Update following
the disaster in Japan

Dear Sir, Dear Madam

The disaster in Japan occurred while the BKW Group Annual Report was going to press. Consequently, the contents of certain sections are no longer up to date. BKW therefore feels it is important to state its position.

The BKW Board of Directors and Executive Board are monitoring the developments in Japan with the utmost care and attention. They support the decision to suspend general licence applications to build replacement nuclear power plants and to conduct an additional safety review of existing nuclear power plants, and are exploring in depth all strategic options to ensure that power supplies remain safe, ecological and cost-effective well into the future.

An initial assessment conducted by BKW specialists has shown that no immediate operational measures are required at Mühleberg nuclear power plant in the wake of the events in Japan. The plant is designed to cope with extreme situations that take into account its site-specific characteristics, and has comprehensive safety systems in place. The additional requirements imposed by the safety authorities will be implemented without delay. BKW has already taken immediate steps in this regard.

Yours sincerely,

Urs Gasche  Kurt Rohrbach
Chairman  CEO
With a turnover of CHF 3,187 million in 2010, the BKW Group is one of Switzerland’s largest energy companies. It employs more than 2,800 people and covers all stages of energy supply: from production and transmission to trading and distribution. Directly and indirectly via its distribution partners, BKW supplies power to more than a million people. BKW’s production portfolio covers hydroelectric power plants, a nuclear power plant, a gas-fired combined-cycle power plant and new renewable energy facilities. Today, BKW is the leading Swiss producer of power from photovoltaics, wind energy, small-scale hydropower and biomass.
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Total operating revenue  Net profit  Number of employees
CHF millions  CHF millions  Full-time equivalents
2006: 2,373.1  2007: 2,813.9  2008: 3,496.2  2009: 3,592.6  2010: 3,187.2
2006: 2,448  2007: 2,615  2008: 2,781  2009: 2,862  2010: 2,862

Facts & Figures 2010

BKW Group

Sales

Electricity sales Switzerland  8,395  8,075  7,978  7,760  7,674
Electricity sales International  6,015  5,768  5,201  4,835  5,004
Electricity trading  11,838  12,638  11,882  10,842  6,223
Pump/substitution energy  33  509  536  465  660
Transmission losses/own consumption  236  265  372  317  314
Direct sales from financial interests  111  55  0  0  0
Total  26,684  27,310  25,969  24,219  19,875

Generation and purchases

Net sales

Hydroelectric plants  3,960  3,982  3,672  3,875  3,926
Nuclear power plants incl. purchase contracts  5,921  5,784  5,884  5,799  5,915
Nuclear power plants excl. purchase contracts  3,034  2,700  2,561  2,386  2,353
Thermal power plants  700  648  375  0  0
New renewable energy  177  94  28  14  16
Trade (purchases and energy buy-backs)  16,132  16,732  15,670  14,531  10,315
Total  26,684  27,310  25,969  24,219  19,875

This Annual Report contains statements that constitute expectations and forward-looking statements. Because these statements are subject to risks and uncertainties, actual future results may differ materially from those expressed or implied by the expectations and statements. This report is published in German, French and English. The German version is the authoritative version.
Facts & Figures 2010

**BKW Group**

### Sales
- Electric sales Switzerland: 8,153
- Electric sales International: 6,015
- Electricity trading: 11,838
- Pump/substitution energy: 331
- Transmission losses/own consumption: 236
- Direct sales from financial interests: 111

### Total
- 2010: 26,684
- 2009: 27,310
- 2008: 25,969

### Generation and purchases
- Hydroelectric plants: 3,754
- Nuclear power plants incl. purchase contracts: 5,921
- Thermal power plants: 700
- New renewable energy: 177
- Trade (purchases) and energy buy-backs: 16,132

### Total
- 2010: 26,684
- 2009: 27,310
- 2008: 25,969

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Cover picture: Hydroelectric power plant of BKW Group company Idroelettrica Lombarda S.r.l., in the Italian province of Brescia.
There are many types of energy sources. BKW transforms resources such as water, sun, wind, biomass and uranium into the electricity that makes our lives simpler.

But energy is more than just electricity. There are other quite personal sources of energy. Whether paragliding or gymnastics, a hobby is the perfect counterpoint to everyday working life, lifting our spirits and giving us new creative power.

BKW wanted to find out where its customers get their energy from – and was surprised by the wide range of answers. The picture pages of this year’s Annual Report show the hobbies pursued by some of our customers that re-energise them for work and leisure.
The BKW Group\(^1\) will continue to pursue its growth strategy, supporting the efficient and economical use of energy as well as expanding new renewable energy. However, these efforts will not be sufficient to ensure security of supply in Switzerland. Accordingly, nuclear energy remains an indispensable element for BKW in guaranteeing reliable, climate-friendly electricity production.

BKW is currently operating in a very ambivalent environment. It is generally accepted that existing electricity production capacities in Switzerland and Europe are running low. After 2020, Switzerland’s first nuclear power plants at Beznau and Mühleberg will be decommissioned, coinciding with the expiry of long-term import contracts with France. In parallel, our power consumption is growing steadily, partly because climate-damaging fossil fuels such as oil and gasoline are, quite sensibly, being replaced by electricity. Measures aimed at greater efficiency and cutting consumption can help offset this increase, but cannot fully compensate for it. Switzerland therefore has no other choice but to expand its existing facilities. These need to be regularly upgraded to include state-of-the-art technology, otherwise financial and technical risks will increase. Despite this awareness, the current framework conditions for infrastructural work are very unfavourable. This is compounded by the fact that sluggish economic development has caused a short-term stagnation in electricity demand which is only now starting to pick up again. Hence, additional long-term energy requirements are impossible to forecast.

\(^1\) The BKW Group comprises BKW FMB Energy Ltd. and its Group companies. For better legibility, these are all referred to in the report as “BKW”. Where the text relates specifically to BKW FMB Energy Ltd., this is expressly mentioned.
at the moment, which is not exactly encouraging political support for energy projects.

BKW will continue to pursue its strategy.

New build and expansion projects require massive funding, especially as Europe has set itself the target of transforming its energy system and reducing its dependence on fossil fuels. It is difficult to say if such investment is feasible in the wake of the global economic crisis. The uncertain legal framework conditions in force since the introduction of the Federal Electricity Supply Act (StromVG) in 2009 are a further problem for Swiss energy suppliers. All in all, these contradictions make corporate positioning a complex matter for BKW. Nevertheless, BKW will continue to pursue its growth strategy.

Increasing opposition to production from renewable energy

New renewable production methods are making a greater contribution towards meeting electricity requirements. Production from renewable sources is not only a legal requirement, but socially desirable. Thanks to the FIT measure (compensatory feed-in tariff), several hundred million francs per year are redistributed for the promotion of wind, wood, solar, geothermal and biomass energy as well as small hydroelectric power plants – without encountering public objection. On the contrary: public opinion is very favourably disposed to renewable energy production – but in practice BKW faces massive opposition where many projects are concerned. Many fail not because of a lack of funding but through resistance from associations, organisations and individual persons who are directly affected. Complex, lengthy authorisation procedures present a further hurdle to implementation.

Achieving the additional 5,400 gigawatt hours (GWh) of electricity required by law relies heavily on the construction of new small hydroelectric power plants in the alpine foothills and the Alps. To ensure these projects really do meet the needs of its stakeholder groups, BKW is looking for new ways of engaging in dialogue and avoiding conflicts of interest within projects: a socio-political study carried out in the Bernese Oberland on the subject of conflict avoidance with regard to small hydroelectric power plants should provide new insights.

Large power plants – still a great need

As well as expanding renewable energy production, BKW is also supporting the efficient and economical use of energy through a raft of different measures. However, this route will not allow us to manage entirely without large power plants in Switzerland in the foreseeable future. There is virtually no more scope for constructing large hydroelectric power plants in our country. Fossil-fired power plants, such as gas-fired combined cycle plants, meet with strong opposition and cannot be economically operated under currently applicable CO₂ legislation. For this reason, nuclear energy remains an indispensable element in a reliable and climate-friendly future for electricity in Switzerland.

Nuclear energy remains an indispensable element in a climate-friendly future for electricity.

Replacing the existing nuclear power plant in Mühleberg when it reaches the end of its useful service life is therefore a key element of BKW’s strategy. A majority of Berne’s electorate decided in favour of Mühleberg replacement nuclear power plant in the cantonal vote held on 13 February 2011, thus confirming the importance of the project and of BKW’s positioning. The company continues to liaise with its partners in project development work, attaching particular importance to a broad and transparent information policy and to an on-going dialogue with all stakeholders. The final decision concerning the future application of nuclear energy for electricity supply and the three possible sites at Mühleberg, Beznau and Gösgen will be made at national level.
Reliable and affordable electricity supply – future in doubt
To guarantee a reliable and efficient electricity supply, an effective, stable network is needed alongside sufficient production capacity. Even in a liberalised electricity market, networks will still be a monopoly concern strictly regulated by the Federal Electricity Commission (ElCom). As well as the monitoring of grid utilisation charges, the Federal Electricity Supply Act (StromVG) also assigns the regulator the role of ensuring a reliable and affordable electricity supply. The challenge lies in adopting a balanced approach to these tasks: a regulation style that increases the efficiency of power supply without compromising on quality. This risk is inherent in the methods presently used for evaluating costs, tariffs and interest rates, as they make it more difficult to achieve an appropriate level of income from these business activities. Government intervention means that it will no longer be possible in the future to maintain and replace networks to the extent required to meet the high standards governing security of supply. Reliable and fault-free grid operation is also at risk in the medium term.

Annual Report for 2009 approved
On 16 April 2010, the General Shareholders’ Meeting approved the 2009 Annual Report and consolidated financial statements for the year ending 31 December 2009, adopted the proposals of the Board of Directors for the appropriation of retained earnings, and discharged the Board of Directors of its responsibility. The auditors and Group auditors for fiscal 2009 were Ernst & Young AG.

Election to the Board of Directors
Dr. Fritz Kilchenmann stood down as the Chairman of BKW FMB Energy Ltd. after 16 years. The Board of Directors elected Urs Gasche as its new Chairman on 1 June 2010. Urs Gasche has been a member of the Board of Directors since 2002 as representative of the Canton of Berne. The Executive Council of the Canton of Berne elected State Councillor Beatrice Simon-Jungi in his stead on 1 June 2010. Dirk Steinheider, representative of E.ON Energie AG, stood down from the BKW Board of Directors as of 8 July 2010. His retirement is due to BKW’s buy-back of E.ON’s holding in BKW.

A warm thank-you to employees, customers and shareholders
The Board of Directors and Executive Board express their warmest thanks to the employees of the BKW Group who dedicate their efforts to ensuring security of supply and to maintaining BKW’s position in the market as a reliable, flexible and far-sighted company. Our thanks also go to our customers, our partners and to BKW’s shareholders.

Urs Gasche, Chairman

Kurt Rohrbach, CEO
Review of the 2010 results

Good energy business in a difficult climate

BKW held its ground well in the challenging market and financial environment of 2010, posting solid operating profit. Revenue and operating profit fell due to difficult market conditions, while net profit was weighed down by the lower financial result in the wake of developments on equity markets and the weak euro. Given these difficult conditions, however, net profit of CHF 228 million can be regarded as good. BKW expects to close 2011 with stable revenue and operating profit on a par with the prior year.

The energy business performed well in a difficult economic and regulatory environment. BKW posted lower total revenue year-on-year. Revenue from sales in Switzerland was slightly higher due to the positive economic trend in BKW’s supply region. The difficult market environment led to a volume- and price-related reduction in revenue from electricity trading. In terms of international sales, volume-related revenue growth in Germany was unable to fully offset the fall in demand in Italy caused by the difficult economic climate. The positive trend in the Swiss energy business contributed to a good operating result despite the weak euro and lower market prices. The situation on international financial markets led to a negative financial result, with a corresponding effect on net profit.

Due to disposal of the sales business in Germany on 1 January 2011, the provisions of IFRS 5 governing discontinued operations are relevant for the 2010 reporting year. Although the sale was completed at the beginning of 2011, IFRS 5 requires discontinued operations to be disclosed separately in the 2010 figures and, in the case of the income statement, also for the preceding financial year. The income statement is therefore broken down into continued and discontinued operations. The disposal group is disclosed in the balance sheet as “assets and liabilities held for sale”.

Consolidated operating revenue fell year-on-year by 11.3% to CHF 3,187.2 million (with continuing operations falling by 13.8% to CHF 2,788.1 million). Operating profit before depreciation, amortisation and impairment (EBITDA) ended the year 4.2% lower at CHF 480.6 million (with continuing operations falling by 5.6% to CHF 474.1 million). The lower operating profit is attributable to the difficult market environment, marked by lower electricity prices and the weak euro. Net profit fell by 23.5% to CHF 228.3 million (with continuing operations dropping by 25.2% to CHF 224.0 million). Downward trends on equity markets, coupled with higher financing costs and the low euro exchange rate, led to a corresponding reduction in net profit.

