



Facts & Figures

Financials

	1 st half year	1 st half year	
	2006	2005	2005
	CHF m	CHF m	CHF m
Total operating revenue	1,156.4	952.3	1,989.1
Operating income before depreciation, amortisation and impairment	376.2	205.0	431.0
Net profit	155.3	143.6	306.7
Cash flow from operating activities	199.9	226.3	308.0
Purchase of property, plant and equipment	54.0	58.3	129.5
Balance sheet total	5,689.8	5,196.6	5,508.9
Shareholders' equity	2,764.4	2,559.2	2,742.8
as % of balance sheet total	48.6	49.2	49.8

Electricity business

	GWh	GWh	GWh
Electricity sales Switzerland	3,817	3,585	7,058
Electricity sales International	2,256	2,012	3,774
Electricity trading	3,060	3,601	7,044
Pump/substitution energy	335	247	665
Transmission losses/own consumption	220	214	363
Total sales	9,688	9,659	18,904
Volume generated by hydroelectric plants	1,600	1,750	3,489
Volume generated by nuclear power plants incl. purchase contracts	3,135	2,756	5,371
Volume generated from complementary power plants	8	7	15
Trade (purchases) and energy buybacks	4,945	5,146	10,029
Total purchases	9,688	9,659	18,904
Employees (Full Time Equivalent)	2,369	2,122	2,120

Information on the BKW share (converted to par value of CHF 2.50 before June 2005)

	CHF	CHF	CHF
Par value	2.50	2.50	2.50
Share price			
Period end	106.80	80.25	88.00
Period high	140.00	81.10	95.85
Period low	90.50	67.40	67.40
Earnings per share (BKW shareholders' portion)	2.94	2.78	5.88
Equity per share (BKW shareholders' portion)	52.24	48.22	51.85
Market capitalisation in CHF million	5,603.9	4,232.6	4,627.5

Foreword

Strong half-year earnings

In the first half of 2006 BKW expanded its market position and improved its half-year result compared to the same period in 2005. Domestic and international sales of electricity rose, driven by acquisitions and an increase in the customer base. Trading and international sales recorded price-related revenue growth, boosted by a favourable market environment and the continued success of trading activities.

In the first half of 2006 the BKW Group recorded net profit of CHF 155.3 million, an increase of 8.1 percent over the first half of 2005. This result was impacted largely by positive developments in the energy business as well as below-average performance in financial markets, coupled with special effects arising from the revaluation of the provision for onerous energy purchase contracts and initial valuation of onyx Energie Mittelland AG. Revenue climbed by CHF 204.1 million or 21.4 percent to CHF 1,156.4 million due to good sales performance in Switzerland and neighbouring countries as well as growth in revenue from trading. Operative earnings i.e. operating income before depreciation and amortisation (EBITDA) rose by 83.5 percent to CHF 376.2 million.

Vertical integration and broad reach: the success factors

Against the backdrop of a rapidly changing market environment, BKW continues to adhere to its strategic and entrepreneurial principles despite the continued lack of any clearly defined energy policy

framework. Vertical integration and a broad-based network provide the foundation of BKW's autonomous evolution. With this in mind BKW remains committed to further refining and enhancing existing partnerships with communities, cantons, energy supply and production enterprises, as well as relations with national and international customers and partners. The Group's good market position is underpinned by a broad technology base and geographically dispersed production in various regions of Switzerland as well as a highly efficient, reliable network infrastructure. BKW's long-term corporate policy also addresses the Group's involvement in activities in neighbouring countries.

Expansion of production and network facilities

With supply shortfalls imminent within the next decade, BKW and the entire Swiss electricity sector are facing major challenges. BKW is aiming to step up investments in the construction of new plants in Switzerland and abroad and to expand existing production plants with a view to maintaining the existing high security of supply. For electricity procurement it relies on the proven mix of hydro and nuclear power, supplemented by electricity from renewable energy sources such as wind, sun and biomass. With supply shortfalls in mind, however, BKW is also leveraging fossil fuels, and in the period under review launched a project for the construction of a gas-fired combined cycle power station in Utzen-

storf. BKW also strengthened activities in Italy by acquiring a minority holding in STC S.p.A near Bologna, a leader in the construction of complementary industrial combined heat and power plants and biomass plants. And in the spring of 2006 BKW extended its market position by acquiring eight hydroelectric plants and two gas-fired power plant projects. Abolition of the time limit on the operating permit for Mühleberg nuclear power plant and the raising of the Lake Grimsel dam are major priorities for the company. Finally, network installations must be further expanded in order to ensure future security of supply, since growing demand is stretching existing network infrastructure capacities.

