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Financial Result

Profit increased to CHF 207 million for 2002

In the year under review net sales for the BKW Group grew 28.5 percent to approximately CHF 2 billion. The increase is primarily attributable to the trading business. A decline in hydraulicity coupled with higher trading volumes resulted in a rise in procurement costs. Net profit for the year amounts to CHF 207 million.

Changes in presentation according to IFRS

In 2001 the consolidated financial statements were prepared and published for the first time in accordance with the International Financial Reporting Standards or IFRS (formerly IAS). No major changes have been made to the accounting principles in 2002.

In the year under review subsidiaries were founded and participations increased. The following changes in consolidation were made in 2002: The participation in Electra Italia S.p.A., Milan, was increased from 49.9 percent to 80.1 percent. The company was fully consolidated for the first time in the year under review. In addition, a fully-owned subsidiary was founded in Austria and the installation control activities were transferred to an associated company (em electrocontrol ag) in which BKW holds a minority stake. Other changes in consolidation are in respect of an increase in holdings in partner plants KKW Leibstadt (from 8.8 percent to 9.5 percent), Engadiner KW (from 25.0 percent to 30.0 percent) and Kraftwerke Mattmark (from 10.0 percent to 11.1 percent).

Higher net profit for the year

For the first time ever, net sales exceeded the CHF 2 billion mark in 2002. At the same time energy sales in Switzerland dropped by 3.7 percent to around CHF 851 million. The reasons behind this decrease are a slightly lower level of energy consumption, special price offers in the supply region and the discontinuation of contract deliveries to distribution partners outside the supply region. Sales generated by trade and international distribution increased by 72 percent to CHF 1,055 million. The international distribution business was expanded with the acquisition of a majority stake in Electra Italia S.p.A. on 1 January 2002 and startup of the subsidiary in Germany. The first sales figures were posted following build-up of the gas business.

Operating expenses before depreciation rose by 37 percent in 2002 to CHF 1,733 million. The increase in electricity sales is also reflected in the higher figure for electricity procurement, which rose by 55 percent to CHF 1,242 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) are roughly 3 percent below the previous year's level. This is mainly attributable to the fact that hydraulicity was far below the previous year's record high, driving electricity procurement costs up. The costs of intensive preparations ahead of the expected market liberalisation, coupled with further expansion of the international business, also led to a lower year-on-year EBITDA. Taking depreciation and amortisation into account, earnings before interest and taxes (EBIT) amount to CHF 263 million, corresponding to a 2 percent reduction on the previous year's figure.

Net financial expenses narrowed from CHF 45 million to CHF 17 million, while net profit for the year rose from CHF 196 million to CHF 207 million.

Improvement in equity ratio

The balance sheet total increased slightly from CHF 4,136 million to CHF 4,365 million. Non-current assets remained stable, while current assets rose by CHF 227 million. The latter is primarily attributable to higher short-term financial claims. Short-term liabilities increased by CHF 76 million and equity by CHF 141 million. As a result, shareholders' equity now stands at CHF 1,944 million, leading to an improvement in equity ratio from 43.6 percent to 44.5 percent.

Slight drop in cash flow from operating activities

At CHF 282 million, cash flow provided by operating activities is approximately CHF 20 million below the previous year's figure. Cash flow from operating activities is invested primarily in financial assets (approximately CHF 190 million net) and property, plant and equipment (approximately CHF 85 million gross). Investment activities resulted in a cash outflow of CHF 217 million. Taking into account a cash outflow of CHF 48 million for financing activities, cash and cash equivalents increased by CHF 15 million.

Higher dividend proposed

BKW closed the 2002 financial year with a profit of CHF 127 million compared to CHF 91 million for the previous year. An increase in the dividend from CHF 5.75 (post-split) to CHF 6.70 CHF is to be proposed.

Consolidated Financial Statements of the BKW Group

Consolidated Income Statement

CHF (million)	Note	2002	2001
Net sales	4	2,018.1	1,570.0
Own capitalised cost		17.3	16.2
Other operating income		43.7	35.4
Total operating revenue		2,079.1	1,621.6
Energy procurement	5	-1,242.4	-801.6
Nuclear fuel and disposal		-31.1	-31.3
Material and third-party services		-110.2	-95.4
Personnel expenses	6	-214.3	-210.9
Other operating expenses		-134.7	-126.1
Total operating expenses		-1,732.7	-1,265.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		346.4	356.3
Depreciation and amortisation	7	-82.9	-87.6
Earnings before interest and taxes (EBIT)		263.5	268.7
Financial result	8	-17.3	-45.0
Income from associated companies	12	14.4	20.2
Result before income taxes and minority interests		260.6	243.9
Income taxes	9	-51.9	-47.0
Result before minority interests		208.7	196.9
Minority interests		-1.5	-1.1
Net profit for the year		207.2	195.8
Earnings per share in CHF	10	39.80	37.51

Consolidated Financial Statements of the BKW Group

Consolidated Balance Sheet

Assets

CHF (million)	Note	31.12.2002	31.12.2001
Property, plant and equipment	11	1,272.9	1,272.4
Investments in associated companies	12	363.9	355.5
Non-current financial assets	13	1,257.7	1,261.0
Deferred tax assets	9	42.5	45.7
Intangible assets	14	24.6	25.2
Total non-current assets		2,961.6	2,959.8
Inventories	15	88.2	69.3
Accounts receivable	16	950.4	749.7
Cash and cash equivalents		278.6	263.8
Prepaid expenses and accrued income		86.5	93.8
Total current assets		1,403.7	1,176.6
Total assets		4,365.3	4,136.4

Liabilities and shareholders' equity

CHF (million)	Note	31.12.2002	31.12.2001
Share capital	17	132.0	132.0
Additional paid-in capital		35.0	35.0
Retained earnings		1,816.6	1,640.3
Own shares		-39.1	-3.7
Total shareholders' equity		1,944.5	1,803.6
Minority interests		19.7	16.0
Deferred tax liabilities	9	456.8	442.8
Long-term provisions	18	1,250.5	1,278.7
Long-term debts	19	200.0	200.0
Other long-term liabilities	20	132.8	110.3
Total long-term liabilities		2,040.1	2,031.8
Other short-term liabilities	21	291.0	193.3
Liabilities from income taxes		33.5	24.3
Accrued expenses and deferred income		36.5	67.4
Total short-term liabilities		361.0	285.0
Total liabilities		2,401.1	2,316.8
Total liabilities and shareholders' equity		4,365.3	4,136.4

Consolidated Financial Statements of the BKW Group

Change in Consolidated Equity

CHF (million)	Share capital	Additional paid-in capital	Retained earnings Accumulated profit	Retained earnings Translation adjustments	Own shares	Total
Equity at 31.12.2000	132.0	35.0	1,457.7	0.0	-3.9	1,620.8
Profit for the year			195.8			195.8
Dividends			-13.1			-13.1
Purchase/sale of own shares					0.2	0.2
Translation adjustments				-0.1		-0.1
Equity at 31.12.2001	132.0	35.0	1,640.4	-0.1	-3.7	1,803.6
Profit for the year			207.2			207.2
Dividends			-30.0			-30.0
Purchase/sale of own shares					-35.4	-35.4
Translation adjustments				-0.9		-0.9
Equity at 31.12.2002	132.0	35.0	1,817.6	-1.0	-39.1	1,944.5

Consolidated Financial Statements of the BKW Group

Consolidated Cash Flow Statement

CHF (million)	Note	2002	2001
Result before income taxes			
and minority interests		260.6	243.9
Adjustments for			
Depreciation and amortisation	7	82.9	87.6
Income from associated companies	12	-14.4	-20.2
Financial result	8	17.3	45.0
Gains/losses from the sale of non-current assets		2.0	-0.8
Change in long-term provisions (excl. interest)	18	-93.7	-6.3
Change in assigned rights of use		-5.1	-5.4
Other non-cash positions		6.6	13.8
Change in net current assets		52.4	-30.2
Other financial items paid		-1.7	-3.2
Income taxes paid	9	-25.2	-21.7
Cash flow provided by operating activities		281.7	302.5
Purchase of property, plant and equipment	11	-84.4	-79.3
Proceeds from sale of property, plant and equipment	11	4.7	1.8
Acquisition of subsidiaries (less acquired cash and cash equivalents)	23	1.7	0.0
Investments in associated companies	12	-13.5	-13.8
Disposal of associated companies		0.0	0.9
Investments in financial claims and non-current financial assets		-317.0	-621.9
Disposal of financial claims and non-current financial assets		127.0	457.1
Purchase of intangible assets	14	-5.3	-4.0
Interest received		57.7	35.0
Dividends received		12.5	13.7
Cash flow used for investing activities		-216.6	-210.5
Capital write-downs		0.0	-1.2
Purchase/sale of own shares		-35.4	0.2
Increase in other long-term liabilities		27.7	8.4
Decrease in other long-term liabilities		0.0	-0.1
Interest paid		-9.9	-10.4
Dividends paid		-30.9	-13.3
Cash flow used for financing activities		-48.5	-16.4
Translation adjustments on cash and cash equivalents		-1.8	-0.8
Net change in cash and cash equivalents		14.8	74.8
Cash and cash equivalents at start of reporting period		263.8	189.0
Cash and cash equivalents at end of reporting period		278.6	263.8

Notes to the Consolidated Financial Statements

1 Description of business

BKW FMB Energy Ltd (BKW) and its subsidiaries are a leading energy provider in Switzerland, and deliver a wide range of products and services to private and business customers. BKW covers the entire value chain, from production, transmission, distribution and trading in energy.

Effective 1 January 2002, BKW took over the majority of shares in Electra Italia S.p.A. Formerly disclosed as an associated participation, the company has now been fully consolidated. BKW FMB Energie Österreich GmbH was formed and consolidated for the first time in the year under review. em electrocontrol AG, which was demerged from BKW, was consolidated at equity.

2 Accounting principles

2.1 General principles

The consolidated financial statements for the year ended 31 December 2002 have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). They provide a true and fair view of the financial position, the results of operations and the cash flows of the BKW Group. All standards and interpretations have been adopted. The financial statements also comply with Swiss corporation law. The closing date for the Group financial statements and those of its fully consolidated companies is 31 December. The statements are quoted in Swiss francs (CHF).

The financial statements were approved by the Board of Directors on 8 April 2003.

2.2 Scope of consolidation

The consolidated financial statement covers the annual statements of BKW and all companies in which BKW is able to determine the financial and business policies. All major participations, together with additional details, are listed under Participations on pages 52 and 53.

2.3 Basis of consolidation

The financial statements are based on the closing statements of the individual Group companies drawn up according to Group-wide principles of valuation and presentation. Group companies are included in the consolidated financial statements in their entirety.

Group companies are defined as those where BKW holds 50% or more of the voting rights with no restrictions (as is the case, for instance, with joint ventures). Assets and liabilities as well income and expenditures are included in their entirety. Minority interests in shareholders' equity and net income of the Group company are disclosed separately in the balance sheet or income statement. Intercompany income and expenditures as well as intercompany assets and liabilities are eliminated on consolidation. Intermediate profits on intercompany transactions and balances not yet realised from sales to third parties are eliminated on consolidation.

