7	-93.1
Total revaluation reported in other comprehensive income	-135.0	135.8

27.4 Change in present value of defined benefit obligation

CHF millions	2013	2014
Present value of defined benefit obligation at 01.01.	1,533.3	1,490.5
Interest expenses on defined benefit obligation	28.9	32.6
Current service cost (employer)	31.5	30.0
Contributions paid/benefits paid out	-68.5	-60.1
Employee contributions	17.3	17.0
Past service cost (employer)	4.5	0.0
Business combination	0.0	15.7
Administration costs (excluding asset management costs)	0.8	0.7
Actuarial gains/losses	-57.3	228.9
Present value of defined benefit obligations at 31.12.	1,490.5	1,755.3

At the balance sheet date, the active members' share of the defined benefit obligation was CHF 885.1 million (2013: CHF 708.1 million). The share of those drawing a pension in the defined benefit obligation was CHF 870.2 million (2013: CHF 782.4 million).

27.5 Change in fair value of plan assets

CHF millions	2013	2014
Fair value of plan assets at 01.01.	1,356.0	1,437.6
Interest income from plan assets	25.6	31.5
Employer contributions	29.5	27.4
Employee contributions	17.3	17.0
Contributions paid/benefits paid out	-68.5	-60.1
Business combination	0.0	11.3
Return on plan assets (excluding interest based on discount rate)	77.7	93.1
Fair value of plan assets at 31.12.	1,437.6	1,557.8

27.6 Asset structure of plan assets

CHF millions	31.12.2013	%	31.12.2014	%
Cash and cash equivalents	56.0	3.9	51.5	3.3
Equity instruments	527.1	36.7	562.5	36.1
Debt instruments	534.4	37.2	576.7	37.0
Other instruments	51.4	3.6	76.4	4.9
Properties	268.7	18.6	290.7	18.7
Total plan assets	1,437.6		1,557.8	
– thereof own transferrable financial instruments	1.3		1.3	
– thereof properties used by BKW	9.5		9.4	

Equity capital instruments include investment in shares and are generally listed at their market price in an active market. The proportion of Swiss shares as a percentage of the total assets at the end of the reporting period was 13.1% (2013: 13.0%), with foreign shares taking 23.0% (2013: 23.7%). 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 at 31 December 2014, was 16.6% (2013: 16.9%) for Swiss bonds, 9.8% (2013: 9.8%) for foreign bonds with currency hedging and 10.6% (2013: 10.5%) 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.

At 31 December 2014, the proportion of property as a percentage of the total assets was split between 12.3% (2013: 12.4%) for properties (direct investments in Switzerland) and 6.4% (2013: 6.2%) for property funds listed in an active market (of which almost half involved foreign properties).

The effective return from the plan assets was 8.5% in the reporting year (2013: 7.4%).

27.7 Actuarial assumptions

	2013	2014
Discount rate	2.20 %	1.10 %
Expected rate of future salary increases	1.25 %	1.25 %
Expected rate of future pension increases	0.20 %	0.20 %
Mortality table	BVG 2010 GT	BVG 2010 GT

The weighted average term of the employee pension plan obligation amounted to 14.3 years (2013: 13.6 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:

31.12.2014 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-61.1	65.4
Salary increase (0.25% change)	10.6	-10.2
Changes in pensions (0.20% change)	42.5	-40.7
Life expectancy (1 year change)	60.1	-61.4

31.12.2013 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-47.2	50.3
Salary increase (0.25% change)	7.7	-7.6
Changes in pensions (0.20% change)	33.6	-32.4
Life expectancy (1 year change)	46.7	-48.2

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.

27.8 Estimated contributions for the next period

CHF millions	2013	2014
Expected employer contributions	23.0	28.9
Expected employee contributions	15.2	18.5

28 Derivatives

The following table provides information on replacement values and contract volumes for derivative financial instruments open on the balance sheet date in respect of energy trading, and of interest and exchange rate hedging. Derivatives that qualify as hedging instruments under IAS 39 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). Positive replacement values correspond to the costs which BKW would incur to replace all transactions that represent benefits for BKW if all counterparties were simultaneously unable to pay and the transactions could be immediately replaced. Negative replacement values correspond to the costs that counterparties would incur to replace all transactions that represent benefits for them if BKW were no longer able to meet its obligations. The contract volume corresponds to the basic value or contract volume of the underlying 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	
	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Futures (energy trading)	0.0	0.0	0.0	0.0	177.4	203.1
Forward contracts (energy trading)	153.9	137.4	114.1	82.6	3,298.6	1,883.7
Swaps	0.0	0.0	0.0	3.9	0.0	50.0
Exchange rate hedging	0.6	0.7	2.9	0.9	201.5	10.5
Hedge accounting						
– Swaps	8.4	11.4	1.1	1.0	129.6	124.6
– Exchange rate hedging	0.5	0.0	0.1	0.0	117.8	0.0
Total	163.4	149.5	118.2	88.4	3,924.9	2,271.9
of which:						
– Current derivatives	105.2	104.3	85.2	65.2		
– Non-current derivatives	58.2	45.2	33.0	23.2		

29 Hedge accounting

The following hedging transactions were open at 31 December 2014:

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 +3.0 million (2013: CHF -3.5 million). In 2014, there was no ineffective portion of hedging relationships to be reported in the financial result (2013: CHF 0.5 million loss).

Cash flow hedge

In relation to borrowings for power plants, interest rate swaps existed on the balance sheet date for the next three years, in order to hedge fluctuations in interest payments. The hedging instrument qualifies as a cash flow hedge and is assessed as highly effective. The gain or loss measured for these cash flow hedges is recognised in other comprehensive income (CHF 0.1 million in the reporting year; 2013: CHF 0.0 million). In 2014, there was no ineffective portion of hedging relationships.

In the previous year, various hedging transactions were held open to hedge the following financial year's sales denominated in euro. The cash flow hedges relating to euro-denominated revenue were charged to income in 2014. A gain of CHF 1.2 million (2013: loss of CHF 0.4 million) was recognised in net revenue for the reporting year relating to amounts that had been hedged in the previous year.

Net investment hedge

In previous years, BKW placed three registered bonds with nominal amounts of EUR 275 million in total. The registered bonds were placed in Germany and allow BKW to obtain an element of matched-currency financing for its investment projects from local investors 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 net investments in a foreign business operation. In the reporting year there was no ineffective portion of hedging relationships reported under financial income.

30 Related parties

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

CHF millions	Companies exerting significant influence over the							
	2013	Parent 2014	2013	Group 2014	2013	Associates 2014	2013	Pension funds 2014
Income								
– Energy sales	4.4	4.5	52.9	44.2	115.8	71.0		
– Other sales and services	9.2	7.0	10.3	9.9	94.1	42.4	1.2	1.1
– Interest and dividends	2.7	2.6	3.5	2.2	26.0	57.3		
Expenses								
– Energy purchases			29.5	33.2	338.9	302.2		
– Other purchases and services	0.5	0.6	0.9	0.1	76.4	104.2	26.0	26.3
– Taxes and charges	21.3	21.9						
– Interest and dividends	33.9	33.7	6.3	6.3				
– Income taxes	3.6	3.9						
Assets								
– Non-current financial assets	5.1	5.1						
– Loans					139.3	138.4		
– Rights of use					13.7	12.7		
– Current financial assets						0.2		
– Receivables and accruals	6.1	4.9	10.5	4.9	53.4	37.8		
– Cash and cash equivalents	87.1	74.8						
Liabilities								
– Loans			0.1	0.1				
– Rights of use			0.1		0.5	0.2		
– Liabilities and accruals	5.3	5.3	0.4	0.3	51.6	51.5	1.0	3.8

Transactions with the parent

The Canton of Berne is the majority shareholder of BKW. As such, it has a controlling influence on all decisions at the Annual General Meeting, including the election of members of the Board of Directors and the appropriation of retained earnings. The relationship with the Canton of Berne, its authorities, public-law institutions and the private-law companies it controls 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 Berne holds a majority interest.

