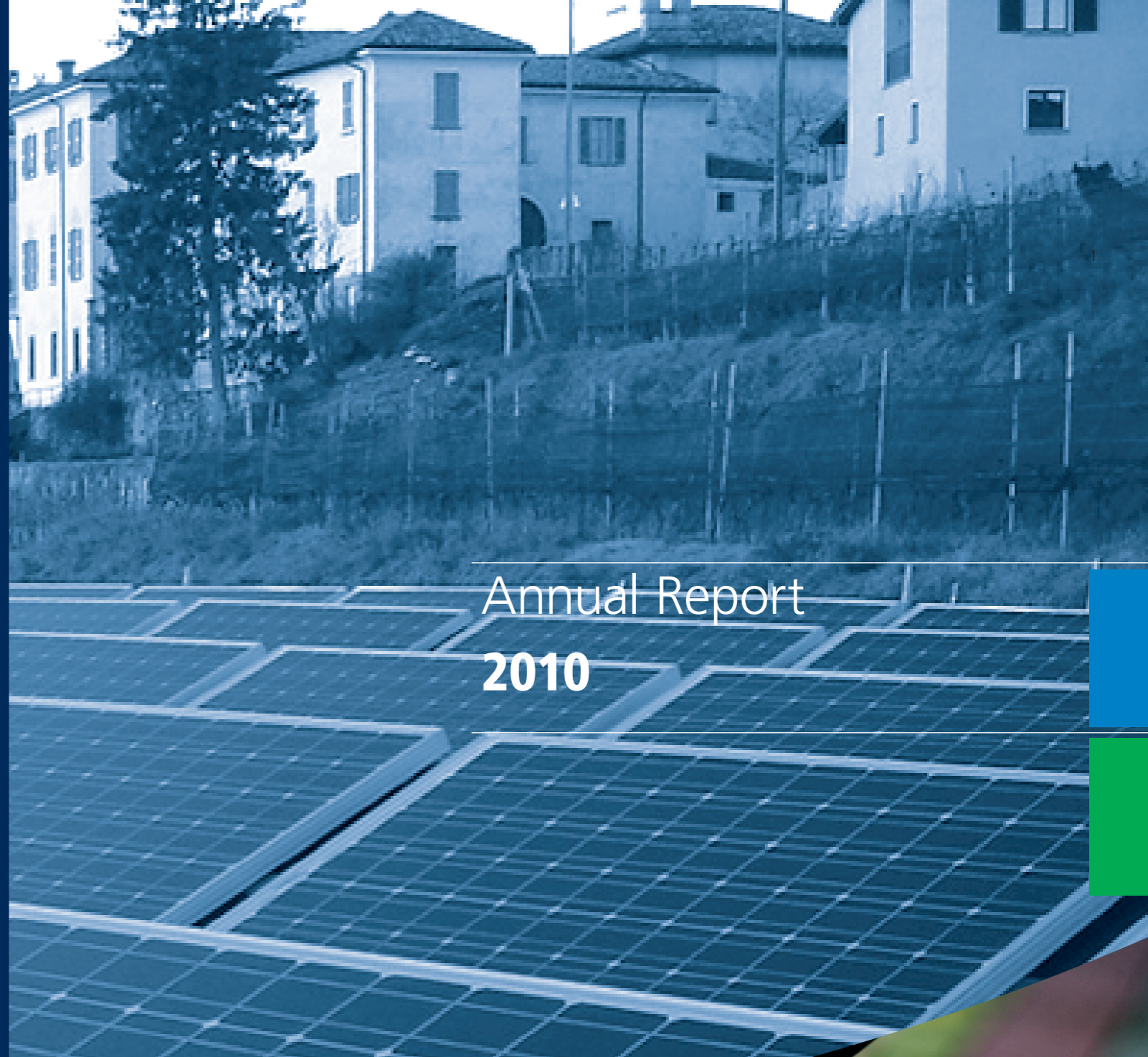




Annual Report 2010



# Annual Report 2010



Azienda elettrica ticinese

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AET



**Report of the Board of Directors  
of Azienda elettrica ticinese  
to the Grand Council and the Council of State  
of the Republic and Canton of Ticino**

3

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 2010**
- the financial statements for the year 2010**
- the proposal for allocation of profit**
- the auditors' report.**

The English version of the AET 2010 Annual Report is merely a translation:  
the official version is the Italian text.

# AET Group

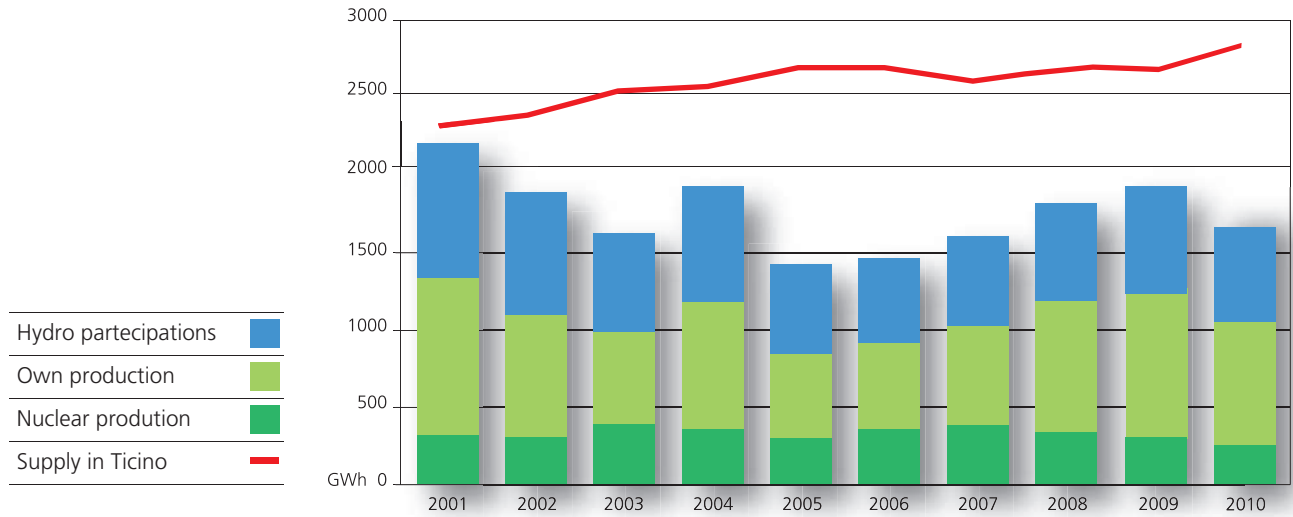
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## Key figures

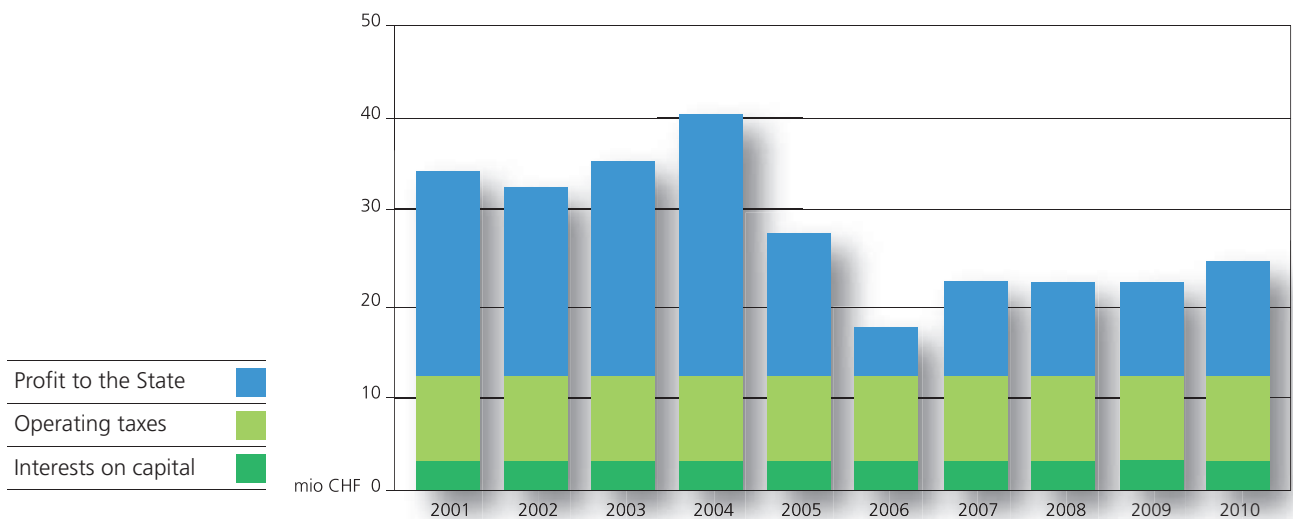
	2010	2009	change
	CHF million	CHF million	in %
Operating income	1,550	1,475	5%
thereof			
Energy sales in Ticino	203	171	19%
Energy sales outside Ticino	1,291	1,252	3%
Operating result	48	55	-13%
Profit for the year	35	40	-13%
Cash flow before change in net current assets	59	62	-5%
Cash flow from operating activities	47	78	-40%
Equity	416	398	5%
Non-current assets	572	617	-7%
Balance sheet total	864	875	-1%
Employees of the Group (full time equivalent)	228	213	7%

	2010	2009	change
	GWh	GWh	in %
AET production	809	913	-11%
Energy from participations	895	1,046	-15%
Energy purchase	16,700	12,488	34%
Energy sales in Ticino	2,807	2,611	8%
Energy sales outside Ticino	15,564	11,804	32%

## Supply and production in Ticino



## Evolution of payments to the State





**Annual Report 2010**

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Board of Directors' management report	9
<hr/>	
Proposal for allocation of profit	21
<hr/>	
Consolidated financial statements	23
<hr/>	
Audit report by Ernst & Young on consolidated financial statements	52
<hr/>	
Financial statements	55
<hr/>	
Audit report by Ernst & Young on financial statements	80
<hr/>	
Grand Council auditors' report	82
<hr/>	
Company officers	86
<hr/>	
AET Group companies	88
<hr/>	
Statistical information	90
<hr/>	



# Board of Directors' management report

## General considerations

After the serious world crisis of 2008-2009, following the sudden collapse of the financial markets, economic growth is once again positive and the outlook can be considered moderately optimistic. There are, however, still some significant elements of economic and environmental fragility that generate instability and represent a serious threat to recovery. Driven by economic recovery, electricity consumption is rising again in Switzerland and in Ticino. All things considered, the market has not always been positive in the past: margins were narrow, the fluctuations of the euro damaged the sector, and pressure has been high.

The environmental disasters in the Gulf of Mexico in April 2010, and in Fukushima in March 2011, dramatically brought old issues on the use of two major energy resources used to meet global energy requirements to the forefront: oil (in particular offshore drilling) and nuclear energy. Long-term forecasts, now more than ever, are characterized by marked uncertainty. In the European and Swiss markets, even after taking the necessary steps to increase energy efficiency and savings, electricity consumption is destined to increase in the near future, and this may lead to energy supply problems and rising prices.

The Azienda elettrica ticinese faced considerable challenges in 2010: the liberalization of the energy market (the first phase began in 2009); a restructuring of the corporate organization in line with development in recent years; the exacting verification and consolidation of all current projects; and the recovery and development of new renewable energy projects in Ticino.

Business development was healthy in the principal markets, particularly in Italy, and Ticino distributors are renewing their contracts with AET, confirming that our prices for supplying energy are more than competitive.

After the major changes of 2009, in 2010 the Council of State appointed the remaining members of the Board of Directors, which completed the company reorganisation nominating the members of the Board of Management. The seventh member of the Board of Directors (lawyer Aron Camponovo) was appointed in June 2010.

During the year, company management was consolidated by hiring three area managers: lic. oec. HSG Flavio Kurzo (administration division), ETH engineer Edy Losa (projects and strategic investments division) and ETH engineer Fiorenzo Scerpella (grid division). The other members of the Board of Directors are company executives: CEO - Dr ETH Roberto Pronini, CO-CEO - lic. oec. publ. Claudio Nauer (management services division), STS engineer Stefano Sartori (production division) and Dr ETH Giorgio Tognola (trading and sales division). The supervisory bodies have also been consolidated, with a new internal auditor and the completion of the risk management organization process (hiring two people, to bring the number of assigned personnel up to four).



In terms of equity investments, the company disposed or reduced financial investments (in particular: REInvest SA, PurEnergy SA, REI Spc Fund). Financial exposure towards subsidiaries was reduced thanks to the repayment of over CHF 30 million of advances paid by AET for the construction of the Mendrisio-Cagno cross-border power line.

Important steps were taken to develop renewable energy production in Ticino, both in terms of hydroelectric power, thanks to the Swiss Federal Railways (SBB) / Canton of Ticino / AET agreement for the exploitation of the Ritom reservoir, and in terms of production from new renewable sources with an investment in the San Gottardo wind farm and solar energy with the completion of AET's tenth photovoltaic plant in Ticino.

In October 2010, after over 20 years of negotiations, SBB, the Canton of Ticino and AET reached an agreement in principle for the exploitation of the hydroelectric power produced using the waters of Lake Ritom. This agreement in principle envisages the creation of a joint venture to manage the hydroelectric plants fed by the waters of Lake Ritom coming from Ticino, Uri and Graubünden. If the Cantonal Parliament approves the concession in 2012, "Ritom SA" will be a joint venture with SBB holding a 75% share and Canton of Ticino the remaining 25%.

The refurbishing of the plant will increase the plant power in respect of the environment. The "Ritom SA" joint venture will manage the existing and future plants required to collect, transport and accumulate the company's share of the water currently used today.

There are still other major challenges the company must face: the opening towards European markets, the second phase of the market foreseen liberalisation by the Federal Electricity Supply Act, policymaking arising from the Cantonal Energy Plan (for different scenarios), and cooperation with the distributors operating in Ticino.

2010 was also characterized by significant media activity, in particular on company transactions made in previous years, participation in a German power plant, the acquisition of a majority share in the San Gottardo wind farm, and various acts of parliament pursuant to the activities of AET and its participations.

In March 2010, the Grand Council discussed the accounts for 2007 and 2008, in relation to the report of the AET's Public Mandate Control Commission filed by the auditors on the AET management of previous years. In the same parliamentary session, the Grand Council approved the AET investment in the German company Trianel Kohlenkraftwerk Lünen GmbH & Co. KG, the owner of a powerful thermolectric plant. The Grand Council did not, however, authorize a second investment in a plant being planned in Krefeld, also in Germany. Following the resolution of the Grand Council, signatures were collected for an initiative that obliges AET to withdraw from investment in coal-fired power plants by 2015. The required number of signatures was obtained, and a popular vote held in June 2011 approved a counter-project voted by the Grand Council.

The financial statements were prepared in accordance with the Swiss GAAP FER accounting standards. These standards guarantee greater transparency in financial statements as requested in the past by the auditors of the Grand Council and the authority in general. To guarantee full transparency in 2010 accounts, the 2009 reference figures of are restated to the Swiss GAAP FER standards: therefore the figures differ from those published for 2009, prepared in accordance with the Swiss Code of Obligations (CO).

Results in 2010 can be considered positive, both in terms of operating result and confirmation of the public mandate. The financial situation is healthy, and the new accounting criteria show the company is in a good position in terms of industry standards: equity represents 49% of the balance sheet total.

The accounting year was influenced by strong fluctuations in the CHF/EUR exchange rate, with the European currency losing 15% against the Swiss franc. Like other companies in the sector, AET registered loss on foreign exchange of CHF 6.7 million. Nevertheless, 2010 closed with a profit for the year of CHF 30 million (CHF 40 million in 2009, according to Swiss GAAP FER standards) and a profit of CHF 35 million in the consolidated financial statements (CHF 40 million in 2009, according to Swiss GAAP FER standards).

This report contains the necessary detailed information for the Grand Council and the Council of State.



## Energy trading

While 2009 will be remembered as an exceptional year for the production of hydroelectric power in Ticino, 2010 was a record year for consumption: electricity delivered to distributors and customers in Ticino increased by almost 200 GWh on 2009, corresponding to an increase of 7.4%. This growth is attributable in part to an increase in demand, supported by the economic recovery, and partly to weather conditions (a cold winter followed by an exceptionally warm period in summer).

### Sales

In 2010, negotiations continued for the renewal of supply contracts with the Canton distributors. The "Aziende Municipalizzate Bellinzona" (AMB) renewed their faith in AET by signing a supply contract for 2011-2013. AMB also entered into a contract with AET for the sale of energy produced by the Morobbia plant. In December 2010, negotiations started for the renewal of contracts with the three companies based in the Mendrisio area, due to expire at the end of 2011.

AET further reduced its sale prices in 2010 by 0.5 cents/kWh for distributors who signed a new 2011 supply contract, and the discount was extended to 2012. This decision will affect AET results by around CHF 10 million per year, and replaces the earlier decision, also for 0.5 cents/kWh, which only applied to energy supplies for final consumers with an annual consumption of over 1 GWh. The distributors alone have the right to credit "AET discounts" to the final consumer in accordance with their own particular pricing policies (AET has no say in the matter).

As for the quality of energy delivered in the Canton, in cooperation with ENERTI (a company incorporated by the major cantonal distribution companies), AET significantly improved transparency and environmental sensitivity. Until 2009, roughly 80% of the energy supplied by AET was obtained from non-verifiable energy sources (energy for which the origin is unknown), while since 2010 AET is committed to declaring the source of all energy distributed in Ticino. As proof of the company's sensitivity to environmental issues, the majority of energy delivered in the Canton since 2010 comes from renewable energy sources (hydroelectric power from Swiss and foreign sources), while the remainder is obtained from non-renewable energy sources (nuclear energy). AET has purchased the necessary guarantees of origin under its own responsibility, avoiding price increases to customers.

### AET Italia

In comparison to the previous year, there was a considerable rise in the number of AET Italia customers, with an increase of almost 50% in terms of energy supplied. The company's gross margin increased considerably thanks to a strategy focused on "small" customers that generate a higher-than-average profit margin. This strategy was characterized by the development of a "mini-network" for indirect sales, consisting of professionals in electricity sales: specialized companies, mainly from northern and central Italy, especially in The Marches.

AET called a tender for the allocation of transmission capacity between Switzerland and Italy, with the participation of major Italian and European operators.

AET Italia hired new human resources as a result of commercial development: a total of four people with the appropriate professional qualifications. The company also obtained ISO 9001 certification this year.

### **ETRM (Energy Trading Risk Management)**

The implementation of the new energy trade management application continued in 2010, to replace the previous software used in the past. This modern, reliable and dynamic tool will mean transparent and efficient management of operations and business control. The basic risk management and portfolio management functions of the application have been operational since November. Full functionality of the software will be obtained in 2011, with the energy trading and turnover management functions.

### **Portfolio management**

From a meteorological point of view, 2010 began with fairly cold temperatures and heavy snowfall (essential for good production at the beginning of the summer season), but from an energy production point of view, hydroelectric power output was significantly lower than in 2009 for the same period. Spring and summer were characterized by fluctuation between cool periods (April) and very hot periods (July), with fairly regular precipitation (without heavy rainfall). From an energy production point of view, the best months for hydroelectric production were May and June (thanks to the melting snow), with normal figures for the third quarter of the year. The last part of the year was rather cold and damp, with temperatures dropping below the seasonal average. Voluminous rainfall produced a satisfactory hydroelectric output. Essentially, 2010 can be considered a "normal" year in terms of hydroelectric production.

