

2009 results

Gratifying increase in production and sales



Address by Hermann Ineichen, Head of Energy Switzerland, at the Annual Press Conference on 18 March 2010

Ladies and Gentlemen,

I'd like to start with a review of the operating energy business in Switzerland and abroad, with the emphasis on the production and sales businesses. I will then discuss the individual priorities of BKW in Switzerland, Germany and Italy.

Increase in energy production abroad

In 2009 BKW generated 10,523 GWh of electricity in Switzerland and abroad: 2.2 percent more than in 2008. The increase is mainly due to the first full-year operation of the Livorno Ferraris gas-fired combined-cycle power plant in Italy. While production from this plant was lower than planned at 648 GWh, it nevertheless generated a reasonable contribution margin.

At 138 GWh, the volume of electricity generated by the hydroelectric power stations of Idroelettrica Lombarda was virtually unchanged from 2008. Compared with the long-term average, this is once more a very good result.

The wind farm in Bockelwitz, Germany, generated 17.4 GWh of electricity in 2009.

BKW also has numerous non-controlling interests in renewable energy facilities abroad, including BKWind in Germany as well as Fortore Wind and Biopower Sardegna in Italy. Last year these facilities generated a total of 53.8 GWh of electricity. These plants are not listed

on this slide since BKW's energy statistics do not include foreign non-controlling interests in the field of renewable energies which are not managed by BKW itself.

BKW reduced its stake in the project for a coal-fired power plant in Dörpen (Lower Saxony, Germany) to a non-controlling interest, transferring 75.1 percent of its share as well as the project lead to EnBW Energie Baden-Württemberg AG of Germany in March 2009. However, the planning work was then abandoned in December due to the failure to find a local buyer for the heat – an important criterion for implementation of the plant. Construction of the coal-fired power plant in Wilhelmshaven is on track, and the plant is still scheduled to go into operation in 2012. Construction of the Tamarete peak gas-fired power plant in Italy is also on schedule and will be completed in 2011.

Mühleberg nuclear power plant and the partner plants in Leibstadt, Cattenom and Fessenheim collectively delivered 5,784 GWh of energy to BKW in 2009. This corresponds to a year-on-year reduction of 1.7 percent, mainly due to the limited availability of the Fessenheim plant while it underwent a revision. Mühleberg nuclear power plant, on the other hand, surpassed its record performance of 2008, chalking up 2,960 GWh: the highest ever annual production volume since it went into operation. This achievement is thanks to the plant's good condition, a professional operating team and continual modernisation and optimisation. In terms of total volume generated since it first went live, Mühleberg nuclear power plant recently passed the 100 TWh mark.

In December 2009 the Federal Department for the Environment, Energy and Communications (DETEC) granted an open-ended operating licence for Mühleberg. This decision means greater protection of the investments already made to ensure the plant's continued operation, and guarantees reliable supplies of electricity for the western Switzerland region until the replacement for Mühleberg is commissioned.

In 2009, the volume of electricity generated by Swiss hydroelectric power plants rose by 1.0 percent to 3,915 GWh. The higher figure is attributable to partner plants in the Valais, Ticino and Graubünden, which increased production by 63 GWh or 2.2 percent. On the other hand, production by proprietary hydroelectric power plants fell by 23 GWh to 937 GWh.

The share of new renewable energies in Switzerland amounted to 21 GWh, corresponding to a reduction of around 12 percent. This lower figure is due in particular to the absence of production by the biomass power plant in Otelfingen, which underwent renovations in 2009. Last year BKW's wind facilities on Mont-Crosin produced 8.3 GWh of electricity, corresponding to a weather-related reduction of 7.8 percent over the 2008 volume. Conversely, thanks to new facilities such as the plants in Payerne and Frutigen, solar power production grew by 0.1 GWh.

Lower demand in BKW's supply region – higher electricity sales in Switzerland

Overall demand in BKW's traditional supply region fell by close to 6 percent, largely as a result of the tight economic situation in 2009.

The new rules governing market liberalisation impacted sales figures for the first time in 2009, with total sales of electricity by BKW in Switzerland rising by 1.2 percent to 8,075 GWh, largely thanks to consistent expansion of sales activities. New customer acquisitions and changes in existing sales partners resulted in a 6.4 percent rise in the total volume of electricity sold to sales partners to 4,431 GWh. Nevertheless, demand for electricity by private customers dropped by 4 percent to 1,599 GWh. The volume of electricity purchased by SMEs dropped year-on-year by 2.4 percent to 1,074 GWh, while consumption by industrial customers also declined by 6.5 percent to 972 GWh.

International electricity markets witnessed a massive decline in demand in 2009, with demand from industrial customers even dropping by double-digit percentages. Despite this difficult environment, BKW succeeded in growing sales in Germany and Italy by 10.9 percent to 5,768 GWh, and the decline in demand among existing customers was more than offset by new customer acquisition.

Highly successful trading year

To optimally manage new power plants such as Livorno Ferraris, BKW expanded its trading activities to include additional sources of energy. Besides power plant management, proprietary trading was also expanded and successfully operated.