Transactions with companies exerting significant influence over BKW

Groupe E Ltd. is represented on the BKW Board of Directors and is therefore able to influence decisions on BKW's financial and business policies. BKW supplies and procures energy, procures materials and services, and supplies services. All these transactions are performed at market conditions. In turn, BKW holds a 10.0% share in Groupe E Ltd.

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 2014, associates borrowed CHF 3.5 million in loans from BKW (2013: CHF 132.3 million). The loans were reduced by CHF 0.4 million during the reporting year owing to repayments (2013: decrease of CHF 65.1 million owing to changes in the scope of consolidation). In addition, impairments were recorded in respect of loans amounting to CHF 3.1 million. In the reporting year BKW acquired property, plant and equipment from associates at a purchase price of CHF 0.1 million (2013: purchased CHF 0.1 million and sold CHF 0.5 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	2,013	2014
Short-term benefits	4.1	4.7
Contributions to pension plans	0.8	1.0
Share-based payments	0.0	0.5
Total	4.9	6.2

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.

31 Leasing

31.1 Operating leases

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

CHF millions	Lessor	Lessor	Lessee	Lessee
	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Up to 1 year	8.0	8.9	7.9	7.3
Later than 1 year and not later than 5 years	32.1	26.1	18.4	17.6
More than 5 years	0.0	2.5	55.7	48.7
Total	40.1	37.5	82.0	73.6

The leases relate to rental agreements for operational properties, tenancies and vehicle leasing. The posted leasing expense from operational leasing agreements amounted to CHF 7.7 million in the reporting year (2013: CHF 7.1 million).

31.2 Finance leases

CHF millions	Minimum lease payments	Minimum lease payments	Present value	Present value
	31.12.2013	31.12.2014	31.12.2013	31.12.2014
Up to 1 year	19.2	17.7	13.4	13.0
Later than 1 year and not later than 5 years	57.2	48.5	40.9	34.9
More than 5 years	52.0	40.8	43.9	35.4
Total	128.4	107.0	98.2	83.3
Financing costs	-30.2	-23.7		
Present value of minimum lease payments	98.2	83.3		

Finance leases are related to wind farms which are funded via long-term leasing contracts. Leasing liabilities of CHF 83.3 million (2013: CHF 98.2 million) were accounted for in the balance sheet, of which CHF 13.0 million (2013: CHF 13.4 million) was designated as current liabilities and CHF 70.3 million (2013: CHF 84.8 million) as non-current liabilities.

32 Additional disclosures on the cash flow statement

Cash and cash equivalents

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	31.12.2013	31.12.2014
Bank and cash balances	496.8	502.2
Term deposits	0.0	50.0
Total cash and cash equivalents	496.8	552.2

Details on acquisitions of Group companies in the reporting year are provided in Note 6. The cash flow arising from the acquisition of Group companies amounting to CHF 13.2 million corresponds to the purchase price of CHF 19.6 million less the acquired cash and cash equivalents of CHF 6.0 million and the deferred purchase price payments of CHF 1.5 million at the time of acquisition, plus the payment of CHF 1.1 million that had been made in respect of deferred purchase price payments in 2014.

In respect of property, plant and equipment, there were non-cash additions of CHF 9.0 million and non-cash disposals of CHF 96.2 million (see Note 15). Non-cash disposals of CHF 0.3 million were recorded in respect of shareholdings in associates (see Note 16).

33 Share-based payment

In the reporting year BKW employees and members of the BKW Board of Directors had an opportunity to acquire up to 264,468 shares in BKW (2013: 170,572 shares) at a preferential price. In 2014, 67,962 shares (2013: 57,333 shares) were purchased at a price of CHF 20.00 each (2013: CHF 20.00 each). The underlying present value per share was CHF 30.50 (2013: CHF 31.80). The personnel expense for this share-based payment was CHF 0.7 million (2013: CHF 0.7 million). No purchase rights remained open on the balance sheet date.

As a further share-based remuneration, members of the Group Executive Board and upper management were granted a profit-sharing element in the form of BKW shares for the first time in 2014. In respect of this, 33,542 shares with an underlying present value of CHF 29.10 per share were allocated. The personnel expense recorded amounted to CHF 1.0 million. No purchase rights remained open on the balance sheet date.

34 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified according to the following hierarchy:

- Level 1: valuations based exclusively on listed prices in active markets for identical assets or liabilities. BKW currently classifies listed securities and energy trading futures under this level.
- Level 2: valuations, 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) as well as 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 which apply inputs with a material impact on fair value that are not based on observable market data. BKW mainly classifies unlisted securities designated as available-for-sale financial assets under this level. Valuation of such assets requires management estimates of non-observable input factors. The fair values of Level 3 financial assets and liabilities were determined using the discounted cash flow method and discounted based on a WACC of between 5.5% and 5.6%. A realistic, constant margin was applied to the valuation models (the annual growth in the margin corresponds to inflation). The effect of a change of 10% in the two most important non-observable input factors would have no significant 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 31.12.2014	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Non-current financial assets				
– Available-for-sale financial assets	160.2	57.1		103.1
– Receivables from state funds	905.0		905.0	
Derivatives (current and non-current)	149.5		149.5	
Current financial assets				
– Securities held for trading	141.6	141.6		
Inventories				
– Certificates (proprietary trading)	70.9	70.9		
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	88.4		88.4	

CHF millions	Carrying amount at 31.12.2013	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Non-current financial assets				
– Available-for-sale financial assets	200.4	99.9		100.5
– Receivables from state funds	783.0		783.0	
Derivatives (current and non-current)	163.4		163.4	
Current financial assets				
– Securities held for trading	130.5	130.5		
Inventories				
– Certificates (proprietary trading)	86.8	86.8		
Financial liabilities at fair value through profit or loss				
Derivatives (current and non-current)	118.2		118.2	

In addition, the liabilities at 31 December 2014 include the following at fair value:

- Bonds with an amount of CHF 120.6 million (2013: CHF 117.4 million) as part of a fair value hedge valued at Level 2.
- Other liabilities with an amount of CHF 1.5 million (2013: CHF 8.9 million) from deferred purchase price payments in relation to business combinations valued at Level 3.

