

BKW Group
Half-Year Report 2009

BKW®



Facts & Figures

BKW Group

Electricity business

GWh	1 st half-year 2009	1 st half-year 2008	2008
Sales			
Electricity sales Switzerland	4,095	4,133	7,978
Electricity sales International	2,608	2,534	5,201
Electricity trading	6,091	6,242	11,882
Pump/substitution energy	225	275	536
Transmission losses/own consumption	184	185	372
Total	13,203	13,369	25,969
Generation and purchases			
Hydroelectric plants	1,940	1,789	4,012
Nuclear power plants incl. purchase contracts	3,187	3,156	5,884
Thermal power plants	258	0	375
New renewable energy	17	10	28
Trade (purchases) and energy buy-backs	7,801	8,414	15,670
Total	13,203	13,369	25,969

Financials

CHF millions	1 st half-year 2009	1 st half-year 2008	2008
Total operating revenue	1,820.5	1,733.7	3,496.2
Operating profit before depreciation, amortisation and impairment	258.1	219.9	471.3
Operating profit	193.8	155.4	338.9
Net profit	155.5	63.0	138.7
Cash flow from operating activities	251.6	198.6	242.5
Purchase of property, plant and equipment	113.6	99.5	270.3
Balance sheet total	6,085.3	6,086.2	5,989.3
Shareholders' equity	3,126.4	3,023.2	3,069.8
› as % of balance sheet total	51.4	49.7	51.3

Number of employees

Full-time equivalent	30.06.2009	30.06.2008	31.12.2008
Employees	2,814	2,705	2,781

Contents

Half-Year Report 2009

04	Foreword
07	Operating Business
08	Financial Result
11	Interim Financial Statements of the BKW Group
23	Investor Information
25	Addresses
27	Publishing Details

Foreword

Successful performance in a difficult environment

In a difficult economic environment, BKW increased sales and earnings.

Results

In the first half-year 2009, the BKW Group recorded a profit of CHF 155.5 million, representing an increase of 146.8% over the 2008 first half-year result. This growth in profit reflects the Group's sustained ability to generate strong operating income as well as the general easing in international financial markets. Compared to the same period in 2008, total consolidated operating revenue grew by 5.0% or CHF 86.8 million to CHF 1,820.5 million. Operating profit before depreciation, amortisation and impairment (EBITDA) rose by CHF 38.2 million or 17.4% to CHF 258.1 million. The energy business performed well in a difficult economic and regulatory environment, and the BKW Group successfully strengthened its market position.

Segment reporting

The 2009 half-year report now contains segment reporting by business division, in accordance with the IFRS 8 accounting standard "Operating Segments". Information on the segments is provided in note 4 to the financial statements. To enable a comparison with the previous year, as required by IFRS 8, segment information for the first half of 2008 is also reported. Segments and segment results are defined in accordance with IFRS 8 on the basis of the organisational structure and internal reporting. The BKW Group is organised into business divisions and has three business segments: Energy Switzerland, Energy International and Trading, and Networks. Introduction of segment reporting has further enhanced transparency.

Market liberalisation

The first stage of the liberalisation of Switzerland's electricity market came into force on 1 January 2009. The organisational and technical transition went off without a hitch. As with any major system change, however, the companies involved as well as the responsible authorities inevitably need to acquire experience during the initial phase. As a result, planning uncertainty has already been exacerbated due to intervention at short notice by the Department for Environment, Transport, Energy and Communication (DETEC) and the regulator, EICom.

In this context BKW has lodged an appeal against EICom's rulings, with the aim among other things of achieving legal clarity with regard to the reduction of grid usage revenue, the conditions governing evaluation of the transmission grid, and the lowering of interest on capital costs for distribution grids. The impact on BKW's business results in the network area will vary depending on the provisions of the new laws and directives, the outcome of the current appeals and additional regulations.

The new rules governing electricity market liberalisation are resulting in additional costs. Accordingly, BKW introduced a moderate rise in prices at the beginning of 2009. On a Swiss-wide scale, the adjustments were below average. BKW has already announced that it has no intention of introducing any general electricity price increase in the forthcoming year. This decision was taken with due consideration to the current economic situation. To make up for the resultant additional cost burden, BKW will introduce cost-cutting measures. While specific planned investments will be postponed, this will in no way compromise implementation of the production strategy.

Further operation and replacement of Mühleberg nuclear power plant

Mühleberg power plant (KKM) is a cornerstone of electricity supplies to western and north-western Switzerland. In May 2009 the Federal Nuclear Safety Inspectorate ESNI awarded the plant top marks for safety. This supports BKW's demand for equitable treatment of the KKM to be rapidly restored and for the operating licence time limit of 2012 to be lifted. Several court rulings support BKW's position.

Even with an unlimited permit, the KKM will reach the end of its technical life after 2020. As one of the largest electricity suppliers in Switzerland, BKW is already planning to replace production capacities which are reaching the end of their operating lives. Together with the Axpo Group, therefore, it submitted two general licence applications for replacements for the Mühleberg and Beznau nuclear power plants. By the end of April 2009, the authorities had completed their general review of the applications. In the second project phase now under way, the general licence process is accompanied by technical and communication measures and the construction permit application is being drawn up.

