



Annual Report 2009



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Azienda Elettrica Ticinese

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AET





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**Report of the Board of Directors
of Azienda Elettrica Ticinese
to the Local Parliament and to the Council of State
of the Republic and Canton of Ticino**

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Ladies and Gentlemen
Chairmen
State Councillors
Parliamentary Representatives

In accordance with the provisions contained in article 5 of the Law instituting Azienda Elettrica Ticinese (LAET), we hereby submit for your approval (article 5, paragraph 2 LAET):

- **the Board of Directors' management report for the year 2009**
- **the financial statement for the year 2009**
- **the proposal for allocation of profit**
- **the auditors' report**

and for discussion (article 5, paragraph 3 LAET):

- **the report on projected activities for the next two years**

The English version of the AET 2009 Annual Report is merely a translation:
the official version is the Italian text.

At a glance

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Financial statements highlights

– Gross revenue	CHF 1,433 million	(+17% / 2008)
– Total operating income	CHF 1,210 million	(+59% / 2008)
– Operating profit ¹	CHF 48 million	(–17% / 2008)
– Profit for the year	CHF 14 million	(+8% / 2008)
– Cash Flow ²	CHF 63 million	(–2% / 2008)
– Payments to the State ³	CHF 22 million	(=2008)
– Employees	203	(+14 units / 2008)
– Production in Ticino	3,952 GWh	(+18% / 2008)
– Production of AET	913 GWh	(+9% / 2008)

¹ Before extraordinary and financial items

² Profit for the year + provisions + amortisations + depreciations

³ Operating taxes + interests on capital + profit distribution to the State

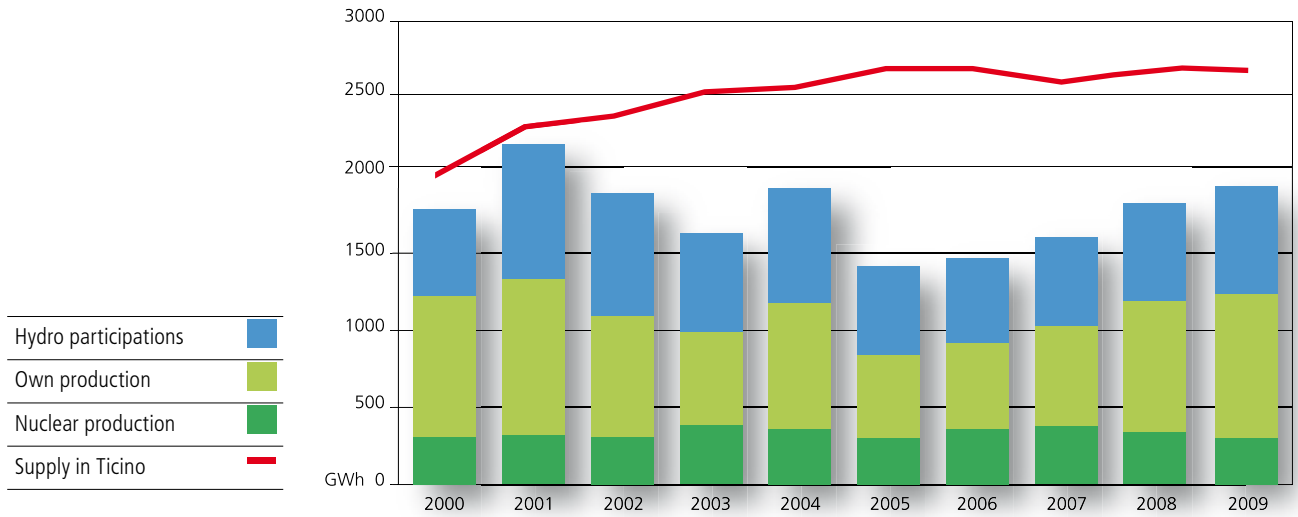
Consolidated financial statements highlights

– Gross revenue	CHF 1,462 million	(+19% / 2008)
– Total operating income	CHF 1,276 million	(+57% / 2008)
– Operating profit ¹	CHF 49 million	(–8% / 2008)
– Net profit of the Group	CHF 12 million	(+97% / 2008)
– AET's net profit (of the year)	CHF 5 million	(–63% / 2008)
– Cash Flow ²	CHF 58 million	(+2% / 2008)
– Employees	215	(+20 units / 2008)

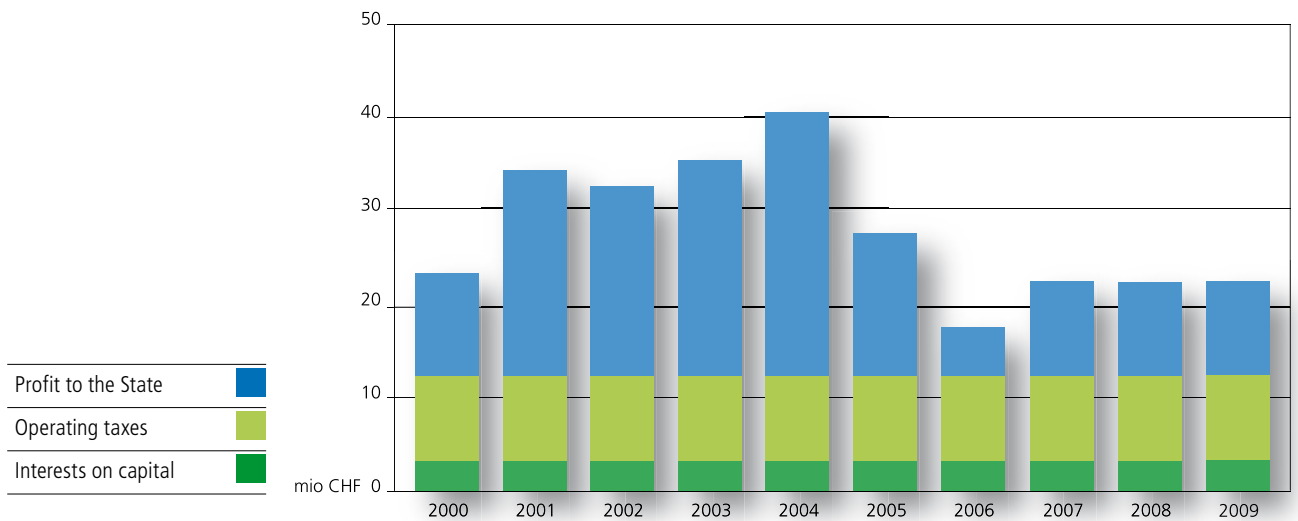
¹ Before extraordinary and financial items

² Profit for the year + provisions + amortisations + depreciations

Supply and production in Ticino



State's payments evolution





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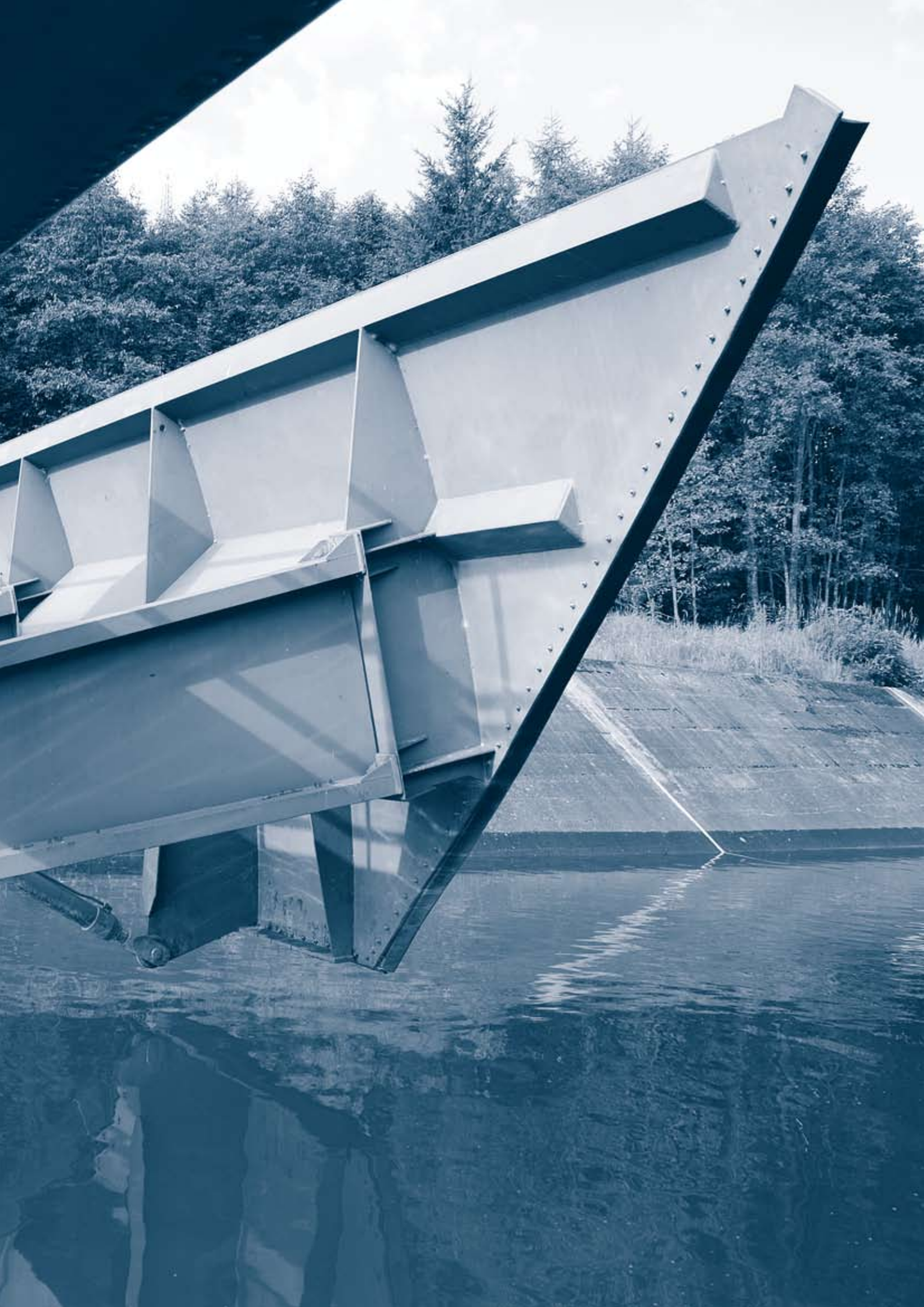
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Board of Directors' management report

The 2009 financial year was characterised by extraordinary unprecedented events that must be mentioned in this annual report. These events affected the activities of the highest bodies of the company during the 2008 and 2009 financial years, as those bodies were constantly urged to respond to requests for information from political authorities and public opinion.

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Extraordinary events during the 2009 financial year

Since the summer of 2008, the focus of political authorities and public opinion has been directed at the "risk report" being prepared by consultancy firm KPMG, with implications broadened further by the Cantonal Court. The Cantonal Court completed its investigations in December 2008, and at the end of February 2009 decided not to prosecute, because the transactions reported as suspicious by the consultancy firm were in all cases performed with the substantive knowledge or approval of the company's Board of Directors.

In March 2009, the aforementioned consultancy firm released its final report, completing a task which had lasted over twelve months. This report was commented upon by the Board of Directors in May, while presenting the results of the 2008 financial year. In essence, the analysis made by the consultancy firm pointed out aspects of corporate management which required corrective action to ensure improved operations. Not all the consultancy firm findings were accepted and the Cantonal Court has already issued an order not to prosecute for those transactions classified as suspicious by the consultancy firm.

At the beginning of August, the Board of Directors decided to change the head of management, entrusting the management of the company to the two assistant managers, Dr. Roberto Pronini (Eng. ETH) and Claudio Nauer (lic. oec. publ./MA in Economics). This decision has raised legitimate questions by the controlling political authorities and public opinion, questions that have increased as a result of the measures implemented by the Cantonal Court in October and that concerned the work of former manager Reto Brunett (Eng.). The audits are still underway and it will be the Cantonal Court's responsibility to report on their outcome. The questions mainly concern AET's acquisition of subsidiary ZET Zimmerli Energie-Technik AG, which in the meantime was declared bankrupt by the sole manager during that period. Regardless of the outcome of the criminal proceeding, AET is considering whether to undertake civil proceedings.

In the meantime, at the beginning of September, the Council of State renewed the appointment of the members of the Board of Directors. This body has been reduced from eleven to seven members, due to the revision of the Law instituting Azienda Elettrica Ticinese (LAET). In its first session after the renewal, the Council confirmed the designation of Fausto Leidi as Chairman and Marco Netzer as Vice Chairman.

A press conference was held at the end of November to clarify the company's balance sheet and to illustrate the entire contents of the interim and final reports issued by the KPMG consultancy firm as part of its company risk engagement. Along with the aforementioned communication activity regarding these extraordinary issues, two other topics characterised business during the second half of the year:

- contract price increases to Ticino distributors;
- AET's participation in German company TKL GmbH & Co. KG, which has as its purpose the commissioning of a new thermoelectric power plant in Lünen, Germany.

These issues, in addition to current operations, have required a continuous exchange of information with the Cantonal authorities. Over the entire course of 2009, regular meetings were held with the management of the Department of Finance and Economic Affairs, to foster a continuous flow of information. At the same time, especially from August, there were several meetings with the AET Public Mandate Control Commission. These meetings, necessary for answering the questions raised by these extraordinary issues, helped establish a climate of collaboration between the parties. Last but not least, regular meetings were held with the Council of State.

Energy trading

In 2009 the electricity consumption of Ticino decreased slightly, by approximately 1.2%, compared to 2008. The reduced consumption of electricity earlier in the year was partly offset by an increase during the last quarter.

Sales activities in Ticino, with particular regard to the Ticino distributors, were characterised by the contract renewal with Società Elettrica Sopracenerina (SES) for the 2010-2012 period and, for the same period, the signing of the electrical energy supply contract with Azienda Elettrica Comunale del Borgo di Ascona (AECA). The prices agreed, albeit with a marked increase in relation to the past, reflect supply costs and are competitive compared to the national market.

The year 2009 was characterised by the global economic crisis, which has had negative effects on the economy of Ticino. In order to mitigate increases in electricity prices at such a particular time, AET, prompted by the State (owner), decided to accord a discount, from 2010 to 2012, to those distributors who signed a new supply contract on or after 1 January 2009. The companies concerned are the aforementioned SES and AECA, along with Aziende Industriali di Lugano (AIL) SA and the Cooperativa Elettrica di Faido (CEF). The discount amounts to 0.5 cents/kWh, applied to energy prices charged to the final customers, the "large consumers" with an annual consumption exceeding 1 GWh. It should be noted that the fixing of end consumer energy tariffs is the sole responsibility of the retailers benefiting from the discount. The reflection of the energy price reductions on the individual rates was the sole responsibility of the distribution companies, according to their respective pricing policies.

Given its business activities, AET Italia Srl is cited in this business chapter. This participation has seen good business development, and the net income, though still in the red, should be considered positively. In 2009, around 300 GWh of electricity was delivered to about fifty industrial customers. During the closing months of the year, a campaign took place to acquire new customers, with good results both from a quality and quantity perspective. The 2009 financial year was a year of consolidation for AET Italia Srl, particularly with regards to personnel and the IT infrastructure. At the end of 2009, AET Italia Srl employed seven people on a full-time basis.

In July the commercial exploitation of the Mendrisio–Cagno merchant line began. This installation, in addition to providing increased supply security in the Sottoceneri region, is of great importance both for the optimal management of AET's portfolio and for the supply to AET Italia Srl.

Throughout the year, the installation of a new portfolio and risk management system commenced, replacing the systems used in recent years. The project will be completed in late 2010. Once this tool having been implemented, AET will have a modern system that will improve the transparency and efficiency of operations and control of the commercial sector. Compared to previous years, from a weather point of view, 2009 started normally, with typical winter temperatures. However, from an energy perspective, benefits derived from the rainfall of the final months of 2008, together with the rainfall in February, March and April (which was still in the form of snow in the mountains). Therefore 2009 started with excellent production, at levels which had not been seen for several years. The high levels were maintained until September, though they never reached the peaks of 2008. Rainfall during the last quarter was quite scarce, though still greater than the alarming levels of 2005–2007, partly because the accumulation from previous months helped maintain good water levels in the basins.

Production

Production benefited from good rainfall volume, which clearly also favoured the activities of Ofima, Ofible and Verzasca SA (participations held by Canton Ticino State), which all produced a large amount of energy.

Following the introduction of the new Federal Electricity Supply Act, the production market has been segmented, creating a multitude of products ranging from pure band-energy, to regulated energy, to the delivery of services (primary and secondary regulation, voltage maintenance, etc.). This has led AET to modify its production plants and its internal procedures in order to benefit from the new market opportunities. Accordingly, control centre personnel have been trained to use the new work tools introduced with the opening of the market. The modification of production facilities will continue with the installation of new turbine regulators and structural modification of the remote control system.

With regard to ordinary operations, particular attention was given to cost analysis and production assets. Due to the separation (unbundling) of transport, trade and energy production activities, the main objective was to produce appropriate indicators for the management and careful control of costs in each of the above activities.