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

CHF millions	Deferred purchase price payments		Available-for-sale financial assets	
	2013	2014	2013	2014
At 1.1.	6.1	8.9	107.5	100.5
Additions	8.0	1.5	0.9	0.1
Disposals	–5.2	–0.6	–3.5	–0.8
Value adjustment				
– Transfer to income statement		–8.3	–0.9	
– Changes in value included in other comprehensive income			–3.5	3.3
At 31.12.	8.9	1.5	100.5	103.1

35 Disclosure of financial assets and liabilities

35.1 Carrying amount by balance sheet item and allocation to individual categories in accordance with IAS 39

Financial assets

CHF millions	Note	Loans and receivables		Fair value through profit or loss		Available-for-sale		2013	Total 2014
		2013	2014	2013	2014	2013	2014		
Non-current financial assets	17	169.6	164.8			200.4	160.2	370.0	325.0
Trade accounts receivable	21	592.9	589.6					592.9	589.6
Other current financial receivables	21	58.5	33.3					58.5	33.3
Derivatives (current and non-current)	28			163.4	149.5			163.4	149.5
Current financial assets	17	170.0	570.2	130.5	141.6			300.5	711.8
Financial accruals	20	178.0	80.2					178.0	80.2
Cash and cash equivalents	32	496.8	552.2					496.8	552.2
Total		1,665.8	1,990.3	293.9	291.1	200.4	160.2	2,160.1	2,441.6

Financial liabilities

CHF millions	Note	Liabilities at amortised cost		Fair value through profit or loss		Recognised according to IAS 17		2013	Total 2014
		2013	2014	2013	2014	2013	2014		
Non-current financial liabilities	24	1,361.1	1,477.4	117.4	120.6	84.8	70.3	1,563.3	1,668.3
Other non-current financial liabilities	25	8.3	7.0	5.5				13.8	7.0
Trade accounts payable	26	375.2	308.8					375.2	308.8
Other current financial liabilities	26	95.9	52.9	3.4	1.5			99.3	54.4
Derivatives (current and non-current)	28			118.2	88.4			118.2	88.4
Current financial liabilities	24	13.3	52.9			13.4	13.0	26.7	65.9
Financial accruals	20	109.0	143.7					109.0	143.7
Total		1,962.8	2,042.7	244.5	210.5	98.2	83.3	2,305.5	2,336.5

Due to short residual terms to maturity, the carrying amount of loans and receivables and financial liabilities at amortised cost correspond approximately to the fair value. At 31 December 2014, a difference existed between these values in respect of the bonds and the convertible bond, which are included under non-current financial liabilities. At the end of 2014, the listed value of the bonds (fair value level 1) was CHF 1,260.3 million and the carrying amount was CHF 1,163.4 million (2013: listed value CHF 1,027.4 million, carrying amount CHF 991.8 million).

35.2 Net results of financial assets and liabilities measured in accordance with IAS 39

Net result

CHF millions	Loans and receivables		Fair value through profit or loss		Available-for-sale		Liabilities at amortised cost		2013	Total 2014
	2013	2014	2013	2014	2013	2014	2013	2014		
Included in net sales:										
– Income from proprietary energy trading			12.1	19.9					12.1	19.9
– Income from energy hedging			23.6	14.2					23.6	14.2
– Change in provision for impairment of receivables	0.1	–3.7							0.1	–3.7
Included in financial result:										
– Interest income	9.9	7.7	2.9	2.8					12.8	10.5
– Interest expense							–44.0	–51.9	–44.0	–51.9
– Dividends					6.3	5.2			6.3	5.2
– Gains from subsequent measurement at fair value			–4.1	5.3					–4.1	5.3
– Gains from sales			0.4	25.4					0.4	25.4
– Impairment of financial assets	–0.4	–3.4			–0.9	0.0			–1.3	–3.4
– Other financial income	–3.1	–4.9	0.5	0.5					–2.6	–4.4
– Currency translations	2.9	1.3							2.9	1.3
Included in other comprehensive income:										
– Gains from subsequent measurement at fair value					–2.3	0.9			–2.3	0.9
Total	9.4	–3.0	35.4	68.1	3.1	6.1	–44.0	–51.9	3.9	19.3

In the years shown, no financial instruments were designated as being measured “at fair value.”

35.3 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 have been netted off in the balance sheet at the balance sheet date:

CHF millions	2013			2014		
	Gross values	Netting off	Net values	Gross values	Netting off	Net values
Trade accounts receivable	1,183.4	–590.5	592.9	1,067.6	–478.0	589.6
Trade accounts payable	–965.7	590.5	–375.2	–786.8	478.0	–308.8
Positive replacement values	480.3	–326.4	153.9	461.8	–324.4	137.4
Negative replacement values	–440.5	326.4	–114.1	–407.0	324.4	–82.6

36 Financial risk management

36.1 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, interest rate and credit risks. Principles have also been laid down governing the management of cash and cash equivalents as well as short and long-term cash deposits. The Group monitors and controls these risks. Corporate Risk Management reports directly to the Head of Finance and Controlling, defines Group-wide requirements for 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 which submits independent recommendations on risk issues to the Group Executive Board in predefined processes. The Board of Directors last assessed the risks related to operating activities at its meeting on 5 December 2014.

36.2 Credit risks

A credit risk is the possibility of a loss which may be incurred if a customer or counterparty is unable to discharge its contractual obligations. Standardised credit risk management with defined limits per counterparty is practised with respect to accounts receivable from energy-trading activities, sales activities and the investment of funds.

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

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

CHF millions	31.12.2013	31.12.2014
Credit rating A	276.3	484.8
Credit rating B	875.9	1,073.5
Credit rating C	28.5	32.2
Other counterparties	242.4	270.8
Total	1,423.1	1,861.3
Included under:		
– Trade accounts receivable	592.9	589.6
– Derivatives (current and non-current)	163.4	149.5
– Current financial assets (term deposits only)	170.0	570.0
– Cash and cash equivalents	496.8	552.2

The maximum credit risk (excluding guarantees granted) corresponds to the amount of outstanding monetary financial assets on the balance sheet date. At 31 December 2014, the maximum credit risk for BKW was CHF 2,139.8 million compared with CHF 1,829.2 million in 2013 (carrying amount of all financial assets in accordance with Note 35.1, 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.

On the balance sheet date there were issued guarantees of CHF 44.1 million (2013: CHF 36.4 million), which increase the maximum default risk accordingly.

Collateral is required primarily for counterparties in the energy-trading business, whereby the credit-worthiness of the collateral issuer is assessed and rated. Customers with A and B ratings may be granted a higher limit than defined for the assigned credit category if collateral is provided. A business relation with C-rated counterparties is normally permissible only if collateral is provided to cover both billed and unbilled items. Collateral amounting to CHF 144.9 million (2013: 128.4 million) was held for trade receivables and derivatives recorded on the balance sheet at 31 December 2014.

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

In geographical terms, the credit risks are primarily concentrated on Switzerland. On the balance sheet date, counterparties in Switzerland accounted for 81% of the credit risk (2013: 78%).

36.3 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 twelve-month horizon are drawn up for the entire Group on the basis of these documents as well as current findings. These plans are used to examine the rationale behind long-term measures in light of the latest information, as well as to identify potential liquidity shortfalls and formulate tactics to optimise the financial result.

Residual terms to maturity of financial liabilities

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

CHF millions	Note	Carrying amount at 31.12.2014	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							
Financial liabilities	24	1,734.2	114.0	70.2	72.4	622.5	1,409.7
Other non-current financial liabilities	25	7.0	0.5	4.8	0.2	0.3	1.4
Trade accounts payable	26	308.8	308.8				
Other current financial liabilities	26	54.4	54.4				
Financial accruals	20	143.7	143.7				
Total non-derivative liabilities		2,248.1	621.4	75.0	72.6	622.8	1,411.1
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	28	137.4	103.6	36.8	5.7	0.1	
– Negative replacement values	28	–82.6	–64.4	–22.4	–4.6		
Net replacement values		54.8	39.2	14.4	1.1	0.1	0.0
Currency forwards and swaps							
– Positive replacement values	28	12.1	0.7			11.4	
– Negative replacement values	28	–5.8	–1.6	–0.7	–0.7	–0.9	–1.9
Net replacement values		6.3	–0.9	–0.7	–0.7	10.5	–1.9
Gross cash flows related to derivatives							
– Gross outflow			–3,436.8	–1,158.6	–701.6	–2.8	–1.4
– Gross inflow			3,507.6	1,247.5	701.8	0.0	0.0

