

## Facts & Figures

### Finances

	1 <sup>st</sup> half-year 2003	1 <sup>st</sup> half-year 2002	2002
	CHF million	CHF million	CHF million
Total operating revenue	1,256.3	950.9	2,079.1
Earnings before interest and taxes (EBIT)	140.5	120.0	263.5
Net profit	125.6	97.2	207.2
Cash flow provided by operating activities	205.6	243.4	281.7
Purchase of property, plant and equipment	29.5	37.4	84.4
Balance sheet total	4,573.2	4,276.7	4,365.3
Shareholders' equity	2,072.2	1,869.0	1,944.5
as % of balance sheet total	45.3	43.7	44.5

### Electricity business

	GWh	GWh	GWh
Electricity sales Switzerland	3,407	3,310	6,468
Electricity sales International	2,224	970	1,931
Electricity trading	13,040	11,197	25,529
Pump/substitution energy	370	282	593
Transmission losses/own consumption	146	192	319
<b>Total sales</b>	<b>19,187</b>	<b>15,951</b>	<b>34,840</b>
Volume generated by hydroelectric plants	1,925	1,660	3,751
Volume generated by nuclear power plants incl. purchase contracts	3,048	3,017	5,744
Volume generated from decentral plants	6	7	15
Trade (purchases) and energy buy-backs	14,208	11,267	25,330
<b>Total purchases</b>	<b>19,187</b>	<b>15,951</b>	<b>34,840</b>
<b>Employees (Full Time Equivalent)</b>	<b>1,990</b>	<b>1,928</b>	<b>1,999</b>

### Information on shares (prior to June 2002 adjusted to a par value of CHF 25.00)

	CHF	CHF	CHF
Par value	25.00	25.00	25.00
Share prices			
End of period	327.00	250.00	302.00
High during the period	380.00	260.00	302.00
Low during the period	300.00	125.00	125.00
Earnings per share	24.32	18.64	39.80
Shareholders' equity per share	396.75	358.41	380.04
Market capitalisation in CHF million	1,707.9	1,303.7	1,545.2

### Solid foundation for sustained growth

The BKW Group closed the first half-year on a positive note, having largely fulfilled expectations. In addition to the company's listing on the SWX in Zurich and a secondary placement of approximately 8% of BKW shares, the major events in the period included the federal referendum on nuclear energy. BKW's acquisition of a cross-participation in Entreprises Electriques Fribourgeoise (EEF.ENSA) represented an important strategic move towards increased cooperation in western Switzerland. Extraordinary climate conditions during the period under review had an overall positive impact on the operating business and results.

#### **Favourable half-year result**

BKW closed the first half-year of 2003 with a growth in sales as well as profit. At CHF 126 million, profit was up 29% compared to the first six months of 2002, while sales increased by 32% or CHF 305 million to CHF 1256 million, primarily as a result of trading activities and international sales, as well as the gas business and sales in Switzerland. Operative earnings i.e. earnings before interest and taxes (EBIT) also rose by 17% to CHF 141 million.

#### **A further step towards greater transparency and open information**

For the first time in the over 100-year history of the company, BKW is publishing a half-yearly report. This is a further step towards ensuring greater transparency for customers and investors: a process that has already seen the introduction of International Financial Reporting Standards (IFRS, formerly IAS), a change from bearer to registered shares, and the application of corporate governance guidelines. Efforts in this regard were continued in June this year with the listing of BKW registered shares on the main segment of the SWX Swiss Exchange and a secondary placement of BKW shares with a view to providing BKW with the basis for an enlarged shareholder base and greater liquidity in share trading. The effects were already discernible in the first few months following the placement.

### **Energy policy**

On 18 May 2003, two people's initiatives against nuclear energy ("Non-nuclear energy" and "MoratoriumPlus") were rejected by a clear majority of Swiss voters. This referendum result was an unequivocal expression of Swiss voters' desire to stick to the proven Swiss energy mix of hydroelectricity, nuclear power and complementary energies. Moreover, it also constitutes a vote of confidence in the safe, reliable operation and maintenance of the Mühleberg nuclear power plant. This plant plays an essential role in supplying energy to the cantons of Berne, Jura, Basle Country, Solothurn, Neuchâtel and Fribourg, and is of key importance for BKW itself.