Investments in companies in which BKW is able to exercise significant influence (generally ownership between 20% and 50%) are classified as associated companies and accounted for using the equity method. This method is also used for partnerships (joint ventures) where the shareholding is less than 20% or above 50%. In both cases BKW may be able to exercise significant influence but does not have control, by reason of contracts existing with shareholders. The BKW Group's share of assets and outside liabilities as well as expenses and income of partnership companies is disclosed in Note 12 on page 43.

Participations with no significant influence (as a rule below 20%) which do not constitute joint ventures are accounted for at market values. If the market value cannot be determined, they are accounted for at cost less appropriate allowances for permanent diminutions in value.

2.4 Acquisition and sale of participations

Companies acquired by the BKW Group during the year are consolidated as from the effective date of acquisition. Purchased net assets are accounted for at market value and consolidated using the purchase method. Differences between the higher purchase price and the fair value of net assets are classified as goodwill from acquisitions and amortised on a straight-line basis over their estimated useful life of 20 years at most.

Companies disposed of during the year are excluded after the date of sale. Differences between the selling price and the net assets disposed of (taking into account any positive or negative goodwill as well as accumulated foreign currency translation differences and value fluctuations for financial instruments not charged to income) are charged to income on the effective date.

2.5 Foreign currency translation

The BKW Group records transactions in foreign currencies at the current exchange rates on the date of transaction. Exchange gains and losses arising from such transactions as well as the translation of foreign currency balances on the balance sheet date are taken to income.

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

- Balance sheet, at the current exchange rate on 31 December.
- Income statement, at average exchange rates for the year
- Cash flow, at average exchange rates for the year

Differences arising from the translation of the financial statements of foreign subsidiaries are directly accounted for in the consolidated shareholders' equity.

Currency exchange rates

CHF	31.12.02	31.12.01
1 EUR		
Year-end	1.45	1.48
1 EUR		
Annual average	1.47	1.51

2.6 Segment reporting

As an integrated power supply company, the BKW Group is primarily active in the energy business. Activities unrelated to the energy business account for less than 10% of revenues, assets and results. Segment reports are therefore not required.

2.7 Net sales

Sales are presented on the basis of effectively billed sales of energy during the period under review. In the case of standard forward contracts which are processed and billed in the same way as traditional energy contracts, the aim is to reflect the administration of a trading position rather than the final, physical delivery of energy.

2.8 Relationship with significant shareholders

As the main shareholder of BKW, the canton of Berne has control over all decisions made at the Annual General Meeting, including election of members of the Board of Directors and the distribution of profit. The relationships with the canton of Berne, its authorities, public-law institutions and private-law companies under cantonal control are varied. BKW delivers energy and other services, purchases material and services, and pays statutory financial charges and taxes. All these businesses are based on normal customer/supplier relationships and are performed at the same market conditions as with independent third parties or in accordance with statutory requirements. Transactions with the canton of Berne, including its official authorities, institu-

tions and controlled companies, are not subject to the duty to disclose for related parties.

E.ON Energie AG has a 20% share in BKW and BKW delivers and buys energy from E.ON Energie AG. All these trading transactions are performed under market conditions and have no significant influence on the results.

2.9 Intercompany relationships

Intercompany transactions are conducted at market prices or contractually agreed prices. Energy produced by partnership companies is billed to shareholders on the basis of existing agreements – irrespective of the current market prices – at actual cost.

3 Principles of accounting and valuation

3.1 Financial assets and liabilities

In accordance with IAS 39, financial assets and liabilities are valued as follows:

- Guaranteed loans, receivables and liabilities not held for trading (in particular, supplier liabilities) as well as assets and liabilities held to maturity are measured at acquisition costs (including transaction costs). Premiums or discounts on these are carried at amortised cost using the Effective Interest Method. A value adjustment is made if there is considered to be a risk of loss of value. Impairments are charged to income at nominal or cost price.
- Assets and liabilities held in the short term for trading as well as all other financial assets whose value can be reliably measured are recorded at fair value. If fair values cannot be determined, such assets and liabilities are carried at acquisition costs less value adjustments. Derivatives are always stated at fair value. Changes in fair value are recognised in net profit or loss and recorded on the trade date.

3.2 Property, plant and equipment

Property, plant and equipment are recorded at purchase or manufacturing cost less accumulated depreciation. Depreciation is calculated using the straight-line method and systematically based on the useful lives of the objects.

As far as meaningfully and reliably determinable, cash values of estimated dismantling and decommissioning costs are charged to the balance sheet together with acquisition or manufacturing costs (IAS 16 and 37/see also under Provisions). For long-term investment projects, the borrowing interest is charged to the balance sheet during the set-up phase. Land is valued at acquisition value. Depreciation is recorded only in the event of a lower market value.

Repairs and maintenance with no added value are charged to the income statement as incurred. They are carried as assets only if the costs extend the original useful life or give rise to other significant economic benefits (cost reduction, increase in earnings).

The useful life of property, plant and equipment is estimated as follows:

Land and sites	only if value under construction diminishes
Buildings	50 years
Power plants	40 to 80 years
Transmission and distribution stations	20 to 40 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years

Depreciation on property, plant and equipment under licence is calculated up to the expiry of the licence.

3.3 Long-term financial assets

Long-term financial assets cover participations, financial loans, financial claims and securities.

Debentures to affiliated companies and third parties as well as long-term financial claims on financial institutes are

accounted for at acquisition cost less reductions in value. Securities with market values are valued at market values, while securities without market values are valued at acquisition values less necessary adjustment for losses.

Long-term receivables with respect to the state funds (federal decommissioning and disposal funds) are valued at the cash value of anticipated future reimbursements from state funds. Future reimbursements from the funds are estimated by calculating the provision and the cash outflow to the state funds (see Provisions and Contingencies).

3.4 Intangible assets

Intangible assets cover rights of use and goodwill.

Rights of use are contractually agreed upon non-recurrent amounts to compensate a contractual partner for the use of its operating installations as well as licences for the construction and operation of the company's own installations. Rights of use are written down over the period of use, or at most the contract period, using the straight-line method. Goodwill from the purchase of participations is amortised on a straight-line basis over the anticipated life up to a maximum of 20 years.

3.5 Inventories

Inventories are stated at the lower of acquisition/manufacturing cost or net realisable value. Nuclear fuel produced specifically for BKW is valued at acquisition cost, and wear and tear (burn-off) is charged to expense items under nuclear fuel and disposal expenses.

3.6 Accounts receivable / Prepaid expenses and deferred income

With the exception of financial assets, accounts receivable and other current assets are stated at acquisition cost less operationally necessary adjustments for losses. Prepaid expenses and deferred income cover the periodical adjustment of expenses and income.

3.7 Production contracts

Production contracts are valued according to the Percentage of Completion or POC method. The stage of completion is determined on the basis of individual progress reports or cost estimates. The pro rata income is recorded in the income statement as revenue. Orders and order groups whose pro-rata income cannot be reliably estimated are capitalised. Anticipated losses are immediately adjusted in their entirety. Work in progress – after taking into account customer payments – is stated under accounts receivable trade, as net assets from production contracts.

3.8 Cash and cash equivalents

Cash and cash equivalents are stated at face value and cover cash in hand, bank account balances and cash invested with financial institutes for a maximum period of 90 days. This definition also applies to the cash flow statement.

3.9 Impairment of assets

Assets not stated at market value (in particular property, plant and equipment) are continually reviewed for impairment losses. Assets whose book value exceeds the recoverable amount are written down or value adjusted. For assets for which the amount still payable exceeds the value, the amount exceeding the value of the asset is provisioned for under contractual risks. The recoverable value is defined as the higher of the net selling price or useful value (cash value of estimated future cash flows). Wherever possible, the recoverable value is separately determined for each asset. A value impairment recorded in previous years for an asset value is reversed if no impairment or only a reduced impairment now exists. The reverse booking is also charged to income.

A review of values has resulted in write-downs of production facility assets. Overvaluation of production facilities with joint ventures is provisioned for under contractual risks on account of the contractual obligation to pay energy production costs (contractual valuation of energy procurement).

3.10 Provisions

Provisions cover all obligations identifiable on the balance sheet date for past transactions and events whose occurrence is probable and whose exact extent is not known, but can be reliably estimated, and for which the cash outflow date is unknown. If an outflow of resources is not probable or determinable, a provision is charged to contingent liabilities. Provided the cash outflow is anticipated in the medium to long term, the amount of the provision is calculated at cash value.

As the operator of the Mühleberg nuclear power plant, BKW is required by law to decommission the plant after the operating phase and to dispose of the nuclear waste.

The net present value of estimated dismantling and decommissioning costs is carried together with the acquisition/manufacturing costs of the plant. The same amount has been simultaneously reserved and is added to interest annually.

The costs of nuclear disposal are calculated and the net present value recorded. The net present value of costs for the annual volume of waste to be additionally disposed of is reserved according to the period. The provision is added to interest annually.

Nuclear power plant operators are required by law to make annual payments to the state funds (decommissioning and waste disposal funds). Future bills for decommissioning and disposal are paid by these funds according to the statutory requirements. These payments are regarded as reimbursements under the terms of IAS 37. The net present value of anticipated future reimbursements is recorded as a receivable vis-à-vis the state funds under long-term financial assets.

Provisions and reimbursements from the state funds are calculated based on the following assumptions:

- An operating period of 40 years,
- an average inflation rate of 3% and
- an average interest rate of 5%.

3.11 Deferred taxes

Deferred taxes account for the income tax effects between internal and local tax evaluation guidelines for assets and liabilities, according to the comprehensive liability method, and based on the actual tax rates or tax rates expected to apply when this difference is adjusted.

Deferred tax liabilities are always recognised in the balance sheet but are carried as assets only if it appears probable that these deferred tax assets will be of use to the Group on the basis of future anticipated gains.

Changes in deferred taxes are recorded in the income statement except when the origin of temporary differences is recognised as not affecting profit. In this case deferred taxes are also charged to equity without affecting profit.

3.12 Financial risk management

Risk management within the Group is practised according to the principles and guidelines set down by senior management. These principles and guidelines govern the hedging of market, currency, interest and credit risks. Principles are also defined for the management of cash and short and long-term financing. Monitoring and controlling of these risks are performed by certain identified individuals within BKW.

Market risks

Market risks arise from price and exchange rate fluctuations on incompletely secured positions of the energy business. Unsecured positions in the energy business affect the Group's earnings position. The risk policy enables the existence of monitored, open positions which, combined with the use of financial instruments, should contribute to optimising the earnings potential.

Currency risks

Energy trading is now largely conducted in Euros. Exchange rate fluctuations have an impact on the assets and earnings position stated in Swiss francs. To the extent considered necessary, Euro positions are secured using currency swaps and futures.

