



Annual Report
2008







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

3

Ladies and Gentlemen
Chairmen,
State Councillors,
Parliamentary Representatives,

in accordance with the provisions contained in art. 5 of the Law setting up Azienda Elettrica Ticinese (LAET), we hereby transmit for your approval (art. 5, paragraph 2 LAET)

- the Board of Directors' management report for the year 2008**
- the Financial statement for the year 2008**
- the Proposal for allocation of profit**
- the Auditors' report**

The English version of the AET 2008 Annual Report is merely a translation,
the official version is the Italian text.

At a glance

4

Financial statements highlights

| | | |
|---------------------|-------------------|--------------------------|
| – Cash flow: | 64 million CHF | (+68% /2007) |
| – Operating profit: | 57 million CHF | (+148% /2007) |
| – Gross revenue: | 1,224 million CHF | (+38% /2007) |
| – Employees: | 189 | (+14 units /2007) |

Summary of the year 2008

| in CHF million | AET's Group | | | | AET | | | |
|--------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|
| | 2006 | 2007 | 2008 | +/- % | 2006 | 2007 | 2008 | +/- % |
| Gross revenue | 622 | 889 | 1,224 | 38% | 616 | 889 | 1,224 | 38% |
| Net revenue | 390 | 484 | 753 | 56% | 385 | 484 | 753 | 56% |
| Net incomes | 404 | 510 | 813 | 59% | 394 | 492 | 763 | 55% |
| Operating profit ¹ | 16 | 24 | 53 | 121% | 17 | 23 | 57 | 148% |
| Profit for the year | 10 | 14 | 14 | 0% | 9 | 13 | 13 | 0% |
| Cash flow ² | 25 | 32 | 57 | 78% | 25 | 38 | 64 | 68% |
| Total assets | 403 | 480 | 740 | 54% | 382 | 455 | 685 | 51% |
| Payments to the State ³ | 17 | 22 | 22 | 0% | 17 | 22 | 22 | 0% |
| Ticino's production (in GWh) | – | – | – | | 2,105 | 3,086 | 3,347 | 8% |
| Own production (in GWh) ⁴ | 1,308 | 1,597 | 1,848 | 16% | 553 | 660 | 836 | 27% |

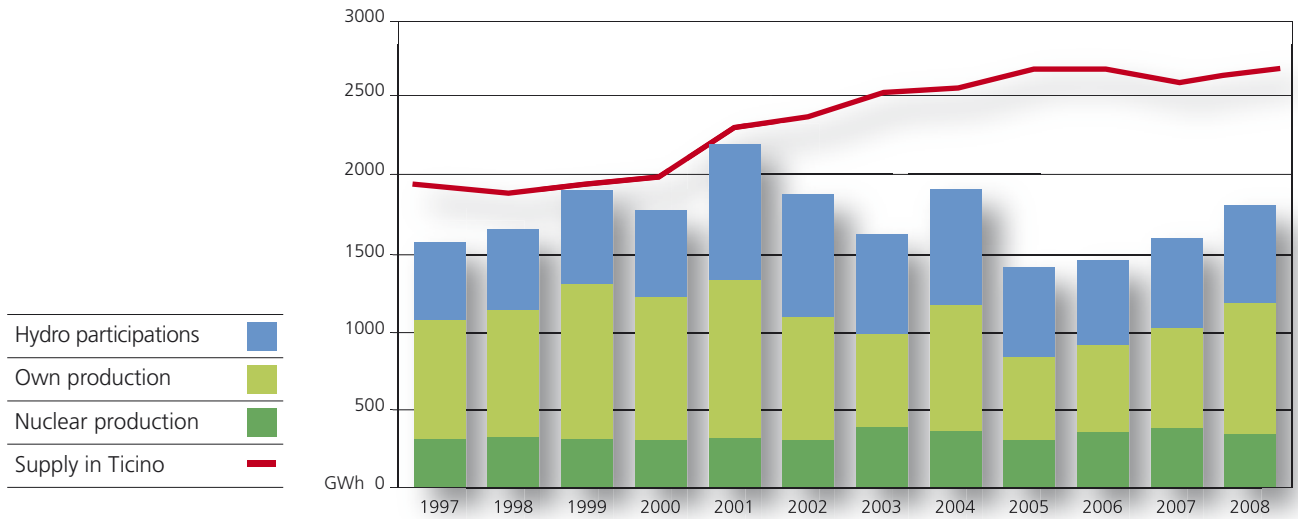
¹ Before extraordinary and financial items

² Profit for the year + Provisions + Amortisations

³ Operating taxes + Interests on capital + Devolution to the State

⁴ The Own production of AET's Group includes all participations

Supply and production in Ticino



State's payments evolution

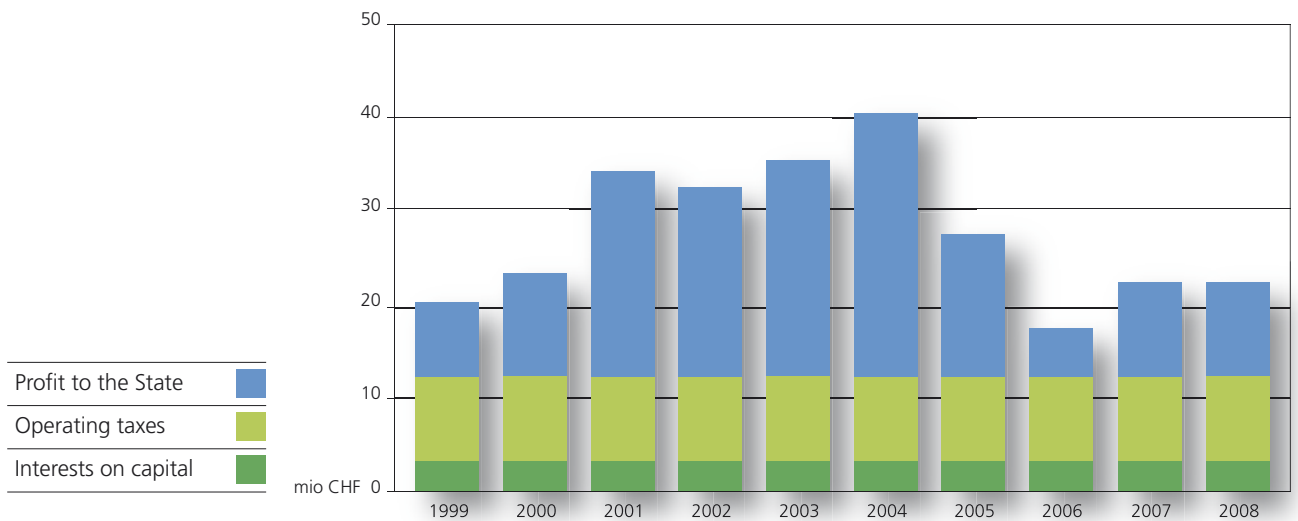
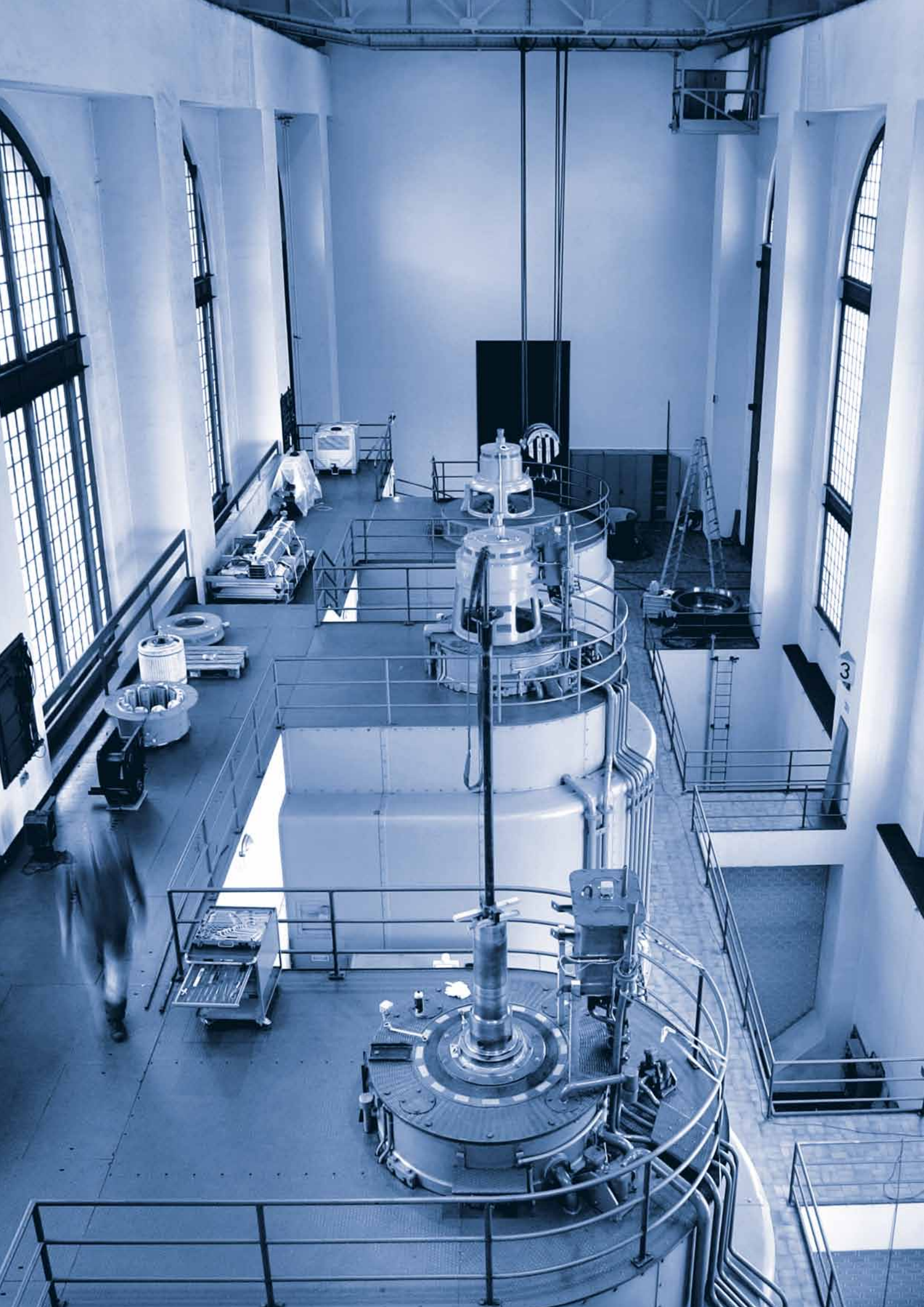




Table of contents

| | |
|---|----|
| The Board of Directors' management report | 9 |
| <hr/> | |
| Proposal for allocation of profit | 17 |
| <hr/> | |
| Financial statements | 19 |
| <hr/> | |
| Auditors' report | 39 |
| <hr/> | |
| Consolidated financial group statements | 41 |
| <hr/> | |
| Audit report by Ernst & Young | 68 |
| <hr/> | |
| Company officers | 72 |
| <hr/> | |
| Statistical information | 74 |
| <hr/> | |



The Board of Directors' management report

Transition towards an open energy market

9

Liberalisation in Switzerland has become a necessity: in an European liberalized framework, the Confederation could not in fact have remained an independent island. Experience gained in Europe and comparison with legislations in force there have also proved to be helpful, and will presumably be even more so in the future, given the dynamism of the electricity market, in defining the rules governing the Swiss market. For example, as was the case in our country, prices abroad were found to rise when the market was opened and legislation was adapted accordingly. In Switzerland, the Electricity Supply Ordinance was revised for the first time shortly after it was passed, given the excessive increases advocated by a number of enterprises (apart from AET) last autumn.

The opening up of the electricity market represents a profound change. The 1st January 2009 marked the first step towards liberalisation, with larger customers (those recording annual consumption exceeding 100 MWh) given the opportunity to choose their suppliers. From 2012, unless a referendum is held, the market will be free for all those wishing to take part. Current legislation has the special characteristics that will allow a partially liberalised electricity market. First, it permits greater transparency, laying the foundations for non-discriminatory access to the network. Secondly, the Electricity Supply Act is "euro compatible", a factor of considerable importance given the geographical position of Switzerland, and also in view of bilateral negotiations with the European Union.

Seven years ago, in 2002, the first attempt to liberalise the Swiss electricity market failed, when the Electricity Market Act was rejected by the Swiss electors. Against this background, the drawing up of the Electricity Supply Act proved an ambitious project. The results obtained are nevertheless encouraging; as well as the partial liberalisation of the electricity market, current legislation lays the foundations for increased certainty in the procurement of electric energy and, in the context of the newly drafted legislation, the production of renewable sources of energy.

In keeping with the principle of subsidiarity anchored in the Law, the energy sector has accepted its responsibilities and will continue to do so in the future. The Electricity Supply Act came into force on 1st January 2008, while the Ordinance became operative on 1st April 2008 and its first revision was as early as 1st January 2009. This was a revision that proved essential given the rise in prices, which led to heated political debate and striking reactions from the public. What needs to be done now is to build up experience and see how ElCom acts as a regulator, before proceeding with another revision of the Law if necessary.

Even in this liberalised context, AET's objectives have not changed: procurement of electricity for the Canton of Ticino, at advantageous, competitive conditions, confirmed as certain, effective and in a sustainable, non-discriminatory manner, must therefore be guaranteed everywhere, from large cities to isolated mountain villages.

Energy trading

In 2008 the growth rate of energy consumption in the Canton of Ticino stood at 5%. One of the most important factors in the continuing rise in electricity consumption figures is the progressive economising on fossil fuels used to heat homes. As a result, the use of heat pumps has in fact increased, an excellent replacement for traditional oil-based heating, run partly on electricity and thereby increasing demand. AET's business activities in 2008 were characterised mainly by the renewal of contracts with two electric energy distributors in the Canton of Ticino – Aziende Industriali di Lugano SA (AIL) and Cooperativa Elettrica di Faido (CEF) – by the setting-up of a company in Italy for the sale of energy (AET Italia Srl), and by preparations for the opening up of the market.

AIL and CEF renewed their trust in AET for the procurement of additional energy for future years, confirming AET's appeal even in a liberalised market, where distributors are free to choose their own suppliers.

AET Italia Srl, set up the 1st September 2008, is now an up-and-running enterprise, supplying electric energy to around twenty final Italian customers since the start of 2009. This company was created to make the most of the value chain, with the new cross-border Mendrisio-Cagno line, in which AET has a stake, soon to go into commercial use.

2008 was also marked by preparations for liberalisation of the Swiss electricity market. Contracts already in force with distributors were updated and all the internal modifications were made to tackle this new opportunity in the most efficient way possible. Throughout 2008 production and, as a result, market operations were strongly influenced by abundant rain and snowfall. Even though snowfall in the winter of 2007 / 2008 was not particularly abundant and came late in the season, starting at the end of April/beginning of May, there was heavy rainfall as the snow began to melt. This meant that output levels remained high up to the end of July. The really exceptional period was, however, September: heavy rainfall was accompanied by market prices which were extremely high for the season. In October conditions returned to normal with market prices falling, along with intensified indications of economic crisis and rainfall slightly higher than average for the season.

The electricity sector, like practically all commodities, was characterised by an extremely volatile period on both the stock exchange (short-term market) and the futures market. As regards the stock exchange, in the sectors in which AET operates – Switzerland, Germany, Italy and France – the average price increase compared to 2007 was approximately 51%, with a peak of 73% in Germany and its lowest increase of 22% in Italy. In Switzerland, the rate varied by almost 62%, whilst in France it was 69%. As regards the futures market, the situation was similar to that characterising the crude oil market, with a sharp increase in prices from April to July, followed by a sudden fall from July to December, which accelerated even further from September on.

Production, participations and projects

Maintenance and routine controls were carried out, as scheduled, on all plants. AET-run plants are in excellent condition, which will ensure stable operation also in the foreseeable future.

In terms of reliability, work to bring production in line with regulations continued. The changes concerned mainly buildings at stations where passive protection was improved, with the completion of the fire-fighting division, the installation of fire detectors and the introduction of staff evacuation procedures.

A technical-financial analysis of the production plants in the Leventina region was carried out in 2008, confirming that they were in generally good condition notwithstanding the advanced age of the Piottino and Tremorgio stations. The "hydraulic measures" project, intended as a means of collecting information in real time to improve the production chain in Leventina, continues on schedule. The data collected and transmitted to both the control centre and the Sales Division will help increase operating reliability and render the use of the waters more efficient.

The year 2008 also led to a series of operations necessary to tackle the new approach being taken by the AET Production Division. AET has managed to separate transportation costs from production and sales costs, in order to satisfy legal obligations stemming from the opening up of the electricity market. For this reason, the production and assets accounting frameworks were revised. This work made it possible to establish the operating and financial costs of the production plants, thus allowing more efficient management and control methods.

Between the end of October / end of November 2008 group 1 and group 2 of the Ponte Brolla plant were put into temporary operation, the first AET hydroelectric station outside Leventina, subject of reversion in 2002. The plant has now entered the inspection and test phase. The refurbishment work is due to be completed by mid-2009.