As for other energy sources, 2010 was characterized by the prolonged shutdown of the Bugey nuclear power station, necessary to replace the steam generators: this significantly reduced the share of nuclear energy in the portfolio.

### **Trading**

Thanks to a strong economic recovery, energy prices quoted on the stock exchange increased. There were the following changes in the "spot" market compared to 2009:

- German stock exchange EEX +14%
- Swiss stock exchange SWISSIX +6.5%
- French stock exchange POWERNEXT +10%
- Italian stock exchange IPEX +0.5%.

The price trend was not uniform however: in the first quarter of the year there was a drop in price on the previous year, while in the second, third and fourth quarters of 2010 there were major increases on the previous year, mainly due to meteorological factors. There were no noticeable changes in the price level in Italy on the previous year.

The "forward" market was characterized by uncertainty and weakness: attempted recovery was followed by downturns, with a weak euro against the Swiss franc.

## Production

The annual production of the Leventina and Ponte Brolla hydroelectric plants was slightly higher than expected, amounting to 805 GWh. Hydroelectric plants were subject to routine maintenance and repairs, to guarantee production efficiency.

In spring 2010 the Leventina plants started providing regulation services (tertiary at first, then secondary) for Swissgrid. This is a new market outlet, which will let AET establish itself as a key player in the national electricity sector.

The major work done on the plants is described below.

The exciters of the generators were replaced in the **Stalvedro** plant (in addition to updating the technical material, these changes mean shorter generator maintenance times).

The 150 kV cables of three generators were replaced at the **Nuova Biaschina** plant, with the construction of a new route between the station and the substation. Group 1 was overhauled with changes made to the relevant command and control units, to improve service regulation management. The valve chamber of the **Tremorgio** plant was completely refurbished.

950 m<sup>3</sup> of material were removed to clean the **Val d'Ambra** reservoir, with a further 3,000 m<sup>3</sup> removed from the **Rodi** and **Nivo** reservoirs. Extraordinary maintenance was carried out on the **Airolo** reservoir.

A new photovoltaic system installed on the Castel San Pietro schools went into service in 2010: total power output is 53 kWp with an annual estimated production of 57 MWh.

In 2010, AET produced 408 MWh with 10 photovoltaic installations: enough to meet the energy requirements of around 100 homes. Plant production is in line with the volumes estimated in the design phase, and no major maintenance interventions were required.

**AET CoGen Srl** developed the Gavirate (I) district heating network: 1100 m were added to reach a total extension of around 3820 m, with a capacity of 4 MW. Work finished in the first half of 2010.

Through its share in **Senco Holding** (50% AET and 50% SES), AET also holds an approximately 10% share in the **Dalpe I**, **Campo Vallemaggia** and **Cerentino** micro-plants. New plants are being planned in Ossasco, Buseno (GR) and Cauco (GR), with expansion in Campo Vallemaggia and Cerentino. The plants produce approximately 19 GWh of electricity per year.

## Distribution grid

As in previous years, work continued in 2010 to expand and modernize the transmission grid. The capacity of the 16 kV line connecting the ACR (Cantonal Waste Authority) plant producing energy from urban waste in Giubiasco was increased between Monte Carasso and Riazzino.

As mentioned above, the 150 kV cables were replaced in the Nuova Biaschina substation, while it was necessary to double the 50/16 kV transformation capacity with the addition of a second 25 MVA transformer and replace the old 16 kV plant (with work to be completed in 2011) in the Bodio industrial estate, to meet the new power requirements of AlpTransit Gotthard Ltd.

Major extraordinary maintenance was done on the secondary 50 kV plant of the Riazzino substation, which is particularly important to the transmission grid. A good part of the building was renovated and a new remote control system, based on the latest technologies, was installed.

In Vezia, preparatory work continued for the extension of the Pian Scairolo-Crespera cableway running north near the new SBB substation: the AET/SBB/AIL lines will run through about 1 km of cable.

AEM (the Massagno Electricity Board) contracted AET as head contractor for the design and construction of a new substation in Capriasca (work will be completed in 2012). The current AEM grid is supplied by the Gemmo substation (owned by Aziende Industriali di Lugano SA, AIL SA), while its catchment area extends from Massagno to Capriasca, Val Colla and the upper Vedeggio Valley: the new Capriasca substation will be connected to the Sigirino substation by a double cable link.

AET has developed its grid, buying up the Federal Roads Office (FEDRO) medium voltage plants and the relevant 16 kV distribution grid of the A2 Chiasso-Airolo motorway. AET agreed to maintain the existing infrastructure and also service the FEDRO plants.

AET also guarantees the technical performance of the 380 kV Mendrisio-Cagno international trade line, while the commercial side is handled by Nord Energia SpA (40% held by AET). Again on the subject of the cross-border line, in the last quarter of 2010 subsidiaries CMC Mesta SA and CMC Srl (the companies that own the plant) were sold to Nord Energia SpA.

AET NE1 SA, owner of the AET high-voltage grid, was incorporated in accordance with the Federal Electricity Supply Act, to be transferred to Swissgrid by the end of 2012. In the last quarter of 2010, the Swiss Federal Electricity Commission (ElCom) publicly defined the term "transmission grid": the decision of the federal authority in practice reduced the number of AET plants to be transferred to Swissgrid (AET will retain the 220 kV Magadino-Manno power line). Appeals on the decision are still pending, which is why there are factors of uncertainty. Swissgrid has in any case initiated the "GO!" project, with the aim of incorporating into Swissgrid all the grid transmission companies established ad hoc by the current owners.

## Administrative activities

As for the financial and administrative aspects, 2010 was marked by a change in accounting standards: in accordance with the requests that emerged in the past to improve the transparency of its annual financial statements, AET prepared its 2010 financial statements in accordance with the Swiss GAAP FER accounting standards, abandoning the principles of the Swiss Code of Obligations.

As for the positions of the financial statements, please refer to the same and the related notes, which contain detailed information on AET accounts.

## Participations

Some participations have already been mentioned above. This summary includes the initiatives that have a significant financial impact, without commenting on consolidated investments for which activity is limited to the current financial year (Kraftwerke Mattmark).

### **AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern**

AET holds a 7% share in AKEB, a company with nuclear power plants in France and Switzerland. The long-term shutdown of the French Bugey power station in 2010 forced AET to turn to the market to fill its energy quota, at prices higher than AKEB costs.

### **Calore SA**

AET holds a stake equal to that of SES in Calore SA.

The company continued its policy of expansion, buying certain plants of the Locarno "La Carità" Hospital from the Ente Ospedaliero Cantonale (EOC, Cantonal Hospital Corporation). Calore also collaborated in the construction of the thermal heating plant for the new Lido Locarno, and commissioned feasibility studies for district heating networks (the Oil Free Bodio initiative which plans to use the waste waters of the AlpTransit tunnel for heating, for example). Constructive negotiations proceeded with the municipal authorities and patricians of Olivone for the construction of a wood-fired district heating plant in the centre of Olivone.

### **Geopower Basel AG**

After winding up almost all of its activities, the Geopower Basel AG is considering the reclamation and sale of the land exploited in the project. Some agreements must still be finalized with the Canton of Basel-Stadt for monitoring and completing the project.

### **Geo-Energie Suisse AG**

In the wake of the Geopower Basel AG project, AET decided to join a new company incorporated to exploit deep geothermal energy for power production in Switzerland. AET participates in the formation of Geo-Energie AG Suisse, based in Basel, with six other major companies operating in the energy sector. A list of some interesting sites for further surveys should be prepared in 2011, with the aim of implementing a deep geothermal energy project by the year 2013 or 2014.

**Metanord SA**

In 2010, work continued on the conduit and the installation of the methane pipeline along the Ceneri ridge from Sigirino to Rivera: these works will be completed in 2011. Likewise, planning continued on the Piano di Magadino grid, for the main lines to develop the Bellinzona and Locarno areas. In 2010, Metanord SA bought up Metanord Ingegneria SA in order to optimise costs, planning and commissioning.

**Trianel Kohlenkraftwerk Lünen GmbH & Co. KG**

AET's participation in the coal-fired power station being built in Lünen (Germany) has been widely debated both by public opinion and political bodies. The Grand Council finally approved participation in the Lünen plant, which will go into service in spring 2013. The project is backed by a consortium of banks, guaranteeing 90% of the required funds. As mentioned above, the Green Party's "coal-free AET" initiative was the subject of a public vote on the 5th of June 2011: preferences were given to the Grand Council's counter-initiative.

**SPE Società per Partecipazioni Energetiche SA**

SPE is an "intermediate" company incorporated to prevent tax losses on capital repayments from foreign subsidiaries. As SPE is a limited company subject to ordinary taxation (unlike AET, which is tax exempted), the foreign subsidiaries of SPE can pay dividends to the same (rather than AET) without being subject to important foreign withholding tax burdens.

**CEG Group**

In 2010, the company became SpA.

SPE holds a 50% share in CEG SpA, which in turn owns other subsidiaries, whose corporate purpose is to build and run biomass-fired power plants. The second CEG group plant went into service in 2010, while the third and last plant envisaged in the company's industrial plan is under construction (expected to go into service towards the end of 2011). The original industrial plan was reduced to roughly one third of the envisaged power.

**REInvest / REI Group**

AET/SPE held approximately a 20% share in the companies owned by the parent company REInvest. Part of these (REInvest and PurEnergy) were sold, while the REI investment is still standing, although the investment amount is lower than in the past (approximately EUR 3 million of the EUR 13 million investment has been reimbursed). As for REI investments in Greece, a wind farm went into service in late 2010, while a second wind farm now holds all the necessary building permits and operating licenses. Although Greece is in a difficult financial situation, until now promises made concerning the payment of incentives to promote wind farms have been maintained: the State has already paid EUR 10 million in subsidies, and others should follow in 2011.



**Parco eolico del San Gottardo SA**

AET has become the majority shareholder (70%) of the company Parco eolico del San Gottardo SA, SIG (Services Industriels de Genève) holds 25% and the Municipal Authority of Airolo the remaining 5%. AET manages the company and is preparing, with the assistance of REnInvest SA technical personnel, the building permit application, to be submitted by the summer of 2011. The permit should be obtained in the first half of 2012 with construction work starting in summer 2012. The 17 MW plant will be commissioned in autumn 2013.

**TERIS Teleriscaldamento del Bellinzonese SA**

Following the preparatory work in 2009, the company TERIS SA, owned by AET (60%) and ACR (40%) was incorporated in 2010. The company was set up to build and run a district heating network in the Bellinzona area. The project is currently in the planning stage and will soon go into the implementation phase. The State Council is currently evaluating the project in respect of potential cantonal subsidies.

**Strategic projects****Ritom**

After several years of negotiations, AET and SBB signed an agreement in 2010 for the joint exploitation of the Ritom reservoir. The agreement concerns for the incorporation of a company (75% SBB, 25% Canton/AET) to refurbish the current Ritom plants. The mixed work group created ad hoc (with representatives of the Canton, SBB and AET) is preparing the application for the new concession, including a pumping station and a new power plant owned by AET, which will produce energy using 25% of the reservoir resources. A regulating tank will be built downstream of the two power plants (the existing SBB power plant and the new AET power plant).

**Piano Energetico Cantonale - Cantonal Energy Plan**

AET has been involved in the drafting of the Cantonal Energy Plan, which will define the Canton energy policy for the future. Company employees made important contribution to the preparation of files on energy sources and of the hypothesis of covering energy requirements.

**Val d'Ambra plant**

In cooperation with officials of the Department of Natural Resources, a study began in 2009 on the results obtained from the Cantonal Utilization Plan meetings. Work continued in 2010 with the update of the project file, in particular to justify the work and forest access road.

**"Dalpe II" plant**

The planning of the "Dalpe II" hydroelectric plant, which will use discharge water from the existing Dalpe CEL plant in a lower location, has been further refined, and the documentation for the preliminary examination of the variation to the plan has been presented. Further investigation and optimisation of the project are under way as required by the Canton authorities.

The plant will increase the Leventina electricity production by 13.6 GWh per year.

**Compodino SA**

AET is currently negotiating the purchase of a majority stake in the company Compodino SA, and building a biomass plant in Piano di Magadino. The variations to the Pizzante plan, prerequisite for the construction of the plant, have not yet been approved by the Locarno Town Council and therefore alternative sites for the construction of the plant must be considered.

**Photovoltaic plants**

The Castel San Pietro plant, with a power output of 53 kWp, went into production in 2010: AET's total installed capacity now amounts to 568 kWp. The feasibility of 29 other sites has also been analysed, and some of these projects are currently in the planning stage.

**AET TiGeo**

In 2010 we proceeded with the preparatory work and applied for permits for seismic surveys performed in early 2011. The survey results will probably be published in the second half of 2011, after review by a panel of experts.

**Human Resources**

In 2010 there was significant growth in human resources, with about a dozen new people hired. In particular, management and administration and control services were strengthened (with the recruitment of three managers, a legal dept. manager, two risk managers and an internal auditor reporting directly to the Board of Directors).

## Financial Management

The 2010 financial statements show a satisfactory result, despite repeated discounts granted to distributors, an unfavourable market and marked European currency fluctuations, as well as lower market prices than in the past, which did not favour the company's business.

The 2010 financial statements were prepared for the first time using the Swiss GAAP FER accounting standards to present a true & fair view of the financial position, the cash flows and the results of operations.

The introduction of the Swiss GAAP FER standard involved the conversion of all balance sheet items, thereof the most affected by this conversion are:

- fixed assets, the book value of which was recalculated on the basis of historical cost of acquisition or construction and depreciated according to of the actual technical and economic duration of the fixed assets, excluding any accelerated and/or extraordinary depreciation;
- provisions with reserve character, namely provisions for which no future expenditure is expected. This involved the release of provisions for plant reversion and most of the provisions for market risks;
- converting the AET financial statement to the Swiss GAAP FER standards involved a significant increase of the reported company equity, which as at 1st January 2009 (conversion date) increased from CHF 125 million to CHF 372 million, emphasizing the intrinsic surplus value of the company assets in the financial statements.

The presentation of the financial statements in accordance with the Swiss GAAP FER accounting standards represents a significant step forward in terms of transparency but also makes comparisons with the past difficult, especially for years before 2009.

The change in accounting principles also implies a different approach compared to the past when allocating the company profits. Article 18 of the Law instituting Azienda elettrica ticinese (LAET) requires the company to allocate reserves to cover the cost of renewing equipment and losses in unprofitable years. With the introduction of the Swiss GAAP FER standards, these reserves, along with the "reserve for plant reversion", which aren't provided for by LAET but are economically necessary for AET to meet Canton energy policy requirements, can no longer be entered as "provisions" (against a cost in the financial statement), but as individual equity reserves obtained from the allocation of profits.

This therefore requires modifications when preparing the proposed distribution of profit. AET wishes to increase its own equity position also in the future, with a policy for the distribution of 30% - 50% of its profits to the State, while the remainder would be capitalised as equity reserves.

The proposed distribution of profit has been prepared as described: with a profit of CHF 30 million for 2010, AET proposes to allocate CHF 15 million to the State (in the form of interest on endowment capital and profit distribution).

# Proposal for allocation of profit

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

21

	<b>CHF 1,000</b>
Profit for the year 2010	29,904
+ profit carryover at the beginning of the financial year	28,020
Retained earnings	57,924
./. to the State: 8% interest on the endowment capital	-3,200
./. devolution to the State	-12,000
./. attribution to the general reserves	-40,000
<b>Carryovers in the new financial year</b>	<b>2,724</b>

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 2010;
- the financial statements for the year 2010;
- the proposal for allocation of profit;

granting the discharge to the directors, the management and the auditor's office for their activity.



  
**for the Board of Directors**  
 Chairman  
 Fausto Leidi



# Consolidated financial statements



# Consolidated balance sheet

24

		<b>31.12.2010</b>	<b>31.12.2009</b>
<b>ASSETS</b>	Notes	CHF 1,000	CHF 1,000
Operating plants and equipment		254,984	220,411
Land and buildings		37,596	38,079
Tangible fixed assets under construction		28,820	52,477
Tangible fixed assets on lease		15,624	18,140
Other tangible fixed assets		1,339	1,288
<b>Tangible fixed assets</b>	2	<b>338,363</b>	<b>330,395</b>
Participations in associates	3	13,877	18,877
Long-term securities	4	71,302	76,763
Advances and loans to associates	5	9,720	38,070
Other financial assets	6	3,739	8,129
<b>Financial assets</b>		<b>98,638</b>	<b>141,839</b>
Plant and equipment use rights		5,701	6,220
Energy procurement rights		124,177	133,939
Intangible assets under construction		3,353	1,020
Other intangible assets		1,407	3,160
<b>Intangible assets</b>	7	<b>134,638</b>	<b>144,339</b>
<b>Total Non-current assets</b>		<b>571,639</b>	<b>616,573</b>
Receivables from goods and services	8	170,333	191,983
Other short-term receivables	9	6,491	5,500
Inventories		4,307	4,195
Prepayments and accrued income	10	28,611	18,051
Cash and cash equivalents	11	82,759	38,456
<b>Total Current assets</b>		<b>292,501</b>	<b>258,185</b>
<b>TOTAL ASSETS</b>		<b>864,140</b>	<b>874,758</b>

		<b>31.12.2010</b>		<b>31.12.2009</b>	
		Notes	CHF 1,000	CHF 1,000	CHF 1,000
<b>LIABILITIES AND EQUITY</b>					
Endowment capital			40,000		40,000
Conversion differences			-2,392		73
Retained earnings			342,900		318,079
Profit for the year			35,291		39,756
<b>Equity attributable to AET</b>			<b>415,799</b>		<b>397,908</b>
Minority interests			163		125
<b>Total Group equity</b>			<b>415,962</b>		<b>398,033</b>
Long-term provisions	12		17,910		19,680
Long-term financial liabilities	13		223,897		227,614
<b>Long-term liabilities</b>			<b>241,807</b>		<b>247,294</b>
Payables from goods and services	14		151,475		175,063
Short-term financial liabilities	15		18,758		20,933
Other short-term liabilities	16		2,133		1,999
Accrued liabilities and deferred income	17		22,601		17,853
Short-term provisions	12		11,404		13,583
<b>Current liabilities</b>			<b>206,371</b>		<b>229,431</b>
<b>Total Liabilities</b>			<b>448,178</b>		<b>476,725</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>864,140</b>		<b>874,758</b>