It will likely take around fifteen years until the replacement nuclear power plant in Mühleberg is connected to the grid. Mindful of the importance of open, ongoing communication throughout the entire process, BKW has formed a cantonal support group garnered from broad sections of the political and social spectrum. The support group, which convenes on a regular basis, consists of members of the parties represented on the Cantonal Council of Bern, as well as representatives of the site region and of major business and environmental organisations.

This summer BKW published its first sustainability report, systematically documenting the current status of activities in the interests of sustainability. The challenge is to address and present ecological, economic and social aspects as equally valid pillars. A one-sided approach that equates sustainable actions with ecology does not do justice to the complexity of the subject.

Strategy implementation

BKW is aiming to retain and expand its CO₂-free electricity production capability in Switzerland. In the long term it plans to achieve CO₂-free production through its expansion and replacement projects, with the focus increasingly on the use of new renewable energies in Switzerland and abroad, optimisation of hydroelectricity, and nuclear power. One important pillar of this strategy is the planned replacement power plant in Mühleberg. BKW has also decided not to seek any new projects for coal- and gas-fired plants. However, it will carry on with the existing projects, particularly as a fallback position in the event that the Swiss electorate vote against replacing nuclear energy capacities.

The Energy Act requires Swiss electricity production from new renewable energies to be increased by at least 5.4 TWh by 2030. BKW is aiming to contribute more than its market share to this objective. An extensive investment programme is in place to promote new renewable energies such as wind power. Following a nine-year planning phase, BKW is further expanding Juvent wind farm, the largest Swiss wind farm to date, and within a year will have erected eight high-performance wind turbines that blend well into the landscape, thereby quadrupling the plant's production capacity.

BKW has also stepped up activities for new renewable energies abroad, once more with the focus on wind power. In Germany, for example, a strategic partnership has been entered into with project developer Juwi. The aim of this joint venture, which goes by the name of BKWind, is to plan and build wind farms at various locations to achieve a total installed capacity of around 200 MW by 2015. The first wind farm with a total capacity of 8 MW is already scheduled to go into operation in 2009 in Landkern, Rheinland-Pfalz. BKW has also acquired one third of the company Fortore Wind, co-founded with leading Italian wind power generator Fortore Energia S.p.A. Production capacity in Italy is being built up on the one hand by transferring to the new company the wind farms already implemented by Fortore, with a capacity of around 140 MW. In addition, between now and 2016 wind projects with a collective capacity of around 465 MW will be jointly implemented and operated. These were reassigned to the new company by Fortore. These activities reinforce BKW's leading position among Swiss wind power producers.

Shareholders

The General Meeting held on 30 April 2009 approved the 2008 annual and consolidated financial statements and voted in favour of a dividend payment of CHF 2.30 per share (2008: CHF 2.70). Since the last General Shareholders' Meeting in May 2008 the number of shareholders has increased from around 6,300 to approximately 7,000. Shareholders elected Hartmut Geldmacher of Germany to replace Karl-Michael Fuhr on the Board of Directors for the remaining term of office, i.e. until the 2011 Annual General Meeting. Hartmut Geldmacher has been a member of the Board of Management and Labour Relations Director of E.ON Energy AG in Munich since 2002.

Outlook

For the current financial year, the BKW Group expects – on the basis of its continued strong market position – a turnover comparable to that of the previous year and a stable development of the energy business. Nevertheless, lower energy prices on the international markets, coupled with economic uncertainty, new regulatory measures and expenses related to strategic projects – particularly in connection with the drive to expand production facilities and with market liberalisation in Switzerland – are likely to impact the operating results. Taking into account all these factors, it is unlikely that the good result of the year 2008 will be achieved again at EBITDA level. The financial results depend on financial market movements; assuming that equity markets will at least stabilise at a low level, BKW expects to close 2009 with higher net profit than the previous year.

Operating Business

Slightly lower sales and higher production

BKW recorded a slight reduction in electricity sales in the first half of 2009. Conversely, production was substantially increased.

Electricity market impacted by the global economic downturn

The effects of the global economic crisis took their toll on the electricity market in the first six months of 2009. Declining demand for consumer and industrial goods, coupled with a downturn in industrial production, drove down demand for electricity. The downward spiral in the price of electricity on energy markets continued into the first few months of 2009, only recovering a little in mid-March to stabilise at a slightly higher level.

Slight reduction in electricity sales and rise in production

The volume of electricity sold dipped by 1.2% compared to the same period in 2008, ending the first six months of 2009 at 13,203 GWh.

Sales in Switzerland fell year on year by 0.9% to 4,095 GWh due to lower sales to commercial and industrial customers as a result of the economic downturn. The volume of electricity traded was down 2.4% from 6,242 GWh to 6,091 GWh. Due to price and market trends, these changes are within the normal parameters for trading activities. At 2,608 GWh, international electricity sales were up 2.9%.

The volume of electricity generated rose year on year by 447 GWh to 5,402 GWh, primarily due to higher production from hydroelectric plants and to the commissioning of Livorno Ferraris gas-fired combined-cycle power plant. Hydroelectricity production rose by 151 GWh to 1,940 GWh in the first six months of 2009 due to above-average snow cover and high meltwater volumes. Thanks to good hydrological conditions in the first half-year 2009, reservoirs were filled according to plan. The volume of electricity generated by nuclear power plants rose by 31 GWh to 3,187 GWh, with Mühleberg nuclear power plant producing 1,624 GWh in the first six months of 2009. Based on BKW's 25% stake in Livorno Ferraris, this new gas-fired combined-cycle plant opened in Italy's Piedmont region in autumn 2008 produced 258 GWh of electricity.