Another issue of major importance for the company is deregulation of the electricity market. While the European Union has already charted a roadmap for complete liberalisation of the energy market, new moves are also afoot in Switzerland. Work has commenced on a new electricity industry ordinance, and the Swiss government has commissioned a panel of experts to draw up a legal framework and guidelines

for the energy market. In addition, the Federal Court has confirmed a ruling by the Competition Commission which requires networks to be made openly available for the transit of electricity. Nevertheless, this decision does not provide a viable alternative to a new federal electricity law and BKW remains committed to a complete, orderly process of deregulation for the Swiss electricity market.

### **Strategy and outlook**

BKW owes the good half-year result to concentrated efforts and market successes posted in the period under review. Several special one-off effects contributed to this development. While these effects will not be repeated in the second half-year, BKW expects the improvement to be carried over to the year-end financial results. The main objective is to ensure high reliability of supply and to make further progress towards market deregulation and greater transparency. Encouraged by the Swiss electorate's decision, BKW continues to focus on nuclear energy and hydroelectricity as the main pillars of energy production. Added to this, work is currently under way to expand BKW's

production portfolio in the medium term. By so doing, BKW is convinced it will be able to maintain and even expand its strong market position.

### Operating Business

#### **BKW holds its own in the marketplace**

Continual improvement and high-level reliability were the hallmarks of the electricity business of BKW in the first half-year of 2003. Although energy stocks in many European countries suffered shortfalls during the cold period in February and the summer heatwave, BKW was able to guarantee customers a continual supply of electricity for the duration, without having to resort to extraordinary measures. Prices on the European energy market rose as a result of the run on surplus capacities, and climate-related factors led to additional temporary spikes and a significantly higher price volatility. Against this background, BKW benefited from its surplus situation without neglecting its obligations to ensure long-term security of supply. In line with this, reservoirs were stocked up for the winter months according to plan.

Compared to the previous year's period, electricity sales rose by 20% to 19,187 GWh in the first half-year of 2003, largely due to the renewed expansion of BKW's electricity trading business in the first six

months of the year. Trading volume grew by 16.5% from 11,197 GWh to 13,040 GWh, while BKW subsidiaries in Italy and Germany expanded their customer base and posted increased sales compared to the previous-year's period. Sales in Switzerland also rose. While prices remained stable, new customer acquisition coupled with increased consumption among existing customers resulted in a 2.9% rise in sales to 3,407 GWh.

At 4,979 GWh, electricity generation was 6.3% higher than the same period in 2002, corresponding to an additional production volume of 295 GWh. While BKW's own hydroelectric plants generated roughly the same level of energy as the previous year's period, partner hydroelectric and partner nuclear power plants produced significantly more than in the first six months of 2002. Production at the Mühleberg nuclear power plant, however, was slightly below the same period last year. Opportunities to exploit the widening gap between band and peak energy prices for pump energy were repeatedly leveraged. Pump storage power stations accounted for a higher percentage of production volume than in the first six months of 2002.

#### **Securing production and transmission capacity**

BKW is currently working on expanding its production portfolio. Firstly, plans and construction projects are being drawn up with a view to extending the Kraftwerke Oberhasli (KWO) power plants in order to increase peak energy production. Secondly, preparations will be made to penetrate the market for medium-capacity energy using a combined gas and steam power plant. In terms of network infrastructure, important progress was made when the Italian state as well as the affected region and communities approved the installation of an additional power line to Italy (Bernina line). By 2005, BKW calculates that it will be able to virtually double transmission capacity to Italy and, in conjunction with its own transit lines, further strengthen its position in the Italian market over the short to medium term.

### **Customer care stepped up**

Membership of Youtility AG, a sales consortium between BKW and regional electricity companies, increased to over fifty and has now crossed the language boundary thanks to the acquisition of partners in the canton of Jura and the Bernese Jura. In the period under review BKW and its sales partners expanded the “1to1 energy” product range for various customer segments. BKW and Youtility now offer a product tailored to the needs of SME business customers, while large customers enjoy the benefits of new “business-to-business” solutions for portfolio management and energy management. There are also various service platforms available for retail customers. The new e-commerce platforms were awarded the “Best of Swiss Web” seal of quality in the “Business Efficiency” category.

## Financial Results

## Financial Results

### **Favourable growth in energy sales**

In the first half-year of 2003 the BKW Group posted a 32% rise in total operating revenue to CHF 1256 million. This positive result is largely attributable to the growth in sales arising from a CHF 130 million expansion in trading volume and a CHF 78 million increase in international sales. Sales from the gas business, recorded for the first time in 2003, contributed CHF 31 million to this figure. The increase of over CHF 32 million in sales in Switzerland is attributable to the absence of extraordinary discounts granted in 2002, and above all to a rise in volume of approximately 3% or 100 GWh.

