

BKW FMB Energy Ltd.
Financial Report 2008

BKW®



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Financial Result

Strong operating performance

In 2008 BKW recorded higher sales and operating income. However, the sharp downturn on international financial markets led to a negative financial result and lower profit. For 2009 BKW expects stable revenue.

Higher sales, lower profit

In 2008 BKW recorded higher sales and consolidated operating revenue of CHF 3,496.2 million. The energy business saw higher operating income before depreciation, amortisation and impairment grow to CHF 471.3 million. The downturn on equity markets led to a loss in the financial result, with the associated decline in profit to CHF 138.7 million. The negative financial result outweighed the good performance recorded by the energy business in the year under review.

The first-time adoption of IFRIC 14 necessitated an adjustment to the prior-year figures. As a result, EBITDA for 2007 was reduced from CHF 436.0 million to CHF 412.6 million and profit for the 2007 financial year from CHF 245.2 million to CHF 226.9 million.

Changes in presentation according to IFRS

The consolidated financial statements of the BKW Group at 31 December 2008 were prepared in accordance with International Financial Reporting Standards (IFRS), and cover the year-end statements of all companies controlled by BKW (Group companies).

Adoption of IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" has necessitated a change in the accounting principles which affects the presentation of the financial position, results of operations and cash flows of the BKW Group. IAS 19 requires the economic benefits of any reductions in future employer contributions to a pension plan to be recognised in the balance sheet. IFRIC 14 provides a new method for measuring such economic benefits. For the BKW Group this necessitated an adjustment to the reported pension plan assets. The change was applied retroactively and the prior-year figures were adjusted: accordingly, equity at 31 December 2007 was CHF 29.9 million higher, while profit for the 2007 financial year was reduced by CHF 18.3 million.

At 31 December 2007, provisions included a provision for damage at the Grande Dixence/Cleuson-Dixence partner plant in the amount of CHF 33.2 million which was not justified. The

error was corrected in accordance with IAS 8. The provision was released without affecting income, and the prior-year figures were adjusted.

The following changes were made to the BKW Group scope of consolidation in 2008:

- › sol-E Suisse AG and Elektrizitätswerk Grindelwald AG joined forces with other partners to found Holzwärme Grindelwald AG. As at 31 December 2008 the BKW Group held 66.8 percent of the shares. The company is fully consolidated.
- › BKW Italia S.p.A. acquired 94 percent of the shares in the project company Luminosa S.r.l., which is planning to build and operate a 400-MW gas-fired combined-cycle power plant in the Campania region. BKW Italia S.p.A. also founded Termoelettrica Veneta S.r.l., which is to take over responsibility for a project to build and operate an 800-MW gas-fired combined-cycle power plant in Northern Italy. Both companies are fully consolidated.
- › In the year under review BKW Erneuerbare Energien GmbH acquired Bockelwitz wind farm in Saxony (D). The wind farm consists of 10 wind turbines each with a capacity of 1.5 MW.
- › BKW's share in Abonax AG was reduced from 51.0 percent to 33.6 percent. Formerly a fully consolidated company, Abonax AG has now been reclassified as an associate.

Higher total operating revenue earned in a volatile market environment

In 2008, the total operating revenue of the BKW Group increased by 24.2 percent from CHF 2,813.9 million to CHF 3,496.2 million as a result of price- and volume-related growth in revenue from electricity trading and international sales.

While revenue from sales in Switzerland dipped by 1.8 percent to CHF 882.4 million, the separately billed distribution grid usage fees for new or renewed electricity contracts increased to CHF 124.8 million. Taking these distribution grid usage fees into account, BKW recorded a volume- and price-related increase of 5.3 percent in sales to CHF 1,007.2 million.

Revenue from international sales grew by 27.0 percent to CHF 668.4 million, as a result of higher average prices in Germany and Italy as well as higher sales in Italy.

Income from electricity trading ended the year significantly higher at CHF 1,350.2 million. This increase of 50.9 percent is largely attributable to the sharp climb in market prices during

the first six months of 2008, as well as the market-related rise in volume over the same period. At CHF 23.2 million, income from derivative trading was CHF 5.0 million higher than the prior-year figure as a result of volatile market movements and higher energy prices in the first half-year.

Net profit impacted by negative financial result

Energy procurement expenses rose by 35.0 percent in the year under review to CHF 2,332.9 million, primarily due to a volume- and price-related increase of CHF 523.0 million for third-party electricity procurement.

Personnel expenses fell from CHF 328.4 million to CHF 322.2 million. The prior-year figure was increased (restated) by CHF 23.4 million due to the first-time adoption of IFRIC 14. Excluding this restatement, personnel expenses rose by CHF 17.2 million, chiefly due to higher employee numbers and higher salary costs.

Other operating expenses rose by CHF 9.5 million to CHF 203.7 million due to higher expenses for strategic projects aimed at strengthening BKW's future market position. These strategic projects concern activities related to the changeover to a liberalised market. They also serve to extend BKW's market presence in Switzerland outside its traditional supply region (further development of cooperation and sales platforms) and to expand production in Switzerland (replacement for Mühleberg nuclear power plant and facilities for new renewable energies), in Italy (gas-fired combined-cycle power plants and facilities for new renewable energies) and Germany (interests in coal-fired power plants).

Operating profit before depreciation, amortisation and impairment (EBITDA) was 14.2 percent higher at CHF 471.3 million. This increase is attributable to the positive performance of the energy business as well as to the effect of restatement for fiscal 2007 (CHF + 23.4 million). Depreciation and impairment showed a slight year-on-year increase of CHF 6.8 million to CHF 132.4 million, while operating income (EBIT) rose by 18.1 percent to CHF 338.9 million.

Unfavourable movements on financial markets resulted in a sharp drop in the 2008 financial result, which ended the year CHF 154.1 million lower at minus CHF 167.3 million. The main factors which led to this result were losses on shares and securities related to the decommissioning/disposal funds measured at fair value. Despite this negative result for the

state funds, payment of future decommissioning and disposal costs continues to be guaranteed. Additional contributors to the negative financial result were currency translation losses and value adjustments to securities held for trading. Due to the lower result, income tax expenses fell by CHF 14.1 million to CHF 32.9 million.

At CHF 138.7 million, the annual result of the BKW Group for the year ended 31 December 2008 was 38.9 percent lower year-on-year. The negative financial result outweighed the good performance recorded by the energy business.

Higher balance sheet total and slightly lower equity ratio

At CHF 5,989.3 million, the balance sheet total once more rose slightly in 2008, increasing by 2.1 percent compared to the 2007 year-end figure. On the assets side, non-current and current assets increased, while on the liabilities side, shareholders' equity fell by 1.1 percent to CHF 3,069.8 million, with equity ratio dropping slightly from 52.9 percent to 51.3 percent.

Provisions for nuclear waste disposal were made according to plan in the period under review. No significant changes were recorded in other provisions.

Lower cash flow from operating activities

At CHF 242.5 million, cash flow from operating activities was approximately CHF 119.6 million below the prior-year figure, largely due to an increase in net current assets. Cash outflow from investing activities amounted to CHF 562.9 million compared to a cash inflow of CHF 1.7 million in the prior-year period. Cash outflow from investing activities increased by CHF 564.6 million to CHF 562.9 million due to higher financial assets and higher investments in property, plant and equipment. Cash outflow from financing activities fell slightly by CHF 5.5 million to CHF 121.3 million.

Outlook

For the current financial year, the BKW Group expects – on the basis of its continued strong market position – a turnover comparable to that of the previous year and a stable development of the energy business. Nevertheless, lower energy prices on the international markets, coupled with economic uncertainty, new regulatory measures and expenses related to strategic projects – particularly in connection with the drive to expand production facilities and with market liberalisation in Switzerland – are likely to impact the operating results. Taking into account all these factors, it is unlikely that the good result of the year 2008 will be achieved again at EBITDA level. The financial results depend on financial market movements; assuming that equity markets will at least stabilise at a low level, BKW expects to close 2009 with higher net profit than the previous year.

Consolidated Financial Statements of the BKW Group

Consolidated Income Statement

CHF millions	Note	2008	2007 restated
Net sales	5	3,391.5	2,733.5
Own work capitalised		35.6	26.9
Other operating income		69.1	53.5
Total operating revenue		3,496.2	2,813.9
Energy procurement	6	-2,332.9	-1,727.7
Material and third-party services		-166.1	-151.0
Personnel expenses	7	-322.2	-328.4
Other operating expenses	8	-203.7	-194.2
Total operating expenses		-3,024.9	-2,401.3
Operating profit before depreciation, amortisation and impairment		471.3	412.6
Depreciation, amortisation and impairment	9	-132.4	-125.6
Operating profit		338.9	287.0
Financial income	10	52.7	47.9
Financial expenses	10	-243.3	-75.2
Income from equity-valued companies	15	23.3	14.2
Profit before income taxes		171.6	273.9
Income taxes	11	-32.9	-47.0
Net profit for the year		138.7	226.9
Profit attributable to minority interests		0.9	1.1
Profit attributable to BKW shareholders		137.8	225.8
Earnings per share in CHF (diluted and undiluted)	12	2.65	4.36

Consolidated Financial Statements of the BKW Group

Consolidated Balance Sheet

CHF millions	Note	31.12.2008	31.12.2007 restated
Assets			
Property, plant and equipment	14	1,935.2	1,857.7
Investments in equity-valued companies	15	820.2	694.9
Non-current financial assets	16	888.3	1,019.5
Intangible assets	17	173.8	142.5
Deferred tax assets	11	21.9	22.2
Total non-current assets		3,839.4	3,736.8
Inventories	18	16.8	15.4
Accounts receivable	19	626.3	578.9
Income tax receivables		2.6	0.0
Derivatives	27	275.9	93.6
Current financial assets	16	826.6	653.6
Prepaid expenses and accrued income	20	185.7	118.1
Cash and cash equivalents		216.0	671.9
Total current assets		2,149.9	2,131.5
Total assets		5,989.3	5,868.3
Liabilities			
Share capital	21	132.0	132.0
Capital reserves		35.0	35.0
Retained earnings		2,975.1	3,023.3
Treasury shares	21	-96.4	-110.2
Equity attributable to BKW shareholders		3,045.7	3,080.1
Equity attributable to minority interests		24.1	24.8
Total shareholders' equity		3,069.8	3,104.9
Deferred tax liabilities	11	533.8	541.2
Long-term provisions	22	1,182.5	1,154.3
Long-term financial liabilities	23	229.3	225.1
Other long-term liabilities	24	168.0	208.2
Total long-term liabilities		2,113.6	2,128.8
Other short-term liabilities	25	369.0	397.7
Derivatives	27	212.8	86.6
Short-term provisions	22	31.1	34.9
Short-term financial liabilities	23	0.0	0.8
Liabilities from income taxes		11.9	31.0
Deferred income and accrued expenses	20	181.1	83.6
Total short-term liabilities		805.9	634.6
Total liabilities		2,919.5	2,763.4
Total liabilities and shareholders' equity		5,989.3	5,868.3

Consolidated Financial Statements of the BKW Group

Changes in Consolidated Equity

	Share capital	Capital reserves	Accumulated profit	Currency translations	Revaluation reserve	Treasury shares	Attributable to BKW shareholders	Attributable to minority interests	Total
CHF millions									
Equity at 31.12.2006	132.0	35.0	2,711.4	7.2	86.6	-31.1	2,941.1	25.4	2,966.5
Change in valuation principles/ error correction			74.1				74.1		74.1
Equity at 01.01.2007 (restated)	132.0	35.0	2,785.5	7.2	86.6	-31.1	3,015.2	25.4	3,040.6
Currency translations				5.9			5.9	0.1	6.0
Financial assets, net of taxes									
› Value adjustment					48.2		48.2		48.2
› Transfer to income statement					-0.3		-0.3		-0.3
Total income and expenses for the period recorded directly in equity	0.0	0.0	0.0	5.9	47.9	0.0	53.8	0.1	53.9
Net profit for the year			225.8				225.8	1.1	226.9
Total income and expenses recorded in the period	0.0	0.0	225.8	5.9	47.9	0.0	279.6	1.2	280.8
Dividend			-139.3				-139.3	-0.4	-139.7
Purchase/sale of treasury shares			3.7			-79.1	-75.4		-75.4
Acquisition of minority interests							0.0	-5.0	-5.0
Acquisition/foundation of Group companies							0.0	3.6	3.6
Equity at 31.12.2007 (restated)	132.0	35.0	2,875.7	13.1	134.5	-110.2	3,080.1	24.8	3,104.9
Currency translations				-46.5			-46.5	-0.4	-46.9
Financial assets, net of taxes									
› Value adjustment					-1.8		-1.8		-1.8
› Transfer to income statement							0.0		0.0
Total income and expenses for the period recorded directly in equity	0.0	0.0	0.0	-46.5	-1.8	0.0	-48.3	-0.4	-48.7
Net profit for the year			137.8				137.8	0.9	138.7
Total income and expenses recorded in the period	0.0	0.0	137.8	-46.5	-1.8	0.0	89.5	0.5	90.0
Dividend			-140.5				-140.5	-0.4	-140.9
Purchase/sale of treasury shares			2.8			13.8	16.6		16.6
Acquisition of minority interests							0.0	-0.8	-0.8
Acquisition/foundation of Group companies							0.0	0.8	0.8
Change in consolidation method								-0.8	-0.8
Equity at 31.12.2008	132.0	35.0	2,875.8	-33.4	130.9	-96.4	3,045.7	24.1	3,069.8

Consolidated Financial Statements of the BKW Group

Consolidated Cash Flow Statement

CHF millions	Note	2008	2007 restated
Profit before income taxes		171.6	273.9
Adjustment for			
› Depreciation, amortisation and impairment	9	132.4	125.6
› Income from equity-valued companies	15	-23.3	-14.2
› Financial result	10	190.6	27.3
› Gains/losses from sale of non-current assets		-16.6	-0.8
› Change in long-term provisions (excl. interest)		-33.8	-61.2
› Change in assigned rights of use		-9.0	-10.3
› Other non-cash positions		10.9	45.3
Change in net current assets (excl. financial assets/liabilities)		-123.8	48.2
Other financial items paid		-3.0	-2.4
Income taxes paid		-53.5	-69.3
Cash flow from operating activities		242.5	362.1
Purchase of property, plant and equipment	14	-270.3	-211.5
Proceeds from sale of property, plant and equipment		27.4	5.9
Acquisition of minority interests		-1.5	-3.3
Foundation/increase in capital of Group companies (minority share)		0.8	0.8
Acquisition of Group companies		-0.1	1.3
Disposal of Group companies		-0.7	0.0
Investments in equity-valued companies	15	-156.8	-141.8
Disposals of equity-valued companies		0.2	0.5
Investments in current and non-current financial assets		-261.4	-62.2
Disposals of current and non-current financial assets		76.2	388.7
Purchase of intangible assets	17	-19.9	-24.0
Disposals of intangible assets	17	0.0	0.7
Interest received		23.0	30.3
Dividends received		20.2	16.3
Cash flow from investing activities		-562.9	1.7
Purchase/sale of treasury shares	21	6.8	-93.4
Increase in long-term financial liabilities		4.0	194.9
Increase in other long-term liabilities		18.2	17.7
Decrease in other long-term liabilities		-0.7	-1.1
Decrease in short-term financial liabilities		-0.8	-100.0
Interest paid		-7.9	-5.2
Dividends paid		-140.9	-139.7
Cash flow from financing activities		-121.3	-126.8
Translation adjustments on cash and cash equivalents		-14.2	1.4
Net change in cash and cash equivalents		-455.9	238.4
Cash and cash equivalents at start of reporting period		671.9	433.5
Cash and cash equivalents at end of reporting period		216.0	671.9
of which:			
› Bank and cash balances		216.0	180.7
› Term deposits		0.0	491.2

Consolidated Financial Statements of the BKW Group

Notes to the Financial Statements

1 Description of business

BKW FMB Energy Ltd. (BKW), Berne (CH), and its Group companies are a leading energy provider, and deliver a wide 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, transmission and distribution of energy to energy trading and sales

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 the BKW Group. The financial statements also comply with Swiss company law. The closing date for the Group financial statements and those of its fully consolidated companies is 31 December. The statements are quoted in Swiss francs (CHF).