Outlook

BKW expects to close the current financial year with revenue on a par with the prior-year figure. The difficult environment, marked by sustained low energy prices on the international markets, regulatory requirements and costs related to strategic projects – particularly in connection with the drive to expand production – will continue to impact the operating result in 2011. Taking all these factors into account, operating profit before interest, depreciation and impairment (EBITDA) for 2011 – adjusted for the special effect related to reversal of the provision for onerous energy procurement contracts for partner plants in 2010 – is expected to be within the prior-year range. The result is dependent on energy price developments, the regulatory environment and financial markets. Assuming stable conditions and taking into account the aforementioned special effect, BKW expects to close the current financial year with net profit on a par with the prior year.
Kobudo is about alignment, balance and accessing energy. It also gives me an outlet. Next to my family, it’s the most important thing I have. Moving in harmony with my weapons to an age-old pattern, I feel I’m centred, and my energy starts to flow. Then I feel calm and relaxed.
In January, BKW and juwi Group (Germany) commissioned their first jointly constructed wind farm at Landkern, in the German state of Rheinland-Pfalz. The facility consists of four wind turbines with a combined output of 8 MW. The wind farm produces sufficient CO₂-neutral electricity to meet the annual requirement of some 5,700 homes.

As part of its partnership strategy, BKW expanded its cooperation with Groupe E SA in May 2010. Groupe E SA will be operating its own sales activities under the brand name of 1to1 energy.

On 20 June, the BKW-managed solar facility Gesellschaft Mont-Soleill (GMS) celebrated 20 years in existence. During these 20 years, the company has been financed by ten different Swiss companies to the tune of some CHF 30 million and has made a major contribution to the advancement of R & D in solar energy.

At the end of July, through membership of inerie, BKW connected the first pilot customers from the municipality of Ittigen to the grid. They can check their electricity consumption online. At the end of 2010, some 150 customers were already connected. Over two years they will be able to keep a close check on their power consumption and make any necessary adjustments.

In September, eight new wind turbines began operation on Mont-Crosin, in the Bernese Jura, doubling the number of turbines now active from 8 to 16. The wind farm generates four times as much electricity as before and can meet the power requirements of a small town.

Schattenhalb 3 hydroelectric power plant in the municipality of Schattenhalb was successfully completed and inaugurated in mid-March following two-and-a-half years of construction work. Generating renewable, locally produced, climate-friendly energy, the plant is making a key contribution to power supplies in the Bernese Oberland.

After construction work lasting some seven months, Bätterkinden biogas plant was officially commissioned in November. The plant will have an annual output of approx. 2,100 megawatt hours, sufficient to supply some 600 households with electricity.

In December, BKW, Axpo and Alpiq agreed to join forces to pursue the planning and new build of two replacement nuclear power plants. Under the terms of the agreement, BKW will be entitled to a production share amounting to more than 500 megawatts.
Strategy

Fostering and growing partnerships

BKW pursues strategic partnerships in Switzerland and abroad. Through its sales and cooperation platforms, BKW pools expertise and offers professional solutions to small and medium-sized electricity suppliers in Switzerland. Dialogue with partners is a key priority for BKW. In Germany and Italy BKW seeks strong partners in order to successfully implement projects in cooperation with them. In April 2009, BKW and the German juwi Group entered into a strategic partnership. In addition to hydroelectric power, BKW and Energie Wasser Bern (ewb) are now also cooperating on wind energy projects, launching HelveticWind, a joint enterprise, to this end.

Expanding production, trading and grid capacities

In keeping with Swiss Federal Council’s energy policy, BKW is pursuing energy efficiency, new renewable energy at home and abroad, and large power plants as the main planks of its overall strategy. It also intends to systematically expand production capacities over the next few years. Sufficient production capacity and fault-free grids are an indispensable part of the infrastructure if energy is to continue being supplied reliably in the accustomed quality. BKW is aiming for a broad production portfolio in order to avoid dependencies, guarantee security of supply for its customers, and safeguard the company’s independence. It therefore continues to embrace nuclear energy. Virtually carbon-neutral, nuclear power is an essential part of the mix, as the expansion of hydroelectric power and new renewable energy sources will be insufficient to satisfy growing demand. Construction work on new coal and gas-fired power plants in Germany and Italy is being completed. Trading will grow in proportion to production capacities.

Customer focus

BKW is committed to supplying its customers with electricity reliably, economically and in a way which is environmentally friendly. This supply is based primarily on the company’s own production plants, supported by an extensive grid infrastructure. It is BKW’s intention to provide its customers with added value that sets it clearly apart from its competitors. The emphasis here is on providing energy advice and implementing measures for greater efficiency.

BKW and 140 other energy suppliers in 15 cantons and the Principality of Liechtenstein trade under the ‘1to1 energy’ brand, enabling it to provide a reliable electricity supply to more than one million people, either directly or indirectly. Through its four regional offices and seven branches in German and French-speaking Switzerland, BKW is close to its customers at all times. With 15 support points within its catchment area, the company ensures that faults are quickly remedied, 24 hours a day.

Long-term carbon-free production

BKW leads Switzerland in exploiting new renewable energy sources such as wind, solar, biomass and small hydroelectric power, a position it intends to maintain and strengthen even further. It has set itself the goal of producing 600 gigawatt hours (GWh) of electricity from new and renewable energy sources in Switzerland by the year 2030. To achieve this aim, it initiated and implemented various projects during 2010. BKW is systematically building hydroelectric plants, wind farms and biomass plants in Switzerland. In Germany and Italy the company is joining forces with other partners to build additional wind farms. Thanks to production which is already virtually carbon-free, BKW is making a contribution towards the targets enshrined in our country’s climate policy. The company has set carbon-free production as its long-term goal. If it is to achieve this target, it must continue to rely on the contribution made by nuclear energy.
For many years now BKW has adopted a successful cooperation strategy. What was the main focus in the development of its joint ventures in 2010?

We joined forces with our strategic partner, Groupe E SA, and cooperation company, Youtility AG, in making the idea of a joint processing and marketing/sales platform become reality. The platform will allow us to provide a full range of services for private customers and to bill network products from a single source. BKW and its partners will continue to optimise the service quality we’re aiming for even further, especially in view of the forthcoming market liberalisation for the private customer segment.

What were the highlights in 2010 at Mühleberg nuclear power plant?

In 2010, Mühleberg nuclear power plant produced a gross volume of 3,109 million kilowatt hours (kWh) – that’s up on production for the previous year and the best result since the plant was commissioned in 1972. This outstanding result is based on the plant’s good condition and its excellent operational safety. If we compare it to the production of a modern gas-fired combined-cycle power plant, it represents a saving of 1.3 million tonnes of CO₂ in 2010. During the annual overhaul, more than 1,000 specialists, 330 BKW employees and some 700 external consultants from Switzerland and abroad were involved in carrying out important replacement and maintenance work. An additional new operations building for BKW staff and external contractors came into service in July.

New renewable energy is booming. What has BKW achieved in this field in 2010?

Bätterkinden biogas plant, and Schattenhalb 3 and Alpbach small hydroelectric power plants were successfully commissioned in 2010. Late autumn saw the groundbreaking ceremony for a biogas plant in the Magadino plain (TI). Other biogas projects in Tägerwilien, Avenches, Frutigen and Bure are at an advanced planning stage. In 2010 the State Council of the Canton of Berne approved the licence for the small hydroelectric power project at Laubegg on the River Simme. Environmental protection organisations have lodged complaints against the decision.

We always take care to design projects in close cooperation with environmental experts as well as local residents and authorities, bearing in mind all the legal requirements. Especially where biogas plants are concerned, we attach great importance to ensuring substrates are transported over the shortest distance possible, thus not only protecting the environment, but reducing operating costs, too.

The expansion of the hydro power plant in the Grimsel region is one of the biggest hydro projects being undertaken. Is it really necessary?

The KWO plus programme covers three large expansion projects: enlargement of the Grimsel reservoir, construction of a new pump storage power plant, and an overall increase in capacity of the Räterichsboden – Handeck – Innertkirchen facility. The construction of wind farms in Germany and solar energy plants in southern Europe could well result in a temporary surplus of energy. It therefore makes sense to store this excess energy in a reservoir until it is needed. With its pump storage power plants, Switzerland is seen as the battery of Europe. The Grimsel expansion projects are our contribution to maintaining grid stability in Switzerland and Europe. By enlarging the reservoir, we’re aiming to shift more of the meltwater from the summer months to the winter, thus ensuring consumers are supplied with sufficient power during times of peak demand.

Our successful partnership and cooperation strategy makes us strong for the second stage of market liberalisation.
In the interests of sustainability, BKW is investing more and more in the Minergie standard when restoring properties. What were its successes in 2010?

In summer 2010 we inaugurated a fully restored BKW building in Nidau. As has long been common practice at BKW, we drew on state-of-the-art expertise in sustainable construction based on the Minergie standard. Using heat pump technology supported by gas-fired heating, we can obtain all the heat we need for the buildings directly onsite. So we can expect a considerable reduction in CO₂ emissions and major savings in heating costs. And at our headquarters in Berne, replacing oil-fired heating with a heat pump and using residual heat from the computer centres has proved a worthwhile exercise, enabling us to reduce CO₂ emissions there by some 250 tonnes a year, without sacrificing comfort.

HR marketing has changed its overall format. What made you decide on a facelift here?

If it is to implement its plans successfully, BKW needs well-qualified, motivated employees. Obtaining suitably qualified experts, project professionals and management personnel is critical to our company. HR marketing is one of the instruments that help us in this process. The new format has made for a reduction in recruitment costs; but most significantly, it has enabled us to improve the way BKW is perceived in the labour market by showing more clearly than ever before just how exciting it is to work for the BKW Group.

BKW carried out an employee survey in 2010. What conclusions was it able to draw?

The ratings given to job satisfaction and employee commitment were very positive. Employees named factors such as job content, personal development, sustainability as BKW strengths, alongside its attractiveness as an employer. But the results also show us there’s some room for improvement, for example: cooperation between the various organisational units could be improved. All the BKW business divisions have now drawn up concrete measures for improvement. It is a matter of importance for the Executive Board that these measures are now implemented, and it, too, has introduced a number of improvements at Executive Board level.

BKW offers an exciting working environment and opportunities for personal development.

Market developments and the regulation of the Swiss electricity market are squeezing costs for companies in the energy industry. How is BKW coping with this?

BKW is addressing the challenges arising from the energy market environment, from the regulation of the Swiss electricity market and from project financing conditions. Cost awareness, cost reduction, keeping costs down – these are all issues BKW has long been engaged with. Through a systematic examination of duties and responsibilities and conducting structure and cost analyses, backed up by benchmark comparisons, we were able to identify various opportunities for cost reduction and to take the appropriate action.

According to new reports, a new computer virus emerged in 2010 targeting electronic control systems. Was BKW affected?

BKW’s electronic control systems are protected against unauthorised access and interference by a whole complex of state-of-the-art measures implemented by specialist organisations and official authorities. BKW only deploys control software affected by the computer virus in areas which are not critical for business operations. An additional check has confirmed that, as expected, no systems have been affected. BKW is conscious of the growing importance of IT security and is continuously adapting its security mechanisms in line with technical developments.
When I’m in the air, I have sole responsibility for my own safety: I need to be able to gauge the weather and my abilities accurately. Whenever I perform aero-acrobatic manoeuvres, I feel as if I’m on a big dipper. You can’t imagine the amount of energy that builds up in the process and the forces exerted on my body when I accelerate.
Swiss energy legislation requires national production of 0.6 terawatt hours (TWh) of electricity per year by 2030 from wind energy alone. BKW aims to contribute to achieving this goal, as well as strengthening its position as leading Swiss producer of wind energy over the coming years and expanding its production capacity at home and abroad. However, increasing opposition to wind energy is making it more difficult to achieve these goals.

The government requirement to increase electricity production from renewable energy by at least 5.4 TWh corresponds to approx. 10% of current electricity production. Although the potential for wind energy in Switzerland is relatively modest in comparison with other European countries, federal legislation requires 0.6 TWh per annum to be generated from wind energy.

Seen from the perspective of BKW Group member sol-E Suisse AG, of all the new renewable energy projects currently being embraced in Switzerland, wind energy has the greatest potential. By the end of 2010, the company had invested approx. CHF 67 million in its wind energy projects. By 2030, it is aiming for a total production volume of 0.6 TWh, with nearly half of that figure attributable to wind energy.

By 2030, an annual production volume of 0.6 TWh of wind energy is targeted for Switzerland. BKW aims to contribute one half of this amount.