In 2009 16,732 GWh of energy was procured and the trading volume amounted to 12,638 GWh. These figures refer to energy management and are dependent not only on production but also on the timing and scope of sales activities.

Including proprietary trading, 44 TWh of electrical energy, 2.2 million tonnes of CO₂ emission certificates and close to 9 TWh of gas was traded by BKW. Due to the flat price curve, the trading volume was significantly lower than in 2009.

Project to replace Mühleberg nuclear power plant – key element of BKW's strategy

Following the submission in December 2008 of two general licence applications to build replacements for Mühleberg and Beznau nuclear power plants, the project to replace Mühleberg nuclear power plant is progressing according to plan. Now that the general licence applications have been revised, Resun AG – the planning company jointly founded by BKW and Axpo – can begin preparing for the construction permit application. The main task here is to identify and assess the implications of the requirements of the Swiss Federal Nuclear Safety Inspectorate or ENSI, which by international standards are exceptionally rigorous.

BKW seeks to contact and work with the local population and communities in the early planning stages, to ensure that solutions for the replacement plant in Mühleberg are arrived at through consensus. For instance, a solution acceptable to most parties was found for connecting the planned construction site via a tunnel.

The KWO Plus investment programme is another priority for BKW in terms of its expansion strategy for long-term security of supply. The projects will result in several hundred Megawatts of additional capacity and around 50 GWh more power for KWO. The three sub-projects – to increase capacity, build a new pump storage power plant for the Grimsel 3

power plant, and raise the height of the Grimsel dam – entail an investment volume of around CHF 1 billion. The recently-publicised idea of a storage power plant between the Rättrichsboden reservoir and Lake Brienz has been examined by BKW, but we believe it does not present any viable alternative to the projects which are already at an advanced stage of development.

The project company Energie Utzenstorf AG has decided to suspend planning work on the Utzenstorf gas-fired combined-cycle power plant. In view of the lengthy licence procedures involved for nuclear power plants and the looming spectre of electricity shortages, BKW is convinced that gas technology offers an important transitional solution to ensuring a secure supply of electricity in Switzerland. Joint acquisition of the site with Papierfabrik Utzenstorf must be viewed against this backdrop. However, following the Council of States decision on 9 March which requires gas-fired combined-cycle power plants to fully offset their CO₂ emissions within Switzerland, the project has retreated even further into the background.

Ongoing expansion of renewable energy production

With sol-E Suisse AG, BKW has a dynamic BKW Group company in Switzerland that specialises in new renewable energies. The company's activities are currently devoted to the expansion of production in the fields of wind power, biomass and small hydroelectric plants. However, many of the following projects which were the focus of efforts in 2009 will generate revenue only in 2010 or 2011.

The project to expand the JUVENT SA wind farm in the Jura mountains is the largest – and currently the only - wind farm project currently under construction in Switzerland. From autumn 2010, eight additional 2-Megawatt turbines will quadruple the wind farm's production of electricity to around 36 GWh.

Also in 2010, the two biogas plants in the Magadino plain and Bätterkinden will be connected to the grid. These plants were jointly developed with agricultural and industrial partners and will collectively generate electricity to meet the requirements of around 800 households.

Work on construction of the 10-MW Schattenhalb 3 hydroelectric power plant in Meiringen and the Milibach power plant in the Lötschental is on schedule, and both plants will go into operation in mid- 2010.

In Germany, BKW forged a strategic partnership with the juwi Group with a view to building and operating several wind farms with a total installed capacity of around 200 Megawatts over the next few years. Another strategic partnership was entered into between BKW and Fortore Energia S.p.A., a leading specialist in wind power generation. BKW holds a 33 percent interest in the new joint venture Fortore Wind, which is planning to build and operate wind farms in southern Italy by 2016, with a total capacity of around 600 Megawatts. These activities and partnerships will enable BKW to expand wind power production by more than 100 GWh in the course of 2010.

Promoting energy efficiency among end customers

In addition to new renewable energies and large-scale power plants, energy efficiency is a key pillar of BKW's strategy.

Already more than 11 full-time employees work in BKW's energy efficiency competence centre, which went into operation in mid-2008. By the end of 2009, more than 600 private customers had consulted the centre on energy issues. The main areas on which advice was sought were heating and building facades, household appliances, lighting and mobility. In the business customer segment, around 100 companies sought advice. In addition to the same topics raised by private customers, industrial customers were particularly interested in ways of enhancing the energy efficiency of engines.

BKW's energy efficiency activities enable annual electricity savings of around 7.4 million kilowatt hours: equivalent to almost the total annual volume produced by the wind farm on Mont-Crosin.

Just how seriously BKW takes its three-pillar strategy of "Renewable energies, large-scale power plants and energy efficiency" is reflected in the number of employees engaged in these areas. Right now, as many staff work in energy efficiency promotion as for the planning

of a replacement for Mühleberg nuclear power plant. And more than three times as many employees are engaged in the field of renewable energies.

Thank you for your attention.

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