

Annual Report 2007

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

Ladies and Gentlemen,
Chairman,
Councillors,
Deputies,

in accordance with the provisions set forth in Art. 5 of the "Law providing the incorporation of Azienda Elettrica Ticinese, we hereby enclose for ratification (Art. 5, Paragraph 2 LAET)

- [The annual report by the Board of Director's, financial year 2007](#)
- [The annual financial statements, financial year 2007, including the annual group statements](#)
- [Profit distribution proposal](#)
- [Auditors' report](#)

and for discussion (Art. 5, Paragraph 3 LAET)

- [The report on the activity planned in 2008/2009](#)

Table of contents

Board of Directors' Management Report	4
Report on forecast activity 2008-2009	9
Proposal for allocation of Profit	11
Financial statements	12
Auditors' report	29
Consolidated financial group statements	30
Audit report by Ariaudit	53
Company officers	54
Statistical information	56
Evaluation of the participations and securities	61

Board of Directors' Management Report

The opening up of the electrical market is a topic which has been debated for several years and today the long awaited time has come, perhaps a little too suddenly, but it is now fast approaching. Azienda Elettrica Ticinese will not be caught out unprepared for this new challenge.

In 2007 the company took major steps forward in all sectors and in particular in trading, where the countless opportunities offered only by a consolidated electricity market, just a step away from opening up, have been exploited as much as possible. Various modifications have been implemented in the company organisation, in order to successfully deal with present and future challenges. An analysis has begun of past financial years in order to prepare a new corporate strategy, adapt to the new rules of the market and to focus the activity onto the "core business".

There have been various replacements in the Board of Directors and in the meeting dated 21 December 2007 a new Chairman was elected. A new management and a new administration started operating in the second half of 2007, with the aim of dealing as effectively as possible with the challenges of the coming years. A company grows well when the individual elements of the team work in harmony. The management structure and the development of business embody the culture and values of a company.

For AET, today, the customer is of primary importance, and must be given surplus value through quality, cost effectiveness and services. The company has thus started a concrete process. Determinant for its success has been the implementation of market and customer orientation in the company culture. This is a process that has given excellent results in a context that is new and still being partly shaped.



Electricity supply

In 2007 the electricity supply of Ticino was guaranteed, not only by AET's own production, but by a structured mix made up of hydroelectric, coal, nuclear and other renewable energy sources. About 80% of the total supply by AET destined for resellers in Ticino and customers outside Canton comes from production plants that do not belong to them or that only partially belong to them.

Over the year the company has been able to draw up new long-term agreements that will allow them to continue to supply resellers in Ticino under extremely favourable conditions. In the last 20 years AET customers have never suffered any energy price increases, despite a cumulative price increase of over 20% and a doubling of water rates. The Ticino economy, today as never before, benefits from below-market energy prices. For the future, no-one can predict whether these favourable conditions can be maintained by AET.

The trade in energy

AET's commercial activity has focused especially on Italy. This has allowed it to directly enter the Italian market (previously, trading operations only took place at the frontier), to increase the number of commercial counterparts, and to have direct access to the Italian energy stock exchange, IPEX.

This expansion of activities has allowed, among other things, value to be added to the excess energy produced by AET's stations at peak periods and to have the extra possibility of purchasing energy at night-time. Not least, the activities in Italy are included in the collateral work in view of the commissioning of the Mendrisio-Cagno Merchant Line, planned for the end of 2008, which will allow us to further develop commercial opportunities.

Nationally, AET started preparatory works in order to adapt to the new electricity market regulations, which will enter into force at the start of 2009.

For the local market, on the other hand, 2007 was a stable year overall. In fact contracts with distributors in Ticino were not altered.

Effectively we find ourselves in a market where it is difficult to increase production capacity, where there are considerable restrictions and where the will to efficiently use energy is still at an embryonic stage. A particular challenge will characterise the years to come: putting a brake on the continuous growth of electricity consumption. Even Ticino has seen a clear increase. An increase partly caused by the boom in heat pump heating, which is replacing the more traditional fossil fuel systems. If by allowing these choices we want to obtain added ecological value, it would also be necessary to introduce provisions for the electricity used to come from a renewable energy source.

In the year in question, thanks to its wise mix of electricity supply, AET has been able to counterbalance the enormous increase in prices, even if, nevertheless, there has been an erosion of margin.

The market conditions for 2007 were strongly influenced by exceptional climatic events where, at our latitudes, an exceptionally mild winter-spring was followed by quite a cool and rainy summer. The autumn and the beginning of winter, on the other hand, were rather dry.

Compared to 2006, this particular situation led to a reduction of 2.24% of the amount of electricity distributed by AET, whilst, as regards production and withdrawal, there was an increase of nearly 29%, especially thanks to the precipitation recorded from the late spring, which proceeded fairly continuously for the entire summer.

Electricity prices on the various markets have in fact followed weather conditions, tending towards very low prices until the end of summer, only to recover with the approach of winter. The only exception, as far as AET is concerned, was Italy, that experienced a particularly hot summer, with very high prices during the summer season.

Production and associated companies

The general restructuring of the production plant of Ponte Brolla is proceeding according to plan. The new plant will contribute to increasing AET's production from renewable sources. In order to exploit the structure as much as possible, a solar energy system has been installed on the roof of the station, in cooperation with the Professional University School, SUPSI. The Ponte Brolla station will be officially opened in the second half of 2008, after two years of works.

Energy consumption in Ticino always corresponds with a growth rate of 2%. AET has tried to satisfy this growth with different activities. These include the planned hydroelectric project of the Val D'Ambra 2, a project belonging 100% to Canton Ticino. The planned peak hydroelectric station, with a production potential of 13.6 GWh/a, is now being reviewed by the Canton Land Use Plan (PUC). As soon as authorisation has been obtained from the Canton Authorities, a proper building application can be made. Together with the Council and the Municipality of Personico a joint strategy has been agreed, to get the necessary go-ahead. The Val D'Ambra 2 plant is one of the few new medium-sized plants that could be built in Canton Ticino today, without huge financial investments and with a low environmental impact. This project was also born with the aim of improving the efficiency of AET's water production chain in Leventina.

In the current production plants of Nuova Biaschina, Piottino, Tremorgio and Stalvedro, the regular maintenance work was carried out even in 2007. These plants are in excellent condition, which will ensure stable operation even for the foreseeable future. On the other hand, extraordinary maintenance work began at the Rodi intake, at the Station of Piottino. This was a project set up to improve the efficiency of water intakes. These improvements will facilitate the work of coordination and output budgeting at the Monte Carasso Control Centre.

As regards the affiliated companies, Senco Holding SA, after having activated, through its associates, the production plants of Dalpe, Campo Vallemaggia and Cerentino, is continuing with the new micro-station project at Ossasco in Val Bedretto. At the same time they are continuing to look for new opportunities to develop micro-hydroelectric stations, especially in Ticino, the Grigioni and in Canton Uri.

The plan for a geothermal plant in Basel of the company Geopower Basel AG (in which AET owns about 5% of the share capital) has been set aside due to the seismic problems found during the drilling works. Despite the problems encountered in Basel, AET is always convinced that geothermal energy has enormous potential and has therefore decided not to abandon the project. In the annual accounts all the balances relating to this shareholding were nevertheless depreciated.

With AET Idronord Srl, AET promotes the construction of several small and medium sized hydroelectric power stations in Piedmont and Emilia Romagna. Currently eight new plants are at the planning or construction stage; the first will be inaugurated in 2008. Overall we would like to reach a production capacity of about 20 MWh.

At the start of 2008, through the shareholding in CEG Srl, AET opened its first combined heat and power station, in Occimiano in the Monferrato area of Italy, producing electricity from vegetable fuels (in this case palm oil). The 1.3 MW plant produces band energy and is already showing a high potential in the first half year of trading. Through biogas or biomass stations, AET had envisaged, at first, reaching a production capacity of 100 MW. Nevertheless, the strong fluctuations on the raw materials market pushed AET to review its objectives. Currently we are continuing with the construction of a 20 MW system in Guarcino and a 24 MW system in Parma.

The combined gas powered heat and power station of Gavirate, in which AET, through SPE SA, holds 50% of the share capital, has been upgraded to 24 MW; at the same time, the district heating network of the region has been enlarged. This modern plant has a high potential and meets all environmental protection conditions. Efficiency and added ecological value has concretely improved thanks to the expansion of the district heating network.

In Ceriano Laghetto, near Milan, AET and Ferrovie Nord Milano S.p.A., through their associated company Nord Energia S.p.A. have received an authorisation to build another combined heat and power station.

Trianel European Energy Trading GmbH (hereinafter TEET GmbH) is working towards the construction of a new coal fired station in Lünen, in Germany. The authorisation for the construction of the 750 MW station has already arrived. Taking part in the project, which is proceeding at a fast pace, is also AET, together with another 30 German, Swiss and Austrian municipality-owned utilities. Over the

course of 2008 the Grand Council of Ticino will have to give its ruling on AET's shareholding. Especially in view of the liberalisation, this would be a strategic investment, which would in fact allow AET to maintain favourable prices even in the future.

With TEET GmbH in 2007, AET withdrew an option for a shareholding in the wind power park Borkum II, due to be built no earlier than 2011.

The survey for the construction of a wind power park in the region of San Gottardo continues through the affiliated company REnInvest SA. This plant, first designed by AET in 2002, has gone under the supervision of REnInvest. Through SPE SA, AET owns a shareholding of 20%; the remaining 80% belongs to REnInvest, which essentially acts as Investment Manager to promote the development of renewable energy plants, especially in the field of wind and photovoltaic energy.

At the end of 2007 AET drew up a long-term agreement with EDF, Electricité de France, for the purchase of band energy, in view of the expiry of the nuclear energy agreements. Thanks to this agreement

AET will be able to continue to ensure cheap electricity for Canton Ticino.

As regards the optimisation of the portfolio, the shareholding in Accagen SA was sold to the Swedish company Morphic Business Development AB, at an excellent price (Accagen builds plants for the utilisation of hydrogen). AET also disposed of its shareholding in AET Solar Hellas SA, in Greece. These sales allowed extraordinary income of over CHF 7.4 m to be obtained.

At the end of the year, after an analysis of the position, considering the difficulties encountered in concluding the negotiations with strategic partners to carry forward the construction of the regassification plant in Albania, and taking account of the desire to dispose of the shareholding, the value of ASG Power SA and the credit due by them was depreciated (by over CHF 9.7 m) to CHF 1.



Distribution network

We are about to approach the opening up of the energy market. AET will not be caught unprepared for these new market conditions. The commitment required to adapt to the change in the legislation has been important; it has been a challenge for all the individual contributors involved. AET, as required by the new law, has separated the transport costs from those linked to production and trade. A financial auditing of AET's entire transport network was needed, as well as a

transit cost calculation for each level of voltage and an estimate of costs for connection and service. During the analysis the possibility was also examined of being able to supply balancing power in the future liberalised market. As required by the new legislation, the data of the costs for the use of the networks will be published in Autumn 2008.

In 2007 work continued for the new 380kV Merchant Line Mendrisio-Cagno and is proceeding as planned.

The 200 MW capacity has been confirmed by the Italian Authorities; a subsequent confirmation by the Swiss Authorities is due in 2008. The laying of the 400kV cable between Cagno and Mendrisio began at the end of the year, the substation is at the implementation phase, the final commissioning is planned for the end of 2008. Meanwhile plans for the expansion of the 220-150kV Magadino-Manno section are proceeding.

Together with AIL, AET has also begun planning for the reconstruction of the 50kV substation in Mendrisio. This project will allow us to increase the security of electricity supply to the Mendrisiotto area.

December 2007 saw the final commissioning of the substation of Sigirino. The new substation and the 16kV distribution network, again built by AET, power the Altransit building site in Sigirino.

Annual Statements

The annual statement of accounts has been drawn up in accordance with existing accounting directives, whilst the content of the Appendix goes beyond the minimum requirements of Art. 663b CO. Similarly to 2006 the consolidated group accounts have also been prepared.

This report has been certified by the audit firm Ariaudit SA.

For the first time, an analysis of the risks has been drawn and submitted to the Board of Directors. And for the first time, an extract summary has been included in this publication in the chapter 'Valuation of shareholding and securities' that guarantees greater transparency regarding AET's commercial activity and in particular its affiliated companies.



Report on forecast activity 2008-2009

In the year in question AET successfully continued with the development of the strategic operations plan, the energy production plan, and the energy and asset trading plan.

Despite the demanding context, the company achieved a good result and was able to continue to develop its assets.

The structure of internal management and organisation have been geared even more markedly towards the trading model and the challenges of the markets. The engineering sector has been divided into the production and network sectors. At the start of 2008, the company expanded into the energy trading and energy production sectors.

As already outlined above, the entry into force of the new Law on Electricity Supply (LAEI), the evolution of the market and the changes occurring in the management and in the Board of Directors are a chance to reorganise the Company and revise the strategy.

Since 1990, the energy policy is an integral part of the Federal constitution of the Swiss Confederation: Article 89, Paragraph 1, relating to energy sets out that, *"within their jurisdiction, the Confederation and the Cantons will aim for an adequate, diversified, secure, economical and ecological energy supply, as well as thrifty and rational energy consumption"*. Since 1990, all the Cantons have issued their own energy provisions.

AET intends to also commit itself, in future, with the liberalised market, to satisfying the energy requirements of Ticino.