Interest rate risk

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

Credit risk

Credit risk includes the risk that a counterparty will be unable or unwilling to discharge its obligation and cause a financial loss. Active risk management with defined limits per counterparty is practised with respect to trade accounts receivable and the investment of funds.

3.13 Financial instruments

The fair value of a financial instrument is the amount for which a third party would acquire the rights and obligations arising from such a financial instrument. The amount is calculated using recognised valuation methods or the prevailing price on the balance sheet date. The published fair values may differ from the published fair values for a liquidated sale, due to fluctuations in relevant market data. Value fluctuations are continually charged to income. The operating results of energy business financial instruments are recorded in the operating result, and the operating results of financial instruments for currencies and interest are recorded in financial income.

3.14 Contingencies

Measurement of the provision for nuclear waste disposal is essential for assessment of the balance sheet of BKW. The industry calculates shared, detailed costs for decommissioning and the disposal of nuclear waste. These cost calculations are examined by the Swiss government, which manages finances arising from the provision for nuclear waste disposal. The estimates of BKW are applied for plant-specific obligations. Payment to the funds managed by the Swiss government is stated as a receivable at net present value. In accordance with the ordinance governing the state funds, operators must make up any future shortfalls or are entitled to reimbursement of future surplus funds. These receivables or obligations are stated as contingent liabilities in the case of a shortfall, or contingent assets in the case of a surplus. The value of such shortfalls or surpluses can only be determined in the future.

Errors in cost calculations and changes in policy requirements for decommissioning and nuclear waste disposal, as well as sustainable, long-term discrepancies between the financial income from state funds and the calculated net present value, may affect the Group's earnings situation.

3.15 Pension plan

The Group operates various pension plans. The individual plans are recorded as defined benefit or defined contribution pension plans according to IAS 19.

Defined benefit plans are subject to periodic valuation (generally every 3 years) and revision by qualified independent actuaries. They are calculated using the projected unit credit method. Until this obligation is recalculated, employees' acquired benefits are updated based on the selected parameters. If subsequent calculations differ by less than 10% (corresponding to the "corridor" defined in IAS 19 Paragraph 92), these benefits are recorded unchanged. If, however, the difference exceeds the permissible corri-

dor, this is accounted for over the average remaining working period of the employee using the straight-line method.

If an obligation arises from this calculation, the BKW Group records this in the balance sheet at the anticipated value of the financial cash outflow. Gains are accounted for only to the extent of the anticipated future benefit for the BKW Group.

Contributions to defined contribution plans, such as the state pension plan, are charged in the period to which they relate.

4 Net sales

CHF (million)	2002	2001
Electricity distribution Switzerland	851.1	883.6
Electricity trade and international distribution	1,054.8	613.9
Other electricity business	62.0	25.4
Gas business	9.4	0.0
Engineering services and electrical installation business	40.4	43.6
Changes in work in progress	0.4	3.5
Total	2,018.1	1,570.0

5 Energy procurement

CHF (million)	2002	2001
Electricity procurement, third parties	938.9	522.1
Electricity procurement, joint ventures	265.8	265.1
Other expenses for electricity procurement	28.6	14.4
Gas procurement, third parties	9.1	0.0
Total	1,242.4	801.6

6 Personnel expenses

CHF (million)	2002	2001
Salaries and wages	174.7	164.4
Social security contributions and other personnel expenses	39.6	46.5
Total	214.3	210.9

Number of employees on balance sheet date (full-time equivalent)

	31.12.2002	31.12.2001
Employees	1,889	1,768
Trainees	110	98
Total	1,999	1,866

7 Depreciation and amortisation

CHF (million)	2002	2001
Property, plant and equipment	77.3	87.4
Intangible fixed assets	5.6	0.2
Total	82.9	87.6

8 Financial income

CHF (million)	2002	2001
Income from interest and securities	43.1	41.6
Interest on receivables from state funds	20.2	5.7
Other financial income	0.4	0.7
Financial income	63.7	48.0
Interest expenses	-12.7	-10.0
Interest on provisions	-63.9	-65.6
Other financial expenses	-1.8	-2.3
Currency translation adjustments	-2.6	-15.1
Financial expenses	-81.0	-93.0
Total	-17.3	-45.0

9 Taxes

CHF (million)	2002	2001
Current income taxes	34.5	32.8
Deferred taxes	17.4	14.2
Total income tax	51.9	47.0
Reconciliation with reported income tax:		
CHF (million)	2002	2001
Result before income taxes and minority interests	260.6	243.9
Tax expenses at anticipated rate of 21.6% (2001: 21.3%)	56.3	51.9
Influence of non-taxable income	-1.6	-1.7
Influence of participation reduction and tax rate difference	-4.0	-4.2
Other items	1.2	1.0
Total income taxes	51.9	47.0
Effective tax rate	19.9%	19.3%

Deferred tax assets/liabilities by origin of temporary differences

CHF (million)	31.12.2002	31.12.2001
– Non-current assets	139.3	141.4
– Current assets	18.8	13.4
– Provisions and other long-term liabilities	243.7	229.7
– Short-term liabilities	12.5	12.6
Total deferred tax assets/liabilities	414.3	397.1
Of which taxes disclosed in the balance sheet:		
as deferred tax liabilities	456.8	442.8
as deferred tax assets	–42.5	–45.7
Net deferred tax liabilities	414.3	397.1

10 Earnings per share

	2002	2001
Total shares issued at par CHF 25	5,280,000	5,280,000
Less own shares held at 31.12.	–163,473	–60,300
Total shares owned by third parties at 31.12.	5,116,527	5,219,700
Net profit for the year of the BKW Group		
in CHF (million)	207.2	195.8
Average total shares held by third parties	5,205,830	5,219,980
Average earnings per share in CHF	39.80	37.51
Dividend per share in CHF	6.70	5.75

A 1:20 share split was carried out in the year under review. For reasons of comparison the previous year's share total was adjusted and per-share information was recalculated.

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

11 Property, plant and equipment

CHF (million)	Power plants	Transmission & distribution plants	Buildings & land	Other property plant & equipment	Construction in progress	Total
Gross values 31.12.2000	1,205.6	1,811.5	150.5	216.8	46.3	3,430.7
Additions	0.2	2.6		1.0	75.5	79.3
Disposals	-4.6	-2.0		-2.7		-9.3
Reclassifications	13.0	23.8		11.6	-48.4	0.0
Gross values 31.12.2001	1,214.2	1,835.9	150.5	226.7	73.4	3,500.7
Changes in scope of consolidation				0.3		0.3
Additions	4.9	2.8	0.2	0.8	75.7	84.4
Disposals	-9.4	-3.7	-0.3	-10.1		-23.5
Reclassifications	0.9	41.7	1.3	16.4	-60.3	0.0
Translation adjustments						0.0
Gross values 31.12.2002	1,210.6	1,876.7	151.7	234.1	88.8	3,561.9
Accum. depreciation 31.12.2000	1,079.6	889.7	62.1	117.8	0.0	2,149.2
Depreciation charge	17.6	53.5	3.1	13.2		87.4
Depreciation on disposals	-4.5	-1.6		-2.2		-8.3
Accum. depreciation 31.12.2001	1,092.7	941.6	65.2	128.8	0.0	2,228.3
Changes in scope of consolidation				0.1		0.1
Depreciation charge	5.6	54.7	2.8	14.2		77.3
Depreciation on disposals	-4.0	-2.7	-0.2	-9.8		-16.7
Translation adjustments						0.0
Accum. depreciation 31.12.2002	1,094.3	993.6	67.8	133.3	0.0	2,289.0
Net values 31.12.2000	126.0	921.8	88.4	99.0	46.3	1,281.5
Net values 31.12.2001	121.5	894.3	85.3	97.9	73.4	1,272.4
Net values 31.12.2002	116.3	883.1	83.9	100.8	88.8	1,272.9

The fire insurance values at 31 December 2002 amounted to CHF 2,620.9 million (2001: CHF 2,597.5 million). An examination of the value of the property, plant and equipment (impairment) in the year under review resulted in no additional write-downs.

12 Investments in associated companies

CHF (million)	Joint ventures	Others	Total
Book values 31.12.2001	327.3	28.2	355.5
Change in scope of consolidation		-7.8	-7.8
Investments	12.7	0.9	13.6
Dividends	-11.2	-0.6	-11.8
Share of net income	12.0	2.4	14.4
Book values 31.12.2002	340.8	23.1	363.9

The change in scope of consolidation is due to the acquisition of the majority of the shares of Electra Italia S.p.A. as per 1 January 2002. Formerly disclosed as an associated participation, the company has now been fully consolidated.

Financial values of joint ventures:	Gross values 31.12.2002	Gross values 31.12.2001	BKW share 31.12.2002	BKW share 31.12.2001
CHF (million)				
Non-current assets	8,697.6	9,027.0	1,538.6	1,524.0
Current assets	576.0	587.0	95.5	110.0
Long-term liabilities	5,900.4	6,794.0	1,051.3	1,126.0
Short-term liabilities	1,463.2	873.0	242.0	153.0
Income	1,558.7	1,567.0	290.3	292.0
Expenses	1,491.3	1,500.0	278.3	280.0
Profit	67.4	67.0	12.0	12.0

Due to existing joint venture contracts, the shareholders of joint ventures are obliged to pay the annual costs due on their share (including interest and repayment of the borrowed funds). On the balance sheet date the share of unpaid share capital amounted to CHF 24.9 million (2001: CHF 24.9 million).

13 Non-current financial assets

CHF (million)	Available for sale investments	Loans	Receivables from state funds	Other financial assets	Total
Gross values 31.12.2001	215.0	34.3	403.5	608.8	1,261.6
Additions	29.0	3.2	25.1	265.4	322.7
Disposals	-47.9	-2.6		-7.4	-57.9
Reclassification of financial claims		6.5		-275.0	-268.5
Gross values 31.12.2002	196.1	41.4	428.6	591.8	1,257.9
Accum. depreciation 31.12.2001	0.4	0.2	0.0	0.0	0.6
Depreciation charge					0.0
Depreciation on disposals	-0.4				-0.4
Accum. depreciation 31.12.2002	0.0	0.2	0.0	0.0	0.2
Net values 31.12.2001	214.6	34.1	403.5	608.8	1,261.0
Net values 31.12.2002	196.1	41.2	428.6	591.8	1,257.7

Loans to associated companies amount to CHF 20.5 million (2001: CHF 12.6 million).

Traded securities which are disclosed in the balance sheet under other financial assets are recorded at market value. Changes in values are charged to income under financial income. Other securities are disclosed in the balance sheet at acquisition value less required value adjustments.