Financial Result

Energy business still performing strongly

In the first half of 2009, sales and operating income were increased. The positive financial result produced a significantly higher net profit.

Higher sales and profit

In the first six months of 2009, BKW further expanded its market position and increased sales in a difficult economic environment. Consolidated operating revenue amounted to CHF 1,820.5 million. The result reflects the Group's undiminished strong earning power and the easing of financial markets. Operating profit before depreciation, amortisation and impairment rose to CHF 258.1 million. Stabilisation on the financial markets resulted in a significantly higher financial result and a corresponding increase in profit, with net profit ending the first half-year 2009 at CHF 155.5 million.

Changes in accounting principles and the scope of consolidation

The unaudited consolidated financial statements for the half-year ended 30 June 2009 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34).

In the 2009 financial year, various new or revised accounting standards have become applicable. While these changes in accounting principles have no impact on the financial position, results of operations and cash flows of the BKW Group, the following changes resulted in additional disclosures in the consolidated financial statements for the first half-year:

- › IFRS 8 governs the disclosure of segment reporting and replaces the existing applicable Standard IAS 14. IFRS 8 requires segments and segment results to be defined on the basis of management approaches, i.e. based on the organisational structure and internal reporting. Accordingly, BKW now provides segment reporting by division. BKW operates three business segments: Energy Switzerland, Energy International and Trading, and Networks.

- › The revised standard IAS 1 "Presentation of Financial Statements" requires the separate disclosure of changes in equity which do not result from transactions with shareholders. BKW now presents these transactions in a separate "Statement of Comprehensive Income". Up to now, such changes in equity were disclosed in detail under "Changes in Consolidated Equity".
- › Another change to IAS 1 concerns the classification of derivatives in the balance sheet. Formerly derivatives were generally reported as short-term positions under current assets and short-term liabilities. As a result of the change, BKW now classifies derivatives as short-term or long-term on the basis of their settlement date. The balance sheet at 31 December 2008 was also adjusted.

No changes were made to the BKW Group scope of consolidation in the first half of 2009.

Energy business posts higher revenue

In the first half of 2009 the BKW Group recorded consolidated operating revenue of CHF 1,820.5 million: 5.0% higher than the prior-year period. The energy business performed well in a difficult economic environment, and the BKW Group further strengthened its market position.

Energy Switzerland recorded a 31.7% increase in operating revenue to CHF 1,049.8 million. Net sales to external customers were up by 11.3% to CHF 564.8 million, mainly due to higher electricity prices, while net sales to other segments rose by 77.5% to CHF 463.4 million due to higher internal transfer prices for energy. Operating profit (EBIT) fell by CHF 10.1 million to CHF 13.4 million. The reduction in operating profit is primarily a result of higher internal energy procurement costs and additional costs associated with the settlement of accounts for general ancillary services to power plants with a capacity ≥ 50 MW.

Energy International and Trading recorded a 13.4% increase in operating revenue to CHF 1,599.7 million. Net sales to external customers were up slightly by 1.7% to CHF 1,127.8 million, while net sales to other segments rose by 57.6% to CHF 466.7 million due to higher internal transfer prices for energy. EBIT climbed sharply to CHF 147.5 million (+74.8%). The increase in operating profit is primarily attributable to higher internal transfer prices for energy and additional revenue from participation in auctions for ancillary services. Revenue from electricity trading rose by 12.4% to CHF 763.9 million, largely as a result of income from participation in auctions for ancillary services. The volatile market trend drove revenue from derivative trading up by CHF 4.1 million to CHF 20.1 million. International sales dropped by 12.4% to CHF 276.1 million. The main reason for this is the decline in sales in Italy in the wake of the economic downturn.

Total operating revenue for the Networks segment was stable, dipping only slightly by 0.5% to CHF 316.1 million. Net sales to external customers increased by 11.4% to CHF 83.0 million, while net sales to other segments fell by 5.9% to CHF 206.9 million. Since external revenue for grid usage is largely generated by Energy Switzerland and disclosed as internal revenue under Networks, network revenue generated outside the Group is low. The lion's share is contributed by engineering services and the electrical business, which increased by 3.6% to CHF 49.1 million. EBIT was down 28.7% to CHF 45.2 million, in particular on account of new regulatory requirements.

Good operating result, better financial result

Energy procurement costs in the first half-year amounted to CHF 1,167.2 million, corresponding to an increase of only 0.4% compared to the prior-year period. The larger workforce and higher salary costs resulted in an increase of CHF 9.8 million in personnel expenses to CHF 176.0 million. Due to extra costs related to production expansion and market liberalisation, expenditure on material and third-party services rose by CHF 21.5 million to CHF 107.1 million and other operating expenses by CHF 12.1 million to CHF 112.1 million.