# Consolidated income statement

	Notes	2010 CHF 1,000	2009 CHF 1,000
<b>Operating income</b>			
Energy sales	18	1,493,777	1,422,930
Grid income		45,964	42,815
Other operating income	19	9,900	9,430
<b>Total Operating income</b>		<b>1,549,641</b>	<b>1,475,175</b>
<b>Operating expenses</b>			
Energy purchase	20	-1,407,002	-1,333,780
Grid expenses		-18,378	-11,900
Personnel expenses	21	-26,175	-23,118
Services and material		-7,394	-6,415
Depreciation on tangible fixed assets		-12,699	-12,019
Amortisation on intangible assets		-9,874	-10,145
Other depreciation and amortisation		-157	-157
Other operating expenses	22	-19,572	-22,748
<b>Total Operating expenses</b>		<b>-1,501,251</b>	<b>-1,420,282</b>
<b>Operating result</b>		<b>48,390</b>	<b>54,893</b>
Financial income	23	3,108	3,558
Financial expenses	24	-13,130	-10,000
Result from participations in associates	3	1,865	181
<b>Ordinary result</b>		<b>40,233</b>	<b>48,632</b>
Non-operating income		5	160
Non-operating expenses		-	-35
Extraordinary income	25	563	1,700
Extraordinary expenses	26	-4,892	-11,032
<b>Profit before taxes</b>		<b>35,909</b>	<b>39,425</b>
Taxes		-663	322
<b>Group profit for the year</b>		<b>35,246</b>	<b>39,747</b>
Minority interests		45	9
<b>Profit for the year attributable to AET</b>		<b>35,291</b>	<b>39,756</b>

# Consolidated cash flow statement

	2010	2009
	CHF 1,000	CHF 1,000
Profit for the year	35,291	39,756
Depreciation on tangible fixed assets	12,699	12,019
Amortisation on intangible assets	9,874	10,145
Other depreciation and amortisation	157	157
Change in long-term provisions	-1,770	-10,900
Change in impairments	2,252	11,482
Profit/loss from disposal of non-current assets	-984	-1,539
Result from the application of the equity method	-1,865	-181
Other non cash expenses	3,568	1,239
<b>Cash flow before change in net current assets</b>	<b>59,222</b>	<b>62,178</b>
Change in receivables from goods and services	21,649	-44,974
Change in inventories	-112	-132
Change in other receivables and prepayments and accrued income	-13,074	-440
Change in payables from goods and services	-23,599	57,681
Change in other liabilities and accrued liabilities and deferred income	4,694	3,205
Change in short-term provisions	-2,179	565
<b>Cash flow from operating activities</b>	<b>46,601</b>	<b>78,083</b>
Outflows for investment in tangible fixed assets	-21,459	-21,399
Inflows from disposal of tangible fixed assets	1,306	29,429
Outflows for investment in intangible assets	-3,000	-6,131
Inflows from disposal of intangible assets	-	6,960
Outflows for investment in financial assets	-16,924	-29,542
Inflows from disposal of financial assets	54,590	5,995
Acquisition of consolidated organisations, less cash	-1,658	-18,997
<b>Cash flow from investing activities</b>	<b>12,855</b>	<b>-33,685</b>
Repayment of short-term financial liabilities	-354	-9,409
Repayment of long-term financial liabilities	-1,001	-228
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-10,000	-10,000
<b>Cash flow from financing activities</b>	<b>-14,555</b>	<b>-22,837</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>38,456</b>	<b>16,893</b>
<b>Cash flow</b>	<b>44,901</b>	<b>21,561</b>
Conversion differences on cash and cash equivalents	-598	2
<b>Cash and cash equivalents at the end of the year</b>	<b>82,759</b>	<b>38,456</b>

# Statement of changes in consolidated equity

28

	<b>Endow- ment capital</b>	<b>Con- version differen- ces</b>	<b>Retained earnings</b>	<b>Profit for the year</b>	<b>Equity attribu- table to AET</b>	<b>Minority interests</b>	<b>Total Group Equity</b>
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Equity at 01.01.2009</b>	<b>40,000</b>	<b>–</b>	<b>318,100</b>	<b>13,245</b>	<b>371,345</b>	<b>134</b>	<b>371,479</b>
Attribution of profit	–	–	13,245	–13,245	–	–	–
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
Conversion differences	–	73	–27	–	46	–	46
Change in consolidation scope	–	–	–	–	–	–	–
Offset goodwill	–	–	–39	–	–39	–	–39
Profit for 2009	–	–	–	39,756	39,756	–9	39,747
<b>Equity at 31.12.2009</b>	<b>40,000</b>	<b>73</b>	<b>318,079</b>	<b>39,756</b>	<b>397,908</b>	<b>125</b>	<b>398,033</b>
Attribution of profit	–	–	39,756	–39,756	–	–	–
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
Conversion differences	–	–2,465	103	–	–2,362	–19	–2,381
Change in consolidation scope	–	–	–19	–	–19	102	83
Offset goodwill	–	–	–1,819	–	–1,819	–	–1,819
Profit for 2010	–	–	–	35,291	35,291	–45	35,246
<b>Equity at 31.12.2010</b>	<b>40,000</b>	<b>–2,392</b>	<b>342,900</b>	<b>35,291</b>	<b>415,799</b>	<b>163</b>	<b>415,962</b>

# Notes to the consolidated financial statements

## 1 Accounting principles

The consolidated financial statements of the Azienda elettrica ticinese (AET) were prepared in accordance to the Swiss GAAP FER as a whole and approved by the Board of Directors on 16.06.2011.

### 1.1 Consolidation principles

#### 1.1.1 Companies consolidated according to the full consolidation method

The following controlled companies, in which AET holds the majority of the voting rights, were consolidated with the full consolidation method:

Subsidiaries <sup>1</sup>	Currency	Nominal capital	Holding at 31.12.2010	Holding at 31.12.2009
AET CoGen Srl, Gavirate (I)	EUR	100,000	100.00%	100.00%
AET Idronord Srl, Milano (I)	EUR	1,000,000	90.00%	90.00%
AET Italia Srl, Milano (I)	EUR	100,000	100.00%	100.00%
AET NE1 SA, Bellinzona	CHF	4,000,000	100.00%	100.00%
PESG, Airolo	CHF	100,000	70.00%	20.00%
SPE, Bellinzona	CHF	8,000,000	100.00%	100.00%
TERIS, Giubiasco	CHF	200,000	60.00%	–

<sup>1</sup> Direct and indirect subsidiaries

During 2010 the following participations were consolidated for the first time:

- Parco eolico del San Gottardo SA (PESG) following the increase of shareholding from 20% to 70%;
- TERIS Teleriscaldamento del Bellinzonese SA following its incorporation.

During 2010 there was no deconsolidation.

All participations have closed their financial year on the 31 December 2010.

At the time of acquisition, all net assets acquired are valued at fair value. Any difference between acquisition price and the value of the net assets acquired is recognised as goodwill and immediately compensated with group equity. The transactions between the Group companies were carried out at market conditions. All transactions between the Group companies and the related income and expenses were eliminated in the consolidation process.

For participations in which the AET Group holds less than 100% of the share capital, the minority interests in the group equity and in the group profit are reported as separate items on the balance sheet and income statement.

### 1.1.2 Changes in consolidation scope

During the period under review, there have been the following changes took place in the consolidation of the AET Group:

- 02.09.2010 acquisition of a 50% shareholding of Parco eolico del San Gottardo SA (previous shareholding 20%)
- 08.02.2010 subscription of 60% of the newly incorporated TERIS Teleriscaldamento del Bellinzonese SA
- 03.04.2009 acquisition of 100% of the capital of AET CoGen Srl
- 01.01.2009 deconsolidation of the participated companies CMC MeSta and CMC Cavo Mendrisio-Cagno Srl due to the planned disposal to the associate Nord Energia SpA.

The key balance sheet positions at the time of acquisition / deconsolidation of those companies present as follows:

	<b>PESG</b>	<b>TERIS</b>	<b>AET CoGen</b>	<b>CMC MeSta</b>	<b>CMC Srl</b>
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Non-current assets	206	–	20,810	10,469	10,121
Current assets except cash	–	–	3,705	63	1,873
Cash and cash equivalents	64	200	–1,909	33	41
<b>Total assets</b>	<b>270</b>	<b>200</b>	<b>22,606</b>	<b>10,565</b>	<b>12,035</b>
Equity	73	200	3,404	3,960	–410
<i>Minority interests thereof</i>	22	80	–	–	–
Long-term liabilities	–	–	15,602	5,746	12,309
Current liabilities	197	–	3,600	859	136
<b>Total liabilities and equity</b>	<b>270</b>	<b>200</b>	<b>22,606</b>	<b>10,565</b>	<b>12,035</b>

### 1.1.3 Companies included according to the equity method

The shareholdings in companies over which the AET Group exercises significant influence but no control are included in the Group consolidated financial statements according to the equity method (recognition of the share of shareholder's equity and net profit, with neutral treatment of the differences attributable to exchange rate fluctuations).

As for the fully consolidated companies, any difference between acquisition price and the value of the net assets acquired is recognised as goodwill and immediately compensated with group equity without impact on the result of the period.

Associates <sup>1</sup>	Currency	Nominal capital	Holding at 31.12.2010	Holding at 31.12.2009
Calore SA, Locarno	CHF	2,000,000	48.90%	48.90%
CEG, Como (I)	EUR	5,000,000	50.00%	50.00%
CMC MeSta SA, Bellinzona	CHF	14,000,000	–	100.00%
CMC Srl, Gavirate (I)	EUR	20,000	–	100.00%
Metanord SA, Bellinzona	CHF	18,594,000	30.95%	29.42%
Nord Energia SpA, Milano (I)	EUR	10,200,000	40.00%	40.00%
PESG, Airolo	CHF	100,000	70.00% <sup>2</sup>	20.00%
PurEnergy SA, Luxembourg	EUR	100,000	–	20.00%
Quadra Srl, Como (I)	EUR	20,000	50.00%	50.00%
REnInvest SA, Chiasso	CHF	600,080	–	26.66%
Senco Holding SA, Locarno	CHF	150,000	50.00%	50.00%

<sup>1</sup> Associates directly and indirectly

<sup>2</sup> Fully consolidated in 2010

### 1.1.4 Other participations

The shareholdings in companies over which AET does not exercise significant influence are valued at their cost value adjusted for any impairment.

### 1.1.5 Conversion of financial statements held in foreign currency

The consolidated financial statements are reported in thousands of Swiss francs (CHF 1'000). The assets and liabilities of foreign subsidiaries are converted at the year-end exchange rates. The income statement figures are converted at the yearly average exchange rates.

Conversion differences are recorded within the Group equity, without impact on the profit of the year.

Exchange rates applied (CHF/EUR):	2010	2009
Exchange rate at the closing date on 31.12	1.2505	1.4832
Average exchange rate	1.4208	1.5304

## 1.2 Accounting principles

Assets and liabilities are valued with uniform principles. The following are the most significant accounting principles:

### 1.2.1 Tangible fixed assets

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

Land is not depreciated. Buildings are valued at their acquisition or construction cost and depreciated like operating plant and equipment. Operating equipment is depreciated on the basis of its useful life. Plant in construction is reported at construction cost, and interest is not capitalized. Plant in construction is not depreciated. The minimum and maximum depreciation periods for each tangible fixed asset category are as follows:

Civil engineering	40 – 75 years
Electromechanical plants	40 – 50 years
Electromechanical equipments	15 – 35 years
Power grids	30 – 55 years
Substations and transformation plants	20 – 35 years
Buildings	40 – 50 years
Photovoltaic plants	20 years
Machinery and tools	5 – 25 years
Vehicles	3 – 10 years
IT equipments	3 – 5 years

Renewal or optimisation investments on plants are capitalised if the useful life, the performance or the quality of the involved plant are significantly improved.

Tangible fixed assets acquired through financial leases are capitalised and the corresponding liabilities reported as financial liabilities.

### **1.2.2 Financial assets**

Financial assets are reported at their cost value, adjusted for any impairment. Long-term advances in foreign currency are converted at the lower of year-end and acquisition exchange rates.

### **1.2.3 Intangible assets**

Plants and equipment use rights represent the right of energy transmission on third party gridlines. They are amortised on a straight-line basis taking into account the contractual agreements and the technical life of the plant (40-75 years). The energy procurement rights are capitalised at their cost and straight-line amortised on the basis of their useful life (10-20 years). Other intangible assets are capitalised at their acquisition cost and straight-line amortised on the basis of their useful life.

### **1.2.4 Receivables**

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

### **1.2.5 Inventories**

Inventories include small tools and spare parts. Inventories are capitalised at the lower of weighted average purchase price and market value. The carrying value of inventories are adjusted for slow-moving.

### **1.2.6 Cash and cash equivalents**

Cash and cash equivalents are reported at their face value and include cash in hand, post and bank accounts as well as term deposits with banks with duration of less than three months. Balances in foreign currency are converted at year-end exchange rates.

### **1.2.7 Assets impairment**

At each balance sheet date, all assets are tested for indicators of impairment. In case of existence of such indicators, the recoverable amount, the higher of the net selling price and the value in use, is computed. The value in use is generally computed on the basis of the expected future cash flows. If necessary, the carrying value is adjusted to the recoverable amount. In case of improvement of the recoverable amount, the carrying value is revaluated at maximum to the value according to the planned depreciation scheme.

### **1.2.8 Provisions**

Provisions are deemed to cover probable future costs related to legal or implicit obligations and to events of the past. Long-term provisions are reported at the present value on the balance sheet day of the expected future disbursement.

### **1.2.9 Liabilities**

All liabilities are reported at their nominal value. Liabilities in foreign currency are converted at year-end exchange rates.



### **1.2.10 Contingent liabilities**

All contingent liabilities and the other non-recognisable commitments are disclosed in the notes.

### **1.2.11 Income**

Incomes are recorded in the income statement at the moment of the settlement of the delivery. Incomes are recorded net of price reduction, sales taxes and value added taxes. All energy sale operations relate to physical energy deliveries.

### **1.2.12 Pension funds**

The personnel of the AET are 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. In order to facilitate early retirement for its employees, AET is also affiliated with the "Fondo di pensionamento anticipato a favore del personale dell'Azienda Elettrica Ticinese". The financial implications of the pension schemes in place, regardless of their structure and legal form, are included in the group financial statements. Surplus payments or deficits are determined on the basis of the latest available financial statements of the pension funds involved. Any liabilities (economic obligations) or any assets (economic benefits) in addition to the payment of the regular premiums are recorded in the financial statements. Economic obligations are recognised when pension liabilities are undercovered, generating a cash outflow for the company in the form of restructuring contributions. Economic benefits consists of possible future positive cash flow resulting from the use of employer's contribution reserves or other benefits.

The personnel employed in Italy are covered for pension according to the ordinary Italian pension scheme. The Group companies operating abroad thus have no obligation or benefit related to the pension schemes, which are not recorded in the financial statements.

The yearly contributions, the yearly change in any economic obligations and economic benefits, as well as the change in the employer's contribution reserve, are recorded in the income statements under personnel expenses.

### **1.2.13 Taxes**

Tax expense includes all current and deferred taxes. Deferred taxes arise from valuation differences between the tax financial statements and the financial statements used for Group reporting purposes. AET is not subject to any direct tax.

### **1.2.14 Related party transactions**

Transactions with associates include all transactions and debit / credit relationships existing with companies in which AET holds between 20% and 50% of the voting rights and which have been included in the Group financial statements according to the equity method. Transactions with other related parties include transactions with the power generation / procurement companies Officine idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Verzasca SA held by the Canton Ticino as well as Kraftwerke Mattmark and AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern held by AET for less than 20%. AET takes the respective share of energy and covers the respective share of production / procurement costs.

## 2 Tangible fixed assets

	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Tangible fixed assets on lease	Other tangible fixed assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2009</b>	<b>509,170</b>	<b>43,727</b>	<b>57,364</b>	<b>1,997</b>	<b>9,473</b>	<b>621,731</b>
Change in consolidation scope	-14,846	660	-	21,104	-2,356	4,562
Reclassification	26,117	-	-26,053	-	-	64
Additions	-	-	21,166	-	233	21,399
Disposals	-29,314	-	-	-	-154	-29,468
Conversion differences	-	-	-	5	-	5
<b>Cost value at 31.12.2009</b>	<b>491,127</b>	<b>44,387</b>	<b>52,477</b>	<b>23,106</b>	<b>7,196</b>	<b>618,293</b>
Change in consolidation scope	-	-	-	-	-	-
Reclassification	46,519	-	-43,639	1,637	-	4,517
Additions	805	-	19,982	109	563	21,459
Disposals	-1,243	-	-	-	-255	-1,498
Conversion differences	-953	-105	-	-3,881	-39	-4,978
<b>Cost value at 31.12.2010</b>	<b>536,255</b>	<b>44,282</b>	<b>28,820</b>	<b>20,971</b>	<b>7,465</b>	<b>637,793</b>
<b>Accumulated depreciation at 01.01.2009</b>	<b>-260,654</b>	<b>-5,776</b>	<b>-</b>	<b>-</b>	<b>-5,659</b>	<b>-272,089</b>
Change in consolidation scope	-800	-134	-	-4,286	-31	-5,251
Reclassification	-	-	-	-	-	-
Depreciation	-10,547	-398	-	-702	-372	-12,019
Disposals	1,285	-	-	-	154	1,439
Conversion differences	-	-	-	22	-	22
<b>Accumulated depreciation at 31.12.2009</b>	<b>-270,716</b>	<b>-6,308</b>	<b>-</b>	<b>-4,966</b>	<b>-5,908</b>	<b>-287,898</b>
Change in consolidation scope	-	-	-	-	-	-
Reclassification	-289	-	-	-	-	-289
Depreciation	-10,488	-404	-	-1,319	-488	-12,699
Disposals	-	-	-	-	255	255
Conversion differences	222	26	-	938	15	1,201
<b>Accumulated depreciation at 31.12.2010</b>	<b>-281,271</b>	<b>-6,686</b>	<b>-</b>	<b>-5,347</b>	<b>-6,126</b>	<b>-299,430</b>
<b>Net carrying amount at 01.01.2009</b>	<b>248,516</b>	<b>37,951</b>	<b>57,364</b>	<b>1,997</b>	<b>3,814</b>	<b>349,642</b>
<b>Net carrying amount at 31.12.2009</b>	<b>220,411</b>	<b>38,079</b>	<b>52,477</b>	<b>18,140</b>	<b>1,288</b>	<b>330,395</b>
<b>Net carrying amount at 31.12.2010</b>	<b>254,984</b>	<b>37,596</b>	<b>28,820</b>	<b>15,624</b>	<b>1,339</b>	<b>338,363</b>

The insured value of tangible fixed assets against fire risk amounts to CHF 485 million at 01.01.2011 (CHF 479 million at 01.01.2010).

### 3 Participations in associates

31.12.2010	Equity	Holding	AET's share of the equity	AET's share of the profit
	CHF 1,000		CHF 1,000	CHF 1,000
Associates				
Calore SA	2,177	48.90%	1,065	23
CEG	–	50.00%	–	–
Metanord SA	16,104	30.95%	4,984	–38
Nord Energia SpA	19,321	40.00%	7,729	1,887
Quadra Srl	–	50.00%	–	–33
Senco Holding SA	199	50.00%	99	21
Consolidation effects				5
<b>Total</b>			<b>13,877</b>	<b>1,865</b>

31.12.2009	Equity	Holding	AET's share of the equity	AET's share of the profit
	CHF 1,000		CHF 1,000	CHF 1,000
Associates				
Calore SA	2,130	48.90%	1,042	44
CEG	–	50.00%	–	–
CMC MeSta SA	13,878	100.00%	13,878	–82
CMC Srl	180	100.00%	180	148
Metanord SA	8,844	29.42%	2,600	–199
Nord Energia SpA	3,160	40.00%	1,264	1,048
PESG	73	20.00%	15	–5
PurEnergy SA	–	20.00%	–	4
Quadra Srl	29	50.00%	33	–7
REInvest SA	2,170	26.66%	579	13
Senco Holding SA	156	50.00%	78	9
Consolidation effects			–792	–792
<b>Total</b>			<b>18,877</b>	<b>181</b>

The companies CMC MeSta SA, CMC Cavo Mendrisio-Cagno Srl (CMC Srl), REInvest SA e PurEnergy SA included as of 31.12.2009 with the equity method in the Group financial statements have been sold during 2010.