Today about 60% of Swiss electricity is produced by hydroelectric power stations. These therefore represent an essential economic factor for the alpine Cantons and for Ticino in particular. Any limitation or even rejection of the use of water for energy purposes cannot be justified on the grounds of environmental protection. This could in fact represent a serious financial loss and, if there is no equivalent substitute in terms of renewable energy, it could even be quite detrimental to the environment.

AET purchases energy outside of Canton Ticino in order to guarantee a secure and cheap supply. Thanks to the access to international markets, the prices applied by AET to the local resellers have remained practically unchanged in the last 15 years, with tangible positive spin-offs for consumers too. Now AET will have to adjust the prices to the Swiss and European level; Ticino will not be able to remain in splendid isolation, under the current circumstances. Price increases, both in Switzerland and abroad, are due especially to the difficulties in building new production plants and to tackle the high growth in

demand. The market also governs the energy sector and, in future, with liberalisation, it will do so even more markedly.

AET is convinced it can successfully deal with this major challenge, pursuing its dual function of a public service and a commercial company, even in the new market context. A diverse production mix, made up of renewable energy sourced locally and from neighbouring countries, support for nuclear energy, and an efficient use of energy will contribute to it being able to undertake its function, considering international objectives to protect climate and to slow down the constant growth in consumption.

AET is prepared to actively enter a liberalised market. The mix of purchases, contracts and shareholdings, its own modern production stock, the various agreements in Switzerland and abroad, as well as the aforementioned strategic management, are the foundations which will allow AET, even in the future, to play the role of a local business that knows how to take full advantage of its competitiveness in international trade.



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:

2007	
Operating profit 2007	12,946,468
+ surplus at beginning of financial year	- 1,200,324
Balanced profit	14,146,792
./. To the State: 8% interest on the endowment capital	-3,200,000
./. devaluation to the State	-10,000,000
Carry overs in the new financial year	946,792

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

- The administration report by the Board of Directors' Management Report for the 2007 financial year
- The annual statements for the 2007 financial year
- The proposal for the profit distribution

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

The Chairman

Fausto Leidi



for Azienda Elettrica Ticinese

The Director

Reto F. Brunett





Financial Statements

Balance Sheet

	Notes	31.12.2007	31.12.2006
In CHF 1'000			
ASSETS			
Tangible fixed assets	1		
Operating Plants		118,800	102,550
Real estates		10,980	11,373
Plant under construction		47,423	36,221
Equipment and vehicles		1,381	1,176
Financial fixed assets			
Financial Participations	2	39,378	31,036
Securities	3	19,806	19,806
Long-term advances to subsidiaries	4	26,915	17,556
Long-term loans and advances to third parties	5	14,739	15,194
Intangible fixed assets	6	586	652
Fixed assets		280,008	235,564
Receivables from the supply of energy	7	132,084	113,183
Advances to subsidiaries and associates	8	0	1,899
Other Receivables		2,929	1,471
Other assets	9	11,610	7,128
Cash and cash equivalents	10	27,976	23,134
Current assets		174,599	146,815
TOTAL ASSETS		454,607	382,379
LIABILITIES			
Endowment capital		40,000	40,000
General Reserves		20,000	20,000
Special Reserves		26,000	26,000
Reserves for plant renewal		25,000	25,000
Retained Earnings		14,147	9,400
Equity	11	125,147	120,400
Provisions	12	136,000	128,000
Bank's Loans	13	60,000	35,000
Customers advances		10,156	5,356
Long-term liabilities		70,156	40,356
Payables for the supply of energy	14	108,941	75,392
Short-term loans	15	0	5,000
Other payables	16	3,284	6,049
Provisions for pensions	17	60	354
Other liabilities	18	11,019	6,828
Short-term liabilities		123,304	93,623
Liabilities and provisions		329,460	261,979
TOTAL LIABILITIES		454,607	382,379

Income Statement

	Notes	2007	2006
In CHF 1,000			
Operating Income			
Gross revenue	19	889,465	616,388
/./ Standardised products Revenue	20	-405,543	-231,336
Net Revenue		483,922	385,052
Other operating income		8,402	9,056
		492,324	394,108
Operating Expenses			
Energy Purchased	21	420,445	330,280
Personnel Expenses	22	18,866	18,163
Services and material		5,662	5,696
Amortisation and depreciation for the year	23	7,016	6,207
State water fees		9,087	9,087
Municipal taxes and other contributions		2,046	2,009
Other Operating expenses		6,255	5,942
		469,377	377,384
Operating profit		22,947	16,724
Finance income		2,318	2,860
Finance expenses		-1,672	-1,062
Non-operational income		459	297
Non-operational expenses		-116	-189
Profit before extraordinary items		23,936	18,630
Extraordinary income	24	7,434	32
Extraordinary expenses	25	-18,424	-9,800
Profits for the year		12,946	8,862



Cash Flow Statement

	2007	2006
	In CHF 1,000	
Profit for the year	12,946	8,862
Amortisation on tangible fixed assets	6,701	5,690
Amortisation on intangible fixed assets	66	66
Amortisation on financial fixed assets	249	451
Depreciation for advances to associated companies	5,367	1,800
Amortisation extraordinary financial participations	5,057	0
Increase in provisions	8,000	8,000
CASH FLOW	38,386	24,869
Change in the current assets (except cash and cash equivalents)	-22,941	-38,601
Change in the short-term liabilities	29,681	32,296
Cash flow from operations	45,126	18,564
Net investments in tangible fixed assets (after rebilling)	-33,965	-21,117
Net investments in financial fixed assets	-27,919	-26,635
Cash Flow from investments activities	-61,884	-47,752
AET FPA	0	-2,800
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-5,000	-15,000
Long-term loans	29,800	15,356
Cash flow from financing activities	21,600	-5,644
Total Cash flow	4,842	-34,832
Cash and cash equivalents on 1 January	23,134	57,966
Cash and cash equivalents on 31 December	27,976	23,134



Appendix to the financial statements

The annual statement of accounts of AET has been drafted according to the prescriptions of the Swiss Code of Obligations (CO): the notes satisfy the requirements of Art. 663 b CO.

Principles adopted for preparing the annual financial statements

The most significant accounting principles adopted by AET for preparing the financial statements are shown below. These principles have remained unchanged from those adopted in the previous period.

The most important rules for valuation are:

Tangible fixed assets

Tangible fixed assets are recorded at their purchase or construction cost, taking into account the necessary technical-economic depreciation. Depreciations are regularly calculated and they always take account of the technical plants durations generally agreed in these fields. Land are not depreciated (or they are amortized only in case of loss in value). Buildings are recorded at their purchase cost and depreciated like the operating plants. Operating equipments are depreciated according to their technical life. Plants under construction are recorded in the financial statements based on construction cost, according to the stage of progress. During their construction, no

depreciation is calculated (except where necessary) and no interests are capitalised. The min/max duration of depreciation for the single categories of tangible fixed assets are as follow:

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 value; adjusted for any permanent losses in value or in accordance with the principle of prudence. Securities are valued at the end-of-year rate and

recorded under fixed assets, since they are considered to be a long-term investment. The long-term advances in foreign currency are converted at the end-of-year 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. Amortizations are calculated according to the 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 statements at the nominal value, taking account of a possible risk of loss.

Foreign currency receivables are converted at the end-of-year rate.

Other assets

Foreign currency balances are converted at the end-of-year rate. Other assets also include good in stock (completely

depreciated) as well as works in progress on different sites on behalf of external clients.



Cash and Cash equivalents

Cash and cash equivalents are recorded in the financial statements at nominal value and include cash, post and

banks accounts, as well as banks term deposits with a duration of less than 6 months.

Provisions

Provisions are partly aimed at covering requests by third parties, whose duration and amounts are not exactly quantifiable. They

also include amounts aimed to reduce energy purchasing costs, in case of a not favourable increase of markets.

Short-term liabilities

All liabilities are recorded at nominal value and are short-term (less than 12 months).

Liabilities in foreign currency are converted at the end-of-year rate.

Social security

Azienda Elettrica Ticinese is affiliated with a common institute together with other companies of the sector. It is a legally recognised independent national insurance institution structured according to total desired benefits. All employees hired by the company are members of this institution from 1 January following their 17th birthday (except for apprentices) and are insured against the risks of death and disability. From 1 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 social security plan is based on total contributions.

To facilitate early retirement for its employees, AET is also affiliated with the "Early retirement fund for personnel of Azienda Elettrica Ticinese". Even in this case, 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 installations	Real estates	Installations under construction	Operating equipments	Total
in 1,000 CHF					
Cost values as at 31.12.2006	421,022	19,211	37,161	7,255	484,649
Net investments	39	16	33,458	452	33,965
Carried forward	22,227	-187	-22,256	216	0
Disposals	-3,648	0	-940	-470	-5,058
Cost values as at 31.12.2007	439,640	19,040	47,423	7,453	513,556
Accumulated depreciation 31.12.2006	-318'472	-7'838	-940	-6,079	-333,329
Disposals	3,648	0	940	470	5,058
Depreciation	-5'951	-287	0	-463	-6,701
Carried forward	-65	65	0	0	0
Accumulated depreciation 31.12.2007	-320,840	-8,060	0	-6,072	-334,972
Balance Sheet value as at 31.12.2006	102,550	11,373	36,221	1,176	151,320
Balance Sheet value as at 31.12.2007	118,800	10,980	47,423	1,381	178,584

Fire insurance of fixed assets: CHF 628 m as at 1.1.2008 (CHF 608 m as at 1.1.2007).

2. Financial participations

	In 1,000 CHF
Cost values as at 31.12.2006	33,808
Net Investments	13,648
Transfers of investments already depreciated	-1,301
Cost values as at 31.12.2007	46,155
Accumulated depreciation 31.12.2006	-2,772
Amortizations (of which 5,057 is extraordinary costs)	-5,306
Reversal of depreciation	1,301
Accumulated depreciation as at 31.12.2007	-6,777
Balance Sheet values as at 31.12.2006	31,036
Balance Sheet values as at 31.12.2007	39,378

For the full set of data please see consolidate financial corporate statements.

		Capital	Quota %	31.12.2007	31.12.2006
				In 1,000 CHF	
KW Mattmark AG (via EGL)	CHF	90,000,000	8.41%	13,215	13,372
Trianel Power Projektges. Kohlenkraftwerk mbH & Co.KG	EUR	55,907,271	15.76%	12,989	3,321
AKEB AG	CHF	90,000,000	7.00%	6,300	6,300
Metanord SA	CHF	11,334,000	29.42%	3,085	3,478
SPE Società per Partecipazioni Energetiche SA	CHF	1,000,000	100.00%	1,000	1,000
Calore SA	CHF	2,000,000	49.10%	982	987
Senco Holding SA	CHF	150,000	50.00%	832	698
ALE Airlight Energy SA	CHF	2,000,000	20.00%	800	0
Swisshydro AG	CHF	500,000	35.00%	175	175
ASG Power SA	CHF	1,000,000	50.00%	0	1,705
Geopower Basel AG	CHF	5,989,000	4.88%	0	0
Accagen SA	CHF	225,255	-	0	0
Tele Ticino SA	CHF	4,950,000	11.03%	0	0
				39,378	31,036

Kraftwerke Mattmark AG, Saas Grund: CHF 13,215,000 (31.12.2006: CHF 13,372,000)

Sub-participation through Elektrizitäts-Gesellschaft Laufenburg AG, for a 8.41% quota of the share capital of 90 millions CHF, subscribed in 2003. The purchase has been approved by a decision of the GrandCouncil of Canton of Ticino (message 5309 of 26.11.2002). The difference between historical cost of the sub-participation (CHF 14,000,000) and the nominal value of the equity interest (CHF 7,569,000) is amortised on a straight-line basis over the period of concession (1.10.2002 - 30.09.2043).

Trianel Power-Projektgesellschaft Kohlenkraftwerk mbH & Co. KG, Aachen (D): CHF 12,988,517 (31.12.2006: CHF 3,321,285)

Participation of 15.76% (share calculated on the nominal power of the plant) in the capital of EUR 55,907,271, subscribed in 2006. In case of loss, each partner is charged the proportional share of the loss for the period, which is recorded in the Profit and Loss Statement, under the section amortizations.

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

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

Metanord SA, Bellinzona: CHF 3,085,430 (31.12.2006: CHF 3,477,750)

Participation of 29.42% (unchanged) in the share capital of CHF 11,334,000 (initial participation dating back to 2002). The reduction of the investment derives from a surcharge on the 2006 transfer, collected throughout 2007. Metanord SA has planned investments for CHF 120 millions to be financed through new issues of capital and bank credits. AET will take part through direct investments and warranties up to 35 millions CHF, legislative decree October 18th 2006 (commitment unchanged from 31.12.2006).

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

Participation of 100% and domiciled at AET's venue, underwritten at 2006. For fiscal foreign reasons, our company transferred to this company all its participation held abroad.

Calore SA, Locarno: CHF 982,000 (31.12.2006: CHF 987,000)

Participation of 49.1% (31.12.2006: 49.35%) in the share capital of CHF 2 millions, dating back to 1996. In 2007, within a cooperation agreement, we have transferred a further 5 equal shares (at par) to another shareholder.

Senco Holding SA, Locarno: CHF 831,667 (31.12.2006: CHF 698,333)

During the financial year the participation has remained unchanged at 50% of the capital of CHF 150,000. The original participation, dates back to 1998. The increase in historical cost concerns a preliminary surcharge paid to the company promoters. When further contractually goals have been achieved, the shareholders will have to pay the promoters of Senco Holding SA a surcharge, which for AET is fixed at CHF 550,000 (as at 31.12.2006: CHF 683,334).