Operating profit before depreciation, amortisation and impairment (EBITDA) was 17.4% higher at CHF 258.1 million, mainly due to positive developments in the energy business. Higher sales were recorded while energy procurement costs remained stable. Depreciation and impairment remained stable year on year, falling slightly by CHF 0.2 million to CHF 64.3 million, while operating profit (EBIT) rose by 24.7% to CHF 193.8 million.

The recovery on equity markets led to a positive financial result of CHF 4.5 million compared to the negative result of CHF –75.4 million in the prior-year period. The main influencing factor was the absence of the high losses in the first half of 2008 on shares and securities related to the decommissioning/disposal funds measured at fair value. Due to the higher result, income tax expenses rose by CHF 25.8 million to CHF 42.8 million.

In contrast to the prior-year period, the good performance by the energy business was not diminished by a negative financial result, and BKW Group profit for the first half of 2009 rose year on year from CHF 63.0 million to CHF 155.5 million.

Higher balance sheet total and equity ratio

At CHF 6,085.3 million, the balance sheet total once more rose slightly in the first half of 2009, growing by 1.6% compared to the 2008 year-end figure. While current assets remained virtually stable, non-current assets rose by 2.8% due to the increase in property, plant and equipment and non-current financial assets. On the liabilities side, short-term liabilities increased by 4.3% while long-term liabilities remained virtually stable. Shareholders' equity rose by 1.8% to CHF 3,126.4 million compared to the end of 2008, while the equity ratio was up slightly from 51.3% to 51.4%.

Provisions for nuclear waste disposal were made according to plan in the period under review. No significant changes were recorded in other provisions.

Higher cash flow from operating activities

At CHF 251.6 million, cash flow provided by operating activities was CHF 53.0 million above the previous-year figure, largely due to higher EBITDA and lower tax expenses. Cash flow from investing activities showed an inflow of CHF 185.6 million compared to the cash outflow of CHF 348.2 in the prior-year period. This development is attributable to the reduction in current and non-current financial assets. Cash outflow from financing activities fell by CHF 20.0 million to 120.6 million due to the lower dividend.

Interim Financial Statements of the BKW Group

Consolidated income statement

CHF millions	1 st half-year 2009	1 st half-year 2008
Net sales	1,775.6	1,690.4
Own work capitalised	19.7	16.4
Other operating income	25.2	26.9
Total operating revenue	1,820.5	1,733.7
Energy procurement	-1,167.2	-1,162.0
Material and third-party services	-107.1	-85.6
Personnel expenses	-176.0	-166.2
Other operating expenses	-112.1	-100.0
Total operating expenses	-1,562.4	-1,513.8
Operating profit before depreciation, amortisation and impairment	258.1	219.9
Depreciation, amortisation and impairment	-64.3	-64.5
Operating profit	193.8	155.4
Financial income	50.3	25.5
Financial expenses	-40.6	-111.2
Income from equity-valued companies	-5.2	10.3
Profit before income taxes	198.3	80.0
Income taxes	-42.8	-17.0
Net profit	155.5	63.0
Profit attributable to non-controlling interests	-0.9	0.5
Profit attributable to BKW shareholders	156.4	62.5
Earnings per share in CHF (diluted and undiluted)	3.01	1.20

Interim Financial Statements of the BKW Group

Consolidated statement of comprehensive income

CHF millions	1 st half-year 2009	1 st half-year 2008
Net profit	155.5	63.0
Currency translations		
› Currency translations	10.1	- 11.7
› Income taxes on currency translations	- 0.2	1.0
Available-for-sale financial assets		
› Value adjustments	2.5	18.1
› Income taxes on value adjustments	- 0.7	- 4.6
Total changes in value recorded in shareholders' equity	11.7	2.8
Total comprehensive income	167.2	65.8
Total comprehensive income attributable to non-controlling interests	- 0.9	0.4
Total comprehensive income attributable to BKW shareholders	168.1	65.4

Interim Financial Statements of the BKW Group

Consolidated balance sheet

CHF millions	30.06.2009	31.12.2008 restated
Assets		
Property, plant and equipment	1,991.0	1,935.2
Investments in equity-valued companies	814.3	820.2
Derivatives	39.8	43.7
Non-current financial assets	944.0	888.3
Intangible assets	180.0	173.8
Deferred tax assets	22.7	21.9
Total non-current assets	3,991.8	3,883.1
Inventories	17.6	16.8
Accounts receivable	621.1	626.3
Income tax receivables	3.0	2.6
Derivatives	226.4	232.2
Current financial assets	506.0	826.6
Prepaid expenses and accrued income	183.9	185.7
Cash and cash equivalents	535.5	216.0
Total current assets	2,093.5	2,106.2
Total assets	6,085.3	5,989.3
Liabilities		
Share capital	132.0	132.0
Capital reserves	35.0	35.0
Retained earnings	3,021.7	2,975.1
Treasury shares	-84.4	-96.4
Equity attributable to BKW shareholders	3,104.3	3,045.7
Equity attributable to non-controlling interests	22.1	24.1
Total shareholders' equity	3,126.4	3,069.8
Deferred tax liabilities	527.1	533.8
Derivatives	42.9	49.6
Long-term provisions	1,202.4	1,182.5
Long-term financial liabilities	229.5	229.3
Other long-term liabilities	168.0	168.0
Total long-term liabilities	2,169.9	2,163.2
Other short-term liabilities	382.9	369.0
Derivatives	183.6	163.2
Short-term provisions	36.7	31.1
Liabilities from income taxes	24.1	11.9
Deferred income and accrued expenses	161.7	181.1
Total short-term liabilities	789.0	756.3
Total liabilities	2,958.9	2,919.5
Total liabilities and shareholders' equity	6,085.3	5,989.3

