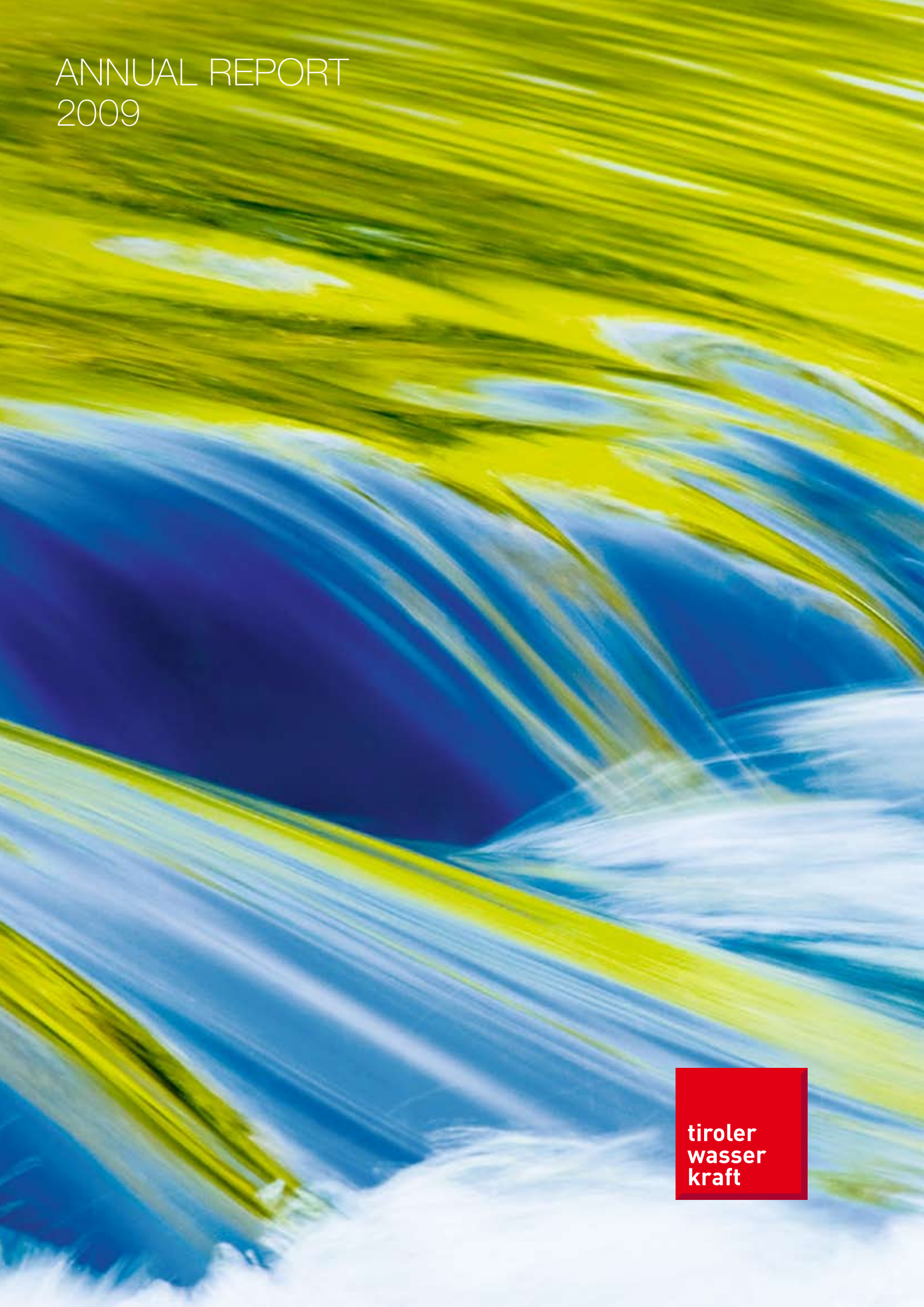
ANNUAL REPORT 2009



tiroler wasser kraft

Fiscal 2009 was yet another successful year for TIWAG.

Despite difficult overall conditions, we achieved very good results by comparison with the rest of the industry and were able to live up to our responsibility as the most profitable enterprise in the Province of Tyrol.

Dr. Bruno Wallnöfer
Chairman of the Management Board

DI Alfred Fraidl
Management Board Member

Report of the 86th fiscal year of TIWAG-Tiroler Wasserkraft AG

from January 1 to December 31, 2009

Table of contents

Year-on-year comparison

TIWAG-Tiroler Wasserkraft AG	2004	2005	2006	2007	2008	2009
Energy business (in GWh)	19,531.8	17,289.9	17,563.7	18,523.1	18,101.9	16,661.8
Sales revenues (in EUR million)	805.8	860.2	917.3	1,093.9	1,157.9	1,121.5
Cash flow (in EUR million)	145.2	152.9	85.8	166.0	158.7	149.5
Result from ordinary activities (in EUR million)	67.5	71.3	86.6	142.8	88.4	93.6
Additions to tangible assets (in EUR million)	51.9	65.7	63.4	63.8	57.5	67.5

Group						
Sales revenues (in EUR million)	939.3	1,042.2	1,227.3	1,318.5	1,419.8	1,348.3
Cash flow (in EUR million)	168.1	165.5	134.6	188.6	194.1	144.5
Result from ordinary activities (in EUR million)	61.5	66.9	81.2	127.1	79.1	80.4
Additions to tangible assets (in EUR million)	78.8	93.6	95.7	137.7	78.4	83.9

Company boards

Supervisory Board
Ferdinand Eberle (Chairman)
KommR Dkfm. Dr. Hansjörg Jäger (1st Deputy Chairman)
Dipl.-Ing. Horst Braun (2nd Deputy Chairman)
Dipl.-Ing. Dr. techn. Herbert Hönlinger
Dr. lic. oec. Reinhard Schretter
Präsident Dipl.-Vw. Dr. Gerulf Stix

Appointed by the Works Council:
Anton Pertl, Chairman of the Central Works Council, Member of the Provincial Parliament
Josef Obertscheider (until January 14, 2009)
Richard Thaler (until January 14, 2009)
Ing. Stefan Mark (since January 14, 2009)
Bernhard Paßler (since January 14, 2009)

Management Board
Dr. Bruno Wallnöfer (Chairman)
Dipl.-Ing. Alfred Fraidl

Foreword by the Management Board

Chairman of the Management Board
Dr. Bruno Wallnöfer (right)
and Management Board Member
Dipl.-Ing. Alfred Fraidl (left)

2009 was a difficult year for TIWAG. For the first time in many years, electricity and gas sales declined, while prices were comparatively low. However, our business model successfully proved resilient to crisis. In the year under review, our hydropower advantage, cost awareness and dedicated employees once more were the reliable pillars of our success.

With sales revenues of EUR 1,121,506,000 and a result from ordinary activities amounting to EUR 93.6 million in 2009 (previous year: EUR 88.3 million), the company managed to achieve its second best results since its foundation despite difficult economic and regulatory conditions. Equity capital (including untaxed reserves) reached an amount of EUR 894 million, bringing the equity ratio to 47.7 %.

Consolidated sales revenues came to EUR 1,348,270,000 and the group result from ordinary activities amounted to EUR 80,380,000.

In other words, TIWAG was able to maintain its position as the most important and by far most profitable enterprise of the Province of Tyrol, even in economically most difficult times. These results are a further guarantee that the company will be able to maintain its independence as a publicly owned Tyrolean enterprise, and provide a solid basis for necessary future investments in growth and supply security. The corporate income tax on the result for 2009 amounts to approx. EUR 13.2 million. The Province of Tyrol will once more receive a record dividend of EUR 21 million. Moreover, additional reserves for strengthening competitiveness and for financing the planned expansion of domestic hydropower could be allocated as planned.

Although fiscal 2009 was characterized by a lower operating result as compared to previous years, this could be compensated by fantastic financial results. The two large subsidiaries TIWAG-Netz AG and TIGAS-Erdgas Tirol GmbH, for instance, together contributed an impressive amount of EUR 18 million to the overall result.

Especially in view of the difficult economic and employment situation, we remain committed to embracing our socioeconomic responsibility as a large Tyrolean business, within our economic possibilities. Thus, TIWAG's electricity prices continue to rank among Central Europe's lowest, which is why, for the time being, we are also prepared to accept a lower operating result. Our customers have repaid us for our efforts with great loyalty, securing a market share in Tyrol of over 95 % for TIWAG despite increasing competition.

As the economic situation remains difficult and the European financial and monetary system continues to face considerable risk, we know that fiscal 2010 will be a challenging year. Electricity and gas consumption – especially that of our major industrial customers – remains at a low level; quantitative risk and default risk have increased. Furthermore, this year's water flow volume available for our own generation so far has been very low. For several years, timely advance purchases from external suppliers have been required to meet Tyrol's energy demands beyond our own electricity generation. Associated price and quantity planning has become more challenging and difficult because of the volatile economic situation. This is why we are particularly committed to our projects targeted at the sustainable expansion of domestic hydropower. Such local investments are not only the engine that will fuel the recovery of the economy and labor market in Tyrol, but are also intended to secure the necessary local energy generation for Tyrol's business and industry and the supply of electricity, the demand for which will rise again over the medium term in parallel with cyclical developments. Our long-term objective is to achieve a sound level of energy autonomy for Tyrol – to the greatest extent possible. "Energy autonomy" means that energy consumed in Tyrol should also be generated by us to the great-

est extent possible. This, however, does not mean that it will be possible to do entirely without barter, trading and portfolio activities, which will remain indispensible for meeting the required volumes and for overcoming temporary bottlenecks.

We have adapted our successful group strategy in order to reflect requirements that will arise in the near future. It is now as follows:

- TIWAG is the leading energy provider in Tyrol and is determined to make use of supra-regional growth potential
- We are the driving force promoting ecological change within the Tyrolean energy industry.
- Satisfied customers, a co-operative, friendly approach and investments in the future will ensure our successful future development.

Fiscal 2009 was marked by far-reaching strategic decisions setting the future course towards ensuring promising corporate development of the TIWAG group in the long run.

For instance, we concluded an extensive cooperation agreement with the Verbund group on the management of transmission network operations and of the Tyrol control area. This cooperation with Verbund, as an Austrian partner, will ensure cost-effective and secure energy supply for Tyrol, also under the new regulatory framework, and will strengthen the continued interconnected thermal-hydraulic operation with electricity companies in southern Germany, which has proven extremely valuable for Tyrol's energy supply for decades. Moreover, this co-operation minimizes the interference with the natural environment for necessary electricity transport thanks to an integrated network expansion plan by both partners taking into account Tyrol's overall requirements.

On December 23, 2009, the project plans for the expansion of the Sellrain-Silz group of power stations (Kühtai region) were submitted to the authority of first instance for environmental impact assessment (EIA). This represented a milestone in the expansion of the existing group of power stations. An additional reservoir in the Kühtai region, a further underground power station and water supply conduits from the Ötztal und Stubaital valleys are to be built. The impressive documentation package that had to be submitted in line with statutory requirements consists of 10,800 pages of text and around 530 technical drawings in 38 folders. Once the project is authorized with legal effect, it is expected to require EUR 460 million (price basis 2009) in investments and – after completion, which is planned for 2017 – to approximately generate an additional 500 GWh of valuable peak current per year. Owing to the natural volatility of wind power supplies, the strong expansion of wind power, in particular in Germany, will cause increased demand in balancing energy and control energy that can be drawn on at any time. Pumped storage power stations are thus turning into the most important partners of wind power.

Owing to changed framework conditions in the energy sector, in fiscal 2009, arrangements for the premature termination of an existing energy barter agreement with EnBW were made with respect to half of the generation of the Sellrain-Silz group of power stations. The termination was subsequently approved in a meeting of the Supervisory Board on April 9, 2010. The overall solution achieved in the course of negotiations represents a well-balanced compromise for both sides. TIWAG now has the strategic advantage of being able to deploy, seven years ahead of schedule, half of the capacity of the Sellrain-Silz group of power stations for the production of high-quality peak and control energy for its own account and thus to seize new opportunities for directly marketing its products. Moreover, the advance possibility for TIWAG to operate the group of power stations by itself promises earnings which more than justify the costs for the termination of the contract.

Energy and climate policy are undergoing dynamic change. Although TIWAG, thanks to its nearly 100 % reliance on domestic hydropower, should generally benefit from the foreseeable transformation of the energy industry into a more sustainable, low-carbon and increasingly decentralized system, it will definitely encounter considerable transformation problems in this context.

In the course of the first quarter of 2010, the energy policy framework relevant to the Austrian energy industry underwent significant changes and (in part) was clarified, as we had demanded for a long time.

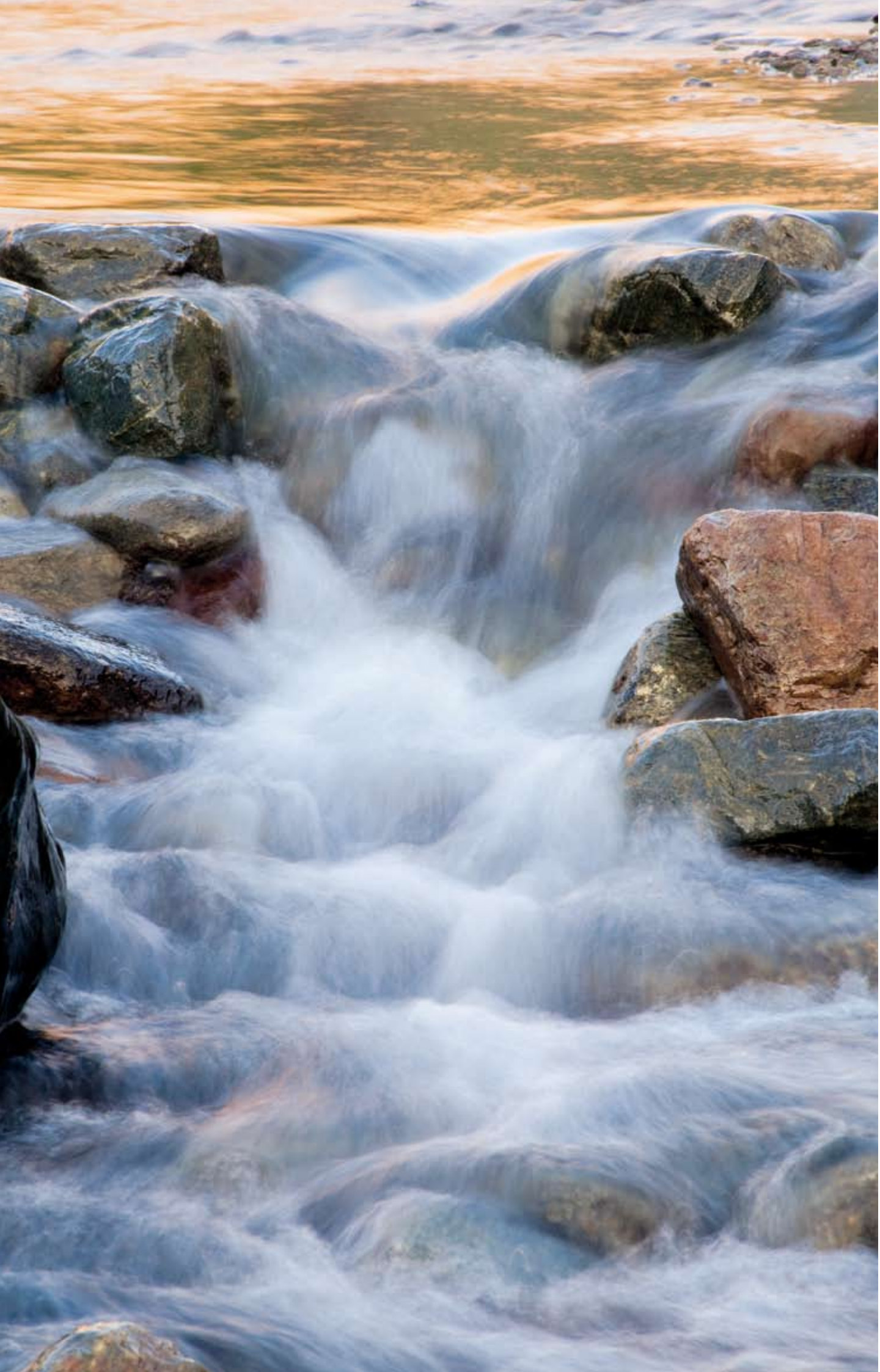
In this context, a new "Austrian Energy Strategy" was presented, which assigns more or less adequate significance to hydropower with respect to the benefits it offers in terms of industry, energy and climate policy. However, at 3,500 GWh, the expansion potential to be realized in the short term (by 2010) seems relatively unambitious.

Subsequently, following lengthy discussions, regulations pertinent to the enforcement of the Austrian Water Act (Wasserrechtsgesetz, WRG), i.e. the national plan for the management of water resources (Nationaler Gewässerbewirtschaftungsplan) and the regulation on ecological quality targets for surface waters (Qualitätszielverordnung Ökologie Oberflächengewässer, QZVO), were finally issued, providing an important basis for decision-making. Thus, the legal framework – in particular in terms of aquatic ecology – for the further expansion of hydropower, but also for the renovation of existing power stations so as to cater to ecological requirements, has been determined for the medium and long term. Representatives of the electricity industry had managed to achieve improvements in some of the most important cornerstones of the planned provisions during final substantial negotiations. Based on a preliminary evaluation of the now effective legal situation, one can thus assume that, though the further expansion of hydropower in Austria will be much more difficult from now on, it will at least not become impossible. Once the legislative process for the introduction of the revised Electricity Industry and Organization Act ("ElWOG 3") is completed, there will thus be a legal framework which may be strict and extremely challenging, but which will still be acceptable and offer adequate planning reliability.

Subject to the circumstances outlined above, we will proceed with our independent and cooperative course in Tyrol – for the benefit of our customers, for the provision of a sustainable supply of electricity from renewable domestic hydropower and alternative energy sources, for the protection of the environment, and for the good of the entire province of Tyrol. We will continue to work for secure energy supply in Tyrol at reasonable prices, for the sustainable expansion of domestic hydropower, for the increased environmental sustainability of the energy industry system and for a reduction of dependence on electricity imports and fossil energy sources. We are confident that, within the limits imposed by cyclical developments, we will be able to successfully continue our value- and growth-oriented path.

Innsbruck, May 2010

The Management Board
Dr. Bruno Wallnöfer · Dipl.-Ing. Alfred Fraidl



The fiscal year 2009

I. REPORT ON THE COURSE OF BUSINESS AND FINANCIAL SITUATION

1. BUSINESS OPERATIONS

As a regional company, TIWAG-Tiroler Wasserkraft AG generates electrical energy from hydropower, which is, on the one hand, distributed directly in Tyrol and, on the other hand, used in an interconnected thermal-hydraulic operation with southern Germany. The subsidiary TIGAS-Erdgas Tirol GmbH supplies Tyrolean households, businesses and the industrial sector with natural gas. Vertical integration ranging from the generation of electricity in hydropower stations to energy trading and distribution among end customers allows for optimization and risk limitation, while the horizontal integration between electricity and gas as sources of energy reinforces synergies and growth effects.

Electricity (free market)
In the competitive market, TIWAG primarily generates, trades with and distributes electricity gained from hydropower, Tyrol's most valuable source of renewable energy. Hydropower remains the most important renewable source of energy with the highest energy conversion efficiency and energy gain factor.

Gas (free market)
As its core business, TIGAS-Erdgas Tirol GmbH operates on the Tyrolean market as regional distribution company. In order to maximize supply security, TIGAS is expanding its business operations in the value creation chain by acquiring shares in exploration and marketing companies. Natural gas can be transported economically over long distances and also be stored economically for extended periods of time. As the locations at which gas is generated do not correspond to the centers of consumption, long-distance transport is a necessity, which makes an internationalization of the gas business inevitable.

Networks (regulated market)
In the regulated market, TIWAG-Netz AG sees to the transport and distribution of electricity across all voltage levels, and TIGAS ensures the distribution of gas via pipelines for regional supply networks, regional branch lines and house service connection pipelines. The reinforcement and renewal of the transmission and distribution networks and the further expansion of gas pipelines is a fundamental prerequisite for secure energy supply in Tyrol. Electricity and gas networks are natural monopolies. They are strictly regulated, and network tariffs are determined by way of statutory regulations.

2. FRAMEWORK CONDITIONS AND KEY ISSUES FOR THE ENERGY INDUSTRY

Energy is of pivotal importance for the inter-dependent economic, social and ecological goals of a given society and its sustainable progress.

Continued overall rise in energy demand and climate change are causing drastic changes in the energy industry's operating conditions. The accompanying restructuring of the regulatory framework and the liberalization of the energy market have led to changes and fluctuating results at all levels of the value creation chain – generation, transport, distribution and marketing – as well as to increased competitive pressure for businesses. One strategic approach towards addressing this challenge is vertical integration. Vertically integrated companies that cover the entire value creation chain definitely have a competitive advantage.

Key issues for the energy industry are supply security, energy efficiency, environmental sustainability, climate protection, competitiveness and social responsibility.

2.1. Economic framework
As energy demand is still being driven by economic

growth, overall economic conditions are decisive for the success of the energy industry. The financial crisis observable as of the second half of 2008 gained momentum in fiscal 2009 and turned into a global economic crisis. Many economies lapsed into recession and the labor market situation considerably deteriorated at the beginning of the fiscal year; inflationary pressures abated markedly owing to reduced demand and the price slump in the commodity sector. Fiscal and economic policy aggressively battled the economic crisis globally, on the one hand through massive interest rate cuts, and on the other hand through stabilizing bank and economic stimulus packages. However, these packages will put considerable strain on the fiscal situation in years to come.

These global economic developments have also had decisive influence on GDP growth in Austria, which came to a halt in the second half of 2008. The first two quarters of 2009 then saw a decrease in overall economic output. Since the second half of 2009, economic prospects have again improved. Forecasts assume that the global economy will expand again in 2010, but it is highly uncertain how the economy will further develop.

In times of crisis, economic policy measures designed to re-establish the growth path and the structures observable prior to the crisis are emphasized, which is why there is the danger that long-term challenges – such as the limited availability of energy and threatening climate change – are neglected. Irrespective of the above, the increase in electricity and gas demand to be expected after the economic crisis has been overcome will require major investments in energy infrastructure; sufficient production capacities based on renewable energy, as well as stable and intelligent electricity and gas networks will become indispensible.

2.2. Political framework

Energy policy is determined by several overriding objectives, in particular supply security, competitiveness and sustainability. The supreme objective remains the preservation of secure energy supply, while the EU strives to promote cost-effectiveness and low prices based on competition in the liberalized internal market in gas and electricity. This is complemented by a step-wise restructuring of the energy sector designed to achieve a sustainable, low-carbon and more strongly decentralized system.

European climate and energy policy envisages a reduction of greenhouse gas emissions by at least 20 % by 2020 against the level of 1990, an increase of the share of renewable energy sources to 20 % of total available energy supply and a raise of energy efficiency by 20 %. The EU's new climate and energy package is directed at the realization of these goals. Austria has made a commitment to increase the share of renewable sources of energy in total consumption from currently 23.3 % to 34 %.

At the level of national energy policy, securing sustainable energy supply in Austria will be one of the central challenges in years and decades to come. In this context, a draft version of a new Austrian energy strategy was recently presented.

At regional level, the provincial government of Tyrol is committed to a sustainable expansion of domestic hydropower. The "Tyrolean Energy Strategy 2020" provides practical and realistic guidelines towards ensuring secure, sustainable and cost-effective energy supply for Tyrol.

Supply security

Ensuring secure energy supply means supplying all consumers with sufficient energy at all times and at the required quality level. To this end, energy supply companies must be able to rely on sufficient energy production, procurement and sale of energy on liberalized energy markets, as well as energy transport based on stable, high-capacity energy networks. This in turn

requires sufficient investment in energy infrastructure and thus effective investment incentives for both the expansion of power stations and networks.

Competition

The European Union has liberalized electricity and gas markets since the end-1990s and will turn them into a common European electricity and gas market. As this step-wise creation of a transnational market progresses, local and national markets are losing in importance.

Climate change

Climate change is a central issue for environmental policy and is thus an integral part of energy policy. International research on climate change ("The Stern Review") and international organizations (International Energy Agency) document the necessity of fundamental structural changes in economic and energy systems in order to limit global warming in this century to 2°C. A stabilization of our climate will require a reduction of greenhouse gas emissions to a sustainable level, substantial investment in the utilization of renewable sources of energy and an increase in energy efficiency. These investments can create sustainable jobs, raise the security of energy supply and generate considerable synergy effects.

2.3. Legal framework

Energy efficiency

Today, the use of energy is still characterized by a considerable loss of energy in the different stages of conversion and in the utilization of useful energy. The cheapest and most sustainable path towards reducing energy demand and emission growth is improving energy efficiency. The EU's climate and energy package mandatorily prescribes long-term measures directed at raising energy efficiency. Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services is a first important step towards increasing energy efficiency.

Climate protection

An important factor for the cost-effective implementation of the EU's climate and energy package, which aims to reduce greenhouse gas emissions, is the allocation of emission allowances in the framework of the EU Emission Trading Scheme, which covers approximately 40 % of all emissions in the EU. National Allocation Plan II, which covers the period from 2008 to 2012, still allocates free CO2 emission allowances. The Emission Trading Directive prescribes that, in a next step, emission allowances are to be purchased by auction from 2013 on. This will cause additional costs for electricity generation and electricity customers.

Environmental sustainability

Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000, the so-called Water Framework Directive (WFD), aims to create and maintain the sound quality of surface water and groundwater throughout Europe. The transposition into national law initially took place by means of the Revised Austrian Water Act of 2003 (Wasserrechtsgesetz-Novelle 2003), Federal Law Gazette I No. 112/2003. Important regulations pertinent to the enforcement of the above act, i.e. the national plan for the management of water resources (Nationaler Gewässerbewirtschaftungsplan) and the regulation on ecological quality targets for surface waters (Qualitätszielverordnung Ökologie Oberflächengewässer, QZVO), have been completed. In economic terms, the legal norms provided for will lead to a restriction of the utilization of hydropower and will make it more difficult to realize new hydropower projects.

The length and the complexity of administrative permit procedures impede the realization of infrastructure projects, both in the area of production facilities and in the area of networks. Future investment decisions will in any case require clear legal framework conditions.

Competition

In the reporting year, Directive 2009/72/EC (third liberalization package) went into effect on August 14, 2009, establishing regulations concerning core issues like the unbundling of transmission networks, more rights and increased transparency for end customers and more powers for regulatory authorities. These regulations are aimed at achieving the improved integration of electricity and gas markets and an efficient utilization of interconnections and removing potential obstacles for cross-border trade and investment in network infrastructure by means of stricter unbundling requirements. The European provisions must be transposed into national law by the individual Member States within 18 months. The corresponding national rules and regulations are expected for 2010.

The Revised Austrian Green Electricity Act of 2009 (Ökostromgesetz-Novelle, ÖSG-Novelle 2009, Federal Law Gazette I No. 104/2009) came into force on October 20, 2009. This revised act provides for additional instruments promoting and subsidizing the expansion of green power stations in Austria. There is an obligation to contract with respect to the purchase and sale of green energy; the relevant prices are determined by means of a pertinent regulation (Ökostromverordnung 2009, Federal Law Gazette II No. 53/2009).

3. COURSE OF BUSINESS

As in the previous year, economic developments in fiscal 2009 were characterized by the worldwide economic slowdown in the wake of financial and economic crisis. This led to fluctuating demand and business risks, which also put a strain on TIWAG's result. Nevertheless, TIWAG looks back at a successful fiscal year; the result from ordinary activities of the previous year was exceeded. Operating results continued to be negatively affected, while financial results improved considerably thanks to the positive development of the subsidiaries. Based on the result achieved, TIWAG remains the by far most profitable publicly owned enterprise in the Province of Tyrol.

Significant developments

in the reporting year included the agreement of a cooperation of TIWAG, as owner of the transmission network, with Verbund regarding future control area management and transmission network operations in Tyrol. This cooperation is intended to ensure cost-effective and secure power supply for Tyrol and the continuation of the long-standing interconnected thermal-hydraulic operation with southern Germany, which has proven most valuable for decades. On December 23, 2009, the plans for the expansion of the Sellrain-Silz group of power stations were submitted to the authority of first instance for environmental impact assessment (EIA). In the reporting year, further rating downgrades of financial institutions were effected in the wake of the financial crisis, which necessitated additional securities for collateralizing cross-border leasing instruments. These collateral requirements were fulfilled by furnishing additional letters of credit customary in the market.

Prices and tariffs

The competitiveness of hydropower is determined by price developments on the electricity market (wholesale market and control energy market). Short-term seasonal electricity price fluctuations and short-term price fluctuations related to the time of the day are attributable to changes in supply (available power station capacity) and demand (energy consumption), whereas long-term electricity price changes reflect the development of prices of coal and gas as well as CO2 allowances.

In the year under review, electricity and gas prices were once more driven by developments on the international commodities markets, in particular by the prices for oil, coal and CO2 allowances. The prices for Brent crude oil dropped from their high of USD 146.1 per barrel in the summer of 2008 to USD 36.6 per barrel in December

2008. In the reporting year, the oil price, which is of major importance as an indicator of price developments for the economy and energy industry, gradually recovered and came to USD 77.93 per barrel as at December 31, 2009.

European gas quotations are following price developments on the oil market with a time lag, while prices on the international hard coal markets have stabilized at a low level. CO2 emission allowance trading has entered the second trading period, scheduled from 2008 to 2012. The national allocation plans provide for cuts in government allocations for the second trading period, which means that most providers need to acquire additional allowances at higher prices. In the reporting year, CO2 allowance prices started out at EUR 12.3/to CO2, fell below EUR 8/to CO2 by mid-February, climbed to EUR 15.4/to CO2 by May and stabilized in a price range between EUR 13 and EUR 15/to CO2 by the end of the year.

