

BKW GROUP

Annual Report 2020

2020



A world of new opportunities

BKW is making a significant contribution to sustainable, social and economic development by viewing the key issues of infrastructure, buildings and energy as part of the same whole. BKW, its firms and group companies, are creating the living spaces of the future.

As a strong network of experts we explain our solutions for a future worth living in a few short commercials.

www.bkw.ch/solutions



Kö-Bogen II Düsseldorf

A commercial and office building by ingenhoven architects. With eight kilometres of hawthorn hedges it is home to the biggest green façade in Europe.

Facts & Figures

Financials

CHF millions	2016	2017	2018	2019	2020
Sales	2,434 ¹	2,503	2,675	2,867	3,129
EBIT ²	346	368	364	433	436
Operating net profit ³	274	192	249	285	349
Operating cash flow ⁴	358	493	422	533	662
Investments in property, plant and equipment and intangible assets	304	276	258	234	221
Acquisition of Group companies and associates	495	138	165	245	63
Balance sheet total	8,582	9,089	9,053	9,239	9,428
Shareholders' equity	2,941	3,406	3,472	3,735	3,989
– as % of balance sheet total	34.3	37.5	38.4	40.4	42.3

1 Adjusted for IFRS 15 impact

2 Adjusted for one-off effects

3 Excluding after tax performance of the state decommissioning and disposal funds

4 Cash flow from operating activities before utilisation of nuclear provisions

Sales Energy

CHF millions

2020	1,175
2019	1,315
2018	1,326
2017	1,262
2016	1,353

Sales Grid

CHF millions

2020	567
2019	527
2018	555
2017	592
2016	600

Sales Services

CHF millions

2020	1,466
2019	1,107
2018	881
2017	736
2016	565

Employees

2020	10,250
2019	10,000
2018	7,300
2017	6,400
2016	5,500

Key figures per share

CHF	2016	2017	2018	2019	2020
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
– Year-end price	49.25	57.95	68.70	71.40	99.20
– Year high	49.60	62.15	71.60	75.50	103.20
– Year low	36.20	49.00	53.80	62.20	71.10
Earnings per share ¹	6.41	4.92	3.56	7.42	6.86
Equity per share ¹	54.39	60.61	60.66	65.59	70.05
Market capitalisation in CHF millions	2,429	3,004	3,623	3,768	5,234

1 Attributable to shareholders of BKW AG

Our Mission:
“Solutions for a future
worth living”

Table of Contents

6	Letter to Shareholders – Management Report I
6	A strong BKW is ready for a world of new opportunities
<hr/>	
8	Review of the 2020 Results – Management Report II
8	Excellent 2020 Results
<hr/>	
23	BKW Group Consolidated Financial Statements
24	Consolidated Income Statement
25	Consolidated Statement of Comprehensive Income
26	Consolidated Balance Sheet
27	Changes in Consolidated Equity
28	Consolidated Cash Flow Statement
29	Notes to the Consolidated Financial Statements
93	Group Companies and Associates
99	Report of the Statutory Auditor on the Consolidated Financial Statements
<hr/>	
105	Financial Statements of BKW AG
106	Income Statement
107	Balance Sheet
108	Notes to the Financial Statements
111	Appropriation of Retained Earnings
112	Report of the Statutory Auditor on the Financial Statements
<hr/>	
115	BKW Green Bond
116	Reporting on Allocation and Impact
120	Independent Auditor's Report on Allocation and Impact
<hr/>	
123	Investor Information
124	Important Information on the Share, Bonds and Financial Calendar
127	Production Facts and Figures
<hr/>	
129	Corporate Governance
<hr/>	
149	Remuneration Report
<hr/>	
168	Addresses and Legal Notice

LETTER TO SHAREHOLDERS

A strong BKW is ready for a world of new opportunities

The BKW Group¹ has once again exceeded the record result of the previous year, despite the difficult overall economic conditions. In the 2020 financial year sales rose by 9% to CHF 3.1 billion. Operating profit (EBIT) increased by 10% to CHF 475 million. BKW also secured a further growth in operating cash flow, which climbed by 24% to a record-high of CHF 662 million.

Dear Shareholders,
Dear Sir/Madam,

The future is renewable, electric and efficient. With the electrification of transportation and the heating sectors, and the increasing trend for decentralised energy generation on building envelopes, the issues of infrastructure, buildings and energy are converging ever closer and complementing each other to create one complete system.

BKW's successful strategy means it is in a position to offer its customers innovative and economic solutions within this entire system. It has successfully continued the development of the Energy and Grid businesses and built up a strong Services business. Through its technological expertise and system competence, it offers its customers a comprehensive spectrum of products and services. This covers renewable production through the expansion and optimisation of production and supply infrastructure, the planning of urban centres and resource-efficient solutions inside buildings to product offerings involving electromobility.

The 2020 results show that the implementation of the strategy is delivering success. Sales, EBIT and operating cash flow have increased once again compared with a very successful previous year. Even adjusted by the one-off effect of the compensation payment from Swissgrid for the former BKW transmission grid, EBIT of CHF 436 million was still higher than the record level from the previous

year. This clearly exceeds the guidance issued in the Half-Year Report which was already raised to CHF 400 to 420 million. Net profit from the operating business increased by 22% to CHF 349 million. The performance of the state fund for decommissioning and disposal was positive in 2020, but perceptibly below the excellent performance in 2019. Due to this difference, 2020 reported net profit was below the level of the previous year. BKW's market value now exceeds CHF 5 billion for the first time.

Particularly pleasing is the result in the Services business, where sales have risen by over 30%. Due to the coronavirus situation the rise in EBIT has been more restrained, yet it still grew by 17%. It now contributes more than CHF 80 million to Group EBIT. Although sales in the Energy business dropped by 11% due to the decommissioning of the Mühleberg Nuclear Power Plant, the comparative reduction in EBIT was only 4%. This confirms the positive effect of the Mühleberg shutdown. The decommissioning and dismantling works are proceeding on schedule. Grid operating profit developed steadily – aside from the positive Swissgrid one-off effect.

BKW is resolutely committed to sustainability

Further strengthened by this very good result, BKW is in an excellent position to meet the challenges ahead. The market and society are demanding new solutions for a CO₂-neutral world. Taking a holistic view of infrastructure, buildings and energy gives us the opportunity to achieve the climate objectives. By drawing

“BKW is fulfilling a growing customer requirement for innovative solutions and is thus creating the basis for the living spaces of the future.”

Dr. Suzanne Thoma

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





on its decades of experience, its technological know-how and comprehensive expertise, BKW is making a significant contribution to sustainable, social and economic development by maintaining the balance between prosperity and the environment. It is fulfilling a growing customer requirement for innovative solutions and is thus creating the basis for the living spaces of the future.

Digitalisation of the building and construction industry – implementing innovative technologies

BIM methodology (Building Information Modeling) enables the networked planning, implementation and management of buildings and infrastructures and is becoming increasingly prevalent in the building and construction industry value chain. BKW has established a BIM Competence Centre to pool know-how from the entire Group and create added value for its customers. The systems and services of the Competence Centre are available to all Group companies and their customers.

BKW thinks holistically and is aware of its responsibility regarding sustainable development. This is why it is committed to the prin-

ciples of the UN Global Compact and to the Sustainable Development Goals of the UN 2030 Agenda. Having considered its wide-ranging business activities, BKW has identified ten of these 17 SDGs in which it can achieve the greatest impact.

Very many thanks

The very successful 2020 financial year encourages us to continue on the path we have set. We would like to thank all those who continue to support us: our shareholders, our customers, our suppliers and our partners. We also wish to express our heartfelt thanks to our employees for their commitment to our company. Together we are making an important contribution to overcoming big social challenges such as climate change.

Best regards,

Urs Gasche
Chairman of the Board

Dr. Suzanne Thoma
CEO

“Taking a holistic view of infrastructure, buildings and energy gives us the opportunity to achieve the climate objectives.”

Urs Gasche

REVIEW OF THE 2020 RESULTS

Excellent 2020 Results

BKW increased revenue and EBIT in a challenging year due to the coronavirus pandemic. The expansion of the Services business, along with the positive impact of the price rise in the Energy business, were the main drivers of the sales growth which rose by 9% to CHF 3.1 billion, despite now decommissioned Mühleberg Nuclear Power Plant no longer contributing. At EBIT level, the Services business increased its share and in the Energy business a convincing result achieved by trading was only slightly below the previous year's record. Together with the one-off compensation from Swissgrid, reported operating profit was CHF 475 million (+10%). Without this one-off effect, EBIT amounted to CHF 436 million, thus exceeding the record result in 2019. Operating net profit before the performance of the decommissioning and waste disposal funds was CHF 349 million, 22% above the previous year. Funds from operations achieved a new record value at CHF 649 million.

475
EBIT in CHF million
+ 10%

Excellent operating profit: Previous year's records exceeded again

At CHF 474.7 million, reported EBIT is 10% higher, or around CHF 40 million more than in the previous year. The concluding compensation from Swissgrid awarded to BKW by ElCom for the handover of the transmission grid had a one-off effect on EBIT of around CHF 39 million. Even ignoring this one-off effect, EBIT was CHF 436 million. Therefore, BKW closed the 2020 financial year with an extremely strong operating EBIT, even exceeding the previous year's record value and securing a new high since the company was listed.

In addition to the further expansion of the Services business which once again increased its EBIT contribution significantly despite the coronavirus crisis, it was primarily the very successful trading business and the positive

impact of the higher hedged electricity prices that contributed to this excellent result. Operating profit of the Grid business is developing steadily as expected.

Operating net profit (net profit before the performance of the decommissioning and waste disposal funds STENFO) was CHF 349.0 million, a net rise of 22% over the previous year. Without the one-off effect of the Swissgrid compensation, operating net profit climbed by 9% in relation to 2019. Reported net profit (after STENFO) was CHF 382.4 million and was below the record level reported in 2019. Despite a difficult first half year, the funds exceeded the specified target returns. Nevertheless they were clearly below the record returns of the previous year.

Higher sales and operating profit

CHF millions	2019	2020 (comparable)	Adjustments ¹	2020	% change
Sales	2,866.6	3,089.9	38.7	3,128.6	9 %
Energy procurement/transport	-796.0	-790.1		-790.1	
Operating costs	-1,392.2	-1,659.5		-1,659.5	
EBITDA	678.4	640.3	38.7	679.0	0 %
Depreciation, amortisation and impairment	-280.7	-243.3		-243.3	
Income from associates	35.7	39.0		39.0	
EBIT	433.4	436.0	38.7	474.7	10 %
Financial result excluding change in value of state funds	-103.6	-73.8		-73.8	
Income taxes excluding change in value of state funds	-44.4	-50.9	-1.0	-51.9	
Operating net profit²	285.4	311.3	37.7	349.0	22 %
Change in value of state funds net of tax	118.2	33.4		33.4	
Net profit	403.6	344.7	37.7	382.4	-5 %

1 The adjustment in the 2020 revenue figure relates to the one-off compensation payable to BKW by Swissgrid for its expropriation of the transmission grid in 2013, on the basis of an ECom decision.

2 "Operating net profit" has been introduced as a new key performance indicator. This corresponds to the net profit before proceeds from the state decommissioning and disposal funds and is more suitable as a measure of operating performance than the reported net profit, since the proceeds from these funds are not operational in nature and BKW has no direct influence on how they are invested.

Sales growth due to the further expansion of the Services business

In the 2020 financial year BKW increased revenue by 9% and more than compensated for the reduced volume arising because of the decommissioning of the Mühleberg Nuclear Power Plant. The continued strong growth specifically in the Services business and in the higher hedged electricity prices contributed to this rise in revenue.

Rise in employee numbers as a result of acquisitions

Operating costs at Group level increased by 19%, as a consequence of expansion in the Services business. The acquisitions completed in the year under review added some 270 new employees to BKW's ranks. In the established Energy and Grid businesses, consistent cost management led to cost reductions of 3%.

Efficiency improvements were also achieved in the central corporate functions with employee numbers falling by about 5%. At the end of 2020 BKW had about 10,250 employees. BKW takes its responsibilities seriously regarding training and apprentices. The company cur-

rently employs over 900 apprentices across all areas of business.

The main reason for the decrease in depreciation, amortisation and impairment is the discontinuation of the power generation at the Mühleberg Nuclear Power Plant which has led to a corresponding reduction.

Financial result improves as a consequence of lower interest rates

In the 2020 financial year the comparable financial result (ignoring performance of the state decommissioning and disposal funds) was CHF -73.8 million, CHF 29.8 million better than in the previous year. This development was the result of lower interest expenses. The compounding of nuclear provisions decreased due to the amendment passed by the Swiss Federal Council in 2019 regarding the parameters in the decommissioning and waste disposal funds ordinance (SEFV) and interest expenses from bond liabilities also fell. At the end of July 2019 the 3.75% bond of CHF 350 million was refinanced with a Green Bond of CHF 200 million with an interest rate of 0.25%.

3.1

Sales in CHF billion

+ 9 %

10,250

employees

The reported financial result was affected by the change in value of the state funds. Returns on investments in these funds amounted to 3.2%. Despite the huge price falls due to the coronavirus in the first half year, the projected

required return of 2.1% pursuant to the SEFV ordinance was exceeded. Nevertheless, when compared to the previous year, performance was lower by around CHF 106 million due to the record returns of 12.6% achieved in 2019.

Funds from operations at record level: Record values from the previous year significantly exceeded again

CHF millions	2019	2020	% change
Funds from operations before utilisation of nuclear provisions	647.5	781.8	21 %
Funds from operations	583.9	649.1	11 %
Cash flow from operating activities before utilisation of nuclear provisions	532.5	662.2	24 %
– Payments for decommissioning and disposal	–63.6	–132.7	
Cash flow from operating activities	468.9	529.5	13 %
Cash flow from investing activities before reimbursement from state funds	–302.5	–274.8	
+ Reimbursements from decommissioning and disposal funds	46.6	86.5	
Cash flow from investing activities	–255.9	–188.3	
Cash flow from financing activities	–341.1	–197.0	
Liquidity as at 31.12	910.8	1,036.0	14 %

Funds from operations, cash flow before the change in net working capital and income taxes paid, again exceeded the previous year's record by CHF 65.2 million and reached a new high of CHF 649.1 million. Before utilisation of provisions for nuclear decommissioning and waste disposal, funds from operations peaked at CHF 781.8 million (+ 21%).

The reported cash flow from operating activities includes not only cash flows from operating activities, but also the utilisation of provisions for nuclear decommissioning and waste disposal. Most of these utilisations lead to refund claims against the state-run decommissioning and waste disposal funds.

To improve comparability and interpretability, BKW therefore uses the indicators "funds from operations before utilisation of nuclear provisions" and "cash flow from operating activities before utilisation of nuclear provisions". This cash flow, which is relevant for evaluating cash generation, amounted to CHF 662.2 million, 24% higher than in the previous year. Reported cash flow from operating activities of CHF 529.5 million is also significantly higher than the previous year's comparative value (+ 13%). Current liquidity, including current financial assets, rose slightly to around CHF 1.0 billion as at 31 December 2020.

BKW invested around CHF 250 million in the 2020 financial year (previous year: CHF 575 million). The funds generated from operations therefore exceeded the investments by a factor of more than 2.5. The lower investment values are attributable to the big acquisitions in 2019. Due to the pandemic there were fewer acquisition activities in 2020. In the reporting year, growth investments in the Services busi-

ness (acquisitions) and the construction of small hydroelectric power plants and district heating projects made up around 25% of investment volume. Total maintenance/replacement investments at CHF 187 million were slightly higher than in the previous year. The majority of the maintenance/replacement investments at CHF 124 million were made in the distribution grid.

Continued strong equity and financing situation: financial and operational flexibility is assured

CHF millions	2019	2020	% change
Current assets	2,038.5	2,191.5	8 %
Non-current assets	7,200.0	7,236.6	1 %
Current liabilities	1,287.1	1,351.9	5 %
Non-current liabilities	4,216.2	4,086.8	-3 %
Shareholders' equity	3,735.2	3,989.4	7 %
Balance sheet total	9,238.5	9,428.1	2 %

Due to the very good annual results the balance sheet total increased in relation to the previous year by 2% to CHF 9.4 billion and equity increased by 7% to CHF 4 billion. The equity ratio has climbed to 42.3% (previous year: 40.4%). The reason for the reduction in the non-current liabilities is the decommissioning of the Mühleberg Nuclear Power Plant which began in January 2020 and is progressing as scheduled. In the reporting year, works amounting to CHF 132.7 million were performed and existing provisions were used accordingly. CHF 86.5 million have already been reimbursed from the decommissioning and waste disposal funds.

BKW's financing situation remains solid. Net debt (financial liabilities less current financial assets and cash and cash equivalents) was lower by CHF 123.5 million at year-end, at a level of CHF 502.1 million. The reason for the improvement in this figure is the strong cash generation from operating activities. Net debt in relation to EBITDA therefore fell further and was 0.7 (previous year: 0.9). In addition, BKW continues to have access to an unused syndicated loan totalling CHF 250 million. The financial framework necessary for implementing and safeguarding financial and operational flexibility is sufficient and thus ensured at all times.

Dividend increase to CHF 2.40 per share

Based on the net profit adjusted by the one-off compensation arising from the ElCom ruling and the performance of the decommissioning and waste disposal funds, a dividend increase to CHF 2.40 per share, or +9% compared with the previous year, will be proposed to the General Meeting. This is equivalent to a payout ratio in the target range of 40-50% on adjusted net profit and constitutes the second increase within two years. Along with the rise in the share price, strong total shareholder return of 42% were achieved in the 2020 financial year. The dividend proposed by the Board of Directors is based on the stable principles of BKW's dividend policy.

CHF	2019	2020	% change
Dividend	2.20	2.40	9%
Total shareholder return	7%	42%	

Outlook 2021

For the 2021 financial year, BKW expects an operating EBIT in the range of CHF 420 to 440 million. Thereby the profit forecast is at the previous year's level. This outlook is based on rising electricity prices and further profitable growth in the Services business along with a normalisation of the trading result. The drop in production volumes due to the announced major overhaul of the Leibstadt Nuclear Power Plant have also been taken into account. However, uncertainties regarding further economic growth due to coronavirus persist and could have a significant impact on future forecasts. Nevertheless, BKW's robust position will continue to be advantageous in 2021.

Energy: Excellent trading business again, decommissioning of the Mühleberg Nuclear Power Plant leads to drop in sales

The Energy business area is consistently focused on the opportunities and challenges of a changing energy market. It is responsible for the production, sales and trading of electricity, certificates and energy-related commodities.

In the reporting year, BKW entered the gas market and will now supply its customers with both electricity and gas. The objective is not to replace other energy sources with additional gas consumption, but to present attractive supply offers to existing gas consumers. The BKW offer is mainly oriented to industrial operations, SMEs, property management companies and gas supply companies. With bundled services, BKW can support its end customers into the future of sustainable energy in an optimal way. It is offering special package solutions for gas and electricity procurement to gas distributors.

Previous year's strong result almost equalled

CHF millions	2019	2020	% change
Total operating income	1,315.4	1,175.1	-11 %
Energy procurement	-704.4	-695.3	
Operating costs	-281.2	-204.2	
EBITDA	329.8	275.6	-16 %
Depreciation, amortisation and impairment	-126.8	-74.0	
Income from associates	24.2	16.2	
EBIT	227.2	217.8	-4 %
Employees	850	800	
Investments	51	42	

Revenue affected by the decommissioning of the Mühleberg Nuclear Power Plant and the coronavirus situation

Revenue in the Energy business in the 2020 financial year was particularly affected by the end of production at the Mühleberg Nuclear Power Plant and by a decrease in electricity sales caused by the coronavirus pandemic. The higher hedged electricity prices could not compensate for these effects. At CHF 1,175.1 million, total operating income was 11% lower than in the previous year. Electricity sales fell amongst business customers due to the coronavirus crisis, particularly in the first half year. In contrast, revenue from the regulated distribution business remained stable. The negative effects of warmer weather on household consumption were offset by somewhat higher usage caused by people working from home.

The management and trading result once again closed above average and confirms BKW's robust trading position. In the 2020 reporting year both the wholesale market and the end customer market were affected by the uncertainties of the coronavirus pandemic. These were in addition to the continued effects of the further expansion of renewable energies, the partial phasing out of nuclear energy and coal-fired power generation and the potential impacts of the European Clean Energy Package. Specifically in spring this led to a steep fall in demand, which also pulled the spot electricity price downwards along with the clean dark spreads and the clean spark spreads in a trend that continued beyond the early summer period. The political confrontation between the USA and China, coordination difficulties among the OPEC+ countries and the existing oversupply of gas coupled with low temperatures at the start of winter in Asia also contributed to the accentuated price fluctuations in the fuels

utilised to generate electricity. In this uncertain, volatile market environment, BKW's trading business has once again successfully delivered a strong result.

Lower energy procurement and operating costs

Energy procurement costs decreased only slightly by 1% to CHF 695.3 million. The significantly lower performance of the state decommissioning and waste disposal funds at the Leibstadt Nuclear Power Plant when compared to the previous year led to an increase in procurement costs from this power plant, preventing any higher reduction of energy procurement overheads.

In the last year BKW produced a total of 9 TWh of energy, which corresponds to a decrease of 3.4 TWh or 27% in relation to 2019. The reason for the decrease is the decommissioning of the Mühleberg Nuclear Power Plant. The dismantling work at the Mühleberg Nuclear Power Plant has been ongoing since early 2020 and is mainly being carried out by BKW's employees. Several milestones have already been reached as planned and despite the coronavirus pandemic the project is on budget and on schedule. The 2020 annual financial statements from the Energy business, when compared to the previous year, are significantly impacted by the decommissioning of the Mühleberg Nuclear Power Plant. On the one hand revenue from the sale of around 3 TWh of electricity was lost, and on the other hand there were no more operating costs which are now offset against the existing provisions. In 2020, works amounting to around CHF 133 million had been carried out and charged in full to the corresponding provisions. After the decommissioning of the Mühleberg Nuclear Power Plant, in 2020

BKW still generated revenue of around 3% of total revenue of the BKW Group due to its electricity procurement of 2.2 TWh from the Leibstadt and Cattenom Nuclear Power Plants.

The thermal power plants produced 1.2 TWh in 2020 and were used to a lower extent to the previous year (1.5 TWh) due to the price situation. In contrast, the favourable wind conditions and the commissioning of two wind farms in Norway (Fosen) led to a rise in production volumes from new renewable energy to 1.8 TWh (+12%).

With 3.8 TWh, hydroelectric power plants generated a production volume at the previous year's level. In the reporting year, construction continued on several small hydroelectric power plants with construction on the Augand (Kandertal) Power Plant starting in April and in August on the Sousbach (Lauterbrunnental) Power Plant. The most progress has been made in the construction of the Wiler-Kippel (Lötschental) Power Plant which is scheduled to commence operations in autumn 2021. Ongoing small power plant projects have an installed capacity of around 24 MW (BKW proportion around 15 MW), an expected annual energy production of around 80 GWh (BKW proportion around 50 GWh) and a planned total investment amount of CHF 132 million (BKW proportion around CHF 83 million).

Energy business with higher profitability

At CHF 217.8 million, operating profit was just 4% lower than the previous year's strong figure. The positive effects from electricity prices hedged at a higher level than in the previous year were offset in EBIT by the higher procurement costs of the Leibstadt Nuclear Power Plant (STENFO performance).

Grid: Stable earnings contributions and investments in renewables

The Grid business builds, operates and maintains BKW's distribution grid. The grid not only transports the electricity from the power plant to consumers, but also measures production and consumption, transforms the voltage, monitors, analyses and controls the grid loads and flows, and integrates distributed production plants such as PV and wind farms.

Stable result and positive one-off effect

CHF millions	2019	2020 (comparable)	Adjustments ¹	2020	% change
Sales	527.3	528.1	38.7	566.8	7%
Energy transport expense	-91.7	-95.0		-95.0	
Operating costs	-186.7	-192.2		-192.2	
EBITDA	248.9	240.9	38.7	279.6	12%
Depreciation, amortisation and impairment	-86.7	-89.7		-89.7	
Income from associates	11.5	22.8		22.8	
EBIT	173.7	174.0	38.7	212.7	22%
Employees	600			610	
Investments	121			124	

1 The adjustment relates to the one-off compensation payable to BKW by Swissgrid for its expropriation of the transmission grid in 2013, on the basis of an ECom decision.

Comparable revenue in the Grid business overall is around the previous year's value. However, earnings from distribution grid usage fees did fall by 1%. The decrease is due to slight tariff adjustments and to coronavirus, as well as temperature-related lower distribution volumes in the first half year. The decline in demand occurred primarily at the higher grid levels due to the commercial and industrial lockdown in March and April. Although the general requirement for working from home led to increased consumption at the lowest grid level, this could not compensate for the negative impact in the first six months. Around the middle of the year the coronavirus situation improved again. Volumes of distributed power largely returned to normal in the second half, and were even higher than the previous year in the cold fourth quarter as heating demand increased. Considering the year as a whole, there was only a small reduction in total consumption.

The one-off compensation awarded of CHF 38.7 million from Swissgrid in connection with the concluding ECom rulings relating to transmission grid assets transferred to Swissgrid on 1 January 2013 had a positive impact on revenue. Most of this payment had not yet been translated into cash in 2020. The corresponding cash flows are expected in 2021 and 2022.

Operating costs were higher chiefly due to the increased costs of maintaining voltage in the distribution grid. Balancing the grid is becoming increasingly challenging due to the rising proportion of variable energy production (photovoltaic and wind). Swissgrid is now charging proportions of these increased costs for voltage maintenance to the distribution system operators.

The income from associates rose to CHF 11.3 million, once again meeting expectations. In 2019 Swissgrid recorded a one-off correction to its annual financial statements due to a concluded ECom legal process. This had a correspondingly negative impact on the proportionate result for BKW in the previous year.

At CHF 174 million, operating profit remained the same as in the previous year and therefore at an expected stable level. This result means that BKW's Grid business helped to stabilise the Group's results during the 2020 reporting year, despite ongoing uncertainty. The company maintained the operational safety of the distribution grid at all times throughout the

entire year and in particular, also during the coronavirus lockdown period.

High investments in continuous renewal

Every year BKW invests significantly more than CHF 100 million to ensure the secure, efficient and high-performance operation of its distribution grid. The current investment activities are focused on grid infrastructure in the Bernese Oberland and Seeland. A range of substations and lines are being replaced. Work on the substations is being planned using new 3D Building Information Modelling (BIM) technology. This enables buildings and infrastructures to be planned and designed with the utmost efficiency.

Services: strong growth despite the adverse coronavirus situation

The Services area mainly comprises BKW Engineering (engineering design and consultancy), BKW Building Solutions (building technology) and BKW Infra Services (services for energy, water and telecommunication networks). The strong network of specialised companies with their different fields of expertise ensures that BKW is a relevant supplier of comprehensive services in the buildings and infrastructure sector.

Resilience in the limiting coronavirus environment

CHF millions	2019	2020	% change
Sales	1,106.8	1,465.5	32 %
Operating costs	-987.0	-1,321.4	
EBITDA	119.8	144.1	20 %
Depreciation, amortisation and impairment	-47.6	-59.8	
EBIT	72.2	84.3	17 %
Employees	7,920	8,500	
Investments	371	63	

Despite the coronavirus crisis, which especially in the first half placed intense demands on the Services business, revenue grew by a significant 32% to CHF 1,465.5 million. The growth is mainly based on the acquisitions made in the second half of 2019. The new acquisitions at that time, namely ingenhoven architects (BKW Engineering), swisspro Group (BKW Building Solutions) and LTB Leitungsbau GmbH (BKW Infra Services) contributed significantly to this growth. But even with disruption to some business areas between March and May, the drop in revenue in this period was contained. The solid and diversified positioning of BKW's Services business proved its worth again during the coronavirus crisis, enabling the business to deliver stable results. The situation improved again in the middle of the year and in the second half the Services business performed significantly better than in the previous year.

In addition to the broad diversification, comprehensive expertise and range of customer segments, the rapid and focused response with the measures taken by the Group Execu-

tive Board also helped to minimise the cost implications of Covid-19. Due to the lower profitability due to the coronavirus, in particular regarding work on building sites, a slightly reduced EBIT margin had to be accepted. The margin in 2020 was 6% and includes all development, acquisition and integration costs.

Development of the main competence areas

BKW Engineering

BKW Engineering covers engineering requirements in building construction, transportation and engineering construction, water and environment as well as energy in Germany, Austria and Switzerland. Expert assessments and inspections for major construction and infrastructure projects along with special services such as risk and safety analyses also form part of their remit. In Germany BKW's engineering network is a market leader. BKW Engineering only operates in general planning and inspection. Since it is not involved in project implementation, the business risk can be kept correspondingly low.

In 2020 BKW secured various important and prestigious projects. Examples of this are the new Tesla factory near Berlin and the VW factories in Poland and Russia. With the flagship “Kö-Bogen” sustainability project in Düsseldorf (cover picture), ingenhoven architects, part of BKW Engineering, have further reinforced their world-renowned supergreen® label.

In January 2021 BKW further expanded its engineering network by acquiring R&P Ruffert GmbH. With about 130 employees, the company provides engineering and expert assessment services at several sites in Western and Eastern Germany, whereby its main focus is on structural engineering and planning. It achieves annual revenue in the low double-digit million range. Through this acquisition BKW Engineering is expanding the expertise within its network and strengthening its competitive position against multidisciplinary market leaders.

BKW Infra Services

BKW Infra Services provides comprehensive services in the energy, telecoms, transport and water sectors across Switzerland. It is thus a leader in constructing key infrastructure and has growth potential. Since last year BKW has also been providing grid infrastructure services in Germany. Acquired in the fourth quarter of 2019, LTB Leitungsbau GmbH (LTB) is a market leader in the construction and maintenance of energy infrastructure in Germany, an important growth market. The main market driver is the intensive expansion of renewable energies and the associated need to transport electricity from the power-generating regions in the north to industrial and population centres located further south. The high demand for upgrades and maintenance of existing grid infrastructure

is also driving growth. In 2020 LTB again secured several major contracts (EUR 25–50 million) as part of the expansion of the German high-voltage grid. The requirement for additional grid capacities remains high and BKW Infra Services is well placed for this thanks to its large network of expertise.

BKW Building Solutions

As a network of regionally well-established companies, BKW Building Solutions offers a comprehensive portfolio of expertise in the buildings technology market from a single source. The services include planning, installation and maintenance for private houses, commercial and industrial properties, new buildings and renovations in Switzerland. In the 2020 financial year, BKW further extended its building technology presence in the installation sector and with Elektro Nikolai GmbH it has added to its offering in the electrical installation business in Valais. In air conditioning and ventilation technology it expanded its network with the addition of Gloor Planzer AG, a specialist in climate control, cooling and ventilation installations for complex buildings. Its competences are a targeted addition to the BKW network.

BKW Building Solutions is also a leading supplier of integrated solutions for electrical engineering, building ICT and automation. In the 2020 financial year, Sigren Engineering AG, a specialist in automation solutions, became part of BKW signifying another important step forward in the growth areas of smart buildings and smart infrastructure.

swisspro Group acquired in 2019 (about 1,100 employees) performed very positively and contributed considerably to the revenue growth.

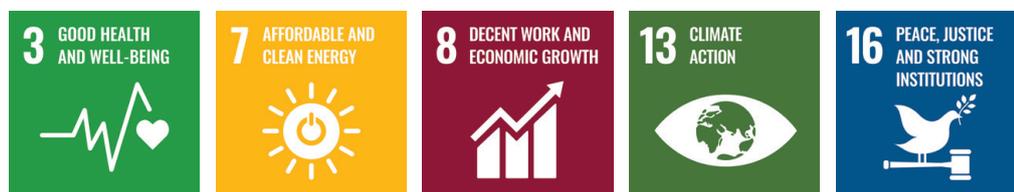
Sustainable solutions for a future worth living

Issues such as climate change, urbanisation, habitat loss and globalised business relationships are challenging us as a society. These matters demand far-sighted solutions. As an international and future-oriented energy and infrastructure service provider, BKW believes that these challenges also present opportunities. The development of forward-looking and sustainable solutions for a future worth living is a key element of its strategy.

Energy, infrastructure and the environment have always been core issues for BKW. Therefore, BKW is investing in a renewable, smart energy supply and in innovative storage and control solutions. It is developing design concepts for resilient urban spaces and infrastructure. As a provider of comprehensive building technology solutions, it is installing smart and resource-saving solutions in buildings. It is thereby making a significant contribution to lowering CO₂ emissions as well as reducing or even eliminating the dependency on fossil fuels altogether.

UN 2030 Agenda for sustainable development

BKW thinks holistically and is aware of its responsibility regarding sustainable development. This is why it is committed to the principles of the UN Global Compact and to the Sustainable Development Goals of the UN 2030 Agenda. Having considered its wide-ranging business activities, BKW has identified ten of these 17 Sustainable Development Goals (SDGs) in which it can achieve the greatest impact. They form the basis of its sustainability work and are the foundation of its Green Bond Framework. Within this framework in 2019, BKW was the first Swiss listed industrial company to successfully launch a green bond.



BKW's contribution to the SDGs

For the 2021 financial year BKW is focusing on making measurable progress on five SDGs that are currently of most concern to the company and society. The prolonged pandemic has brought the issue of health to the forefront and highlights contributions to SDG 3. Following the launch of its first Green Bond in 2019, BKW has set an expansion goal for renewable energies (SDG 7). Another relevant issue is climate change and the measures to combat it, which despite all the current developments, has lost none of its importance (SDG 13). Furthermore, by joining the UN Global Compact,

BKW is committed to strengthening dignified working conditions and fair conduct throughout all its business activities (SDGs 8 and 16). By selecting these issues BKW is also complying with the requirements of the Swiss Federal Council's counter-proposal to the responsible business initiative and is in a position to fulfil these shortly. In the current year BKW will define indicators, objectives and measures for the five selected SDGs and will present its progress and experiences in the Annual Report 2021 as part of its Environmental, Social and Governance (ESG) Report.