Parco eolico del San Gottardo SA (PESG), included through 31.12.2009 in the Group financial statements with the equity method, was fully consolidated in 2010 following the increase of AET's participation in the company from 20% to 70%.

Consolidation effects: related to the elimination of the intragroup profit between AET and CMC MeSta SA, arising from the sale of fixed assets in 2009 and from the difference between the equity value and the cost value of the Parco eolico del San Gottardo SA recognised at the moment of full consolidation of the participation.

#### 4 Long-term securities

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Trianel Kohlenkraftwerk Lünen GmbH & Co. KG	38,178	38,178
Renewable Energy Investments SPC	15,678	19,806
./.. impairment	-4,600	-3,100
Kraftwerke Mattmark AG	12,744	12,901
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Airlight Energy Holding SA	2,862	2,636
Other	140	42
<b>Total</b>	<b>71,302</b>	<b>76,763</b>

The shares of Renewable Energy Investments SPC (REI) are valued at their historical cost. In 2010, REI has proceeded with a partial capital reimbursement. The impairment amount was determined on the basis of the latest NAV information (31.12.2009). The impairment amount was increased in 2010 following the decrease of the euro exchange rate against the Swiss francs.



**5 Advances and loans to associates**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Nord Energia SpA	7,912	–
Bio Elettricità Occimiano Srl	7,003	8,306
./. impairment	–7,003	–8,306
Calore Elettricità Gas SpA	5,065	6,007
./. impairment	–5,065	–2,887
Geopower Basel AG	2,628	2,628
./. impairment	–2,628	–2,628
Metanord SA	1,000	1,580
CEL Cerentino SA	466	536
CMC MeSta SA	192	20,617
Senco Holding SA	150	150
CMC Cavo Mendrisio–Cagno Srl	–	12,057
CEL Campo Vallemaggia SA	–	10
<b>Total</b>	<b>9,720</b>	<b>38,070</b>

The advances to Calore Elettricità Gas SpA and to Bio Elettricità Occimiano Srl were impaired following the deterioration of the conditions in the respective markets; the impairment amount was determined on the basis of discounted free cash flow valuations. The advance to Geopower Basel AG (subordinated for the amount of CHF 2.6 million) is subject to impairment as a result of the interruption of the project development. The advance to Metanord SA is subordinated for an amount of CHF 1 million and the one of Senco Holding SA is subordinated for an amount of CHF 0.11 million.

**6 Other financial assets**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Advance to EGL AG	3,145	4,709
Advance to TPWB GmbH & Co. KG	–	3,893
./. impairment	–	–1,029
Other	594	556
<b>Total</b>	<b>3,739</b>	<b>8,129</b>

The advance to EGL was made within the context of an energy supply agreement on the Italian market. The advance to TPWB GmbH & Co. KG was reimbursed with a single payment at the end of 2010 instead of being reimbursed according to the initial multi-year reimbursement schedule.

## 7 Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2009</b>	<b>7,490</b>	<b>159,050</b>	<b>–</b>	<b>2,749</b>	<b>169,289</b>
Change in consolidation scope	–	1,084	–	7	1,091
Reclassification	–192	–6	–	6	–192
Additions	3,375	22	1,020	1,714	6,131
Disposals	–	–7,410	–	–	–7,410
Conversion differences	4	–	–	–	4
<b>Cost value at 31.12.2009</b>	<b>10,677</b>	<b>152,740</b>	<b>1,020</b>	<b>4,476</b>	<b>168,913</b>
Change in consolidation scope	–	–	–	207	207
Reclassification	–	–896	–	–1,984	–2,880
Additions	–	19	2,333	648	3,000
Disposals	–	–	–	–	–
Conversion differences	–233	–24	–	–36	–293
<b>Cost value at 31.12.2010</b>	<b>10,444</b>	<b>151,839</b>	<b>3,353</b>	<b>3,311</b>	<b>168,947</b>
<b>Accumulated amortisation at 01.01.2009</b>	<b>–5,380</b>	<b>–9,557</b>	<b>–</b>	<b>–905</b>	<b>–15,842</b>
Change in consolidation scope	–	–215	–	–	–215
Reclassification	–	2	–	–	2
Amortisation	–135	–9,596	–	–414	–10,145
Disposals	–	556	–	–	556
Impairments	1,058	–	–	–	1,058
Conversion differences	–	9	–	3	12
<b>Accumulated amortisation at 31.12.2009</b>	<b>–4,457</b>	<b>–18,801</b>	<b>–</b>	<b>–1,316</b>	<b>–24,574</b>
Change in consolidation scope	–	–	–	–	–
Reclassification	–	149	–	28	177
Amortisation	–205	–9,023	–	–646	–9,874
Disposals	–	–	–	–	–
Impairments	–81	–	–	–	–81
Conversion differences	–	13	–	30	43
<b>Accumulated amortisation at 31.12.2010</b>	<b>–4,743</b>	<b>–27,662</b>	<b>–</b>	<b>–1,904</b>	<b>–34,309</b>
<b>Net carrying amount at 01.01.2009</b>	<b>2,110</b>	<b>149,493</b>	<b>–</b>	<b>1,844</b>	<b>153,447</b>
<b>Net carrying amount at 31.12.2009</b>	<b>6,220</b>	<b>133,939</b>	<b>1,020</b>	<b>3,160</b>	<b>144,339</b>
<b>Net carrying amount at 31.12.2010</b>	<b>5,701</b>	<b>124,177</b>	<b>3,353</b>	<b>1,407</b>	<b>134,638</b>

The energy procurement rights mainly refer to an energy procurement right from EDF (termination 31.12.2027).

<b>8 Receivables from goods and services</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Associates	81	16
Other related parties	664	1,027
Third parties	169,588	190,940
<b>Total</b>	<b>170,333</b>	<b>191,983</b>

The balance includes receivables in foreign currency for EUR 90.4 million (EUR 91.5 million at 31.12.2009).

<b>9 Other short-term receivables</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Associates	–	–
Other related parties	652	393
Third parties	5,839	5,107
<b>Total</b>	<b>6,491</b>	<b>5,500</b>

<b>10 Prepayments and accrued income</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Associates	12	–
Other related parties	5,419	1,538
Third parties	22,051	15,792
Work in progress	1,129	721
<b>Total</b>	<b>28,611</b>	<b>18,051</b>

Work in progress refers to works in course of execution for third party customers.

<b>11 Cash and cash equivalents</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Balances in CHF	53,165	8,973
Balances in foreign currency (at the end of year equivalent)	29,594	29,483
<b>Total</b>	<b>82,759</b>	<b>38,456</b>

All balances are freely available, excepted for the equivalent value of CHF 0.7 million (CHF 2.7 million at 31.12.2009) deposited in foreign bank accounts in euro for the coverage of commercial transactions in international markets.

## 12 Provisions

	Onerous contracts of participations	Energy sale onerous contracts	Indemnifications and plant decommissioning	Other provisions	Total
	CHF1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Carrying amount at 01.01.2009</b>	<b>3,500</b>	<b>22,500</b>	<b>12,180</b>	<b>5,418</b>	<b>43,598</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>14,900</b>	<b>12,180</b>	<b>–</b>	<b>30,580</b>
<b>thereof short-term</b>	<b>–</b>	<b>7,600</b>	<b>–</b>	<b>5,418</b>	<b>13,018</b>
Increase	–	–	500	265	765
Utilisation	–3,500	–	–	–	–3,500
Release	–	–7,600	–	–	–7,600
<b>Carrying amount at 31.12.2009</b>	<b>–</b>	<b>14,900</b>	<b>12,680</b>	<b>5,683</b>	<b>33,263</b>
<b>thereof long-term</b>	<b>–</b>	<b>7,000</b>	<b>12,680</b>	<b>–</b>	<b>19,680</b>
<b>thereof short-term</b>	<b>–</b>	<b>7,900</b>	<b>–</b>	<b>5,683</b>	<b>13,583</b>
Increase	3,500	–	530	–	4,030
Utilisation	–	–	–	–	–
Release	–	–7,900	–	–79	–7,979
<b>Carrying amount at 31.12.2010</b>	<b>3,500</b>	<b>7,000</b>	<b>13,210</b>	<b>5,604</b>	<b>29,314</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>1,200</b>	<b>13,210</b>	<b>–</b>	<b>17,910</b>
<b>thereof short-term</b>	<b>–</b>	<b>5,800</b>	<b>–</b>	<b>5,604</b>	<b>11,404</b>

The provision for the onerous contracts of participations covers expected disbursements related to the commitments of AET in respect of the activity of its participations.

The provision for energy sale onerous contracts covers the future cost expected in respect of the execution of energy delivery contracts finalised in the past at sale prices below the average energy procurement of AET.

The provision for indemnifications and plant decommissioning cover the expected cost of indemnification related to the operation of own plants as well as the expected future cost of decommissioning AET plants at the end of their utilisation. The present value at the balance sheet date of the expected future expense was computed by applying a 4% interest rate; the provision increase in 2010 reflects the impact of the discounting.

The other provisions include the future expected operating cost arising from past events, of which CHF 1.4 million (2009: 1.5 million) related to the cost of litigation.



<b>13 Long-term financial liabilities</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Dexia Dublin, 10.01.2008–10.01.2028 <sup>1</sup> , 3.4600%	150,000	150,000
Dexia Dublin, 01.06.2007–01.06.2022, 3.1425%	25,000	25,000
Zürcher Kantonalbank (ZKB), 18.08.2005–18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank (ZKB), 02.06.2006–02.06.2016, 3.375%	15,000	15,000
Debt for finance leases	13,005	16,687
Other	892	927
<b>Total</b>	<b>223,897</b>	<b>227,614</b>

<sup>1</sup> 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

<b>14 Payables from goods and services</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Associates	259	1,861
Other related parties	2,210	–
Third parties	149,006	173,202
<b>Total</b>	<b>151,475</b>	<b>175,063</b>

The balance includes payables in foreign currency for EUR 105.1 million (EUR 101.8 million at 31.12.2009).

<b>15 Short-term financial liabilities</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Liabilities toward financial institutions in CHF	–	15,000
Liabilities toward financial institutions in foreign currency	18,758	5,933
<b>Total</b>	<b>18,758</b>	<b>20,933</b>

<b>16 Other short-term liabilities</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Associates	–	–
Other related parties	–	–
Third parties	2,133	1,999
<b>Total</b>	<b>2,133</b>	<b>1,999</b>

**17 Accrued liabilities and deferred income**

	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Associates	–	–
Other related parties	–	–
Third parties	22,601	17,853
<b>Total</b>	<b>22,601</b>	<b>17,853</b>

**18 Energy sales**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Energy sales in Ticino	202,880	170,840
Energy sales in Switzerland	117,856	189,792
Energy sales in Italy	540,656	416,513
Energy sales in Germany	467,488	472,948
Energy sales in France	155,642	163,698
Other income energy/sales	9,255	9,139
<b>Total</b>	<b>1,493,777</b>	<b>1,422,930</b>

**19 Other operating income**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Own costs capitalised	3,472	3,359
Income from services	3,359	3,060
Other	3,069	3,011
<b>Total</b>	<b>9,900</b>	<b>9,430</b>

<b>20 Energy purchase</b>	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Purchases from participations	-42,718	-50,395
Purchases in Ticino	-31,190	-21,239
Purchases outside of Ticino	-1,333,094	-1,262,146
<b>Total</b>	<b>-1,407,002</b>	<b>-1,333,780</b>

The costs related to the energy withdrawn from the production participation held by the State of Canton Ticino (Officine idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Verzasca SA) are included within purchases from participations.

<b>21 Personnel expenses</b>	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Salaries and other compensation	-20,949	-18,876
Social contributions	-4,586	-3,963
Other expenses	-900	-480
Recoveries from insurance companies	260	201
<b>Total</b>	<b>-26,175</b>	<b>-23,118</b>

<b>Employees of the Group</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Full time equivalent		
Permanent employees	210.3	197.0
Temporary auxiliary employees	5.3	5.0
Apprentices	12.0	11.0
<b>Total</b>	<b>227.6</b>	<b>213.0</b>

<b>22 Other operating expenses</b>	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	-9,087	-9,087
Local taxes and other contributions	-1,870	-1,852
Other	-8,615	-11,809
<b>Total</b>	<b>-19,572</b>	<b>-22,748</b>

**23 Financial income**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Interest income	1,744	2,817
Income from participations	442	408
Profit from disposal of investments in associates	922	–
Other	–	333
<b>Total</b>	<b>3,108</b>	<b>3,558</b>

**24 Financial expenses**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Interest payments and commissions	–8,049	–9,196
Exchange rate differences	–3,381	–615
Other	–1,700	–189
<b>Total</b>	<b>–13,130</b>	<b>–10,000</b>

**25 Extraordinary income**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Profit from disposal of tangible and intangible fixed assets	63	1,366
Other	500	334
<b>Total</b>	<b>563</b>	<b>1,700</b>

**26 Extraordinary expenses**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Increase of provision for onerous contracts of participations	–3,500	–
Creation of short-term provision for litigation	–	–1,500
Impairments of financial investments	–1,087	–8,907
Other	–305	–625
<b>Total</b>	<b>–4,892</b>	<b>–11,032</b>

## 27 Goodwill

The positive differences between the acquisition cost of a participation and its equity value is treated as goodwill. It is offset with retained earnings with no impact on the result in the acquisition year.

If the goodwill paid were capitalised on the balance sheet and linearly amortised over 5 years, the consolidated balance sheet and the consolidated income statement would present the following variations:

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Historical cost	2,834	1,015
Goodwill	1,584	331
Equity (retained earnings)	1,584	331
Amortisation goodwill of the year	-567	-203
Profit	-567	-203

## 28 Contingent liabilities

	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Guarantees	76,554	68,832
Other commitments	2,000	313

The guarantees were granted in favour of creditors of the CEG group.

The other commitments relate to residual commitments in respect of the acquisition of the share of the Parco eolico del San Gottardo SA (31.12.2009: residual commitments related to the acquisition of the shareholding into Senco Holding SA).

## 29 Other non-recognisable commitments

In the context of the management of its energy portfolio, the AET Group has finalised various long-term energy acquisition contracts with irrevocable obligation:

<b>Energy purchase contracts and market operations</b>	<b>Market operations</b>	<b>Long-term contracts</b>
	CHF million	CHF million
Cumulative volume <sup>1</sup>		
2011	714	128
from 2 to 5 year	179	753
over 5 year	–	514

<sup>1</sup> The positions in foreign currency are converted at year end exchange rates. The long-term contracts mentioned above include indexing of the purchase price. The yearly value of the contract is estimated on the basis of the price level at 2010 year end.

In addition, the AET Group has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 7.2 million (countervalue based on year end exchange rate and contract price index 2010).

At 31.12.2010 the AET Group has no off-balance sheet lease commitments (31.12.2009: CHF 58'538).



### 30 Pension institutions

At 31.12.2010	Coverage rate	Economic benefit/ economic obligations for the Group	Contributions concerning the business period	Pension benefit expense in the personnel expenses	Pension benefit obligations to pension institution
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cassa Pensione Energia	107.9%	–	1,728	1,728	–
Fondo Pensionamento Anticipato dell'AET	92.5%	–	385	385	652
<b>Total</b>		<b>–</b>	<b>2,113</b>	<b>2,113</b>	<b>652</b>

At 31.12.2009	Coverage rate	Economic benefit/ economic obligations for the Group	Contributions concerning the business period	Pension benefit expense in the personnel expenses	Pension benefit obligations to pension institution
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cassa Pensione Energia	106.8%	–	1,375	1,375	2
Fondo Pensionamento Anticipato dell'AET	96.2%	–	352	352	393
<b>Total</b>		<b>–</b>	<b>1,727</b>	<b>1,727</b>	<b>395</b>

### 31 Transactions with related parties

Transactions with associates	2010	2009
	CHF 1,000	CHF 1,000
Energy sales	3	2
Services income	738	757
Energy purchase	–	–
Services expences	–	15
Advances paid	9,720	38,070
Receivables from goods and services	81	16
Prepayments and accrued income	1,631	1,507
Payables from goods and services	225	1,861
Accrued liabilities and deferred income	–	–
Guarantees	76,554	68,832

Transactions with other related parties	2010	2009
	CHF 1,000	CHF 1,000
Energy sales	–	–
Services income	103	76
Energy purchase	42,718	50,395
Services expenses	26	401
Receivables from goods and services	25	1,027
Prepayments and accrued income	4,058	31
Payables from goods and services	–	–
Accrued liabilities and deferred income	–	–
Guarantees	–	–



## 32 Conversion to the Swiss GAAP FER

The 2010 consolidated financial statements were prepared for the first time in accordance with the Swiss GAAP FER accounting standards. The 2009 figures were restated to ensure comparability of the 2010 financial statements with prior year figures.