Following the massive price slump in the fourth quarter of 2008, the price level on the electricity spot market continued to decline in fiscal 2009. This decrease resulted mainly from the low prices for primary sources of energy and low electricity demand.

The annual average spot trading price came to EUR 39/MWh, the annual high for daily supply was reached in January at EUR 86/MWh. A similar price development was also recorded on the electricity futures market. The annual supply for 2010 was traded at EUR 49/MWh on average in the trading year 2009.

As per August 1, 2009, energy prices were slightly adjusted: the kilowatt hour rates (electricity) for regular customers were raised by 0.30 cent/kWh. Gas prices (mass market/heating gas) were increased by 0.60 cent/kWh in the period from January 1, 2009, to March 31, 2009, and again lowered by 0.56 cent/kWh from April 1, 2009. Despite the difficult economic conditions, TIWAG offers the lowest household electricity prices.

Charges for network usage account for approximately one third of the customer electricity price. In the year under review, the regulatory authority implemented an increase of charges for network usage by roughly 2.9 % effective from January 1, 2009, within the framework of the current price-cap regulation system, essentially to cover the expansion of the network. The revised regulation on system usage tariffs of 2009 (Systemnutzungstarife-Verordnung) not only newly regulated system usage tariffs, but also financially burdened producers: As of January 1, 2009, producers have had to pay charges for network loss for electricity fed into the public network from production facilities with a bottleneck capacity of more than 5 MW. Operators of pumped storage power stations have to pay charges for network usage when resorting to pumping electricity supplies from the public network.

Sales

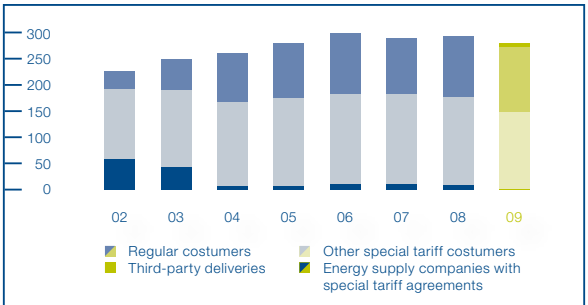
In the fiscal year 2009 the electricity sales volume of TIWAG-Tiroler Wasserkraft AG totaled 16,662 GWh (previous year: 18,102 GWh). In 2009, total sales to customers in the Province of Tyrol amounted to 4,663 GWh (previous year: 4,827), which represents a decrease by 3.4 % against the value of the previous year.

As a regional energy provider, TIWAG has a dominating market share and thus an extensive customer base in Tyrol. In particular, the close and long-standing customer contacts as well as the comprehensive top-quality infrastructure for the high-volume business with customers, as regards service, invoicing and debt collection, should be highlighted.

Non-availability due to disruptions in the network of TIWAG-Netz AG could be reduced from around 37 minutes per affected customer in the year 2008 to approximately 25 minutes in the reporting year. This value is below the Austrian average for 2008, as published by the regulatory authority, of around 44 minutes. On the basis of availability over the year, the availability of elec-

trical power supply in the supply area of TIWAG-Netz AG in 2009 came to more than 99.99%. Thanks to the strong commitment of all employees, the ongoing operation of the transmission and distribution network could be ensured without any major problems in 2009 and malfunctions which occurred could be quickly located and remedied. Due to the effects of the global economic crisis, the power delivery from the network of TIWAG-Netz AG went down to 4,718 GWh, representing a decline by approximately 3.7 % as compared to the previous year. The long-term average increase in power consumption in the supply area of TIWAG-Netz AG between 1980 and 2009 came to approximately 2.8 % per year.

With a total volume of 279.3 million cubic meters, the natural gas sales achieved by TIGAS in 2009 were 4.9 % lower that the value of the previous year (2008: 293.6 million cubic meters). This development was caused by the comparatively mild weather in the reporting year and the decline in volume in the special tariff customer segment.



Natural gas sales broken down by customer groups (in million m³)

As in previous years, the customers responsible for the main bulk of sales in 2009 were industrial and commercial businesses (other special tariff customers). Total sales in this customer segment came to 154.6 million cubic meters (previous year: 167.1 million cubic meters). This corresponds to a share of 55.3 % in total sales (previous year: 56.9 %). A total of 1.3 million cubic meters of natural gas was delivered to energy supply companies with special tariff agreements (previous year: 8.9 million cubic meters), the share in total sales thus amounting to 0.5 % (previous year: 3.1 %). At end-2009, a total of 34,757 regular customers (previous year: 33,335 customers) were supplied with natural gas. In terms of volume, regular customers received natural gas deliveries in the amount of 123.4 million cubic meters in the reporting year (previous year: 117.6 million cubic meters), representing a year-on-year increase of 4.9 %. Sales to gas stations reached approximately 843,000 cubic meters (previous year: 622,000 cubic meters).

Production

TIWAG primarily generates electricity from hydropower stations, which require substantial investments in the construction phase, but which, on the other hand, are very durable, are fairly cheap to operate, require only a low level of maintenance and have a very high level of energy conversion efficiency. Production reached all-time highs in the year under review. The cumulative inflow of the power stations used directly for Tyrol was 3.2 % higher than the average water year. At 3,611 GWh (previous year: 3,353 GWh), TIWAG's own generation surpassed generation values achieved in the previous year by 8 % or 258 GWh. Some of this generated electricity is used in an interconnected thermal-hydraulic operation with German electricity companies. In addition, 1,466 GWh were at TIWAG's disposal from energy purchase rights and electricity imports (1,618 GWh in the previous year). Available power station capacity amounted to 1,540 MW in the reporting year.

Procurement

Due to the volatile price situation, the procurement of electricity has been difficult. In the first half of 2008, electricity prices were extremely high. It was generally expected in the energy sector that they would continue to rise, which is why many energy companies, among them TIWAG, acquired supplies in advance. Because of the economic crisis electricity prices have declined sharply. Today, the stock market prices for electricity

are much lower than they were in 2008. Counteracting this ambiguous environment, TIWAG has kept its electricity prices for private household customers virtually unchanged.

Since TIGAS as yet does not generate gas of its own, gas procurement is a decisive factor of its success. In the reporting year, the required volumes were purchased on the market at considerably lower prices than previously.

Investments

Expenditures on new power stations and networks are long-term investments. Significant investments in the year under review included the adaptation of the structural elements of the Bächental dam, the partial replacement of the distribution conduit of the Achensee power station and renewal of the spherical valves in the Sellrain-Silz power station.

Based on the energy policy decision of the provincial government of Tyrol to further expand generation, important steps were taken in the reporting year. Most importantly, TIWAG submitted its plans for the expansion of the Sellrain-Silz group of power stations to the authority of first instance for environmental impact assessment on December 23, 2009. TIWAG plans to add a third reservoir, a further underground power station in Kühtai and water supply conduits from the Ötztal und Stubaital valleys. Based on the expected duration of the EIA procedure of three years and a construction phase of five years, the expansion is scheduled to be completed in 2017/18.

With the Vill transformer station (investment volume: EUR 21 million) and the renewal of the 110 kV lines between Jenbach and Zell and Jenbach and Kramsach (investment volume: EUR 30 million), EUR 50 million have been invested in the electricity network lately.

In accordance with growing capacity requirements, the distribution network was further expanded by adding 10 transformer stations providing an additional installed capacity of 26,155 kVA. 1.358 new customer installations with a total capacity of 24.274 kW were connected to the distribution network in the year under review and the capacity of existing customer installations was expanded by 20,636 kW.

In the reporting year, TIGAS proceeded with its demand-oriented investment activities by continuing the expansion of existing regional supply networks. All in all, TIGAS invested around EUR 15.6 million in the expansion of Tyrol's natural gas supply in the year 2009. At year-end TIGAS supplied about 130 Tyrolean municipalities with natural gas. 64 km of new pipelines were added to the already existing gas supply network of 2,439 km, bringing the TIGAS network to a new overall length of 2,503 km. In addition to 62 km of pipelines for regional supply networks, of which 19 km of house service connection pipelines, 2 km of regional branch lines were laid and put into operation. In the reporting year, 20 gas stations (previous year: 18) were in operation along the main transit routes and major transport hubs.

Energy efficiency

Against the background of the Tyrolean Energy Strategy 2020, which targets the three areas resource policy, supply security policy and energy efficiency policy, TIWAG has developed a package of measures under the heading "Alternative forms of generation and promotion of efficient energy use". TIWAG for instance actively promotes improved energy efficiency through energy consulting, initiatives encouraging the replacement of old energy-inefficient household appliances, investment subsidies for heat pumps, alternative heating systems and modernization of thermal insulation. The generation of electrical energy based on photovoltaics structures installed on noise control barriers, which had been started in the previous year, was further expanded in the reporting year and supplemented by the purchase of excess power supplies from private photovoltaics stations with a maximum capacity of up to 5 kWp.

4. FINANCIAL PERFORMANCE INDICATORS (OF THE COMPANY)

	2009 in EUR 1,000	2008 in EUR 1,000
Income status – key figures		
Sales revenues electricity sector	1,000,288.1	1,028,959.2
Lease income – network	101,383.8	107,017.5
Other sales revenues	19,834.8	21,926.2
TOTAL sales revenues	**1,121,506.7**	**1,157,902.9**
Operating results	47,511.2	58,900.7
Financial results	46,120.6	29,478.7
Result from ordinary activities	93,631.8	88,379.4
Return on sales in %	4.2	5.1
Return on equity in %	9.3	9.2
Total return on capital in %	5.0	5.0
Asset and financial status – key figures		
Net current assets (working capital)	-35,664.8	-82,132.9
Equity ratio in %	47.7	47.5
Cash flow – key figures		
Operating cash flow	149,487,8	158,685.2
Net cash flow from investment activities	-67,766.0	-244,477.4
Net cash flow from financing	28,889.9	117,903.9

5. FINANCIAL SITUATION OF THE COMPANY

INCOME STATUS (OF THE COMPANY)

Sales revenues decreased by 3.1 % to EUR 1,121.5 million as compared to the previous year and were composed of income from the electricity sector, lease income and other revenues. The main reason behind the lower sales revenues from the electricity sector is the reduced electricity consumption.

	2009 in EUR million	in %	2008 in EUR million	in %	Change in EUR million	in %
Electricity sector	1,000.29	89.19	1,028.96	88.86	-28.67	-2.79
Lease income – network	101.38	9.04	107.02	9.24	-5.64	-5.27
Other sales revenues	19.84	1.77	21.92	1.90	-2.08	-9.48
TOTAL sales revenues	**1,121.51**	**100.00**	**1,157.90**	**100.00**	**-36.39**	

Despite the increased level of TIWAG's own generation of electricity, income from the electricity sector declined because of lower sales volumes and prices.
Revenues booked under "Lease income – network" resulted from the lease of the operation of the transmission and distribution networks to TIWAG-Netz AG. The related lease payment decreased vis-à-vis the previous year by 5.3 % to EUR 101.4 million. The reasons behind the reduction of lease income were the lower expenses (as compared to the previous year), which were passed on to TIWAG-Netz AG. The contractually agreed interest component was passed on in full.

Other sales revenues came down by EUR 2.1 million. This position is primarily made up of other lease income and income from charges passed on to third parties. Other operating income fell by EUR 4.0 million to EUR 9.7 million due to the reduced reversal of provisions.

Operating expenses in the reporting year present as follows:

	2009		2008		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Cost of materials	827.21	75.49	859.76	76.71	-32.55	-3.78
Personnel expenses	122.61	11.20	137.04	12.23	-14.43	-10.53
Depreciation	65.84	6.00	65.95	5.88	-0.11	-0.17
Other expenses	80.17	7.31	58.11	5.18	22.06	37.96
TOTAL operating expenses	**1,095.83**	**100.00**	**1,120.86**	**100.00**	**-25.03**	

The cost of materials item amounted to EUR 827.21 million (previous year: EUR 859.8 million), thus decreasing by EUR 32.5 million (3.78 %). The change in cost of materials was caused by different, sometimes diametrically opposed developments. The main reason for the reduction in cost of materials was the smaller volume of electricity that was purchased from other suppliers. On the other hand, cost of materials arising from balance sheet provisions necessitated by a valuation based on market prices as at the balance sheet date and provisions for impending losses from an energy barter agreement in the amount of EUR 20.8 million increased. Based on the regulation on system usage tariffs as revised on January 1, 2009, charges for network loss were imposed for the first time; a total of EUR 3.5 million was paid in the year under review.

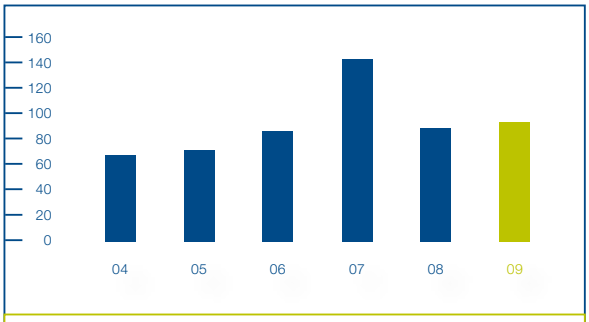
Total personnel expenses fell by EUR 14.4 million to EUR 122.6 million (previous year: 137.0 million). Current personnel expenses grew by 1.4 % to EUR 98.1 million (previous year: EUR 96.7 million), while expenses for severance payments and pensions decreased by 39.2 % to EUR 24.5 million (previous year: EUR 40.3 million). The main reason for the increase in current

personnel expenses is the age structure of TIWAG's active staff and an increase in remuneration by 3.7 % as directed by the applicable collective bargaining agreement, while the reduction of expenses for severance payments and pensions resulted from the improved performance of the pension fund as compared to the previous year and from lower pension provisions.

Similarly to the previous year, depreciation amounted to EUR 65.8 million (previous year: EUR 65.9 million). Other operating expenses increased by EUR 22.1 million vis-à-vis the previous year, reaching EUR 80.1 million (previous year: EUR 58.1 million). The main reason behind the significantly higher expenses is the increase in external services.
Based on the factors outlined above and the necessary risk provisions, operating results declined by 19.3 % in the year under review, coming to EUR 47.5 million (previous year: EUR 58.9 million).

In comparison with the previous year, the financial results improved from EUR 29.5 million to EUR 46.1 million (+56.5 %). The income from investments increased by 63 % to EUR 48.8 million, and was primarily made up of the profit transfers of the group's subsidiaries TIGAS-Erdgas Tirol GmbH (+EUR 8.97 million), TIWAG-Netz AG (+EUR 9.17 million) and the dividend of Österreichische Elektrizitätswirtschafts-AG (+EUR 23.58 million). The dividend of Innsbrucker Kommunalbetriebe AG decreased by EUR 3.55 million against the previous year, coming to EUR 1.50 million. On balance, the external financings obtained and fixed-term deposits made in the reporting year weighed down on the result with EUR 0.7 million.

At EUR 93.6 million, the result from ordinary activities was 5.9 % above the value of the previous year of EUR 88.4 million. After deduction of corporate income tax in the amount of EUR 13.2 million (previous year: EUR 14.5 million), the company posted a net income of EUR 80.4 million (previous year: EUR 73.9 million). Taking into account untaxed reserves (EUR 7.98 million), which were primarily created through accelerated depreciation within the meaning of section 7a of the Income Tax Act (Einkommensteuergesetz, EStG), and profit carried forward in the amount of EUR 0.14 million and after allocation of EUR 57.5 million to the reserves from retained earnings, balance sheet profit for fiscal 2009 totaled EUR 21.26 million.



Result from ordinary activities of Tiroler Wasserkraft from 2004–2009 (in EUR million)

INCOME STATUS (OF THE GROUP)

Consolidated sales revenues decreased by EUR 71.5 million to EUR 1,348.3 million (-5.3 %). The portion accounted for by the natural gas sector amounted to 9.9 % (previous year: 10.7 %). The group sales revenues include energy levies in the amount of EUR 67.7 million (previous year: 69.0 million).

Operating expenses could be reduced by EUR 81.0 million to EUR 1,305.7 million (-5,8 %). Operating results increased by EUR 7.0 million to EUR 67.5 million (+11.6 %), while financial results declined by EUR 5.7 million to EUR 12.9 million. The lower financial results resulted primarily from the consolidation of the associated companies.
At EUR 80.4 million, the group result from ordinary activities came to a level slightly above the result of the

previous year (EUR 79.1 million). After taking into account corporate income tax in the amount of EUR 14.6 million (previous year: EUR 14.0 million), the group's annual net income for fiscal 2009 came to EUR 65.8 million (previous year: EUR 65.1 million).

ASSET STATUS (OF THE COMPANY)

The balance sheet total rose from EUR 1,756.5 million to EUR 1,875.0 million. Of the total assets, fixed assets accounted for EUR 1,521.3 million (previous year: EUR 1,511.5 million), current assets for EUR 349.9 million (previous year: EUR 241.0 million) and prepaid expenses and deferred charges for EUR 3.8 million (previous year: EUR 4.0 million)

	2009 in EUR million	in %	2008 in EUR million	in %	Change in EUR million	in %
Fixed assets	1,521.3	81.14	1,511.5	86.05	9.7	0.6
Current assets	349.9	18.66	241.0	13.72	108.9	45.2
Prepaid expenses and deferred charges	3.8	0.20	4.0	0.22	-0.2	-4.5
TOTAL assets	**1,875.0**	**100.00**	**1,756.5**	**100.00**	**118.5**	

As compared to the previous year, fixed assets grew by 0.6 % to EUR 1,521.3 million. Tangible assets and intangible assets rose by EUR 1.4 million to EUR 729.1 million, while financial assets increased by 1.7 % to EUR 792.2 million. Investments in the amount of EUR 71.3 million were EUR 3.4 million higher than depreciation. Additions to tangible assets in the amount of EUR 67.5 million were primarily composed of additions to productions facilities (EUR 14.6 million), transformer and distribution facilities (EUR 49.8 million), counting and metering devices (EUR 0.6 million) and others (EUR 2.5 million).

Due to a reclassification in the amount of EUR 9.6 million, financial assets increased by EUR 8.4 million to

EUR 792.2 million (previous year: EUR 783.8 million). Their share in total assets thus came to 42.3 % (previous year: 44.6 %).

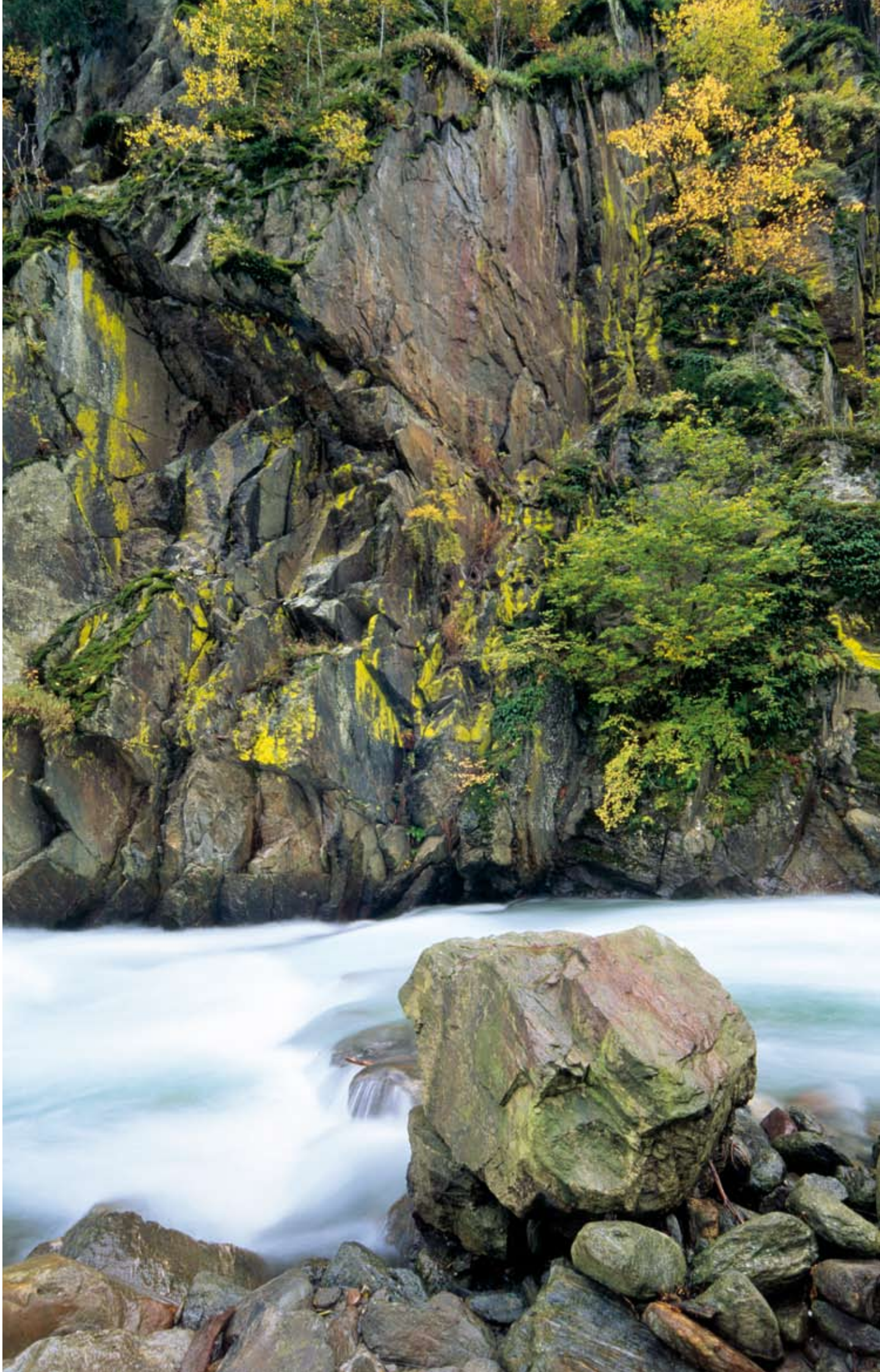
Current assets rose by EUR 108.9 million to EUR 349.9 million (previous year: EUR 241.0 million). This increase resulted in particular from the rise in fixed-term deposits by EUR 48.3 million. For this reason, the share of current assets and prepaid expenses and deferred charges in total assets grew from 14.0 % to 18.9 %.

On the liabilities side, EUR 818.6 million were accounted for by equity capital, which corresponds to a share of 43.7 % (previous year 43.3 %).

	2009 in EUR million	in %	2008 in EUR million	in %	Change in EUR million	in %
Shareholders' equity	818.6	43.7	760.9	43.3	57.7	7.6
Untaxed reserves	75.2	4.0	73.3	4.2	1.9	2.6
Investment grants	3.8	0.2	4.0	0.2	-0.3	-5.0
Contributions to construction costs	128.1	6.8	127.5	7.3	0.6	0.5
Provisions	303.4	16.2	287.3	16.4	16.1	5.7
Liabilities	390.0	20.8	341.2	19.4	48.8	14.3
Deferred income	155.9	8.3	162.2	9.2	-6.3	-3.9
TOTAL equity and liabilities	**1,875.0**	**100.0**	**1,756.5**	**100.0**	**118.5**	

The rise in equity capital in the reporting year is primarily attributable to retained earnings. Taking into account valuation reserves, the equity ratio amounted to a total of 47.7 %, following 47.5 % at the balance sheet date of the previous year.

All in all, provisions and liabilities increased by EUR 64.9 million to EUR 693.4 million. Bank loans and overdrafts rose by EUR 48.2 million to EUR 169.2 million (previous year: EUR 116.4 million). The external financings obtained were used to refinance securities in the form of fixed-term deposits. Investments in power stations and



networks were completely covered by internal financing. Trade payables and other liabilities remained virtually unchanged against the previous year. Other provisions increased mainly due to provisions for impending losses from an energy barter agreement in the amount of EUR 20.8 million.
In the reporting year, working capital came to EUR -35.7 million (previous year: EUR -82.1 million).

ASSET STATUS (OF THE GROUP)

As at December 31, 2009, the group's assets totaled EUR 2,110.0 million. The group balance sheet total grew by EUR 111.1 million (+5.6 %). Fixed assets accounted for EUR 1,714.9 million or 81.3 %, tangible assets for EUR 1,089.8 million or 51.6 %. Additions to tangible assets amounted to EUR 83.9 million. Liabilities within the group came to EUR 582.2 million and the financing portion of contributions to construction costs amounted to 7.7 %.

FINANCIAL STATUS (OF THE COMPANY)

Operating cash flow declined by EUR 9.2 million as compared to the previous year, reaching EUR 149.5 million. This primarily resulted from the minor changes in current liabilities. Net cash flow from investment activities decreased by EUR 176.7 million to EUR 67.8 million. The reason behind this development was the fact that there were fewer investments in financial assets as compared to the previous year. Investments in tangible assets rose by EUR 8.9 million. Net cash flow from financing activi-

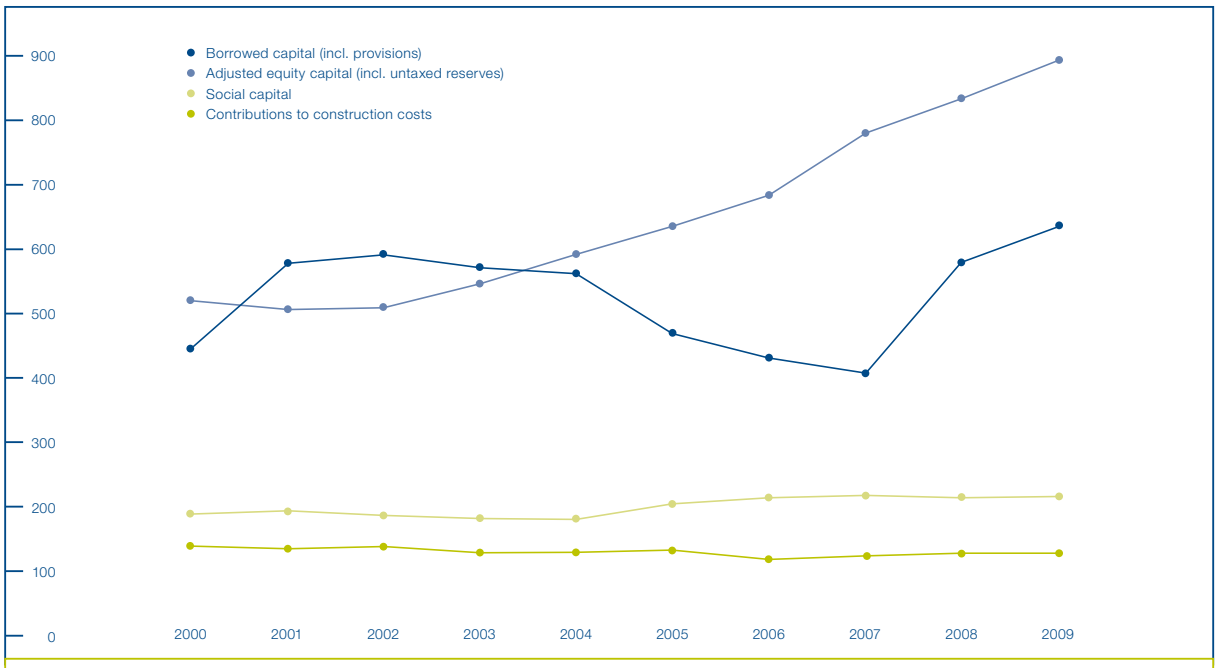
Cash flow statement	2009 in EUR million	2008 in EUR million
Operating cash flow	149.5	158.7
Net cash flow from investment activities	-67.8	-244.5
Net cash flow from financing activities	28.9	117.9
Change in cash and cash items	110.6	32.1

ties fell by EUR 89.0 million to EUR 28.9 million (previous year: EUR 117.9 million). Dividend distribution came to EUR 21 million (previous year: EUR 20 million).

FINANCIAL STATUS (OF THE GROUP)

Cash flow development and change in cash and cash items within the group present as follows:

Cash flow statement	2009 in EUR million	2008 in EUR million
Operating cash flow	144.5	194.1
Net cash flow from investment activities	-93.1	-265.5
Net cash flow from financing activities	59.8	128.1
Change in cash and cash items	95.1	56.7



Performance of capital for Tiroler Wasserkraft (in EUR million)

6. EMPLOYEES

Average headcount figures amounted to 1,267 employees in the company (previous year: 1.272) and 1,363 employees in the group (previous year: 1,368). On the basis of an agreement signed on November 18, 2005, an annual average of 521 employees (previous year: 534) were hired out to TIWAG-Netz AG. Remuneration was made through the lease payment and is recorded in the sales revenues under charges passed on to third parties.
With effect from February 1, 2009, wages and salaries were raised by 3.7 % based on the applicable collective bargaining agreement.

In the course of the "Staff plan 2009" project, an organizational chart and staff plans were developed as valid at January 1, 2009. Moreover, headcount targets and job descriptions were determined for each organizational unit, and job profiles were described and assessed based on a harmonized procedure. The project will be completed in the upcoming fiscal year.

In the reporting year, department heads and team leaders were trained. Based on the 2008 "Staff opinion survey" and the management guidelines developed in the previous fiscal year, training opportunities for managers were developed and implemented in the projects "development center" and "management workshop".

7. PERFORMANCE OF THE GROUP COMPANIES

TIGAS-Erdgas Tirol GmbH (TIGAS)

As at the balance sheet date, the fixed assets of TIGAS came to around EUR 418.5 million, thus posting a value of EUR 7.3 million above the comparable value of the previous year.
Overall, TIGAS invested EUR 15.6 million in the expansion of natural gas supply in Tyrol in the year under review.