Routine and special maintenance to the machinery and plumbing systems was undertaken at the plants, as well as annual inspections and cleaning of the basins. In particular, a complete Group 1 revision was carried out at the Piottino plant (from December 2008 to April 2009). With regard to the commitments in the field of photovoltaics, the Ponte Brolla (18.3 kWp) and Camorino (52 kWp) facilities have been put into operation. Overall, at the end of 2009, AET had eleven operational photovoltaic systems for a capacity of 512.6 kWp. The energy generated is fed into the low-voltage grid. Annual production in 2009 reached 337 MWh, corresponding to about 70 times the domestic requirement. During the spring of 2009, the cogeneration plant in Gavirate (Varese, Italy), previously owned by CEG Srl (50% owned by AET through SPE Società per Partecipazioni Energetiche SA) was demerged and transferred entirely to AET/ SPE. To this end AET CoGen Srl was created. The plant has four methane-powered gas generators and a turbine that uses steam generated by the exhaust fumes of internal combustion engines. The total electrical power output is 16.8 MW. The energy is fed into Enel's

medium voltage grid (15kV) and sold by AET Italia Srl. The heat generated from the plant is distributed by a district heating network extending 2720 meters, owned by AET CoGen Srl. The transport capacity is 4 MW (thermal) and it supplies users in the district of Gavirate by two pipelines (supply and return) that carry hot water at 85 °C. Expansion is planned for 2010, with the laying of about 1030 meters of additional pipe, by which new customers can be connected.

Finally, AET has a 10% participation in the Dalpe, Campo Vallemaggia and Cerentino power plants, through Senco Holding SA (50% owned by AET and 50% by SES). In this area, the planning of the Ossasco (TI), Buseno (GR) and Cauco (GR) plants continues, and the development of Campo Vallemaggia and Cerentino is being studied. The plants currently in operation produce electrical energy for a total of about 19 GWh per annum.

Distribution grid

Concerning the distribution grid, projects that had been ongoing for many years were finally consolidated in 2009. The Mendrisio–Cagno 380 kV power line was made definitively operational at the end of 2008, while during 2009 AET was able to test the large technical potential of this link, in collaboration with Swissgrid and Terna. For a few weeks, during the total reconstruction work for the 380 kV connection to the Enel Cagno substation, Ticino absorbed part of the hydroelectric power production from the Valtellina area, while at other times it provided energy and power to the Como and Varese regions, separated from the rest of northern Italy without causing any notable inconvenience to users in Ticino and the border. The cross-border link has also been effective in raising voltage in the Sottoceneri region to higher levels than before, and has significantly reduced the phenomenon of mini-power outages in the high-voltage grid, usually caused by storms on mount Tamaro. The power line has also helped to significantly reduce the production limitations that are periodically ordered by Swissgrid to energy producers in Ticino and Mesolcina (Ofima, Ofible, AET and OIM), to ensure the safety of the high-voltage grid. This is done by adjusting the flow of power between Ticino and Italy, made possible by the AET substation's PST (phase shifter/transformer) in Mendrisio.

The collaboration with Swissgrid has been excellent. Thanks to the expertise achieved, AET is recognised as playing an important role at a national level. The company gained access to various technical and regulatory committees, where Ticino was not yet represented, which play an important role in national and international energy issues, particularly regarding the electrical connections between Switzerland and neighbouring countries.

During the financial year in question, AET divided the 380 kV Mendrisio–Cagno power-line installations into two separate companies (CMC MeSta SA for the Swiss side and CMC Srl for the Italian side), pursuant to the legislative decrees issued by the Swiss Federal Electricity Commission (ElCom) and by the Italian Ministry of Economic Development, which granted investee Nord Energia SpA the commercial rights to use cross-border power lines.

Renovation of the high voltage primary and secondary equipment also continued throughout the year, in order to meet the new requirements imposed by the ElCom and Swissgrid regulations, particularly at the 150/50 kV Bodio, the 150/50 kV Riazzino and the 50 kV Piottino substations. The project for increasing the power supply to the industrial area of Bodio was completed, so as to prepare the

supply node for the future requirements of the railway network (the AlpTransit Gotthard LTD, ATG base tunnel) and for industries wishing to establish or expand existing business in Bodio. The second phase of expansion of the Riazzino is underway and in coming years will require significant changes to improve supply in the northern part of the Locarno district. In collaboration with AIL SA, plant renovation works continued on the 50 kV Mendrisio substation. The connection of the Giubiasco incinerator to the 16 kV grid was completed (with a power capacity of 15 MW: a plant of such magnitude had not supplied the grid in Ticino for over 40 years), and the strengthening of the two 16 kV lines to Monte Carasso and Riazzino is also underway. In collaboration with ATG, AIL SA and the Swiss Railway (SBB), studies have continued towards delivery of the 150/132 kV AET, SBB and AIL SA lines near ATG's south portal in Vezia, to be accomplished by the time the Ceneri railway tunnel is commissioned. The work for a permanent supply to the Vedeggio–Cassarate tunnel of the Piano dei trasporti del Luganese (PTL, Transportation Plan of Lugano) has begun, and the final ATG cabin sites of the Camorino node have been completed.

The work for implementation of the new "metering" directives to regulate the network and to exchange data with Swissgrid and distributors has continued, and several new software applications and counting and data analysis and transmission equipment has been installed. In this area, separate network contracts have been signed with the customers and network operators in contact with AET's power grid.

Application of the new guidelines of the Cantonal Law on the application of Federal Electricity Supply Act has led to innovations for AET, which must now take contributions directly from the end customers (such as ATG, SBB and Federal Road Office), and then channel them to the municipalities where these customers have their headquarters, as per current rules.

Lastly, significant effort was expended to comply with the directives and the continual requests for information from ElCom for the comparison of network costs at the different voltage levels (from NE1 to NE7), in terms of both internal resources and the development of expertise.

Administrative activity

One important administrative aspect was the replacement of IT applications. In the past, standard NCR applications were used, but as of January 2009 the SAP application became operational. Initially it was limited to three modules covering financial accounting, control and the management of purchasing and inventories. Over the year, the module for personnel management was also implemented, while the module for plant management will be brought on line in the near future.

The 2009 financial statements were prepared in accordance with the directives of the Swiss Code of Obligations (CO), with the content extending beyond the regulatory minimum under article 663b CO. The statutory financial statements were audited by both the Local Parliament and the international firm Ernst & Young (Lugano). The auditors of the Local Parliament did not limit themselves to the statutory audit of the annual accounts but also spent several days carrying out a thorough review of company management. Concurrently with the statutory accounts the Group consolidated accounts were also set up, subject to certification by Ernst & Young. In accordance with the recommendations contained in the 2008 audit report, the move to the Swiss GAAP FER accounting standards is underway, with introduction scheduled for the end of 2010.

Participations

Certain investments have already been mentioned in previous chapters. This summary will only mention initiatives that had a significant financial impact, leaving aside comments regarding participations that have been consolidated for some time and those with activities limited to current year (e.g. KW Mattmark AG).

AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern

AET has a 7% participation in AKEB, a company with interests in French and Swiss nuclear power plants. In 2009 and 2010, the French Bugey power plant had to be put out of service and will remain so for a prolonged period of time (approximately twelve months). This interruption was not expected. This forces AET to compensate the energy shortfall in the market, with higher supply prices than anticipated.

Calore SA

AET holds an equal stake with SES in Calore SA. The company has continued its policy of expansion: having bought some facilities of La Carità Hospital in Locarno from Ente Ospedaliero Cantonale (EOC, Cantonal Hospitals), it has collaborated in the construction of the thermal heating plant of the new regional resort centre of Locarno (which during 2010 will be purchased and run by Calore SA) and has conducted feasibility studies for district heating networks (for example, for the Oil Free Bodio initiative which plans to use waste water from the AlpTransit tunnel for heating purposes).

Metanord SA

During the 2009 financial year, a federal license for the installation and operation of the Ceneri ridge methane pipeline was obtained, and in autumn the first customers were connected. Major investments are planned for the very near future, concentrated for the moment in the Bellinzona region, where the necessary municipal authorisations have been obtained.

TPWB GmbH & Co. KG

AET has withdrawn from the initiative for an offshore wind park promoted by Trianel GmbH in the Borkum region. The project has been plagued by technical and financial uncertainties, the reason AET elected not to continue. For the closing of the 2009 financial year, the net investment was treated as an advance (and not as an equity holding), that should be recovered after December 2010.

TKL GmbH & Co. KG

AET's participation in the (coal-fuelled) thermoelectric power plant under construction in Lünen (Germany) has been widely debated, both by public opinion and by political bodies. The Local Parliament finally approved the participation in the Lünen plant, which will start operating at the end of 2012. This project, in relation to similar initiatives in Germany, was able to observe the timetable for planning and the subsequent implementation. From a financial standpoint, the project is supported by a consortium of banks that provided 90% of the necessary funding.

The Local Parliament did not, however, authorise a second investment, relating to participation in the plant being designed in Krefeld, Germany. After the Local Parliament's decision, a petition began for an initiative to force AET to refrain from participation in coal-fuelled power plants.

SPE Società per Partecipazioni Energetiche SA

SPE is an "intermediate" company formed for purely fiscal purposes, so as not to jeopardise the reentry of capital from participated companies abroad. As a public company, SPE is subject to normal taxation (as opposed to AET, which is tax-exempt). SPE's foreign subsidiaries may pay dividends to SPE (instead of to AET) without sustaining large foreign tax charges.

CEG Group Srl

SPE is a 50% shareholder in CEG Srl, which in turn has subsidiaries of its own, whose corporate purpose is the installation and operation of biomass-fuelled power plants. During 2009, in agreement with the second largest shareholder (Laborex SA), the original industrial plan was sharply curtailed: from a development plan based on 120 MW of power, to approximately one third of that power. This decision significantly reduces risks and limits production based on bio-fuels.

REInvest SA and PurEnergy SA

SPE holds a 20% share in REInvest SA and PurEnergy SA. The 2009 financial year presented a mixed picture. On one hand, PurEnergy SA sold its holdings in German wind farms, achieving good results that benefited the shareholders of REI Spc (Gran Cayman). AET also participated in a tender for adjudication of German wind farms but was not the highest bidder; the wind farms were awarded to Elektrizitätswerk der Stadt Zürich (EWZ, Zurich's electric company). On the other hand, we should bear in mind that the wind farms under design or construction in Greece are still not ready for implementation. For this reason, considering financial situation in Greece, the aforesaid industrial initiatives are characterised by considerable risk.

AET (20%) and REInvest SA (80%) are shareholders of the Parco eolico del San Gottardo SA wind farm. For this project, negotiations are underway regarding the transfer of a share package from REInvest SA to AET, that will make AET the leading shareholder.

REI Spc

In spring 2009, the REI Spc assembly of shareholders radically changed its investment strategy. A reduction in the investment period was decided, focusing on the creation of wind farms rather than their long-term operations.

The return on an investment of EUR 13 million in spring 2010 was EUR 3.2 million. To reduce the reported net exposure, a provision of CHF 5 million was set aside at the end of 2008.

Strategic projects

Reversions

After the SBB formally opened the expropriation procedure for the Ritom waters of Ticino at the Swiss Federal Office of Energy (SFOE) in 2009, negotiations have continued between the SBB and Canton Ticino for the licensing of Ritom, which expired in 2005. A small working group, of which AET is also a part, is trying to define the best project from a technical and legal standpoint for the complete renewal of the Ritom plant by the end of this decade. The parties are seeking agreement on a shared project, to be submitted to the Council of State and later to the Local Parliament of Ticino, for its licensing to a new company, in which the Canton and the SBB will become shareholders.

With regard to the reversion of Morobbia, AET has submitted to the Aziende Municipalizzate Bellinzona (AMB) a proposal for collaboration on several issues, that would have strengthened AMB as a leading multi-energy company in Bellinzona and AET as a producer, respectively. The proposal was aimed at increasing collaboration between the two public bodies. Although the proposal was interesting, the municipal authority decided not to proceed further.

For the reversion of the Calcaccia plant in Airolo, meetings took place between the parties, but no agreement was reached.

Piano Energetico Cantonale – Cantonal Energy Plan

AET has been involved in preparing the Cantonal Energy Plan, which will define the Canton's energy policy for near future. The company employees made an important contribution in preparing the fuel data sheets.

Val d'Ambra II Plant

The development of the "Val d'Ambra II" project continued, and during the year the Piano di utilizzazione cantonale (PUC, Cantonal Land Use Plan) for building the new pumping-turbine plant has been published (in consultation).

In autumn, the stance taken regarding the consultation was withdrawn. An in-depth examination of the requests for project integration are underway; in collaboration with the officials of the Dipartimento del Territorio (Planning Department).

Dalpe II Plant

The Dalpe II hydroelectric plant is in its advanced design phase. The plant will take water discharged from the existing CEL Dalpe plant and then pass it through a turbine under Dalpe–Cornone. In normal operation, the plant would allow an increase in electricity production in Leventina of 13.6 GWh per annum.

Geopower Basel AG – New Geopower

Following conclusion of activity by Geopower Basel AG, AET proposed participation in an interest group on geothermal energy (Interessengemeinschaft New Geopower, IGNG), which represents most of the participants in the Basle-based project. The group aims to develop a concept to exploit geothermal energy in Switzerland.

Compodino SA

AET is negotiating to buy a majority stake in Compodino SA and establish a biomass power plant on the Magadino plain. The amendments to the Al Pizzante regulatory plan, a prerequisite for building the plant, were not approved by the City Council of Locarno, so alternative sites for construction of the plant must be considered.

TERIS Teleriscaldamento del Bellinzonese SA

In 2009, the arrangements for cooperation between AET and the Azienda cantonale rifiuti (ACR, Cantonal Waste Authority) were defined in order to create a joint company for the exploitation of residual heat from the Giubiasco incinerator and for construction of a district heating network in the Bellinzona area (the company was founded at the beginning of 2010 under the name TERIS, Teleriscaldamento del Bellinzonese SA). As a measure of economic support passed by the Federal Council for the 2009–2010 period, a preliminary project was forwarded to the SFOE with a request for subsidies to install the district heating network.

Human resources

In recent years, AET has promoted several initiatives, both internally and externally to the company. This has resulted in the need to increase staffing in all areas, in order to better follow the progress of the activities undertaken. The application of the Electricity Supply Act has also required a strengthening of the company structure, relative to the adoption of measures which required a commitment of additional human resources. In 2009, there was a net increase of 14 employees (growth similar to 2008), the net result of 27 recruitments, six retirements and seven resignations.

Conclusions

The 2009 financial year was characterised more by extraordinary factors than by ordinary operations. AET received constant inquiries from the supervisory bodies (Local Parliament, Special Commission for Energy, AET Control Commission for Public Mandate, Council of State) and from the public, to which ample response was provided, with a strong personal commitment on the part of management. In these phases, AET has also had to take into account the directives of Cantonal Court, which did not allow immediate and exhaustive information. One milestone was the approval of the accounts for the 2007 and 2008 financial years, which took place in March 2010, after extensive debate in the Local Parliament.

During 2009, the consolidation of the organisation and the business processes continued, enabling the company to cope with market liberalisation in the best possible way.

The profit results were satisfactory and in line with the budget. While acknowledging that prices were increased at an inopportune time, it was inevitable and part of a medium/long-term strategy that will allow the company to strengthen its financial footing. AET could no longer postpone the decision, after keeping prices stable for nearly two decades. The conditions applied by AET are still favourable and the renewal of contracts with the Ticino distributors testifies to this fact.

Report on projected activities for the next two years

Company management

The Board of Directors has benefitted from recent experience and has taken several measures to improve the corporate governance. The organisational regulation has been revised to require that management must act collectively. Supervisory bodies have also been enhanced, with the introduction of an internal auditor (starting July 2010).

In early 2010, the Board of Directors definitively appointed the members of the Management Board: Dr. Roberto Pronini (Eng. ETH) was confirmed as manager, while Claudio Nauer (lic. oec. publ./MA in Economy) was designated as comanager and head of the area of management services. At the same time, it was decided that the Board of Directors should be strengthened to include, in addition to the manager and comanager, members from the following areas:

- trading and sales, represented by assistant manager Dr. Giorgio Tognola (Eng. ETH);
- production, represented by assistant manager Stefano Sartori (Eng. HES);
- administration;
- grid;
- projects and strategic investments (new area).

The representatives for the last three of these areas will be appointed in the second quarter of 2010, with the selection of the three new assistant managers based on public competition. The Board of Directors has been expanded to seven members (compared to the previous five) to ensure the proper distribution of functions, responsibilities and workload.

The creation of a management services area, headed by the comanager, will enable the manager to concentrate resources on strategic issues. The following staff services have been incorporated into the area of management services:

- marketing and communication;
- risk management;
- human resources;
- IT;
- logistics and purchasing;
- organisation and quality;
- legal service.

In particular, we would emphasise the efforts to strengthen risk management: the recruitment of a service manager (October 2008) was followed by the recruitment of a risk management officer for the area of commerce (June 2009). Two additional people will be hired in 2010: one for business risk and another for trading risk. Besides the four people specifically assigned to risk management, the service will include others on a part-time basis, responsible for following risk in their respective areas of activity. The whole risk management organisation process should be completed by June 2010. As already mentioned, we are also installing complex computer programmes for monitoring trading risk, in a more systematic way.

Thanks to the decisions taken, the Board of Directors believes that it has laid the foundations for stability and quality in the future management of the business.

Corporate strategy

An updating of the company strategy (dating back to June 2008) should be completed by the summer of 2010. The update will take into account recent important developments, including:

- the intentions of Executive and Legislative Power regarding reversions;
- the preparation (ongoing) of the Cantonal Energy Plan by the Cantonal authorities; AET is represented within the Cantonal Energy Plan work group by manager Pronini, which is why the directions to be adopted with Cantonal Energy Plan are known;
- the need to further promote renewable energy from various sources (water, wind, solar, biomass, incinerator);
- discounts to distributors, if coordinated through the Council of State, for final customers;
- authorisation by the Local Parliament to participate in the power plant under construction in Lünen (the initiative launched by the Greens to force AET to dispose of this investment should also be borne in mind).