Interim Financial Statements of the BKW Group

Changes in consolidated equity

	Share capital	Capital reserves	Accumulated profit	Currency translations	Revaluation reserve available-for-sale financial assets	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
CHF millions									
Equity at 31.12.2007 (restated)	132.0	35.0	2,875.7	13.1	134.5	-110.2	3,080.1	24.8	3,104.9
Total comprehensive income			62.5	-10.6	13.5		65.4	0.4	65.8
Dividend			-140.5				-140.5	-0.4	-140.9
Purchase/sale of treasury shares			2.9			17.9	20.8		20.8
Acquisition of non-controlling interests							0.0	-0.8	-0.8
Foundation of Group companies							0.0	0.1	0.1
Change in consolidation method								-0.8	-0.8
Equity at 30.6.2008 (restated)	132.0	35.0	2,800.6	2.5	148.0	-92.3	3,025.8	23.3	3,049.1
Equity at 31.12.2008	132.0	35.0	2,875.8	-33.4	132.7	-96.4	3,045.7	24.1	3,069.8
Total comprehensive income			156.4	9.9	1.8		168.1	-0.9	167.2
Dividend			-119.9				-119.9	-0.5	-120.4
Purchase/sale of treasury shares			-1.6			12.0	10.4		10.4
Acquisition of non-controlling interests							0.0	-0.6	-0.6
Equity at 30.6.2009	132.0	35.0	2,910.7	-23.5	134.5	-84.4	3,104.3	22.1	3,126.4

Interim Financial Statements of the BKW Group

Consolidated cash flow statement (condensed)

CHF millions	1 st half-year 2009	1 st half-year 2008
Cash flow before change in net current assets and payment of income taxes	247.9	219.0
Change in net current assets (excl. financial assets/liabilities)	42.8	45.2
Income taxes paid	-39.1	-65.6
Cash flow from operating activities	251.6	198.6
Net investments in		
› property, plant and equipment and intangible assets	-118.1	-109.6
› current and non-current financial assets	290.4	-239.1
› equity-valued companies	-18.1	-32.4
Acquisition of non-controlling shares	-0.9	-1.4
Interest and dividends received	32.3	34.3
Cash flow from investing activities	185.6	-348.2
Purchase/sale of treasury shares	2.5	1.0
Change in long-term liabilities	3.9	6.2
Interest and dividends paid	-127.0	-147.8
Cash flow from financing activities	-120.6	-140.6
Translation adjustments on cash and cash equivalents	2.9	-1.0
Net change in cash and cash equivalents	319.5	-291.2
Cash and cash equivalents at start of reporting period	216.0	671.9
Cash and cash equivalents at end of reporting period	535.5	380.7

Interim Financial Statements of the BKW Group

Notes to the interim financial statements

1 Description of business

BKW FMB Energy Ltd. (BKW), Bern (CH), and its Group companies are a leading energy provider in Switzerland, and deliver a comprehensive 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 2009 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 2008. These interim financial statements have been drawn up in accordance with the principles described in the 2008 Financial Report (pages 9 to 19). The consolidated financial statements for the period ended 30 June 2009 were approved by the BKW Board of Directors on 3 September 2009 and released for publication.

2.2 Adoption of new standards and interpretations

In 2009 the BKW Group was required to adopt the following new or revised standards and interpretations:

- › IAS 1 Presentation of Financial Statements
- › IAS 23 Borrowing Costs
- › IFRS 8 Operating Segments
- › Improvements to International Financial Reporting Standards
- › Amendment to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation
- › Amendment to IFRS 2: Vesting Conditions and Cancellations
- › Amendment to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- › Reclassification of Financial Assets – Effective Date and Transition Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures
- › Improving Disclosures about Financial Instruments – Amendments to IFRS 7 Financial Instruments: Disclosures
- › IFRIC 13 Customer Loyalty Programmes

- › IFRIC 15 Agreements for the Construction of Real Estate
- › IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- › IFRIC 17 Distribution of Non-Cash Assets to Owners

These changes have had no significant effect on the presentation of the financial position, the results of operations and the cash flows of the BKW Group. However, the following changes resulted in additional disclosures in the consolidated financial statements:

IAS 1 Presentation of Financial Statements contains the principles governing the presentation of financial statements. The main changes in IAS 1 concern the requirement to disclose changes in equity other than those arising from transactions with shareholders (non-owner changes in equity) either as a separate component of the income statement or in a separate "statement of comprehensive income". Up to now, details of such changes in equity were disclosed under "Changes in Consolidated Equity". BKW has opted to present them in a separate "Statement of Comprehensive Income".

IFRS 8 Operating Segments governs the disclosure of segment reporting and thus replaces the existing applicable Standard IAS 14. IFRS 8 requires segments and segment results to be defined on the basis of management approaches, i.e. based on the organisational structure and internal reporting. Accordingly, BKW now provides segment reporting by division. Information on the segments is provided in note 4. IFRS 8 will be applied retroactively and the prior-year information will be presented accordingly.