The impact of the restatement to the Swiss GAAP FER on consolidated equity presents as follows:

	CHF 1,000
<b>Equity at 01.01.2009 in compliance with Swiss Code of Obligations (CO)</b>	<b>123,789</b>
Release of provision for plant reversions	69,000
Release of provision for market risks	59,379
Release of provision for promotion of renewable energy	3,000
Creation of provision for contracts of energy sales	-22,500
Conversion of non-current assets	132,737
Conversion of other items of balance	6,074
<b>Equity at 01.01.2009 in compliance with Swiss GAAP FER</b>	<b>371,479</b>

The impact of the restatement to the Swiss GAAP FER on AET's 2009 Group profit presents as follows:

	CHF 1,000
<b>Profit 2009 in compliance with Swiss Code of Obligations (CO)</b>	<b>5,004</b>
Provision for plant reversions	28,000
Impairments	-6,907
Increased of provision for participations	1,000
Change in 2009 provisions	7,100
Increased depreciation/capitalization of assets on lease	-107
Change in consolidation scope - minority interests	6,929
Other effects of conversion to Swiss GAAP FER	-1,263
<b>Profit 2009 in compliance with Swiss GAAP FER</b>	<b>39,756</b>

### 33 Risk assessment

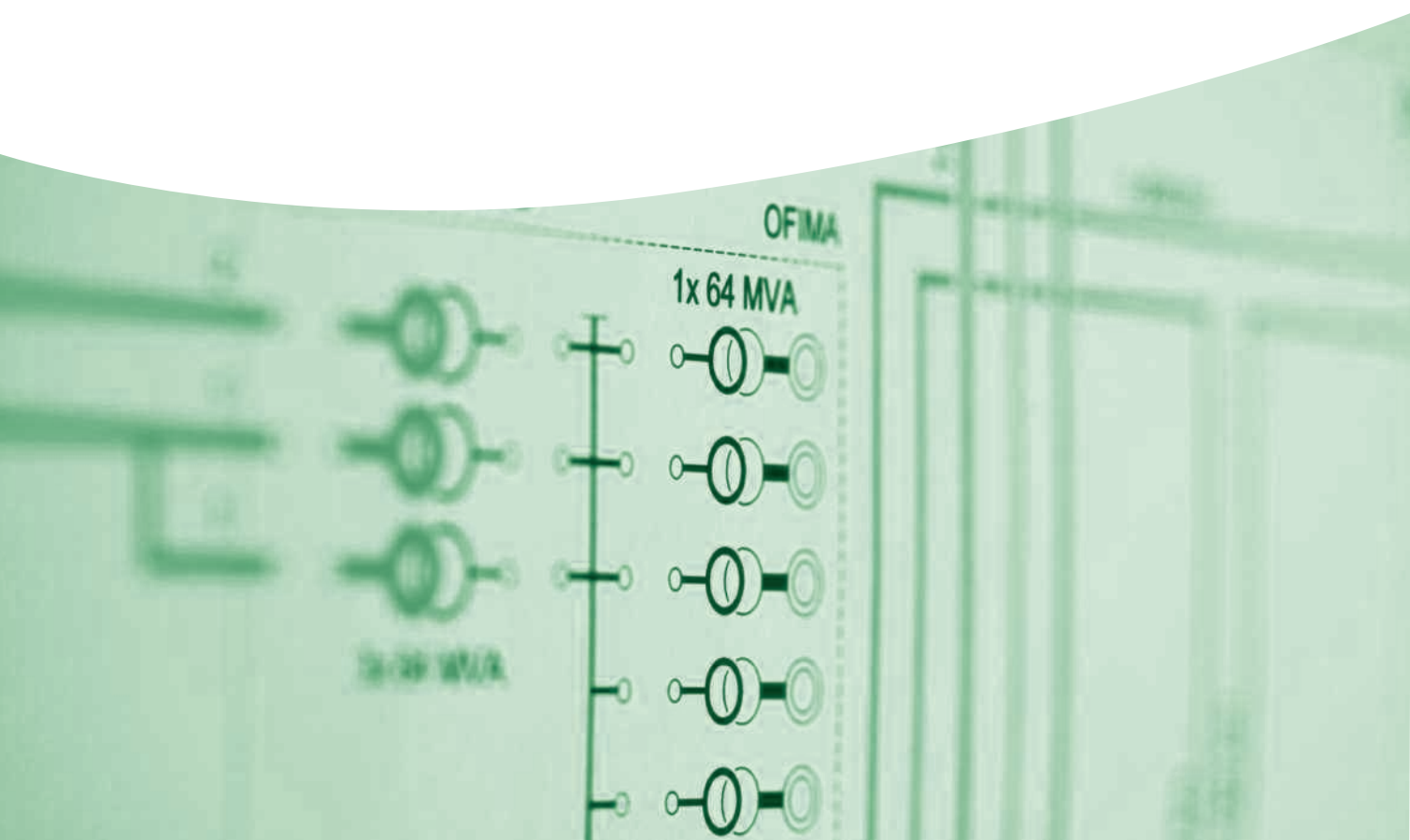
The Board of Directors and the Management pay particular attention to the assessment and management of risk and to the resources necessary to meet industry standards. In order to improve the assessment and the management of risks, a systematic risk management framework has been introduced and integrated into the company management framework. The implementation of the new IT platform for the management of market risks is at an advanced stage, and various modules are already in operation; the platform is expected to become fully operative in the summer of 2011.

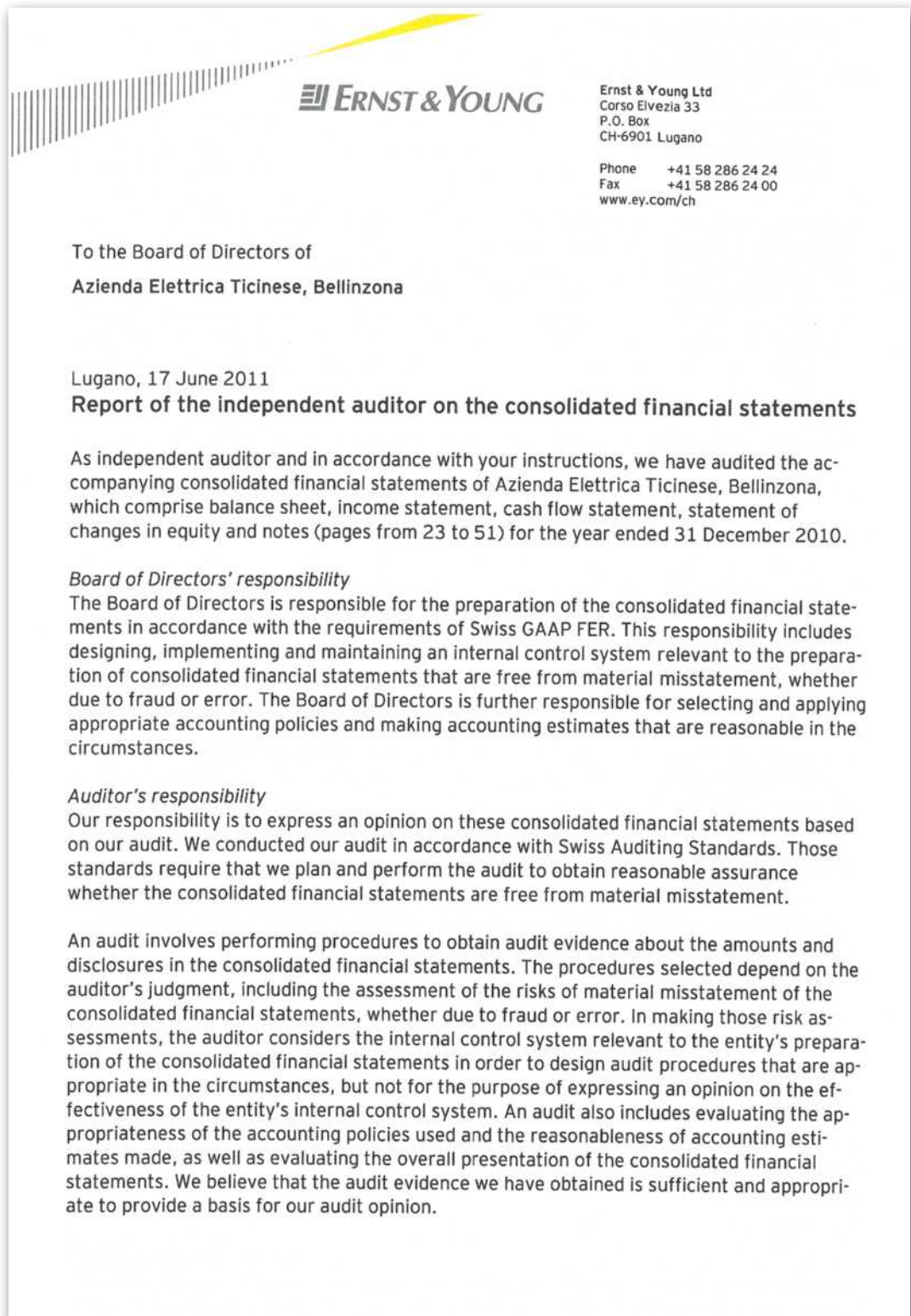
From a financial point of view, one of the major risks is related to weather conditions, as most of AET's hydro production is located in Ticino. The level of energy prices on the international markets is another of the main factors of success, and also of risk, as security of supply and the sale of surplus production of AET's flowing hydro power plants depends on market prices. There are also financial risks in the subsidiaries, especially in those that operate thermal power plants that are therefore exposed to fuel prices.

The commercial activity on the power markets involves the exposure of the AET Group to counterparty risks. AET Group trades mainly with large power companies in Switzerland and bordering countries. Limits have been set for each counterparty, depending on the assessment of their financial strength. Nevertheless exists a risk of loss with counterparties.

### 34 Subsequent events

No significant event.





To the Board of Directors of  
**Azienda Elettrica Ticinese, Bellinzona**

Lugano, 17 June 2011

**Report of the independent auditor on the consolidated financial statements**

As independent auditor and in accordance with your instructions, we have audited the accompanying consolidated financial statements of Azienda Elettrica Ticinese, Bellinzona, which comprise balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages from 23 to 51) for the year ended 31 December 2010.

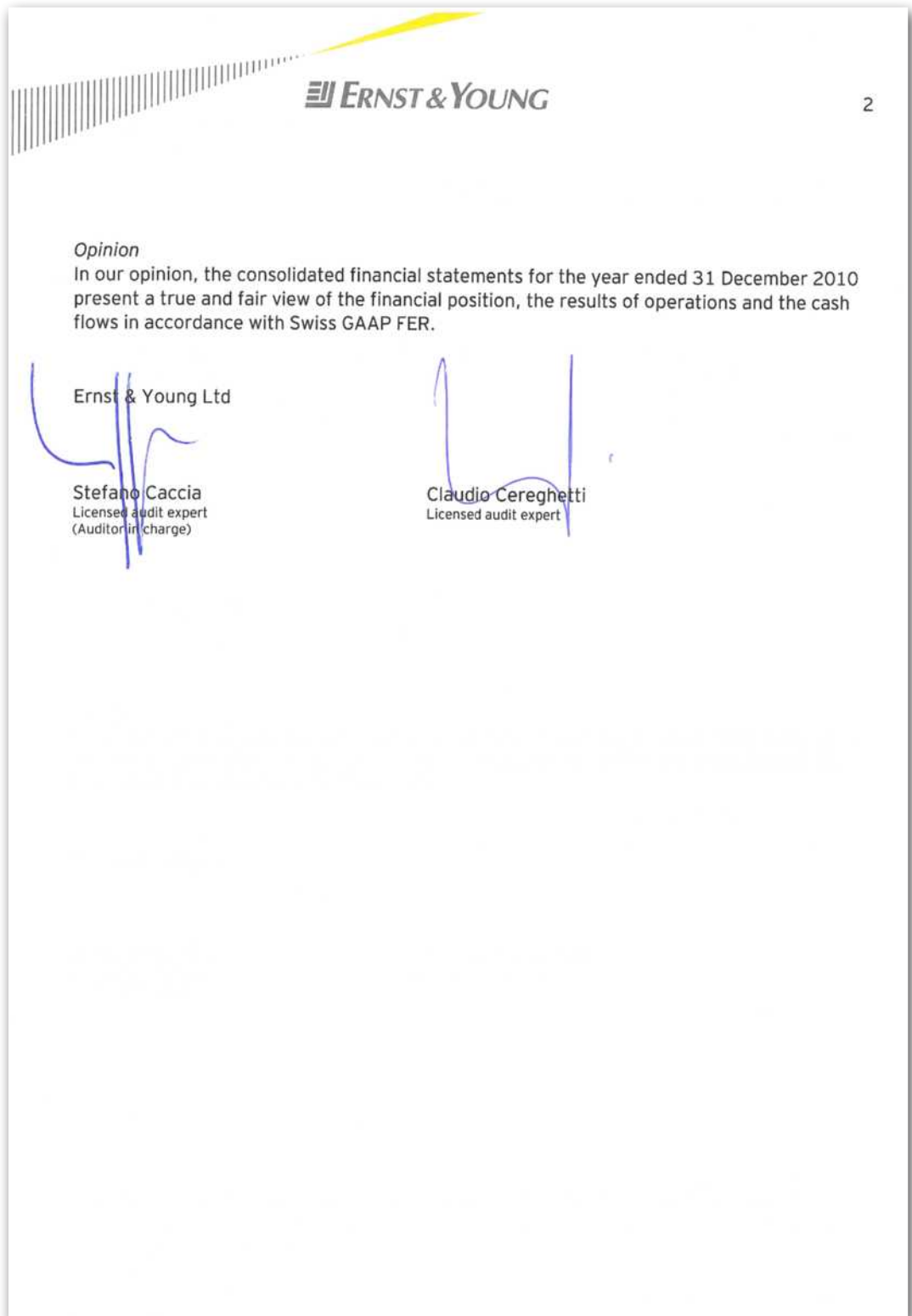
*Board of Directors' responsibility*

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss GAAP FER. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Ernst & Young Ltd

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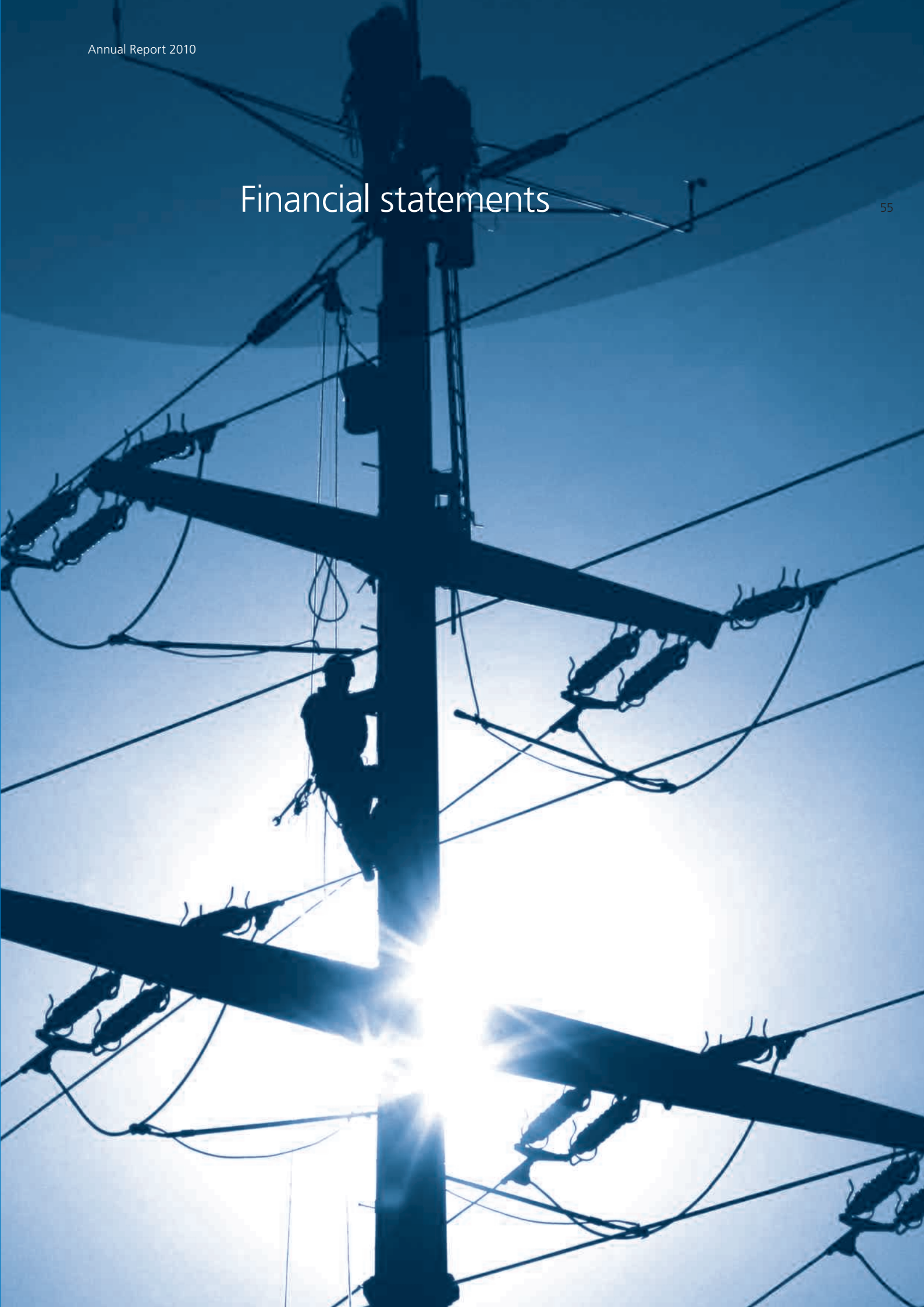
Stefano Caccia  
Licensed audit expert  
(Auditor in charge)

*[Handwritten signature]*

Claudio Cereghetti  
Licensed audit expert



# Financial statements



# Balance sheet

56

		31.12.2010	31.12.2009
<b>ASSETS</b>	Notes	CHF 1,000	CHF 1,000
Operating plants and equipment		242,052	209,337
Land and buildings		37,189	37,570
Tangible fixed assets under construction		28,353	52,476
Other tangible fixed assets		1,158	1,108
<b>Tangible fixed assets</b>	2	<b>308,752</b>	<b>300,491</b>
Participations	3	17,410	8,653
Long-term securities	4	71,302	76,763
Advances and loans to participations	5	25,361	76,616
Other financial assets	6	3,173	7,767
<b>Financial assets</b>		<b>117,246</b>	<b>169,799</b>
Plant and equipment use rights		4,716	4,873
Energy procurement rights		124,063	133,059
Intangible assets under construction		3,353	1,020
Other intangible assets		647	1,142
<b>Intangible assets</b>	7	<b>132,779</b>	<b>140,094</b>
<b>Total Non-current assets</b>		<b>558,777</b>	<b>610,384</b>
Receivables from goods and services	8	181,716	191,634
Other short-term receivables	9	4,988	5,247
Inventories		4,237	4,069
Prepayments and accrued income	10	16,716	15,033
Cash and cash equivalents	11	77,596	26,214
<b>Total Current assets</b>		<b>285,253</b>	<b>242,197</b>
<b>TOTAL ASSETS</b>		<b>844,030</b>	<b>852,581</b>

		<b>31.12.2010</b>	<b>31.12.2009</b>
		CHF 1,000	CHF 1,000
<b>LIABILITIES AND EQUITY</b>			
	Notes		
Endowment capital		40,000	40,000
General reserves		20,000	20,000
Statutory reserves		51,000	51,000
Profit brought forward		275,112	247,881
Profit for the year		29,904	40,431
<b>Total Equity</b>		<b>416,016</b>	<b>399,312</b>
Long-term provisions	12	17,910	19,680
Long-term financial liabilities	13	210,000	210,000
<b>Long-term liabilities</b>		<b>227,910</b>	<b>229,680</b>
Payables from goods and services	14	153,085	171,418
Short-term financial liabilities	15	18,758	20,933
Other short-term liabilities	16	1,398	1,400
Accrued liabilities and deferred income	17	15,524	16,349
Short-term provisions	12	11,339	13,489
<b>Current liabilities</b>		<b>200,104</b>	<b>223,589</b>
<b>Total Liabilities</b>		<b>428,014</b>	<b>453,269</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>844,030</b>	<b>852,581</b>