Turning to the participations, having put the production plants in Dalpe, Campo Vallemaggia and Cerentino into production, Senco Holding SA (in which AET and SES both have a 50% share) is now taking the steps necessary to construct stations in Ossasco, Buseno (GR) and Cauco (GR). At the same time, new opportunities are being sought in Ticino, Grigioni and Canton Uri.

Metanord SA has entered a decisive stage, having commenced work on the high-pressure pipeline in Vedeggio in the autumn of 2008. The project provides for work to be commenced once 45% of the estimated concessions have been obtained. Construction work will go ahead over the next 5 years, involving a total investment of around CHF 100 million. The majority shareholders are AET, BKW and Renova; SES holds a share of less than 10%. By adopting this strategy, AET has confirmed its commitment to proceed with this second energy mainstay, in order to also provide Sopraceneri with access to a second energy supply.

AET has submitted an application for a local seismic survey to be carried out with the aim of exploiting a possible basin of gas or the geothermic potential of the Canton of Ticino. The project will be developed over the next 5 years and falls within the scope of the LAET for reliable future procurement in terms of both renewable energy sources and traditional fossil energy sources such as gas. The project is due to be launched towards the end of the second half of 2009.

The Giubiasco remote heating project foresees the use of heat capacity generated by the incinerator (ACR- Canton Refuse Authority) built within this municipality. During the fourth quarter of 2008 the Canton commissioned AET and ACR to develop the heat distribution project. The ACR plant will go into operation in 2009, as will the remote heating grid, with the creation of a company commissioned to construct the grid, a project that will also involve the municipal authorities in question. The investment made by AET will be divided over the next few years, reaching a total sum of around CHF 60 million.

AET is putting together a project for the use of solid biomasses in the Sopraceneri area. The Biogas plant currently being designed will have the capacity to dispose of 20,000 tons of refuse from households, hotels or gardens, without harming the atmosphere. Construction is planned for 2009 / 2010, and will involve local authorities and private companies. The first construction contracts have already been signed. This project forms part of the new AET strategy to invest in renewable energy sources in the Canton of Ticino.

In the Leventina municipality of Dalpe an opportunity has arisen to construct a mini hydroelectric plant (with minimal environmental impact). The Dalpe II project (13 GWh/yr production station) was set up to improve the AET water chain in Valle Leventina. The outline project was completed in 2008; the final project should be completed during 2009. This project, like the Biogas scheme, also contributes to the procurement of electricity from indigenous, renewable sources, as confirmed by the new AET strategy. Val d'Ambra II, part of the AET portfolio, is the furthest reaching project with the highest strategic value. In order to exploit the waters of the Leventina area to the full, the construction of a second accumulation basin has been planned within the Val d'Ambra where, at the entrance to the valley, a small artificial lake already exists and provides a daily supply. This second basin will allow the waters of the river Ticino to be regulated more effectively, for an entire week's supply, while at the moment these waters flow irregularly and are inevitably lost. The investment involves a sum of around CHF 100 million. In 2008 the project was redrafted and the final Canton Land Use Plan (PUC) should be submitted in the second half of 2009. The Municipal authority and the Patriciate of Personico support the company's project, which, it is hoped, will go into construction in 2010 / 2011. The intention is in fact to allow all users in the Canton of Ticino to benefit from electric energy originating mainly from a renewable source and already found locally, but which is not currently exploited to its full potential. At the same time, several tens of millions of Francs could be injected into the local economy, thanks to the construction of the plant.

The wind power project in the St Gothard area is going ahead successfully and has been sent to the Canton authorities. A few adjustments need to be made here and there, but the project is nevertheless of economic interest to the company. AET holds a 20% share in the company "Parco eolico del Gottardo SA", which will be incorporated at the end of January 2009. The realisation of this project is significant. It in fact marks the first wind power park on Ticino soil. The foreseen installed power is 14 MW, with minimum annual output estimated at 32 GWh, which would satisfy the needs of 35,000 inhabitants. The biofuel plant in Occimiano, in Piedmont, went into operation in February 2008. Despite being only a small sized station, it allows CEG Srl (AET's strategic partner in this sector in Italy), to acquire initial experience in the use of vegetable oils as an energy source. CEG Srl has revised its production strategy. In view of strong fluctuations in the raw materials market, it has decided to concentrate on the construction of five further plants, the first under construction in Guarcino, in the region of Lazio (this project has been delayed due to complaints which are to be assessed, and the site should resume work in 2009). At the beginning of 2009, CEG Srl intends to sell AET its participation in the cogenerative station in Gavirate, which has an output of 16.5 MW. The company will thus own 100% of the station and the remote heating grid, already in operation. This state-of-art plant satisfies all environment protection conditions.

The Biasca-based Ale Airlight Energy SA has recently developed a revolutionary photovoltaic energy system, a new type of large-sized parabolic solar collector (PSC) that uses pneumatically operated structures, which could represent a fundamental "technological breakthrough" in the development of solar energy. This new technology could be installed, above all, in desert regions and could exploit the sun's potential with maximum profitability. AET has a 20% holding in this company, set up in 2007, and handles this

project as part of the task established by the law incorporating the company which describes AET as "promoting ... research and experimentation in alternative energy sources" (art. 2 paragraph 3). To guarantee the procurement of electricity in the Canton of Ticino, AET's strategy has been the diversification of sources of energy as needs arose. Over the last few years, coal has come back on the scene as a valid alternative form of band energy for the future. Even though coal may seem to have become an obsolete energy source, Europe continues to invest in this sector, using highly efficient technologies (30% of electricity is still produced by coal-fed thermoelectric stations). AET has taken the opportunity to play a direct role, with other German, Austrian and Swiss public companies, in a project run in Germany (Trianel Power Kohlekraftwerk GmbH & Co. KG (TPK)), as a partner and, not merely a purchaser (a strategy that has also been adopted by a number of Swiss operators at an international level). The Trianel project in Lünen obtained authorisation in September 2008 to commence construction work. The plant is due to go into operation at the end of 2012. During the second quarter of 2009 the Ticino Parliament must make a ruling on the AET participation in this consortium. This stake is strategic and would in fact allow AET to continue to satisfy its duties in the future as far as the procurement of electricity in the Canton is concerned, at the same time guaranteeing competitive prices for the Ticino economy, particularly significant within the context of the current economic crisis.



Distribution grid

2008 was a very intense year for the networks sector. A number of projects which had taken years to get through the design and authorisation stages have now reached the execution phase.

The 380 kV Mendrisio – Cagno Merchant line and the 400 MVA Mendrisio transformer whose capacity is 380/150 kV were successfully put into operation on 30th June 2008, in full agreement with Enel Terna and swissgrid. This permitted the entire region of Mendrisiotto up to Melide to be powered in stand-alone mode from Italy for the first time (and for more than three months).

During this period, the transport capacity of the 150 kV Manno – Mendrisio axis was doubled. This highly complex project involved the installation, along over 25 km, of a new 150 kV triad in the Crespera – Scairolo tunnel, the replacement of overhead cables along the external sections and the laying of second cables in the lake between Morcote and Brusino. The work was carried out to everyone's satisfaction and without any blackouts.

AET also expanded the Scairolo – Balerna overhead railway line along this section on behalf of the Italian Railway Authority, pending the activation of the Mendrisio – Varese railway section.

At the beginning of November 2008, swissgrid took control of the 220/150/380 kV Magadino – Manno – Mendrisio – Cagno axis, to be introduced permanently into the national transport network, which went into nominal technical operation. Unfortunately, bureaucratic and administrative red tape involving both the granting organisations involved (EICom on the Swiss side and the Ministry of Economic Development for the Italians) prevented the line from going into commercial operation. Final authorisation is expected during 2009.

The activation of the 380 kV Mendrisio – Cagno line marks a radical policy change in the running of the company's Merchant Lines and brings the AET grids into the international 380 kV Switzerland – Milan Northern Ring Road axis.

The objective set in 2001 by the State Council in a letter of intent signed by the Canton and the Region of Lombardy to increase the reliability and quality of the grid supplying electricity to the Sottoceneri area has been fully achieved.

Once the cross-border power line had been constructed, interconnecting nodes upstream from the AET grid had to be developed to avoid congestion problems. A second 150 kV triad was put into operation between the Iragna and Biaschina substations and the bottlenecks at the substations of Manno, Magadino, Iragna and Biasca were eliminated, by replacing the under-sized cables and gauging units being used, operations carried out in order to achieve these objectives.

Together with swissgrid, AET is now part of an extremely high voltage grid management system in Switzerland and must comply systematically with a series of important directives defined at a European level.

Construction work for the power supply to the Alptransit building site has continued in Vezia, and in Sigirino and Camorino. The three sites are now powered directly by the AET grid and work has now progressed to the tunnel construction phase. In Bodio, Alptransit has moved on to the second stage in the construction of railway technology plants (tracks, signals, safety devices).

Activation of the new incinerator in Giubiasco (ACR), halfway through 2009, means that the existing 16 kV AET grids between Monte Carasso and Riazzino must be developed and adapted. Work is currently underway and will allow the new production station to be introduced in the grid on schedule without causing users any inconvenience.

Construction of the new 50 kV AET / AIL substation in Mendrisio has continued, in collaboration with AIL SA. Refurbishment work on the main power substations powering the local 16 kV grid in Lucendro and Stalvedro in the Leventina region was completed. The local grid throughout the Leventina region is therefore now powered by efficient and refurbished stations (the nodes in Rodi and Faido were refurbished halfway through 2000).

The opening up of the market has continued and is now a reality. AET was forced to separate grid costs according to the voltage level, from 380 to 0.4 kV (from NE 1 to NE 7) and to publish costs for the transparent and non-discriminatory use of the AET grid starting on 1st January 2009. This work proved extremely intense and had to be coordinated with other grid operators in the Canton connected to the AET grid.

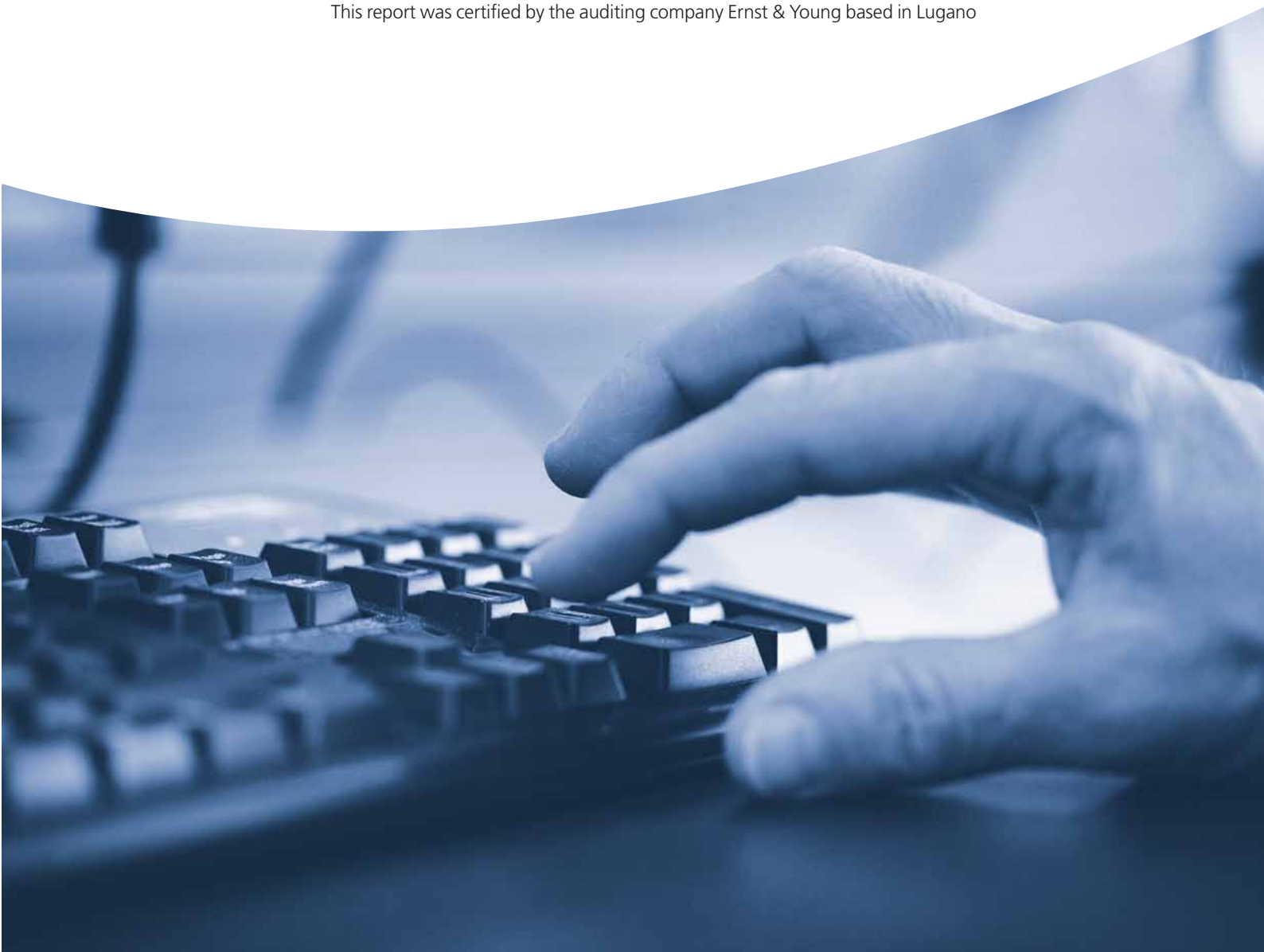
At the end of 2008, as laid down by new energy legislation, AET set up a new network company, AET NE 1 SA, to which all 220 kV voltage rate assets will be transferred in 2009. Ownership of this company will pass to swissgrid, as laid down by legislation.

Financial statements

The financial statement was drawn up in keeping with accounting directives currently in force, whilst the contents of the appendix exceed the minimum requirements laid down in art. 663b of the Swiss Code of Obligations.

As in 2007, the consolidated group statement was also prepared.

This report was certified by the auditing company Ernst & Young based in Lugano



Conclusions

16

AET has successfully taken the first steps in its new strategic plan. Thanks to an in-depth analysis of the AET group, individual commercial, and production and grid strategies have been brought into line with new requirements put forward by the energy market in the process of liberalisation.

Notwithstanding the economic crisis, the company has achieved excellent results, with a sharp increase in turnover, cash flow and, above all, operating result. On the basis of the above-mentioned analysis, the first step has been taken towards the introduction of a corporate risk management system, which should be implemented in 2009. The approach taken to management has continuously aimed at meeting the requirements of a liberalised market. In 2008, AET hired 14 new employees without any staff going into retirement, bringing the total work force up to 189 by the end of the year.

With the opening up of the electricity market, values anchored in Swiss energy policies – reliable, adequate, diversified, economic and ecological procurement of energy, accompanied by prudent, rational energy consumption – have become points of reference for all operators in the Swiss electricity market. Now, and above all in the years to come, AET adopts this strategy which is designed to satisfy and guarantee the energy needs for the Canton of Ticino.

Hydroelectric production represents an extremely important economic factor, not only for Ticino, but all the Alpine Cantons. The Canton must therefore continue with the small and medium-sized water-based projects currently underway, pending significant future reversions that will mark an important and fundamental step in the completion of Ticino hydroelectric production.

Today AET operates not only in Ticino, but also in the European market. The mix of purchases, contracts and participations, the Ticino production plants and the clear, deliberated strategic approach are the underlying conditions allowing the AET group to maintain its role, now and in the future, as a local enterprise that has learnt to make the most of the advantages offered by its competitive position in international trade for the benefit of the Canton of Ticino.

