We are prepared for tomorrow

Speech by Suzanne Thoma, CEO

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Dear Shareholders,

In recent weeks you will have seen in the media that companies in the energy sector across Europe are struggling with major challenges. This makes it even more gratifying to be able to review BKW’s positive news today.

We achieved a good result once again in 2015:

- Once more, we are reporting a strong operating profit (EBIT).
- Our operating cash flow is at a record high.
- We have improved yet again on our sound financial situation.
- And we have enjoyed profitable growth in services.

In a demanding environment, BKW is rapidly and consistently implementing its strategy. So we can exploit the opportunities that the transformation of the energy system and development of infrastructure offer. And so that we can stem the damage done by falling electricity prices and the strong Swiss franc. BKW is on a journey from being a traditional energy supplier to becoming a vertically integrated energy and infrastructure service provider. It’s a journey that has been a number of years in the making. And you, the shareholders, now own a company that once again has more value and in which investors have once again placed their trust.

Back to the 2015 result:

- The operating profit has increased by 10 percent, despite the major fall in revenues in the energy sector.
- The operating cash flow grew by 7 percent. And we paid for all of our acquisitions from our own funds.
- Our net borrowing has been further reduced, by almost 40 percent. So BKW has a very strong balance sheet.

The good progress made in the past financial year is reflected in the share price. Last year it rose by 29 percent, and in 2016 the trend has continued further. As a result, the outstanding convertible securities performed very well, as the share price is currently higher than their conversion price. The proportion of shares that are reserved for the convertible bonds and held by the public is almost 38 percent. This is another indicator of BKW’s advanced position: Practically no other Swiss
energy company has such a high proportion of its shares traded on the stock exchange.

Today, BKW shares are an attractive proposition for investors. The market is gradually realising that BKW has a promising strategy. It is also clear that as well as having the financial power, we also have the intellectual strength to implement this strategy rapidly.

Ladies and gentlemen, BKW is a growing company. Last year we acquired 15 new companies with turnover of 120 million francs. Our Services business is already achieving sales of almost half a billion Swiss francs. Taking account of the latest acquisitions in 2016, BKW today has 4,500 employees. This growth has allowed us to significantly strengthen our presence throughout Switzerland and abroad. In the expansion of the Services business, BKW has reduced its exposure to a risky dependence on the traditional electricity business. This is the diversification that is now making us a strong company with great prospects.

You can see that we are consistent in implementing our strategy. Frankly, we have to be. I cannot say it clearly enough: we are navigating the same stormy waters as our competitors. We’re all sailing directly into a nasty headwind. And it shows no sign of abating. There’s barely any chance of electricity prices recovering in the foreseeable future, and traditional electricity production will become an even greater loss-maker. Anyone attempting to follow the same course that allowed them to make good progress for the past hundred years is speculating on a return to the old market conditions.

And even if we are doing well at the moment, I promise you, if we rest on our laurels now, in five years’ time we will be just where our competitors are today. So there is only one course: to press on boldly, to continue the consistent implementation of our strategy and to make our company broad and robust.

We are not just improving our costs base. We are also investing a lot in our future and in our employees. When we as a company generate value, we all profit from it – not least you, the shareholders. Let me remind you of what Urs Gasche has already said: We will meet our social responsibilities by remaining a thoroughly healthy company and adjusting to the direction of the wind.

How do we do that?

**We are strengthening energy**, stemming the losses of the traditional energy business. We are expanding our use of renewable energy sources. We are adapting our trading and distribution business to meet new customer needs and exploit technological opportunities.

**We are developing networks**, with high levels of investment in our own infrastructure. We are also building our smart-grid capabilities.

**We are expanding services rapidly.** The emphasis is on the ‘rapidly’. Development in the services sector is racing, and we simply don’t have the time to build up everything we need on our own.

But we also want a robust, profitable and sustainable business model. If we respond to the change and change ourselves, BKW can remain a strong, growing
company. A Chinese proverb states: “When the winds of change blow, some people build walls and others build windmills.” We believe change is a great opportunity.

Our windmills are in our renewable energy sector and Services business. Let me give you an example of a forward-looking investment: Solare Datensysteme GmbH. This company is a leader in systems for monitoring of PV installations. Its focus is on distributed electricity production, and networked, digital solutions. Its solutions make a key contribution to successfully integrating renewables in an intelligent electricity grid. 250,000 customers are using the company's expertise to optimise their own energy production, and feed in the energy they produce to the grid.

