BKW AG, General Meeting 2016

2015 – another successful year

Chairman's address (Urs Gasche)

Bern, 13 May 2016

Allow me to welcome all shareholders, guests, customers, partners, employees and media representatives to the fifth General Meeting of BKW AG.

BKW is presenting some very encouraging figures today, despite the huge changes taking place in the energy sector across the world. And the first to benefit from this is you, our shareholders, as you will once again enjoy an attractive dividend this year and you can be pleased that BKW is growing in value. With market capitalisation of over 2 billion Swiss francs, BKW is currently the highest valued – in other words the most valuable – Swiss energy company.

This has been achieved thanks to pioneering decisions that were taken early on. Influenced by the rapid expansion of wind and photovoltaic capacities across the globe – but particularly in Europe – and the events of Fukushima in March 2011, the Board of Directors recognised early on that BKW needed to overhaul its strategy.

Following an in-depth analysis, the Board of Directors decided to focus on making the company robust as the sector was facing an uncertain future. It therefore recommended basing BKW's future on three pillars: energy, networks and services. Because, as we all know, three-legged structures provide maximum stability.

Obviously, the first pillar must remain energy. We are an energy supplier and we don't want that to change. But we are already paying the price. Last year alone, BKW's revenue from power production fell by 400 million Swiss francs. And the energy we produced that will be sold on the market is set to generate heavy losses in the years ahead. BKW would not have been able to survive this lean period without developing and expanding other fields of business and would now be forced to sell off power plants, like other energy companies have done. And we can only retain our hydro power plants if we tap new sources of revenue.

You may have seen reports in the media saying that BKW is doing well because it benefits from small-scale customers who are tied to their local electricity provider. But this is unfortunately only true to a very limited extent. We can only sell 15 per cent of the power we produce to such small-scale consumers; 85 per cent is subject to the rules of the open market. And, let's not forget that when energy prices on the international market were high, BKW had to forego higher revenues in return.

Our second pillar involves developing our traditional area of networks. Networks are the backbone of the power supply system. But they are also a key focus of efforts to improve energy efficiency.

Our third pillar is dedicated to the development of new energy and infrastructure services. Offering integrated energy, technology and infrastructure solutions on the
market is not only a central customer need. It is also a way for us to help shape a long-heralded social change but one that not everyone has recognised yet.

Switzerland’s path to the energy future goes via the Energy Strategy 2050. This is not primarily about phasing out nuclear power, as people often think. Its main aim is to promote more ecological energy use, and efficiency is central to that. We understand energy efficiency in the broadest sense, namely the efficient use of all forms of energy. BKW wants to play a key role in modernising the energy supply system – we’re part of a global mega-trend and we want to help shape that trend.

If we want to offset the lost nuclear power – which accounts for 40 per cent of total production after all – we need to make a significant leap forward. And this is where we see a huge opportunity for BKW.

In order to seize this opportunity – and to seize it quickly enough, as the markets won’t wait for us – we are also acquiring companies. These acquisitions are often carried out in the course of succession planning processes and open up outstanding development opportunities not only for BKW, but also for the new additions to the BKW family. Precisely through such acquisitions, BKW is securing current and future jobs in sectors that face huge structural change.

As a former executive councillor, I would even go so far as to say that it is a very positive thing for Switzerland as a location for business and in particular for Bern if strong Bern-based and Swiss SMEs come together in the fold of a traditionally Swiss company such as BKW where they have long-term prospects – without foreign majority shareholders.

The Board of Directors is confident that the chosen overarching strategy is still the right one. No fundamental changes are needed at this time. BKW’s share price increased by 29 per cent at the end of 2015 compared to a year earlier – rising from over 29 to 38 Swiss francs. We therefore generated substantial value and can once again report a stable return even in a difficult year.

The Board of Directors can now concentrate on its second legal mandate, namely supervising the activities of the Group Executive Board. Here, too, I have good news to report. The Group Executive Board has a very good handle on BKW’s business, the organisational structures have proven effective, development of the corporate culture is making progress and we are achieving the strategic goals, one step at a time.

And although we are seeing substantial growth, we are now leaner and therefore more dynamic as an organisation than we were a year ago. This also applies to our Board of Directors, which we are reducing in size again. Of the three members who are standing down, only one is being replaced (the Canton of Bern decided to only appoint a single delegate).

Before I launch into the formal part of today’s meeting, I would like to take this opportunity to thank you, our shareholders, for the trust you have placed in BKW. A big thank you also goes to the BKW Group Executive Board and all members of staff who have focused on implementing the strategy, even in very challenging and testing times.

The submission of the decommissioning application for our nuclear power plant – which CEO Suzanne Thoma will elaborate on shortly – has shown that BKW is a
long-established local company that operates throughout Europe yet maintains its Bernese roots and stays true to its Swiss values. BKW takes its social responsibility seriously and keeps its promises.

And something that is worth remembering regarding our future is this: what worked in the past is not necessarily a recipe for success now. This is shown by the ongoing difficulties faced by the energy sector which we should not underestimate despite the strong results we are presenting today. I can assure you that you have to move with the times if you want to enjoy sustained success. BKW will continue along its chosen path, taking well-considered steps, one at a time. At the end of the day, a successful company benefits everyone—not only shareholders and employees but also society as a whole.