ALE Airlight Energy SA, Biasca: CHF 800,000 (new)

Participations of 20% in the share capital of CHF 2,000,000 (equal to a nominal CHF 400,000), subscribed in 2007, with an agio of 100% (CHF 400,000) paid into the shareholding reserves.

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

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

ASG Power SA, Lugano: CHF 1 (31.12.2006: CHF 1,704,743)

Participation of 50% in the share capital of CHF 1 m. The gross historical cost corresponds to CHF 5,057,243 and includes CHF 4,057,243 of surcharge paid to the promoters (and still 50% shareholders) of the project "Adriatic Gas & Power Projekt" in Albania. When further contractually goals have been achieved, AET would have had to pay the promoters a final surcharge of USD 1 million (as at 31.12.2006: USD 4 millions). Taking account of the desire to dispose of the shareholding, it was depreciated to CHF 1, as with the credit due by them.

Geopower Basel AG, Basel: CHF 1 (unchanged)

Participation of 4.88% in the share capital of CHF 5,989 millions (31.12.2006: 4.24% of CHF 4.72 millions), subscribed in 2005. Taking account of the principle of prudence, we depreciated to CHF 1 both the historical cost of the shareholding (CHF 200,000 in 2006 and CHF 92,000 in 2007) and the advance granted. The shareholders of Geopower Basel AG drew up an agreement committing them to depositing the necessary assets to the company, both in the form of capital increases, and in the form of loans. AET's future commitments amount to a maximum of CHF 132,000 (31.12.2006: CHF 920,000).



Accagen SA, Mezzovico-Vira: CHF -

The participation of 59.19% as at 31.12.2006 was transferred in December 2007. Against a historical cost of CHF 1,304,559, previously depreciated to CHF 1, an extraordinary net profit was made of CHF 7.4 millions, recorded in the "extraordinary income".

Tele Ticino SA, Melide: CHF 1 (unchanged)

Shareholding of 11.03% in the share capital of CHF 4.95 millions, dating back to 2000.

The historical cost of the participation (CHF 546,000) was depreciated to CHF 1, in accordance with the principle of prudence.

For further information please see the consolidated accounts of the Group.

3 Securities

in CHF 1,000	31.12.2007	31.12.2006
Renewable Energy Investments SPC (Grand Cayman)	19,806	19,806

The amount represents the cost for the underwriting of 1274 shares equal to 10,000 EUR, at the end-of-year rate (unchanged compared to the last year) and without registration of exchange profits. The Renewable Energy Investments SPC (www.rei.ky) is controlled by REInvest SA and used as a financial vehicle to collect the necessary funds to finance the construction and administration of wind plants

4. Long-term advances to subsidiaries

in CHF 1,000	31.12.2007	31.12.2006
SPE Società per Partecipazioni Energetiche SA	26,082	12,728
ASG Power SA, Lugano	4,671	3,043
- loss fund on advance to ASG Power SA	-4,671	0
Geopower Basel AG, Basel	2,496	1,800
- Loss fund for the advance to Geopower Basle AG	-2,496	-1,800
AET Photovoltaic Systems Energy SA, Athens	0	405
Accagen SA, Mezzovico	0	400
CEL Cerentino SA	603	670
CEL Campo Vallemaggia SA	210	310
Senco Holding SA, Locarno	20	0
Total	26,915	17,556

The advance to ASG Power SA (CHF 4,671,000) was depreciated to CHF 1, considering that AET does not intend to continue with the project.

The advance to Geopower Basel AG (CHF 2,496,000) was depreciated to CHF 1, in accordance with the principle of prudence. Geopower Basel AG is still inactive, for an indefinite time.

With the increased shareholding in Senco Holding SA, which in turn participates in CEL Cerentino SA and CEL Campo Vallemaggia SA, the latter two companies have joined the set of affiliated companies.

The financing given to CEL Cerentino SA, interest free, was the subject of a resolution passed by the Grand Council of Canton Ticino (memorandum 5396), as previously with the corresponding financing to CEL Campo Vallemaggia SA (memorandum 5082).

5 Long-term loans and advances to third parties

in CHF 1,000	31.12.2007	31.12.2006
Trianel European Energy Trading GmbH	7,762	0
EGL Laufenburg AG	6,567	7,669
Advances to installations' suppliers	410	7,525
Total	14,739	15,194

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

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

Elektrizitäts-Gesellschaft Laufenburg AG: EUR 4,514,969 (31.12.2006: EUR 5,181, 636)

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

6 Intangible fixed assets

	Installations, operating licences	Other rights	Deferred Charges	Total
In 1'000 CHF				
Cost Values as at 31.12.2006	2,780	195	93	3,068
Net investments	0	0	0	0
Cost Values as at 31.12.2007	2,780	195	93	3,068
Accumulated amortisation 31.12.2006	-2,343	-67	-6	-2,416
Amortizations	-39	-22	-5	-66
Accumulated amortisation 31.12.2007	-2,382	-89	-11	-2,482
Balance Sheet values as at 31.12.2006	437	128	87	652
Balance Sheet values as at 31.12.2007	398	106	86	586

7 Receivables from the supply of energy

in CHF 1,000	31.12.2007	31.12.2006
Ticino's distributors and industries	40,528	41,492
State of Canton Ticino	457	545
Other clients in Switzerland	16,420	14,630
Foreign clients	74,679	56,516
Total	132,084	113,183

The balance includes credit in foreign currency of EUR 54.9 millions (EUR 44 millions as at 31.12.2006).

8. Advances to subsidiaries and associates

in CHF 1,000	31.12.2007	31.12.2006
Accagen SA, Mezzovico	0	1,449
Payment for shareholders ASG Power SA	0	450
Total	0	1,899

9. Other assets

in CHF 1,000	31.12.2007	31.12.2006
Advances for capacity auction at the frontier	3,252	1,742
Energy to be invoiced	2,730	0
Work in progress	1,423	1,926
Short-term advance	1,073	1,073
Other	3,132	2,387
Total	11,610	7,128

Short-term advance concerns the share of repayment that Elektrizitäts-Gesellschaft

Laufenburg AG (EGL) will make within 12 months. The remaining part of the advance is recorded in the financial fixed assets.

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

10. Cash and Cash equivalents

in CHF 1,000	31.12.2007	31.12.2006
Balances in CHF	16,591	9,657
Balances in foreign currency (at the end-of-year equivalent)	11,385	13,477
Total	27,976	23,134

The total amount is fully available, except the sum of CHF 1,489,870 (CHF 1,239,469 as at 31.12.2006) deposited as security on a foreign bank account, to cover commercial transactions on the Austrian and German market.

All The liquid assets are in current accounts, except for a sum of CHF 1.4 millions (as at 31.12.2006 CHF 4.5 millions), deposited on (short-term) accounts.



11 Equity

	Endowment capital	General reserve	Special reserve	Plan renewal reserves	Retained Earnings	Total Equity
	in CHF 1,000					
Equity 31.12.2005	40,000	18,300	26,000	18,000	27,438	129,738
Interests to the State	-	-	-	-	-3,200	-3,200
Allocation to reserves	-	1,700	-	7,000	-8,700	0
Allocation to the State	-	-	-	-	-15,000	-15,000
Profit for 2006	-	-	-	-	8,862	8,862
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

12 Provisions

in CHF 1,000	31.12.2007	31.12.2006
Market risks and energy purchasing	66,000	58,000
Plants reversions	55,000	55,000
Promotion of alternative energy sources	3,000	3,000
Other	12,000	12,000
Total	136,000	128,000

Taking account of the evolution of the energy market, the provision for "market and energy procurement risks" has been allocated CHF 8 millions

13 Long-term liabilities

in CHF 1,000	31.12.2007	31.12.2006
Dexia Crédit Local (Dublin), 01.06.2022, 3.1425%	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	60,000	35,000

14 Payables for the supply of energy

in CHF 1,000	31.12.2007	31.12.2006
Ticino's distributors	1,022	1,380
Swiss suppliers	33,880	25,265
Foreign suppliers	74,039	48,747
Total	108,941	75,392

The balance includes foreign currency debt of EUR 60.7 millions (EUR 40.3 millions as at 31.12.2006).

15 Short-term loan

in CHF 1,000	31.12.2007	31.12.2006
Banca dello Stato del Cantone Ticino, 2.2.2007, 4.25%	-	5,000

16 Other payables

The balance includes a debt of CHF 249,000 for social security contributions (as at 31.12.2006: CHF 624,000).



17 Provisions for pensions

The entire balance concerns the foundation "Early retirement fund for *Azienda Elettrica Ticinese* staff".

18 Other liabilities

in CHF 1,000	31.12.2007	31.12.2006
Energy adjustments	5,122	2,251
Personnel Expenses	2,355	2,220
Other liabilities	3,542	2,357
Total	11,019	6,828

19 Gross revenue

in CHF 1,000	2007	2006
Markets outside Ticino	709,272	436,434
Ticino's distributors and other clients	171,993	176,801
Canton Ticino's state services	2,863	2,729
Others, transit on the AET's lines	5,399	549
Decrease in revenues	-62	-125
Total	889,465	616,388

The turnover of the "market outside Ticino" includes the turnover with standardised products (see subsequent position).

20 Standardised products revenue

in CHF 1,000	2007	2006
./. standard products revenue	-405,543	-231,336

The Volume of CHF 405,543,000 (CHF 231, 336,000 in 2006), corresponds to the cost of the standardised products marketed during the financial year.

These are energy buying and selling transactions carried out on the market, as well as exchanges of energy agreed bilaterally with one or two counterparts.

21 Energy purchased

In CHF 1,000	2007	2006
Net purchases outside of Ticino	347,017	277,745
Purchases from participations	42,737	41,446
Other purchases in Ticino	3,571	3,587
Transit along third-party lines	27,120	7,502
Total	420,445	330,280

The "Purchases from participations" also includes the energy from the participation held by the State of Canton Ticino (hydroelectric works of Maggia SA, hydroelectric works of Blenio SA, Verzasca SA, Lugano).

22 Personnel Expenses

in CHF 1,000	2007	2006
Salaries and other wages	15,268	14,450
Social contributions	3,133	3,083
Other expenses	686	669
Recoveries from insurance companies	-221	-39
Total	18,866	18,163

The section "Other expenses" mainly includes travelling expenses and refreshment courses. Company's staff (situation at the end of the year):

	31.12.2007	31.12.2006
Permanent staff	161	154
Temporary auxiliary staff	4	3
Apprentices	10	9
Total	175	166

23 Amortisation / Depreciation for the period

in CHF 1,000	2007	2006
Amortization on fixed investments:		
• tangible	6,701	5,690
• intangible	66	66
• financial	249	451
Total	7,016	6,207

24 Extraordinary income

The extraordinary income for the 2006 and 2007 financial years can be ascribed to the transfer of fixed assets, including the transfer of Accagen SA (CHF 7.4 millions in 2007, against an investment of CHF 1.3 millions, depreciated in the previous years).

25 Extraordinary expenses

in CHF 1,000	2007	2006
Reserves for market risks and energy purchasing	8,000	8,000
Depreciation of ASG Power SA participation	4,671	0
Devaluation of advance - ASG Power SA	5,057	0
Devaluation of advance- Geopower Basel AG	696	1,800
Total	18,424	9,800

26 Supplementary information

Guarantees and other commitments in favour of third parties

in CHF 1,000	31.12.2007	31.12.2006
Guarantees	59,969	21,965
Postponed Credits	Token entry (pro memoria)	2,943

The debts guaranteed by suretyships amount to CHF 49.2 millions (CHF 22.0 millions as at 31.12.2006).

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

- CEG S.r.l. (Gavirate) and associated companies: EUR 33.7 millions (EUR 13.6 millions as at 31.12.2006).

- AET Idronord Srl: EUR 2.5 millions (new), of which EUR 0.5 millions are guaranteed by a financial institution that is a partner of AET.

Credit deferrals: token entry (pro memoria), on credit claimed vis-à-vis associated companies:

- ASG Power SA (nominal value CHF 4.7 millions, depreciated in the 2007 accounts; as at 31.12.2006: CHF 2.943 millions)

- GeoPowerBasel AG (nominal value CHF 2.5 millions, depreciated in the 2007 accounts by CHF 0.7 millions and in the 2006 accounts by CHF 1.8 millions). This is a new deferment of credit (as at 31.12.2006: -).

Events subsequent to the accounting date

2007 closing: underwriting of a long-term energy supply contract (20 years) with EDF (Electricité de France), starting 1.1.2008 and deposit

of an advance of EUR 82.7 millions in January 2008, financed with a long-term bank loan. 2006 closing: no significant event.

Total sum of guarantees issued by third parties in the interest of AET

In CHF 1,000	31.12.2007	31.12.2006
guarantees issued by third-parties	10,478	7,195

The guarantees have been issued by AET's corresponding banks, to our commercial counterparts

Miscellaneous commitments

Within the commercial activity with standardised products, no ongoing transaction was in place at the end of the financial year. As regards commitments towards shareholders or their promoters, please see the comments regarding ASG Power SA, Senco Holding SA, Geopower

Basel AG and Metanord SA. There are no further facts subject to mandatory publication according to CO 663b.

AUDITORS' REPORT

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

Bellinzona 29 August 2008

Dear Mr. Chairman,
Directors,

as an Auditors' Office and in application of the "Law instituting *Azienda Elettrica Ticinese*", we have audited the 2007 accounts.

We have read the Board of Director's report and the relevant proposal for the allocation of profits for the period as well the minutes of the same Board and we have checked that these correspond to the accounting entries.