Financial assets amounted to EUR 68.2 million, which represented an increase of EUR 8.1 million against the previous year.

Current assets of EUR 18.9 were reported as at the balance sheet date, a value of EUR 7.8 million below the comparable value of the previous year.

Equity capital including untaxed reserves grew by EUR 4.4 million to EUR 232.3 million.
As at the balance sheet date, contributions to construction costs in the amount of EUR 20.0 million were reported.
The company's total liabilities amounted to EUR 182.0 million as at December 31, 2009, reflecting an increase by a total of EUR 4.7 million against the previous year.

Sales revenues (incl. metering charges and natural gas tax) fell by 11.5 % vis-à-vis the previous year, dropping to a total of EUR 134.1 million.
At EUR 75.4 million, the cost of materials reported was EUR 27.1 million below the comparable value of the previous year (i.e. -26.4 %).
Depreciation of intangible fixed assets and tangible fixed assets came to EUR 16.3 million in fiscal 2009.
Other operating expenses in the total amount of EUR 27.2 million were reported, a value of EUR 0.5 million below the comparable value of the previous year.
Earnings before interest and taxes in the reporting year amounted to EUR 13.3 million, EUR 8.8 million above the comparable value of the previous year (EUR 4.5 million). Financial results improved by EUR 4.4 million on balance vis-à-vis the previous year, reaching a total of EUR -4,111.35.
The result from ordinary activities came to EUR 13,345,359.41 in the reporting year, a level significantly above the previous year's result.
After taking into account all movements of reserves, the company reported profits of EUR 8,969,816.55, which, in accordance with the profit and loss transfer agreement presently in force, are to be attributed to the parent company of the group, TIWAG-Tiroler Wasserkraft AG.

TIWAG-Netz AG

In order to implement the compulsory legal unbundling ((section 26 par. 3 of the Electricity Industry and Organization Act 2004 (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2004) and section 73 par. 7 of the Tyrolean Electricity Act 2003 as amended in 2005 (Tiroler Elektrizitätsgesetz, TEG)) as efficiently as possible, TIWAG-Netz AG was developed as a combined network operator, and the operation of the transmission and distribution networks was transferred to TIWAG-Netz AG by means of a lease (lease agreement dated November 18, 2005). In the hiring out contract dated November 18, 2005, TIWAG-Tiroler Wasserkraft AG had hired out the staff previously employed in network operations to TIWAG-Netz AG.

In an order dated January 1, 2006, the provincial government of Tyrol, as the electricity authority, granted TIWAG-Netz AG the concession for the operation of the distribution network of TIWAG-Tiroler Wasserkraft AG. TIWAG-Netz AG thus assumed the responsibilities of control area manager for electricity and natural gas as well as transmission network operator and operator of the distribution network of TIWAG-Tiroler Wasserkraft AG as of January 1, 2006, and has been responsible for the operation, maintenance and expansion of these networks since that date.

Current assets of EUR 46.1 million were reported as at the balance sheet date, a value EUR 6.6 million below the comparable value of the previous year.

Equity capital remained unchanged vis-à-vis the previous year. As at the balance sheet date, contributions to construction costs in the amount of EUR 11.8 million were reported.
The company's total liabilities as at December 31, 2009, amounted to EUR 24.3 million, marking an overall decrease of EUR 9.2 million against the previous year.

Sales revenues went down by 2.6 % against the previous year, reaching a total value of EUR 217.4 million.

At EUR 37.5 million, the cost of materials was EUR 6.6 million below the comparable value of the previous year (i.e. -15.0 %).
Other operating expenses were reported at a total of EUR 170.0 million, EUR 9.7 million below the value of the previous year.

Earnings before interest and taxes amounted to EUR 8.8 million in the year under review, representing an increase of EUR 10.3 million against the value of the previous year (-EUR 1.5 million). The financial results decreased by EUR 1.1 million on balance against the previous year, posting a total of EUR 0.4 million.
The result from ordinary activities came to EUR 9,173,873.34 in the reporting year, marking a significant increase vis-à-vis the previous year.
The profit was attributed to the parent company of the group, TIWAG-Tiroler Wasserkraft AG, based on the profit and loss transfer agreement presently in force.

The existing lease agreement between TIWAG-Tiroler Wasserkraft AG and TIWAG-Netz AG for the operation of the transmission and distribution network provides that the ownership of the existing facilities and the facilities to be built in the future is to remain with TIWAG-Tiroler Wasserkraft AG. The allocation of depreciation for these facilities to TIWAG-Netz AG, as well as the payment of other expenses accruing to TIWAG-Tiroler Wasserkraft AG associated with the transmission and distribution network (e.g. personnel costs for hired out staff members) are effected by way of the lease payment, which amounted to EUR 101,383,748.90 in fiscal 2009.

Achenseeschiffahrt-GesmbH (ASG)

In fiscal 2009, Achenseeschiffahrt-GesmbH achieved EUR 2.6 million in turnover. The net income for the year amounted to TEUR 129.7, which represents an improvement of operating results against the previous year by TEUR 145.5.

TIWAG Hydro Engineering GmbH in Liquidation (HyE)

At the general meeting of shareholders on December 20, 2006, after detailed examination and evaluation of the business model, the liquidation of the company was resolved. Liquidation will probably be finally completed in the first half of 2010.

TIWAG-Italia GmbH

The establishment of TIWAG-Italia GmbH in May 2003 was the logical continuation of TIWAG's Italian venture in the electricity sector. After concluding the preparatory work, and having met all the necessary conditions, TIWAG-Italia GmbH took up its business operations in October 2003. Due to the experience made so far and based on the evaluation of the business model, the liquidation of the company was resolved in early 2010.

Stadtwärme Lienz Produktions- und Vertriebs-GmbH

Sales revenues came to a total of EUR 5.1 million. At approximately TEUR -15.0, operating results (earnings before interest and taxes) were negative (previous year: TEUR -271.4).

In the calendar year 2009, around 59.8 gigawatt hours of heating energy were delivered to the customers of Stadtwärme Lienz. This represented an increase in sales of approximately 6 % vis-à-vis the previous year, which was primarily attributable to the comparatively low temperatures in the 2009 heating season and to the new customers that had been connected to the network since the previous year. In 2009, around 9.0 gigawatt hours of green electricity could be fed into the network of TIWAG-Tiroler Wasserkraft AG.

II. REPORT ON THE EXPECTED DEVELOPMENT AND RISKS OF THE COMPANY

1. EXPECTED DEVELOPMENT

General economic developments have caused electricity and natural gas sales to decline and the coming year is also unlikely to produce any significant cyclical upswing, though forecast uncertainty is very high. Any predictions of the development of results for the TIWAG group also require caution, as the further course of the global financial and economic crisis remains uncertain. The development of the energy sector is considerably influenced by the targets set by the EU's climate protection and energy policy (reduction of greenhouse gas emissions, increase in energy efficiency and increase in the share of energy from renewable sources in total energy consumption). Although TIWAG will generally benefit from the transformation of the energy industry into a sustainable, low-carbon and increasingly decentralized system associated with this energy policy development, it will encounter major transformation problems in this context.

In particular, the transposition of the European Water Framework Directive into national law, which is being actively promoted by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management, is likely to put a damper on the company's growth potential.

A slight decline in sales revenues is expected for the coming fiscal year. Owing to the difficult operating environment and possible one-time effects, a significantly lower result is expected. Over the medium term, however, we expect results to improve again after planned measures targeted at reducing cost and raising income have been implemented.

Our corporate activities focus on expanding our hydropower production capacities and partially renewing and modernizing network infrastructure. For the upcoming year, higher investments in tangible assets than in the previous year have been scheduled. Investments in the construction of power stations increase supply security, reduce dependence on electricity imports and contribute to climate protection. The investment initiative announced by the electricity sector will guarantee clean energy and a secure energy supply for Tyrol. This

will, however, only be possible if a target-oriented and timely implementation is made possible. According to a forecast published by the Austrian Institute of Economic Research (WIFO), electricity consumption in Austria will have risen by around 1.7 %–2.3 % per year by 2020. If it is not possible to expand power stations, electricity shortages will result under these conditions.

In addition to the expansion of power stations, electricity supply will need to be re-organized in several steps. Low-carbon supply from renewable sources will only be possible if, among other things, the networks are restructured and expanded. Networks need to become intelligent and provide incentives to consumers to gear their demand to the fluctuating electricity supply. In order to make such consumer behavior possible, each consumer must obtain appropriate information from the network, which will turn into a smart grid based on information technology. Smart grids are considered as key technology for the use of electricity from renewable energy sources. This development of intelligent distribution networks is also a prerequisite for the installation of a comprehensive system allowing the large-scale introduction of electric vehicles.

2. OPPORTUNITIES AND RISKS FOR THE COMPANY

Organization of risk management

In the year under review, a project focusing on the evaluation of the existing risk management system and internal control system was launched. The objective of these evaluation measures is to integrate risk management into business operations as a continuous process. To this end, in particular value-adding processes and the relevant value-supporting processes are being analyzed. Based on this analysis, existing system elements will be further developed and a centrally controlled, coordinated and documented risk management system will be established. Within the risk management process, risks are to be detected early, recorded, assessed, controlled and monitored, based on a risk strategy defined by the Management Board.

Opportunities

- TIWAG-Tiroler Wasserkraft AG generates electricity from hydropower, as Tyrol offers favorable conditions for the exploitation of hydropower thanks to its topography (altitude and precipitation volume). The “hydropower advantage” in itself is the main pillar of TIWAG’s success.

- The fluctuations in generation caused by the expansion of energy production from renewable sources of energy, in particular wind, raise the importance of balancing energy and control energy from (pumped) storage power stations.

- European and national energy policy are promoting an increase of the share of energy generated from renewable sources in overall energy use. For Tyrol this means that hydropower needs to be expanded in a sustainable manner.

Risks

- **Price risks**

The company’s income situation hinges on price developments on the energy markets. Both production as well as trade and distribution are affected by price movements. The assessment of price risks is based on forward prices and expected price volatilities. In order to minimize risks, derivatives with physical delivery and financial settlement are used on the procurement and sales sides. In the trading sector, transactions with third parties are only entered into upon completed credit risk assessment. The risk limits for energy trading are determined by the Management Board and continuously monitored; price risk is measured based on the value at risk. Trades are concluded based on framework agreements as published by the European Federation of Energy Traders (EFET).

Business risks

Energy production and its distribution and sale rely on technologically complex, inter-connected facilities. The involved power stations and networks may incur non-insured damage, which might negatively affect the income situation. The risk of unplanned business interruptions depends on the age of the relevant facilities. In addition to these risks, which relate to existing plants and facilities, there are also risks associated to the construction of new plants and facilities. In particular, time-consuming permit procedures represent significant potential risk in this context. Business risks are addressed by means of high security standards and regular maintenance. Moreover, appropriate insurance cover is obtained for business risks to the extent that this is economically reasonable.

Financial risks

Results can be strongly influenced by fluctuations in exchange rates, interest rates and stock prices. Currency risks result primarily from changes in exchange rates, and are hedged with appropriate instruments, where necessary. On the liabilities side, also Swiss francs and USD are used for short-term financing. Taking into account all optimization aspects, there is currently no hedging against the currency risk of the Swiss franc. Price gains and losses arising from USD-denominated fixed-term deposits on the asset side and from USD-denominated cash advance facilities on the liabilities side, which are functionally related, were combined in order to avoid the necessity to report expected losses. Cover is guaranteed at all times. Due to the respective maturities, there is the option of rapid conversion. Interest rate risks mainly exist based on the interest-bearing assets and financial debt; they are hedged where necessary. The risks and opportunities arising from changes in the value of securities are controlled by means of professional fund management.

Liquidity risk

Liquidity risk arises because cash and cash items may not suffice to meet financial obligations in a timely manner. In order to remain solvent, TIWAG relies on appropriate liquidity planning, a strong operating cash flow and unused lines of credit.

Credit risk

Credit risks arise from business relations with customers and suppliers. These risks are limited through a tight system of claims management, which defines and automatically adjusts limits in a timely manner. Where required, cash collateral or bank guarantees are demanded. In the finance and energy trading sectors, TIWAG primarily concludes credit business with banks and trade partners with a high credit rating.

Regulatory risks

The constant changes in the legal and political framework can significantly influence the company's income status. There are uncertainties in connection with the implementation of the WFD – in particular increased residual flow requirements and changed operating rules could lead to losses of production.

IT security

Risks relate to the availability of networks and IT solutions, as well as the security of the existing stock of data. In order to limit risks, corresponding investments in hard- and software are made, security standards are defined and access authorizations are limited.

Overall assessment of risks and opportunities

The overall economic environment has deteriorated in the wake of the financial and economic crisis, which poses risks but also offers opportunities for TIWAG-Tiroler Wasserkraft AG. Losses of production in the industrial sector, for example, could lead to reduced electricity demand, and low electricity market prices, investment risks and refinancing risks might in turn weigh down on the income situation.

The political, economic and legal framework conditions

under which the national and international energy industry operates pose considerable risks to earnings. However, at the moment, there are no apparent risks that might jeopardize the continued existence of TIWAG-Tiroler Wasserkraft AG.

TIWAG's opportunities particularly lie in the almost 100 % focus on hydropower generation with high- and highest-quality products from (pumped) storage power stations.

III. REPORT ON EVENTS THAT OCCURRED AFTER THE BALANCE SHEET DATE

In mid-January 2010, TIWAG and EnBW Kraftwerke AG in Stuttgart agreed on the termination of an existing energy barter agreement with effect from September 30, 2010. This termination agreement was made subject to several conditions precedent, among others approval by the supervisory boards of both companies and approval or non-prohibition by the responsible antitrust authorities. These conditions precedent have not yet been fulfilled. In the framework of the intended termination of the agreement, TIWAG will compensate EnBW Kraftwerke AG for claims already asserted in this connection, for which provisions in the amount of EUR 5.2 million have been created so far.
It is assumed that the intended premature termination of the agreement – irrespective of the effects of the associated reversal of provisions for impending losses in the amount of EUR 20.8 million – will weigh down heavily on the result for the year 2010, but still represents an economic advantage for TIWAG, as related earnings will clearly outweigh the costs of the termination of the agreement.

The construction and operation of hydropower stations require less energy than any other form of electricity production. An expansion of electricity production based on hydropower reduces foreign electricity imports from high-carbon production. In connection with a stronger expansion of network infrastructure, the security of supply is thus raised in the interest of Tyrol's status as an attractive location for industry and businesses and the domestic value creation chain. Major factors driving the upcoming major hydro-engineering projects are the increasing electricity demand and the aim of establishing effective flood control. The involvement of the affected population, the promotion of a climate of greater trust and more broadly-based acceptance, as well as safeguarding natural resources under protection are framework conditions for the realization of these projects.

The granting of the building permit by the authority of first instance for the GKI border power station on the Inn, a joint project by Verbundgesellschaft (50 %), TIWAG (36 %) and Engadiner Kraftwerke (14 %), is expected soon. The documentation on the planned expansion of the Kaunertal power station into a group of power stations is currently being prepared for submission. Construction for the Bruckhäusl power station project is scheduled to begin in the second quarter of 2010. There are plans to build a diversion-type power station on the Matreier Tauernbach stream by 2015, which is to generate 124 GWh of electricity. Furthermore, a project for the construction of a regional power station on the Inn river at Kundl/Breitenbach has been presented (investment volume EUR 150 million).

In the up-coming fiscal year, alternative energy sources will be further promoted. Next to electrical heat pumps, the strategic positioning of electric vehicles in the transport sector is currently at the core of discussions. The introduction of electric vehicles definitely would have positive ecological effects in terms of air pollutants and noise, however, only if modern storage technologies are applied and the additionally required electricity can be provided from low-emission power stations.

The fast expansion of wind power and the associated volatility of production are putting considerable strain

on European transmission networks. Even under these difficult circumstances, transmission network operators need to ensure that voltage and frequency in the network are kept at the required levels at all times. To the extent that the necessary network expansions cannot be implemented in a timely manner, the limited transport capacities of the transmission network will be auctioned off. The introduction of smart metering is being promoted by the new EU directive governing the internal market in electricity. This new technology will strongly influence the core processes of network operators – in particular invoicing, energy data management and the operation of metering points. The comprehensive roll-out of smart metering also involves high costs, which will need to be covered via network tariffs in the framework of the regulatory price-cap system.

In the area of network operations, the 2010 regulation on system usage tariffs entered into force on January 1, 2010, which determines the legal framework conditions for the second regulatory (price/revenue-cap) period for electricity networks in the period of January 1, 2010, to December 31, 2013. Building on the principles of the first regulatory period, the second regulatory period will lay the foundation for the expansion of network infrastructure and the associated security of supply. With the introduction of an investment and operating cost factor, appropriate financial compensation for investments made has been provided for. The stipulated increase in efficiency will be reflected by a reduction of network tariffs in the amount of 1.95 % per year until 2013; weighted average cost of capital for the coming regulatory period has been adjusted to 7.025 % in line with the market situation.

Innsbruck, March 31, 2010

The Management Board
Dr. Bruno Wallnöfer · Dipl.-Ing. Alfred Fraidl

Customers

TIWAG's customer and service oriented distribution organization remains the strong and tailored answer to the current needs of our customers in the deregulated electricity market.

In the reporting year, the company once again succeeded in maintaining its leading position in the domestic market despite fierce competition from other electricity suppliers. This success is attributable to TIWAG's specially tailored, reasonably priced electricity products, and the high customer loyalty inspired by the great trust which has been built up over decades.

Regular personal contact with our customers is of major importance for TIWAG's Distribution division. Liaising with our customers is the responsibility of the members of our key account, private and business customer management units. The Distribution Marketing, Energy Consulting and Energy Efficiency department assists and supports our customer advisors in their internal and external communications.

When it comes to training and further education for its employees, TIWAG adheres to strict standards. TIWAG energy consultants and customer advisors undergo demanding training programs and are, for instance, trained as certified energy consultants or business energy managers. In this way, TIWAG's employees acquire know-how which they can pass on to TIWAG's customers, thus creating a competitive edge in terms of knowledge and experience in addition to its traditionally attractive prices.
In 2009, the WIFI Institute for Economic Promotion and the AIT (Austrian Institute of Technology) jointly offered courses leading up to certification as heat pump and photovoltaic installation technician, in which numerous TIWAG employees and staff members of many local companies participated.

Modern online presence

TIWAG operates an informative internet platform offering additional services for customers with online access. The state-of-the-art website at www.tiroler-wasserkraft.at offers its users many features, including comprehensive information on all currently offered electricity products, energy consulting services and electricity generation, as well as useful pointers for saving energy and news and information on the status quo of ongoing projects with the aim of expanding hydropower in Tyrol.

TIWAG SUBSIDY PROGRAMS

Heat pump technology

More and more Tyroleans recognize the advantages of heat pump technology and opt for this environmentally friendly way of heating and cooling when building their private homes. TIWAG supports customers who choose to use this sustainable technology with a far-reaching subsidy program. In the year 2009, TIWAG supported the installation of 304 heat pumps.

Energy efficiency bonus

TIWAG stands for an efficient use of valuable electric energy and therefore wants to supplement the reasonable expansion of hydropower in Tyrol by making use of alternative sources of energy as well as by supporting measures which aim to promote efficient energy use. Since January 2009, TIWAG has subsidized the replacement of old heating systems with new energy efficient heat pumps and wood pellet, wood chip or log burning heating systems, if, at the same time, the building envelope is renovated within the framework of

At trade fairs, TIWAG currently places particular emphasis on presenting the numerous investment subsidies available for efficient energy use.

the current related initiative of the Province of Tyrol in order to ensure better insulation (or has been renovated before). Any such commitment to efficient energy use is rewarded with up to EUR 3,000 for each individual case.

Private photovoltaics stations

In the context of the "Tyrolean Energy Strategy 2020", the reporting year saw a special focus on alternative forms of energy generation, on saving energy and energy efficiency. We have been concentrating on broadly-based communication, information and raising awareness, as well as supporting the market penetration of energy efficient technologies.

Since October 2009, TIWAG has supported the purchase of excess power supplies from private photovoltaics stations with a maximum capacity of 5 kilowatt with a contribution of 15 cents per kilowatt hour fed into the public network.

Our strong energy consulting team: (from left to right) Christian Praxmaier, Egon Huber, Stefan Pickelmann, Andreas Kleinlercher and Emil Schranz.

ENERGY CONSULTING

TIWAG's energy consulting team shows customers how each of them can save energy and money and provides professional pointers on how to save electricity at home, true to the motto "Using energy intelligently". TIWAG's energy consulting services include the provision of information on new energy technologies such as heat pumps for heating and cooling, including information on related investment subsidies, as well as the provision of power meters which can be used to detect hidden "energy guzzlers" in each household.

In total, TIWAG's energy consultants completed around 2,490 customer advisory sessions in the reporting year. Additionally, they were present at all important regional trade fairs, where they informed visitors about efficient energy use in the course of around 730 consulting sessions. These trade fairs included Innsbrucker Frühjahrs- und Herbstmesse, Häuslbauermesse, several in-house exhibitions as well as Tiroler Passivhausforum. The new green design of TIWAG's exhibition stands is supposed to additionally underline our energy efficiency initiatives.

Employees

In light of the insecure conditions in terms of energy policy and the situation of the energy supply sector in general, TIWAG, more than ever, depends on active and committed employees for maintaining its position as leading and profitable energy supply company for Tyrol, not least in order to successfully deal with increasingly intense competition and growing regulatory pressure.

The realization of our ambitious corporate goals in such a difficult economic environment is made possible by the commitment, initiative and responsibility of our dedicated employees, who strive for maximum performance in their daily work and do their utmost to support necessary organizational changes. Close cooperation between the individual divisions on a professional and friendly basis promotes this joint success.

Headcount could be slightly reduced in the reporting year. In order to ensure the necessary quality-oriented personnel development, recruitment of new employees mostly concentrated on technical experts and other specialists.

PERSONNEL DEVELOPMENT

Highly motivated staff with excellent personal skills and technical training are the basis which allows us to meet the challenges posed by the market, our constantly changing operating environment and the resulting adjustments in the organization of TIWAG.

Training and further education are thus an indispensable investment in the company's future. TIWAG systematically promotes its employees' technical, personal

"It is extremely important for us not only to win over the right people for our company, but to encourage the internal mobility of all employees in the company and to promote flexibility within the group."

Dr. Andreas Falkner } Head of TIWAG Human Resources

Persons employed (TIWAG staff and employees hired out to TIWAG-Netz AG)	2009		2008		2007	
	Headcount	FTEs*	Headcount	FTEs*	Headcount	FTEs*
Effective date: December 31 (excluding Management Board Members)						
Salaried employees	1,039	1,013	1,052	1,026	1,033	1,010
Wage earners	210	204	212	205	221	213
Salaried employees – apprentices	12	12	13	13	13	13
Wage earners – apprentices	36	36	37	37	35	35
	1,297	**1,265**	**1,314**	**1,281**	**1,302**	**1,271**
Men	1,149	1,143	1,161	1,155	1,155	1,149
Women	148	122	153	126	147	122
	1,297	**1,265**	**1,314**	**1,281**	**1,302**	**1,271**
Average age** (in years)	45.2		44.9		44.4	
Average time with the company** (in years)	23.4		23.2		22.7	

* Part-time employees converted into full-time equivalents
**Excluding apprentices

and methodological skills and offers attractive career opportunities. In 2009, once again, we focused on technical training activities, project management training based on inhouse project management standards developed for this purpose, personality development and development of communicative competences (e.g. conflict management, presentation and facilitation skills), tailored team building measures, IT training as well as measures in connection with safety and environmental issues.

PROJECTS

In the reporting year, several major projects focusing on organizational issues, corporate culture and personnel management were launched or continued. In particular, we would like to point out the following projects:

Project "Staff plan 2009"

In cooperation with the executive level, all functions within the company were described and subsequently assessed within the framework of this project, based on a pre-determined target headcount. After a phase of comprehensive and intensive quality assurance the Works Council was involved – as directed by the project schedule. In this connection, an employer/works council agreement governing the most important steps towards introducing and applying the staff plan was concluded. In the last phase of the project, the classification of the individual positions according to the applicable collective bargaining agreement will be laid down and the employees will be assigned to the positions. The project will be completed in the second quarter of 2010. The staff plan will ensure task-oriented staffing which caters to the needs of TIWAG's business operations. It will also ensure long-term, stable personnel development and career planning subject to the number, profile and hierarchical/remuneration classification of available positions.

Project "Guidance for and by managers"

In the course of this project, guidelines for management and cooperation were developed and communicated within the entire company. All levels of management, members of the Works Council and over 300 employees of the company were actively involved. The guidelines now form the basis for a group-wide new and common understanding of management, managerial behavior and modern management procedures. Development measures for all levels of management based on the adopted guidelines and their integration into existing management instruments aim to implement and anchor the guidelines within the company.

Project "Management workshop"

In order to implement the management principles laid down in the guidelines, all managers need to familiarize themselves with these principles, understand them and live them in their everyday work. The large group of team leaders and forepersons is of particular importance in this respect.

For this purpose, we created the management workshop, a training program specifically tailored to the needs of this target group. Managers are trained and developed in the course of four modules, which in particular cover the areas "role and function of a manager",

The working groups of the management workshop developed new strategies and principles for TIWAG's management.

"managing oneself", "leadership" and "organizational development" as well as "managing change". In addition to theoretical input, the management workshop focuses on practical cases based on real-life management situations in order to ensure that the skills acquired during the training sessions can also be put into practice. The overall concept is rounded off by team building measures with these approximately 110 managers as well as by one-on-one talks which cater to individual needs.

Project "Development center"

Members of the top executive level took part in the development center, a business simulation game which was developed for them, with external support, as a starting point for a management program for all line managers and department heads. This measure, too, aims at sustainably anchoring the management guidelines within the organization and at assessing our management competence on this basis. In the course of a business simulation developed for TIWAG, the quality of our management work is assessed. The results of the three development centers organized so far, combined with the results of the management workshop, constitute the basis for targeted training and further education measures. These individual development measures, in turn, are the basis for a management program for 2010 and the succeeding years, which is yet to be developed.

APPRENTICES AND TRAINEES

"The support and development of young people is one of our major concerns. We trained 64 apprentices in 2009," head of Human Resources Dr. Andreas Falkner explains. In order to recruit the best young people, we place particular emphasis on an adequate selection procedure. The WIFI Institute for Economic Promotion supports us in conducting a standardized potential analysis. After face-to-face interviews with TIWAG experts, the apprentices suitable for the company can start their apprenticeships.

Apprentices at TIWAG are provided with sound vocational training in future-oriented professions such as information technologist, mechanical engineering technician, electric energy technician and procurement manager, but also in traditional jobs such as electrical installation technician for process and bus technology and metal-working specialists.

Acquiring a university-entrance secondary education diploma in the course of their apprenticeships: Patrick Liepert (left) and Dominik Pittracher (right) with their tutor Ing. Josef Kluibenschädl.

The high quality of the training we provide was impressively demonstrated at various competitions in which TIWAG apprentices took part. "The excellent training we have given these young people is a forward-looking investment which will allow us to cover our future demand for technical experts," Falkner is pleased to say. In the year 2009, as in previous years, our apprentices learning the skilled trade of electric energy technician and related professions received their practical training together with the apprentices of Innsbrucker Kommunalbetriebe AG at our cooperation partner's practical training facilities, within the context of our joint voluntary training partnership.

Four of the apprentices who started training with TIWAG in 2009 opted for the new training model "Lehre mit Matura" (apprenticeship with university-entrance secondary education diploma) and successfully com-

pleted the required entrance examination. This raises the number of participants in this program to thirteen apprentices. In addition to better career and promotion perspectives, this training model allows young people to complete their apprenticeship training, while at the same time preparing for a secondary education diploma exam which will allow them to attend university later in life.

In the reporting year, 66 trainees had the opportunity to receive practical training and gain insight into everyday working life. In total, TIWAG offered 135 traineeships and vacation work placements as well as taster days.

SOCIAL WELFARE MEASURES

Day care services

Since 1999, TIWAG, together with three partner companies, has offered child care for employees' children in a day care service center. Where necessary, we thus close the child care gap between the end of maternity leave and the child's enrollment in a nursery school and thereby help parents to better cope with the double duties of family life and work.

With effect from September 1, 2009, the so-called "day care allowance" was introduced. This voluntary social benefit specifically aims at noticeably reducing the burden on the budget of young families by making it easier for employees to re-enter the workforce when returning from parental leave after the birth of a child. The day care allowance covers 50 per cent of the costs for a day care service center, an in-home day care provider or comparable institutions.

Medical care and safety

Since 2003, Wellcon Gesellschaft für Prävention und Arbeitsmedizin GmbH, a company for prevention and occupational medicine, has attended to the occupational medicine concerns of our company. Apart from carrying out preventive medical examinations and checkups, job-specific pre-employment medical examinations and necessary training courses, Wellcon also supports the ongoing implementation of employee safety measures. In addition, Wellcon offers a broad range of safety training courses on accident prevention.

Retired staff

As at the balance sheet date, contractual and voluntary pension benefits were being paid out to 1,430 former staff members and their surviving dependants.

EMPLOYEE PROTECTION

Training activities in 2009

TIWAG-Netz AG is striving to reduce power interruptions caused by repair and maintenance work to a minimum. Emergency power supply or independent power supply is not always feasible for technical and economic reasons. Therefore, European energy supply companies increasingly rely on live-line working.

Live-line working in low-voltage systems and overhead line networks is an acknowledged and safe working method which is indispensable for ensuring uninterrupted customer supply. In 2009, numerous employees of TIWAG and TIWAG-Netz AG were thus trained in live-line working in a training facility at the Wilten transformer station specifically established for this purpose.
In addition, the training and further education program, including courses on first-aid measures after electricity accidents, the Construction Coordination Act (BauKG, Baukoordinationsgesetz), the Construction Workers' Protection Regulation (BauV, Bauarbeiterschutzverordnung) and the transport of dangerous goods, was successfully continued in 2009.