Proposal for allocation of profit

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

17

| | |
|---|----------------|
| Profit for the year 2008 | 13,042,570 |
| + surplus at beginning of financial year | 946,792 |
| Retained earnings | 13,989,362 |
| ./.To the State: 8% interest on the endowment capital | -3,200,000 |
| ./. devolution to the State | -10,000,000 |
| Carry overs in the new financial year | 789,362 |

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
- The Financial statements for the year 2008
- The Proposal for allocation of profit

And we suggest to grant the discharge to the management and the auditor's office for what they have done.



for the Board of Directors

Chairman

Fausto Leidi



for Azienda Elettrica Ticinese

CEO

Reto F. Brunett

Financial statements



Balance sheet

20

| | | 31.12.2008 | 31.12.2007 |
|---|-------|-------------------|-------------------|
| ASSETS | Notes | in CHF 1,000 | in CHF 1,000 |
| Tangible fixed assets | 1 | | |
| Operating plants | | 137,555 | 118,960 |
| Real estates | | 10,693 | 10,980 |
| Plants under construction | | 57,363 | 47,423 |
| Equipment and vehicles | | 1,329 | 1,221 |
| Financial fixed assets | | | |
| Financial participations | 2 | 69,673 | 39,378 |
| Securities | 3 | 19,806 | 19,806 |
| Long-term advances to participations | 4 | 48,005 | 26,915 |
| Long-term loans and advances to third parties | 5 | 12,487 | 14,739 |
| Intangible fixed assets | 6 | 143,740 | 586 |
| Fixed assets | | 500,651 | 280,008 |
| Receivables from the supply of energy | 7 | 142,943 | 132,084 |
| Other receivables | | 2,903 | 2,929 |
| Other assets | 8 | 21,476 | 11,610 |
| Cash and cash equivalents | 9 | 16,689 | 27,976 |
| Current assets | | 184,011 | 174,599 |
| TOTAL ASSETS | | 684,662 | 454,607 |

| | | 31.12.2008 | 31.12.2007 |
|-----------------------------------|-------|-------------------|-------------------|
| LIABILITIES | Notes | in CHF 1,000 | in CHF 1,000 |
| Endowment capital | | 40,000 | 40,000 |
| General reserves | | 20,000 | 20,000 |
| Special reserves | | 26,000 | 26,000 |
| Reserves for plants renewal | | 25,000 | 25,000 |
| Retained earnings | | 13,989 | 14,147 |
| Equity | 10 | 124,989 | 125,147 |
| Provisions | 11 | 170,000 | 136,000 |
| Bank's loans | 12 | 210,000 | 60,000 |
| Customers advances | | 12,856 | 10,156 |
| Long-term liabilities | | 222,856 | 70,156 |
| Payables for the supply of energy | 13 | 111,215 | 108,941 |
| Short-term loans | 14 | 30,398 | – |
| Other payables | 15 | 3,634 | 3,284 |
| Provisions for pensions | 16 | – | 60 |
| Other liabilities | 17 | 21,570 | 11,019 |
| Short-term liabilities | | 166,817 | 123,304 |
| Liabilities and provisions | | 559,673 | 329,460 |
| TOTAL LIABILITIES | | 684,662 | 454,607 |

Income statement

| | | 2008 | 2007 |
|--|-------|----------------|----------------|
| | Notes | in CHF 1,000 | in CHF 1,000 |
| Operating income | | | |
| Gross revenue | 18 | 1,223,782 | 889,465 |
| ./. Standardised products revenue | 19 | -470,463 | -405,543 |
| Net revenue | | 753,319 | 483,922 |
| Other operating income | | 9,884 | 8,402 |
| | | 763,203 | 492,324 |
| Operating expenses | | | |
| Energy purchased | 20 | 644,668 | 422,072 |
| Personnel expenses | 21 | 20,909 | 18,866 |
| Services and material | | 5,742 | 5,662 |
| Amortisation and depreciation for the year | 22 | 17,074 | 7,016 |
| State water fees | | 9,087 | 9,087 |
| Municipal taxes and other contributions | | 1,879 | 2,046 |
| Other operating expenses | | 6,269 | 4,628 |
| | | 705,628 | 469,377 |
| | | 57,575 | 22,947 |
| Operating profit | | | |
| Finance income | | 2,388 | 2,318 |
| Finance expenses | | -12,806 | -1,672 |
| Non-operational income | | 108 | 459 |
| Non-operational expenses | | -20 | -116 |
| Profit before extraordinary items | | 47,245 | 23,936 |
| Extraordinary income | 23 | 203 | 7,434 |
| Extraordinary expenses | 24 | -34,405 | -18,424 |
| Profit for the year | | 13,043 | 12,946 |

Cash flow statement

| | 2008 | 2007 |
|---|-----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Profit for the year | 13,043 | 12'946 |
| Amortisation on tangible fixed assets | 7,790 | 6,701 |
| Amortisation on intangible fixed assets | 8,811 | 66 |
| Amortisation on financial fixed assets | 472 | 249 |
| Depreciation for advances to associated companies | 132 | 5,367 |
| Amortisation extraordinary financial participations | – | 5,057 |
| Increase in provisions | 34,000 | 8,000 |
| CASH FLOW | 64,248 | 38,386 |
| Change in the current assets (except cash and cash equivalents) | -20,699 | -22,941 |
| Change in the short-term liabilities | 13,115 | 34,681 |
| Cash flow from operating activities | 56,664 | 50,126 |
| Net investments in tangible fixed assets (after rebilling) | -36,146 | -33,965 |
| Net investments in intangible fixed assets | -151,965 | – |
| Net investments in financial fixed assets | -49,738 | -27,919 |
| Cash flow from investments activities | -237,849 | -61,884 |
| Interests on capital due to the State | -3,200 | -3,200 |
| Distribution of profit to the State | -10,000 | -5,000 |
| Short-terms loans | 30,398 | -5,000 |
| Long-terms loans | 152,700 | 29,800 |
| Cash flow from financing activities | 169,898 | 16,600 |
| Total cash flow | -11,287 | 4,842 |
| Cash and cash equivalents on 1 January | 27,976 | 23,134 |
| Cash and cash equivalents on 31 December | 16,689 | 27,976 |

Annex to financial statements

The financial statement of Azienda Elettrica Ticinese (AET) was prepared in accordance with the provisions of the Swiss Code of Obligations (CO): the notes satisfy the requirements set forth under art. 663b CO.

Principles adopted for the preparation of the financial statements

The most important accounting principles adopted by AET in preparing the financial statement are described below. These principles remained unaltered compared to those adopted the previous year. The most important valuation rules are as follows:

Tangible fixed assets

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

Land is not depreciated (or rather, it is only depreciated when there has been a loss of value). Buildings are recorded at their purchase cost and depreciated in the same manner as operating plants. Operating equipment is depreciated according to its useful working life. Plants under construction are recorded in the financial statement based on construction costs, according to the stage of progress. No depreciation is applied during the realisation phase (except where necessary) and interest is not capitalised. The minimum and maximum periods of depreciation for the single categories of tangible fixed assets are as follows:

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

Financial fixed assets

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

Intangible fixed assets

Transit rights are rights acquired in order to pass through third-party plants. Amortisation is calculated according to contractual agreements on the technical life of the plants. Other intangible fixed assets are valued at the maximum purchase cost and amortised on a straight-line basis according to useful life.

Receivables from the supply of energy and other receivables

Receivables are recorded in the financial statement at their face value, taking due account of any risk of losses. Foreign currency receivables are converted at the year-end exchange rates.

Other assets

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

Other assets also include goods in stock (completely depreciated), as well as work in progress on different sites, on behalf of external customers.

Cash and cash equivalents

Cash and cash equivalents are recorded in the financial statement at nominal value and include cash and deposits with post offices and banks, as well as term deposits with banks having a duration of less than 3 months.

Provisions

Provisions are partly aimed at covering requests by third parties, the duration and amounts of which are not exactly quantifiable. These also include amounts aimed at reducing energy procurement costs, should the market undergo unfavourable increases.

Current liabilities

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

Social security

Azienda Elettrica Ticinese is affiliated with a common institute together with other companies operating in the sector. This is an independent national insurance institution structured on the basis of a defined benefit plan. All employees hired by the company are members of this institution from 1st January following their 17th birthday: they are insured against the risks of death and disability. From 1st January following their 24th birthday, they are also insured for old age pension. AET pays fixed premiums and has no commitments for further contributions: consequently, the company does not bear any risk and the social security scheme is based on a defined contributions plan.

To facilitate early retirement for its employees, AET is also affiliated with the "Early retirement fund for personnel of Azienda Elettrica Ticinese". In this case too, the only commitment taken on by AET is annual fixed premiums, without any further contributions.

Notes to the financial statements

1 Tangible fixed assets

| | Operating plants | Real estates | Plants under construction | Operating equipments | Total |
|---|------------------|---------------|---------------------------|----------------------|-----------------|
| | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Cost values as at 31.12.2007 | 439,640 | 19,040 | 47,423 | 7,453 | 513,556 |
| Net investments | 1,672 | – | 34,325 | 391 | 36,388 |
| Carried forward | 24,285 | – | -24,385 | 100 | – |
| Disposals | -8,714 | – | – | -135 | -8,849 |
| Cost values as at 31.12.2008 | 456,883 | 19,040 | 57,363 | 7,809 | 541,095 |
| Accumulated depreciation 31.12.2007 | -320,680 | -8,060 | – | -6,232 | -334,972 |
| Disposals | 8,470 | – | – | 137 | 8,607 |
| Depreciation | -7,118 | -287 | – | -385 | -7,790 |
| Carried forward | – | – | – | – | – |
| Accumulated depreciation 31.12.2008 | -319,328 | -8,347 | – | -6,480 | -334,155 |
| Balance sheet value as at 31.12.2007 | 118,960 | 10,980 | 47,423 | 1,221 | 178,584 |
| Balance sheet value as at 31.12.2008 | 137,555 | 10,693 | 57,363 | 1,329 | 206,940 |

The insured value of tangible fixed assets against fire risk totalled CHF 424 million at 01.01.2009 (CHF 628 million at 01.01.2008). Since 01.01.2009 the power lines are no longer covered against risk of fire.

2 Financial participations

| | in CHF 1,000 |
|--|---------------|
| Cost values as at 31.12.2007 | 46,152 |
| Net Investments | 30,767 |
| Transfers of investments already depreciated | -5,057 |
| Cost values as at 31.12.2008 | 71,862 |
| Accumulated depreciation 31.12.2007 | -6,774 |
| Amortizations | -472 |
| Reversal of depreciation | 5,057 |
| Accumulated depreciation as at 31.12.2008 | -2,189 |
| Balance sheet values as at 31.12.2007 | 39,378 |
| Balance sheet values as at 31.12.2008 | 69,673 |

For the full set of data please see consolidated financial Group statements.

| | | Capital | Quota % | 31.12.2008 | 31.12.2007 |
|---|-----|-------------|---------|---------------|---------------|
| | | | | in CHF 1,000 | in CHF 1,000 |
| TPK Lünen GmbH&Co. KG | EUR | 147,994,200 | 15.84% | 37,769 | 12,989 |
| KW Mattmark AG (via EGL) | CHF | 90,000,000 | 8.41% | 13,058 | 13,215 |
| AKEB AG | CHF | 90,000,000 | 7.00% | 6,300 | 6,300 |
| TPWB GmbH&Co. KG | EUR | 52,500,000 | 3.75% | 4,276 | – |
| Metanord SA | CHF | 11,334,000 | 29.42% | 3,085 | 3,085 |
| ALE Airlight Energy SA | CHF | 8,000,000 | 19.00% | 1,900 | 800 |
| SPE Società per Partecipazioni Energetiche SA | CHF | 1,000,000 | 100.00% | 1,000 | 1,000 |
| Senco Holding SA | CHF | 150,000 | 50.00% | 1,032 | 832 |
| Calore SA | CHF | 2,000,000 | 48.90% | 978 | 982 |
| Swisshydro AG | CHF | 500,000 | 35.00% | 175 | 175 |
| AET NE1 SA | CHF | 100,000 | 100.00% | 100 | – |
| ASG Power SA | CHF | 1,000,000 | – | – | – |
| Geopower Basel AG | CHF | 6,136,000 | 4.76% | – | – |
| Tele Ticino SA | CHF | 4,950,000 | 11.03% | – | – |
| | | | | 69,673 | 39,378 |

TPK Lünen GmbH & Co. KG, Aachen (D): CHF 37,768,893 (31.12.2007: CHF 12,988,517)

Participation of 15.84% (share calculated on rated output of plant) in the share capital of EUR 147,994,200, taken up in 2006. In the event of a loss, each partner will be charged a proportional share of the loss recorded for the year, which is entered in the income statement under depreciation and amortisation, for either the year in which it accrues or the following year.

Kraftwerke Mattmark AG, Saas Grund: CHF 13,058,000 (31.12.2007: CHF 13,215,000)

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

The difference between the historical cost of the sub-holding (CHF 14,000,000) and the face value of the equity interest (CHF 7,569,000) is amortised on a straight-line basis over the period of concession (1.10.2002 - 30.9.2043).

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

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

TPWB GmbH&Co. KG, Aachen (D): CHF 4,275,600 (new)

Participation of 3.75% (share calculated on rated output of plant) in the share capital of EUR 52,500,000, taken up in 2008. In the event of a loss, each partner will be charged a proportional share of the loss re-

corded for the year, which is entered in the income statement under depreciation and amortisation, for either the year in which it accrues or the following year.

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

Participation of 29.42% (unchanged) in the share capital of CHF 11,334,000 (initial investment dating back to 2002). Metanord SA is planning investments of around CHF 120 million, to be funded through increases in the share capital and bank credits. AET will participate through direct loans and guarantees of up to CHF 35 million, in accordance with the legislative decree dated 18th October 2006 (commitment substantially unchanged from 31.12.2007).

ALE Airlight Energy SA, Biasca: CHF 1,900,000 (31.12.2007: CHF 800,000)

Participation of 19% (20% as at 31.12.2007) in the share capital of CHF 8,000,000 (face value CHF 1,520,000), taken up with effect from 2007. The initial investment of CHF 400,000 included a 100% goodwill (CHF 400,000) paid into company reserves.

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

100% participation and domiciled at AET's head office, taken up in 2006.

For reasons connected with foreign tax liability, AET has transferred all participations held abroad to this new company.

Senco Holding SA, Locarno: CHF 1,031,667 (31.12.2007: CHF 831,667)

During the financial year the participation remained unchanged at 50% of the share capital of CHF 150,000. The original participation dates back to 1998. The increase in historical cost concerns a second share goodwill paid to company promoters. Once further contractually set goals have been achieved, the shareholders will have to pay the promoters of Senco Holding SA another goodwill, which for AET is fixed at CHF 350,000 (as at 31.12.2007: CHF 550,000).

Calore SA, Locarno: CHF 978,000 (31.12.2007: CHF 982,000)

Participation of 48.9% (31.12.2007: 49.1%) in the share capital of CHF 2 million, dating back to 1996. In 2008, as part of a collaboration agreement, we sold a further 4 shares (at par) to another shareholder.

Swisshydro AG, Poschiavo: CHF 175,000 (unchanged)

Participation of 35% in the share capital of CHF 500,000, taken up in 2002.

AET NE1 SA, Bellinzona: CHF 100,000 (new)

100% participation in share capital of CHF 100,000. In 2009 AET must sell its level 1 plants of the national electric grid to this company, in accordance with the terms laid down by Federal Law dealing with the procurement of electric energy (LAEL) and the relevant legislation. At a later date (within 5 years from the effective date of the LAEL) these plants will be brought into the new company in the national electric grid.

ASG Power SA, Lugano: holding transferred in 2008 (31.12.2007: CHF 1 pro memoria)

In the spring of 2008 the sale of the participation at the symbolic price of CHF 1 was completed.

Geopower Basel AG, Basel: CHF 1 (unchanged)

Participation of 4.76% in the share capital of CHF 6.136 million, taken up in 2005. In keeping with the principle of prudent accounting, both the historical cost of the participation (CHF 200,000 in 2006 and CHF 92,000 in 2007) and the advance granted were depreciated to CHF 1.

The shareholders of Geopower Basel AG drew up an agreement committing them to pay in the necessary funds to the company, both in the form of capital increases, and in the form of loans: as at 31.12.2008 AET has no residual commitments (31.12.2007: commitment of CHF 132,000).

Tele Ticino SA, Melide: CHF 1 (unchanged)

Participation of 11.03% in the share capital of CHF 4.95 million, dating back to 2000. The historical cost of the investment (CHF 546,000) was written down to CHF 1, in keeping with the principle of prudent accounting.

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

3 Securities

| | 31.12.2008 | 31.12.2007 |
|---|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Renewable Energy Investments SPC (Grand Cayman) | 19,806 | 19,806 |

The amount represents the subscription cost of 1274 shares of EUR 10,000, at historical cost (unchanged from the previous year) without recording gains from exchange rate fluctuations.

Renewable Energy Investments SPC is controlled by REInvest SA, used as a financial vehicle to collect the funds necessary to finance the construction and management of wind power plants.

4 Long-term advances to participations

| | 31.12.2008 | 31.12.2007 |
|---|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| SPE Società per Partecipazioni Energetiche SA, Bellinzona | 46,808 | 26,082 |
| Geopower Basel AG, Basel | 2,628 | 2,496 |
| – Loss fund for the advance to Geopower Basel AG | -2,628 | -2,496 |
| CEL Cerentino SA, Cerentino | 570 | 603 |
| Metanord SA, Bellinzona | 367 | – |
| Senco Holding SA, Locarno | 150 | 20 |
| CEL Campo Vallemaggia SA, Campo | 110 | 210 |
| ASG Power SA, Lugano | – | 4,671 |
| – Loss fund for the advance to ASG Power SA | – | -4,671 |
| Total | 48,005 | 26,915 |

The advance to Geopower Basel AG (CHF 2.6 million deferred) was written down to CHF 1, in keeping with the principle of prudent accounting. Geopower Basel AG is still inactive, for an indefinite period.