SDG 3 – Good health and well-being

BKW operates in demanding areas of activity which involve handling electricity, hazardous substances and heights on a daily basis. Therefore, the health and safety of its employees are of prime importance. The relevant officers at the individual companies are responsible for implementing occupational health and safety measures. Exchanges of information between the different companies take place regularly. The objective is to achieve tangible approaches for continuous improvement in occupational health and safety at BKW.

The occupational safety measures have been augmented by a company health management system, which aims through its diverse offer to boost the health literacy of its employees and promote healthy working environments. BKW takes its social responsibilities seriously and supports ill or injured employees with operational case management and reintegration positions.

BKW rose to the specific challenges that arose during the pandemic by providing extra support to employees, including an external company social counselling service and a counselling service to support children and family members. The extension into online health offers also enabled employees to remain healthy and productive in their home offices. The further development to a trailblazing company health management system has therefore been initiated and will be invested in further over the next few years.

SDG 7 – Affordable and clean energy

The growing demand for electrical energy requires an expansion of renewable capacities. BKW wants to proactively shape this expansion and thereby drive forward the necessary transformation of the energy supply. The aim is that by 2023 75% of the installed capacity of BKW's production plants should be renewable. The progress report on this objective can be found in the Green Bond Reporting on page 115 of the Annual Report 2020.

BKW is also continuing to invest further in smart grids and innovative storage and control solutions. These form the basis of distributed renewable production and are fundamental for the transformation of its energy supply. With its comprehensive building technology solutions, it increases energy efficiency, reduces energy consumption and makes a major contribution to reducing or even removing dependence on fossil fuels in buildings.

SDG 8 – Decent work and economic growth

The BKW Suppliers' Code already exemplifies its commitment to responsible entrepreneurship and resource efficiency. With the Sustainable Supply Chain initiative introduced in 2020, BKW has further intensified its efforts in compliance with recognised ecological and social standards. For example, it subjected the BKW Group's supply chain to a comprehensive analysis to identify sustainability opportunities and risks. Relevant suppliers were systematically reassessed by means of a professional sustainability rating (EcoVadis) and collaboration was further developed on this basis. Using newly defined figures BKW will transparently measure, proactively manage and report on the evolution towards a sustainable supply chain.

SDG 13 – Climate action

Climate protection is a key element in BKW's strategy. As a supplier of comprehensive energy and infrastructure solutions it makes a significant contribution to reducing CO₂ emissions. A further strategic focus for the company is energy and resource-efficient building planning where it is committed to the highest standards for ecological construction and modern urban spaces. One example of this is the supergreen® concept from ingenhoven architects, a BKW Engineering company that reflects this comprehensively understood sustainability approach in architecture. BKW also helps build up the resilience of habitats and infrastructure against the consequences of climate change. BKW will report on its relevant greenhouse gas emissions and derived reduction measures for the first time in the Annual Report 2021 as part of the ESG Report.

SDG 16 – Peace, justice and strong institutions

BKW supports fair and non-discriminatory business practices and treats others with esteem and respect. In early 2021 BKW joined the UN Global Compact. This reflects its ambition to act responsibly and in accordance with sustainability principles. This means it will also comply ahead of time with the requirements of the Swiss Federal Council's counter-proposal on responsible business. Breaches such as corruption, human rights violations, data misuse or negligent treatment of the environment contradict the company's principles and code of conduct. Should employees or suppliers notice infringements or learn about such, they can contact a confidential compliance whistleblowing system. In the 2021 financial year BKW will further refine its approaches for reviewing these important issues and will examine their effectiveness.

BKW GROUP

BKW Group Consolidated Financial Statements

Consolidated Income Statement

CHF millions	Note	2019	2020
Net sales	7	2,710.8	2,935.7
Own work capitalised		71.6	73.9
Other operating income		84.2	119.0
Total operating income		2,866.6	3,128.6
Energy procurement/transport	8	-796.0	-790.1
Material and third-party services		-422.6	-570.7
Personnel expenses	9	-767.6	-880.1
Other operating expenses	10	-202.0	-208.7
Total operating expenses		-2,188.2	-2,449.6
Operating profit before depreciation, amortisation and impairment (EBITDA)		678.4	679.0
Depreciation, amortisation and impairment	11	-280.7	-243.3
Income from associates	20	35.7	39.0
Operating profit (EBIT)		433.4	474.7
Financial income	12	156.6	48.5
Financial expenses	12	-112.5	-80.5
Profit before income taxes (EBT)		477.5	442.7
Income taxes	13	-73.9	-60.3
Net profit		403.6	382.4
attributable to:			
– BKW shareholders		391.2	361.7
– Non-controlling interests		12.4	20.7
Earnings per share in CHF (basic and diluted)	14	7.42	6.86

Consolidated Statement of Comprehensive Income

CHF millions	Note	2019	2020
Net profit		403.6	382.4
Actuarial gains/losses (Group companies)	26		
– Actuarial gains/losses (–)		31.6	4.1
– Income taxes		–7.0	–0.4
Actuarial gains/losses (associates)	20		
– Actuarial gains/losses (–)		–14.3	8.0
– Income taxes		1.5	–0.4
Financial assets at fair value through other comprehensive income	28		
– Value adjustments		0.0	0.1
Total items that will not be reclassified to income statement, net of tax		11.8	11.4
Currency translations	28		
– Currency translations		–42.0	–19.0
– Reclassification to the income statement		0.0	1.0
Hedging transactions (Group companies)	28		
– Value adjustments		0.0	–0.1
Hedging transactions (associates)	28		
– Value adjustments		–4.7	–3.1
Total items that may be reclassified to income statement, net of tax		–46.7	–21.2
Other comprehensive income		–34.9	–9.8
Comprehensive income		368.7	372.6
attributable to:			
– BKW shareholders		358.7	350.5
– Non-controlling interests		10.0	22.1

Consolidated Balance Sheet

CHF millions	Note	31.12.2019	31.12.2020
Assets			
Cash and cash equivalents	33	683.5	825.1
Trade accounts receivable and other receivables	15	687.0	659.4
Contract assets	16	140.6	152.2
Current tax receivables		20.0	20.9
Financial assets	19	227.3	210.9
Derivatives	29	132.4	131.1
Inventories	17	55.9	66.7
Prepaid expenses and accrued income	18	91.8	125.2
Total current assets		2,038.5	2,191.5
Financial assets	19	1,302.5	1,294.2
Derivatives	29	7.0	12.6
Investments in associates	20	1,422.6	1,409.1
Property, plant and equipment	21	3,419.9	3,457.5
Intangible assets	22	1,013.7	1,023.2
Deferred tax assets	13	34.3	40.0
Total non-current assets		7,200.0	7,236.6
Total assets		9,238.5	9,428.1
Shareholders' equity and liabilities			
Trade accounts payable and other liabilities	23	551.6	532.2
Contract liabilities	16	72.3	85.5
Current tax liabilities		75.6	64.8
Financial liabilities	24	89.1	108.0
Derivatives	29	106.8	178.7
Provisions	25	193.8	178.8
Deferred income and accrued expenses	18	197.9	203.9
Total current liabilities		1,287.1	1,351.9
Financial liabilities	24	1,447.3	1,430.1
Derivatives	29	22.8	31.9
Pension liability	26	238.8	257.8
Other liabilities	27	410.5	354.4
Provisions	25	1,641.1	1,580.1
Deferred tax liabilities	13	455.7	432.5
Total non-current liabilities		4,216.2	4,086.8
Total liabilities		5,503.3	5,438.7
Share capital	28	132.0	132.0
Capital reserves	28	41.3	41.3
Retained earnings	28	3,562.9	3,810.1
Other reserves	28	-272.8	-284.0
Treasury shares	28	-1.5	-3.7
Equity attributable to BKW shareholders		3,461.9	3,695.7
Equity attributable to non-controlling interests		273.3	293.7
Total shareholders' equity		3,735.2	3,989.4
Total shareholders' equity and liabilities		9,238.5	9,428.1

Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Retained earnings	Other reserves	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
Equity at 31.12.2018	132.0	41.3	3,270.6	-240.3	-4.8	3,198.8	273.5	3,472.3
Net profit			391.2			391.2	12.4	403.6
Other comprehensive income				-32.5		-32.5	-2.4	-34.9
Comprehensive income			391.2	-32.5		358.7	10.0	368.7
Dividend			-95.0			-95.0	-7.4	-102.4
Transactions in treasury shares			-5.1		3.3	-1.8		-1.8
Share-based payments			5.2			5.2		5.2
Acquisition of non-controlling interests			-0.2			-0.2	-1.5	-1.7
Sale of non-controlling interests			-0.1			-0.1	0.2	0.1
Changes in the scope of consolidation						0.0	-1.0	-1.0
Capital repayment to non-controlling interests						0.0	-0.5	-0.5
Change in liabilities relating to non-controlling interests			-3.7			-3.7		-3.7
Equity at 31.12.2019	132.0	41.3	3,562.9	-272.8	-1.5	3,461.9	273.3	3,735.2
Net profit			361.7			361.7	20.7	382.4
Other comprehensive income				-11.1		-11.1	1.3	-9.8
Comprehensive income			361.7	-11.1		350.6	22.0	372.6
Dividend			-116.0			-116.0	-9.1	-125.1
Transactions in treasury shares			-5.7		-2.2	-7.9		-7.9
Share-based payments			5.6			5.6		5.6
Acquisition of non-controlling interests			-2.1			-2.1	-1.7	-3.8
Changes in the scope of consolidation						0.0	0.7	0.7
Contribution to equity from non-controlling interests						0.0	8.5	8.5
Change in liabilities relating to non-controlling interests			3.6			3.6		3.6
Sale of financial assets at fair value through other comprehensive income			0.1	-0.1		0.0		0.0
Equity at 31.12.2020	132.0	41.3	3,810.1	-284.0	-3.7	3,695.7	293.7	3,989.4

Consolidated Cash Flow Statement

CHF millions	Note	2019	2020
Profit before income taxes		477.5	442.7
Financial result	12	-44.1	32.0
Adjustment for non-cash transactions	33	214.1	307.1
Change in net working capital (excl. financial assets/liabilities and derivatives)		-67.2	-22.3
Income taxes paid		-45.7	-97.6
Other financial expenses/income		-2.1	0.3
Cash flow from operating activities before utilisation of nuclear provisions		532.5	662.2
Utilisation of nuclear provisions with a claim to refunds of state funds		-27.3	-58.0
Utilisation of nuclear provisions with no claim to refunds of state funds		-36.3	-74.7
Cash flow from operating activities		468.9	529.5
Investments in property, plant and equipment	21	-222.7	-203.6
Disposal of property, plant and equipment		11.4	4.1
Acquisition of Group companies	5/33	-244.6	-57.9
Disposals of Group companies		-2.6	0.3
Investments in associates	20	0.0	-5.1
Disposals of associates		33.4	26.1
Payments into decommissioning and waste disposal funds		-30.4	-30.4
Refunds of decommissioning and waste disposal funds		46.6	86.5
Investments in other current and non-current financial assets		-22.2	-27.5
Disposals of other current and non-current financial assets		161.6	12.3
Investments in intangible assets	22	-11.7	-17.0
Disposals of intangible assets		0.0	1.1
Interest received		3.6	1.9
Dividends received		21.7	20.9
Cash flow from investing activities		-255.9	-188.3
Sale/purchase of treasury shares	28	-1.9	-8.0
Acquisition of non-controlling interests		-1.7	-3.6
Sale of non-controlling interests		0.1	0.0
Contribution to capital from non-controlling interests		0.0	6.5
Capital repayment to non-controlling interests		-0.5	0.0
Increase in current and non-current financial liabilities		227.2	20.8
Decrease in current and non-current financial liabilities		-439.3	-68.4
Increase in other long-term liabilities		22.8	15.0
Decrease in other long-term liabilities		-0.4	-0.1
Interest paid		-45.0	-34.1
Dividends paid		-102.4	-125.1
Cash flow from financing activities		-341.1	-197.0
Translation adjustments on cash and cash equivalents		-5.8	-2.6
Net change in cash and cash equivalents		-133.9	141.6
Cash and cash equivalents at the beginning of the reporting period		817.4	683.5
Cash and cash equivalents at the end of the reporting period	33	683.5	825.1

Notes to the Consolidated Financial Statements

1 Business activities

BKW AG, Bern (CH), along with its Group companies (hereinafter "BKW" or the "BKW Group"), is an international energy and infrastructure company. Its company network and extensive expertise allow it to offer its customers a full range of overall solutions. The Group plans, builds and operates infrastructure to produce and supply energy to businesses, households and the public sector,

and offers digital business models for renewable energies. The BKW Group portfolio of services comprises everything from engineering consultancy and planning for energy, infrastructure and environmental projects, through integrated offers in the field of building technology, to the construction, servicing and maintenance of energy, telecommunications, transport and water networks.

2 Basis of preparation

2.1 General principles

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

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

2.2 Change in presentation

In order to improve readability of this report, the accounting and valuation principles that were stated in a separate note in previous years have now been incorporated into the relevant notes for the items in the balance sheet and income statement.

2.3 Adoption of new standards and interpretations

BKW has applied a number of amended standards and interpretations since 1 January 2020 that have no material effect on BKW's financial position, results of operations or cash flows.

2.4 Future adoption of new standards and interpretations

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

- Amendments to IFRS 16 – “Covid-19-Related Rent Concessions” (1 June 2020)
- Amendments to IFRS 7 and IFRS 9 – “Amendments Relating to the IBOR Reform and Questions Arising from Reform of the Interest Rate Benchmark” (1 January 2021)
- Annual Improvements to IFRSs 2018–2020 Cycle (1 January 2022)
- Amendments to IFRS 3 – “Reference to the Conceptual Framework” (1 January 2022)
- Amendments to IAS 16 – “Proceeds before Intended Use” (1 January 2022)
- Amendments to IAS 37 – “Onerous Contracts – Cost of Fulfilling a Contract” (1 January 2022)
- Amendments to IAS 1 – “Classification of Liabilities as Current or Non-current” (1 January 2023)
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (to be determined)

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

3 Consolidation

3.1 Consolidation principles

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

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

3.2 Scope of consolidation

Group companies

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

Joint arrangements

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

Associates

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

voting rights is smaller than 20%. This applies in particular in the case of partner plants.

Partner plants comprise companies that build and operate power plants or that manage energy procurement rights and plan and operate nuclear storage facilities. The energy produced by partner plants and other contractually agreed services are purchased at annual cost (including interest on capital). Partner plants are assigned to the Energy business area.

3.3 Foreign currency translation

The reporting currency is the Swiss franc (CHF). BKW records transactions in foreign currencies at the prevailing exchange rates on the transaction date. Exchange rate gains and losses

arising from such transactions and the translation of foreign currency balances on the balance sheet date are charged to the financial result.

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

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

		Closing date 31.12.2019	Closing date 31.12.2020	Average 2019	Average 2020
Eurozone	1 EUR	1.0854	1.0802	1.1127	1.0704
Norway	100 NOK	11.0039	10.3168	11.3030	9.9958

Goodwill and adjustments to fair value made in the apportionment of purchase prices to the carrying amounts of identified net assets of

companies in foreign currency are carried in the foreign currency.

4 Measurement uncertainties

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

4.1 Impairment of non-financial non-current assets

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

4.2 Mühleberg Nuclear Power Plant/ provisions for nuclear waste disposal

Measurement of the provision for nuclear waste disposal is material for the purposes of

assessing BKW's balance sheet and income statement. Detailed costs for decommissioning nuclear power plants and nuclear waste disposal are jointly calculated by the industry and updated every five years in accordance with the Ordinance on the Decommissioning and Waste Disposal Fund for Nuclear Power Plants (STENFO). These cost calculations are reviewed by independent cost specialists and the Swiss Federal Nuclear Safety Inspectorate (ENSI). The last scheduled estimate of decommissioning and disposal costs (KS16) took place in 2016. The adjustment was carried out at the request of and in accordance with the strict requirements of the Administrative Commission for the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (AC STENFO) and in collaboration with swissnuclear. The KS16 estimates the overall costs (overnight costs) in the baseline variant for the Mühleberg Nuclear Power Plant to be CHF 3.06 billion. On this basis, BKW assumes overnight costs of CHF 3.0 billion for calculating its provisions. BKW considers it most likely that the "combination repository" (cost-reducing) and "conventional dismantling" (cost-increasing) scenarios envisaged in KS16 will be implemented. In addition, BKW takes plant-specific costs into account. The difference between BKW's estimated overnight costs and the provisions recorded on the balance sheet as at 31 December 2020 in the amount of CHF 1.4 billion is due to costs of around CHF 1,032 million that had already been paid by the end of 2020 and to discounting effects of CHF 520 million.

Following a review of KS16, AC STENFO increased the cost estimates including through flat-rate safety surcharges. The cost adjustments made by AC STENFO are not operationally justified from BKW's perspective. For this reason, BKW is keeping to the cost estimates submitted by the industry association swissnuclear and to its own estimates for recognition of nuclear provisions on the balance sheet.

Work in connection with decommissioning is expected to last until 2034. Costs for operations related to the repository and monitoring of stored nuclear materials are expected to be incurred until 2126.

On 6 November 2019, the Federal Council approved the revised SEFV with new parameters for inflation and investment returns which will determine the size of contributions. Inflation was decreased from 1.5% to 0.5%, and the return on investment from 3.5% to 2.1%. AC STENFO issued its definitive decision on

the contributions for 2017–2021 in March 2021. Compared with the contributions provisionally assessed to date, BKW's annual contributions to the decommissioning fund for 2020/2021 will be CHF 6.7 million lower, while contributions to the waste disposal fund will be CHF 13 million higher.

No macroeconomic studies are available for the period up to 2126 to provide parameters for calculation of long-term provisions. For this reason, BKW applies parameters that have been agreed with other nuclear power plant operators for the purposes of decommissioning and disposal. A rate of 1% is applied to long-term inflation, based on the Swiss National Bank's target range of 0–2%. Based on historical actual yields on long-term government bonds, an expected real interest rate of 1.75% has been estimated, producing a nominal discount rate of 2.75%. Due to the short-term time-frame (to 2024), 0.5% is now used for both the interest rate and for inflation for the post-operational phase.

Changes to cost calculations and the statutory requirements for nuclear waste disposal may have a material effect on the Group's financial position and results of operations. The inflation and discount rate parameters are also particularly relevant for determining the level of provisions for decommissioning (expected costs up to 2034) and nuclear waste disposal (expected costs up to 2126). In the event of an increase/decrease in the assumptions shown below, provisions as at 31 December 2020 would vary as follows (+ increase in provisions/– decrease in provisions):

CHF millions	Inflation + 0.5 %	Inflation – 0.5 %	Discount rate + 0.5 %	Discount rate – 0.5 %
Decommissioning	30.2	–28.7	–19.0	20.1
Waste disposal	114.0	–91.4	–86.8	108.7
Total	144.2	–120.1	–105.8	128.8

4.3 Provision for onerous energy procurement contract Wilhelmshaven

BKW holds a 33% stake in the Wilhelmshaven coal power plant. The partners are under an obligation to take on the energy produced according to their stake. Due to the higher estimated production costs compared with the expected electricity market prices a provision for the obligation to purchase energy had to be made in the past.

In January 2020, the German government enacted the Coal Phase-Out Act, which set a timetable for phasing out coal by 2038. The Coal Phase-Out Act provides for compensation to lignite and coal power plant operators. BKW assumes that expected capacity bottlenecks will result in the continued operation of the latest generation of coal power plant, such as Wilhelmshaven, until the end of 2038. Moreover, BKW expects that operators of coal power plants will not only receive payments

defined via the auctions, but will receive similar compensation payments to lignite power plant operators. Therefore, a compensation payment by the German Government was included in determining the provision. The estimate of future income and expenses depends largely on the estimation of future energy prices, the estimation of the power plants' production costs, the assumed discount rates and the estimated size of the compensation payment. These estimations and assumptions constitute uncertainties and can deviate significantly from actual results. As at the end of 2020, the carrying amount of the investment was CHF 436.3 million and the provision was CHF 262.8 million.

4.4 Pension plans

The pension liabilities arising from defined benefit pension plans are calculated based on actuarial assumptions that may not reflect reality and hence may have an impact on BKW's results of operations and cash flows. The actuarial assumptions used in the calculation and a corresponding sensitivity analysis are disclosed in Note 26.

4.5 ECom legal proceedings

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

In February 2021, ECom established the basis for the final compensation that Swissgrid must pay to BKW for its previous share of the distribution grid systems. This means that eight years after the transfer of grid systems to Swissgrid, all pending proceedings regarding the value of former BKW installations have now been drawn to a close (see also Note 40).

5 Business combinations

Business combinations in 2020

CHF millions	Total
Cash and cash equivalents	8.1
Trade accounts receivable and other receivables	6.7
Other current assets	8.5
Financial assets	0.7
Property, plant and equipment	4.6
Intangible assets	5.3
Deferred tax assets	1.3
Current liabilities	-12.2
Financial liabilities	-4.5
Provisions	-2.0
Deferred tax liabilities	-0.6
Pension liability	-8.7
Fair value of acquired net assets	7.2
Non-controlling interests	-1.4
Fair value of interests already held	-0.9
Goodwill	27.2
Purchase price	32.1
Cash and cash equivalents acquired	-8.1
Contingent consideration	-10.3
Deferred consideration	-1.8
Cash outflow	11.9

BKW conducted a number of corporate acquisitions in the 2020 financial year. Due to the number of acquisitions and their key financial figures, aggregated figures are shown with no separate presentation of individual business combinations. The values for the transactions listed are provisional since the purchase price allocations have not been finalised.

In the Services segment, BKW acquired 100% of the shares of each of Elektro Nikolai GmbH, Gloor Panzer AG and Sigren Engineering AG in the area of building solutions. In the area of infrastructure engineering in Austria, the company acquired 100% of the shares of Witrisal GmbH.

In the Energy segment, BKW acquired an additional 16.21% of the shares of Abonax AG for the area of Energy Sales (previous stake: 34%) and therefore now holds 50.21%.

The contingent consideration liabilities recognised on the acquisition date are due

depending on the future economic growth of the companies.

The transactions generated total goodwill of CHF 27.2 million. The goodwill recognised is mainly attributable to the expected future synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.1 million.

Had the companies already been acquired as at 1 January 2020, total operating revenue for the current year would have been CHF 36.4 million higher and the net profit CHF 1.8 million higher. Between the point at which the individual companies were fully consolidated and 31 December 2020, the acquired companies recorded cumulative total operating revenue of CHF 11.8 million and a total net profit of CHF 1.3 million.

CHF 27.1 million was paid for contingent consideration liabilities and CHF 19.5 million for non-contingent consideration liabilities for acquisitions made in the previous years.

Business combinations in 2019

CHF millions	ingenhoven architects	LTB Leitungsbau GmbH	swisspro	Miscellaneous	Total
Cash and cash equivalents	1.2	12.7	19.5	12.4	45.8
Trade accounts receivable and other receivables	21.6	7.1	54.5	11.8	95.0
Other current assets	11.8	22.4	21.1	11.6	66.9
Financial assets	0.0	0.1	3.9	0.6	4.6
Property, plant and equipment	4.5	28.1	20.8	13.3	66.7
Intangible assets	11.0	1.0	23.8	16.2	52.0
Deferred tax assets	0.0	0.0	6.4	2.0	8.4
Current liabilities	-9.3	-19.8	-48.0	-13.2	-90.3
Financial liabilities	-4.1	-10.1	-20.7	-10.6	-45.5
Provisions	-1.1	-1.6	-3.5	-0.9	-7.1
Deferred tax liabilities	-12.4	0.0	-4.5	-2.7	-19.6
Pension liability	0.0	-15.5	-45.8	-10.1	-71.4
Fair value of acquired net assets	23.2	24.4	27.5	30.4	105.5
Non-controlling interests		-2.4			-2.4
Goodwill	62.4	23.6	102.2	64.6	252.8
Purchase price	85.6	45.6	129.7	95.0	355.9
Cash and cash equivalents acquired	-1.2	-12.7	-19.5	-12.4	-45.8
Contingent consideration	-19.4		-10.0	-18.3	-47.7
Deferred consideration	-2.8	-3.9	-8.5	-7.6	-22.8
Liabilities incurred	-19.1			-0.3	-19.4
Cash outflow	43.1	29.0	91.7	56.4	220.2

In 2019 BKW acquired various companies and assigned them to the Services segment. The values for the transactions conducted in the previous year are provisional since the purchase price allocations had not been finalised. The purchase price allocations are now final and only resulted in very minor changes.

ingenhoven architects

In the engineering sector BKW had acquired 100% of the shares in ingenhoven architects GmbH based in Düsseldorf (Germany) at the end of September 2019. The ingenhoven architects Group is assigned to the Services segment.

The contingent consideration liabilities recognised on the acquisition date are due depending on the future economic growth of the companies. The goodwill recognised is mainly attributable to the expected synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.5 million.

Had the company already been acquired by 1 January 2019, total operating revenue for 2019 would have been CHF 15.4 million higher and the net profit CHF 5.1 million higher. Between the point at which the company was fully consolidated and 31 December 2019, the acquired company recorded total operating revenue of CHF 10.0 million and a net profit of CHF 4.2 million.

LTB Leitungsbau GmbH

In the infra services sector, BKW acquired 90% of the shares in LTB Leitungsbau GmbH at the end of October 2019. Based in Radebeul (Germany), the company is active in transmission line construction and is assigned to the Services segment.

The goodwill recognised is mainly attributable to the expected synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.8 million.

Had the company already been acquired by 1 January 2019, total operating revenue for 2019 would have been CHF 85.3 million higher and the net profit CHF 1.7 million higher. Between the point at which the company was fully consolidated and 31 December 2019, the acquired company recorded total operating revenue of CHF 22.8 million and a net profit of CHF 0.8 million.

swisspro

In the building solutions sector, BKW acquired 100% of the shares in swisspro group AG, based in Oberkirch, in October 2019. swisspro Group is active in ICT and building automation solutions and electrical installation and is assigned to the Services segment.

The contingent consideration liabilities recognised on the acquisition date are due depending on the future economic growth of the companies. The goodwill recognised is mainly attributable to the expected synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.4 million.

Had the company already been acquired by 1 January 2019, total operating revenue for 2019 would have been CHF 169.7 million higher and the net profit CHF 7.5 million higher. Between the point at which the company was fully consolidated and 31 December 2019, the acquired company recorded total operating revenue of CHF 62.2 million and a net profit of CHF 3.1 million.

Miscellaneous

In the 2019 financial year, BKW had conducted a number of other corporate acquisitions. All of the businesses acquired have been assigned to the Services segment. Due to the number of acquisitions, their key financial figures and their allocation to the same segment, aggregated figures are shown with no separate presentation of individual business combinations.

In the infrastructure engineering sector in Germany, BKW had acquired 100% of the

shares in Institut Gauer GmbH, Dr.-Ing. Gauer Ingenieurgesellschaft mbH, KMT Planungsgesellschaft mbH, KMT Port Consult GmbH, and osd GmbH. It had also acquired 100% of the shares in the Austrian company Daninger + Partner Engineering GmbH, and the Swiss companies Kindschi Ingenieure und Geometer AG and Flotron AG. In Germany, Hascher Jehle Architektur, KFP Ingenieure and hydrodat were also acquired.

In the building solutions sector, 100% of the shares in WAB Technique S.à r.l., Jaggi & Rieder AG, TECPLAN AG, Hensel AG Elektrotechnische Unternehmungen, ASAG Air System AG, b+s Elektro Telematik AG, Gebr. Bräm AG, pi-System GmbH, Monnet Holding Management SA and 70% of the shares in R. Monnet & Cie SA were acquired in Switzerland.

The contingent purchase price liabilities recognised on the acquisition date are due depending on the future economic growth of the companies.

The transactions generated total goodwill of CHF 64.6 million. The goodwill recognised is mainly attributable to the expected future synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 1.6 million.

Had the companies already been acquired as at 1 January 2019, total operating revenue for the current year would have been CHF 48.1 million higher and the net profit CHF 5.6 million higher. Between the point at which the individual companies were fully consolidated and 31 December 2019, the acquired companies recorded cumulative total operating revenue of CHF 50.1 million and a total net profit of CHF 4.7 million.

CHF 12.6 million was paid for contingent consideration and CHF 11.8 million for deferred consideration for acquisitions made in 2019 and earlier.

Accounting Policies

In the course of acquisitions, non-controlling interests are sometimes provided with put options, with BKW receiving call options under the same conditions. If this should cause BKW to receive economic ownership, the transaction is represented as though the shares in

question had also been acquired. Otherwise, the non-controlling interest is recognised.

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

6 Segment reporting

Segments and segment results are defined on the basis of the management approach. In line with the strategy, BKW's reporting lines are structured around the business areas Energy, Grid and Services. The CEO, who has prime decision-making authority, uses the operating result (EBIT) as the basis for allocating resources and measuring performance.

BKW operates the following three reportable business segments:

- The Energy segment builds, operates and maintains BKW's pool of power plants in Switzerland and abroad. It is also responsible for the sale of energy in Switzerland and for trading in electricity, certificates and commodities.
- The Grid segment builds, operates and maintains BKW's distribution grid.
- The Services segment includes engineering planning and consulting for energy, infrastructure and environmental projects,

integrated services in the area of building technology, and the construction, servicing and maintenance of energy, telecommunications, transport and water networks.

The column "Other" covers activities that are centrally managed within the Group; these largely consist of Group financing, real estate, fleet management, procurement, financial assets and tax. Some of the costs that arise in conjunction with the expansion of the business areas (acquisition/integration costs, technology development costs, etc.) are borne centrally.

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

Information by business segment

2020 CHF millions	Energy	Grid	Services	Other	Consoli- dation	Total
External revenue	1,155.6	558.6	1,368.1	14.1	32.2	3,128.6
– Net sales	1,109.3	478.6	1,346.9	0.9	0.0	2,935.7
– Own work capitalised	4.8	35.0	0.9	1.0	32.2	73.9
– Other operating income	41.5	45.0 ¹	20.3	12.2	0.0	119.0
Internal revenue	19.5	8.2	97.4	155.4	–280.5	0.0
– Net sales	14.2	0.7	89.3	0.1	–104.3	0.0
– Other operating income	5.3	7.5	8.1	155.3	–176.2	0.0
Total operating income	1,175.1	566.8	1,465.5	169.5	–248.3	3,128.6
Total operating expenses	–899.5	–287.2	–1,321.4	–184.1	242.6	–2,449.6
Operating profit before depreciation, amortisation and impairment (EBITDA)	275.6	279.6	144.1	–14.6	–5.7	679.0
Depreciation, amortisation and impairment	–74.0	–89.7	–59.8	–23.2	3.4	–243.3
Income from associates	16.2	22.8	0.0	0.0	0.0	39.0
Operating profit/loss (EBIT)	217.8	212.7	84.3	–37.8	–2.3	474.7
Financial result						–32.0
Profit/loss before income taxes (EBT)						442.7

1 Other operating income was positively affected by a one-off compensation entitlement from Swissgrid of CHF 38.7 million for the expropriation of the transmission grid in 2013 (see Note 40).

2019 CHF millions	Energy	Grid	Services	Other	Consoli- dation	Total
External revenue	1,289.2	519.5	1,005.6	18.8	33.5	2,866.6
– Net sales	1,247.7	484.5	978.0	0.6	0.0	2,710.8
– Own work capitalised	4.9	32.1	0.3	1.1	33.2	71.6
– Other operating income	36.6	2.9	27.3	17.1	0.3	84.2
Internal revenue	26.2	7.8	101.2	152.5	–287.7	0.0
– Net sales	15.9	0.7	91.6	0.0	–108.2	0.0
– Other operating income	10.3	7.1	9.6	152.5	–179.5	0.0
Total operating income	1,315.4	527.3	1,106.8	171.3	–254.2	2,866.6
Total operating expenses	–985.6	–278.4	–987.0	–185.0	247.8	–2,188.2
Operating profit before depreciation, amortisation and impairment (EBITDA)	329.8	248.9	119.8	–13.7	–6.4	678.4
Depreciation, amortisation and impairment	–126.8	–86.7	–47.6	–22.7	3.1	–280.7
Income from associates	24.2	11.5	0.0	0.0	0.0	35.7
Operating profit/loss (EBIT)	227.2	173.7	72.2	–36.4	–3.3	433.4
Financial result						44.1
Profit/loss before income taxes (EBT)						477.5

Information by country

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

CHF millions	Switzerland		Germany		Italy		France		Other countries		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Net sales	1,814.3	1,984.8	645.5	701.1	95.8	84.6	47.4	42.9	107.8	122.3	2,710.8	2,935.7
Non-current assets	4,086.1	4,190.1	949.7	927.3	511.6	481.8	135.6	129.1	173.2	161.5	5,856.2	5,889.8

Information on significant customers

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

7 Net sales

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

CHF millions	Switzerland		Abroad	
	2019	2020	2019	2020
Energy	644.2	604.9	603.5	504.4
Grid	484.5	478.6	0.0	0.0
Services	685.0	900.4	293.0	446.5
Other	0.6	0.9	0.0	0.0
Total net sales	1,814.3	1,984.8	896.5	950.9

Of net sales, CHF 2,882.0 million or 98% (previous year: CHF 2,603.4 million or 96%) relates to revenues from contracts with customers

in accordance with IFRS 15. In the Energy segment, certain transactions come under the provisions of IFRS 9.

Accounting Policies

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

Energy

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

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

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

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

Energy transactions defined as financial instruments are measured at fair value at the closing date; realised and unrealised gains and losses from these transactions are recorded as net figures in "Income from energy hedging" and "Income from proprietary energy trading" (see Note 37.2). The income from such transactions consists of two components: on the one hand, the effective realised gains or losses from transactions in progress is recorded. On the other hand, the unrealised evaluation gains and losses flow from measurement at fair value of the open contracts.