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

2.2 Adoption of new standards and interpretations

All standards and interpretations in force on the balance sheet date were applied in preparing the consolidated financial statements.

In the 2008 financial year the BKW Group was required to adopt the following new or revised standards and interpretations:

- › IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- › IFRIC 12 Service Concession Arrangements
- › IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

While application of IFRIC 11 and IFRIC 12 had no impact on the presentation of the consolidated financial statements, application of IFRIC 14 has influenced the presentation of the financial position, the results of operations and the cash flows of the BKW Group. IAS 19 requires the economic benefits of any reductions in future employer contributions to a pension plan to be recognised in the balance sheet. IFRIC 14 defines a

new method for calculating such economic benefits, which necessitated an adjustment to the plan assets reported by the BKW Group. This change was applied retroactively and the prior-year figures were adjusted: accordingly, equity at 31 December 2007 was CHF 29.9 million higher, while profit for the 2007 financial year was reduced by CHF 18.3 million (see Note 34).

Various amendments as well as new standards and interpretations which had been published by the balance sheet date need not be applied until subsequent financial years. The BKW Group intends to apply the changes from the date on which they come into force (shown in brackets):

- › IAS 1 Presentation of Financial Statements (1 January 2009)
- › IAS 23 Borrowing Costs (1 January 2009)
- › IAS 27 Consolidated and Separate Financial Statements (1 July 2009)
- › IFRS 3 Business Combinations (1 July 2009)
- › IFRS 8 Operating Segments (1 January 2009)
- › Improvements to International Financial Reporting Standards (1 January 2009)
- › Amendment to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation (1 January 2009)
- › Amendment to IFRS 2: Vesting Conditions and Cancellations (1 January 2009)
- › Amendment to IAS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (1 January 2009)
- › Reclassification of Financial Assets – Effective Date and Transition Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (1 July 2008)
- › Eligible Hedged Items Amendment to IAS 39 Financial Instruments: Recognition and Measurement (1 July 2009)
- › IFRS 1 First-time Adoption of International Financial Reporting Standards (1 July 2009)
- › IFRIC 13 Customer Loyalty Programmes (1 July 2008)
- › IFRIC 15 Agreements for the Construction of Real Estate (1 January 2009)
- › IFRIC 16 Hedges of a Net Investment in a Foreign Operation (1 October 2008)

- › IFRIC 17 Distribution of Non-Cash Assets to Owners (1 July 2009)

BKW is currently examining the possible effects of applying these new or changed standards and interpretations. As things stand at present, due to their retroactive adoption, these changes are not expected to have a significant impact on the financial position, results of operations and cash flows of the BKW Group published for the year ended 31 December 2008.

The following changes will result in additional disclosures in financial statements or changes in future accounting and valuation principles:

- › IFRS 8 Operating Segments. This standard governs the disclosure of segment reporting and therefore replaces the existing applicable Standard IAS 14. IFRS 8 requires segments and segment results to be defined on the basis of management approaches, i.e. based on internal reporting. Accordingly, BKW will provide segment reporting by division as from the 2009 financial year. Under IAS 14 which has been applied to date, also for the 2008 financial year, the BKW Group has not prepared segment reporting due to its vertical integration.
- › IAS 1 Presentation of Financial Statements. This standard contains the principles for presentation of financial statements and was issued by the IASB in revised form in September 2007. The main changes concern the separate presentation of changes in equity attributable to equity holders of the parent, and other changes in equity, as well as detailed disclosure of expenses and income recorded in equity.
- › IFRS 3 Business Combinations. This standard governs the method of accounting for and measuring business combinations. A revised standard was issued by the IASB in January 2008. The main changes relate to the recognition of acquisition costs and the treatment of contingent considerations. In addition, it introduces a voting right for measuring minority interests. The revised standard comes into force for financial years beginning on or after 1 July 2009, and will be applied accordingly after its introduction.

- › IAS 27 Consolidated and Separate Financial Statements. This standard governs the preparation and presentation of consolidated financial statements. The main changes concern the presentation of changes in investments which do not result in a loss of control. These are now reported as equity transactions. Other changes relate to accounting for loss of control in subsidiaries. The changes come into force for financial years beginning on or after 1 July 2009 and will be applied accordingly.

3 Consolidation principles

3.1 Scope of consolidation

The following changes were made to the BKW Group scope of consolidation in 2008:

- › sol-E Suisse AG and Elektrizitätswerk Grindelwald AG, both BKW Group companies, joined forces with other partners to found Holzwärme Grindelwald AG. At 31 December 2008 the BKW Group held 66.8% of the share capital in Holzwärme Grindelwald AG, hence the company is fully consolidated.
- › In Italy BKW acquired 94% of the shares in Luminosa S.r.l., a project company which is planning to build and operate a 400-MW gas-fired combined-cycle power plant in the Campania region. In addition, BKW Italia S.p.A. founded Termoelettrica Veneta S.r.l., in which it holds 100% of the shares. The company is to take over responsibility for a project to build and operate a 800-MW gas-fired combined-cycle power plant in Northern Italy. Both companies are fully consolidated.
- › In the year under review BKW Erneuerbare Energien GmbH acquired Bockelwitz wind farm in Saxony (D), consisting of 10 wind turbines each with a capacity of 1.5 MW.
- › BKW's share in Abonax AG was reduced from 51.0% to 33.6%. Formerly a fully consolidated company, Abonax AG has now been reclassified as an associate and the holding is measured at equity.

Only the acquisition of Bockelwitz wind farm qualifies as a business combination under the terms of IFRS 3. Although the transaction concerns the acquisition of assets rather than a company, the provisions of IFRS 3 apply (see Note 28).

3.2 Consolidation method

The financial statements are based on the closing statements of the individual Group companies drawn up according to Group-wide principles of valuation and presentation. Group companies are included in the consolidated financial statements in their entirety. Assets and liabilities as well as expenditure and income are included in their entirety. Minority interests in shareholders' equity and net income of the relevant Group companies are disclosed separately in the balance sheet and income statement. Intercompany income and expenditure as well as intercompany assets and liabilities are eliminated on consolidation. Profits from intercompany transactions and

balances not yet realised from sales to third parties are eliminated.

3.3 Shares in associated companies and joint ventures

Investments in companies in which BKW is able to exercise reasonable influence but not overall control (generally ownership between 20% and 50%) are classified as associated companies and accounted for using the equity method.

Companies which are jointly managed on the basis of contractual agreements between the shareholders (usually partner plants) are treated as joint ventures. Joint ventures are included in the consolidation using the equity method, irrespective of the size of the holding.

The BKW Group's share of assets and liabilities as well as expenses and income of associated companies and joint ventures is disclosed in Note 15. The closing date for some partner plants differs from that of BKW since these companies close their accounts on 30 September in line with the hydrological year.

3.4 Acquisition and sale of Group companies

Companies acquired by the BKW Group during the year are consolidated as from the effective date of acquisition. Purchased net assets (including intangible assets) are measured at fair value and integrated using the purchase method. Differences between the higher purchase price and the fair value of net assets are classified as goodwill from acquisitions. Goodwill in respect of acquisitions is subjected to annual impairment tests or ad hoc testing whenever impairment is indicated. Any negative difference is immediately recognised in income.

Companies disposed of during the year are excluded after the date of sale. Differences between the selling price and the net assets disposed of are recorded in income on the effective date. Goodwill recorded in the balance sheet as well as accumulated foreign currency translation differences and value fluctuations for financial instruments charged to equity are derecognised in income as a component of the gain or loss on sale.

3.5 Foreign currency translations

The reporting currency is Swiss francs (CHF). The BKW Group records transactions in foreign currencies at the prevailing exchange rates on the date of transaction. 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.

Goodwill and adjustments made to the carrying amounts of identified net assets in the course of the purchase price apportionment are carried in the foreign currency and converted to the reporting currency on the balance sheet date without affecting income.

Differences arising from the translation of the financial statements of Group companies, associated companies and joint ventures quoted in foreign currencies, are accounted for in consolidated shareholders' equity without affecting income.

4 Principles of accounting and valuation

4.1 Presentation of sales

Sales of energy in the sales business are considered as realised and are recorded as sales when delivery is complete.

Energy trading revenue is presented according to the underlying transaction motive. Some energy transactions are conducted for the purpose of the active management of the power plant base or physical coverage of energy supply or purchase contracts, and the gross revenue from these transactions is recorded as sales ("Electricity Trading" or "Gas Business") at the time of delivery.

Other energy transactions are conducted with the sole intention of achieving a trading margin. These transactions come under the IAS 39 definition of financial instruments and 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 Derivative Trading". Income from energy trading transactions concluded to achieve a trading margin consists of two components: effective realised gains or losses from transactions in progress, and unrealised capital gains and losses from valuation of the fair value of open contracts.

4.2 Financial instruments (general)

Financial instruments constitute all contractual agreements that give rise to financial assets for the BKW Group and financial liabilities for a counterparty, and vice versa. In accordance with IAS 39, 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 has the positive intention and ability 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. Available-for-sale financial assets are also measured at fair value but the gains or losses are recorded under equity 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 equity is transferred to the income statement. Held-to-maturity investments as well as loans granted by and receivables due to the BKW Group 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 cost are considered to be impaired if the carrying amount is lower 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 the BKW Group hands over control. Financial liabilities are derecognised only when they are discharged

As yet, BKW has not made use of the “Fair Value Option” described in IAS 39.

4.3 Derivatives

4.3.1 Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles, and futures for the underlying energy, gas and certificates. Contracts concluded with the sole intention of achieving a trading margin 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, while liabilities are recorded under liabilities as negative replacement values. 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 energy derivatives trading. A table listing replacement values and contract volumes i.e. the basis or nominal value of the transactions is provided in Note 27.

4.3.2 Interest and currency hedging

To hedge against interest rate and currency fluctuations, derivative financial instruments are used in compliance with existing hedging and credit risk policy guidelines. They are measured at fair value. Realised and unrealised changes in the value of financial instruments that serve to hedge against exchange rate and interest rate risks related to ongoing business activities 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 using the straight-line method and systematically based on the useful lives of the objects. 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 4.12. Property, plant and equipment dependent on concessions are written down at most over the expected term of the concession.

Present values of estimated 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 and written down on the basis of wear and tear (burn-off).

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.

Estimated useful lives of property, plant and equipment:

Land and construction in progress	Only if value diminishes
Buildings	50 years
Power plants	40 to 80 years
Transmission and distribution facilities	20 to 50 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years
Fuel elements	After burn-off

4.5 Intangible assets

Intangible assets cover 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 amounts to compensate a contractual partner for the use of its operating installations as well as licences for the construction and operation of the Company's own installations. Rights of use and intangible assets obtained as a result of an acquisition are written down over the period of use, or at most the contract period, using the straight-line method.

Goodwill is not amortised on a systematic basis but assigned to the relevant cash-generating unit and subjected to annual impairment tests or ad hoc tests whenever impairment is indicated.

4.6 Emission rights

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. Assigned or purchased emission rights are recognised as intangible assets at the nominal value of the consideration. A provision is created as soon as the carbon output exceeds the emission allowances originally allocated and still held. A defined useful life is assumed for emission rights. However, there is no distortion of value as long as the certificates are held, hence they are not amortised on a systematic basis. The value of the certificates is realised when they are sold or returned to the authorities as compensation for emissions. Emission rights are tested for impairment if there are indications of impairment.

For transactions in emission rights conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption rule defined by IAS 2, under which emission rights can be recognised at fair value through profit or loss less costs to sell. Changes of 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).

4.7 Financial assets

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

Stock exchange listed securities which constitute part of a portfolio of financial instruments, jointly managed and 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 bills for decommissioning and disposal are paid by these state funds according to the statutory requirements. These payments are regarded as reimbursements under the terms of IFRIC 5 and are charged to income as receivables from state funds. The receivables are measured at the lower of the obligation (see Note 4.14) and the fair value of the proportional net assets of the fund. Changes in fund valuations are recorded in the financial result for the period in question.

The pension surplus is valued on the basis of IAS 19 (see Note 4.17).

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

Accounts receivable are stated at nominal value minus 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 periodical 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.

4.9 Inventories

Inventories 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. Interest on borrowed capital is not capitalised.

4.10 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. Progress is expressed as the proportion that contract costs incurred for work performed to date bears to 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 they will result in revenue and can be reliably measured. Orders and order groups whose prorata 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 short-term liabilities as customer payments.

4.11 Cash and cash equivalents

Cash is stated at fair value and covers cash on hand, bank account balances and cash invested with financial institutes for a maximum period of three months. This definition of cash also applies to the cash flow statement.

4.12 Impairment of property, plant and equipment and intangible 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 value is the higher of the net selling price and value in use (present value of estimated future cash flows), and is separately measured 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 actual cost. Overvaluation of partner companies' production plants is accounted for under onerous energy purchase contracts, due to the contractual obligation to pay energy production costs. Based on the obligation to pay actual costs, the recoverability of the holdings in partner plants measured at the proportional equity value is taken by shareholders as a given.