Moreover, we have made spot checks to evaluate the correctness of the positions and the information on the annual statement of accounts.

Finally, we examined the auditor's report dated 8 May prepared by the company Ariaudit SA of Savosa, who explained their mandate in accordance with Articles 727b and 729a of the Code of Obligations.

At the end of our checks, we ascertained that:

- the annual statement of accounts (made up of the balance sheet, the profit and loss account, the attachment and the capital flow account), submitted to us and put forward for publication, matches the accounts;
- the accounting was undertaken in a regular way;
- the proposal of the Board of Directors, relating to the use of the reported profits, adheres to Articles 18 and 19 of the "Law instituting Azienda Elettrica Ticinese".

We have also read the consolidated annual statement of accounts of the group, certified by Ariaudit SA, with a report dated 27 May 2008.

On the basis of the considerations expressed therein, we propose:

- you approve the annual accounts for the year 2007, which closes with a yearly profit of CHF 12,946,468 and
- you accept the profit sharing proposal put forward by the Board of Directors.

Having acknowledged the existing further information from the Board of Directors and Management, relating to the financing and disinvestment in ASG Power, we propose you discharge the Board of Directors and Management for the 2007 operations, without prejudice to the reserve for a report to ASG Power.

Best regards,

The Auditors:
Aron Camponovo
Sergio Gianini
Gianluigi Piazzini



Consolidated Financial Group Statements

Consolidated balance sheet

31.12.2007

	Notes	31.12.2007	31.12.2006
ASSETS		In CHF 1'000	
Tangible fixed assets	1		
Lands and buildings		11,652	13,404
Operating Plants		121,207	104,655
Equipment and vehicles		1,456	1,428
Plant under construction		70,889	44,318
Financial fixed assets			
Securities	2	19,806	19,806
Participation in associated companies	3	5,561	5,616
Other Participations	4	32,636	23,213
Long-term financial assets	5	16,102	22,897
Intangible fixed assets			
Goodwill	6	736	1,477
Other intangible fixed assets	7	5,801	8,445
Fixed assets		285,846	245,259
Inventory		2,820	306
Credits from supplies and services	8	133,916	116,476
Other credits	9	13,481	9,424
Instalments and prepaid expenses	10	12,954	3,892
Cash and cash equivalents	11	31,304	27,198
Current assets		194,475	157,296
TOTAL ASSETS		480,321	402,555
LIABILITIES			
Endowment capital		40,000	40,000
Conversion differences		567	176
Retained Earnings		86,237	80,424
Equity attributable to AET group		126,804	120,600
Minority interests		4,214	1,746
Total Equity		131,018	122,346
Provisions	12	136,000	128,000
Financial debts	13	68,177	41,273
Customers advances	14	10,156	5,356
Long-term liabilities		78,333	46,629
Payables for the supply of energy	15	116,567	84,164
Other payables	16	6,996	14,247
Instalments and accrued expenses	17	11,407	7,169
Short-term liabilities		134,970	105,580
Liabilities and provisions		349,303	280,209
TOTAL LIABILITIES		480,321	402,555

Consolidated Income Statement

for the financial year ending 31.12.2007

	Notes	2007	2008
		in CHF 1,000	
Operating Income			
Gross revenue	18	889,465	621,662
./. Standardised products Revenue	18	-405,543	-231,337
Net Revenue	18	483,922	390,325
Other operating incomes		25,998	13,708
		509,920	404,033
Operating costs			
Energy Purchased	19	420,445	330,280
Personnel Expenses	20	19,152	19,330
Services and material		20,699	13,287
Amortisation and depreciation of tangible fixed assets	1	6,900	5,869
Amortisation and depreciation of intangible fixed assets		320	303
Amortisation and depreciation of goodwill	6	216	370
Other Operating expenses	21	17,816	18,165
		485,548	387,604
Operating profit		24,372	16,429
Finance income	22	2,626	3,017
Finance expenses	23	-1,819	-1,223
Costs/income from participation in associates		-29	758
Depreciation financial fixed assets	24	-945	-2,251
Non-operational income		347	297
Non-operational expenses		-3	-190
Profit on ordinary activities		24,549	16,837
Profit from alienation on tangible fixes assets		9	33
Profit from alienation of participation	25	7,819	1,125
Extraordinary income		433	10
Extraordinary expenses	26	-18,780	-8,024
Profit before taxes		14,030	9,981
Current taxes on profit		-61	-16
Group operating profit		13,969	9,965
Minority interests		44	149
Company's relevant operating profit		14,013	10,114

Consolidated Cash Flow Statement

for the financial year ending 31.12.2007

	2007	2006
	In CHF 1,000	
Cash and cash equivalents at start of financial period	27,198	58,195
Group operating profit	13,969	9,965
Amortisation	7,436	6,542
Amortisation financial fixed assets	10,422	2,251
Income from participations in associates	29	-758
Profit from alienation on tangible fixed assets	-9	-33
Profit from alienation of participation	-7,819	-1,125
Increase of provisions	8,000	8,000
Conversion differences	98	8
CONSOLIDATED CASH FLOW	32,126	24,850
Variation on:		
- current assets	-34,338	-41,558
- current liabilities	32,278	33,912
Cash flow from operations	30,066	17,204
Net investments in tangible fixed assets	-46,070	-29,022
Net investments in intangible fixed assets	-3,331	-7,213
Sales / unconsolidation of participations consolidated with the full consolidation method, after transferral of liquid assets	6,816	-
Net investments in financial fixed assets	-10,924	-16,821
Cash flow from investments activities	-53,509	-53,056
Transfer to the AET Early Retirement Foundation	-	-2,800
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-5,000	-15,000
Long-term loans	33,034	25,340
Variation of minority interests	2,715	515
Cash flow from financing activities	27,549	4,855
Total Cash flow	4,106	-30,997
Cash and cash equivalents at the end of the period	31,304	27,198

The 2007 consolidated capital flow account considers the net effect on the consolidated liquid assets arising from the deconsolidation of ASG Power SA and of Accagen SA as well as from the sale of the latter in the item "Sales /deconsolidation of participations consolidated with the full consolidation method, after transferral of liquid assets". Said deconsolidation should also be considered when comparing the balance sheet items of the 2007 and 2006 financial years.

Variation of the consolidated equity

for the financial year ending 31.12.2007

The table below shows the variations of the consolidated shareholder's equity for the financial years ending 31 December 2006 and December 2007:

	Endowment capital	Conversion differences	Profit reserves	Company's relevant equity capital	Minority interests	Group equity capital
in CHF 1,000						
Balances at 1.1.2006	40,000	7	88,508	128,515	1,335	129,850
State Interests on capital	-	-	-3,200	-3,200	-	-3,200
State bonus	-	-	-15,000	-15,000	-	-15,000
Conversion differences	-	169	-	169	47	216
Variations of the consolidation circle	-	-	2	2	513	515
Profit	-	-	10,114	10,114	-149	9,965
Balances at 31.12.2006	40,000	176	80,424	120,600	1,746	122,346
State interest on the capital	-	-	-3,200	-3,200	-	-3,200
Distribution of profits 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
Profits	-	-	14,013	14,013	-44	13,969
Balances as at 31.12.2007	40,000	567	86,237	126,804	4,214	131,018



Annex to the consolidated financial statements

Principles for the presentation of the consolidated annual statement of accounts

AET Azienda Elettrica Ticinese, Bellinzona (the "Parent Company") drafted the first group accounts in relation to the closing of 31 December 2006.

The AET annual consolidated group statement of accounts has been drafted by combining the values underlying 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 intergroup balances and transactions.

1. Consolidation principles

1.1 Consolidated companies through the net assets method

The company annual group statements include, in addition to the Holding's annual statements, the annual statements

converted in CHF of the following Swiss and foreign companies that the AET directly or indirectly control and administrate ("the Group"), through the line-by-line method:

Participation*	Currency	Nominal capital	Owner	% of voting	% of capital
SPE	CHF	1,000,000	AET	100	100
Idronord	EUR	1,000,000	SPE	90	90
CEG	EUR	100,000	SPE	50	50
CRB	EUR	10,000	SPE	100	100
CMC	EUR	20,000	SPE	100	100
Octad	CHF	100,000	SPE	50	50
BEO	EUR	50,000	CEG	80	80
BEG	EUR	100,000	CEG	50	50
BES	EUR	50,000	CEG	80	80

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

Throughout 2007, for the first time, the following associated companies have been consolidated: CMC, Octad, BEG and BES.

During the 2007 financial year the AET Group has decided to deconsolidate ASG Power, because the single management principle ceased to apply. In the accounts of the Participations, this participation has been brought down to a CHF 1 token entry (pro memoria), in accordance with the principle of prudence.

The shareholding in Accagen was sold in 2007, which involved its deconsolidation.

The associated companies SPE, Idronord, CMC and CRB are controlled by AET, and respectively by SPE, through the ownership of majority voting rights.

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

All the associated companies closed the accounts on 31 December 2007. For participation in which AET, and SPE, do not hold 100%, the participation's capital share and that of the economic result of the associated companies pertaining to the minority shareholders has been shown separately in the appropriate items of the consolidated balance sheet and of the consolidated Profit and Loss Statements.

The shareholder's equity at the time of the purchase is eliminated against the purchase cost of the shareholding any resulting positive

difference in consolidation is treated as goodwill, accounted and depreciated over a period of 5 years.

The transactions between companies of the Group have taken place at market conditions ("at arm's length").

All significant balances and transactions between the companies of the Group have been eliminated in the process of consolidation. During the 2007 and 2006 financial years there were no unrealised intra group profits.

1.2 Societies evaluated following the equity method

The shares owned in the following affiliated companies, on which AET exerts a significant influence but does not have single management, are entered into the AET consolidated group accounts, valuing them on the basis of the equity method (recording of the share of the Shareholder's equity and of the share of the result, with neutral treatment of the differences due to exchange rate changes).

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

Participation*	Currency	Nominal capital	Owner	% of vote	%of capital
ALE Airlight ¹	CHF	2,000,000	AET	20.00	20.00
Calore ²	CHF	2,000,000	AET	49.10	49.10
Metanord	CHF	11,334,000	AET	29.42	29.42
Quadra ³	EUR	20,000	SPE	50.00	50.00
Swisshydro	CHF	500,000	AET	35.00	35.00
Senco Holding	CHF	150,000	AET	50.00	50.00
Nord Energia	EUR	200,000	SPE	40.00	40.00
PurEnergy ⁴	EUR	100,000	SPE	20.00	20.00
RenInvest ⁵	CHF	600,080	SPE	20.00	26.66

*for the full company title, address and purpose of the associated companies please see the Appendix.

Changes during the 2007 financial year:

- 1 at the beginning of 2007 AET purchased a share of 20% in the company.
- 2 as agreed, AET disposed of a share equal to 0.25% to Termogamma SA.
- 3 Participation purchased at the end of the year through SPE, included within the Group CEG.
- 4 SPE disposed of a share of 15% of the voting rights and capital.
- 5 SPE disposed of a share of 15% of the voting rights and 20% of the capital.

1.3 Other participations

The remaining participations are all owned directly by AET, except KW Mattmark, owned through an agreement with EGL, and BEC Srl, owned through CEG.

They are shown among the financial fixed assets in the entry "Other participations", valued at the historical cost minus any losses of value.

Participation*	Currency	Nominal capital	% of vote	% of capital
AKEB	CHF	90,000,000	7.00	7.00
GeoPower	CHF	5,989,000	4.88	4.88
KW Mattmark	CHF	90,000,000	0.00	8.41
TeleTicino	CHF	4,950,000	8.09	11.03
TPK mbH&Co. KG	EUR	55,907,271	Pm ¹	15.76 ²
BEC Srl	EUR	100,000	70.00	70.00
ASG Power SA ³	CHF	1,000,000	50.00	50.00

*for the full company title, address and purpose of the associated companies please see the Appendix.

Notes/Changes during the 2007 financial year:

- 1 Every shareholder has the right to one vote, independently of their share of power in the plant.
- 2 The share refers to the power (MW) subscribed by AET out of the total power of the plant.
- 3 ASG Power has been deconsolidated.



2. Foreign currency annual statements' conversion

The annual group statements are expressed in 1,000 CHF. Assets and liabilities of the foreign subsidiaries are converted using the exchange rate in force at the closing date. The profit and loss statements' conversion is made using the year average exchange

rates. The ensuing conversion differences are directly included in the equity capital under a special item called "Conversion differences".

	2007	2006
Exchange rate at the closing date on 31.12	1.655	1.609
Average exchange rate	1.649	1.573

3. Accounting principles

The Group's statements on December 31 2007 and 2006 is essentially composed of the Holding's assets and liabilities, expenses and revenues. The most significant accounting principles adopted by AET are listed here below. The abovementioned principles are unchanged compared to the ones adopted in 2006. The accounting principles of the consolidated participations do not differ significantly from the Holding's ones. The Holding AET is not subjected to taxes. The remaining consolidated societies have to pay taxes in accordance with the ordinary legislation of the countries where they have their legal venue.