Accident prevention measures show effect

The latest analysis of accident statistics clearly showed that the continuous efforts to improve employee protec-

tion within the group are paying off. Accident figures show a slight but steady downward trend. Since the beginning of records on accidents in the group, the fewest accidents happened in 2009, with an accident rate of 26.2 ‰.

Training for hazardous live-line working.

OUTLOOK

We will firmly pursue our chosen course of market-oriented and competition-oriented recruitment and development of staff. The organizational changes required for this strategy will be accompanied by up-to-date measures. We will further enhance internal mobility in order to create attractive career opportunities.

Operation and maintenance of power stations

In 2009, TIWAG´s power stations generated some 3,611 GWh of electricity, a volume 15.1 % or 475 GWh above long-term average working capacity.

To maintain and improve operational safety and the capacity of the power stations, extensive maintenance work was carried out on the Amlach, Imst, Kaunertal and Kirchbichl power stations, among others, as well as on several small power stations.
In the Achensee power station, the remaining part of the distribution conduit installed in 1924 was replaced during a shutdown of the power station.

IMPORTANT PROJECTS AND MEASURES IMPLEMENTED

ACHENSEE POWER STATION

Overhaul

During a shutdown of the Achensee power station in November 2009, which had been planned for a long time, old components, some of which were more than 80 years old, were extensively renovated. The most important measure was the partial replacement of the distribution conduit, part of which was still in its original state. At the same time, a general overhaul of the 650 m long downstream channel was carried out. The channel bed and embankment received a new concrete coating, and the dams were raised to further improve flood safety. In the short period available for these measures, 1,300 cubic meters of concrete had to be spread from the beginning of November until Christmas 2009. Furthermore, the shores of the Achensee lake, the inflow area, the surge tank and the pressure tunnel were inspected and repaired where necessary. The power station was put into operation again in January 2010.

The embankments were renewed with the aid of a shotcrete robot.

Bächental dam

The dam in the Bächental valley, erected to channel the Dürrache river from the Bächental valley over to the Achensee lake, is subject to supervision by the catchment basin commission. Every five years, the dam is inspected for safety reasons. In 2009, the commission demanded the construction of a suitable pressure relief structure to make up for the lack of a dewatering conduit, which cannot be built there. In July 2009, related construction work was started.
To exclude possible damage of the dam by the required rock blasts, measuring instruments continuously monitored and documented the resulting vibrations.
After its completion, the newly built inflow channel will be covered with earth and plants suitable for the location. To ensure that the entire melt water could again be absorbed by spring 2010, the remaining concrete work and assembly of hydraulic steel structures had to be carried out in the winter months. A provisional channel in the form of a concrete pipe made the absorption of water possible during the winter months.
In an average year, around 70 million cubic meters of water are absorbed from the Bächental valley; by way of comparison, this is more than the volume of the Finstertal reservoir in the Kühtai region.

IMST POWER STATION

General inspection and overhaul of machine 2

After the general inspection and overhaul of machines 1 and 3, the general inspection and overhaul of machine 2 began in October 2009. Work included a close inspection of the machine set and, above all, the overhaul and replacement of turbine components such as the runner and guide blades.

The rotor of the generator was moved out and closely inspected. The inspection team only found one scorch mark on the generator stator, but it turned out that the winding was damaged in some places, as had been the case in other machines as well. The machine set could be put back into operation in mid-December as scheduled.

Assembly work on a turbine at the Imst power station.

JOCHBERG POWER STATION

Headrace conduit

After almost 100 years of operation of the power station, wear and tear in some sections of the headrace conduit was so bad that rehabilitation seemed impossible. Aqueduct 2 of the Jochberg power station was torn down and re-erected within a very short construction period of only five weeks in late summer 2009. The necessary shutdown of the power station was also used to repair defects of the concrete in the surge tank.

KAUNERTAL POWER STATION

Partial replacements on generator 2

In March 2009 the general inspection and overhaul of machine 2 had started. Disassembly of the generator, assembly of the new generator stator and all inspections were carried out on schedule. The generator leads were also replaced in the course of the replacement of the generator stator.

As the replacements ran smoothly, trial operation of the power station could commence one week earlier than scheduled so that after a four-week trial period the machine set could resume full operation in mid-July 2009.

The partial replacement of machine set 3 will be started in 2010.

SIDAN POWER STATION

Discharge pipe

Due to a landslide in the area of the discharge pipeline, the Sidan power station had been out of operation from mid-April 2009. Slope movements had damaged the pipe couplings so badly that in one place the pipes even started to leak. Extensive slope reinforcement by means of shotcrete and bracings were required to make it even possible to start to unearth the pipes. 150 lineal meters of cast-iron pipes were dug out and checked for reusability. Deficient pipes and pipe couplings had to be replaced. After the successful filling test of the pipeline, the power station could resume operation in mid-July. Work at the toe of the slope and the filling of the embankment above the pipeline were completed in mid-October.

Construction and restoration of power stations

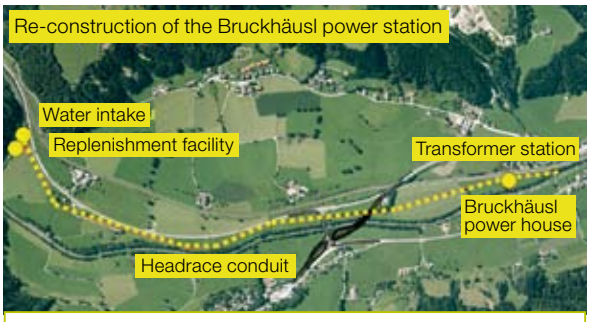
BRUCKHÄUSL POWER STATION

In 2001, TIWAG took over the two low-pressure run-of-river power stations Einöden (upper stage) and Söll-Leukental (lower stage) at the Brixentaler Ache river from Kaiserwerke Elektrizitätsversorgungs GesmbH. Both power stations are outdated, both as regards their structures and their electrical installations and machinery. After almost 100 years of operation, they reached the end of their life span.

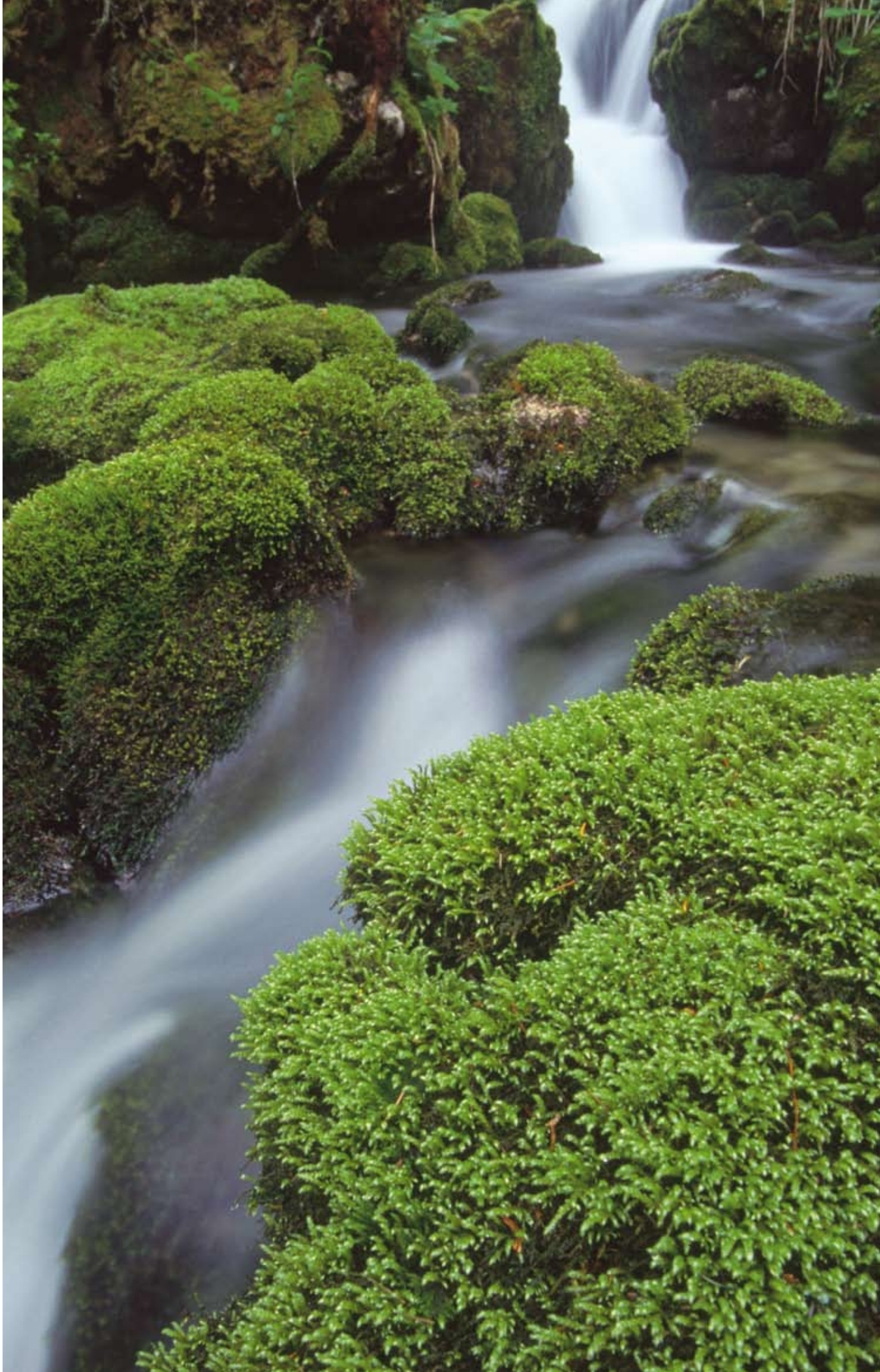
Due to damage to the existing weir facility of the upper stage and the progressing deterioration of the condition of both power stations, a restoration and reconstruction plan was developed. During this process it became clear that mere restoration was no longer feasible from an economic and technical viewpoint.

As a consequence, TIWAG drafted a project proposal for the construction of a new one-stage power station, based on which it will be possible to use the water supply of the Brixentaler Ache river by far more efficiently. Power output will be almost trebled, and working capacity almost doubled to 15.82 GWh.

In October 2008, applications for the authorization of the construction project under water and nature conservation law were submitted to the authorities. By the end of 2009, all necessary permits had been granted. Subsequently, invitations for tenders were issued. Construction work started in spring 2010. The turbines are expected to turn for the first time in fall 2011.



Project overview on the re-construction of the Bruckhäusl power station.



TIWAG-Netz AG – Operation of the control area and the power transmission and distribution systems

SYSTEM MANAGEMENT

Network load

The highest peak load ever measured in the Tyrol control area occurred on December 14, 2009. At 1,108 MW, it exceeded the previously highest peak load of 2007 by 7 MW. In addition to the continuous expansion of the medium-voltage network, this development will also require reinforcement of the high- and maximum-voltage networks, the backbone of power supply.

Malfunctions

In 2009, the following extraordinary malfunctions occurred in the system management of the transmission and distribution networks operated by TIWAG-Netz AG:

On January 6, 2009, a fire broke out in the SF6 system at the Sölden transformer station. This failure affected 23 stations and transfer points in the cable car and lift system and in the village.
The severe onset of winter was the reason for numerous malfunctions in the medium-voltage network in East Tyrol, i.e. on January 21, February 17, and March 5 and 30. Due to the failure of approximately 200 stations, power supply for around 6,000 customers within eight different local network areas was interrupted for some time.

A storm front with strong hail left its traces in the Northern Tyrolean lowlands on July 23. Around 10,000 customers in 19 local network areas were affected.
Another storm hit the Gerlos valley on August 2. The 25 kV overhead line was damaged by a fallen tree, resulting in power outages for around 600 customers.

On December 20, a cable failure in the Achental valley led to an interruption of power supply for around 3,300 customers.

Due to the dedicated and well-organized action taken by the responsible employees on site and the TIWAG-Netz AG emergency center, all power supply disruptions could be remedied very fast.

Risk management

In the fiscal year 2009, the vital IT systems of TIWAG-Netz AG were exhaustively checked by external experts with regard to security standards and system availability.

Smart metering

The new Internal Electricity Market Directive of the European Union provides for the introduction of smart electricity meters by 2020 under certain conditions. TIWAG-Netz AG has been exploring this new technology for some years. At present, more than 3,600 smart meters of the first generation with remote data transmission and of the second generation with remote data transmission and display on the meter are in use. Investment in this high technology amounted to more than EUR 4.3 million to date.

The introduction of the now third generation of meters for test purposes allows electricity customers to observe and check their electricity consumption on an ongoing basis by means of an additional display device, irrespective of the position of the meter. The first devices of the new generation are scheduled to be installed in selected customer systems in 2010.

Given the rising use of smart meters, network operators will increasingly have to employ expensive high technologies to further improve their core business processes. Based on current estimates, the replacement of the existing meters by smart meters in the entire network area of TIWAG-Netz AG will cost at least EUR 120 million, plus the costs of ongoing operation.

Online information on the position of cables

Not only is TIWAG-Netz AG, as the operator of a cable network, obligated to give information about the position of cables laid, but it is also in TIWAG-Netz AG's own interest. Until now, building promoters or building com-

panies directed enquiries to the cable position information service and received paper plans, but TIWAG-Netz AG also installed markings on site. Every year, TIWAG-Netz AG receives several thousand enquiries about the position of cables; processing these enquiries takes up a considerable amount of time.

On the basis of the existing network information system, a comprehensive and internet-based system was therefore set up together with the IT units of TIWAG, IKB AG and TIGAS in order to enable the online provision of information on the position of cables.
At www.leitungsauskunft.at, every registered user can now electronically retrieve information on the position of cables in a specific area. The system has been in use at TIWAG-Netz AG since the beginning of 2009. By the end of November, 500 users had registered, and 4,500 queries had been processed. Thus, the very customer-oriented system proved successful already in its first year of operation.

Third EU liberalization package

The Directive of the European Parliament and of the Council of July 13, 2009, concerning common rules for the internal market in electricity (third EU liberalization package) aims to boost competition and secure electricity supply in Europe in the long term through increasingly unbundling network operators, promoting cross-border energy trade and strengthening investments in cross-border networks.

In view of the upcoming transposition of the new internal market directive into Austrian law, TIWAG entered into a cooperation agreement concerning the operation of the Tyrolean transmission network with the VERBUND group as Austrian partner, which will ensure the best possible protection of the interests of the Tyrolean electricity industry under the new regime as well.

HIGH-VOLTAGE NETWORK

Vill transformer station

In order to ensure secure power supply for Tyrolean households and businesses also in the future, TIWAG-Netz AG decided to invest around EUR 21 million in the Tyrolean power network, which represented the largest single investment in the network in decades.

On around 2.5 ha of land north of the Zenzenhof highway exit, the Vill transformer station was completed within a construction period of about two years. Connection of the overhead line was completed in spring 2009 so that the transformer station was able to take up full regular operation on June 26, 2009.

The new transformer station of TIWAG-Netz AG in Vill.

Until now, the central Tyrol region, including the capital Innsbruck, was supplied solely through the Thaur transformer station. A second feed-in through the Vill transformer station, which is now in full operation, means the long-term increase of supply security for Tyrolean households and businesses in the central Tyrol region.

110 kV line into the Zillertal valley

The 110 kV power line into the Zillertal valley was built in 1928 and has supplied the Zillertal valley with electricity for 80 years. The route leads from the transformer station in Jenbach via the Fügen transformer station to

Zell am Ziller. Individual components of this 110 kV line have since reached the limits of their technological life span. To secure the supply of the Zillertal valley with electrical energy also in the future, it was necessary to rebuild the line, involving investment of EUR 30 million. As TIWAG Netz-AG entered into a dialogue with property owners, municipalities and authorities at an early stage of the project, it was possible to build a route which considers both the development objectives of the municipalities and the interests of environment protection in the best possible manner.

Construction of the first section was started at the end of November 2008; operation of the first construction section of the new 110 kV high-voltage power line up to the existing transformer station in Fügen and the transformer station in Kramsach began on September 4, 2009.
Since October 2009, work has been underway to speedily complete the second construction section, which extends from the Fügen transformer station to the Zell transformer station. Operation of the second construction section is scheduled to commence in summer 2010.

Ground-breaking for the new 110 kV line in the Zillertal valley

- **Reactivation of the 110 kV line across the Brenner Pass**

The line leading to Italy, which at present is interrupted at the Brenner Pass, is supposed to be reactivated to increase supply security in Northern Tyrol and South Tyrol. The 110 kV/132 kV line between Austria and Italy, which was cut off in the 1960s, is currently operated at medium voltage in Austria. On the Austrian side, the project thus includes the retrofitting and conversion of the existing 110 kV line between the Steinach transformer station and the national border at the Brenner Pass.

The line routing includes 13 dead-end towers and 20 suspension towers, of which five suspension towers and two dead-end towers were renovated, and of which one dead-end tower was raised. Work was completed in February 2010.

- **Replacement of the overhead earth wire on the 220 kV line from Strass to Kirchbichl**

The overhead earth wire of the 220 kV line from Strass to Kirchbichl was installed in 1982. Apart from functioning as a ground conductor, it also serves as a telecommunications connection between the Kirchbichl transformer station and the Strass switching station due to its integrated copper wires. This copper line is no longer sufficient for intra-network data communication requirements. Thus, the existing overhead earth wire was exchanged for an earth wire with integrated optical fiber cables in April/May 2009.

- **Replacement of the stranded conductor on the 110 kV line from Ebbs/Oberaudorf to Erl (national border)**

During maintenance work on the 110 kV line from Ebbs/Oberaudorf to Erl, vibration failure of the cable clamps on the stranded conductor was detected on some suspension towers. A detailed analysis revealed fractures of inner aluminium layers, reaching as far as to the steel core of the existing stranded conductor. Such latent

defects are not noticeable on the outside. As this line section was no longer secure in mechanical terms, all stranded conductors were replaced, and insulators and fittings replaced in November 2009.

MEDIUM- AND LOW-VOLTAGE NETWORKS

In accordance with increasing demand for electricity, the distribution network was expanded by ten transformer stations with an additional installed capacity of 26,155 kVA.
In the reporting period, the medium-voltage network was extended by six kilometers, increasing cabling density from 56 % to 57 %.
The low-voltage network grew by 79 km in the reporting period, raising cabling density from 70 % to 73 %.

1,358 customer systems with a total load of 24,274 kW were connected to the distribution network for the first time, and the capacity of existing customer systems was expanded by 20,636 kW.

Energy trading

In terms of energy trading, 2009 was strongly characterized by the consequences of the global economic crisis. The price level of primary energy sources, electricity and emission allowances was clearly below the level of the previous year. Compared to the previous year, the market price of electricity for next-year delivery decreased by 30 % on an annual average basis. Price development was strongly influenced by economic forecasts. After a pessimistic start, spring brought first forecasts indicating that the crisis would be overcome soon; these forecasts then had to make way for bleaker forecasts in the second half of the year. These mood swings were exactly mirrored by the market price development in energy markets.

PRIMARY ENERGY SOURCES

While the market prices of hard coal and gas hit bottom at the price level of early 2008, the price of crude oil sank to a much lower level, last reached in 2004.

Crude oil

The oil price is regarded as a sensitive barometer of the global economic situation. Figure 1 shows the price development for Brent crude oil in the year 2009 for next-month delivery.

Even before the end of 2008, the oil price had reached its lowest level of USD 37 per barrel, recovering only to around USD 45 per barrel by the beginning of the new year. In the first quarter of 2009, this level was maintained, which, according to general opinion prevailing on the market, was attributable to low demand combined with large stocks. Budding optimism suggesting a reversal of the economic downturn was reflected in the rapid price increase in the second quarter. In addition, price-supporting production curbs by OPEC members seem to have contributed to this effect. This price development was met with great interest in the financial markets and resulted in corresponding speculative demand. What followed was a price rally leading to prices of as much as USD 70 per barrel already by mid-year, i.e. prices almost doubled as compared to the low of December 2008. The summer months of 2009 were unstable, with prices fluctuating around the amount of USD 70 per barrel; subsequently, prices once more increased, sometimes up to USD 80 per barrel, in the fourth quarter. The primary reasons cited for this development are the fact that Asia overcame recession more quickly, and especially China's unabated energy hunger. From a European point of view, the price increase was dampened by the weakened dollar, so that one can speak of a

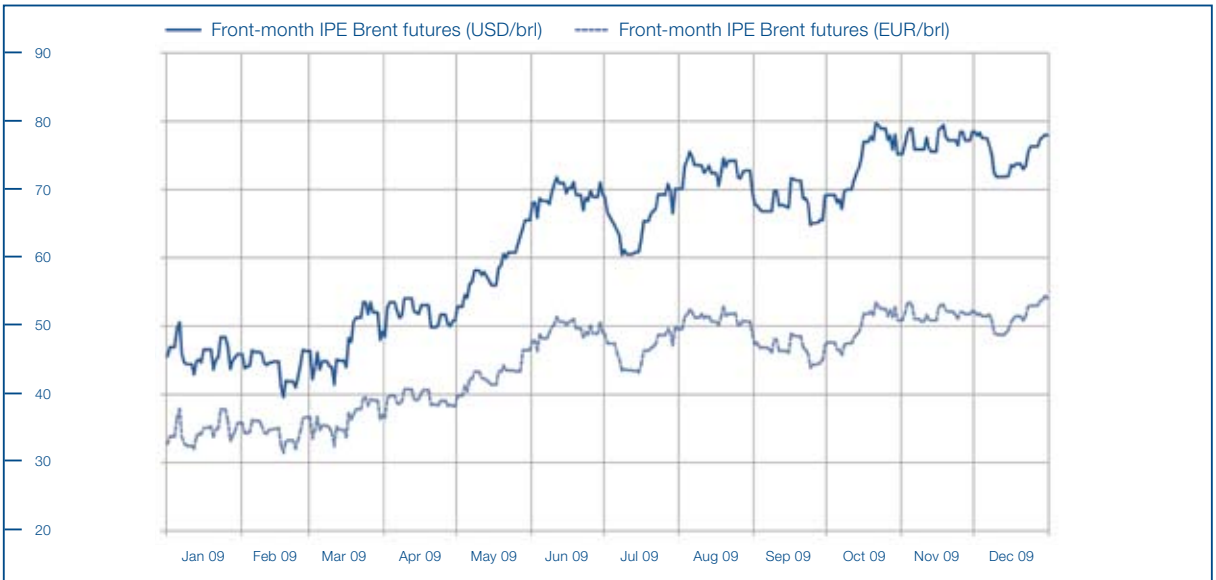


Figure 1

price platform of around EUR 50 per barrel from mid-year onwards.

Gas

Gas quotations usually follow the development of oil prices with a time lag. Figure 2 shows the TTF price quotation (front-month) in EUR/MWh, which did not hit bottom until September 2009. For comparison purposes, Figure 2 also displays the US NYMEX gas quotation in USD/MWh, again clearly showing the influence of the weakening dollar exchange rate.

Hard coal

The market price of hard coal was also characterized by real economic development. In Europe and in the US, the economic crisis continued to dampen demand for hard coal. China's and India's unabated energy hunger proved to be a price-supporting component. From the middle of the year, prices can be said to have recovered, which can probably be attributed to augmenting demand in Asia and increasing freight rates.

Figure 3 (see next page) shows the API#2 hard coal quotation for next-month deliveries in 2009. Starting at around USD 85/to, the negative price trend of the previous year continued at first, reaching its low at USD 60/to towards the middle of the year; in the second half of the year, prices then increased steadily to USD 84/to by the end of the year.

Regarding the construction of new hard coal power plants, but also of CCGT plants, the high variability of prices for coal and gas, ranging from about EUR 20 per megawatt hour or ton in 2009, highlights the difficulty of investment decisions. For thermal power plants, the prices of primary energy sources are the predominant production cost drivers, which, in combination with the equally volatile market prices of electricity, made the

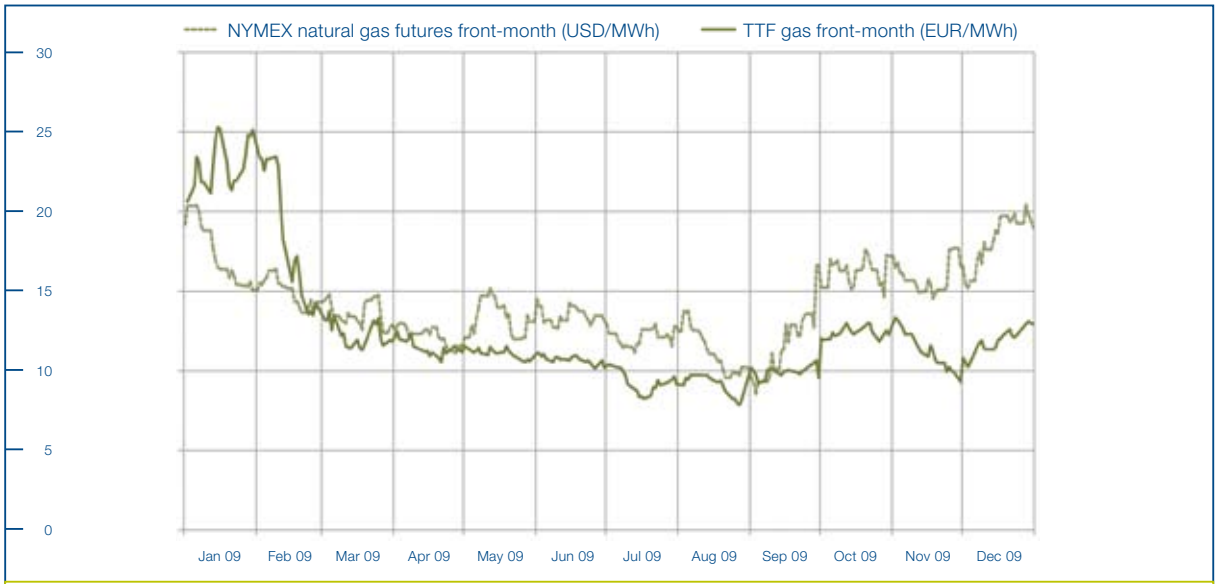


Figure 2

estimation of profitability even more difficult. The third trading period for emission allowances starting from 2013 and the capture of greenhouse gas required in the future in the case of coal power plants are further imponderables in this calculation. According to analysts, prices of emission allowances will increase considerably; estimates range up to more than EUR 30/to. Gas power plants have a better CO2 balance, but in their case, general supply security has to be regarded as lower, compared to other power plants, as the smoldering dispute between Russia and Ukraine demonstrates. As a result, the EU is attempting to reduce dependence through pipeline projects.

The insecure prices of energy feedstock, the directly noticeable dependence on commodities and the vulnerability of the overall economic development confirm once more the path pursued by our company, which is to invest in the expansion of our own generation based on environment-friendly, CO2-free and cost-stable hydropower. The construction and extension of hydropower stations in Tyrol offers material advantages for the future, bolstering Tyrol's position as an ideal location for business and industrial establishments.

SPOT TRADING

The annual average spot trading prices of delivery on the next day were quoted at EUR 39/MWh and thus were 40 % below the level of the previous year (EUR 66/MWh) and almost 50 % lower than the average price of the annual supply for 2009 of EUR 70/MWh on the futures market in the trading year 2008.

This dramatic year-on-year decline in prices by EUR 30/MWh is directly connected with the economic downturn, the resulting decrease in demand and the drop in

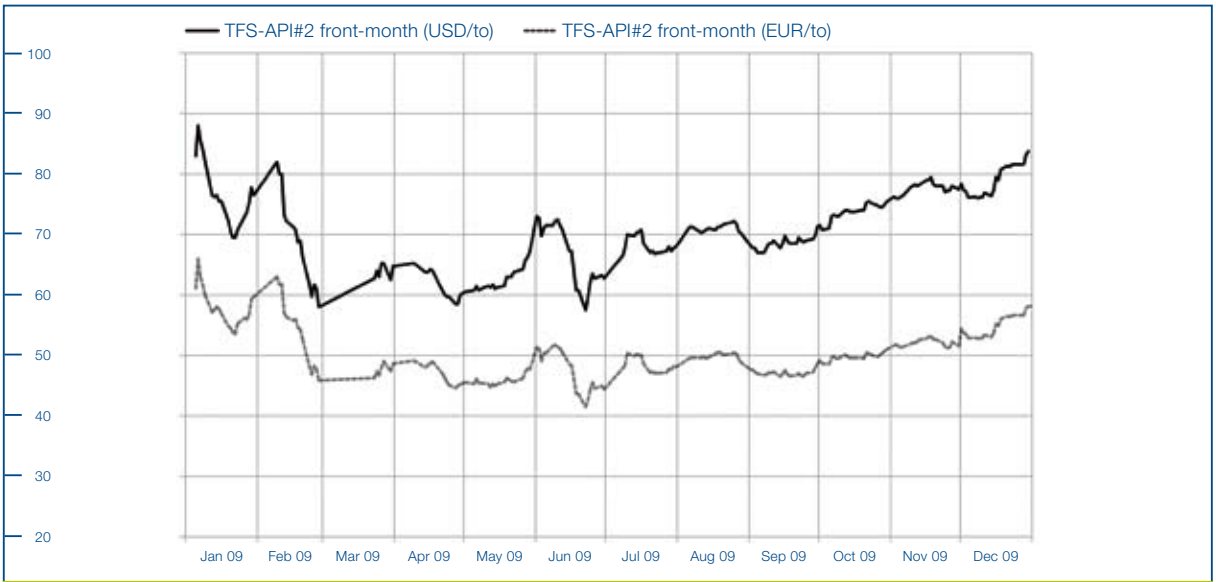


Figure 3

prices of primary energy sources and emission allowances. Figure 4 depicts the hourly price development on the day-ahead market on the German energy exchange EEX.