CHF millions	Note	Carrying amount at 31.12.2013	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							
Financial liabilities	24	1,590.0	90.3	88.3	87.5	161.9	1,924.4
Other non-current financial liabilities	25	13.8	0.2	1.6	4.8	5.8	1.5
Trade accounts payable	26	375.2	375.2				
Other current financial liabilities	26	99.3	99.3				
Financial accruals	20	109.0	109.0				
Total non-derivative liabilities		2,187.3	674.0	89.9	92.3	167.7	1,925.9
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	28	153.9	115.8	36.8	12.9	0.2	
– Negative replacement values	28	–114.1	–95.5	–22.5	–7.7	–0.2	
Net replacement values		39.8	20.3	14.3	5.2	0.0	0.0
Currency forwards and swaps							
– Positive replacement values	28	9.5	1.1				8.4
– Negative replacement values	28	–4.1	–0.7	–0.7	–0.7	–1.0	–1.0
Net replacement values		5.4	0.4	–0.7	–0.7	–1.0	7.4
Gross cash flows related to derivatives							
– Gross outflow			–3,809.4	–694.2	–163.2	–0.2	0.0
– Gross inflow			3,986.0	704.3	205.3	2.2	9.4

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. A cash flow in the amount of the nominal value of the convertible bond (CHF 163.4 million) is assumed at the time of contractual maturity (in 2020).

36.4 Market risks

Market risks arise from price and exchange rate fluctuations on unsecured positions of the energy and financial business. BKW's risk policy enables the existence of monitored, open positions. Energy price, interest rate, share price, exchange rate and CO₂ certificate price risks are managed centrally. BKW's market risks are aggregated in a Group-level risk portfolio that takes account of the mutual dependencies of various risk classes (correlations and the associated diversification effects) and enables a systematic analysis as well as efficient controls and effective limitation of the overall risk. The value at risk (VaR) limits required for the purpose of controls must be approved by the Group Executive Board and Board of Directors.

36.4.1 Share price risk

BKW is exposed to a share price risk for financial assets held for trading and available-for-sale financial assets, as well as for receivables from state funds (see Note 17). Receivables from state funds do not come under the definition of a financial instrument under the terms of IAS 32 and are consequently not covered by the following statements on risk measurement.

36.4.2 Interest rate risks

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

36.4.3 Currency risks

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

36.4.4 Energy price risks/CO₂ certificate price risks

For the purpose of asset management and proprietary trading, unsecured positions in energy and CO₂ certificates trading are entered into, with smaller positions permitted for proprietary trading than for asset management. Unsecured energy positions can only be entered into in the current year and in up to three subsequent years. The permissible trading window for CO₂ positions extends to 2020.

36.4.5 Risk measurement

Interest rate, share price and exchange rate risks are regularly measured and reported on the basis of value at risk. BKW uses 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.

Value at risk

CHF millions	31.12.2013	31.12.2014
Interest	6.3	4.9
Share price, financial instruments available-for-sale	61.7	58.0
Currencies	3.3	1.6

The value at risk shows value fluctuation risk based on individual risks which, 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 as well as equity.

In the absence of any impairment, fluctuations in the value of available-for-sale financial instruments 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, which factors in the mutual impact of these commodities. The calculation follows a model-based Monte Carlo method for a one-day holding period and a confidence level of 99%. The model parameters are estimated based on a rolling 260-day observation period. Besides CC-VaR limits, risk control covers position and trading volume limits. Proprietary trading is additionally subject to loss limits. At 31 December 2014, the CC-VaR amounted to CHF 1.1 million (2013: CHF 3.5 million).

37 Contingent liabilities and investment obligations

CHF millions	31.12.2013	31.12.2014
Guarantees		
– in favour of associates	15.6	23.9
– in favour of third parties	20.8	20.2
Investment obligations	115.2	78.1
Capital payment obligations	0.1	0.1
Total	151.7	122.3

Contingent liabilities

CHF 11.1 million of the guarantees granted have a term to maturity of up to 12 months (2013: CHF 3.1 million), while guarantees amounting to CHF 14.6 million were granted for an unlimited term (2013: CHF 10.7 million).

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 1.2 million (2013: 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

In January 2008, BKW acquired a 33% non-controlling interest in a coal-fired power plant project in Wilhelmshaven, northern Germany, from Electrabel Deutschland AG. The interest in the partner plant will probably entail an investment of EUR 540 million on the part of BKW. By 31 December 2014, some EUR 496 million had been invested.

38 Events after the balance sheet date

Business combinations

In the first quarter of 2015 BKW acquired 100% of the shares in Karl Waechter AG based in Zurich. The company is active in the market for heating installation and has been assigned to the Renewables & Efficiency segment. It is consolidated from the date of completion of the purchase agreement. The acquisition was made only shortly before the completion and approval of the consolidated financial statements. Therefore, the initial accounting of the business combinations was not completed when the financial statements were approved for publication.

Tax burden

In its decision of 9 February 2015, the Italian constitutional court declared the "Robin Hood Tax" to be in breach of the constitution. The "Robin Hood Tax" is the name for an additional income tax levied only on businesses in the energy sector at a rate of 6.5%. The constitutional court's decision is legally binding with immediate effect, and led as a consequence of the revocation to a corresponding reduction in the tax rate as of 2015.

Several BKW Group companies in Italy had previously fallen in the scope of the tax. Owing to the abolition of this tax, BKW will revalue its deferred tax liabilities for the affected Group companies in its 2015 half-year financial statements. On the basis of the deferred tax liabilities recorded as at the end of 2014, this would result in a reduction of around CHF 20 million and therefore a one-off reduction in income tax expense in the same amount. Calculated according to the 2014 annual results, the abolition of the tax would lead to a lower annual tax charge and corresponding lower cash outflows in the amount of approximately CHF 2 million.

Abolition by the Swiss National Bank of the CHF/EUR exchange rate cap

On 15 January 2015, the Swiss National Bank announced that it was abolishing the CHF 1.20 cap on the CHF/EUR exchange rate. As a consequence, the Swiss franc has gained strongly in value against the euro. The amounts stated in these consolidated financial statements have been converted at the applicable exchange rate on 31 December 2014 or the average exchange rate for 2014, and therefore do not take account changes in the exchange rates after 31 December 2014.

Alongside the effects on operating profit and net profit, a reduction in the exchange rate results in lower amounts when consolidating the financial statements of foreign group companies and associates and therefore also to higher levels of negative accumulated conversion differences recorded in equity.

In the case of a 10% fall in the exchange rate, the operating profit for the financial year 2014 would have been around 5% lower and the net profit around 10% lower owing to conversion of the monetary items using the balance sheet date. The negative accumulated conversion differences recorded in equity would have increased by around 5%.

Approval of the consolidated financial statements

The Board of Directors of BKW authorised the approval of these consolidated financial statements on 13 March 2015. The consolidated financial statements are subject to the approval of the BKW General Shareholders' Meeting on 8 May 2015.