4.13 Assigned rights of use

Assigned rights of use consist of third-party payments for transit rights to transmission facilities, plant usage rights and contributions to grid costs (connection contributions), and are recorded under other long-term liabilities at the nominal value of the cash inflow less reversals to income. They are recognised in profit and loss on a straight-line basis over the useful life of the facility or the life of the relevant assigned right, whichever is lower.

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 dismantling and commissioning 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 recorded under assets and liabilities on the date on which the plant went into operation. In addition, the related decommissioning and disposal costs are capitalised annually over the operating period of 40 years using the straight-line method, and written down over the average useful life of the fuel elements. The provision is calculated based on the following assumptions:

- › Operating period of 40 years
- › Average inflation rate of 3%
- › Average interest rate of 5%.

4.15 Income taxes

Income taxes include current and deferred taxes based on profit. Deferred income taxes are determined based on local tax regulations. Deferred tax assets account for the income tax effects between internal and local tax assessment guidelines for assets and liabilities according to the liability method, and are based on the actual tax rates or enacted 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 that these deferred tax assets will be of benefit on the basis of future anticipated gains.

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 also charged to equity as not affecting income.

4.16 Leasing

The BKW Group has no finance leasing arrangements at present. Operating lease arrangements on the balance sheet date consist primarily of long-term rental contracts for operating properties and vehicle leasing agreements. Operating leases are not recorded in the balance sheet. The leasing payments are recorded in the current financial year as operating expenses.

4.17 Pension plan

The BKW Group 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 or surplus arising from defined benefit schemes are determined on an actuarial basis using the projected unit credit method, which reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Until this obligation or surplus is recalculated, current service costs are charged on the basis of selected parameters. A pension surplus is capitalised if overfunding of a pension plan generates an economic benefit in accordance with IAS 19. In this case

the economic benefit from future reductions in contributions is measured in accordance with the guidelines in IFRIC 14. Annual service costs related to employment during the period under review are charged to income. Actuarial gains and losses arising from periodic recalculations are charged to income on a straight-line basis over the average remaining period of service, provided they exceed the greater of 10% of plan assets and 10% of the defined benefit obligation.

Contributions payable towards defined contribution schemes are periodically recorded and recognised in the income statement.

4.18 Share-based payment

BKW Group employees have the opportunity to purchase BKW share capital on preferential terms. Until further notice, full-time employees of the BKW Group are offered a defined number of BKW registered shares every year at a fixed preferential price, subject to a blocking period. Allocation of shares to employees is not subject to any other conditions, 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 difference between the fair value and the preferential price paid by employees is recorded under personnel expenses on the date on which the shares were granted. The issued shares are deducted from the number of treasury shares.

4.19 Segment reporting

As a vertically integrated power supply company, the BKW Group is exclusively active in the energy business. As such, it produces and sells one main product: electricity. Segment reporting is not prepared since activities not related to the electricity business account for less than 10% of revenue. Reports by business segment are therefore not required. Geographical segmentation is based on the location of assets (origin of sales). All significant IT systems and the management of all significant business are located in Berne, hence significant risks are assigned to Switzerland. The remaining revenues are below 10% and do not therefore require geographical segmentation.

4.20 Contingencies

Preparation of the financial statements in accordance with the applicable accounting standards requires 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 charged to income in the period in which they were identified.

4.20.1 Goodwill

Goodwill acquired as a result of a business combination is subjected to annual impairment tests or more frequent impairment tests if events or a change in circumstances indicate the possibility of impairment. The recoverable amount estimated as a result of an impairment test is assigned to one or more cash-generating units.

The recoverable amount of a cash-generating unit is the higher of the fair value minus selling costs and value in use. In determining the value in use, various assumptions are made with regard to medium- and long-term developments, for example estimated payment streams or growth rates. The applicable discount rate is based on the average weighted capital costs of the BKW Group, taking into account appropriate adjustments for the specific risk profile of the cash-generating unit.

4.20.2 Provisions

Measurement of the provision for nuclear waste disposal is essential for assessment of the balance sheet and income statement of BKW. The industry calculates shared, detailed costs for decommissioning and the disposal of nuclear waste. These cost calculations are examined by the Swiss federal government, while BKW estimates plant-specific obligations. Errors in cost calculations as well as changes in legal provisions governing decommissioning and nuclear waste disposal can affect the Group's financial position, the results of operations and cash flows.

In 2006, calculations of decommissioning and disposal costs were updated across the sector and reviewed by the state authorities in accordance with the Ordinance on the Decommissioning and Nuclear Waste Disposal Funds for Nuclear Power Plants, with estimations being based for the first time on a useful life of 50 years for all nuclear power plants. Since the current operating permit lasts until 2012, for the purposes of the provision the assumed useful life of the Mühleberg nuclear power plant remains 40 years. Since application of the latest cost studies to a useful plant life of 40 years has confirmed provision values based on estimates to date, provisions continue to be calculated on the basis of the existing state-approved cost calculations for a 40-year useful life. The technical life of Mühleberg nuclear power plant is more than 40 years. If the operating permit is extended or an open-ended permit is granted, this would impact the provisions situation which is based on the authorised operating period.

The provision for onerous energy purchase contracts covers the losses expected from the obligation to pay energy production costs in respect of partner plants. A sustained change in realisable energy prices would have had a significant impact on the level of the provision.

4.20.3 Pension plan

The pension obligations arising from defined benefit pension plans are calculated based on actuarial assumptions which may not reflect reality and hence may have an impact on the Group's financial position, the results of operations and cash flows.

4.20.4 Revenue recognition

Energy sales in the sales business are partly calculated and billed, particularly in the case of residential customers, only on a half-yearly basis at the end of March and end of September based on meter readings. Energy sales unbilled at the balance sheet date on 31 December are therefore accrued. The accrual is calculated based on a simulation which takes into account the historic consumption of customers as well as current product prices, where the total sum of volumes delivered can be estimated relatively accurately on the basis of known feed-in and feed-out volumes. The accrual calculated in this way may deviate from the actual values determined from meter readings and billing.

5 Net sales

CHF millions	2008	2007
Electricity sales Switzerland	882.4	898.6
Distribution grid usage fees	124.8	57.5
Electricity sales International	668.4	526.2
Electricity trading	1,350.2	894.5
Income from energy derivatives trading	23.2	18.2
Other energy business	181.7	202.0
Gas business	53.9	32.7
Construction/engineering services and electrical installation business	104.6	104.9
Changes in work in progress	2.3	-1.1
Total	3,391.5	2,733.5

6 Energy procurement

CHF millions	2008	2007
Electricity procurement, third parties	1,778.9	1,255.9
Electricity procurement, partner plants	339.9	267.4
Other expenses for electricity procurement	160.6	172.5
Gas procurement	53.5	31.9
Total	2,332.9	1,727.7

7 Personnel expenses

CHF millions	2008	2007 restated
Salaries and wages	261.7	247.9
Social security contributions and other personnel expenses	60.5	80.5
Total	322.2	328.4
Number of employees on balance sheet date (full-time equivalent/FTE)	31.12.2008	31.12.2007
Employees	2,613	2,457
Apprentices/trainees	168	158
Total	2,781	2,615

8 Other operating expenses

CHF millions	2008	2007
Charges, levies and other taxes	56.7	57.6
Miscellaneous operating expenses	147.0	136.6
Total	203.7	194.2

9 Depreciation, amortisation and impairment

CHF millions	2008	2007
Property, plant and equipment	125.5	120.7
Intangible assets	6.9	4.9
Total	132.4	125.6

10 Financial result

CHF millions	2008	2007
Interest income	34.8	33.6
Dividends	5.4	4.0
Gain on sale of financial assets	4.1	2.3
Value adjustment on securities held for trading	8.2	0.1
Other financial income	0.2	0.1
Currency translations	0.0	7.8
Financial income	52.7	47.9
Interest expenses	-8.0	-8.6
Interest on provisions	-57.0	-55.2
Value adjustment on state funds	-126.4	-4.6
Loss from sales of financial assets	-9.7	-1.0
Value adjustment on securities held for trading	-16.9	-3.0
Other financial expenses	-3.5	-2.8
Currency translations	-21.8	0.0
Financial expenses	-243.3	-75.2
Total	-190.6	-27.3

11 Taxes

CHF millions	2008	2007 restated
Current income taxes	38.4	47.0
Deferred taxes	-5.5	0.0
Total income taxes	32.9	47.0

Reconciliation with reported income taxes CHF millions	2008	2007 restated
Profit before income taxes	171.6	273.9
Tax expenses at anticipated rate of 20.1% (2007: 21.2%)	34.5	58.1
Effects of changes in tax rate	0.0	-6.0
Influence of participation reduction and non-taxable income	-1.8	-2.8
Influence of non-tax-deductible expenses	0.9	1.9
Taxes in respect of previous years	0.1	-4.9
Other items	-0.8	0.7
Total income taxes	32.9	47.0
Effective tax rate	19.2%	17.2%

Changes in deferred tax assets/liabilities CHF millions	2008	2007 restated
Deferred tax assets/liabilities at 01.01.	519.1	505.5
Changes in the scope of consolidation	0.0	0.1
Formation/release in the income statement	-5.5	-0.0
Value adjustment to financial instruments in equity	1.1	12.4
Realisation of financial instruments from equity	0.0	-0.1
Currency translations	-2.8	1.1
Deferred tax assets/liabilities at 31.12.	511.9	519.0
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Deferred tax assets/liabilities by origin of temporary differences CHF millions	31.12.2008	31.12.2007 restated
Non-current assets	272.4	272.7
Current assets	69.2	31.9
Provisions and other long-term liabilities	212.5	221.0
Short-term liabilities	-38.8	-6.6
Capitalised loss carry-forwards	-3.4	0.0
Total deferred tax assets/liabilities	511.9	519.0
Of which taxes disclosed in the balance sheet as:		
› Deferred tax liabilities	533.8	541.2
› Deferred tax assets	-21.9	-22.2
Net deferred tax liabilities	511.9	519.0

CHF 18.5 million of deferred tax assets is attributable to temporary differences in non-current assets (2007: CHF 22.2 million), and CHF 3.4 million to capitalised loss carry-forwards (2007: none).

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). In the year under review, taxable income was proportionally higher year-on-year for companies subject to lower tax rates, resulting in a slight reduction in the anticipated tax rate.

Uncapitalised loss carry-forwards of CHF 1.9 million were recorded on the balance sheet at 31 December 2008. They were not capitalised since their charging against future taxable earnings is not regarded as probable within the permissible tax period. CHF 0.5 million of these loss carry-forwards falls due in 2012, CHF 0.1 million in 2015, and CHF 1.3 million remains valid indefinitely. The average applicable tax rate on tax loss carry-forwards will be around 25%.

On the balance sheet date there were no temporary differences on participations with tax consequences, for which no deferred taxes were recognised since the reversal of the temporary difference can be controlled and is not probable in the foreseeable future.

12 Earnings per share

	2008	2007 restated
Number of shares issued (at a par value of CHF 2.50)	52,800,000	52,800,000
Less treasury shares (weighted average)	- 859,437	- 1,007,139
Number of shares in circulation (weighted average)	51,940,563	51,792,861
Net profit attributable to BKW shareholders, in CHF millions	137.8	225.8
Earnings per share in CHF	2.65	4.36
Dividend per share in CHF	2.30	2.70

Undiluted earnings per share are calculated based on the weighted average share capital. There are no circumstances which lead to a dilution of earnings per share.

The dividend of CHF 2.30 per share for fiscal 2008 corresponds to the proposal by the Board of Directors to the General Shareholders' 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 119.5 million.

13 Foreign currency exchange rates

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

	Closing date 31.12.2008	Closing date 31.12.2007	Average 2008	Average 2007
CHF/EUR	1.494	1.653	1.599	1.655

14 Property, plant and equipment	Power plants	Transmission and distribution plants	Buildings and land	Nuclear fuel	Other property, plant and equipment	Construction in progress	Total
CHF millions							
Gross values at 31.12.2006	1,458.9	2,268.5	182.6	611.4	287.6	99.7	4,908.7
Changes in the scope of consolidation					0.2	1.2	1.4
Additions	16.8	5.4	9.4	20.3	3.6	161.1	216.6
Disposals	-18.0	-21.0	-0.1		-22.0		-61.1
Reclassifications	19.6	63.2	6.9		17.0	-106.7	0.0
Currency translations	3.8				0.2		4.0
Gross values at 31.12.2007	1,481.1	2,316.1	198.8	631.7	286.6	155.3	5,069.6
Additions	29.9	8.7	2.4	24.7	4.5	205.7	275.9
Disposals	-11.9	-81.8	-0.3	-36.4	-4.3		-134.7
Reclassifications	18.9	86.8	3.2		20.5	-129.4	0.0
Currency translations	-14.1		-0.6		-0.5	-0.4	-15.6
Gross values at 31.12.2008	1,503.9	2,329.8	203.5	620.0	306.8	231.2	5,195.2
Accumulated depreciation at 31.12.2006	1,135.4	1,199.0	79.4	549.1	184.0	0.0	3,146.9
Additions	18.2	61.0	4.0	18.1	19.4		120.7
Disposals	-13.7	-21.0	-0.1		-21.1		-55.9
Reclassifications		0.5			-0.5		0.0
Currency translations	0.1				0.1		0.2
Accumulated depreciation at 31.12.2007	1,140.0	1,239.5	83.3	567.2	181.9	0.0	3,211.9
Additions	22.6	61.7	4.2	18.0	19.0		125.5
Disposals		-35.4	-0.2	-36.4	-4.3		-76.3
Currency translations	-0.9				-0.2		-1.1
Accumulated depreciation at 31.12.2008	1,161.7	1,265.8	87.3	548.8	196.4	0.0	3,260.0
Net values at 31.12.2007	341.1	1,076.6	115.5	64.5	104.7	155.3	1,857.7
Net values at 31.12.2008	342.2	1,064.0	116.2	71.2	110.4	231.2	1,935.2

The fire insurance values at 31 December 2008 amounted to CHF 3,007.5 million (2007: CHF 2,945.2 million). There were no indicators necessitating a test for possible impairment. Borrowing costs were capitalised for investments of CHF 0.2 million (2007: none). In the year under review compensation of CHF 2.1 million (2007: CHF 1.8 million) for property, plant and equipment which was impaired, lost or decommissioned was charged to the income statement. Increases of CHF 5.1 million (2007: CHF 5.1 million) for fuel elements do not affect cash. This relates to the non-cash increase in respect of the nuclear waste disposal obligation. In addition, part of the purchase price for Bockelwitz wind farm amounting to CHF 0.4 million did not affect cash on the balance sheet date (see Note 28). Disposals include the sale of rail power production and supply facilities at Wimmis substation with a net carrying value of CHF 46.4 million. These facilities involve assigned rights of use which were related to financing at the time the facilities were constructed and were released following the disposal, as well as a new right of use (land development right). The net release of rights of use amounts to CHF 47.7 million and is presented in the Consolidated Cash Flow Statement as a charge to disposals of property, plant and equipment. The selling price of CHF 14.5 million is therefore included in the Consolidated Cash Flow Statement under proceeds from the disposal of property, plant and equipment.