CHF (million)	31.12.2002	31.12.2001
Participations and securities at market value	187.7	69.3
Participations, securities and long-term financial receivables at acquisition value	1,070.0	1,191.7
Total	1,257.7	1,261.0

14 Intangible assets

CHF (million)	Rights of use	Goodwill	Total
Gross values 31.12.2001	57.3	1.5	58.8
Additions	5.2	0.1	5.3
Disposals			0.0
Gross values 31.12.2002	62.5	1.6	64.1
Accum. amortisation 31.12.2001	33.5	0.1	33.6
Amortisation charge	5.7	0.2	5.9
Amortisation on disposals			0.0
Accum. amortisation 31.12.2002	39.2	0.3	39.5
Net values 31.12.2001	23.8	1.4	25.2
Net values 31.12.2002	23.3	1.3	24.6

15 Inventories

CHF (million)	31.12.2002	31.12.2001
Nuclear fuel	79.3	59.1
Material inventories	8.9	10.2
Total	88.2	69.3

16 Accounts receivable

CHF (million)	31.12.2002	31.12.2001
Trade accounts receivable		
third parties	299.0	270.4
associated companies	14.1	43.9
Financial claims		
third parties	542.0	302.1
associated companies	33.0	87.5
Other receivables		
third parties	53.0	35.9
associated companies	2.3	3.3
Work in progress	7.0	6.6
Total	950.4	749.7

Work in progress includes orders realised on the balance sheet date including the proportionate profit of CHF 0.9 million (2001: CHF 0.9 million). This incorporates payments amounting to CHF 7.2 million (2001: CHF 3.1 million).

17 Share capital

According to the decision of the Annual General Meeting of 21 June 2002 the 264,000 bearer shares at par CHF 500.– have been converted to 5,280,000 registered shares at par CHF 25.

Key shareholders and their direct participation:	31.12.2002	31.12.2001
Canton Berne	63.5%	63.5%
E.ON Energy Ltd	20.0%	20.0%
Cantonal Bank of Berne	5.1%	5.1%

18 Provisions

CHF (million)	Nuclear waste disposal	Onerous contracts for energy procurement	Onerous contracts for energy sales	Restructuring	Other provisions	Total
Status at 31.12.2000	781.7	331.9	21.3	39.7	58.0	1,232.6
Provisions made	50.6	47.3	10.2	5.0	23.9	137.0
Provisions used	-23.1	-48.6	-6.3	-5.8		-83.8
Status at 31.12.2001	809.2	330.6	25.2	38.9	81.9	1,285.8
Changes in scope of consolidation					0.3	0.3
Provisions made	52.2	38.8	4.4	7.9	14.1	117.4
Provisions used	-22.8	-69.8	-8.2	-2.7	-15.8	-119.3
Provisions reversed		-0.3	-1.8		-11.3	-13.4
Translation adjustments						0.0
Status at 31.12.2002	838.6	299.3	19.6	44.1	69.2	1,270.8
Less short-term provisions			-3.2	-12.9	-4.2	-20.3
Total long-term provisions	838.6	299.3	16.4	31.2	65.0	1,250.5

The provision for nuclear waste disposal is reserved for the disposal of spent fuel elements and radioactive waste as well as for the decommissioning of nuclear power plants. Annual payments must be made to the state funds for decommissioning and nuclear waste disposal. These funds pay the costs of disposal on behalf of operators following the decommissioning of plants. These anticipated reimbursements are reported under long-term receivables. Operators of nuclear power plants are subject to joint and several reserve liability for the decommissioning of plants.

The provision for onerous energy procurement contracts covers the excess cash outflows for purchasing energy from production plants.

The provision for onerous energy sales contracts covers future cash inflow shortfalls from the sale of energy from these contracts.

The provision for restructuring covers future expenses for defined or legally required restructuring measures.

Other provisions include obligations in the personnel area as well as other operating obligations. Interest is charged on provisions calculated at net present value under financial expenses. The increase under financial expenses amounts to CHF 64 million. (2001: CHF 66 million)

19 Long-term debts

Fixed-interest bonds outstanding on the balance sheet date:

CHF (million)	31.12.2002	31.12.2001
3¾ % debenture bond 1997–2007		
BKW FMB Energy Ltd	100.0	100.0
4½ % debenture bond 1996–2006		
BKW FMB Beteiligungen AG	100.0	100.0
Total	200.0	200.0

The weighted average interest on the balance sheet date based on the nominal value amounted to 4.125%.

20 Other long-term liabilities

CHF (million)	31.12.2002	31.12.2001
Assigned rights of use	100.8	94.1
Other long-term liabilities		
third parties	7.5	5.0
associated companies	24.5	11.2
Total	132.8	110.3
The following obligations at the end of the reporting period fall due as follows:		
In 5 years	28.7	17.4
More than 5 years	104.1	92.9
Total	132.8	110.3

21 Other short-term liabilities

CHF (million)	31.12.2002	31.12.2001
Trade accounts payable		
third parties	198.5	117.0
associated companies	21.0	7.8
Staff pension plans	6.5	8.5
Provisions (short-term part)	20.3	7.2
Other obligations		
third parties	39.5	36.5
associated companies	3.1	12.2
Customer prepayments	2.1	4.1
Total	291.0	193.3

22 Pension obligations

The status of companies in the BKW Group which are members of the BKW pension plan is as follows:

CHF (million)	31.12.2002	31.12.2001
Net present value of pension plan obligation	907.6	870.4
Fair value of share of assets distributed	950.6	1,071.0
Financial surplus	43.0	200.6
Less part not usable by the BKW Group	-16.5	-167.4
Capitalised surplus	26.5	33.2

Actuarial calculations are based on the following assumptions

	p.a.	p.a.
Discount rate	4.0%	4.0%
Expected average return on assets distributed	4.0%	4.0%
Expected future salary increase	2.5%	2.5%
Expected future pension increase	1.5%	1.5%

Composition of net pension expenses

CHF (million)	2002	2001
Acquired pension entitlements	27.4	22.2
Interest on future pension entitlements	36.3	34.8
Expected return on assets distributed	-38.0	-42.8
Net pension expenses for the financial year	25.7	14.2
Reported return on assets from pension plan	12.1	32.4
Employer's contributions (charged to the current account)	11.8	10.2

23 Acquisition of subsidiaries

The fair value of the identifiable assets and liabilities of Electra Italia S.p.A. and the net cash inflow are:

CHF (million)	2002
Non-current assets	0.2
Accounts receivable	56.3
Cash and cash equivalents	5.1
Short-term liabilities	-46.3
Provisions	-0.3
Minority interests	-3.1
Fair value of acquired net assets	11.9
Reduction from participations in associated companies	-7.8
Translation adjustments (adjustment from historical to closing date valuation)	0.6
Negative goodwill	-1.3
Cash paid	3.4
Less acquired cash and cash equivalents	-5.1
Net cash inflow	-1.7

In 2001 no subsidiaries were acquired or disposed of.

24 Financial Instruments

BKW enex AG, as a securities trader, is subject to the banking law. Energy derivatives are traded on behalf of customers and on the company's own behalf. On the balance sheet date the list of open contracts was as follows:

	Replacement costs		Contract volumes MWh
	positive CHF (million)	negative CHF (million)	
Futures	0.0	0.0	786,514

The use of derivatives outside BKW enex AG is insignificant. These have therefore not been presented.

25 Contingencies

CHF (million)	31.12.2002	31.12.2001
Group guarantees in favour of third parties	74.9	13.4

The BKW Group is involved in various legal disputes arising from normal business activities. Appropriate provisions, in our opinion, have been set aside for such eventualities.

At 31 December 2002 the proportionate market value of the state funds was approximately CHF 36 million below the reimbursements expected from the funds (government funds for decommissioning and disposal). In view of the long-term maturity profile for BKW reimbursements, this contingent liability is regarded as temporary rather than permanent. The anticipated amount of reimbursements is also dependent on inflation.

Apart from Notes 12 and 18 there are no other contingencies requiring disclosure.

26 Related parties

Approximately 10% of the proceeds from “Electricity trade and international distribution” and 9% of “energy procurement” is accounted for by business with E.ON Group companies i.e. transactions which are conducted at the same conditions as with independent third parties.

In the year under review remuneration of the Board of Directors of BKW amounted to CHF 0.7 million (2001: CHF 0.4 million) and remuneration of the Executive Board (including Expanded Executive Board) amounted to CHF 2.8 million (2001: CHF 2.7 million). Individual members of the Board of Directors perform additional services on behalf of BKW outside their Board mandate. These services are insignificant in financial terms and are remunerated at market-standard fees.

BKW acquired 90,000 of its own shares from the canton of Jura at the price of CHF 360 per share.

27 Events after the balance sheet date

174,240 BKW shares were acquired from the canton of Berne on 1 January 2003.

On 1 January 2003 BKW acquired a 10% holding in Entreprises Electriques Fribourgeoises (EEF). The purchase price was settled with BKW shares. The requisite shares were acquired from the cantons of Berne and Jura.

No further events requiring specific disclosure have occurred since the balance sheet date.

Report of the Group Auditors

to the Annual General Meeting of BKW FMB Energy Ltd, Berne

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of shareholders' equity and notes from pages 30 to 50) of BKW FMB Energy Ltd for the year ended 31 December 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations, the changes in equity and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Berne, 9 April 2003

Ernst & Young Ltd

Peter Bühler
Swiss Certified Accountant
(in charge of the audit)

Marcel Gehrig
Swiss Certified Accountant

List of Participations

	Energy production	Energy trading	Energy distribution	Networks	Engineering services and electrical installation	Other	Domicile	Share/basic capital in millions	Currency	% holding	Closing date
Subsidiaries											
BKW Energie GmbH							Kelkheim (D)	1.0	EUR	100.0	31.12.
BKW enex AG							Berne	5.0	CHF	100.0	31.12.
BKW FMB Beteiligungen AG							Berne	50.0	CHF	100.0	31.12.
BKW FMB Energie Österreich GmbH ¹⁾							Vienna (A)	0.1	EUR	100.0	31.12.
BKW Handel AG							Berne	2.0	CHF	100.0	31.12.
BKW ISP AG							Berne	0.9	CHF	100.0	31.12.
BKW Übertragungsnetz AG							Berne	40.0	CHF	100.0	31.12.
Electra Italia S.p.A. ²⁾							Milan (I)	1.0	EUR	80.1	31.12.
Elektrizitätswerk Grindelwald AG							Grindelwald	0.5	CHF	55.6	31.12.
EWR Energie AG							Schattenhalb	2.0	CHF	100.0	31.12.
Inelcom SA							Porrentruy	0.5	CHF	100.0	31.12.
Simmentaler Kraftwerke AG							Erlenbach	7.3	CHF	83.4	31.12.
Société des forces électriques de la Goule SA							Saint-Imier	3.5	CHF	80.8	31.12.
Associated companies											
AEK Energie AG							Solothurn	6.0	CHF	35.7	31.12.
Arnold AG							Selzach	0.5	CHF	34.0	31.12.
Bielensee Kraftwerke AG							Bienne	20.0	CHF	50.0	31.12.
Blenio Kraftwerke AG							Olivone	60.0	CHF	12.0	30.9.
Electra Massa							Naters	40.0	CHF	16.1	30.9.
Electricité de la Lienne SA							Sion	24.0	CHF	26.7	30.9.
em electrocontrol ag ³⁾							Berne	0.3	CHF	46.0	31.12.
Energie Biberist AG							Biberist	5.0	CHF	25.0	31.12.
Engadiner Kraftwerke AG ⁴⁾							Zernez	140.0	CHF	30.0	30.9.
Etrams AG							Laufenburg	7.5	CHF	11.5	31.12.
Gommerkraftwerke AG							Lax	30.0	CHF	40.0	31.12.
Grande Dixence SA							Sion	300.0	CHF	13.3	30.9.
Juvent SA							Berne	0.1	CHF	65.0	31.12.
Kernkraftwerk Leibstadt AG ⁵⁾							Leibstadt	450.0	CHF	9.5	31.12.
Kernkraftwerk-Beteiligungs-gesellschaft AG							Berne	150.0	CHF	33.3	30.9.
Kraftwerk Sanetsch AG							Gsteig	8.0	CHF	50.0	30.9.
Kraftwerke Hinterrhein AG							Thusis	100.0	CHF	7.7	30.9.
Kraftwerke Mattmark AG ⁶⁾							Saas Grund	90.0	CHF	11.1	30.9.
Kraftwerke Mauvoisin AG							Sion	100.0	CHF	19.5	30.9.
Kraftwerke Oberhasli AG							Innertkirchen	120.0	CHF	50.0	31.12.
Maggia Kraftwerke AG							Locarno	100.0	CHF	10.0	30.9.
Kraftwerk Aegina AG							Ulrichen	12.0	CHF	5.0	30.9.