With the increase in the participation in Senco Holding SA, which in turn has a participation in CEL Cerentino SA and CEL Campo Vallemaggia SA, the latter two companies joined the group's companies. The interest-free loan to CEL Cerentino SA was the subject of a resolution passed by the Grand Council of Canton Ticino (memorandum 5396), as was a previous similar loan to CEL Campo Vallemaggia SA (memorandum 5082).

As regards advances to the affiliate SPE Società per Partecipazioni Energetiche SA credit deferments for the sum of CHF 15 million (new as at 31.12.2008) were granted.

5 Long-term loans and advances to third parties

| | 31.12.2008 | 31.12.2007 |
|--------------------------------------|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Trianel European Energy Trading GmbH | 6,052 | 7,762 |
| EGL Laufenburg AG | 5,694 | 6,567 |
| Advances to installations' suppliers | 741 | 410 |
| Total | 12,487 | 14,739 |

Trianel European Energy Trading GmbH: EUR 4,090,000 (31.12.2007: EUR 4,750,000)

Advance in EUR over 20 years, within the scope of an energy supply agreement.

Elektrizitäts-Gesellschaft Laufenburg AG: EUR 3,848,302 (31.12.2007: EUR 4,514,969)

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

6 Intangible fixed assets

| | Installations, operating licences | Other rights | Deferred Charges | Total |
|--|---|----------------|---------------------|----------------|
| | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Cost values as at 31.12.2007 | 2,780 | 195 | 93 | 3,068 |
| Net investments | – | 151,965 | – | 151,965 |
| Internal spins | 195 | -195 | – | – |
| Cost values as at 31.12.2008 | 2,975 | 151,965 | 93 | 155,033 |
| Accumulated amortisation 31.12.2007 | -2,382 | -89 | -11 | -2,482 |
| Internal spins | -89 | 89 | – | – |
| Amortizations | -61 | -8,745 | -5 | -8,811 |
| Accumulated amortisation 31.12.2008 | -2,532 | -8,745 | -16 | -11,293 |
| Balance sheet values as at 31.12.2007 | 398 | 106 | 82 | 586 |
| Balance sheet values as at 31.12.2007 | 443 | 143,220 | 77 | 143,740 |

Net investments recorded under "other rights" relate mainly to the right to take energy from EDF for a period of 20 years (01.01.2008 – 31.12.2027).

7 Receivables from the supply of energy

| | 31.12.2008 | 31.12.2007 |
|--------------------------------------|----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Ticino's distributors and industries | 34,412 | 40,528 |
| State of Canton Ticino | 596 | 457 |
| Other clients in Switzerland | 19,022 | 16,420 |
| Foreign clients | 88,913 | 74,679 |
| Total | 142,943 | 132,084 |

The balance includes receivables in foreign currency for the sum of EUR 73 million (EUR 54.9 million as at 31.12.2007).

8 Other assets

| | 31.12.2008 | 31.12.2007 |
|---|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Advances for capacity auction at the frontier | 7,083 | 3,252 |
| Energy to be invoiced | 6,965 | 2,730 |
| Work in progress | 1,839 | 1,423 |
| Short-term advance | 986 | 1,073 |
| Other | 4,603 | 3,132 |
| Total | 21,476 | 11,610 |

The short-term advance relates to the repayment to be made by Elektrizitäts - Gesellschaft Laufenburg AG (EGL) within 12 months. The remainder of the advance is recorded under financial fixed assets.

The entry "other" also includes advances regarding current expenses, which relate to the first few months of the subsequent financial year.

9 Cash and cash equivalents

| | 31.12.2008 | 31.12.2007 |
|--|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Balances in CHF | 3,571 | 16,591 |
| Balances in foreign currency (at the end-of-year equivalent) | 13,118 | 11,385 |
| Total | 16,689 | 27,976 |

The entire amount is freely available, with the exception of the sum of CHF 3,403,080 (CHF 1,489,870 as at 31.12.2007), deposited as security into a foreign bank account to cover transactions on the Austrian and German market.

All liquid assets are in current accounts, (as at 31.12.2007 the sum of CHF 1.4 million was deposited in short-term accounts).

10 Equity

| | Endowment capital | General reserves | Special reserves | Reserves for plants renewal | Retained earnings | Total |
|--------------------------|--------------------------|-------------------------|-------------------------|------------------------------------|--------------------------|----------------|
| | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Equity 31.12.2006 | 40,000 | 20,000 | 26,000 | 25,000 | 9,400 | 120,400 |
| Interests to the State | – | – | – | – | -3,200 | -3,200 |
| Allocation to the State | – | – | – | – | -5,000 | -5,000 |
| Profit for 2007 | – | – | – | – | 12,947 | 12,947 |
| Equity 31.12.2007 | 40,000 | 20,000 | 26,000 | 25,000 | 14,147 | 125,147 |
| Interests to the State | – | – | – | – | -3,200 | -3,200 |
| Allocation to the State | – | – | – | – | -10,000 | -10,000 |
| Profit for 2008 | – | – | – | – | 13,042 | 13,042 |
| Equity 31.12.2008 | 40,000 | 20,000 | 26,000 | 25,000 | 13,989 | 124,989 |

11 Provisions

| | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Market risks and electric power provision | 66,000 | 66,000 |
| Plants reversions | 69,000 | 55,000 |
| Loss risks in participations and securities | 20,000 | – |
| Promotion of alternative energy sources | 3,000 | 3,000 |
| Other | 12,000 | 12,000 |
| Total | 170,000 | 136,000 |

Support for the view that the plant licenses due to expire should be redeemed prompted a CHF 14 million increase in provisions for plants reversions. Furthermore, new provision was made for risk of loss from participations and securities for CHF 20 million.

12 Bank's loans

| | 31.12.2008 | 31.12.2007 |
|---|----------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Dexia Crédit Local (Dublin), 10.01.2028, 3.4600% ¹ | 150,000 | – |
| Dexia Crédit Local (Dublin), 01.06.2022, 3.1425% | 25,000 | 25,000 |
| Zürcher Kantonalbank, bank,s bond, 18.08.2025, 2.875% | 20,000 | 20,000 |
| Zürcher Kantonalbank, bank,s bond, 02.06.2016, 3.375% | 15,000 | 15,000 |
| Total | 210,000 | 60,000 |

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

13 Payables for the supply of energy

| | 31.12.2008 | 31.12.2007 |
|-----------------------|----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Ticino's distributors | 359 | 1,022 |
| Swiss suppliers | 33,292 | 33,880 |
| Foreign suppliers | 77,564 | 74,039 |
| Total | 111,215 | 108,941 |

The balance includes payables in foreign currency for EUR 70.4 million (EUR 60.7 million as at 31.12.2007).



14 Short-term loans

| | 31.12.2008 | 31.12.2007 |
|--|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Loans from financial institutions, in CHF | 23,000 | – |
| Loans from financial institutions, in foreign currency (EUR 5 million) | 7,398 | – |
| Total | 30,398 | – |

15 Other payables

The balance includes a debt of CHF 251,000 for social security contributions (as at 31.12.2007: CHF 249,000).

16 Provisions for pensions

The balance as at 31.12.2007 relates to the "Azienda Elettrica Ticinese staff early retirement fund".

17 Other liabilities

| | 31.12.2008 | 31.12.2007 |
|--------------------|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Energy adjustments | 9,054 | 5,122 |
| Personnel expenses | 2,619 | 2,355 |
| Finance expenses | 6,148 | 957 |
| Other liabilities | 3,749 | 2,585 |
| Total | 21,570 | 11,019 |

18 Gross revenue

| | 2008 | 2007 |
|---|------------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Markets outside Ticino | 1,041,192 | 709,272 |
| Ticino's distributors and other clients | 171,209 | 171,993 |
| Canton Ticino's State services | 3,613 | 2,863 |
| Others, transit on the AET's lines | 8,720 | 5,399 |
| Decrease in revenues | -952 | -62 |
| Total | 1,223,782 | 889,465 |

The turnover figure recorded for the "market outside Ticino" includes sales with standardised products (see next item).

19 Standardised products revenue

| | 2008 | 2007 |
|-------------------------------|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| ./. standard products revenue | -470,463 | -405,543 |

The volume of CHF 470.5 million (CHF 405.5 million in 2007) corresponds to the cost of standardised products sold during the period. These involve energy buying and selling transactions carried out on the market, as well as exchanges of energy agreed bilaterally with one or two counterparties.

20 Energy purchased

| | 2008 | 2007 |
|---------------------------------|----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Net purchases outside of Ticino | 557,439 | 348,644 |
| Purchases from participations | 53,049 | 42,737 |
| Other purchases in Ticino | 3,607 | 3,571 |
| Transit along third-party lines | 30,573 | 27,120 |
| Total | 644,668 | 422,072 |

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

21 Personnel expenses

| | 2008 | 2007 |
|-------------------------------------|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Salaries and other wages | 16,816 | 15,268 |
| Social contributions | 3,552 | 3,133 |
| Other expenses | 704 | 686 |
| Recoveries from insurance companies | -163 | -221 |
| Total | 20,909 | 18,866 |

The entry "Other expenses" mainly includes travelling expenses and refresher course costs.

| | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| Company's employees (situation at the end of the year): | | |
| Permanent employees | 176 | 161 |
| Temporary auxiliary employees ¹ | 2 | 4 |
| Apprentices | 11 | 10 |
| Total | 189 | 175 |

¹ Auxiliary staff does not include cleaners.

22 Amortisation and depreciation for the year

| | 2008 | 2007 |
|------------------------------------|---------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Amortization on fixed investments: | | |
| – tangible | 7,791 | 6,701 |
| – intangible | 8,811 | 66 |
| – financial | 472 | 249 |
| Total | 17,074 | 7,016 |

23 Extraordinary income

Extraordinary income for the years 2007 and 2008 can be ascribed to the transfer of fixed assets, including the sale of Accagen SA (CHF 7.4 million in 2007, against an investment of CHF 1.3 million, amortised in previous years).

24 Extraordinary expenses

| | 2008 | 2007 |
|--|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Provisions for loss risks in participations and securities | 20,000 | – |
| Reserves for review of power plants | 14,000 | – |
| Reserves for market risks and energy purchasing | – | 8,000 |
| Depreciation of ASG Power SA participation | – | 5,057 |
| Devaluation of advance - ASG Power SA | 20 | 4,671 |
| Devaluation of advance - Geopower Basel AG | 132 | 696 |
| Others | 253 | – |
| Total | 34,405 | 18,424 |

25 Complementary information

| | 31.12.2008 | 31.12.2007 |
|--|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Guarantees and other commitments in favour of third parties | | |
| Guarantees | 75,963 | 59,969 |
| Other commitments | 4,950 | 550 |

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

- CEG Srl (Gavirate) and subsidiaries: EUR 46.4 million (EUR 33.7 million as at 31.12.2007)
- AET Idronord Srl: EUR 2.5 million (EUR 2.5 million as at 31.12.2007), of which EUR 0.5 million is secured by a financial institute that is a partner of AET
- AET Italia Srl: EUR 2.4 million (new).

Other commitments: commitments to take over participations

- Senco Holding SA: residual commitment in favour of former shareholders, for a maximum sum of CHF 0.35 million (CHF 0.55 million as at 31.12.2007)
- ZET Zimmerli Energie-Technik AG: commitment to take over the company in 2009 for a maximum sum of CHF 4.6 million (new). In 2008 CHF 0.5 million was paid, recorded under "other assets".

Events following date of statement

Close of 2008: no significant events occurred.

Close of 2007: underwriting of a long-term energy supply contract (20 years) with EDF (Electricité de France) starting 1.1.2008, and payment of an advance of EUR 82.7 million in January 2008, financed with a long-term bank loan.

| Total sum of guarantees issued by third parties on behalf of AET | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Guarantees issued by third-parties on behalf of AET | 12,819 | 10,478 |

The guarantees were issued by AET's placing banks, in favour of our sales counterparts.

Information regarding risk assessment

The assessment of risk was the topic that dominated the activities of the Board of Directors in 2008. An analysis was carried out by outside experts, which defined the measures to be taken in order to adapt the company management framework (from both a structural and procedural point of view), and which are currently underway.

A specific figure joined the management staff to deal with risk management, working alongside colleagues assigned to the four areas of the company. This person reports to the Manager and submits a quarterly report to the Board of Directors (commencing in 2009).

The Board of Directors and Management give risk assessment and management their full attention and supply the necessary resources to ensure that standards applying in the sector are met.

Reclassification

In the report for the year 2007 we reclassified:

- in the balance sheet: CHF 160,000 under accumulated depreciation between "operating plants" and "operating equipments"
- in the income statement: CHF 1,627,000 from "other operating expenses" to "energy purchased".

Possible commitments

As part of sales activities involving standardised products, no ongoing transactions were outstanding at the end of the year.

As regards commitments towards affiliates or their promoters, please see the comments regarding Metanord SA. Commitments as at 31.12.2007 also included a possible commitment towards promoters of ASG Power SA (USD 1 million), now forfeited.

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

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

Bellinzona, 4 June 2009

Mr President,
Dear Councillors

in our capacity as Auditors and in pursuance of the "Law setting up Azienda Elettrica Ticinese", we have checked the accounts relative to the year 2008.

We have taken note of the Board of Directors' report and the relative proposal for allocation of profits as well as the minutes of the meetings of this Board, and we have checked that these correspond to the entries in the accounts. We have also carried out spot checks, ascertaining the correctness of the positions and of the information in the financial statement.

We also examined the Auditors' report dated 13 May 2009 drawn up by Ernst & Young SA based in Lugano, which carried out its task in accordance with art. 727b and 729a of the Swiss Code of Obligations.

On concluding our checks, we can state that:

- the financial statement (consisting of balance sheet, income statement, annex and cash flow statement) which was submitted to us and proposed for publication, corresponds to the accounts;
- the accounts have been correctly kept;
- the proposal of the Board of Directors, regarding the allocation of the profits, respects art. 18 and 19 of the "Law setting up Azienda Elettrica Ticinese".

We have taken note of the consolidated financial statement of the AET group, certified by Ernst & Young SA as per their report dated 13 May 2009.

Based on these considerations, we therefore propose that you:

- accept the financial statement for the year 2008, which closes with profits for the period of CHF 13,042,570
- accept the proposal for allocation of the profits submitted by the Board of Directors.

Taking into account the changes in accounting practices also at a national level, we advise application of the Swiss GAAP RPC regulations in future closing of accounts. We therefore believe that Parliament should consider a general review of art. 18 LAET, to allow the company to self-finance its investments and its company activities.

In conclusion, we propose that you exonerate the Board of Directors and the Management of responsibility for the financial year 2008.