In the first quarter, the average daily quotation for day-ahead deliveries came to EUR 47/MWh, but with a steep downturn in prices from EUR 57/MWh in January to EUR 37/MWh in March. In the second quarter, prices kept falling to an even lower level of EUR 33/MWh on average. The third and fourth quarters saw a slight recovery of prices at around EUR 37/MWh, and in October, economic optimism resulted in an increase to EUR 44/MWh.

The strong volatility of hourly prices can be interpreted as a reflection of the fundamental estimate of production/load by market participants. The highest price of the year was reached in early October at EUR 182/MWh.

Since the previous year it has been possible to trade negative prices on the EEX energy exchange, which means the supplier pays the buyer for taking electricity deliveries. In 2009, around 100 hours were traded at negative prices. The "highest" negative day-ahead price occurred in early October at EUR -500/MWh; in day trading, supplies were even traded at EUR -600/MWh. The reasons for these price effects are excess capacities, which may, for example, arise from the unexpected availability of large wind power supplies. These price effects also underline the significance of pumped storage power stations, which can absorb, and make use of, excess energy at short notice. This is a major factor for the further expansion of wind energy and the stability of the transmission and distribution networks.

Last year, spot trading times on the German EEX energy exchange were extended to include the weekend and public holidays; now, first empirical data on continuous

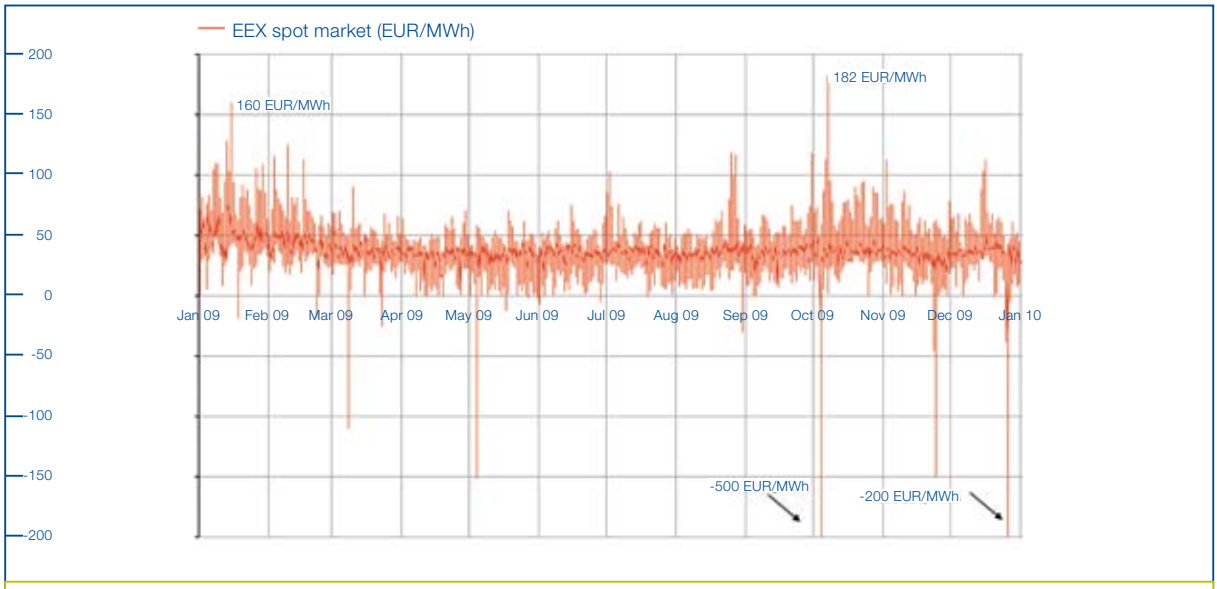


Figure 4

spot trading in the Central European market area are available. However, day-ahead trading on weekends has not yet reached the extent of trading on workdays. Nevertheless, almost all European electricity traders take part in weekend and holiday trading. This opens up new market opportunities as a consequence of the increasing overload of cross-border transmission capacities. The optimized utilization of existing transmission capacities is also a key element of the third EU liberalization package, which also makes it possible to increase price convergence of neighboring market regions, speeding up the integration of geographic market regions.

CONTROL ENERGY TRADING

Differences between the supply of electricity and the actual use of power by customers must be balanced almost simultaneously so as not to put network stability at risk. This is controlled by the respective transmission network operator in the operator's network area (control area) through the short-term increase and decrease of power station capacity (= control power or control energy). The three types of control energy, primary control energy, secondary control energy and minute reserve differ with regard to how fast they can be drawn on and how quickly power output can be changed. Primary and secondary control energy is automatically drawn on by the transmission network operator from directly connected power stations equipped for providing control energy. Primary control energy must be provided within 30 seconds, secondary control energy within five minutes to the extent required in each individual case. Minute reserve is not automatically drawn on by the transmission network operator from the respective supplier, but by telephone or e-mail.

In Germany, calls for tenders for secondary control energy are issued monthly, and for minute reserve daily. In Austria, there are differing market rules for the provision of control energy in the individual control areas. The Austrian regulator is striving to introduce uniform Austrian market rules. The price for control energy is composed of the so-called capacity charge (availability) and the so-called energy charge, when control energy is actually drawn on. In relation to the entire production, comparatively low capacities and quantities are required, but control energy prices are very high.

Hydropower stations, especially (pumped) storage stations, are optimally suited to provide control power. To be able to offer control energy, power stations must be inspected ("prequalified") by transmission network operators. With its power stations that are equipped for providing control energy, TIWAG is prequalified in Tyrol and with regard to the transmission network operators in Germany, and provides them with all types of control energy.

FUTURES TRADING

Trade concerning delivery periods in the more distant future, i.e. on the electricity futures market, is subject to other pricing mechanisms than spot trading. While in spot trading the fundamental criteria of supply and demand (available energy, consumer behavior, weather, etc.) are specifically given, price development in futures trading is influenced not only by prices of commodities and emission allowances but also by economic prospects, the current supply and demand situation and opinions prevailing on the market. 2009 was no exception, quite to the contrary. The market price was clearly influenced by the economic crisis, and price development strongly correlated with price quotations for primary energy sources. A fundamental analysis of price development shows that coal, gas, oil and emission allowances (in descending order) are statistically relevant.

Figure 5 shows the electricity trading prices (futures) on the EEX in Germany for the annual supply of 2010 in the trading years 2009 and 2008. On annual average, supply of CAL 10 base was traded at EUR 49/MWh and CAL 10 peak at EUR 70/MWh in 2009.

At the beginning of 2009, the price of the annual supply of 2010 continued the steep fall of the previous year and did not hit bottom until the end of February, at EUR 43/MWh base (EUR 62/MWh peak). In the course of the year, the economic hopes mentioned above led to a quick increase in prices, so that the price mark of EUR 50/MWh base (EUR 74/MWh peak) was surpassed at the beginning of the second quarter. The bullish market trend continued until mid-April and reached its maximum of EUR 55/MWh base (EUR 78/MWh peak) in early May. In the course of May, recession fears got the upper hand again, and the market shifted to bearish, which was reflected in the rapid plummeting of prices to EUR 50/MWh base (EUR 70/MWh peak) in June. Prices continued to fall in the second half of the year, and the gradual decline in prices by another EUR 5/MWh base (EUR 10/MWh peak) by the end of the year led back to the February low of EUR 43/MWh base (EUR 60/MWh peak). At the end of the year, the peak price was thus at the level of the base price at the beginning of 2009.

EMISSION ALLOWANCES

Figure 6 shows market prices of emission allowances for the second trading period on the EEX in Germany for the year 2010 and, in addition, the adjusted annual base supply of 2010 on the right vertical axis (see next page).

As the figure shows, the development of the electricity price strongly correlates with the price of emission allowances. The annual average price in 2009 was EUR

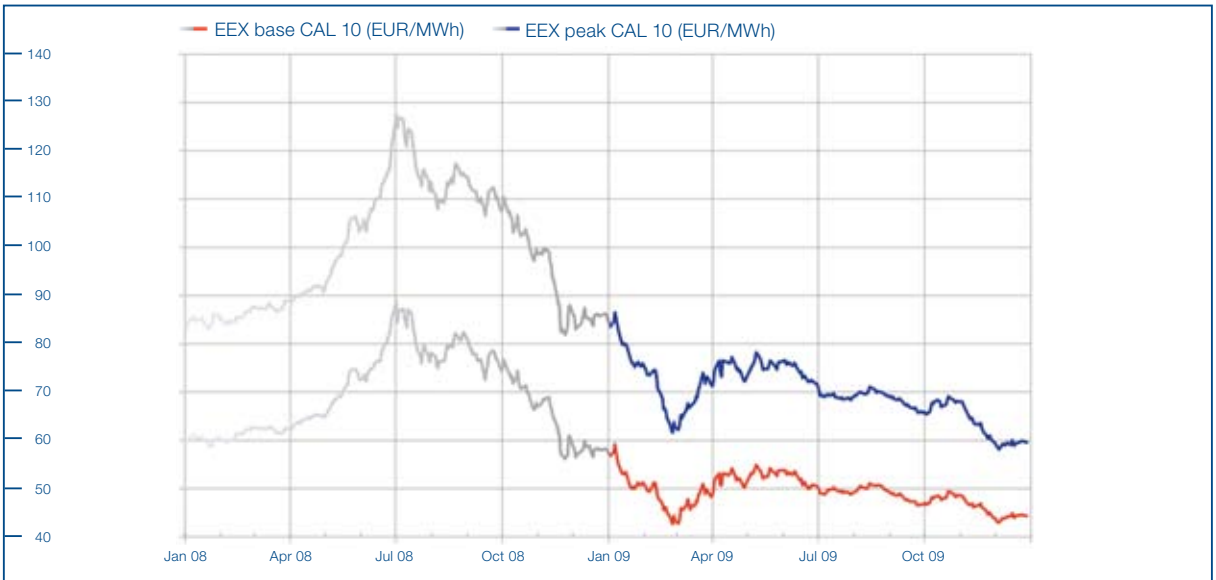


Figure 5

14/to EUA, with a range from EUR 8/to EUA to EUR 17/to EUA.

From a fundamental viewpoint, the supply/demand situation with respect to emission allowances depends on the National Allocation Plans of the EU Members. The Plans must be approved by the EU Commission and, all in all, are characterized by clear cuts by about 13 % for the second trading period from 2008 to 2012. The operators of thermal power plants (coal, gas, oil) are looking at a considerable cut of free emission allowance allocations in the second trading period, because the calculation of the allocation is now based on standard values instead of historical, actual values and because, additionally, part of the allocation amount must be purchased by auction by the power station operators. In 2008, actual emission values in Germany were 20 %, or 84 mio tons, higher than the amount covered by free allocations so that power station operators had to buy additional allowances. At the time this report was written, no figures for 2009 were available yet, but according to the present economic situation less emissions are to be expected.

ELECTRICITY TRADING BY TIWAG

TIWAG's electricity trading activities span a wide range of areas. Through a mix of own generation, long-term purchase rights and barter agreements, as well as the supply of electricity traders, TIWAG ensures the price-optimized coverage of its customers' needs in Tyrol. Since its founding in 1927, TIWAG has cultivated business relations with German energy supply companies in order to swap control energy from storage power stations for base load energy lacking in Tyrol. The liberalization of the electricity market has opened up new possibilities for the cross-border provision of control energy

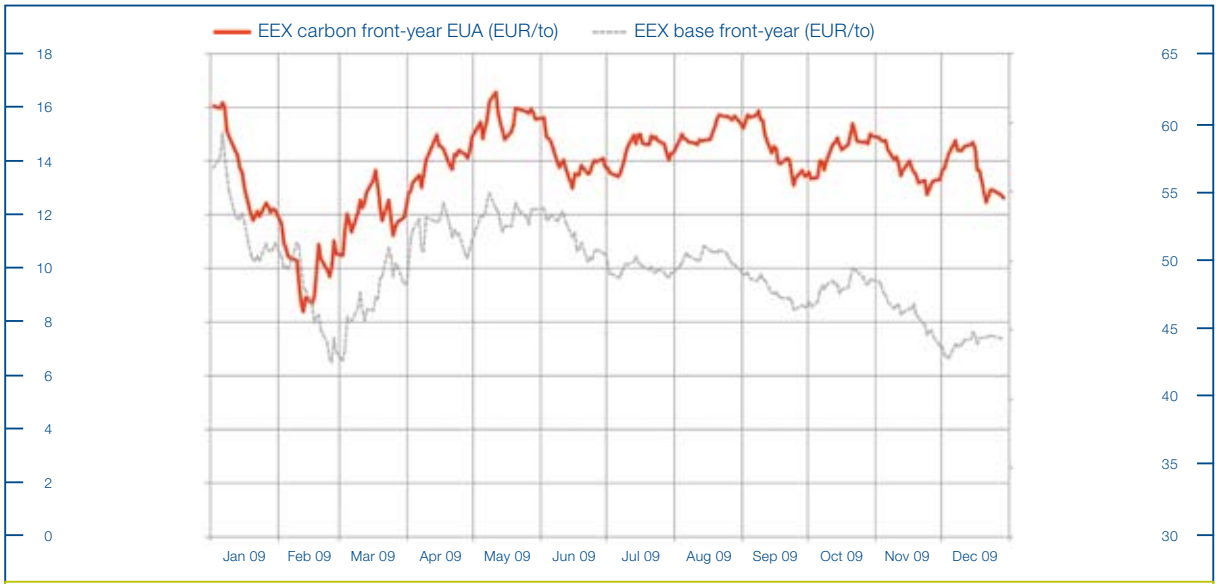


Figure 6

– a business segment which was intensively pursued and continually expanded by TIWAG in 2009. With the increasing construction of wind power stations, there is additional need for control energy, particularly as produced in (pumped) storage power stations.

On the other hand, TIWAG is also active in position trading and margin trading; the annual trade volume is more than 18 TWh (purchase and delivery). In this field of activity, TIWAG is among other things exposed to financial risks, which the company counteracts with a risk management structure modeled on the banking system. TIWAG's risk committee, which includes the member of the Management Board competent for this area, is responsible for ensuring compliance with the risk-relevant standards specified by management. Ongoing monitoring of the limits with respect to counterparty risks (e.g. payment default, replacement and sales risks) and market price risks is carried out by the risk management team. Stricter legal provisions, such as the Corporate Law Amendment Act (Unternehmensrechtsänderungsgesetz, URÄG), will result in further adjustments of the risk management process, and of reporting and controlling.

Weather and inflow values were comparable to the long-term average and produced the expected generation values in TIWAG's run-of-river power stations. Storage power stations showed above-average inflows also in 2009.

BUSINESS ENVIRONMENT OF THE ENERGY INDUSTRY

In April 2009, a climate package, the so-called "Green Package", and, in July 2009, the Third Internal Market Package were adopted at European level.
The "Green Package" includes measures towards reducing greenhouse gas emissions, regulating emission trading, increasing the share of renewable energy and providing for carbon capture and storage. The obligation to purchase all additionally required emission allowances from the year 2013 onwards will represent an additional cost increase for emission-intensive forms of energy generation. In the period from 2013 to 2016, the construction of new, highly efficient power stations may be subsidized with proceeds from the auction sale of emission allowances. The EU places high hopes in carbon capture and storage facilities. From today's point of view, commercial deployment can be expected no earlier than 2020, and the additional costs are presently estimated at the amount of the current wholesale prices.

The Third Internal Market Package provides for amendments to the "Regulation of the European Parliament and of the Council amending Regulation (EC) No. 1228/2003 on conditions for access to the network for cross-border exchanges in electricity" and the "Directive of the European Parliament and of the Council amending Directive 2003/54/EC concerning common rules for the internal market in electricity" as well as a new "Regulation of the European Parliament and of the Council establishing an Agency for the Cooperation of Energy Regulators".

Other activities

DIVERSE SUBSIDY PROGRAMS FOR EFFICIENT ENERGY USE

The Tyrolean energy efficiency policy pursues measures for promoting economical and efficient energy use. TIWAG therefore offers diverse investment subsidy programs, not only in connection with the provincial government's renovation initiative for improving thermal insulation of residential buildings, but also in the context of promoting the utilization of excess power supplies from private photovoltaics stations for the public network as well as the use of modern heat pump systems.

OVERVIEW ON INVESTMENT SUBSIDIES

- **Energy efficiency bonus**

In 2009, the Tyrolean energy supply companies launched their "energy efficiency bonus" promotion initiative and have since subsidized the replacement of old heating systems with new energy-efficient heat pumps and wood pellet, wood chip or log burning heating systems, if, at the same time, the building envelope is renovated within the framework of the current related initiative of the Province of Tyrol in order to ensure better insulation (or has been renovated before). In the case of such replacements, TIWAG, E-Werke Reutte AG, IKB AG as well as Energie West GmbH support their customers by contributing up to EUR 3,000.

- **Photovoltaics subsidy**

Since the federal government's new subsidy program for green electricity does not offer any incentives for feeding excess energy generated by photovoltaics stations with a peak capacity below 5 kW into the public network, TIWAG and its partner energy supply companies, in November 2009, decided to reward the use of solar energy by creating a separate Tyrolean model. Tyrol's energy supply companies pay 15 cents per kilowatt hour to the operators of private photovoltaics stations who feed excess electricity into the public network. The fixed compensation rate of 15 cent/kWh – more than twice the energy price in Tyrol, which is around 6 cent/kWh – is guaranteed for the duration of two years.

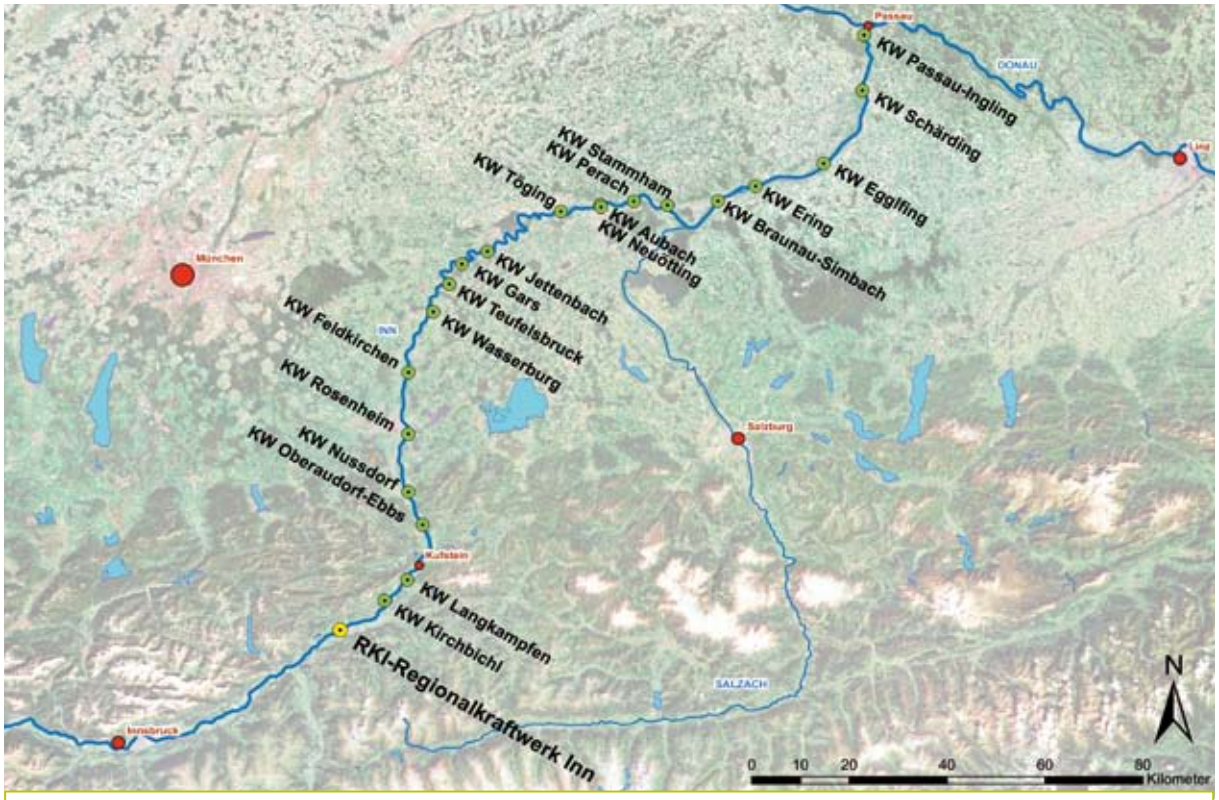
- **Heat pump subsidy**

TIWAG has already subsidized the installation of heat pumps since 2007 and will probably continue to do so until December 31, 2010. The subsidy promotes the installation of smaller and medium-sized heat pumps with an electrical connected load of up to 10 kilowatt (kW). On average, the investment subsidy granted by TIWAG (one-off payment) amounts to EUR 300 per kW of connected load, and therefore to a maximum of EUR 3,000.

REGIONAL POWER STATION ON THE INN RIVER AT KUNDL/BREITENBACH

With the aim of increasing the share of internally generated power supplies, Energie West GmbH commissioned a groundwater study that is supposed to provide information on whether the planned run-of-river power station on the Inn river between Kundl and Breitenbach, which has been discussed for a long time now, can still be realized in light of today's usage interests and ecological standards. The results of these preliminary investigations, which are expected to be published by mid-2010, will be decisive in determining whether it will be possible to realize the project under the current overall conditions.

Mag. Klaus Schmitzer, DI Alfred Fraidl, DI Dr. Heinrich Schlichtherle, DI Helmuth Müller and Dr. Bruno Wallnöfer present the planned power station project on the Inn river.



Existing power stations (KW) along the Inn (marked in green) and the designated location for the regional power station on the Inn at Kundl/Breitenbach (marked in yellow).

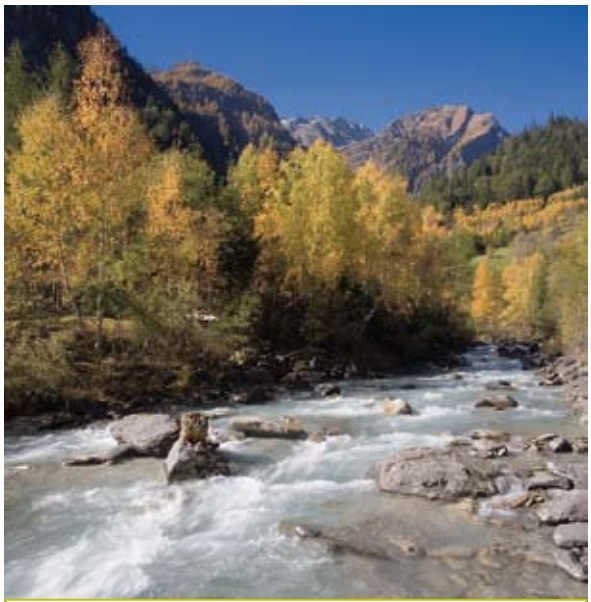
For this joint project, Energie West GmbH teamed up with E-Werke Reutte AG and TIWAG. The new Inn river power station at Kundl/Breitenbach would be able to generate around 130 million kilowatt hours of base load energy for exclusive use by the Tyrolean network. This corresponds to the energy supply for around 35,000 households. The construction costs of up to EUR 150 million would, moreover, provide important impetus for employment, value creation and industrial development in Tyrol.

The project is to be realized by a consortium consisting of TIWAG (51 percent), Energie West (40 percent) and E-Werke Reutte AG (9 percent), which was formed for this purpose. At a later stage, a separate special purpose entity will be created for the purpose of planning the project as well as for building and operating the power station.

In case of a positive outcome of the preliminary investigations, the project partners will engage in concrete talks with all stakeholders. These will in particular include municipalities, property owners, environmental organizations and persons and institutions holding fishing rights. Planning and permit application procedures are expected to take three to four years. The construction of the power station would subsequently require about the same amount of time.

TIWAG PRESENTS DIVERSION-TYPE POWER STATION ON THE TAUERNBACH STREAM IN EAST TYROL

On September 28, 2009, in Matrei in East Tyrol, TIWAG presented a project aimed at the construction of a diversion-type power station on the Tauernbach stream. This type of power station corresponds to the Strassen-Amlach power station on the Drau river, a tried, tested and well-received model that has been in operation for the last 20 years. Dr. Andreas Köll, mayor of Matrei and member of the provincial government, said that the project addressed all concerns raised in connection with the Raneburg storage power station at the time. This was confirmed by the affirmative outcome of the latest opinion poll (almost 70 percent in favor). Likewise, the municipal council of Matrei in East Tyrol adopted a general policy decision in favour of the project with a broad majority.



The Tauernbach stream in East Tyrol.

The diversion-type power station on the Tauernbach stream proposed by TIWAG combines the reasonable exploitation of hydropower with a by comparison hardly invasive impact on the local environment. It is further characterized by a simple, self-consistent technical configuration.

The water intake on the Tauernbach stream is supposed to be built in the area of the Schildalm. The power house is to be erected at the exit of the Prosseggklamm gorge. The pressure tunnel we intend to build would have a length of approximately 9.6 kilometers and an excavation diameter of three meters.
Based on this proposed solution, the storage building, which was criticized at the time, will not be necessary. Also, as we plan to operate the power station as a diversion-type run-of-river power station, any adverse effect on the Isel river, in particular due to rapid water-level fluctuations, will be avoided. As the newly devised project will do without an intake from and supply conduits from the Frossnitzbach stream, it will not be necessary to erect a difficult water intake construction site in the vicinity of the border of the national park. Moreover, a significant portion of the diversion channel will be additionally replenished with considerable water quantities.

Once the project proceeds, TIWAG intends to examine the chances for revitalizing the Prosseggklamm gorge, especially for touristic purposes.
The investment costs for the power station will amount to around EUR 100 million. The annual control power would be around 124 gigawatt hours, the capacity when completed 55.5 megawatt.

PROJECT APPLICATION FOR ENLARGING THE SELLRAIN-SILZ GROUP OF POWER STATIONS SUBMITTED

On December 23, 2009, after having obtained the Supervisory Board's approval, TIWAG submitted the

project plans for expanding the Sellrain-Silz group of power stations to the authority of first instance for environmental impact assessment. This is a milestone for the enlargement of the existing group of power stations. The project plans include the construction of an additional reservoir in the Kühtai region, a further underground power station as well as water supply conduits from the Ötztal and Stubaital valleys.

The Sellrain-Silz project was strongly adapted after the provincial government, in 2006, opted for four of the originally 16 projects contained in the options report of the TIWAG master plan. Over the past three years, hundreds of highly competent experts from the fields of environmental science, construction engineering, mechanical and electrical engineering, energy economics, law, business administration and financial management worked on the project proposal to be submitted.
In a three-day hearing held from November 23 to 25, 2009, the catchment basin commission established within the highest water law authority already passed a positive decision on the technical configuration and structural integrity of the storage power station to be newly built in the Längental valley.
On December 14, 2009, TIWAG's Management Board team presented the impressive documentation that had been prepared for submission, as directed by legal requirements, to the Tyrolean press. The documentation package consists of 10,800 pages and around 530 technical drawings in 38 bulging folders.
In the context of the communication initiative "dialogue and encounter", the submitted project was discussed with all stakeholders in countless sessions, repeatedly optimized and considerably reduced in scope.
The supply conduit system, for example, was shortened from 36 to 24 km. The project will now do without exploiting the Sulzau and Langetal streams in the Stubaital valley and the Simming stream in the Gschnitztal valley, which first and foremost means that the Grawa waterfalls in the Stubaital valley and further treasured landscape elements will remain untouched.

Despite lower overall generation, higher cost effectiveness will be achieved. The new concept relieves the strain on the existing Längental reservoir and allows for a significantly improved and more flexible management of operations of the future complex of power stations.

The project is expected to require EUR 460 million (price basis 2009) in investments and – after comple-

Presentation of the submitted documentation package with 38 bulging folders, from left to right: project manager DI Heinrich Pliessnig, TIWAG's Management Board team Wallnöfer and Fraidl, as well as DI Dr. Bernhard Hofer, technical manager of the overall project.

Photo montage of the planned third reservoir in the Längental valley.

tion, which is planned for 2017 – to approximately generate an additional 500 GWh of valuable peak current per year.

PHOTOVOLTAICS STATION ON THE NOISE CONTROL BARRIER IN THE VICINITY OF VOMP

In summer 2009, TIWAG enlarged its photovoltaics system on the noise control barrier along the A 12 highway in the vicinity of Jenbach, which previously extended over approximately 100 meters, by adding a second section of equal length. The two photovoltaics structures now have a combined total capacity of 9 kilowatt peak.

The photovoltaics station along the A12 in the vicinity of Vomp is mounted on the noise control barrier.

In the reporting year, TIWAG again invested in this promising technology.
New noise control barrier elements which allow for a direct integration of the individual photovoltaics modules were developed, together with the suppliers, for the highway section in the vicinity of Vomp. Thanks to the new concept, it will be possible to utilize standard photovoltaics modules and to benefit from cost advantages.

With a capacity of 4 kilowatt peak and an overall photovoltaics surface of 29 m², the structure will generate an estimated 3,200 kilowatt hours of CO2-free solar energy per year.

We want to make the Tyrolean energy industry even more environmentally friendly, while safeguarding Tyrol's long-standing price advantage in the electricity sector for future generations. Within the TIWAG company, we will strive to work even more professionally and efficiently.