	Energy production	Energy trading	Energy distribution	Networks	Engineering services and electrical installation	Other	Domicile	Share/basic capital in millions	Currency	% holding	Closing date
NIS AG							Lucerne	1.0	CHF	25.0	31.12.
Youility AG ⁷⁾							Berne	3.0	CHF	53.8	31.12.
ZWILAG							Würenlingen	5.0	CHF	10.7	31.12.
Other											
Aarewerke AG							Klingnau	16.8	CHF	10.0	30.6.
d Holding							Zurich	33.1	CHF	5.0	31.12.
Electricité Neuchâteloise SA							Corcelles	35.0	CHF	4.3	31.12.
EXPEN SA							Nidau	0.1	CHF	25.0	31.12.
Frisa engineering SA							Epalinges	0.5	CHF	6.6	31.12.
Genossenschaft für nukleare Entsorgung Wellenberg							Wolfenschiessen	0.1	CHF	14.3	31.12.
RTC Real-Time Center AG							Köniz	30.0	CHF	5.0	31.12.
Schweizerische Netzgesellschaft SNG AG							Berne	0.1	CHF	100.0	31.12.
Société Electrique des Forces de l'Aubonne							Aubonne	5.0	CHF	10.0	31.12.

¹⁾ The company was founded in the year under review but has not yet become operational.

²⁾ In the year under review the participation was increased from 49.9% to 80.1%. The company has now been fully consolidated.

³⁾ The company was founded in the year under review.

⁴⁾ In the year under review the participation was increased from 25.0% to 30.0%.

⁵⁾ In the year under review the participation was increased from 8.8% to 9.5%.

⁶⁾ In the year under review the participation was increased from 10.0% to 11.1%.

⁷⁾ In the year under review the participation was increased from 39.3% to 53.8%.

Principles of consolidation and valuation

Group companies Full consolidation

Associated companies Equity accounting

Other Fair value

Financial Statements of BKW

Income Statement

in 1,000 CHF	Note	2002	2001
Net sales		1,925,410	1,583,377
Changes for work in progress		232	4,022
Own capitalised cost		14,799	14,171
Other operating income		38,036	34,173
Total operating revenue		1,978,477	1,635,743
Energy procurement		-1,268,802	-927,740
Material and third-party services		-245,084	-260,367
Personnel expenses		-180,841	-172,226
Depreciation and amortisation		-81,667	-89,903
Other operating expenses		-138,914	-138,704
Total operating expenses		-1,915,308	-1,588,940
Earnings before interest and income tax (EBIT)		63,169	46,803
Financial income		129,104	103,283
Financial expenses		-35,444	-31,777
Income taxes		-29,908	-28,753
Profit before extraordinary items and taxes		126,921	89,556
Extraordinary profit	2	368	1,512
Net profit for the year		127,289	91,068

Financial Statements of BKW

Balance Sheet

Assets

in 1,000 CHF	Note	31.12.2002	31.12.2001
Property, plant and equipment	3	537,002	552,159
Participations		203,199	212,588
Long-term receivables and other financial assets	4	1,362,339	1,345,994
Intangible assets		2,865	3,798
Total non-current assets		2,105,405	2,114,539
Nuclear fuel and other inventories		56,813	51,305
Trade accounts receivable	5	279,128	300,165
Other accounts receivable	6	727,377	498,113
Prepaid expenses and accrued income		54,692	67,371
Cash and cash equivalents		275,894	248,216
Total current assets		1,393,904	1,165,170
Total assets		3,499,309	3,279,709

Liabilities and shareholders' equity

Share capital	7	132,000	132,000
General legal reserves		62,400	60,000
Reserves for own shares	8	39,049	3,723
Free reserves		164,851	142,177
Unappropriated retained earnings		128,801	92,272
Total shareholders' equity		527,101	430,172
Provisions		2,316,973	2,271,550
Bond issues	9	100,000	100,000
Third-party rights of use		102,849	95,336
Other long-term liabilities		29,216	15,886
Total long-term liabilities		2,549,038	2,482,772
Trade accounts payable	10	204,446	123,977
Other short-term liabilities	11	128,721	120,174
Accrued expenses and deferred income		90,003	122,614
Total short-term liabilities		423,170	366,765
Total liabilities		2,972,208	2,849,537
Total liabilities and shareholders' equity		3,499,309	3,279,709

Notes and Explanations to the Financial Statements

1 Preamble

The following explanations comply with the standards prescribed by Art. 663b of the Swiss Code of Obligations (SCO). The fully consolidated subsidiaries and associated companies as well as subsidiaries and affiliated companies consolidated at equity (hereafter referred to as associated companies) listed on pages 52 and 53 are regarded as Group companies under the terms of SCO Art. 663a and 663b.

2 Extraordinary profit

The extraordinary profit for 2002 is attributable to gains from the sale of property, plant and equipment.

3 Property, plant and equipment

Property, plant and equipment covers operating plant, buildings and land, operating equipment and installations under construction.

The fire insurance values at 31.12.2002 amounted to CHF 2,420.1 million (2001: CHF 2,406.5 million).

The insurance policies taken out by BKW also cover the property, plant and equipment of BKW Übertragungsnetz AG.

4 Long-term receivables and other financial assets

Long-term receivables and other assets cover financial loans, receivables from state funds and long-term financial claims on banks and securities.

in 1,000 CHF	31.12.2002	31.12.2001
Receivables and financial assets		
third parties	1,158,462	1,135,029
associated companies	20,377	12,465
Group companies	183,500	198,500
Total	1,362,339	1,345,994

5 Trade accounts receivable

in 1,000 CHF	31.12.2002	31.12.2001
Trade accounts receivable		
third parties	245,695	246,719
associated companies	11,308	43,928
Group companies	19,037	6,187
Work in progress	3,088	3,331
Total	279,128	300,165

6 Other accounts receivable

Other accounts receivable from third parties primarily cover receivables from financial institutions with a residual term to maturity between 3 and 12 months as well as credit balance from settlements with various tax offices and social plans (Survivors' and Old Age Pension, etc.).

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

in 1,000 CHF	31.12.2002	31.12.2001
Other accounts receivable		
third parties	574,254	333,026
associated companies	38,025	90,815
Group companies	115,098	74,272
Total	727,377	498,113

7 Share capital

The share capital is divided into 5,280,000 registered shares at a par value of CHF 25.–.

Significant shareholders and their direct participation:

as %	31.12.2002	31.12.2001
Canton of Berne	63.5	63.5
E.ON Energie AG	20.0	20.0
Cantonal Bank of Berne	5.1	5.1

8 Own shares

BKW FMB Beteiligungen AG (100% subsidiary) and EW Grindelwald AG (majority holding of BKW FMB Beteiligungen AG) together own 72,715 shares in BKW at par CHF 25.– with a total value of CHF 6,482,000 (at 31.12.2001: 3,005 shares at par CHF 500 with a total value of CHF 3,723,000). In several transactions spread over the year BKW FMB Beteiligungen AG acquired 18,035 shares at par CHF 25.– for CHF 3,441,750 and sold 5,420 shares at par CHF 25.– for CHF 682,650. In addition, in the second half-year BKW acquired 90,558 of its own shares for a total of CHF 32,566,937. The total at 31.12.2002 of 163,273 shares or CHF 39,049,037 is disclosed as reserves for own shares.

9 Bond issue

in 1,000 CHF	31.12.2002	31.12.2001
3¾% 1997–2007	100,000	100,000

10 Trade accounts payable

in 1,000 CHF	31.12.2002	31.12.2001
Trade accounts payable		
third parties	176,067	113,987
associated companies	18,191	7,628
Group companies	10,188	2,362
Total	204,446	123,977

11 Other short-term liabilities

in 1,000 CHF	31.12.2002	31.12.2001
Other short-term liabilities		
third parties	63,064	53,370
associated companies	7,708	13,996
Group companies	31,654	37,337
BKW pension plan	6,350	8,461
Short-term provisions	19,945	7,010
Total	128,721	120,174

12 Contingent liabilities

Shareholders of the nuclear power plant participation company have agreed to pay the annual costs due on their share including interest and repayment of borrowed funds. BKW has undertaken the same obligation towards the wind, hydro and nuclear power plants as well as towards nuclear waste disposal companies in which it participates via BKW / BG. In the case of another company, BKW guarantees repayment and interest on borrowed funds in proportion to the BKW / BG holding.

In the case of the decommissioning fund for nuclear power plants, there is a joint and several reserve liability on the part of operators of nuclear power plants.

in 1,000 CHF	31.12.2002	31.12.2001
Group guarantees in favour of third parties	74,856	13,400

Appropriation of Retained Earnings

Proposal to the Annual General Meeting

in CHF	
Retained profit	1,511,793
Profit for the current year	127,288,865
Unappropriated retained earnings	128,800,658

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

Allocation to general reserves	2,900,000
Dividend of CHF 6.70 per share	35,376,000
Allocation to free reserves	89,000,000
Balance carried forward	1,524,658
Total	128,800,658

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

Dividend per share	6.70
Minus 35% withholding tax	-2.35
Net dividend	4.35

Berne, 8 April 2003

On behalf of the Board of Directors
Chairman
Dr Fritz Kilchenmann

The Executive Board
Kurt Rohrbach Heinz Raaflaub Patrick Braun Hermann Ineichen

Report of the Statutory Auditors

to the Annual General Meeting of BKW FMB Energy Ltd, Berne

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes from pages 54 to 58) of BKW FMB Energy Ltd for the year ended 31 December 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements as well as the notes on the appropriation of retained earnings comply with Swiss law and the Articles of Association.