The auditors:

Aron Camponovo

Sergio Gianini

Gianluigi Piazzini

Consolidated financial Group statements



Consolidated balance sheet

42

| | | 31.12.2008 | 31.12.2007 |
|---------------------------------------|-------|-------------------|-------------------|
| ASSETS | Notes | in CHF 1,000 | in CHF 1,000 |
| Tangible fixed assets | 2 | | |
| Lands and buildings | | 11,433 | 11,652 |
| Operating plants | | 169,623 | 121,368 |
| Equipment and vehicles | | 1,482 | 1,295 |
| Plant under construction and advances | | 83,526 | 70,889 |
| Financial fixed assets | | | |
| Securities | 3 | 19,806 | 19,806 |
| Participation in associated companies | 4 | 4,810 | 5,561 |
| Other participations | 5 | 63,632 | 32,636 |
| Long-term financial assets | 6 | 16,484 | 16,102 |
| Intangible fixed assets | | | |
| Goodwill | 7 | 496 | 736 |
| Other intangible fixed assets | 8 | 149,562 | 5,801 |
| Fixed assets | | 520,854 | 285,846 |
| Inventory | | 4,677 | 2,820 |
| Credits from supplies and services | 9 | 144,571 | 133,916 |
| Other credits | 10 | 31,995 | 13,481 |
| Instalments and prepaid expenses | 11 | 19,994 | 12,954 |
| Cash and cash equivalents | 12 | 17,679 | 31,304 |
| Current assets | | 218,916 | 194,475 |
| TOTAL ASSETS | | 739,770 | 480,321 |

| | | 31.12.2008 | 31.12.2007 |
|---|-------|-------------------|-------------------|
| LIABILITIES | Notes | in CHF 1,000 | in CHF 1,000 |
| Endowment capital | | 40,000 | 40,000 |
| Conversion differences | | 125 | 567 |
| Retained earnings | | 86,862 | 86,237 |
| Equity attributable to AET group | | 126,987 | 126,804 |
| Minority interests | | -3,198 | 4,214 |
| Total equity | | 123,789 | 131,018 |
| Provisions | 13 | 167,741 | 136,000 |
| Financial debts | 14 | 218,369 | 68,177 |
| Customers advances | 15 | 12,900 | 10,156 |
| Long-term liabilities | | 231,269 | 78,333 |
| Payables for the supply of energy | 16 | 149,853 | 116,567 |
| Short-term loans | 17 | 37,389 | 2,622 |
| Other payables | 18 | 7,308 | 4,374 |
| Instalments and accrued expenses | 19 | 22,421 | 11,407 |
| Short-term liabilities | | 216,971 | 134,970 |
| Liabilities and provisions | | 615,981 | 349,303 |
| TOTAL LIABILITIES | | 739,770 | 480,321 |

Consolidated income statement

| | | 2008 | 2007 |
|--|-------|----------------|----------------|
| | Notes | in CHF 1,000 | in CHF 1,000 |
| Operating income | | | |
| Gross revenue | 20 | 1,223,782 | 889,465 |
| ./. Standardised products revenue | 20 | -470,463 | -405,543 |
| Net revenue | 20 | 753,319 | 483,922 |
| Other operating income | 21 | 59,783 | 25,998 |
| | | 813,102 | 509,920 |
| Operating expenses | | | |
| Energy purchased | 22 | 644,567 | 422,072 |
| Personnel expenses | 23 | 21,336 | 19,152 |
| Services and material | | 55,383 | 20,699 |
| Amortisation and depreciation of tangible fixed assets | 2 | 8,487 | 6,900 |
| Amortisation and depreciation of intangible fixed assets | | 9,219 | 320 |
| Amortisation and depreciation of goodwill | 7 | 196 | 216 |
| Other operating expenses | 24 | 21,170 | 16,189 |
| | | 760,358 | 485,548 |
| Operating profit | | | |
| | | 52,744 | 24,372 |
| Finance income | 25 | 2,320 | 2,626 |
| Finance expenses | 26 | -15,880 | -1,819 |
| Costs / income from participation in associates | 4 | -221 | -29 |
| Depreciation financial fixed assets | 27 | -604 | -945 |
| Non-operational income | | 108 | 347 |
| Non-operational expenses | | -20 | -3 |
| Profit on ordinary activities | | | |
| | | 38,447 | 24,549 |
| Profit from alienation on tangible fixed assets | | 27 | 9 |
| Profit from alienation of participations | 28 | 140 | 7,819 |
| Extraordinary income | | 381 | 433 |
| Extraordinary expenses | 29 | -32,693 | -18,780 |
| Profit before taxes | | | |
| | | 6,302 | 14,030 |
| Current taxes on profit | | -7 | -61 |
| Net profit of Group | | | |
| | | 6,295 | 13,969 |
| Minority interests | | 7,372 | 44 |
| Net profit (of the year) | | | |
| | | 13,667 | 14,013 |

Consolidated cash flow statement

| | 2008 | 2007 |
|---|-----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Cash and cash equivalents at the beginning of financial period | 31,304 | 27,198 |
| Net profit of Group | 6,295 | 13,969 |
| Amortisation | 17,902 | 7,436 |
| Amortisation financial fixed assets | 604 | 10,422 |
| Income from participations in associates | 221 | 29 |
| Profit from alienation on tangible fixed assets | -27 | -9 |
| Profit from alienation of participations | -140 | -7,819 |
| Increase in provisions | 31,741 | 8,000 |
| CONSOLIDATED CASH FLOW | 56,596 | 32,028 |
| Variation on: | | |
| – current assets | -38,066 | -34,338 |
| – current liabilities | 47,234 | 34,656 |
| Cash flow from operating activities | 65,764 | 32,346 |
| Net investments in tangible fixed assets | -69,322 | -46,070 |
| Net investments in intangible fixed assets | -152,936 | -3,331 |
| Sales / unconsolidation of participations consolidated with the full consolidation method, after transferral of liquid assets | -37 | 6,816 |
| Net investments in financial fixed assets | -31,327 | -10,924 |
| Cash flow from investments activities | -253,622 | -53,509 |
| Interests on capital due to the State | -3,200 | -3,200 |
| Distribution of profit to the State | -10,000 | -5,000 |
| Short-term loans | 34,767 | -2,378 |
| Long-term loans | 152,936 | 33,034 |
| Variation of minority interests | – | 2,715 |
| Cash flow from financing activities | 174,503 | 25,171 |
| Total cash flow | -13,355 | 4,008 |
| Conversion differences on cash and cash equivalents | -270 | 98 |
| Cash and cash equivalents at the end of the period | 17,679 | 31,304 |

Variation of the consolidated equity

The table below shows the variations of the consolidated shareholder's equity for the financial years ending 31 December 2007 and December 2008:

| | Endowment capital | Conversion differences | Retained earnings | Company's relevant equity capital | Minority interests | Group equity capital |
|---|--------------------------|-------------------------------|--------------------------|--|---------------------------|-----------------------------|
| | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Balances at 01.01.2007 | 40,000 | 176 | 80,424 | 120,600 | 1,746 | 122,346 |
| State Interests on capital | – | – | -3,200 | -3,200 | – | -3,200 |
| Distribution of profit to the State | – | – | -5,000 | -5,000 | – | -5,000 |
| Conversions differences | – | 391 | – | 391 | 42 | 433 |
| Capital increase from minority shareholders | – | – | – | – | 2,715 | 2,715 |
| Variations of the consolidation circle | – | – | – | – | -245 | -245 |
| Profit | – | – | 14,013 | 14,013 | -44 | 13,969 |
| Balances at 01.01.2008 | 40,000 | 567 | 86,237 | 126,804 | 4,214 | 131,018 |
| State interests on the capital | – | – | -3,200 | -3,200 | – | -3,200 |
| Distribution of profit to the State | – | – | -10,000 | -10,000 | – | -10,000 |
| Conversions differences | – | -442 | 314 | -128 | -56 | -184 |
| Capital increase from minority shareholders | – | – | – | – | – | – |
| Variations of the consolidation circle | – | – | -156 | -156 | 16 | -140 |
| Profit | – | – | 13,667 | 13,667 | -7,372 | 6,295 |
| Balances at 31.12.2008 | 40,000 | 125 | 86,862 | 126,987 | -3,198 | 123,789 |

Annex to the consolidated financial statements

1 Principles for the presentation of the consolidated annual statements of accounts

AET Azienda Elettrica Ticinese, Bellinzona ("the Parent Company") drafted the first group statement in relation to the year closing on 31 December 2006

The AET annual consolidated financial statement was drafted by combining the values taken from the statutory financial statements of the individual companies included in the consolidation area and by making the necessary consolidation entries in order to cancel the intragroup balances and transactions.

1.1 Consolidation principles

1.1.1 Companies consolidated using the net assets method

The AET consolidated financial statement includes, in addition to the Holding's annual statement, the annual statements converted to CHF of the following Swiss and foreign companies that AET directly or indirectly manages singly ("the Group"), consolidated on a line-by-line basis, using the net assets method:

| | Currency | Nominal capital | Owned by | % of vote rights | % of capital |
|----------------|----------|-----------------|----------|------------------|--------------|
| Participation* | | | | | |
| SPE | CHF | 1,000,000 | AET | 100 | 100 |
| Idronord | EUR | 1,000,000 | SPE | 90 | 90 |
| CEG | EUR | 100,000 | SPE | 50 | 50 |
| AET Italia | EUR | 20,000 | SPE | 100 | 100 |
| CMC | EUR | 20,000 | SPE | 100 | 100 |
| CMC MeSta | CHF | 4,000,000 | SPE | 100 | 100 |
| BEO | EUR | 50,000 | CEG | 100 | 100 |
| BEG | EUR | 100,000 | CEG | 50 | 50 |
| Quadra | EUR | 20,000 | SPE | 50 | 50 |

*for the full company title of the associated company, the address and purpose please see the Appendix (note 31).

In 2008 the following participations were consolidated for the first time: CMC MeSta and Quadra. Furthermore, the following companies were deconsolidated: Octad and BEC.

The participations SPE, Idronord, CMC, CMC MeSta and AET Italia are controlled by AET, and by SPE, through the ownership of majority voting rights.

Through the de facto control of Quadra and CEG (which in turn controls BEO and BEG), SPE also singly manages these participations companies, despite owning only 50% of the voting rights.

All the affiliated companies closed their accounting year on 31st December 2008.

For participations in which AET and SPE do not possess 100% of the shares, the percentage of the share capital and the economic result of the participations companies pertaining to minority shareholders is

shown separately under the appropriate captions in the consolidated balance sheet and the consolidated income statement. The shareholder's equity at the time of the purchase is eliminated against the purchase cost of the participation; any resulting positive difference is treated as goodwill, accounted and amortised over a period of 5 years. Transactions between companies in the Group took place subject to market conditions ("at arm's length"). All significant balances and transactions between the companies in the Group have been eliminated in the process of consolidation.

During the years 2008 and 2007 no unrealised intragroup profits were recorded.

1.1.2 Companies valued using the equity method

The shares owned in the following associated companies, over which AET has significant influence but not sole management, are entered in the AET's consolidated financial group statements, valuing them using the equity method (recording the share of the Shareholder's equity and of the share of the result, with neutral treatment of the differences attributable to exchange rate fluctuations).

As with the companies controlled using the net assets method, the shareholder's equity at the time of the purchase is compared with the purchase cost of the participation; any resulting positive difference is treated as goodwill, accounted and depreciated over a period of 5 years.

Seeing that the holding in the share capital of the company ALE Airlight fell from 20% to 19%, the participation has been reclassified as Equity and Other participations.

| | Currency | Nominal capital | Owned by | % of vote rights | % of capital |
|---------------------|----------|-----------------|----------|------------------|--------------|
| Participation* | | | | | |
| Calore ¹ | CHF | 2,000,000 | AET | 48.90 | 48.90 |
| Metanord | CHF | 11,334,000 | AET | 29.42 | 29.42 |
| Swisshydro | CHF | 500,000 | AET | 35 | 35 |
| Senco Holding | CHF | 150,000 | AET | 50 | 50 |
| Nord Energia | EUR | 200,000 | SPE | 40 | 40 |
| PurEnergy | EUR | 100,000 | SPE | 20 | 20 |
| REnInvest | CHF | 600,080 | SPE | 20 | 26.66 |

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

Changes taking place during the year 2008:

¹ As agreed, AET disposed of a share equal to 0.20% to Termogamma SA.

1.1.3 Other participations

The remaining participations are all held directly by AET, apart from KW Mattmark, held through an agreement with EGL, Octad held by SPE, as well as BEC and BES, held through CEG. They are recorded amongst financial fixed assets under the caption "other participations", valued at historical cost, deducting any losses in value.

| | Currency | Nominal capital | % of vote rights | % of capital |
|---------------------------|----------|-----------------|------------------|--------------------|
| Participation* | | | | |
| AET NE1 ¹ | CHF | 100,000 | 100 | 100 |
| AKEB | CHF | 90,000,000 | 7 | 7 |
| ALE Airlight ² | CHF | 8,000,000 | 19 | 19 |
| GeoPower | CHF | 6,136,000 | 4.76 | 4.76 |
| KW Mattmark | CHF | 90,000,000 | – | 8.41 |
| Octad ⁵ | CHF | 100,000 | 50 | 50 |
| Tele Ticino | CHF | 4,950,000 | 8.09 | 11.03 |
| TPK | EUR | 147,994,200 | Pm ³ | 15.84 ⁴ |
| TPWB | EUR | 52,500,000 | Pm ³ | 3.75 ⁴ |
| BEC ⁵ | EUR | 100,000 | 70 | 70 |
| BES ⁵ | EUR | 50,000 | 80 | 80 |

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

Notes / Changes taking place during the year 2008:

¹ Included amongst other participations because the first accounting year will close on 31.12.2009

² Reclassified as Equity and Other participations

³ Every shareholder has the right to one vote, independently of their share of power in the plant.

⁴ The share refers to the power (MW) subscribed by AET out of the total power of the plant.

⁵ Being closed

1.2 Conversion of financial statements expressed in foreign currency

The consolidated financial statement is expressed in thousands of Swiss Francs (1,000 CHF).

Assets and liabilities of the foreign affiliates are converted at the exchange rates in force at the closing date. The income statement is converted applying the mean annual exchange rates.

The ensuing conversion differences are directly included in shareholders' equity under a specific caption entitled "Conversion differences".

| The exchange rates are as follow (CHF / EUR): | 2008 | 2007 |
|---|--------|-------|
| Exchange rate at the closing date on 31.12 | 1.4796 | 1.655 |
| Average exchange rate | 1.6108 | 1.649 |

1.3 Accounting principles

The Group's statement as at 31st December 2008 and 2007 is basically composed of the Holding's assets and liabilities, expenses and revenues.

The most significant accounting principles adopted by AET are set out below. The aforementioned principles remain unaltered compared to those adopted the previous year. The accounting principles of the consolidated companies do not differ significantly from those adopted by the Holding.

The Holding AET is not liable to taxation. The remaining consolidated companies are liable in accordance with the ordinary legislation of the countries in which they have their registered office.

Tangible fixed assets

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

Land is not depreciated (or rather, it is only depreciated when there has been a loss of value). Buildings are recorded at their purchase cost and depreciated in the same manner as operating plants. Operating equipment is depreciated according to its useful working life. Plants under construction are recorded in the financial statement based on construction costs, according to the stage of progress. No depreciation is applied during the realisation phase (except where necessary) and interest is not capitalised. The minimum and maximum periods of depreciation for the single categories of tangible fixed assets are as follows:

| | |
|--------------------------------------|---------------|
| Operating Plants (civil engineering) | 30 – 80 years |
| Operating Plants (electromechanical) | 10 – 35 years |
| Buildings | 50 years |
| Operating equipments | 3 – 7 years |

Financial fixed assets

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

Intangible fixed assets

Transit rights are rights acquired in order to pass through third-party plants. Amortisation is calculated according to contractual agreements on the technical life of the plants.

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

Credits from supplies and services

Receivables are recorded in the financial statement at their face value, taking due account of any risk of losses. Foreign currency receivables are converted at the year-end exchange rates.

Cash and cash equivalents

Cash and cash equivalents are recorded in the financial statement at face value and include cash and deposits with post offices and banks, as well as term deposits with banks having a duration of less than 3 months.

Provisions

Provisions are partly aimed at covering requests by third parties, the duration and amounts of which are not exactly quantifiable. These also include amounts aimed at reducing energy procurement costs, should the market undergo unfavourable increases.

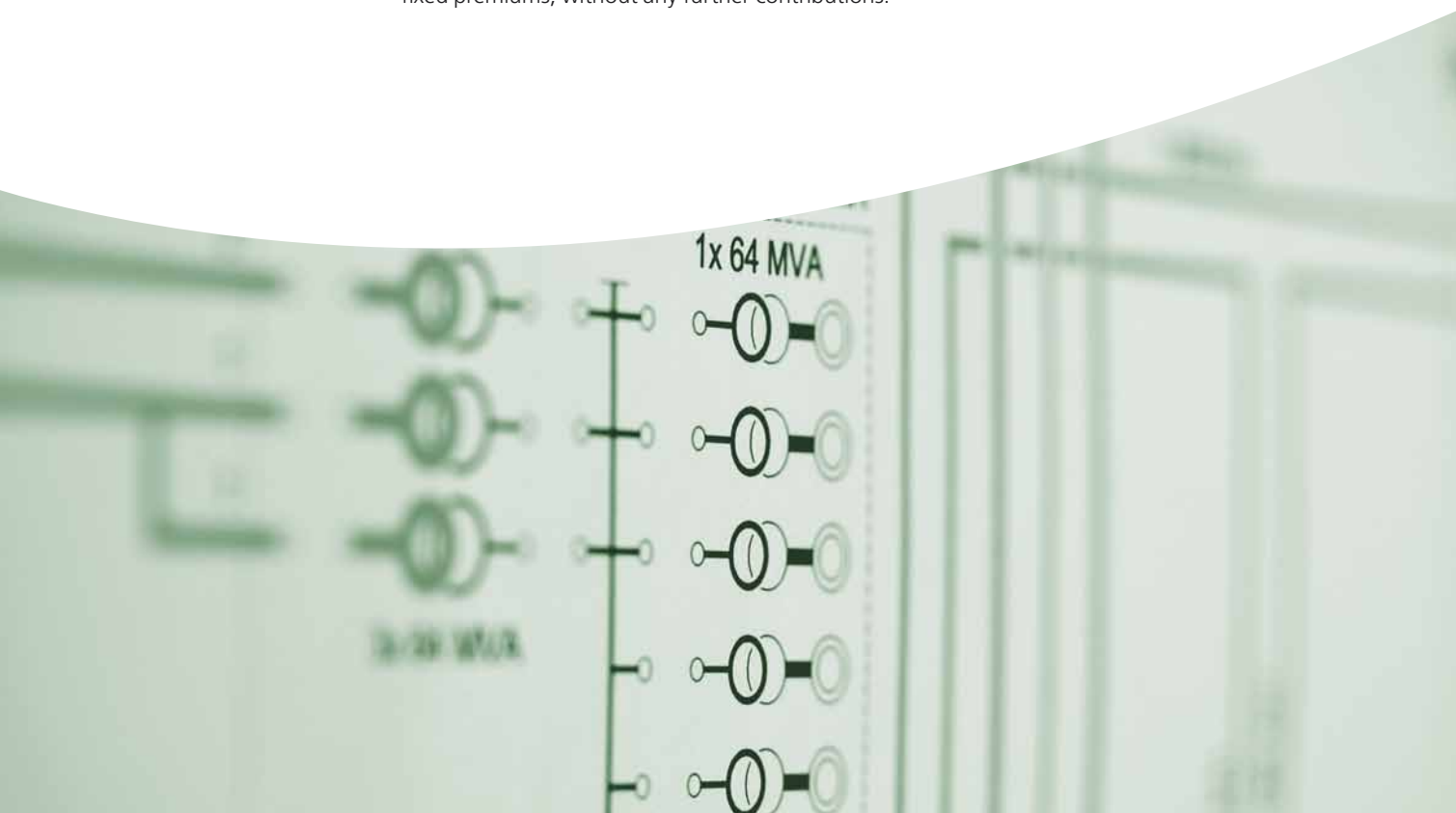
Current liabilities

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

Social security

Azienda Elettrica Ticinese is affiliated with a common institute together with other companies operating in the sector. This is an independent national insurance institution structured on the basis of a defined benefit plan. All employees hired by the company are members of this institution from 1st January following their 17th birthday: they are insured against the risks of death and disability. From 1st January following their 24th birthday, they are also insured for old age pension. AET pays fixed premiums and has no commitments for further contributions: consequently, the company does not bear any risk and the social security scheme is based on a defined contributions plan.