BALANCE SHEET AS AT DECEMBER 31, 2009

Assets	Dec. 31, 2009 EUR	EUR	Dec. 31, 2008 in EUR 1,000	in EUR 1,000
A. Fixed assets				
I. Intangible assets	22,420,972.66		25,926.76	
II. Tangible assets	706,686,566.71		701,819.35	
III. Financial assets	792,186,518.33	1,521,294,057.70	783,810.23	1,511,556.34
B. Current assets				
I. Inventories	3,956,252.10		3,278.00	
II. Receivables and other assets	139,999,860.32		132,625.61	
III. Securities and interests	6,573,000.00		16,317.29	
IV. Cash in hand and at bank	199,348,825.93	349,877,938.35	88,737.01	240,957.91
C. Prepaid expenses and deferred charges				
1. Other prepaid expenses and deferred charges		3,795,590.86		3,979.82
		1,874,967,586.91		**1,756,494.07**

Equity and liabilities	Dec. 31, 2009 EUR	EUR	Dec. 31, 2008 in EUR 1,000	in EUR 1,000
A. Shareholders' equity				
I. Capital stock	72,670,000.00		72,670.00	
II. Appropriated capital reserve	2,834.17		2.83	
III. Reserves from retained earnings	724,596,243.02		667,096.24	
IV. Balance sheet profit, thereof carried forward: EUR 141,598.44 (previous year, in EUR 1,000: 276.65)	21,258,149.32	818,527,226.51	21,141.60	760,910.67
B. Untaxed reserves		75,158,395.74		73,339.97
C. Investment grants from public funds		3,817,189.37		4,040.02
D. Contributions to construction costs		128,053,629.74		127,479.12
E. Provisions		303,445,841.56		287,296.69
F. Liabilities		389,971,395.66		341,231.45
G. Deferred income		155,993,908.33		162,196.15
		1,874,967,586.91		**1,756,494.07**
1. Contingent liabilities		320,085,886.22		160,544.23

INCOME STATEMENT 2009

1. Sales revenues
2. Increase or decrease in inventory of services not yet chargeable
3. Other own work capitalized
4. Other operating income a) Income from the disposal of and write-ups to fixed assets excluding financial assets b) Income from reversal of provisions c) Sundry
5. Cost of materials and purchased services a) Cost of materials b) Cost of purchased services
6. Personnel expenses a) Wages b) Salaries c) Expenses for severance payments and payments for employee provision funds d) Expenses for pensions e) Expenses for statutory social security and payroll related contributions f) Other expenses for social benefits
7. Depreciation of intangible fixed assets and tangible fixed assets (thereof extraordinary depreciation of fixed assets pursuant to section 204 par. 2 UGB: EUR 0.00; previous year, in EUR 1,000: 0)
8. Other operating expenses a) Taxes not included in item 18 b) Sundry
9. Subtotal items 1 to 8
10. Income from investments (thereof from affiliates: EUR 18,273,427.46; previous year, in EUR 1,000: 105)
11. Income from other securities and loans
12. Other interest and similar income
13. Income from disposals of and write-ups to financial assets and current securities
14. Expenses related to financial assets and current securities, thereof a) depreciation pursuant to section 204 par. 2 UGB: EUR 1,353,272.50; previous year, in EUR 1,000: 5,446 b) expenses related to affiliates: EUR 1,629,399.19; previous year, in EUR 1,000: 1,153
15. Interest and similar expenses (thereof interest component of allocation to social capital: EUR 7,133,405.38; previous year, in EUR 1,000: 7,150)
16. Subtotal items 10 to 15
17. Result from ordinary activities before tax
18. Income taxes
19. Net income for the year
20. Reversal of untaxed reserves
21. Reversal of reserves from retained earnings
22. Allocations to untaxed reserves
23. Allocations to reserves from retained earnings
24. Profit carried forward from previous year
25. Balance sheet profit

	2009		2008	
	EUR	EUR	in EUR 1,000	in EUR 1,000
		1,121,506,592.44		1,157,902.89
		167,467.94		10.70
		11,937,636.25		11,685.65
	2,182,001.97		716.62	
	1,371,216.36		5,390.45	
	6,176,779.10	9,729,997.43	4,064.43	10,171.50
	-823,080,122.36		-856,271.40	
	-4,133,956.08	-827,214,078.44	-3,492.98	-859,764.38
	-9,595,347.93		-9,727.94	
	-68,203,665.03		-67,104.80	
	-2,650,483.85		-2,618.30	
	-21,896,913.63		-37,706.03	
	-19,390,166.64		-19,146.58	
	-871,998.42	-122,608,575.50	-740.55	-137,044.20
		-65,839,181.97		-65,948.00
	-661,010.34		-732.43	
	-79,507,645.87	-80,168,656.21	-57,381.03	-58,113.46
		47,511,201.94		**58,900.70**
		48,771,637.31		29,840.37
		1,419,551.76		2,524.13
		9,330,862.65		11,677.94
		25,435.49		1,605.45
		-3,448,248.86		-7,151.22
		-9,978,659.88		-9,017.96
		46,120,578.47		**29,478.71**
		93,631,780.41		**88,379.41**
		-13,196,804.86		-14,465.29
		80,434,975.55		**73,914.12**
		6,164,699.34		2,561.77
		0.00		0.00
		-7,983,124.01		-610.94
		-57,500,000.00		-55,000.00
		141,598.44		276.65
		21,258,149.32		**21,141.60**

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

Assets	Dec. 31, 2009 EUR	EUR	Dec. 31, 2008 in EUR 1,000	in EUR 1,000
A. Fixed assets				
I. Intangible assets	22,922,473.36		26,528.18	
II. Tangible assets	1,089,760,381.24		1,087,064.31	
III. Financial assets	602,231,363.51	1,714,914,218.11	601,174.53	1,714,767.02
B. Current assets				
I. Inventories	5,792,746.71		4,114.66	
II. Receivables and other assets	131,872,302.26		124,301.27	
III. Securities and interests	6,573,000.00		16,317.29	
IV. Cash in hand and at bank	244,506,487.10	388,744,536.07	133,093.56	277,826.78
C. Prepaid expenses and deferred charges				
1. Other prepaid expenses and deferred charges		6,315,261.97		6,258.05
		2,109,974,016.15		**1,998,851.85**

Equity and liabilities	Dec, 31, 2009 EUR	EUR	Dec, 31, 2008 in EUR 1,000	in EUR 1,000
A. Shareholders' equity				
I. Capital stock	72,670,000.00		72,670.00	
II. Appropriated capital reserve	2,834.17		2.84	
III. Reserves from retained earnings	737,717,710.95		694,044.35	
IV. Balance sheet profit, thereof carried forward: EUR 141,598.44 (previous year, in EUR 1,000: 276.65)	21,258,149.32		21,141.60	
V. Minority interests	32,453,241.68	864,101,936.12	31,550.24	819,409.03
B. Investment grants from public funds		12,588,920.99		13,354.25
C. Contribution to construction costs		163,051,803.73		163,369.02
D. Provisions		323,943,566.32		322,072.70
E. Liabilities		582,242,587.05		518,450.27
F. Deferred income		164,045,201.94		162,196.58
		2,109,974,016.15		**1,998,851.85**
1. Contingent liabilities		327,946,658.41		168,320.20

CONSOLIDATED INCOME STATEMENT 2009

1, Sales revenues
2. Increase or decrease in inventory of services not yet chargeable
3. Other own work capitalized
4. Other operating income a) Income from the disposal of and write-ups to fixed assets excluding financial assets b) Income from reversal of provisions c) Sundry
5. Cost of materials and purchased services a) Cost of materials b) Cost of purchased services
6. Personnel expenses a) Wages b) Salaries c) Expenses for severance payments and payments for employee provision funds d) Expenses for pensions e) Expenses for statutory social security and payroll related contributions f) Other expenses for social benefits
7. Depreciation of intangible fixed assets and tangible fixed assets (thereof extraordinary depreciation of fixed assets pursuant to section 204 par. 2 UGB: EUR 0.00; previous year, in EUR 1,000: 0)
8. Other operating expenses a) Taxes not included in item 18 b) Sundry
9. Subtotal items 1 to 8
10. Income from investments (thereof from affiliates: EUR 0.00; previous year, in EUR 1,000: 0)
11. Income from other securities and loans
12. Other interest and similar income
13. Income from disposals of and write-ups to financial assets and current securities
14. Expenses related to financial assets and current securities, thereof a) depreciation pursuant to section 204 par. 2 UGB: EUR 1,877,754.92; previous year, in EUR 1,000: 5,447 b) expenses related to affiliates: EUR 3,419.12; previous year, in EUR 1,000: 1,126 c) expenses related to associated companies: EUR 13,551,396.91; previous year, in EUR 1,000: 7,224
15. Interest and similar expenses (thereof interest portion of allocation to social capital: EUR 7,188,413.38; previous year, in EUR 1,000: 7,224)
16. Subtotal items 10 to 15
17. Result from ordinary activities before tax
18. Income taxes
19. Net income for the year
20. Allocations to reserves from retained earnings
21. Other shareholders' share in the income for the year
22. Profit carried forward from previous year
23. Balance sheet profit

	2009		2008	
	EUR	EUR	in EUR 1,000	in EUR 1,000
		1,348,267,801.95		1,419,780.48
		127,529.93		129.53
		13,089,592.41		13,266.84
	2,206,679.35		740.68	
	1,639,940.92		6,572.01	
	7,784,345.64	11,630,965.91	6,796.50	14,109.19
	-918,297,433.72		-992,978.44	
	-11,789,160.49	-930,086,594.21	-12,951.19	-1,005,929.63
	-10,951,937.58		-10,995.32	
	-71,917,496.91		-70,813.07	
	-2,776,005.71		-2,744.79	
	-22,205,585.42		-37,996.18	
	-20,619,665.06		-20,325.02	
	-938,743.03	-129,409,433.81	-799.41	-143,673.79
		-84,455,071.22		-84,155.01
	-68,362,517.78		-69,750.18	
	-93,308,155.84	-161,670,673.62	-83,231.50	-152,981.68
		67,494,117.34		**60,545.93**
		29,817,191.26		25,563.80
		1,421,542.89		2,525.55
		10,715,557.34		14,159.45
		976,679.32		1,605.45
		-17,174,330.93		-9,302.64
		-12,868,370.18		-15,984.60
		12,888,269.70		**18,567.01**
		80,382,387.04		**79,112.94**
		-14,619,098.83		-13,982.57
		65,763,288.21		**65,130.37**
		-43,817,444.49		-44,327.37
		-829,292.84		61.95
		141,598.44		276.65
		21,258,149.32		**21,141.60**

I. GENERAL EXPLANATORY NOTES *(INDIVIDUAL COMPANY FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS)*

The general procedures and accounting principles applied to the individual company and consolidated financial statements are summarized in the notes. The company balance sheet and income statement and the consolidated balance sheet and income statement are explained separately. Figures for the previous year are given in thousands of euro (in TEUR).

The information required pursuant to section 8 of the Austrian Electricity Industry and Organization Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) is contained in Section V of the notes.

In order to effect the unbundling compulsory under corporate law, TIWAG-Tiroler Wasserkraft AG (TIWAG) developed TIWAG-Netz AG as a combined network operator and transferred the operation of the transmission and distribution networks to TIWAG-Netz AG in the form of a lease as per the agreement dated November 18, 2005.

Under the employee leasing contract dated November 18, 2005, TIWAG-Tiroler Wasserkraft AG hired out those employees who had previously been working in the network sector to TIWAG-Netz AG. By order of the provincial government of Tyrol, dated January 1, 2006, the government, as the electricity authority, granted TIWAG-Netz AG the concession to operate the distribution network of TIWAG-Tiroler Wasserkraft AG. TIWAG-Netz AG thus took on the responsibilities of control area manager and operator of the transmission and distribution networks of TIWAG-Tiroler Wasserkraft AG as of January 1, 2006, and has been responsible for the operation, maintenance and development of these networks since that date.

The subsidiaries TIGAS-Erdgas Tirol GmbH, TIWAG-Netz AG, Achenseeschiffahrt-GesmbH and TIWAG Hydro Engineering GmbH in Liquidation were included in group taxation in the assessment year 2009, with TIWAG as the parent company. With the exception of TIWAG Hydro Engineering in Liquidation, profit and loss transfer agreements have been concluded with all subsidiaries. In addition, Bioenergie Kufstein GmbH and MyElectric Energievertriebs- und -dienstleistungs GmbH are included in the group taxation by means of relationships of holdings.

II. ACCOUNTING PRINCIPLES
(INDIVIDUAL COMPANY FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements have been drawn up in conformity with generally accepted accounting standards as well as according to the accounting rule of providing a true and fair view of the income, asset and financial status of a company. The company is a large corporation within the meaning of section 221 par. 3 of the Austrian Business Code (Unternehmensgesetzbuch, UGB).

1. FIXED ASSETS

1.1. Acquired intangible assets
Acquired intangible assets are recorded based on acquisition costs, factoring in scheduled depreciation. Scheduled depreciation is carried out on a straight-line basis. A period of 10 to 20 years is set as the basis for the estimated useful life of electricity purchase rights, rights of shared use of radio relay and transmission systems and easements. A period of 3 to 5 years applies to EDP programs and patents. Goodwill amortization is carried out on a straight-line basis over the estimated useful life for a period of 10 years.

1.2. Tangible assets
Tangible assets are valued at acquisition or production costs, factoring in scheduled depreciation. In the calculation of the production costs of self-constructed assets, only part of the voluntary social security contributions is included from among the expenditures within the meaning of section 203 par. 3 penultimate sentence of the Austrian Business Code. Directly attributable interest on borrowed capital is not recorded.

Scheduled depreciation of tangible assets is generally carried out on a straight-line basis. The span of estimated useful life in the individual asset categories is as follows:

	Estimated useful life in years
a) Buildings	10 (huts) to 50
b) Hydraulic structures	33 ⅓ to 50
c) Mechanical and electrical equipment	10 to 35
d) Line systems	10 to 40
e) Other fixtures, fittings, tools and office equipment	4 to 10
f) Low-value asset	4 to 5

The periods of estimated useful life are based on the unified depreciation rates for the electricity industry approved by decree of the Federal Ministry of Finance. In the reporting year, the possibility to carry out accelerated depreciation for wear and tear pursuant to section 7a of the Austrian Income Tax Act (Einkommensteuergesetz, EStG) was exploited to the maximum extent possible.

1.3. Financial assets
Financial assets are generally valued at acquisition costs. Unscheduled depreciation is carried out in any case if the actual value at the balance sheet date is lower.

1.4. Write-ups (section 208 of the Austrian Business Code)
For fiscal reasons, the company financial statements for the fiscal year did not include write-ups in the amount of EUR 4,524,394.96 and, in the case of the consolidated financial statements, in the amount of EUR 4,548,518.04.

2. INVENTORIES

2.1. Raw materials and supplies, installation materials and goods purchased for resale

Valuation is carried out by the weighted average cost method, taking into account the lower-of-cost-or-market principle.

2.2. Services not yet chargeable

In the calculation of the production costs, only part of the voluntary social security contributions is included from among the expenditures within the meaning of section 203 par. 3 penultimate sentence of the Austrian Business Code. Directly attributable interest on borrowed capital is not recorded. In the case of contracts that will take longer than twelve months to complete, an appropriate proportion of the administration and operating costs is not included.

3. RECEIVABLES AND OTHER ASSETS, CASH AT BANK

When measuring receivables, recognizable risks are taken into account by means of individual write-offs. Receivables in foreign currencies are measured at the lower of the currency purchase rate or the rate at the balance sheet date. When evaluating foreign currency positions, price gains and losses arising from USD-denominated fixed-term deposits on the asset side and from USD-denominated cash advance facilities on the liabilities side, which are functionally related, were combined in order to avoid the necessity to report expected losses. Cover is guaranteed at all times.

4. UNTAXED RESERVES

In the consolidated financial statements, untaxed reserves are reported as reserves from retained earnings after deduction of tax accrual and deferral pursuant to section 253 par. 3 of the Austrian Business Code. Tax accrual and deferral is included in the provisions.

5. CONTRIBUTIONS TO CONSTRUCTION COSTS

Contributions to construction costs are written off in accordance with the useful life of the assets for which they were made. Contributions to construction costs made in the electricity sector from the fiscal year 2000 onwards, as well as contributions to construction costs made by those entitled to purchase natural gas, are written off over a period of 20 years. As of the fiscal year 2007, the contributions to construction costs collected by TIWAG-Netz AG have been passed on to TIWAG as the parent company of the group, as TIWAG is obliged to make the investments pursuant to the existing lease contract.

6. PROVISIONS AND LIABILITIES

6.1. Provisions

As for the previous year, the provision for severance payments is calculated according to time-adjusted methods, on the basis of an interest rate of 3.5 % and a retirement age of 60 years for women and 65 years for men.

Pension provisions are calculated according to accepted actuarial principles and the present-value method using an interest rate of 3.5 % and applying the “Rechnungsgrundlagen für die Pensionsversicherung AVÖ 2008P – Pagler & Pagler” (“Principles for the Calculation of Pension Insurance AVÖ 2008P – Pagler & Pagler”).
To allow greater insight into the income, asset and financial status, the interest component contained in the allocation to provisions for severance payments and pensions is shown under the item “Interest and similar expenses”.
Provisions for anniversary bonuses are calculated according to time-adjusted methods, on the basis of an interest rate of 3.5 % and a retirement age of 65/60 years.

6.2. Liabilities

Liabilities are recorded at the sum to be repaid, and pension obligations are recorded at the present cash value of future payments, taking into account the principle of prudence (section 211 par. 1 of the Austrian Business Code).

If the repayment sum for a liability at the time of its creation is higher than the sum paid out, the difference is added to accrued income and reported separately. The sum used for this purpose is covered by a scheduled annual write-off. Foreign currency liabilities – to the extent that they are in currencies from outside the European Monetary Union – are measured at the higher of the cost or the exchange rate.

7. CONSOLIDATED GROUP

The following affiliated companies are included in the consolidated financial statements:

- TIGAS-Erdgas Tirol GmbH (TIGAS),
- Achenseeschiffahrt-GesmbH (ASG),
- TIWAG-Netz AG (previously: Tiroler Regelzone AG),
- TIWAG Hydro Engineering GmbH in Liquidation (HyE),
- TIWAG-Italia GmbH (TITA) *and*
- Stadtwärme Lienz Produktions- und Vertriebs-GmbH (SWL)

There is an obligation of full consolidation in each case.

Concerning TIWAG's participations in Innsbrucker Kommunalbetriebe Aktiengesellschaft (IKB AG) and MyElectric Energievertriebs- und -dienstleistungs GmbH, as well as the participation held by TIGAS in SELGAS AG, the conditions for inclusion as associated companies are given (pursuant to section 263 par. 1 of the Austrian Business Code).
Because they are less important for giving a true and fair view of the consolidated income, asset and financial status, the following holdings are not included pursuant to sections 249 par. 2 or 263 par. 2 of the Austrian Business Code:

Company	Registered office	Nominal capital	Participation in nominal capital	
		EUR	EUR	in %
Achensee-Hotelgesellschaft m.b.H.	Eben	38,000.00	38,000.00	100
TIWAG Beteiligungs GmbH	Innsbruck	100,000.00	100,000.00	100
Bioenergie Kufstein GmbH	Kufstein	100,000.00	50,000.00	50
Wasser Tirol – Wasserdienstleistungs-GmbH	Innsbruck	500,000.00	500,000.00	100

The sales volume of these companies is below 1.0 % of group sales.

8. CONSOLIDATION PRINCIPLES

The effective date for the capital consolidation of TIGAS Erdgas Tirol GmbH by the book value method is Jan. 1, 1994, for the additional shares purchased in the context of the 1996 capital increase it is Jan. 1, 1996, for the shares purchased in 1997 it is Jan. 1, 1997, for the shares purchased from the Province of Tyrol in 2003 it is Dec. 31, 2003, and for the shares purchased in the fiscal year 2006 it is Dec. 31, 2006. The effective date for the capital consolidation of Achenseeschiffahrt-GesmbH is Jan. 1, 1995. The effective date for the capital consolidation of TIWAG-Netz AG is Dec. 5, 2001, for the capital consolidation of TIWAG Hydro Engineering GmbH in Liquidation it is June 26, 2002, for TIWAG-Italia GmbH it is Oct. 1, 2003, and for Stadtwärme Lienz Produktions- und Vertriebs-GmbH it is Dec. 31, 2007. Of the difference resulting from the capital consolidation of TIGAS-Erdgas Tirol GmbH, the amount of EUR 12,367.58 was assigned to a piece of developed real estate and the amount of EUR 22,529.43 was allocated to reserves from retained earnings. The difference identified owing to the acquisition of shares in 2006 was also allocated to reserves from retained earnings (EUR 1,800.62). The negative difference of EUR 438,674.07 resulting from the capital consolidation of Achenseeschiffahrt-GesmbH derives mainly from untaxed reserves and was recorded under reserves from retained earnings.

The initial consolidation of TIWAG-Netz AG and TIWAG Hydro Engineering GmbH in Liquidation resulted in no difference.

The difference resulting from the initial capital consolidation of TIWAG-Italia GmbH, in the amount of EUR 1,143.70, was allocated to reserves from retained earnings. The initial capital consolidation of Stadtwärme Lienz Produktions- und Vertriebs-GmbH resulted in a difference in the amount of EUR 1,215.57, which was also allocated to reserves from retained earnings.

The effective date for the capital consolidation of IKB AG (associated company) by the book value method is Dec. 31, 2002 for the share purchased in 2002, and Dec. 31, 2006, for the share purchased in 2006. The difference of EUR 102,114,109.51 resulting from the book value of the participation and the proportional equity, as defined by section 264 par. 1 item 2 of the Austrian Business Code, is being written off over a period of twenty years for the share purchased in 2002. For the share acquired in 2006, the resulting difference pursuant to section 264 par. 1 item 2 of the Austrian Business Code amounted to EUR 59,448,253.90, which is being written off beginning with the fiscal year 2007. In the fiscal year 2005, TIWAG acquired a 50 % participation in MyElectric Energievertriebs- und -dienstleistungs GmbH, Vienna. The book value of the participation is EUR 1,619,363.75, and the proportional equity as at Dec. 31, 2005 is EUR 240,279.03. This resulted in a difference of EUR 1,379,084.72 pursuant to section 264 par. 1 item 2 of the Austrian Business Code.

TIGAS holds a share of 40 % in SELGAS (ENERGAS SÜDGAS AG and SELGAS AG were merged with effect as of Dec. 31, 2005, with SELGAS AG being the acquiring company; on this occasion, TIGAS increased its share in SELGAS from 30 % to 40 % in order to acquire a share in SELGAS equaling the share TIGAS held in ENERGAS, in preparation for the merger). The book value of the participation was EUR 15,048,282.12. The difference calculated on the basis of the financial statements of the merged company for the year ended Dec. 31, 2005, amounted to EUR 7,052,684.52 and decreased by EUR 3,106,582.40 owing to a reduction in the purchase price which became effective in 2007.

The effective date for the inclusion of the associated companies MyElectric Energievertriebs- und -dienstleistungs GmbH and SELGAS AG is Dec. 31, 2005, in each case.

Consolidation of debt was effected by offsetting receivables and payables as well as the respective contingent liabilities. According to the principle of materiality, no inter-company profits had to be eliminated between the companies included in the consolidated financial statements. In the course of the consolidation of expenses and income, inter-company expenses and income were eliminated according to the principle of materiality.

9. CROSS-BORDER LEASING

In the fiscal years 2001 to 2003, cross-border leasing transactions were concluded for the Sellrain-Silz group of power stations, the Achensee, Kirchbichl, Imst, Amlach, Heinfels, Kalserbach, Langkampfen, Leibnitzbach, Leiersbach, Schmirnbach, Sidan, Urgbach and Brennerwerk hydropower stations, as well as for parts of the electricity distribution network.

In these leasing transactions, rights of use regarding certain assets (power stations, electricity distribution network) are granted to US trusts, and these assets are simultaneously leased back. The trusts are set up for the benefit of institutional investors resident in the U.S. Legal ownership of the assets remains unchanged under Austrian law.

The total net present value benefit resulting from the transactions amounted to EUR 202,588,426.39. The present value benefit offered by the transactions has been entered in the balance sheet as deferred income. It will be reversed over the term of the underlying lease contracts. The corresponding deferred income item amounted to EUR 155,959,255.14 as at the balance sheet date (previous year, in EUR 1,000: 162,142.5).

As the closing date payment received under each transaction was used to make payments under payment undertaking agreements and provides sufficient funds to pay all scheduled obligations under the lease, no assets or liabilities of TIWAG-Tiroler Wasserkraft AG exist under a substance over form approach.
Furthermore, there is no interest income or interest expense attributable to TIWAG-Tiroler Wasserkraft AG.

Upon conclusion of these cross-border leasing transactions, payment undertaking agreements and agreements on hedging instruments were concluded with financial institutions with excellent credit ratings. In the course of the financial crisis, the credit ratings of various financial institutions deteriorated, both in the reporting year and in the previous year, which, based on existing contractual obligations necessitated additional securities for these payment undertaking agreements and/or the replacement of existing hedging instruments. These requirements have been met by providing letters of credit customary in the market and by carrying out temporary adjustments of a payment undertaking agreement.

10. DERIVATIVE FINANCIAL INSTRUMENTS

In order to market the energy to be produced from hydropower and to cover the gap between physical production in its own hydropower stations and customers' electricity demand, TIWAG-Tiroler Wasserkraft AG also uses derivative financial instruments on electricity. Their derivative nature results mainly from the fact that the physical and/or financial fulfillment of these contractual arrangements is set in the future. Besides the opportunity to make use of volatile electricity prices on markets such as exchanges and trading platforms to make a profit, access to European energy markets also serves to procure market-relevant data and facts for marketing activities.

The short-term contracts concluded on the spot markets (over the counter/OTC or electricity exchanges) to avoid differences between planned electricity output and existing energy quantities are not counted among the derivative financial instruments, as they lack the characteristics of futures contracts.

For options exercised, option premiums are allocated over the term of the underlying transaction. For options which are out of the money, which means not exercised, option premiums are written off, affecting net income.

Options not yet exercised are recorded at their option premiums or recognized at their value as at the balance sheet date in the course of the valuation of the total portfolio, if this value is lower.

Impending losses under the overall heading of derivative financial instruments are accrued, while unrealized profits from positive market prices are not taken into account.

III. EXPLANATORY NOTES TO THE BALANCE SHEET AND THE INCOME STATEMENT *(INDIVIDUAL FINANCIAL STATEMENTS)*

1. BALANCE SHEET

The development of individual fixed assets and the breakdown of annual depreciation are shown in section III.3 of the notes.

ASSETS

Tangible assets

With regard to additions to tangible assets, EUR 14.60 million are accounted for by electricity generation, EUR 49.81 million by transformation and distribution, EUR 0.62 million by counting and metering devices and EUR 2.49 million by administration and other items. Losses through disposal of tangible assets amount to EUR 1,927,329.22, EUR 142,252.38 of which come from sales. Profit from the sale of tangible assets amounts to EUR 2,182,001.97. The item “Land, rights equivalent to land and buildings, including buildings on third-party land” includes a land value in the amount of EUR 37,035,647.37.

Financial assets

In the fiscal year 2009, TIWAG acquired the remaining 40 % in Wasser Tirol – Wasserdienstleistungs-GmbH. Moreover, in the reporting year, TIWAG granted shareholders’ grants to Bioenergie Kufstein GmbH for covering current losses, as well as to Wasser Tirol – Wasserdienstleistungs-GmbH in order to cover liquidity shortages. Owing to the negative development of results at TIWAG-Italia Srl, TIWAG waived a claim against its subsidiary amounting to EUR 3.4 million in the reporting year in order to strengthen the latter’s equity capital base. After the balance sheet date, the liquidation of TIWAG-Italia Srl was decided. Details on the shareholdings are listed in the statement of shareholdings.

Extended loans in the total amount of EUR 107,527.43 will fall due within a year. Long-term securities with a book value of EUR 82,304,693.90 are being used to cover pension provisions.

