

Media Release

2009 results

Strong energy business – good financial result



Berne, 18 March 2010

In 2009 the BKW Group further consolidated its market position and increased sales in a difficult economic environment. Consolidated operating revenue grew year-on-year by 2.8% to CHF 3,592.6 million. The result reflects the Group's undiminished strong ability to generate operational earnings, a special effect which was booked to income, and the easing of international financial markets. Operating profit before depreciation, amortisation and impairment (EBITDA) grew by 6.4% to CHF 501.6 million. Stabilisation on the financial markets resulted in a significantly higher financial result and a corresponding increase in net profit, which ended the year at CHF 298.5 million.

In 2009 the volume of electricity sold by the BKW Group rose by 5% to 27,255 GWh. Electricity generation rose year-on-year by 224 GWh from 10,299 GWh to 10,523 GWh, primarily due to an increase 40 GWh in hydroelectricity production and 273 GWh in production by thermal power plants (Livorno Ferraris). Due to slightly lower purchases from French nuclear power plants, production from nuclear power plants dipped by 1.7% to 5,784 GWh (2008: 5,884 GWh). Conversely, increased production by Mühleberg nuclear power plant resulted in a record net output of 2,960 GWh (2008: 2,956 GWh), thanks to continual investment in modernisation. Power generation from new renewable energies managed by the BKW Group itself rose to 39 GWh. Including production from plants not directly managed by BKW, for example the wind farms in southern Italy, power generation from new renewable energies amounted to 94 GWh.

Home market position further strengthened

Reporting for the 2009 financial year now contains segment reporting by business segment. BKW operates three business segments: Energy Switzerland, Energy International and Trading, and Networks. Introduction of segment reporting has further enhanced transparency. Segment results have already been published for the first half-year of 2009.

Energy Switzerland grew total operating revenue by 26.8% to CHF 2,054.2 million. Net sales to external customers were up 11.4% at CHF 1,117.4 million (2008: CHF 1,003.2 million). The segment's Sales Switzerland unit increased electricity sales year-on-year by 1% to 8,075 GWh (2008: 7,978 GWh). The increase of 97 GWh is a result of higher sales as well as the acquisition of new customers outside the supply region. Given the downturn in the Swiss economy, the results of this business segment give cause for satisfaction.

Strong trading business and consolidation of international position

Energy International and Trading grew total operating revenue by 9.6% to CHF 3,094.3 million, thanks to strong performance by the energy trading business despite the difficult market environment. The volume of electricity traded rose to 12,638 GWh (2008: 11,882 GWh), generating revenue of CHF 1,456.9 million: 7.9% higher than the prior-year figure

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(CHF 1,350.2 million). Thanks to a forward-looking hedging strategy, deliveries for 2009 were hedged in good time at an attractive price level. Long positions of around 2,500 GWh per year were also largely scaled back for the following three years (97% for 2010, 72% for 2011 and 38% for 2012).

Thanks to exploitation of short-term market opportunities and a successful proprietary trading strategy, Trading once more recorded an impressive result in 2009. Sales International also expanded its position in 2009 despite the crisis and general decline in energy consumption, increasing the volume of electricity sold by 10.9% to 5,768 GWh (2008: 5'201 GWh). Nevertheless, the marked drop in prices compared to 2008 led to a reduction of 11.4% in revenue to CHF 591.1 million.

In the second half of 2009, existing gas-fired combined-cycle power plant projects in Italy were reassessed and impairments of around CHF 31 million were recognised.

Grid business impacted by economic conditions

The Networks Segment saw total operating revenue dip slightly by 1.9% to CHF 647.5 million. The volume of electricity which BKW delivers over the grid to customers and sales partners fell by just on 5% due to the economic downturn. In addition to the reduction in total operating revenue, negative effects due to regulatory intervention also took their toll on the results. These effects were only partly offset by growth in the network service business.

Good operating performance – favourable financial result

Operating profit before depreciation, amortisation and impairment (EBITDA) was 6.4% higher at CHF 501.6 million (2008: CHF 471.3 million) due, on the one hand, to strong operating performance by the energy business and, on the other hand, to a change in pension plan assets which resulted in CHF 28.6 million being recognised in income. Operating profit (EBIT) rose by 5.3% to CHF 356.9 million (2008: CHF 338.9 million). Boosted by the recovery on equity markets, the financial result rose to CHF 28.2 million compared to the prior-year loss of CHF 167.3 million. The easing on financial markets resulted in particular in gains on shares and securities related to the decommissioning and disposal funds. Thus, in contrast to the prior-year period, good performance in the energy business was not diminished by a negative financial result and the BKW Group's net profit for the 2009 financial year rose year-on-year by 115.2% from CHF 138.7 million to CHF 298.5 million.

Strategic projects and partnerships

In 2009 BKW further pursued the projects initiated to maintain and strengthen our future market position. These strategic initiatives are aimed at stepping up BKW's presence outside the traditional supply region by means of cooperation and sales platforms, and expanding electricity production capacities in Switzerland, with particular emphasis on the planning work for a replacement for Mühleberg nuclear power plant as well as projects in the field of new renewable energies. The drive in recent years to build up BKW's production portfolio in the Italian and German markets was further pursued in 2009. In Germany BKW entered into a strategic partnership with the juwi Group, a leading player in the field of new renewable energies. Despite broad-based support from the local municipality, work on the project to build a coal-fired power plant in Dörpen (Lower Saxony, Germany) was discontinued due to the lack of a buyer for the heat: a key criterion for implementation of the plant. Another strategic partnership was forged in Italy between BKW and Fortore Energia S.p.A., to build up wind farm capacities.

Difficult regulatory environment – price adjustments in the interests of energy security

In the course of the year under review, the Federal Electricity Commission (EiCom) issued various decrees whose impact on the regulatory framework obliged BKW to take legal action with a view to clarifying the legal parameters, particularly those governing future investments in the energy and grid area. For this reason, BKW is also aiming to lodge an appeal with the Federal Administrative Court against EiCom's decision to reduce costs and tariffs for the transmission grid.

Last year, due to the difficult economic situation, BKW refrained from increasing electricity prices. In the interests of long-term energy security, however, BKW announced back then that it would no longer be unable to avoid adjusting prices for 2011. These adjustments are likely to amount to less than 10%.

Outlook for 2010

The BKW Group expects to close the current financial year with stable development in the energy business and revenue on a par with the prior year. Nevertheless, sustained low energy prices on the international markets, economic uncertainty, new regulatory requirements and costs related to strategic projects – particularly in connection with the drive to expand production – are likely to have an impact on the operating result. Taking all these factors into account, EBITDA is likely to fall short of the 2009 figure, adjusted for the special effect related to the adjustment in pension plan assets booked to income. The financial result is dependent on financial market movements; assuming that the recovery is not complete and that financial markets remain stable, BKW expects to close 2010 with net profit lower than the prior-year figure.

2010 General Shareholders' Meeting

The Board of Directors proposes a dividend of CHF 2.50 per share (2008: CHF 2.30 per share) to the General Shareholders' Meeting on 16 April 2010. The dividend will be paid out on 23 April 2010. The half-year results will be presented on 16 September 2010.

Annual report and financial report 2009 can be downloaded from:

www.bkw-fmb.ch/annualreport09
www.bkw-fmb.ch/financialreport09

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