Through its Wind International business division, BKW is also intending to build up an overseas portfolio of some 750 million MW over the next few years, equating to an annual production of approx. 1.5 TWh.

State aid is no aid
Despite the challenging framework conditions, Juvent SA, a sol-E Suisse AG subsidiary, has scored a major success with the commissioning of an additional eight new generation wind turbines on Mont-Crosin. The project took nearly nine years, from planning to completion. These 16 wind turbines have quadrupled the production capacity of Switzerland’s largest wind farm. Other wind projects are in the planning stage.

Thanks to new turbines, the production capacity of Mont-Crosin wind farm increased fourfold.

However, there are some less favourable developments to report. Opposition to wind energy projects continued to grow in 2010 for a number of different reasons, one being the competitive, almost aggressive acquisition of production sites by numerous energy companies and investors, triggered by the ‘FIT’ mechanism (‘compensatory feed-in tariff’) and the interests of the nature conservation and landscape protection lobby.

FIT triggered a veritable wind farm boom. If electricity production through wind energy had not benefited from government subsidy, production from this form of renewable energy would have advanced much more slowly in Switzerland – and probably with greater acceptance as a result. The main problem was that this subsidy led to a flood of projects and a number of uncontrolled excesses in the Jura Region in particular, causing anxiety and resistance from the community. Viewed realistically, however, significantly fewer wind farms will be built than the number stated. The production site acquisition phase in Switzerland is now well advanced, and there are hardly any free sites remaining. However, just because a site has been “acquired” is no guarantee that a power plant will ever be built there. It simply indicates that an agreement has been reached with the landowner and/or the local council. Only then can the approval process begin. The site must be politically acceptable and comply with cantonal and local zoning laws. Some of the cantons are lagging behind, and general planning guidance is lacking at the time sites are acquired.
In many places, discussions with a number of interest groups, such as nature conservation and landscape protection lobbies, are still at a very early stage. It is a surprising fact that resistance to actual projects often comes from the same political exponents who are calling for more electricity from renewable sources. Interestingly enough, it is not so much the local communities who are opposed to wind farms, since a cash-strapped local council often sees a wind farm as a real opportunity; rather, opposition comes from various sides, often from people who are not directly affected. Conflicts of interest between politics, environmental organisations, the community, tourism and the energy industry are inevitable.

Despite the challenges facing project development, sol-E Suisse AG is working intensively on more than 20 wind energy projects in Switzerland. Wind measurements have been concluded on several projects and economic feasibility has been demonstrated. Turbines have been put in place, and the necessary environment studies carried out. The first submissions forming part of the approval procedure are now being made to the authorities. Realistically, it will be another two years before the first licence can be expected. As well as its project development work, Sol-E Suisse AG remains committed to acquiring further attractive development sites.

BKW remains committed to acquiring further attractive development sites.

Dialogue with various interest groups must be intensively pursued, as conflicts of interest are likely.
**Wind farms and grid – two separate items**

Base load energy, i.e. the basic daily demand on an electricity grid, is a minimum production threshold and is generated in Switzerland from nuclear sources and run-of-river power plants. The problem with wind energy is that it is not a constant source: power is only generated when the wind blows. This fluctuating volume presents the grid with a challenge, as electricity supply must be capable of meeting demand at all times. So when wind strength increases, another type of production has to be reduced. In Switzerland, this is mainly by cutting back hydroelectric power, which can be increased and reduced at very short notice.

The construction of high voltage lines is a controversial topic and calls are increasingly being made for the lines to be laid underground – frequently without taking into account the financial outlay and the length of time the approval process takes in Switzerland.

**Wind farms only generate power when the wind blows.**

If wind farms are to be connected to the grid, a certain amount of new high voltage lines will be necessary. If it takes ten years to erect these lines, no wind farms will be built during these ten years as no guaranteed power transmission is in place. Grid expansion is also closely linked to the expansion of power plants and has just as much potential for conflict as the power plant itself.

**Leveraging opportunities abroad**

BKW business division Wind International is also active outside Switzerland, concentrating all its efforts on electricity production from wind energy. Wind energy projects enjoy better acceptance in Germany and Italy than in Switzerland, as the size of these countries means that wind farms can be built in sparsely populated areas. Usually this implies additional benefits for the local councils concerned, e.g. job creation and increased tax revenues.

**Wind farms can only generate electricity if they are connected to the grid.**

Germany boasts an attractive market in terms of projects ready for construction. A large number of economically interesting plants that have been in operation for a considerable length of time are also available for purchase. These plants can either continue to operate unchanged, or they can be repowered – i.e. they can be improved through the application of new technology, for example by increasing mast height. Today’s largest wind farms have a turbine hub height of 120 metres and more. This technology also makes it possible to develop new locations, especially in wooded areas.

**In other countries, wind energy enjoys political support**

Germany operates a compensatory feed-in tariff. Under this system, a wind farm operator receives a guaranteed amount for every MWh of electricity produced and is not required to verify if the electricity can be fed into the grid.

Government support in Italy takes the form of a certificate system: electricity is sold on the market, and for every MWh produced from wind energy, the operator receives a Green Certificate. All operators of fossil-fired power plants are required to generate a certain percentage of their production – currently around 5% – from renewable energy. Operators of gas and coal-fired power plants also have the option of purchasing certificates corresponding to this production.
BKW trades in Green Certificates as it needs them for its gas-fired combined cycle power plants in Livorno Ferraris and Tamarete in Italy.

Geographical conditions for building new wind farms are favourable in other countries, making implementation easier.

Long transmission distances abroad
The electricity grid is the biggest challenge facing wind energy production in other countries, too. In Germany and Italy, large electricity consumers are not located in areas where there is an abundant source of wind. By contrast, the North Sea coast is an excellent place for wind farms, but has little industry; consumers are located in southern Germany. So electricity has to be transmitted across this distance, and that means expanding the power grid.

Conclusions
Wind energy projects enjoy political and public acceptance in countries such as Germany and Italy due to their geographical size and the existence of sparsely populated areas, thus making them easier to implement. In Switzerland, new processes and a general willingness to build new plants are required, along with a readiness to accept that a certain negative impact will be unavoidable. Only then will wind energy projects start to make headway. Otherwise, the government target of achieving 0.6 TWh from wind energy by 2030 will be a very tall order.
Joël Dupuis is 13 years old and wants to become a detective. He lives with his parents, three brothers and sisters, two cats and a dog in a detached house in Hindelbank. The garden is one of the things he likes best about his home – that’s where the trampoline is. Joël has been practising gymnastics four times a week for two years now. He says he’s already pretty good, and has top marks at school for gym. Joël has energy-saving light bulbs in his room, and his favourite electrical device is his iPod, usually with Green Day playing.

When I train I try to do better every time. I like exercising on the horse, and I enjoy working on rings, too. When I switch from fast movements to elements where strength is required I have a real sense of freedom and forget everything that’s around me. It gives me new energy to cope with the demands of school life.
Unlike the Energy Switzerland, Energy International and Trading, and Networks divisions, your Corporate Steering division is non-operative. What are its main tasks?

Corporate Steering employees ensure all BKW’s business divisions work together as effectively as possible. They support senior management and the operative divisions. Corporate Steering is responsible for corporate governance within the BKW Group – in other words, it has responsibility for the organisation and day-to-day business of senior management and for supervising corporate affairs. To this end, it establishes decision-making guidelines which are valid for the entire Group – one example being the Code of Conduct that became binding for all BKW employees on 1 January 2009 and was refined in 2010.

A group such as BKW doesn’t stand still, but is in a process of constant change. What contribution did Corporate Steering make in 2010?

Implementation of corporate strategy calls for the on-going monitoring and, if necessary, adjustment of structures and processes in response to changing requirements. Corporate Steering ensures that the company’s organisation and the key issues affecting the BKW Group develop as appropriate. To give a typical example: following the decision taken by E.ON Energie AG to sell its holding to BKW, the company performed extensive due diligence. In July 2010, BKW finally re-purchased the shares. Corporate Steering made a significant contribution to the process, both as coordinator and in the performance of due diligence and strategic analysis.

The principle of sustainability is embraced by every division at BKW and thus comes within Corporate Steering’s remit. Just how important is sustainability for BKW?

Sustainability is about respecting the needs of the environment, the economy and the community, and is a principle that BKW has long upheld. The company actively supports the sensitive use of resources, ensures security of supply as a top priority, and operates a competitive pricing policy for its customers and partners. BKW is firmly committed to these principles and is continually improving its sustainability approach. In 2010 Corporate Steering launched a new sustainability management project. Sustainability management sets concrete goals and draws up measures to achieve them, thus making the topic become visible reality.

BKW’s activities are very much in the public gaze and have just as many critics as supporters. How does Corporate Steering organise its contact with BKW interest groups and its external communication?

A consistent, goal-oriented, pro-active approach is the key to BKW’s communication policy. It supports value-added processes, change management, and cooperation with internal and external target groups. BKW provides information about its activities and aims, and answers questions. It strives for personal dialogue through PR work, a good example being our guided tours for visitors. In 2010, some 190,000 people visited BKW’s various power plants and experienced how diverse electricity production can be. The recently opened Tropenhaus in Frutigen proved to be a real attraction, as did the construction site of Switzerland’s biggest wind farm on Mont-Crosin in the Bernese Jura, especially during the summer months.
You became Head of Networks in August 2010. What brings a chemical engineer to the electricity industry?
Energy is central to our life and to our economy, and important decisions are being taken that have a major impact on our future. As a result, the electricity industry is under enormous pressure to be efficient and to adapt. I’m familiar with the situation from other areas I’ve worked in, such as speciality chemistry and the automotive supply industry. It’s a situation rich in challenges, and that appeals to me.

What goals are you pursuing following the realignment of your business division in autumn 2010?
We’ve set ourselves five main goals. We shall continue to develop as a reliable and efficient network operator and service provider. The services we provide set high standards and take their lead from customers’ actual requirements. In the process, we’re able to generate reliable and attractive revenue, thus making a solid contribution to consolidated earnings. Our investments are targeted to achieve high quality of power supply while at the same time being geared to financial yield and growth potential. We are increasing our value-added potential through innovation and technology and are developing new areas of activity.

How is Networks coping with the need for security of supply while at the same time improving efficiency?
High-quality infrastructure is essential for the Swiss economy, and it’s our main task to ensure such an infrastructure is in place. This involves finding the optimal balance between costs and customer benefit and acting in an economically responsible way – which is why we are working hard on improving our efficiency. By contrast, we’re currently faced with a legal and regulatory system primarily interested in the cost of electricity supply – a particular challenge for us, as maintaining and expanding grid infrastructure is a costly business. Without an appropriate level of revenue, there is no way we can provide this level of investment.

What demands does regulation place on networks?
To satisfy our customers and the law, we have to ensure reliable, cost-effective and environmentally friendly electricity supply. These are our basic criteria, with the best possible trade-off between costs and customer benefit very much in the foreground. We review our investments and internal structures and processes to ensure efficiency and quality, and we’re constantly striving for improvement in all areas.

BKW’s task is to ensure the quality of the grid infrastructure.

Where is the main emphasis as far as investment is concerned?
Good investment decisions are crucial to the economic success of our business activities. For every franc we invest, we aim to achieve the best possible benefit for our customers while protecting our shareholders’ interests. We make sure there is a healthy balance between achievable returns and actual economic and regulatory risks. Important issues still need to be addressed concerning regulation in particular, and this is forcing us to be very restrained in our investment. Where grid services are concerned – where investment levels are lower due to the very nature of the sector – the main challenge is to gauge market development accurately. To prepare for the future, we are investing in the further development of our technologies and technological competence. Innovation is opening up new areas of activity and, when implemented properly, has the potential to reduce the level of investment needed in order to grow grid capacity. We are aiming to make our network and our services smarter and more efficient, adding even more value. Creativity, technology and a strong commitment to implementation are the way forward.
What were the main concerns of the energy markets in 2010?
Essentially, the main issue was steadily growing market integration or ‘market coupling’, as it’s also known. This is leading to a greater convergence of energy prices between countries within Europe as well as the economic optimisation of the cross-border transport capacity of electricity networks. Secondly, the massive expansion of renewable energy sources such as wind and solar energy played a key role. As these resources are so difficult to plan, an increased use of flexible conventional power plants was called for. Paradoxically, however, they came under economic strain due to the market-distorting effects of government subsidisation of renewable energy sources. Thirdly, I would mention the situation regarding energy commodities. The strong demand for oil and coal in Asia has had a major impact on commodity prices. New gas refining methods for the production of shale gas, coupled with the global availability of liquefied natural gas (LNG), have led to favourable prices on the spot market, the market place for short-term trading. And finally, some major energy policy decisions were taken in 2010, including the extension of operating licences for nuclear power plants in Germany.