Grid

The Grid business segment mostly generates income from charging distribution grid usage

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

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

Services

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

8 Energy procurement/transport

CHF millions	2019	2020
Cost of energy procurement from third parties and associates	739.2	684.9
Provision for onerous energy procurement contracts		
– Provisions used	–35.8	–17.8
– Provisions added	0.5	28.0
Total energy procurement expenses	703.9	695.1
Energy transport expenses	92.1	95.0
Total	796.0	790.1

Expenses for energy transport include expenses for system services and municipal

taxes, while expenses for water rates are included in energy procurement costs.

9 Personnel expenses

CHF millions	2019	2020
Salaries and wages	629.1	706.4
Social security contributions and other personnel expenses	138.5	173.7
Total	767.6	880.1

10 Other operating expenses

CHF millions	2019	2020
Charges, levies and other taxes	21.2	20.4
Rent and maintenance of real estate and other property, plant and equipment	19.3	24.3
Miscellaneous operating expenses	161.5	164.0
Total	202.0	208.7

11 Depreciation, amortisation and impairment

CHF millions	2019	2020
Depreciation		
– Property, plant and equipment	219.2	207.3
– Intangible assets	36.5	35.7
Impairment		
– Property, plant and equipment	25.5	0.3
– Intangible assets	0.5	0.0
Reversal of impairments		
– Property, plant and equipment	–1.0	0.0
Total	280.7	243.3

The impairments in the previous year related to wind farms and hydroelectric plants in the Energy business.

12 Financial result

CHF millions	2019	2020
Interest income	5.1	2.9
Dividend income	0.2	0.1
Value adjustment on state funds	147.7	41.8
Gains from the disposal of financial assets	1.1	0.0
Other financial income	2.5	3.7
Financial income	156.6	48.5
Interest expenses	-42.9	-36.5
Capitalised borrowing costs	0.2	0.4
Interest on provisions	-61.4	-40.5
Losses from the disposal of financial assets	-0.2	0.0
Value adjustment on financial instruments held for trading	-0.3	-0.7
Impairment of financial assets	0.0	-0.2
Currency translations	-2.9	0.0
Other financial expenses	-5.0	-3.0
Financial expenses	-112.5	-80.5
Financial result	44.1	-32.0

13 Income taxes

CHF millions	2019	2020
Current income taxes	80.1	87.9
Deferred taxes	-6.2	-27.6
Total	73.9	60.3

Reconciliation with reported income taxes

CHF millions	2019	2020
Profit/loss before income taxes	477.5	442.7
Tax expenses at anticipated rate of 22.4% (2019: 23.4%)	111.7	99.2
Effects of changes in tax rate	-14.8	-16.2
Participation reduction and non-taxable income	-10.9	-19.7
Use/capitalisation of uncapitalised tax losses	-4.3	-8.3
Non-tax-deductible expenses	2.9	6.1
Uncapitalised or partially capitalised tax losses	0.4	0.6
Taxes in respect of previous years	-5.8	0.3
Write-down/reversal of write-down of participations	-5.6	-3.3
Other items	0.3	1.6
Total income taxes	73.9	60.3
Effective tax rate	15.5%	13.6%

The anticipated tax rate is determined annually as a weighted average (based on the pre-tax earnings of individual Group companies and the applicable local tax rate). The decrease on the

previous year was due to the tax rate cuts in Switzerland arising from the STAF tax reform and the higher proportion of the overall result of the companies in Switzerland.

Changes in deferred tax assets/liabilities

CHF millions	2019	2020
Net deferred tax liabilities at 01.01.	-412.4	-421.4
Changes in the scope of consolidation	-11.1	1.3
Addition/release in the income statement	6.2	27.6
Taxes on actuarial gains/losses	-7.0	-0.4
Currency translations	2.9	0.4
Net deferred tax liabilities at 31.12.	-421.4	-392.5

Deferred tax assets/liabilities by origin of temporary difference

CHF millions	31.12.2019		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Current assets	24.4	-19.0	1.1	-34.3
Financial assets and holdings	1.8	-58.7	1.1	-55.2
Property, plant and equipment	16.8	-289.6	16.2	-279.3
Intangible assets	1.9	-39.5	1.8	-35.8
Current liabilities	9.0	-38.0	10.1	-3.3
Provisions	2.6	-125.9	2.4	-123.2
Other non-current liabilities	94.0	-10.0	94.8	-8.7
Capitalised loss carry-forwards	8.8	0.0	19.8	0.0
Credit/liability for gross deferred taxes	159.3	-580.7	147.3	-539.8
Netting of assets and liabilities	-125.0	125.0	-107.3	107.3
Assets/Liabilities for deferred taxes according to balance sheet	34.3	-455.7	40.0	-432.5

The change in temporary differences resulted in deferred tax revenue of CHF 16.6 million recorded in the income statement (previous year: tax revenue of CHF 3.1 million).

As in the previous year, on 31 December 2020 no deferred tax liabilities were recognised in respect of temporary differences relating to associates. No deferred taxes are recognised for Group companies, joint arrangements or partner plants at which a dividend payment is contractually agreed, since BKW is able to co-determine the reversal of the temporary difference and such a difference is not probable in the foreseeable future. The temporary differ-

ences for which no deferred tax liabilities have been recognised in this respect amount to CHF 2,297.4 million (previous year: CHF 2,378.4 million).

Tax loss carry-forwards

As at 31 December 2020, there were tax loss carry-forwards of CHF 5.6 million (previous year: CHF 5.5 million) for which deferred taxes were not capitalised. These were not capitalised since their charge against future taxable earnings is not regarded as probable within the permissible tax period. The average applicable tax rate on tax loss carry-forwards will be 22.5% (previous year: 19.7%).

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

in CHF millions	31.12.2019	31.12.2020
Expiry within 1 year	0.0	0.0
Expiry within 2 to 5 years	1.1	0.9
Expiry after 5 years	2.5	2.3
Valid indefinitely	1.9	2.4
Total	5.5	5.6

14 Earnings per share

The earnings per share is calculated based on the weighted average number of shares. There are no circumstances that would result in a dilution of the earnings per share.

Earnings per share

	2019	2020
Net profit attributable to BKW shareholders, in CHF millions	391.2	361.7
Number of shares issued (weighted average)	52,800,000	52,800,000
Less treasury shares (weighted average)	-66,666	-61,138
Number of outstanding shares (weighted average)	52,733,334	52,738,862
Earnings per share in CHF	7.42	6.86

Dividend per share

The Board of Directors proposes the allocation of a dividend of CHF 2.40 per share for the 2020 financial year (previous year: CHF 2.20).

Based on the shares in circulation on the balance sheet date, the proposed dividend amounts to CHF 126.6 million.

15 Trade accounts receivable and other receivables

CHF millions	31.12.2019	31.12.2020
Trade accounts receivable ¹	579.3	538.7
Other financial receivables	69.6	89.4
Other receivables	38.1	31.3
Total	687.0	659.4

1 Of which, an amount of CHF 459.8 millions (previous year: CHF 491.4 million) stems from contracts with customers pursuant to IFRS 15.

The following table shows the ageing of trade accounts receivable:

CHF millions	31.12.2019			31.12.2020		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Trade accounts receivable	603.8	-24.5	579.3	562.9	-24.2	538.7
of which:						
– not past due	489.3	-1.5	487.8	462.7	-1.7	461.0
– 1–30 days past due	48.9	-2.0	46.9	39.8	-0.5	39.3
– 31–360 days past due	35.8	-4.3	31.5	35.9	-6.5	29.4
– over 360 days past due	29.8	-16.7	13.1	24.5	-15.5	9.0

Most of the trade accounts receivable are due for payment between 30 and 60 days. The business combinations in the reporting

year increased trade accounts receivable by CHF 6.1 million.

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

CHF millions	Trade receivables	Other financial receivables	Loans
Loss allowances at 31.12.2018	17.3	2.7	8.4
Addition/release	10.1	0.7	
Derecognition of uncollectable receivables	-2.7	-1.8	
Currency translations	-0.2		
Loss allowances at 31.12.2019	24.5	1.6	8.4
Addition/release	3.4	-0.1	-0.1
Derecognition of uncollectable receivables	-3.5		
Currency translations	-0.1		
Removal from scope of consolidation	-0.1		
Loss allowances at 31.12.2020	24.2	1.5	8.3

There is no material loss allowance for other financial assets. The other balance sheet items

contain no material overdue but unimpaired financial assets.

Accounting Policies

Depending on the amount, trade accounts receivable are subjected to an impairment test and, if necessary, individual writedowns are made. In the case of energy trading trade accounts receivable, probabilities of default are calculated on the basis of externally or internally calculated counterparty ratings and corresponding impairments are recognised for

expected losses occurring within the next 12 months. The simplified impairment model is applied to the remaining trade receivables. Assets are assessed here on the basis of being in arrears and grouped into various categories. Different impairment rates for the expected losses over the entire residual term are allocated to these groups based on historical values.

16 Contract assets and contract liabilities

Contract assets and contract liabilities as at 31 December 2020 included a writedown of CHF 0.1 million for expected defaults on receivables in accordance with the provisions of IFRS 9 (previous year: CHF 0.1 million).

Recognised revenue from contract liabilities included at the start of the reporting period amounted to CHF 66.0 million (previous year: CHF 39.1 million).

CHF millions	2019	2020
Expected future income from existing contracts	1,015.3	1,213.5
thereof:		
– expected within the next 12 months	725.7	912.3
– expected after 12 months	289.6	301.2

Accounting Policies

Contract assets exist in connection with the provision of engineering planning and consulting services for energy, infrastructure and environmental projects, planning and installation services in the field of building technology, and the construction, servicing and maintenance of energy, telecommunications, transport and water networks. These are primarily customer-specific construction contracts for which a right to consideration exists for goods or services that are transferred to the customer. If consideration is received before

goods or services are transferred to the customer, a contract liability is recognised.

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

17 Inventories

CHF millions	31.12.2019	31.12.2020
Goods and materials	29.1	30.4
Valuation adjustment on goods and materials	-0.8	-0.9
Certificates (proprietary trading)	10.2	11.0
Certificates (own use)	17.4	26.2
Total	55.9	66.7

Accounting Policies

Stock materials

The acquisition/manufacturing cost of raw and auxiliary materials is measured at the weighted moving average. Semi-finished and finished products include the directly assignable cost and share of overall construction costs. Stock materials with an unsatisfactory turnover are written off in full or in part.

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

Emission rights and green certificates

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

For transactions in emission rights and certificates conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption for traders in raw materials and commodities. The brokerage exemption stipulates that these may be recognised at fair value, less costs to sell. Changes in value on the balance sheet date as well as realised purchases and sales are recorded in the income statement. Transactions in derivatives on emission rights that are conducted with the intention of achieving a trading margin are treated in the same way as energy-trading derivatives (see Note 29).

18 Accrued/deferred income and prepaid/accrued expenses

CHF millions	31.12.2019	31.12.2020
Financial accruals	75.5	100.2
Other prepaid expenses and accrued income	16.3	25.0
Total prepaid expenses and accrued income	91.8	125.2
Financial accruals	139.6	141.3
Other deferred income and accrued expenses	58.3	62.6
Total deferred income and accrued expenses	197.9	203.9

In the case of financial accruals and deferrals, a general impairment is recognised in accord-

ance with the simplified impairment model pursuant to IFRS 9.

19 Financial assets

CHF millions	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Loans	Term deposits	Interest in state funds	Other non-current assets	Total
At 31.12.2019	7.2	30.9	51.3	96.7	1,301.3	42.4	1,529.8
Changes in the scope of consolidation	0.3		-6.9			0.3	-6.3
Additions	0.4	20.0	7.1	90.0	30.4	0.4	148.3
Disposals	-0.5	-0.4	-7.2	-95.0	-86.5	-19.6	-209.2
Currency translations			-0.2				-0.2
Value adjustment in the income statement		-0.1	0.9		41.8		42.6
Value adjustment in other comprehensive income	0.1						0.1
At 31.12.2020	7.5	50.4	45.0	91.7	1,287.0	23.5	1,505.1
of which:							
– Current financial assets		50.4	22.1	91.0	47.4		210.9
– Non-current financial assets	7.5		22.9	0.7	1,239.6	23.5	1,294.2
of which:							
– Financial assets according to IAS 32 and IFRS 9	7.5	50.4	45.0	91.7		23.5	218.1
– Other assets					1,287.0		1,287.0

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

In November 2016, BKW sold a Swissgrid convertible loan totalling CHF 97.2 million to Credit Suisse. The loan was sold without the associated conversion right. As certain conditions transpire, Swissgrid can or must convert the loan into equity, and BKW undertakes to acquire the resulting share of Swissgrid equity.

Thus, although BKW sold the loan, it entered into a directly linked obligation at the same time. The loan could therefore not be derecognised. By the end of the 2020 financial year, the loan had been amortised by CHF 58.2 million. As at 31 December 2020, CHF 19.5 million was still reported under "Other non-current assets" and CHF 19.5 million under "Other receivables". The liabilities are listed as CHF 19.5 million under non-current and CHF 19.5 million under current liabilities (see Notes 23 and 27).

CHF millions	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Loans	Term deposits	Interest in state funds	Other non-current assets	Total
At 31.12.2018	7.4	136.9	71.2	106.4	1,169.8	65.0	1,556.7
Changes in the scope of consolidation	0.2		3.4	0.1		0.9	4.6
Additions	0.2	9.7	12.9	95.3	30.4	0.1	148.6
Disposals	-0.6	-115.6	-35.0	-105.0	-46.6	-23.5	-326.3
Currency translations			-1.2	-0.1		-0.1	-1.4
Value adjustment in the income statement		-0.1			147.7		147.6
At 31.12.2019	7.2	30.9	51.3	96.7	1,301.3	42.4	1,529.8
of which:							
– Current financial assets		30.9	15.8	95.9	84.7		227.3
– Non-current financial assets	7.2		35.5	0.8	1,216.6	42.4	1,302.5
of which:							
– Financial assets according to IAS 32 and IFRS 9	7.2	30.9	51.3	96.7		42.4	228.5
– Other assets					1,301.3		1,301.3

Accounting Policies

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

Financial assets are recorded and derecognised on the trade date.

Stock exchange-listed securities that constitute part of a portfolio of financial instruments, that are jointly managed and that are regularly purchased and sold are categorised as "Assets at fair value through profit or loss" and recorded under current assets. Other holdings and securities are allocated to the "Financial assets at fair value through other comprehensive income" category and reported under non-current assets. Term deposits, loans and

other financial assets are valued at amortised cost. Pursuant to IFRS 9, in the case of term deposits and loans, probabilities of default are calculated on the basis of externally or internally calculated counterparty ratings, and corresponding impairments are recognised for expected losses occurring within the next 12 months.

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

20 Investments in associates

CHF millions	Total
At 31.12.2018	1,481.7
Changes in the consolidation method	-0.6
Disposals	-33.4
Dividends	-21.5
Pro rata income	35.7
Currency translations	-21.8
Actuarial gains/losses	-12.8
Hedging transactions	-4.7
At 31.12.2019	1,422.6
Additions	5.1
Changes in the consolidation method	-0.9
Disposals	-26.1
Dividends	-20.9
Pro rata income	39.0
Currency translations	-14.2
Actuarial gains/losses	7.6
Hedging transactions	-3.1
At 31.12.2020	1,409.1

The change in the consolidation method relates to Abonax AG. Following a step acquisition (see Note 5), this company no longer qualifies as an associate, but is now considered to be a Group company. Among the "Additions" is a capital increase at Nordic Wind Power DA (CHF 5.1 million).

The "Disposals" include capital reductions at Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG (CHF 21.2 million) and at EP Produzione Centrale Livorno Ferraris S.p.A. (CHF 4.9 million).

Pro rata key figures for associates at 31.12.2020

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

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	New renewable energy	Other	Total Energy	Grid	Services	Total
Current assets	36.7	61.1	35.7	19.8	4.4	157.7	182.9	2.7	343.3
Non-current assets	1,002.9	811.9	473.1	187.4	26.4	2,501.7	942.3	2.2	3,446.2
Current liabilities	-175.9	-54.8	-21.5	-9.2	-2.0	-263.4	-131.3	-0.2	-394.9
Non-current liabilities	-578.5	-679.6	-9.6	-121.9	-17.2	-1,406.8	-577.8	-0.9	-1,985.5
Shareholders' equity	285.2	138.6	477.7	76.1	11.6	989.2	416.1	3.8	1,409.1
Income	160.1	136.7	84.7	22.5	9.0	413.0	247.7	3.2	663.9
Expenses	-152.2	-134.2	-78.7	-23.0	-8.7	-396.8	-225.0	-3.1	-624.9
Net profit/loss	7.9	2.5	6.0	-0.5	0.3	16.2	22.7	0.1	39.0
Other comprehensive income	1.0	3.7	0.0	-3.1	0.0	1.6	2.9	0.0	4.5
Comprehensive income	8.9	6.2	6.0	-3.6	0.3	17.8	25.6	0.1	43.5

All associates are valued using the equity method.

Of the total pro rata assets and liabilities, CHF 1,380.3 million (previous year: CHF 1,360.6 million) relate to net financial debt (financial liabilities less cash and cash equivalents and current financial assets).

Associates in the Energy segment are, in particular, partner plants. For these, BKW is obliged to pay the annual costs due on its share (including interest and repayment of borrowed funds). Energy produced by partner plants is billed to shareholders on the basis of existing agreements – irrespective of the current market prices – at the cost of production. Provisions for onerous energy procurement contracts are formed if the cost of production is above the future expected market price

due to the contractual obligation to pay energy production costs. Based on the obligation of the shareholders to pay production costs, it is assumed that the holdings in partner plants measured at the proportionate equity value are recoverable.

The pro rata annual costs for BKW for the purchase of energy in 2020 amounted to CHF 342.0 million (previous year: CHF 355.9 million). These are included in the energy procurement expense. The operating costs charged by nuclear storage facilities in 2020 amount to CHF 17.6 million (previous year: CHF 16.2 million) and are reported in Material and third-party services. CHF 746.4 million of the total pro rata assets and liabilities of partner plants (previous year: CHF 773.3 million) relate to net financial debt.

Pro rata key figures for associates at 31.12.2019

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

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	New renewable energy	Other	Total Energy	Grid	Services	Total
Current assets	40.1	65.0	36.5	14.8	5.2	161.6	126.1	2.6	290.3
Non-current assets	1,017.5	790.8	493.7	175.9	26.6	2,504.5	974.8	2.4	3,481.7
Current liabilities	-111.2	-77.1	-20.0	-9.8	-1.9	-220.0	-248.5	-0.3	-468.8
Non-current liabilities	-666.0	-641.3	-9.9	-94.5	-17.6	-1,429.3	-450.4	-0.9	-1,880.6
Shareholders' equity	280.4	137.4	500.3	86.4	12.3	1,016.8	402.0	3.8	1,422.6
Income	148.2	136.0	117.4	18.1	8.3	428.0	265.4	2.7	696.1
Expenses	-141.9	-129.1	-107.5	-16.8	-8.5	-403.8	-253.9	-2.7	-660.4
Net profit/loss	6.3	6.9	9.9	1.3	-0.2	24.2	11.5	0.0	35.7
Other comprehensive income	-4.0	-3.4	0.0	-4.8	0.0	-12.2	-5.3	0.0	-17.5
Comprehensive income	2.3	3.5	9.9	-3.5	-0.2	12.0	6.2	0.0	18.2

Key figures for major associates

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

100 % key figures CHF millions	Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG		Kraftwerke Oberhasli AG		Swissgrid AG	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Current assets	25.5	24.0	34.1	27.2	345.3	501.5
Non-current assets	1,408.9	1,355.8	809.2	801.1	2,679.6	2,589.1
Current liabilities	-32.7	-33.9	-102.2	-170.2	-687.2	-362.2
Non-current liabilities	-23.6	-23.7	-543.1	-454.1	-1,246.5	-1,598.8
Shareholders' equity	1,378.1	1,322.2	198.0	204.0	1,091.2	1,129.6
Shareholding in % as at 31.12.	33.0%	33.0%	50.0%	50.0%	36.1%	36.1%
Goodwill	0.0	0.0	0.0	0.0	5.9	5.9
Reported carrying amount of the investment	454.8	436.3	99.0	102.0	400.0	413.9
Income	146.6	115.5	143.6	149.7	677.8	680.4
Expenses	-123.4	-100.1	-137.0	-143.2	-646.0	-618.4
Net profit/loss	23.2	15.4	6.6	6.5	31.8	62.0
Other comprehensive income	0.0	0.0	-4.1	-0.4	-14.8	7.9
Comprehensive income	23.2	15.4	2.5	6.1	17.0	69.9
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0
Recognised proportionate result from associates	7.7	5.1	3.3	3.3	11.5	22.4
Dividend received	0.0	0.0	0.0	0.0	11.9	11.4

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

ferred to IFRS. Deviations from Swissgrid's actual figures will be captured in profit and loss calculations for the following year.

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

21 Property, plant and equipment

	Power plants	Mühleberg Nuclear Power Plant	Distribution grid	Buildings and land	Other property, plant and equipment	Construction in progress	Right-of-Use Assets	Total
CHF millions								
Gross values at 31.12.2019	2,136.4	1,306.8	3,289.6	239.5	296.9	198.2	302.2	7,769.6
Changes in the scope of consolidation	-5.5				-0.2		3.3	-2.4
Additions	1.1		12.8		15.1	178.2	35.8	243.0
Disposals	-0.2		-35.5	-1.9	-12.9	-0.3	-6.1	-56.9
Reclassifications	24.5	-0.2	131.8	22.2	18.9	-196.5	-0.7	0.0
Contract modifications							11.6	11.6
Currency translations	-4.8					-0.1	-0.9	-5.8
Gross values at 31.12.2020	2,151.5	1,306.6	3,398.7	259.8	317.8	179.5	345.2	7,959.1
Accumulated depreciation and impairments at 31.12.2019	1,016.2	1,306.8	1,627.4	121.4	186.3	0.7	90.9	4,349.7
Changes in the scope of consolidation	-3.3				-0.3		-0.2	-3.8
Depreciation	58.1		77.3	5.6	28.2		38.1	207.3
Impairment						0.3		0.3
Disposals	-0.3		-34.3	-0.3	-10.3	-0.3	-4.8	-50.3
Reclassifications		-0.2		0.2	0.5		-0.5	0.0
Currency translations	-1.4						-0.2	-1.6
Accumulated depreciation and impairments at 31.12.2020	1,069.3	1,306.6	1,670.4	126.9	204.4	0.7	123.3	4,501.6
Net values at 31.12.2020	1,082.2	0.0	1,728.3	132.9	113.4	178.8	221.9	3,457.5
- thereof pledged for liabilities	16.9			3.5	0.1			20.5

The change in the scope of consolidation relates to business combinations to the amount of CHF 4.6 million (see Note 5) and disposals of companies to the amount of CHF -7.0 million.

Additions of CHF 35.5 million for rights of use arising from leases do not impact cash and additions to assets under construction include a contribution in kind of CHF 4.0 million in

a newly formed subsidiary with non-controlling interests.

Borrowing costs amounting to CHF 0.4 million were capitalised in the reporting year (previous year: CHF 0.2 million). In the year under review, compensation of CHF 4.7 million for property, plant and equipment that was impaired, lost or decommissioned was charged to the income statement (previous year: CHF 2.9 million).

The following table contains information on the rights of use under leases (see Note 32) per asset class.

CHF millions	Power plants	Distribution grid	Buildings and land	Other property, plant and equipment	Total
Gross values at 31.12.2019	122.0	6.0	162.3	11.9	302.2
Changes in the scope of consolidation			3.3		3.3
Additions			23.7	12.1	35.8
Disposals		-0.2	-4.8	-1.1	-6.1
Reclassifications			0.4	-1.1	-0.7
Contract modifications		0.9	10.8	-0.1	11.6
Currency translations	-0.6		-0.3		-0.9
Gross values at 31.12.2020	121.4	6.7	195.4	21.7	345.2
Accumulated depreciation and impairments at 31.12.2019	65.8	1.6	20.8	2.7	90.9
Changes in the scope of consolidation			-0.2		-0.2
Depreciation	4.3	1.9	26.9	5.0	38.1
Disposals		-0.2	-3.5	-1.1	-4.8
Reclassifications				-0.5	-0.5
Currency translations	-0.3		0.1		-0.2
Accumulated depreciation and impairments at 31.12.2019	69.8	3.3	44.1	6.1	123.3
Net values at 31.12.2020	51.6	3.4	151.3	15.6	221.9
– of which land lease for wind parks			37.5		

CHF millions	Power plants	Mühleberg Nuclear Power Plant	Distribution grid	Buildings and land	Other property, plant and equipment	Construction in progress	Right-of-Use Assets	Total
At 01.01.2019	2,079.1	1,468.3	3,174.7	225.5	261.7	256.4	268.7	7,734.4
Changes in the scope of consolidation	2.1			14.3	20.0	1.4	31.8	69.6
Additions	18.9	19.6	4.9	0.1	8.2	195.4	14.4	261.5
Disposals	-3.4	-185.2	-30.2	-6.9	-18.5	-1.3	-3.7	-249.2
Reclassifications	77.3	4.1	140.2	6.7	26.3	-253.4	-1.2	-0.0
Contract modifications							-0.1	-0.1
Currency translations	-37.6			-0.2	-0.8	-0.3	-7.7	-46.6
Gross values at 31.12.2019	2,136.4	1,306.8	3,289.6	239.5	296.9	198.2	302.2	7,769.6
At 01.01.2019	954.2	1,468.3	1,582.7	118.6	177.5	1.7	56.9	4,359.9
Changes in the scope of consolidation					-0.2			-0.2
Depreciation	58.4	23.7	74.9	5.0	26.1		31.1	219.2
Impairment	18.7			0.3			6.5	25.5
Disposals	-2.3	-185.2	-30.2	-2.5	-17.2		-0.6	-238.0
Reversal of impairment						-1.0		-1.0
Reclassifications					0.4		-0.4	0.0
Currency translations	-12.8				-0.3		-2.6	-15.7
Accumulated depreciation and impairments at 31.12.2019	1,016.2	1,306.8	1,627.4	121.4	186.3	0.7	90.9	4,349.7
Net values at 31.12.2019	1,120.2	0.0	1,662.2	118.1	110.6	197.5	211.3	3,419.9
– thereof pledged for liabilities	19.0			10.8	0.1			29.9

In the change in the scope of consolidation in the previous year, CHF 66.7 million related to business combinations, CHF 3.3 million was associated with a change in the consolidation method of Wärme Mittelland AG and CHF -0.4 million related to disposals.

The non-cash additions of CHF 19.6 million to the Mühleberg Nuclear Power Plant were the result of revalued and additional disposal costs

incurred up to the decommissioning at the end of 2019. The disposals related to the nuclear fuel which was derecognised after the decommissioning of the power plant (net value: CHF 0).

Further non-cash additions for power plants comprised the entry of a CHF 4.9 million provision for restoration obligations in respect of wind farms, as well as entries of CHF 14.4 million for rights of use arising from leases.

The following table contains information from the previous year on the rights of use under leases per asset class.

	Power plants	Distribution grid	Buildings and land	Other property, plant and equipment	Total
CHF millions					
At 01.01.2019	126.7	6.0	129.8	6.2	268.7
Changes in the scope of consolidation			29.2	2.6	31.8
Additions			9.6	4.8	14.4
Disposals			-3.3	-0.4	-3.7
Reclassifications				-1.2	-1.2
Contract modifications			-0.1		-0.1
Currency translations	-4.7		-2.9	-0.1	-7.7
Gross values at 31.12.2019	122.0	6.0	162.3	11.9	302.2
At 01.01.2019	56.1	0.0	0.0	0.8	56.9
Depreciation	5.5	1.6	21.5	2.5	31.1
Impairment	6.5				6.5
Disposals			-0.5	-0.1	-0.6
Reclassifications				-0.4	-0.4
Currency translations	-2.3		-0.2	-0.1	-2.6
Accumulated depreciation and impairments at 31.12.2019	65.8	1.6	20.8	2.7	90.9
Net values at 31.12.2019	56.2	4.4	141.5	9.2	211.3
– of which land lease for wind parks			38.6		

Accounting Policies

Property, plant and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and recognised impairment losses. Depreciation is calculated systematically using the straight-line method and based on the useful lives of the assets. Property, plant and equipment dependent on concessions that will revert without compensation are written down at most over the expected term of the concession.

The present values of estimated costs for dismantling power plants are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 25).

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.

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

Buildings	50 years
Power plants	12 to 80 years
Distribution grid	20 to 60 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years

22 Intangible assets

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2019	171.7	863.3	354.5	1,389.5
Changes in the scope of consolidation		26.2	4.9	31.1
Additions from acquisitions	2.3		6.5	8.8
Additions from internally generated intangible assets			8.2	8.2
Disposals			-4.2	-4.2
Currency translations	-0.4	-1.6	-0.4	-2.4
Gross values at 31.12.2020	173.6	887.9	369.5	1,431.0
Accumulated depreciation and impairments at 31.12.2019	130.6	93.6	151.6	375.8
Changes in the scope of consolidation			-0.1	-0.1
Depreciation	2.3		33.4	35.7
Disposals			-3.1	-3.1
Currency translations	-0.4		-0.1	-0.5
Accumulated depreciation and impairments at 31.12.2019	132.5	93.6	181.7	407.8
Net values at 31.12.2020	41.1	794.3	187.8	1,023.2

Changes in the scope of consolidation relate to business combinations to the amount of CHF 32.5 million (previous year: CHF 304.2 million) and disposals of companies to the amount of CHF -1.3 million (previous year: CHF -1.9 million).

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2018	174.3	621.5	297.8	1,093.6
Changes in the scope of consolidation	0.1	250.6	51.0	301.7
Additions from acquisitions	0.5		5.1	5.6
Additions from internally generated intangible assets			6.1	6.1
Disposals			-2.9	-2.9
Currency translations	-3.2	-8.8	-2.6	-14.6
Gross values at 31.12.2019	171.7	863.3	354.5	1,389.5
Accumulated depreciation and impairments at 31.12.2018	131.3	93.9	121.0	346.2
Changes in the scope of consolidation		-0.3	-0.3	-0.6
Depreciation	2.4		34.1	36.5
Impairment			0.5	0.5
Disposals			-2.9	-2.9
Currency translations	-3.1		-0.8	-3.9
Accumulated depreciation and impairments at 31.12.2019	130.6	93.6	151.6	375.8
Net values at 31.12.2019	41.1	769.7	202.9	1,013.7

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

CHF millions	31.12.2019	31.12.2020
Energy	107.9	107.6
Services	661.8	686.7
Total	769.7	794.3

The goodwill carried in the balance sheet was tested for impairment by comparing the carrying amount with the recoverable amount of the cash-generating units. The recoverable amount corresponds to the value in use. The calculations were made on the basis of estimated cash

flows from business projections approved by management over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill did not identify any need for impairment.

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

%	WACC (before tax)		WACC (after tax)		Long-term growth rate	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Energy	7.6	7.6	5.9	5.9	1.0	1.0
Services	8.3	8.8	6.5	6.9	1.0	1.0

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

Accounting Policies

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

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

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

Rights of use

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

Other

Software	3 to 8 years
Customer lists, technologies	4 to 10 years
Brands	indefinite

23 Trade accounts payable and other liabilities

CHF millions	31.12.2019	31.12.2020
Trade accounts payable	334.5	366.0
Other financial liabilities	165.4	120.6
Other liabilities	39.2	35.5
Pension plans	12.5	10.1
Total	551.6	532.2

Other financial liabilities include the short-term portion of the sold Swissgrid convertible loan (see Note 19) in the amount of CHF 19.5 million (previous year: CHF 19.5 million).

24 Financial liabilities

Financial liabilities comprise interest-bearing financial obligations, namely bonds, loans and lease liabilities. Bonds and loans are carried at amortised cost using the effective interest method. Lease liabilities are accounted for in accordance with IFRS 16.

CHF millions	31.12.2019	31.12.2020
Bonds	891.9	894.0
Registered bonds	284.4	283.9
Lease liabilities	180.1	191.5
Bank liabilities	86.6	80.6
Other financial liabilities	93.4	88.1
Total	1,536.4	1,538.1
of which:		
– Current financial liabilities	89.1	108.0
– Non-current financial liabilities	1,447.3	1,430.1

	31.12.2019	Financing cash flows	Currency translations	Changes in fair values	Other	31.12.2020
CHF millions						
Current financial liabilities	89.1	-46.9	-0.2	0.0	66.0	108.0
– Lease liabilities	32.9	-37.5	0.0		42.9	38.3
– Bank liabilities	6.2	-3.2	0.0		22.8	25.8
– Other financial liabilities	50.0	-6.2	-0.2		0.3	43.9
Non-current financial liabilities	1,447.3	-0.7	-2.0	1.2	-15.7	1,430.1
– Bonds	891.9			1.2	0.9	894.0
– Registered bonds	284.4		-1.4		0.9	283.9
– Lease liabilities	147.2	0.3	-0.5		6.2	153.2
– Bank liabilities	80.4	-1.8	-0.1		-23.7	54.8
– Other financial liabilities	43.4	0.8	0.0		0.0	44.2
Other non-current liabilities	410.5	14.9	-0.5		-70.5	354.4
Total liabilities from financing activities	1,946.9	-32.7	-2.7	1.2	-20.2	1,892.5

In the reporting year, changes in the scope of consolidation have increased the liabilities

from financing activities by CHF 2.4 million (previous year: CHF 55.2 million).