Reversions

The participation in the Ritom plant is essential for the future of AET, so an agreement needs to be reached between the Canton and the SBB, that would allow AET to participate in the operation of the plant, whose importance for the company has been demonstrated by several studies. If the plant is revamped, including a modulating reservoir, a major financial commitment will be required of AET. With regard to the reversion of Morobbia and Calcaccia, developments are expected from proposals under preparation by the Special Commission for Energy and Local Parliament. In any case, AET supports the development of synergies and partnerships with local authorities.

New legislation (cantonal, federal and foreign)

AET will have to implement the changes imposed by the entry into force of the Cantonal Law enacting the Federal Electricity Supply Act and the respective implementing regulation on the cantonal level. AET is following these developments closely in view of the second phase of liberalisation at the national level (expected in 2014) and will cooperate with and participate in various work groups at the national level with the Association of Swiss Electricity Companies (VSE/AES), ElCom and Swissgrid. AET will pay the utmost attention to the new European laws that concern it, particularly in Germany and Italy (e.g. green certificates, CO₂ emissions, how to auction rights for the cross-border transit of energy), countries with which AET has the strongest trade relations.

Trade

AET must consolidate its presence in the German and Italian energy markets, where it has been present for years. Particular attention will be given to enhancing skills in acquiring and selling certificates. The portfolio of AET Italia Srl must be developed and the presence of AET outside Ticino increased, to offset potential losses of customers who may choose to purchase from other companies. The rights acquired for the Mendrisio–Cagno merchant line must be exploited and the new products acquired in the future will have to be integrated into AET's portfolio. The establishment of new renewable energy products and the search for new markets will be the main tasks for the business.

Distribution grid

In the next two years, AET will be replacing or adapting the parts of the 220 kV plant, currently in AET NE1 SA, that will be transferred to Swissgrid at the end of 2012 and that in any case will require this work within five years. For the technical departments of AET, this will mean a major commitment in the interest of the security of the Ticino grid.

A power line joining Lavorgo to Magadino (SBB 132 kV; AET 50/150/220 kV) will be developed with the SBB, to provide security to the SBB network at the time of the commissioning of AlpTransit.

Locally, it will be necessary to expand the 150/50 kV network to increase security for the high-voltage network. Network synergies will be developed between AET and the distributors to reduce network costs for the benefit of the Ticino customers.

Cooperation with Ticino distributors and producers

It is essential to establish a relationship of mutual collaboration and trust with the Ticino distributors in every area: sale of energy (clean or renewable), network cooperation and information sharing, to create a strong energy hub in Ticino, to deal in a coordinated and united manner with the pressure of the liberalised market and to avoid losing market shares to suppliers outside of the Canton. To this end, the creation of a company for energy marketing in Ticino is being discussed with the distributors, to provide competitive energy to final customers in a simple and coordinated manner. AET intends to promote a single product with the distributors as far as energy from renewable sources is concerned. After several years of absence, AET is once again represented on the Boards of Directors of Ofima and Ofible, thanks to the insight of the Council of State. This decision will allow AET to act in a constructive and proactive manner during an important phase of market liberalisation and will create synergies and direct contacts with the representatives of other major shareholding companies present in the higher bodies of both companies.

Collaboration with other active electricity players in Ticino and Switzerland

For AET it will be important to develop, improve and strengthen partnerships with other players (for example the Alpine cantons), active in Ticino and Switzerland, and with foreign partners with whom relations have long existed in the production, transportation and marketing of energy, to make the best possible use of all synergies.

With participation in the Lünen plant, AET has guaranteed its supply for the long term. At this point, initiatives to produce energy (electricity and heat) from renewable could be encouraged (particularly in Ticino). In this context, significant investments are expected, with the promotion of various technologies and initiatives.

Development of renewable energy and Cantonal Energy Plan guidelines

Within the updating of the corporate strategy, the guidance and policy choices that the Council of State and Local Parliament will adopt in the Cantonal Energy Plan will be taken into account, as well as energy policy guidelines which will be decided by the Confederation.

AET plans to increase its production share of renewable energy in Ticino and abroad, with investments in established projects that enjoy public support. Particular attention will be paid to the encouragement of photovoltaic and solar thermal systems, both by building our own facilities and through new forms of collaboration already under analysis, or through the development of technical services related to these technologies.

New initiatives must be followed and developed in the field of renewable energy, such as E-mobility, Smart metering and SmartGrid, and collaboration pursued with the University of Applied Sciences and Arts of Southern Switzerland (SUPSI), with the Canton and with other players in the area, to increase energy efficiency in general and promote environmentally-friendly initiatives.

Electricity production

Parco eolico del Gottardo and other wind farms outside of Ticino

AET plans to become the majority partner in the Gotthard wind farm and obtain permits to begin construction and make it operational at the earliest, actively cooperating with the municipality and the “patriziato” (patriciate) of Airolo, also related to the Gotthard project.

AET continues to value participation in wind farms in Switzerland and abroad, taking into consideration the technological, economic and market risks. In this context, possible collaboration with Swiss partners are being evaluated, for coordinated investments or consortia.

Hydroelectric plants

The design process for the Dalpe II hydroelectric plant is by now in its final phase, and further opportunities in the Canton will be evaluated.

As far as pump-turbine plants are concerned, operations for the construction of the Val d’Ambra II plant are continuing, as well as activities, together with AIL SA, to improve the Verzasca pump-turbine project.

Thermal energy

Within the context of investments in thermal energy and the distribution of gas and heat, AET plans to continue its assessment (in collaboration with its project partners) of the feasibility and economics of the “Oil-free Bodio” initiatives, district heating in northern Blenio and northern Leventina, as well as other opportunities that may arise.

Metanord SA plans to begin the construction of methane gas distribution networks towards the Bellinzona area, thus increasing the number of customers who will prefer gas, while reducing fuel-oil consumption. For the TERIS project, there are plans to obtain permits for the construction of the heat plant and the connection of the first customers, as well as plans to proceed with the distribution of heat as soon as possible. The development of TERIS and Metanord SA will have to be coordinated by AET, to obtain the best possible result for the environment, not to mention positive results for business.

In the field of geothermal energy, there are plans to pursue the feasibility studies and the seismic measurement campaigns in Ticino, to assess the existing local potential for such projects.

Conclusions

AET needs to develop projects in trade, energy production, power grid and distribution of gas and heat, according to the requirements set out by the law instituting AET and meeting the guidelines from the Cantonal Energy Plan. The objectives to reach are those defined by the proprietary Canton, developing cooperation between companies (not only electrical utilities) in the interests of the final customers and the economy of Ticino, favouring investments in renewable energy and energy efficiency, without overlooking the economic aspects.

Proposal for allocation of profit

The Board of Directors, in accordance with LAET Art. 18 (respectively CO Art. 671, paragraph 2) and LAET Art.19, proposes to allocate the profit as follows:

	CHF 1,000
Profit for the year 2009	13,812
+ profit carryover at the beginning of financial year	789
Retained earnings	14,601
./. to the State: 8% interest on the endowment capital	-3,200
./. devolution to the State	-10,000
Carryovers in the new financial year	1,401

On the basis of the documentation submitted we would therefore ask the State Council and the Grand Council, for ratification of:

- the Board of Directors management report for 2009;
- the financial statements for the year 2009;
- the proposal for allocation of profit;

and we suggest to grant the discharge to the management and the auditor's office for their management during 2009.



for the Board of Directors

Chairman

Fausto Leidi

Phonon 2000
Fornitura & Borse
Polo 270 MW

Financial statements



Balance sheet

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		31.12.2009	31.12.2008
	Notes	CHF 1,000	CHF 1,000
ASSETS			
Operating plants		119,528	137,555
Real estate		12,079	10,693
Plants under construction		53,496	57,363
Equipment and vehicles		2,133	1,329
Tangible fixed assets	1	187,236	206,940
Financial participations	2	68,144	69,673
Securities	3	19,806	19,806
Long-term advances to participations	4	104,560	48,005
Long-term loans and advances to third parties	5	7,665	12,487
Financial fixed assets		200,175	149,971
Intangible fixed assets	6	136,671	143,740
Total fixed assets		524,082	500,651
Receivables from the supply of energy	7	185,528	142,943
Other receivables		7,616	2,903
Other assets	8	19,697	21,476
Cash and cash equivalents	9	26,241	16,689
Total current assets		239,082	184,011
TOTAL ASSETS		763,164	684,662

		31.12.2009	31.12.2008
	Notes	CHF 1,000	CHF 1,000
LIABILITIES			
Endowment capital		40,000	40,000
General reserves		20,000	20,000
Special reserves		26,000	26,000
Reserves for plants renewal		25,000	25,000
Retained earnings		14,601	13,989
Total equity	10	125,601	124,989
Provisions	11	198,000	170,000
Bank loans	12	210,000	210,000
Customers advances		13,184	12,856
Long-term liabilities		223,184	222,856
Payables for the supply of energy	13	166,759	111,215
Short-term loans	14	20,933	30,398
Other payables	15	4,954	3,634
Other liabilities	16	23,733	21,570
Short-term liabilities		216,379	166,817
Total liabilities and provisions		637,563	559,673
TOTAL LIABILITIES		763,164	684,662

Income statement

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	Notes	2009 CHF 1,000	2008 CHF 1,000
Operating income			
Gross revenue	17	1,433,067	1,223,782
./. Standardised products revenue	18	-235,452	-470,463
Net revenue		1,197,615	753,319
Other operating income		12,242	9,884
Total operating income		1,209,857	763,203
Operating expenses			
Energy purchase	19	1,093,832	644,668
Personnel expenses	20	22,349	20,909
Services and material		5,680	5,742
Amortisation and depreciation for the year	21	20,441	17,074
State water fees		9,087	9,087
Municipal taxes and other contributions		1,852	1,879
Other operating expenses		9,082	6,269
Total operating expenses		1,162,323	705,628
Operating profit		47,534	57,575
Financial income		3,126	2,388
Financial expenses (-)		-8,346	-12,806
Non-operational income		28	108
Non-operational expenses (-)		-35	-20
Profit before extraordinary items		42,307	47,245
Extraordinary income	22	4,735	203
Extraordinary expenses (-)	23	-33,230	-34,405
Profit for the year		13,812	13,043

Cash flow statement

	2009	2008
	CHF 1,000	CHF 1,000
Cash and cash equivalents at the beginning of the financial period	16,689	27,976
Profit for the year	13,812	13,043
Depreciation on tangible fixed assets	9,248	7,790
Amortisation on intangible fixed assets	9,422	8,811
Amortisation on financial fixed assets	1,771	472
Extraordinary amortisation on financial fixed assets	2,000	–
Other extraordinary non cash costs	3,513	132
Profit on disposal of fixed assets	–4,525	–
Increase in provisions	28,000	34,000
CASH FLOW	63,241	64,248
Change in current assets (except cash and cash equivalents)	–45,519	–20,699
Change in short-term liabilities	56,927	13,115
Cash flow from operating activities	74,649	56,664
Net investments in tangible fixed assets	13,792	–36,146
Net investments in intangible fixed assets	4,747	–151,965
Net investments in financial fixed assets	–61,299	–49,738
Cash flow from investment activities	–42,760	–237,849
Interests on capital due to the State	–3,200	–3,200
Distribution of profit to the State	–10,000	–10,000
Short-term loans	–9,465	30,398
Long-term loans	328	152,700
Cash flow from financing activities	–22,337	169,898
Net change in cash and cash equivalents	9,552	–11,287
Cash and cash equivalents at the end of the financial period	26,241	16,689

Annex to the financial statements

The financial statements of Azienda Elettrica Ticinese (AET) have been prepared in accordance with the provisions of the Swiss Code of Obligations (CO): the notes comply with the requirements of article 663b CO.

Principles adopted for the preparation of the financial statements

The key accounting principles adopted by AET for the preparation of the financial statements are described below. These principles remained unaltered compared to those adopted for the previous financial period. The most important valuation rules are as follows:

Tangible fixed assets

Tangible fixed assets are recorded at their purchase or construction cost, taking into account the necessary technical-economic depreciation. Depreciation is computed on a straight-line basis, and the technical life of the assets generally accepted within the sector.

Land is not depreciated (it is written off in case of value impairment). Buildings are recorded at their purchase cost and depreciated consistently with the operating plants. Operating equipment is depreciated according to its useful life. Plants under construction are recorded in the financial statements based on construction costs, according to the stage of progress. No depreciation is applied during the construction phase (except where necessary) and interests are not capitalised. The minimum and maximum depreciation periods for each tangible fixed-asset category are as follows:

operating plants (civil engineering)	30 – 80 years
operating plants (electromechanical)	10 – 35 years
buildings	50 years
operating equipments	3 – 7 years

Financial fixed assets

Participations are recorded at their cost value, adjusted to reflect any permanent value impairment or in accordance with the principle of prudent accounting. Securities are valued at the lower of their historical cost, or available bank quotations, and are classified as fixed assets, since they are considered to be long-term investments. Long-term advances in foreign currency are converted at year-end exchange rates, if these are lower than the historical exchange rates.

Intangible fixed assets

Transit rights are rights acquired to dispatch energy on lines owned by third parties. Amortisation is calculated according to the contractual agreements on the technical life of the plants. Other intangible fixed assets are valued at their purchase price amortised on a straight-line basis according to their useful life.

Receivables from the supply of energy and other receivables

Receivables are recorded in the financial statements at their face value, taking into account potential losses. Foreign currency receivables are converted at the year-end exchange rates.

Other assets

Foreign currency balances are converted at year-end exchange rates.

Other assets include spare parts (completely depreciated), as well as work in progress on construction sites, conducted on behalf of external customers.

Cash and cash equivalents

Cash and cash equivalents are recorded in the financial statements at their nominal value and include cash, post and bank accounts as well as term deposits with banks with duration of less than three months.

Provisions

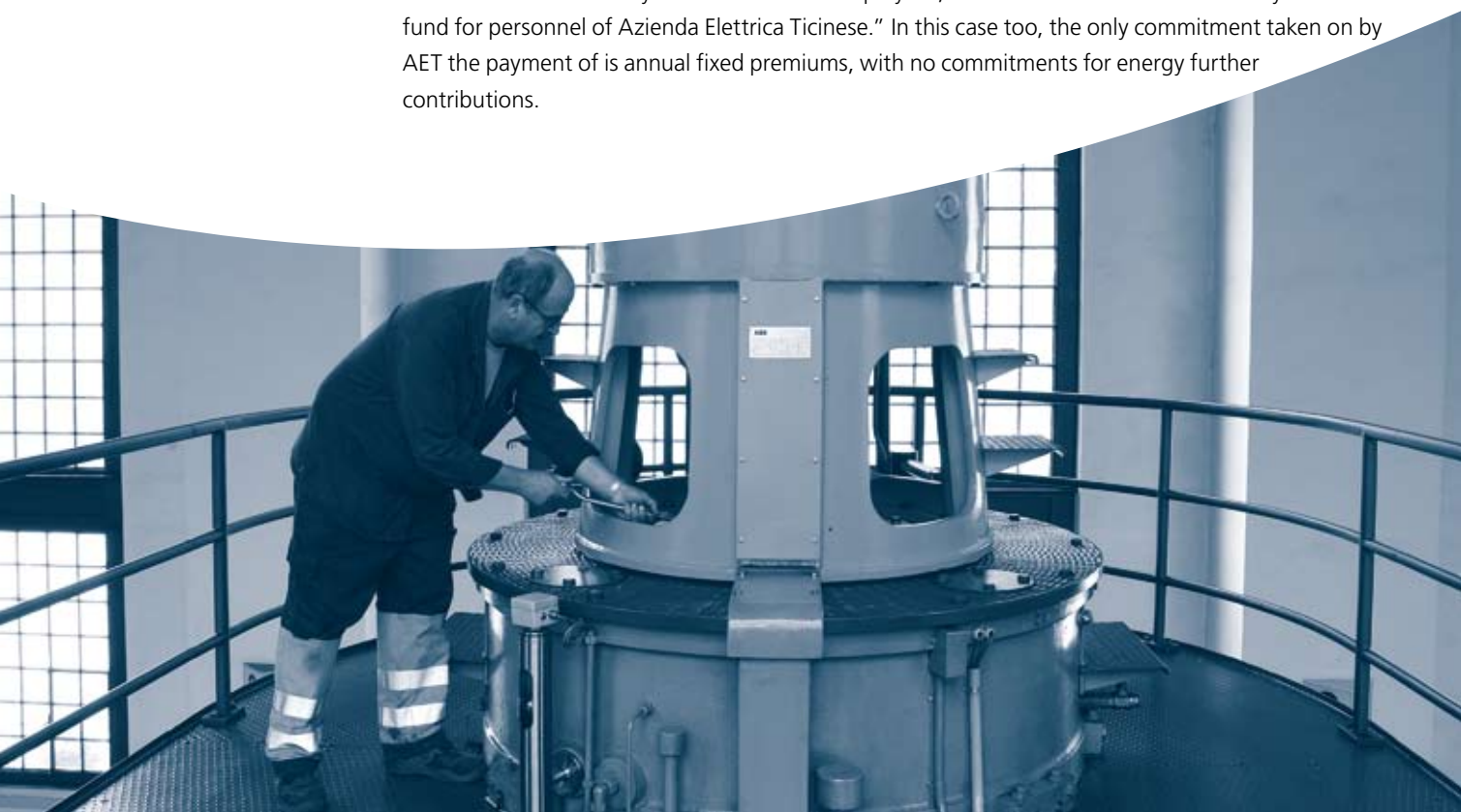
Provisions are deemed to cover third-party claims, whose timing and amount are not exactly quantifiable. These also include a position against energy procurement costs in case of unfavourable market development.