Integration of onyx Energie Mittelland

Integration in the BKW Group of onyx Energie Mittelland (onyx) in Langenthal proceeded according to plan in the period under review. With a share of some 99 percent, BKW is now registered as the majority shareholder in onyx. Preparations for integrating onyx in the BKW Group and transferring to onyx the activities of the Wangen regional office and the Bannwill power plant were carried out on schedule in the first half of 2006.

Clear political framework

BKW made further preparations ahead of the liberalisation of the electricity market, and supports the creation of a transparent, Euro-compatible legal framework. It is vital that the forthcoming parliamentary consultations clarify the framework in terms of the conditions governing market deregulation, as well as the promotion of electricity from renewable energy sources by means of a feed-in reimbursement to cover costs.

Broad shareholder base

The 2006 General Shareholders' Meeting approved the proposal to distribute a dividend of CHF 2.50 per share (2005: CHF 1.80) and elected Antoinette Hunziker-Ebneter to the Board of Directors.

Outlook

Based on the good business performance recorded in the first half-year, BKW expects to close fiscal 2006 with significantly higher operating earnings (EBITDA) but a lower financial result than in 2005. Net profit at year-end is expected to be slightly above the previous-year level.

Excluding any extraordinary effects, BKW anticipates higher operating earnings while net profit should narrowly reach the 2005 year-end level.

Operating Business

Stable electricity sales, rising prices

Price drop for CO2 certificates drives down electricity price

In the first half of 2006 the electricity market was strongly impacted by price movements for CO2 certificates. Electricity prices remained volatile, albeit on an upward trend, throughout the first quarter. In April prices for CO2 certificates climbed steadily to reach record values mid-month. This trend underwent a surprising reversal at the end of April, when several European countries published significantly lower CO2 emission figures for 2005 than had been defined in the allocation plans. The market responded swiftly, and within a few days CO2 certificates had lost more than half their value. By mid-May certificate prices had fallen by up to 73 percent to EUR 8/tCO₂, almost back down to the prices originally calculated.

The drop in CO2 prices also led to a decline in electricity prices, with the average spot price plummeting in mid-May to reach its lowest level since December 2004. Mild temperatures also combined to drive prices down. The market recovered slowly in June, with spot prices once more gaining. Conversely, forward prices experienced only a temporary dip, rallying again to the same level as before the drop in CO2 prices.

Electricity sales remain stable

The volume of electricity sold in the first six months of 2006 rose slightly by 0.3 percent year-on-year to 9,688 GWh.

Electricity trading reduced by 15.0 percent from 3,601 GWh to 3,060 GWh due to price movements and market developments. International sales of electricity grew another 12.1 percent in the neighbouring markets of Germany and Italy, to reach 2,256 GWh. Sales in Switzerland rose year-on-year by 6.5 percent to 3,817 GWh. A further increase in sales was achieved through new customer acquisitions and increased demand from existing customers. Moreover, the financial statements include for the first time revenue generated by onyx (from 1 May 2006) and Arnold AG (from 1 January 2006).

Compared to the same period in 2005, electricity production rose from 4,513 to 4,743 GWh primarily due to the higher volume produced by nuclear power plants. The first half-year of 2005 was negatively impacted by production stoppages at Leibstadt nuclear power plant. The Mühleberg nuclear power plant enjoyed uninterrupted production, ending the first half of 2006 with an output of 1,559 GWh. Hydroelectric production dropped from 1,750 GWh to 1,600 GWh. Volumes generated by partner hydroelectric plants declined as a result of lower discharges and defensive lake water management, leading to an improved fill capacity compared with the previous-year period. On the other hand, production at BKW's own hydroelectric plants, which are largely run-of-river, was on a par with the first half of 2005.

Financial Result

High operating earnings and low financial result

Sales and profit up

In the first half of 2006 BKW expanded its market position and recorded higher sales and profit. Total consolidated operating revenue stood at CHF 1,156.4 million, while profit amounted to CHF 155.3 million. This result was impacted largely by positive developments in the energy business as well as below-average performance in financial markets. In addition, the result was impacted by extraordinary effects arising from the revaluation of onerous energy purchase contracts and the initial valuation of onyx.

Changes in presentation according to IFRS

The consolidated financial statements of the BKW Group for the period ending 30.06.06 were presented in accordance with IAS 34 (Interim Financial Reporting) of the International Financial Reporting Standards (IFRS). The following changes in the scope of consolidation occurred in the period under review:

- Arnold AG was treated as an associated company until 31.12.2005, and the holding was valued at equity. At the beginning of 2006, BKW acquired a majority holding in Arnold AG, as a result of which the balance sheet of Arnold AG is fully included for the first time as of 1.1.2006 and the income statement is included in the first half-year consolidated financial statements. The holding now amounts to 66 percent.
- onyx was acquired in the second quarter of 2006. As a result of acquiring the majority holding, onyx is fully included

in the balance sheet for the first time as of 1.5.2006, and in the consolidated financial statements in the income statement for the months of May and June. The holding now amounts to 99 percent.