The Amendment to IAS 1 Presentation of Financial Statements, part of the Improvements to International Financial Reporting Standards, is relevant for the BKW Group: This amendment states that not all financial assets and liabilities which are classified as "held for trading" are regarded as current assets. As a result of this amendment, BKW now classifies derivatives as short-term or long-term on the basis of their settlement date. These amendments were applied retroactively and the prior-year figures were adjusted accordingly.

Improving Disclosures about Financial Instruments – Amendments to IFRS 7 Financial Instruments: Disclosures will result in additional disclosures in the 2009 Annual Report but have no effect on these half-year statements.

BKW is currently examining the potential impact on its financial position, results of operations and cash flows of new or revised standards and interpretations published since the publication of the 2008 Annual Report. The following standards and interpretations are relevant for subsequent financial years (date of entry into force in brackets) and have not been adopted early in these consolidated interim financial statements:

- IFRIC 18 Transfers of Assets from Customers (applicable for asset transfers from 1 July 2009)
- Embedded Derivatives Amendments to IFRIC 9 and IAS 39 (1 July 2009)
- Improvements to International Financial Reporting Standards (1 January 2010)
- Group Cash Settled Share-Based Payment Transactions (1 January 2010)

2.3 Changes in the scope of consolidation

No changes were made to the BKW Group scope of consolidation in the first half of 2009.

3 Principles of accounting and valuation

The accounting and valuation principles on segment reporting were amended as follows in line with the new standard:

Segments and segment results are defined on the basis of the management approach. Reportable segments under the terms of IFRS 8 are based on the internal organisational and reporting structure. Since 1 April 2008, the BKW Group has been organised into business divisions which have responsibility for operating results and manage a defined part of the BKW Group's activities autonomously. Operating profit (EBIT) is used by the senior decision-making body, the Executive Board, as a basis for resource allocation and performance measurement.

Segment figures are obtained in accordance with the same accounting and valuation principles as are applied for the Group-level presentation of consolidated figures. The prices for intracompany transactions (transfer prices) are based on the market price on the date on which the contract is concluded.

4 Segment reporting

Reportable segments are based on the internal organisational and reporting structure. The BKW Group is organised into business divisions. Business divisions are defined as economic units which have responsibility for operating results and manage a defined part of the BKW Group's activities autonomously. The BKW Group operates the following three reportable business segments:

- Energy Switzerland is responsible for energy production in the Group's own power plants as well as partner plants in Switzerland, and sales of energy to end customers and sales partners in Switzerland.
- Energy International and Trading is responsible for energy production in the Group's own power plants as well as partner plants and sales of energy in Italy and Germany, as well as trading in electricity, gas and certificates in Switzerland and abroad.
- Networks builds, operates and maintains the Group's own transmission and distribution systems and builds and maintains electrical installations, electricity and telecommunications networks as well as traffic infrastructure facilities on behalf of third parties.

No operating divisions were combined to create these reportable business segments.

The results of the business divisions are separately monitored by the Executive Board in order to make decisions on resource allocation and to assess the earning power of the units. Operating profit (EBIT) is used for internal steering and to assess sustainable earning power.

"Other" covers activities which are centrally managed within the Group; these largely consist of the decommissioning and disposal funds, Group financing, real estate and tax.

	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	Total
1 st half-year 2009						
CHF millions						
Electricity sales Switzerland	382.6					382.6
Distribution grid usage fees	175.6		6.0			181.6
Electricity sales international		276.1				276.1
Electricity trading		763.9				763.9
Income from energy derivatives trading		20.1				20.1
Other energy business	4.2	47.6	27.4			79.2
Gas business	1.7	20.1				21.8
Construction/engineering services and electrical installation business	0.6		49.1			49.7
Changes in work in progress	0.1		0.5			0.6
Net sales to external customers	564.8	1,127.8	83.0	0.0	0.0	1,775.6
Net sales to other segments	463.4	466.7	206.9	25.4	-1,162.4	0.0
Own work capitalised	1.3		17.3	0.2	0.9	19.7
Other operating income	20.3	5.2	8.9	52.5	-61.7	25.2
Total operating revenue	1,049.8	1,599.7	316.1	78.1	-1,223.2	1,820.5
Electricity procurement, third parties	-24.1	-838.3				-862.4
Electricity procurement, partner plants and associates	-161.8	-39.2				-201.0
Other expenses for electricity procurement	-6.8	-53.3	-22.7			-82.8
Gas procurement	-1.6	-19.4				-21.0
Energy procurement from third parties, partner plants and associates	-194.3	-950.2	-22.7	0.0	0.0	-1,167.2
Energy procurement from other segments	-649.6	-452.2	-10.6		1,112.4	0.0
Operating expenses excluding energy procurement	-171.6	-46.8	-202.5	-85.0	110.7	-395.2
Operating expenses	-1,015.5	-1,449.2	-235.8	-85.0	1,223.1	-1,562.4
Operating profit before depreciation, amortisation and impairment	34.3	150.5	80.3	-6.9	-0.1	258.1
Depreciation, amortisation and impairment	-20.9	-3.0	-35.1	-5.4	0.1	-64.3
Operating profit	13.4	147.5	45.2	-12.3	0.0	193.8
Financial result						9.7
Income from equity-valued companies						-5.2
Profit before income taxes						198.3
Investments in property, plant and equipment, intangible assets and state funds	42.7	5.8	51.2	24.9	-0.1	124.5
Investments in equity-valued companies at 30.06.2009	451.2	358.5	4.6	0.0	0.0	814.3
Total assets at 30.06.2009	2,589.9	1,400.1	1,506.1	4,236.0	-3,646.8	6,085.3