# Income statement

58

	Notes	2010 CHF 1,000	2009 CHF 1,000
<b>Operating income</b>			
Energy sales	18	1,453,309	1,401,385
Grid income		42,228	38,987
Other operating income	19	12,714	12,242
<b>Total Operating income</b>		<b>1,508,251</b>	<b>1,452,614</b>
<b>Operating expenses</b>			
Energy purchase	20	-1,371,124	-1,316,494
Grid expenses		-18,378	-11,900
Personnel expenses	21	-25,046	-22,349
Services and material		-7,215	-5,622
Depreciation on tangible fixed assets		-10,522	-10,619
Amortisation on intangible assets		-9,648	-9,953
Other depreciation and amortisation		-157	-157
Other operating expenses	22	-18,327	-20,021
<b>Total Operating expenses</b>		<b>-1,460,417</b>	<b>-1,397,115</b>
<b>Operating result</b>		<b>47,834</b>	<b>55,499</b>
Financial income	23	1,436	3,126
Financial expenses	24	-15,807	-9,441
<b>Ordinary result</b>		<b>33,463</b>	<b>49,184</b>
Non-operating income		5	28
Non-operating expenses		-	-35
Extraordinary income	25	669	1,907
Extraordinary expenses	26	-4,233	-10,653
<b>Profit for the year</b>		<b>29,904</b>	<b>40,431</b>

# Cash flow statement

	2010	2009
	CHF 1,000	CHF 1,000
Profit for the year	29,904	40,431
Depreciation on tangible fixed assets	10,522	10,619
Amortisation on intangible assets	9,648	9,953
Other depreciation and amortisation	157	157
Change in long-term provisions	-1,770	-7,400
Change in impairments	1,596	8,553
Profit/loss from disposal of non-current assets	-63	-1,722
Other non cash expenses	6,283	517
<b>Cash flow before change in net current assets</b>	<b>56,277</b>	<b>61,108</b>
Change in receivables from goods and services	9,918	-45,965
Change in inventories	-168	-184
Change in other receivables and prepayments and accrued income	-1,424	473
Change in payables from goods and services	-18,333	56,696
Change in other liabilities and accrued liabilities and deferred income	-827	1,362
Change in short-term provisions	-2,150	497
<b>Cash flow from operating activities</b>	<b>43,293</b>	<b>73,987</b>
Outflows for investment in tangible fixed assets	-20,026	-21,303
Inflows from disposal of tangible fixed assets	1,306	38,639
Outflows for investment in intangible assets	-2,333	-5,732
Inflows from disposal of intangible assets	-	8,186
Outflows for investment in financial assets	-6,440	-63,735
Inflows from disposal of financial assets	49,136	1,987
<b>Cash flow from investing activities</b>	<b>21,643</b>	<b>-41,958</b>
Repayment of short-term financial liabilities	-354	-9,277
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-10,000	-10,000
<b>Cash flow from financing activities</b>	<b>-13,554</b>	<b>-22,477</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>26,214</b>	<b>16,662</b>
<b>Cash flow</b>	<b>51,382</b>	<b>9,552</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>77,596</b>	<b>26,214</b>

# Statement of changes in equity

60

	Endow- ment capital	General reserves	Statutory reserves	Profit brought forward	Profit for the year	Total Equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Equity at 01.01.2009</b>	<b>40,000</b>	<b>20,000</b>	<b>51,000</b>	<b>248,039</b>	<b>13,042</b>	<b>372,081</b>
Attribution of profit	–	–	–	13,042	–13,042	–
Interest on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–	–10,000	–	–10,000
Profit for 2009	–	–	–	–	40,431	40,431
<b>Equity at 31.12.2009</b>	<b>40,000</b>	<b>20,000</b>	<b>51,000</b>	<b>247,881</b>	<b>40,431</b>	<b>399,312</b>
Attribution of profit	–	–	–	40,431	–40,431	–
Interest on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–	–10,000	–	–10,000
Profit for 2010	–	–	–	–	29,904	29,904
<b>Equity at 31.12.2010</b>	<b>40,000</b>	<b>20,000</b>	<b>51,000</b>	<b>275,112</b>	<b>29,904</b>	<b>416,016</b>



# Notes to the financial statements

## 1 Accounting principles

The financial statements of Azienda elettrica ticinese (AET) were prepared in accordance to the Swiss GAAP FER as a whole and approved by the Board of Directors on 16.06.2011.

Assets and liabilities are valued with uniform principles. The following are the most significant accounting principles:

### 1.1 Tangible fixed assets

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

Land is not depreciated. Buildings are valued at their acquisition or construction cost and depreciated like operating plant and equipment. Operating equipment is depreciated on the basis of its useful life.

Plant in construction is reported at construction cost, and interest is not capitalized. Plant in construction is not depreciated. The minimum and maximum depreciation periods for each tangible fixed asset category are as follows:

Civil engineering	40 – 75 years
Electromechanical plants	40 – 50 years
Electromechanical equipments	15 – 35 years
Power grids	30 – 55 years
Substations and transformation plants	20 – 35 years
Buildings	40 – 50 years
Photovoltaic plants	20 years
Machinery and tools	5 – 25 years
Vehicles	3 – 10 years
IT equipments	3 – 5 years

Renewal or optimisation investments on plants are capitalised if the useful life, the performance or the quality of the involved plant are significantly improved.

### 1.2 Financial assets

Financial assets are reported at their cost value, adjusted for any impairment. Long-term advances in foreign currency are converted at the lower of year-end and acquisition exchange rates.

**1.3 Intangible assets**

Plants and equipment use rights represent the right of energy transmission on third party gridlines. They are amortised on a straight-line basis taking into account the contractual agreements and the technical life of the plant (40-75 years). The energy procurement rights are capitalised at their cost and straight-line amortised on the basis of their useful life (10-20 years). Other intangible assets are capitalised at their acquisition cost and straight-line amortised on the basis of their useful life.

**1.4 Receivables**

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

**1.5 Inventories**

Inventories include small tools and spare parts. Inventories are capitalised at the lower of weighted average purchase price and market value. The carrying value of inventories are adjusted for slow-moving.

**1.6 Cash and cash equivalents**

Cash and cash equivalents are reported at their face value and include cash in hand, post and bank accounts as well as term deposits with banks with duration of less than three months. Balances in foreign currency are converted at year-end exchange rates.

**1.7 Assets impairment**

At each balance sheet date, all assets are tested for indicators of impairment. In case of existence of such indicators, the recoverable amount, the higher of the net selling price and the value in use, is computed. The value in use is generally computed on the basis of the expected future cash flows. If necessary, the carrying value is adjusted to the recoverable amount. In case of improvement of the recoverable amount, the carrying value is revaluated at maximum to the value according to the planned depreciation scheme.

**1.8 Provisions**

Provisions are deemed to cover probable future costs related to legal or implicit obligations and to events of the past. Long-term provisions are reported at the present value on the balance sheet day of the expected future disbursement.

**1.9 Liabilities**

All liabilities are reported at their nominal value. Liabilities in foreign currency are converted at year-end exchange rates.

**1.10 Contingent liabilities**

All contingent liabilities and the other non-recognisable commitments are disclosed in the notes.

### **1.11 Income**

Incomes are recorded in the income statement at the moment of the settlement of the delivery. Incomes are recorded net of price reduction, sales taxes and value added taxes. All energy sale operations relate to physical energy deliveries.

### **1.12 Pension funds**

The personnel of the AET are 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. In order to facilitate early retirement for its employees, AET is also affiliated with the "Fondo di pensionamento anticipato a favore del personale dell'Azienda Elettrica Ticinese". The financial implications of the pension schemes in place, regardless of their structure and legal form, are included in the group financial statements. Surplus payments or deficits are determined on the basis of the latest available financial statements of the pension funds involved. Any liabilities (economic obligations) or any assets (economic benefits) in addition to the payment of the regular premiums are recorded in the financial statements. Economic obligations are recognised when pension liabilities are undercovered, generating a cash outflow for the company in the form of restructuring contributions. Economic benefits consists of possible future positive cash flow resulting from the use of employer's contribution reserves or other benefits.

The yearly contributions, the yearly change in any economic obligations and economic benefits, as well as the change in the employer's contribution reserve, are recorded in the income statements under personnel expenses.

### **1.13 Taxes**

AET is not subject to any direct tax.

### **1.14 Related party transactions**

Transactions with subsidiaries include all transactions and debit / credit relationships existing with companies in which AET holds the majority of the voting rights.

Transactions with associates include all transactions and debit / credit relationships existing with companies in which AET holds between 20% and 50% of the voting rights and which have been included in the Group financial statements according to the equity method. Transactions with other related parties include transactions with the power generation / procurement companies Officine idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Verzasca SA held by the Canton Ticino as well as Kraftwerke Mattmark and AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern held by AET for less than 20%. AET takes the respective share of energy and covers the respective share of production / procurement costs.

## 2 Tangible fixed assets

	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Other tangible fixed assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2009</b>	<b>491,078</b>	<b>43,727</b>	<b>57,363</b>	<b>6,961</b>	<b>599,129</b>
Reclassification	26,053	–	–26,053	–	–
Additions	–	–	21,166	137	21,303
Disposals	–65,509	–	–	–154	–65,663
<b>Cost value at 31.12.2009</b>	<b>451,622</b>	<b>43,727</b>	<b>52,476</b>	<b>6,944</b>	<b>554,769</b>
Reclassification	43,639	–	–43,639	–	–
Additions	13	–	19,516	497	20,026
Disposals	–1,243	–	–	–255	–1,498
<b>Cost value at 31.12.2010</b>	<b>494,031</b>	<b>43,727</b>	<b>28,353</b>	<b>7,186</b>	<b>573,297</b>
<b>Accumulated depreciation at 01.01.2009</b>	<b>–260,654</b>	<b>–5,776</b>	<b>–</b>	<b>–5,653</b>	<b>–272,083</b>
Reclassification	–	–	–	–	–
Depreciation	–9,901	–381	–	–337	–10,619
Disposals	28,270	–	–	154	28,424
<b>Accumulated depreciation at 31.12.2009</b>	<b>–242,285</b>	<b>–6,157</b>	<b>–</b>	<b>–5,836</b>	<b>–254,278</b>
Reclassification	–	–	–	–	–
Depreciation	–9,694	–381	–	–447	–10,522
Disposals	–	–	–	255	255
<b>Accumulated depreciation at 31.12.2010</b>	<b>–251,979</b>	<b>–6,538</b>	<b>–</b>	<b>–6,028</b>	<b>–264,545</b>
<b>Net carrying amount at 01.01.2009</b>	<b>230,424</b>	<b>37,951</b>	<b>57,363</b>	<b>1,308</b>	<b>327,046</b>
<b>Net carrying amount at 31.12.2009</b>	<b>209,337</b>	<b>37,570</b>	<b>52,476</b>	<b>1,108</b>	<b>300,491</b>
<b>Net carrying amount at 31.12.2010</b>	<b>242,052</b>	<b>37,189</b>	<b>28,353</b>	<b>1,158</b>	<b>308,752</b>

The insured value of tangible fixed assets against fire risk amounts to CHF 470 million at 01.01.2011 (CHF 454 million at 01.01.2010).

### 3 Participations

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA	8,000	1,000
./ impairment	-3,551	-1,000
Metanord SA	5,505	3,086
AET NE1 SA	4,000	4,000
Parco eolico del San Gottardo SA	1,822	20
Senco Holding SA	1,136	1,069
./ impairment	-600	-500
Calore SA	978	978
TERIS Teleriscaldamento del Bellinzonese SA	120	-
ZET Zimmerli Energie-Technik AG in liquidation	-	2,000
./ impairment	-	-2,000
<b>Total</b>	<b>17,410</b>	<b>8,653</b>

The increase in capital of SPE Società per Partecipazioni Energetiche SA, was released through a conversion of advances.

ZET Zimmerli Energie-Technik AG on liquidation was canceled from the Commercial Register during 2010.

### 4 Long-term securities

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Trianel Kohlenkraftwerk Lünen GmbH & Co.KG	38,178	38,178
Renewable Energy Investments SPC	15,678	19,806
./ impairment	-4,600	-3,100
Kraftwerke Mattmark AG	12,744	12,901
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Airlight Energy Holding SA	2,862	2,636
Other	140	42
<b>Total</b>	<b>71,302</b>	<b>76,763</b>

The shares of Renewable Energy Investments SPC (REI) are valued at their historical cost. In 2010, REI has proceeded with a partial capital reimbursement. The impairment amount was determined on the basis of the latest NAV information (31.12.2009). The impairment amount was increased in 2010, following the decrease of euro exchange rate against the Swiss francs.



## 5 Advances and loans to participations

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA	30,776	95,747
./i. impairment	-12,068	-27,944
AET NE1 SA	4,737	6,537
Geopower Basel AG	2,628	2,628
./i. impairment	-2,628	-2,628
Metanord SA	1,000	1,580
CEL Cerentino SA	466	536
TERIS Teleriscaldamento del Bellinzonese SA	300	-
Senco Holding SA	150	150
CEL Campo Vallemaggia SA	-	10
<b>Total</b>	<b>25,361</b>	<b>76,616</b>

The advance to SPE Società per Partecipazioni Energetiche SA (SPE) is partly subordinated for an amount of CHF 15 million (31.12.2009: CHF 15 million) and it is subjected to an adjustment, due to the impairment of its subsidiaries. The advance to Geopower Basel AG (subordinated for the amount of CHF 2.6 million) is subject to impairment as a result of the interruption of the project development. The advance to Metanord SA is subordinated for an amount of CHF 1 million and the one of Senco Holding SA is subordinated for an amount of CHF 0.11 million.

## 6 Other financial assets

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Advance to EGL AG	3,145	4,709
Advance to TPWB GmbH & Co. KG	-	3,893
./i. impairment	-	-1,029
Other	28	194
<b>Total</b>	<b>3,173</b>	<b>7,767</b>

The advance to EGL was made within the context of an energy supply agreement on the Italian market. The advance to TPWB GmbH & Co. KG was reimbursed with a single payment at the end of 2010 instead of being reimbursed according to the initial multi-year reimbursement schedule.

## 7 Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2009</b>	<b>5,876</b>	<b>158,993</b>	<b>–</b>	<b>1,012</b>	<b>165,881</b>
Reclassification	–	–	–	–	–
Additions	3,375	–	1,020	1,337	5,732
Disposals	–2,435	–7,410	–	–	–9,845
<b>Cost value at 31.12.2009</b>	<b>6,816</b>	<b>151,583</b>	<b>1,020</b>	<b>2,349</b>	<b>161,768</b>
Reclassification	–	–	–	–	–
Additions	–	–	2,333	–	2,333
Disposals	–	–	–	–	–
<b>Cost value at 31.12.2010</b>	<b>6,816</b>	<b>151,583</b>	<b>3,353</b>	<b>2,349</b>	<b>164,101</b>
<b>Accumulated amortisation at 01.01.2009</b>	<b>–3,140</b>	<b>–9,544</b>	<b>–</b>	<b>–877</b>	<b>–13,561</b>
Reclassification	–	–	–	–	–
Amortisation	–87	–9,536	–	–330	–9,953
Disposals	1,284	556	–	–	1,840
<b>Accumulated amortisation at 31.12.2009</b>	<b>–1,943</b>	<b>–18,524</b>	<b>–</b>	<b>–1,207</b>	<b>–21,674</b>
Reclassification	–	–	–	–	–
Amortisation	–157	–8,996	–	–495	–9,648
Disposals	–	–	–	–	–
<b>Accumulated amortisation at 31.12.2010</b>	<b>–2,100</b>	<b>–27,520</b>	<b>–</b>	<b>–1,702</b>	<b>–31,322</b>
<b>Net carrying amount at 01.01.2009</b>	<b>2,736</b>	<b>149,449</b>	<b>–</b>	<b>135</b>	<b>152,320</b>
<b>Net carrying amount at 31.12.2009</b>	<b>4,873</b>	<b>133,059</b>	<b>1,020</b>	<b>1,142</b>	<b>140,094</b>
<b>Net carrying amount at 31.12.2010</b>	<b>4,716</b>	<b>124,063</b>	<b>3,353</b>	<b>647</b>	<b>132,779</b>

The energy procurement rights mainly refer to an energy procurement right from EDF (termination 31.12.2027).

<b>8 Receivables from goods and services</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Group companies	18,856	11,655
Other related parties	664	306
Third parties	162,196	179,673
<b>Total</b>	<b>181,716</b>	<b>191,634</b>

The balance includes receivables in foreign currency for EUR 98.7 million (EUR 91.3 million at 31.12.2009).

<b>9 Other short-term receivables</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Group companies	–	–
Other related parties	652	393
Third parties	4,336	4,854
<b>Total</b>	<b>4,988</b>	<b>5,247</b>

<b>10 Prepayments and accrued income</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Group companies	605	755
Other related parties	4,058	–
Third parties	10,924	13,630
Work in progress	1,129	648
<b>Total</b>	<b>16,716</b>	<b>15,033</b>

Work in progress refers to works in course of execution for third party customers.

<b>11 Cash and cash equivalents</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Balances in CHF	51,394	7,046
Balances in foreign currency (at the end of year equivalent)	26,202	19,168
<b>Total</b>	<b>77,596</b>	<b>26,214</b>

All balances are freely available, excepted for the equivalent value of CHF 0.7 million (CHF 2.7 million at 31.12.2009) deposited in foreign bank accounts in euro for the coverage of commercial transactions in international markets.

## 12 Provisions

	Onerous contracts of participations	Energy sale onerous contracts	Indemnifications and plant decommissioning	Others provisions	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Carrying amount at 01.01.2009</b>	–	<b>22,500</b>	<b>12,180</b>	<b>5,392</b>	<b>40,072</b>
<b>thereof long-term</b>	–	<b>14,900</b>	<b>12,180</b>	–	<b>27,080</b>
<b>thereof short-term</b>	–	<b>7,600</b>	–	<b>5,392</b>	<b>12,992</b>
Increase	–	–	500	197	697
Utilisation	–	–	–	–	–
Release	–	–7,600	–	–	–7,600
<b>Carrying amount at 31.12.2009</b>	–	<b>14,900</b>	<b>12,680</b>	<b>5,589</b>	<b>33,169</b>
<b>thereof long-term</b>	–	<b>7,000</b>	<b>12,680</b>	–	<b>19,680</b>
<b>thereof short-term</b>	–	<b>7,900</b>	–	<b>5,589</b>	<b>13,489</b>
Increase	3,500	–	530	–	4,030
Utilisation	–	–	–	–	–
Release	–	–7,900	–	–50	–7,950
<b>Carrying amount at 31.12.2010</b>	<b>3,500</b>	<b>7,000</b>	<b>13,210</b>	<b>5,539</b>	<b>29,249</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>1,200</b>	<b>13,210</b>	–	<b>17,910</b>
<b>thereof short-term</b>	–	<b>5,800</b>	–	<b>5,539</b>	<b>11,339</b>

The provision for the onerous contracts of participations covers expected disbursements related to the commitments of AET in respect of the activity of its participations.

The provision for energy sale onerous contracts covers the future cost expected in respect of the execution of energy delivery contracts finalised in the past at sale prices below the average energy procurement of AET.

The provision for indemnifications and plant decommissioning cover the expected cost of indemnification related to the operation of own plants as well as the expected future cost of decommissioning AET plants at the end of their utilisation. The present value at the balance sheet date of the expected future expense was computed by applying a 4% interest rate; the provision increase in 2010 reflects the impact of the discounting.