- At the end of June 2006, BKW acquired eight hydroelectric plants and two projects for gas-fired combined cycle power stations through its newly-founded subsidiary BKW Italia. As a result of acquiring this majority holding, the company's balance sheet is included in the consolidated financial statements for the first time as of 30.6.2006. The holding now amounts to 100 percent.

Total turnover and operating revenue up thanks to trading growth

In the first half of 2006 BKW reported a 21.4 percent increase in consolidated operating revenue from CHF 952.3 million to CHF 1,156.4 million.

This increase is attributable to expansion of BKW's market position in the home and international markets, and to price-driven revenue growth in trading activities and international sales. The favourable market environment and sustained success of trading activities also had a positive impact.

Revenue from electricity trading rose, as did income from trading in energy derivatives. While the volume of electricity traded dropped, revenue from electricity trading was up by 24.1 percent to CHF 281.7 million due to price-related factors. Thanks to skillful positioning in a

market characterised by sustained price volatility, income from trading in energy derivatives increased by 16.8 percent to CHF 13.9 million.

Revenue from international sales grew substantially by 54.2 percent to CHF 232.3 million, due in part to higher prices and a rise in sales volume.

Revenue from sales in Switzerland increased slightly by 4.1 percent to CHF 460.9 million, mainly as a result of higher volumes generated by new customer acquisition and the first-time inclusion of onyx customers.

Net profit impacted by financial result

Energy procurement costs rose by 1.1 percent to CHF 517.4 million. This figure includes an increase of CHF 123.4 million in third-party electricity procurement due to price-related factors as well as extraordinary effects of CHF -145.5 million arising from the revaluation of the provision set aside for onerous energy purchase contracts. The first-time consolidation of Arnold AG and onyx Energie Mittelland resulted in an increase of CHF 15.7 million in personnel expenses to CHF 127.2 million. Other operating income and expenses were on a par with the previous year.

Operating income before depreciation and amortisation (EBITDA) rose by 83.5 percent to CHF 376.2 million. Depreciation expenses increased year-on-year by CHF 96.5 million to CHF 144.4 million, of which CHF 92.4 million is attributable to the initial valuation of onyx. Operating income (EBIT) was 47.6 percent higher at CHF 231.8 million.

Adjusting for extraordinary effects related to the revaluation of the provision for onerous energy purchase contracts and the initial valuation of onyx Energie Mittelland, operating income (EBIT) rose by CHF 21.5 million. The main factors leading to the higher operating income are an increase in the electricity margin as well

as the absence of the financial charge for last year's stoppage at Leibstadt nuclear power plant.

The financial result for the first half of 2006 was negatively impacted by declining share prices and rising interest rates, ending the first half-year CHF 57.9 million lower at CHF -30.8 million. The main factors influencing this negative result were losses on share prices and bonds in respect of securities related to the decommissioning/disposal funds measured at fair value. The financial result is also lower year-on-year due to the outstanding performance of the stock market in the first half of 2005 compared to the first six months of 2006. Income tax expenses rose by CHF 5.1 million to CHF 45.7 million.

Favourable performance in the energy business was unable to fully offset the below-average performance of financial markets in the first six months of 2006. Adjusting for extraordinary effects, the BKW Group ended the first half of 2006 with a net profit after taxes of CHF 155.3 million, an increase of 8.1 percent.

Stable balance sheet total and equity ratio

In the period under review, the balance sheet total grew further to CHF 5,689.8 million, an increase of 3.3 percent compared to the 2006 year-end figure. While non-current assets increased by 10.5 percent following the acquisition of onyx and the hydroelectric plants in Italy, current assets decreased by 5.9 percent due to the lower figure for short-term financial assets. On the liabilities side, shareholders' equity rose by 0.8 percent to CHF 2,764.4 million compared to the end of 2005, with equity ratio down slightly from 49.3 percent to 48.5 percent.

Provisions for nuclear waste disposal were made according to plan in the period under review. A reversal of CHF 145.5 million was made in respect of provisions for energy procurement and sales contracts,

following reassessment. The other provisions remained largely unchanged.