	01.01.2019	Financing cash flows	Currency translations	Changes in fair values	Other	31.12.2019
CHF millions						
Current financial liabilities	435.6	-383.9	-1.9	0.0	39.3	89.1
– Bonds	349.5	-350.0			0.5	0.0
– Lease liabilities	27.2	-28.9	-0.6		35.2	32.9
– Bank liabilities	18.8	-15.4	-0.1		2.9	6.2
– Other financial liabilities	40.1	10.4	-1.2		0.7	50.0
Non-current financial liabilities	1,273.5	171.8	-15.1	-2.9	20.0	1,447.3
– Bonds	693.9	200.0		-2.9	0.9	891.9
– Registered bonds	294.4		-10.8		0.8	284.4
– Lease liabilities	142.9	0.0	-3.3		7.6	147.2
– Bank liabilities	100.5	-22.9	-1.0		3.8	80.4
– Other financial liabilities	41.8	-5.3			6.9	43.4
Other non-current liabilities	407.7	22.4	-0.9		-18.7	410.5
Total liabilities from financing activities	2,116.8	-189.7	-17.9	-2.9	40.6	1,946.9

25 Provisions

CHF millions	Nuclear waste disposal	Onerous contracts	Other provisions	Total
At 31.12.2018	1,513.7	282.2	48.9	1,844.8
Changes in the scope of consolidation			7.0	7.0
Provisions added	5.7	10.2	13.4	29.3
Interest	53.0	7.7	0.7	61.4
Provisions used	-63.6	-35.8	-5.3	-104.7
Provisions released		-9.7	-6.0	-15.7
Change in estimate for nuclear disposal	13.9			13.9
Currency translations			-1.1	-1.1
At 31.12.2019	1,522.7	254.6	57.6	1,834.9
Changes in the scope of consolidation			2.0	2.0
Provisions added		34.4	10.1	44.5
Interest	33.4	6.4	0.7	40.5
Provisions used	-132.8	-17.8	-5.7	-156.3
Provisions released		-4.8	-1.7	-6.5
Currency translations			-0.2	-0.2
At 31.12.2020	1,423.3	272.8	62.8	1,758.9
of which:				
– Current provisions	143.0	25.1	10.7	178.8
– Non-current provisions	1,280.3	247.7	52.1	1,580.1

Nuclear waste disposal

At 31 December 2020, the provision for nuclear waste disposal comprised the following:

- CHF 735.2 million (previous year: CHF 829.4 million) is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown of the power operation, as well as the costs of dismantling and disposing of the plant and rehabilitation of the surrounding area. Payments are anticipated to continue until conclusion of the decommissioning activities, provisionally in 2034. The costs for disposal of decommissioning waste will continue to fall due until all of this waste has been put into to the storage facility for weak to medium-active nuclear waste (scheduled for 2061).

In the reporting year, CHF 108.5 million (previous year: CHF 35.5 million) in provisions

for decommissioning and post-operation were used. Of this, CHF 33.7 million (previous year: CHF 27.3 million) related to costs for which the company is entitled to a reimbursement from the state funds.

- A further CHF 688.1 million (previous year: CHF 693.3 million) is set aside for the disposal of spent fuel elements and radioactive waste outside the plant compound. These payments will fall due on an ongoing basis until the final storage depot for highly active nuclear waste is sealed off. This is currently scheduled for the year 2126.

In the reporting year, CHF 24.3 million (previous year: CHF 28.1 million) in provisions for disposal were used. Of this, CHF 24.3 million (previous year CHF 0 million) related to costs for which the company is entitled to a reimbursement from the state funds.

In the previous year there was an allocation of CHF 5.7 million owing to the annual additional disposal costs of operating the power plant. This allocation resulted in an equivalent increase in acquisition costs of nuclear fuel without affecting income. No further allocations were made during the reporting year owing to the decommissioning of the power plant.

Due to the adjustment in the parameters of inflation and return on investment in connection with the revised SEFV (see Note 4.2), an estimate adjustment of CHF 13.9 million was carried out in 2019. The adjustment increased the acquisition costs for the power plants in the same amount without affecting income.

As the owner of Mühleberg Nuclear Power Plant, BKW is required by law to decommission the plant after the operating phase ending on 20 December 2019 and to dispose of the nuclear waste. The expected costs of decommissioning and disposal were capitalised and a corresponding provision was recognised on the date on which the plant went into operation. Furthermore, the additional disposal costs incurred by power plant operation were capitalised annually and subsequently written down and the corresponding provision was recognised. The decommissioning and waste disposal costs are subject to regular review. The present value of estimated decommissioning and disposal costs is provisioned and adjusted annually subject to interest. The same amount was capitalised during operations together with the acquisition/manufacturing costs of the plant and written down over the useful life using the straight-line method.

For calculating provisions for decommissioning and disposal, the following assumptions were made that have not changed since the previous year:

- Average inflation rate of 1.0%.
- Interest rate of 2.75%.

Due to the short-term timeframe (to 2024), 0.5% is now used for both the interest rate and for inflation for the post-operational phase.

Since 2019, the assumptions used no longer correspond to the parameters defined in the Decommissioning and Waste Disposal Funds Ordinance (SEFV), as BKW no longer considers them appropriate due to the adjustments made. Instead, BKW applies its own estimates (see Note 4.2 for an explanation).

Until 2022, BKW is required to make payments to the state funds for decommissioning and nuclear waste disposal. These funds reimburse the costs of decommissioning and disposal on behalf of operators following shutdown of the plants. During the reporting year, BKW received reimbursement from the funds amounting to CHF 86.5 million (previous year: CHF 46.6 million). The state fund receivables are disclosed under financial assets (see Note 19).

Onerous contracts

The majority of the provisions for onerous contracts relate to energy procurement contracts and cover the future purchase of energy from partner plants at production costs that exceed the expected realisable selling prices. These provisions are associated with the energy procurement contracts agreed with the fossil-fuel power stations at Wilhelmshaven in Germany and Livorno Ferraris in Italy. In the reporting year, the provisions were increased by a net CHF 10.2 million owing to updated expectations for future electricity price developments (previous year: decrease of CHF 35.3 million).

The cash outflow from provisions results from BKW's obligation to take the electricity produced at production cost and extends over a period of seven years. The provisions for onerous contracts also include provisions for impending losses from customer contracts. The cash outflow from these provisions is largely anticipated in the subsequent two years.

Other provisions

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

Accounting Policies

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

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

26 Pension plans

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

Employees of BKW in Switzerland are covered by Pensionskasse BKW and other autonomous pension funds, which are classed as defined benefit plans under IAS 19. Outside of Switzerland, some employees are also covered by defined pension plans in accordance with IAS 19. Independent pensions experts carry

out annual assessments in line with the terms of IAS 19, based on the projected-unit-credit method.

Pensionskasse BKW

The majority of employees working in Switzerland are covered by the Pensionskasse der Bernischen Kraftwerke (Pensionskasse BKW) pension fund. Pensionskasse BKW takes the form of a pension fund organised as a foundation established under private law. Its pension plan corresponds to a defined contribution plan under Swiss law. The supreme governing body of the Pensionskasse BKW foundation is the Board of Trustees, which is composed of an equal number of representatives of the employer and the employees. The benefits and financing of Pensionskasse BKW are stipulated in pension regulations. These are issued by the Board of the foundation. The Board delegates the management of the business to the executive management. The foundation is subject to supervision by the relevant authority of the Canton of Bern.

The pension plan assets are invested in a widely diversified portfolio in Switzerland and abroad in line with the statutory requirements and the guidelines issued by the Board. Assets are invested to guarantee security and an appropriate return on the investment, with a balanced distribution of risks and coverage of the forecast requirement of cash and cash equivalents. The occupational pensions expert prepares the annual actuarial valuation and verifies the financial and actuarial situation of Pensionskasse BKW. The unaudited actuarial coverage rate of Pensionskasse BKW in accordance with BVG at 31 December 2020 with an actuarial interest rate of 1.50% (previous year: 1.75%) was 111.7% (previous year: 112.9%). In the event of a coverage shortfall according to BVG, the Board must, in agreement with the occupational pensions expert, agree suitable recovery

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

The pension liabilities of various smaller Group companies were previously reported net in the following table. Following an update to the underlying data for these companies, plan assets and pension liabilities are now reported gross. The reporting change was introduced on 1 January 2019 and resulted in an increase of CHF 189.4 million in both plan assets and pension liabilities. There was therefore no effect on the income statement, statement of comprehensive income or balance sheet for the years shown.

26.1 Pension liability recorded in the balance sheet

CHF millions	31.12.2019	31.12.2020
Present value of defined benefit obligations	-2,587.7	-2,667.1
Fair value of plan assets	2,348.9	2,409.3
Net pension liability recorded in the balance sheet	-238.8	-257.8
of which amount disclosed as credit	0.0	0.0
of which amount disclosed as liability	-238.8	-257.8

26.2 Pension expense according to IAS 19

CHF millions	2019	2020
Current service cost (employer)	36.4	47.9
Past service cost (employer)	0.0	-0.4
Interest expenses on defined benefit obligation	14.7	5.7
Interest income from plan assets	-13.3	-5.0
Administration costs excluding costs for management of plan assets	0.9	1.1
Pension plan expenses	38.7	49.3

26.3 Remeasurement of employee pension plans

CHF millions	2019	2020
Actuarial gains/losses		
– Change in financial assumptions	119.7	31.6
– Change in demographic assumptions	0.0	-25.4
– Adjustments based on experience	19.6	56.7
Return on plan assets (excluding interest based on discount rate)	-170.9	-67.0
Total revaluation reported in other comprehensive income	-31.6	-4.1

26.4 Change in present value of defined benefit obligation

CHF millions	2019	2020
Present value of defined benefit obligation at 01.01.	2,197.0	2,587.7
Interest expenses on defined benefit obligation	14.7	5.7
Current service cost (employer)	36.4	49.9
Contributions paid/benefits paid out	-62.2	-90.1
Employee contributions	22.8	28.4
Past service cost (employer)	0.0	-0.4
Business combination	237.6	21.9
Administration costs (excluding asset management costs)	0.9	1.1
Actuarial gains/losses	140.5	62.9
Present value of defined benefit obligations at 31.12.	2,587.7	2,667.1

At the balance sheet date, the active members' share of the defined benefit obligation was CHF 1,644.3 million (previous year: CHF 1,600.3

million). The share of those drawing a pension in the defined benefit obligation was CHF 1,022.8 million (previous year: CHF 987.4 million).

26.5 Change in fair value of plan assets

CHF millions	2019	2020
Fair value of plan assets at 01.01.	2,005.3	2,348.9
Interest income from plan assets	13.4	5.0
Employer contributions	31.2	37.9
Employee contributions	22.9	28.4
Contributions paid/benefits paid out	-62.3	-91.2
Business combination	167.5	13.3
Return on plan assets (excluding interest based on discount rate)	170.9	67.0
Fair value of plan assets at 31.12.	2,348.9	2,409.3

26.6 Asset structure of plan assets

CHF millions	31.12.2019	%	31.12.2020	%
Cash and cash equivalents	87.8	3.7	81.6	3.4
Equity instruments	772.7	32.9	825.5	34.3
Debt instruments	817.6	34.8	824.0	34.2
Other instruments	218.3	9.3	210.1	8.7
Properties	452.5	19.3	468.1	19.4
Total plan assets	2,348.9	100.0	2,409.3	100.0
– thereof own transferrable financial instruments	3.4		4.7	
– thereof properties used by BKW	19.1		17.0	

Equity capital instruments include investments in shares and are generally listed at their market price in an active market. As a percentage of the total assets, the proportion of Swiss shares at the end of the reporting period was 17.8% (previous year: 15.4%) and that of foreign shares was 16.4% (previous year: 17.6%). Investments in Swiss and foreign shares are made directly (through external asset managers) and through investment foundations and funds.

The composition of debt instruments as a percentage of total assets on 31 December 2020 was 17.2% (previous year: 16.3%) for Swiss bonds, 7.9% (previous year: 8.4%) for foreign bonds with currency hedging and 8.8% (previous year: 9.6%) for mortgage loans and mortgage bonds. The bonds and mortgage bonds are listed in an active market at their market price, whereas there is no market price listing in an active market for the mortgage loans.

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

On 31 December 2020, the proportion of property as a percentage of total assets was split between 9.5% (previous year: 10.1%) for properties (direct investments in Switzer-

land) and 6.5% (previous year: 7.0%) for property funds listed in active markets (of which almost half involved foreign properties).

The effective return from the plan assets was 3.0% in the current year (previous year: 11.2%).

26.7 Actuarial assumptions

	Switzerland 2019	Germany 2019	Switzerland 2020	Germany 2020
Discount rate	0.25 %	1.11 %	0.15 %	0.74 %
Expected rate of future salary increases	0.50 %	2.75 %	0.50 %	2.75 %
Expected rate of future pension increases	0.00 %	1.75 %	0.00 %	1.75 %
Mortality table	BVG 2015 GT	Heubeck 2018 G	BVG 2015 GT	Heubeck 2018 G

The weighted average term of the employee pension plan obligation amounted to 14.7 years (previous year: 14.8 years). The change in demographic assumptions (Note 26.3) relates

to an update assessment of the likelihood of departure and of the level of lump-sum withdrawals on the basis of Pensionkasse BKW's past experience.

Sensitivities of the major actuarial assumptions

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

31.12.2020 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-85.3	90.8
Salary increase (0.25% change)	5.4	-5.9
Changes in pensions (+0.20% change)	67.7	-
Life expectancy (1 year change)	79.3	-80.7

31.12.2019 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-80.9	86.5
Salary increase (0.25% change)	4.7	-4.8
Changes in pensions (+0.20% change)	69.0	-
Life expectancy (1 year change)	76.8	-78.0

The sensitivity analysis was conducted on the basis of a method that extrapolates the impact on the employee pension plan obliga-

tion through changes in the above assumptions at the end of the reporting period.

26.8 Estimated contributions for the next period

CHF millions	2019	2020
Expected employer contributions	35.7	40.8
Expected employee contributions	26.9	30.2

27 Other non-current liabilities

CHF millions	31.12.2019	31.12.2020
Assigned rights of use	306.1	307.6
Other non-current financial liabilities	104.1	46.6
Other non-current liabilities	0.3	0.2
Total	410.5	354.4

Liabilities resulting from the sale of the Swissgrid convertible loan in November 2016 are now recorded at CHF 19.5 million under "Other non-current liabilities". The transaction is detailed in Note 19.

The assigned rights of use consist of third-party payments for transit rights to transmission systems, plant usage rights and

contributions to grid costs (connection contributions). Such assigned rights are recognised in the balance sheet at the nominal value of the cash inflow less any reversed amounts charged to income. The liability is reversed on a straight-line basis over the useful life of the facility but for no longer than the life of the relevant assigned right.

28 Share capital and reserves

28.1 Share capital

The issued and fully paid-in share capital of BKW AG amounting to CHF 132.0 million con-

sists of 52,800,000 registered shares at a par value of CHF 2.50 each.

Major shareholders

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

	31.12.2019	31.12.2020
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%

Transactions in treasury shares

	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2018	70,094	4.8	
Purchases	466,915	32.2	32.2
Sales	-515,985	-35.5	-30.3
31.12.2019	21,024	1.5	1.9
Purchases	520,814	44.5	44.5
Sales	-502,764	-42.3	-36.5
31.12.2020	39,074	3.7	8.0

28.2 Reserves

Capital reserves

Capital reserves include reserves paid in by shareholders.

Retained earnings

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

Treasury shares

BKW shares held by BKW or its Group companies are deducted from equity at acquisition cost.

As at 31 December 2020, 39,074 shares (previous year: 21,024) were held by BKW AG and its Group companies.

Other reserves (attributable to BKW shareholders)

CHF millions	Currency translations	Valuation reserve of financial assets measured at fair value	Hedging	Actuarial gains/losses	Total
At 31.12.2018	-302.1	-0.1	1.8	60.1	-240.3
Currency translations					
– Currency translations	-42.3				-42.3
Hedging transactions					
– Value adjustments of associates			-4.7		-4.7
Actuarial gains/losses					
– of Group companies				31.6	31.6
– of associates				-10.9	-10.9
Income taxes				-6.2	-6.2
At 31.12.2019	-344.4	-0.1	-2.9	74.6	-272.8
Currency translations					
– Currency translations	-19.0				-19.0
– Reclassification to the income statement	1.0				1.0
Financial assets at fair value through other comprehensive income					
– Value adjustments		0.1			0.1
– Reclassification to retained earnings		-0.1			-0.1
Hedging transactions					
– Value adjustments of Group companies			-0.1		-0.1
– Value adjustments of associates			-3.1		-3.1
Actuarial gains/losses					
– of Group companies				4.2	4.2
– of associates				6.4	6.4
Income taxes				-0.6	-0.6
At 31.12.2020	-362.4	-0.1	-6.1	84.6	-284.0

Currency translations

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

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

This valuation reserve includes changes in the value of financial assets at fair value through profit or loss until their realisation. When these

financial assets are sold, the valuation reserve is reclassified to retained earnings.

Hedging

The hedging reserve comprises unrealised changes in the value of financial instruments as a hedge of payment streams (cash flow hedge) and as a hedge of net investment in a foreign business operation (net investment hedge) in the amount of the effective portion of the hedge, as well as the realised gains and losses from completed hedging transactions that

have not yet been recognised in profit or loss since the underlying transaction has not yet been recognised in income.

Actuarial gains/losses

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

28.3 Capital management

BKW pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW capital management is to ensure the Group's long-term capital

market standing and financing capability by maintaining a balance sheet structure that is compatible with the defined target rating, and to keep the potential impact of fluctuations in the value of the entire financial and risk portfolio within narrow boundaries. BKW is committed to a consistent dividend payout based on a ratio of 40 to 50% of net profit adjusted for special effects. BKW's financial resources primarily serve the core business and provide the requisite scope for action in accordance with the requirements of the Group strategy. There were no changes in capital management in 2020.

29 Derivatives

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

CHF millions	Positive replacement value		Negative replacement value		Contract volume	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Futures (energy trading)					367.7	480.5
Forward contracts (energy trading)	138.5	143.1	124.5	205.5	2,091.6	1,825.1
Swaps			3.8	4.7	15.0	15.0
Exchange rate hedging	0.9	0.3	0.1	0.3	228.7	269.7
Hedge accounting						
– Swaps		0.3	1.2		100.0	100.0
– Exchange rate hedging				0.1		36.8
Total	139.4	143.7	129.6	210.6	2,803.0	2,727.1
of which:						
– Current derivatives	132.4	131.1	106.8	178.7		
– Non-current derivatives	7.0	12.6	22.8	31.9		

Accounting Policies

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

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

Energy derivatives

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

Transactions that are open on the balance sheet date are measured at fair value. BKW

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

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

30 Hedge accounting

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

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

The following hedging transactions were open on 31 December 2020:

Fair value hedge

An interest rate swap exists for conversion of fixed interest rates into variable rates/to hedge against fluctuations in the fair value of a portion of the Green Bond issue. This hedging relationship is assessed as highly effective and qualifies as a fair value hedge. The change in the fair value of the Green Bond amounted to CHF –1.2 million (previous year: CHF +1.0 million). No ineffective portion of this hedging relationship was reported in the financial result either in the reporting year or in the previous year.

Due to the imminent replacement of the CHF LIBOR by a new interest rate benchmark, the

contractual provisions of the interest rate swap will need to be amended in 2021. The assessment of the effectiveness of the hedging relationship and calculation of the value adjustment of the fair value of the Green Bond are based on the expectation that the change in interest rate benchmark will not have any impact. The contract volume of the interest rate swap is CHF 100 million.

Cash flow hedge

Various forward contracts exist for the purpose of hedging exchange rate fluctuations in respect of energy procurement in EUR. These hedging instruments were assessed as highly effective and qualify as cash flow hedges. In the reporting year, a loss of CHF 0.1 million was recorded in other comprehensive income for this hedging activity. No ineffective portion was reported in the financial result of the reporting year.

Net investment hedge

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

31 Related parties

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

CHF millions	Parent		Associates		Pension funds	
	2019	2020	2019	2020	2019	2020
Income						
– Energy sales	2.7	2.4	39.3	36.5		
– Other sales and services	5.4	2.3	21.3	79.0	1.3	2.7
– Interest and dividends	2.3	0.2	23.3	22.3		
Expenses						
– Energy purchases			218.0	245.7		
– Water charges	19.0	15.7				
– Other purchases and services	0.4	0.4	95.1	96.2	32.0	35.3
– Taxes and charges	2.5	2.2				
– Interest and dividends	50.1	61.1	0.1	0.0		
– Income taxes	20.5	23.9				
Assets						
– Cash and cash equivalents	23.1	23.8				
– Receivables and accruals	1.5	1.3	40.9	51.7	0.0	0.4
– Current financial assets			14.3	20.8		
– Loans			24.8	18.7		
– Rights of use			9.2	9.9		
Liabilities						
– Liabilities and accruals	19.9	24.7	23.1	33.2	11.7	9.5
– Loans	3.7	4.8				
– Rights of use			0.6	0.6		

Transactions with the parent

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

Transactions with associates

Reported transactions consist of energy deliveries, energy transports, dividends, construction/engineering services (income), operational management and maintenance/servicing (income), energy purchases, energy transport, material/third-party services and other services (expense). Energy produced by partner plants is billed to shareholders at production cost (including interest and repayment of borrowed funds) on the basis of existing partner contracts. In the 2020 financial year, associates borrowed CHF 6.6 million in loans from BKW (previous year: CHF 10.8 million in loans granted). Repayments reduced loans in the current year by CHF 6.1 million (previous year: CHF 28.5 million in repayments and a reduction of CHF 1.4 million owing to changes in the scope of consolidation). In the current year,

BKW capitalised services and materials from associates worth CHF 0.5 million (previous year: CHF 18.8 million).

Transactions with pension funds

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

Transactions with the Board of Directors and Group Executive Board

Remuneration

CHF millions	2019	2020
Short-term benefits	4.5	4.8
Contributions to pension plans	0.9	1.0
Share-based payments	1.5	1.7
Total	6.9	7.5

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

Executive Board can be found in the Remuneration Report, which is published in accordance with the Ordinance against Excessive Compensation in Listed Stock Companies.

Detailed information on the remuneration paid to the Board of Directors and the Group

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

In the 2020 financial year, BKW conducted no transactions with companies in which members of the Board of Directors and Group Executive Board have significant influence. In the 2019 financial year, BKW supplied energy amounting

to CHF 2.8 million and provided services amounting to CHF 0.5 million. At 31 December 2019, there were outstanding receivables from these companies in the amount of CHF 0.7 million.

32 Leasing

The lessee arrangements relate to wind farms, leases for land and distribution facilities, easements on land, building rentals, vehicles and other movable property, plant and equipment.

CHF millions	2019	2020
Leases in the consolidated income statement		
Income from operating leases	0.8	0.7
Expense relating to short-term leases	2.4	0.5
Expense relating to low-value assets	0.7	0.8
Expense relating to variable lease payments not included in the measurement of lease liabilities	0.4	0.4
Interest expense on lease liabilities	2.3	2.1
Leases in the consolidated cash flow statement		
Total cash outflows from lessee arrangements	34.8	41.7

The lessor arrangements mainly concern heating systems under heating contracts. The future undiscounted lease payments as at the balance sheet date were:

CHF millions	31.12.2019	31.12.2020
Up to 1 year	0.7	0.7
Later than 1 year and not later than 2 years	0.7	0.7
Later than 2 years and not later than 3 years	0.6	0.5
Later than 3 years and not later than 4 years	0.5	0.4
Later than 4 years and not later than 5 years	0.4	0.3
More than 5 years	4.0	3.5
Total	6.9	6.1

Accounting Policies

Assets from rights to use leased assets are reported in the balance sheet item "Property, plant and equipment". See Note 21.

Lease liabilities are presented in the balance sheet under current and non-current financial liabilities.

The terms of the lease liabilities are disclosed in Note 38.3. The lease liability is discounted by applying an incremental borrowing rate specific to maturities and countries, unless the interest rate on which the lease payments are based is available.

33 Additional disclosures on the cash flow statement

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

CHF millions	31.12.2019	31.12.2020
Bank and cash balances	668.6	810.1
Term deposits	14.9	15.0
Total cash and cash equivalents	683.5	825.1

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

CHF millions	2019	2020
Depreciation, amortisation and impairment	280.7	243.3
Income from associates	-35.7	-39.0
Gains/losses from sale of non-current assets	-1.5	0.5
Change in non-current provisions (excl. interest and excl. utilisation of nuclear provisions)	-1.3	26.8
Change in assigned rights of use	-12.5	-13.6
Change from the valuation of energy derivatives	-25.2	76.4
Other non-cash positions	9.6	12.7
Total adjustment for non-cash transactions	214.1	307.1

The cash outflow of CHF 57.9 million (previous year: CHF 244.6 million) for the acquisition of Group companies corresponds to the cash outflow for business combinations in the reporting year amounting to CHF 11.9 million (previous year: CHF 220.2 million, see Note 5 for details) plus the payments made in 2020 of deferred and contingent consideration liabilities amounting to CHF 46.0 million (previous year: CHF 24.4 million).

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

To facilitate comparison and interpretation of the effective operating cash flow, the "cash flow from operating activities" item includes a sub-total of the cash flow before utilisation of provisions for nuclear decommissioning and waste disposal.

This is because the costs for nuclear decommissioning and waste disposal will continue to be incurred in connection with the decommissioning of the Mühleberg Nuclear Power Plant in the future. These costs represent the utilisation of existing provisions and are therefore

charged to "cash flow from operating activities" determined in accordance with IAS 7. However, the nuclear decommissioning is not related to BKW's actual operating performance, and reported "cash flow from operating activities" is therefore not a suitable metric for assessing operating cash generation in BKW's view.

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

34 Share-based payment

BKW employees have the opportunity to purchase BKW AG share capital on preferential terms. Full-time employees of BKW and members of the Board of Directors (except the Group Executive Board and senior management) are offered a limited number of BKW shares every year at a fixed preferential price, set for that year, subject to a blocking period. In the reporting year, employees had the opportunity to acquire up to 371,675 shares in BKW (previous year: 348,650 shares) at a preferential price. In the 2020 financial year 85,464 shares (previous year: 79,148 shares) were purchased at a price of CHF 50.45 per share (previous year: CHF 45.45). The underlying present value per share was CHF 73.50 (previous year: CHF 68.30). The personnel expense for this share-based payment was CHF 2.0 million (previous year: CHF 1.8 million). No purchase rights remained open on the balance sheet date.

In addition, a performance-related bonus has been allocated to members of the Group Executive Board and senior management in the form of BKW shares as part of their fixed annual base salary. The allocation of shares to members of the Group Executive Board is decided on an annual basis for the current financial year. The shares are subject to a blocking period. In the 2020 financial year,

21,065 shares (previous year: 28,608 shares) with an underlying fair price of CHF 94.00 per share (previous year: CHF 69.70) were allocated. As part of the performance management process, BKW shares are allocated to senior management in March of the following year. In the 2020 financial year 20,221 shares (previous year: 22,314 shares) with an underlying fair price of CHF 78.20 per share (previous year: CHF 67.00) were allocated. The shares are subject to a blocking period. The total personnel expense booked for profit-sharing to the Group Executive Board and senior management amounted to CHF 3.6 million (previous year: CHF 3.5 million). No purchase rights remained open on the balance sheet date.

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

35 Group companies with material non-controlling interests

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

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

CHF millions	BKW Netzbeteiligung Ltd.	
	31.12.2019	31.12.2020
Non-controlling interests in %	49.9%	49.9%
Carrying amount of non-controlling interests	180.6	180.5
Net income allocated to non-controlling interests	5.9	5.7
Dividends on non-controlling interests	5.9	5.7
Balance sheet		
Non-current assets	361.7	361.7
Current assets	0.3	0.1
Non-current liabilities	0.0	0.0
Current liabilities	0.0	0.0
Income statement		
Financial income	11.8	11.4
Net profit	11.8	11.4
Cash flow statement		
Cash flow from operating activities	11.8	11.4
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	-11.8	-11.5

36 Assets and liabilities measured at fair value

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

- Level 1: valuations based exclusively on listed prices in active markets for identical assets or liabilities. BKW currently classifies listed securities and energy trading futures under this level.
- Level 2: valuations, the inputs to which are based on directly or indirectly observable market data. The inputs have a material impact on the recognised fair value. At this hierarchy level, BKW includes over-the-counter derivatives (all forward energy trading contracts, interest rate swaps and forward currency contracts) and the proportional share of net assets of the state funds (federal decommissioning and disposal funds). The assets of the state funds are managed by the government; BKW has no access to the managed assets. These assets are invested in accordance with the defined investment strategy, generally in products that have listed prices on active markets. To a limited extent, investments may also be made in assets for which there are no listed prices on active markets. Such investments are valued by the global custodian. BKW has no influence on the valuation method used. The annual statement of the funds is audited by external auditors each year and published by the federal offices responsible.

- Level 3: valuations that apply inputs with a material impact on fair value that are not based on observable market data. BKW mainly classifies unlisted equity instruments, contingent purchase price payments and liabilities relating to non-controlling interests under this level. Valuation of such assets requires management estimates of non-observable input factors and deferred purchase price payments. The fair values of Level 3 financial assets were determined using the discounted cash flow method and discounted based on a WACC of 5.2% (previous year: 5.3%). A realistic, constant margin was applied to the valuation models (the annual growth in the margin corresponds to inflation). The contingent purchase price payments and liabilities relating to non-controlling interests result from business combinations. The fair values take into account expected cash flows, sales forecasts and other performance criteria. The effect of a change of 10% in the most important non-observable input factors would have no material impact on comprehensive income and the equity of BKW.

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

CHF millions	Carrying amount at 31.12.2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial assets (current and non-current)				
– Interest in state funds	1,287.0		1,287.0	
– Debt instruments	50.4		50.4	
Derivatives (current and non-current)	143.7		143.7	
Inventories				
– Certificates (proprietary trading)	11.0	11.0		
Financial assets at fair value through other comprehensive income				
Non-current financial assets				
– Equity instruments	7.5			7.5
Financial liabilities at fair value through profit or loss				
Other financial liabilities (current and non-current)				
– Contingent purchase price liabilities in relation to business combinations	56.6			56.6
– Liabilities relating to non-controlling interests	6.8			6.8
Derivatives (current and non-current)	210.6		210.6	

CHF millions	Carrying amount at 31.12.2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial assets (current and non-current)				
– Interest in state funds	1,301.3		1,301.3	
– Debt instruments	30.9	1.0	29.9	
Derivatives (current and non-current)	139.4		139.4	
Inventories				
– Certificates (proprietary trading)	10.2	10.2		
Financial assets at fair value through other comprehensive income				
Non-current financial assets				
– Equity instruments	7.2			7.2
Financial liabilities at fair value through profit or loss				
Other financial liabilities (current and non-current)				
– Contingent purchase price liabilities in relation to business combinations	79.0			79.0
– Liabilities relating to non-controlling interests	10.8			10.8
Derivatives (current and non-current)	129.6		129.6	

In addition, the liabilities on 31 December 2020 include the following at fair value:

- Bonds in the amount of CHF 100.2 million (previous year: CHF 99.0 million) as part of a fair-value hedge (Level 2).

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

CHF millions	Equity instruments		Contingent purchase price liabilities		Liabilities to non-controlling interests	
	2019	2020	2019	2020	2019	2020
At 01.01.	7.4	7.2	56.8	79.0	8.1	10.8
Additions	0.5	0.7	47.6	10.3	5.0	
Disposals	-0.7	-0.4	-11.2	-27.1	-1.5	-3.6
Value adjustment						
– Transfer to income statement	n/a	n/a	-13.1	-5.2	-0.8	-0.4
– Changes in value included in other comprehensive income	0.0	0.0	-1.1	-0.4	0.0	0.0
At 31.12.	7.2	7.5	79.0	56.6	10.8	6.8

37 Disclosure of financial assets and liabilities

37.1 Carrying amount by balance sheet item and allocation to individual categories in accordance with IFRS 9

Financial assets

CHF millions	Note	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total	
		2019	2020	2019	2020	2019	2020	2019	2020
Cash and cash equivalents	33	683.5	825.1					683.5	825.1
Trade accounts receivable	15	579.3	538.7					579.3	538.7
Other current financial receivables	15	69.6	89.4					69.6	89.4
Current financial assets	19	111.7	113.1	30.9	50.4			142.6	163.5
Derivatives (current and non-current)	29			139.4	143.7			139.4	143.7
Financial accruals	18	75.5	100.2					75.5	100.2
Non-current financial assets	19	78.7	47.1			7.2	7.5	85.9	54.6
Total		1,598.3	1,713.6	170.3	194.1	7.2	7.5	1,775.8	1,915.2

Financial liabilities

CHF millions	Note	Financial liabilities at amortised cost		Financial liabilities at fair value through profit or loss		Lease liabilities		Total	
		2019	2020	2019	2020	2019	2020	2019	2020
Trade accounts payable	23	334.5	366.0					334.5	366.0
Other current financial liabilities	23	135.8	82.7	29.6	37.9			165.4	120.6
Current financial liabilities	24	56.2	69.7			32.9	38.3	89.1	108.0
Derivatives (current and non-current)	29			129.6	210.6			129.6	210.6
Financial accruals	18	139.6	141.3					139.6	141.3
Non-current financial liabilities	24	1,201.1	1,176.7	99.0	100.2	147.2	153.2	1,447.3	1,430.1
Other non-current financial liabilities	27	43.9	21.1	60.2	25.5			104.1	46.6
Total		1,911.1	1,857.5	318.4	374.2	180.1	191.5	2,409.6	2,423.2

Due to short residual terms to maturity, the carrying amounts of loans and receivables and financial liabilities at amortised cost correspond approximately to the fair value. On 31 December 2020, a difference existed between these values in respect of the debenture bonds,

which are included under non-current financial liabilities. The price of the bonds (fair value Level 1) as at year-end amounted to CHF 982.2 million (previous year: CHF 983.0 million) with a carrying amount of CHF 894.0 million (previous year: CHF 891.9 million).