How did BKW position its energy trading against this background?
BKW is in a strong position to start with as its power plants lend themselves to flexible deployment. The key task of trading is to manage these assets in such a way as to obtain optimal return, and in this respect we again achieved excellent results last year. By way of contrast, it proved more difficult to make a reliable assessment of short and medium-term developments in proprietary trading. Yet if we compare ourselves with other market players, we can be pleased not to have posted any losses. BKW is active on all of Europe’s main trading hubs and has an extensive trading portfolio. As a result, the development of the euro/Swiss franc exchange rate impacted heavily on trading, resulting in 2010 in a very negative effect for us as a Swiss company.

What has BKW achieved internationally regarding the expansion of its power plant assets?
The efficient operation of existing power plants in Italy was an important achievement for us. Our hydroelectric power plants posted a record year in 2010. We also continued to push ahead with joint ventures for construction work on the new German coal-fired power plant in Wilhelmshaven and the new gas-fired combined-cycle plant in Tamarete (Abruzzo). BKW has made substantial investment in new wind farms in Italy (Apulia) and Germany and already had an installed production of some 200 MW by the end of 2010. We also took our first concrete steps towards gaining a hydroelectric power foothold in France.

BKW is starting from a strong position – its power plants lend themselves to flexible deployment, and it has a broad trading portfolio.

Why did BKW decide to sell its German sales company?
The market environment has undergone a distinct change over the last few years. High liquidity in the German wholesale market meant it was strategically no longer necessary for BKW to operate its own sales channel there. The industrial customer segment we serve in Germany is also characterised by heavy pressure on margins and not insignificant credit risks. These were the reasons behind our decision to dispose of the sales company. The buyer, Enovos, views sales as its core business and plans to invest in this area accordingly. We, on the other hand, will concentrate our activities in Germany on expanding electricity production and trading.

What has BKW achieved internationally regarding the expansion of its power plant assets?

samuel leupold, head of energy international & trading
BKW is investing billions in electricity grids, power plants and new technology. Beat Grossenbacher, Head of Finance and Services at BKW, and Christoph Lengwiler, Head of the Institute for Financial Services at Zug IFZ, within Lucerne University of Applied Sciences and Arts, discuss the challenges of raising capital, the effects of the euro crisis and confidence in the financial market.

Where is BKW’s greatest financing need at the present time?

BEAT GROSSENBACHER Some power plants are reaching the end of their useful life and will have to be replaced. There are also new technologies we want to invest in. Related to this is a great need for investment in power transmission networks. Last year, for example, we invested approximately CHF 600 million. And we’re faced with investments costing several billion francs.

CHRISTOPH LENGWILER The electricity industry has very long production and investment cycles. High investment volumes are needed, and the time frame for plant usage can cover as much as 80 years. A lot can happen during this time, and uncertainties can arise. For instance, it’s very difficult for the electricity industry to estimate how prices will develop in the sales market. On the other hand, energy suppliers have a great advantage: it’s obvious that industry and society will still need electricity 50 and 100 years from now. So unless surplus capacity is created, the sale of electricity is pretty much guaranteed.

What can a company do to try and combat these long-term uncertainties?

BEAT GROSSENBACHER The key thing is to diversify – time-wise, geographically and technologically. We’re continually investing in different technologies and in different countries – and not just at a specific point in time. It would be a very risky game to bank on just one technology or to build just one power plant, and then make no more investments.

"The trend towards large power plants with cross-investment between electricity concerns will continue."

CHRISTOPH LENGWILER A company with access to an investment volume of CHF 10 billion finds it easier to diversify much more broadly than one with a half a billion at its disposal. Cross-investments also provide a diversification effect: a company can then participate in a number of different plants instead of just owning a single plant. That’s why I am of the opinion that the trend towards large power plants with cross-investment between electricity companies will continue.

In order to finance large-scale projects it can sometimes be useful to increase equity. How difficult is that for a company like BKW or indeed generally in the energy industry?

BEAT GROSSENBACHER The Canton of Berne is our majority shareholder. And if we wanted to increase equity, the canton would have to join in or see itself become “diluted”. Both scenarios would result in a political process. So compared with a purely private company, there’s also a political dimension to consider.

CHRISTOPH LENGWILER Where obtaining equity is concerned, the energy industry is in a very good position. It has long cycles, and cash flows are relatively stable. And if you assume that the economy is going to grow, the demand for energy will also increase. Shares in energy suppliers are an attractive option in this
kind of environment – although there are some specific risks as a result of government intervention in the electricity supply market, and because many investment projects are dependent on political decisions.

What conditions need to be fulfilled to gain access to funding on the borrowing market?

**BEAT GROSSENBACHER** The prime requirement is stable cash flow. It’s also important to be able to carry out good projects convincingly. That requires solid framework conditions. Lenders want to see stability for the period they’re making funds available. Last year, we raised CHF 300 million with a maturity of 20 years at a 2.5 per cent interest rate. That’s the credit the capital market gives us – not just money, but its trust, too.

**CHRISTOPH LENGWILER** Investors don’t only invest in shares; they also buy bonds. Power plants in Switzerland have a total bond volume of CHF 7.6 billion outstanding. That’s approximately 3.5 per cent of the Swiss bond market, with BKW accounting for 1 billion of this amount. The pension funds are all happy they can invest their money relatively safely in utilities in the long term.

Stable framework conditions are an important criterion for borrowing capital. The framework conditions for the Swiss electricity industry are anything but stable – where does that leave you?

**BEAT GROSSENBACHER** Obviously it’s not an ideal situation. Since 2009 we’ve been living in a new regulatory world, and we want to sort out areas of uncertainty in order to gain the stability we need. When we’ve achieved that, we’ll be sailing in calmer waters. Then again, the next revision of the Energy Supply Act has been announced. I hope this won’t lead to more instability.

**CHRISTOPH LENGWILER** Seen from the investor’s point of view, it’s never a good thing to have too much uncertainty. But we mustn’t forget we’re talking here about a market with a proven demand. Admittedly, amendments to laws result in a re-shaping of the market, but that doesn’t necessarily mean electricity isn’t needed. For me, the great uncertainty lies in supply. If massive surplus supplies and surplus capacities are built up, we will have an intensive price war on our hands within the next few years. But if electricity is in short supply, prices will climb.

What are the basic risks facing a company such as BKW?

**BEAT GROSSENBACHER** In financial terms, the risk is without doubt the constantly changing price of energy sources and of electricity in particular. We buy and sell electricity on the electricity exchanges, and they expose us to fluctuations. We’re also exposed to risks related to share prices, interest rates and currency conversion rates. As we sell some of our electricity abroad, we’re affected by the euro exchange rate.

How much did BKW suffer from the euro crisis?

**BEAT GROSSENBACHER** We have an effect of CHF 15 million in the operating result for 2010 due to a lower trading result. Where the financial result is concerned, we’re feeling the effects due to the need to maintain a certain level of euro stock. Our participations account for some CHF 150 million. Compared to our comprehensive income, these effects are enormous. We benefited clearly from electricity procurement agreements concluded with French nuclear power plants where, thanks to the favourable conversion rate, procurement costs were lower.
What effect does the euro crisis have on a company’s currency management?

CHRISTOPH LENGWILER CFOs have to work out ways of reducing “transaction risks”, as they are referred to: if a purchase in euros is made, risks can be partly offset by revenue from sales in euro. The remaining “net exposure”, i.e. the residual risk, can be covered by futures trading, for example. It would have been good last year if we had protected ourselves against a falling euro. But it’s a matter of assessing currency trends. Translation risks also need to be taken into account, arising from the need to translate balance sheet positions into Swiss francs. So it can be worthwhile funding investments in foreign utilities by taking up credit in the appropriate currency.

Just how did BKW protect itself against the falling euro?

BEAT GROSSENBACHER We’ve reduced our euro stock. We’ve also carried out a number of hedging transactions. And as it turns out, the higher our level of investment in the eurozone becomes, the more we need to think about financing part of it in euros. It costs more, but it helps balance things out.

“The pension funds are all happy they can invest their money in utilities for the long term.”

So companies in the electricity industry are operating in a risky and challenging field. Despite this, what can be done to ensure growth and earnings?

BEAT GROSSENBACHER By offering customers high-quality services, completing projects effectively and keeping costs under control. Good planning is key, too: re-aligning corporate plans as and when necessary.

CHRISTOPH LENGWILER In the long term, I see enormous potential for earnings, for instance through smart grids and electric cars that are able to store cheap off-peak electricity, more or less like batteries. This would increase efficiency, leading to higher income.

Beat Grossenbacher
is Head of Finance and Services at BKW FMB Energy Ltd. and member of the Executive Board. He has worked for BKW since 2008.

Christoph Lengwiler
is Head of the Institute for Financial Services at Zug IFZ, a competence centre within the Economics Department at Lucerne University of Applied Sciences and Arts. The professor of finance also lectures at Lucerne University and is a member of the board of directors of various financial service companies.

The conversation was chaired by Patrick Imhasly, science journalist, Berne.
A comb full of bees is like a fan – you can almost feel the energy buzzing. Quite simply, I’m fascinated by the little creatures: they’re hard at work pollinating flowers and don’t stop making honey all summer long. As a professional food lover, I’m well and truly in my element here!
BKW finds itself stuck between two challenging sets of circumstances: on the one hand, it is operating in a half-heartedly liberalised electricity market, and on the other it is dealing with a heavily regulated grid system. Where the latter is concerned, like all energy suppliers in Switzerland BKW has to cope with customer requirements, issues related to the environment and security of supply, and justified expectations of financial return.

The Electricity Supply Act (StromVG) passed by parliament provides for two-phase market liberalisation. The first step was taken in early 2009, allowing customers with an annual electricity consumption in excess of 100 megawatt hours (MWh) and all energy suppliers freedom to choose their electricity provider. The second stage of market liberalisation – for households and other small consumers – is expected in 2015. This will gradually move the energy industry away from the current monopoly setup towards free market competition.

Heavy market regulation – a business opportunity to be seized?

Practical experience shows that the declared aims of this half-hearted approach, i.e. the creation of a competitive electricity supply market with transparent pricing, have yet to be achieved. BKW is actively engaged in resolving these open issues in the interests of all parties concerned.

Heavy regulation by the legislator – especially for the grid.

However, the introduction of the Electricity Supply Act (StromVG) and Electricity Supply Ordinance (StromVV) is being matched by a counter-movement – especially where the grid is concerned – in the form of tighter regulation by the legislator and related official bodies and organisations. Accordingly, the framework conditions for the electricity industry – and hence for BKW, too – have undergone a fundamental change over the last few years. Two new actors have now become important partners for the energy supply companies: the Federal Electricity Commission (ElCom) and the national grid company, Swissgrid.

Efficiently guaranteeing security of supply

One of the aims of StromVG is to ensure that electricity suppliers efficiently guarantee security of supply in Switzerland, where the reliable provision of electricity as cost-effectively as possible will continue to be the main concern of energy policy: a task which until now has come within the remit of the energy supply companies and is now being codified as the central aim of a law.

Changes to framework conditions for the electricity industry – and hence for BKW, too.

A key element of the first liberalisation phase under StromVG is the basic provision of electricity in Switzerland at production cost. This regulation is intended to protect customers who do not have a free choice of energy supplier during the transitional period until full market liberalisation is in place. StromVG requires distribution grid operators to supply end-customers in their grid region with the required volume of electricity at production cost at all times. It also applies to customers in the liberalised market segment who have a consumption of more than 100 MWh if they do not have free choice of supplier. This is hardly conducive to competition, as production costs currently lie below market prices. This means that there is no motivation for customers with an electricity consumption of more than 100 MWh to change their supplier.

There’s no room for competition in a partly liberalised market.
Reliable power supply as we know it has its price.

In the past, BKW has consistently endeavoured to strike a balance between cost-effectiveness, the interests of the public and security of supply. In a regulated environment, it would appear that costs – and in particular a very restrictive approach to the apportioning of costs as “efficient costs” – are taking centre stage. Consequently, the assessment of financial risks has taken on a new significance. BKW must adjust itself to this new situation in which the regulator is exerting influence in one direction only. It will need to take appropriate measures in order to guarantee security of supply as best it can and to ensure company profitability. A reduction in financial resources will prevent us from guaranteeing security of supply in the accustomed high quality. The reliable supply of electricity we have provided so far had its price. BKW will operate within the cost framework and efficiency guidelines stipulated by the regulator and will be transparent in communicating to the public any measures it needs to take to this end.