Lower cash flow from operating activities

At CHF 199.9 million, cash flow from operating activities was some CHF 26.4 million lower than the previous-year period, largely on account of the lower reduction in net current assets and higher tax payments. Cash flow from investing activities was positive due to the sharp drop in financial assets. This effect outweighed the additional investments for acquisitions. The higher figure for interest paid and dividends is a result of an increase in dividend from CHF 1.80 to CHF 2.50 per share.

Interim Consolidated Financial Statements of the BKW Group

Consolidated Income Statement

CHF millions	Note	1 st half year 2006	1 st half year 2005
Net sales	3	1,128.8	925.8
Own capitalised cost		11.1	10.4
Other operating income		16.5	16.1
Total operating revenue		1,156.4	952.3
Energy procurement	4	-517.4	-511.9
Material and third-party services		-62.4	-53.2
Personnel expenses		-127.2	-111.5
Other operating expenses		-73.2	-70.7
Total operating expenses		-780.2	-747.3
Operating income before depreciation, amortisation and impairment		376.2	205.0
Depreciation, amortisation and impairment		-144.4	-47.9
Operating income		231.8	157.1
Financial income	5	18.0	57.6
Financial expenses	5	-55.1	-40.8
Income from equity-valued companies		6.3	10.3
Result before income taxes		201.0	184.2
Income taxes		-45.7	-40.6
Net profit		155.3	143.6
Share of profit, minority interests		1.0	0.4
Share of profit, BKW shareholders		154.3	143.2
Earnings per share in CHF (diluted and undiluted)		2.94	2.78

Interim Consolidated Financial Statements of the BKW Group

Consolidated Balance Sheet

Assets

CHF millions	30.06.2006	31.12.2005
Property, plant and equipment	1,737.2	1,423.6
Investments in equity-valued companies	420.4	426.1
Non-current financial assets	1,115.0	1,189.0
Intangible assets	119.0	28.4
Deferred tax assets	25.7	27.0
Total non-current assets	3,417.3	3,094.1
Inventories	13.5	11.4
Accounts receivable	446.2	445.2
Derivatives	132.5	183.1
Short-term financial assets	980.3	1,226.6
Prepaid expenses and accrued income	117.8	117.5
Cash and cash equivalents	582.2	431.0
Total current assets	2,272.5	2,414.8
Total assets	5,689.8	5,508.9

Liabilities and shareholders' equity

CHF millions	30.06.2006	31.12.2005
Share capital	132.0	132.0
Capital reserves	35.0	35.0
Retained earnings	2,602.5	2,574.6
Own shares	-28.2	-15.3
Minority interests	23.1	16.5
Total shareholders' equity	2,764.4	2,742.8
Deferred tax liabilities	506.3	421.1
Long-term provisions	1,170.0	1,305.9
Long-term debts	101.0	100.0
Other long-term liabilities	186.6	169.7
Total long-term liabilities	1,963.9	1,996.7
Other short-term liabilities	538.0	315.4
Derivatives	115.5	175.9
Short-term provisions	17.1	21.8
Short-term debts	130.6	130.0
Current income tax liabilities	32.8	39.1
Accrued expenses and deferred income	127.5	87.2
Total short-term liabilities	961.5	769.4
Total liabilities	2,925.4	2,766.1
Total liabilities and shareholders' equity	5,689.8	5,508.9

**Interim Consolidated Financial Statements
of the BKW Group**

Changes in Consolidated Equity

	Share capital	Capital reserves	Accumulated profit	Translation adjustments	Revaluation reserves	Own shares	Share of BKW shareholders	Share of minority interests	Total
CHF millions									
Equity at 31.12.2004 (restated)	132.0	35.0	2,273.1	0.5	27.5	-105.5	2,362.6	15.4	2,378.0
Effect of change in accounting principles			1.0				1.0		1.0
Equity at 01.01.2005	132.0	35.0	2,274.1	0.5	27.5	-105.5	2,363.6	15.4	2,379.0
Net profit			143.2				143.2	0.4	143.6
Translation adjustments				0.1			0.1		0.1
Financial assets									
– Value adjustment					22.2		22.2		22.2
– Transferred to income statement					-1.7		-1.7		-1.7
– Deferred income taxes					-3.8		-3.8		-3.8
Total income and expenses recorded for the period	0.0	0.0	143.2	0.1	16.7	0.0	160.0	0.4	160.4
Dividends			-94.9				-94.9	-0.1	-95.0
Purchase/sale of own shares			25.6			103.7	129.3		129.3
Equity at 30.06.2005	132.0	35.0	2,348.0	0.6	44.2	-1.8	2,558.0	15.7	2,573.7
Equity at 31.12.2005	132.0	35.0	2,510.9	0.7	63.0	-15.3	2,726.3	16.5	2,742.8
Profit			154.3				154.3	1.0	155.3
Translation adjustments				0.1			0.1		0.1
Financial assets									
– Value adjustment					5.0		5.0		5.0
– Deferred income taxes					-1.0		-1.0		-1.0
Total income and expenses recorded for the period	0.0	0.0	154.3	0.1	4.0	0.0	158.4	1.0	159.4
Dividends			-131.4				-131.4	-0.2	-131.6
Purchase/sale of own shares			0.1			-12.9	-12.8		-12.8
Acquisition of minority interests							0.0	-0.1	-0.1
Acquisition of Group companies			0.8				0.8	5.9	6.7
Equity at 30.06.2006	132.0	35.0	2,534.7	0.8	67.0	-28.2	2,741.3	23.1	2,764.4