37.2 Net results of financial assets and liabilities measured in accordance with IFRS 9**Net result**

CHF millions	Financial assets at amortised cost		Financial assets and liabilities at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial liabilities at amortised cost		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Included in net sales:										
– Income from proprietary energy trading			87.3	27.4					87.3	27.4
– Income from energy hedging			20.1	26.4					20.1	26.4
Included in other operating revenue			15.9	9.7					15.9	9.7
Included in operating expenses	–10.1	–3.4	–1.7	–3.5					–11.8	–6.9
Included in financial result	–0.2	2.3	–1.4	–1.5	0.2	0.1	–40.9	–35.9	–42.3	–35.0
Included in other comprehensive income			1.1	0.4	0.0	0.1	10.9	1.4	12.0	1.9
Total	–10.3	–1.1	121.3	58.9	0.2	0.2	–30.0	–34.5	81.2	23.5

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

37.3 Netting arrangements

BKW concludes reciprocal transactions with a range of contractual partners in the scope of its business activities. Where contractually agreed netting procedures have been agreed

and the prerequisites for netting balance sheet items have been met, the resulting receivables and liabilities due and owed are reported as net items in the balance sheet.

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

CHF millions	2019			2020		
	Gross values	Netting off	Net values	Gross values	Netting off	Net values
Trade accounts receivable	1,230.1	-650.8	579.3	1,255.8	-717.1	538.7
Trade accounts payable	-985.3	650.8	-334.5	-1,083.1	717.1	-366.0
Positive replacement values	692.8	-554.3	138.5	659.3	-516.2	143.1
Negative replacement values	-678.8	554.3	-124.5	-721.7	516.2	-205.5

38 Financial risk management

38.1 Principles of risk management

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

The spectrum of risk monitored by the BKW Group Executive Board includes external risks such as cyber security, the regulatory environment, climate and environmental topics, in addition to risks from the company's operating activities and strategy. The risks are quantified on the basis of their financial impact and probability and presented as a variation from planned values. Non-financial dimensions are also always taken into account.

Market price, share price, currency, liquidity, interest rate and credit risks are measured on a continual basis, and monitored, controlled and verified regularly in the periodic risk management process. In addition to management of operational risks, there are also principles for management of liquidity and current and non-current cash deposits. Risk management therefore forms an integral component of all of BKW's business and management processes (including strategic planning).

The Risk Management team reports directly to the Head of Finance and Controlling. It prepares the specifications and tools that allow a systematic approach to the topic of risk, coordinates the risk management process across the Group and supports the company management in assessing and controlling the risk situation. The Board of Directors last assessed the risks related to operating activities at its meeting on 3 December 2020.

38.2 Credit risks

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

Credit risks are managed using credit limits. Credit appraisal involves the use of an internal rating system which assigns credit ratings to counterparties. The appraisal also takes into account external ratings by recognised rating agencies. A credit limit is allocated to each counterparty based on the defined credit rating category and the reported equity, and this is monitored daily. If a credit limit is breached, measures are initiated in cooperation with operational areas. To assess the risk of the overall portfolio, risk weights are calculated using the Basel II internal ratings-based approach.

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

CHF millions	31.12.2019	31.12.2020
Rating AAA to AA-	214.0	323.1
Rating A+ to BBB-	876.0	821.9
Rating BB+ and lower	8.1	46.0
Other counterparties	400.0	407.3
Total	1,498.1	1,598.5
Included under:		
– Trade accounts receivable	579.3	538.7
– Derivatives (current and non-current)	139.4	143.7
– Current financial assets (term deposits only)	95.9	91.0
– Cash and cash equivalents	683.5	825.1

The maximum credit risk (excluding guarantees granted) corresponds to the amount of outstanding monetary financial assets on the balance sheet date. As at 31 December 2020, the maximum credit risk for BKW was CHF 1,907.7 million (previous year: CHF 1,768.8 million) and represents the carrying amount of all financial assets in accordance with Note 37.1, with the exception of the equity instruments contained there. The maximum loss presented

is based on the assumption that all counterparties simultaneously become unable to discharge their payment obligations and that existing collateral and netting arrangements cannot be utilised.

As at the balance sheet date, there were issued guarantees of CHF 36.0 million (previous year: CHF 38.3 million), which increase the maximum credit risk accordingly.

Collateral is required primarily for counterparties in the energy trading business, whereby the creditworthiness of the collateral issuer is assessed and rated. Customers may be granted a higher limit than defined for the assigned credit category if collateral is provided. These securities can cover both billed and unbilled items. Collateral amounting to CHF 74.1 million was held for trade accounts receivable and derivatives recognised on the balance sheet as at 31 December 2020 (previous year: CHF 123.8 million).

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

In geographical terms, the credit risks are primarily concentrated in Switzerland. On the balance sheet date, counterparties in Switzerland accounted for 79% of the credit risk (previous year: 75%).

38.3 Liquidity risks

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

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

Residual terms to maturity of financial liabilities

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

CHF millions	Note	Carrying amount at 31.12.2020	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Trade accounts payable	23	366.0	366.0				
Other current financial liabilities	23	120.6	120.6				
Financial accruals	18	141.3	141.3				
Financial liabilities	24	1,538.1	96.8	287.2	71.1	320.5	1,048.4
– of which lease liabilities	24	191.5	41.3	38.9	34.6	39.1	52.9
Other non-current financial liabilities	27	46.6	0.0	33.6	9.4	2.8	0.8
Total non-derivative liabilities		2,212.6	724.7	320.8	80.5	323.3	1,049.2
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	29	143.1	130.8	28.1	7.2	0.1	
– Negative replacement values	29	–205.5	–178.2	–37.8	–12.1	–0.3	
Net replacement values		–62.4	–47.5	–9.7	–5.0	–0.2	0.0
Currency forwards and swaps							
– Positive replacement values	29	0.6	0.3				0.3
– Negative replacement values	29	–5.1	–0.4				–4.7
Net replacement values		–4.5	–0.1	0.0	0.0	0.0	–4.4
Gross cash flows related to derivatives							
– Gross outflow			–7,867.4	–1,538.0	–608.0	–28.5	–101.6
– Gross inflow			7,969.2	1,582.1	458.2	13.2	100.5

Amounts in foreign currencies are converted at the exchange rate on the balance sheet date. The table shows the cash flows for interest-bearing liabilities including the corresponding

interest rate payments. The cash flows for derivative financial instruments do not take netting arrangements into account.

CHF millions	Note	Carrying amount at 31.12.2019	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Trade accounts payable	23	334.5	334.5				
Other current financial liabilities	23	165.4	165.4				
Financial accruals	18	139.6	139.6				
Financial liabilities	24	1,536.4	118.9	78.3	278.8	127.0	1,265.9
– of which lease liabilities	24	180.1	36.9	34.6	32.8	46.0	51.8
Other non-current financial liabilities	27	104.1	0.0	49.5	48.1	2.3	4.2
Total non-derivative liabilities		2,280.0	758.4	127.8	326.9	129.3	1,270.1
Derivative financial assets and liabilities							
Energy derivatives/options							
– Positive replacement values	29	138.5	130.4	17.6	2.8		
– Negative replacement values	29	–124.5	–105.7	–23.5	–7.6		
Net replacement values		14.0	24.7	–5.9	–4.8	0.0	0.0
Currency forwards and swaps							
– Positive replacement values	29	0.9	0.9				
– Negative replacement values	29	–5.1	–1.3				–3.8
Net replacement values		–4.2	–0.4	0.0	0.0	0.0	–3.8
Gross cash flows related to derivatives							
– Gross outflow			–8,041.9	–1,161.7	–480.5	–13.0	–102.1
– Gross inflow			8,229.9	1,147.2	362.8	5.6	100.8

38.4 Market risks

Market risks arise from price and exchange rate fluctuations on unhedged positions of the energy and financial business. In accordance with BKW's risk policy, the procedure for measuring, managing and monitoring risk positions has been defined. Energy and certificate price risks are managed centrally in Trading. When placing effect limits on overall risk, market correlations and market liquidity are considered using the value-at-risk-based market risk-capital (MRC) ratio. BKW's interest rate, share price risk and exchange rate risk are aggregated in a Group-level risk portfolio. The MRC, VaR and position limits required for manage-

ment purposes are approved by the Group Executive Board. Risk management ensures risks are continuously monitored and reported.

38.4.1 Share price risk

BKW is exposed to a share price risk for financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss, as well as for interests in state funds (see Note 19). Receivables from state funds do not come under the definition of a financial instrument under the terms of IAS 32 and consequently are not covered by the following statements on risk measurement.

38.4.2 Interest rate risks

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

38.4.3 Currency risks

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

38.4.4 Energy price risks/CO₂ certificate price risks

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

38.4.5 Risk measurement

The market risks of energy and certificate products are measured using the market risk capital ratio (MRC), while interest rate, exchange rate and share price risks are measured using a value-at-risk (VaR). For the VaR calculation BKW uses a confidence level of 99% with a one-year (interest rate products and equities) or one-day (currencies) holding period. For the MRC, a confidence level of 97.5% and maximum holding period of six months is used in accordance with Basel III rules.

Value at risk

CHF millions	31.12.2019	31.12.2020
Interest	0.1	0.7
Share price ¹	2.2	2.6
Currencies	1.6	0.7

1 Related to "Financial assets at fair value through other comprehensive income"

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

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

The risk of unfavourable price movements for unhedged positions in electricity, gas, CO₂, coal

and oil is determined using the market risk capital ratio (MRC) method. As a supplement to the VaR approach, the MRC ratio indicates the minimum risk capital that should be available to ensure trading losses arising from adverse market developments do not cause a liquidity bottleneck. The calculations are based on a Monte Carlo method, which considers both market correlations and market liquidity. The model parameters are estimated based on a rolling 512-day observation period. Risk management is based on MRC, VaR and position limits. Proprietary trading is additionally subject to loss limits. As at 31 December 2020, the MRC for proprietary trading amounted to CHF 34.1 million (previous year: CHF 21.6 million).

38.5 Climate risks

Risks associated with climate change may have a negative impact on BKW's business activity and thus its financial result. For this reason, the BKW Group Executive Board carries out systematic monitoring of climate risks, which it classifies in two categories. The first category comprises the physical risks. These include, for example, extreme weather events that may result in the unavailability of grids or power plants, or in the interruption of supply chains or failure of suppliers owing to extreme

weather events at the place of production. BKW also monitors transition risks. More stringent regulatory frameworks and the associated risk of stranded assets, changes to the market environment, new technologies, negative feedback from the capital market owing to carbon footprint or changes in consumer behaviour are all examples of risks in this category. BKW's monitoring allows it to make timely, proactive operational and strategic preparations for the risks associated with climate change.

39 Contingent liabilities and investment obligations

CHF millions	31.12.2019	31.12.2020
Guarantees		
– in favour of associates	1.2	2.6
– in favour of third parties	37.1	33.4
Investment obligations	11.8	4.8
Total	50.1	40.8

Contingent liabilities

CHF 14.0 million of the guarantees granted (previous year: CHF 16.5 million) have a term to maturity of up to 12 months. Guarantees amounting to CHF 6.5 million (previous year: CHF 6.0 million) are granted for an unlimited term.

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

Due to existing partner contracts, shareholders in partner plants are obliged to pay the annual

costs due on their shares (including interest and repayment of borrowed funds).

Investment obligations

The investment obligations relate to a Norwegian wind farm project with several wind farm sites. One wind farm site was already connected to the grid in 2019. The remaining wind farm sites were connected to the grid in 2020. Handover of the final turbines by the manufacturer is planned for the second quarter of 2021 at the latest. BKW's expected investment costs total EUR 85.0 million. EUR 80.5 million was invested up to 31 December 2020.

40 Events after the balance sheet date

Final compensation for the transmission grid previously owned by BKW – EICom ruling

The Federal Electricity Supply Act introduced on 23 March 2007 provided for the creation of a new national grid company as the new owner of the transmission grid, and for the compulsory purchase of the grid from its former owners. As a result, BKW and the other former owners of the transmission grid were required to transfer their sections of the grid to the national grid company Swissgrid at the beginning of 2013. At that time, the Federal Electricity Commission EICom had yet to give its decision on the valuation proceedings of the owners in relation to the value of the assets. The compensation received when the grid assets were transferred did not satisfactorily reflect the value of the seized assets. BKW pursued several successful legal cases in order to obtain a total level of compensation that matches the economic value of the transmission grid systems.

With its decision of 9 February 2021, EICom established the basis for the final compensation that Swissgrid must pay to BKW for its previous share of the transmission grid systems.

Following conclusion of the proceedings in the 2020 financial year, BKW recorded one-off income of CHF 38.7 million).

Acquisition – R&P Ruffert group

On 19 February 2021, BKW acquired the German R&P Ruffert group. Employing some 130 people, R&P Ruffert achieves sales in the low two-digit millions. It provides engineering and expert assessment services at several sites in western and eastern Germany, with a focus on the area of structural engineering. Through this acquisition BKW Engineering is expanding the expertise within its network and reinforcing its competitive position with multidisciplinary market leaders.

BKW anticipates goodwill in the low double-digit millions from this transaction.

Approval of the consolidated financial statements

The Board of Directors of BKW authorised the approval of these consolidated financial statements on 12 March 2021. The consolidated financial statements are subject to the approval of the BKW General Meeting on 7 May 2021.

Group companies and Associates

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies									
Switzerland									
A. Dietrich Kälte Klima Lüftung AG			●		Beringen	0.2	CHF	100.0	31.12.
A1 Elektro AG			●		Urdorf	0.1	CHF	100.0	31.12.
Abonax AG	●				St. Gallen	1.0	CHF	50.2	31.12.
AEK Build Tec AG			●		Rickenbach	0.1	CHF	100.0	31.12.
AEK Elektro AG			●		Solothurn	0.5	CHF	100.0	31.12.
AEK Energie AG	●	●	●	●	Solothurn	6.0	CHF	97.2	31.12.
AEK onyx AG	●	●	●	●	Solothurn	1.0	CHF	100.0	31.12.
AEK Pellet AG	●				Klus-Balsthal	9.0	CHF	100.0	31.12.
AEP Planung und Beratung AG			●		Widnau	0.1	CHF	100.0	31.12.
ahochn AG			●		Dübendorf	0.3	CHF	100.0	31.12.
Aicher, De Martin, Zweng AG			●		Lucerne	0.1	CHF	100.0	31.12.
antec group AG			●		Dübendorf	0.4	CHF	100.0	31.12.
antec operations AG			●		Dübendorf	0.1	CHF	100.0	31.12.
Arnold AG			●		Wangen an der Aare	0.5	CHF	100.0	31.12.
Arpe AG			●		Buckten	0.1	CHF	100.0	31.12.
ASAG Air System AG			●		Langenthal	0.1	CHF	100.0	31.12.
b+s Elektro Telematik AG			●		Ormalingen	0.1	CHF	100.0	31.12.
Balzer Ingenieure AG			●		Chur	0.1	CHF	100.0	31.12.
Baumeler Leitungsbau AG			●		Buchrain	0.1	CHF	100.0	31.12.
Biomassekraftwerk Otelfingen AG	●				Otelfingen	0.5	CHF	100.0	31.12.
BKW AEK Contracting AG	●				Solothurn	0.2	CHF	100.0	31.12.
BKW Building Solutions AG			●		Ostermundigen	0.2	CHF	100.0	31.12.
BKW Energie AG	●	●	●	●	Bern	132.0	CHF	100.0	31.12.
BKW Grid Switzerland Ltd.		●			Bern	0.1	CHF	100.0	31.12.
BKW Infra Services AG			●		Wangen an der Aare	0.1	CHF	100.0	31.12.
BKW Netzbeteiligung Ltd.		●			Bern	25.2	CHF	50.1	31.12.
BKW Wallis AG			●		Visp	0.1	CHF	100.0	31.12.
BPU Ingenieurunternehmung AG			●		Burgdorf	0.1	CHF	100.0	31.12.
cc energie sa			●		Murten	1.0	CHF	66.7	31.12.
ceed Ltd.			●		Solothurn	0.1	CHF	68.0	31.12.
Curea Elektro AG			●		Landquart	0.2	CHF	100.0	31.12.
Darnuzer Ingenieure AG			●		Davos	0.4	CHF	100.0	31.12.
E3 HLK AG			●		Kriens	0.1	CHF	100.0	31.12.
Electricité G. Bugnard SA			●		Bulle	0.1	CHF	100.0	31.12.
Elektrizitätswerke Wynau AG, Langenthal	●				Langenthal	3.0	CHF	100.0	31.12.
Elektro Feuz AG			●		Grindelwald	0.1	CHF	100.0	31.12.
Elektro Mischabel Group AG			●		St. Niklaus	0.1	CHF	100.0	31.12.
Elektro Naegelin AG			●		Frenkendorf	0.1	CHF	100.0	31.12.
Elektro Winter AG			●		Rapperswil-Jona	0.3	CHF	100.0	31.12.
Elektro-esk GmbH			●		St. Niklaus	0.02	CHF	100.0	31.12.
Elektro-Nikolai GmbH			●		St. Niklaus	0.02	CHF	100.0	31.12.
Elektro-oweg GmbH			●		Baltschieder	0.02	CHF	100.0	31.12.
enerpeak ag			●		Dübendorf	0.1	CHF	100.0	31.12.
engytec AG			●		Risch	0.3	CHF	100.0	31.12.
Flotron AG			●		Meiringen	0.3	CHF	100.0	31.12.
Frey + Gnehm Ingenieure AG			●		Oltten	0.1	CHF	100.0	31.12.
Gebr. Bräm AG			●		Zürich	0.2	CHF	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Geomatik AG Prättigau			●		Küblis	0.1	CHF	100.0	31.12.
Gesellschaft Mont-Soleil	●				Bern	–	CHF	65.0	31.12.
Gloor Planzer AG			●		Männedorf	0.1	CHF	100.0	31.12.
GRIAG Holding AG			●		Burgdorf	0.1	CHF	100.0	31.12.
Grunder Ingenieure AG			●		Rüegsau	0.1	CHF	100.0	31.12.
Guggisberg Kurz AG			●		Bern	0.2	CHF	100.0	31.12.
Hensel AG Elektrotechnische Unternehmungen			●		Zürich	0.2	CHF	100.0	31.12.
Hertig Haustechnik AG			●		Wohlen (AG)	0.1	CHF	100.0	31.12.
Hertli & Bertschy AG, elektrische Anlagen			●		Tafers	0.1	CHF	70.0	31.12.
Hinni AG			●		Biel-Benken	0.2	CHF	100.0	31.12.
Holzwärme Grindelwald AG	●				Grindelwald	2.5	CHF	93.4	31.12.
Inag-Nievergelt AG			●		Zurich	0.7	CHF	100.0	31.12.
inelectro sa			●		Porrentruy	0.5	CHF	100.0	31.12.
ISP Electro Solutions AG			●		Ostermundigen	0.9	CHF	100.0	31.12.
IWM AG			●		Monthey	0.1	CHF	100.0	31.12.
Jaggi & Rieder AG			●		Saanen	0.1	CHF	100.0	31.12.
Jermann Ingenieure und Geometer AG			●		Arlenheim	0.1	CHF	100.0	31.12.
Juvent SA	●				Saint-Imier	6.0	CHF	70.0	31.12.
Karl Waechter AG			●		Zurich	0.1	CHF	100.0	31.12.
Kindschi indschegners e geometers SA			●		Scuol	0.1	CHF	100.0	31.12.
Kraftwerk Augand AG	●				Thun	15.0	CHF	51.0	31.12.
Kraftwerk Gohlhaus AG	●				Lützelflüh	1.3	CHF	59.9	31.12.
Kraftwerk Lauenen AG	●				Lauenen	2.0	CHF	85.0	31.12.
Kraftwerk Sousbach AG	●				Lauterbrunnen	2.8	CHF	90.0	31.12.
Kraftwerk Spiggebach AG	●				Reichenbach i.K.	3.8	CHF	51.0	31.12.
Kraftwerke Fermelbach AG	●				St. Stephan	4.5	CHF	80.0	31.12.
Kraftwerke Kander Alp AG	●				Kandersteg	2.5	CHF	60.0	31.12.
Kraftwerke Milibach AG	●				Wiler (Lötschen)	1.0	CHF	80.0	31.12.
Kraftwerke Ragn d'Err AG	●				Surses	6.0	CHF	80.0	31.12.
Kull Elektro AG			●		Birmensdorf	0.1	CHF	100.0	31.12.
Lutz Bodenmüller AG			●		Beringen	0.1	CHF	100.0	31.12.
Marcel Rieben Ingenieure AG			●		Köniz	0.1	CHF	100.0	31.12.
Marzolo & Partner AG			●		Uster	0.1	CHF	100.0	31.12.
Michel Rime SA			●		Echallens	0.2	CHF	100.0	31.12.
Neukom Installationen AG			●		Rafz	0.2	CHF	100.0	31.12.
onyx Energie AG	●	●	●	●	Langenthal	10.5	CHF	100.0	31.12.
OSTAG Ingenieure AG			●		Burgdorf	0.1	CHF	100.0	31.12.
pi-System GmbH			●		Oberkirch	0.02	CHF	100.0	31.12.
R. Monnet & Cie SA			●		Lausanne	0.2	CHF	100.0	31.12.
Raboud Energie SA			●		Bulle	0.1	CHF	100.0	31.12.
Regionaler Wärmeverbund AG Heimberg-Steffisburg (REWAG)	●				Heimberg	2.5	CHF	51.0	31.12.
Ruefer Ingenieure AG			●		Langnau i. E.	0.1	CHF	100.0	31.12.
Schmid, Amrhein AG			●		Lucerne	0.3	CHF	100.0	31.12.
Schönenberger & Partner AG Sanitäre Anlagen			●		Tobel-Tägerschen	0.1	CHF	100.0	31.12.
Securon AG			●		Solothurn	0.1	CHF	100.0	31.12.
Sigren Engineering AG			●		Winterthur	0.1	CHF	100.0	31.12.
Simmentaler Kraftwerke AG	●				Erlenbach i. S.	7.3	CHF	84.2	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Société des Forces Electriques de la Goule SA	●	●			Saint-Imier	3.5	CHF	84.3	31.12.
sol-E Suisse AG			●		Bern	0.1	CHF	100.0	31.12.
swisspro Automation AG			●		Urdorf	0.1	CHF	100.0	31.12.
swisspro Ltd.			●		Urdorf	0.5	CHF	100.0	31.12.
swisspro NW Ltd.			●		Allschwil	0.3	CHF	100.0	31.12.
swisspro PM Ltd.			●		Urdorf	0.1	CHF	100.0	31.12.
swisspro Solutions AG			●		Urdorf	0.1	CHF	100.0	31.12.
swisspro SR Ltd.			●		Renens	0.1	CHF	100.0	31.12.
TID Technische Informationen & Dienstleistungen									
P. Tschannen GmbH			●		Schüpfen	0.1	CHF	100.0	31.12.
TopoFlight AG			●		Meiringen	0.2	CHF	100.0	31.12.
uhub.io ag			●		Bern	0.1	CHF	100.0	31.12.
WAB Technique S.à r.l.			●		Marly	0.02	CHF	100.0	31.12.
Weber AG, Stäfa			●		Stäfa	0.1	CHF	100.0	31.12.
Werner Electro AG			●		Brig-Glis	0.1	CHF	100.0	31.12.
Wind Energy Trading WET AG	●				Lausanne	0.1	CHF	60.0	31.12.
Winkelmann Elektro AG			●		Kerzers	0.1	CHF	100.0	31.12.
Wiserock AG			●		Meiringen	0.1	CHF	100.0	31.12.
Austria									
AEP Planung und Beratung Gesellschaft mbH			●		Schwaz	0.04	EUR	100.0	31.12.
Daninger + Partner Engineering GmbH			●		Graz	0.04	EUR	100.0	31.12.
Hydroconsult GmbH			●		Graz	0.03	EUR	100.0	31.12.
IKK Engineering GmbH			●		Graz	0.04	EUR	100.0	31.12.
IKK Group GmbH			●		Graz	0.04	EUR	100.0	31.12.
Ingenieurgemeinschaft DI Anton Bilek und DI Gunter Krischner GmbH			●		Graz	0.04	EUR	100.0	31.12.
TBH Ingenieur GmbH			●		Seiersberg-Pirka	0.04	EUR	100.0	31.12.
Witrisal GmbH			●		Graz	0.04	EUR	100.0	31.12.
Croatia									
igr d.o.o.			●		Zagreb	0.02	HRK	100.0	31.12.
France									
BKW France SAS	●	●			Paris	4.0	EUR	100.0	31.12.
Ferme Eolienne de St. Germier SAS	●				Paris	3.0	EUR	100.0	31.12.
Ferme Eolienne St. Julien du Terroux SAS	●				Paris	2.8	EUR	100.0	31.12.
Hydronext SAS	●				Neuilly-sur-Seine	0.2	EUR	100.0	31.12.
Parc Eolien de Fresnoy Brancourt SAS	●				Paris	0.04	EUR	100.0	31.12.
RAZ Energie 3 SAS	●				Paris	3.9	EUR	100.0	31.12.
Saméole Bois du Goulet SAS	●				Paris	2.3	EUR	100.0	31.12.
Germany									
Assmann Beraten + Planen GmbH			●		Berlin	0.6	EUR	100.0	31.12.
Bajuenergy Wind GmbH			●		Eberswalde	0.03	EUR	100.0	31.12.
BKW Bippen Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Deutschland GmbH	●	●			Berlin	0.1	EUR	100.0	31.12.
BKW Dubener Platte Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Energie Dörpen Beteiligungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Engineering SE			●		Berlin	0.1	EUR	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
BKW Erneuerbare Energien GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Europa SE			●		Berlin	0.1	EUR	100.0	31.12.
BKW Holleben Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Infra Services Europa SE			●		Radebeul	0.1	EUR	100.0	31.12.
BKW Innovation GmbH			●		Berlin	0.03	EUR	100.0	31.12.
BKW Landkern Wind GmbH	●				Berlin	0.1	EUR	100.0	31.12.
BKW Wind Service GmbH	●		●		Berlin	0.03	EUR	100.0	31.12.
CLIMAPLAN GmbH, Ingenieure für Versorgungstechnik			●		Munich	0.1	EUR	100.0	31.12.
DfN Dienstleistungen für Nukleartechnik GmbH	●				Heidelberg	0.03	EUR	100.0	31.12.
EMUTECH GmbH			●		Norderstedt	0.03	EUR	100.0	31.12.
EWIS GmbH			●		Speyer	0.03	EUR	100.0	31.12.
Hascher Jehle Assoziierte GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Berlin GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Design GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Generalplanungsgesellschaft mbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Objektplanung GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Planen und Beraten GmbH			●		Berlin	0.03	EUR	100.0	31.12.
IFB Eigenschenk + Partner GmbH			●		Freital	0.1	EUR	100.0	31.12.
IFB Eigenschenk GmbH			●		Deggendorf	0.03	EUR	100.0	31.12.
igr Aerodrome Engineering GmbH			●		Hamburg	0.03	EUR	90.0	31.12.
igr GmbH			●		Rockenhausen	1.9	EUR	100.0	31.12.
igr Lindschulte Ingenieurgesellschaft mbH			●		Erfurt	0.03	EUR	100.0	31.12.
IHB GmbH Ingenieurleistungen			●		Leipzig	0.1	EUR	100.0	31.12.
ingenhoven architects gmbh			●		Düsseldorf	0.3	EUR	100.0	31.12.
ingenhoven architects international gmbh & co. kg			●		Düsseldorf	0.02	EUR	100.0	31.12.
ingenhoven architects international participation gmbh			●		Düsseldorf	0.03	EUR	100.0	31.12.
Ingenieurbüro Prof. Dr.-Ing. Vogt Planungsgesellschaft mbH			●		Leipzig	0.03	EUR	100.0	31.12.
Institut Dr.-Ing. Gauer Ingenieurgesellschaft mbH			●		Regenstauf	0.03	EUR	100.0	31.12.
Institut Gauer GmbH			●		Regenstauf	0.3	EUR	100.0	31.12.
ITS Ingenieurgesellschaft mbH			●		Gotha	0.03	EUR	100.0	31.12.
KAE Kraftwerks- & Anlagen-Engineering GmbH			●		Hausen	0.03	EUR	100.0	31.12.
KFP Ingenieure GmbH			●		Buxtehude	0.03	EUR	100.0	31.12.
KMT Planungsgesellschaft mbH			●		Hamburg	0.1	EUR	100.0	31.12.
Lindschulte + GGL Ingenieurgesellschaft mbH			●		Krefeld	0.03	EUR	85.0	31.12.
Lindschulte Industrial Engineering GmbH			●		Lingen	0.03	EUR	100.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Düsseldorf			●		Düsseldorf	0.03	EUR	60.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Hannover			●		Burgwedel	0.03	EUR	75.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Münster			●		Münster	0.03	EUR	87.5	31.12.
Lindschulte Ingenieurgesellschaft mbH, Nordhorn			●		Nordhorn	0.03	EUR	100.0	31.12.
Lindschulte Ingenieur-Holding GmbH			●		Nordhorn	0.1	EUR	100.0	31.12.
Lindschulte KHP Architekten GmbH			●		Oldenburg	0.03	EUR	90.0	31.12.
Lindschulte Prüf- und Sachverständigen GmbH			●		Nordhorn	0.03	EUR	75.0	31.12.
Lindschulte Thillmann GmbH			●		Koblenz	0.03	EUR	90.0	31.12.
LTB Leitungsbau GmbH			●		Radebeul	1.0	EUR	90.0	31.12.
osd GmbH			●		Frankfurt	0.03	EUR	100.0	31.12.
PALATIA Ingenieur- und Städtebau GmbH			●		Rockenhausen	0.04	EUR	100.0	31.12.
Podufal-Wiehofsky Generalplanung GmbH			●		Löhne	0.03	EUR	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Proptunities Immobilien Consulting GmbH			●		Düsseldorf	0.03	EUR	80.0	31.12.
Proxima Solutions GmbH			●		Berlin	0.03	EUR	100.0	31.12.
QSB Holding GmbH			●		Lübbecke	0.03	EUR	100.0	31.12.
Solare Datensysteme GmbH			●		Geislingen	0.03	EUR	100.0	31.12.
STKW Energie Dörpen Verwaltungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
WALD + CORBE Consulting GmbH			●		Hügelsheim	0.03	EUR	100.0	31.12.
Italy									
BKW Hydro Italia S.r.l.	●				Milan	25.4	EUR	100.0	31.12.
BKW Italia S.p.A.	●		●	●	Milan	13.4	EUR	100.0	31.12.
Green Castellaneta S.p.A.	●				Milan	0.1	EUR	100.0	31.12.
Proxima S.r.l.			●		Milan	0.01	EUR	100.0	31.12.
Tamarete Energia S.r.l.	●				Ortona	3.6	EUR	60.0	31.12.
Traital S.r.l.			●		Milan	0.04	EUR	100.0	31.12.
Volturino Wind S.r.l.	●				Milan	0.03	EUR	100.0	31.12.
Wind Farm Buglia S.r.l.	●				Milan	0.03	EUR	100.0	31.12.
Wind Farm S.r.l.	●				Milan	0.02	EUR	100.0	31.12.
Wind International Italy S.r.l.	●				Milan	52.2	EUR	100.0	31.12.
Montenegro									
igr consult d.o.o.			●		Tivat	0.001	EUR	100.0	31.12.
Norway									
BKW Norway NWP AS	●				Oslo	0.1	CHF	100.0	31.12.
Marker Vindpark AS	●				Oslo	0.003	EUR	100.0	31.12.
Proxima Scandinavia AS			●		Oslo	0.1	NOK	60.0	31.12.
Singapore									
ingenhoven LLP			●		Singapore	–	SGD	100.0	31.12.
Joint operations									
Switzerland									
Bielensee Kraftwerke AG BIK	●				Biel	20.0	CHF	50.0	31.12.
Kraftwerk Sanetsch AG (KWS)	●				Gsteig	3.2	CHF	50.0	31.12.
Wärme Mittelland AG	●				Solothurn	1.0	CHF	50.0	31.12.
Germany									
Lindschulte Ingenieurgesellschaft mbH, Emsland			●		Meppen	0.03	EUR	50.0	31.12.
Associates									
Switzerland									
EDJ, Energie du Jura SA			●		Delémont	7.4	CHF	41.0	30.09.
Electra-Massa AG	●				Naters	20.0	CHF	16.1	31.12.
Electricité de la Liénne SA	●				Sion	24.0	CHF	33.3	30.09.
Erdgas Thunersee AG	●				Interlaken	6.9	CHF	33.3	31.12.
ETRANS Ltd.		●			Baden	7.5	CHF	11.5	31.12.
EVTL Energieversorgung Talschaft Lötschen AG	●				Wiler (Lötschen)	1.3	CHF	49.0	31.12.
Externes Lager der Kernkraftwerke Schweiz	●				Baden	–	CHF	25.0	31.12.
Forces Motrices de Mauvoisin SA	●				Sion	100.0	CHF	19.5	30.09.
GEBNET AG	●				Buchegg	7.0	CHF	40.9	31.12.
Grande Dixence SA	●				Sion	300.0	CHF	13.3	31.12.
Kernkraftwerk Leibstadt AG	●				Leibstadt	450.0	CHF	14.5	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Associates (continued)									
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●				Bern	150.0	CHF	33.3	31.12.
Kraftwerk Berschnerbach AG	●				Walenstadt	4.5	CHF	49.0	31.12.
Kraftwerk Wannenfluh AG	●				Rüderswil	0.3	CHF	31.9	31.12.
Kraftwerke Hinterrhein AG	●				Thusis	100.0	CHF	7.7	30.09.
Kraftwerke Mattmark AG	●				Saas-Grund	90.0	CHF	11.1	30.09.
Kraftwerke Oberhasli AG	●				Innertkirchen	120.0	CHF	50.0	31.12.
Kraftwerke Wiler-Kippel AG	●				Kippel	6.0	CHF	34.0	31.12.
Metanord SA	●				Bellinzona	18.0	CHF	33.3	31.12.
Nagra, National Cooperative for the Disposal of Radioactive Waste	●				Wettingen	–	CHF	14.3	31.12.
NIS AG		●			Sursee	1.0	CHF	25.0	31.12.
Oberland Energie AG	●				Thun	9.1	CHF	49.0	31.12.
Officine Elettriche dell'Engadina SA	●				Zernez	140.0	CHF	30.0	30.09.
Officine Idroelettriche della Maggia SA	●				Locarno	100.0	CHF	10.0	30.09.
Officine idroelettriche di Blenio SA	●				Blenio	60.0	CHF	12.0	30.09.
Société des Forces Motrices du Châtelot SA	●				Les Planchettes	6.0	CHF	11.7	31.12.
Solutions Renouvelables Boudry SA	●				Boudry	0.9	CHF	49.0	31.12.
Swisseldex Ltd.		●			Bern	1.0	CHF	21.4	31.12.
Swissgrid Ltd.		●			Aarau	320.4	CHF	36.1	31.12.
Thermosource AG	●				Biel	2.0	CHF	50.0	31.12.
Trinkwasserkraftwerk Saas-Grund AG	●				Saas-Grund	1.2	CHF	40.0	31.12.
Zwilag Zwischenlager Würenlingen AG	●				Würenlingen	5.0	CHF	10.7	31.12.
France									
Centrale Electrique de la Plaine	●				Drémil Lafage	0.001	EUR	33.3	31.12.
Germany									
HelveticWind Deutschland GmbH	●				Berlin	0.03	EUR	29.0	31.12.
Onyx Grundstück Wilhelmshaven GmbH & Co. KG	●				Wilhelmshaven	–	EUR	33.0	31.12.
Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG	●				Wilhelmshaven	–	EUR	33.0	31.12.
Italy									
EP Produzione Centrale Livorno Ferraris S.p.A.	●				Rome	10.0	EUR	25.0	31.12.
HelveticWind Italia S.r.l.	●				Milan	0.01	EUR	29.0	31.12.
Norway									
Nordic Wind Power DA	●				Oslo	–	EUR	28.1	31.12.