The other provisions include the future expected operating cost arising from past events, of which CHF 1.4 million (2009: 1.5 million) related to the cost of litigation.

**13 Long-term financial liabilities**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Dexia Dublin, 10.01.2008–10.01.2028 <sup>1</sup> , 3.4600%	150,000	150,000
Dexia Dublin, 01.06.2007–01.06.2022, 3.1425%	25,000	25,000
Zürcher Kantonalbank (ZKB), 18.08.2005–18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank (ZKB), 02.06.2006–02.06.2016, 3.375%	15,000	15,000
<b>Total</b>	<b>210,000</b>	<b>210,000</b>

<sup>1</sup> 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

**14 Payables from goods and services**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Group companies	4,092	1,445
Other related parties	1,877	–
Third parties	147,116	169,973
<b>Total</b>	<b>153,085</b>	<b>171,418</b>

The balance includes payables in foreign currency for EUR 106.9 million (EUR 99.3 million at 31.12.2009).

**15 Short-term financial liabilities**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Liabilities toward financial institutions in CHF	–	15,000
Liabilities toward financial institutions in foreign currency	18,758	5,933
<b>Total</b>	<b>18,758</b>	<b>20,933</b>

**16 Other short-term liabilities**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Group companies	–	–
Other related parties	–	–
Third parties	1,398	1,400
<b>Total</b>	<b>1,398</b>	<b>1,400</b>

**17 Accrued liabilities and deferred income**

	31.12.2010	31.12.2009
	CHF 1,000	CHF 1,000
Group companies	–	–
Other related parties	–	–
Third parties	15,524	16,349
<b>Total</b>	<b>15,524</b>	<b>16,349</b>

**18 Energy sales**

	2010	2009
	CHF 1,000	CHF 1,000
Energy sales in Ticino	202,880	170,840
Energy sales in Switzerland	117,856	189,276
Energy sales in Italy	500,188	395,484
Energy sales in Germany	467,488	472,948
Energy sales in France	155,642	163,698
Other income energy/sales	9,255	9,139
<b>Total</b>	<b>1,453,309</b>	<b>1,401,385</b>

**19 Other operating income**

	2010	2009
	CHF 1,000	CHF 1,000
Own costs capitalised	3,442	3,356
Income from services	5,395	5,131
Other	3,877	3,755
<b>Total</b>	<b>12,714</b>	<b>12,242</b>

**20 Energy purchase**

	2010	2009
	CHF 1,000	CHF 1,000
Purchases from participations	-42,718	-50,395
Purchases in Ticino	-31,190	-21,239
Purchases outside of Ticino	-1,297,216	-1,244,860
<b>Total</b>	<b>-1,371,124</b>	<b>-1,316,494</b>

The costs related to the energy withdrawn from the production participation held by the State of Canton Ticino (Officine idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Verzasca SA) are included within purchases from participations.

**21 Personnel expenses**

	2010	2009
	CHF 1,000	CHF 1,000
Salaries and other compensation	-20,522	-18,322
Social contributions	-4,293	-3,772
Other expenses	-491	-456
Recoveries from insurance companies	260	201
<b>Total</b>	<b>-25,046</b>	<b>-22,349</b>

**Employees of the company**

	31.12.2010	31.12.2009
Full time equivalent		
Permanent employees	196.8	185.5
Temporary auxiliary employees	5.3	5.0
Apprentices	12.0	11.0
<b>Total</b>	<b>214.1</b>	<b>201.5</b>

**22 Other operating expenses**

	2010	2009
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	-9,087	-9,087
Local taxes and other contributions	-1,870	-1,852
Other	-7,370	-9,082
<b>Total</b>	<b>-18,327</b>	<b>-20,021</b>

**23 Financial income**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Interest income	994	2,718
Income from participations	442	408
<b>Total</b>	<b>1,436</b>	<b>3,126</b>

**24 Financial expenses**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Interest payments and commissions	-7,393	-7,625
Exchange rate differences	-6,714	-721
Other	-1,700	-1,095
<b>Total</b>	<b>-15,807</b>	<b>-9,441</b>

**25 Extraordinary income**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Profit from disposal of tangible and intangible fixed assets	63	1,581
Other	606	326
<b>Total</b>	<b>669</b>	<b>1,907</b>

**26 Extraordinary expenses**

	<b>2010</b>	<b>2009</b>
	CHF 1,000	CHF 1,000
Increase of provision for onerous contracts of participations	-3,500	-
Creation of short-term provision for litigation	-	-1,500
Impairments of financial investments	-733	-8,553
Other	-	-600
<b>Total</b>	<b>-4,233</b>	<b>-10,653</b>



**27 Contingent liabilities**

	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
Guarantees	118,744	88,373
Other commitments	2,000	313

Guarantees are issued in favor of foreign financial institutions to guarantee loans to the following participations:

	<b>31.12.2010</b>	<b>31.12.2009</b>
	CHF 1,000	CHF 1,000
CEG SpA and participations	76,554	68,832
AET CoGen Srl	21,580	2,373
AET Italia Srl	18,068	14,153
AET Idronord Srl	2,542	3,015
<b>Total</b>	<b>118,744</b>	<b>88,373</b>

The other commitments relate to residual commitments in respect of the acquisition of the share of the Parco eolico del San Gottardo SA (31.12.2009: residual commitments related to the acquisition of the shareholding into Senco Holding SA).

## 28 Other non-recognisable commitments

In the context of the management of its energy portfolio, the AET has finalised various long-term energy acquisition contracts with irrevocable obligation:

<b>Energy purchase contracts and market operations</b>	<b>Market operations</b>	<b>Long-term contracts</b>
	CHF million	CHF million
Cumulative volume <sup>1</sup>		
2011	714	128
from 2 to 5 year	179	753
over 5 year	–	514

<sup>1</sup> The positions in foreign currency are converted at year end exchange rates. The long-term contracts mentioned above include indexing of the purchase price. The yearly value of the contract is estimated on the basis of the price level at 2010 year end.

In addition, AET has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 3.6 million (countervalue based on year end exchange rate and contract price index 2010).

At 31.12.2010 AET has no off-balance sheet lease commitments (31.12.2009: CHF 58'538).



## 29 Pension institutions

At 31.12.2010	Coverage rate	Economic benefit/ economic obligations for the company	Contributions concerning the business period	Pension benefit expense in the personnel expenses	Pension benefit obligations to pension institution
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cassa Pensione Energia	107.9%	–	1,728	1,728	–
Fondo Pensionamento Anticipato dell'AET	92.5%	–	385	385	652
<b>Total</b>		<b>–</b>	<b>2,113</b>	<b>2,113</b>	<b>652</b>

At 31.12.2009	Coverage rate	Economic benefit/ economic obligations for the company	Contributions concerning the business period	Pension benefit expense in the personnel expenses	Pension benefit obligations to pension institution
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cassa Pensione Energia	106.8%	–	1,375	1,375	2
Fondo Pensionamento Anticipato dell'AET	96.2%	–	352	352	393
<b>Total</b>		<b>–</b>	<b>1,727</b>	<b>1,727</b>	<b>395</b>

### 30 Transactions with related parties

Transactions with subsidiaries	2010	2009
	CHF 1,000	CHF 1,000
Energy sales	53,060	37,218
Services income	3,595	3,632
Energy purchase	16,255	–
Services expences	–	16
Advances paid	20,194	73,340
Receivables from goods and services	18,775	11,653
Prepayments and accrued income	–	–
Payables from goods and services	4,092	1,432
Accrued liabilities and deferred income	–	–
Guarantees	42,190	19,541

Transactions with associates	2010	2009
	CHF 1,000	CHF 1,000
Energy sales	3	2
Services income	738	757
Energy purchase	–	–
Services expences	–	15
Advances paid	9,720	38,070
Receivables from goods and services	81	16
Prepayments and accrued income	605	755
Payables from goods and services	–	13
Accrued liabilities and deferred income	–	–
Guarantees	76,554	68,832

Transactions with other related parties	2010	2009
	CHF 1,000	CHF 1,000
Energy sales	–	–
Services income	103	76
Energy purchase	42,718	50,395
Services expenses	26	401
Receivables from goods and services	25	1,027
Prepayments and accrued income	4,058	–
Payables from goods and services	–	–
Accrued liabilities and deferred income	–	–
Guarantees	–	–

### 31 Conversion to the Swiss GAAP FER

The 2010 financial statements were prepared for the first time in accordance with the Swiss GAAP FER accounting standards. The 2009 figures were restated to ensure comparability of the 2010 financial statements with prior year figures.

The impact of the restatement to the Swiss GAAP FER on AET's equity presents as follows:

	CHF 1,000
<b>Equity at 01.01.2009 in compliance with Swiss Code of Obligations (CO)</b>	<b>124,989</b>
Release of provision for plant reversions	69,000
Release of provision for market risks	58,879
Release of provision for promotion of renewable energy	3,000
Creation of provision for contracts of energy sales	–22,500
Conversion of non-current assets	132,737
Conversion of other items of balance	5,976
<b>Equity at 01.01.2009 in compliance with Swiss GAAP FER</b>	<b>372,081</b>

The impact of the restatement to the Swiss GAAP FER on AET's 2009 profit presents as follows:

	CHF 1,000
<b>Profit 2009 in compliance with Swiss Code of Obligations (CO)</b>	<b>13,812</b>
Provision for plant reversions	28,000
Impairments	-5,423
Change in 2009 provisions	7,100
Increased depreciation compared to CO	-288
Reduced profit from disposal of tangible and intangible fixed assets	-2,828
Effects of the Swiss GAAP FER conversion on accruals and other positions	58
<b>Profit 2009 in compliance with Swiss GAAP FER</b>	<b>40,431</b>

### 32 Risk assessment

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. In order to improve the assessment and the management of risks, a systematic risk management framework has been introduced and integrated into the company management framework. The implementation of the new IT platform for the management of market risks is at an advanced stage, and various modules are already in operation; the platform is expected to become fully operative in the summer of 2011.

From a financial point of view, one of the major risks is related to weather conditions, as most of AET's hydro production is 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 market prices. There are also financial risks in the subsidiaries, especially in those that operate thermal power plants that are therefore exposed to fuel prices.

The commercial activity on the power markets involves the exposure of the AET to counterparty risks. AET trades mainly with large power companies in Switzerland and bordering countries. Limits have been set for each counterparty, depending on the assessment of their financial strength. Nevertheless, in this respect, AET is exposed to counterparty risk.

### 33 Subsequent events

No significant event.



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To the Board of Directors  
**Azienda Elettrica Ticinese, Bellinzona**

Lugano, 17 June 2011

**Report of the independent auditor on the financial statements**

As independent auditor and in accordance with your instructions, we have audited the accompanying financial statements of Azienda Elettrica Ticinese, Bellinzona, which comprise balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages from 55 to 79) for the year ended 31 December 2010.

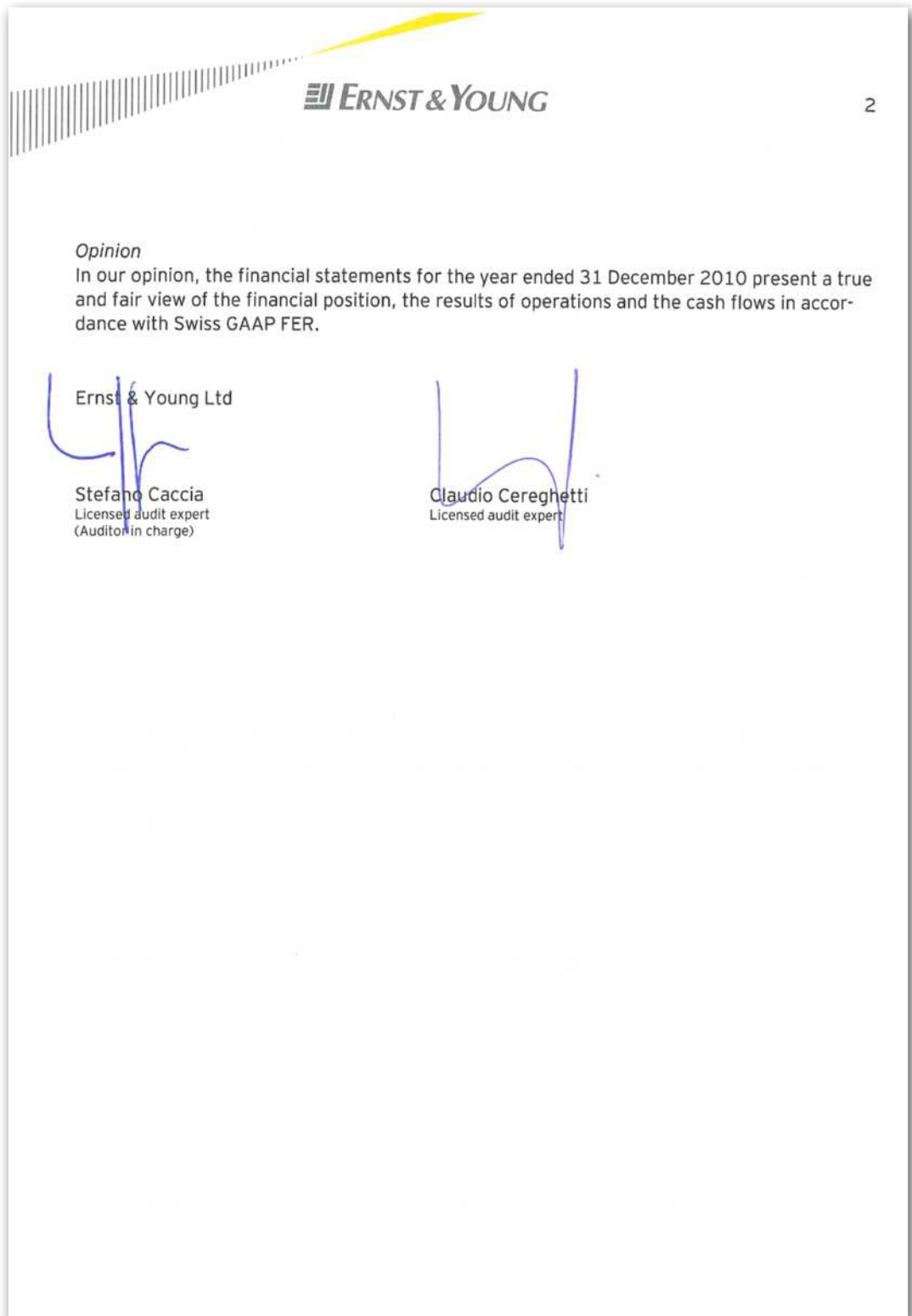
*Board of Directors' responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss GAAP FER. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Ernst & Young Ltd

Stefano Caccia  
Licensed audit expert  
(Auditor in charge)

Claudio Cereghetti  
Licensed audit expert



**Auditors' report**

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

Bellinzona, 22 June 2011

Mr President,  
Dear Councillors,

In our capacity as Auditors, in accordance to the "Legge istituyente l'Azienda Elettrica Ticinese", we have conducted our audit procedures on the financial statements for the 2010 financial year.

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

We have also reviewed the Auditors' report dated 17 June 2011 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 balance sheet, income statement, notes and cash flow statement), which have been submitted to us and proposed for publication, agree with the entries of the financial accounting records;
- the financial accounting records have been kept properly;
- the proposal of the Board of Directors regarding the allocation of profit complies with the spirit of articles 18 and 19 of the " Legge istituyente l'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 17 June 2011.

Based on these considerations, we propose that you:

- approve the financial statements for the year 2010, which closed with a profit for the year of CHF 29,904,624;
- accept the proposal for the allocation of the profit presented by the Board of Directors.

The auditors appreciate the introduction of the Swiss GAAP FER accounting principles for the presentation of the 2010 financial statements, which change they had urged in their previous audit reports. These principles, which require assets to be valued in accordance with the true and fair principle, provide a more transparent presentation of the company financial position. In particular, the level reached by the company equity, which is basically three times the equity level according to the less strict accounting rules of the Swiss Obligation Code, better represents the real value of the company. Furthermore, the introduction of the Swiss GAAP FER, in addition to the introduction of systematic risk management, should help to further improve company management efficiency.

Regarding the value of AET CoGen S.r.l., which was the subject of a qualification in our 2009 audit report, we observe that in 2010 AET had to record a further significant impairment of the participation and contribute new funding to the investee.

Lastly, we consider as excessive the risk related to the increase of guarantees issued in favour of the CEG S.p.A. Group.

In conclusion, with the exception of the issue of guarantees in favour of the CEG S.p.A. Group, we propose that you discharge the Board of Directors and the Executive Committee for their management during 2010.