Interim Consolidated Financial Statements of the BKW Group

Consolidated Cash Flow Statement (condensed)

CHF millions	Note	1 st half year 2006	1 st half year 2005
Cash flow from operating activities		199.9	226.3
Net investments in:			
Property, plant and equipment and intangible assets		-54.0	-57.1
Participations, short- and long-term financial assets		321.4	-70.5
Acquisition of Group companies	7	-198.3	0.0
Interest and dividends received		27.0	27.8
Cash flow from investing activities		96.1	-99.8
Purchase/sale of own shares		-19.8	125.2
Change in long-term liabilities		7.6	10.5
Interest and dividends paid		-132.4	-95.7
Cash flow from financing activities		-144.6	40.0
Translation adjustments on cash and cash equivalents		-0.2	-0.5
Net change in cash and cash equivalents		151.2	166.0
Cash and cash equivalents at start of reporting period		431.0	286.6
Cash and cash equivalents at end of reporting period		582.2	452.6

Interim Consolidated Financial Statements of the BKW Group

Notes to the Financial Statements

1 Business activity

BKW FMB Energie AG (BKW), Berne/Switzerland, and its subsidiaries are a leading energy provider in Switzerland, and deliver a wide range of products and services to residential and business customers. Energy is sold in neighbouring countries via the Group's own sales channels. BKW covers the entire value chain, from the production, transmission and distribution to the trading and sale of energy.

2 Accounting principles

2.1 General principles

The unaudited consolidated financial statements for the half-year ended 30 June 2006 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34) and should be read in conjunction with the consolidated financial statements at 31 December 2005. These half-year financial statements have been drawn up in accordance with the principles described in the 2005 Annual Report (pages 37–44), with no significant changes. New or revised standards and interpretations which entered into force on 1 January 2006 have had no impact on the presentation of the asset, financial and earnings situation set forth in these half-year financial statements.

2.2 Changes in the scope of consolidation

The following changes were made to the BKW Group scope of consolidation in the first half of 2006:

- BKW acquired 99.0% of the onyx Group.
- BKW Italia S.p.A., founded in the first half of 2006, acquired 100% of the shares in Idroelettrica Lombarda S.r.l.
- BKW acquired a majority holding (now 66%) and hence control over Arnold AG, which was formerly managed as an associated company. The company is therefore now fully consolidated.

3 Net sales

CHF millions	1 st half year 2006	1 st half year 2005
Electricity sales Switzerland	460.9	442.8
Electricity sales International	232.3	150.7
Electricity trading	281.7	227.0
Income from energy derivatives trading	13.9	11.9
Other electricity business	78.4	64.4
Gas business	19.8	7.1
Engineering services and electrical installation business	35.7	23.3
Changes in work in progress	6.1	-1.4
Total	1,128.8	925.8

4 Energy procurement

CHF millions	1 st half year 2006	1 st half year 2005
Electricity procurement, third parties	457.1	333.7
Electricity procurement, joint ventures	128.1	136.0
Provisions for onerous contracts:		
– Net use	–16.4	–18.4
– Reversal	–145.5	0.0
Other expenses for electricity procurement	74.9	53.8
Gas procurement, third parties	19.2	6.8
Total	517.4	511.9

Overvaluation of partner companies' production plants is accounted for under onerous contracts for energy procurement, due to the contractual obligation to pay energy production costs.

In the first half of 2006 the following findings resulted in a review of material assumptions:

- Despite a decline in prices for CO₂ certificates, the rise in prices on international electricity markets recorded in the fourth quarter of 2005 continued into the period under review, stabilising at a high level.
- The regulation agreed with the Price Inspector in the spring of 2006 with regard to calculation of grid usage charges based on historical acquisition costs resulted in energy accounting for a higher than anticipated proportion of the end customer price.