To facilitate early retirement for its employees, AET is also affiliated with the "Early retirement fund for personnel of Azienda Elettrica Ticinese". In this case too, the only commitment taken on by AET is annual fixed premiums, without any further contributions.



Note to the consolidated financial Group statements

52

2 Tangible fixed assets

| | Lands and buildings | Operating plants | Operating equipments | Plants under constructions and advances | Total |
|--|----------------------------|-------------------------|-----------------------------|--|-----------------|
| | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Cost values at 31.12.2007 | 19,745 | 442,362 | 7,535 | 70,331 | 539,973 |
| Variation of the circle consolidation | - | - | -2 | - | -2 |
| Net investments | 164 | 38,579 | 605 | 31,400 | 70,748 |
| Carryovers | - | 16,273 | - | -18,205 | -1,932 |
| Investment disposals | - | -7,097 | -135 | - | -7,232 |
| Cost values at 31.12.2008 | 19,909 | 490,117 | 8,003 | 83,526 | 601,555 |
| Total amortisation 31.12.2007 | -8,164 | -321,199 | -6,247 | - | -335,610 |
| Variation of the circle consolidation | - | - | - | - | - |
| Amortisation | -312 | -7'764 | -411 | - | -8,487 |
| Disposal | - | 8'469 | 137 | - | 8,606 |
| Carryovers | - | - | - | - | - |
| Total amortisation 31.12.2008 | -8,476 | -320,494 | -6,521 | - | -335,491 |
| Total amount at 31.12.2007 | 11,581 | 121,163 | 1,288 | 70,331 | 204,363 |
| Conversion differences | 71 | 205 | 7 | 558 | 841 |
| Total amount at 31.12.2007 | 11,652 | 121,368 | 1,295 | 70,889 | 205,204 |
| Total amount at 31.12.2008 | 11,433 | 169,623 | 1,482 | 83,526 | 266,064 |

The insured value of tangible fixed assets against fire risk totalled CHF 456 million at 01.01.2009 (CHF 658 million at 01.01.2008). Since 01.01.2009 the power lines are no longer covered against risk of fire.

3 Securities

The amount represents the subscription cost of 1274 shares of EUR 10,000, at historical cost (unchanged from the previous year) without recording gains from exchange rate fluctuations.

Renewable Energy Investments SPC is controlled by REInvest SA, used as a financial vehicle to collect the funds necessary to finance the construction and management of wind-powered systems.

4 Participation in associated companies

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

Calore: the percentage of share capital held at 31.12.2008 (48.9%) fell from 2007 (49.1%) as a result of the sale of capital shares to Termogamma SA.

Nord Energia: the difference in the value of shareholders' equity attributable to exchange rate fluctuations (CHF –14,000) was recorded in a neutral manner.

PurEnergy: data are based on the last financial statement available, 2007. The value of the shareholder's equity pertaining to the Group was annulled adopting the equity valuation principle, in the light of the negative value.

REnInvest: data are based on the last financial statement available, 2007.

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

| | Equity capital | % Capital 31.12 | Equity capital attributable to the Group | Purchase price | AET's share for 2007 profit |
|---------------|----------------|-----------------|--|----------------|-----------------------------|
| 31.12.2007 | in CHF 1,000 | | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Company | | | | | |
| Calore | 1,967 | 49.10 | 966 | 982 | 21 |
| Metanord | 9,880 | 29.42 | 2,907 | 3,085 | -142 |
| Nord Energia | 323 | 40.00 | 129 | 193 | -34 |
| PurEnergy | -300 | 20.00 | – | 45 | -18 |
| REnInvest | 2,035 | 26.66 | 542 | 160 | – |
| Swisshydro | 1,271 | 35.00 | 445 | 175 | 139 |
| Quadra | 34 | 50.00 | 17 | 17 | 1 |
| ALE Airlight | 2,459 | 20.00 | 492 | 495 | -3 |
| Senco Holding | 125 | 50.00 | 63 | 56 | 7 |
| Total | | | 5,561 | 5,208 | -29 |

5 Other participations

Purchase price

| | Balance 01.01.2008 | Takeovers / Increases | Disposals / Reclassification | Variations of the consolidation circle / Exchange rate differences | Balance 31.12.2008 |
|----------------------|-----------------------|--------------------------|---------------------------------|---|-----------------------|
| Company | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| AET NE1 | – | 100 | – | – | 100 |
| AKEB | 6,300 | – | – | – | 6,300 |
| ALE Airlight | – | 1,100 | 800 | – | 1,900 |
| GeoPower | 292 | – | – | – | 292 |
| KW Mattmark | 14,000 | – | – | – | 14,000 |
| Tele Ticino | 546 | – | – | – | 546 |
| TPK | 13,083 | 25,095 | – | – | 38,178 |
| TPWB | – | 4,276 | – | – | 4,276 |
| BEC | 116 | – | – | -12 | 104 |
| ASG | 5,057 | – | -5,057 | – | – |
| BES | – | – | – | 59 | 59 |
| UNIVA Partecipazioni | 16 | – | – | – | 16 |
| Octad | – | – | – | 50 | 50 |
| | 39,410 | | | | 65,821 |

Provisions for devaluation

| | Balance 01.01.2008 | Devaluations | Decreases | Variations of the consolidation circle | Balance 31.12.2008 |
|--------------|-----------------------|--------------|--------------|---|-----------------------|
| Company | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| GeoPower | 292 | – | – | – | 292 |
| KW Mattmark | 785 | 157 | – | – | 942 |
| Tele Ticino | 546 | – | – | – | 546 |
| TPK | 94 | 315 | – | – | 409 |
| ASG | 5,057 | – | -5,057 | – | – |
| | 6,774 | | | | 2,189 |
| Total | 32,636 | | | | 63,632 |

6 Long-term financial assets

| | 31.12.2008 | 31.12.2007 |
|---|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| To third-parties | | |
| Advance to Trianel European Energy Trading GmbH | 6,052 | 7,762 |
| Advance to EGL Laufenburg AG | 5,694 | 6,567 |
| Advances to suppliers of installations | 3,541 | 940 |
| | 15,287 | 15,269 |
| To associated participations | | |
| Senco Holding SA | 150 | 20 |
| CEL Campo Vallemaggia SA ¹ | 110 | 210 |
| CEL Cerentino SA ¹ | 570 | 603 |
| Metanord SA | 367 | – |
| | 1,197 | 833 |
| To other participations | | |
| GeoPower AG | 2,628 | 2,496 |
| - Provision for depreciation | -2,628 | -2,496 |
| ASG Power SA | – | 4,671 |
| - Provision for depreciation | – | -4,671 |
| Total | 16,484 | 16,102 |

¹ CEL Campo Vallemaggia and CEL Cerentino were considered affiliated companies in view of AET's 50% holding in Senco Holding SA, which has a 20% holding in those companies.

7 Goodwill

Throughout 2008 the following company transactions were carried out with an effect on the goodwill (see note 4):

| 31.12.2008 | Senco Holding SA in CHF 1,000 |
|--|-------------------------------------|
| Purchase price for previous years | 832 |
| Purchase price 2008 | 200 |
| Acquired equity capital | -56 |
| Goodwill | 976 |
| Cumulative goodwill amortisation | -284 |
| Annual amortisation of 20% on the goodwill | -196 |
| Net value 31.12.2008 | 496 |

In 2008, the affiliate ALE Airlight was reclassified amongst Other participations and valued at cost, seeing that the share held fell from 20% to 19%.

| 31.12.2007 | Senco Holding SA | ALE Airlight Energy SA | Total |
|--|-----------------------------|-----------------------------------|--------------|
| | in CHF 1,000 | in CHF 1,000 | in CHF 1,000 |
| Purchase price for previous years | 699 | - | 699 |
| Purchase price 2007 | 133 | 800 | 933 |
| Acquired equity capital | -56 | -495 | -551 |
| Goodwill | 776 | 305 | 1'081 |
| Cumulative goodwill amortisation | -129 | - | -129 |
| Annual amortisation of 20% on the goodwill | -155 | -61 | -216 |
| Net value 31.12.2007 | 492 | 244 | 736 |

8 Other intangible fixed assets

| | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| The other intangible fixed assets are made up as follows: | | |
| AET's intangible fixed assets ¹ | 143,740 | 586 |
| Consolidate companies' intangible fixed assets | 5,822 | 5,215 |
| Total | 149,562 | 5,801 |

¹ Intangible fixed assets owned by AET relate mainly to the right to procure energy from EDF for a period of 20 years (01.01.2008 – 31.12.2027).

9 Credit from supplies and services

| | 31.12.2008 | 31.12.2007 |
|----------------------|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Geographic division: | | |
| Ticino | 35,042 | 41,009 |
| Switzerland | 19,022 | 16,420 |
| Foreign countries | 90,507 | 76,487 |
| Total | 144,571 | 133,916 |

10 Other credits

| | 31.12.2008 | 31.12.2007 |
|--|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| To third-parties | | |
| Italian Treasury ¹ | 12,757 | 6,049 |
| Works in progress | 12,667 | 1,423 |
| AFC | 1,911 | 1,098 |
| Alptransit Gotthard | 1,291 | 1,614 |
| Advance to EGL | 986 | 1,073 |
| EDF energy contract | 984 | – |
| Other | 422 | 1,371 |
| | 31,018 | 12,628 |
| To associated participations | 59 | – |
| To other participations | 341 | 341 |
| To other companies and "close" people | 577 | 512 |
| | 977 | 853 |
| Total | 31,995 | 13,481 |

¹ Entry refers to Italian tax credits due to Italian associated companies, deriving from VAT payments on investments. The credit will be set off against VAT due in the years 2009 and onwards.

11 Instalments and prepaid expenses

| | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| To third-parties | | |
| Initial leasing fee and interest ¹ | 4,359 | 3,969 |
| Advanced for Border's auction | 6,977 | 3,252 |
| Energy to be invoiced | 6,737 | 2,730 |
| Other | 1,837 | 2,904 |
| | 19,910 | 12,855 |
| To other participations | – | 32 |
| To other "close" companies | 84 | 67 |
| Total | 19,994 | 12,954 |

¹ They relate to the CEG Group.

12 Cash and cash equivalents

The entire amount is freely available, with the exception of the sum of CHF 3,403,080 (2007: CHF 1,489,870), deposited as security into a foreign bank account to cover foreign business transactions. All liquid assets are in current accounts, (as at 31.12.2007 the sum of CHF 1.4 million was deposited in short-term accounts).

13 Provisions

| | 31.12.2008 | 31.12.2007 |
|--|----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Market risks and electric power provision | 66,000 | 66,000 |
| Plants reversions | 69,000 | 55,000 |
| Promotion of alternative energy sources | 3,000 | 3,000 |
| Loss risks in non-consolidated participations and securities | 10,300 | - |
| Loss risks in consolidates participations | 7,400 | - |
| Other | 12,041 | 12,000 |
| Total | 167,741 | 136,000 |

14 Financial debts

| | 31.12.2008 | 31.12.2007 |
|---|----------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| To third-parties | | |
| Zürcher Kantonalbank, Bank's bonds, 18.08.2025, 2.875% | 20,000 | 20,000 |
| Zürcher Kantonalbank, Bank's bonds, 02.06.2016, 3.375% | 15,000 | 15,000 |
| Dexia Crédit Local (Dublin), 01.06.2022, 3.1425% | 25,000 | 25,000 |
| Dexia Crédit Local (Dublin), 10.01.2028, 3.4600% ¹ | 150,000 | - |
| Other | 1,045 | 2,797 |
| | 211,045 | 62,797 |
| Towards other close companies | | |
| Laborex SA | 5,992 | 4,304 |
| Other shareholders of the Group CEG | 1,332 | 1,076 |
| | 7,324 | 5,380 |
| Total | 218,369 | 68,177 |

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

| 15 Customers advances | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Alptransit Gotthard AG – other advances | 11,834 | 9,134 |
| State of Canton Ticino – advance on installations' supply | 1,022 | 1,022 |
| Other | 44 | – |
| Total | 12,900 | 10,156 |

| 16 Payables for the supply of energy | 31.12.2008 | 31.12.2007 |
|---|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Geographic division: | | |
| Ticino | 1,121 | 1,022 |
| Switzerland | 33,292 | 36,285 |
| Foreign countries | 115,440 | 79,260 |
| Total | 149,853 | 116,567 |

| 17 Short-term loans | 31.12.2008 | 31.12.2007 |
|--|-------------------|-------------------|
| | in CHF 1,000 | in CHF 1,000 |
| Loans from financial institutions, in CHF | 23,000 | – |
| Loans from financial institutions, in foreign currency (EUR 9.7 million) | 14,389 | 2,622 |
| Total | 37,389 | 2,622 |

18 Other payables

| | 31.12.2008 | 31.12.2007 |
|-----------------------------------|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| To third parties: | | |
| Customers advances | 2,936 | - |
| Other | 4,209 | 4,072 |
| | 7,145 | 4,072 |
| To other participation | 7 | 88 |
| To other "close" companies | 156 | 214 |
| | 163 | 302 |
| Total | 7,308 | 4,374 |

19 Instalments and accrued expenses

| | 31.12.2008 | 31.12.2007 |
|--------------------------|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| To third parties: | | |
| Power supply | 9,054 | 5,056 |
| Personnel expenses | 2,619 | 2,355 |
| Interest debts | 6,148 | 957 |
| Other | 4,600 | 3,039 |
| Total | 22,421 | 11,407 |



20 Revenue

| | 2008 | 2007 |
|--|------------------|-----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Energy sales in Ticino | 174,822 | 174,856 |
| Energy sales in Switzerland | 195,550 | 96,079 |
| Energy sales in foreign countries | 845,642 | 613,193 |
| Third party power transits | 5,978 | 5,003 |
| Decrease in revenues | -952 | -62 |
| Other | 2,742 | 396 |
| Gross revenue | 1,223,782 | 889,465 |
| ./. Standardised products revenue | -470,463 | -405,543 |
| Net revenue | 753,319 | 483,922 |

The volume of CHF 470.5 million (CHF 405.5 million in 2007) corresponds to the cost of standardised products sold during the period. These involve energy buying and selling transactions carried out on the market, as well as exchanges of energy agreed bilaterally with one or two counterparts.

All operating revenues recorded by AET consolidated affiliates have been entered in their entirety amongst other revenue, not being directly attributable to the sale of electric energy.

21 Other operating income

| | 2008 | 2007 |
|------------------------|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Crude palm oil sales | 30,731 | 8,725 |
| Revenues from services | 15,672 | 11,457 |
| Green certificates | 2,791 | - |
| Other | 10,589 | 5,816 |
| Total | 59,783 | 25,998 |

22 Energy purchased

| | 2008 | 2007 |
|---------------------------------------|----------------|----------------|
| | in CHF 1,000 | in CHF 1,000 |
| Net purchases outside of Ticino | 566,130 | 348,644 |
| Purchases from participations | 44,257 | 42,737 |
| Other purchases in Ticino | 3,607 | 3,571 |
| Transit along third-parts power lines | 30,573 | 27,120 |
| Total | 644,567 | 422,072 |

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

23 Personnel expenses

| | 2008 | 2007 |
|-------------------------------------|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Salaries and other wages | 17,124 | 15,471 |
| Social contributions | 3,666 | 3,207 |
| Other expenses | 709 | 695 |
| Recoveries from insurance companies | -163 | -221 |
| Total | 21,336 | 19,152 |

| | 31.12.2008 | 31.12.2007 |
|--|-------------------|-------------------|
| Consolidated company's employees (situation at the end of the year): | | |
| Permanent employees | 182 | 165 |
| Temporary auxiliary employees ¹ | 2 | 4 |
| Apprentices | 11 | 10 |
| Total | 195 | 179 |

¹ Auxiliary staff does not include cleaners.