SHAREHOLDINGS AS DEFINED BY SECTION 238 ITEM 2 OF THE AUSTRIAN BUSINESS CODE

Company	Registration number	Subscribed capital as at Dec. 31, 2009	
Shareholdings in affiliates			
1. TIGAS-Erdgas Tirol GmbH, Innsbruck [3) 4) 13)]	FN 33547 i	EUR	65,915,000.00
2. Achenseeschiffahrt-GesmbH, Eben [3) 4) 13)]	FN 40405 w	EUR	37,000.00
3. Achensee-Hotelgesellschaft m.b.H., Eben [5)]	FN 45176 k	EUR	38,000.00
4. TIWAG-Netz AG, Innsbruck [3) 4) 6) 13)]	FN 216507 v	EUR	500,000.00
5. TIWAG Hydro Engineering GmbH in Liquidation, Innsbruck [3) 12) 13)]	FN 223791 f	EUR	726,700.00
6. TIWAG-Italia GmbH i. L., Bolzano [3) 18)]	02359610215	EUR	90,000.00
7. TIWAG Beteiligungs GmbH, Innsbruck	FN 238803 g	EUR	100,000.00
8. Wasser Tirol – Wasserdienstleistungs-GmbH, Innsbruck	FN 236070 m	EUR	500,000.00
9. Stadtwärme Lienz Produktions- und Vertriebs-GmbH, Lienz [3) 10)]	FN 195282 f	EUR	4,545,000.00
Participations			
1. Energie AG Oberösterreich, Linz [16) 17)]	FN 76532 y	EUR	89,000,000.00
2. Bioenergie Kufstein GmbH, Kufstein [11) 12)]	FN 226474 a	EUR	100,000.00
3. MyElectric Energievertriebs- und -dienstleistungs GmbH, Vienna [8) 11) 12)]	FN 204712 y	EUR	200,000.00
4. Gemeinschaftskraftwerk Inn GmbH, Landeck	FN 277806 p	EUR	200,000.00
5. Wiener Stadtwerke Management Alpha Beteiligungs GmbH, Vienna [13)]	FN 256104 z	EUR	35,000.00
6. Österreichische Elektrizitätswirtschafts-AG, Vienna	FN 76023 z	EUR	308,200,000.00
7. Innsbrucker Kommunalbetriebe AG, Innsbruck [8)]	FN 90981 x	EUR	10,000,000.00
8. A&B Ausgleichsenergie & Bilanzgruppen-Management AG, Innsbruck	FN 203122 i	EUR	692,000.00
9. VERBUND-Austrian Hydro Power AG, Vienna	FN 84438 z	EUR	138,581,985.00
10. VERBUND-Austrian Thermal Power GmbH & Co KG, Graz	FN 220426 g	EUR	107,713.00
11. SELTRADE AG, Bolzano	02345810218	EUR	150,000.00
12. Bayerngas GmbH, Munich [9)]	HRB 5551	EUR	80,330,000.00
13. SELGAS AG, Bolzano [8) 9)]	08284030155	EUR	16,400,000.00
14. Bayerngas Norge AS, Oslo [9) 19)]	989490168 [14)]	NOK	585,000,000.00
15. Tauerngasleitung Studien- und Planungsgesellschaft m.b.H., Wals-Siezenheim [9)]	FN 304217 d	EUR	35,000.00
16. Bioenergie Schlitters GmbH, Schlitters [9)]	FN 281941 w	EUR	41,000.00
17. OeMAG Abwicklungsstelle für Ökostrom AG, Vienna [15)]	FN 280453 g	EUR	100,000.00

1) Shareholders' equity as defined by section 224 par. 3 lit. A of the Austrian Business Code
2) Net income (+)/loss (-) for the year
3) Full consolidation as defined by sections 253–261 of the Austrian Business Code
4) A profit and loss transfer agreement was concluded with the company.
5) 35 % are held by Achenseeschiffahrt-GesmbH.
6) Previously known as Tiroler Regelzone AG
7) 1 % is held by TIWAG Beteiligungs GmbH.
8) Associated company
9) Participation is held by TIGAS-Erdgas Tirol GmbH.
10) 0.04 % is held by TIWAG Beteiligungs GmbH;
11) A loss transfer agreement was entered into for fiscal 2009.
12) Included in group taxation.
13) Half of the nominal capital is paid up.
14) Register of Business Enterprises
15) Participation is held by TIWAG-Netz AG.
16) Purchase of stock and subscription for newly issued shares on July 3, 2008
17) If EAG's Management Board makes use of its right to opt for an increase in capital by July 8, 2013, the share of subscribed capital will decrease to 8 %.
18) in liquidation
19) Agreement for the sale and purchase of shares of December 22, 2009

Share of subscribed capital in %		Share of subscribed capital	Last financial statements		Equity of the last fiscal year [1]		Result of the last fiscal year [2]
86.000	EUR	56,686,900.00	2009	EUR	227,882,433.66	EUR	13,345,359.41
100.000	EUR	37,000.00	2009	EUR	4,972,085.83	EUR	129,737.57
100.000	EUR	38,000.00	2008/2009	EUR	26,256.90	EUR	-5,259.50
100.000	EUR	500,000.00	2009	EUR	1,991,514.00	EUR	9,173,873.34
100.000	EUR	726,700.00	2009	EUR	752,980.20	EUR	-80,379.41
100.000	EUR	90,000.00	2009	EUR	649,904.00	EUR	-2,973,281.00
100.000	EUR	100,000.00	2009	EUR	77,017.93	EUR	-2,690.78
100.000	EUR	500,000.00	2008	EUR	1,012,170.45	EUR	-319,505.79
100.000	EUR	4,545,000.00	2009	EUR	3,415,684.35	EUR	-353,162.26
8.251	EUR	7,344,000.00	2008/2009	EUR	941,071,827.27	EUR	46,236,781.05
50.000	EUR	50,000.00	2008	EUR	-2,308,976.25	EUR	-1,585,195.95
50.000	EUR	100,000.00	2008	EUR	820,558.06	EUR	0.00
36.000	EUR	72,000.00	2008	EUR	213,607.41	EUR	5,438.48
30.900	EUR	10,815.11	2007/2008	EUR	1,366,861.59	EUR	-1,984.98
7.283	EUR	22,445,800.00	2008	TEUR	1,645,891.00	TEUR	621,517.40
49.999	EUR	4,999,900.00	2008	EUR	209,652,903.28	EUR	3,179,596.06
20.925	EUR	144,800.00	2008	EUR	1,430,255.75	EUR	234,655.75
0.222	EUR	308,455.78	2008	TEUR	992,541.70	TEUR	512,816.30
0.079	EUR	85.00	2008	TEUR	274,338.90	TEUR	124,970.90
9.000	EUR	13,500.00	2008	EUR	1,037,612.00	EUR	227,750.00
6.000	EUR	4,819,800.00	2008	EUR	212,837,523.37	EUR	27,359,868.97
40.000	EUR	6,560,000.00	2008	EUR	22,232,433.00	EUR	1,762,294.00
3.750	NOK	21,940,000.00	2008	NOK 1,000	263,089.00	NOK 1,000	-284,126.00
7.500	EUR	2,625.00	2008	EUR	3,056,110.60	EUR	-3,554,767.08
48.780	EUR	20,000.00	2008	EUR	-105,267.72	EUR	-8,627.85
12.600	EUR	12,600.00	2008	EUR	5,692,522.94	EUR	646,796.80

Inventories

The inventories include:

	Dec. 31, 2009 EUR	Dec. 31, 2008 in EUR 1,000
1. Raw materials and supplies	2,122,758.93	1,872.77
2. Installation materials and goods purchased for resale	71,398.24	61.57
3. Biomass fuels	464,099.64	201.00
4. Other inventories	21,217.25	33.35
5. Services not yet chargeable	1,276,778.04	1,109.31
TOTAL inventories	**3,956,252.10**	**3,278.00**

Receivables and other assets

"Receivables and other assets" fall into the following categories:

	Dec. 31, 2009 EUR	Stating separately those with a remaining term of > 1 year	Dec. 31, 2008 in EUR 1,000
1. Trade receivables	55,898,170.31	2,129,560.88	57,630.26
2. Receivables due from affiliated companies	33,167,392.14	0.00	37,792.91
3. Receivables due from companies in which there is a participating interest	13,253,830.78	0.00	11,564.31
4. Other receivables and assets	37,680,467.09	0.00	25,638.13
TOTAL receivables and other assets	**139,999,860.32**	**2,129,560.88**	**132,625.61**

Under trade receivables, deductions amounting to EUR 893,187.00 have been made as provisions for bad debts.

The receivables due from affiliated companies relate to TIGAS-Erdgas Tirol GmbH, TIWAG-Netz AG, TIWAG Hydro Engineering GmbH in Liquidation, Wasser Tirol – Wasserdienstleistungs-GmbH, Achenseeschiffahrts-GmbH and Stadtwärme Lienz Produktions- und Vertriebs-GmbH, and derive from the balance of ongoing charges for services and the accounting of charges within the group, as well as from profit and loss transfer in the case of companies included in group taxation. The valuation adjustment required for this item was EUR 22,982.04.

The receivables due from companies in which there is a participating interest relate mainly to goods and other services provided. The valuation adjustment required for this item was EUR 959,097.35. Other receivables and assets include, in particular, receivables due from corporate income tax and creditable capital gains tax in the amount of EUR 20,344,133.38 and from pending input tax in the amount of EUR 1,933,062.82 as well as receivables vis-à-vis suppliers in the amount of EUR 3,344,053.93. Also reported under this item are advance payments made for various orders in the amount of EUR 117,400.00 as well as income in the amount of EUR 1,496,529.29, which was to become cash-effective shortly after the balance sheet date.
Other current securities and interests at the balance sheet date consist of bonds in the amount of EUR 6,573,000.
As at December 31, 2009, there were receivables in the amount of EUR 2,129,560.88 with a remaining term of more than one year.

Deferred taxes

The option to capitalize pursuant to section 198 par. 10 of the Austrian Business Code has not been exercised. The reportable sum would have been EUR 13,889,858.00 (in the previous year, in EUR 1,000: 14,044.1), arising mainly from valuations that can only be deducted from or set off against tax over a longer period. This estimate is based on a tax rate of 25 %.

Provisions

The provisions are broken down as follows:

EQUITY AND LIABILITIES

Shareholder's equity

The nominal capital is evidenced by an interim certificate for 72,670 bearer shares at a nominal value of EUR 1,000 each, issued in the name of the Province of Tyrol. The capital reserve derives from the rounding difference due to conversion of the nominal capital into euro. The reserves from retained earnings include the statutory reserve of EUR 7,267,283.42 and uncommitted reserves of EUR 717,328,959.60.

Untaxed reserves

The development of untaxed reserves is shown in section III.4.1 of the notes, the breakdown of the valuation reserve stating the relevant fiscal regulations in section III.5. and the breakdown of the valuation reserve according to balance sheet items in section III.6.

Investment grants from public funds

The development of investment grants from public funds is shown in section III.4.2.

Contributions to construction costs

Electricity customers' contributions to construction costs and other contributions to construction costs increased by a total of EUR 574,511.80 in the year under review. The consumption of contributions to construction costs amounting to EUR 12,782,731.72 is included in the sales revenues.

	Dec. 31, 2009 EUR	Dec. 31, 2008 in EUR 1,000
1. Provisions for severance payments (subject to tax: EUR 5,293,039.21)	37,790,704.81	36,356.26
2. Provisions for pensions (subject to tax: EUR 28,142,409.56)	166,694,842.66	166,781.35
3. Tax provisions	7,653,664.00	1,406.93
4. Other provisions (subject to tax: EUR 3,953,206.18)	91,306,630.09	82,752.15
TOTAL provisions	**303,445,841.56**	**287,296.69**

Other provisions include the provision for waste water disposal measures in connection with the Strassen-Amlach power station on the Drau river (EUR 3,891,515.55), provisions for anniversary bonuses (EUR 11,773,010.75), for holiday entitlements not taken (EUR 6,127,320.00) and for accrued flexible working hours of employees (EUR 1,701,334.00) and a provision for contingent losses related to the total item of derivative financial instruments in the amount of EUR 19,578,744.00 as well as provisions for contingent losses under an energy barter agreement in the amount of EUR 20,810,000.00.

Liabilities

The breakdown of liabilities, stating the maturities, is shown in the following table:

Liabilities (Figures for the previous year in parentheses)	**Balance sheet value Dec. 31, 2009** EUR	**Stating separately those due within one year** EUR	**Stating separately those with a remaining term of > 1 year** EUR	**Stating separately those with a remaining term of > 5 years** EUR	**Balance sheet value Dec. 31, 2008** in EUR 1,000
1. Bank loans and overdrafts	164,645,023.59 (116,368,764.15)	164,639,358.80 (116,362,755.38)	1,415.23 (1,399.42)	4,249.56 (4,609.35)	(116,368.77)
2. Advance payments received	1,284,216.82 (610,123.76)	1,284,216.82 (610,123.76)	0.00 (0.00)	0.00 (0.00)	(610.12)
3. Trade payables	126,642,653.57 (127,527,929.54)	42,205,219.02 (44,740,848.25)	83,732,074.55 (82,081,721.29)	705,360.00 (705,360.00)	(127,527.93)
4. Liabilities to affiliated companies	308,229.42 (227,600.84)	308,229.42 (227,600.84)	0.00 (0.00)	0.00 (0.00)	(227.60)
5. Liabilities to companies in which there is a participating interest	1,222,662.15 (596,643.10)	1,222,662.15 (596,643.10)	0.00 (0.00)	0.00 (0.00)	(596.64)
6. Other liabilities	95,868,610.11 (95,900,387.57)	86,273,486.65 (86,268,876.25)	85,780.08 (86,797.29)	9,509,343.38 (9,544,714.03)	(95,900.39)
thereof tax	*31,456,793.52* *(34,775,505.88)*	*31,456,793.52* *(34,775,505.88)*	*0.00* *(0.00)*	*0.00* *(0.00)*	*(34,775.51)*
thereof social security	*1,855,513.27* *(2,090,447.71)*	*1,855,513.27* *(2,090,447.71)*	*0.00* *(0.00)*	*0.00* *(0.00)*	*(2,090.45)*
TOTAL liabilities	**389,971,395.66** **(341,231,448.96)**	**295,933,172.86** **(248,806,847.58)**	**83,819,269.86** **(82,169,918.00)**	**10,218,952.94** **(10,254,683.38)**	**(341,231.45)**

Liabilities to affiliated companies relate to the subsidiaries TIWAG-Italia Srl, Achensee-Hotelgesellschaft mbH, Wasser Tirol – Wasserdienstleistungs-GmbH and TIWAG-Beteiligungs GmbH. The liabilities payable to companies in which there is a participating interest include trade payables. Other liabilities primarily include liabilities arising from compensation or purchase contracts and free power commitments in the amount of EUR 9,287,665.57 and liabilities payable to customers in the amount of EUR 40,283,328.45. Other liabilities in the amount of EUR 328,534.73 are mortgage-secured.

Contingent liabilities

Of contingent liabilities, an amount of EUR 15,000,000.00 relates to the available amount of bank guarantees of TIWAG-Italia GmbH on the basis of a letter of comfort, an amount of EUR 8,000,000.00 to liabilities of TIGAS-Erdgas Tirol GmbH due to formal guarantees. In the course of furnishing additional collateral for several cross-border leasing transactions, letters of credit customary in the market have been provided. The provision of these letters of credit has resulted in contingent liabilities in the amount of EUR 269,495,420.03, computed on the basis of the currency bid price at the balance sheet date.
There are also contingencies based on various contracts granting rights of use amounting to a total of EUR 20,784,050.67, as well as contingencies based on guarantees in Austria and abroad in the amount of EUR 6,806,415.42.

Other financial obligations within the meaning of section 237 item 8 of the Austrian Business Code result from the obligation to assume losses of Bioenergie Kufstein GmbH and MyElectric Energievertriebs- und -dienstleistungs GmbH. The total of other financial obligations connected with open-ended investments and the general renovation of various facilities will amount to approximately EUR 51.7 million in the next fiscal year (2010).

The set of agreements governing the acquisition of the participation in Innsbrucker Kommunalbetriebe Aktiengesellschaft (IKB AG) provides that, in the period from May 3, 2008, to May 2, 2010, the sole requirement for acquiring the remaining 50 % plus 1 share in IKB AG by TIWAG-Tiroler Wasserkraft AG is a unilateral expression of intent on the part of the Municipality of Innsbruck.

2. INCOME STATEMENT

Sales revenues

The individual areas of operation contributed to sales revenues, which, when excluding energy trading, are primarily generated in Tyrol, as follows:

	2009 EUR	2008 in EUR 1,000
Electricity business	1,000,288,065.73	1,028,959.17
Auxiliary operations (incl. agriculture and forestry)	203,916.82	143.55
Installation and sales business, charges passed on to third parties	121,014,609.89	128,800.17
TOTAL sales revenues	**1,121,506,592.44**	**1,157,902.89**

Charges passed on to third parties include the revenue from the lease statement for transmission and distribution network operations in the amount of EUR 101,383,748.90.

Other operating income

Other operating income includes, among other things, income from disposal of assets in the amount of EUR 2,182,001.97, income from the reversal of provisions in the amount of EUR 1,371,216.36 and from remaining operating income in the amount of EUR 6,176,779.10.
The remaining other operating income includes, among other things, compensation payments for damage in the amount of EUR 957,900.12 and the reversal of a valuation allowance in the amount of EUR 3,566,153.00.

Cost of materials and purchased services

The following details are included under the heading "Cost of materials and purchased services":

	2009 EUR	2008 in EUR 1,000
Electricity purchased from other suppliers (incl. swapped energy)	793,473,127.40	845,420.01
Contingent losses energy barter agreement	20,810,000.00	0.00
Expenses for electricity transmission	87,132.67	19.72
System services	3,094,305.86	3,473.26
Other materials used	9,749,512.51	10,851.39
TOTAL cost of materials and purchased services	**827,214,078.44**	**859,764.38**

Personnel expenses

Expenses for severance payments are broken down into EUR 9,042.26 for members of the Management Board and EUR 2,641,441.59 for employees. Contributions to employee provision funds came to EUR 75,291.78.

The item "Expenses for pensions", among other things, includes ongoing pension payments, the changes in pension provisions and the current pension fund contributions. Expenses for pensions amounted to EUR 87,123.61 for members of the Management Board and EUR 21,809,790.02 for employees.
Total remuneration to the Management Board for the fiscal year amounted to EUR 573,407.31, and payments to former members and their surviving dependants came to EUR 561,960.12.
In the fiscal year 2009, 1,267 persons were employed on average, thereof 1,016 salaried employees, 208 wage earners and 43 apprentices (previous year: 1,272 employees, thereof 1,017 salaried employees, 210 wage earners and 45 apprentices). As a result of the agreement concluded on November 18, 2005, an annual average of 125 wage earners, 376 salaried employees and 20 apprentices were hired out to TIWAG-Netz AG (previous year: 131 wage earners, 380 salaried employees and 23 apprentices).

Other operating expenses

The taxes reported under other operating expenses mainly refer to property taxes and motor vehicle taxes as well as municipal taxes for usage of public spaces.
In addition, other operating expenses primarily include travel expenses of EUR 3,163,803.91, consultation expenses of EUR 11,512,346.37, compensations in the amount of EUR 5,482,497.17, expenses for the Tyrolean solidarity fund in the amount of EUR 5 million, rents and leases in the amount of EUR 4,197,454.84, various external services in the amount of EUR 21,356,926.56, and advertising and promotional expenses of EUR 7,466,383.02.
Remuneration for the Supervisory Board amounted to EUR 13,673.54.

Other interest and similar income

Item 12 (other interest and similar income) mainly includes income from current securities in the amount of EUR 169,522.50, bank interest payments in the amount of EUR 1,992,151.65, and proportional income from cross-border leasing transactions amounting to EUR 6,452,159.19.

Expenses related to financial assets and current securities

Besides the write-down of the shareholding in Stadtwärme Lienz Produktions- und Vertriebs-GmbH in the amount of EUR 353,162.26, the write-down of the shareholding in Wasser Tirol – Wasserdienstleistungs-GmbH in the amount of EUR 342,600.00, the proportional takeover of losses in connection with My Electric Energievertriebs- und -dienstleistungs GmbH in the amount of EUR 263,847.88, the write-down of the shareholding in Bioenergie Kufstein GmbH in the amount of EUR 1,346,500.00, losses from the depreciation of long-term securities in the amount of EUR 6,772.50, and from the depreciation of current securities in the amount of EUR 161,000.00, these expenses essentially also include the compensatory payments to holders of minority interests in TIGAS-Erdgas Tirol GmbH in the amount of EUR 930,217.81.

Interest and similar expenses

Under the item "Interest and similar expenses", the main points to note are the interest payments for bank loans and overdrafts (EUR 2,597,857.24) and the interest component of the allocation for severance payments and pension provisions (EUR 7,133,405.38).

Income taxes

The reported taxes amounting to EUR 13,196,804.86 not only include the corporate income tax for the fiscal year 2009, but also a tax allocation in the amount of EUR 242,770.69.

Reversal of and allocations to untaxed reserves

The reversal of and allocations to untaxed reserves are described in section III.4 of the notes. The result of the adjustment of untaxed reserves is a reduction of the tax assessment base by EUR 1,818,424.67.

Balance sheet profit

Taking into account the adjustments to the reserves – in particular allocations to uncommitted reserves in the amount of EUR 57,500,000.00 – and the profit carried forward from the previous year amounting to EUR 141,598.44, balance sheet profit comes to EUR 21,258,149.32.

Other Information
Company boards

In the fiscal year 2009, the following persons were members of the Management Board:

- Dr. Bruno Wallnöfer (Chairman)
- Dipl.-Ing. Alfred Fraidl

In the fiscal year 2009, the following persons were members of the Supervisory Board:

- Ferdinand Eberle (Chairman)
- KommR Dkfm. Dr. Hansjörg Jäger (1st Deputy Chairman)
- Dipl.-Ing. Horst Braun (2nd Deputy Chairman)
- Dipl.-Ing. Dr. techn. Herbert Hönlinger
- Dr. lic.oec. Reinhard Schretter
- President Dipl.-Vw. Dr. Gerulf Stix

Appointed by the Works Council:

- Anton Pertl, Chairman of the Central Works Council, Member of the Provincial Parliament
- Josef Obertscheider (until January 14, 2009)
- Richard Thaler (until January 14, 2009)
- Ing. Stefan Mark (since January 14, 2009)
- Bernhard Paßler (since January 14, 2009)

Derivative financial instruments

The table below shows the derivative financial instruments on electricity in the electricity portfolio held by TIWAG-Tiroler Wasserkraft AG as at Dec. 31, 2009. The nominal values shown below represent the sums of the non-netted individual positions in the respective derivative financial instruments. Current values show the sum of the differences between current market prices as at the balance sheet date and the nominal values of the instruments. Sales revenues used for hedging against losses from purchase transactions have been included in the valuation. The table as at Dec. 31, 2008, has also been included for the purpose of comparison.

	Nominal values			Current values		
	Purchases	Sales	Net	Positive	Negative	Net
Contracts and current value as at Dec. 31, 2009 in EUR million						
Forwards	629.1	666.6	-37.5	167.3	-186.4	-19.1
Options and futures	15.1	2.9	12.2	0.8	-0.6	0.2
TOTAL	**644.2**	**669.5**	**-25.3**	**168.1**	**-187.0**	**-18.9**
Contracts and current value as at Dec. 31, 2008 in EUR million						
Forwards	811.2	769.4	41.8	140.7	-153.7	-13.0
Options and futures	9.6	3.0	6.6	0.7	-0.1	0.6
TOTAL	**820.8**	**772.4**	**48.4**	**141.4**	**-153.8**	**-12.4**

Netting agreements with the contract partners are in place. Due to the current values as at the balance sheet date, in fiscal 2009, a provision for contingent losses was reported for the portfolio held and for the items hedged with sales revenues.

III.3. DEVELOPMENT OF FIXED ASSETS WITH BREAKDOWN OF ANNUAL DEPRECIATION (STATEMENT OF FIXED ASSETS)

	Cost of acquisition and production		
	As at Jan. 1, 2009 EUR	Additions EUR	Disposals EUR
I. Intangible assets			
1. Electricity procurement rights	0.00	0.00	0.00
2. Other rights	15,695,514.70	759,637.20	0.00
3. EDP programs	14,883,867.48	423,917.80	-83,538.48
4. Goodwill	50,463,033.16	0.00	0.00
5. Prepayments	6,074,904.08	680,400.00	0.00
TOTAL I.	**87,117,319.42**	**1,863,955.00**	**-83,538.48**
II. Tangible assets			
1. Land, rights equivalent to land and buildings, including buildings on third-party land	1,049,817,439.39	1,087,408.27	-3,039,156.55
2. Machinery and electrical plants	821,722,175.12	6,057,514.90	-3,725,109.89
3. Line systems	554,330,051.99	25,888,565.86	-1,967,482.61
4. Other fixtures, fittings, tools and office equipment	44,608,971.17	3,638,753.01	-4,381,250.50
5. Prepayments and construction in progress	34,624,320.50	30,852,061.51	-109.60
TOTAL II.	**2,505,102,958.17**	**67,524,303.55**	**-13,113,109.15**
III. Financial assets			
1. Investments in affiliates	255,303,354.65	380,000.00	0.00
2. Participations	502,026,518.55	675,000.00	0.00
TOTAL 1 to 2	**757,329,873.20**	**1,055,000.00**	**0.00**
3. Long-term securities (book-entry securities)	95,147,678.11	742,366.70	-754,344.02
4. Other loans	477,157.95	71,606.91	-322,224.06
TOTAL III.	**852,954,709.26**	**1,868,973.61**	**-1,076,568.08**
TOTAL fixed assets	**3,445,174,986.85**	**71,257,232.16**	**-14,273,215.71**

Transfers EUR	As at Dec. 31, 2009 EUR	Accumulated depreciation EUR	Residual book value As at Dec. 31, 2009 EUR	Residual book value As at Dec. 31, 2008 EUR	Depreciation 2009 EUR
0.00	0.00	0.00	0.00	0.00	0.00
0.00	16,455,151.90	9,783,424.90	6,671,727.00	6,699,682.68	787,592.88
0.00	15,224,246.80	13,845,236.94	1,379,009.86	1,898,538.50	943,446.44
0.00	50,463,033.16	39,443,355.38	11,019,677.78	14,658,385.04	3,638,707.26
0.00	6,755,304.08	3,404,746.06	3,350,558.02	2,670,158.02	0.00
0.00	**88,897,735.94**	**66,476,763.28**	**22,420,972.66**	**25,926,764.24**	**5,369,746.58**
-373,506.55	1,047,492,184.56	692,664,601.79	354,827,582.77	376,933,962.46	21,058,693.68
2,235,248.47	826,289,828.60	688,113,789.72	138,176,038.88	147,639,106.42	17,425,705.21
11,594,411.78	589,845,547.02	433,620,945.47	156,224,601.55	137,017,817.15	18,216,595.72
0.00	43,866,473.68	33,513,491.84	10,352,981.84	10,518,904.30	3,768,440.78
-13,456,153.70	52,020,118.71	4,914,757.04	47,105,361.67	29,709,563.46	0.00
0.00	**2,559,514,152.57**	**1,852,827,585.86**	**706,686,566.71**	**701,819,353.79**	**60,469,435.39**
0.00	255,683,354.65	57,188,614.04	198,494,740.61	198,813,921.99	699,181.38
9,583,285.87	512,284,804.42	1,346,500.00	510,938,304.42	502,026,518.55	1,346,500.00
9,583,285.87	**767,968,159.07**	**58,535,114.04**	**709,433,045.03**	**700,840,440.54**	**2,045,681.38**
0.00	95,135,700.79	12,608,768.29	82,526,932.50	82,492,631.15	6,772.50
0.00	226,540.80	0.00	226,540.80	477,157.95	0.00
9,583,285.87	**863,330,400.66**	**71,143,882.33**	**792,186,518.33**	**783,810,229.64**	**2,052,453.88**
9,583,285.87	**3,511,742,289.17**	**1,990,448,231.47**	**1,521,294,057.70**	**1,511,556,347.67**	**67,891,635.85**

III.4. UNTAXED RESERVES AND INVESTMENT GRANTS FROM PUBLIC FUNDS

	As at Jan. 1, 2009 EUR	Allocation EUR	Reversal Consumption EUR	As at Dec. 31, 2009 EUR
1. Untaxed reserves (development)				
1.1. Valuation reserve (see detail)	73,339,971.07	7,983,124.01	-6,164,699.34	75,158,395.74
TOTAL untaxed reserves	**73,339,971.07**	**7,983,124.01**	**-6,164,699.34**	**75,158,395.74**
2. Investment grants from public funds (development)				
Investment grants Kaiserwerke	25,490.72	0.00	-3,939.35	21,551.37
Investment grants Längenfeld power station	4,014,533.00	0.00	-218,895.00	3,795,638.00
TOTAL investment grants from public funds	**4,040,023.72**	**0.00**	**-222,834.35**	**3,817,189.37**

III.5. VALUATION RESERVE ON ACCOUNT OF SPECIAL DEPRECIATION

(with reference to applicable tax provisions)

	As at Jan. 1, 2009 EUR	Allocation EUR	Reversal Consumption EUR	Reversal Disposals EUR	As at Dec. 31, 2009 EUR
a) Accelerated depreciation					
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third-party land	28,419,400.76	0.00	-4,637,467.45	-27,031.81	23,754,901.50
2. Machinery and electrical plants	124,951.41	0.00	-38,502.85	0.00	86,448.56
3. Line systems	2,726,883.14	0.00	-536,671.70	-1.67	2,190,209.77
4. Other fixtures, fittings, tools and office equipment	173.09	0.00	-57.69	0.00	115.40
TOTAL a)	**31,271,408.40**	**0.00**	**-5,212,699.69**	**-27,033.48**	**26,031,675.23**
b) Cyclical accelerated depreciation of buildings (section 10a par. 3 Income Tax Act)					
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third-party land	180,118.84	0.00	0.00	0.00	180,118.84
TOTAL b)	**180,118.84**	**0.00**	**0.00**	**0.00**	**180,118.84**
c) Accelerated depreciation (section 7a Income Tax Act 1988)					
1. Machinery and electrical plants	0.00	699,685.22	0.00	0.00	699,685.22
2. Line systems	0.00	2,065,984.78	0.00	0.00	2,065,984.78
3. Other fixtures, fittings, tools and office equipment	0.00	403,542.96	0.00	0.00	403,542.96
4. Construction in progress	0.00	4,308,275.13	0.00	0.00	4,308,275.13
TOTAL c)	**0.00**	**7,477,488.09**	**0.00**	**0.00**	**7,477,488.09**
d) From transfer of hidden reserves					
Intangible assets					
1. EDP programs	29,414.87	0.00	-20,903.43	0.00	8,511.44
	29,414.87	**0.00**	**-20,903.43**	**0.00**	**8,511.44**
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third-party land	16,978,703.70	0.00	-308,176.56	0.00	16,670,527.14
2. Machinery and electrical plants	1,520,185.93	0.00	-95,937.11	-227.54	1,424,021.28
3. Line systems	440,782.66	0.00	-31,061.18	-50.08	409,671.40
	18,939,672.29	**0.00**	**-435,174.85**	**-277.62**	**18,504,219.82**
Financial assets					
1. Participations	21,706,653.34	0.00	0.00	0.00	21,706,653.34
TOTAL d)	**40,675,740.50**	**0.00**	**-456,078.28**	**-277.62**	**40,219,384.60**
e) From depreciation pursuant to section 13 Income Tax Act 1988					
Tangible assets					
1. Machinery and electrical plants	1,212,703.33	505,635.92	-468,160.16	-450.11	1,249,728.98
	1,212,703.33	**505,635.92**	**-468,160.16**	**-450.11**	**1,249,728.98**
TOTAL e)	**1,212,703.33**	**505,635.92**	**-468,160.16**	**-450.11**	**1,249,728.98**
TOTAL valuation reserve	**73,339,971.07**	**7,983,124.01**	**-6,136,938.13**	**-27,761.21**	**75,158,395.74**

III.6. VALUATION RESERVE ON ACCOUNT OF SPECIAL DEPRECIATION

(broken down by balance sheet items)

	As at Jan. 1, 2009 EUR	Allocation EUR	Reversal Consumption EUR	Reversal Disposals EUR	As at Dec. 31, 2009 EUR
Intangible assets					
1. EDP programs	29,414.87	0.00	-20,903.43	0.00	8,511.44
TOTAL intangible assets	**29,414.87**	**0.00**	**-20,903.43**	**0.00**	**8,511.44**
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third-party land	45,578,223.30	0.00	-4,945,644.01	-27,031.81	40,605,547.48
2. Machinery and electrical plants	2,857,840.67	1,205,321.14	-602,600.12	-677.65	3,459,884.04
3. Line systems	3,167,665.80	2,065,984.78	-567,732.88	-51.75	4,665,865.95
4. Other fixtures, fittings, tools and office equipment	173.09	403,542.96	-57.69	0.00	403,658.36
5. Construction in progress	0.00	4,308,275.13	0.00	0.00	4,308,275.13
TOTAL tangible assets	**51,603,902.86**	**7,983,124.01**	**-6,116,034.70**	**-27,761.21**	**53,443,230.96**
Financial assets					
1. Participations	21,706,653.34	0.00	0.00	0.00	21,706,653.34
TOTAL financial assets	21,706,653.34	**0.00**	**0.00**	**0.00**	**21,706,653.34**
TOTAL valuation reserve	**73,339,971.07**	**7,983,124.01**	**-6,136,938.13**	**-27,761.21**	**75,158,395.74**

IV. EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

1. CONSOLIDATED BALANCE SHEET

The development of individual assets and the breakdown of annual depreciation are shown in section IV.3 of the notes.