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



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone +41 58 286 61 11
Fax +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
BKW AG, Berne

Berne, 12 March 2021

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



Opinion

We have audited the consolidated financial statements of BKW AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement, consolidated statement of comprehensive income, changes in consolidated equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 24 to 98) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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



Key audit matters

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

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



Classification and valuation of energy trading contracts

– Risk

As disclosed in Note 7 net sales and 29 derivatives, BKW enters into energy supply and purchase contracts with third parties. Depending on the motive for entering into such contracts, they either qualify as own-use transactions or as financial instruments (hedge or trading transaction). The distinction between own-use transaction and financial instrument has a significant impact on the accounting treatment, since own-use transactions are not recognized on the balance sheet. In the income statement those transactions are recorded as energy procurement cost respectively revenue on a gross basis. Financial instruments are recognized at fair value at each balance sheet date. The result is presented on a net basis within revenue. BKW has accounting guidelines for categorizing, measuring and recognizing such contracts.

– Our audit response

Our audit procedures, to confirm that no reclassifications of contracts initially classified as own-use transactions or financial instruments have occurred, and the accounting treatment applied corresponds to the original designation of the contract, is based on control based approach and inquiries of employees in charge. Furthermore, we tested and assessed, on a sample basis, the existing internal controls regarding the reconciliation of the entered contracts. At year end, we have selected a sample and involved our valuation specialists to assess the proper balance sheet recognition of contracts qualifying as financial instruments.

Our audit procedures did not lead to any reservations concerning classification and valuation of energy trading contracts.

Valuation of nuclear provision

– Risk

On 20 December 2019, the Mühleberg nuclear power plant was decommissioned. BKW is legally required to cover the cost for the ongoing decommissioning of the power plant and the disposal of its nuclear waste. The nuclear provision is due to its significant balance and the various assumptions used, a key element of our audit. As described in Note 25, every five years an updated cost calculation is prepared. The cost study (last time conducted in 2016) is subsequently assessed by the Swiss Federal Nuclear Safety Inspectorate (ENSI). The update of the cost calculation was carried out on behalf of and following the requirements of the Administrative Commission of the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (AC STENFO) and in cooperation with swissnuclear. In accordance with Note 25, the provisions are adjusted at each balance sheet date based on the updated cost estimate.

– Our audit response

To assess the nuclear provision, we gained an understanding of the different assumptions and recorded amounts. We compared those with the calculations and records of BKW. In addition, we agreed the recorded amounts with the latest available cost study. We assessed, based on BKW-internal and -external information, the financial impact and change in estimate. Moreover, we assessed the recorded adjustments, among other things due to the use since the decommissioning.

Our audit procedures did not lead to any reservations concerning valuation of the nuclear provision.



Valuation of onerous contracts (price curves)

– Risk

BKW holds investments in various associated companies. BKW has commitments to purchase energy at a cost-plus price from its partner power plants. Depending on the cost structure of the partner power plant as well as the current and expected development of prices (electricity price curve), this can result in an onerous contract. BKW does not recognize an impairment on the investment but records a provision under “Onerous contracts energy procurement” in accordance with Note 25. Various assumptions of future developments, which may have a significant impact on the valuation of onerous contracts, need to be made. The provisions for onerous contracts are also material and, as set out above, are based on several assumptions.

– Our audit response

Among other things, we discussed with management the process for identifying onerous contracts. To assess the calculation and assumptions of onerous contracts, we involved internal valuation specialists. The price curves were compared with external studies.

Our audit procedures did not lead to any reservations concerning the valuation of onerous contracts (price curves).



Other information in the annual report

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

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

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



Responsibility of the Board of Directors for the consolidated financial statements

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

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



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

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

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



Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

BKW AG

Financial Statements of BKW AG

Income Statement

CHF millions	2019	2020
Dividend income	116.6	133.1
Financial income	36.7	29.4
Other operating income	0.4	1.0
Total earnings	153.7	163.5
Interest expense	-33.9	-28.6
Other financial expenses	-1.0	-0.9
Other operating expenses	-4.6	-5.4
Direct taxes	-1.0	-1.8
Total expenses	-40.5	-36.7
Net profit	113.2	126.8

Balance Sheet

CHF millions	31.12.2019	31.12.2020
Assets		
Cash and cash equivalents	6.8	6.7
Receivables		
– from third parties	0.8	0.3
– from subsidiaries	189.3	200.9
Prepaid expenses and accrued income	2.5	2.4
Total current assets	199.4	210.3
Loans	1,184.4	1,184.1
Other financial assets		
– from third parties	7.5	6.6
Investments	1,490.0	1,489.8
Total non-current assets	2,681.9	2,680.5
Total assets	2,881.3	2,890.8
Liabilities		
Trade accounts payable		
– to third parties	0.4	0.1
– to subsidiaries	0.0	1.1
Other current liabilities	1.0	0.3
Deferred income and accrued expenses	8.4	8.4
Total current liabilities	9.8	9.9
Non-current interest-bearing liabilities		
– Bonds	900.0	900.0
– Loans payable	284.4	283.9
Total non-current liabilities	1,184.4	1,183.9
Total liabilities	1,194.2	1,193.8
Share capital	132.0	132.0
Statutory capital reserves		
– Reserves from capital contributions	26.1	26.1
Statutory retained earnings		
– Statutory retained earnings	1,155.0	1,153.7
– Reserve for treasury shares	0.0	1.3
Voluntary retained earnings		
– Profit carried forward	262.3	259.5
– Net profit	113.2	126.8
Unappropriated retained earnings	375.5	386.3
Treasury shares	–1.5	–2.4
Total shareholders' equity	1,687.1	1,697.0
Total liabilities and shareholders' equity	2,881.3	2,890.8

Notes to the Financial Statements

Accounting policies and valuation

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

Receivables

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

Subsidiaries

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

In all cases, the holding corresponds to the percentage of shares and voting rights. The

companies in which BKW AG holds indirect interests are listed on pages 93 to 98.

Bonds

CHF millions	31.12.2019	31.12.2020
3% debenture bond 2007–2022	200.0	200.0
0.75% debenture bond 2018–2025	200.0	200.0
2.5% debenture bond 2010–2030	300.0	300.0
0.25% green bond 2019–2027	200.0	200.0
Total	900.0	900.0

Non-current assets

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

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

Non-current liabilities

The registered bonds are stated as loans payable. Non-current liabilities are valued at nominal value.

Share capital

The BKW AG share capital at 31 December 2020 amounts to CHF 132 million and is divided into 52,800,000 registered shares at a par value of CHF 2.50 each.

Major shareholders

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

	31.12.2019	31.12.2020
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%

Treasury shares

	BKW AG		Group companies		Total	
	CHF millions	Number	CHF millions	Number	CHF millions	Number
At 31.12.2018	4.8	70,094	0.0	0	4.8	70,094
Additions	26.4	382,915	5.9	84,000	32.3	466,915
Transfer	-3.2	-46,070	3.2	46,070	0.0	0
Disposals	-26.5	-385,915	-9.1	-130,070	-35.6	-515,985
At 31.12.2019	1.5	21,024	0.0	0	1.5	21,024
Additions	32.7	380,014	11.8	140,800	44.5	520,814
Transfer	-0.3	-4,024	0.3	4,024	0.0	0
Disposals	-31.5	-373,014	-10.8	-129,750	-42.3	-502,764
At 31.12.2020	2.4	24,000	1.3	15,074	3.7	39,074

Contingent liabilities

CHF millions	31.12.2019	31.12.2020
Guarantees for consolidated companies in favour of third parties	466.2	526.6

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

Members of the Board of Directors

Number of shares		31.12.2019	31.12.2020
Urs Gasche	Chairman	4,697	4,897
Hartmut Geldmacher	Deputy Chair	5,520	6,120
Dr. Carole Ackermann	Member	600	1,200
Roger Baillod	Member	4,600	5,200
Rebecca Guntern	Member	600	1,200
Andreas Rickenbacher	Member	100	200
Kurt Schär	Member	1,800	1,800
Total		17,917	20,617

In 2020, the members of the Board of Directors acquired a total of 3,250 shares in the scope of the BKW share purchase programme (previous year: 3,250 shares). The share-based payments from the purchase amount to CHF 38 thousand

(previous year: CHF 38 thousand) and comprise the benefit in fair value of the preferential purchase of BKW shares on the basis of its tax value.

Members of the Group Executive Board

Number of shares		31.12.2019	31.12.2020
Dr. Suzanne Thoma	CEO	40,716	44,181
Hermann Ineichen	Head of Production (until 31.12.2019)	24,693	n/a
Dr. Philipp Hänggi	Head of Production (since 01.01.2020)	n/a	7,928
Dr. Roland Küpfer	Head of Power Grid	9,941	13,341
Ronald Trächsel	CFO	19,870	24,870
Dr. Antje Kanngiesser	Head of Group Markets & Services (until 31.10.2020)	8,311	n/a
Total		103,531	90,320

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

APPROPRIATION OF RETAINED EARNINGS

Proposal to the General Meeting

CHF	
Profit carried forward	259,450,125
Net profit	126,849,740
Unappropriated retained earnings	386,299,865

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

CHF	
Dividend of CHF 2.40 per share entitled to a dividend ¹	126,626,222
Balance carried forward	259,673,643
Total	386,299,865

1 Dividends are not paid on treasury shares held by BKW AG. The number of shares that are entitled to receive a dividend at the time of preparation of the financial statements amounts to 52,760,926. The last trading day to which a right to receive dividends is granted is 10 May 2021. As of 11 May 2021, the shares will be traded ex-dividend. Had all shares been entitled to receive a dividend, the dividend payment would have amounted to CHF 126,720,000 and the balance carried over would have been CHF 259,579,865.

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

CHF	
Dividend per share	2.40
Minus 35% withholding tax	0.84
Net dividend	1.56

Bern, 12 March 2021

On behalf of the Board of Directors
Chairman
Urs Gasche

Report of the statutory auditor on the financial statements



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone +41 58 286 61 11
Fax +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
BKW AG, Berne

Berne, 12 March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW AG, which comprise the income statement, balance sheet and notes to the financial statements (pages 106 to 110), for the year ended 31 December 2020.



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 2020 comply with Swiss law and the company's articles of incorporation.



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

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



Report on other legal requirements

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

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

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

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

ANNUAL REPORT 2020

BKW Green Bond

BKW GREEN BOND

Reporting on allocation and impact



Dear shareholders,
Dear Sir/Madam,

In 2019, BKW became the first listed Swiss company to issue a Green Bond for trading on the Swiss exchange, thereby enhancing the green bonds offer on the Swiss capital market. I am extraordinarily proud that at the start of 2021, BKW, through Kraftwerke Oberhasli AG, has issued Switzerland's first green bond for large-scale hydroelectric power and storage and therefore achieves yet another pioneering landmark.

Topics such as climate protection and renewable energy supply have been driving our company for many years, and in 2019 we set ourselves the target of making sure that 75% of our production capacity would consist of renewables

by 2023. The income from the issue has been used accordingly to finance renewable wind and small hydroelectric power plants.

I would like to take this opportunity to provide a short progress report: At the end of 2020, the proportion of renewable production capacity was 74%. That means that we are 99% of the way to achieving our target. We're therefore on track.

In mid-August 2020, BKW commenced construction of the Sousbach hydroelectric plant, which is planned to enter operation in spring 2025 and will generate renewable electricity for 6,700 homes. In total, BKW invested CHF 5.3 million in 2020. Thus, 100% of the net proceeds has been allocated to green projects.

"Thanks to the investments made in 2020, 100% of the net proceeds has been allocated to green projects."

The wind farms in France were running according to plan. And in Norway, the Harbaksfjellet and Kvenndalsfjellet wind farms came online in 2020 as planned. While the construction of the Geitfjellet wind farm was completed according to plan in August 2020, commissioning was delayed because of Covid-19, so that 10 of the 43 turbines could not enter into operation until the start of 2021. All of the wind farms are now in production.

The 373.9 GWh of electricity produced in 2020 and attributable to the Green Bond corresponds to the annual consumption of 83,000 households¹ in Switzerland. The CO₂e emissions saved in the same period amount to 6,180

tonnes or 8,085 tonnes since the launch of the Green Bond. We are pleased to provide you with details below about the allocation of the net proceeds and the impact we have achieved through the projects financed by the Green Bond in 2020.

Best regards,



Ronald Trächsel
CFO

¹ Calculation based on consumption of a 5-room apartment of 4,500 kWh per annum, according to <https://www.strompreis.elcom.admin.ch/BaseDataSelection.aspx>

Reporting on allocation and impact

To ensure the transparency and quality of the green bonds issued, BKW reports annually on the allocation of net proceeds and impact. The

following reporting principles have been defined for quality assurance purposes:

BKW Green Bond reporting principles

Installed capacity (MW)

In the case of projects in operation, installed capacity in megawatts (MW) indicates the installed capacity attributable to the Green Bond based on the commissioning documentation. In the case of projects under construction, the capacity shows the planned capacity attributable to the Green Bond based on the manufacturer's type certificate or the hydro-electric concession.

Production (GWh)

Production in gigawatt hours (GWh) indicates production based on production data (energy statistics) for 2020 attributable to the Green Bond.

Greenhouse gas emissions in CO₂e (t) avoided

The Green Bond projects generate renewable electricity in Norway, France and Switzerland. When calculating the emissions avoided, we assume that the electricity generated by the Green Bond projects would otherwise have been generated using the country's typical production mix.

The emission factors for these production mixes form our baseline accordingly. In contrast to the previous reporting, we now use the latest information from the International Energy

Agency (IEA)¹ for all countries. The IEA now includes greenhouse gases CH₄ (methane) and N₂O (nitrous oxide) as well as CO₂. The following values are used for the calculations:

- Switzerland: 26.3 g CO₂e/kWh
- France: 54.1 g CO₂e/kWh
- Norway: 8.6 g CO₂e/kWh

Direct emissions for the projects are calculated using treeze². These are 0 g CO₂e/kWh each for the small hydropower and onshore wind technologies.

The CO₂e in tonnes (t) avoided is calculated by multiplying the production quantity of a project attributable to the Green Bond by the CO₂e emission factor of the production mix for the country in which the project is located.

Allocation (CHF million)

The allocation in millions of Swiss francs (CHF million) corresponds to the amount of the net proceeds from the Green Bond allocated to the respective technology.

Allocation (%)

The allocation in % corresponds to the share of the net proceeds from the Green Bond allocated to the respective technology.

1 IEA Statistics Data Service: Emissions Factors, 2020 edition, released 11 September 2020

2 treeze Ltd. (Messmer A., Frischknecht R.) (2016): Umweltbilanz Strommix Schweiz 2014

Reporting on allocation and impact

Technology	Project	Country	Status	Year	Installed production MW	Production 2020 GWh	Attributable to the Green Bond ...			
							Comis- sioning	CO ₂ e avoided 2020 t	Allocation ¹ CHF millions %	
Small hydro	Ragn d'Err ²	Switzerland	Operation	2016	2.3	7.9		206.5		
	Schattenhalb			2017	1.3	3.4		88.3		
	Spiggebach			2017	0.8	3.0		79.3		
	Sousbach			2025	1.2	0.0		0.0		
Subtotal small hydro					5.6	14.3	374.1	25.0	12.5 %	
Wind	Saint Germier	France	Operation	2017	7.1	23.2		1,257.6		
	St. Julien du Terroux			2017	6.1	12.1		652.3		
	RAZ Energie 3			2017	13.4	24.3		1,315.6		
	Roan			2018	25.0	91.5		786.8		
	Marker	Norway	Operation	2019	40.1	144.5		1,242.9		
	Hitra II			2019	7.9	25.5		219.4		
	Harbaks-/ Kvenndalsfjellet ³			2020	22.4	25.4		218.6		
	Geitfjellet ⁴		Partial operation	2020/21	17.1	13.1		112.8		
Subtotal wind					139.1	359.6	5,806.0	175.0	87.5 %	
Not allocated								0.0	0.0 %	
Total					144.7	373.9	6,180.1	200.0	100.0 %	
Total since issuance						491.2	8,085.0			

1 The allocation includes financing of the Sousbach project amounting to CHF 5 million. The remaining CHF 195 million has been used for refinancing.

2 Ragn d'Err: According to the Green Bond Framework, the lookback period of 36 months may be exceeded. The excess must be disclosed transparently. In the case of the Ragn d'Err project, this period was slightly exceeded at 38 months. Due to the project's long term, the project was refinanced with the Green Bond, despite the overrun being small.

3 Harbaksfjellet/Kvenndalsfjellet: These two projects are directly adjacent and were developed, approved and constructed together. Internal reporting is consolidated for both projects. Accordingly, the Green Bond reporting has also been consolidated for both projects.

4 Geitfjellet: Commissioning was planned for 2020 but was delayed due to Covid-19. 33 turbines were commissioned in 2020 and 10 turbines came online at the start of 2021.

Independent Auditor's Report on Allocation and Impact



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone +41 58 286 61 11
Fax +41 58 286 68 18
www.ey.com/ch

To the management of
BKW AG, Berne

Berne, 12 March 2021

Independent assurance report

We have undertaken a limited assurance engagement of the following information and metrics disclosed in the BKW AG annual report 2020 in the chapter "BKW Green Bond" for the reporting period from 1 January 2020 to 31 December 2020:

- Allocation of proceeds and impact metrics (hereafter "the KPIs") as disclosed in the table "Reporting on allocation and impact" on page 119

Our engagement was limited to the KPIs listed above. We have not assessed the following KPIs or information disclosed in the report:

- Information other than the KPIs indicated above
- Qualitative statements



Responsibility of BKW AG's management

The management of BKW AG is responsible for the preparation of the information and KPIs disclosed in the table on page 119 in the chapter "BKW Green Bond" of the annual report 2020 in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of KPIs that are free from material – intentional or unintentional – misstatement, whether due to fraud or error. Management is further responsible for the selection and application of the applicable criteria and maintaining appropriate records.



Applicable criteria

BKW AG defined the following as applicable criteria (hereafter "applicable criteria"):

- "Green Bond reporting principles" presented on page 118
- BKW Green Bond Framework (accessible online on BKW's homepage: www.bkw.ch)

We believe that these criteria are a suitable basis for our review.

The quantification of greenhouse gases (GHG) is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.



Independence and quality control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our responsibility

Our responsibility is to express a limited assurance conclusion on the above-mentioned KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 – “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the KPIs, in all material respects, were prepared in accordance with the applicable criteria.

Based on risk and materiality considerations, we have undertaken procedures to obtain sufficient appropriate evidence. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatements in the report with regard to the applicable criteria. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The procedures we performed included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.



Summary of work performed

Our limited assurance procedures included, amongst others, the following work:

- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of company's representatives responsible for collecting, consolidating and calculating the KPIs in order to assess the process of preparing the data, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating data and testing such documentation on a sample basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of quantitative data
- Critical review of the report regarding plausibility and consistency of the KPIs with the information in the report

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



Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the KPIs in the report are not prepared, in all material respects, in accordance with the applicable criteria.

Ernst & Young Ltd

Mathias Zeller
Associate Partner

Mark Veser
Senior Manager

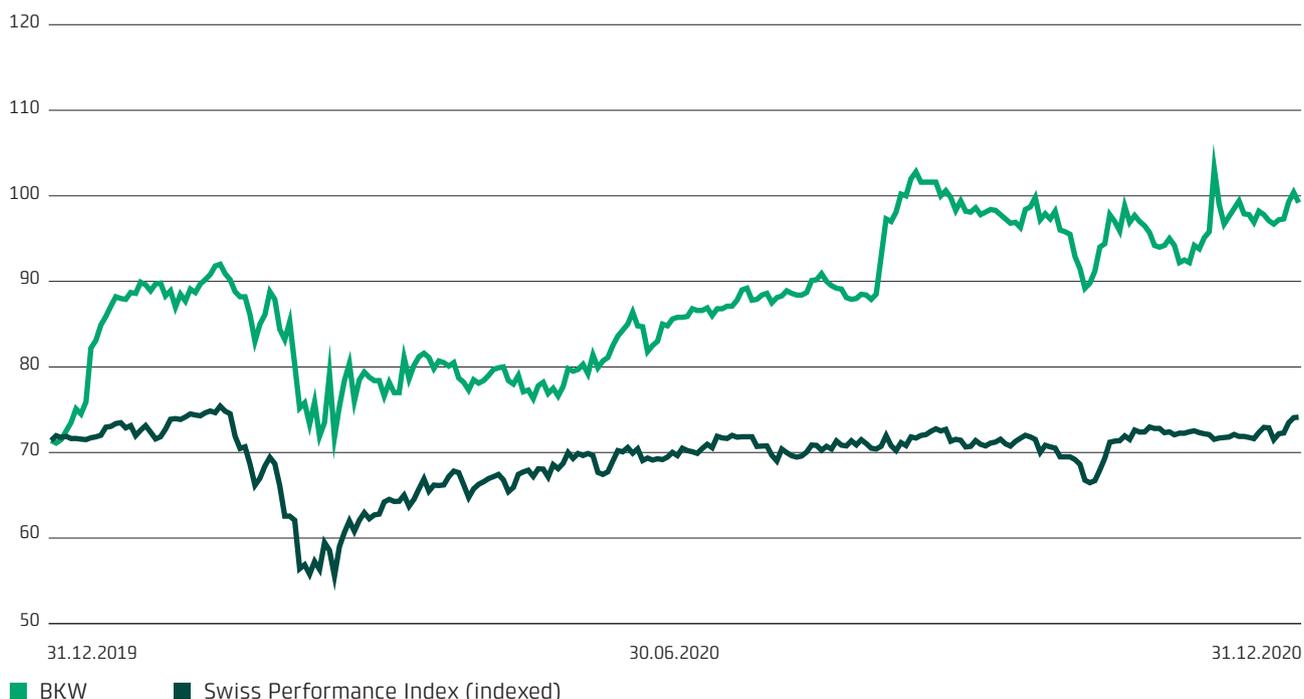
ANNUAL REPORT 2020

Investor Information

Important information on the share, bonds and financial calendar

Performance of the BKW share

31.12.2019 – 31.12.2020



At the beginning of the reporting period, the BKW share continued its upwards trend of recent years. Its price rose sharply in mid-January, on publication of increased profit expectations for the 2019 financial year. In March, however, BKW's share price could not escape the downwards trajectory of the overall market as a result of uncertainty surrounding Covid-19. Nevertheless, the publication of the excellent 2019 annual result on 18 March 2020 stopped the negative development of the share and the share price moved up again. After a sustained period of sideways

movement during the second quarter of the year, it then recovered steadily. Publication of the strong 2020 half-year results and the simultaneous increase in guidance for the 2020 financial year caused the share price to climb strongly to over CHF 100 in September.

The BKW share closed at CHF 99.20 at the end of 2020. The share's performance of 39% in 2020 (SPI: 4%) represents a very strong development in a financial market situation characterised by uncertainty because of the coronavirus pandemic.

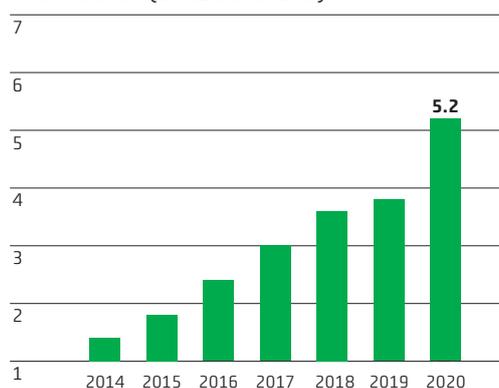
The shares of BKW AG are listed on the main segment of the SIX Swiss Exchange.

Ticker symbol on SIX	BKW
Securities number	13.029.366
ISIN code	CH0130293662

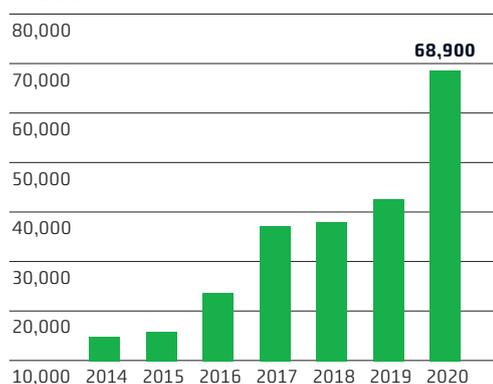
The BKW share is included in the Swiss Performance Index (SPI).

Market capitalisation

in CHF billion (at 31 December)

**Average daily trading volume**

in units

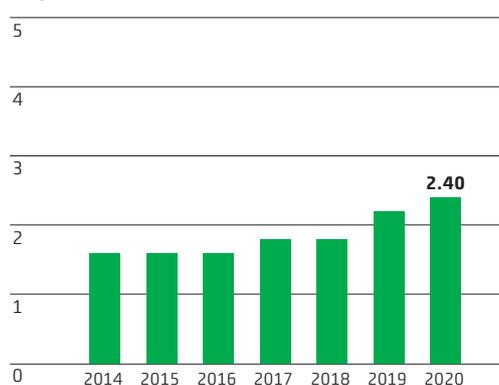
**Dividend policy and total shareholder return**

BKW is committed to a consistent dividend payout based on a ratio of 40% to 50% of adjusted net profit.

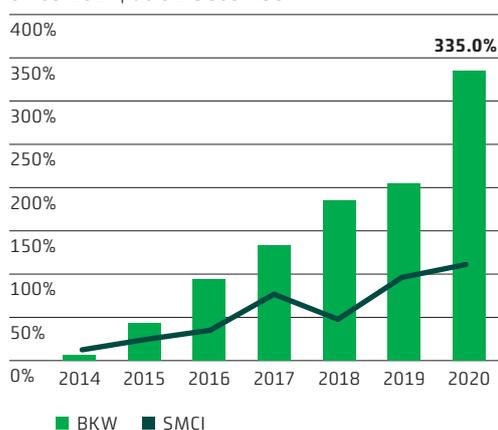
The Board of Directors proposes to the General Meeting a dividend of CHF 2.40 per share for the 2020 financial year. The dividend will be paid out on 14 May 2021.

Dividends

in CHF

**Total shareholder return**

since 2014, at 31 December

**Restrictions on share transferability**

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

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

Major shareholders

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

	31.12.2019	31.12.2020
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%

The free float amounts to 37.5%.

Key figures per share

CHF	31.12.2019	31.12.2020
Result	7.42	6.86
Equity	65.59	70.05
Dividend	2.20	2.40
Dividend yield (in %) ¹	3.0	2.4
Price/earnings ratio ¹	9.6	14.5
Year-end	71.40	99.20
Year high	75.50	103.20
Year low	62.20	71.10

1 Based on year-end price

Bonds

At 31 December 2020, BKW had the following bonds outstanding:

	Nominal amount	Term	Due	ISIN code
3% debenture bond	CHF 200 million	2007–2022	27.04.2022	CH0030356718
0.75% debenture bond	CHF 200 million	2018–2025	25.10.2025	CH0435590358
2.5% debenture bond	CHF 300 million	2010–2030	15.10.2030	CH0117843745
0.25% green bond	CHF 200 million	2019–2027	29.07.2027	CH0487087295

Financial calendar

General Meeting	7 May 2021
Ex-dividend date	11 May 2021
Dividend payment	14 May 2021
Publication of 2021 half-year results	8 September 2021

Contact: investor.relations@bkw.ch

Production Facts and Figures

	Energy portion ¹ %	Installed production, BKW portion MW	2019 BKW purchases GWh	2020 BKW purchases GWh	Change %
Own power plants and Group companies					
Hydroelectric plants					
Aarberg	100.0	15.0	85.1	80.5	-5.4
Bannwil	100.0	27.0	140.2	139.5	-0.5
Kallnach	100.0	8.1	57.8	65.9	14.1
Kandergrund	100.0	18.8	95.9	103.1	7.5
Mühleberg	100.0	45.0	157.4	151.4	-3.8
Niederried-Radelfingen	100.0	15.0	78.1	77.7	-0.5
Spiez	100.0	18.6	103.4	105.9	2.4
Simmentaler Kraftwerke AG	100.0	29.1	84.4	105.0	24.4
Isch	100.0	1.4	5.7	7.6	33.9
Société des forces électriques de la Goule SA	100.0	5.2	17.9	16.1	-9.8
Elektrizitätswerke Wynau AG	100.0	20.2	85.4	85.5	0.1
Total hydroelectric plants		203.4	911.3	938.2	3.0
Nuclear power plants					
Mühleberg	100.0	0.0	3,078.2	0.0	-100.0
Fossil-fuel power plants					
Tamarete Energia S.r.l.	60.0	62.4	160.3	203.6	27.0
New renewable energy					
Fotovoltaik Schweiz	100.0	8.4	8.3	11.9	43.7
Biomasse Schweiz	100.0	1.4	10.9	20.6	89.3
Kleinwasser Schweiz	100.0	33.2	138.3	146.5	5.9
BKW Hydro Italia S.r.l.	100.0	59.8	192.7	215.9	12.0
Juvent S.A.	100.0	24.2	82.9	84.7	2.2
Parc Eolien Fresnoy Brancourt SAS	100.0	13.8	34.5	37.9	9.8
Sameole Bois du Goulet SAS	100.0	10.0	22.6	26.2	16.0
Ferme Eolienne St Julien du Terroux SAS	100.0	10.3	18.3	20.3	10.9
Ferme Eolienne de Saint Germier SAS	100.0	10.0	31.7	32.9	3.7
RAZ Energie 3 SAS	100.0	18.4	40.4	33.5	-17.0
BKW Erneuerbare Energien GmbH	100.0	15.0	19.4	19.4	-0.2
BKW Holleben Wind GmbH	100.0	25.5	39.8	38.1	-4.3
BKW Bippen Wind GmbH	100.0	27.6	41.0	42.5	3.6
BKW Dubener Platte Wind GmbH	100.0	40.0	64.3	60.0	-6.7
BKW Landkern Wind GmbH	100.0	8.0	14.4	15.8	9.9
Wind Farm S.r.l.	100.0	41.4	55.6	50.6	-8.9
Wind Farm Buglia S.r.l.	100.0	20.0	31.8	27.7	-12.9
Wind International Italy S.r.l.	100.0	81.9	136.6	118.9	-12.9
Volturino Wind S.r.l.	100.0	25.2	67.7	61.3	-9.4
Green Castellaneta S.p.A.	100.0	56.0	131.2	120.2	-8.4
Marker Vindpark AS	100.0	54.0	131.3	194.4	
Total new renewable energy		584.1	1,313.7	1,379.5	5.0
Total own power plants and Group companies		849.9	5,463.5	2,521.4	-53.9

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

	Energy portion ¹ %	Installed production, BKW portion MW	2019 BKW purchases GWh	2020 BKW purchases GWh	Change %
Holdings and purchasing rights					
Hydroelectric plants					
Bielensee Kraftwerke AG BIK	50.0	18.9	76.0	74.0	-2.6
Officine idroelettriche di Blenio SA	12.0	50.0	118.1	111.6	-5.5
Electra-Massa AG	16.1	54.8	125.0	117.6	-5.9
Electricité de la Lienne SA	25.0	24.9	62.4	63.4	1.7
Engadiner Kraftwerke AG	29.7	121.8	446.8	441.0	-1.3
Grande Dixence SA	13.3	206.0	313.6	350.9	11.9
Kraftwerke Hinterrhein AG	7.6	50.0	118.8	117.5	-1.1
Kraftwerke Mattmark AG	11.1	29.3	83.9	75.4	-10.1
Forces Motrices de Mauvoisin SA	19.5	82.2	220.1	230.5	4.7
Kraftwerke Oberhasli AG	50.0	659.8	1,096.4	965.1	-12.0
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	19.8	19.2	-2.8
Officine idroelettriche della Maggia SA	10.0	57.2	156.4	148.5	-5.0
Flumenthal	37.9	9.5	52.0	50.4	-3.0
Société des Forces Motrices du Châtelot SA	11.7	4.6	9.4	6.9	-26.6
Argessa AG	63.0	20.8	44.2	57.5	30.0
Total hydroelectric plants		1,398.9	2,942.9	2,829.8	-3.8
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.5	177.5	1,284.3	1,316.0	2.5
Cattenom	3.0	155.0	980.5	873.4	-10.9
Total nuclear power plants		332.5	2,264.8	2,189.3	-3.3
New renewable energy					
HelveticWind Sendenhorst GmbH	100.0	4.2	20.7	22.8	10.2
HelveticWind Lüdersdorf Parstein GmbH	100.0	6.5	43.3	42.5	-1.8
HelveticWind Wulkow GmbH	100.0	2.9	22.0	21.8	-1.1
HelveticWind Prötzel GmbH	100.0	5.2	25.0	15.3	-39.0
HelveticWind Gross Welle GmbH	100.0	5.8	32.3	30.6	-5.2
Ventisei S.r.l.	100.0	0.0	34.1	0.0	-100.0
Mont-Soleil solar power plant	100.0	0.2	0.5	0.6	21.5
Total new renewable energy		24.8	177.9	133.6	-24.9
Fossil-fuel power plants					
EP Produzione Livorno Ferraris S.p.A.	25.0	192.0	1,029.7	777.0	-24.5
ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG	33.0	235.0	354.7	201.0	-43.3
Total fossil-fuel power plants		427.0	1,384.4	978.0	-29.4
Unmanaged energy from financial interests		129.1	148.2	330.9	123.3
Total holdings and purchasing rights		2,312.4	6,918.2	6,461.6	-6.6
Total production including purchases		3,162.2	12,381.7	8,983.0	-27.4

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

ANNUAL REPORT 2020

Corporate Governance

Corporate Governance

BKW's Board of Directors and the Group Executive Board attribute great importance to good corporate governance in the interests of its shareholders and other stakeholders such as customers, public corporations and employees. BKW guarantees transparency and enables its shareholders and other stakeholders to make their investment decisions objectively.