15 Investments in equity-valued companies

CHF millions	Joint ventures	Associated companies	Total
At 31.12.2007	395.9	299.0	694.9
Additions	1.2	155.6	156.8
Changes in the consolidation method	0.0	0.8	0.8
Disposals	-7.2	-0.4	-7.6
Dividends	-13.2	-1.6	-14.8
Prorata income	4.2	19.1	23.3
Currency translations	-0.6	-32.6	-33.2
At 31.12.2008	380.3	439.9	820.2

Investments in associated companies primarily concern capital investments in the newly-acquired 33% holding in Electrabel Kraftwerk Wilhelmshaven GmbH & Co. KG, Berlin (D), in the amount of CHF 132.8 million. The holding in AEK Energie AG was increased from 35.5% to 39.5% at a cost of CHF 12.1 million. In addition, a 48% interest was acquired in Tamarete Energia S.r.l., Ortona (I) for CHF 9.8 million. The change in the consolidation method affects Abonax AG, which was formerly managed as a fully consolidated company and is now valued at equity following disposal of the majority holding.

Financial values of joint ventures CHF millions	Gross values 31.12.2008	Gross values 31.12.2007	Share 31.12.2008	Share 31.12.2007
Non-current assets	8,488.1	8,582.4	1,496.1	1,502.9
Current assets	696.3	595.1	119.5	106.4
Long-term liabilities	6,045.1	6,452.4	1,000.9	1,087.8
Short-term liabilities	1,239.2	673.9	234.4	125.6
Income	1,707.1	1,398.3	348.9	304.3
Expenses	1,767.0	1,392.8	344.7	298.3
Profit	-59.9	5.5	4.2	6.0

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

Financial values of associated companies CHF millions	Gross values 31.12.2008	Gross values 31.12.2007	Share 31.12.2008	Share 31.12.2007
Non-current assets	1,433.7	1,033.7	422.6	278.8
Current assets	783.0	657.6	229.8	187.9
Long-term liabilities	145.9	141.6	38.2	38.0
Short-term liabilities	629.4	469.0	174.3	129.7
Income	779.4	615.0	237.8	164.3
Expenses	713.5	585.9	218.7	156.1
Profit	65.9	29.1	19.1	8.2

16 Financial assets	Available-for-sale financial assets	Securities held for trading	Loans	Term deposits	Receivables from state funds	Pension surplus	Total
CHF millions							
At 31.12.2006	217.6	166.3	32.4	826.1	633.4	31.0	1,906.8
First-time adoption of IFRIC 14						61.8	61.8
At 01.01.2007 (restated)	217.6	166.3	32.4	826.1	633.4	92.8	1,968.6
Changes in the scope of consolidation		0.1					0.1
Additions	11.5	43.1	7.7	700.5			762.8
Disposals	-0.6	-44.4	-8.3	-1,036.0			-1,089.3
Value adjustments not affecting income	60.5						60.5
Value adjustments affecting income		-2.8		0.5	-4.6	-22.7	-29.6
At 31.12.2007 (restated)	289.0	162.3	31.8	491.1	628.8	70.1	1,673.1
Additions	1.5	128.2	4.3	967.6	0.8		1,102.4
Disposals	-0.1	-81.2	-2.2	-840.9			-924.4
Currency translations			-0.5				-0.5
Value adjustments not affecting income	-0.8						-0.8
Value adjustments affecting income		-8.5			-126.4		-134.9
At 31.12.2008	289.6	200.8	33.4	617.8	503.2	70.1	1,714.9
of which:							
› Current financial assets		200.8	8.1	617.7			826.6
› Non-current financial assets	289.6		25.3	0.1	503.2	70.1	888.3
of which:							
› Financial assets according to IFRS 7	289.6	200.8	33.4	617.8			1,141.6
› Other assets					503.2	70.1	573.3

The weighted average residual term to maturity of short-term investments is 4.8 months (2007: 3.5 months), and the weighted average interest rate is 2.8% (2007: 2.3%).

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. If the share of net assets of the state funds exceeds the cash value of the estimated decommissioning and disposal costs for nuclear waste from Mühleberg nuclear power plant, BKW is entitled to a refund corresponding to the surplus capital.

17 Intangible assets	Rights of use	Goodwill	Other	Total
CHF millions				
Gross values at 31.12.2006	73.4	178.1	4.7	256.2
Changes in the scope of consolidation			0.2	0.2
Additions from acquisitions	17.2	0.3	6.8	24.3
Disposals	-1.2		-3.2	-4.4
Currency translations		0.3		0.3
Gross values at 31.12.2007	89.4	178.7	8.5	276.6
Additions from acquisitions	33.8	0.7	6.7	41.2
Disposals				0.0
Currency translations	-2.0	-0.9	-0.1	-3.0
Gross values at 31.12.2008	121.2	178.5	15.1	314.8
Accumulated amortisation and impairments at 31.12.2006	39.6	92.4	0.9	132.9
Additions	1.9		3.0	4.9
Disposals	-0.9		-2.8	-3.7
Accumulated amortisation and impairments at 31.12.2007	40.6	92.4	1.1	134.1
Additions	2.1		4.8	6.9
Disposals				0.0
Accumulated amortisation and impairments at 31.12.2008	42.7	92.4	5.9	141.0
Net values at 31.12.2007	48.8	86.3	7.4	142.5
Net values at 31.12.2008	78.5	86.1	9.2	173.8

Additions of CHF 20.6 million to rights of use do not affect cash. This concerns the addition of energy purchase rights related to the acquisition of Luminosa S.r.l.

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

CHF millions	31.12.2008	31.12.2007
Onyx Energie Mittelland	46.1	45.4
BKW	31.0	31.0
Idroelettrica Lombarda S.r.l.	8.9	9.8
Other cash-generating units	0.1	0.1
Total	86.1	86.3

In the year under review, goodwill disclosed on the balance sheet was tested for impairment by comparing the carrying amount of the cash-generating units with their recoverable amount (corresponding to the value in use). The calculations were made on the basis of estimated cash flows from business projections approved by management over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill disclosed on the balance sheet did not result in any need for impairment.

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

Percent	WACC	WACC	Long-term
	(before tax)	(after tax)	growth rate
	31.12.2008	31.12.2008	31.12.2008
Onyx Energie Mittelland	7.5	5.9	1.0
BKW	7.5	5.9	1.0
Idroelettrica Lombarda S.r.l.	8.8	6.7	1.0
	31.12.2007	31.12.2007	31.12.2007
Onyx Energie Mittelland	7.7	6.0	1.0
BKW	7.7	6.0	1.0
Idroelettrica Lombarda S.r.l.	9.6	6.4	0.0

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

18 Inventories

Inventories consist of network construction materials. An impairment of CHF 2.5 million (2007: CHF 2.7 million) was recorded for inventories at the balance sheet date, due to a mark-down for destockage. Value adjustments were decreased by CHF 0.2 million (2007: increased by CHF 0.7 million) and booked to income in the year under review.

19 Accounts receivable

CHF millions	31.12.2008	31.12.2007
Trade accounts receivable	521.9	477.9
Other financial receivables	61.4	55.6
Other receivables	30.5	35.1
Prepayments	1.0	1.4
Work in progress	11.5	8.9
Total	626.3	578.9

Work in progress includes advance payments of CHF 15.0 million (2007: CHF 18.1 million) recorded on the balance sheet date, as well as prorata profits of CHF 1.2 million (2007: CHF 1.7 million).

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

CHF millions	31.12.2008	31.12.2007
Trade accounts receivable	521.9	477.9
of which		
› not past due	449.1	385.3
› 1–30 days past due	17.4	21.0
› 31–90 days past due	45.6	64.5
› 91–180 days past due	2.2	4.6
› 181–360 days past due	1.9	1.0
› Over 360 days past due	5.7	1.5

On the balance sheet date, there were no indicators that parties owing trade accounts receivable as well as other financial assets would be 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 31.12.2006	3.1	2.1
Net charge for the year	0.8	
Net release		-0.6
Derecognition of uncollectable receivables	-0.7	
Provisions for impairment at 31.12.2007	3.2	1.5
Net charge for the year	3.0	0.1
Net release		
Derecognition of uncollectable receivables	-1.0	
Provisions for impairment at 31.12.2008	5.2	1.6

There are no value adjustments for other financial assets. The other balance sheet items contain no material overdue but unimpaired financial assets. Nor are there any financial assets which would have been overdue or impaired had their payment terms not been renegotiated.

20 Accrued/deferred income and prepaid/accrued expenses

CHF millions	31.12.2008	31.12.2007
Financial accruals	147.7	113.8
Other accruals	38.0	4.3
Total prepaid expenses and accrued income	185.7	118.1
Financial accruals	155.7	60.5
Other accruals	25.4	23.1
Total deferred income and accrued expenses	181.1	83.6

21 Share capital and reserves

Significant shareholders and their direct holdings	31.12.2008	31.12.2007
Canton of Berne	52.54%	52.54%
E.ON Energie AG	20.99%	20.99%
Groupe E Ltd.	4.99%	4.99%

Treasury share transactions	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2006	354,453	31.1	
Purchases	1,023,346	130.3	130.3
Sales/allotment	-408,653	-51.2	-36.9
31.12.2007	969,146	110.2	
Purchases	41,988	4.1	4.1
Sales/allotment	-155,553	-17.9	-10.9
31.12.2008	855,581	96.4	

Share capital

The fully paid up and issued share capital consists of 52,800,000 registered shares at a par value of CHF 2.50 each.

Capital reserves

Capital reserves include the premium paid on issuance of the shares.

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.

Currency translations

Reserves for currency translations cover currency differences arising from the conversion of foreign Group companies' financial statements.

Revaluation reserve

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

Treasury shares

BKW shares held by BKW or Group companies are deducted from equity at acquisition cost. Treasury shares are used in particular for employee stock purchase plans. On 31 December 2008, 17,980 BKW shares (2007: 25,280) were held by Group companies and 3,600 (2007: 3,600) by equity-valued companies.

Capital management

The BKW Group pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW Group 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. The BKW Group is committed to a consistent dividend payout based on a ratio of 40–50% of the period results. The BKW Group's financial resources primarily serve to facilitate the core business and provide the requisite room for manoeuvre in accordance with the requirements of the Group strategy.

On the balance sheet date the equity ratio was 51.3%, corresponding to a slight decline of 1.6% over the adjusted previous-year ratio. There were no changes in capital management in 2008.

22 Provisions	Nuclear waste disposal	Onerous contracts, energy procurement	Onerous contracts, energy sales	Restructuring	Other provisions	Total
CHF millions						
At 31.12.2006	1,075.6	28.9	8.3	2.7	90.7	1,206.2
Error correction					-33.2	-33.2
At 01.01.2007 (restated)	1,075.6	28.9	8.3	2.7	57.5	1,173.0
Provisions made	5.1		2.8	0.1	6.4	14.4
Interest	53.5	1.7				55.2
Provisions used	-30.9	-1.7	-1.8	-1.7	-3.5	-39.6
Provisions released			-0.5		-13.3	-13.8
At 31.12.2007 (restated)	1,103.3	28.9	8.8	1.1	47.1	1,189.2
Provisions made	5.1		0.8	0.4	3.5	9.8
Interest	55.3	1.7				57.0
Provisions used	-14.3	-1.7	-4.2	-0.1	-10.5	-30.8
Provisions released			-3.5	-0.1	-7.8	-11.4
Currency translations					-0.2	-0.2
At 31.12.2008	1,149.4	28.9	1.9	1.3	32.1	1,213.6
of which:						
› Short-term provisions	27.0			0.8	3.3	31.1
› Long-term provisions	1,122.4	28.9	1.9	0.5	28.8	1,182.5

On 31 December 2008 the provision of CHF 1,149.4 million for nuclear waste disposal comprised the following:

- › CHF 497.1 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 the plant and rehabilitation of the surrounding area. Payments are anticipated from the end of commercial operation (provisionally the end of 2012) until completion of the decommissioning work (after approximately twelve years). The costs for disposal of decommissioning waste are due on an ongoing basis until the final storage depot for low to medium-active nuclear waste is sealed off. This is scheduled for 2101.
- › An additional CHF 578.4 million is set aside for disposal, outside the plant compound, of spent fuel elements and radioactive waste. These payments are due on an ongoing basis until the final storage depot for highly active nuclear waste is sealed off. This is currently scheduled for 2115.
- › CHF 73.9 million is set aside for plant-specific costs. These cover the costs of waste disposal within the power plant and are payable on an ongoing basis until a few years after commercial operations cease.

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 16).

The provision for onerous energy procurement contracts covers the cash outflows in excess of selling prices for energy procurement from partner plants. The calculation is based on expected electricity prices. The provision is used continually for energy procurement from partner plants and can extend up to the end of the permit period (i.e. until 2075 at the latest).

The provision for onerous energy sales contracts covers future below-market cash inflows from energy sales contracts. The contracts have a term of up to three years.

The provision for restructuring covers future expenses for defined or legally required restructuring measures. The payments are spread over the next five years.

Other provisions include obligations related to personnel as well as other operating obligations. Provisions as at 31 December 2006 included a provision for damage at the Grande Dixence/Cleuson-Dixence partner plant in the amount of CHF 33.2 million which was not justified. The error was corrected in accordance with IAS 8 and the prior-year figures adjusted accordingly. In the year under review, CHF 5.0 million of the pension plan liability of CHF 8.1 million (see Note 26) was used, and the remaining CHF 3.1 million was released and charged to income. Cash outflows in respect of other provisions are largely anticipated over the next three years.

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

23 Financial liabilities

CHF millions	31.12.2008	31.12.2007
3% bond 2007 – 2022 BKW	195.3	195.1
Pension plans	30.0	30.0
Other financial liabilities	4.0	0.8
Total	229.3	225.9
of which:		
› Short-term financial liabilities	0.0	0.8
› Long-term financial liabilities	229.3	225.1

On the balance sheet date the weighted average interest rate based on the nominal value amounted to 3.06% (2007: 3.04%).