Tangible fixed assets

The tangible installations are included on the ground of their purchase or construction prices minus their technical and economic amortizations. Amortizations are regularly calculated and they imply the installations' technical duration generally accepted in this field. Lands are not amortized (they can only be amortized in case of loss in value). Buildings are activated at the purchase price like the operating installations. The operating equipments are amortized on the ground of their technical durations. The installations under construction are included in the balance sheet at the costs of construction according to the progress of the works. During construction, no amortization is calculated (unless necessary) and no interest is capitalised. The min/max durations of amortization for each single category of tangible assets are the following:

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

Financial fixed assets

The other participations are included at purchase price, corrected in case of loss in value, as a matter of caution. Securities are evaluated at the end-of-year exchange rates and are included in the fixed assets as they are construed as long-term investments. Long-term advances in foreign currencies are converted at the end-of-year rates if their amounts are lower than their historic costs.

Intangible fixed assets

Transit rights are bought in order to ensure the distribution on-to installations belonging to third parties. Amortizations are calculated on the ground of the contractual agreements on the installations' technical duration. The other intangible assets are evaluated at the most expensive purchase price and they are regularly amortized on the ground of their duration. The installations under construction are included at the costs of construction, according to the progress of works. During construction, no amortization is calculated (unless necessary).

Credits for power supplies and other credits

Credits are included in the annual statements at the nominal value, taking account of a possible risk of loss. Credits in foreign currency are converted at the end-of-year rate.

Cash and Cash Equivalents

The liquidity is included at its nominal value. Cash, assets of post and bank and blocked bank accounts with less than six-month duration are included in this section.

Provisions

Provisions are partially used to meet requests from third parties, whose expiries and amounts are not easily measurable. They also include amounts used to decrease the power supply cost in case of not favourable increases on the market.

Third party capital

All debts are included at nominal value. The debts in foreign currency are converted at the end-of-yea rate.

Social insurance

The AET is affiliated to an insurance institution together with other companies of the same field. It is an independent insurance institution

from the legal point of view organized following the defined-benefit method. All workers employed by our company from 1 January next to their 17 birthday are members of this social insurance. They are ensured against the risks of death and disability. From 1 January next to their 24 birthday they are also insured for old-age benefits. The company pays fixed premiums and did not take commitments for further contributions: in this way, our society does not hold any risk, and the social insurance plan is conceived on the ground of the contribution plan. In order to privilege the early retirement of our employees, the company is affiliated to the "AET's Fund for the early retirement of the employees". In this case too, our sole commitment is to respect the annual fixed premiums and we do not have further contributions.



Note to the Consolidated financial group statements

1 Tangible fixed assets

	Lands and buildings	Operating Plants	Equipments vehicles	Plants under constructions	Total
	In 1.000 CHF				
Cost values as at 31.12.2006	21,349	423,676	7,598	45,591	498,214
Variation of the circle consolidation	-1,403	-60	-309	3,485	1,713
Net investments	69	491	510	48,534	49,604
Carryovers	-187	22,227	216	-22,256	0
Investment disposals	0	-3,648	-470	-4,465	-8,583
Cost values as at 31.12.2007	19,828	442,686	7,545	70,889	540,948
Total amortisation 31.12.2006	-7,927	-318,960	-6,170	-940	-333,997
Variation of the circle consolidation	0	14	81	0	95
Amortisation	-314	-6,116	-470	0	-6,900
Disposal	0	3,648	470	940	5,058
Carryovers	65	-65	-	-	0
Total amortisation 31.12.2007	-8,176	-321,479	-6,089	0	-335,744
Total amount at 31.12.2006	13,422	104,716	1,428	44,651	164,217
Conversion differences	-18	-61	-	-333	-412
Total amount at 31.12.2006	13,404	104,655	1,428	44,318	163,805
Total amount at 31.12.2007	11,652	121,207	1,456	70,889	205,204

The value of the fire insurance of the consolidated tangible fixed assets amounts to CHF 657.60 millions (2006: CHF 625.60 m illions)

2 Securities

The sum represents the subscription cost for 1,274 shares of EUR 10,000 at the historical cost (unchanged from the previous year) and without recording foreign currency conversion gains. Renewable Energy Investments SPC (www.rei.ky) is a company under REInvest SA, used as a financial vehicle to collect the necessary assets to finance the construction and management of wind power systems.

3 Participation in associated companies

31.12.2007	Equity Capital	% Capital 31.12	Group relevant equity capital	Purchase price	AET's share for 2007 profit
Company	In 1,000 CHF				
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	0	45	-18
REnInvest	2,035	26.66	542	160	0
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

Metanord: The difference on the purchase cost between 2006 and 2007 is given by a revenue of CHF 392,000 paid by the new shareholder as a surcharge on their shareholding.

Nord Energia: the differences due to exchange rate changes on the shareholder's equity CHF (4,000) was recorded neutrally.

PurEnergy: the data are based on the last annual statement of accounts available, 2006. The share of 15% was transferred at the value of the shareholder's equity. The value of the shareholder's equity pertaining to the Group was annulled on the basis of the equity auditing principle, where there is negative capital. The total 2006 loss For AET amounts to CHF (84,000); the share of the 2007

result shown in the table above, only represents the sum necessary to annul the value of the associated companies.

REnInvest: the data are based on the last annual statement of accounts available, 2006. Throughout 2007 a share capital of 20% was sold; the difference between the sale price and the shareholder's equity transferred was recorded as a profit from the sale of the shareholding (see note 25).

Senco and ALE Airlight: the value shown in the cost value column represents the shareholder's equity share purchased. The total price, and the goodwill purchased is shown in note 6.

31.12.2006	Equity Capital	% Capital 31.12	Group relevant equity capital	Purchase price	AET's share for 2006 profit
Company	In 1,000 CHF				
Calore	1,924	49.35	949	987	4
Metanord	10,364	29.42	3,049	3,477	14
Nord Energia	397	40.00	159	193	-20
PurEnergy	117	35.00	41	7	-16
REnInvest	2,035	46.66	949	280	657
Swisshydro	875	35.00	306	175	123
BEG	150	50.00	75	80	-6
Senco	112	50.00	56	56	2
CMV	32	100.00	32	32	-
Totale			5,616	5,351	758

4 Other participations

PURCHASE PRICE

Company	Balance 01.01.2007	Takeovers	Disposals / Reclassification	Variations of the consolidation circle	Balance 31.12.2007
in CHF 1,000					
AKEB	6,300	-	-	-	6,300
GeoPower	200	92	-	-	292
KW Mattmark	14,000	-	-	-	14,000
Tele Ticino	546	-	-	-	546
TPK mbH&Co.	3,415	9,668	-	-	13,083
AET Solar Hellas	95	-	-95	-	-
BEC	0	116	-	-	116
ASG ¹	0	-	-	5,057	5,057
ASG Albania	125	-	-	-125	-
UNIVA Partecipazioni SpA	0	16	-	-	16
	24,681	9,892	-95	4,932	39,410

PROVISIONS FOR DEVALUATION

Company	Balance 01.01.2007	Dvaluations	Decreases	Variations of the consolidation circle	Balance 31.12.2007
in CHF 1,000					
GeoPower AG	200	92	-	-	292
KW Mattmark	628	157	-	-	785
Tele Ticino	546	-	-	-	546
TPK	94	-	-	-	94
ASG ¹	0	-	-	5,057	5,057
	1,468	249	-	5,057	6,774
Total	23,213				32,636

¹ See note on deconsolidation of ASG Power SA.



5 Long-term financial assets

in CHF 1,000	31.12.2007	31.12.2006
To third-parties		
Advance to Trianel European Energy Trading GmbH	7,762	-
Advance to EGL Laufenburg AG	6,567	7,669
Advances to suppliers of installations	940	7,525
	15,269	15,194
To affiliates' participations		
Senco Holding SA	20	-
CEL Campo ValleMaggia SA ¹	210	310
CEL Cerentino SA ¹	603	670
CMC Srl	-	3,484
BEG Srl	-	965
	833	5,429
To other participations		
AET Photovoltaic S.E. SA	-	959
GeoPower AG	2,496	1,800
- Provision for depreciation	-2,496	-1,800
ASG Power SA	4,671	-
- Provision for depreciation	-4,671	-
Other societies		
Laborex SA	-	1,287
Other ASG shareholders	-	28
	-	2,274
Total	16,102	22,897

¹ CEL Campo Vallemaggia and CEL Cerentino have been considered within the associated companies because AET holds 50% of Senco Holding SA, which is a 20% shareholder in said companies.

6 Goodwill

Throughout 2007 the following company transactions were carried out with an effect on the goodwill (see note 3):

31.12.2007	Senco Holding SA	ALE Airlight Energy SA	Totale
	In 1,000 CHF		
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

31.12.2006	Senco Holding SA	ASG Power SA ¹	Total
	In 1,000 CHF		
Purchase price	699	1,704	2,403
Acquired equity capital	-56	-500	-556
Goodwill	643	1,204	1,847
Annual amortisation of 20% on the goodwill	-129	-241	-370
Net value as at 31.12.2006	514	963	1,477

¹ See notes on deconsolidation of ASG Power SA

7 Other intangible fixed assets

The other intangible fixed assets are made up as follows (in brackets is the company in whose accounts the relative intangible assets have been entered):

in CHF 1,000	31.12.2007	31.12.2006
Progetto AG&P Albania (ASG) ¹	-	4,963
Goodwill on purchasing commercial branch (CEG)	1,746	853
Down payment to purchase of hydroelectric operating licences (AET Idronord)	1,683	805
Down payment to purchase hydroelectric operating licences (AET Idronord)	1,538	541
Installations rights of use (AET)	398	437
Development & research costs (Accagen) ¹	-	298
Other (other societies)	436	548
Total	5,801	8,445

¹ See note on deconsolidation

8 Credit from supplies and services

in CHF 1,000	31.12.2007	31.12.2006
Geographic division:		
Ticino	41,009	42,063
Switzerland	16,420	14,630
Foreign countries	76,487	59,783
Total	133,916	116,476

9 Other credits

in CHF 1,000	31.12.2007	31.12.2006
To third-parties		
Bundesamt für Informatik	-	529
Alptransit Gotthard	1,614	-
Works in progress	1,423	1,926
Advance to EGL	1,073	1,073
AFC	1,098	-
Italian Treasury ¹	6,049	-
Other	1,371	4,733
	12,628	8,261
To affiliated participations		
Nord Energia SpA	-	202
To other participations		
KW Mattmark AG, dividend	341	341
To other societies		
Other shareholders of ASG Power	-	450
Laborex SA	50	170
AET Solar Hellas SA	462	-
	853	961
Total	13,481	9,424

¹Position referring to credits of the Group CEG, Idronord and CMC vis-à-vis the Italian treasury, arising from VAT payments on investments. The credit will be paid for with the VAT due in the periods 2008 and subsequent.

10. Instalments and prepaid expenses

in CHF 1,000	31.12.2007	31.12.2006
To third-parties		
Initial leasing fee and interest	3,969	-
Advanced for auction	3,252	1,742
Energy to be invoiced	2,730	-
Other	2,904	2,150
	12,855	3,892
To other participations		
Mattmark	32	-
To other societies		
Laborex SA	16	-
AET Solar Hellas SA	51	-
	99	-
Total	12,954	3,892

11. Cash and cash equivalents

The total amount is freely available, except the sum of CHF 1,489,870 (2006: 1,239,469), deposited as security on a foreign bank account, to cover commercial transactions in Austria and Germany.

All the liquid assets can be found on current accounts, except for a sum of CHF 1.4 millions (as at 31.12.2006 CHF 4.5 millions), deposited on (short-term) accounts.



12 Provisions

in CHF 1,000	31.12.2007	31.12.2006
Market risks and electric power provision	66,000	58,000
Installations' conversion	55,000	55,000
Support for alternative sources of energy	3,000	3,000
Other	12,000	12,000
Total	136,000	128,000

13 Financial debts

In CHF 1,000	31.12.2007	31.12.2006
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	-
Other	2,797	2,588
	62,797	37,588
Towards other close companies		
Laborex SA	4,304	2,785
Other shareholders of the Group CEG	1,076	-
Other shareholders of ASG Power SA	-	900
	5,380	3,685
Total	68,177	41,273

14 Customers advanced

in CHF 1,000	31.12.2007	31.12.2006
Alptransit Gotthard AG – Other advances	9,134	4,334
State of Canton Ticino – deposit on installations' supply	1,022	1,022
Total	10,156	5,356



15 Payables for the supply of energy

in CHF 1,000	31.12.2007	31.12.2006
Geographic division:		
Ticino	1,022	1,786
Switzerland	36,285	25,444
Foreign countries	79,260	56,934
Total	116,567	84,164

16 Other payables

in CHF 1,000	31.12.2007	31.12.2006
To third parties:		
Banca dello Stato del Canton Ticino loan	-	5,000
Other	6,694	6,123
	6,694	11,123
To other participation:		
BEC Srl	88	-
TPK mbH&Co. KG	-	2,657
To other companies		
Senco Holding promoter	200	-
Laborex SA	14	467
	302	3,124
Total	6,996	14,247

17 Instalments and accrued expenses

in CHF 1,000	31.12.2007	31.12.2006
Power supply	5,056	2,251
Amount due to and from employees	2,355	2,220
Other	3,996	2,698
Total	11,407	7,169

18 Revenue

In CHF 1,000	2007	2006
Energy sales in Ticino	174,856	179,530
Energy sales in Switzerland	96,079	90,911
Energy sales in foreign countries	613,193	345,523
Third party power transits	5,003	550
Decrease in revenues	-62	-125
Other	396	5,273
Gross revenue	889,465	621,662
./. Standardised products Revenue	-405,543	-231,337
Net Revenue	483,922	390,325

The Volume of CHF 405,543,000 (CHF 231,337,000 in 2006), corresponds to the cost of the standardised products sold over the financial year. These are energy buying and selling transactions on the market, as well as energy exchanges agreed bilaterally with one or two counterparts.