Due to both these effects, model calculations show a higher price curve for electricity. The results of recalculation based on higher selling prices for electricity result lead to a reversal of provisions in the amount of CHF 145.5 million, leaving a provision of CHF 28.9 million for onerous energy purchase contracts.

5 Financial result

CHF millions	1 st half year 2006	1 st half year 2005
Interest income	14.0	12.8
Dividends	3.3	1.9
Value adjustment on state funds	0.0	34.5
Gain on sale of financial assets	0.5	2.3
Value adjustment on securities held for trading	0.0	6.0
Other financial income	0.0	0.1
Translation adjustments	0.2	0.0
Financial income	18.0	57.6
Interest expenses	-4.7	-4.9
Value adjustment on state funds	-11.1	0.0
Interest on provisions	-32.1	-32.1
Loss from sale of financial assets	-0.1	0.0
Value adjustment on securities held for trading	-5.9	0.0
Other financial expenses	-1.2	-0.8
Translation adjustments	0.0	-3.0
Financial expenses	-55.1	-40.8
Total	-37.1	16.8

6 Acquisition of Group companies

Acquisition of onyx Energie Mittelland

In November 2005, BKW signed an agreement with the communities of Langenthal and Herzogenbuchsee for the acquisition of their 38.4% holding in onyx Energie Mittelland ("onyx"). Following the signing of this agreement, BKW submitted a purchase offer, subject to the same terms and conditions, to the remaining 57 shareholder communities in onyx. The date of acquisition of 99.0% of the shares is 1 May 2006.

Headquartered in Langenthal, onyx is the most important regional energy provider in Upper Aargau and supplies electricity directly or indirectly to some 100,000 customers. It maintains a regional grid and produces electricity in run-of-river plants.

In the period between 1 May and 30 June 2006, onyx recorded net sales of CHF 11.7 million and net profit of CHF 0.9 million.

Goodwill

	CHF m
Purchase price for 99.0% of onyx shares:	
Cash payment (until 30.06.06)	221.9
Residual purchase obligation (on 30.06.06) against cash settlement	110.6
Acquisition costs	2.0
Total purchase price	334.5
Less proportion of acquired net assets at fair value	-165.9
Goodwill	168.6

The goodwill of CHF 168.6 million is allocated as follows: CHF 137.6 million to the cash-generating unit of onyx and CHF 31.0 million to BKW.

The goodwill of CHF 137.6 million is determined due to the high purchase price resulting from the auction process, for acquisition of a company in a strategically important sales market for the energy sector, with strong regional presence and potential synergies. The goodwill of CHF 31.0 million is determined due to the long-term assurance of BKW energy sales. The goodwill of onyx as a cash-generating unit was subjected to an impairment test (see Note 7).

Acquisition of Idroelettrica Lombarda S.r.l.

At the end of June 2006 BKW acquired a 100% stake in Idroelettrica Lombarda S.r.l. via its newly-founded company, BKW Italia S.p.A. Idroelettrica operates eight run-of-river plants in Lombardy and owns two projects for construction of combined gas-fired power plants. The purchase price of CHF 109.0 million was paid on 3 July 2006.

Since the transaction was conducted at the end of June 2006, Idroelettrica Lombarda has no impact on the BKW Group's net sales and profit for the first half of 2006.

Goodwill

	CHF m
Purchase price for 100% share in Idroelettrica Lombarda	
cash settlement (payment on 3.7.06)	109.0
Less proportion of acquired net assets	-99.8
Goodwill	9.2

The goodwill is determined due to potential synergies with BKW's existing Italian business.

Acquisition of Arnold AG

On 1 January 2006 BKW acquired a 32% holding in Arnold AG and, together with its existing holding of 34%, achieved a majority stake of 66%. Arnold AG is a leading provider in the field of network construction and services. Headquartered in Selzach, canton Solothurn, the company has a workforce of 190. The purchase price for 32% of the shares was CHF 4.5 million, cash. In the period between 1 January and 30 June 2006 Arnold AG recorded net sales of CHF 19.6 million and profit of CHF 0.3 million.