Holdings

	Production	Renewables & Efficiency	Market	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Company law closing date
Group companies											
Armin Neukom Installationen AG		●				Rafz	0.2	CHF	100.0		31.12.
Arnold AG				●		Wangen a. d. Aare	0.5	CHF	100.0		31.12.
Baumeler Leitungsbau AG				●		Luzern	0.1	CHF	100.0		31.12.
BEBAG Bioenergie Bätterkinden AG		●				Bätterkinden	0.1	CHF	56.0		31.12.
Biomassekraftwerk Otelfingen AG		●				Otelfingen	0.5	CHF	50.0		31.12.
BKW Bippen Wind GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
BKW Borkum West II Beteiligungs GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
BKW Deutschland GmbH	●					Berlin (D)	0.1	EUR	100.0		31.12.
BKW Dubener Platte Wind GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
BKW Energy Ltd.	●	●	●	●	●	Berne	132.0	CHF	100.0	●	31.12.
BKW Energie Dörpen Beteiligungs-GmbH	●					Berlin (D)	0.03	EUR	100.0		31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH	●					Berlin (D)	0.03	EUR	100.0		31.12.
BKW Erneuerbare Energien GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
BKW France SAS	●					Paris (F)	0.1	EUR	100.0		31.12.
BKW Holleben Wind GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
BKW Hydro Allevard SAS	●					Paris (F)	0.1	EUR	100.0		31.12.
BKW Hydro Valle d'Aosta S.r.l.	●					La Salle (I)	0.05	EUR	100.0		31.12.
BKW ISP AG		●				Ostermundigen	0.9	CHF	100.0		31.12.
BKW ISP Gebäudetechnik AG		●				Wädenswil	0.2	CHF	100.0		31.12.
BKW Italia S.p.A.	●	●	●			Milan (I)	13.4	EUR	100.0		31.12.
BKW Landkern Wind GmbH		●				Berlin (D)	0.05	EUR	100.0		31.12.
BKW Grid Switzerland Ltd.					●	Berne	0.1	CHF	100.0	●	31.12.
BKW Netzbeteiligung Ltd.				●		Berne	25.1	CHF	50.1	●	31.12.
BKW Wallis AG	●					Visp	0.1	CHF	100.0		31.12.
BKW Wind Italia S.r.l.		●				Milan (I)	0.01	EUR	100.0		31.12.
BKW Wind Service GmbH		●				Berlin (D)	0.03	EUR	100.0		31.12.
cabcon Ltd.				●		Risch	0.1	CHF	100.0		31.12.
Cantoni Haustechnik AG		●				Wohlen	0.2	CHF	100.0		31.12.
cc energie sa			●			Morat	1.0	CHF	62.0		31.12.
CHI.NA.CO S.r.l.	●					Roè Volciano (I)	2.0	EUR	100.0		31.12.
Curea Elektro AG				●		Landquart	0.2	CHF	100.0		31.12.
EES Jäggi-Bigler Inc.		●				Etziken	2.1	CHF	100.0		31.12.
Electra Italia S.p.A.			●			Milan (I)	1.0	EUR	100.0		31.12.
Elektrizitätswerk Grindelwald AG	●	●	●			Grindelwald	0.6	CHF	92.1		31.12.
Elektrizitätswerke Wynau AG	●					Langenthal	0.1	CHF	100.0		31.12.
Elektro Feuz AG		●				Grindelwald	0.1	CHF	100.0		31.12.
Energie Utzenstorf AG	●					Utzenstorf	1.0	CHF	100.0		31.12.
Erdgas Thunersee AG			●			Interlaken	6.9	CHF	66.7		31.12.
EWR Energie AG	●	●	●			Schattenhalb	2.0	CHF	100.0		31.12.
Green Castellaneta S.p.A.		●				Milan (I)	0.1	EUR	100.0		31.12.
Hertig Haustechnik AG		●				Wohlen	0.1	CHF	100.0		31.12.
Holzwärme Grindelwald AG		●				Grindelwald	2.5	CHF	90.7		31.12.
Idroelettrica Lombarda S.r.l.	●					Milan (I)	25.4	EUR	100.0		31.12.
inelectro sa		●				Porrentruy	0.5	CHF	100.0		31.12.
Juvent SA		●				Saint-Imier	6.0	CHF	65.0		31.12.

	Production	Renewables & Efficiency	Market	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Company law closing date
Group companies (continued)											
Kraftwerk Gohlhaus AG	●					Lützelflüh	1.3	CHF	59.9		31.12.
Kraftwerk Lauenen AG	●					Lauenen	2.0	CHF	85.0		31.12.
Kraftwerk Utzenstorf AG	●					Utzenstorf	0.1	CHF	100.0		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	●					Tinizong-Rona	6.0	CHF	80.0		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.
Onyx Energie Produktion AG	●					Langenthal	3.0	CHF	100.0		31.12.
Regionaler Wärmeverbund AG Heimberg-Steffisburg (REWAG)		●				Heimberg	2.5	CHF	51.0		31.12.
Simmentaler Kraftwerke AG	●					Erlenbach i. S.	7.3	CHF	83.9		31.12.
Société des forces électriques de la Goule SA	●		●	●		Saint-Imier	3.5	CHF	84.3		31.12.
sol-E Suisse AG					●	Berne	0.1	CHF	100.0	●	31.12.
STKW Energie Dörpen GmbH & Co. KG	●					Dörpen (D)	–	EUR	100.0		31.12.
STKW Energie Dörpen Verwaltungs-GmbH	●					Dörpen (D)	0.03	EUR	100.0		31.12.
Tamarete Energia S.r.l.	●					Ortona (I)	3.6	EUR	60.0		31.12.
TW Energie AG	●					Berne	1.2	CHF	75.0		31.12.
Volturino Wind S.r.l.		●				Milan (I)	0.03	EUR	100.0		31.12.
Wind Farm Buglia S.r.l.		●				Milan (I)	0.03	EUR	100.0		31.12.
Wind Farm S.r.l.		●				Milan (I)	0.02	EUR	100.0		31.12.
Wind International Italy S.r.l.		●				Milan (I)	52.2	EUR	100.0		31.12.
Joint operations											
Bielensee Kraftwerke AG BIK	●					Bienne	20.0	CHF	50.0		31.12.
Kraftwerk Sanetsch AG (KWS)	●					Gsteig	3.2	CHF	50.0		30.09.
Associates											
Aarewerke AG	●					Klingnau	1.7	CHF	10.1		30.06.
Abonax AG			●			St. Gallen	1.0	CHF	34.0		31.12.
AEK Energie AG			●			Solothurn	6.0	CHF	39.5		31.12.
Ampard Ltd.				●		Zürich	0.2	CHF	26.7		31.12.
Bio-Energ'Etique SA		●				Bure	0.5	CHF	25.0		31.12.
Biogaz du Vallon Sàrl		●				Cortébert	0.02	CHF	24.5		31.12.
Biomasse Jungfrau AG	●					Interlaken	0.1	CHF	33.3		31.12.
Biopower Sardegna S.r.l.	●					Milan (I)	0.1	EUR	10.5		31.12.
Centrale Electrique de la Plaine	●					Dremil Lafage (F)	–	EUR	33.3		31.12.
DEVIWA AG			●			Leuk	0.1	CHF	20.0		31.12.
E.ON Produzione Centrale Livorno Ferraris S.p.A.	●					Milan (I)	10.0	EUR	25.0		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 Lienne SA	●					Sion	24.0	CHF	33.3		30.09.