With the implementation of the recognised corporate governance principles as well as a balanced combination of management and controls, BKW also manages the company in a value-driven, sustainable manner according to statutory requirements. To this end, BKW also integrates material sustainability aspects in its corporate strategy. This is based on regional and global challenges and integrates various stakeholders across dialogue processes. In addition to legal provisions, the basic rules relating to corporate governance at BKW are embodied in BKW's articles of incorporation, organisational regulations, Code of Conduct and regulations governing the committees of the Board of Directors.

BKW's management structure is designed so that responsibilities are clearly assigned and unilateral concentration of powers and conflicts of interest are avoided. In line with this, the functions of Chairman and CEO are separate. Furthermore, no member of the Board of Directors has an executive function. All members of the Board of Directors, with the exception of Andreas Rickenbacher who was delegated by the Canton of Bern, were nominated for election individually at the General Meeting in May 2020.

For many years, the Board of Directors has included both male and female members. The Board of Directors thereby also ensures the diversity of its membership.

The information below is presented in accordance with the current requirements of the corporate governance guidelines of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance 2016 produced by *economiesuisse*. Remuneration of the top level management of the company is reported in the Remuneration Report pages 150 to 166. The information disclosed in this report reflects the situation at 31 December 2020. Any material changes that have been agreed or have occurred between this date and the printing of the report are listed in Note 10 of this report. The articles of incorporation of BKW AG www.bkw.ch/statutes, the organisational structure of the Group Executive Board www.bkw.ch/organisation, the Code of Conduct www.bkw.ch/codeofconduct and a range of other useful information can be found on the BKW website. Reports on sustainability aspects can be found in the Review of the 2020 Results on pages 19 to 21 and at www.bkw.ch/sustainability.

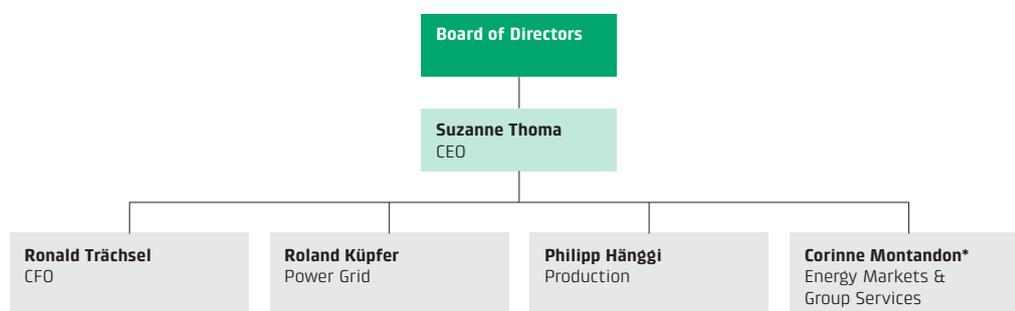
Group structure and shareholders

1.1 Group structure

The operational Group structure of BKW can be derived from the following illustration and the segment reporting under item 6 on pages 38 to 40 of the BKW Group's consolidated financial statements. The current organisation can be

viewed on the BKW website at www.bkw.ch/ organisation.

Group Markets & Services has been renamed Energy Markets & Group Services.



* Member of the Group Executive Board as of 1 January 2021

Listed Group companies

The shares of BKW AG, which has its headquarters in Bern, have been listed on the SIX Swiss Exchange since 12 December 2011. On 31 December 2020, BKW's stock market capitalisation amounted to CHF 5,233.9 million.

About the BKW share

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

Scope of consolidation of the BKW Group

With the exception of BKW itself, BKW's consolidation group only includes companies that are not listed separately on the stock exchange. The individual holdings of BKW in companies that are fully consolidated in the consolidated financial statements are listed on pages 93 to 98 of the consolidated financial statements. In all cases, the holding corresponds to the percentage of shares and voting rights.

1.2 Major shareholders

in %	Holding at 31.12.2019	Holding at 31.12.2020
Canton of Bern	52.54	52.54
Groupe E Ltd.	10.00	10.00
BKW AG and Group companies	0.04	0.07

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

The disclosures pursuant to Art. 120 FMIA that were published by BKW in the reporting year 2020 on the electronic publication platform

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

1.3 Cross shareholdings

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

2 Capital structure

2.1 Capital

The share capital of BKW as of 31 December 2020 amounts to CHF 132,000,000.00 and is divided into 52,800,000 fully paid-up registered shares, each with a par value of CHF 2.50.

that certification of their shareholding be issued free of charge.

BKW has not issued any participation certificates.

2.2 Authorised and conditional share capital

As of 31 December 2020, BKW has no authorised share capital or conditional share capital.

2.5 Dividend rights certificates

BKW has not issued any dividend rights certificates.

2.3 Changes in equity for the last three years

The share capital of BKW remained unchanged from 2018 to 2020.

2.6 Restrictions on transferability and nominee registration

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

2.4 Shares and participation certificates

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

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

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

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

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

2.7 Convertible securities and options

BKW has no outstanding convertible bonds and has not issued any options.

3 Board of Directors

According to the articles of incorporation, the Board of Directors shall consist of between seven and 10 members. There are currently seven members, all of whom are non-executive and independent. The Canton of Bern is entitled to appoint two members to the Board of

Directors in accordance with Art. 19 of the articles of incorporation and Art. 762 of the Swiss Code of Obligations (CO). Currently the Canton is using this right to appoint one member to the Board of Directors.

3.1 Members

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

¹ Delegate of the Canton of Bern

In 2020, as was also the case in the three preceding business years, no member of the Board of Directors was a member of the BKW Group Executive Board or of the manage-

ment body of any Group company. Nor does any member have significant business relationships with BKW or a Group company.

3.2 Activities and vested interests

Urs Gasche (1955, CH)

Lawyer

Professional background, career

Since 2018 Consultant to the attorneys-at-law and business consultants firm Markwalder Emmenegger, lawyer without forensic activity, mainly working on the boards of companies, foundations and associations in the energy sector (BKW), in the health sector and in cultural institutions

2011–2017 Member of the Swiss National Council

2010–2017 Partner in the attorneys-at-law and business consultants firm Markwalder Emmenegger, lawyer without forensic activity, mainly working on the boards of companies, foundations and associations in the energy sector (BKW), in the health sector and in cultural institutions

2002–2010 Finance Minister of the Canton of Bern, Member of the Executive Council and Representative of the Canton of Bern on the Board of Directors of BKW FMB Energie AG, Bern

Significant mandates

– None

Hartmut Geldmacher (1955, D)

MBA

Professional background, career

Since 2011 Independent businessman

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

Significant mandates

– Member of the Supervisory Board and Chairman of the Accounts, Finance and Audit Committee of Bayernwerk AG, Regensburg

Carole Ackermann (1970, CH, A)

Dr. oec. HSG

Professional background, career

Since 2007 CEO and co-founder of Diamondscull AG, Zug

2004–2007 Member of the Executive Board of Ionbond AG, Olten, CEO Ionbond China

1999–2004 Director of Saurer Group AG, Arbon

Significant mandates

- Member of the Board of BVZ Holding AG, Zermatt
- Member of the Board of Allianz Suisse Insurance Company Ltd, Wallisellen
- Member of the Board of Allianz Suisse Life Insurance Company Ltd, Wallisellen
- Member of the Board of BNP Paribas (Suisse) SA, Geneva
- Senior Lecturer BWL/Integration Project at the University of St. Gallen

Roger Baillod (1958, CH)

Degrees in business studies and auditing

Professional background, career

Since 2017 Professional director and management consultant

1996–2016 Chief Financial Officer (to 09.2016) and Member of the Group Executive Board of Bucher Industries AG in Niederweningen, Zurich (to 12.2016)

Significant mandates

- Member of the Board of Rieter Holding AG, Winterthur
- Member of the Board of Klingelberg AG, Zurich
- Deputy Chair of the Board of Edward Geistlich Sons, Limited Company for Chemical Industry, Schlieren

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

Professional background, career

Since 2018 Head of Cluster Europe, Sandoz Pharmaceuticals AG

2015–2018 Head of Cluster BACH, Sandoz Pharmaceuticals AG

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

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

2008–2011 Country Head of Switzerland, Sandoz Pharmaceuticals AG

Significant mandates

- Member of the Board of various subsidiaries of Sandoz in Europe

Andreas Rickenbacher (1968, CH)
Lic. rer. pol., business economist

Professional background, career

Since 2016 Board of Directors, entrepreneur, management consultant; Cantonal representative on the Board of Directors of Swissgrid AG (05.2016 to 05.2018)

2006–2016 Executive Council of the Canton of Bern, Minister of Economic Affairs (to 06.2016); cantonal representative on the Board of Directors of Gebäudeversicherung des Kantons Bern (GVB) (2006–2010, ex officio)

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

Significant mandates

- Member of the Board of Bernexpo AG, Bern
- Member of the Board of Aebi Schmidt Holding AG, Frauenfeld
- Member of the Board of HRS Holding AG as well as various subsidiaries (Group structure), Frauenfeld
- Deputy Chair of the Switzerland Innovation Foundation, Bern
- Deputy Chair of the International Association of the Lauberhorn Ski Races, Wengen, Lauterbrunnen

Kurt Schär (1965, CH)
Radio/TV electronics engineer, marketing planner and board training Swiss Board School

Professional background, career

Since 2014 Owner of Sunnsite Management AG, BoD mandates

2001–2014 CEO of Biketec AG, manufacturer of the Flyer electric bicycle in Huttwil

Significant mandates

- Member of the Board of IE Engineering Group AG, Zurich
- Member of the Board of Boss Info Holding AG, Farnern

3.3 Number of permitted activities

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

3.4 Election and term of office

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

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

3.5 Internal organisation

3.5.1 Division of roles in the Board of Directors

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

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

Directors will elect the members from among its own members at the first meeting following the General Meeting.

3.5.2 Board committees

Audit and Risk Management Committee

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

Members of the Audit and Risk Management Committee

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

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

Tasks

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

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

Expertise

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

Remuneration and Nomination Committee

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

Members of the Remuneration and Nomination Committee

Urs Gasche	Chairman
Hartmut Geldmacher	Member
Andreas Rickenbacher	Member

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

respect of all transactions negotiated under its responsibility.

The role and responsibilities of the Remuneration and Nomination Committee are described on pages 153 and 155 of the Remuneration Report.

Temporary Nomination Committee

In order to ensure that no potential candidate is involved in the preparation, a Temporary Nomination Committee was created in 2020 pursuant to Art. 20 para. 3 of the articles of incorporation. This committee focused on the evaluation of a new Chairman of the Board of Directors due to the imminent resignation of the Chairman of the Board of Directors and Chairman of the Remuneration and Nomination Committee, Urs Gasche.

Composition of the Temporary Nomination Committee

Hartmut Geldmacher	Chairman
Dr. Carole Ackermann	Member
Rebecca Guntern	Member
Kurt Schär	Member

3.5.3 The work of the Board of Directors and its committees

The Board of Directors meets at the invitation of the Chairman of the Board or the Deputy Chair acting in place of the Chair, as often as business requires; in general there are six meetings per financial year. In addition, any member may ask the Chairman of the Board to convene a meeting by submitting their reasons in writing. The dates of the ordinary meetings shall be agreed at an early stage so that all members may attend in person. Before the Board of Directors meetings, each member receives documents that they can use to prepare for the items on the agenda. The CEO and other members of the Group Executive Board participate in each meeting of the Board of Directors in an advisory capacity, unless instructed otherwise by the Chairman of the Board of Directors. Senior company management, members of the BKW Audit Department and other experts may also be invited to the meetings in an advisory capacity. The Secretary

of the Board of Directors, Stefan Emmenegger, attends the meetings of the Board of Directors. The Board of Directors adopts its resolutions at meetings and in telephone or video conferences. It is quorate when the majority of its members are present at the meeting or participating in the telephone or video conference. Resolutions are adopted by a simple majority of members. In the event of parity of votes, the Chairman has a casting vote. Minutes shall be taken of the discussions and resolutions. The minutes shall be approved by the Chairman before being distributed to the other members of the Board and being accepted at the next meeting of the Board of Directors. In the 2020 financial year six meetings of the Board of Directors lasting an average of 3.5 hours were held in the presence of the CEO and the other members of the Group Executive Board. External experts were not invited in 2020.

In accordance with its regulations, the Audit and Risk Management Committee convenes at least four ordinary meetings each year. Meetings are normally attended by the CEO, the CFO, the Head of Accounting and Tax, and the Head of Internal Audit. If required, the Chairman may call upon the external auditor, further members of the Group Executive Board, the extended Group Executive Board, senior management or external experts to attend and provide information. The Committee convened four ordinary meetings and two extraordinary meetings during the 2020 financial year, with the meetings lasting an average of 3.5 hours. The external auditor attended one meeting.

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

information. The Remuneration and Nomination Committee convened three ordinary meetings during the 2020 financial year, with the meetings lasting an average of three hours. The Remuneration and Nomination Committee also held a further 21 extraordinary meetings and video conferences in which it specifically addressed succession planning for the Board of Directors and the Group Executive Board, the nomination of the new Group Executive Board member and the revision of the remuneration system. In 2020, within the context of the revision of the remuneration system, external experts attended three meetings.

The Temporary Nomination Committee met three times in the second half of 2020 with the meetings lasting an average of three hours. Executive search experts also attended one meeting.

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

3.6 Roles and responsibilities

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

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

The Group Executive Board consists of the CEO, the CFO and the heads of the Power Grid, Production and Energy Markets & Group Services divisions. Decisions of the Group Executive Board are made by the CEO in consultation with the other members of the Group Executive Board. The other members of the Group Executive Board have a right to speak and may submit motions. The Group Executive Board generally met every two weeks during the 2020 financial year. The meetings last an average of three to five hours. The Group Executive Board supports the CEO in her responsibility for the operational management of the BKW Group. The business divisions are managed directly by their respective division heads. The Group Executive Board may delegate tasks and authorisations within its remit. It also performs preparatory work on matters that are within the remit of official bodies at a higher level.

Competences of the Board of Directors

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

- Definition of the raison d'être
- Definition of the overarching company strategy
- Approval of highly strategic business, based on the raison d'être and potential economic consequences, or of individual projects that could foreseeably have significant negative consequences for the public image of BKW
- Approval of business that is not planned for in the budget or medium-term planning, where BKW's investment exceeds an amount of CHF 25 million
- Approval of the expansion of geographical coverage into new countries
- Approval of the legal organisation and top-level management structure (Group Executive Board)
- Approval of financial matters such as budgets and planning, financial statements, the BKW Annual Report and accounting standards, and establishing the BKW Group's financing and investment policy

- Approval of the principles for operation of the internal control system and risk management of the BKW Group, and assessment of the significant risks
- Ensuring compliance with applicable standards

Competences of the CEO

The CEO has the following particular roles and competences:

- Integration of company strategy and operational business management by
 - (I) Ensuring the commercial success of the company in the context of the overall economic and industry conditions
 - (II) Developing the main aspects of the implementation of the overall company strategy, including financing, for the attention of the Board of Directors
 - (III) Ensuring the strategic direction set by the Board of Directors
 - (IV) Leading the operational management of the company
 - (V) Reporting on the success of highly strategic business transactions that have been authorised by the Board of Directors, generally around two years after their approval
- Preparation of the financial plans of the company and responsibility for the overall financial results in accordance with the targets set by the Board of Directors
- Making decisions on the organisational structure and the roles and competences of members of the Group Executive Board within the context of the instructions of the Board of Directors
- Appointment of other employees of the BKW Group, particularly the heads of business units for their areas of responsibility, as members of the extended Group Executive Board
- Management of the Group Executive Board and personnel under the CEO
- Creation of the performance assessment and preparation of the remuneration review and assessment for the members of the Group Executive Board to be submitted to the Remuneration and Nomination Committee

- Supervision of the Group Executive Board and creation of suitable supervisory bodies to ensure that the company remains on target to reach the defined objectives, meets basic commercial requirements and acts in accordance with the measures adopted by the Board of Directors
- Coordinating between the Group Executive Board and Board of Directors to ensure that the Board of Directors is provided with accurate information at an early stage
- Ensuring compliance with the *raison d'être*, regulations and codes of conduct, and with applicable requirements of legislation and the articles of incorporation
- Representing the company to employees and third parties, in particular ensuring effective communication with shareholders and stakeholders, including representatives of governments, regulators and organisations
- Supporting the Chairman in his role of leading the Board of Directors and preparing for meetings of the Board of Directors
- Implementing the decisions of the Board of Directors and its committees

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

Competences of the Group Executive Board

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

- Contributing significantly to the process of ensuring commercial success within the context of the Group strategy and instructions of the CEO
- Actively participating in the leadership, planning and implementation of the company strategy
- Coordinating and harmonising the activities and business actions of the individual

divisions from the perspective of the BKW Group's overarching interests through close cooperation with the other members of the Group Executive Board

- Contributing proposals for strategic planning and its execution, introduction and monitoring
- Defining and implementing the principles for cooperation within the BKW Group
- Determining the central risks and risk management
- Promoting ethical behaviour and compliance with internal and external rules and regulations
- Responsibility for leadership of the assigned divisions
- Making decisions on the entry of the purchaser of shares in the register of BKW AG shares with voting rights, unless the decision falls under the remit of the Board of Directors. This authorisation may be delegated in full or in part to subordinate organisational units
- Preparation, implementation and creation of the annual plans and budget

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

Additional information about the Group Executive Board is provided in Section 4 below, pages 143 to 145.

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

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

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

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

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

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

Risk management

The Group Executive Board is responsible for implementing the risk management process as specified by the Board of Directors. The Board of Directors and the Group Executive Board are supported by the Risk Management division, which reports to the CFO. Risk Management is responsible for the Group's strategic risk management, credit risk management and the operational risk management of trading and treasury. The Risk Committee and a professional risk organisation support the Group Executive Board and Risk Management in assessing the risk situation. Within the context of a systematic and regular risk management process, risks to which the entire BKW Group is exposed are continuously identified and assessed and risk reduction measures are formulated. The ISO 31000 standard is used as the basis for the integrated risk management process.

In addition to the risks arising from operating activities and strategy, external risks such as cyber security and the regulatory environment are also assessed. Climate and environmental issues as well as other non-financial dimensions such as reputation are integral components of this risk assessment and are therefore constantly taken into account.

The main emphasis of operational risk management continues to be on the risks associated with the energy business. On the one hand the focus here is on the continuous monitoring and control of market, credit and liquidity risks using timely, targeted and optimised reporting. On the other hand, flexible and high-performance risk management models are designed to ensure a rapid introduction of new or amended business models and products.

The continuous automation of processes, digitalisation and networking place high demands on cyber security. A consistent implementation and anchoring of business continuity management (BCM) in operational areas along with the continuation of the cyber security program play a key role in infrastructure and data security.

Compliance

The Board of Directors is responsible for ensuring compliance with applicable standards through its approval and regular inspection of the governance principles and Code of Conduct. The CEO ensures that an appropriately organised system is set up and that controls of compliance with applicable standards are implemented in all areas of the BKW Group. She provides the Board of Directors with a report to this effect at least once a year. In addition, she undertakes an annual comprehensive risk assessment and informs the Board of Directors of the results. In the reporting year an external compliance audit was carried out. The external audit confirms that BKW has a comprehensive, structured and well-targeted Compliance Management System. Compliance risks at BKW are consistently recorded to a high standard, regularly discussed, assessed and monitored. For compliance risks, the focus is on identifying and assessing any violations of mandatory legal requirements and prohibitions. Measures include risk-based training, ad hoc information on new developments, updated regulations, maintenance of whistleblower systems as well as clear consultation.

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

Audit

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

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

4 Group Executive Board

Since 1 January 2021 the five-person Group Executive Board has consisted of the following members.

4.1 Members



Suzanne Thoma



Ronald Trächsel



Roland Küpfer



Philipp Hänggi



Corinne Montandon

Group Executive Board

Composition	Role	Since
Dr. Suzanne Thoma	CEO, Member of the Group Executive Board since 2010	2013
Ronald Trächsel	CFO, Deputy to the CEO	2014
Dr. Roland Küpfer	Head of Power Grid	2017
Dr. Philipp Hänggi	Head of Production	2020
Dr. Corinne Montandon	Head of Energy Markets & Group Services	2021 ¹

1 The Board of Directors elected Dr. Corinne Montandon as a member of the Group Executive Board on 3 December 2020 with effect as of 1 January 2021. She succeeds Dr. Antje Kanngiesser who left the Group Executive Board at the end of October 2020. In the interim during the months of November and December Energy Markets & Group Services was represented on the Group Executive Board by Urs Meister.

Departures

Dr. Antje Kanngiesser, Head of Group Markets & Services, left the Group Executive Board of BKW at the end of October 2020 and departed from BKW at the end of February 2021.

4.2 Activities and vested interests

Suzanne Thoma (1962, CH) PhD in chemical engineering

Professional background, career

- Since 2013** CEO
2010–2013 Head of Networks
2007–2009 Head of the Automotive division of the WICOR Group in Rapperswil
2002–2007 CEO of Rolic Technologies Ltd

Significant mandates

- Member of the Board of OC Oerlikon, Pfäffikon
- Member of the Board of Valora Holding AG, Muttenz
- Deputy Chair of Avenir Suisse

Mandates held on the instruction of BKW

- Chairman of the Board of BKW Building Solutions AG, Ostermundigen

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

Professional background, career

- Since 2014** CFO
2008–2014 CFO Sika Group
2000–2008 CEO and CFO Vitra Group

Significant mandates

- Member of the Board and Head of the Audit Committee of ContourGlobal PLC, London
- Member of the Board of Valiant Holding AG, Lucerne

Mandates held on the instruction of BKW

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

Roland Küpfer (1958, CH) PhD in economics, MBA, degrees in electrical engineering, computer engineering

Professional background, career

- Since 2017** Head of Power Grid
2013–2017 CEO of technology company Multiple Dimensions
2009–2013 CEO of Cicor Group
2007–2009 Member of the Executive Board of ASCOM Security Communications, Internationalisation
2001–2009 Division Head, Schaffner Components, Member of Group Management

Significant mandates

- Member of the Board of Balluff AG, Bellmund

Mandates held on the instruction of BKW

- Chairman of the Board of Arnold AG, Wangen an der Aare
- Member of the Board of cc energie SA, Murten
- Chairman of the Board of BKW Infra Services AG, Wangen an der Aare

Antje Kanngiesser (1974, CH) Dr. iur. EMBA

Professional background, career

- Since 2019** Member of the Group Executive Board of BKW AG
2017 Head of Energy Markets & Group Services, BKW AG
2014–2017 Head of the Group Management division, member of the expanded Group Executive Board, BKW AG
2007–2014 Various roles, Energie Ouest Suisse/Alpiq Gruppe
2005–2007 Lawyer, Schnutenhaus & Koll, Berlin
2003–2005 Lawyer, Gassner, Groth, Siederer & Coll, Berlin, Director, EnergieVerein e. V., Berlin

Significant mandates

- None

Mandates held on the instruction of BKW

- Chair of the Board of cc energie SA, Murten
- Member of the Board of Directors of Société des Forces Électriques de la Goule S.A., Saint-Imier

Philipp Hänggi**Dr. sc. techn. ETH, exec. MBA HSG****Professional background, career****Since 2020** Head of Production, Member of the BKW Group Executive Board**2014–2019** Head of Nuclear and Coal, BKW Energie AG**2004–2014** Managing Director swissnuclear, Alpiq Schweiz AG**Significant mandates**

- None

Mandates held on the instruction of BKW

- Member of the Board of Kernkraftwerk Leibstadt AG, Leibstadt
- Member of the Board of Kraftwerke Oberhasli AG, Inntertkirchen
- Member of the Board of Grande Dixence S.A., Sion

- Members of the Board of Directors of Nagra, National Cooperative for the Disposal of Radioactive Waste, Wettingen
- Chairman of the Board of Directors of Swissnuclear, Olten

4.3 Number of permitted activities

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

4.4 Management contracts

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

5 Remuneration and shareholdings

All information on remuneration of the members of the Board of Directors and the Group Executive Board can be found in the Remuneration

Report on pages 150 to 166. The information about shareholdings is on page 110 of the Notes to the Financial Statements.

6 Shareholders' participation rights

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

6.1 Voting-right restrictions and representation

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

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

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

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

The Chairman shall have full power to determine the procedure for voting and elections.

He may, in particular, order that an open vote or election be repeated at any time by means of a written or electronic ballot or election, if he is in doubt about the result, or order a secret ballot.

6.2 Statutory quorum

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

6.3 Convening the General Meeting and setting the agenda

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

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

6.4 Entries in the share register

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

7 Changes of control and defensive measures

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

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

8 Auditors

Term of office

BKW's auditors are appointed on an annual basis. The current auditors are Ernst & Young Ltd.; the firm has acted as BKW's auditor since 1990. The auditor in charge changes regularly, at least once every seven years in accordance with legal requirements. Rico Fehr has been auditor in charge since 2018; for 2017, it was Bernadette Koch and from 2012 to 2106, Roland Ruprecht.

Fees

The auditors' fees for expenditures incurred by statutory audits of BKW and its consolidated Group companies amounted to CHF 958,000 for the reporting year. The fees for auditing services including non-mandatory audits and in accordance with special laws and consulting in financial reporting amounted to CHF 133,000.

Information instruments of the external auditors

Oversight and control of the auditors is a key responsibility of the Audit and Risk Management Committee (cf. sections 3.5.1 and 3.5.2, on pages 136 and 137, under Audit and Risk Management Committee/Responsibilities). The Audit and Risk Management Committee convenes four ordinary meetings per year, in which the auditors sometimes participate.

The auditors attended for parts of the agenda at two of these ordinary meetings during the 2020 reporting year.

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

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

9 Information policy

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

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

BKW provides information on the annual results in the Annual Report, which is available in electronic form. The Annual Report can be downloaded at www.bkw.ch/annualreport20. BKW also presents its annual results at the yearly Annual Report and Financial Analyst Conference, as well as at the General Meeting. You can find the exact dates for the current and following year at www.bkw.ch/financialcalendar

The Half-Year Report as well as the half-year results from 30 June are available electronically at www.bkw.ch/halfyearreport20.

The Investor and Media Relations managers can be contacted via the website, email, telephone or post. Their contact details can be found in the editorial information on page 168, and the address of the headquarters is listed on the back cover of this report.

10 Significant changes since 31 December 2020

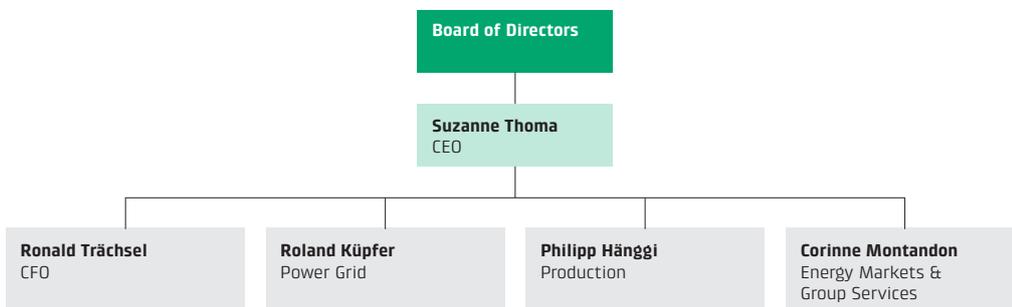
Organisational changes

No significant changes

Changes in personnel

The Board of Directors of BKW elected Dr. Corinne Montandon to be a member of

the Group Executive Board with effect from 1 January 2021. She succeeds Dr. Antje Kanngiesser who left the Group Executive Board at the end of October 2020 and departed from BKW at the end of February 2021.



ANNUAL REPORT 2020

Remuneration Report

REMUNERATION REPORT

BKW modernises its remuneration system



Dear Shareholders,
Dear Sir/Madam,

This Remuneration Report 2020 explains the principles, programmes and governance framework for remuneration of the Board of Directors and the Group Executive Board members at BKW. It contains detailed information about the remuneration paid to the Board of Directors and the Group Executive Board during the 2020 financial year.

BKW concluded a difficult 2020 very successfully. The EBIT target was once again significantly exceeded, despite the coronavirus crisis. The pandemic had a negative impact on both the Energy business and the Services business. Energy spot prices came under pressure due to the Covid-19 pandemic and demand collapsed, especially during the months of lockdown. The Services business too suffered from tougher conditions, and it was the second half of the year before it started to recover. Nevertheless, both of these negative effects were more than offset by the excellently positioned and functioning trading business. In addition, the Energy business pursued the consistent aim of adapting to new market conditions in 2020, while BKW's Services business now has

a stronger, cemented position in the corresponding parts of the market. The Remuneration Report explains the impact of these results on the variable remuneration of members of the Group Executive Board in the reporting year.

Following the contentious discussions relating to remuneration in 2019, and as already communicated in the Remuneration Report 2019, the Board of Directors commissioned a thorough review of the Group Executive Board's remuneration system from a well-regarded firm of consultants during the reporting year. As an outcome from that review, the Board of Directors decided to update and modernise the remuneration system. The aim of the system continues to be to secure long-term success of the business and to unify the interests of the management with those of BKW and its shareholders. In particular, the short-term variable cash proportion (bonus) has been given greater weighting and BKW's relative earnings per share has been included as an additional KPI. In addition in future, blocked shares will no longer be allocated on the basis of the average share price in 2014–2015, but instead on the basis of the average share price during the two years prior to the allocation. This new rule will apply

from the 2021 financial year, although transition rules will still be required in some cases.

In recent years, the Group Executive Board remuneration has been gradually brought into line with the market. This comes against the backdrop of BKW's very strong growth in that period and the fact that at the end of 2020 the business has achieved revenue of CHF 3,129 million with more than 10,000 employees and a market value of more than CHF 5.2 billion.

Further details of the changes to the Group Executive Board's remuneration system for 2021 are provided in the Outlook section of this report.

At the 2021 General Meeting, we will present this Remuneration Report for approval within the scope of a consultative vote. You will note that the remuneration paid to the Board of Directors and Group Executive Board are within the maximum remuneration amounts approved by the General Meeting.

You, the shareholders, will also reach a binding decision by voting on the maximum total amount of remuneration of the Board of Directors for the coming period of office until the next ordinary General Meeting and on the maximum total remuneration to be paid to the Group Executive Board for the 2022 financial year.

On behalf of the Board of Directors I would like to thank you for your feedback on the topic of remuneration, and for your support. The modifications that we have adopted will improve our remuneration structure in the interests of BKW and its shareholders. We hope that you will support us again at the upcoming General Meeting.

Kind regards,



Urs Gasche
Chairman of the Board of Directors

1 BKW's remuneration policy

BKW's remuneration policy defined by the Board of Directors is derived directly from BKW's strategy and is intended, in particular, to promote the long-term interests of the company. It is designed around the following principles.

Board of Directors (BD)

To reinforce the independence of Members of the Board of Directors in their supervisory activities, their remuneration exclusively comprises a fixed cash payment and attendance fee. They are also entitled to purchase a limited number of shares in the company at preferential conditions.

Group Executive Board (GEB)

The remuneration system is designed to enable the recruitment of the best people in the market to fill these key roles, to motivate the holders of these positions to meet the overarching company objectives and thus to achieve a long-term improvement in shareholder value. The remuneration system is based on the following principles:

Rewarding performance	Market and internal fairness
Continuity and stability	Simplicity

Rewarding performance:

The remuneration of the Group Executive Board is linked to the success of the company. A significant portion of the remuneration is paid out in the form of blocked shares, in order to unify the interests of the Group Executive Board with those of the shareholders.

Continuity and stability:

BKW's remuneration system both demonstrates continuity and creates stability. It ensures that the interests of the members of the Group Executive Board, BKW and the shareholders are aligned. In addition, it guarantees that no disproportionate risks are taken and that the long-term growth trajectory is strengthened. Therefore, the remuneration system represents less of a lever than models utilised by other listed companies.