Allocation of the purchase price to the assets and liabilities of acquired Group companies

CHF millions	onyx	onyx	Idroelettrica	Idroelettrica	Arnold	Arnold
	Carrying	Fair values	Carrying	Fair values	Carrying	Fair values
	amounts		amounts		amounts	
	IFRS		IFRS		IFRS	
Cash and cash equivalents	26.3	26.3			3.8	3.8
Accounts receivable and other current assets	15.3	15.3	1.5	1.5	7.0	7.0
Short- and long-term financial assets	18.1	18.1			0.3	0.3
Property, plant and equipment	100.7	168.8	135.6	135.6	3.8	5.9
Intangible assets	1.8	1.8				2.4
Deferred tax assets					0.8	0.8
Short-term liabilities	-13.6	-13.6	-0.2	-0.2	-4.8	-4.8
Pension plan obligations	-1.3	-1.3	-0.3	-0.3		
Deferred tax liabilities	-19.2	-34.2	-36.8	-36.8	-0.4	-1.4
Other long-term liabilities	-13.6	-13.6			-1.6	-1.6
Net assets	114.5	167.6	99.8	99.8	8.9	12.4
Minority interests		-1.7		0.0		-4.2
Net assets acquired		165.9		99.8		8.2
Goodwill		168.6		9.2		0.0
Purchase price		334.5		109.0		8.2
Less shares acquired in						
associated companies in previous years						-3.7
Less acquired cash and cash equivalents		-26.3				-3.8
Deferred purchase price payments		-110.6		-109.0		
Net cash outflow		197.6		0.0		0.7
Total net cash outflow						198.3

Due to lack of basic data, it was not deemed practicable to determine the IFRS carrying amounts for Idroelettrica Lombarda. For this reason the fair values are used as IFRS carrying amounts.

Had these Group companies been already acquired as at 1 January 2006, the net sales of BKW for the first half of 2006 would have been CHF 23.3 million higher and the profit CHF 6.7 million higher.

No Group companies were acquired in the first half of 2005.

7 Goodwill

	CHF m
Gross values at 31.12.2005	0.0
Additions from changes in the scope of consolidation	177.8
Gross values at 30.06.2006	177.8
Accumulated impairment at 31.12.2005	0.0
Impairment	-92.4
Accumulated impairment at 30.06.2006	-92.4
Carrying amounts at 30.06.2006	85.4

The goodwill of the onyx cash-generating unit was subjected to an impairment test based on a suspected impairment in this unit at the time the holding was acquired. onyx continues to operate as an autonomous business unit after acquisition by BKW, generating cash flows with third parties. It is thus defined as a cash-generating unit.

At the time of acquisition, no indication of impairment was present regarding goodwill allocated to other cash-generating units.

The carrying amount of CHF 137.6 million in respect of goodwill for onyx as a cash-generating unit was reduced to the recoverable amount of CHF 45.2 million. The recoverable amount of the cash-generating unit corresponds to its value in use. The calculations were made on the basis of estimated cash flows from business projections approved by management over a period of four years. Cash flows beyond the four-year period were extrapolated using an estimated growth rate.

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

- Average EBITDA margins of 20% were budgeted for the 2006–2009 planning years. The constant EBITDA margin was taken to be the average of EBITDA margins over these years.
- The perpetual yield is linked to an infinite cash flow growth rate of 1%.
- The valuation is predicated on a weighted average cost of capital of 6%.

The price paid for onyx is justified on the basis of strategic considerations. In accordance with IFRS measuring principles, this must partly be regarded as non-recoverable and consequently written down.

Investor Information and Important Dates

Performance of the BKW share

Key facts about the BKW share

BKW FMB Energie AG share capital of CHF 132 million is divided into 52,800,000 registered shares at a par value of CHF 2.50 each. The share price increased by 21.36% during the period under review.

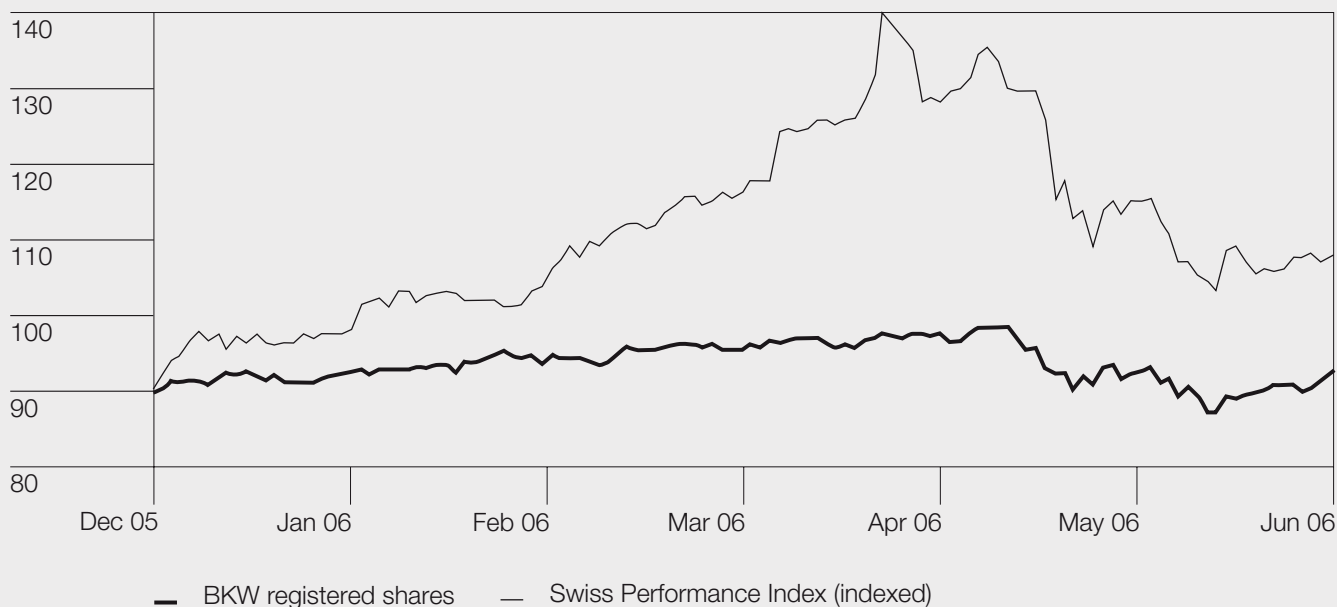
BKW FMB Energie AG shares are listed on the main board of the SWX Swiss Exchange and are also quoted on the BX Berne eXchange.