	Production	Renewables & Efficiency	Market	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW Inc. holdings	Company law closing date
Associates (continued)											
em electrocontrol ag		●				Urtenen-Schönbühl	0.3	CHF	20.0		31.12.
Energie Biberist AG EBAG			●			Biberist	5.0	CHF	25.0		31.12.
Engadiner Kraftwerke AG	●					Zernez	140.0	CHF	30.0		30.09.
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.
GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG	●					Wilhelmshaven (D)	–	EUR	33.0		31.12.
GEBNET AG			●			Buchegg	7.0	CHF	40.9		31.12.
Gesellschaft Mont-Soleil		●				Berne	–	CHF	20.2		31.12.
Gommerkraftwerke AG	●					Ernen	30.0	CHF	25.0		31.12.
Grande Dixence SA	●					Sion	300.0	CHF	13.3		31.12.
HelveticWind Deutschland GmbH		●				Berlin (D)	0.03	EUR	29.0		31.12.
HelveticWind Italia S.r.l.		●				Milan (I)	0.01	EUR	29.0		31.12.
Hertli & Bertschy AG, elektrische Anlagen		●				Tafers	0.05	CHF	40.0		31.12.
InnoCampus Ltd.				●		Nidau	1.1	CHF	22.9		31.12.
Kernkraftwerk Leibstadt AG	●					Leibstadt	450.0	CHF	9.5		31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●					Berne	150.0	CHF	33.3		31.12.
Kraftwerk Berschnerbach AG	●					Walenstadt	0.1	CHF	49.0		31.12.
Kraftwerk Wannenfloh AG	●					Rüderswil	0.3	CHF	31.9		31.12.
Kraftwerke Färdabach AG	●					Ferden	0.1	CHF	34.0		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 Mauvoisin AG	●					Sion	100.0	CHF	19.5		30.09.
Kraftwerke Oberhasli AG	●					Innertkirchen	120.0	CHF	50.0		31.12.
La Prairie Biogaz SA		●				Porrentruy	1.4	CHF	30.0		31.12.
Metanord SA			●			Bellinzona	18.6	CHF	30.9		31.12.
MOHA ZOFI		●				Brienz	–	CHF	38.5		31.12.
Nagra	●					Wettingen	–	CHF	16.7		31.12.
NIS AG				●		Emmen	1.0	CHF	25.0		31.12.
Oberland Energie AG		●				Thun	9.1	CHF	49.0		31.12.
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.
Replacement nuclear power plant Beznau Ltd.	●					Döttingen	1.0	CHF	11.5		31.12.
Replacement nuclear power plant Mühleberg Ltd.	●					Mühleberg	1.0	CHF	51.0		31.12.
RESUN AG	●					Aarau	1.0	CHF	33.3		30.09.
Société des Forces Motrices du Châtelot SA	●					La Chaux-de-Fonds	6.0	CHF	11.7		31.12.
sol-E Suisse Biogas Zernez		●				Zernez	–	CHF	22.9		31.12.
Solutions Renouvelables Boudry SA	●					Boudry	0.9	CHF	49.0		31.12.
Spontis SA				●		Avenches	0.1	CHF	30.0		31.12.
Swissgrid Ltd.				●		Laufenburg	276.4	CHF	12.3		31.12.
Youtility AG		●				Berne	7.5	CHF	39.8		31.12.
Zwilag Zwischenlager Würenlingen AG	●					Würenlingen	5.0	CHF	10.7		31.12.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of

BKW Inc., Berne
Berne, 13 March 2015

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of BKW Inc., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, changes in consolidated equity, consolidated cash flow statement and notes to the financial statements (pages 12 to 89), for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor 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 paragraph 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 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

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

FINANCIAL STATEMENTS OF BKW INC.

Income Statement

CHF millions	2013	2014
Share earnings	63.4	241.4
Interest income	44.9	54.2
Other operating income	0.4	0.5
Total earnings	108.7	296.1
Interest expense	-36.1	-41.9
Other financial expenses	-0.3	-23.7
Other operating expenses	-5.8	-6.4
Income taxes	-1.8	-0.2
Total expenses	-44.0	-72.2
Net profit	64.7	223.9

FINANCIAL STATEMENTS OF BKW INC.

Balance Sheet

CHF millions	31.12.2013	31.12.2014
Assets		
Holdings	1,315.0	1,362.4
Loans	1,316.4	1,472.0
Other financial assets	16.8	15.1
Total non-current assets	2,648.2	2,849.5
Dividend receivable	63.4	0.0
Other receivables	1.9	51.6
Treasury shares	0.0	127.6
Prepaid expenses and accrued income	3.8	6.0
Cash and cash equivalents	1.0	1.5
Total current assets	70.1	186.7
Total assets	2,718.3	3,036.2
Liabilities		
Share capital	132.0	132.0
Reserves from capital contributions	26.1	26.1
General legal reserves	839.4	846.5
Reserves for treasury shares	315.5	308.4
Profit carried forward	6.6	8.0
Net profit	64.7	223.9
Total shareholders' equity	1,384.3	1,544.9
Bonds	1,000.0	1,163.4
Loans payable	316.4	311.0
Total non-current liabilities	1,316.4	1,474.4
BKW Energy Ltd. current account	2.0	2.9
Other current liabilities	1.9	0.3
Deferred income and accrued expenses	13.7	13.7
Total current liabilities	17.6	16.9
Total liabilities	1,334.0	1,491.3
Total liabilities and shareholders' equity	2,718.3	3,036.2

FINANCIAL STATEMENTS OF BKW INC.

Notes to the Financial Statements

The explanations below include the information required under Article 663b of the Swiss Code of Obligations (CO). The companies in which BKW Inc. holds interests are listed on pages 87 to 89.

Share capital

The BKW Inc. share capital at 31 December 2014, 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

	31.12.2013	31.12.2014
Canton of Berne	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%
E.ON SE	6.65%	6.65%
Group companies	8.54%	8.35%

Treasury shares

	CHF millions	BKW Inc. Number	CHF millions	Group companies Number	CHF millions	Total Number
At 31.12.2012	0.0	0	356.8	5,108,982	356.8	5,108,982
Additions	0.0	0	0.0	0	0.0	0
Disposals	0.0	0	-41.3	-590,932	-41.3	-590,932
At 31.12.2013	0.0	0	315.5	4,518,050	315.5	4,518,050
Additions	0.0	0	0.0	170	0.0	170
Transfer	303.0	4,332,123	-303.0	-4,332,123	-0.0	0
Disposals	0.0	0	-7.1	-109,123	-7.1	-109,123
At 31.12.2014	303.0	4,332,123	5.4	76,974	308.4	4,409,097

The total stock of 4,409,097 shares is reported at the original acquisition value at 31 December 2014, as the treasury share reserve.

Owing to the market price as at 31 December 2014, which was lower than the acquisition value, an impairment of CHF 19.0 million was recorded in respect of the treasury shares in the financial statements of BKW Inc.

Share earnings

In 2014, BKW Inc. issued a convertible bond for its own shares. For this purpose, shares previously carried as treasury shares in the BKW Energy Ltd. balance sheet were allocated to BKW Inc. in the form of a dividend. BKW Energy Ltd. also distributed a dividend in respect of the shareholding in Swissgrid Ltd., which was consequently incorporated into BKW Netzbeteiligung AG as a contribution in kind. Therefore, the total dividend income for the financial year 2014 was CHF 241.4 million.

The dividend of CHF 63.4 million paid by BKW Energy Ltd. in the previous year was recorded prematurely. The Annual General Meeting of BKW Energy Ltd. had approved this dividend payment before the BKW Inc. took place.

Bonds

CHF millions	31.12.2013	31.12.2014
3 % debenture bond 2007–2022	200.0	200.0
3.375 % debenture bond 2009–2019	350.0	350.0
1.875 % debenture bond 2010–2018	150.0	150.0
2.5 % debenture bond 2010–2030	300.0	300.0
0.125 % convertible bond 2014–2020	0.0	163.4
Total	1,000.0	1,163.4

In September 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 period runs from 10 November 2014 to 20 September 2020. The conversion price is CHF 38.90. The conversion price and conversion rate will be adjusted if a dividend of more than CHF 1.20 per share is paid out.