Grid services: an interesting growth market

A basic change in market rules is always conducive to the emergence of new, specialised service providers. Although the ownership and operation of grids are fully subject to government regulation, a service market already exists for many services which are essential if these grids are to function at all. This market is aimed at energy suppliers and other companies active in infrastructure and telecommunications throughout Switzerland. Typical services include the construction and maintenance of lines and substations, and metering and engineering services. BKW ISP AG and Arnold AG, among others, have enabled BKW to position itself successfully in this area. The extension of its service and product offering is viewed as an opportunity and is subject to on-going scrutiny. This market is also governed by the rules of free market competition, so a high level of efficiency and the optimised use of funding are therefore crucial to success.
Mandatory transfer of grid level 1 to Swissgrid

National grid company Swissgrid will take over grid level 1 – the international and national ultra-high-voltage grid – in 2013 at the latest. Grid levels 2 and 3 (high voltage grids at inter-regional level) and all regional and local lines (grid levels 4–7) will remain with the present grid operators. This means that approx. 11 per cent of BKW’s total 21,000 kilometres of lines together with significant parts of its grid facilities (such as Bassecourt, Mühleberg and Bickingen substations) will be transferred to Swissgrid. The challenge will be to optimise the points where BKW’s supply-critical grids and power plants connect with Swissgrid’s networks.

Electricity regulation makes investment impossible

Under the provisions of Article 4 of the Electricity Supply Ordinance (StromVV), distribution grid operators must supply customers with electricity at production cost or at a lower market price. The provisions of this article make it impossible to generate sufficient funds for the replacement and renewal of production facilities. Although the ruling would seem to be in customers’ interests in the short term, a market needs to be based on rules that also stimulate investment. The aim is the long-term guarantee of the high standard of security of supply enjoyed today. The forthcoming review of the law and ordinance therefore needs to restore basic conditions conducive to future investment.

11% of BKW’s 21,000 km of lines are being transferred to Swissgrid.

The question of whether the transfer of grid level 1 to Swissgrid and the retention of the distribution grid (grid levels 2–7) by the electricity companies will result in greater efficiency and profitability is not a problem for the various energy supply companies. An official transfer of ownership as required by statute will take place. Accordingly, BKW and Swissgrid are working together on the implementation. Apart from key questions regarding future security of supply, important rights of ownership and shareholder interests are at issue here, making the transfer process an extremely complex matter.

BKW is aiming for comprehensive compensation for the transfer of its grid level 1 facilities.

Security of supply calls for investment incentives.

Production is not regulated in the European Union (EU). A ruling of this type could easily be adopted by Switzerland, as the country has hundreds of power plants of varying age structure capable of supplying electricity at different prices. This would make real competition possible. The electricity grid, on the other hand, is a natural monopoly that has been legal since the Electricity Supply Act (StromVG) came into force.

Switzerland has hundreds of power plants of varying age structure.
Key topic Regulation in the electricity industry

Long-term investment calls for long-term thinking

The profits posted by BKW form the basis for essential future investment and for safeguarding the company’s economic independence and continued existence. Continued profitability is a long-term goal, as BKW is operating in a capital-intensive industry where investments are very long-term. For example, its investment decisions regarding wind farms have a horizon of 20 years, nuclear power plants 60 years, and hydroelectric plants even 80 years and more.

BKW is adjusting its strategy in line with the new regulatory situation, so that a forward-looking solution can be found for all stakeholders. It is also embracing partnerships as a central plank of its strategy, thus creating synergies and spreading costs over more customers.

On a corporate level, it is redoubling its efforts to improve efficiency, processes and the quality of its products and services.

Forward-looking solutions for all stakeholders.

The entire electricity industry in Switzerland finds itself in a challenging situation. Current uncertainties are particularly problematic for essential long-term investments. The regulator must restore clear framework conditions as soon as possible. On-going cooperation with the regulatory authorities as well as various appeals currently under review should help to provide the necessary clarification.
Trainee economist Jasmin Rothen (20) lives in Ostermundigen with her mother, her two sisters and their small dog Snoopy. She can often be found in the cellar where the three young women have set up a dance studio. If there were no electricity, Jasmin Rothen says she would really miss the internet – she’s always online looking for new music, dance films and ideas for choreography. Otherwise, she mainly associates energy with her mother’s rebukes when the next electricity bill lands on the doormat.
All commercial activity is subject to a wide range of external and internal influences. These in turn involve certain risks which can adversely affect a company’s success and even threaten its very existence.

As soon as a company starts to pursue a specific goal, risk management comes into play. In order to attain goals in a manner which is as carefully controlled as possible, opportunities must be seized while at the same time removing all obstacles. The aim of risk management is to identify these obstacles and to minimise them with relatively little effort.

Risk management helps to protect a company’s values.

For BKW, risk management forms an integral part of the process for defining strategic direction and operational procedure. In addition to the risks of potential hazard to man and the environment and those related to security of electricity supply, BKW also analyses risks relevant to its results and reputation. Risk management helps to protect a company’s values.

**Organisation**

Corporate Risk Management is a specialist department organisationally assigned to the Finance and Controlling functional unit. It is responsible for managing methods and processes, defining Group-wide requirements governing risk methodology, and aggregating risks at Group level. The task of the Group-wide Risk Committee is to ensure that relevant risks are assessed independently within the overall context.

**Categories of potential risk**

Financial risk management covers risks associated with energy prices, certificates, exchange rates, interest rates, share prices, credit and liquidity. These are primarily so-called fluctuation risks. Operational risks are usually event-related, typically covering risks associated with regulation, legislation, infrastructure, IT, know-how, communication, models and processes.

**Measurement and assessment**

Recognised standard assessment methods are used for financial risk management. Operational risks are assessed by the relevant specialists using professional methods to estimate the extent of the loss or damage and the probability of occurrence, or by analysing historical loss data.

**Control and monitoring**

Financial risks are mainly controlled by applying value-at-risk (VAR) limits. Risks inherent in exceptional market situations are mitigated by applying additional absolute limits on positions. All other risks are controlled by adopting specific measures aimed at reducing the probability of occurrence or the potential loss level. Compliance with defined limits and the implementation of specific measures are regularly monitored and reported to the bodies responsible.
At BKW, corporate governance adheres consistently to the standards of the Swiss Code of Best Practice. In addition to the relevant provisions of Swiss Corporation Law, the principles and rules governing corporate governance at BKW are contained in BKW’s articles of incorporation, organisational regulations, Group regulations, code of conduct and regulations governing the BKW Board Committees. These documents are regularly reviewed by the Board of Directors and revised in line with changing requirements.

Within the context of corporate governance, BKW discloses in particular its general financial situation, the organisational and management structure, its risk management and other important aspects of corporate governance, in order to provide shareholders with as comprehensive a picture of BKW as possible and, in so doing, enable them to make informed investment decisions. Using a balanced combination of management and controls, BKW is also committed to managing the Company in a compliant, value-driven, sustainable manner and, by so doing, enhancing our corporate value in the interests of shareholders and other stakeholder groups such as customers, public organisations and employees.

The organisational and management structure of BKW is designed to ensure the clear assignment of responsibilities, so as to avoid any unilateral concentration of powers and to prevent conflicts of interest. In line with this, the functions of Chairman and CEO are separated. All members of the board are independent, i.e. no member of the BKW Board of Directors exercises an executive function at BKW. New members are individually nominated for election at the General Shareholders’ Meeting. BKW has always had a single-class share with no voting right restrictions, i.e. each share carries one vote at the General Shareholders’ Meeting. The State Council of the Canton of Berne, which represents the majority shareholder in BKW, has repeatedly declared that it acts in the same way as any other shareholder with regard to BKW. In particular, it has no intention of exploiting its shareholder status and representation on the BKW Board of Directors in order to implement its energy policy (see e.g. response to the Grunder motion dated 12 December 2007).

BKW practises an extensive and effective system of controls. The independence of the control organs within BKW is assured by the company’s organisational structure. BKW’s internal controls system is supplemented by a Group-wide risk and assurance management system which allows management to identify risks and take the necessary steps in good time. Risk assessment is based on the Group risk map, which is periodically updated to reflect current conditions. Another key element of effective corporate governance is the individual responsibility borne by BKW’s various organisational units and Group companies, as well as its employees. This is consistently promoted as an important aspect of BKW’s corporate culture.

Honouring its responsibility towards the community and the environment is a key criterion for BKW’s sustained success. To meet this obligation even more effectively, a code of conduct to be observed by all employees and members of BKW Group organs has been in place since 1 January 2009. The code of conduct contains guidelines and binding rules on trustworthy, compliant conduct and is supplemented by detailed directives on specific issues.

The following statements are made in accordance with the current requirements of the Corporate Governance Information Guidelines issued by the SIX Swiss Exchange (SIX).

The information published is based on the status at 31 December 2010. Significant changes which have taken place between this date and the date on which this report was printed are listed in Section 10.
## Operational Group structure

<table>
<thead>
<tr>
<th>Corporate Steering</th>
<th>Finance and Services</th>
<th>Networks</th>
<th>Energy Switzerland</th>
<th>Energy Int. and Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kurt Rohrbach</td>
<td>Beat Grossenbacher</td>
<td>Suzanne Thoma</td>
<td>Hermann Ineichen</td>
<td>Samuel Leupold</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BKW Deutschland GmbH</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BKW FMB Beteiligungen AG</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arnold AG</td>
<td></td>
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<tr>
<td>NetLet AG</td>
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<td></td>
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<tr>
<td>BKW ISP AG</td>
<td></td>
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<tr>
<td>Elektro Feuz AG</td>
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<td></td>
</tr>
<tr>
<td>inelectro sa</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BKW Übertragungsnetz AG</td>
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<tr>
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<tr>
<td>Energy Int. and Trading</td>
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</tbody>
</table>

### Scope of consolidation of BKW FMB Energy Ltd.

The scope of consolidation of BKW FMB Energy Ltd. includes only companies which are not listed separately on the stock exchange. Holdings of BKW FMB Energy Ltd. in individual companies which are fully consolidated in the annual financial statements are listed below. In all cases the holding corresponds to the percentage of shares and voting rights. A detailed list of BKW holdings is given on pages 66 to 68 of the Financial Report.
## Fully consolidated holdings of BKW FMB Energy Ltd. and its subsidiaries