On 27 April 2007, BKW issued a 3% bond for CHF 200 million with a term of 15 years. The bond is valued using the effective interest method. The resultant effective interest rate of 3.22% led to interest expenses of CHF 6.2 million in the year under review (2007: CHF 4.2 million).

24 Other long-term liabilities

CHF millions	31.12.2008	31.12.2007
Assigned rights of use	154.3	195.7
Other long-term financial liabilities	12.8	11.5
Other long-term liabilities	0.9	1.0
Total	168.0	208.2

25 Other short-term liabilities

CHF millions	31.12.2008	31.12.2007
Trade accounts payable	262.3	310.6
Other financial liabilities	49.8	25.0
Other liabilities	46.2	50.5
Pension plans	5.0	6.7
Customer prepayments	5.7	4.9
Total	369.0	397.7

Customer prepayments concern work in progress and included contract costs of CHF 18.7 million (2007: CHF 16.3 million) on the balance sheet date, as well as prorata profits of CHF 0.8 million (2007: CHF 0.5 million).

26 Pension plan

Pension plan expenses CHF millions	2008	2007 restated
Current service cost (employer)	26.1	30.1
Interest expenses	39.0	34.7
Expected return on plan assets	-60.1	-58.5
Actuarial gains/losses acc. to § 58A	77.7	0.0
Past service cost (employer)	28.9	0.5
Effects of unrecorded amount	-92.4	37.8
Pension plan expenses	19.2	44.6

Plan assets CHF millions	2008	2007
Fair value of plan assets at 01.01.	1,328.1	1,307.8
Expected return on plan assets	60.1	58.5
Employer contributions	27.3	17.9
Employee contributions	12.5	10.0
Contributions paid/benefits paid out	-23.0	-42.5
Actuarial gains/losses	-246.3	-24.1
Changes in the scope of consolidation	0.0	0.5
Fair value of plan assets at 31.12.	1,158.7	1,328.1

CHF millions	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Fair value of plan assets	1,158.7	1,328.1	1,307.8	1,212.7	1,083.3
Present value of pension plan obligations	-1,214.7	-1,191.4	-1,161.5	-1,086.7	-991.6
Surplus/shortfall	-56.0	136.7	146.3	126.0	91.7
Experience adjustment to pension obligation	4.0	38.6	3.0	6.6	26.9
Experience adjustment to plan assets	-246.3	-24.0	30.9	108.3	2.0

Amount recorded in the balance sheet at year-end CHF millions	31.12.2008	31.12.2007 restated
Fair value of plan assets	1,158.7	1,328.1
Present value of funded pension plan obligation	-1,214.7	-1,191.4
Surplus/shortfall	-56.0	136.7
Unrecorded actuarial gains/losses	126.1	17.7
Unrecorded amount	0.0	-92.4
Amount recorded in the balance sheet at 31.12.	70.1	62.0
of which amount disclosed as credit (Note 16)	70.1	70.1
of which amount disclosed as liability (Note 22)	0.0	-8.1

Plan assets contain employer contribution reserves of CHF 32.1 million (2007: CHF 31.8 million).

Present value of pension plan obligation CHF millions	2008	2007
Present value of pension plan obligation at 01.01.	1,191.4	1,161.5
Interest expenses	39.0	34.7
Current service cost (employer)	26.1	30.1
Contributions paid/benefits paid out	-23.0	-42.5
Employee contributions	12.5	10.0
Past service cost (employer)	28.9	0.5
Actuarial gains/losses	-60.2	-3.4
Changes in the scope of consolidation	0.0	0.5
Present value of pension plan obligation at 31.12.	1,214.7	1,191.4

Effective return on plan assets CHF millions	2008	2007
Expected return on plan assets	60.1	58.5
Actuarial gains/losses	-246.3	-24.0
Effective return on plan assets	-186.2	34.5

Breakdown of fair value of plan assets CHF millions	31.12.2008	31.12.2007
BKW investment instruments	4.7	6.6
Third-party investment instruments	347.2	489.2
BKW debt instruments	31.7	34.3
Third-party debt instruments	472.4	465.4
Real estate used by BKW	9.2	9.1
Other real estate	235.6	252.4
Other	57.9	71.1
Total plan assets	1,158.7	1,328.1

Actuarial assumptions	2008	2007
Discount rate	3.25%	3.25%
Expected rate of return on plan assets	4.50%	4.50%
Expected rate of future salary increases	2.00%	2.00%
Expected rate of future pension increases	0.50%	1.00%

Due to the investment strategy adopted by the pension funds and the expected rate of return on individual investment categories, the long-term return was measured over the average remaining period of service.

Estimated contributions for the next period CHF millions	2008	2007
Expected employer contributions	23.0	19.3
Expected employee contributions	13.4	11.6

27 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 exchange rate hedging. Options comprise contracts of an optional nature, of the type concluded in particular during the project development phase.

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 contain forwards with fixed and flexible profiles.

	Positive replacement value	Negative replacement value	Contract volume
CHF millions	31.12.2008	31.12.2008	31.12.2008
Futures (energy trading)	0.0	0.0	128.8
Forward contracts (energy trading)	271.3	210.7	2,124.9
Options	0.0	0.1	0.0
Exchange rate hedging	4.6	2.0	39.7
Total	275.9	212.8	2,293.4

	31.12.2007	31.12.2007	31.12.2007
Futures (energy trading)	0.0	0.0	185.6
Forward contracts (energy trading)	66.7	85.0	1,461.2
Options	22.8	0.0	0.0
Exchange rate hedging	4.1	1.6	51.7
Total	93.6	86.6	1,698.5

28 Business combinations

Business combinations in 2008

In the year under review BKW Erneuerbare Energien GmbH of Kelkheim (D), acquired Bockelwitz wind farm in Saxony (D). The date of acquisition was 1 November. Bockelwitz wind farm, which consists of ten wind turbines each with a capacity of 1.5 MW, produces around 22 GWh of electricity a year, and has been in operation since 1999. While the transaction involved the purchase of assets and liabilities rather than the acquisition of a company, it is classified according to the provisions of IFRS 3 since the wind farm meets the standard's definition of a business.

The following table shows the allocation of the purchase price to assets and liabilities.

CHF millions	IFRS carrying amounts	Fair values
Receivables and other current assets	0.5	0.5
Property, plant and equipment	15.1	15.1
Short-term liabilities	-0.4	-0.4
Provisions	-0.5	-0.5
Net assets acquired	14.7	14.7
Goodwill		0.0
Purchase price		14.7
Deferred purchase price payments		-0.4
Cash outflow		14.3

Since its acquisition, Bockelwitz wind farm has generated net sales of CHF 0.6 million and profit for the period of CHF 0.1 million. Had the wind farm been acquired as at 1 January 2008, the net sales of the BKW Group for 2008 would have been CHF 2.5 million higher, resulting in a marginally higher profit for the year.

Business combinations in 2007

In 2007 BKW assumed control over the following companies due to either acquisition or a capital increase:

- › Elektro Feuz AG, Grindelwald (from 1 January 2007)
- › Erdgas Thunersee AG, Interlaken (from 19 April 2007)

These business combinations did not result in any goodwill.

29 Related parties

The following financial relationships between the BKW Group and related parties existed in the periods reported. All transactions were conducted on the same terms and conditions as with independent third parties:

CHF millions	Parent		Companies exerting significant influence over the Group		Associated companies		Joint ventures		Pension funds	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Energy sales	8.9	8.8	54.1	57.9	51.9	48.8	25.4	15.2	0.1	0.1
Other sales and services	2.5	2.1	3.0	0.6	39.3	23.9	15.4	20.5	1.0	0.9
Interest and dividends received	1.8	2.7	1.5	1.1	1.5	0.8	13.9	11.8		
Energy purchases			45.0	84.7	57.3	0.4	282.6	267.0		
Taxes and charges	15.4	15.7								
Interest paid	0.6	0.5							1.2	0.7
Dividends paid	74.9	74.9	37.0	37.0						
Income taxes	16.3	32.4								
Other purchases and services	3.3	3.5	9.2	8.4	24.5	19.7	14.3	11.5	25.3	18.8
Loans (active)					3.1	3.3	7.5	13.7		
Rights of use							5.0	5.8		
Current financial assets	8.6	31.4					8.0			
Receivables and accruals	2.7	3.5	19.7	9.7	26.0	17.8	16.0	9.9		
Cash and cash equivalents	14.2	78.2								
Liabilities and accruals	0.6	1.9	4.0	11.8	18.3	5.8	31.9	15.2	33.8	36.5
Liabilities from income taxes	4.3	19.6								

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 General Shareholders' 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 is on many levels: BKW delivers energy and other services, purchases material and services, and pays taxes, water rates and other levies and charges. Furthermore, it conducts financial transactions with the Cantonal Bank of Berne (BEKB).

Transactions with companies exerting significant influence over the Group

E.ON Energie AG and Groupe E Ltd. are represented on the BKW Board of Directors and are therefore able to influence decisions on BKW's financial and business policies. BKW delivers to and buys energy from both companies. All these trading transactions are performed at market conditions. BKW also provides other services to and purchases material and services from both companies. In turn, BKW holds a 10.0% share in Groupe E.

Transactions with Group companies

No transactions were conducted which were not eliminated within the scope of consolidation.

Transactions with associated companies

Reported transactions consist of energy deliveries, dividends, engineering services (income), maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). Energy purchases concern the purchase of energy from the power plant of E.ON Produzione Centrale Livorno Ferraris S.p.A. which recently became operational. In 2008, associated companies paid back CHF 0.5 million in loans to BKW (2007: CHF 0.5 million) and borrowed CHF 0.4 million (2007: CHF 0.8 million).

Transactions with joint ventures

Reported transactions consist of energy deliveries, 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 on the basis of existing agreements at actual cost. In 2008, joint ventures paid back CHF 0.6 million (2007: CHF 5.6 million) in loans to BKW and borrowed CHF 3.0 million (2007: CHF 5.5 million).

Transactions with pension funds

Transactions with the 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 Executive Board

Remuneration CHF millions	2008	2007
Short-term benefits	3.0	2.8
Contributions to pension plans	0.7	0.5
Share-based payments	0.3	0.3
Total	4.0	3.6

On the balance sheet date there were loans amounting to CHF 0.1 million (2007: CHF 0.1 million) to members of the Executive Board.

Details of remuneration to the Board of Directors and Executive Board as well as their shareholdings pursuant to Art. 663b^{bis} and Art. 663c Para. 3 of the Swiss Code of Obligations are provided in the financial statements of BKW on pages 66 to 69.

30 Operating leases

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

Term at 31 December 2008 CHF millions	Long-term rental contracts	Other operating leases	Total
Up to one year	1.9	0.9	2.8
Two to five years	6.6	1.7	8.3
More than five years	4.0	0.8	4.8
Total	12.5	3.4	15.9
Leasing expense recorded in 2008	2.3	0.7	3.0

Term at 31 December 2007 CHF millions	Long-term rental contracts	Other operating leases	Total
Up to one year	2.2	0.5	2.7
Two to five years	7.3	0.7	8.0
More than five years	5.2	0.0	5.2
Total	14.7	1.2	15.9
Leasing expense recorded in 2007	1.6	0.6	2.2

31 Share-based payment

In the year under review BKW Group employees and members of the BKW Board of Directors had an opportunity to acquire up to 232,495 shares in BKW (2007: 217,584 shares) at a preferential price. In 2008 126,054 shares (2007: 117,083 shares) were assigned at a price of CHF 75.00 each (2007: CHF 75.00 each). The underlying fair value per share was CHF 145.00 (2007: CHF 142.00). The personnel expense for this share-based payment was CHF 9.2 million (2007: CHF 7.9 million). No purchase rights remained open on the balance sheet date.

32 Disclosure of financial assets and liabilities

The following table shows the carrying amounts of financial assets and liabilities by balance sheet item, as well as their allocation to individual categories in accordance with IAS 39. The applicable amount stated per category is described in the principles of accounting and valuation.

CHF millions	Note	Loans and receivables		Fair value through profit or loss		Available for sale		Total	
		2008	2007	2008	2007	2008	2007	2008	2007
Financial assets									
Non-current financial assets	16	25.4	31.6			289.6	289.0	315.0	320.6
Trade accounts receivable	19	521.9	477.9					521.9	477.9
Other short-term financial receivables	19	61.4	55.6					61.4	55.6
Derivatives	27			275.9	93.6			275.9	93.6
Current financial assets	16	625.8	491.3	200.8	162.3			826.6	653.6
Financial accruals	20	147.7	113.8					147.7	113.8
Cash and cash equivalents				216.0	671.9			216.0	671.9
Total financial assets		1,382.2	1,170.2	692.7	927.8	289.6	289.0	2,364.5	2,387.0

Due to short residual terms to maturity, the carrying amounts of loans and receivables correspond approximately to their fair values. The carrying amount of term deposits included under the balance sheet items for current financial assets differs from the fair value. The fair value of term deposits corresponds to the present value of the payments related to assets, taking into account the associated current interest rate parameters. At 31 December 2008 the fair value of term deposits was CHF 630.4 million and the carrying amount was CHF 617.8 million (2007: fair value CHF 494.6 million, carrying amount CHF 491.1 million).

CHF millions	Note	Liabilities at amortised cost		Fair value through profit or loss		Total	
		2008	2007	2008	2007	2008	2007
Financial liabilities							
Long-term financial liabilities	23	229.3	225.1			229.3	225.1
Other long-term financial liabilities	24	12.8	11.5			12.8	11.5
Trade accounts payable	25	262.3	310.6			262.3	310.6
Other short-term financial liabilities	25	49.8	25.0			49.8	25.0
Derivatives	27			212.8	86.6	212.8	86.6
Short-term financial liabilities	23	0.0	0.8			0.0	0.8
Financial accruals	20	155.7	60.5			155.7	60.5
Total financial liabilities		709.9	633.5	212.8	86.6	922.7	720.1

Due to short residual terms to maturity, the carrying amount of financial liabilities at amortised cost corresponds to their fair value. At 31 December 2008 a difference existed between these values for the bond included under long-term financial liabilities at a nominal value of CHF 200 million. The amount of CHF 195.3 million recorded in the balance sheet corresponds to the value calculated using the effective interest rate method. At the end of 2008 the listed value of the bond was CHF 199.3 million (2007: CHF 182.6 million).