### **Higher profit and significantly improved financial result**

The rise in electricity sales is mainly accounted for by third-party purchases, as reflected in the higher expenditure on electricity procurement from third-parties. Despite higher operating expenses, earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 16% compared to the previous year to CHF 182.1 million. Taking into account the in-

crease in depreciation and amortisation, earnings before interest and taxes (EBIT) were 17% lower than the previous-year's period at CHF 140.5 million.

The strong euro left its mark on the financial result. Despite the negative impact of lower interest rates as a result of the less favourable interest rate climate, financial assets in euros were positively affected by favourable exchange rates.

The good financial result also contributed to improving the 2003 mid-year result, after deducting taxes and minority interests, to CHF 125.6 million (+29%).

### **Continual growth in the balance sheet total**

Assets and liabilities increased by almost 5% in the first six months of 2003, and by nearly 7% over the past 12-month period. Current assets are primarily responsible for the increase on the assets side. The marked rise in accounts receivable is almost exclusively attributable to the increase in financial claims. Accounts receivable trade remained constant despite increased sales.

On the liabilities side, equity ratio was up slightly from 44.5% to 45.3%. The

BKW shares acquired from the cantons of Berne and Jura in 2002 as well as in the period under review were mainly used for the cross-participation in EEF. ENSA. Provisions for nuclear waste disposal and for energy procurement and sales contracts were used according to plan. No significant changes were recorded in other provisions.

### **Lower cash flow**

At CHF 206 million, cash flow is some CHF 38 million lower than the previous-year's period. However, cash flow for the first half-year of 2002 was disproportionately high due to movements in net current assets which were offset in the second half-year.

As in the previous-year's period, cash flow from operating activities was invested primarily in short and long-term financial assets. Financing activities primarily cover the dividend payment of CHF 33 million (previous-year's period CHF 31 million).

## Interim Consolidated Financial Statements of the BKW Group

### Consolidated Income Statement

CHF (million)	Note	1 <sup>st</sup> half-year 2003	1 <sup>st</sup> half-year 2002	2002
Net sales	2	1,237.8	927.0	2,018.1
Own capitalised cost		7.4	6.9	17.3
Other operating income		11.1	17.0	43.7
<b>Total operating revenue</b>		<b>1,256.3</b>	<b>950.9</b>	<b>2,079.1</b>
Energy procurement	3	-828.7	-557.2	-1,242.4
Nuclear fuel and disposal		-15.2	-16.6	-31.1
Material and third-party services		-54.0	-53.2	-110.2
Personnel expenses		-110.8	-107.1	-214.3
Other operating expenses		-65.5	-59.9	-134.7
<b>Total operating expenses</b>		<b>-1,074.2</b>	<b>-794.0</b>	<b>-1,732.7</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>182.1</b>	<b>156.9</b>	<b>346.4</b>
Depreciation and amortisation		-41.6	-36.9	-82.9
<b>Earnings before interest and taxes (EBIT)</b>		<b>140.5</b>	<b>120.0</b>	<b>263.5</b>
Financial result		17.3	-2.3	-17.3
Income from associated companies		8.2	7.3	14.4
<b>Result before income taxes and minority interests</b>		<b>166.0</b>	<b>125.0</b>	<b>260.6</b>
Income taxes		-39.6	-27.2	-51.9
<b>Result before minority interests</b>		<b>126.4</b>	<b>97.8</b>	<b>208.7</b>
Minority interests		-0.8	-0.6	-1.5
<b>Net profit</b>		<b>125.6</b>	<b>97.2</b>	<b>207.2</b>
<b>Earnings per share in CHF</b>		<b>24.32</b>	<b>18.64</b>	<b>39.80</b>

# Interim Consolidated Financial Statements of the BKW Group

## Consolidated Balance Sheet

### Assets

CHF (million)	30.06.2003	30.06.2002	31.12.2002
Property, plant and equipment	1,260.6	1,271.2	1,272.9
Investments in associated companies	362.4	343.4	363.9
Non-current financial assets	1,216.4	1,284.1	1,257.7
Deferred tax assets	42.0	44.9	42.5
Intangible assets	23.2	24.8	24.6
<b>Total non-current assets</b>	<b>2,904.6</b>	<b>2,968.4</b>	<b>2,961.6</b>
Inventories	85.0	63.7	88.2
Accounts receivable	1,224.8	944.4	950.4
Cash and cash equivalents	292.7	242.4	278.6
Prepaid expenses and accrued income	64.4	57.8	86.5
<b>Total current assets</b>	<b>1,666.9</b>	<b>1,308.3</b>	<b>1,403.7</b>
<b>Total assets</b>	<b>4,571.5</b>	<b>4,276.7</b>	<b>4,365.3</b>