	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	Total
1 st half-year 2008						
CHF millions						
Electricity sales Switzerland	473.9		0.7			474.6
Distribution grid usage fees	30.3		1.4			31.7
Electricity sales international		315.3				315.3
Electricity trading		679.4				679.4
Income from energy derivatives trading		16.0				16.0
Other energy business	3.0	69.8	22.9			95.7
Gas business	0.1	28.0				28.1
Construction/engineering services and electrical installation business			47.4			47.4
Changes in work in progress	0.1		2.1			2.2
Net sales to external customers	507.4	1,108.5	74.5	0.0	0.0	1,690.4
Net sales to other segments	261.0	296.1	219.9	13.8	-790.8	0.0
Own work capitalised	2.0		13.9	0.2	0.3	16.4
Other operating income	26.9	5.7	9.3	55.1	-70.1	26.9
Total operating revenue	797.3	1,410.3	317.6	69.1	-860.6	1,733.7
Electricity procurement, third parties	-31.1	-872.0				-903.1
Electricity procurement, partner plants and associates	-128.6	-17.4				-146.0
Other expenses for electricity procurement	-1.5	-79.5	-4.1			-85.1
Gas procurement	-0.1	-27.7				-27.8
Energy procurement from third parties, partner plants and associates	-161.3	-996.6	-4.1	0.0	0.0	-1,162.0
Energy procurement from other segments	-440.8	-257.2	-9.6		707.6	0.0
Operating expenses excluding energy procurement	-152.7	-69.7	-201.3	-81.0	152.9	-351.8
Operating expenses	-754.8	-1,323.5	-215.0	-81.0	860.5	-1,513.8
Operating profit before depreciation, amortisation and impairment	42.5	86.8	102.6	-11.9	-0.1	219.9
Depreciation, amortisation and impairment	-19.0	-2.4	-39.2	-4.0	0.1	-64.5
Operating profit	23.5	84.4	63.4	-15.9	0.0	155.4
Financial result						-85.7
Income from equity-valued companies						10.3
Profit before income taxes						80.0
Investments in property, plant and equipment, intangible assets and state funds	47.6	5.3	58.8	5.6	0.0	117.3
Investments in equity-valued companies at 31.12.2008	453.6	361.7	4.9	0.0	0.0	820.2
Total assets at 31.12.2008	2,593.1	1,408.0	1,505.8	4,034.3	-3,551.9	5,989.3

5 Financial result

CHF millions	1 st half-year 2009	1 st half-year 2008
Interest income	9.7	16.6
Dividends	4.5	4.8
Value adjustment on state funds	27.6	0.0
Gain on sale of financial assets	0.1	4.0
Value adjustment on securities held for trading	4.4	0.0
Other financial income	0.0	0.1
Currency translations	4.0	0.0
Financial income	50.3	25.5
Interest expenses	-3.9	-4.2
Capitalised borrowing costs	1.0	0.0
Interest on provisions	-29.6	-28.5
Value adjustment on state funds	0.0	-57.7
Loss from sales of financial assets	-0.1	-8.0
Value adjustment on securities held for trading	-1.1	-5.8
Other financial expenses	-6.9	-1.7
Currency translations	0.0	-5.3
Financial expenses	-40.6	-111.2
Total	9.7	-85.7

6 Income from equity-valued companies

Due to indications of impairment, individual holdings in equity-valued companies were tested for impairment. The carrying amount was found to exceed the recoverable amount. The recoverable amount of the holdings corresponds to its value in use. The calculations were made based on the estimated cash flows of the companies, discounted at a WACC (post-tax) of 6.55%. The value of these holdings in equity-valued companies was reduced by CHF 12.7 million to the recoverable amount of CHF 5.2 million. The impairments were charged to income from equity-valued companies. The holdings are assigned to the Energy International and Trading segment.

7 Foreign currency exchange rates

The reporting currency is Swiss francs (CHF). The currency exchange rates applied to the consolidated financial statements were as follows:

	Closing date 30.06.2009	Closing date 31.12.2008	Average 1 st half-year 2009	Average 1 st half-year 2008
CHF/EUR	1.524	1.494	1.522	1.618

8 Dividends

In accordance with the decision of the BKW Annual General Meeting held on 30 April 2009, a dividend of CHF 2.30 (previous year CHF 2.70) per share was paid out for the 2008 financial year.

9 Events after the balance sheet date

On 29 July 2009 BKW issued a bond for CHF 350 million. With a coupon of 3.375%, the bond has a term of 10 years.