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

CHF millions	Loans and receivables		Fair value through profit or loss		Available for sale		Liabilities at amortised cost		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Included in net sales										
› Income from energy derivatives trading			23.2	18.2					23.2	18.2
› Change of provision for impairment of receivables	-2.1	-0.1							-2.1	-0.1
Included in financial result										
› Interest income	10.1	23.2	24.2	10.4					34.3	33.6
› Interest expense							-8.0	-8.4	-8.0	-8.4
› Dividends			1.0	0.7	4.4	3.3			5.4	4.0
› Gains from subsequent measurement at fair value			-8.7	-2.8					-8.7	-2.8
› Gains from sales			-5.6	1.0		0.3			-5.6	1.3
› Other financial income	-0.9	-1.1	-1.1	-0.6					-2.0	-1.7
› Currency translations	2.2	-1.7	-22.1	8.1			-1.9	1.4	-21.8	7.8
Included in equity										
› Subsequent measurement at fair value in equity					0.8	60.5			0.8	60.5
Total net result	9.3	20.3	10.9	35.0	5.2	64.1	-9.9	-7.0	15.5	112.4

No financial instruments were designated at fair value through profit or loss.

33 Financial risk management

33.1 Principles of risk management

Risk management is viewed as a supporting function for senior management. The purpose of risk management 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. The core element is the risk management process for the systematic recording and assessment of risks as well as their control and monitoring of implementation. This is integrated in the financial management process.

The defined risk management principles govern the management of operational, market price, share price, currency conversion, interest 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 risk management, and aggregates risks at Group level.

The risk spectrum monitored by the Executive Board covers risks related to operating activities as well as to strategy and its implementation in projects. An Executive Board level Risk Committee prepares guidelines and risk reports as a decision-making basis for the Executive Board. The Risk Committee is an advisory body which submits independent recommendations on risk issues to the Executive Board in predefined processes. The Board of Directors last assessed the risks related to operating activities at its meeting on 19 February 2008.

33.2 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 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 "Investment Grade" used by rating agencies. The rating is calculated based on the Basel II Internal Ratings approach and no longer according to the standard approach applied in the previous year. 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 receivables, to derivatives with a positive replacement value, and to current accounts and term deposits with credit institutes on the balance sheet, 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	31.12.2008	31.12.2007
Credit rating A	528.0	978.5
Credit rating B	805.7	328.2
Credit rating C	32.6	2.5
Other counterparties	273.3	425.5
Total	1,639.6	1,734.7
Included under		
› Trade accounts receivable	521.9	477.9
› Derivatives	275.9	93.6
› Current financial assets	625.8	491.3
› Cash and cash equivalents	216.0	671.9

The maximum credit risk (without secured guarantees) corresponds to the amount of outstanding financial assets on the balance sheet date, taking into account contractually agreed and legally enforceable close-out netting. At 31 December 2008, the maximum credit risk for BKW was CHF 2,364.5 million compared to CHF 2,387 million in 2007 (carrying amount of all financial assets in accordance with Note 32). The maximum loss presented is based on the assumption that all counterparties become unable to discharge their payment obligations and that existing collateral cannot be utilised.

On the balance sheet date there were secured guarantees of CHF 51.3 million (2007: CHF 36.0 million), which accordingly increase the maximum default risk.

Collateral is required primarily for counterparties in the energy trading business, whereby the creditworthiness 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. This ensures that the effective risk at no time exceeds the additional collateral. 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 143.7 million (2007: 105.7 million) was held for trade receivables recorded on the balance sheet at 31 December 2008 as well as derivatives.

A clustering risk would arise if excessive credit were granted to an individual customer. The potential loss and the resultant write-down would be disproportionately high if the counterparty were to default. For this reason, care is taken to ensure 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 75% of the credit risk (2007: 84%).

33.3 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 BKW's strategy and mid-term planning as well as the associated investment and financing requirements. Rolling liquidity plans with a 12-month horizon are drawn up for the entire Group based on the mid-term plans. 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.

Using monthly liquidity risk analyses as a basis, an annual strategy recommendation is drawn up outlining various priorities such as liquidity requirement, limits or liquidity reserves. "Short-term liquidity reserves" are used to offset liquidity shortfalls of up to one month arising from loss of income or short-term fluctuations in current assets. A "strategic liquidity reserve" is held for the purpose of independent growth or for bridging liquidity shortfalls of more than one month. The aim is to ensure that decisions on investments, projects or acquisitions are made largely independently of the current state of banking and capital markets. The reserve can be used as collateral for loans or for bridge financing in difficult market conditions.

Residual terms to maturity of financial liabilities

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

CHF millions	Note	Carrying amount at 31.12.2008	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Non-derivative financial liabilities							
Long-term financial liabilities	23	229.3			7.2	61.3	256.0
Other long-term financial liabilities	24	12.8				6.3	8.0
Trade accounts payable	25	262.3	222.9	39.0	1.3		
Other short-term financial liabilities	25	49.8	32.5	1.2	16.1		
Short-term financial liabilities	23	0.0					
Financial accruals	20	155.7	123.7	11.0	20.3	0.7	
Total non-derivative liabilities		709.9	379.1	51.2	44.9	68.3	264.0
Derivative financial assets and liabilities							
Energy derivatives/options							
› Positive replacement values	27	271.3	28.3	47.4	181.0	43.7	
› Negative replacement values	27	-210.8	-20.0	-38.5	-131.8	-49.6	
Net replacement values		60.5	8.3	8.9	49.2	-5.9	0.0
Currency forwards							
› Positive replacement values	27	4.6	2.2	0.6	1.8		
› Negative replacement values	27	-2.0	-0.6	-0.6	-0.6	-0.2	
Net replacement values		2.6	1.6	0.0	1.2	-0.2	0.0
Gross cash flows related to derivatives							
› Gross outflow		-3,837.3	-349.2	-594.2	-2,314.2	-579.7	
› Gross inflow		3,846.9	351.7	597.2	2,325.9	572.1	

CHF millions	Note	Carrying amount at 31.12.2007	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Non-derivative financial liabilities							
Long-term financial liabilities	23	225.1		6.0	1.0	27.9	237.0
Other long-term financial liabilities	24	11.5				6.9	4.6
Trade accounts payable	25	310.6	209.8	90.3	10.5		
Other short-term financial liabilities	25	25.0	22.6	0.7	1.7		
Short-term financial liabilities	23	0.8	0.8				
Financial accruals	20	60.5	35.2	16.5	8.8		
Total non-derivative liabilities		633.5	268.4	113.5	22.0	34.8	241.6
Derivative financial assets and liabilities							
Energy derivatives							
› Positive replacement values	27	66.7	16.9	19.3	29.4	22.7	
› Negative replacement values	27	-85.0	-22.2	-25.0	-42.5	-16.9	
Net replacement values		-18.3	-5.3	-5.7	-13.1	5.8	0.0
Currency forwards							
› Positive replacement values	27	4.1	1.1	0.8	2.1	0.1	
› Negative replacement values	27	-1.6	-1.2	-0.3	-0.1		
Net replacement values		2.5	-0.1	0.5	2.0	0.1	0.0
Gross cash flows related to derivatives							
› Gross outflow		-2,215.0	-286.4	-404.9	-1,175.1	-348.6	
› Gross inflow		2,213.9	283.5	412.6	1,191.7	326.1	

Amounts in foreign currency are converted at the exchange rate on the balance sheet date. In the absence of any contractual provision, the maturity date for other financial liabilities and financial accruals is estimated. The table shows interest-bearing liabilities including the corresponding interest rate payments. The gross cash flows resulting from derivative financial instruments do not take netting arrangements into account.

33.4 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 centrally managed. The BKW Group's market risks are aggregated in a Group-level risk portfolio that takes full 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 Executive Board and Board of Directors.

33.4.1 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 16). 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.

33.4.2 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 maturity 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 fixed-interest positions.

33.4.3 Exchange rate 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 currency swaps.

33.4.4 Energy price risks/CO₂ certificate price risks

Energy and CO₂ certificate trading outside asset management is conducted in line with proprietary trading strategies that permit relatively small unsecured positions. Unsecured positions can only be entered into in the current year and the subsequent three years, to ensure that proprietary trading can enter into risks only within the time frame in which market liquidity is a given.

33.4.5 Risk measurement

Interest rate, share price and exchange rate risks are regularly measured and reported on the basis of value at risk. BKW uses the variance/co-variance method with a 1-year holding period, a confidence level of 99% and a historical rolling period of 250 days. The following figures do not include available-for-sale financial assets.

Value at risk CHF millions	31.12.2008	31.12.2007
Interest	13.0	7.6
Share price, financial instruments held-for-trading	16.9	8.7
Share price, financial instruments available-for-sale	211.0	100.0
Currencies	49.0	18.8

The value at risk shows the value fluctuation risk based on individual risks which, given no change, could occur in 12 months 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 assets have no influence on the annual results but are recorded directly in equity.

The risk related to negative movements in electricity, gas and CO₂ certificate prices is determined using value at risk on the basis of a 1-day holding period and a confidence level of 99%, by means of historical simulation and a rolling 260-day period. In addition to the value at risk control model, subordinate position and benefit limits are defined.

Value at risk CHF millions	31.12.2008	31.12.2007
Electricity price	0.7	1.1
Gas price	0.2	n/a
CO ₂ certificate price	0.7	n/a

Trading in gas and CO₂ certificates was commenced at the beginning of 2008 and in mid-2008 respectively.

34 Change in accounting and valuation principles, errors

First-time adoption of IFRIC 14

IFRIC 14 is an interpretation of IAS 19. The IAS 19 standard governs the treatment of employee benefits, and in particular the measurement of pension costs and obligations entered into by an enterprise in exchange for service rendered by employees. The standard requires the economic benefits of any reductions in future employer contributions to a pension plan to be recognised in the balance sheet. IFRIC 14 defines a new method for calculating such economic benefits, which for BKW resulted in an increase in capitalised plan assets. Pension surpluses are included under non-current financial assets. The first-time adoption of IFRIC 14 in 2008 resulted in an adjustment to the prior-year figures, with the effect of initial recognition as at 1 January 2007 recorded in retained earnings. BKW applies the corridor method for reporting actuarial gains and losses from pension plans. Application of IFRIC 14 from the date of initial recognition resulted in changes in the consolidated balance sheet, consolidated income statement and changes in consolidated equity for the 2007 financial year.

Provisions

At 31 December 2007, other provisions included a provision for damage at the Grande Dixence/Cleuson-Dixence partner plant in the amount of CHF 33.2 million. BKW had deferred its contribution to restoring the defective pressure pipe. A detailed review of this provision in the year under review came to the conclusion that it was not justified since the partner plant itself made the necessary corrections in its closing accounts. The error was corrected in accordance with IAS 8. The provision was released without affecting income and the prior-year figures were adjusted.

The following table shows the effects of these two adjustments:

CHF millions	Published	First-time adoption of IFRIC 14	Error correction	Restated
Balance sheet at 31.12.2006				
Non-current financial assets	1,108.4	61.8		1,170.2
> Pension surplus	31.0	61.8		92.8
Deferred tax liabilities	509.0	13.6	7.3	529.9
Long-term provisions	1,196.3		-33.2	1,163.1
> Other provisions	86.4		-33.2	53.2
Shareholders' equity	2,966.5	48.2	25.9	3,040.6
Income statement 2007				
Personnel expenses	305.0	23.4	0.0	328.4
Income taxes	52.1	-5.1	0.0	47.0
Net profit for the year	245.2	-18.3	0.0	226.9
Balance sheet at 31.12.2007				
Non-current financial assets	981.2	38.3		1,019.5
> Pension surplus	31.8	38.3		70.1
Deferred tax liabilities	525.5	8.4	7.3	541.2
Long-term provisions	1,187.5		-33.2	1,154.3
> Other provisions	69.4		-33.2	36.2
Shareholders' equity	3,049.1	29.9	25.9	3,104.9

35 Contingent liabilities and investment obligations

CHF millions	31.12.2008	31.12.2007
Guarantees in favour of third parties	51.3	36
Investment obligations	638.2	841.9
Capital payment obligations	0.6	0.6
Total contingent liabilities and payment obligations	690.1	878.5

Contingent liabilities

CHF 6.8 million of the secured guarantees have a term to maturity of up to 12 months. Unlimited guarantees amounting to CHF 26.1 million were granted. Guarantees totalling CHF 33.7 million (2007: CHF 7.3 million) were granted to associated companies.

Nuclear power plant operators are under a limited obligation to make supplementary contributions to the decommissioning fund in the event that an individual contributor is unable to pay. Since the entry into force of the new Nuclear Energy Act on 1 February 2005, this limited obligation to make supplementary contributions has also applied to the disposal fund.

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% minority holding in a coal-fired power plant project in Wilhelmshaven, Northern Germany, from Electrabel Deutschland AG. The aim of this acquisition was to further strengthen BKW's production capacities in Germany and support its sales activities there through proprietary generating facilities. The total investment required by BKW for its share in the partner plant is EUR 430 million, of which around EUR 83 million had been invested by 31 December 2008. The Wilhelmshaven plant is scheduled to go on stream in 2012.

On 23 September 2008 BKW signed an agreement with Burgdorf Municipal Council for a minority shareholding of 49% in Localnet AG. The purchase price of the shares is CHF 39 million or CHF 5,036 per share. The agreement was signed subject to the approval of the municipal council, which authorised the sale on 3 November 2008. A referendum against this council decision was announced on 5 January 2009, to be held on 17 May 2009.

In December 2008 BKW acquired a 48% stake in Tamarete Energia S.r.l., an Italian power plant company which is planning to upgrade a gas-fired combined-cycle power plant in Ortona (I). This acquisition has strengthened BKW's market presence in Italy. The holding necessitates an investment by BKW of around EUR 43.2 million. The upgraded power plant is scheduled to go into operation at the end of 2010.

36 Events after the balance sheet date

These consolidated financial statements were approved by the Board of Directors on 13 March 2009. Up to this point in time, no events had occurred after the balance sheet date. The consolidated financial statements are subject to the approval of the BKW General Shareholders' Meeting on 30 April 2009.