Short-term liabilities

All liabilities are recorded at nominal value and are short-term (maturity of less than 12 months). Liabilities in foreign currency are converted at year-end exchange rates.

Pension fund

Azienda Elettrica Ticinese is affiliated to a multi-employer pension fund together with other companies operating in the energy sector. This is an independent insurance institution structured on the basis of a defined benefit plan. All employees employed by the company are members of this institution from the 1st January following their 17th birthday: they are insured against death and disability risks. From the 1st January following their 24th birthday they also have a pension coverage for retirement. AET pays fixed premiums and has no commitments for further contributions: consequently, the company does not bear any risk and the pension fund scheme can be considered a defined contributions plan. In order to facilitate early retirement for its employees, AET is also affiliated to the "Early retirement fund for personnel of Azienda Elettrica Ticinese." In this case too, the only commitment taken on by AET is the payment of annual fixed premiums, with no commitments for further contributions.



Notes to the financial statements

1 Tangible fixed assets

	Operating plants	Real estate	Plants under construction	Operating equipments	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost value at 31.12.2008	456,883	19,040	57,363	7,809	541,095
Carryovers	24,567	2,586	-27,153	-	-
Investments	127	-	23,286	1,474	24,887
Disposals	-65,509	-	-	-154	-65,663
Cost value at 31.12.2009	416,068	21,626	53,496	9,129	500,319
Accumulated depreciation 31.12.2008	-319,328	-8,347	-	-6,480	-334,155
Carryovers	916	-916	-	-	-
Depreciation	-8,294	-284	-	-670	-9,248
Disposals	30,166	-	-	154	30,320
Accumulated depreciation 31.12.2009	-296,540	-9,547	-	-6,996	-313,083
Balance sheet value at 31.12.2008	137,555	10,693	57,363	1,329	206,940
Balance sheet value at 31.12.2009	119,528	12,079	53,496	2,133	187,236

The insured value of tangible fixed assets against fire risk amounts to CHF 454 million at 01.01.2010 (CHF 424 million at 01.01.2009).

2 Financial participations

	CHF 1,000
Cost values at 31.12.2008	71,862
Carryovers ¹	-4,276
Investments	6,693
Disposals	-175
Cost values at 31.12.2009	74,104
Accumulated depreciation 31.12.2008	-2,189
Carryovers	-
Amortisations	-3,771
Disposals	-
Accumulated depreciation 31.12.2009	-5,960
Balance sheet values at 31.12.2008	69,673
Balance sheet values at 31.12.2009	68,144

¹ TPWB reclassified from "Financial participations" to "Long-term loans and advances to third parties"

Please refer to the attached consolidated financial statements for further disclosure.

		Capital	% of capital	31.12.2009	31.12.2008
				CHF 1,000	CHF 1,000
TKL GmbH&Co. KG	EUR	147,944,200	15.84%	36,155	37,769
KW Mattmark AG (via EGL)	CHF	90,000,000	8.41%	12,901	13,058
AKEB	CHF	90,000,000	7.00%	6,300	6,300
AET NE1 SA	CHF	4,000,000	100.00%	4,000	100
Metanord SA	CHF	11,334,000	29.42%	3,085	3,085
Airlight Energy Holding SA	CHF	12,500,000	18.05%	2,636	1,900
Senco Holding SA	CHF	150,000	50.00%	1,069	1,032
SPE Società per Partecipazioni Energetiche SA	CHF	1,000,000	100.00%	1,000	1,000
Calore SA	CHF	2,000,000	48.90%	978	978
Parco eolico del San Gottardo SA	CHF	100,000	20.00%	20	–
ZET Zimmerli Energie-Technik AG in liquidation	CHF	200,000	100.00%	–	–
Tele Ticino SA	CHF	4,950,000	11.03%	–	–
Geopower Basel AG	CHF	6,136,000	4.76%	–	–
Swisshydro AG	CHF	500,000	0.00%	–	175
TPWB GmbH&Co. KG ¹	EUR	52,500,000	0.00%	–	4,276
				68,144	69,673

¹ TPWB reclassified from "Financial participations" to "Long-term loans and advances to third parties"

TKL GmbH & Co. KG, Aachen (D): CHF 36,154,709 (31.12.2008: CHF 37,768,893)

Participation of 15.84% (share calculated on rated output of plant) in the share capital of EUR 147,944,200, taken up in 2006. In the event of a loss, each partner will be charged a proportional share of the loss recorded for the year, which is entered in the income statement under depreciation and amortisation, for either the year in which it accrues or the following year.

Kraftwerke Mattmark AG, Saas Grund: CHF 12,901,000 (31.12.2008: CHF 13,058,000)

Sub-Participation through Elektrizitäts-Gesellschaft Laufenburg AG, for an 8.41% quota of the share capital of CHF 90 million, taken up in 2003. The purchase has been approved by decision of the Grand Council of the Canton Ticino (message 5309 of 26.11.2002).

The difference between the historical cost of the sub-holding (CHF 14,000,000) and the face value of the equity interest (CHF 7,569,000) is amortised on a straight-line basis over the period of concession (01.10.2002 – 30.09.2043).

AKEB Aktiengesellschaft für Kernenergie-Beteiligungen, Lucerne: CHF 6,300,000 (unchanged)

Participation of 7% in the share capital of CHF 90 million (investment dating back to 1973).

AET NE1 SA, Bellinzona: CHF 4,000,000 (31.12.2008: CHF 100,000)

100% participation in the share capital of CHF 4,000,000. In 2009 AET sold its level 1 plants of the national electric grid to this company, in accordance with the terms down by the Federal Law dealing

with the procurement of electric energy (LAEL) and the related decree. At a later date (within five years from the effective date of the LAEL) these plants will be brought into the new company of the national electric grid.

Metanord SA, Bellinzona: CHF 3,085,430 (unchanged)

Participation of 29.42% (unchanged) in the share capital of CHF 11,334,000 (initial investment dating back to 2002). Metanord SA is planning investments of around CHF 120 million, to be funded through increases in the share capital and bank loans. AET will participate through direct loans and guarantees of up to CHF 35 million, in accordance with the legislative decree dated 18th October 2006 (commitment substantially unchanged from 31.12.2008).

Airlight Energy Holding SA, Biasca: CHF 2,636,200 (31.12.2008: CHF 1,900,000)

Participation of 18.05% (19% as at 31.12.2008) in the share capital of CHF 12,500,000 (face value CHF 2,256,200), taken up with effect from 2007. The initial investment of CHF 400,000 included a 100% goodwill (CHF 400,000) paid into company reserves.

Senco Holding SA, Locarno: CHF 1,069,167 (31.12.2008: CHF 1,031,667)

During the financial year the participation remained unchanged at 50% of the share capital of CHF 150,000. The original participation dates back to 1998. The increase in historical cost concerns a second share goodwill paid to the company promoters. Once further contractually set goals have been achieved, the shareholders will have to pay the promoters of Senco Holding SA another goodwill, which for AET is amount to CHF 312,500 (as at 31.12.2008: CHF 350,000).

SPE Società per Partecipazioni Energetiche SA, Bellinzona: CHF 1,000,000 (unchanged)

100% participation and domiciled at AET's head office, taken up in 2006. For reasons connected with foreign tax liability, AET has transferred all foreign participations into this company.

Calore SA, Locarno: CHF 978,000 (unchanged)

Participation of 48.9% (unchanged) in the share capital of CHF 2 million, dating back to 1996. In 2008, as part of a collaboration agreement, we sold a further four shares (at par) to another shareholder.

Parco eolico del San Gottardo SA, Airolo: CHF 20,000 (new)

Participation of 20% (new) in the share capital of CHF 100,000. AET plans to increase its shareholding in the Parco eolico del San Gottardo SA, acquiring a shareholding currently held by RENInvest SA (80% shareholder as of 31.12.2009).

ZET Zimmerli Energie-Technik AG in liquidation, Zofingen: CHF 1 (new)

Participation of 100% (new) in the share capital of CHF 200,000. AET has renounced the restructuring of the subsidiary, which is burdened with excessive indebtedness to ensure its future. The company is in liquidation.

Tele Ticino SA, Melide: CHF 1 (unchanged)

Participation of 11.03% in the share capital of CHF 4,950,000, dating back to 2000. The historical cost of the investment (CHF 546,000) was written down to CHF 1, in keeping with the principle of prudent accounting.

Geopower Basel AG, Basel: CHF 1 (unchanged)

Participation of 4.76% in the share capital of CHF 6,136,000, taken up in 2005. In application of the principle of prudent accounting, both the historical cost of the participation (CHF 200,000 in 2006 and CHF 92,000 in 2007) and the advance granted were depreciated to CHF 1.

The shareholders of Geopower Basel AG drew up an agreement committing them to pay in the necessary funds to the company, both in the form of capital increases and in the form of loans: as at 31.12.2009 AET had no residual commitments (unchanged).

Swisshydro AG, Poschiavo: transferred participation in 2009 (31.12.2008: CHF 175,000)

The participation of 35% on 31.12.2008 was sold in November 2009. Against a historical price of CHF 175,000 an extraordinary net profit of CHF 140,000 was achieved, recorded under "Extraordinary income."

For further information, please refer to the group consolidated statement.

3 Securities

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Renewable Energy Investments SPC (Grand Cayman)	19,806	19,806

The amount consists of the subscription cost of 1274 shares of EUR 10,000, at historical cost of purchase without recording exchange rate fluctuations.

Renewable Energy Investments SPC (REI) is an independent company, used as a financial vehicle to collect the funds necessary to finance the construction and management of wind power plants promoted by PurEnergy and RENInvest.

4 Long-term advances to participations

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA, Bellinzona	95,747	46,808
AET NE1 SA, Bellinzona	6,537	–
Geopower Basel AG, Basel	2,628	2,628
– Provision for the advance to Geopower Basel AG	–2,628	–2,628
Metanord SA, Bellinzona	1,580	367
CEL Cerentino SA, Cerentino	536	570
Senco Holding SA, Locarno	150	150
CEL Campo Vallemaggia SA, Campo	10	110
Total	104,560	48,005

The advance to Geopower Basel AG (subordinated for the amount of CHF 2.6 million) has been written down to CHF 1, in application of the principle of prudent accounting. Geopower Basel AG is still inactive, for an indefinite period. Following the increase of the participation in Senco Holding SA, which in turn owns participation in CEL Cerentino SA and CEL Campo Vallemaggia SA, the latter two companies joined the group's companies. The interest-free loan to CEL Cerentino SA has been approved through a resolution by the Grand Council of Canton Ticino (memorandum 5396), as was a previous similar loan to CEL Campo Vallemaggia SA (memorandum 5082).

The advance to Metanord is subordinated for the amount of CHF 1 million.

In respect of the loans granted to SPE Società per Partecipazioni Energetiche SA, CHF 15 million subordinated credits was granted (31.12.2008 CHF 15 million).

The advance of AET to SPE allowed it to finance its activities, thereof in particular:	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
CMC MeSta	34,616	9,746
AET CoGen	20,722	–
CEG and sub-participations	17,272	17,590
Other fixed and current assets	18,143	20,952
Cash and cash equivalents	6,079	137
Total SPE assets	96,832	48,425

5 Long-term loans and advances to third parties

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
EGL Laufenburg AG	4,709	5,694
TPWB GmbH&Co. KG ¹	2,864	–
Trianel European Energy Trading GmbH ²	–	6,052
Advances to installations' suppliers	92	741
Total	7,665	12,487

¹ TPWB reclassified from "Financial participations" to "Long-term loans and advances to third parties"

² TEET reclassified from "Long-term loans and advances to third parties" to "Intangible fixed assets"

Elektrizitäts-Gesellschaft Laufenburg AG: EUR 3,181,636 (31.12.2008: EUR 3,848,302)

Advance in EUR over 15 years, within the scope of an agreement for the supply of energy to Italian customers.

TPWB GmbH & Co. KG: EUR 1,931,310 (31.12.2008: EUR 2,625,000)

Advance in EUR reserved for the first payment of the equity of the company, which plans to develop and build an offshore wind farm in northern Germany. Due to technical and financial uncertainties in the project, AET decided to opt out of the initiative: the repayment of the advance is due in instalments, starting from the end of 2010.

6 Intangible fixed assets

	Operating licences	Other rights	Capitalised expenses	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost values at 31.12.2008	2,975	151,965	93	155,033
Carryovers ¹	–	7,028	–	7,028
Investments	3,375	–	–	3,375
Disposals	–2,435	–7,410	–	–9,845
Cost values at 31.12.2009	3,915	151,583	93	155,591
Accumulated amortisation 31.12.2008	–2,532	–8,745	–16	–11,293
Carryovers ¹	–	–977	–	–977
Amortisation	–59	–9,359	–4	–9,422
Disposals	2,216	556	–	2,772
Accumulated amortisation 31.12.2009	–375	–18,525	–20	–18,920
Balance sheet values at 31.12.2008	443	143,220	77	143,740
Balance sheet values at 31.12.2009	3,540	133,058	73	136,671

¹ TEET reclassified from "Long-term loans and advances to third parties" to "Intangible fixed assets"

7 Receivables from the supply of energy

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Ticino's distributors and industries	48,686	34,412
State of Canton Ticino	572	596
Other clients in Switzerland	15,943	19,022
Foreign clients	120,327	88,913
Total	185,528	142,943

The balance includes receivables in foreign currency for the sum of EUR 91 million (EUR 73 million as at 31.12.2008).

8 Other assets

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Advances for capacity auction at the frontier	1,281	7,083
Energy to be invoiced	11,864	6,965
Works in progress	1,453	1,839
Short-term advance	989	986
Other	4,110	4,603
Total	19,697	21,476

The short-term advance relates to the repayment to be made by Elektrizitäts-Gesellschaft Laufenburg AG (EGL) within 12 months. The remainder of the advance is recorded under financial fixed assets. "Other" includes advanced ordinary operating expenses, which relate to the first months of the following financial year.

9 Cash and cash equivalents

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Balances in CHF	7,082	3,571
Balances in foreign currency (at the end of year equivalent)	19,159	13,118
Total	26,241	16,689

The entire amount is freely available, with the exception of the sum of CHF 2,669,760 (CHF 3,403,080 as at 31.12.2008), deposited as security into a foreign bank account to cover transactions on the Austrian and German markets. Cash and cash equivalents are held in current accounts (no amounts are held in short-term deposits).

10 Equity

	Endow- ment capital	General reserves	Special reserves	Reserves for plants renewal	Retained earnings	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Equity 31.12.2007	40,000	20,000	26,000	25,000	14,147	125,147
Interest to the State	–	–	–	–	–3,200	–3,200
Allocation to the State	–	–	–	–	–10,000	–10,000
Profit for 2008	–	–	–	–	13,042	13,042
Equity 31.12.2008	40,000	20,000	26,000	25,000	13,989	124,989
Interest to the State	–	–	–	–	–3,200	–3,200
Allocation to the State	–	–	–	–	–10,000	–10,000
Profit for 2009	–	–	–	–	13,812	13,812
Equity 31.12.2009	40,000	20,000	26,000	25,000	14,601	125,601



	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Market risks and energy purchases	66,000	66,000
Plants reversions	97,000	69,000
Loss risks in participations and securities	20,000	20,000
Promotion of alternative energy sources	3,000	3,000
Other	12,000	12,000
Total	198,000	170,000

The provision for reversions was increased by CHF 28 million in view of the expiration of licences granted to third parties and the intention to take over the related plants.

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Dexia Crédit Local (Dublin), 10.01.2028, 3.4600% ¹	150,000	150,000
Dexia Crédit Local (Dublin), 01.06.2022, 3.1425%	25,000	25,000
Zürcher Kantonalbank, bank's bond, 18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank, bank's bond, 02.06.2016, 3.375%	15,000	15,000
Total	210,000	210,000

¹ Repayments dates: CHF 50 million on 10.01.2018, CHF 50 million on 10.01.2023, CHF 50 million on 10.01.2028

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Ticino's distributors	12,731	359
Swiss suppliers	41,249	33,292
Foreign suppliers	112,779	77,564
Total	166,759	111,215

The balance includes payables in foreign currency for EUR 99.1 million (EUR 70.4 million as at 31.12.2008).

14 Short-term loans

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Loans from financial institutions, in CHF	15,000	23,000
Loans from financial institutions, in foreign currency	5,933	7,398
Total	20,933	30,398

15 Other payables

The balance includes a debt of CHF 310,000 for social security contributions (as at 31.12.2008: CHF 251,000).

16 Other liabilities

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Accruals for energy purchase	10,746	9,054
Personnel expenses	2,545	2,619
Finance expenses	6,273	6,148
Other liabilities	4,169	3,749
Total	23,733	21,570

17 Gross revenue

	2009	2008
	CHF 1,000	CHF 1,000
Markets outside Ticino	1,221,406	1,041,192
Ticino distributors and other clients	168,794	171,209
Canton Ticino State services	2,159	3,613
Third party transit on AET lines and commissions	40,708	8,720
Decrease in revenues	–	–952
Total	1,433,067	1,223,782

The revenue figure “markets outside Ticino” includes sales with standardised products (see next item).

18 Standardised products revenue

	2009	2008
	CHF 1,000	CHF 1,000
./. standard products revenue	–235,452	–470,463

The volume of CHF 235.5 million (CHF 470.5 million in 2008) corresponds to the cost of standardised products sold during the financial period. These involve energy buying and selling transactions carried out on the market, as well as exchanges of energy agreed bilaterally with one or two counterparts.