The item "Other" shown in the detail of the 2006 turnover represents the turnover of the associated companies, partly deconsolidated in 2007. Starting from 2007 all operating revenues achieved by AET's associated companies consolidated with the full consolidation method have been shown among the other revenues, since they cannot be directly ascribed to sale of electricity.

19. Energy purchased

in CHF 1,000	2007	2006
Purchases outside Ticino, net	347,017	277,745
Purchases from participations	42,737	41,446
Other purchases in Ticino	3,571	3,587
Transit on others, long-distance power lines	27,120	7,502
Total	420,445	330,280

The "Purchases from shareholdings" also include the energy derived from the shares held by the State of Canton Ticino (Hydroelectric works of Maggia SA, hydroelectric works of Blenio SA, Verzasca SA).

20 Personnel Expenses

in CHF 1,000	2007	2006
Salaries and other wages	15,471	15,494
Social contributions	3,207	3,224
Other expenses	695	690
Recoveries from insurance companies	-221	-78
Total	19,152	19,330

The staff is composed as follows:

	31.12.2007	31.12.2006
Permanent staff	165	165
Auxiliary staff	4	6
Apprentices	10	9
Total	179	180

21 Other operating expenses

in CHF 1,000	2007	2006
Government Water fees	9,087	9,087
Local taxes and any other contributions	2,046	2,010
Commercial costs	4,246	3,065
Administration costs	1,402	1,916
Other expenses	1,035	2,087
Total	17,816	18,165

22 Financial income

in CHF 1,000	2007	2006
Dividends from EGL participations	341	514
Dividends from REI SPC long-term securities	424	-
Interest receivable	1,571	1,861
Other	290	642
Total	2,626	3,017

23 Finance expenses

in CHF 1,000	2007	2006
Interest payments	1,605	1,008
Other	214	215
Total	1,819	1,223

24 Depreciation of financial fixed assets

in CHF 1,000	2007	2006
Devaluation of the following other participations from the Azienda Elettrica Ticinese:		
- GeoPower AG	92	200
- KW Mattmark AG	157	157
- TPK mbH&Co. KG	-	94
Devaluation of the advances granted by AET to GeoPower AG	696	1,800
Total	945	2,251

25 Profit from alienation participations

in CHF 1,000	2007	2006
Profit from sale of Accagen, including economic effects of deconsolidation	7,658	-
Profit from sale of 20% of the capital of RenInvest ¹	128	-
Profit from sale of AET Solar Hellas SA	33	-
Profits from sale of Exergia	-	1,125
Total	7,819	1,125

¹ See note 3.

26 Extraordinary expenses

in CHF 1,000	2007	2006
Provisions for market and energy procurement risks	8,000	8,000
Write-off of share value in ASG Power, before the effects of deconsolidation	4,806	-
Write-off of value of advances to ASG Power	4,671	-
Other costs	1,303	24
Total	18,780	8,024

27 Complementary information

Leasing

In CHF 1,000	31.12.2007	31.12.2006
Debt for leasing not included in the balance sheet	54,499	20,699

The leasing debts not entered into the accounts almost entirely relate to financial lease agreements drawn up by the Group CEG and by AET Idronord, in relation to production plants and the relevant buildings.

Events subsequent to the accounting date

2007 closing: underwriting of a long-term energy supply contract (20 years) with EDF (Electricité de France), starting 01.01.2008 and

Surety ships of about CHF 59.9 millions (EUR 36.2 millions; in 2006: EUR 13.6 millions) have been issued by AET to financial institutions to cover the loans granted to the Group CEG and AET Idronord and represent, from a consolidated point of view, the surety ships granted in relation to the commitments of consolidated companies.

deposit of an advance of EUR 82.7 millions in January 2008, financed with a long-term bank loan. 2006 closing: no significant event.

Total sum of guarantees issued by third parties in the interest of AET

In CHF 1,000	31.12.2007	31.12.2006
guarantees issued by third-parties in the interest of AET	10,478	7,195

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

Miscellaneous commitments

Within the commercial activity with standardised products, no ongoing transaction was in place at the end of the financial year. As regards commitments towards shareholdings or their promoters, we note the following positions:

Metanord SA: the company has plans for about CHF 120 millions of investments, to be financed with capital increases and bank credit. AET will participate with direct loans and guarantees up to CHF 35 millions (commitment unchanged from 31.12.2006, Legislative Decree dated 18 October 2006).

Senco Holding SA: upon achieving further contractually agreed objectives, the shareholders will have to pay the promoters of Senco Holding SA a further surcharge (the residual commitment of AET is set at CHF 550,000 as at 31.12.2007; CHF 683,334 as at 31.12.2006).

ASG Power SA: when further contractually agreed objectives have been achieved, AET would have had to pay the promoters a final surcharge of USD 1 millions (as at 31.12.2006, maximum of USD 4 millions).

GeoPower Basel AG: The shareholders of GeoPower Basel AG drew up an agreement committing them to depositing the necessary assets to the company, both in the form of capital increases, and in the form of loans. AET's future commitments amount to a maximum of CHF 132,000 (31.12.2006: CHF 920,000).

There are no further facts subject to mandatory publication according to CO 663b

Appendix

Abbreviated name	Full name	Location	Scope
Idronord	AET Idronord S.r.l.	Omegna - IT	Construction and management of hydroelectric power stations
AKEB	AKEB AktienGesellschaft fur Kernenergie - Beteiligungen AG	Lucerne - 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 (liquefied gas) and pipelines
BEC	Bio Elettricità Castellanza S.r.l.	Castellanza - I	Construction of biofuel plant in Castellanza
BEG	Bio Elettricità Guarcino S.r.l.	Guarcino - I	Construction of biofuel plant in Guarcino
BEO	Bio Elettricità Occimiano S.r.l.	Occimiano - I	Production, trading of electricity
BES	Bio Elettricità Sibari S.r.l.	Sibari - I	Construction of biofuel plant in Sibari
Calore	Calore SA	Locarno - CH	Production of heat/refrigeration
CEG	Calore Elettricità Gas S.r.l.	Gavirate - I	Production of electrical and thermal energy
CMC	Cavo Mendrisio-Cagno S.r.l.	Gavirate - I	Management of Cavo Mendrisio-Cagno line
CRB	CRB S.r.l.	Gavirate - I	Energy trading
GeoPower	GeoPower AG	Basel - CH	Activity linked to geothermal energy
KW Maltmark	Kraftwerke Maltmark AG	Saas Grund - CH	Sub-participation through EGL. Electricity production
Metanord	Metanord SA	Bellinzona - CH	Construction of gas supply plants
Nord Energia	Nord Energia S.p.A.	Milan - I	Construction of structures for transporting electricity to and from abroad
Octad	Octad SA	Lugano - CH	Trading of vegetable oils
PurEnergy	PurEnergy Holding Luxemburg SA	Luxembourg - L	Acquisition of shareholdings, licences, etc. of companies operating in the energy sector
REnInvest	REnInvest SA	Chiasso - CH	Promotion of opportunities for investment for the exploitation of renewable energy
Senco	Senco Holding SA	Locarno - CH	Assumption of shareholdings in the hydroelectric and small-scale energy sector
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	Trianel Power Kohlekraftwerk mbH&Co. KG Aachen - D		Production and trading of energy from a coal-fired power station

Auditors' report
on the Group accounts
to the Board of Directors of
AZIENDA ELETTRICA TICINESE
6500 BELLINZONA

As Group accounts auditors we have audited the consolidated annual statement of accounts (Balance sheet, Profit and Loss Account and attachment) of AZIENDA ELETTRICA TICINESE - BELLINZONA for the financial year ending 31 December 2007

The Board of Directors is responsible for preparing the consolidated annual statement of accounts, whilst our task is to audit it and express an opinion on it. We hereby confirm that we will meet the legal requirements relating to professional qualification and impartiality.

Our audit was made in accordance with the standards of the Swiss Principles of Auditing, which require it to be designed and undertaken so that significant anomalies in the consolidated annual statement of accounts can be identified with an acceptable degree of certainty. We have audited the position of the consolidated annual statement of accounts by means of analytical procedures and sample auditing. We have also judged the application of the determinant accounting principles, the significant auditing decisions, as well as the presentation of the overall annual statement of accounts. We believe our audit is an adequate basis for our opinion.

In our judgement, the presentation of the consolidated annual statement of accounts complies with the Swiss legal provisions.

We recommend the consolidated annual statement of accounts submitted to you be approved.

Savosa, 27 May 2008

ARIAUDIT SA

G. Gozzoli

R. Sala



Company Officers

Board of Directors

Dell'Ambrogio Mauro* (up to 31 .12.2007)	Giubiasco
Leidi Fausto**	Lugano
Bacchetta Cattori Fabio	Minusio
Carobbio Marina (up to 11.12.2007)	Lumino
David Roland	Faido
Di Stefano Alberto (from 12.12.2007)	Breganzona
Foletti Michele	Lugano
Gobbi Norman	Quinto
Lardi Adelio (up to 31 .12.2007)	Cadempino
Lombardi Sandro (from 1.1.2008)	Salorino
Masoni Marina (up to 2.4.2007)	Lugano
Netzer Marco (from 6.11.2007)	Breganzona
Pedrina Fabio	Aitolo
Romerio Rranco	Bodio
Terrier Simon (from 1.1.2008)	Vacallo

* Chairman up to 21.12.2007

** Chairman from 21.12.2007



Audit office

Camponovo Aron (from 11.3.2008)	Chiasso
Gianini Sergio	Prato Leventina
Piazzini Gianluigi	Gentilino
Terrier Simon (up to 31.12.2007)	Vacallo

Deputy auditor

Paglia Erto	Faido
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Trust company

Ariaudit SA	Savosa
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Management

Rossi Paolo, CEO (until 31.8.2007)	Lugano
Brunett Reto, CEO (from 1.9.2007)	Schattdorf
Nauer Claudio, deputy manager	Mendrisio
Pronini Roberto, deputy manager	Camorino



Statistical Information

Ticino's production in GWh

	Winter	Summer	Year	2006
Biaschina	101	217	318	256
Piottino	91	151	242	202
Stalvedro	14	27	41	42
Tremorgio	4	2	6	3
Ponte Brolla	2	6	8	10
Lucendro	30	12	42	82
Verzasca	65	137	202	143
Morobbia	10	20	30	31
Giumaglio	5	13	18	19
Ticinetto	1	8	9	8
Press	5	7	12	11
Ceresa	4	7	11	8
Calcaccia	4	9	13	10
Minor stations + private producers	12	20	32	27
Partial total	348	636	984	852
Maggia	606	773	1,379	713
Blenio	260	463	723	540
GENERAL TOTAL	1,214	1,872	3,086	2,105

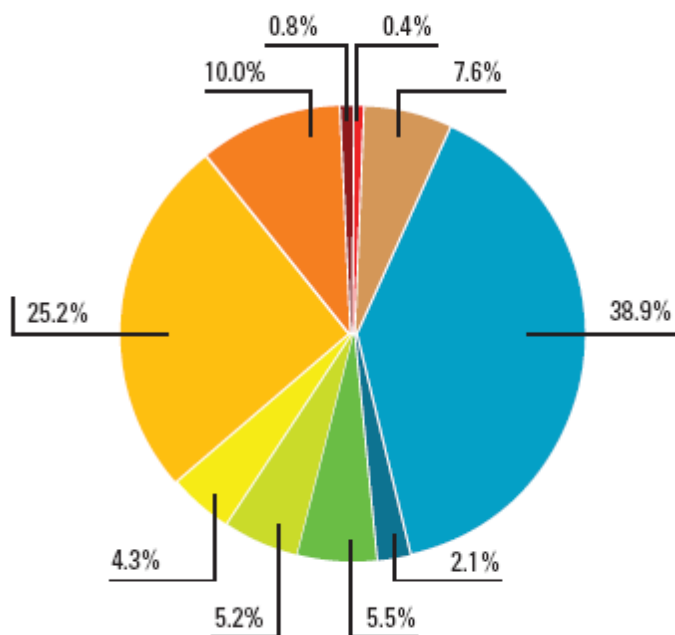
The production from existing plants in Ticino throughout 2007 (minus the pumping energy and excluding the FFS [Swiss Federal Railways?]) increased by 47%; and was equal to 94% of the multiannual average.