24 Other operating expenses

| | 2008 | 2007 |
|---|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| State Water fees | 9,087 | 9,087 |
| Local taxes and any other contributions | 1,879 | 2,046 |
| Commercial costs | 3,243 | 2,619 |
| Administration costs | 3,728 | 1,402 |
| Leasing fees and other expenses | 3,233 | 1,035 |
| Total | 21,170 | 16,189 |

25 Finance income

| | 2008 | 2007 |
|--|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Dividends from EGL Mattmark participations | 341 | 341 |
| Dividends from long-term securities | – | 424 |
| Interest receivable | 1,949 | 1,571 |
| Other | 30 | 290 |
| Total | 2,320 | 2,626 |

26 Finance expenses

| | 2008 | 2007 |
|---------------------------|---------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Interest payments | 9,594 | 1,605 |
| Exchange rate differences | 5,822 | – |
| Other | 464 | 214 |
| Total | 15,880 | 1,819 |

27 Depreciation of financial fixed assets

| | 2008 | 2007 |
|---|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Devaluation of the following other participations from AET: | | |
| - GeoPower | - | 92 |
| - KW Mattmark | 157 | 157 |
| - TPK | 315 | - |
| Devaluation of the advances granted by AET to GeoPower AG | 132 | 696 |
| Total | 604 | 945 |

28 Profit from alienation of participations

| | 2008 | 2007 |
|---|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Profit from sale of Accagen, including economics effects from deconsolidation | - | 7,658 |
| Profit from sale of 1% of ALE Airlight | 140 | - |
| Profit from sale of 20% of REInvest | - | 128 |
| Profit from sale of AET Solar Hellas SA | - | 33 |
| Total | 140 | 7,819 |

29 Extraordinary expenses

| | 2008 | 2007 |
|---|---------------|---------------|
| | in CHF 1,000 | in CHF 1,000 |
| Reserves for market risks and energy purchasing | - | 8,000 |
| Reserves for review of power plants | 14,000 | - |
| Provisions for loss risks in non-consolidated participations and securities | 10,300 | - |
| Provisions for loss risks in consolidated participations | 7,400 | - |
| Write-off of share value in ASG Power before the effects of deconsolidation | - | 4,806 |
| Write-off of value of advances to ASG Power | 20 | 4,671 |
| Other costs | 973 | 1,303 |
| Total | 32,693 | 18,780 |

30 Complementary information

| | 31.12.2008 | 31.12.2007 |
|--|--------------|--------------|
| Leasing | in CHF 1,000 | in CHF 1,000 |
| Debt for leasing not included in the balance sheet | 63,102 | 54,499 |

Leasing liabilities not recorded in the financial statement relate almost entirely to financial leasing contracts entered into by the CEG Group and AET Idronord, concerning production plants and buildings.

Guarantees of around CHF 76 million (EUR 51.3 million; in 2007: EUR 36.2 million) were issued by AET to financial institutions to cover loans granted to the CEG Group and AET Idronord and, from a consolidated point of view, represent guarantees granted to secure commitments of consolidated companies.

Events following date of statement

Close of 2008: no significant events occurred.

Close of 2007: underwriting of a long-term energy supply contract (20 years) with EDF (Electricité de France) starting 1.1.2008, and payment of an advance of EUR 82.7 million in January 2008, financed with a long-term bank loan.

Global amount of guarantees issued by third-parties on behalf of AET

| | 31.12.2008 | 31.12.2007 |
|---|--------------|--------------|
| | in CHF 1,000 | in CHF 1,000 |
| Guarantees issued by third-parties on behalf of AET | 12,819 | 10,478 |

The guarantees were issued by AET's placing banks, in favour of our sales counterparts.

Possible commitments

As part of sales activities involving standardised products, no ongoing transactions were outstanding at the end of the year.

As regards commitments towards affiliates or their promoters, we specify as follows:

- **Metanord SA:** the company is planning investments of around CHF 120 million, to be funded through increases in the share capital and bank credits. AET will participate through direct loans and guarantees of up to CHF 35 million (commitment substantially unchanged from 31.12.2007, in accordance with the legislative decree dated 18th October 2006).
- **Senco Holding SA:** once further contractually set goals have been achieved, the shareholders will have to pay the promoters of Senco Holding SA another premium (AET's residual commitment is fixed at CHF 350,000 as at 31.12.2008: CHF 550,000 as at 31.12.2007).
- **ZET Zimmerli Energie-Technik AG:** commitment to take over the company in 2009 for a maximum sum of CHF 4.6 million (new). In 2008 CHF 0.5 million was paid, recorded under "Other credits".

Commitments relating to other participations expired on 31.12.2008: they were worth USD 1 million for ASG Power and CHF 132,000 for Geopower Basel AG as at 31.12.2007.

Reclassification

In the report for the year 2007 we reclassified:

- in the balance sheet: CHF 160,000 under accumulated depreciation between “operating plants” and “operating equipments”
- in the income statement: CHF 1,627,000 from “other operating expenses” to “energy purchased”.

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



31 Appendix

| Abbreviated name | Full name | Location | Scope |
|------------------|--|------------------|---|
| AET Italia | AET Italia Srl | Milano - IT | Energy trading |
| AET NE1 | AET NE1 SA | Bellinzona - CH | Power grid administration |
| AKEB | AKEB Aktiengesellschaft für Kernenergie – Beteiligungen AG | Luzern - CH | Production and trading of thermonuclear energy |
| ALE Airlight | ALE Airlight Energy SA | Biasca - CH | Exploitation of alternative energy technologies |
| ASG | ASG Power SA | Lugano - CH | Development of LNG plant and pipelines |
| BEC | Bio Energia Castellanza Srl | Castellanza - IT | Construction of biofuel plant in Castellanza |
| BEG | Bio Energia Guarcino Srl | Guarcino - IT | Construction of biofuel plant in Guarcino |
| BEO | Bio Elettricità Occimiano Srl | Occimiano - IT | Production, trading of electricity |
| BES | Bio Energia Sibari Srl | Sibari - IT | Construction of biofuel plant in Sibari |
| Calore | Calore SA | Locarno - CH | Production of heat/refrigeration |
| CEG | Calore Elettricità Gas Srl | Gavirate - IT | Production of electrical and thermal energy |
| CMC | Cavo Mendrisio-Cagno Srl | Gavirate - IT | Management of Mendrisio-Cagno line |
| CMC MeSta | CMC MeSta SA | Bellinzona - CH | Management of Mendrisio-Cagno line |
| GeoPower | GeoPower AG | Basel - CH | Activity linked to geothermal energy |
| Idronord | AET Idronord Srl | Omegna - IT | Construction and management of hydroelectric power stations |
| KW Mattmark | Kraftwerke Mattmark AG | Saas Grund - CH | Sub-participation through EGL. Electricity production |
| Metanord | Metanord SA | Bellinzona - CH | Construction of gas supply plants |
| Nord Energia | Nord Energia SpA | Milano - IT | Construction of structures for transporting electricity to and from abroad |
| Octad | Octad SA | Lugano - CH | Trading of vegetable oils |
| PurEnergy | PurEnergy Holding Luxemburg SA | Luxemburg - L | Acquisition of participations, licences, etc. of companies operating in the energy sector |
| Quadra | Quadra Srl | Gavirate - IT | Main Contractor for vegetable oils power plants construction |
| REnInvest | REnInvest SA | Chiasso - CH | Promotion of opportunities for investment for the exploitation of renewable energy |
| Senco | Senco Holding SA | Locarno - CH | Assumption of participations in the hydroelectric and small-scale energy sector |
| SPE | SPE Società per Partecipazioni Energetiche SA | Bellinzona - CH | Subholding. Ownership of foreign associated companies and REnInvest and Octad |
| Swisshydro | Swisshydro AG | Poschiavo - CH | Trading of electricity produced with water power |
| Tele Ticino | Tele Ticino SA | Melide - CH | Radio and television productions |
| TPK | TPK Lünen GmbH&Co. KG | Aachen - D | Production and trading of energy from a coal-fired power station |
| TPWB | TPWB GmbH&Co. KG | Aachen - D | Production and trading of energy from off-shore eolian power plants |

Ernst & Young SA
Corso Elvezia 33 33
CH-6901 Lugano
Telephone +41 58 286 24 24
Telefax +41 58 286 24 00
www.ey.com/ch

To the Board of Directors of
Azienda Elettrica Ticinese, Bellinzona

Lugano, 13 May 2009

Independent auditors' report on the consolidated financial statement

As independent auditors and in accordance with the appointment given to us we have checked the attached consolidated financial statement of Azienda Elettrica Ticinese, consisting of the balance sheet, the income statement, the cash flow statement and the annex, for the financial year closed at 31 December 2008. The previous consolidated financial statement was checked by another Auditing office, which did not indicate any limitation in its report dated 27 May 2008.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the consolidated financial statement in accordance with the law and the consolidation and evaluation principles indicated in the annex. These responsibilities include the conception, implementation and maintenance of an internal control for the preparation of a consolidated financial system which has no significant anomalies due to irregularities or errors. The Board of Directors is also responsible for the choice and application of appropriate standards of presentation of the consolidated financial statement, as well as the preparation of appropriate estimates.

Responsibility of the independent auditors

Our responsibility consists of expressing a judgement on the consolidated financial statement based on our checks. We carried out our checks in accordance with Swiss law and Swiss auditing standards, which require the checks to be planned and carried out in such a way as to be sufficiently sure that the consolidated financial statement is free of significant anomalies.

An audit consists of checking procedures designed to obtain proof of the figures and the other information contained in the consolidated financial statement. The choice of the checking procedures is the responsibility of the auditing company. This includes an evaluation of the risks that the consolidated financial statement may contain significant anomalies due to irregularities or errors. Within the framework of the evaluation of these risks the auditors take the internal control into account, to the extent that it is important for the preparation of the consolidated financial statement, in order to define the checking procedures required by the circumstances, but not to express a judgement

on the efficacy of the internal control. The audit also includes an evaluation of the appropriateness of the standards adopted in the preparation of the consolidated financial statement, of the reliability of the evaluations made, and an appraisal of the presentation of the consolidated financial statement in general.

We believe that the proof which we obtained represents a sufficient and adequate basis on which to express our auditing assessment.

Auditing assessment

In our opinion the consolidated financial statement for the year ending on 31 December 2008 complies with Swiss law and the consolidation and evaluation principles indicated in the annex.

Ernst & Young SA

Stefano Caccia
Qualified auditor
(Reporting auditor)

Claudio Cereghetti
Qualified auditor

Appendix

- Consolidated financial statement (balance sheet, income statement, cash flow statement and annex)



Company officers

72

Board of Directors

Leidi Fausto Chairman

Netzer Marco Vice Chairman

Bacchetta Cattori Fabio

Beffa Floriano from 1.7.2008

David Roland up to 30.6.2008

Di Stefano Alberto up to 31.12.2008

Foletti Michele up to 30.9.2008

Gobbi Norman

Lombardi Sandro from 1.1.2008

Pedrina Fabio

Romerio Franco

Terrier Simon from 1.1.2008

Audit office

Camponovo Aron

from 11.3.2008

Gianini Sergio

Piazzini Gianluigi

Deputy auditor

Paglia Erto

Trust company

Ernst & Young, Lugano

Management

Brunett Reto F.

CEO

Nauer Claudio

Head of Administration Division

Sartori Stefano

Head of Production Division

Pronini Roberto

Head of Grid Division

Tognola GiorgioHead of Trading and Sales Division

Statistical information

74

Production in Ticino in GWh

Production from existing plants in Ticino throughout 2008 (deducting pumping energy and excluding the SBB) increased by **8%**; and was equal to 102% of the multiannual average.

| | Winter | Summer | Year | 2007 |
|------------------------------------|--------------|--------------|--------------|--------------|
| Biaschina | 157 | 263 | 420 | 318 |
| Piottino | 128 | 180 | 308 | 242 |
| Stalvedro | 22 | 34 | 56 | 41 |
| Tremorgio | 3 | 1 | 4 | 6 |
| Ponte Brolla | 1 | 0 | 1 | 8 |
| Lucendro | 70 | 29 | 99 | 42 |
| Verzasca | 97 | 170 | 267 | 202 |
| Morobbia | 18 | 37 | 55 | 30 |
| Giumaglio | 10 | 19 | 29 | 18 |
| Ticinetto | 2 | 7 | 9 | 9 |
| Stampa | 9 | 12 | 21 | 12 |
| Ceresa | 5 | 7 | 12 | 11 |
| Calcaccia | 5 | 10 | 15 | 13 |
| Minor stations + private producers | 16 | 21 | 37 | 32 |
| Subtotal | 543 | 790 | 1,333 | 984 |
| Maggia | 347 | 631 | 978 | 1,379 |
| Blenio | 497 | 539 | 1,036 | 723 |
| Total | 1,387 | 1,960 | 3,347 | 3,086 |

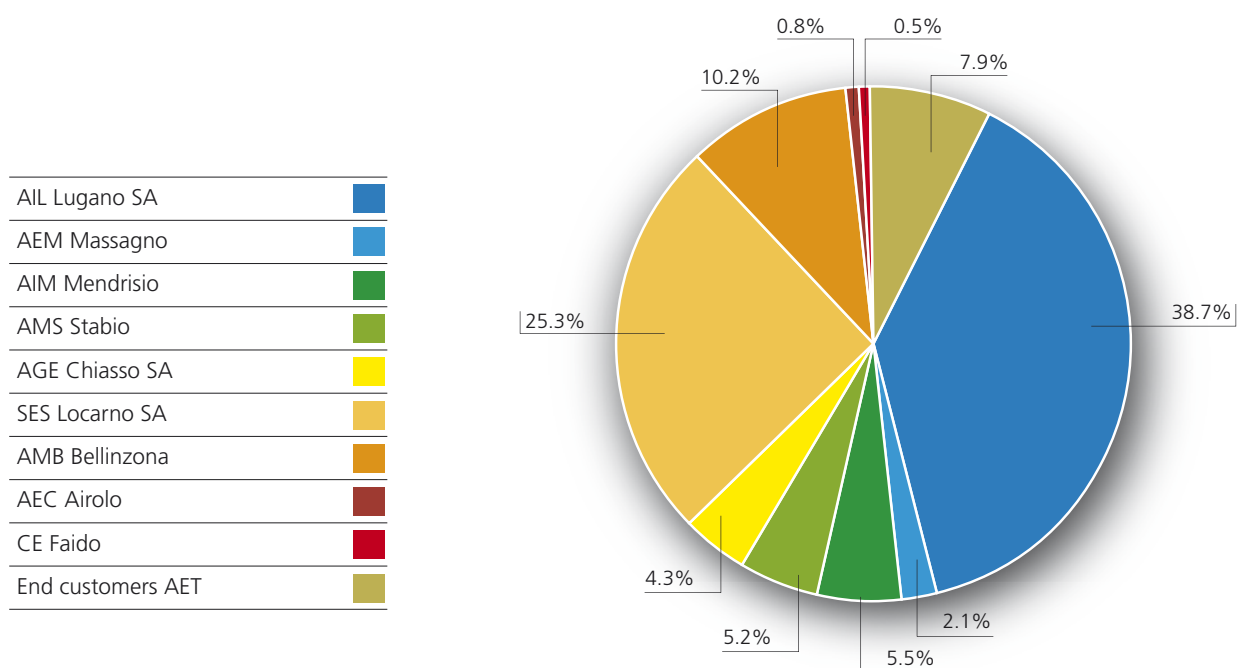
Supply in Ticino in GWh

| | Winter | Summer | Year | 2007 | Increase % |
|---------------|--------------|--------------|--------------|--------------|-------------|
| Ticino | 1,519 | 1,287 | 2,806 | 2,673 | 5.0% |

Cantonal supply in GWh

Electrical power consumption in the Canton increased in 2008 by **5.0%** (+4.0% in winter, +6.2% in summer).

| | Winter | Summer | Year | 2007 | Increase % |
|----------------|----------------|----------------|----------------|----------------|-------------|
| AIL Lugano SA | 584.1 | 502.7 | 1,086.8 | 1,039.7 | 4.5% |
| AEM Massagno | 34.5 | 24.6 | 59.1 | 56.9 | 3.9% |
| AIM Mendrisio | 81.3 | 72.2 | 153.5 | 147.3 | 4.2% |
| AMS Stabio | 65.8 | 69.5 | 135.3 | 138.5 | -2.3% |
| AGE Chiasso SA | 63.1 | 56.4 | 119.5 | 115.6 | 3.4% |
| SES Locarno SA | 410.8 | 297.8 | 708.6 | 672.8 | 5.3% |
| AMB Bellinzona | 158.0 | 129.2 | 287.2 | 266.1 | 7.9% |
| AEC Airolo | 12.9 | 9.4 | 22.3 | 21.6 | 3.2% |
| CE Faido | 7.4 | 5.8 | 13.2 | 10.2 | 29.4% |
| TIMCAL SA | 52.5 | 68.5 | 121.0 | 126.3 | -4.2% |
| Alptransit | 30.6 | 33.8 | 64.4 | 44.9 | 43.4% |
| SSC + others | 17.6 | 17.5 | 35.1 | 32.8 | 7.0% |
| Total | 1,518.6 | 1,287.4 | 2,806.0 | 2,672.7 | 5.0% |



AET production and withdrawal (in MWh)

Hydroelectric production, including affiliates and fees, was 1,444 million kWh, over 15.8% higher than in 2007. The nuclear affiliate recorded a decrease from 382 million kWh in 2007 to 353 million kWh in 2008 (-8.3%). The purchase of reserve energy increased by 13.9% compared with the previous period.

| | | Winter | Summer | Year | 2007 |
|--|-----------------------|------------------|------------------|-------------------|------------------|
| Own production | Stalvedro | 22,256 | 34,246 | 56,502 | 40,990 |
| | Tremorgio | 3,086 | 900 | 3,986 | 5,650 |
| | Piottino | 127,842 | 180,653 | 308,495 | 242,180 |
| | Biaschina | 157,268 | 262,826 | 420,094 | 317,698 |
| | Ponte Brolla | 1,010 | 0 | 1,010 | 7,910 |
| | OFIMA payement | 7,840 | 37,984 | 45,824 | 45,472 |
| | Photovoltaic | 186 | 277 | 462 | 381 |
| Participations | Verzasca | 97,243 | 169,686 | 266,929 | 201,706 |
| | Blenio | 79,701 | 106,863 | 186,564 | 155,801 |
| | Maggia | 45,886 | 71,190 | 117,076 | 138,567 |
| | Mattmark | 13,300 | 23,485 | 36,785 | 58,728 |
| | AKEB (nuclear) | 167,474 | 171,466 | 338,940 | 368,238 |
| | KK Leibstadt | 7,593 | 6,277 | 13,870 | 14,035 |
| | CEG | 27,344 | 24,859 | 52,203 | - |
| Complementary power¹ | Purchase ² | 4,997,433 | 4,742,224 | 9,739,657 | 8,386,303 |
| | Exchange power | 3,101 | 8,895 | 11,996 | 14,510 |
| Total | | 5,758,563 | 5,841,831 | 11,600,393 | 9,998,169 |

¹ Of which about 4,697 million kWh (4,797 million kWh in 2007) is attributable to standardised products.