19 Energy purchase

	2009	2008
	CHF 1,000	CHF 1,000
Purchases outside of Ticino, net	976,024	557,439
Purchases from participations	64,975	53,049
Other purchases in Ticino	6,659	3,607
Transit along third-parties power lines	46,174	30,573
Total	1,093,832	644,668

“Purchases from participations” also includes energy from participations held by Canton Ticino State (Officine idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Verzasca SA).

20 Personnel expenses

	2009	2008
	CHF 1,000	CHF 1,000
Salaries and other compensation	18,322	16,816
Social contributions	3,772	3,552
Other expenses	456	704
Recoveries from insurance companies	-201	-163
Total	22,349	20,909

"Other expenses" mainly includes travelling expenses and education costs.

	31.12.2009	31.12.2008
Company employees (situation at the end of the year):		
Permanent employees	190	176
Temporary auxiliary employees ¹	2	2
Apprentices	11	11
Total	203	189

¹ Auxiliary staff does not include cleaning personnel

21 Amortisation and depreciation for the year

	2009	2008
	CHF 1,000	CHF 1,000
Amortisation and depreciation on fixed assets		
– tangible	9,248	7,791
– intangible	9,422	8,811
– financial	1,771	472
Total	20,441	17,074

22 Extraordinary income

Extraordinary income mainly refers to capital gains on the disposal of fixed assets: CHF 2.9 million relate to the sale of plants and rights to AET NE1 SA, while CHF 1.04 million refer to sales to CMC MeSta SA. The remaining is composed of other minor items.

23 Extraordinary expenses

	2009	2008
	CHF 1,000	CHF 1,000
Provision for reversions of power plants	28,000	14,000
Depreciation of ZET participation	2,000	–
Loss on TPWB advance	1,130	–
Loss on ZET positions	600	–
Provision for loss risks on participations and securities	–	20,000
Other	1,500	405
Total	33,230	34,405

24 Complementary information

Guarantees and other commitments in favour of third parties	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Guarantees	88,373	75,963
Other commitments	313	4,950

The guarantees, issued to foreign financial institutions, cover loans granted to the following affiliate companies:

- CEG Srl (Gavirate) and subsidiaries: EUR 46.4 million (EUR 46.4 million as at 31.12.2008),
- AET Italia Srl: EUR 9.5 million (EUR 2.4 million as at 31.12.2008),
- AET Idronord Srl: EUR 2.0 million (EUR 2.5 million as at 31.12.2008),
- AET CoGen Srl: EUR 1.6 million (new).

Other commitments, commitments to take over participations:

- Senco Holding SA: residual commitment in favour of former shareholders, for a maximum amount of CHF 312,500 (CHF 350,000 as at 31.12.2008)
- ZET Zimmerli Energie-Technik AG in liquidation: considering to the liquidation of the company, the commitments made in 2008 are considered lapsed (2008: commitment to buy ZET for a maximum amount of CHF 4.6 million)

Subsequent events

Financial year 2009: no significant events.

Financial year 2008: no significant events.

Total sum of guarantees issued by third parties in favour of AET

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Guarantees issued by third parties in favour of AET	17,967	12,819

The guarantees have been issued by AET's corresponding banks, in favour of our commercial counterparts.

Guidelines on performing risk assessment

During the past two financial years, risk assessment has been a central theme of the Board of Directors. During 2008, an analysis performed by external experts provided the necessary information to adapt the company organisation (still in consolidation).

Risk management officer was hired at the end of 2008 and a further team employee in 2009. The risk management officer reports directly to the Management and to the Board of Directors, participating in related committee meetings.

The Board of Directors and the Management pay particular attention to the assessment and management of risk and to the resources necessary to meet industry standards. To improve the management and assessment of market risks, a new software is under implementation. At the same time, the systematic management of all risks is being prepared, to be included in the company management concept.

From the financial point of view, one of the biggest risks is the weather, since most of the production facilities are located in Ticino. The level of energy prices on the international markets is another of the main factors of success, and also of risk, as security of supply and the sale of surplus production of AET's flowing hydro power plants depends on the market prices. There are also financial risks in the subsidiaries, especially those that build new power plants.

The trading on electricity markets involves the exposure of AET with considerable amounts owed to counterparties. AET trades mainly with large electricity companies in Switzerland, compared to bordering countries. Limits have been set for each counterpart, depending on the assessment of their financial strength. Nevertheless, in this respect, AET is exposed to counterparty risk.

Reclassifications

Accounting reclassifications made are disclosed in the notes to the financial statements. The financial statements for the previous year have not been restated.

Contingent liabilities

In the context of its trading activity, at year-end AET had no open positions other than those to fulfil the energy needs of the Canton Ticino.

In respect of commitments towards affiliates or their promoters, please refer to the comments regarding Metanord SA.

Leasing commitments

At the end of the year AET had commitments for CHF 58,538 (new).

There are no further facts subject to mandatory disclosure according to art. 663b of the Swiss Code of Obligations.

To the Grand Council of the Canton of Ticino
via the State Council
6500 Bellinzona

Bellinzona, 10 June 2010

Mr President,
Dear Councillors

in our capacity as Auditors, in accordance to the "Law setting up the Azienda Elettrica Ticinese", we have conducted our audit procedures on the financial statements for the financial year 2009.

We have taken note of the report and of the relative proposal for allocation of profit and of the minutes of the Board of Directors and have reviewed the corresponding financial statements entries. We also have performed sample reviews, ascertaining the correctness of the positions and of the information in the financial statements.

We have also reviewed the Auditors' report dated 4 May 2010 issued by Ernst & Young SA, Lugano, which performed its audit in accordance with art. 727b and art. 729a of the Swiss Code of Obligations.

Based on our audit, we have ascertained that:

- the financial statements (consisting of the balance sheet, the income statement, the annex and the cash flow statement) which have been submitted to us and proposed for publication, agree with the entries of the financial accounting;
- the financial accounting was kept properly;
- the proposal of the Board of Directors, regarding the allocation of the profit, abides by the provisions of art. 18 and 19 of the "Law setting up Azienda Elettrica Ticinese".

We have taken note of the consolidated financial statements of the AET group, certified by Ernst & Young SA with its report dated 4 May 2010.

Based on these considerations, we propose you to:

- approve the financial statements for the year 2009, closing with a profit for the year of CHF 13,812,431;
- accept the proposal for the allocation of the profit elaborated by the Board of Directors

The auditors, as per their report dated 4 June 2009, recommend the company to prepare its financial statements starting from the financial year 2010 not only in accordance with the provisions of art.18 of the "Law setting up Azienda Elettrica Ticinese" but also in accordance with the Swiss GAAP FER accounting standards, in order to better adhere to the "true and fair view" principle. In this context it is appropriate to bring to your attention the necessity – arising as direct consequence of the proposed adoption of the Swiss GAAP FER accounting standards – to promote an **amendment of the art. 19 of the "Law setting up Azienda Elettrica Ticinese"**, in order to grant – without further hitches – the long term self financing of the company.

In conclusion, with exception to the acquisition of AET CoGen S.r.l., whose valuation depends on future developments which at the current stage cannot yet be assessed with precision, we propose you to discharge the Board of Directors and the Executive Committee for their management during 2009.

The auditors:

Avv. Aron Camponovo



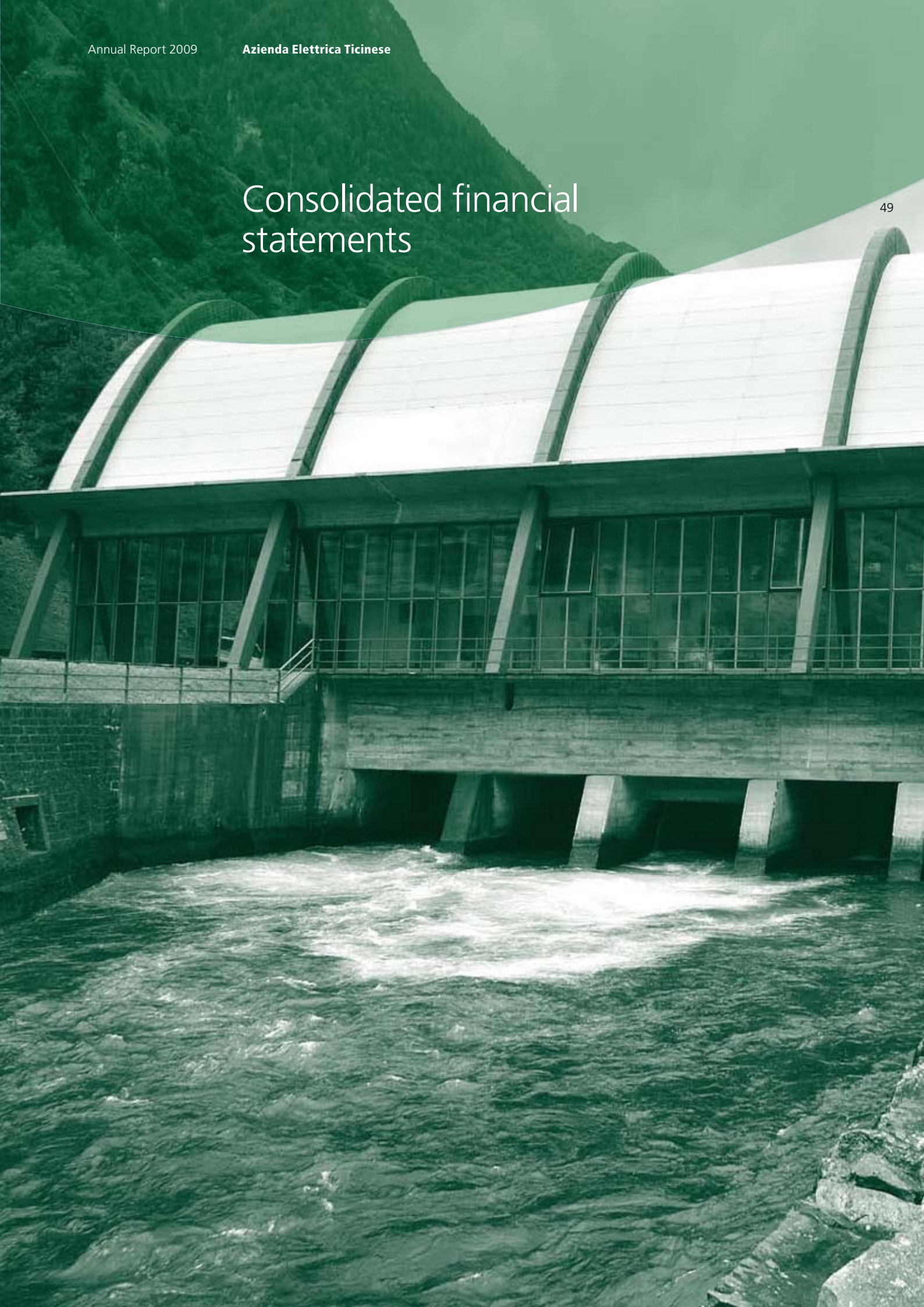
Sergio Gianini



Gianluigi Piazzini



Consolidated financial statements



Consolidated balance sheet

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		31.12.2009	31.12.2008
		CHF 1,000	CHF 1,000
ASSETS			
	Notes		
Lands and buildings		15,503	11,433
Operating plants		138,420	169,623
Equipment and vehicles		2,378	1,482
Plants under construction and advances		73,397	83,526
Tangible fixed assets	2	229,698	266,064
Securities	3	19,806	19,806
Participations in associated companies	4	18,844	4,810
Other participations	5	58,452	63,632
Long-term financial assets	6	44,779	16,484
Financial fixed assets		141,881	104,732
Goodwill	7	331	496
Other intangible fixed assets	8	142,945	149,562
Intangible fixed assets		143,276	150,058
Total fixed assets		514,855	520,854
Inventory		5,749	4,677
Receivables from supplies and services	9	206,105	144,571
Other receivables	10	22,446	31,995
Accrued income and prepaid expenses	11	21,639	19,994
Cash and cash equivalents	12	39,735	17,679
Total current assets		295,674	218,916
TOTAL ASSETS		810,529	739,770

		31.12.2009	31.12.2008
	Notes	CHF 1,000	CHF 1,000
LIABILITIES			
Endowment capital		40,000	40,000
Conversion differences		166	125
Retained earnings		78,729	86,862
Equity attributable to AET		118,895	126,987
Minority interests		4,038	-3,198
Total equity		122,933	123,789
Provisions	13	189,272	167,741
Financial debt	14	228,338	218,369
Customers' advances	15	13,240	12,900
Long-term liabilities		241,578	231,269
Payables for the supply of energy	16	185,422	149,853
Short-term loans	17	21,365	37,389
Other payables	18	20,613	7,308
Deferred income and accrued expenses	19	29,346	22,421
Short-term liabilities		256,746	216,971
Total liabilities and provisions		687,596	615,981
TOTAL LIABILITIES		810,529	739,770

Consolidated income statement

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		2009	2008
	Notes	CHF 1,000	CHF 1,000
Operating income			
Gross revenue	20	1,462,004	1,223,782
./. Standardised products revenue	20	-235,452	-470,463
Net revenue	20	1,226,552	753,319
Other operating income	21	49,734	59,783
Total operating income		1,276,286	813,102
Operating expenses			
Energy purchase	22	1,113,136	644,567
Personnel expenses	23	23,254	21,336
Material, fuel and services expenses		43,407	55,383
Depreciation of tangible fixed assets	2	10,485	8,487
Amortisation of other intangible fixed assets	8	9,961	9,219
Amortisation of goodwill	7	204	196
Other operating expenses	24	27,337	21,170
Total operating expenses		1,227,784	760,358
Operating profit			
		48,502	52,744
Financial income	25	3,612	2,320
Financial expenses (-)	26	-9,902	-15,880
Costs/income from participation in associated companies (+/-)	4	187	-221
Depreciation financial fixed assets (-)	27	-1,991	-604
Non-operational income		160	108
Non-operational expenses (-)		-35	-20
Profit before extraordinary items		40,533	38,447
Profit from alienation of tangible fixed assets		1,507	27
Profit from alienation of participations	28	33	140
Extraordinary income		3,666	381
Extraordinary expenses (-)	29	-33,656	-32,693
Profit before taxes		12,083	6,302
Taxes		333	-7
Net profit of the Group		12,416	6,295
Minority interests		-7,412	7,372
AET's net profit (of the year)		5,004	13,667

Consolidated cash flow statement

	2009	2008
	CHF 1,000	CHF 1,000
Cash and cash equivalents at the beginning of the financial period	17,679	31,304
Net profit of the Group	12,416	6,295
Depreciation and amortisation	20,650	17,902
Amortisation of financial fixed assets, extraordinary part included	5,121	604
Income from participations in associated companies	-187	221
Profit from alienation of tangible fixed assets	-1,507	-27
Profit from alienation of participations	-33	-140
Increase in provisions	21,531	31,741
Consolidated CASH FLOW	57,991	56,596
Change in current assets (except cash and cash equivalents)	-69,400	-38,066
Change in short-term liabilities	55,676	47,234
Cash flow from operating activities	44,267	65,764
Net investments in tangible fixed assets	19,694	-69,322
Net investments in intangible fixed assets	1,746	-152,936
Variations of the consolidation's scope of participations consolidated with the full consolidation method, net of cash	-75	-37
Net investments in financial fixed assets	-24,566	-31,327
Cash flow from investment activities	-3,201	-253,622
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-10,000	-10,000
Short-term loans	-16,024	34,767
Long-term loans	10,212	152,936
Cash flow from financing activities	-19,012	174,503
Net change in cash and cash equivalents	22,054	-13,355
Conversion differences on cash and cash equivalents	2	-270
Cash and cash equivalents at the end of the financial period	39,735	17,679

Change in the consolidated equity

The table below shows the change in the consolidated shareholder's equity for the financial years ending on 31 December 2008 and 31 December 2009:

	Endow- ment capital	Conversion differences	Retained earnings	Equity at- tributable to AET	Minority interests	Total equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Balances at 01.01.2008	40,000	567	86,237	126,804	4,214	131,018
Interest on capital due to the State	–	–	–3,200	–3,200	–	–3,200
Distribution of profit to the State	–	–	–10,000	–10,000	–	–10,000
Conversions differences	–	–442	314	–128	–56	–184
Change in the consolidation scope	–	–	–156	–156	16	–140
Net profit	–	–	13,667	13,667	–7,372	6,295
Balances at 01.01.2009	40,000	125	86,862	126,987	–3,198	123,789
Interest on capital due to the State	–	–	–3,200	–3,200	–	–3,200
Distribution of profit to the State	–	–	–10,000	–10,000	–	–10,000
Conversions differences	–	41	63	104	–176	–72
Net profit	–	–	5,004	5,004	7,412	12,416
Balances at 31.12.2009	40,000	166	78,729	118,895	4,038	122,933

Annex to the consolidated financial statements

1 Principles for the preparation of the consolidated financial statements

AET Azienda Elettrica Ticinese, Bellinzona ("the Parent Company") prepared its first group financial statements for the year closing on 31 December 2006.

The AET consolidated financial statements have been prepared by combining the values taken from the statutory financial statements of the individual companies included in the consolidation scope and by making the necessary consolidation entries in order to eliminate the intragroup balances and transactions.