Our Services business is active in four main areas:

The first of these is **Engineering**. BKW is expanding its planning capabilities for powerful infrastructure. Our engineering services comprise end-to-end solutions for the environment, plant planning and safety.

Our second point of focus is on **Networks**. This includes the planning, construction and maintenance of complex network infrastructure. In addition to the electricity grid and networks, this also includes water supply and sewage networks, and telecommunications and even traffic networks.

The third area of the Services business is **Building technologies**. Buildings can be power plants and form part of energy supply. Integrating them intelligently into the network is of key importance. Our customers are looking for integrated solutions. And these are what BKW offers: from planning and execution to maintenance, all you need from a single source.

We see a strong global trend towards self-consumption. Increasingly, people want to produce their own electricity, and use it themselves too. And that’s where the fourth part of our Services business comes in: **Digital management of distributed production**. We offer digital products and services for wind power and photovoltaics that provide the necessary intelligent control and system monitoring services. Our BKW Home Energy product is an attractive solution for optimising self-consumption: intelligent usage and storage of self-produced energy, combined with heat-pump boiler and heating solutions, as well as battery solutions.

Let’s look at the example of building technology briefly. It’s an interesting market on the whole: supplying buildings with energy for heating, ventilation and air conditioning amounts to around three times as much as pure electricity supply. The increasing complexity of technologies and integration of different systems within a building demand more and more coordination between specialists in each area, and constantly improving expertise. BKW has the knowledge to carry out this integration, and is a single point of contact for energy and technology factors within the building life cycle.

So what does that mean?

Well, BKW offers its customers all they need from a single source: from consulting on energy to engineering and installation (electrical, PV, HVAC and sanitation), as well as the operation of complex energy systems.

It is exciting to see how the areas of solar power and energy efficiency are becoming entwined, mainly because of the falling prices for photovoltaic solutions.
and battery storage. With its Technology Center BKW is also active in research into these topics.

It all helps realise our new vision: We are shaping the future of energy – straightforward, reliable and integrated. The vision expresses our desire to develop BKW with pride and enthusiasm. We want to remain an attractive prospect for employees, customers and shareholders in the future.

And now a few words about Mühleberg.

BKW is the first energy company in Switzerland to take on such a major project. We submitted our decommissioning application in December. We – and the authorities alongside us – are breaking new ground in Switzerland. What pleased me particularly, was that in submitting our application on time we demonstrated that BKW keeps its promises. We informed the media and interested members of the public through information events. Reporting in the media was constructive, and our dialogue with the public has enriched all sides of the debate. The public consultation has now closed. In total, eight objections to our application were lodged, and naturally we treated them seriously.

The costs of decommissioning always provide for discussion. But here too, we keep our promises. At the end of 2015, we held over 800 million francs in reserves for the decommissioning process. We will carry on paying into the fund for decommissioning and disposal of the Mühleberg plant until the end of 2022. In brief, funding for the decommissioning is on target.

As a final word on Mühleberg, it is important for me to emphasise that our employees’ work together with the public and authorities proves that it is possible to create something positive out of a difficult decision, as long as you see change as an opportunity. We have a unique chance to help write the next chapter in the history of energy.

As a business, we are still in a process of transformation that challenges us all. At the most recent BKW Management Workshop, I was asked where we are in the implementation of our strategy. My response is that we have already done 40 percent of the work. That is more than I had expected from a period of four years when the Board of Directors reached its decision on our strategic direction.

I would therefore like to thank everyone who is supporting us on our journey:

Our employees, who are using the rapid transformation as an opportunity and are ready to break new ground despite many years of experience in some cases.

My colleagues in the company management, who are ably driving forward the strategy implementation, with great energy for and identification with BKW. It really is a great pleasure to work with you.

The Board of Directors, which reaches clear, early decisions and allows the Group Executive the commercial freedom it needs.

And not least, you, the shareholders. With your long-term outlook you support us greatly. And a long-term outlook is what we have too.
WE are shaping the future of energy – straightforward, reliable and integrated. That is our vision. And with this in mind we would now like to show you our new corporate video. It is bold, very emotional, and it represents a BKW that recognises which way the wind is blowing. We are a strong company today. And that is the image we want to take to the market, in Switzerland and in Europe. We are prepared for tomorrow.

Thank you very much.