The auditors:

Sergio Gianini

Lic rer. pol. Gianluigi Piazzini

Dr. oec. Giancarlo Prada









# Company officers

86

## Board of Directors

<b>Leidi Fausto</b>	Chairman	
<b>Netzer Marco</b>	Vice Chairman	
<b>Beffa Floriano</b>		
<b>Camponovo Aron</b>		from 15.06.2010
<b>Lombardi Sandro</b>		
<b>Ogna Ronald</b>		
<b>Pedrina Fabio</b>		

## Management

<b>Pronini Roberto</b>	CEO	from 01.01.2010
<b>Nauer Claudio</b>	CO-CEO	from 01.01.2010
<b>Kurzo Flavio</b>	Head of administration division	from 01.07.2010
<b>Losa Edy</b>	Head of projects and strategic investments division	from 01.09.2010
<b>Sartori Stefano</b>	Head of production division	
<b>Scerpella Fiorenzo</b>	Head of grid division	from 01.08.2010
<b>Tognola Giorgio</b>	Head of trading and sales division	

## **Grand Council's audit office**

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**Camponovo Aron**

up to 14.06.2010

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**Gianini Sergio**

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**Piazzini Gianluigi**

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**Prada Giancarlo**

from 21.09.2010

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## **Deputy auditor**

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**Paglia Erto**

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## **AET Group's audit office**

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**Ernst & Young**, Lugano

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# AET Group companies

Name	Location
<b>AET NE1 SA</b>	Bellinzona - CH
<b>Airlight Energy Holding SA</b>	Biasca - CH
<b>AKEB Aktiengesellschaft für Kernenergie – Beteiligungen Luzern (AKEB)</b>	Luzern - CH
<b>Calore SA</b>	Locarno - CH
<b>Ingegneria Impiantistica TKM Sagl</b>	Locarno - CH
<b>Geo–Energie Suisse AG</b>	Basel - CH
<b>Geopower Basel AG</b>	Basel - CH
<b>Kraftwerke Mattmark AG (KW Mattmark)</b>	Saas Grund - CH
<b>Metanord SA</b>	Bellinzona - CH
<b>Metanord Ingegneria SA</b>	Bellinzona - CH
<b>Parco eolico del San Gottardo SA (PESG)</b>	Airolo - CH
<b>Renewable Energy Investments SPC (REI)</b>	Grand Cayman
<b>Senco Holding SA</b>	Locarno - CH
<b>Senco Sagl</b>	Locarno - CH
<b>CEL Dalpe SA</b>	Dalpe - CH
<b>CEL Campo Vallemaggia SA</b>	Campo Vallemaggia - CH
<b>CEL Cerentino SA</b>	Cerentino - CH
<b>CEL Bedretto SA</b>	Bedretto - CH
<b>CEL Buseno SA</b>	Buseno - CH
<b>CEL Cauco SA</b>	Cauco - CH
<b>SPE Società per Partecipazioni Energetiche SA (SPE)</b>	Bellinzona - CH
<b>AET Italia Holding Srl</b>	Milano - I
<b>AET CoGen Srl</b>	Gavirate - I
<b>AET Idronord Srl</b>	Milano - I
<b>AET Italia Srl</b>	Milano - I
<b>Calore Elettricità Gas SpA (CEG)</b>	Como - I
<b>Bio Elettricità Occimiano Srl (BEO)</b>	Como - I
<b>Bio Energia Castellanza Srl</b>	Castellanza – I
<b>Bio Energia Guarcino Srl (BEG)</b>	Guarcino - I
<b>Biogen Chivasso Srl</b>	Chivasso - I
<b>Nord Energia SpA</b>	Milano - I
<b>Cavo Mendrisio–Cagno Srl (CMC Srl)</b>	Gavirate - I
<b>CMC MeSta SA</b>	Bellinzona - CH
<b>Octad SA</b>	Lugano - CH
<b>PurEnergy SA</b>	Luxembourg - L
<b>Quadra Srl</b>	Como - I
<b>REnInvest SA</b>	Chiasso - CH
<b>Tele Ticino SA</b>	Melide - CH
<b>TERIS Teleriscaldamento del Bellinzonese SA (TERIS)</b>	Giubiasco - CH
<b>Trianel Kohlekraftwerk Lünen GmbH &amp; Co. KG (TKL)</b>	Aachen - D
<b>ZET Zimmerli Energie–Technik AG in liquidation</b>	Zofingen - CH

<sup>1</sup> voting rights of 20%

<sup>2</sup> voting rights of 8.1%

Activity		Nominal equity at 31.12.2010	Participation at 31.12.2010	Participation at 31.12.2009
Detention transit power grid in Ticino	CHF	4,000,000	100.00%	100.00%
Exploitation of alternative energy technologies	CHF	16,150,000	15.40%	18.10%
Detention of sub-participation and nuclear energy procurement rights	CHF	90,000,000	7.00%	7.00%
Production of heat/refrigeration	CHF	2,000,000	48.90%	48.90%
Engineering services in favour of Calore SA	CHF	50,000	48.90%	48.90%
–	CHF	700,000	14.30%	–
Research in the geothermal energy field	CHF	6,136,000	4.80%	4.80%
Sub-participation through EGL. Hydroelectric production	CHF	90,000,000	8.40%	8.40%
Construction of gas distribution plants	CHF	18,594,000	31.00%	29.40%
Engineering services in favour of Metanord SA	CHF	100,000	31.00%	–
Construction and management of windpark on St. Gotthard	CHF	100,000	70.00%	20.00%
Investment vehicle for the construction of renewable energy plants	EUR	50,187,000	20.10%	20.10%
Acquisition of participations in the hydroelectric micro power plants	CHF	150,000	50.00%	50.00%
Engineering services in favour of hydro power plants promoted by Senco Holding	CHF	20,000	50.00%	50.00%
Energy production, micro hydroelectric power plant	CHF	200,000	9.00%	9.00%
Energy production, micro hydroelectric power plant	CHF	200,000	10.00%	10.00%
Energy production, micro hydroelectric power plant	CHF	200,000	10.00%	10.00%
Development of micro hydroelectric power plant	CHF	200,000	10.00%	10.00%
Development of micro hydroelectric power plant	CHF	100,000	10.00%	10.00%
Development of micro hydroelectric power plant	CHF	100,000	10.00%	10.00%
Subholding	CHF	8,000,000	100.00%	100.00%
Subholding	EUR	6,767,900	100.00%	–
Energy production from thermal power plant gas	EUR	100,000	100.00%	100.00%
Hydroelectric energy production	EUR	1,000,000	90.00%	90.00%
Energy trading	EUR	100,000	100.00%	100.00%
Production of electrical and thermal energy	EUR	5,000,000	50.00%	50.00%
Energy production from biofuel power plant	EUR	50,000	50.00%	50.00%
Construction of biofuel power plant	EUR	100,000	–	35.00%
Energy production from biofuel power plant	EUR	100,000	25.00%	25.00%
Construction of biofuel power plant	EUR	20,000	25.00%	25.00%
Management of cross-border interconnection power line (Merchant Line)	EUR	10,200,000	40.00%	40.00%
Detention of Stabio border – Cagno power line	EUR	20,000	40.00%	100.00%
Detention of Mendrisio – Stabio border power line	CHF	14,000,000	40.00%	100.00%
Not active company	CHF	100,000	50.00%	50.00%
Investment vehicle in renewable energy	EUR	100,000	–	20.00%
Main Contractor for the construction of biofuel – fired power plants	EUR	20,000	50.00%	50.00%
Promotion of investments in renewable energy	CHF	600,080	–	26.70% <sup>1</sup>
Radio and television productions	CHF	4,950,000	11.00% <sup>2</sup>	11.00% <sup>2</sup>
District heating	CHF	200,000	60.00%	–
Production of energy from the coal – fired power plant in Lünen	EUR	147,944,200	15.80%	15.80%
–	CHF	200,000	–	100.00%



# Statistical information

90

## Production in Ticino (in GWh)

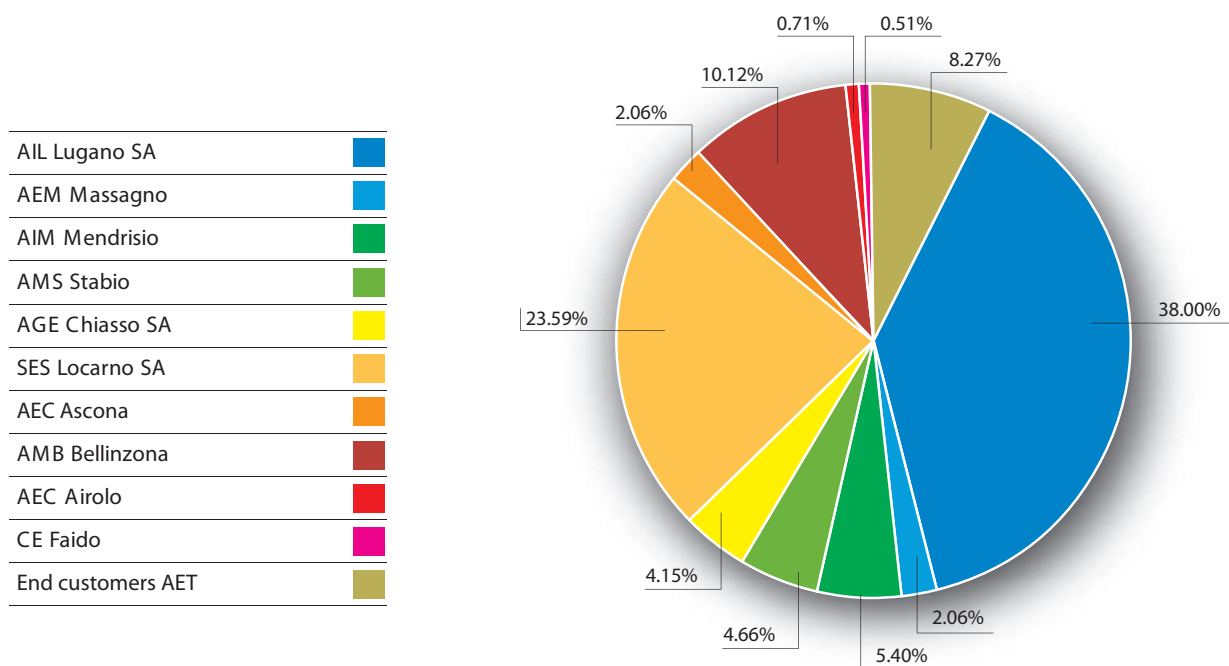
Production from existing plants in Ticino in 2010 (deducting pumping energy and excluding SBB) decreased by 9% and was equal to 109% of the multiannual average. 2010 was the first year of complete production of the Giubiasco incinerator's power plant.

	Winter	Summer	Year	2009
Biaschina	130	270	400	451
Piottino	113	185	298	339
Stalvedro	20	36	56	64
Tremorgio	7	2	9	7
Ponte Brolla	6	7	13	14
Lucendro	59	30	89	152
Verzasca	93	182	275	262
Morobbia	18	29	47	48
Giumaglio	8	18	26	28
Ticinetto	2	7	9	10
Stampa	9	10	19	18
Ceresa	4	7	11	12
Calcaccia	4	10	14	15
Minor stations and private producers	15	21	36	36
ACR	46	52	98	13
<b>Subtotal</b>	<b>534</b>	<b>866</b>	<b>1,400</b>	<b>1,469</b>
Maggia	503	769	1,272	1,475
Blenio	415	531	946	1,020
<b>Total</b>	<b>1,452</b>	<b>2,166</b>	<b>3,618</b>	<b>3,964</b>

## Consumption in Ticino (in GWh)

Electrical power consumption in the Canton Ticino increased by 7% (+6.6% in winter, +7.2% in summer).

	Winter	Summer	Year	2009	Increase %
AEC Airolo	13	8	21	21	0.0
AEC Ascona	32	29	61	58	5.2
AEM Massagno	37	24	61	58	5.2
AGE Chiasso SA	66	57	123	120	2.5
AIL Lugano SA	626	514	1,140	1,097	3.9
AIM Mendrisio	86	74	160	149	7.4
AMB Bellinzona	168	132	300	290	3.4
AMS Stabio	69	69	138	113	22.1
CE Faido	9	6	15	15	0.0
SES Locarno SA	414	285	699	661	5.7
TIMCAL SA	58	71	129	85	51.8
Alptransit	45	47	92	78	17.9
SSC and others	12	12	24	25	-4.0
<b>Total</b>	<b>1,635</b>	<b>1,328</b>	<b>2,963</b>	<b>2,770</b>	<b>7.0</b>



## Production and procurement (in MWh)

Hydroelectric production of AET, including affiliates and fees, was 1,585 million kWh, 10.3% lower than in 2009. The nuclear affiliate recorded a decrease by 23.7%, from 316 million kWh in 2009 to 241 million kWh in 2010. The purchase of energy increased by 34% compared with the previous period.

		Winter	Summer	Year	2009
<b>Own production</b>	Stalvedro	19,926	35,870	55,796	63,974
	Tremorgio	7,414	1,437	8,851	7,729
	Piottino	112,593	184,922	297,515	338,680
	Biaschina	130,469	269,802	400,271	451,057
	Ponte Brolla	5,903	7,559	13,462	13,827
	OFIMA payement	7,168	25,664	32,832	37,056
	Photovoltaic	105	304	409	337
<b>Participations</b>	Verzasca	30,810	60,763	91,573	87,661
	Blenio	77,177	102,802	179,979	220,785
	Maggia	107,473	163,168	270,641	300,911
	Mattmark	24,062	25,944	50,006	70,486
	AKEB (nuclear)	138,126	89,705	227,831	302,622
	KK Leibstadt	7,593	5,327	12,920	13,984
	AET CoGen	31,163	30,608	61,771	50,014
<b>Energy's purchase</b>	Purchase <sup>1</sup>	8,930,829	7,769,465	16,700,294	12,312,727
	Exchange power	4,984	613	5,597	1,295
<b>Total</b>		<b>9,635,795</b>	<b>8,773,953</b>	<b>18,409,748</b>	<b>14,273,145</b>

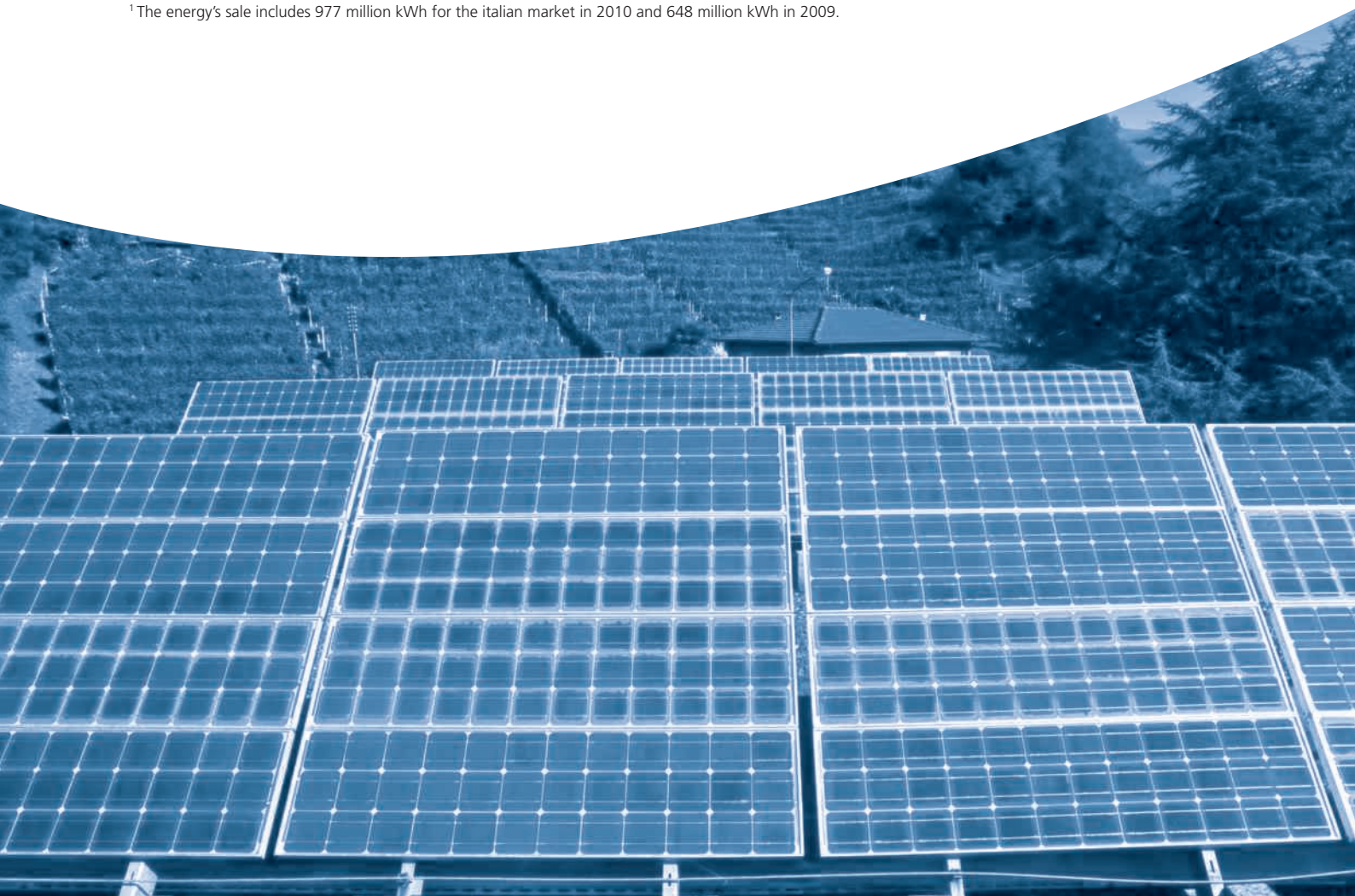
<sup>1</sup> The purchase includes 977 million kWh for the Italian market in 2010 and 648 million kWh in 2009.

## AET sales (in MWh)

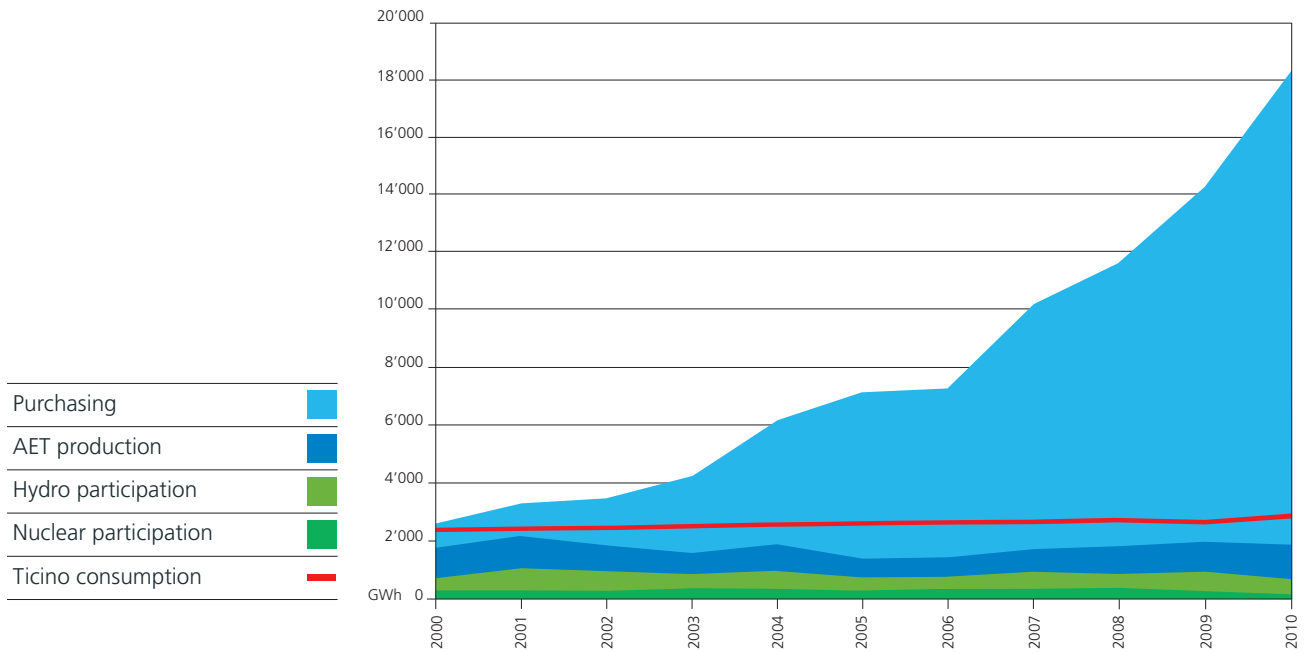
AET's distribution to customers increased by 196 million kWh from 2009 (+7.5%). The share of demand in the Canton covered by AET was 94.7%, compared to 94.2% in 2009. Energy's sale recorded an increase of 3,817 million kWh (+32.6%) compared with the previous period.

		Winter	Summer	Year	2009
<b>Users</b>	Distribution companies	1,460,429	1,102,522	2,562,951	2,422,049
	Final customers	114,254	129,942	244,196	188,896
<b>Energy's sale<sup>1</sup></b>	Sale	8,011,606	7,500,329	15,511,935	11,694,915
	Exchange power	24,699	27,118	51,817	59,466
<b>Total</b>		<b>9,610,988</b>	<b>8,759,911</b>	<b>18,370,899</b>	<b>14,365,326</b>
<b>Own consumption and losses</b>		<b>24,774</b>	<b>14,075</b>	<b>38,849</b>	<b>32,916</b>

<sup>1</sup> The energy's sale includes 977 million kWh for the Italian market in 2010 and 648 million kWh in 2009.



## Production and procurement AET



## Supply