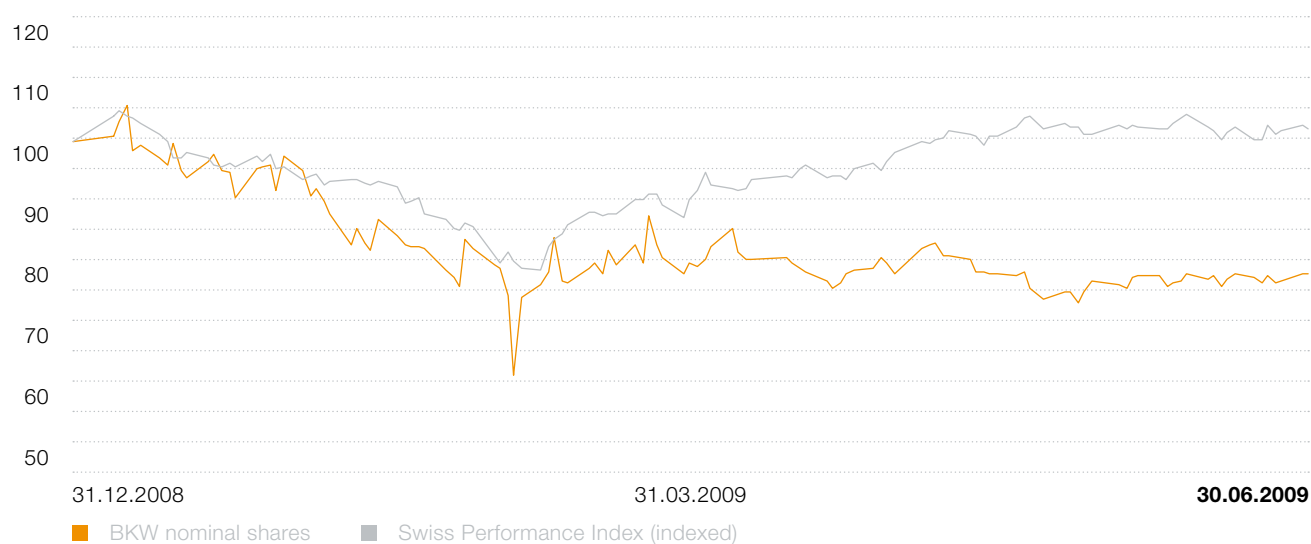
BKW and Fortore Energia S.p.A. (Fortore), a leading Italian wind generation company, forged a strategic partnership. On 5 August 2009, BKW acquired a 33% stake in the new company founded by Fortore: Fortore Wind. The aim of the partnership is to build and operate wind farms with a total capacity of around 600 megawatts (MW) by 2016, based on an investment volume of more than EUR 1 billion.

Investor Information

Key facts about the BKW share and financial calendar

BKW FMB Energy Ltd. 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 fell by 21.57% during the period under review.

Performance of the BKW share 31.12.2008 – 30.06.2009 (CHF)



Listing

BKW FMB Energy Ltd. shares are listed on the main segment of the SWX Swiss Exchange and are also quoted in the BX Berne Exchange.

Ticker symbol for SWX and BX:	BKWN
Security number:	2 160 700
ISIN code:	CH 002 160700 4

Significant shareholders

	30.06.2009	31.12.2008
%		
Canton of Bern	52.54	52.54
E.ON Energie AG	20.99	20.99
Groupe E Ltd	4.99	4.99

The proportion of shares held by the public (free float) is approximately 26.5% (Groupe E holds less than 5% and is included under the free float). The BKW share is listed on the Swiss Performance Index (SPI).

Key figures per share

CHF	1 st half-year 2009	1 st half-year 2008	2008
Par value	2.50	2.50	2.50
Share price			
› period end	80.00	140.00	102.00
› period high	108.00	159.50	159.50
› period low	63.35	121.50	90.00
Earnings per share (BKW shareholders' portion)	3.01	1.20	2.65
Equity per share (BKW shareholders' portion)	59.63	57.71	58.63
Market capitalisation in CHF millions	4,164.5	7,278.0	5,298.3

Financial calendar

2009 Annual Media Conference	18 March 2010
General Shareholders' Meeting	16 April 2010
Dividend Payment	22 April 2010
2010 Half-Year Report	16 September 2010

Addresses

Head Office

BKW FMB Energy Ltd.
 Viktoriaplatz 2
 3000 Bern 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 Energy Ltd.
 Investor Relations
 Viktoriaplatz 2
 3000 Bern 25
 Tel. (+41) 31 330 57 97
 Fax (+41) 31 330 58 04
 investor.relations@bkw-fmb.ch

Media Communications

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

Regional Offices

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

BKW FMB Energy Ltd.
 Delémont Regional Office
 Rue Emile-Boéchat 83
 2800 Delémont
 Tel. (+41) 32 421 33 33
 Fax (+41) 32 422 11 66
 delemont@bkw-fmb.ch

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

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

Cover photo

The Stade de Suisse Wankdorf in Bern is the world's largest in-stadium solar power plant. The 12,000 m² roof area is fitted with around 7,000 solar panels that generate some 1,200,000 kWh of electricity per year: sufficient for the annual power consumption of 400 households.

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BKW 

BKW FMB Energy Ltd.
Viktoriaplatz 2
3000 Bern 25

www.bkw-fmb.ch
info@bkw-fmb.ch