Holdings

	Energy production	Energy trading	Energy sales	Networks	Construction/engineering services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW FMB Energy Ltd. holdings	Closing date
Group companies												
Arnold AG					●	●	Selzach	0.5	CHF	86.0	●	31.12.
Biomassekraftwerk Otelfingen AG	●					●	Otelfingen	0.5	CHF	50.0	●	31.12.
BKW Erneuerbare Energien GmbH ¹	●						Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW Deutschland GmbH						●	Kelkheim (D)	0.1	EUR	100.0	●	31.12.
BKW Dritte Energie Beteiligungs-GmbH	●						Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW Energie Dörpen Beteiligungs-GmbH	●						Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW Energie GmbH			●				Kelkheim (D)	1.0	EUR	100.0		31.12.
BKW enex AG ²		●					Berne	15.0	CHF	100.0		31.12.
BKW FMB Beteiligungen AG						●	Berne	50.0	CHF	100.0	●	31.12.
BKW FMB Energie Österreich GmbH						●	Vienna (A)	0.05	EUR	100.0	●	31.12.
BKW Handel AG ³						●	Berne	7.5	CHF	100.0	●	31.12.
BKW ISP AG					●		Berne	0.9	CHF	100.0	●	31.12.
BKW Italia S.p.A.		●				●	Milan (I)	13.4	EUR	100.0	●	31.12.
BKW Übertragungsnetz AG				●			Berne	40.0	CHF	100.0	●	31.12.
Bradano Energia S.r.l.	●						Milan (I)	0.01	EUR	100.0		31.12.
Electra Italia S.p.A.			●				Milan (I)	1.0	EUR	80.1		31.12.
Elektrizitätswerk Grindelwald AG	●		●	●			Grindelwald	0.55	CHF	92.1		31.12.
Elektrizitätswerke Wynau						●	Langenthal	0.1	CHF	100.0		31.12.
Elektro Feuz AG					●		Grindelwald	0.1	CHF	66.0		31.12.
Energie Utzenstorf AG	●						Utzenstorf	1.0	CHF	90.0	●	31.12.
Erdgas Thunersee AG			●	●			Interlaken	6.9	CHF	66.7	●	31.12.
EWB Energie AG	●		●	●	●		Schattenhalb	2.0	CHF	100.0	●	31.12.
Faltinek AG						●	Wangenried	0.28	CHF	100.0		31.12.
Holzwärme Grindelwald AG ⁴	●						Grindelwald	0.5	CHF	66.8		31.12.
Idroelettrica Lombarda S.r.l.	●						Milan (I)	25.43	EUR	100.0		31.12.
inelectro sa					●		Porrentruy	0.5	CHF	100.0	●	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.
Luminosa S.r.l. ⁵	●						Milan (I)	0.1	EUR	94.0		31.12.
Onyx Energie Dienste			●				Langenthal	2.0	CHF	100.0		31.12.
Onyx Energie Mittelland ⁶						●	Langenthal	10.5	CHF	99.6	●	31.12.
Onyx Energie Netze				●			Langenthal	10.5	CHF	100.0		31.12.
Onyx Energie Produktion	●						Langenthal	3.0	CHF	100.0		31.12.
Regionaler Wärmeverbund AG												
Heimberg-Steffisburg ⁷						●	Heimberg	2.5	CHF	51.0		31.12.
Simmentaler Kraftwerke AG	●						Erlenbach	7.31	CHF	83.4		31.12.
Société des forces électriques de la Goule	●		●	●			Saint-Imier	3.5	CHF	80.8		31.12.
sol-E Suisse AG ⁸	●						Berne	30.0	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.
Termoelettrica Veneta S.r.l. ⁴	●						Milan (I)	0.01	EUR	100.0		31.12.
TW Energie AG						●	Berne	0.4	CHF	75.0		31.12.

	Energy production	Energy trading	Energy sales	Networks	Construction/engineering services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW FMB Energy Ltd. holdings	Closing date
Joint ventures												
Bielerssee Kraftwerke AG BIK	●						Bienne	20.0	CHF	50.0		31.12.
Biopower Sardegna S.r.l.	●						Milan (I)	0.1	EUR	10.5		31.12.
Biopower S.p.A.	●						Caserta (I)	4.71	EUR	24.9		31.12.
Officine idroelettriche di Blenio SA	●						Blenio	60.0	CHF	12.0		30.09.
cc energie sa						●	Murten	1.0	CHF	65.0	●	31.12.
EDJ, Energie du Jura SA			●				Delsberg	7.43	CHF	34.9	●	30.09.
Electra-Massa	●						Naters	40.0	CHF	16.1		31.12.
Electricité de la Lienne SA	●						Sion	24.0	CHF	33.3		30.09.
Engadiner Kraftwerke AG	●						Zernez	140.0	CHF	30.0		30.09.
Replacement nuclear power plant Beznau Ltd. ⁴	●						Döttingen	1.0	CHF	11.5	●	31.12.
Replacement nuclear power plant Muehleberg Ltd. ⁴	●						Mühleberg	1.0	CHF	51.0	●	31.12.
Etrans Ltd.				●			Laufenburg	7.5	CHF	11.5		31.12.
Forces Motrices de Conches SA	●						Ernen	30.0	CHF	40.0		31.12.
Grande Dixence SA	●						Sion	300.0	CHF	13.3		31.12.
Juvent SA	●						Berne	0.1	CHF	65.0		31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●						Berne	150.0	CHF	33.3	●	31.12.
Kernkraftwerk Leibstadt AG	●						Leibstadt	450.0	CHF	9.5		31.12.
Kraftwerk Sanetsch AG (KWS)	●						Gsteig	3.2	CHF	50.0		30.09.
Kraftwerke Hinterrhein AG	●						Thusis	100.0	CHF	7.7		30.09.
Kraftwerke Mattmark AG	●						Saas Grund	90.0	CHF	11.1		30.09.
Forces Motrices de Mauvoisin SA	●						Sion	100.0	CHF	19.5		30.09.
Kraftwerke Oberhasli AG	●						Innertkirchen	120.0	CHF	50.0		31.12.
La Prairie Biogaz	●						Porrentruy	–	CHF	30.0		31.12.
Officine idroelettriche della Maggia SA	●						Locarno	100.0	CHF	10.0		30.09.
Zwilag Zwischenlager Würenlingen AG						●	Würenlingen	5.0	CHF	10.7		31.12.

	Energy production	Energy trading	Energy sales	Networks	Construction/engineering services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW FMB Energy Ltd. holdings	Closing date
Associated companies												
Abonax AG ⁹						●	St. Gallen	1.0	CHF	33.6	●	31.12.
AEK Energie AG ¹⁰			●	●			Solothurn	6.0	CHF	39.5		31.12.
DEVIWA AG						●	Leuk	0.1	CHF	34.0	●	31.12.
Efforte AG		●					Olten	3.0	CHF	33.3		31.12.
Electrabel Kraftwerk Wilhelmshaven GmbH & Co. KG ⁵	●						Berlin (D)	–	EUR	33.0		31.12.
E.ON Produzione Centrale Livorno Ferraris S.p.A. ¹¹	●						Milan (I)	0.1	EUR	25.0		31.12.
em electrocontrol ag						●	Berne	0.25	CHF	36.0	●	31.12.
Energie Biberist AG EBAG	●						Biberist	5.0	CHF	25.0		31.12.
EVTL Energieversorgung Talschaft Löttschen AG			●	●			Wiler	1.0	CHF	49.0	●	31.12.
Gesellschaft Biogas-Ittigen ⁵	●						Ittigen	0.9	CHF	25.0		31.12.
Hertli & Bertschy AG, elektrische Anlagen					●		Tafers	0.05	CHF	34.0		31.12.
Kraftwerke Färdabach AG ⁴	●						Ferden	0.1	CHF	34.0	●	31.12.
Metanord SA			●				Bellinzona	11.33	CHF	29.4	●	31.12.
NIS AG						●	Emmen	1.0	CHF	25.0	●	31.12.
Resun AG ⁴	●						Aarau	1.0	CHF	31.3	●	30.09.
Spontis SA						●	Fribourg	0.1	CHF	22.5	●	31.12.
STC S.p.A.						●	Forli (I)	12.8	EUR	40.0		31.12.
swissgrid AG				●			Laufenburg	15.0	CHF	11.2	●	31.12.
Tamarete Energia S.r.l. ⁵	●						Ortona (I)	3.6	EUR	48.0		31.12.
Youtility AG ¹²						●	Berne	7.5	CHF	39.8	●	31.12.
Other												
Aarewerke AG	●						Klingnau	16.8	CHF	10.1		30.06.
Frisa engineering SA						●	Lausanne	0.23	CHF	8.0	●	31.12.
Groupe E Ltd.	●	●	●				Fribourg	68.75	CHF	10.0	●	31.12.
RTC Real-Time Center AG						●	Köniz	30.0	CHF	3.1	●	31.12.
Société Electrique des Forces de l'Aubonne	●	●	●				Aubonne	5.0	CHF	10.0		31.12.
Westelec SA ⁴						●	Yverdon-les-Bains	0.1	CHF	10.0	●	31.12.

¹ Name changed in 2008, formerly BKW Bocholt Beteiligungs-GmbH

² Share capital increased in 2008 from CHF 7.0 million to CHF 15.0 million

³ Share capital increased in 2008 from CHF 2.5 million to CHF 7.5 million

⁴ New companies founded in 2008

⁵ Companies acquired in 2008

⁶ Holding increased in 2008 from 99.1% to 99.6%

⁷ Share capital increased in 2008 from CHF 1.5 million to CHF 2.5 million

⁸ Share capital increased in 2008 from CHF 0.1 million to CHF 30.0 million

⁹ Holding reduced in 2008 from 51.0% to 33.6%

¹⁰ Holding increased in 2008 from 35.5% to 39.5%

¹¹ Name changed in 2008, formerly E.ON Italia Produzione S.p.A.

¹² Holding reduced in 2008 from 42.2% to 39.8% and share capital increased in 2008 from CHF 6.5 million to CHF 7.5 million

Report of the Statutory Auditor on the Consolidated Financial Statements

To the General Meeting of BKW FMB Energy Ltd., Berne
Berne, March 13, 2009

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of BKW FMB Energy Ltd., which comprise the income statement, balance sheet, statement of shareholders' equity, cash flow statement and notes (pages 5 to 58) for the year ended 31 December 2008.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation 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 and fair presentation 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 2008 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.

Thomas Stenz
Licensed audit expert
(Auditor in charge)

Marc Christen
Licensed audit expert

Financial Statements of BKW

Income Statement

	2008	2007
CHF thousands		
Net sales	2,959,409	2,210,743
Changes in work in progress	875	-412
Own work capitalised	2,710	2,247
Other operating income	62,147	72,907
Total operating revenue	3,025,141	2,285,485
Energy procurement	-2,097,052	-1,324,634
Material and third-party services	-242,357	-228,123
Personnel expenses	-234,759	-228,449
Depreciation	-105,255	-110,972
Other operating expenses	-167,099	-160,933
Total operating expenses	-2,846,522	-2,053,111
Profit before interest and income tax	178,619	232,374
Financial income	233,290	91,190
Financial expenses	-345,260	-86,975
Income taxes	-22,621	-42,826
Profit before extraordinary items and taxes	44,028	193,763
Gain on disposal of non-current assets	47,381	4,224
Net profit for the year	91,409	197,987

Financial Statements of BKW

Balance Sheet

CHF thousands	Note	31.12.2008	31.12.2007
Assets			
Property, plant and equipment	2	705,581	670,958
Holdings		1,163,406	894,927
Non-current receivables and other financial assets	3	805,458	901,196
Intangible assets		14,829	15,298
Total non-current assets		2,689,274	2,482,379
Inventories		6,096	6,279
Trade accounts receivable	4	530,873	374,053
Other accounts receivable	5	820,859	748,728
Accrued income and prepaid expenses		137,742	83,392
Other current financial assets		85,371	109,064
Cash and cash equivalents		157,907	594,875
Total current assets		1,738,848	1,916,391
Total assets		4,428,122	4,398,770
Liabilities			
Share capital	6	132,000	132,000
General legal reserves		72,560	72,560
Reserves for treasury shares	7	96,224	109,141
Free reserves		556,676	493,759
Unappropriated retained earnings		188,543	287,693
Total shareholders' equity		1,046,003	1,095,153
Provisions		2,310,788	2,335,073
Bonds	8	200,000	200,000
Third-party rights of use		131,110	175,764
Other long-term liabilities		5,547	9,855
Other long-term liabilities BKW pension plan		30,000	30,000
Total long-term liabilities		2,677,445	2,750,692
Trade accounts payable	9	229,905	217,683
Other short-term liabilities	10	252,463	202,738
Deferred income and accrued expenses		222,306	132,504
Total short-term liabilities		704,674	552,925
Total liabilities		3,382,119	3,303,617
Total liabilities and shareholders' equity		4,428,122	4,398,770

Financial Statements of BKW

Notes and Explanations to the Financial Statements

1 Preamble

The following explanations comply with the standards prescribed by Art. 663b of the Swiss Code of Obligations (OR). The fully consolidated companies and companies consolidated at equity (hereafter referred to as associates) as well as their subsidiaries, listed on pages 56 to 58, are regarded as participations under the terms of Art. 663a and 663b of the Swiss Code of Obligations.

2 Property, plant and equipment

Property, plant and equipment covers plant, buildings and land, operating equipment and installations under construction. The fire insurance values at 31 December 2008 amounted to CHF 2,422.0 million (2007: CHF 2,422.3 million). Insurance policies taken out by BKW FMB Energy Ltd. also cover the property, plant and equipment of BKW Übertragungsnetz AG.

3 Non-current receivables and other financial assets

Financial assets cover financial loans, receivables from state funds, and long-term financial claims on banks and securities. Receivables from the state fund are stated at fair value less reserves for value fluctuations.

CHF thousands	31.12.2008	31.12.2007
Financial assets		
› Third parties	660,036	717,341
› Associated companies	4,222	9,955
› Group companies	141,200	173,900
Total	805,458	901,196

4 Trade accounts receivable

CHF thousands	31.12.2008	31.12.2007
Trade accounts receivable		
› Third parties	334,493	286,580
› Associated companies	14,860	15,789
› Group companies	180,705	70,042
Work in progress	815	1,642
Total	530,873	374,053

5 Other accounts receivable

Other accounts receivable from third parties cover receivables from financial institutions with a minimum term to maturity of three months and a maximum residual term to maturity of 12 months (2008: CHF 610 million), as well as credit balances from settlements with various tax offices and social plans.

Receivables from associated and Group companies cover current accounts for day-to-day business and short-term loans.

CHF thousands	31.12.2008	31.12.2007
Other accounts receivable		
› Third parties	652,590	509,092
› Associated companies	8,435	10
› Group companies	159,834	239,626
Total	820,859	748,728

6 Share capital

The share capital is divided into 52,800,000 registered shares at a par value of CHF 2.50 each. BKW FMB Energy Ltd. shares have been traded on the SIX Swiss Exchange since May 2003.