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

Berne, 9 April 2003

Ernst & Young Ltd

Peter Bühler
Swiss Certified Accountant
(in charge of the audit)

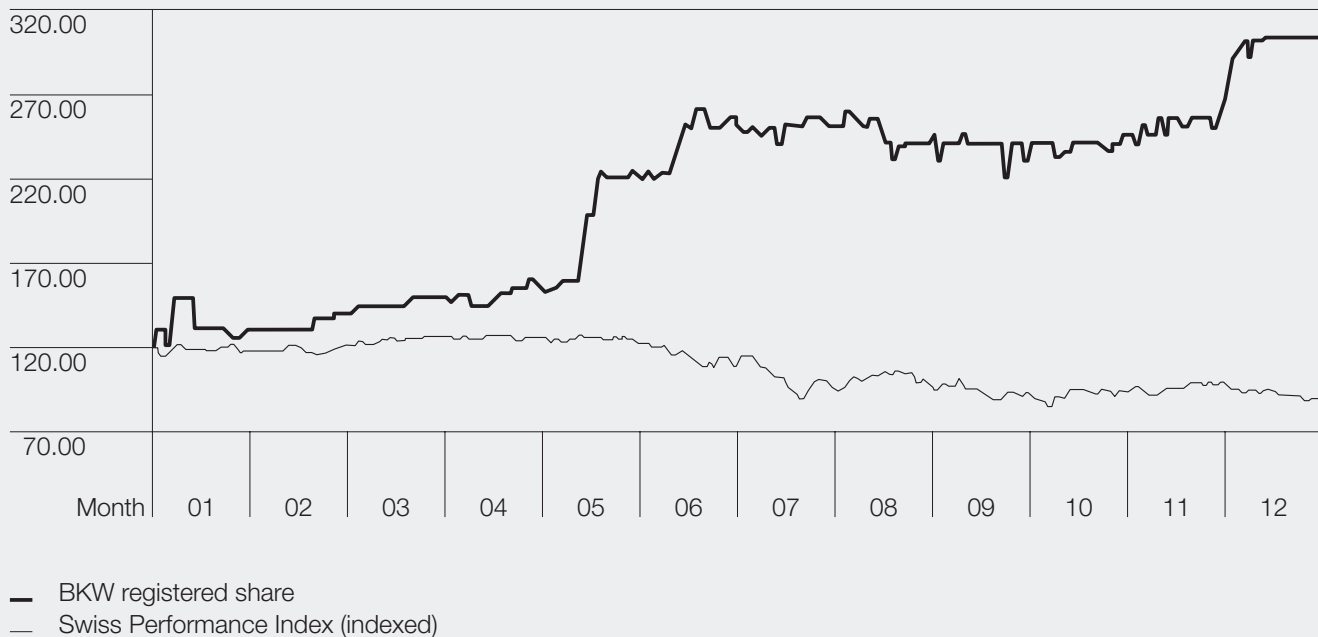
Marcel Gehrig
Swiss Certified Accountant

Investor Information

Key facts about the BKW share

In the 2002 financial year the BKW share clearly outperformed the Swiss share market. While the broad-based Swiss Performance Index (SPI) dropped 26% year-on-year, the BKW share price rose by 152%.

BKW share performance in 2002 (in CHF)



Capital structure

On 27 June 2002 existing bearer shares were converted to registered shares at a ratio of 1:20. As a result, the share capital of CHF 132 million is now divided into 5,280,000 registered shares at a par value of CHF 25 each. There is no capital of either an authorised or conditional nature. At 31 December 2002 the Group held 163,473 of its own shares.

The BKW Group has two outstanding fixed-interest bonds of CHF 100 million each: a 4½% debenture bond which matures on 28 August 2006 (borrower: BKW FMB Beteiligungen AG); and a 3¾% debenture bond which matures on 8 October 2007 (borrower: BKW FMB Energy Ltd).

Listing

The BKW share is listed on the Berne stock exchange (securities number 1'430'710, ticker symbol BKWN). The securities numbers for the bonds are: 500'621 (4½% – August 2006) and 709'377 (3¾% – October 2007). The bonds are listed on the SWX Swiss Exchange.

Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 6.70 per share for the 2002 financial year. The dividend will be paid out on 28 May 2003.

Restrictions on share transferability

The Company reserves the right to refuse to enter an acquirer of shares in the shareholder register if, through the acquisition, a natural person or legal entity or a partnership directly or indirectly combines more than 5% of the entire share capital. The same restriction applies to corporate bodies, partnerships or groups of persons who are interrelated to each other or otherwise linked and act in concert to acquire shares. This provision covers all shares acquired after 21 June 2002 (date of the resolution).

Significant shareholders

as %	31.12.2002	31.12.2001
Canton of Berne	63.5	63.5
E.ON Energie AG	20.0	20.0
Cantonal Bank of Berne	5.1	5.1

Key figures per share

	2002	2001
Earnings per share (CHF)	39.80	37.51
Equity per share (CHF)	380.04	345.54
Dividend per share (CHF)	6.70	5.75
Dividend per share %*	2.2	4.8
Price/earnings ratio*	7.6	3.2
Year-end price (CHF)	302.00	120.00
Year high (CHF)	302.00	150.00
Year low (CHF)	125.00	120.00

* Based on year-end price

Financial calendar

Annual Press Conference	10 April 2003
Annual General Meeting	22 May 2003

investor.relations@bkw-fmb.ch

Report on the 2002 Financial Year

The information provided in this report is based on the Regulations on Corporate Governance Information drawn up by the SWX Swiss Exchange (SWX). Since BKW shares are traded on the BX Berne eXchange and not on the SWX, these regulations are non-binding for BKW FMB Energy Ltd (BKW). However, in accordance with the Company's policy of providing shareholders and the public with transparent, comprehensive data, information in accordance with the SWX regulations is published herein voluntarily.

The published information is based on the status at 31 December 2002. Significant changes which have taken place between this date and the date of printing of this report are listed in Para. 10.

1 Group structure and shareholders

Group structure

BKW consolidation includes only companies which are not themselves listed. The participations of BKW in individual companies which are fully consolidated in the annual financial statements are listed below. In all cases the participation corresponds to the percentage of shares and of voting rights. A complete list of participations is contained on pages 52 and 53 of the Annual Report.

Fully consolidated participations of BKW FMB Energy Ltd and its associated companies

Company	Domicile	Share/ basic capital in millions and currency	% Partici- pation
BKW FMB Beteiligungen AG	Berne	50 (CHF)	100
Elektrizitätswerk Grindelwald AG	Grindelwald	0.5 (CHF)	55.6
Simmentaler Kraftwerke AG	Erlenbach	7.3 (CHF)	83.4
Société des Forces Electriques de la Goule SA	Saint-Imier	3.5 (CHF)	80.8
EWR Energie AG	Schattenhalb	2 (CHF)	100
BKW Energie GmbH	Kelkheim (D)	1 (EUR)	100
BKW Handel AG	Berne	2 (CHF)	100
BKW enex AG	Berne	5 (CHF)	100
BKW ISP AG	Berne	0.9 (CHF)	100
BKW FMB Energie Österreich GmbH	Vienna (A)	0.05 (EUR)	100
BKW Übertragungsnetz AG	Berne	40 (CHF)	100
Electra Italia S.p.A.	Milan (I)	1 (EUR)	80.1
Inelcom SA	Porrentruy	0.5 (CHF)	100

Significant shareholders

Significant shareholders in BKW are:

as %	Participation at 31.12.02	Participation at 31.12.01
Canton of Berne	63.5	63.5
E.ON Energie AG	20.0	20.0
Cantonal Bank of Berne	5.1	5.1

There are no significant contracts binding on shareholders or cross-shareholdings i.e. mutual shareholdings with other companies which exceed the threshold of 5 percent of the voting rights or capital (see Para. 10).

2 Capital structure

Capital

The share capital of BKW amounts to CHF 132,000,000 and is divided into 5,280,000 fully paid up registered shares at a par value of CHF 25 each. The shares are quoted on the BX Berne eXchange. There is no capital of either an authorised or conditional nature. The Company has issued neither participation certificates nor dividend-right certificates.

Changes in capital

Over the past three financial years (2000–2002) the following changes in BKW shareholders' equity have occurred (in CHF 1,000):

	2002	2001	2000
Unappropriated retained earnings	128,801	92,272	50,104
Appropriation of retained earnings:			
Allocation to legal reserves	2,900	2,400	700
Distribution of dividend	35,376 ³⁾	30,360 ²⁾	13,200 ¹⁾
Allocation to free reserves	89,000	58,000	35,000
Balance carried forward	1,525	1,512	1,204

¹⁾ CHF 50 per share at par value CHF 500

²⁾ CHF 115 per share at par value CHF 500

³⁾ CHF 6.70 per share at par value CHF 25 (subject to approval by the Annual General Meeting)

Single-company accounts of BKW were prepared in accordance with the accounting provisions of the Swiss Code of Obligations. Furthermore, in 2002 the Annual General Meeting approved the conversion of former bearer shares to registered shares and a 1 to 20 share split. The amount of the share capital remains unchanged. The new registered shares have a par value of CHF 25 each.

Changes in capital are summarised as follows (in CHF 1,000):

	31.12.2002	31.12.2001	31.12.2000
Share capital	132,000	132,000	132,000
General legal reserves	62,400	60,000	59,300
Reserves for own shares	39,049	3,723	3,892
Free reserves	164,851	142,177	107,008
Unappropriated retained earnings	128,801	92,272	50,104
Total	527,101	430,172	352,304

Shares

All 5,280,000 registered shares in BKW with a par value of CHF 25 each are fully paid up. All shares have equal voting rights. Every share represented at the Annual General Meeting is entitled to one vote.

The Company does not print or issue certificates in respect of the registered shares. However, shareholders may request to be issued with a certificate in respect of their shares free of charge.

Limitations on transferability and nominee registrations

Registered BKW shares can be transferred only by assignment. Notification of such assignment must be given to BKW. The Company may refuse to register an acquirer of shares in the shareholder register for the following reasons:

- If, through the acquisition, a natural person or legal entity or a partnership directly or indirectly combines more than 5 percent of the entire share capital. The same restriction applies to corporate bodies, partnerships or groups of persons who are interrelated to each other or otherwise linked and act in concert to acquire shares.
- If the acquirer has not expressly declared that the shares were acquired in his own name and on his own account.

These limitations on transferability were introduced following the decision of the Annual General Meeting on 21 June 2002 and apply to all shares acquired after this date.

No nominees are registered.

Convertible bonds and options

The Company has no outstanding convertible bonds and has issued no options.

3 Board of Directors

Information on members of the Board of Directors

The Board of Directors consists exclusively of non-executive independent members. Neither now nor in the course of the last three financial years has any current member of the Board of Directors simultaneously been a member of the Executive Board of BKW or a BKW Group company.