Cantonal supply in GWh

	Winter	Summer	Year	2006	Increase %
AIL Lugano SA	562.7	477.0	1,039.7	1,036.9	0.3%
AEM Massagno	33.2	23.7	56.9	57.6	-1.2%
AIM Mendrisio	78.8	68.5	147.3	143.9	2.4%
AMS Stabio	69.3	69.2	138.5	132.7	4.4%
AGE Chiasso SA	61.3	54.3	115.6	115.3	0.3%
SES Locarno SA	390.3	282.5	672.8	711.5	-5.4%
AMB Bellinzona	144.7	121.4	266.1	266.4	-0.1%
AEC Airolo	12.7	8.9	21.6	21.6	0.0%
CE Faido	5.9	4.3	10.2	10.9	-6.4%
TIMCAL SA	61.5	64.8	126.3	125.0	1.0%
Alpransit	24.7	20.2	44.9	73.0	-38.5%
SSC + others	16.2	16.6	32.8	30.9	6.1%
	1,461.3	1,211.4	2,672.7	2,725.7	-1.9%

Electrical power consumption in the Canton decreased by 1.9% (- 2.0% in winter, - 1.8% in summer)

AIL Lugano SA
AEM Massagno
AEC Mendrisio
AEC Stabio
AGE Chiasso
SES Locarno
AMB Bellinzona
AEC Airolo
CE Faido
Clients finali AET



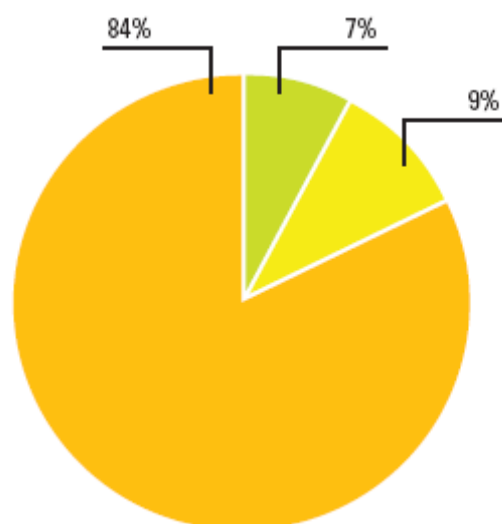
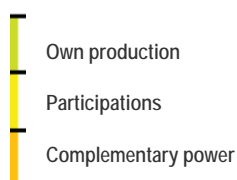
Production and withdrawal (in MWh)

		Winter	Summer	Year	2006
Own production	Stalvedro	14,266	26,724	40,990	42,024
	Tremorgio	3,570	2,080	5,650	3,018
	Piottino	90,884	151,296	242,180	202,169
	Biaschina	100,997	216,701	317,698	256,163
	Ponte Brolla	2,387	5,523	7,910	10,182
	OFIMA payment	7,216	38,256	45,472	38,768
	Photovoltaic	155	226	381	287
				660,281	552,611
Participations	Verzasca	65,234	136,472	201,706	143,297
	Blenio	56,668	99,133	155,801	107,777
	Maggia	56,827	81,740	138,567	83,104
	Mattmark	37,820	20,908	58,728	53,292
	AKEB (nuclear)	192,588	175,650	368,238	353,343
	KKL (nuclear)	7,416	6,619	14,035	14,068
				937,075	754,881
Complementary power ²	Purchase ¹	4,413,293	3,973,010	8,386,303	5,957,246
	Exchange power	9,035	5,475	14,510	10,920
			8,400,813	5,968,166	
TOTAL		5,058,356	4,939,813	9,998,169	7,275,658

¹ The purchase includes 389 million kWh for the Italian market in 2007 and 386 million kWh for 2006.

² Of which about 4.797 million kWh (3.190 million kWh in 2006) standardised products.

Hydroelectric production, including participations and compensations, was 1,215 million kWh, over 23% higher than in 2006. The share of nuclear increased from 367 million kWh in 2006 to 382 million kWh in 2007 (3.9%). The purchase of reserve energy increased by 29.0% compared with the previous period.



Cantonal production and surplus (in GWh)

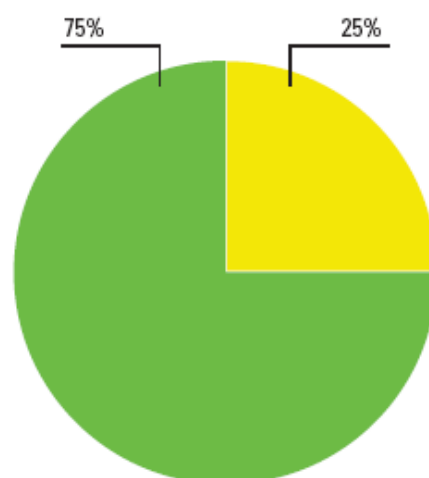
		Winter	Summer	Year	2006
Users	Distributor companies	1,324	1,031	2,355	2,387
	Final users	102	101	204	229
Power surplus ¹	Sale ²	3,653	3,827	7,480	4,522
	Exchange power	35	36	72	85
Total		5,114	4,996	10,110	7,223
Own consumption and losses		16	14	30	53

¹ The surplus energy includes 389 million kWh for the Italian market in 2007 and 386 million kWh for 2006.

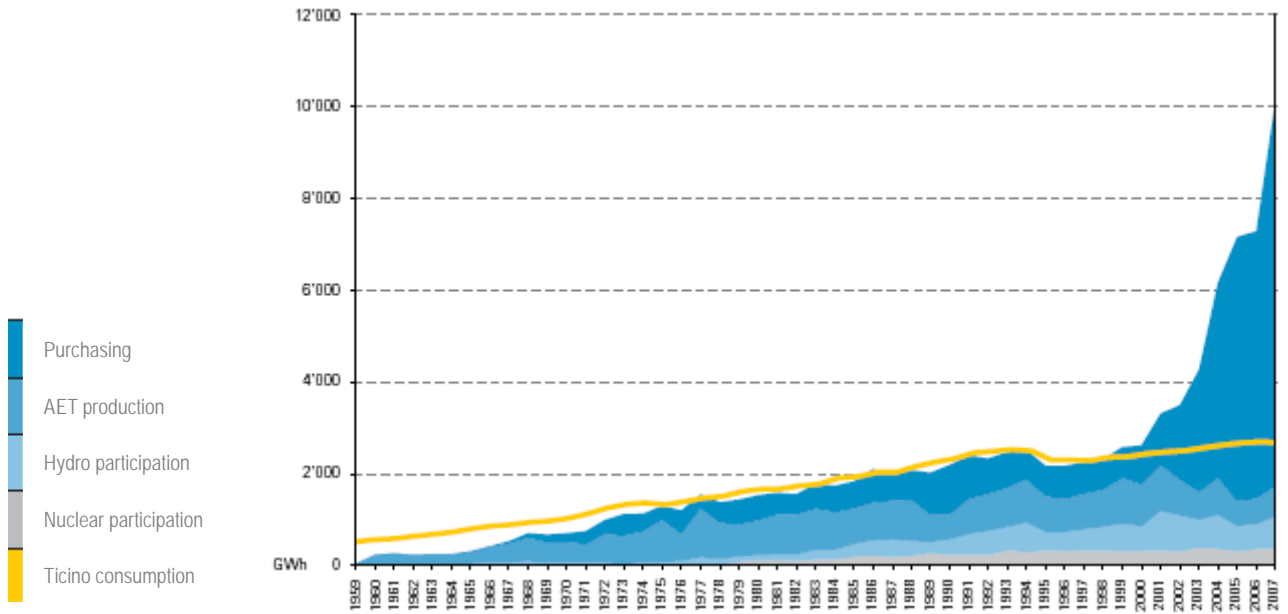
² Of which about 4,797 million kWh (3.190 million kWh in 2006) standardised products.

The distribution to our customers decreased by 57 million kWh compared to 2006 (-2.2%). The part of the of the Canton-wide requirement covered by AET decreased to 95.7% compared to 96.0% in 2006. Surplus distribution recorded an increase of 2.959 million kWh (+ 40%) compared with the previous period.

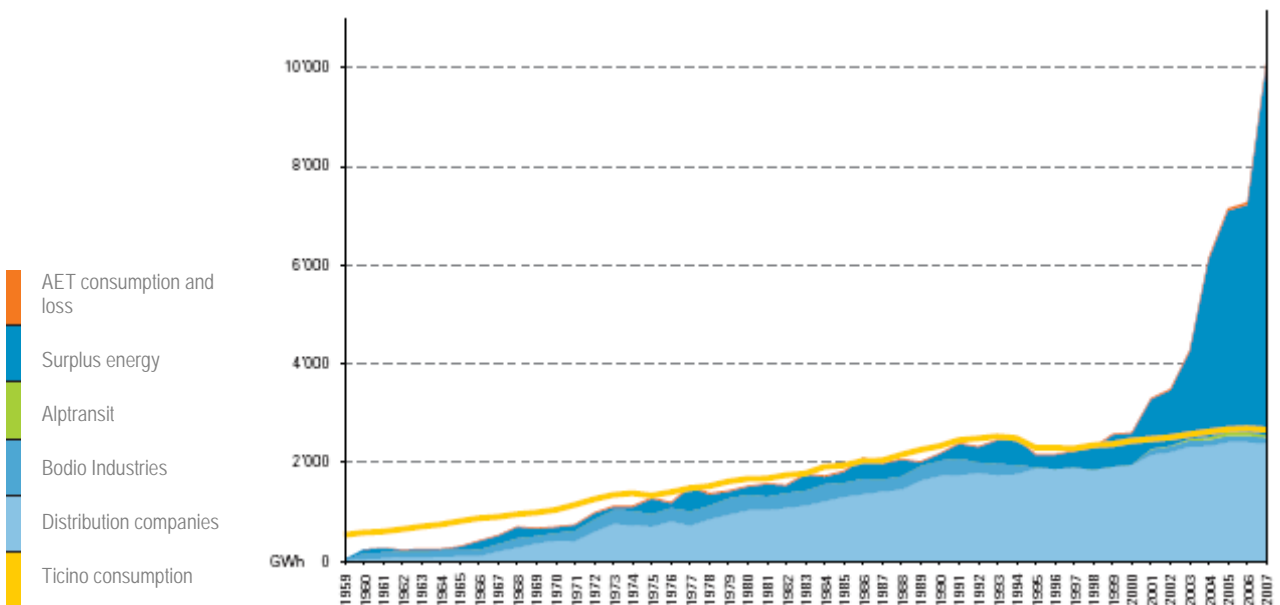
■ Cantonal production
■ Surplus



Production and withdrawal



Supply





Evaluation of the participations and securities

This chapter is an extract of the Risks Report by KPMG delivered on 27 May 2008, prepared for the purpose of auditing the AET strategy. The valuations contained in it were prepared for this purpose and not for the purposes of the financial report.

Because many of AET's/SPE's associated company are "start-ups", it is not possible to calculate the Equity Value DCF for all of them.

Accagen SA

Mezzovico - Switzerland

AET, 0%

The Mezzovico company has developed over the last few years as a start-up in the electrolysers sector, carving out a considerable share in this high technology market linked to the promising developments in the hydrogen and fuel cells sector.

Shareholder since 2004, AET used to own 59.19% of the share capital of the company (with a nominal total of CHF 225,255).

Observations

After having refined its own investment strategy AET decided to sell Accagen in 2007. This further sale confirms AET's will to turn its own attention to companies closer to its "cbusiness" continuing nevertheless, even in the future, its commitment towards the search for new renewable energy sources considered to be an indispensable element to guaranteeing an optimum local electricity supply.

AET Idronord Srl

Omegna – Italy

SPE, 90%

Company based in Omegna, in Italy, manages hydroelectric power stations as well as their construction or maintenance in order to produce electricity from renewable sources. AET, through its associate SPE, owns 90% of the share capital (a total of EUR 1.0 m). Alongside some local partners it is also active in projects for the construction of small-scale hydroelectric power stations, between 0.3 and 3 MW. The planned mini-stations are distributed in two specific areas of Italy, in Verbano-Cusio-Ossala (8 installations) and in the Province of Parma (7), but with development options also open to installations in Calabria (14).

Valuations

The value of AET Idronord corresponds to the sum of the values of the micro-stations of Le Valli, Monti Campello, Strona and Rio Luzzogno. The valuation according to the DCF method prescribes a total value for AET Idronord of CHF 8,984 m. The value of share held indirectly by AET therefore amounts to CHF 8,086 millions.

In our opinion the calculated value is a conservative estimate, given than there may be use beyond the time span of 30 years.

Shareholder's capital in EUR	Capital in the balance sheet AET/SPE in EUR	% Participation AET	% Participation SPE	Equity Value (CHF '000)
1,000,000	900,000	-	90%	8,086

AET Solar Hellas SA

Athens - Greece

SPE, 0%

Company based in Athens and active in the sector of photovoltaic power production installations. AET, through its associate SPE, holds 99% of the share capital of the Company and plans to build a series of medium-large photovoltaic plants in Greece for a total installed power of around 2 MW.

Observations

After having refined its own investment strategy, AET decided to sell its participation in Solar Hellas. This sale confirms AET's will to turn its own attention to companies based in Switzerland or regions neighbouring its "core business" continuing, nevertheless, even in the future, its commitment towards the search for new renewable energy sources, considered an indispensable element for guaranteeing optimum local electricity supply.

AKEB AG

Lucerne - Switzerland

AET, 7%

In the 1970s due to the de facto moratorium in the construction of nuclear power stations in Switzerland, the Swiss electricity companies tried to guarantee production capacity from French stations under construction to supplement indigenous ones. It is in this context that AKEB was established, grouping together a consortium of Swiss electricity companies. The company, based in Lucerne, is concerned with the production and trading of thermonuclear energy in Switzerland and France with a share capital corresponding to a total of CHF 6.3 millions. AET, a shareholder since 1973 with a percentage of 7%, has a quantity of energy corresponding to 290 GWh/a.

Valuations

The shareholding in AKEB is very important, given that AET can directly purchase energy whose production does not depend on regional conditions. Through the shareholding in AKEB, nuclear energy from France is also purchased. This is a "Partnerwerk", and as such its shareholders guarantee the annual cover of costs and the distribution of a dividend agreed in advance with the tax Authority. For this reason a valuation of the shareholding is not necessary.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF
90,000,000	6,300,000	7%	-	Not available

ALE Airlight Energy SA

Biasca - Switzerland

AET, 20%

Solar energy is the renewable energy source par excellence. Nevertheless it is a form of energy scattered throughout the land, and therefore the installations that can exploit it are very costly. To improve the use of this form of energy it is therefore indispensable to try and significantly reduce the costs of the installations. Thanks to the application of particular building technologies called "tensile structures", developed by the founder of ALE Airlight within the sector of civil construction, the aim is to more than halve the cost of parabolic mirrors for concentrating solar radiation. AET, with a shareholding of 20% of the share capital (for a total of CHF 2.0 millions), began cooperation with ALE Airlight Energy SA of Biasca, as a promoter, in 2007.