Contingent liabilities

CHF millions	31.12.2013	31.12.2014
Guarantees for consolidated companies in favour of third parties	199.3	112.3

Information on the performance of risk assessment

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.

Risk assessment was performed as part of the BKW Group's general management process. The Board of Directors assessed the risks in connection with the Group's operative business activity in 2014.

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

Members of the Board of Directors

Number of shares		31.12.2013	31.12.2014
Urs Gasche	Chairman	2,177	2,777
Antoinette Hunziker-Ebnetter	Deputy Chair (until 09.05.2014)	300	n/a
Hartmut Geldmacher	Deputy Chair (from 09.05.2014)	1,920	2,520
Kurt Rohrbach	2 nd Deputy Chair	12,157	12,757
Marc-Alain Affolter	Member	3,120	3,720
Roger Baillod	Member	1,000	1,600
Dr Georges Bindschedler	Member	5,120	5,720
Barbara Egger-Jenzer	Member	400	400
Prof. Dr Eugen Marbach	Member	3,000	3,000
Kurt Schär	Member	400	1,000
Beatrice Simon-Jungi	Member	1,000	1,000
Philippe Viridis	Member	4,520	4,520
Total		35,114	39,014

Members of the Group Executive Board

Number of shares		31.12.2013	31.12.2014
Dr Suzanne Thoma	CEO	2,560	7,333
Christophe Bossel	Head of Networks	400	3,681
Dr Monica Dell'Anna	Head of Market	0	3,075
Ronald Trächsel	Head of Finance and Services (from 01.08.2014)	n/a	1,289
Beat Grossenbacher	Head of Finance and Services (until 30.06.2014)	2,520	n/a
Hermann Ineichen	Head of Production	2,822	6,112
Renato Sturani	Head of Renewables & Efficiency	0	3,143
Total		8,302	24,633

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

APPROPRIATION OF AVAILABLE EARNINGS

Proposal to the Annual General Meeting

CHF	
Profit carried forward	7,935,275
Net profit	223,883,225
Total available earnings	231,818,500

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

CHF	
Dividend of CHF 1.60 per share entitled to a dividend ¹	77,548,603
Balance carried forward	154,269,897
Total	231,818,500

¹ No dividend will be paid in respect of the treasury shares held by BKW Inc. Therefore, the number of shares entitled to a dividend at the date on which the annual financial statements were prepared was 48,467,877. The final trading day with entitlement to receive the dividend is 11 May. As of 12 May shares will be traded ex dividend. Had all shares been entitled to receive a dividend, the dividend payment would have amounted to CHF 84,480,000 and the balance carried over would be CHF 147,338,500.

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

CHF	
Dividend per share	1.60
Minus 35% withholding tax	0.56
Net dividend	1.04

Berne, 13 March 2015

In the name of the Board of Directors
 Urs Gasche
 Chairman

Report of the statutory auditor on the financial statements

To the General Meeting of

BKW Inc., Berne
Berne, 13 March 2015

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW Inc., which comprise the income statement, balance sheet and notes (pages 92 to 96), for the year ended 31 December 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor 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 paragraph 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

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

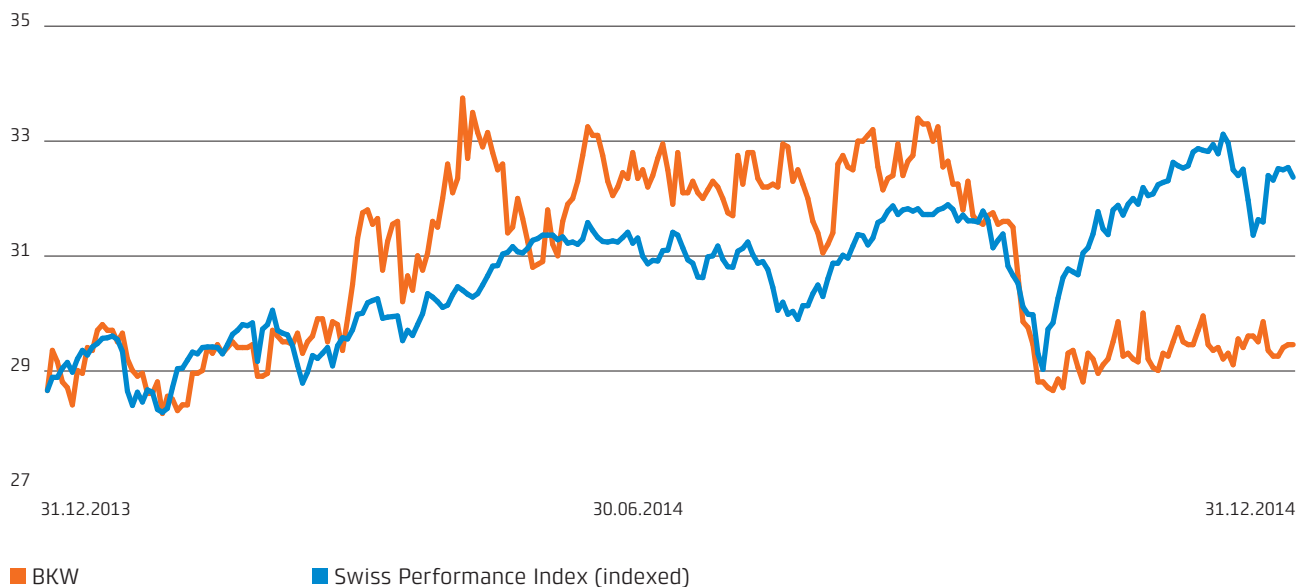
Philippe Wenger
Licensed audit expert

INVESTOR INFORMATION

Important information on the share, bonds and financial calendar

Performance of the BKW share

31.12.2013–31.12.2014



Performance of the stock markets was positive in the reporting year. With a share-price increase of 2.8% the BKW share's performance over the year as a whole fell behind the strong performance of the SPI (+13%).

On 26 March BKW published its annual financial statements for 2013. Owing to the exceptionally challenging economic and regulatory environment these statements were impacted by high value adjustments for production plants and investments. Nevertheless, a strong operating profit was achieved and the major foundations were laid for the future. As a result, the BKW share had climbed in value by 9% by the end of the first quarter.

On 11 September BKW published its 2014 half-year financial statements and reported a good operating profit. Despite decreasing electricity prices, the net profit adjusted for the positive one-off effects of the previous year was improved. At the end of the third quarter the performance of the BKW share was on a par with that of the SPI at around 10%.

On 23 September BKW successfully completed a CHF 163.4 million convertible bond issue. Towards the end of the third quarter the BKW share suffered losses in parallel to the SPI, and was unable to respond when the market recovered owing to continuing negative reports from the energy sector. Nevertheless, with an end of year price of CHF 29.45 it still finished the year slightly higher than the previous year's value of CHF 28.65.

Listing

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

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

Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 1.60 per share for the 2014 financial year. The dividend will be paid out on 15 May 2015.

Restrictions on share transferability

The Company reserves the right to refuse registration of an acquirer of shares in the shareholder register if, through the acquisition, a natural person or legal entity or a partnership directly or indirectly would hold more than 5% of the entire share capital. The same restriction applies to legal entities, partnerships, groups of persons or joint ownerships that are interrelated or otherwise linked and/or act in concert to acquire shares. Registration may also be refused if the acquirer has not expressly declared that the shares were acquired in his own name and for his own account.