The following table lists the individual members of the Board of Directors and their functions:

Name	Nationality	Board member since	In office until	Function
Dr Fritz Kilchenmann	CH	1994	2003	Chairman
Dr Hans Lauri	CH	1994	2003	Vice Chairman
Walter Balmer	CH	1992	2003	Member
Barbara Egger-Jenzer	CH	2002	2003	Member*
Urs Gasche	CH	2002	2003	Member*
Frédéric Graf	CH	1987	2003	Member
Dr Hans-Dieter Harig	D	1997	2003	Member
Francis Jeannotat	CH	1999	2003	Member
Peter Kappeler	CH	1992	2003	Member
Pierre Kohler	CH	1999	2003	Member
Stéphane Piquerez	CH	1999	2003	Member
Dr Bernhard Reutersberg	D	2002	2003	Member
Ulrich Sinzig	CH	1992	2003	Member
Walter von Känel	CH	1992	2003	Member
Walter von Siebenthal	CH	1992	2003	Member

* Canton of Berne delegate

In accordance with Art. 21 of the Articles of Association, the Canton of Berne is entitled to five seats on the Board of Directors. Currently, State Councillors Barbara Egger-Jenzer and Urs Gasche have seats on the Board of Directors as delegates of the Canton of Berne.

The following is a summary of the main tasks, Board mandates and representation offices held by the Board members.

Dr Fritz Kilchenmann, advocate, has been Chairman of the Board and a member of the Board Committee, which he also chairs, since 1994. He runs his own firm of solicitors in Berne and represents BKW on the board of affiliated BKW companies.

Dr Hans Lauri, advocate, has been Vice Chairman of the Board of Directors and a member of the Board Committee since 1994. He runs his own consultancy in Münsingen and, among other things, is Chairman of the Board of BLS Lötschbergbahn AG as well as member of the Board of Directors of Basler & Hofmann Ingenieure und Planer AG. He also represents the Canton of Berne in the Council of States.

Walter Balmer is a master farmer and runs his own farm in Mühleberg as well as being a member of the Canton of Berne parliament. He is also Chairman of the Board of Directors of Lobag, a member of the Swiss Farmers' Association Chamber of Agriculture and President of the Canton of Berne Association of Home Owners.

Barbara Egger-Jenzer is a solicitor and a State Councillor, in which function she acts as Director of Construction, Transport and Energy for the Canton of Berne State Council. She is also a member of the Board of Directors of BLS Lötschbergbahn AG and Alpar AG.

Urs Gasche is an advocate and a State Councillor, in which function he acts as Director of Finance for the Canton of Berne. He is a member of the BKW Board Committee.

Frédéric Graf is a retired secondary school teacher.

Dr Hans-Dieter Harig is a mechanical engineer by profession and is a member of the BKW Board Committee as well as Chairman of the Board of E.ON Energie AG in Munich. He also represents E.ON Energie AG on the board of various E.ON Energie associated companies and is a spokesman for German nuclear power plant operators.

Francis Jeannotat is a heating engineer by profession. He is energy delegate for the Canton of Jura and a director of Energie du Jura SA.

Peter Kappeler holds a degree in engineering from the Federal Institute of Technology and an MBA, and is a member of the BKW Board Committee and Chairman of the Executive Board of the Cantonal Bank of Berne. He is also a member of various other boards of directors and is active in the Canton of Berne Trade and Industry Board, the Swiss Bankers' Association and the Association of Swiss Cantonal Banks.

Pierre Kohler is a solicitor and, as member of the State Council, is Energy Director for the Canton of Jura. He is also Chairman of the Board of Energie du Jura SA.

Stéphane Piquerez holds a degree in economics and is a member of the management of the Cantonal Bank of Jura and, among other things, a member of the Board of Directors of Energie du Jura SA.

Dr Bernhard Reutersberg is a business economist and a member of the Board of Directors of E.ON Energie AG in Munich.

Ulrich Sinzig is an advocate and a member of the BKW Board Committee. He is a director of Aare Seeland Mobil AG and, among other things, Vice Chairman of the Board of Directors of Swiss Federal Railways (SBB), Vice Chairman of the International Association for Public Transport and Vice Chairman of the Swiss Tourist Board.

Walter von Känel is a businessman, a director of Longines SA and a member of the management board of the Swatch-Group. He is also President of the Association Patronale de l'Horlogerie et de la Microtechnique as well as a member of the Union du Commerce et de l'Industrie du Jura bernois, the Saint-Imier State Council and the Assemblée interjurassienne.

Walter von Siebenthal is a farmer and hotelier and is Chairman of the Board of Directors of the Montreux-Oberland railway.

Tasks

In accordance with the Swiss corporation law and Art. 19 of the Articles of Association, the Board of Directors is the governing body of the Company and of related organs. It decides on all matters which are not delegated to other Group organs either by law or by the Organisational Regulations as defined in Art. 20 of the Articles of Association.

Election and terms of office

The Board of Directors of BKW consists of at least eleven members. In accordance with Art. 21 of the Articles of Association, the Canton of Berne is entitled to a maximum of five seats. The other members are elected by the Annual General Meeting.

The term of office for members elected by the Annual General Meeting is four years. These members may be re-elected. The term of office shall not extend beyond the calendar year in which the board member reaches his 70th birthday.

Internal organisational structure

The internal organisational structure of the Board of Directors is laid down in the Articles of Association and the Organisational Regulations. No special functions other than Chairman and Vice Chairman are defined. The Secretary need not be a member of the board. The Board of Directors convened five times in the year under review.

Under the terms of Art. 20 of the Articles of Association the Board of Directors has formed a Board Committee to define tasks within the framework of the Organisational Regulations. The Board Committee consists of the Chairman and Vice Chairman and up to five other members. Currently the Board Committee consists of six members (Dr Fritz Kilchenmann, Dr Hans Lauri, Urs Gasche, Dr Hans-Dieter Harig, Peter Kappeler and Ulrich Sinzig). The Board Committee convened five times in the year under review.

The Board Committee discusses all business relating to the Board of Directors and passes decisions which fall within its remit. The Board of Directors is advised of these decisions at the next meeting. For all other matters the Board Committee submits an application to the Board of Directors.

The responsibilities of the Board Committee are defined in the Organisational Regulations and primarily consist of the following.

- Decisions on matters of urgency which, if delayed, could result in a disadvantage for BKW. These must be subsequently approved by the Board of Directors.
- Appointment of members of the Extended Executive Board and senior management.
- Authorisation of credit for financial planning in the amounts between CHF 2 million and CHF 4 million and exceptional items in the amounts between CHF 1 million and CHF 2 million.
- Financial planning decisions on the purchase and sale of real estate in the amounts between CHF 4 million and CHF 10 million and exceptional items in the amounts between CHF 2 million and CHF 4 million.
- Decisions with respect to initiating legal action and settlement of the like, provided the amount in question exceeds CHF 1 million.

Members of management attend meetings of the Board of Directors and Board Committee in an advisory capacity and represent business which comes under their sphere of responsibility.

Definition of areas of responsibility

Under the terms of Art. 20 of the Articles of Association, the Board of Directors delegates the management of business to the Executive Board and defines their responsibilities within the framework of the Organisational Regulations. The Executive Board comprises the four Division Heads. Mr Kurt Rohrbach simultaneously performs the function of Chairman of the Executive Board and head of his division. As a rule, the Executive Board convenes once a week.

Subject to the authority of the Annual General Meeting, the Board of Directors and the Board Committee, the Executive Board is responsible for the management of BKW and can delegate tasks and competences within its remit. It also performs preparatory work on matters which must be submitted to the governing bodies for decision.

The Board of Directors has transferred the following responsibilities in particular to the Executive Board:

- Authorisation of credit up to CHF 2 million for financial planning and up to CHF 1 million for exceptional items.
- Decisions on the purchase and sale of real estate and property up to CHF 4 million for financial planning purposes, and on exceptional items up to CHF 2 million.
- Decisions on the assignment of work and deliverables.
- Further training of BKW senior management and the selection of middle management.

Additional information on the Executive Board is given in Para. 4.

Information and control instruments vis-à-vis the Executive Board

The Executive Board is obliged to advise the Board of Directors and Board Committee regularly of all significant events.

As a rule, matters which must be handled by the Board of Directors or Board Committee are discussed in advance by the board conference which is attended by the Chairman of the Board and members of the Executive Board.

Reports to the Board Committee and Board of Directors primarily consist of the following:

- Regular reports on important events as well as on general business performance.
- A report, submitted in spring, on the financial figures for the previous fiscal year and a report, submitted in autumn, on the financial figures for the first half of the current year. These reports are accompanied by a forecast of the annual result based on current business performance.
- In the middle of the year, the medium-term plan for the next four financial years; and towards the end of the financial year, the next year's budget for approval.
- Twice a year Internal Auditing submits a report on its auditing activities to the Board Committee, and once a year submits a report on its audit of the annual financial statements to the Board Committee and the Board of Directors.
- In addition, regular written reports are submitted on the performance of BKW associated companies.

4 Executive Board and Extended Executive Board

Information on Executive Board members

The BKW Executive Board consists of four members who comprise the Heads of Corporate Steering, Management Services, Networks and Energy.

The following summarises information on members of the Executive Board:

Name	Nationality	Function
Kurt Rohrbach	CH	Chairman, Head of Corporate Steering
Heinz Raaflaub	CH	Vice Chairman, Head of Management Services
Patrick Braun	CH	Head of Networks
Hermann Ineichen	CH	Head of Energy

Kurt Rohrbach holds a degree in electrical engineering from the Federal Institute of Technology and headed the BKW Energy Division until the end of 2000.

Heinz Raaflaub is an advocate and notary public, and headed the Legal and Real Estate Services unit of BKW until mid-1984. He is also a member of the board of the Bernese Association of Employers.

Patrick Braun holds a degree in electrical engineering from the Federal Institute of Technology and headed the Networks and Trade department of BKW until mid-1996.

Hermann Ineichen holds a degree in electrical engineering and an MSc in energy management, and headed the Trade business unit of BKW until the end of 2000.

Information on Extended Executive Board members

The Board Committee has appointed the following senior management members to the Extended Executive Board. They directly represent the issues and business within their sphere of responsibility on the Executive Board and have the right of co-decision and of motion/application.

Name	Nationality	Position
Meinrad Ender	CH	Head of Sales
Matthias Kaufmann	CH	General Secretary
Dr Martin Pfisterer	CH	Head of Corporate Communications
Urs Seiffert	CH	Head of Trade
Gisbert Straub ¹⁾	D	Head of Mühleberg Nuclear Power Plant
Christian Sahli ²⁾	CH	Head of Corporate Finance
Hans-Rudolf Thöni ²⁾	CH	Head of Production

¹⁾ Member of the Extended Executive Board until 31.8.2002

²⁾ Member of the Extended Executive Board from 01.01.2003

Meinrad Ender has a degree in engineering. Until the end of 1997 he headed a sales unit at Electrolux Systemtechnik AG.