1.1 Consolidation principles

1.1.1 Companies consolidated using the full consolidation method

The AET consolidated financial statements include, in addition to the Parent Company's financial statements, the financial statements converted into CHF of the following Swiss and foreign companies directly or indirectly controlled by AET ("the Group"), consolidated on a line-by-line basis, using the full consolidation method:

	Currency	Nominal capital	Owned by	% of voting rights	% of capital
Participation*					
AET NE1	CHF	4,000,000	AET	100	100
SPE	CHF	1,000,000	AET	100	100
AET CoGen	EUR	100,000	SPE	100	100
AET Italia	EUR	20,000	SPE	100	100
CEG	EUR	100,000	SPE	50	50
Idronord	EUR	1,000,000	SPE	90	90
Quadra	EUR	20,000	SPE	50	50
BEG	EUR	100,000	CEG	50	50
BEO	EUR	50,000	CEG	100	100

* For the full company name, registered office address and object of the affiliated companies, please refer to the Appendix (note 31)

In 2009 AET NE1 and AET CoGen were consolidated for the first time. Furthermore, CMC and CMC MeSta, were deconsolidated because of their sale to Nord Energia, expected for the first half of 2010.

The participations SPE, Idronord, AET NE1, AET CoGen and AET Italia are controlled by AET, respectively by SPE, through the ownership of majority voting rights.

Through its effective management control, SPE controls Quadra and CEG (which in turn controls BEO and BEG), although it owns just a 50% participation.

All the affiliated companies closed their financial year on 31 December 2009.

For participations in which AET and SPE do not own 100% of the capital, the percentage of the share capital and the economic result of the participated companies pertaining to minority shareholders is shown separately under the appropriate captions in the consolidated balance sheet and the consolidated income statement. The shareholder's equity at the time of the purchase is eliminated against the purchase cost of the participation; any resulting positive difference is treated as goodwill, accounted and amortised over a period of five years. Transactions between companies in the Group took place subject to market conditions ("at arm's length"). All significant balances and transactions between the companies in the Group are eliminated in the consolidation process.

1.1.2 Companies valued using the equity method

The shares owned in the following associated companies, over which AET has significant influence but which it does not control, are recorded in AET's consolidated financial statements using the equity method (recording the share of shareholder's equity and net profit, with neutral treatment of the differences attributable to exchange rate fluctuations).

As for the companies consolidated using the full consolidation method, the shareholder's equity at the time of the purchase is compared with the purchase cost of the participation; any resulting positive difference is treated as goodwill, accounted and amortised over a period of five years.

The shareholding into Swisshydro was disposed of in 2009. Therefore this participation is no longer included in the group financial statements.

	Currency	Nominal capital	Owned by	% of voting rights	% of capital
Participation*					
Calore	CHF	2,000,000	AET	48.90	48.90
Eolico Gottardo ¹	CHF	100,000	AET	20	20
Metanord	CHF	11,334,000	AET	29.42	29.42
Senco Holding	CHF	150,000	AET	50	50
CMC MeSta ²	CHF	14,000,000	SPE	100	100
CMC ²	EUR	20,000	SPE	100	100
Nord Energia	EUR	200,000	SPE	40	40
PurEnergy	EUR	100,000	SPE	20	20
REnInvest	CHF	600,080	SPE	20	26.66

* For the full company name, registered office address and object of the affiliated companies, please refer to the Appendix (note 31)

Notes / Changes taking place during the year 2009:

¹ Eolico Gottardo: company incorporated in 2009

² CMC MeSta and CMC: companies deconsolidated because of the planned sale to Nord Energia

1.1.3 Other participations

The remaining participations are all held directly by AET, apart from KW Mattmark, held through an agreement with EGL, Octad held by SPE, as well as BEC, Biogen and Univa, held through CEG. They are recorded among financial fixed assets under the caption "other participations", valued at historical cost, adjusted for any impairment losses.

	Currency	Nominal capital	Owned by	% of voting rights	% of capital
Participation*					
Airlight Energy	CHF	12,500,000	AET	18.05	18.05
AKEB	CHF	90,000,000	AET	7	7
Geopower	CHF	6,136,000	AET	4.76	4.76
KW Mattmark	CHF	90,000,000	AET	–	8.41
Tele Ticino	CHF	4,950,000	AET	8.09	11.03
TKL	EUR	147,944,200	AET	Pm ¹	15.84 ²
ZET ³	CHF	200,000	AET	100	100
Octad ³	CHF	100,000	SPE	50	50
BEC ³	EUR	100,000	CEG	70	70
Biogen	EUR	20,000	CEG	3.75	3.75
Univa	EUR	1,000,000	CEG	1	1

* For the full company name, registered office address and object of the participated companies, please refer to the Appendix (note 31)

Notes / Changes taking place during the year 2009:

¹ Every shareholder has the right to one vote, independently of their share of power in the plant.

² The share refers to the power (MW) subscribed by AET out of the total power of the plant

³ Being closed/in liquidation

1.2 Conversion of financial statements expressed in foreign currency

The consolidated financial statements are expressed in thousands of Swiss Francs (CHF 1,000). Assets and liabilities of the foreign controlled companies are converted at the exchange rates in force at the closing date. The income statement is converted applying the average annual exchange rates. The resulting conversion differences are directly included in shareholders' equity under a specific caption entitled "Conversion differences".

The following exchange rates were applied (CHF/EUR):

	2009	2008
Exchange rate at the closing date on 31.12	1.4832	1.4796
Average exchange rate	1.5304	1.6108

1.3 Accounting principles

The Group's financial statements at 31 December 2009 and 2008 are mainly composed of the Parent Company's assets and liabilities, expenses and revenues.

The most significant accounting principles adopted by AET are set out below. The applied principles remained unchanged compared to those adopted for the previous financial year. The accounting principles of the consolidated companies don't differ significantly from those adopted by the Parent Company.

The Parent Company AET is not subject to taxation. The remaining consolidated companies are taxed in accordance with the ordinary legislation of the countries in which they are registered.

Tangible fixed assets

Tangible fixed assets are recorded at their purchase or construction cost, considering the necessary technical-economic depreciation. Depreciation is computed on a straight-line basis, taking into account the technical life of the assets generally recognised within the sector.

Land is not depreciated (it is written off in case of value impairment). Buildings are recorded at their purchase cost and depreciated consistently with the operating plants. Operating equipment is depreciated according to its useful life. Plants under construction are recorded in the financial statements based on construction costs, according to the stage of progress. No depreciation is applied during the realisation phase (except where necessary) and interest is not capitalised. The minimum and maximum periods of depreciation applied to the tangible fixed assets categories are:

operating plants (civil engineering)	30 – 80 years
operating plants (electromechanical)	10 – 35 years
buildings	50 years
operating equipments	3 – 7 years

Financial fixed assets

Other participations are recorded at cost, adjusted to reflect any permanent value impairment or in accordance with the principle of prudent accounting. Securities are valued at their historical cost, if this is lower than bank quotations, and recorded under fixed assets, since they are considered to be long-term investments. Long-term advances in foreign currency are converted at year-end rates, if these are lower than the historical exchange rates.

Intangible fixed assets

Transit rights are rights acquired for energy transit on third-party lines. Amortisation is calculated according to contractual agreements on the technical life of the plants.

Other intangible fixed assets are valued at their purchase price amortised on a straight-line basis according to their useful life. Projects underway are recorded in the financial statement based on construction costs, according to the stage of progress. No depreciation is applied during the realisation phase (except where necessary).

Receivables for energy supplies and other receivables

Receivables are recorded in the financial statements at their nominal value, taking into account potential losses. Foreign currency receivables are converted at the year-end exchange rates.

Cash and cash equivalents

Cash and cash equivalents are recorded in the financial statements at their nominal value and include cash, post and bank accounts, as well as term deposits with banks with duration of less than three months.

Provisions

Provisions are partly finalised to cover third party claims, whose timing and amounts are not exactly quantifiable. These also include a position against energy procurement costs in case of unfavourable market development.

Short-term liabilities

All liabilities are recorded at their nominal value. Short-term liabilities in foreign currency are converted at year-end rates.

Pension fund

Azienda Elettrica Ticinese is affiliated with a multi-employer pension scheme together with other companies operating in the energy sector. This is an independent insurance institution structured on the basis of a defined benefit plan. All employees employed by the company are members of this institution from January 1st following their 17th birthdays and are insured against death and disability risks. From January 1st following their 24th birthdays they also have a pension coverage for retirement. AET pays fixed premiums and has no commitments for further contributions. Consequently, the company does not bear any risk, and the pension fund scheme can be considered a defined contributions plan. In order to facilitate early retirement for its employees, AET is also affiliated with the "Early retirement fund for personnel of Azienda Elettrica Ticinese." In this case too, the only commitment taken on by AET is the payment of annual fixed premiums, with no commitments for any further contributions.



Notes to the consolidated financial statements

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2 Tangible fixed assets

	Lands and buildings	Operating plants	Equipment and vehicles	Plants under construction and advances	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost values at 31.12.2008	19,910	490,147	8,003	83,589	601,649
Variation of the consolidation scope	–	–20,552	–	–	–20,552
Carryovers	2,860	–4,312	2	–14,692	–16,142
Investments	2,431	1,727	1,611	23,307	29,076
Disposals	–	–29,762	–154	–18,807	–48,723
Cost values at 31.12.2009	25,201	437,248	9,462	73,397	545,308
Total depreciation 31.12.2008	–8,473	–320,473	–6,519	–	–335,465
Variation of the consolidation scope	–	–	–	–	–
Carryovers	–916	29,796	–	–	28,880
Depreciation	–309	–9,457	–719	–	–10,485
Disposals	–	1,306	154	–	1,460
Total depreciation 31.12.2009	–9,698	–298,828	–7,084	–	–315,610
Total amount at 31.12.2008	11,437	169,674	1,484	83,589	266,184
Conversion differences	–4	–51	–2	–63	–120
Total amount at 31.12.2008	11,433	169,623	1,482	83,526	266,064
Total amount at 31.12.2009	15,503	138,420	2,378	73,397	229,698

The insured value of tangible fixed assets against fire risk amounts to CHF 479 million at 01.01.2010 (CHF 456 million at 01.01.2009).

3 Securities

The amount represents the subscription cost of 1274 shares of EUR 10,000 at the historical cost of purchase without recording exchange rate fluctuations.

Renewable Energy Investments SPC (REI) is an independent company, used as a financial vehicle to collect the funds necessary to finance the construction and management of wind power plants promoted by PurEnergy and REInvest.

4 Participations in associated companies

	Equity Capital	% Capital owned 31.12	Equity attributable to the Group	Purchase price	AET's share of the 2009 net profit
31.12.2009					
Company	CHF 1,000		CHF 1,000	CHF 1,000	CHF 1,000
Calore	2,130	48.90	1,042	978	44
CMC MeSta	13,878	100.00	13,878	14,000	-82
CMC	180	100.00	180	32	149
Eolico Gottardo	73	20.00	15	20	-5
Metanord	8,844	29.42	2,600	3,085	-199
Nord Energia	3,160	40.00	1,264	312	1,050
PurEnergy	-	20.00	-	33	-
REnInvest	2,170	26.66	579	160	13
Senco Holding	156	50.00	78	56	9
Consolidation effects			-792		-792
Total			18,844	18,676	187

Nord Energia: the conversion difference on the value of shareholders' equity (2009: CHF 0 and 2008 CHF -14,000) has been recorded in a neutral manner.

PurEnergy: data are based on the latest financial statements available, i.e. 2008. The value of the shareholder's equity pertaining to the group has been set to zero in accordance with the equity valuation method, taking into account the negative shareholders equity.

REnInvest: data are based on the last financial statements available, i.e. 2008.

Senco Holding: the value indicated in the purchase price column represents the share of the shareholders' equity acquired. The total price, including the goodwill acquired, is stated in note 7.

Consolidation effects: related to the elimination of the intragroup profit between AET and CMC MeSta, arising from the sale of fixed assets during the current financial period.

	Equity Capital	% Capital owned 31.12	Equity attributable to the Group	Purchase price	AET's share of the 2008 net profit
31.12.2008					
Company	CHF 1,000		CHF 1,000	CHF 1,000	CHF 1,000
Calore	2,040	48.90	997	978	36
Metanord	9,519	29.42	2,801	3,085	-104
Nord Energia	238	40.00	95	193	-20
PurEnergy	-329	20.00	-	36	-
REnInvest	2,122	26.66	566	160	23
Senco Holding	139	50.00	69	56	7
Swisshydro	807	35.00	282	175	-163
Total			4,810	4,683	-221

6 Long-term financial assets	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
To third-parties		
Advance to EGL Laufenburg AG	4,709	5,694
Advance to TPWB GmbH&Co.KG ¹	2,864	–
Advance to Trianel European Energy Trading GmbH ²	–	6,052
Advances to suppliers of operating plants and other installations	2,257	3,541
	9,830	15,287
To associated participations		
CMC MeSta	20,616	–
CMC	12,057	–
Metanord ³	1,580	367
CEL Cerentino SA ⁴	536	570
Senco Holding	150	150
CEL Campo Vallemaggia SA ⁴	10	110
	34,949	1,197
To other participations		
Geopower	2,628	2,628
– provision for devaluation	–2,628	–2,628
	–	–
Total	44,779	16,484

¹ TPWB reclassified from "Other Participations" to "Long-term financial assets"

² TEET reclassified from "Long-term financial assets" to "Intangible fixed assets"

³ Advance to Metanord is subordinated for the amount of CHF 1 million

⁴ CEL Campo Vallemaggia and CEL Cerentino have been considered affiliated companies considering AET's 50% shareholding into Senco Holding SA, which owns a 20% holding in those companies.

7 Goodwill

During 2009 the following transactions with impact on goodwill were carried out (see note 4):

Senco Holding SA	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Purchase price previous years	1,032	832
Purchase price current year	39	200
Acquired equity capital	-56	-56
Goodwill	1,015	976
Cumulative goodwill amortisation	-480	-284
Annual 20% goodwill amortisation	-204	-196
Net value	331	496

8 Other intangible fixed assets

	Operating licences	Other rights	Capitalised expenses	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost values at 31.12.2008	5,972	153,364	2,532	161,868
Variation of the consolidation scope	-	-48	-	-48
Carryovers	-3,400	8,044	6	4,650
Investments	3,581	195	545	4,321
Disposals	-	-7,410	-	-7,410
Cost values at 31.12.2009	6,153	154,145	3,083	163,381
Total amortisation 31.12.2008	-2,734	-9,251	-297	-12,282
Variation of the consolidation scope	-	10	-	10
Carryovers	2,216	-1,724	-	492
Amortisation	-164	-9,540	-257	-9,961
Disposals	213	1,092	-	1,305
Total amortisation 31.12.2009	-469	-19,413	-554	-20,436
Carrying value at 31.12.2008	3,238	144,113	2,235	149,586
Conversion differences	-	-12	-12	-24
Carrying value at 31.12.2008	3,238	144,101	2,223	149,562
Carrying value at 31.12.2009	5,684	134,732	2,529	142,945

9 Receivables from supplies and services

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Geographic breakdown:		
Ticino	49,368	35,042
Switzerland	16,031	19,022
Foreign countries	140,706	90,507
Total	206,105	144,571

10 Other receivables

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
To third-parties		
Italian tax authority ¹	8,775	12,757
Work in progress	2,231	12,667
Swiss Federal Tax Administration	1,117	1,911
Alptransit Gotthard	1,184	1,291
Advance to EGL	989	986
Other	5,832	1,406
	20,128	31,018
To associated participations	1,940	59
To other participations	341	341
To other "close" companies	37	577
Total	22,446	31,995

¹ This position refers to Italian tax credits due to Italian associated companies deriving from the VAT amount on investments. The receivable will be set off against VAT due in 2010 and the following years.

11 Accrued income and prepaid expenses	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
To third parties		
Initial leasing fee and interest ¹	4,282	4,359
Advances for border's transit capacity auctions	1,281	6,977
Energy to be invoiced	11,971	6,737
Other	3,660	1,837
	21,194	19,910
To other participations	423	–
To other "close" companies	22	84
Total	21,639	19,994

¹ Related to AET CoGen and the CEG Group

12 Cash and cash equivalents

The entire amount is readily available, with the exception of CHF 2,669,760 (2008: CHF 3,403,080) deposited as security into a foreign bank account to cover foreign commercial transactions.

All cash and cash equivalents assets are held in current accounts (no amount is deposited on short term time deposits).

13 Provisions	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Market risks and electric power provision	66,000	66,000
Plants reversions	97,000	69,000
Promotion of alternative energy sources	3,000	3,000
Loss risks in non-consolidated participations and securities	5,000	10,300
Loss risks in consolidates participations	6,250	7,400
Other	12,022	12,041
Total	189,272	167,741

14 Financial debt	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Towards third parties		
Zürcher Kantonalbank, bank bond, 18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank, bank bond, 02.06.2016, 3.375%	15,000	15,000
Dexia Crédit Local (Dublin), 01.06.2022, 3.1425%	25,000	25,000
Dexia Crédit Local (Dublin), 10.01.2028, 3.4600% ¹	150,000	150,000
Other	10,840	1,045
	220,840	211,045
Towards other "close" companies		
Laborex SA	6,007	5,992
Other shareholders of the Group CEG	1,491	1,332
	7,498	7,324
Total	228,338	218,369

¹ Repayment dates: CHF 50 million on the 10.01.2018, CHF 50 million on the 10.01.2023, CHF 50 million on the 10.01.2028

15 Customer advances	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Alptransit Gotthard AG – other advances	12,934	11,834
SES – other advances	250	–
State of Canton Ticino – advance on installations' supply	–	1,022
Other	56	44
Total	13,240	12,900

16 Payables for the supply of energy	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Geographic breakdown:		
Ticino	13,386	1,121
Switzerland	41,249	33,292
Foreign countries	130,787	115,440
Total	185,422	149,853

17 Short-term loans

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Loans from financial institutions, in CHF	15,000	23,000
Loans from financial institutions, in foreign currency	6,365	14,389
Total	21,365	37,389

18 Other payables

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
To third parties:		
Customers' advances	14,821	2,936
Other	5,650	4,209
	20,471	7,145
To other participations	-	7
To other "close" companies	142	156
Total	20,613	7,308

19 Deferred income and accrued expenses

	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
To third parties:		
Power supply	10,665	9,054
Personnel expenses	2,548	2,619
Interest payable	6,273	6,148
Other	9,860	4,600
Total	29,346	22,421

20 Revenue

	2009	2008
	CHF 1,000	CHF 1,000
Energy sales in Ticino	170,840	174,822
Energy sales in Switzerland	193,614	195,550
Energy sales in foreign countries	1,056,729	845,642
Third party transits on AET's lines	39,446	5,978
Decrease in revenues	–	–952
Other	1,375	2,742
Gross revenue	1,462,004	1,223,782
./. Standardised products revenue	–235,452	–470,463
Net revenue	1,226,552	753,319

The volume of CHF 235.5 million (CHF 470.5 million in 2008) corresponds to the cost of standardised products sold during the financial period. These involve energy buying and selling transactions carried out on the market, as well as exchanges of energy agreed bilaterally with one or two counterparts.