Ticker symbol for SWX and BX: BKWN

Share number: 2 160 700

ISIN code CH 002 160700 4

BKW share performance 31.12.2005–30.06.2006 (in CHF)



Significant shareholders	at 30.06.2006	at 31.12.2005
Canton of Berne	52.54%	52.91%
E.ON Energie AG	20.99%	20.00%

The proportion of shares held by the public (free float) is approximately 26.5 percent. The BKW share is listed on the Swiss Performance Index (SPI).

Financial Calendar

Annual Press Conference 29 March 2007

General Shareholders' Meeting 11 May 2007

Contact: investor.relations@bkw-fmb.ch

Addresses

BKW Head Office

BKW FMB Energie AG
Viktoriaplatz 2
3000 Berne 25
Tel. (+41) 31 330 51 11
Fax (+41) 31 330 56 35
info@bkw-fmb.ch
www.bkw-fmb.ch

Investor Relations

BKW FMB Energie AG
Alex Miescher
Investor Relations Officer
Viktoriaplatz 2
3000 Berne 25
Tel. (+41) 31 330 57 97
Fax (+41) 31 330 58 04
investor.relations@bkw-fmb.ch

Media Communications

BKW FMB Energie AG
Media Communications
Viktoriaplatz 2
3000 Berne 25
Tel. (+41) 31 330 51 07
Fax (+41) 31 330 57 90
info@bkw-fmb.ch

Regional Offices

BKW FMB Energie AG
Spiez Regional Office
Thunstrasse 34
3700 Spiez
Tel (+41) 33 650 82 11
Fax (+41) 33 654 28 48
spiez@bkw-fmb.ch

BKW FMB Energie AG
Bienne Regional Office
Dr. Schneiderstrasse 16
2560 Nidau
Tel (+41) 32 332 22 00
Fax (+41) 32 332 24 22
biel.bienne@bkw-fmb.ch

BKW FMB Energie AG
Delémont Regional Office
Rue Emile-Boéchat 83
2800 Delémont
Tel (+41) 32 421 33 33
Fax (+41) 32 421 32 00
delémont@bkw-fmb.ch

BKW FMB Energie AG
Gstaad Regional Office
Kirchstrasse
3780 Gstaad
Tel (+41) 33 748 47 47
Fax (+41) 33 748 47 46
gstaad@bkw-fmb.ch

BKW FMB Energie AG
Berne Regional Office
Bahnhofstrasse 20
3072 Ostermundigen
Tel (+41) 31 330 51 11
Fax (+41) 31 932 01 67
bern@bkw-fmb.ch

BKW FMB Energie AG
Porrentruy Regional Office
Rue Achille Merguin 2
2900 Porrentruy
Tel (+41) 32 465 31 31
Fax (+41) 32 465 31 41
porrentruy@bkw-fmb.ch

BKW FMB Energie AG
Langnau Regional Office
Burgdorfstrasse 25
3550 Langnau i.E.
Tel (+41) 34 409 61 11
Fax (+41) 34 409 61 15
langnau@bkw-fmb.ch

BKW FMB Energie AG
Wangen Regional Office
Vorstadt 20
3380 Wangen a.A.
Tel (+41) 32 631 43 43
Fax (+41) 32 631 43 63
wangen@bkw-fmb.ch

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Dieter Widmer, Alex Miescher

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