² The purchase covers 415 million kWh for the Italian market in 2008 and 389 million kWh for 2007.

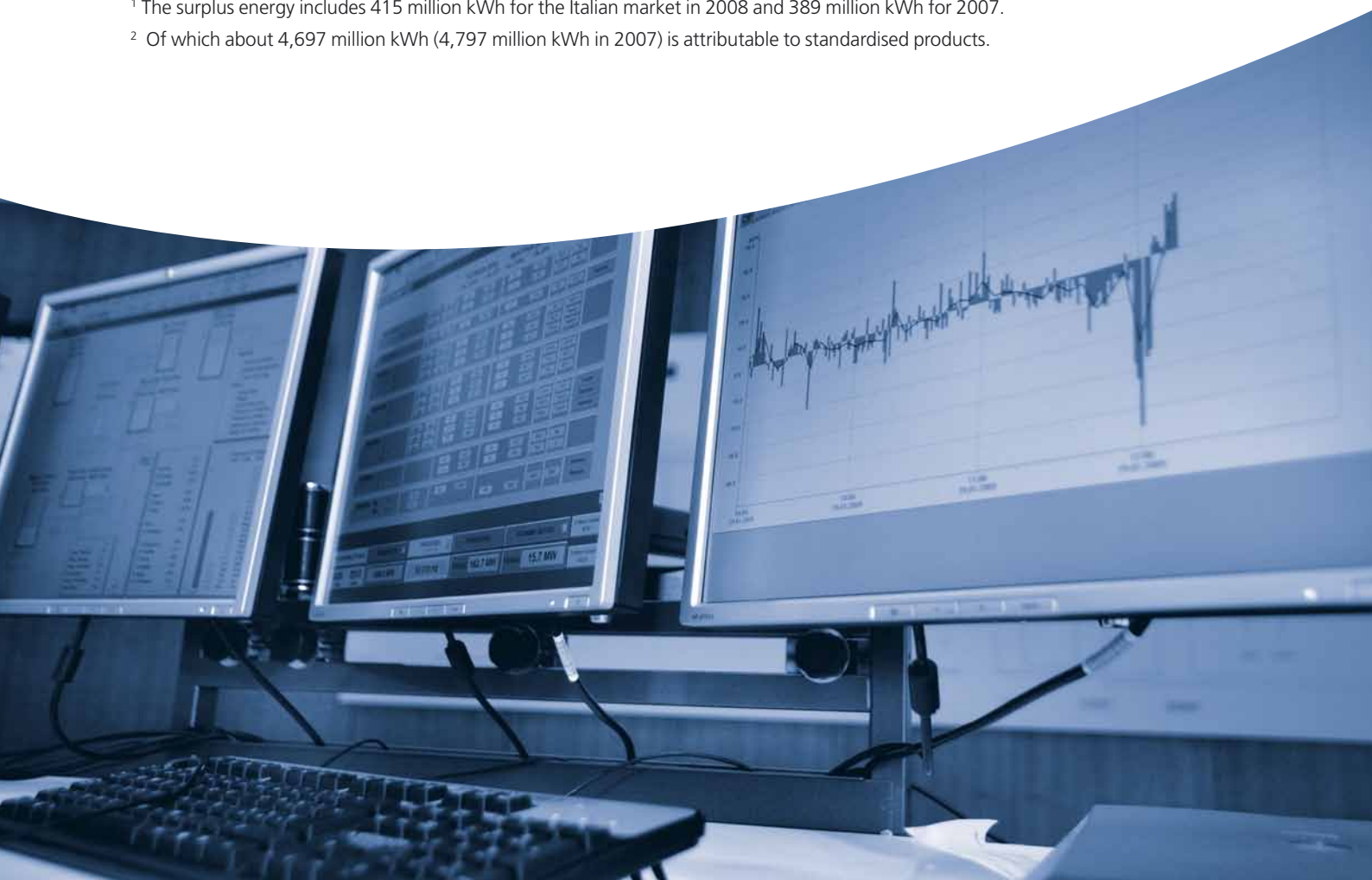
Supply and surplus in the Canton (in MWh)

AET's distribution to customers increased by 72 million kWh from 2007 (+2.7%). The share of demand in the Canton covered by AET decreased to 93.7% compared to 95.7% in 2007. Surplus distribution recorded an increase of 1,398 million kWh (+ 15.7%) compared with the previous period.

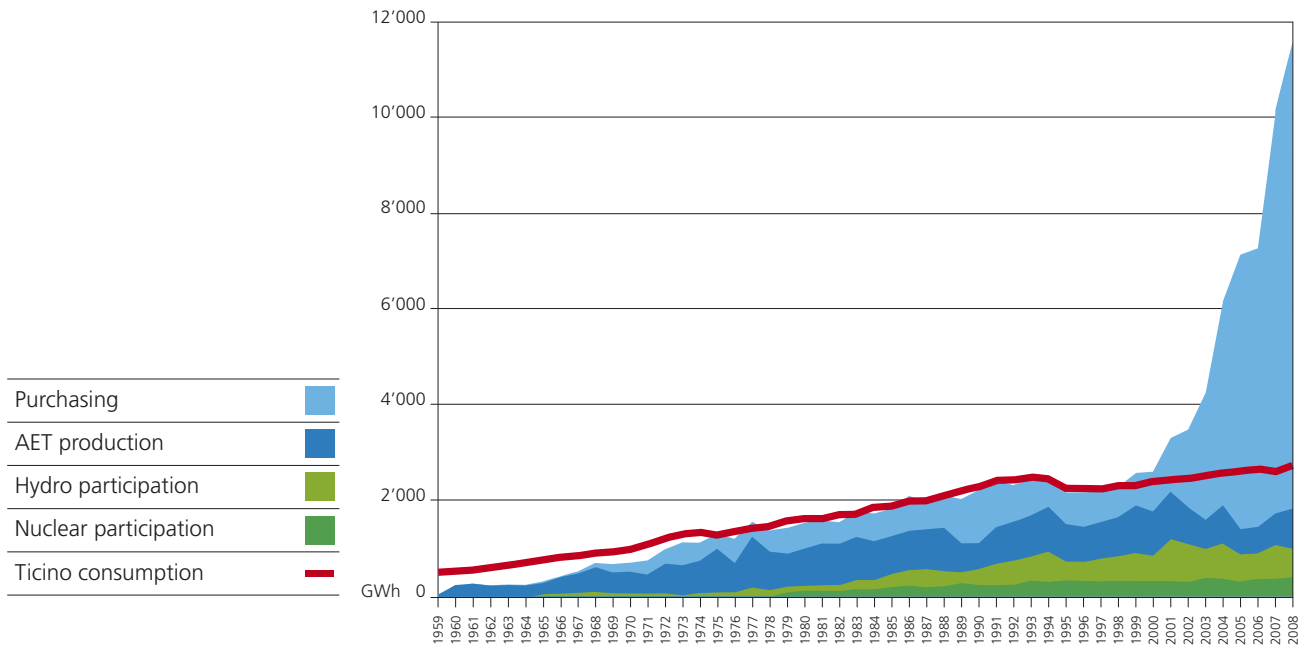
| | | Winter | Summer | Year | 2007 |
|-----------------------------------|-----------------------|------------------|------------------|-------------------|-------------------|
| Users | Distributor companies | 1,354,607 | 1,055,029 | 2,409,636 | 2,354,619 |
| | End customers | 100,708 | 119,846 | 220,554 | 203,758 |
| Power surplus¹ | Sale ² | 4,254,964 | 4,623,360 | 8,878,324 | 7,480,363 |
| | Exchange power | 32,365 | 31,552 | 63,917 | 71,528 |
| Total | | 5,742,644 | 5,829,787 | 11,572,431 | 10,110,268 |
| Own consumption and losses | | 15,841 | 11,927 | 27,768 | 30,028 |

¹ The surplus energy includes 415 million kWh for the Italian market in 2008 and 389 million kWh for 2007.

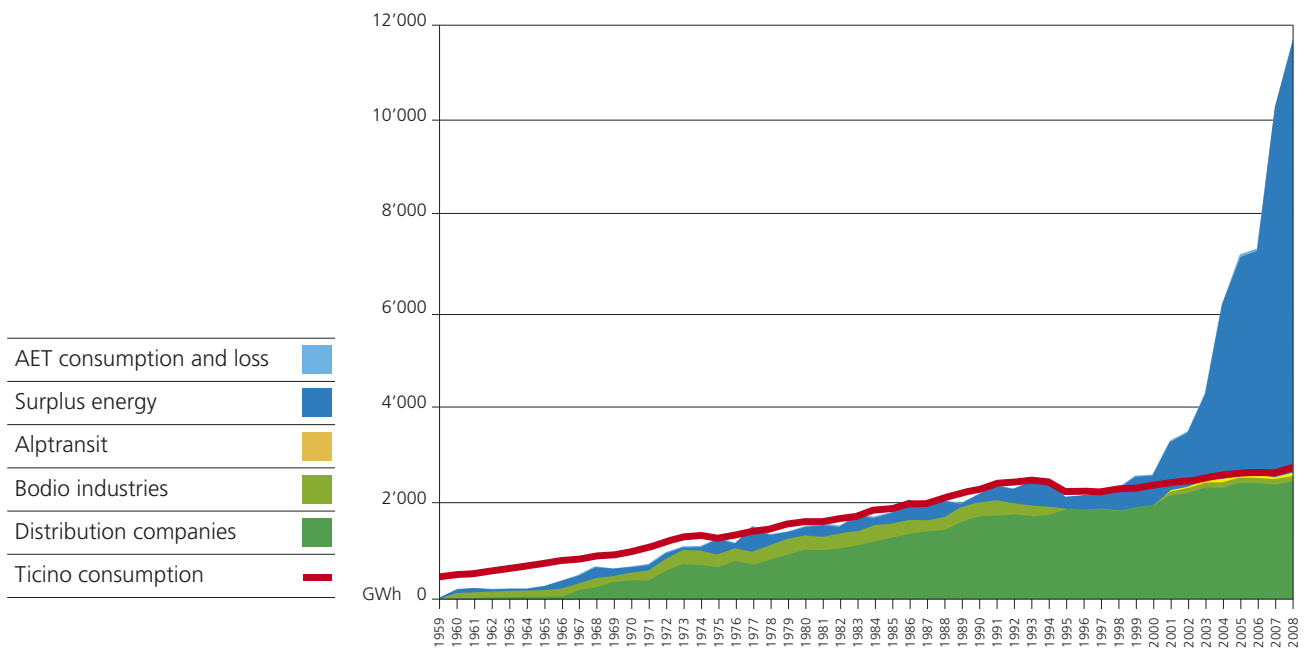
² Of which about 4,697 million kWh (4,797 million kWh in 2007) is attributable to standardised products.

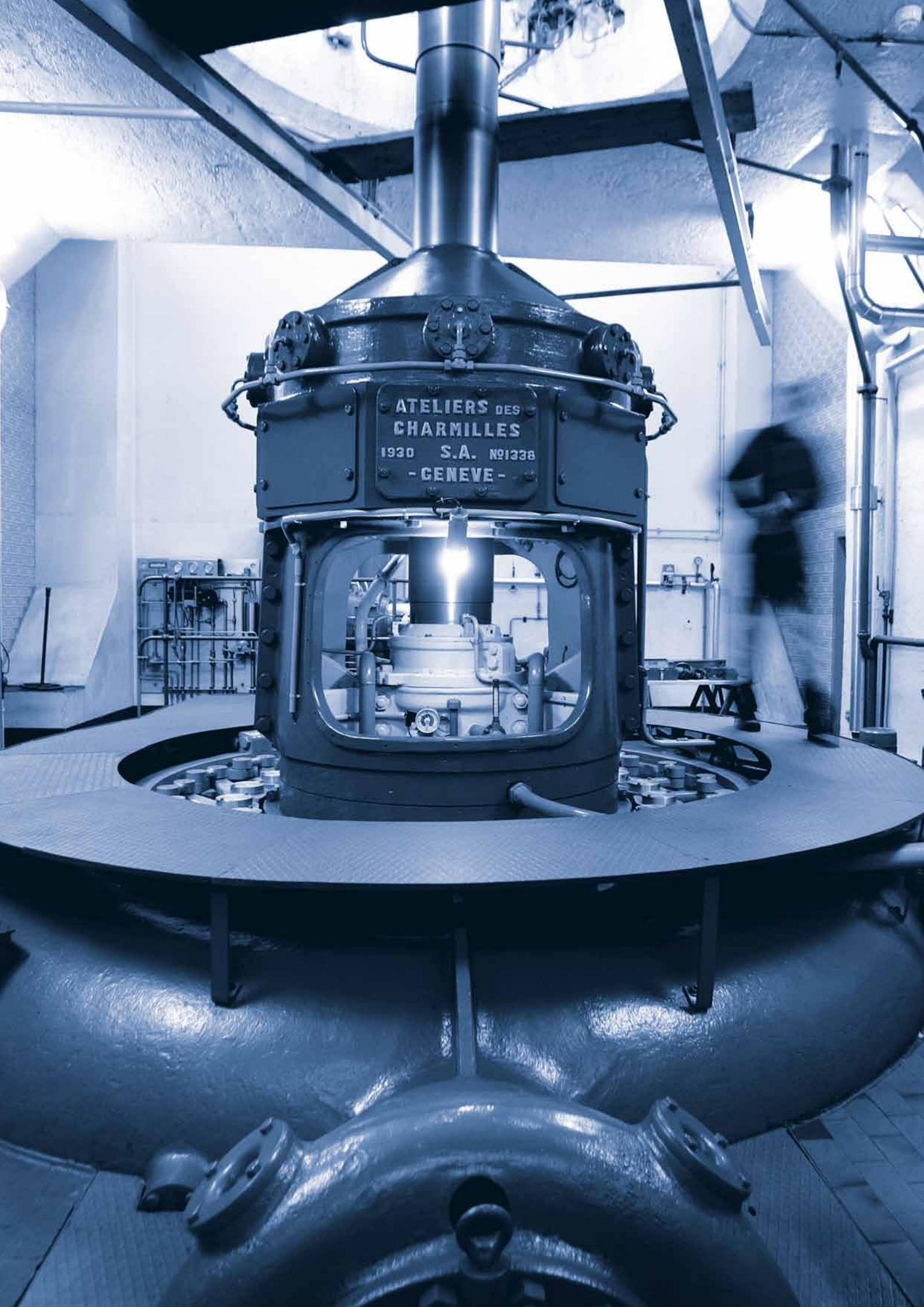


Production and withdrawal AET



Supply









Graphic:
mcoraydesign, Lugano

Photos:
Jolanda Flubacher e H el ene Antorini

Print:
Tipografia Cavalli, Tenero



Azienda Elettrica Ticinese

Viale Officina 10
CH - 6500 Bellinzona
+41 (91) 822 27 11
www.aet.ch
info@aet.ch