21 Other operating income

	2009	2008
	CHF 1,000	CHF 1,000
Crude Palm Oil (CPO) sales	34,140	30,731
Revenues from services	3,060	15,672
Green certificates	1,154	2,791
Other	11,380	10,589
Total	49,734	59,783

22 Energy purchase

	2009	2008
	CHF 1,000	CHF 1,000
Net purchases outside of Ticino	995,328	566,130
Purchases from participations	64,975	44,257
Other purchases in Ticino	6,659	3,607
Transit along third parties power lines	46,174	30,573
Total	1,113,136	644,567

"Purchases from participations" includes energy purchased from participations held by the Canton Ticino State (Officine idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Verzasca SA).

23 Personnel expenses	2009	2008
	CHF 1,000	CHF 1,000
Salaries and other compensation	18,974	17,124
Social contributions	3,994	3,666
Other expenses	487	709
Recoveries from insurance companies	-201	-163
Total	23,254	21,336

	31.12.2009	31.12.2008
Consolidated company employees (situation at the end of the year):		
Permanent employees	202	182
Temporary auxiliary employees ¹	2	2
Apprentices	11	11
Total	215	195

¹ Auxiliary staff does not include cleaners

24 Other operating expenses	2009	2008
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	9,087	9,087
Local taxes and other contributions	1,852	1,879
Administration and commercial costs	13,977	6,971
Leasing fees and other expenses	2,421	3,233
Total	27,337	21,170

25 Financial income	2009	2008
	CHF 1,000	CHF 1,000
Dividends from EGL Mattmark participation	341	341
Dividends from AKEB participation	67	-
Interest income	2,904	1,949
Other	300	30
Total	3,612	2,320

26 Financial expenses

	2009	2008
	CHF 1,000	CHF 1,000
Interest payments	8,872	9,594
Exchange rate differences	955	5,822
Other	75	464
Total	9,902	15,880

27 Depreciation financial fixed assets

	2009	2008
	CHF 1,000	CHF 1,000
Devaluation of the following other participations of AET:		
– TKL	1,614	315
– KW Mattmark	157	157
– BEC	104	–
– Octad	50	–
Other	66	132
Total	1,991	604

28 Profit from alienation of participations

	2009	2008
	CHF 1,000	CHF 1,000
Profit from the sale of 1% of Airlight Energy	–	140
Profit from the sale of Swisshydro ¹	33	–
Total	33	140

¹ The amount represents the difference between the selling price and the equity value at 31.12.2008

29 Extraordinary expenses

	2009	2008
	CHF 1,000	CHF 1,000
Provision for reversions of power plants	28,000	14,000
Depreciation of ZET participation	2,000	–
Loss on TPWB advance	1,130	–
Loss on ZET positions	600	–
Provisions for loss risks on non-consolidated participations and securities	–	10,300
Provisions for loss risks on consolidated participations	–	7,400
Other	1,926	993
Total	33,656	32,693

30 Complementary information

Leasing	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Liabilities for leasing not recorded in the balance sheet	60,472	63,102

Leasing liabilities not recorded in the balance sheet relate almost entirely to financial leasing contracts entered into by the CEG Group, AET CoGen and AET Idronord, in respect of production plants and buildings.

Guarantees of around CHF 88.4 million (EUR 59.5 million; in 2008: EUR 51.3 million) have been issued by AET to financial institutions to cover loans granted to the CEG Group, AET CoGen, AET Italia and AET Idronord and, from a consolidated point of view, represent guarantees granted to secure commitments of consolidated companies.

Subsequent events

Financial year 2009: no significant events occurred.

Financial year 2008: no significant events occurred.

Global amount of guarantees issued by third parties in favour of AET	31.12.2009	31.12.2008
	CHF 1,000	CHF 1,000
Guarantees issued by third parties in favour of AET	17,697	12,819

The guarantees have been issued by AET's corresponding banks, in favour of our commercial counterparts.

Contingent liabilities

In the context of its trading activity, at year end AET did not have any open positions other than those contracted to meet the energy needs the Canton Ticino.

In respect of commitments towards affiliates or their promoters, we specify the following positions:

- **Metanord SA:** the company is planning investments of more than CHF 120 million, to be financed through capital increases and bank loans. AET will contribute to the financing with direct investments and guarantees up to CHF 35 million (commitment substantially unchanged from 31.12.2008, in accordance with the legislative decree dated 18th October 2006).
- **Senco Holding SA:** once further contractual goals have been achieved, the shareholders will have to pay the promoters of Senco Holding SA another premium (AET's residual commitment amounts to CHF 312,500 at 31.12.2009; CHF 350,000 at 31.12.2008).
- **ZET Zimmerli Energie-Technik AG in liquidation:** considering to the liquidation of the company, the commitments made in 2008 are considered lapsed (2008: commitment to buy ZET for a maximum amount of CHF 4.6 million).

Reclassifications

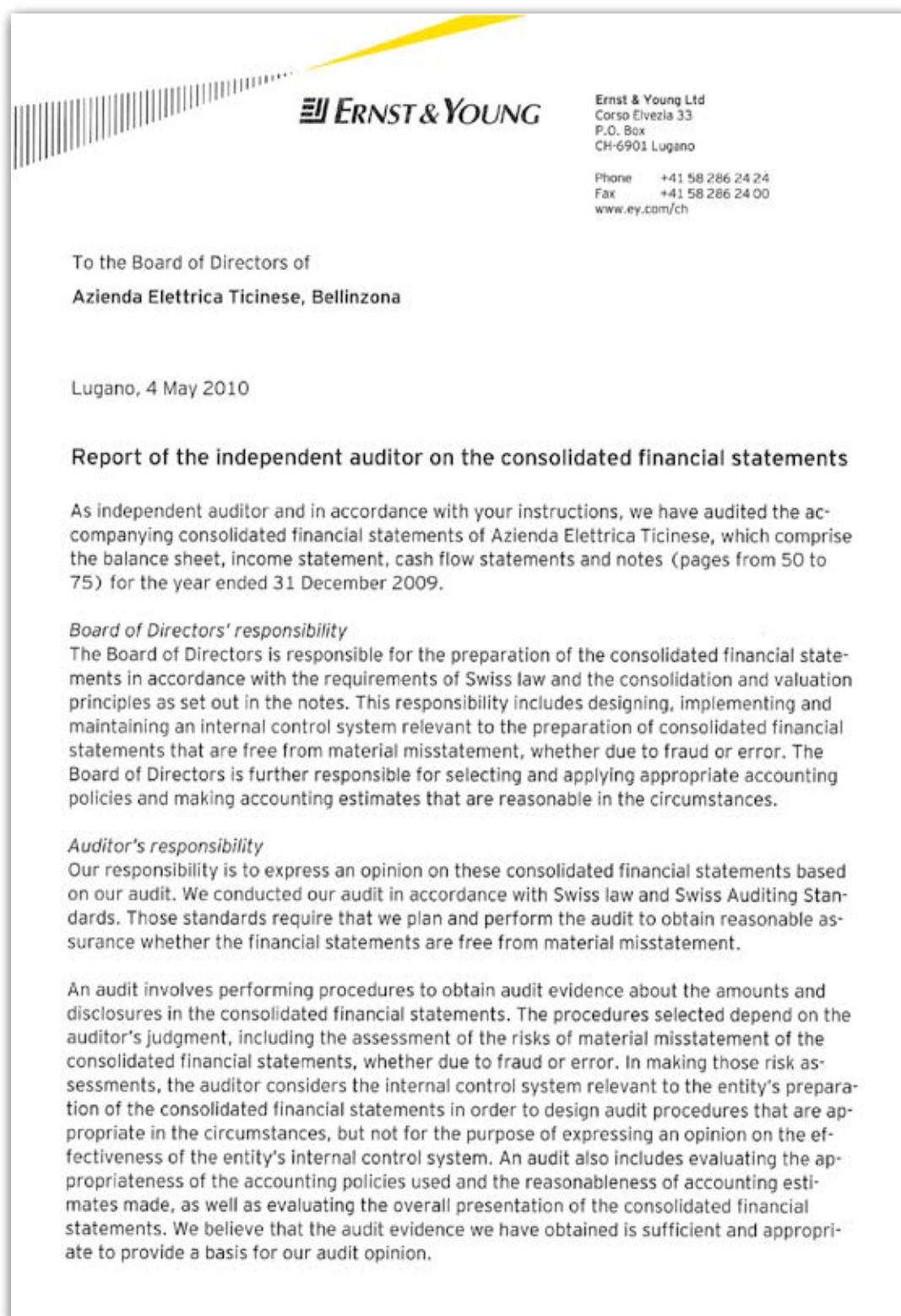
Accounting reclassifications made are disclosed in the notes to the financial statements. The financial statements for the previous year have not been restated.

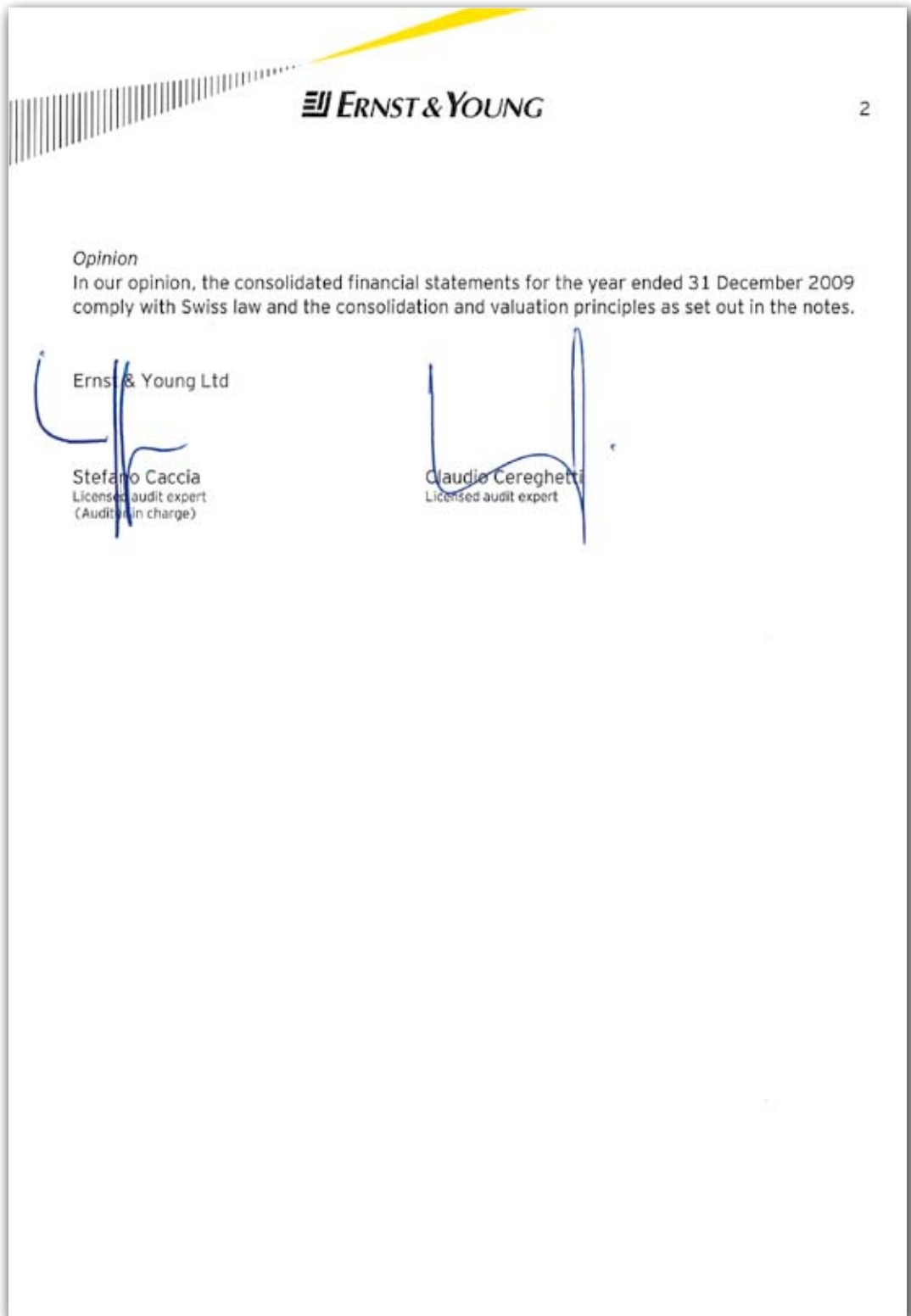
There are no further elements subject to mandatory disclosure according to art. 663b of the Swiss Code of Obligations.

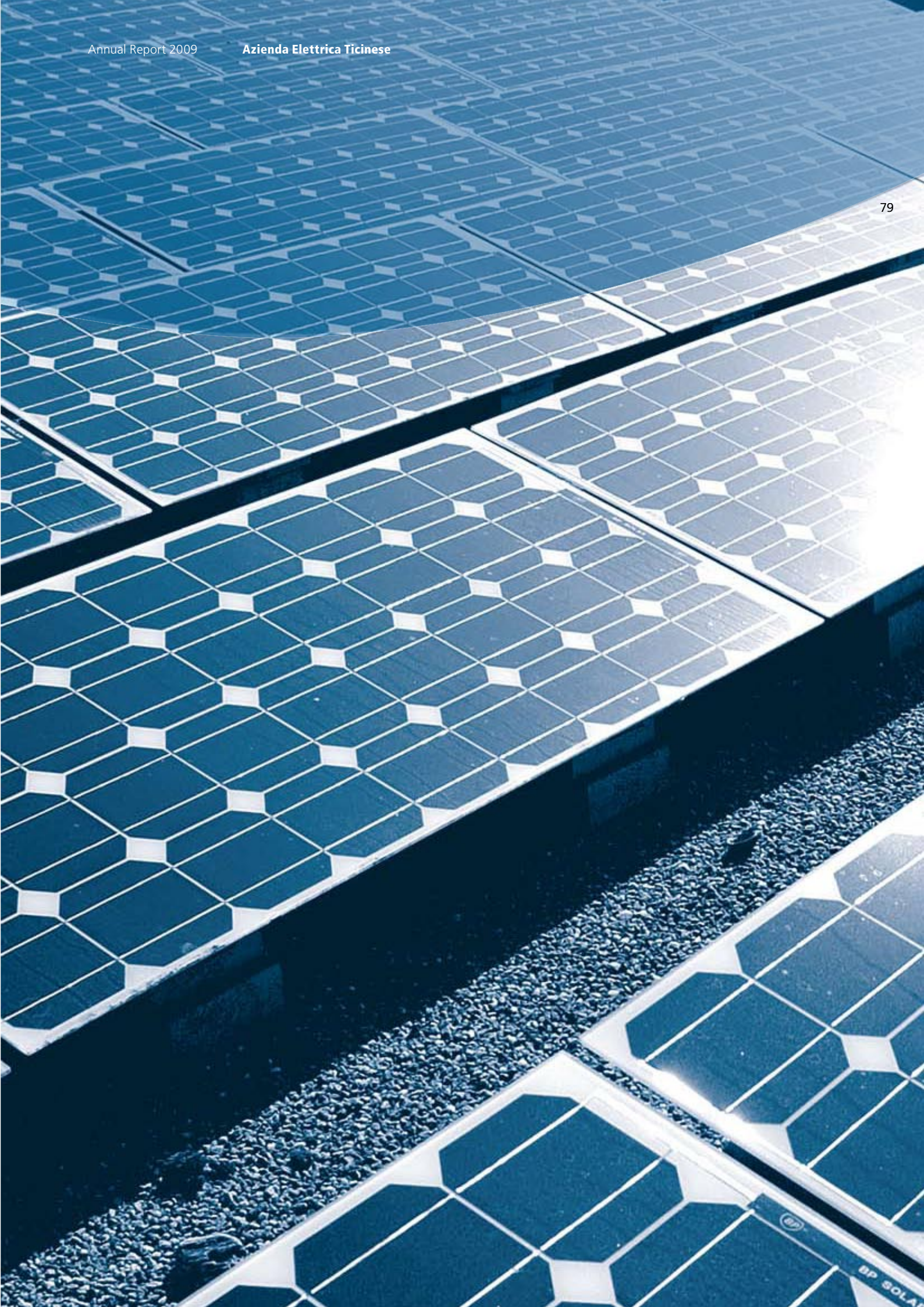
31 Appendix

Abbreviated name	Full name	Location	Activity
AET CoGen	AET CoGen Srl	Gavirate I	Production of electrical and thermal energy
AET Italia	AET Italia Srl	Milano I	Energy trading
AET NE1	AET NE1 SA	Bellinzona CH	Transit power grid administration
Airlight Energy	Airlight Energy Holding SA	Biasca CH	Exploitation of alternative energy technologies
AKEB	AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	Lucerne CH	Production and trading of thermonuclear energy
BEC	Bio Energia Castellanza Srl	Castellanza I	Construction of biofuel plant in Castellanza
BEG	Bio Energia Guarcino Srl	Guarcino I	Construction of biofuel plant in Guarcino
BEO	Bio Elettricità Occimiano Srl	Como I	Production, trading of electricity
BES	Bio Energia Sibari Srl	Sibari I	Construction of biofuel plant in Sibari
Biogen	Biogen Chivasso Srl	Chivasso I	Construction of biofuel plant in Chivasso
Calore	Calore SA	Locarno CH	Production of heat /refrigeration
CEG	Calore Elettricità Gas Srl	Como I	Production of electrical and thermal energy
CMC	Cavo Mendrisio–Cagno Srl	Gavirate I	Management of Stabio–Cagno line
CMC MeSta	CMC MeSta SA	Bellinzona CH	Management of Mendrisio–Stabio line
Eolico Gottardo	Parco eolico del San Gottardo SA	Airolo CH	Development and management of windpark
Geopower	Geopower Basel AG	Basel CH	Activity related to geothermal energy
Idronord	AET Idronord Srl	Omegna I	Construction and management of hydroelectric power stations
KW Mattmark	Kraftwerke Mattmark AG	Saas Grund CH	Sub-participation through EGL. Electricity production
Metanord	Metanord SA	Bellinzona CH	Construction of gas supply plants
Nord Energia	Nord Energia SpA	Milano I	Construction of structures for transporting electricity to and from abroad
Octad	Octad SA	Lugano CH	The company is not active, the previous business: vegetable oil trading
PurEnergy	PurEnergy SA	Luxembourg L	Acquisition of participations, licences, etc. of companies operating in the energy sector
Quadra	Quadra Srl	Como I	Main Contractor for the construction of vegetable oils fired power plants