<table>
<thead>
<tr>
<th>Company</th>
<th>Domicile</th>
<th>Share/basic capital in millions and currency</th>
<th>% Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arnold AG</td>
<td>Selzach</td>
<td>0.5 (CHF)</td>
<td>86.0</td>
</tr>
<tr>
<td>BEBAG Bioenergie Bätterkind AG</td>
<td>Bätterkinden</td>
<td>0.1 (CHF)</td>
<td>56.0</td>
</tr>
<tr>
<td>Biomassekraftwerk Otelfingen AG</td>
<td>Otelfingen</td>
<td>0.5 (CHF)</td>
<td>50.0</td>
</tr>
<tr>
<td>BKW Balance GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Deutschland GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.1 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Dubener Platte Wind GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Energie Dörpen Beteiligungs GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Energie GmbH</td>
<td>Wiesbaden (D)</td>
<td>1 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Energie Wilhelmshaven Beteiligungs GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW enex AG</td>
<td>Berne</td>
<td>15 (CHF)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Erneuerbare Energien GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW FMB Beteiligungen AG</td>
<td>Berne</td>
<td>50 (CHF)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW FMB Borkum West II Beteiligungs GmbH</td>
<td>Wiesbaden (D)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW FMB Energie Österreich GmbH</td>
<td>Vienna (A)</td>
<td>0.05 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Handel AG</td>
<td>Berne</td>
<td>7.5 (CHF)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW ISP AG</td>
<td>Ostermundigen</td>
<td>0.9 (CHF)</td>
<td>100.0</td>
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<tr>
<td>BKW Italia S.p.A.</td>
<td>Milan (I)</td>
<td>13.4 (EUR)</td>
<td>100.0</td>
</tr>
<tr>
<td>BKW Übertragungsnetz AG</td>
<td>Berne</td>
<td>40 (CHF)</td>
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<tr>
<td>BKW Wind Service GmbH</td>
<td>Wiesbaden (D)</td>
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<td>Bradano Energia S.r.l.</td>
<td>Milan (I)</td>
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<td>Electra Italia S.p.A.</td>
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<td>Elektrizitätswerk Grindelwald AG</td>
<td>Grindelwald</td>
<td>0.55 (CHF)</td>
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<td>Elektrizitätswerke Wynau AG</td>
<td>Langenthal</td>
<td>0.1 (CHF)</td>
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<tr>
<td>Elektro Feuz AG</td>
<td>Grindelwald</td>
<td>0.1 (CHF)</td>
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<tr>
<td>Energie Utzenstorf AG</td>
<td>Utzenstorf</td>
<td>1 (CHF)</td>
<td>100.0</td>
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<td>Erdgas Thunersee AG</td>
<td>Interlaken</td>
<td>6.9 (CHF)</td>
<td>66.7</td>
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<td>EWR Energie AG</td>
<td>Schattenhalb</td>
<td>2 (CHF)</td>
<td>100.0</td>
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<td>Holzwarms Grindelwald AG</td>
<td>Grindelwald</td>
<td>2.5 (CHF)</td>
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<td>Idroeletrica Lombarda S.r.l.</td>
<td>Milan (I)</td>
<td>25.43 (EUR)</td>
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<tr>
<td>inelectro sa</td>
<td>Porrentruy</td>
<td>0.5 (CHF)</td>
<td>100.0</td>
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<tr>
<td>Juvent SA</td>
<td>Berne</td>
<td>0.1 (CHF)</td>
<td>65.0</td>
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<td>Kraftwerk Utzenstorf AG</td>
<td>Utzenstorf</td>
<td>0.1 (CHF)</td>
<td>100.0</td>
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<tr>
<td>Kraftwerke Kander Alp AG</td>
<td>Kandersteg</td>
<td>2.5 (CHF)</td>
<td>60.0</td>
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<tr>
<td>Kraftwerke Milbach AG</td>
<td>Wiler (Lötschen)</td>
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<td>80.0</td>
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<tr>
<td>Luminosa S.r.l.</td>
<td>Milan (I)</td>
<td>0.1 (EUR)</td>
<td>94.0</td>
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<tr>
<td>NetLeit AG</td>
<td>Visp</td>
<td>0.1 (CHF)</td>
<td>67.0</td>
</tr>
<tr>
<td>Onyx Energie Dienste AG</td>
<td>Langenthal</td>
<td>2 (CHF)</td>
<td>100.0</td>
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<tr>
<td>Onyx Energie Mittelland AG</td>
<td>Langenthal</td>
<td>10.5 (CHF)</td>
<td>100.0</td>
</tr>
<tr>
<td>Onyx Energie Netze AG</td>
<td>Langenthal</td>
<td>10.5 (CHF)</td>
<td>100.0</td>
</tr>
<tr>
<td>Onyx Energie Produktion AG</td>
<td>Langenthal</td>
<td>3 (CHF)</td>
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<tr>
<td>Regionaler Wärmeverband AG Heimberg-Steifsburg (REWAG)</td>
<td>Heimberg</td>
<td>2.5 (CHF)</td>
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<tr>
<td>Simmentaler Kraftwerke AG</td>
<td>Erlenbach i. S.</td>
<td>7.31 (CHF)</td>
<td>83.9</td>
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<tr>
<td>Société des forces électriques de la Goule SA</td>
<td>Saint-Imier</td>
<td>3.5 (CHF)</td>
<td>80.8</td>
</tr>
<tr>
<td>sol-E Suisse SA</td>
<td>Berne</td>
<td>30 (CHF)</td>
<td>100.0</td>
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<tr>
<td>Termoellettrica Veneta S.r.l.</td>
<td>Milan (I)</td>
<td>0.11 (EUR)</td>
<td>100.0</td>
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<tr>
<td>TW Energie AG</td>
<td>Berne</td>
<td>0.4 (CHF)</td>
<td>75.0</td>
</tr>
<tr>
<td>Volturino Wind S.r.l.</td>
<td>Verbania (I)</td>
<td>0.03 (EUR)</td>
<td>100.0</td>
</tr>
</tbody>
</table>
In the year under review the following disclosures were made pursuant to the Federal Stock Exchange Act:

Groupe E SA and BKW FMB Energy Ltd. formed a group in the sense of Art. 20 para. 3 of the Federal Stock Exchange Act, for the purpose of jointly purchasing shares in BKW FMB Energy Ltd. from E.ON Energie AG. The group held a 6.4% share of the voting rights and was disclosed.

BKW FMB Energy Ltd. purchased 8.96% and Groupe E SA 5.01% of the shares and voting rights in BKW FMB Energy Ltd. from E.ON Energie AG. The group formed by BKW FMB Energy Ltd. and Groupe E SA was then dissolved. This dissolution and changes in the distribution of shares and voting rights held by E.ON Energie AG, Groupe E SA and BKW FMB Energy Ltd. arising from the aforementioned sale of shares to the latter, were also disclosed.

E.ON Energie AG also granted BKW FMB Energy Ltd. a call option for 7.03% of the shares or voting rights in BKW FMB Energy Ltd. (with the option of actual delivery and an exercise period until 30 September 2011). The shares affected by the call option were disclosed by BKW FMB Energy Ltd. as purchase positions and by E.ON AG as sale positions. Should BKW FMB Energy Ltd. decide not to exercise this call option, it is entitled under certain conditions to non-fixed price pre-emption rights to the shares covered by the call option.

### Cross-shareholdings

A cross-holding exists between BKW FMB Energy Ltd. and Groupe E SA. BKW FMB Energy Ltd. has a 10% (687,500 shares) capital and voting share in Groupe E SA, and Groupe E SA has a 10% (5,280,000 shares) capital and voting share in BKW FMB Energy Ltd.

### Significant shareholders

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Canton of Berne</td>
<td>52.54</td>
<td>52.54</td>
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<tr>
<td>E.ON Energie AG</td>
<td>7.03</td>
<td>20.99</td>
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<tr>
<td>Groupe E Ltd.</td>
<td>10.00</td>
<td>4.99</td>
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<tr>
<td>BKW FMB Energy Ltd. and Group companies</td>
<td>9.99</td>
<td>1.41</td>
</tr>
</tbody>
</table>
2 Capital structure

Capital
The share capital of BKW amounts to CHF 132 million, divided into 52,800,000 fully paid up registered shares with a par value of CHF 2.50 each. The shares are listed on the SIX Swiss Exchange and the BX Berne eXchange. There is no capital of either an authorised or conditional nature. The Company has issued neither participation certificates nor dividend-right certificates.

Changes in capital
Changes in equity over the past three financial years
CHF thousands

<table>
<thead>
<tr>
<th>Unappropriated retained earnings</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>404,477</td>
<td>356,686</td>
<td>188,543</td>
</tr>
</tbody>
</table>

Appropriation of retained earnings:
- Dividend distribution 132,000
- Balance carried forward 272,477

1 CHF 2.30 per share at a par value of CHF 2.50
2 CHF 2.50 per share at a par value of CHF 2.50
3 CHF 2.50 per share at a par value of CHF 2.50 (subject to approval by the General Shareholders’ Meeting)

Shares
All 52,800,000 registered shares in BKW with a par value of CHF 2.50 each are fully paid up. All shares have equal voting rights. Every share represented at the General Shareholders’ Meeting is entitled to one vote. While the Company does not print or issue certificates in respect of the registered shares, shareholders may request a share certificate free of charge.

Restrictions on transferability and nominee registration
Registered BKW shares can be transferred only by assignment or according to the provisions of the Federal Law on the Custody and Transfer of Securities Held with an Intermediary. Notification of assignment must be given to BKW. The Company may refuse to register an acquirer of shares in the shareholders’ register for the following reasons:
- If, through the acquisition, a natural person or legal entity or partnership directly or indirectly holds more than 5 per cent of the entire share capital. The same restriction applies to legal entities or partnerships or other associations or joint ownership arrangements which are linked or act in concert to acquire shares.
- If the acquirer has not expressly declared that the shares were acquired in his own name and on his account.

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

No nominees are registered.

Convertible bonds and options
The Company has no outstanding convertible bonds and has issued no options.
Heinz Tschanz (66) lives with his partner in Hellsau, in a 160-year-old traditional Swiss “stöckli” farmhouse which he rebuilt himself. The retired garage director has converted the stable adjoining the house into a workshop. He now owns five lovingly restored Ford cabriolets, all over 40 years old. Although he can remember times when power cuts meant oil lamps had to be used, life today without electricity is unthinkable for him, especially with a hobby like his.

Heinz, senior citizen and classic car restorer, Hellsau

I strip the “old ladies” down to the last bolt and rebuild them like new. When we set off on our maiden trip, my heart leaps for joy when I hear the engine revving full of energy for the first time. Sometimes I have a bride and groom sitting in the back, their hearts pounding just like the car engine.
The Board of Directors consists exclusively of non-executive independent members. Neither now nor in the course of the past three financial years has any current member of the Board of Directors simultaneously been a member of the Executive Board of BKW FMB Energy Ltd. or a BKW Group company.

Members

Urs Gasche, lawyer (1955, CH)
Urs Gasche works as an independent lawyer in Berne. He is also Chairman of the Board of Directors of Vereinigte Schweizerischen Rheinsalinen, in Schweizerhalle. As a State Councillor, from 2002 until mid-2010 Urs Gasche was Director of Finance for the Canton of Berne. In this function he was appointed as Canton of Berne delegate to the BKW Board until the General Shareholders’ Meeting in 2010. Prior to his election as State Councillor, Urs Gasche worked as an independent lawyer in Berne.

Function: Chairman of the Board, Chairman of the Nomination and Compensation Committee, Vice Chairman of the Audit Committee
Board member since 2002 → Elected until 2011

Antoinette Hunziker-Ebneter, lic. oec. HSG (MA Econ.) (1960, CH)
Antoinette Hunziker-Ebneter is CEO and Vice Chairwoman of the Board of Forma Futura Invest AG, Zurich. She is also a member of the Board of Gebäudeversicherung des Kantons Berne (Canton of Berne Building Insurance). From 2002 to 2005 Antoinette Hunziker-Ebneter was Head of Trading & Sales and member of the Executive Board of Bank Julius Bär, Zurich, prior to which she worked for the SIX Swiss Exchange, latterly as Head of the Executive Committee of the SIX Group and CEO of Virt-X in London.

Function: Vice Chairwoman of the Board, Chairwoman of the Audit Committee
Board member since 2006 → Elected until 2011

Barbara Egger-Jenzer, lawyer (1956, CH)
Barbara Egger-Jenzer is a State Councillor, acting in this function as Director of Construction, Transport and Energy for the Canton of Berne. As part of her official duties she also sits on the Board of Directors of BLS AG and BLS Netz AG. Until her election to the State Council in 2002, Barbara Egger-Jenzer worked as an independent lawyer in Berne.

Function: Member of the Board, member of the Nomination and Compensation Committee, Representative of the Canton of Berne
Board member since 2002 → Elected until 2011

Philippe Virdis, electrical engineer (1948, CH)
Philippe Virdis has been Delegate to the Board of Directors and General Director of Group E, Fribourg, since 2009. He is also Chairman of the Board of Group E Connect SA and Cisel Informatique SA, and Vice Chairman of Forces Motrices Hongrin-Léman SA, Swiss Hydrogen Power SHP SA, Fribourg, Capital Risque Fribourg SA and Frigaz SA. In addition he is a member of the Board of Gommerkraftwerke AG, EWEMAG, EW Jaun Energie AG and Belenos Clean Power Holding AG. Until his election as Delegate to the Board of Directors, Philippe Virdis was General Director of Groupe E and until 2006 General Director of EEF.

Function: Member of the Board
Board member since 2003 → Elected until 2011

Marc-Alain Affolter, engineer (1952, CH)
Marc-Alain Affolter is Chairman of the Board and CEO of the Affolter Holding Group, Malleray, which manufactures components for watches and machines. Until 1985 he worked for various companies as a development engineer.

Function: Member of the Board; member of the Audit Committee
Board member since 2007 → Elected until 2011

Georges Bindschedler, Doctor of Law and notary (1953, CH)
Georges Bindschedler is a professional director and independent businessman. He has board mandates in particular with Merz und Bentell AG, Niederwangen/ BE (Delegate), KUBO Tech AG, Effretikon (Chairman), Lüthi Holding AG, Burgdorf (Chairman), Helvetic Trust Estates AG, Berne (Vice-Chairman), Solvalor Fund Management SA, Lausanne, and ITAG Vermögensverwaltung AG, Basle. He is also President of the Council of Berne University of Applied Sciences and of various charity foundations. Between 1985 and 2002 he was Delegate to the Board of Directors and

Ulrich Sinzig, lawyer (1943, CH)
Until his retirement at the end of 2008, Ulrich Sinzig was Director of Aare Seeland mobil AG, Langenthal.

Function: Member of the Board, Vice Chairman of the Nomination and Compensation Committee
Board member since 1992 → Elected until 2011

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

Election and term of office
In accordance with Art. 21 of the Articles of Incorporation, the Board of Directors consists of between nine and thirteen members (there are currently eleven). In accordance with Art. 21 of the Articles of Incorporation and pursuant to Art. 762 of the Swiss Code of Obligations (OR), the Canton of Berne is entitled to delegate a maximum of two members to the Board of Directors. At present the canton is represented by State Councillor Barbara Egger-Jenzer and State Councillor Beatrice Simon-Jungi. The other members are elected by the General Shareholders’ Meeting, with new members being elected individually and existing members elected collectively.

The term of office for members elected by the General Shareholders’ Meeting is four years. These members may stand for re-election. The term of office for delegates of the Canton of Berne, appointed under the terms of Art. 762 OR, is defined by the State Council. The term of office shall not extend beyond the calendar year in which a Board member reaches his or her 70th birthday.