Market and internal fairness:

BKW strives to provide market-rate remuneration for all functions, irrespective of gender, age, nationality and other demographic characteristics. It rewards competency and responsibility as well as performance, with a focus on the implementation of the strategy and the company's results. In order to ensure that overall remuneration is in line with the market and performance, BKW regularly reviews the salary bands of the individual professional groups to make sure they correspond to the market median.

Simplicity:

The remuneration system is designed to be simple and transparent.

Within the scope of this remuneration policy, BKW regularly assesses its remuneration system for the Board of Directors and Group Executive Board (at intervals of two or three years). In 2019, BKW engaged the specialist firm of consultants HCM International AG to review the remuneration of the Group Executive Board. This firm does not hold any other mandates issued by BKW. The Board of Directors used the findings of its analysis to determine what changes to make to the remuneration system from 2021. These changes are described in detail in the Outlook.

In addition to the review of the remuneration system, a market comparison of the level of remuneration of the Group Executive Board was carried out. In order to take account of the specific features of BKW, the remuneration was assessed against other representative companies.

The relevant market for recruitment of talent for BKW largely consists of listed industrial companies of a similar size and complexity. Therefore, the representative analysis looked at listed Swiss industrial companies (excluding the high-salaried financial and pharmaceutical sectors) with comparable market capitalisations (a total of 14 companies in a band from CHF 2,600 million to CHF 9,800 million) and comparable revenue figures (a total of 16 companies in a band from CHF 1,560 million to CHF 4,300 million). Since some of the companies met both criteria, the total group of representative companies comprised 22 other businesses.

While energy groups were considered, they did not qualify for the benchmark. Ever since Alpiq discontinued its stock exchange listing and transitioned its business model primarily to energy production, there are no longer any comparable energy companies in Switzerland in terms of listing, size, area of activity and available information.

The comparison group was therefore comprised the following companies: ams, Bucher Industries, Clariant, Conzzeta, Daetwyler, dormakaba, Fraport, Geberit, Georg Fischer, Givaudan, Landis + Gyr, Lonza, Implenia, OC Oerlikon, SIG Combibloc, Schmolz + Bickenbach

(now: Swiss Steel Group), Sonova, Straumann, Sulzer, Swisscom, Tecan and VAT Group.

The market comparison revealed that while the total remuneration paid to the Group Executive Board was in the middle of the range, it was significantly below the median, and to an even greater extent when it came to the remuneration of the CEO. If the performance of the benchmark companies is taken into account (measured in terms of total shareholder return and development in market capitalisation), the remuneration of the Group Executive Board and in particular of the CEO appears lower because of the above-average performance of BKW.

In 2019, BKW also carried out a comparative review of the remuneration of Board of Director Chairs (BDC) (using 2018 as the benchmark year). Owing to the availability of data, the list of companies in the comparison differs slightly from that used for the Group Executive Board benchmarking exercise: Alpiq, Autoneum, Barry Callebaut, Bell, Bobst, Bucher Industries, Clariant, Conzzeta, Dätwyler, dormakaba, Emmi, EMS Chemie, Georg Fischer, KTM Industries, Landis + Gyr, Lindt & Sprüngli, Logitech, OC Oerlikon, Panalpina, SFS, SIG Combibloc, Sonova, Straumann, Sulzer, Swisscom, Temenos and VAT Group. Overall, these companies indicated a very broad distribution of remuneration for chairs of boards of directors ranging from CHF 150 thousand to CHF 6,150 thousand. The remuneration paid to the BKW Chairman of CHF 387 thousand is in the lower range by comparison.

2 Setting remuneration: organisation and responsibilities

The broad outlines of the remuneration system as well as the corporate bodies involved in setting the compensation are defined in Arts. 24 to 29 of the articles of incorporation. These can be found (in German) on the BKW website under www.bkw.ch/statutes and include:

- Remuneration Committee (Arts. 24 and 25)
- Voting on remuneration (Arts. 26, 27 and 28)

- Remuneration of the Board of Directors (Art. 27)
- Remuneration of the Group Executive Board and additional amount for new members (Art. 28)
- Contracts with Members of the Board of Directors and the Group Executive Board (Art. 29)

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

Overview of responsibilities and competences

Issue	RNC	BD	GM	RNC Activity in the 2020 reporting year		
				February	September	November
Maximum total amount of remuneration of the Board of Directors and the Group Executive Board	PS ¹	G ²	R ³	●		
Additional amount for the remuneration of newly appointed members of the Group Executive Board ⁴	R ^{4,5}			●		
BKW remuneration policy and system	PS	R			●	
Remuneration system and principles for Board of Directors and Group Executive Board	PS	R			●	
Performance criteria for remuneration of the CEO and the Members of the Group Executive Board	R ⁵			●		
Individual remuneration of the Board of Directors	PS	R ⁶				●
Performance assessment and individual remuneration of the CEO	R ^{5,6}			●		
Performance assessment and individual remuneration of the Members of the Group Executive Board (excl. CEO)	R ^{4,5,6}			●		
Remuneration Report	PS	R	CV ⁷	●		
Principles governing the selection of candidates for election or re-election to the Board of Directors	PS	R				●
Election, dismissal and succession planning for members of the Group Executive Board	PS	R				●

1 PS means preparation and submission to Board of Directors

2 S means submission to the General Meeting

3 R means ratification

4 CEO's proposal

5 Within the scope of the articles of incorporation

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

7 CV means consultative vote

At the committee's three regular meetings held in 2020, it dealt with matters including the recurring agenda items listed above. It also held 21 extraordinary meetings and video conferences in which it dealt in particular with succession planning for the Board of Directors and the Group Executive Board, appointment of the new Group Executive Board member and revision of the remuneration system. All members of the committee attended all of its meetings.

Remuneration and Nomination Committee

According to Art. 25 of the articles of incorporation, the Remuneration and Nomination Committee is concerned at senior company management level with the remuneration strategy and with the company's objectives and performance criteria in relation to the remuneration of the Group Executive Board.

In addition, it is authorised to develop criteria for the selection of candidates to the Board of Directors and the Group Executive Board. The committee has three members, and is comprised as follows:

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

The attendance of the Chair at the meetings of the Remuneration and Nomination Committee is in the interest of the company and its shareholders. The Chair works most closely with the CEO and the Group Executive Board and is therefore in the best possible position to make

an in-depth assessment of the work they perform. In addition, the Remuneration and Nomination Committee is responsible for personnel planning for the Board of Directors and the Group Executive Board, which is a strategic element of corporate management. The risk of a conflict of interests – in particular when defining remuneration – is also excluded as the Chair withdraws when these matters are discussed in the Remuneration and Nomination Committee and by the Board of Directors.

When required, managers may be invited to attend meetings of the Remuneration and Nomination Committee. However, no members of the company's management are present when their own performance or remuneration is discussed or decided.

At meetings of the Board of Directors, the Chair of the Remuneration and Nomination Committee reports to the Board of Directors on the committee's activities and decisions; urgent updates are also provided between meetings. All members of the Board of Directors have access to the minutes of the Remuneration and Nomination Committee's meetings.

In addition, an ad hoc nomination committee, temporarily constituted by the Board of Directors in 2020, met on three occasions to evaluate the choice of a new Chair of the Board of Directors following the announcement of the current Chair of the Board of Directors that he would retire. The temporary committee was

formed to ensure that no potential candidate would be involved in the preparatory work. This committee was composed of the following Members of the Board of Directors: Carole Ackermann, Hartmut Geldmacher, Rebecca Guntern and Kurt Schär.

Shareholder involvement

At the General Meetings of 24 May 2019 and 15 May 2020, binding votes were taken on the maximum amounts of remuneration for the Board of Directors and the Group Executive Board, as well as a consultative vote on the remuneration report. The overall amount for the remuneration of the Board of Directors relates to the period from the current General Meeting until the next General Meeting. By contrast, the overall amount of remuneration of the Group Executive Board relates to the full financial year that follows the General Meeting.

At the 2020 General Meeting, the shareholders voted by around 95% in favour of the overall remuneration of the Group Executive Board and by around 99% in favour of the overall remuneration of the Board of Directors (2019 GM: GEB 96% and BD 98%). The vote to adopt the Remuneration Report 2019 held at the 2020 General Meeting was slightly lower at 84% (Remuneration Report 2018 at 2019 GM: 86% in favour). BKW interpreted this result as a reason to engage in dialogue with the shareholders in order to understand their concerns in relation to the remuneration policy and plans. The findings of this consultation have been included in the Outlook section of this report.

3 Remuneration of the Board of Directors

3.1 Remuneration elements for the Board of Directors

In particular, the BKW remuneration system aims to ensure the independence of the Board of Directors in its oversight of the Group Executive Board. For this reason, the main remuneration elements for the Board of Directors

are fixed – performance or profits-based components are not paid to the Board of Directors.

a) Fixed payment (base salary)

The base salary of the Board of Directors comprises a fixed Board member fee. The level of the fee depends on the particular role (Chair or

Deputy Chair), and the memberships and roles pertaining to Board committees.

Role	Gross remuneration (per annum)
Chair of the Board of Directors	CHF 336,000
Deputy Chair of the Board of Directors	CHF 62,400
Member of the Board of Directors	CHF 48,000
Chair of a committee	CHF 12,000

If there is a significant but temporary increase in workload in comparison with previous years, the Board of Directors may agree an additional payment of no more than 20% of the fee.

b) Attendance allowance

A fixed attendance allowance of CHF 2,400 is paid for each meeting of the Board of Directors or committee in which the Board member participates. The Chair of the Board of Directors does not receive an allowance for meetings.

c) Share-based remuneration

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

Participation in the share purchase programme for the members of the Board of Directors is an incentive to ensure the long-term increase of the value of the company and to align their interests more closely with those of the shareholders. The shares acquired through this arrangement are subject to a three-year blocking period on their sale.

d) Social security contributions (other remuneration)

This remuneration encompasses payments by BKW to the social security funds and any withholding taxes. Members of the Board of Directors are not insured by the BKW pension fund.

e) Contracts

Fixed-term or permanent mandate agreements may be concluded with members of the Board of Directors (Art.29 of the articles of incorporation); however, the effectiveness of the mandate is subject solely to the annual election to the Board of Directors by the General Meeting. No employment contracts exist between BKW and members of the Board of Directors. The members of the Board of Directors are independent and their rights and obligations are based on the norms of company law and the provisions of the articles of incorporation, regulations and mandate agreements.

3.2 Remuneration paid in 2020

The remuneration amounts paid to the Board of Directors are disclosed in the financial year in which they are recognised in the annual financial statements. The details about the remuneration paid to members of the Board of Directors for the financial years 2020 and 2019 are given below.

During the 2020 financial year, the fixed remuneration of the members of the Board of Directors and the attendance fees stayed the same. The attendance fees paid depend on the number of meetings attended by the Board member. As previously mentioned, many additional meetings were held in 2020 due to the revision of the remuneration system and succession planning for the Chair of the Board of Directors. No attendance fees are paid to the Chair. For individual members of the Board, payment is made in whole or in part to their employers. Share-based payments comprise the benefit in fair value of the preferential purchase of BKW shares. In 2020, each member of the Board of Directors was offered the opportunity to purchase 600 BKW shares (2019: 600 shares) at a preferential price of CHF 50.45 per share (2019: CHF 45.45). The underlying market value at the closing price on the first day of the reference period (that is, 19 March 2020) was CHF 73.50 (2019: CHF 68.30). Owing to the greater number of meetings that took place during the current year, the remuneration of members of the Board of Directors in 2020 increased by around 15%.

Remuneration of members of the Board of Directors in 2020

CHF thousands		Fixed remuneration	Attendance allowance	Share-based payments ¹	Total remuneration	Social insurance contributions	Total
Urs Gasche	Chairman	336	0	7	343	44	387
Hartmut Geldmacher	Deputy Chair	62	79	7	148	73 ²	221
Dr. Carole Ackermann	Member	48	31	7	86	1	87
Roger Bailod	Member	60	29	7	96	1	97
Rebecca Guntern	Member	48	22	7	77	12	89
Andreas Rickenbacher	Member	48	72	1	121	19	140
Kurt Schär	Member	48	36	7	91	1	92
Total		650	269	43	962	151	1,113

1 The share-based payments correspond to the difference between the taxable market value (closing price on the first day of the reference period) and the purchase price under the share purchase programme.

2 Includes withholding tax in addition to social security contributions.

Remuneration of members of the Board of Directors in 2019

CHF thousands		Fixed remuneration	Attendance allowance	Share-based payments ¹	Total remuneration	Social insurance contributions	Total
Urs Gasche	Chairman	336	0	2	338	47	385
Hartmut Geldmacher	Deputy Chair	62	35	7	104	39 ²	143
Dr. Carole Ackermann	Member	48	24	7	79	1	80
Roger Bailod	Member	60	24	7	91	1	92
Rebecca Guntern	Member	48	12	7	67	10	77
Andreas Rickenbacher	Member	48	35	1	84	13	97
Kurt Schär	Member	48	24	7	79	1	80
Total		650	154	38	842	112	954

1 The share-based payments correspond to the difference between the taxable market value (closing price on the first day of the reference period) and the purchase price under the share purchase programme.

2 Includes withholding tax in addition to social security contributions.

3.3 Compliance with the maximum overall remuneration approved by the General Meeting for the term of office 2019/2020

The General Meeting ratifies the maximum overall amount of remuneration of the Board of Directors for its term of office, i.e. from the General Meeting (each May) until the next General Meeting (the following April). By contrast, this Remuneration Report is based on the financial year; the amount disclosed in this report has therefore been adjusted to a period of eight months (May to December 2020).

The 2020 General Meeting ratified a proposal for a maximum overall amount of CHF 1,200 thousand in respect of remuneration of the Board of Directors for the 2020/2021 term of

office. Calculated for the period of eight months to 31 December 2020, the payments to members of the Board of Directors amounted to CHF 747 thousand. The amounts yet to be paid in 2021 (from January to April 2021), which were not yet known when this report was prepared, will comply with the maximum overall amount ratified by the General Meeting. A report on the entire remuneration period (General Meeting 2020 to General Meeting 2021) will be provided at the General Meeting 2021.

In respect of the previous 2019/2020 term of office, the General Meeting ratified a maximum overall remuneration of CHF 1,200 thousand. As reported at the General Meeting 2020, this amount was observed, with total remuneration of CHF 1,010 thousand paid during the term of office.

3.4 Payments to former members of the Board of Directors and their related parties

No payments were made to former members of the Board of Directors during the reporting year. There were also no payments to related parties of members of the Board of Directors.

3.5 Loans and credit to members of the Board of Directors

No loans or credit were granted to members of the Board of Directors during the financial year. No loans or credit were owed at the end of the reporting year.

4 Remuneration of the Group Executive Board

4.1 Remuneration elements for the Group Executive Board

The remuneration system for the Group Executive Board should provide incentives to securing the long-term positive development of BKW. For this reason, the remuneration includes a substantial base salary and a high share of long-term profit sharing in the form of restricted shares.

Remuneration elements for the Group Executive Board

	Instrument	Purpose	Influencing factors	Performance targets
Annual base salary	Monthly cash remuneration	Employee attraction/retention	Position, market-level remuneration, qualifications and experience	
Short-term variable remuneration (STI)	Annual variable remuneration in cash	Performance-related remuneration	Annual performance	EBIT
Remuneration in restricted shares (LTI)	Shares with 3-year blocking period	Long-term employee retention in line with shareholder interest	Share price	
Pension contributions and social security contributions	Pension and insurance Benefits in kind	Protection against risks Employee attraction/retention	Market-level practice and position	

a) Fixed annual base salary

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

b) Short-term variable remuneration

The short-term variable remuneration (STI or Short-Term Incentive plan) takes account of the achievement of the goals set by the Remuneration and Nomination Committee for the Group Executive Board and the CEO. On the one hand, it is based on the financial results that are achieved, including the EBIT budgeted for the BKW Group. As this amount is set without reserves, this is a "stretch" EBIT target. In addition, the Remuneration and Nomination Committee assesses the progress in imple-

menting the strategy, as well as the achievement of other quantitative or qualitative objectives. Based on this assessment, the Remuneration and Nomination Committee can readjust the payment made on the basis of EBIT achieved according to its judgement. As in previous years, no such readjustment was applied in the reporting year. The annual targets are set in December of each year for the following financial year, and the achievement of targets is assessed at the end of the financial year.

The short-term variable target remuneration for members of the Group Executive Board is between 0 and 20% of the base salary. Extraordinary, unforeseeable events such as the removal of the CHF/EUR cap are taken into account in assessing the level of target

performance. The Remuneration and Nomination Committee prepare an overall assessment, taking into account the general economic situation and industry-specific environment in which the company is operating. If the budgeted EBIT is achieved, this equates to maximum target performance. Even if the target EBIT is significantly exceeded, this does not result in the maximum bonus being exceeded.

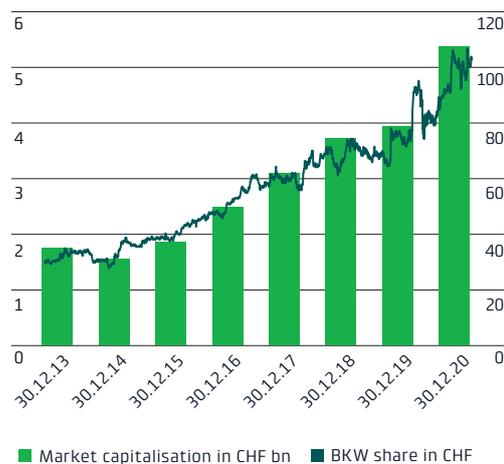
The short-term variable remuneration may be reduced or totally revoked in exceptional circumstances, even if the target is met. Such a situation may arise if the company's existence is under threat and the payment of dividends and/or any variable components due to employees is cancelled. In this case,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

The short-term variable remuneration is paid out in cash during the calendar year following the year for which it is awarded.

c) Remuneration in restricted shares

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

Long-term profit sharing in restricted shares amounts – except in exceptional circumstances – to 30% of the base salary for the current year for the members of the Group Executive Board. It is first calculated in Swiss francs and then paid out in the form of blocked shares of BKW AG. In previous years, the share allocation for the Group Executive Board was calculated by taking a share price of CHF 33.00 as the basis, which was the average share price for the years 2014 and 2015. In 2014, work commenced on the implementation of the new strategy, which still applies. Successful implementation of the strategy has been reflected in the growth of the share price and the company's market value. BKW's market value has almost tripled since 2014.



This resulted in an increase in the LTI for the Group Executive Board, which has been subject to criticism from various quarters in the last two years. As part of the revision of the remuneration system, therefore, a general adjustment of the allocation of shares for the Group Executive Board was made. Further details about this can be found in the Outlook section.

As a transition solution before implementation of the new remuneration system in 2021, the number of shares to be issued for the LTI for each member of the Group Executive Board was frozen at the previous year's level in 2020. This means that the Group Executive Board members received the same allocation of shares in 2020 as in 2019. As in 2019 and as part of the transition solution that applies until the new remuneration system is in place, the Board of Directors no longer based the share allocation for the CEO on the average share price for 2014/2015 but instead defined a fixed amount for the long-term profit-sharing, which was then allocated in shares on the basis of the daily price. The shares were allocated on 18 November 2020.

Blocking periods for shares remain in effect as scheduled after the employment relationship has ended.

d) Social security contributions, pension contributions and additional benefits in kind

The members of the Group Executive Board are insured by the regular pension scheme that has been set up for all employees. Pension contributions include the employer contributions to the pension fund. The BKW pension fund (Pensionskasse BKW) has operated a defined contribution pension plan since 2019 in accordance with the statutory requirements for occupational pensions (BVG). The pension plan covers annual income up to CHF 853,200 with age-dependent contribution rates (including half of the short-term variable cash remuneration), which are paid by the company and the employees according to the rules that apply for all employees. The specified pension benefits also include the employer contributions to national social security funds due on the total remuneration.

The Group Executive Board is entitled to a fixed expenses payment in line with the expenses guideline that has been approved by the tax authority and that applies to all members of

the management. In addition, Group Executive Board members have the same entitlement to work anniversary bonuses as all employees, in line with the current guideline. The Group Executive Board has no other entitlements to further benefits in kind.

e) Contracts

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

The employment contracts of the members of the Group Executive Board have been drafted in accordance with the Ordinance against Excessive Compensation in Listed Companies Limited by Shares. During the reporting period, all Group Executive Board members had permanent employment contracts with a termination period of six months. No contractual severance payments, special change of control provisions or prohibition of competition payments are owed to members of the Group Executive Board.

f) Special rules for the remuneration of the CEO

Plans are in place in the course of the coming years to align the CEO's remuneration with the median determined in the remuneration study. Furthermore, it is planned in line with the new remuneration system being introduced for the Group Executive Board to introduce a much more variable STI component than is currently in place, as well as an additional condition for LTI. The new Group Executive Board remuneration system that will take effect from 2021 is described in the Outlook.

Due to the political discussions, the BKW Board of Directors decided against raising the CEO's remuneration to the market median in 2020. In contrast, the remuneration has been fixed for a transitional period.

The CEO's remuneration for 2020 is structured as follows:

- Fixed annual base salary (gross): CHF 918,918;
- Guaranteed annual short-term variable remuneration: CHF 441,000.
- Share allocation for long-term profit-sharing (taxable value): CHF 273,000.

4.2 Remuneration paid in 2020

The remuneration amounts paid to the Group Executive Board are disclosed in the financial year in which they are recognised in the annual financial statements. In comparison with the 2019 financial year, the CEO's total remuneration increased by 15% as a result of the aforementioned transition solution, while the total remuneration of the other members of the Group Executive Board increased by 6.5%. These increases can be attributed to the following change in the individual remuneration elements:

Base salary

The base salary paid to the individual members of the Group Executive Board in 2020 was once again adjusted according to their experience as planned and therefore brought closer into alignment with the market median. The salary increase in 2020 amounted to 7% for the CEO and 3% for the other members of the Group Executive Board.

Short-term variable remuneration

Despite the difficult market environment, BKW once again significantly exceeded its quantitative EBIT target.

The qualitative target set for the Group Executive Board comprised the strategic continued development of the Services business. This target was also achieved in full, with the support for further business expansion, improved structures and company culture and continued deployment of new technologies. The organisation is better positioned as a result and, on the whole, has begun the new year even stronger.

The achievement of the EBIT target has led to full disbursement to the Group Executive Board of the short-term variable remuneration of 20% of the base salary. Since the qualitative target has also been exceeded, the Remuneration and Nomination Committee has decided to pay out the maximum amount.

Long-term variable remuneration

In the 2020 financial year a significantly lower number of shares (21,065, compared with 25,608 in 2019) were transferred to the Group Executive Board (including the CEO) as a result of the transitional arrangement described above. In accordance with a special transitional solution, the CEO received 3,465 shares, which are blocked for three years. The disclosed value of these shares is nevertheless 11% higher than the value disclosed in the previous year, since the share price has performed extremely well thanks to the good business record.

Remuneration (gross) of members of the Group Executive Board and the highest-earning member in 2020

CHF thousands	Dr. Suzanne Thoma	Group Executive Board ¹
	CEO	(including CEO)
	2020	2020
Fixed base salary	919	2,998
Short-term variable remuneration	441	856
Long-term profit sharing (share-based payments) ²	273	1,662
Other benefits in kind and pension contributions ³	299	890
Total	1,932	6,406

1 The Group Executive Board was comprised of five members for the year as a whole.

2 The share-based remuneration is recognised at its tax value in line with long-standing practice.

3 Other benefits in kind consist of a payment for the CEO's service anniversary amounting to CHF 38 thousand. Pension contributions correspond to the contributions paid during the reporting year.

Remuneration (gross) of members of the Group Executive Board and the highest-earning member in 2019

CHF thousands	Dr. Suzanne Thoma	Group Executive Board ¹
	CEO	(including CEO)
	2019	2019
Fixed basic remuneration	858	2,882
Short-term variable remuneration	257	746
Long-term profit sharing (share-based payments) ²	410	1,498
Other benefits in kind and pension contributions ³	239	837
Total	1,764	5,963

AUDITED

- 1 The Group Executive Board was comprised of five members for the year as a whole.
 2 The share-based remuneration is recognised at its tax value in line with long-standing practice.
 3 Pension contributions correspond to the contributions paid during the reporting year.

4.3 Compliance with the maximum overall remuneration for the 2020 financial year ratified by the General Meeting

In summary, the remuneration paid fully complies with the maximum amount of CHF 8,800 thousand ratified by the 2019 General Meeting for remuneration of the Group Executive Board for the 2020 financial year.

4.4 Payments to former members of the Group Executive Board and their related parties

No payments were made to former members of the Group Executive Board during the reporting year. There were also no payments to related parties of members of the Group Executive Board.

4.5 Loans and credit to members of the Group Executive Board

No loans were granted to members of the Group Executive Board in the financial year. No loans were owed at the end of the reporting year.

5 Shareholdings

The shares held by members of the Board of Directors and the Group Executive Board of BKW and their related parties as of 31 December 2020 and 2019 can be found in the Notes to the Financial Statements on page 110.

As at 31 December 2020, the company's burn rate was 0.246%. This is defined as the number of shares allocated in 2020 divided by the total number of shares outstanding. 129,750 shares were allocated in 2020.

6 Outlook: Remuneration system 2021

As explained at the outset, the remuneration report has in the past been the subject of controversy and discussion by some of BKW's shareholders and the general public. In particular, remuneration in the form of restricted shares has been criticised since the allocation of shares does not take account of future performance and the share price used to convert the allocation amount into a number of shares was aligned with the average share price of 2014 and 2015 (thus representing a substantial discount compared with the current share price at the time of allocation). Moreover, the shareholders have also indicated that the remuneration of the Group Executive Board is high in comparison with other companies in which the public sector has a majority stake.

On the basis of the shareholder feedback and the review into the Group Executive Board's remuneration system that was carried out in 2019, the Board of Directors has decided to update the remuneration system as described below.

The transitional model explained earlier will apply to the CEO. Following the transition phase, the new Group Executive Board remuneration system will also apply to the CEO.

6.1 Structure and amount of remuneration

BKW is both listed on the stock exchange and has a majority stake that is held by the public sector. Nevertheless, the role of the Canton of Bern is limited to its position of shareholder, with the associated opportunities and risks that entails. BKW has neither a statutory nor an agreed mandate from the Canton of Bern, and does not benefit from any public guarantee of possible losses. The relevant market for recruitment of talent for BKW largely consists of listed industrial companies of a similar size and complexity, and not from public-sector companies. Accordingly, the BKW remuneration policy must be aligned with the policies of other listed companies in Switzerland; the remunera-

tion practices of these companies differ considerably from those in the public sector.

At the same time, the form of the remuneration system must take account of the fact that some parts of BKW operate in a regulated environment that excludes the capacity for short-term or long-term profit maximisation. In addition, the long-term nature of investments in the Energy and Grid businesses mean that the inclusion of misleading and disproportionate short-term incentives in the remuneration structure should be avoided. The investment horizon for production and grid infrastructure is at least 30 years, if not longer. It is therefore a legitimate approach for the remuneration system to be conservative with less of a short-term perspective and to encourage long-term ties between the Group Executive Board and the company.

In all other aspects the remuneration structure adheres to the common model of listed companies and comprises a base salary, short-term variable remuneration and long-term share-based remuneration. As already mentioned, the short-term variable component is set at a comparably low level. In contrast, the share-based remuneration component has grown disproportionately in recent years, since the number of shares was calculated on the basis of BKW's average share price in 2014 and 2015 (i. e. before the implementation of the current strategy) and the BKW share price and thus shareholder value has grown extremely well thanks to the successful strategy implementation. With effect from 2021, the remuneration structure will be modified to reflect a more balanced approach between the short-term variable and long-term share-based payments. The adjustments to the system do not have the objective of reducing salaries. Fundamentally, the targets for both of the elements are set at 30% of the base salary. Now, however, a more performance-oriented variable component of remuneration as demanded by various shareholders and institutions has been put in place. Instead of capping the short-term variable remuneration at 100% achievement of

a target, the maximum payment can now reach up to 200% of the target value (i. e. 60% of the base salary). The value of the long-term variable

component develops in parallel to the price of the allocated shares during the blocking period.

The Group Executive Board's remuneration will be structured as follows:



Over recent years, the level of remuneration has been gradually aligned with the market. During its strategic transformation, BKW has changed significantly and with more than 10,000 employees has generated CHF 3,129 million in sales, and has a reported stock exchange value of more than CHF 5.2 billion. The total remuneration of the Group Executive Board has been adjusted accordingly in recent years. Nevertheless, the total remuneration of Group Executive Board members is below the market median compared with the companies described above.

6.2 Short-term variable remuneration (bonus)

As already stated, the target value for the short-term variable remuneration will be 30% of the base salary. This represents an increase compared with the current system and will partially offset the lower allocation value of the share-based remuneration, which is described further below.

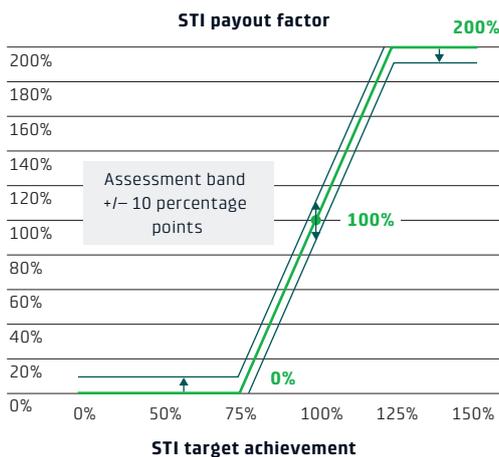
The definition of the STI is set on the basis of the budgeted operating net profit and now also on the basis of the relative return on shares. The operating net profit is calculated excluding any return from the investments in

the decommissioning and disposal funds since these are managed by the funds' management committee and are therefore not within the control of the BKW Group Executive Board. The addition of the relative return on shares as a measurement of performance also means that the interests of the management are more strongly aligned with those of shareholders, and that the performance of BKW relative to comparable companies that are included in the SMCI is also taken into account. The weighting is 75% in favour of EBIT and 25% for the relative return on shares.

To strengthen the dependency of the STI on performance, the disbursement factor (relative to the target bonus) is between 0 and 200%. Any performance measurement that falls short of 75% of the target equates to a disbursement factor of zero. A performance measurement that achieves 125% or more of the target is rewarded by a disbursement factor of 200%. The disbursement factor increases in a linear fashion for the performance measurements band between 75% and 125%. The maximum level of the STI is always 200% of the target bonus, i. e. 60% of the base salary. Therefore, a performance measurement of more than 125% will not result in a disbursement of more than 200% of the target bonus.

Furthermore, the Remuneration and Nomination Committee decided to adjust the disbursement factor calculated on the basis of the quantitative targets by a range of –10 to +10 percentage points. This adjustment is based on an assessment of the qualitative targets and may produce different results for different members of the Group Executive Board in exceptional cases. The qualitative target for 2021 is, in particular, the repositioning of the Energy business within the volatile European energy markets.

Once the target bonus of 200% has been reached no further increase is possible.



At the request of the Remuneration and Nomination Committee, the Board of Directors may reduce or dispense entirely with the disbursement in exceptional circumstances, irrespective of the performance measurement. Such exceptional circumstances may arise in particular if the company's existence is under threat and the payment of dividends or/and any profit-sharing payments due to employees are to be cancelled. In this case (exceptional situation), there is no legal entitlement to short-term variable remuneration.

6.3 Long-term variable remuneration (restricted shares)

The Remuneration and Nomination Committee discussed the form this remuneration component at length and agreed to continue the practice of allocating shares with a three-year blocking period and without ties to future performance. The reason for this decision lies in BKW's remuneration policy, the primary aim of which is to make a link between company performance, shareholder interests and remuneration. At the same time, it is a fundamental belief at BKW that the remuneration system should be simple and stable, i.e. that it should not constitute significant leverage so that instead the Group Executive Board can focus on the company's long-term success. This is fully in line with the circumstances of a company, where parts of its activities take place in a regulated environment and are thus not fully capable of pursuing maximum profits. The performance components are measured against the trajectory of the share price since the shares are subject to a three-year blocking period and the Group Executive Board is thus rewarded for a rising share price. There is no additional leverage effect to avoid false incentives.

The allocation amount will now use the average price of the BKW share during the two previous years before the point of allocation for the conversion into a number of shares (instead of using the average price from 2014 and 2015 as was previously the case). The allocation amount will be 30% of the base salary. This redesigned structure for the long-term variable remuneration does, however, result in a reduction in this proportion of the remuneration compared with previous years. Since the purpose of the system review was not to achieve salary reductions given an equivalent level of performance and success, this reduction will be offset by increases in base salary and short-term variable remuneration.

The allocation of shares is done annually, in the first quarter of the calendar year that follows the assessment year. Shares are transferred to the plan participants following the decision of the Board of Directors on disbursement of a dividend. There shall only be an entitlement to an allocation of shares if the Board of Directors proposes to the General Meeting that a dividend be paid from the profits of the assessment year. If no dividend is to be paid owing to economic reasons, the entitlement to an allocation of shares for the corresponding year is lost in full.

Report of the statutory auditor on the remuneration report



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone +41 58 286 61 11
Fax +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
BKW AG, Berne

Berne, 12 March 2021

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of BKW AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the marked places on pages 156 to 162 of the remuneration report.



Board of Directors' responsibility

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



Auditor's responsibility

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

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

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



Opinion

In our opinion, the remuneration report for the year ended 31 December 2020 of BKW AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

Addresses

Investor Relations

BKW AG
Investor Relations
Viktoriaplatz 2
CH-3013 Bern
Telephone +41 58 477 53 56
investor.relations@bkw.ch

Media Relations

BKW AG
Media Relations
Viktoriaplatz 2
CH-3013 Bern
Telephone +41 58 477 51 07
media@bkw.ch

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

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