### Liabilities and shareholders' equity

CHF (million)	30.06.2003	30.06.2002	31.12.2002
Share capital	132.0	132.0	132.0
Additional paid-in capital	35.0	35.0	35.0
Retained earnings	1,910.4	1,706.6	1,816.6
Own shares	-6.9	-4.6	-39.1
<b>Total shareholders' equity</b>	<b>2,070.5</b>	<b>1,869.0</b>	<b>1,944.5</b>
Minority interests	20.3	18.8	19.7
Deferred tax liabilities	469.3	450.9	456.8
Long-term provisions	1,258.7	1,273.0	1,250.5
Long-term debts	200.0	200.0	200.0
Other long-term liabilities	122.3	110.5	132.8
<b>Total long-term liabilities</b>	<b>2,050.3</b>	<b>2,034.4</b>	<b>2,040.1</b>
Other short-term liabilities	304.1	237.2	291.0
Liabilities from income taxes	48.4	21.0	33.5
Accrued expenses and deferred income	77.9	96.3	36.5
<b>Total short-term liabilities</b>	<b>430.4</b>	<b>354.5</b>	<b>361.0</b>
<b>Total liabilities</b>	<b>2,480.7</b>	<b>2,388.9</b>	<b>2,401.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,571.5</b>	<b>4,276.7</b>	<b>4,365.3</b>

## Interim 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 31.12.2001	132.0	35.0	1,640.4	-0.1	-3.7	1,803.6
Net profit			97.2			97.2
Dividends			-30.0			-30.0
Purchase/sale of own shares					-1.0	-1.0
Translation adjustments				-0.8		-0.8
Equity at 30.06.2002	132.0	35.0	1,707.6	-0.9	-4.7	1,869.0
Equity at 31.12.2002	132.0	35.0	1,817.6	-1.0	-39.1	1,944.5
Net profit			125.6			125.6
Dividends			-34.8			-34.8
Purchase/sale of own shares			2.1		32.2	34.3
Translation adjustments				0.9		0.9
Equity at 30.06.2003	132.0	35.0	1,910.5	-0.1	-6.9	2,070.5

## Interim Consolidated Financial Statements of the BKW Group

### Consolidated cash flow statement (condensed)

CHF (million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	
	2003	2002	2002
Cash flow provided by operating activities	205.6	243.4	281.7
Acquisition of subsidiaries	-	1.7	1.7
Net investments in:			
Property, plant and equipment and intangible assets	-28.7	-35.7	-85.0
Participations, financial claims and financial assets	-167.5	-236.2	-203.5
Interest and dividends received	44.5	40.6	70.2
Cash flow used for investing activities	-151.7	-229.6	-216.6
Purchase/sale of own shares	-6.3	-0.9	-35.4
Change in long-term liabilities	-7.9	2.6	27.7
Interest and dividends paid	-34.9	-36.0	-40.8
Cash flow used for financing activities	-49.1	-34.3	-48.5
Translation adjustments on cash and cash equivalents	9.3	-0.9	-1.8
Net change in cash and cash equivalents	14.1	-21.4	14.8
Cash and cash equivalents at start			
of reporting period	278.6	263.8	263.8
Cash and cash equivalents at end			
of reporting period	292.7	242.4	278.6

# Interim Consolidated Financial Statements of the BKW Group

## Notes to the Interim Consolidated Financial Statements

### 1 Accounting principles

The unaudited Interim Consolidated Financial Statements for the half-year ended 30 June 2003 have been prepared in accordance with the accounting principles as stated in the 2002 Annual Report pages 34 to 38. These are based on the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The standard on Interim Financial Reporting (IAS 34) was observed. The interim consolidated financial statements provide a true and fair view of the financial position, the results of operations and the cash flows of the BKW Group.

There were no significant changes in the accounting principles and the scope of consolidation of the BKW Group.