In the year under review, Chairman of the Board Dr Fritz Kilchenmann and Board member Dirk Steinheider resigned. As representative of the Canton of Berne, State Councillor Beatrice Simon-Jungi was elected as Canton of Berne delegate to the Board. Urs Gasche was elected to the Board at the General Shareholders’ Meeting in 2010 and succeeded Dr. Fritz Kilchenmann as Chairman of the Board in mid-2010.

Internal organisation
The internal organisational structure of the Board of Directors is laid down in the Articles of Incorporation and the Organisational Regulations. No special functions other than Chairman and Vice Chairman are defined. The Secretary need not be a member of
the Board. Meetings are also attended by members of the Exec-
utive Board as well as Matthias Kaufmann (General Secretary and
Secretary to the Board of Directors) and Martin Pflüger (Head of
Communication Strategy). In 2010 the Board of Directors con-
vened nine times.

Committees
The Board of Directors is supported by two standing commit-
tees: the Audit Committee and the Nomination and Compen-
sation Committee. Furthermore, the Board of Directors is entitled
to set up ad hoc committees at any time for the purpose of
important business such as major investments, alliances and co-
operations. Members of these committees are appointed by the
Board of Directors and are generally charged with the task of
analysing specific Board business in detail and supporting the
Board in its supervisory duties.

The tasks and organisation of the Audit Committee and the Nom-
ination and Compensation Committee are defined in Articles 9
and 10 of the Organisational Regulations and in the relevant
directives authorised by the Board of Directors.

Audit Committee
Members
Antoinette Hunziker-Ebneter, Chairwoman
Urs Gasche, Vice Chairman
Marc-Alain Affolter

As a rule, meetings of the Audit Committee are attended by the
CEO, the Head of Finance and Controlling, the Head of Corpo-
rate Accounting, the head of internal auditing and a representa-
tive of the external auditors. The Audit Committee regulations
stipulate at least four ordinary meetings per year. In 2010 the
Audit Committee convened four times. No external consultants
were engaged.

Tasks
- Discussion, with internal and external auditors as well as Exec-
  utive Board representatives, of significant changes in the pres-
  entation of the financial statements as well as extraordinary
  items in closing accounts and changes in disclosure. The
  Audit Committee issues recommendations to the Board of
  Directors on the basis of this discussion.
- Evaluation and monitoring of the organisation and effective-
  ness of internal controlling procedures, compliance, the activ-
  ities and performance of external auditors and their interaction
  with internal Group auditors. The Board of Directors is informed
  of such evaluations, and recommendations are made to the
  Board if necessary.
- Assessment of the independence of external auditors and the
  compatibility of the auditing work with any consulting man-
  dates performed by external auditors. The Board of Directors
  is informed of such evaluations, and recommendations are
  made to the Board if necessary.
- Preparatory work for the appointment or discharge of external
  auditors, Group auditors and the head of internal auditing, for
  submission to the Board of Directors.
- Discussion of the quality of accounting and financial reporting
  based on an assessment of internal and external audits. The
  Audit Committee issues recommendations to the Board of
  Directors on the basis of this discussion.
- Discussion of risks related to accounting, budget and medium-
  term planning. Assessment of amendments regarding the risk
  policy approved by the Board.
- Regular reports to the Board of Directors on the Audit Com-
  mittee’s activities and findings.
Authority
- Authorisation of accounts involving credits approved by the Board of Directors, with the proviso that extraordinary credit overdrafts are reported to the Board of Directors.
- Direct involvement of the head of internal auditing at meetings of the Audit Committee.
- Fostering direct contacts between the Chairman and members of the Audit Committee and internal and external auditors as well as the CEO.
- Definition of compensation for internal and external auditors.

Nomination and Compensation Committee
Members
Urs Gasche, Chairman
Ulrich Sinzig, Vice Chairman
Barbara Egger-Jenzer

The CEO also attends meetings of the committee and has the right of co-determination.

The Nomination and Compensation Committee convenes as often as required, but at least once a year in accordance with its regulations. In 2010 it convened five times. An external consultant was engaged to evaluate a new member of senior management.

Tasks
- Formulation of principles governing the compensation of members of the Board of Directors and Executive Board, for submission to the Board of Directors.
- Formulation of principles governing the selection of candidates for election or re-election to the Board of Directors, for submission to the Board of Directors.
- Succession planning at Board and Executive Board level.
- Handling selection and compensation business at Board and Executive Board level.

Authority
- Definition of salaries of members of senior management and briefing the Board of Directors in this regard.

Delegation of responsibility to the Executive Board
Pursuant to Art. 20 of the Articles of Incorporation, the Board of Directors delegates the management of business to the Executive Board and defines their responsibilities within the framework of the organisational regulations. The Executive Board comprises the four division heads, with Kurt Rohrbach simultaneously performing the function of President of the Executive Board and head of his division. In 2010 the Executive Board generally met every two weeks.

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

Executive Board powers
- Formulation, review and implementation of the overall strategy, general business policy, corporate and Group plans (targets/objectives) and related actions (work schedules, projects).
- Ongoing supervision and alignment of the Company’s and Group’s development, of business performance in direct report organisational units and consolidated companies, and of important individual plans and projects.
- Decisions on projects as well as the authorisation of credit for expenses and the assumption of obligations related to the core operating business, in particular the preparation, extension and maintenance of production, transmission and distribution plant for electrical energy, the assumption of obligations related to such plant, as well as contributions to such plant up to the amount of CHF 16 million if provided for by financial planning, and up to the amount of CHF 8 million in the case of unplanned projects.
- Decisions on projects as well as the authorisation of credit for expenses and the assumption of obligations outside the core operating business, up to CHF 8 million per case if provided for by financial planning, and up to CHF 4 million in the case of unplanned projects.
- Decisions on the purchase and sale of real estate up to CHF 16 million if provided for by financial planning, and up to CHF 8 million in the case of unplanned projects.
• Decisions on the subscription of share issues and participation in or increases of participations in companies, provided the expense does not exceed CHF 4 million in each case and the purpose of the company in question is not outside the core operating business.
• Decisions on the subscription of share issues and participation in or increases in participations in companies if the purpose of the company in question is outside the core operating business, provided the expense does not exceed CHF 500,000 in each case.
• Decisions on the assignment of work and deliveries.
• Decisions regarding the initiation of legal action or arbitration, and authorisation of litigation settlements in this regard up to the amount of CHF 8 million.
• Decisions on taking out long-term loans up to the amount of CHF 50 million.
• The appointment, development and further training of heads of business units, senior specialists and project experts (Level 2 senior management).
• Definition of salaries and compensation for members of the Extended Executive Board and of heads of business units, departments, regional offices and the respective specialist and project functions (Level 2 and 3 senior management).
• Approval of energy delivery and energy purchase contracts with associated obligations up to the value of CHF 200 million over the entire contract term.
• Authorisation of collateral of defined amounts and subject to defined periods, including guarantees and sureties, for the Company, for consolidated companies and partner plants with annual cost guarantees, provided the underlying transaction for such collateral is conducted in compliance with the rules governing the assignment of authorities.
• Authorisation of collateral for indefinite periods, including guarantees and sureties, for the Company, for consolidated companies and partner plants with annual cost guarantees, provided such collateral is granted within the context of auctions or in favour of state authorities, companies with a public service mandate or an electricity exchange.

The Executive Board has delegated some of its powers to the relevant division heads for division-specific projects. Division heads are also responsible for advising on aspects of strategically important business related to their own sphere of responsibility. In addition, two permanent Executive Board committees exist: the Market Switzerland Committee and the Resources Committee. These committees consist of members of the Executive Board and the Extended Executive Board. The purpose of the Market Switzerland Committee is to coordinate an integrated market approach for the BKW Group in the networks and energy areas within Switzerland. The Resources Committee is responsible for the optimal Group-wide deployment of human resources, IT resources and real estate.

Additional information on the Executive Board is given in Section 4.
Information and control instruments vis-à-vis the Executive Board

The Executive Board undertakes to provide the Board of Directors with regular updates on important events.

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

Reporting by the Executive Board to the Board of Directors

- Regular reports on important events as well as on general business performance.
- A report, submitted in spring, on the financial figures for the previous fiscal year and a report, in autumn, on the financial figures for the first half of the current year. These reports are accompanied by a forecast of the annual result based on current business performance.
- Mid-year, the medium-term plan for the next four financial years; and towards the end of the financial year, the next year’s budget for approval.
- In spring, written reports on the previous-year performance of BKW holdings as well as risk management in the trading business.
- At the beginning of each financial year, a comprehensive review of risk management.

Risk management identifies and assesses risks and formulates risk mitigation measures. With regard to Group-relevant risks, regular audits are conducted within the context of assurance management. Risk management is supervised by a Risk Committee chaired by a member of the Executive Board (Beat Grossenbacher). In the year under review, the Risk Committee convened six times and reported to the Executive Board at regular intervals. Additional information on risk management is provided on page 34 of the Annual Report.

Auditing
Internal Audit
Reto Umbricht

Internal Audit submits a quarterly report to the Audit Committee summarising its auditing activities. In particular, the report covers audits of Group-wide transaction and business processes. Once a year, Internal Audit reports to the Audit Committee on the annual financial statements audit and any other priority topic defined by the Audit Committee.

Auditors and Group auditors
Ernst & Young AG, Berne
As soon as Jango sees the frisbee, he becomes totally focused and has enough energy for seven. It’s great fun working with him. But the sport places demands on me, too – I have to make sure I throw properly so Jango doesn’t get hurt when he jumps. Disc dogging involves close teamwork.
The Executive Board consists of the heads of the five business divisions. Kurt Rohrbach is the CEO.

Members
Kurt Rohrbach, electrical engineer ETH (1955, CH)
Kurt Rohrbach joined BKW in 1980. In addition to his function at BKW, he is President of the Association of Swiss Electricity Enterprises (VSE) and a member of the Board of the Canton of Berne Trade and Industry Association. Up to the end of 2000 Kurt Rohrbach headed the Energy Division of BKW.

Beat Grossenbacher, MA Econ. (1960, CH)
Beat Grossenbacher joined BKW in December 2008 as Head of Finance and Services. Prior to this, he worked for the Swisscom Group after 1994, latterly as Deputy CFO and Head of Treasury, Mergers & Acquisitions and Insurance.

Dr. Suzanne Thoma, chemical engineer ETH (1962, CH)
Suzanne Thoma joined BKW in 2010. She was previously head of automotive supply business with WICOR Group. Prior to this, she was CEO of high-tech company Rolic Technologies Ltd. Dr. Thoma has also held various functions in different countries for Ciba Spezialitätenchemie AG.
Hermann Ineichen, electrical engineer ETH and MSC in Energy Management EPFL (1957, CH)
Hermann Ineichen joined BKW in 1996. Until the end of 2000 he was Head of BKW’s Trading unit, prior to which he headed the Tariffs department of Centralschweizerische Kraftwerke AG.
→ Function: Head of Energy Switzerland → EB member since 2000

Samuel Leupold, mechanical engineer ETH/MBA (1970, CH)
Samuel Leupold joined BKW in 2006. Prior to this he was responsible for global sales at the Grinding & Dispersion Business unit of Bühler AG, Uzwil, before which he worked as a consultant at McKinsey & Company and in various functions at ABB Kraftwerke AG.
→ Function: Head of Energy International and Trading → EB member since 2008

In the year under review, Patrick Braun stepped down as Head of Networks and member of the Executive Board due to retirement.

The Board of Directors has appointed the following business unit heads to the Extended Executive Board. They directly represent the issues and business related to their own area of responsibility and have the right of co-decision and the right to submit motions.

Matthias Kaufmann, lawyer, LL.M. in International Business Law (1957, CH)
Matthias Kaufmann joined BKW in 1992, prior to which he was Assistant Head of the Swiss Federal Council’s Service for Administrative Control.
→ Function: General Secretary → Member of the Extended EB since 2000

Martin Pfisterer, Doctor of Law, advocate and notary, federally certified PR consultant (1949, CH)
Martin Pfisterer joined BKW in 1987. Before this he was Section Head at the Federal Office for Spatial Planning.
→ Function: Head of Communication Strategy → Member of the Extended EB since 2000

Management contracts
BKW has delegated no management tasks to third parties outside the Group.
Content and method for determining compensation and shareholding programmes

With the exception of the Chairman, members of the Board of Directors receive a fixed, results-linked annual remuneration, a flat-rate expense allowance and an expense allowance for meetings. The Chairman of the Board also receives a fixed annual remuneration and a flat-rate expense allowance, as well as additional compensation for his secretariat and infrastructure. The Chairman of the Board receives no allowance for meetings.