Significant shareholders and their direct holdings:	31.12.2008	31.12.2007
Canton of Berne	52.54%	52.54%
E.ON Energie AG	20.99%	20.99%
Groupe E Ltd.	4.99%	4.99%

7 Treasury shares

	BKW		Group companies		Total	
	CHF thousands	Number	CHF thousands	Number	CHF thousands	Number
At 31.12.2007	109,064	943,866	77	25,280	109,141	969,146
Additions	5,077	49,288	0	0	5,077	49,288
Disposals	-17,970	-155,553	-24	-7,300	-17,994	-162,853
At 31.12.2008	96,171	837,601	53	17,980	96,224	855,581

The total of 855,581 shares or CHF 96.2 million at 31 December 2008 is disclosed as reserves for treasury shares. Due to the lower market price at 31 December 2008 versus the acquisition value, treasury shares on the assets side were adjusted by CHF 10.8 million.

8 Bonds

CHF thousands	31.12.2008	31.12.2007
3% 2007 – 2022	200,000	200,000

9 Trade accounts payable

CHF thousands	31.12.2008	31.12.2007
Trade accounts payable		
› Third parties	169,215	190,255
› Associated companies	15,250	7,325
› Group companies	45,440	20,103
Total	229,905	217,683

10 Other short-term liabilities

CHF thousands	31.12.2008	31.12.2007
Other short-term liabilities		
› Third parties	69,440	101,070
› Associated companies	19,367	6,975
› Group companies	130,754	61,479
› BKW pension plan	3,655	6,556
Short-term provisions	29,247	26,658
Total	252,463	202,738

11 Contingent liabilities

Shareholders of Kernkraftwerk-Beteiligungsgesellschaft AG have agreed to pay the annual costs due on their share, including interest and repayment of borrowed funds. BKW has undertaken the same obligation towards the wind, hydro and nuclear power plants as well as towards nuclear waste disposal companies in which it participates via BKW FMB Energy Ltd. or BKW FMB Beteiligungen AG. In the case of another company, BKW FMB Energy Ltd. guarantees repayment and interest on borrowed funds in proportion to the BKW FMB Energy Ltd./BKW FMB Beteiligungen AG holding in this company. Nuclear power plant operators are under a limited obligation to make supplementary contributions to the decommissioning fund in the event that an individual contributor is unable to pay. Since the entry into force of the new Nuclear Energy Act on 1 February 2005, this limited obligation to make supplementary contributions has also applied to the disposal fund.

CHF thousands	31.12.2008	31.12.2007
Group guarantees in favour of third parties	200,889	211,276

12 Leasing obligations not included in the balance sheet

Operating lease obligations outstanding at 31 December 2008 amounted to CHF 2.0 million (2007: CHF 1.1 million).

13 Remuneration of members of the Board of Directors and Executive Board

Remuneration of members of the Board of Directors in 2008

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	Total
Dr Fritz Kilchenmann	Chairman	275	19	94	388
Antoinette Hunziker-Ebnetter	Vice Chairwoman	74	0	10	84
Marc-Alain Affolter	Member	53	20	14	87
Dr Georges Bindschedler	Member	57	20	7	84
Barbara Egger-Jenzer	Member	64	0	8	72
Karl-Michael Fuhr	Member (until 03.11.2008)	44	0	11	55
Urs Gasche	Member	70	5	9	84
Dr Hans-Dieter Harig	Member (until 09.05.2008)	25	20	21	66
Prof. Dr Eugen Marbach	Member	53	20	14	87
Ulrich Sinzig	Member	64	28	16	108
Dirk Steinheider	Member (from 09.05.2008)	32	0	15	47
Philippe Viridis	Member	53	28	12	93
Total		864	160	231	1,255

Remuneration of members of the Board of Directors in 2007

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	Total
Dr Fritz Kilchenmann	Chairman	275	18	98	391
Dr Hans Lauri	Vice Chairman (until 11.05.2007)	37	13	9	59
Antoinette Hunziker-Ebnetter	Vice Chairwoman (from 11.05.2007)				
	Member (until 11.05.2007)	60	27	16	103
Marc-Alain Affolter	Member (from 11.05.2007)	32	0	7	39
Walter Balmer	Member (until 11.05.2007)	27	27	9	63
Dr Georges Bindschedler	Member (from 11.05.2007)	32	0	3	35
Barbara Egger-Jenzer	Member	53	0	7	60
Karl-Michael Fuhr	Member (from 11.05.2007)	31	0	7	38
Urs Gasche	Member	60	6	8	74
Dr Hans-Dieter Harig	Member	53	27	29	109
Prof. Dr Eugen Marbach	Member (from 11.05.2007)	32	0	7	39
Dr Bernhard Reutersberg	Member (until 11.05.2007)	23	27	17	67
Laurent Schaffter	Member (until 11.05.2007)	18	0	3	21
Ulrich Sinzig	Member	60	27	16	103
Walter von Känel	Member (until 11.05.2007)	27	27	8	62
Walter von Siebenthal	Member (until 11.05.2007)	27	27	9	63
Philippe Viridis	Member	49	27	11	87
Total		896	253	264	1,413

“Fixed remuneration” comprises the fixed annual compensation and allowances for meetings which are paid to members of the Board of Directors for their services. For individual members of the Board, payment is made partly to the employers. “Share-based payments” comprise the benefit in fair value of the preferential purchase of BKW shares. In 2008 each member of the Board of Directors was offered the option of acquiring 600 BKW shares at a preferential price (2007: 600 shares). The shares acquired are subject to a blocking period of up to 5 years, which is taken into account when measuring the remuneration by applying a reduction. Members of the Board of Directors also receive a lump-sum expense allowance and the Chairman additionally receives compensation for the costs of his secretariat and infrastructure, which are included under “Other remuneration”. This also includes the employer’s contributions to AHV/IV/ALV (Old Age and Surviving Dependents’ Insurance/Disability Insurance) as well as employee contributions and withholding tax paid by BKW.

No loans or credits were granted to active or former members of the Board of Directors or parties related to them.

Remuneration of members of the Executive Board and the highest-earning member in 2008

CHF thousands	Kurt Rohrbach, President		Total paid to Executive Board members	
	2008	2007	2008	2007
Fixed remuneration	460	440	1,694	1,415
Profit sharing	102	106	358	308
Share-based payment	28	26	104	90
Pension benefits	171	115	583	355
Total	761	687	2,739	2,168

Members of the Executive Board receive a fixed annual remuneration for their services, including a variable share of results of up to 35% of the annual remuneration, indexed to business success and personal performance. The sum of the share of results for members of the Executive Board amounts to no more than 25% of the total fixed remuneration. In 2008 each member of the Executive Board was offered the option of acquiring 600 BKW shares at a preferential price (2007: 600 shares). The shares acquired are subject to a blocking period of up to 5 years, which is taken into account when measuring the remuneration by applying a reduction. All remuneration subject to social security contributions is recorded gross. Pension benefits include the employer's contributions to the pension fund and AHV/IV/ALV insurance. Effective 1 April 2008, the Executive Board was enlarged from four to five members.

On 31 December 2008 there were outstanding loans of CHF 124,000 (2007: CHF 126,000) in respect of members of the Executive Board. No loans have been granted to the highest-earning member.

14 Holdings of members of the Board of Directors and Executive Board

Members of the Board of Directors

Number of shares		31.12.2008	31.12.2007
Dr Fritz Kilchenmann	Chairman	11,400	11,010
Antoinette Hunziker-Ebnetter	Vice Chairwoman (from 11.05.2007)		
	Member (until 11.05.2007)	601	601
Marc-Alain Affolter	Member (from 11.05.2007)	601	0
Dr Georges Bindschedler	Member (from 11.05.2007)	2,601	2,000
Barbara Egger-Jenzer	Member	410	410
Karl-Michael Fuhr	Member (from 11.05.2007 until 03.11.2008)	n/a	0
Urs Gasche	Member	817	740
Dr Hans-Dieter Harig	Member (until 09.05.2008)	n/a	1,810
Prof. Dr Eugen Marbach	Member (from 11.05.2007)	801	200
Ulrich Sinzig	Member	2,310	1,710
Dirk Steinheider	Member (from 09.05.2008)	0	n/a
Philippe Viridis	Member	2,730	2,130
Total		22,271	20,611

Members of the Executive Board

Number of shares		31.12.2008	31.12.2007
Kurt Rohrbach	President	8,200	8,700
Heinz Raaflaub	Head of Management Services	2,780	3,308
Patrick Braun	Head of Networks	2,828	2,857
Hermann Ineichen	Head of Energy Switzerland	2,772	2,680
Samuel Leupold	Head of Energy International and Trading (from 01.04.2008)	1,335	n/a
Total		17,915	17,545

Individual shares held by members of the Board of Directors and Executive Board are subject to a blocking period of up to 5 years.

15 Risk assessment

Risk management is viewed as a supporting function for senior management. The purpose of risk management 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 in the financial management process.

The defined risk management principles govern the management of operational, market price, share price, currency conversion, and 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 risk management, and aggregates risks at Group level.

The risk spectrum monitored by the Executive Board covers risks related to operating activities as well as to strategy and its implementation in projects. An Executive Board level Risk Committee prepares guidelines and risk reports as a decision-making basis for the Executive Board. The Risk Committee is an advisory body which submits independent recommendations on risk issues to the Executive Board in predefined processes.

The Board of Directors last assessed the risks related to operating activities at its meeting on 19 February 2008.

Appropriation of Retained Earnings

Proposal to the General Shareholders' Meeting

CHF	
Retained earnings/profit carried forward	97,133,338
Net profit for the year	91,409,438
Unappropriated retained earnings	188,542,776

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

Dividend of CHF 2.30 per share	121,440,000
Balance carried forward	67,102,776
Total	188,542,776

On the balance sheet date, BKW FMB Energy Ltd. held 837,601 treasury shares. These shares carry no dividend rights. This total may change up to the date of dividend payment.

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

Dividend per share	2.300
Minus 35% withholding tax	-0.805
Net dividend	1.495

Berne, 13 March 2009

On behalf of the Board of Directors

Chairman

Dr. Fritz Kilchenmann

Executive Board

Kurt Rohrbach

Hermann Ineichen

Patrick Braun

Beat Grossenbacher

Samuel Leupold

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of BKW FMB Energy Ltd., Berne
Berne, March 13, 2009

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW FMB Energy Ltd., which comprise the income statement, balance sheet and notes (pages 61 to 69) for the year ended 31 December 2008.

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 2008 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 (Art. 728 Code of Obligations (CO) and Art. 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.

Thomas Stenz
Licensed audit expert
(Auditor in charge)

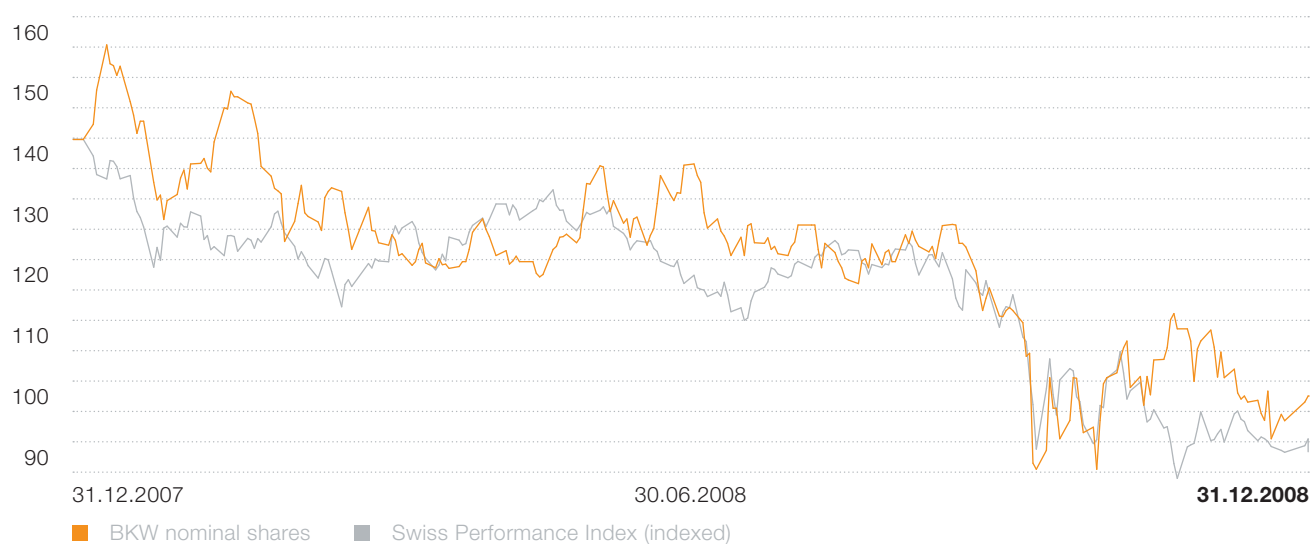
Marc Christen
Licensed audit expert

Investor Information

Key facts about the BKW share, financial calendar

The BKW FMB Energy Ltd. share capital of CHF 132 million is divided into 52,800,000 registered shares at a par value of CHF 2.50 each. The share price fell by 29.17% during the period under review.

Performance of the BKW share 31.12.2007 – 31.12.2008



Listing

BKW FMB Energy Ltd. shares are listed on the main board of the SIX Swiss Exchange and are also quoted on the BX Berne Exchange.

Ticker symbol for SIX and BX:	BKWN
Security number:	2 160 700
ISIN code:	CH 002 160700 4

Appropriation of retained earnings

The Board of Directors proposes to the General Shareholders' Meeting a dividend of CHF 2.30 per share for the 2008 financial year. The dividend will be paid out on 7 May 2009.

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 holds more than 5% of the entire share capital. The same restriction applies to corporate bodies, partnerships or groups of persons who are interrelated or otherwise linked and 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 on his own account.

Significant shareholders

	31.12.2008	31.12.2007
Canton of Berne	52.54%	52.54%
E. ON Energie AG	20.99%	20.99%
Groupe E Ltd.	4.99%	4.99%

The proportion of shares held by the public (free float) is approximately 26.5% (Groupe E holds less than 5% and is included under the free float). The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

	31.12.2008	31.12.2007 restated
Earnings per share (in CHF)	2.65	4.36
Equity per share (in CHF)	58.63	59.43
Dividend per share (in CHF)	2.30	2.70
Dividend yield in %	2.3	1.9
Price/earnings ratio ¹	38.5	33.0
Year-end price (in CHF)	102.00	144.00
Year high (in CHF)	159.50	148.00
Year low (in CHF)	90.00	114.40

¹ Based on year-end price

Financial calendar

General Shareholders' Meeting	30 April 2009
Presentation of half-yearly results	10 September 2009

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