### 2 Net sales

CHF (million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	
	2003	2002	2002
Electricity sales Switzerland	455.4	423.2	851.1
Electricity sales International	142.4	64.0	125.6
Electricity trading	529.1	398.7	929.2
Other electricity business	57.4	18.0	62.0
Gas business	31.4	0.0	9.4
Engineering services and electrical installation business	20.8	18.3	40.4
Changes in work in progress	1.3	4.8	0.4
Total	1,237.8	927.0	2,018.1

### 3 Energy procurement

CHF (million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	
	2003	2002	2002
Electricity procurement, third parties	620.4	435.7	982.1
Electricity procurement, joint ventures	149.4	132.4	265.8
Net use of provisions for onerous contracts	-20.2	-21.6	-43.2
Other expenses for electricity procurement	48.3	10.7	28.6
Gas procurement, third parties	30.8	0.0	9.1
Total	828.7	557.2	1,242.4

#### **4 Transactions with equity instruments**

The acquisition of a 10% holding in Entreprises Electriques Fribourgeoises (EEF.ENSA) mentioned in the 2002 Annual Report under “Events after the balance sheet date”, occurred in the period under review. The purchase price was settled with BKW shares.

In addition, 23,708 of BKW’s own shares were placed on the SWX Swiss Exchange as part of a secondary placement by BKW, and on 15 July 2003 another 1,978 own shares were issued in an over-allotment (greenshoe) option.

## Investor Information and Important Dates

### Investor information

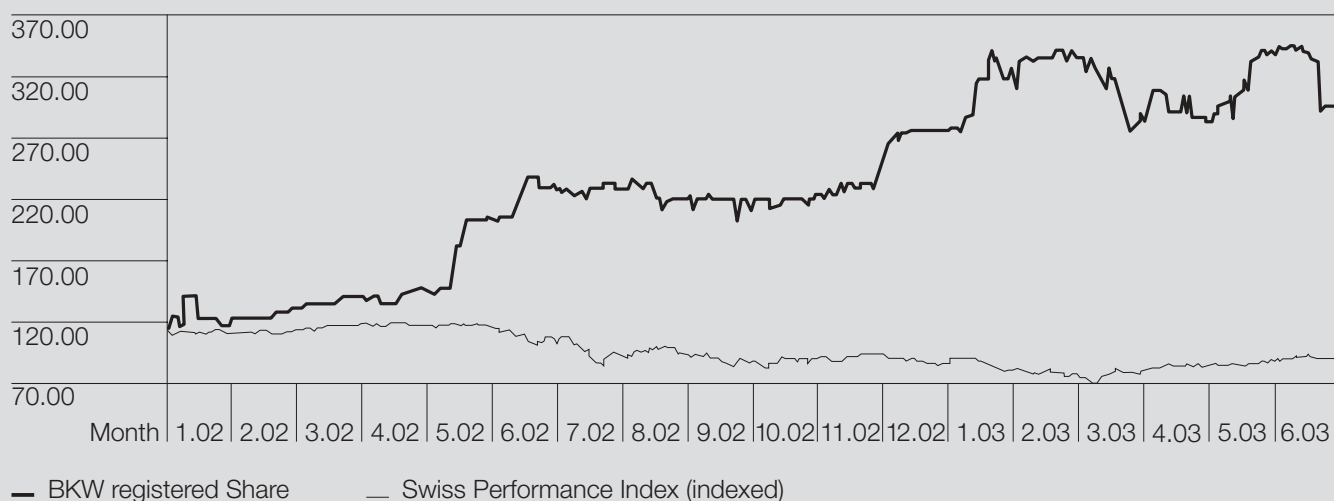
#### Key facts about BKW shares

BKW FMB Energy Ltd's share capital of CHF 132 million is divided into 5,280,000 registered shares at a par value of CHF 25 each.

In addition to a listing on the BX Berne Exchange, BKW shares have been listed on the main segment of the SWX Swiss Exchange since 28 May 2003.

Ticker symbol for SWX and BX:	BKWN
Share Number:	1'430'710
ISIN Code:	CH001307109

#### Performance of the BKW share 1.1.2002–30.6.2003 (in CHF)



#### Secondary placement

In a secondary placement on 25 June 2003, the Canton of Berne, the Cantonal Bank of Berne and BKW FMB Energy Ltd placed a total of 444,210 BKW shares for public sale at a price of CHF 320 per share. Following the placement, the percentage of shares held by the public (free float) amounts to approximately 27% and complies with the requirements for inclusion of the share in the Swiss Performance Index (SPI), which is provisionally scheduled for 1 October 2003.

#### Significant shareholders

	at 30.06.2003	at 31.12.02
Canton of Berne	52.91%	63.5%
E.ON Energie AG	20.0%	20.0%

#### Financial calendar

Annual Press Conference	27 April 2004
Annual General Meeting	27 May 2004
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