The extent of the remuneration paid to the members of the Board of Directors depends on the company’s economic situation and its future outlook. It also takes into account the rates of remuneration paid by comparable companies in the electricity industry. The remuneration of members of the Board of Directors is periodically reviewed and re-assessed (usually every three years) by the Nomination and Compensation Committee with the aid of an external, independent consultancy.

Members of the Executive Board receive a fixed annual remuneration for their services. This is determined on an individual basis, whereby the activity and responsibility of the person in question, their contribution to the company’s success, the market rate for comparable functions, and the company’s economic position and its future outlook, are taken into account. In addition, a variable profit share of up to 35 per cent of the annual remuneration is paid, indexed to business results and performance of the Executive Board member in question. The sum of the performance-related components for members of the Executive Board amounts to no more than 25 per cent of the total fixed remuneration.

The Board of Directors also determines every year the number of BKW shares the members of the Board of Directors and the Executive Board can acquire, the preferential price and the blocking period. In 2010 each member of the Board of Directors and of the Executive Board was offered the option of acquiring up to 600 BKW shares at a preferential price. The shares acquired in this way are subject to a blocking period of three years, or optionally five years. This arrangement is designed to motivate members of the Board of Directors and of the Executive Board towards achieving a sustainable increase in BKW’s enterprise value.

In the event that a member of the Board of Directors or Executive Board stands down, there are no agreements or plans that provide for severance payment or any other benefits or concessions.

Remuneration paid by BKW to members of the Board of Directors and Executive Board, the shareholdings of such persons in BKW and any credits/loans advanced to such persons by BKW are shown in detail in the Notes to the financial statements in the Financial Report (pages 76 to 79).
6 Shareholders’ participation rights

The following provisions are taken from the BKW Articles of Incorporation. The current Articles of Incorporation are available to shareholders free of charge upon request.

**Voting right restrictions and representation**

Only persons listed in the shareholders’ register as a shareholder with voting rights are entitled to exercise shareholders’ rights. There are no limitations on voting rights for BKW shareholders attending the General Shareholders’ Meeting.

Every shareholder with voting rights can attend the General Shareholders’ Meeting in person or be represented by another shareholder, a representative of a company organ or an independent representative designated by the company in the invitation to the General Shareholders’ Meeting. Representation by a third party is not permitted.

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

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

**Statutory quorum**

Unless otherwise provided for under law, decisions at the General Shareholders’ Meeting are reached by a simple majority of votes. Simple majority of votes also applies to decisions concerning the easing or lifting of the restriction on transferability of registered shares.

**Convocation of the General Shareholders’ Meeting, agenda**

Notice of the General Shareholders’ Meeting shall be given by the Board of Directors at least 20 days prior to the date of the meeting. Shareholders representing at least 10 per cent of the share capital may also convene a meeting by submitting a written request to this effect, stating the agenda items and proposals.

Shareholders representing shares with a par value of CHF 1 million or more may ask for an item to be included on the agenda. This request must be submitted no later than 50 days before the date of the General Shareholders’ Meeting.

**Entries in the shareholders’ register**

The basis for determining entitlement to attend or be represented at the General Shareholders’ Meeting is the status of entries in the shareholders’ register of shareholders with voting rights on the tenth day before the General Shareholders’ Meeting.
Changes in control and defensive measures
Under the terms of Art. 6 of the Articles of Incorporation, BKW has raised to 49 per cent the threshold for an obligation to make an offer as defined in Art. 32 of the Federal Stock Exchange Act.

No agreements have been drawn up with, or benefits planned for, members of the Board of Directors and/or Executive Board in the event of transfer of changes in control.

Auditors
Term of office
The auditors of BKW are selected on an annual basis. The current auditors are Ernst & Young AG, who have held this office since 1990. The mandate was originally conferred on Neutra Treuhand AG, which was subsequently taken over by ATAG Ernst & Young AG. Since 2000 this company has operated under the name Ernst & Young AG. Thomas Stenz has been Auditor in Charge since 2006.

Fees
Auditors’ fees for auditing costs incurred through mandatory audits of BKW and consolidated Group companies amounted to CHF 648,000 for the year under review. Fees for audit-related services (in particular, non-mandatory audits, consultancy in matters concerning accounting) amounted to CHF 159,000. An amount of CHF 24,000 was paid for tax consultancy.

External audit information mechanisms
Supervisory and control instruments vis-à-vis the auditors constitute one of the key components of the Audit Committee’s tasks (see also the tasks and responsibilities of the Audit Committee, para. 3). The Audit Committee normally convenes four times a year. These meetings are also attended by the auditors, who have right of co-determination. In the year under review the auditors attended all four meetings held by the Audit Committee.

The auditors examine the annual financial statements as well as the consolidated and interim financial statements on behalf of the Audit Committee. Towards the end of the year the auditors must advise the Audit Committee with regard to the audit priorities it has set for the forthcoming year and the rationale behind these priorities. The Audit Committee must approve this audit plan and, if necessary, commissions the auditors to conduct additional specific audits.

The auditors’ performance and independence are assessed each year by the Audit Committee on the basis of the quality of the reporting and audit reports, implementation of the audit plans approved by the Audit Committee, and collaboration with internal auditors. With regard to independence, the Audit Committee examines the ratio of budgeted audit fees to additional services provided by the auditors, and the content of such additional services.

Information policy
BKW is committed to the timely dissemination of transparent and comprehensive information to its shareholders, customers, employees and the general public. It regularly informs the media about important events related to its business activities. A press conference is held at least once a year. Along with a written invitation to the General Shareholders’ Meeting, shareholders receive a shareholders’ letter and an order form for the Annual Report. As a rule, they also receive a half-yearly shareholders’ letter on business performance. Share-price-related information is published in compliance with the obligation to disclose as required by the Stock Exchange Act. In addition to media releases, special information for shareholders and investors (in particular Annual Reports and the results of General Shareholders’ Meetings) is published on the internet (www.bkw-fmb.ch).
Organisational changes
BKW is concentrating its activities in Germany on the expansion of production and trading, and as of 1 January 2011 it has sold its German sales company, BKW Energie GmbH Deutschland, to Enovos Luxembourg SA.

Staff changes
At the General Shareholders’ Meeting to be held on 13 May 2011, the Board of Directors of BKW FMB Energy Ltd. (BKW) will propose the election of Ueli Dietiker to the Board of Directors. Ueli Dietiker is currently Chief Financial Officer and Deputy CEO of Swisscom Ltd. He will replace Ulrich Sinzig, who will step down at the 2011 General Shareholders’ Meeting after 19 years of service to BKW as a member of the Board of Directors.

Appointments
In the course of fiscal 2010, the Executive Board made the following appointments:

Appointment to head of business division
Suzanne Thoma, Head of Networks

Appointment to head of business unit
Andrea Chinellato, Head of Sales, BKW Italia S.p.A.
Albert Gyger, Head of BKW ISP AG

Xaver Imwinkelried, Head of Regional Networks
Marco Ortu, Head of International Production, BKW Italia S.p.A.
Marc Ritter, Head of End Customer Sales

Appointment to head of department or technical expert
Andreas Bruder, Head of Staff and Analyses at Mühleberg Nuclear Power Plant
Nicole Françoise Bützberger, Head of Corporate Communication
Pierre Alain Dupuis, Head of Engineering, Power Plants
Christian Ginzel, Head of Grid Regulation
Nils Henn, Head of Asset Management, Networks
Jürg Hosner, Head of EuD West, Arnold AG
Annemarie Luder, Head of HR Development
François Purro, Head of Customer Management, cc energie sa
Martin Roth, Head of High Voltage Division, Arnold AG
Adrian Schmalz, Head of EuD East, Arnold AG
Peter Trawitzki, Head of Sales, Key Accounts
Addresses

**Head Office**

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

**Regional Networks**

**Oberland Regional Office**

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

**Gstaad Regional Network**

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

**Langnau Regional Network**

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

**Seeland Regional Office**

BKW FMB Energy Ltd.
Dr.-Schneider-Strasse 10
2560 Nidau
Tel. (+41) 32 332 22 00
Fax (+41) 32 332 24 22
biel@bkw-fmb.ch

**Mittelland Regional Office**

BKW FMB Energy Ltd.
Bahnhofstrasse 20
3072 Ostermundigen
Tel. (+41) 31 330 51 11
Fax (+41) 31 932 01 67
bern@bkw-fmb.ch

**Jura Regional Office**

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

**Porrentruy Regional Network**

BKW FMB Energy Ltd.
Rue Achille Merguin 2
2900 Porrentruy
Tel. (+41) 32 465 31 31
Fax (+41) 32 465 31 41
porrentruy@bkw-fmb.ch
Shareholders

Canton of Berne 52.54%
E.ON Energie AG 7.03%
Groupe E Ltd. 10.00%
Treasury stock 9.99%
Other 20.44%

Performance of the BKW share

Financials

Total operating revenue 3,592.6
Operating profit before depreciation, amortisation and impairment 501.6
Net profit 298.5
Cash Flow from operating activities 332.6
Purchase of property, plant and equipment 289.7
Balance sheet total 5,988.3
Shareholders' equity 3,069.8
Key figures per share
Par value 2.50
Share price
Year-end price 70.70
Year high 82.85
Year low 62.90
Earnings per share (BKW shareholders' portion) 5.74
Equity per share (BKW shareholders' portion) 61.87
Market capitalisation in CHF millions 4,250.4
Changes in IFRS accounting and valuation principles from 2007 have resulted in limited scope for comparison with 2006.

Total operating revenue 2010
2006: 2,373.1
2007: 2,813.9
2008: 3,496.2
2009: 3,592.6
2010: 3,187.2

Operating profit before depreciation, amortisation and impairment 2010
2006: 332.6
2007: 226.9
2008: 138.7
2009: 298.5
2010: 228.3

Net profit 2010
2006: 332.6
2007: 226.9
2008: 138.7
2009: 298.5
2010: 228.3

Cash Flow from operating activities 2010
2006: 602.7
2007: 362.1
2008: 242.5
2009: 602.7
2010: 274.8

Purchase of property, plant and equipment 2010
2006: 129.4
2007: 211.5
2008: 270.3
2009: 289.7
2010: 317.7

Sale

Electricity business

Sales

Electricity sales Switzerland 8,351
Electricity sales International 9,320
Electricity trading 11,838
Pumped hydro energy 331
Transmission losses/own consumption 236

Total 26,684

Generation and purchases (incl. financial interests)

Hydroelectric plants 3,754
Nuclear power plants incl. purchase contracts 5,921
Thermal power plants 700
New renewable energy 177
Trade (purchases) and energy buy-backs 16,132

Total 26,684

Sales 2011

Electricity sales Switzerland 30.6%
Electricity sales International 22.5%
Electricity trading 44.4%
Pump/substitution energy 1.2%
Transmission losses/own consumption 0.9%

Facts & Figures 2010

BKW Group

Sales 2010

Electricity sales Switzerland 30.6%
Electricity sales International 22.5%
Electricity trading 44.4%
Pump/substitution energy 1.2%
Transmission losses/own consumption 0.9%

Direct sales from financial interests 0.4%

Electricity business

Sales

Hydroelectric plants 14.1%
Nuclear power plants incl. purchase contracts 22.2%
Thermal power plants 2.6%
New renewable energy 0.7%
Trade (purchases) and energy buy-backs 60.4%

Total 100.0%

Generation and purchases 2010

Hydroelectric plants 16.1%
Nuclear power plants incl. purchase contracts 32.2%
Thermal power plants 3.6%
New renewable energy 1.0%
Trade (purchases) and energy buy-backs 50.6%

Performance of the BKW share

BKW Group

Electricity sales Switzerland 30.6%
Electricity sales International 22.5%
Electricity trading 44.4%
Pump/substitution energy 1.2%
Transmission losses/own consumption 0.9%

Direct sales from financial interests 0.4%

Electricity business

Sales

Hydroelectric plants 14.1%
Nuclear power plants incl. purchase contracts 22.2%
Thermal power plants 2.6%
New renewable energy 0.7%
Trade (purchases) and energy buy-backs 60.4%

Total 100.0%
With a turnover of CHF 3,187 million in 2010, the BKW Group is one of Switzerland’s largest energy companies. It employs more than 2,800 people and covers all stages of energy supply: from production and transmission to trading and distribution. Directly and indirectly via its distribution partners, BKW supplies power to more than a million people. BKW’s production portfolio covers hydroelectric power plants, a nuclear power plant, a gas-fired combined-cycle power plant and new renewable energy facilities. Today, BKW is the leading Swiss producer of power from photovoltaics, wind energy, small-scale hydro-power and biomass.

### Production
- Own power plants and power plant shareholdings

### Trade
- Management and trading in production and network capacities as well as trading in CO₂ certificates

### Sales
- Transmission and distribution

### Networks
- Sales activities
- Switzerland
- Italy and Germany

### Customers