REInvest	REInvest SA	Chiasso CH	Promotion of investment opportunities in the exploitation of renewable energy
Senco Holding	Senco Holding SA	Locarno CH	Acquisition of participations in the hydroelectric and small-scale power plants
SPE	SPE Società per Partecipazioni Energetiche SA	Bellinzona CH	Subholding: holding of the foreign participation
Swisshydro	Swisshydro AG	Poschiavo CH	Trading of hydroelectric energy
Tele Ticino	Tele Ticino SA	Melide CH	Radio and television productions
TKL	Trianel Kohlekraftwerk Lünen GmbH&Co.KG	Aachen D	Production and trading of energy from a coal-fired power plant
TPWB	TPWB GmbH&Co. KG	Aachen D	Production and trading of energy from off-shore wind park
Univa	Univa Partecipazioni Spa	Varese I	Assumption of participations in the Varese province
ZET	ZET Zimmerli Energie-Technik AG in liquidation	Zofingen CH	Technical services on plants and transmission







Company officers

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Board of Directors

Leidi Fausto Chairman

Netzer Marco Vice Chairman

Bacchetta-Cattori Fabio up to 31.8.2009

Beffa Floriano

Gobbi Norman up to 31.8.2009

Lombardi Sandro

Ogna Ronald from 1.9.2009

Pedrina Fabio

Romerio Franco up to 31.8.2009

Terrier Simon up to 28.2.2009

Audit office

Camponovo Aron

Gianini Sergio

Piazzini Gianluigi

Deputy auditor

Paglia Erto

Trust company

Ernst & Young, Lugano

Management

Brunett Reto F.	Manager	up to 7.8.2009
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Nauer Claudio	Manager a. i. Head of Administration Division	from 7.8.2009
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Pronini Roberto	Manager a. i. Head of Grid Division	from 7.8.2009
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Sartori Stefano	Head of Production Division	
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Tognola Giorgio	Head of Trading and Sales Division	
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Statistical information

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Production in Ticino (in GWh)

Production from existing plants in Ticino throughout 2009 (deducting pumping energy and excluding SBB) increased by 18% and was equal to 120% of the multiannual average.

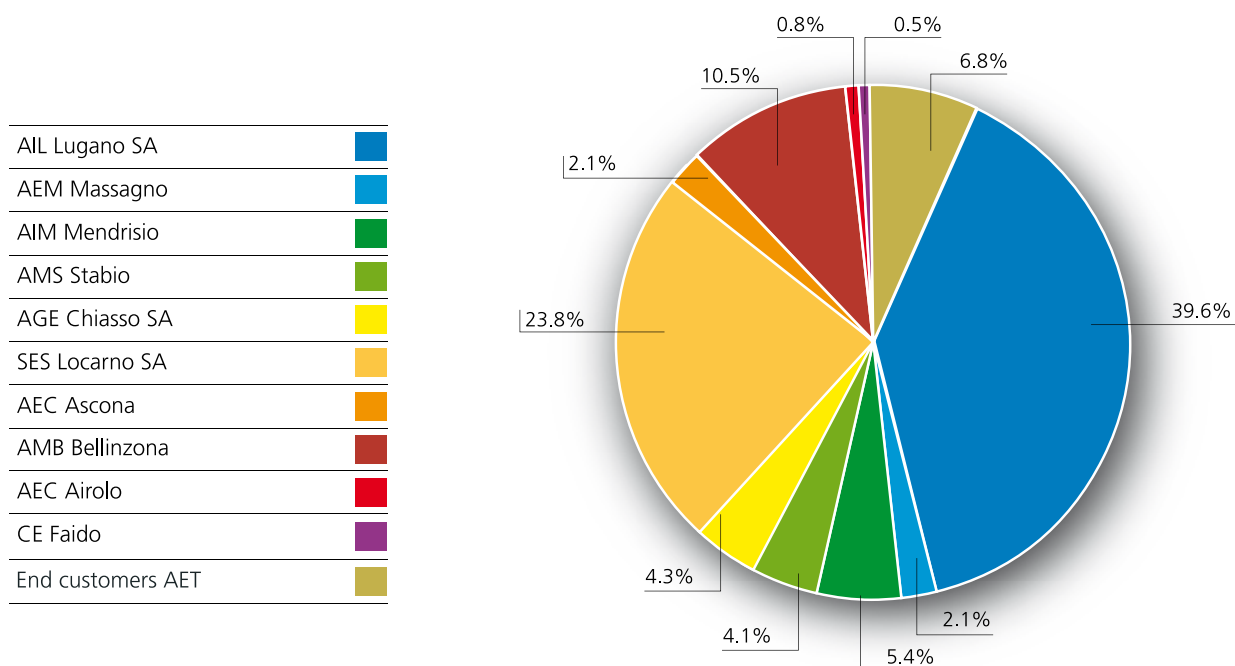
	Winter	Summer	Year	2008
Biaschina	128	323	451	420
Piottino	120	219	339	308
Stalvedro	22	42	64	56
Tremorgio	6	1	7	4
Ponte Brolla	6	8	14	1
Lucendro	81	71	152	99
Verzasca	75	187	262	267
Morobbia	13	35	48	55
Giumaglio	7	21	28	29
Ticinetto	1	9	10	9
Stampa	8	10	18	21
Ceresa	4	8	12	12
Calcaccia	4	11	15	15
Minor stations and private producers	15	21	36	37
Subtotal	490	966	1,456	1,333
Maggia	423	1,053	1,476	978
Blenio	382	638	1,020	1,036
Total	1,295	2,657	3,952	3,347

Supply in Ticino (in GWh)

Electrical power consumption in the Canton decreased by 1.2% (+ 1.0% in winter, – 3.8% in summer).

	Winter	Summer	Year	2008	Increase %
AEC Airolo	12	9	21	22	-4.5
AEC Ascona	30	28	58	58	0.0
AEM Massagno	35	23	58	59	-1.5
AGE Chiasso SA	64	56	120	120	0.5
AIL Lugano SA	599	498	1,097	1,087	1.0
AIM Mendrisio	81	68	149	154	-2.7
AMB Bellinzona	161	129	290	287	1.0
AMS Stabio	57	56	113	135	-16.1
CE Faido	9	6	15	13	9.8
SES Locarno SA	391	270	661	651	1.5
TIMCAL SA	43	42	85	121	-29.3
Alptransit	39	39	78	64	20.3
SSC and others	12	13	25	35	-26.3
Total	1,533	1,237	2,770	2,806	-1.2

From 2005 AIL data separate from AEM and from 2009 SES data separate from AEC Ascona.



AET production and withdrawal (in MWh)

Hydroelectric production, including affiliates and fees, was 1,767 million kWh, 22.4% higher than in 2008. The nuclear affiliate recorded a decrease by 10.5%, from 353 million kWh in 2008 to 316 million kWh in 2009. The purchase of energy increased by 24% compared with the previous period.

		Winter	Summer	Year	2008
Own production	Stalvedro	21,541	42,433	63,974	56,502
	Tremorgio	6,446	1,283	7,729	3,986
	Piottino	119,879	218,801	338,680	308,495
	Biaschina	128,148	322,909	451,057	420,094
	Ponte Brolla	6,211	7,616	13,827	1,010
	OFIMA payement	5,840	31,216	37,056	45,824
	Photovoltaic	121	216	337	462
Participations	Verzasca ¹	25,166	62,495	87,661	88,976
	Blenio	86,127	134,658	220,785	186,564
	Maggia	85,029	215,882	300,911	117,076
	Mattmark	29,649	40,837	70,486	36,785
	AKEB (nuclear)	168,135	134,487	302,622	338,940
	KK Leibstadt	7,609	6,375	13,984	13,870
	CEG	22,615	27,399	50,014	52,203
Energy's purchase²	Purchase ³	6,509,175	5,803,552	12,312,727	9,917,610
	Exchange power	1,091	204	1,295	11,996
Total		7,222,782	7,050,363	14,273,145	11,600,393

¹ AET share

² Of which about 2,358 million kWh (4,697 million kWh in 2008) is attributable to standardised products

³ The purchase covers 648 million kWh for the Italian market in 2009 and 415 million kWh in 2008

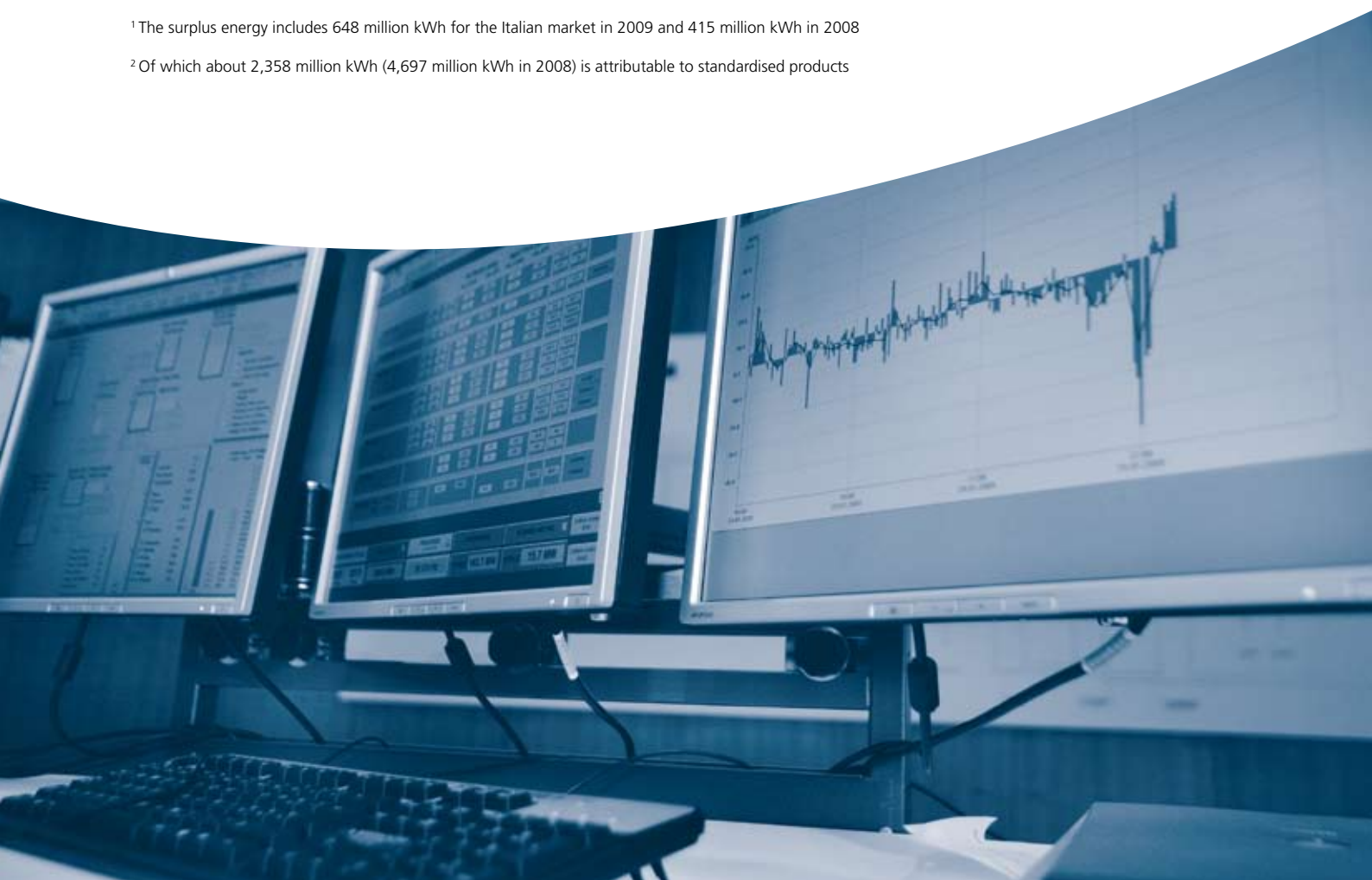
AET sales (in MWh)

AET's distribution to customers decreased by 19 million kWh from 2008 (−0.7%). The share of demand in the Canton covered by AET increased to 94.2% compared to 93.7% in 2008. Energy's sale recorded an increase of 2,817 million kWh (+ 31.7%) compared with the previous period.

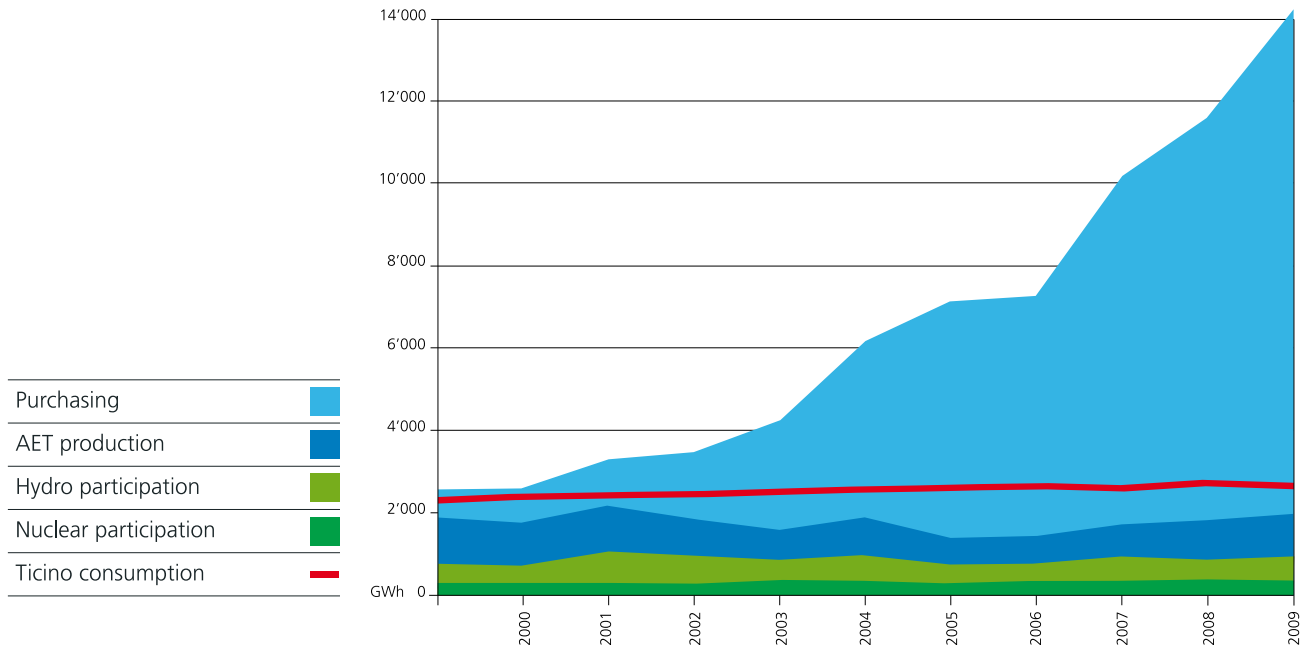
		Winter	Summer	Year	2008
Users	Distribution companies	1,387,268	1,034,781	2,422,049	2,409,636
	End customers	94,521	94,375	188,896	220,554
Energy's sale¹	Sale ²	5,720,183	5,974,732	11,694,915	8,878,324
	Exchange power	27,940	31,526	59,466	63,917
Total		7,229,912	7,135,414	14,365,326	11,572,431
Own consumption and losses		20,517	12,399	32,916	27,768

¹ The surplus energy includes 648 million kWh for the Italian market in 2009 and 415 million kWh in 2008

² Of which about 2,358 million kWh (4,697 million kWh in 2008) is attributable to standardised products



Production and withdrawal AET



Supply