Major shareholders

%	31.12.2013	31.12.2014
Canton of Berne	52.54	52.54
Groupe E Ltd.	10.00	10.00
E.ON SE	6.65	6.65
Treasury stock	8.54	8.35

In September 2014, E.ON SE issued a convertible bond in the amount of EUR 113 million with a maturity of four years that is convertible into BKW shares. The conversion price is EUR 32.21. This corresponds to an exchange premium of 22.5% compared with the market price of the BKW share at the time of issue.

The proportion of shares held by the public (free float) is 22.5%. The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

CHF	31.12.2013	31.12.2014
Result ¹	3.46	5.96
Equity	48.11	50.28
Dividend	1.20	1.60
Dividend yield (in %) ²	4.2	5.4
Price/earnings ratio ²	8.3	4.9
Year-end price	28.65	29.45
Year high	33.75	33.75
Year low	28.00	28.25

¹ Figure for the previous year adjusted for one-off impairment charges and provisions

² Based on year-end price

Bonds

At 31 December 2014, BKW had the following bonds outstanding:

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

Convertible bond

	Nominal amount	Term	Due	ISIN code
0.125% convertible bond	CHF 163.375 million	2014–2020	30.09.2020	CH0253592742

In September 2014, BKW completed a full issue of 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 period runs from 10 November 2014 to 20 September 2020. The conversion price is CHF 38.90, which equates to a conversion rate of 128.53755 shares per bond at a nominal value of CHF 5,000 per bond. Fractions are paid out in cash. The conversion price and conversion rate will be adjusted if a dividend of more than CHF 1.20 per share is paid out. The convertible bond can be converted into around 4.2 registered shares in BKW, which are guaranteed by BKW's stock of treasury shares. The bond will be repaid at the nominal value on 30 September 2020. So far no conversion rights have been exercised.

Financial Calendar

Annual General Meeting	8 May 2015
Ex-Dividend Date	12 May 2015
Dividend payment	15 May 2015
Publication of 2015 interim results	3 September 2015

Contact: investor.relations@bkw.ch

Production Facts and Figures

Own power plants and Group companies	Energy portion ¹ %	Installed production, BKW portion MW	2013 BKW purchases GWh	2014 BKW purchases GWh	Change versus 2013 %
Hydroelectric plants					
Aarberg	100.0	15.0	89.1	82.9	-7.0
Bannwil	100.0	28.5	161.4	146.7	-9.1
Kallnach	100.0	8.0	45.1	64.3	42.6
Kandergrund	100.0	18.8	101.2	97.7	-3.5
Mühleberg	100.0	45.0	174.4	165.9	-4.9
Niederried-Radelfingen	100.0	15.0	92.6	77.4	-16.4
Spiez	100.0	18.6	104.1	104.2	0.1
Simmentaler Kraftwerke AG	100.0	27.0	111.4	108.7	-2.4
Elektrizitätswerk Grindelwald AG	100.0	1.5	5.5	7.4	34.5
EWR Energie AG (Schattenhalb 1)	100.0	4.5	9.8	8.1	-17.3
Société des forces électriques de la Goule SA	100.0	5.3	31.2	27.1	-13.1
Onyx Energie Produktion AG	100.0	20.0	97.8	88.4	-9.6
Idroelettrica Lombarda S.r.l.	100.0	42.0	146.4	202.6	38.4
Total hydroelectric plants		249.2	1,170.0	1,181.4	1.0
Nuclear power plants					
Mühleberg	100.0	373.0	2,938.0	3,022.7	2.9
Fossil-fuel power plants					
Tamarete Energia S.r.l.	60.0	62.0	43.7	47.8	9.4
New renewable energy					
Photovoltaics Switzerland	100.0	1.7	2.6	1.9	-26.9
Biomass Switzerland	100.0	1.6	20.1	21.8	8.5
Small hydro Switzerland	100.0	15.2	65.9	68.9	4.6
CHI.NA.CO S.r.l. ²	100.0	10.0	22.6	53.3	135.8
BKW Hydro Valle d'Aosta S.r.l.	100.0	8.0	32.9	35.5	7.9
Juvent SA	100.0	17.5	40.3	50.5	25.3
Bockelwitz wind farm	100.0	15.0	8.7	16.3	87.4
BKW Holleben Wind GmbH	100.0	25.5	39.0	35.6	-8.7
BKW Bippen Wind GmbH	100.0	27.6	40.3	42.9	6.5
BKW Dubener Platte Wind GmbH	100.0	40.0	65.3	62.9	-3.7
BKW Landkern Wind GmbH	100.0	8.0	11.8	12.7	7.6
Wind Farm S.r.l.	100.0	41.4	57.8	54.0	-6.6
Wind Farm Buglia S.r.l.	100.0	20.0	31.1	31.2	0.3
Wind International Italy S.r.l.	100.0	81.9	130.7	129.1	-1.2
Volturino Wind S.r.l.	100.0	25.2	61.8	63.2	2.3
Green Castellaneta S.p.A. ³	100.0	56.0	127.9	124.8	-2.4
Total new renewable energy		394.6	758.8	804.6	6.0
Total own power plants and Group companies		1,078.8	4,910.5	5,056.5	3.0

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

² Production from 03.07.2013

³ Production from 28.02.2013

Holdings and purchasing rights	Energy portion ¹ %	Installed production, BKW portion MW	2013 BKW purchases GWh	2014 BKW purchases GWh	Change versus 2013 %
Hydroelectric plants					
Bielensee Kraftwerke AG BIK	50.0	9.7	56.6	53.3	-5.8
Officine idroelettriche di Blenio SA	12.0	49.3	123.8	129.1	4.3
Electra-Massa AG	16.1	54.8	97.1	83.0	-14.5
Electricité de la Lienne SA	25.0	25.0	67.0	53.0	-20.9
Engadiner Kraftwerke AG	29.7	128.0	449.2	484.1	7.8
Gommerkraftwerke AG	25.5	30.6	78.6	75.6	-3.8
Grande Dixence SA	13.3	198.0	293.2	267.3	-8.8
Kraftwerke Hinterrhein AG	7.6	50.0	72.5	128.2	76.8
Kraftwerke Mattmark AG	11.1	26.4	74.5	62.3	-16.4
Forces Motrices de Mauvoisin SA	19.5	77.2	218.8	179.1	-18.1
Kraftwerke Oberhasli AG	50.0	551.0	893.6	823.7	-7.8
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	19.5	18.4	-5.6
Officine idroelettriche della Maggia SA	10.0	64.0	125.3	165.1	31.8
Aarewerke AG	10.0	4.0	23.0	21.5	-6.5
Flumenthal	37.9	8.2	59.6	54.6	-8.4
Société des Forces Motrices du Châtelot SA	11.7	4.4	11.8	9.2	-22.0
Argessa AG ²	63.0	20.8	45.3	54.4	20.1
Total hydroelectric plants		1,310.4	2,709.4	2,661.9	-1.8
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.7	171.0	1,423.8	1,390.0	-2.4
Cattenom	3.0	155.0	1,015.3	1,060.7	4.5
Fessenheim	5.0	90.0	456.2	606.5	32.9
Total nuclear power plants		416.0	2,895.3	3,057.2	5.6
New renewable energy					
Mont-Soleil solar power plant	100.0	0.5	0.5	0.6	20.0
Fossil-fuel power plants					
E.ON Produzione Centrale Livorno Ferraris S.p.A.	25.0	200.0	634.9	420.4	-33.8
Unmanaged energy from financial interests		39.5	30.0	52.5	75.0
Total holdings and purchasing rights		1,966.4	6,270.1	6,192.6	-1.2
Total production including purchases		3,045.2	11,180.6	11,249.1	0.6

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

² Procurement from 01.04.2013

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