Valuations

ALE Airlight Energy is currently searching for a strategic partner with the aim of creating a first solar-thermal station, probably located in an equatorial area. For AET this is a purely financial shareholding.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF
2,000,000	800,000	20%	-	Not available

ASG Power SA

Lugano – Switzerland

AET, 50%

AET has a 50% share in the Ticino project company based in Lugano (Share capital of CHF 1.0 millions), the purpose of which is to develop and build, on the Albanian coast, a methane regassification plant (LNG: Liquid natural gas) as well as an electricity production plant (gas powered combined cycle). The subsequent stage requires the involvement of a strategic partner.

Observations

After having refined its own investment strategy, and after having fulfilled the sale of Solar Hellas and Accagen, on 10 May 2008 AET proceeded to transfer its share of 50% of ASG Power. This further sale confirms AET's will to turn its own attention to companies closer to its "core business" continuing nevertheless, even in the future, its commitment towards the search for new renewable energy sources considered to be an indispensable element to guarantee an optimum local electricity supply.

Calore SA

Locarno - Switzerland

AET, 49.1%

AET holds 49.10% of the shareholding of CHF 2.0 millions of the Company based in Locarno, concerned with the production of heat/refrigeration and electricity, and the sale to municipalities, agencies, companies or private individuals. In a word, Calore SA is concerned with what is known as energy contracting. Calore SA was established in 1996 with the aim of building the combined heat and power station of quartiere della Morettina in Locarno.

Valuations

The valuation of Calore only was carried out with the simplified income capitalisation method, based on the 2007 closing and the 2008 budget. The valuation on the basis of the DCF method prescribes a total value for Calore of between CHF 0.511 millions and CHF 0.752 millions (based on the 2007 result). The value of the share held indirectly by AET amounts to respectively CHF 0.250 millions and CHF 0.370 millions.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF (1,000 CHF)
2,000,000	982,000	49,1%	-	250-370

CEG Srl

Gavirate - Italy

SPE, 50%

The company is based in Gavirate (Italy). Through SPE, AET holds 50% of the share capital (total EUR 0.1 millions). CEG S.r.l. is concerned with projects in the combined heat and power sector, with gas and biomass plants. The company currently manages installations with an installed electrical capacity of about 24 MW. Different projects are also under development in Italy, for a grand total of 120 MW.

Valuations

The aim of the Group CEG is to create, through local partners, a production capacity with the use of gas and vegetable fuels. Hot water is also produced besides electricity, which is introduced into the local mains. Thanks to the green certificates a higher price can be achieved.

Local partners are often necessary for production, and they purchase a significant part of the energy produced for their own need, whilst the rest can be sold on the market through the partners.

Shareholder's capital in EUR	Capital in the balance sheet AET/SPE in EUR	% Participation AET	% Participation SPE	Equity Value DCF
100,000	740,000	-	50%	Not available

Observations

AET has taken out suretyships for a total sum of CHF 55.8 millions (EUR 33.7 millions) on behalf of CEG Srl.

CMC Srl

Gavirate - Italy

SPE, 100%

Within the project relating to the Mendrisio-Cagno line, CMC S.r.l. was created, for administrative reasons and for the management of the cable. It is based in Gavirate, under Italian Law and 100% controlled by AET, through SPE. CMC S.r.l. has a share capital of EUR 20,000 and owns the section of cable of the line in Italy.

Observations

This company is to be evaluated in the context of Nord Energia S.p.A., as a holder of the part of the cable, on the Italy side, concerning the Merchant Line

CRB Srl

Gavirate - Italy

SPE, 100%

Company based in Gavirate and with a share capital of EUR 10,000, operates in the production, import, export, purchase and sale of electricity, oil, natural gas, liquid methane gas and other fuels. Through SPE, AET is the only shareholder of CRB Srl. The company is not yet operating for the time being.

Observations

This is a non-operating company whose business name was changed to "AET Italia Srl" at the start of 2008.

Geopower Basel AG

Basel - Switzerland

AET, 4.88%

AET, a shareholder since 2005 of the company that developed the by now famous project for the geothermal station, currently holds 4.88% of the total share capital (CHF 5,989 millions). As a result of seismic movements detected in Basel all activities are suspended for the time being, except monitoring activities, and variations to the plans are being appraised. Despite the difficulties, this form of energy production remains one of the most promising for guaranteeing the coverage of the energy demand of future generations.

Observations

The GeoPower AG project has been blocked by the city of Basel. AET's future commitments for this company currently amount to a maximum of CHF 132,000. We should nevertheless note that there are some judicial proceedings pending whose outcome is still unknown.

KW Mattmark AG

Saas Grund - Switzerland

AET, 8.41%

Since 2003, through EGL of Laufenburg, AET owns a sub-participation of 8.41% of the share capital of Mattmark AG based in Saas Grund. It is AET's only shareholding in a hydroelectric development not situated south of the Alps, and therefore has different production characteristics. The purchase was guaranteed by the decision of the Grand Council of Canton Ticino and supplies 54 GWh/a of energy to AET.

Valuations

The shareholding in Mattmark is important, given that AET can directly purchase energy whose production does not depend on regional conditions. This is a "Partnerwerk", and as such its shareholders guarantee the annual cover of costs and the distribution of a dividend agreed in advance with the tax Authority. For this reason a valuation of the shareholding is not necessary.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF
90,000,000	13,215,000	8.41%	-	Not available

Metanord SA

Bellinzona – Switzerland

AET, 29.42%

Company based in Bellinzona concerned with its own construction, or through contracts, of plants for the distribution of fuel gas by means of ducting and the management of the installations themselves.

AET currently owns 29.42% of the share capital for a total of CHF 11.334 millions. The other shareholders are BKW FMB AG with 29.42%, Renova S.r.l. with 29.42% and SES SA with 11.74%.

Valuations

Ticino today strongly depends on two renewable energy sources (oil and electricity).

With the construction of the gas pipeline by Metanord SA, an important diversification can be achieved for the economic development of Sopraceneri.

The considerable investments are economically interesting only if the Municipalities agree on the relative concessions.

The calculated value of Metanord is based on a useful life of the distribution grid and of the gas pipeline of 50 years; it has been valued at CHF 37,647 millions.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF (1,000 CHF)
11,334,000	3,085,430	29.42%	-	11,076

Nord Energia S.p.A.

Milan - Italy

SPE, 40%

Nord Energia S.p.A. is 40% owned by AET, through SPE. Nord Energia S.p.A., was established together with Ferrovie Nord Milano (FNM), a company concerned with regional rail transport north of Milan and whose majority shareholder is the Lombardy Region. This is a strategic investment geared towards strengthening cooperation in transport and electricity production. Thanks to this joint venture it has been possible to develop a 380 kV merchant transmission line between Mendrisio and Cagno, which is fundamental for securing the supply of Sottoceneri and for the development of electricity trade to Italy.

Nord Energia S.p.A. is also developing, alongside a group of companies of the industrial centre of Ceriano Laghetto, a gas turbine combined heat and power plan project of about 100 MW that in July 2007 obtained the necessary government authorisation.

Valuations

The authorised Merchant Line between Switzerland and Italy is of strategic importance for guaranteeing a secure supply for the south of Ticino (interruption of the lines from the north) and means direct access to the Italian market through its own line. We should note that the Merchant Line installations are mostly owned by AET, and that Nord Energia has a transit licence.

Shareholder's capital in EUR	Capital in the balance sheet AET/SPE in EUR	% Participation AET	% Participation SPE	Equity Value DCF
200,000	120,000	-	40%	Not available

Octad SA Lugano -
Switzerland

As per the articles of association, the purpose of Octad SA, a company which AET owns 50% of through SPE, is to develop the trading of vegetable oils, needed for the consumption demand of the Italian biomass plants managed by CEG.

SPE, 50%

Observations

The company does not have its own offices and staff. It was used in 2007 for small transactions within the Group CEG concerning vegetable oils. Throughout 2008 this activity has been carried out by CEG directly. For this reason a valuation of the shareholding is not necessary.

Pur Energy SA
Luxembourg

Pur Energy SA is a Luxembourgian company set up to collect the necessary funds to finance the projects of REInvest.

SPE, 20%

Valuations

The company does not have its own offices and staff. It only acts as a vehicle for investments in renewable energy projects, financed through the REI SPC fund. For this reason the value of Pur Energy is to be considered within the general framework of REInvest and REI.

Quadra Srl
Gavirate - Italy

The company provides services for the individual installations of the Group CEG. The company uses the resources of the two shareholders (AET and Laborex SA) to cover its own limited management costs.

SPE, 50%

Observations

This is a service company, without its own offices and staff. For this reason a valuation of the shareholding is not necessary

REI Spc
Gran Cayman - Cayman Islands

REI SPC is a company set up to collect the necessary investments to finance the projects of REInvest.

Valuations

According to the Report of 31.12.2007 certified by Deloitte, the value of a share of the fund amounts to EUR 14,586, against a nominal value of EUR 10,000. The AET share amounts to EUR 18,582,564.

Shareholder's capital in EUR	Capital in the balance sheet AET/SPE in EUR	% Participation AET	% Participation SPE	Share value (1,000 EUR)
63,400,000	12,740,000	20.09%	-	18,583

REInvest SA

Chiasso – Switzerland

SPE, 26.66%

REInvest is a company registered in Switzerland, based in Chiasso, created for the purpose of acting as an Investment Advisor in order to promote the development of renewable energy plants, especially in the sector of wind and photovoltaic energy. Through SPE, AET holds a financial investment in this company of 26.66% of the share capital

Valuations

The value of REInvest greatly depends on the development of the projects and the relevant commissions collected. These can vary significantly year on year, and for this reason no individual assessment has been made of the company. The participation is therefore valued conservatively on the basis of the share of equity as at 31.12.2007, equal to CHF 611,670.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Share of equity (1,000 CHF)
600,080	160,000	-	26.66%	612

Observations

AET does not directly hold a shareholding in the industrial projects of the REInvest Group.

After having refined its own investment strategy, AET is evaluating the possibility of disposing of the participation in the Group during 2008.

Senco Holding SA Locarno

- Switzerland

AET, 50%

The Swiss hydroelectric potential for large and medium-sized stations is fully exploited now: there is however a certain potential in the construction of small installations around 1 MW. Senco Holding SA, a company based in Locarno, concerned with the assumption of shareholding, under any legal form, in Swiss and foreign companies and bodies, particularly active in hydroelectric production from small stations. AET owns 50% of the total share capital of CHF 0.150 millions

Valuations

Senco Holding holds a share in three hydroelectric micro-stations and in one project.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF
150,000	831,667	50%	-	Not available

SPE Società per Partecipazioni Energetiche SA

Bellinzona - Switzerland

AET, 100%

Company based in Bellinzona concerned with AET's financial and industrial participation in other companies with particular reference to the energy sector.

Valuations

SPE is a vehicle that holds some of AET's shareholdings mentioned in this supplement.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF
1,000,000	1'000'000	100%	-	Not available

Swisshydro AG

Poschiavo - Switzerland

AET, 35%

AET currently owns 35% of the total share capital of CHF 0.5 millions of the company Swisshydro AG, based in Poschiavo. This company operates in the trading of electricity produced with water power or other new forms of renewable energy.

Observations

Through Swisshydro transactions prearranged by the shareholders are carried out in the sector of renewable energy. The valuation of the company therefore depends on the decisions of the shareholders. For these reasons it was not valued.

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF
500,000	175,000	35%	-	Not available

Tele Ticino SA

Melide - Switzerland

AET, 11.03%

Tele Ticino SA is a company based in Melide concerned with radio and television productions and journalism services. AET owns 11.03% of the total capital of CHF 4.950 millions.

Valuations

The valuation undertaken with the DCF method leads to a result of the share of AET of CHF 0.335 millions. This is a conservative value that takes no account of the recent developments in the redistribution of radio and television broadcasting licences

Shareholder's capital in CHF	Capital in the balance sheet AET/SPE in CHF	% Participation AET	% Participation SPE	Equity Value DCF (1,000CHF)
4,950,000	1	11.03%	-	335

Observations

The only reason AET holds this share is the fact that this facilitates access to advertisements on this channel. In view of the liberalisation of the energy market for the end customer in 2012, the Trading & Sales activities are increasingly important.

TPK mbH & Co. KG

Aachen - Germany

AET, 15.76%

Company with a consortium structure (based in Aachen, in Germany), active in the development and planning of a latest generation coal-fired power station in Land Nordrheinwestfalen. AET currently owns 15.76% of the future installed power. AET's physical energy capacity is around 1,000 GWh/a.

Valuations

The calculated value of TPK is based on a useful life of the coal-fired power station of 30 years.

On the basis of current trend in energy prices the projects assumes a considerable improvement in profitability. Despite the lack of substitute investment, we believe this is a conservative valuation, given that on the basis of a useful technical life of 40 years the project can be exploited for longer. The equity value of TPK mbH & Co KG has been calculated as CHF 263.898 millions.

Shareholder's capital in EUR	Capital in the balance sheet AET/SPE in EUR	% Participation AET	% Participation SPE	Equity Value DCF (1,000 CHF)
55,907,271	7,907,306	15.76%	-	41,590