Matthias Kaufmann is an advocate. Until mid-1992 he was Assistant Head of the Swiss Federal Council's administrative control department.

Dr Martin Pfisterer is an advocate and notary public and a federally certified PR consultant. Until mid-1987 he worked at the Federal Office for Spatial Planning.

Urs Seiffert has a degree in mechanical engineering and an MBA. Until the end of 2000 he headed the Energy Trading department.

Gisbert Straub retired at the end of August 2002.

Christian Sahli has a degree in economics and social science and headed the Corporate Accounting unit until the end of September 2001.

Hans-Rudolf Thöni has a degree in mechanical engineering from the Federal Institute of Technology. Until the end of June 2001 he headed the Engineering Technology department of the Mühleberg nuclear power plant.

Management contracts

BKW has delegated no management tasks to third parties not belonging to the Group.

5 Remuneration, shareholdings, and loans

Content and method of determining the remuneration and of the shareholding programmes

Remuneration is defined by the Board of Directors and the Board Committee.

The following is a list of remuneration for the entire Board of Directors and Executive Board including the Extended Executive Board. This covers the remuneration *in toto* conferred in the financial year to persons who are members of governing company bodies and persons who gave up this function in the course of the year. No severance payments were made.

The members of the Board of Directors perform no executive functions and receive no benefits from BKW in the form of retirement provisions.

No share options are issued.

The following remuneration was conferred on existing members of governing bodies:

Organ	Remuneration	Share allotment
Board of Directors <i>in toto</i> ¹⁾	CHF 0.64 million	32 registered shares at par value CHF 500 each
Members of the Executive Board and Extended Executive Board <i>in toto</i>	CHF 2.7 million	27 registered shares at par value CHF 500 each

¹⁾ The highest total remuneration conferred on one member of the Board of Directors (total remuneration including fees for special services and for infrastructure and secretariate, as well as shares allotted in the year under review, valued at the closing rate on 31 December 2002) was CHF 0.241 million.

No remuneration was conferred on former members of governing bodies in the year under review and no severance payments were made to members of governing bodies who gave up their function in the year under review.

Loans, advances or credits granted to members of governing bodies

The following table, broken down in the same way as the above breakdown of members, lists the sum of and conditions governing outstanding loans, advances and credits which Group companies of BKW have granted to members of governing bodies.

Organ	No. of loans	Total amount	Interest rates	Securities	Maturity date
		CHF			
Members of the Board <i>in toto</i> as well as parties closely linked to such persons ²⁾	None				
Members of the Executive Board and Expanded Executive Board <i>in toto</i> , as well as persons closely linked to them ²⁾	3 ¹⁾	0.4 million	until 31.12.02 3.75%, after 31.12.02 3.5%	Mortgage certificates on real estate	Undefined

¹⁾ Loans for home construction in accordance with the BKW personnel regulations.

²⁾ Individuals and legal entities as defined in Art. 678 of the Swiss Code of Obligations (SCO)

BKW has provided no securities on loans which members of its governing bodies have received from third parties.

Shareholdings

Organ	Holding
Members of the Board of Directors <i>in toto</i>	1,720 registered shares at par CHF 25 each ¹⁾
Members of the Executive Board and Extended Executive Board <i>in toto</i>	1,810 registered shares at par CHF 25 each ¹⁾

¹⁾ According to entry in the shareholder register on 31.12.2002

Change of ownership clauses

No agreements have been drawn up with, or benefits planned for, members of the Board of Directors and/or Executive Board in the event of a change of ownership.

6 Shareholders' participation rights

The following provisions are taken from the BKW Articles of Association. At the request of a BKW shareholder, the current Articles of Association are provided free of charge.

Voting-rights restrictions and representation

Only persons listed in the shareholder register as a shareholder with voting rights are entitled to exercise shareholders' rights. There are no voting-rights restrictions for shareholders at the BKW Annual General Meeting.

Every shareholder with voting rights can attend the Annual General Meeting in person or be represented by another person who must also be a BKW shareholder.

Public-law associations, legal entities and commercial societies are represented by their governing bodies, shareholders or legal representatives or by persons with special written power of attorney.

Every share listed in the shareholder register with voting rights is entitled to one vote at the BKW Annual General Meeting.

Statutory quorums

The requisite quorums for resolutions to be carried at the Annual General Meeting correspond to the legal provisions.

Convocation of the Annual General Meeting, agenda

The statutory provisions governing convocation and agenda for the Annual General Meeting correspond to the legal provisions.

Shareholders who represent CHF 1 million or more par value in shares may request an item to be entered on the agenda no later than 50 days before the Annual General Meeting date.

Entries in the shareholder register

The basis for determining entitlement to attend or be represented at the Annual General Meeting is the status of entries of shareholders with voting rights on the 20th day before the Annual General Meeting.

7 Changes of control and defence measures

Under the terms of Art. 6 of the Articles of Association, BKW has raised the threshold for an obligation to make an offer as defined in Art. 32 of the Federal Law on Stock Exchanges and Securities Trading, to 49 percent.

8 Auditors

Term of office

The auditors of BKW are selected on an annual basis. The current auditors are Ernst & Young Ltd, who have held this office since 1990. The mandate was originally conferred on Neutra Treuhand AG, which was taken over by ATAG Ernst & Young AG. The latter changed its name to Ernst & Young Ltd in 2000.

Mr Peter Bühler has acted as the head auditor since 1990.

Auditing honorarium

The auditors' honorarium for auditing costs related to BKW and other Group companies amounted to CHF 0.3 million for the year under review.

The auditors' honorarium for supplementary services not related to auditing activities amounted to CHF 0.8 million.

Supervisory and control instruments vis-à-vis the auditors

Supervisory and control instruments vis-à-vis the auditors are implemented by the President of the Executive Board and the Chairman of the Board with expert support provided by Internal Auditing.

9 Information policy

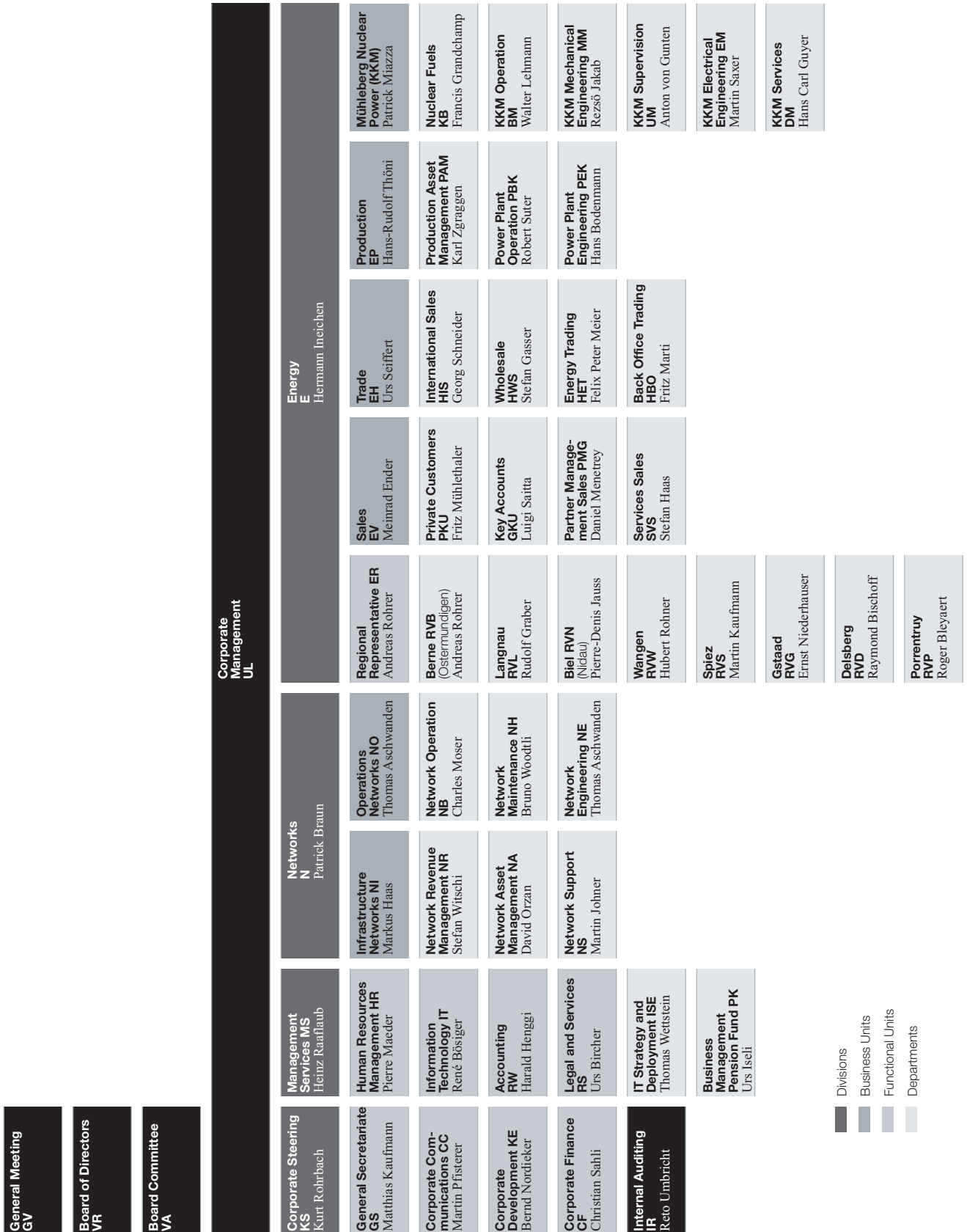
The Company is committed to the punctual dissemination of transparent and comprehensive information to its shareholders and the general public. It regularly informs the media about important events related to its business activities. A press conference is held at least once a year. Shareholders receive the Annual Report in addition to a written invitation to the Annual General Meeting and, as a rule, a half-yearly shareholder's letter on business performance. Share price related information is published in compliance with the obligation to disclose defined by the law on Stock Exchanges and Securities Trading. In addition to press releases, special information for shareholders and investors (in particular Annual Reports) are published on the Internet (www.bkw-fmb.ch).

10 Significant changes since 31 December 2002

On 24 January 2003, BKW purchased 35 percent of the share capital of Energie du Jura SA. This move additionally strengthens and expands the long-term partnership agreed to by the canton of Jura and BKW in autumn 2002.

On 21 March 2003 BKW agreed to a commercial partnership with the Freiburgerische Elektrizitätswerke (FEW). The main aim of the collaboration is to build and operate shared platforms for marketing and information technology. The collaboration upholds the autonomy of the two companies which have traditionally been closely linked, and is underpinned by mutual shareholdings. As part of this cross-shareholding relationship, BKW has acquired 10 percent of the share capital of FEW and FEW approximately 5 percent of BKW share capital. The associated shares were acquired from the Canton of Berne and Jura.

Organisational Chart 2003



- Divisions
- Business Units
- Functional Units
- Departments

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