ASSETS

Tangible assets

Additions to fixed assets amounted to EUR 83.9 million, of which EUR 15.6 million came from the gas sector.

The item “Land, rights equivalent to land and buildings, including buildings on third-party land” includes a land value of EUR 40,348,284.66.

Financial assets

Loans totaling EUR 107,527.43 will become due within one year.

Inventories

The inventories include:

	Dec. 31, 2009 EUR	Dec. 31, 2008 in EUR 1,000
1. Raw materials and supplies	2,150,602.97	1,909.85
2. Installation materials and goods purchased for resale	71,398.24	61.57
3. Natural gas inventory	113,989.14	144.22
4. Other inventories	2,077,904.77	747.69
5. Services not yet chargeable	1,378,851.59	1,251.33
TOTAL inventories	**5,792,746.71**	**4,114.66**

Receivables and other assets

"Receivables and other assets" fall into the following categories:

	Dec. 31, 2009 EUR	Stating separately those with a remaining term of > 1 year	Dec. 31, 2008 in EUR 1,000
1. Trade receivables	79,703,993.30	2,129,560.88	86,481.44
2. Receivables due from affiliated companies	143,750.42	0.00	64.54
3. Receivables due from companies in which there is a participating interest	13,262,308.87	0.00	11,565.63
4. Other receivables and assets	38,762,249.67	0.00	26,189.66
TOTAL receivables and other assets	**131,872,302.26**	**2,129,560.88**	**124,301.27**

Under trade receivables, deductions amounting to EUR 1,421,472.00 have been made as provisions for bad debts.

The receivables due from affiliated companies relate to Wasser Tirol – Wasserdienstleistungs-GmbH, and derive from the accounting of charges within the group.

The receivables due from companies in which there is a participating interest relate mainly to deliveries and other services provided.

Other receivables and assets worthy of mention include, in particular, receivables due from pending input tax in the amount of EUR 2,330,941.13. Also reported under this item are the amount of EUR 117,400.00, representing advance payments on a number of different contracts, as well as income in the amount of EUR 1,496,529.29, which was to become cash-effective shortly after the balance sheet date.

Deferred taxes

The option to capitalize according to section 198 par. 10 of the Austrian Business Code has not been exercised. The reportable sum would have been EUR 14,042,977.00 (in the previous year, in EUR 1,000: 14,210.0), arising mainly from valuations that can only be deducted from or set off against tax over a longer period. This estimate is based on a tax rate of 25 %.

EQUITY AND LIABILITIES

Shareholders' equity

Retained earnings amount to EUR 737,717,710.95 and comprise both the statutory reserve and uncommitted reserves, including untaxed reserves after deduction of tax accrual and deferral pursuant to section 253 par. 3 of the Austrian Business Code.

"Minority interests" amount to EUR 32,453,241.68 (in the previous year, in EUR 1,000: 31,550.2).

Contributions to construction costs

Of the contributions to construction costs reported as at the balance sheet date, EUR 136,520,874.66 can be attributed to the construction cost contributions of those entitled to purchase electricity, EUR 19,067,323.77 to the construction cost contributions of those entitled to purchase gas, and EUR 7,463,605.30 to other contributions to construction costs. The consumption of contributions to construction costs amounting to EUR 15,710,350.53 is included in the sales revenues.

Provisions

The provisions are broken down as follows:

	Dec. 31, 2009 EUR	Dec. 31, 2008 in EUR 1,000
1. Provisions for severance payments (subject to tax: EUR 5,469,626.10)	38,840,506.13	37,421.97
2. Provisions for pensions (subject to tax: EUR 28,430,995.56)	167,878,358.66	167,973.40
3. Tax provisions	20,167,777.78	12,484.05
4. Other provisions (subject to tax: EUR 3,994,133.20)	97,056,923.75	104,193.28
TOTAL provisions	**323,943,566.32**	**322,072.70**

The tax provisions include, among other things, a sum of EUR 12,492,413.28 that is required as tax accrual and deferral from the statement of untaxed reserves under retained earnings, in accordance with section 253 par. 3 of the Austrian Business Code. The allocation to provisions resulting from the increase in taxes in fiscal 2009 is recorded under the item "Income taxes" in the amount of EUR 1,430,491.88. "Other provisions" primarily include provisions for contingent losses under an energy barter agreement in the amount of EUR 20,810,000.00.

Liabilities

The breakdown of liabilities, stating the maturities, is shown in the following table:

Liabilities Figures for the previous year in parentheses)	Balance sheet value Dec. 31, 2009 EUR	Stating separately those due within one year EUR	Stating separately those with a remaining term of > 1 year EUR	Stating separately those with a remaining term of > 5 year EUR	Balance sheet value Dec. 31, 2008 in EUR 1,000
1. Bank loans and overdrafts	334,389,494.37 (255,105,327.18)	318,654,246.58 (238,251,367.41)	4,474,887.23 (4,474,871.42)	11,260,360.56 (12,379,088.35)	 (255,105.33)
2. Advance payments received	4,045,054.47 (1,761,047.82)	4,045,054.47 (1,761,047.82)	0.00 (0.00)	0.00 (0.00)	 (1,761.05)
3. Trade payables	141,554,602.30 (159,016,205.84)	57,117,167.75 (76,229,124.55)	83,732,074.55 (82,081,721.29)	705,360.00 (705,360.00)	 (159,016.21)
4. Liabilities to affiliated companies	106,158.78 (108,099.59)	106,158.78 (108,099.59)	0.00 (0.00)	0.00 (0.00)	 (108.10)
5. Liabilities to companies in which there is a participating interest	1,557,376.51 (951,438.36)	1,557,376.51 (951,438.36)	0.00 (0.00)	0.00 (0.00)	 (951.44)
6. Other liabilities	100,589,900.62 (101,508,152.93)	90,994,776.76 (91,876,641.61)	85,780.08 (86,797.29)	9,509,343.38 (9,544,714.03)	 (101,508.15)
thereof tax	*31,658,657.28* *(35,561,823.96)*	*31,658,657.28* *(35,561,823.96)*	*0.00* *(0.00)*	*0.00* *(0.00)*	 *(35,561.82)*
thereof social security	*1,970,601.67* *(2,213,213.10)*	*1,970,601.67* *(2,213,213.10)*	*0.00* *(0.00)*	*0.00* *(0.00)*	 *(2,213.21)*
TOTAL liabilities	**582,242,587.05** **(518,450,271.72)**	**472,474,780.85** **(409,177,719.34)**	**88,292,741.86** **(86,643,374.37)**	**21,475,063.94** **(22,629,162.38)**	 **(518,450.28)**

The liabilities to companies in which there is a participating interest consist of trade payables.

In addition to current tax liabilities, other liabilities primarily include liabilities arising from compensation or purchase contracts and free power commitments (EUR 9,287,665.47) and liabilities to customers (EUR 41,499,954.63). Bank loans and overdrafts are mortgage-secured by two mortgage deeds in the amount of EUR 11.4 million, as are other liabilities in the amount of 328,534.73.

Contingent liabilities

Of the contingent liabilities, an amount of EUR 15,000,000.00 relates to the limit for bank guarantees, an amount of EUR 8,460,772.19 refers to liabilities of SELGAS AG, and an amount of EUR 400,000.00 to liabilities of Bioenergie Schlitters GmbH on the basis of formal guarantees.

There are also contingencies based on various contracts granting rights of use, amounting to a total of EUR 20,784,050.67, contingencies based on bank guarantees in Austria and abroad in the amount of EUR 6,806,415.52, and contingencies based on a guarantee vis-à-vis OeMAG Abwicklungsstelle für Ökostrom AG in the amount of EUR 7,000,000.00. In the course of furnishing additional collateral for several cross-border leasing transactions, letters of credit customary in the market have been provided. The provision of these letters of credit has resulted in contingent liabilities in the amount of EUR 269,495,420.03, computed on the basis of the currency bid price at the balance sheet date.

Other financial obligations within the meaning of section 237 item 8 of the Austrian Business Code result from the obligation to take over the losses of Bioenergie Kufstein GmbH in certain cases. In the course of the assignment of a share in Bayerngas Norge AS, the obligation of each shareholder, as internally agreed (Shareholder Agreement), to assume proportional liability for guarantees which were provided by the main shareholder Bayerngas GmbH, was deleted.

Other financial obligations regarding open-ended investments and the general renovation of various facilities will total approximately EUR 51.7 million in the next fiscal year (2010).

The set of agreements governing the acquisition of the participation in Innsbrucker Kommunalbetriebe Aktiengesellschaft (IKB AG) provides that, in the period from May 3, 2008, to May 2, 2010, the sole requirement for the acquisition of the remaining 50 % plus 1 share in IKB AG by TIWAG-Tiroler Wasserkraft AG is a unilateral expression of intent on the part of the Municipality of Innsbruck.

2. CONSOLIDATED INCOME STATEMENT

Sales revenues

The individual areas of operation contributed to sales revenues as follows:

	2009 EUR	2008 in EUR 1,000
Electricity business	1,192,205,593.94	1,244,231.88
Gas business	134,104,459.99	151,463.38
Navigation (incl. buffet)	2,558,438.80	2,320.30
Auxiliary operations (incl. agriculture and forestry)	203,916.82	143.55
Installation and sales business, charges passed on to third parties	19,195,392.40	21,621.37
TOTAL sales revenues	**1,348,267,801.95**	**1,419,780.48**

Sales revenues include the energy tax (electricity and natural gas tax) totaling EUR 67.7 million (EUR 69.0 million in the previous year).

Cost of materials and purchased services

The item "Cost of materials and purchased services" includes primarily expenses for purchases of electricity and natural gas. The relevant value decreased by around EUR 75.8 million to EUR 930,086,594.21 in fiscal 2009. This item also includes a provision in the amount of EUR 20,810,000.00 for contingent loss under an energy barter agreement.

Personnel expenses

Expenses for severance payments are broken down into EUR 9,042.26 for members of the Management Board and EUR 2,766,963.45 for employees. Contributions to employee provision funds came to EUR 103,148.21.

The item "Expenses for pensions" includes ongoing pension payments and changes in pension provisions. Expenses for pensions amounted to EUR 87,123.61 for members of the Management Board and EUR 22,118,461.91 for employees.

Total remuneration to the Management Board for the fiscal year amounted to EUR 573,407.31, and payments to former members and their surviving dependants came to EUR 561,960.12.

In the fiscal year 2009, 1,363 persons were employed on average, thereof 1,076 salaried employees, 243 wage earners and 44 apprentices (previous year: 1,368 employees, thereof 1,078 salaried employees, 243 wage earners and 47 apprentices).

Other operating expenses

Remuneration for the Supervisory Board amounted to EUR 13,673.54.

Taxes recorded under "Other operating expenses" include energy tax (electricity and natural gas tax) in the amount of EUR 67,673,679.78.

In the year under review, auditing expenses in the overall amount of EUR 247,360.68 were incurred, of which EUR 128,000.00 were accounted for by the audit of the financial statements, EUR 10,600.00 by other audit opinions and reports and EUR 108,760.68 for other services.

Expenses related to financial assets and current securities

This item includes a balance of EUR 13,551,396.91 due to the inclusion of associated companies.

Consolidated balance sheet profit

The consolidated balance sheet profit for the fiscal year 2009 comes to EUR 21,258,149.32; it results from a net income of EUR 65,763,288.21 after the deduction of the allocations to reserves from retained earnings in the amount of EUR 43,817,444.49, the other shareholders' share in the annual income of EUR -829,292.84 and profit carried forward from the previous year in the amount of EUR 141,598.44.

IV.3. DEVELOPMENT OF FIXED ASSETS WITH BREAKDOWN OF ANNUAL DEPRECIATION (CONSOLIDATED STATEMENT OF FIXED ASSETS)

	Costs of acquisition and production		
	As at Jan. 1, 2009 EUR	Additions EUR	Disposals EUR
I. Intangible assets			
1. Electricity procurement rights	787,432.19	0.00	0.00
2. Other rights	16,393,411.47	759,637.20	0.00
3. EDP programs	15,633,775.18	428,719.80	-83,538.48
4. Goodwill	50,463,033.16	0.00	0.00
5. Prepayments	6,074,904.08	680,400.00	0.00
TOTAL I.	**89,352,556.08**	**1,868,757.00**	**-83,538.48**
II. Tangible assets			
1. Land, rights equivalent to land and buildings, including buildings on third-party land	1,067,515,309.72	3,088,443.87	-3,039,906.13
2. Machinery and electrical plants	884,571,099.52	7,697,977.57	-3,942,879.92
3. Line systems	1,012,219,205.17	38,257,663.77	-2,152,452.09
4. Other fixtures, fittings, tools and office equipment	55,932,541.25	3,977,946.87	-4,586,123.33
5. Prepayments and construction in progress	36,428,489.33	30,869,043.26	-109.60
TOTAL II.	**3,056,666,644.99**	**83,891,075.34**	**-13,721,471.07**
III. Financial assets			
1. Investments in affiliates	926,748.78	380,000.00	0.00
2. Loans to affiliates	0.00	0.00	0.00
3. Participations in associated companies	222,544,811.14	0.00	-15,773,477.71
4. Other participations	280,280,869.47	716,427.37	-808,616.07
TOTAL 1 to 4	**503,752,429.39**	**1,096,427.37**	**-16,582,093.78**
5. Long-term securities (book-entry securities)	95,507,559.40	866,508.28	-754,344.02
6. Other loans	14,941,642.47	18,037,803.86	-9,016,661.48
TOTAL III.	**614,201,631.26**	**20,000,739.51**	**-26,353,099.28**
TOTAL fixed assets	**3,760,220,832.33**	**105,760,571.85**	**-40,158,108.83**

Transfers EUR	As at Dec. 31, 2009 EUR	Accumulated depreciation EUR	Residual book value As at Dec. 31, 2009 EUR	Residual book value As at Dec, 31, 2008 EUR	Depreciation 2009 EUR
0.00	787,432.19	347,118.31	440,313.88	469,475.51	29,161.63
0.00	17,153,048.67	10,651,206.83	6,501,841.84	6,561,446.40	819,241.76
0.00	15,978,956.50	14,368,874.66	1,610,081.84	2,168,716.80	987,355.76
0.00	50,463,033.16	39,443,355.38	11,019,677.78	14,658,385.04	3,638,707.26
0.00	6,755,304.08	3,404,746.06	3,350,558.02	2,670,158.02	0.00
0.00	**91,137,774.60**	**68,215,301.24**	**22,922,473.36**	**26,528,181.77**	**5,474,466.41**
-271,794.02	1,067,292,053.44	699,320,583.10	367,971,470.34	388,440,769.83	21,523,612.03
2,344,766.04	890,670,963.21	720,751,276.82	169,919,686.39	180,343,160.69	20,118,727.38
11,795,796.59	1,060,120,213.44	571,293,527.15	488,826,686.29	471,781,040.82	32,941,934.45
0.00	55,324,364.79	40,795,723.91	14,528,640.88	14,985,604.84	4,396,330.95
-13,868,768.61	53,428,654.38	4,914,757.04	48,513,897.34	31,513,732.29	0.00
0.00	**3,126,836,249.26**	**2,037,075,868.02**	**1,089,760,381.24**	**1,087,064,308.47**	**78,980,604.81**
0.00	1,306,748.78	699,091.89	607,656.89	575,516.84	347,859.95
0.00	0.00	0.00	0.00	0.00	0.00
0.00	206,771,333.43	0.00	206,771,333.43	222,544,811.14	0.00
9,583,285.87	289,771,966.64	1,869,141.59	287,902,825.05	280,280,869.47	1,869,141.59
9,583,285.87	**497,850,048.85**	**2,568,233.48**	**495,281,815.37**	**503,401,197.45**	**2,217,001.54**
0.00	95,619,723.66	12,632,960.37	82,986,763.29	82,831,685.36	10,137.50
0.00	23,962,784.85	0.00	23,962,784.85	14,941,642.47	0.00
9,583,285.87	**617,432,557.36**	**15,201,193.85**	**602,231,363.51**	**601,174,525.28**	**2,227,139.04**
9,583,285.87	**3,835,406,581.22**	**2,120,492,363.11**	**1,714,914,218.11**	**1,714,767,015.52**	**86,682,210.26**

V. FINANCIAL STATEMENTS PURSUANT TO SECTION 8 OF THE AUSTRIAN ELECTRICITY INDUSTRY AND ORGANISATION ACT

1. BALANCE SHEET AS AT DECEMBER 31, 2009 *(IN EUR)*

	Generation, energy trading, supply EUR
Assets	
A. Fixed assets	**596,151,550.06**
I. Intangible assets	14,267,652.78
II. Tangible assets	379,026,821.53
III. Financial assets	202,857,075.75
B. Current assets	**255,711,537.05**
I. Inventories	1,230,859.84
II. Receivables and other assets	85,815,149.99
III. Securities and interests	3,525,100.00
IV. Checks, cash in hand and at bank	165,140,427.22
C. Prepaid expenses and deferred charges	**1,572,418.95**
TOTAL assets	**853,435,506.06**
Equity and liabilities	
A. Shareholders' equity	**344,715,307.99**
B. Untaxed reserves	**38,487,773.51**
C. Extraordinary investment grants	**3,817,189.37**
D. Contributions to construction costs	**760,422.40**
E. Provisions	**139,077,094.51**
F. Liabilitites	**326,558,968.28**
G. Deferred income	**18,750.00**
TOTAL equity and liabilities	**853,435,506.06**

Transmission	Distribution	Other	Total
EUR	EUR	EUR	EUR
529,863,67	**321,584,915.35**	**603,027,728.62**	**1,521,294,057.70**
0,00	5,123,187.74	3,030,132.14	22,420,972.66
111,266,54	284,195,351.61	43,353,127.03	706,686,566.71
418,597,13	32,266,376.00	556,644,469.45	792,186,518.33
8,427,00	**68,540,178.96**	**25,617,795.34**	**349,877,938.35**
0,00	5,956.22	2,719,436.04	3,956,252.10
0,00	33,868,863.27	20,315,847.06	139,999,860.32
1,315,00	2,643,661.00	402,924.00	6,573,000.00
7,112,00	32,021,698.47	2,179,588.24	199,348,825.93
0,00	**678,750.00**	**1,544,421.91**	**3,795,590.86**
538,290,67	**390,803,844.31**	**630,189,945.87**	**1,874,967,586.91**
440,393,55	**106,587,157.89**	**366,784,367.08**	**818,527,226.51**
0,00	**11,833,956.56**	**24,836,665.67**	**75,158,395.74**
0,00	**0.00**	**0.00**	**3,817,189.37**
0,00	**125,824,842.90**	**1,468,364.44**	**128,053,629.74**
149,00	**88,977,231.95**	**75,391,366.10**	**303,445,841.56**
97,748,12	**57,580,655.01**	**5,734,024.25**	**389,971,395.66**
0,00	**0.00**	**155,975,158.33**	**155,993,908.33**
538,290,67	**390,803,844.31**	**630,189,945.87**	**1,874,967,586.91**

2. STATEMENT OF EARNINGS 2009 *(IN EUR)*

	Generation, energy trading, supply EUR
1. Sales revenues	992,596,029.93
2. Increase or decrease in inventory of services not yet chargeable	0.00
3. Other own work capitalized	-9,644,408.94
4. Other operating income	1,536,458.86
5. Cost of materials and purchased services	-822,664,481.52
6. Personnel expenses	-34,783,535.91
7. Depreciation of intangible fixed assets and tangible fixed assets	-29,979,501.92
8. Other operating expenses	-31,233,476.82
9. Subtotal items 1 to 8	**65,827,083.68**
10. Income from investments	4,423,268.25
11. Other financial results	2,878,571.69
12. Subtotal items 10 to 11	**7,301,839.94**
12a. Set-off of activities	-17,709,317.02
13. Result from ordinary activities before tax	**55,419,606.60**
14. Income taxes	-12,549,826.69
15. Net income for the year	**42,869,779.91**

Transmission	Distribution	Other	Total
EUR	EUR	EUR	EUR
0.00	110,154,880.12	18,755,682.39	1,121,506,592.44
0.00	0.00	167,467.94	167,467.94
-7,832.30	2,420,571.91	19,169,305.58	11,937,636.25
20.17	2,508,672.54	5,684,845.87	9,729,997.44
-995.55	-2,999,749.40	-1,548,851.98	-827,214,078.45
0.00	-48,954,823.82	-38,870,215.77	-122,608,575.50
-65,738.57	-29,845,053.30	-5,948,888.18	-65,839,181.97
-886.82	-11,465,746.72	-37,468,545.85	-80,168,656.21
-75,433.07	**21,818,751.33**	**-40,059,200.00**	**47,511,201.94**
49,101.38	0.00	44,299,267.68	48,771,637.31
461.00	-752,975.94	-4,777,115.59	-2,651,058.84
49,562.38	**-752,975.94**	**39,522,152.09**	**46,120,578.47**
-5,860.52	-15,508,101.24	33,223,278.78	0.00
-31,731.21	**5,557,674.15**	**32,686,230.87**	**93,631,780.41**
0.00	-739,083.03	92,104.86	-13,196,804.86
-31,731.21	**4,818,591.12**	**32,778,335.73**	**80,434,975.55**

3. EXPLANATORY NOTES PURSUANT TO SECTION 8 OF THE AUSTRIAN ELECTRICITY INDUSTRY AND ORGANIZATION ACT

As a rule, balance sheet items and items of the income statement are allocated directly. In the reporting year, reclassifications between the set of books for transmission activities and the sets of books for production and distribution activities were carried out. Only in cases involving a merely indirect relation to the subject matter or unjustifiably high expenditure are they allocated by means of coding on the basis of appropriate reference values. Allocations are determined by means of largely process-oriented codes. Sector-specific calculation rates form the basis for accounting for services.

Commercial transactions within the meaning of section 8 par. 2 item 1 of the Austrian Electricity Industry and Organization Act have been carried out with TIGAS-Erdgas Tirol GmbH (commercial and technical services) and TIWAG-Netz AG (lease relationship with regard to transmission and distribution network operations).

Innsbruck, March 31, 2010

The Management Board
Dr. Bruno Wallnöfer · Dipl.-Ing. Alfred Fraidl

DEVELOPMENT OF THE GROUP'S EQUITY CAPITAL FOR THE FISCAL YEAR 2009

	Nominal capital in EUR 1,000	Capital reserves in EUR 1,000	Reserves from retained earnings in EUR 1,000	Consolidated balance sheet profit in EUR 1,000	Minority interests in EUR 1,000	Total in EUR 1,000
As at January 1, 2008	72,670.0	2.8	649,889.0	20,276.6	31,551.0	774,389.4
Group net profit for the year	0.0	0.0	0.0	20,865.0	-62.0	20,803.0
Distribution of dividends	0.0	0.0	0.0	-20,000.0	-11.5	-20,011.5
Allocations to reserves from retained earnings	0.0	0.0	44,327.4	0.0	0.0	44,327.4
Sundry	0.0	0.0	-172.0	0.0	72.7	-99.3
As at December 31, 2008 = as at January 1, 2009	**72,670.0**	**2.8**	**694,044.4**	**21,141.6**	**31,550.2**	**819,409.0**
Group net profit for the year	0.0	0.0	0.0	21,116.6	829.3	21,945.9
Distribution of dividends	0.0	0.0	0.0	-21,000.0	-10.9	-21,010.9
Allocations to reserves from retained earnings	0.0	0.0	43,817.4	0.0	0.0	43,817.4
Sundry	0.0	0.0	-144.2	0.0	84.6	-59.6
As at December 31, 2009	**72,670.0**	**2.8**	**737,717.6**	**21,258.2**	**32,453.2**	**864,101.8**

CONSOLIDATED CASH FLOW STATEMENT

	2009 in EUR 1,000	2008 in EUR 1,000
Net cash flow from current operations:		
Group profit for the year	65,763.3	65,130.4
+ Depreciation on intangible and tangible assets	84,455.1	84,155.0
+ Depreciation on financial assets	2,227.1	5,451.7
+ Adjustment to net income retained from associated companies	15,773.5	8,482.4
+/- Change in social capital	991.9	-1,940.8
-/+ Change in contributions to construction costs	-317.2	2,755.8
- Reversal of investment grants	-765.3	-765.9
+/- Reversal of deferred taxes	1,430.5	-486.6
- Profits from disposal of assets	-3,187.7	-2,273.0
+ Loss from disposal of assets	3,261.8	1,325.9
- Sundry non-cash earnings	-6,183.2	-6,731.5
	163,449.7	**155,103.4**
-/+ Change in inventories	-1,678.1	1,099.8
+/- Change in trade receivables	6,777.4	-3,202.9
-/+ Change in receivables due from affiliated companies	-79.3	88.4
-/+ Change in receivables due from companies in which there is a participating interest	-1,696.7	274.7
- Change in other assets (including prepaid expenses)	-12,629.7	-13,681.9
-/+ Change in trade payables	-19,111.9	12,707.9
- Change in liabilities to affiliated companies	-1.9	-95.2
+/- Change in liabilities to companies in which there is a participating interest	606.0	-1,750.8
+/- Change in advance payments made by customers	2,284.1	-33.3
-/+ Change in tax provisions and other current provisions	-552.0	25,177.5
+ Change in other current liabilities (including prepaid expenses)	7,150.5	18,434.1
	-18,931.7	**39,018.3**
Operating cash flow	**144,518.0**	**194,121.6**
Net cash flow from investment activities:		
- Investment in intangible and tangible assets	-85,759.9	-81,514.4
+ Earnings from disposal of intangible and tangible assets	2,468.8	885.3
+ Payments from investment grants	0.0	4,761.3
- Investments in financial assets	-20,000.7	-193,886.3
+ Earnings from disposal of financial assets	10,239.7	4,226.7
	-93,052.1	**-265,527.4**
Net cash flow from financing activities:		
- Dividend distribution	-21,010.9	-20,011.5
- Shares of minority shareholders in group profit for the year	-100.9	-72.8
- Change in non-current financial liabilities	-1,118.8	-1,118.7
+ Change in current financial liabilities	80,402.8	127,212.7
+ Change in other long-term debts	1,613.9	22,124.8
	59,786.1	**128,134.5**
Other cash-effective changes in funds:		
- Not cash-effective reclassification from funds	-6,573.0	0.0
- Not cash-effective reclassification into financial assets	-9,583.3	0.0
	-16,156.3	**0.0**
Change in securities, cash and cash items	**95,095.7**	**56,728.7**
Securities, cash and cash items as at January 1	149,410.8	92,682.1
Securities, cash and cash items as at December 31	**244,506.5**	**149,410.8**

AUDIT OPINION
REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of

TIWAG-Tiroler Wasserkraft AG, Innsbruck,

for the fiscal year from January 1 to December 31, 2009, including the underlying accounting records. These financial statements consist of the balance sheet as at 31 December, 2009, the income statement for the year ended on December 31, 2009, as well as the notes to the financial statements.

Management responsibility for the financial statements and the underlying accounting records

The company's management is responsible for the company's accounting records and for preparing financial statements which present fairly, in all material respects, the company's financial position and the results of its operations in accordance with the provisions of Austrian company law. This responsibility includes: developing, implementing and maintaining an internal control system, to the extent that this is relevant for preparing the financial statements and for presenting fairly, in all material respects, the company's financial position and the results of its operations, in order to ensure that the financial statements are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting principles; making estimates that seem appropriate when taking into account overall conditions.

Responsibility of the auditor of the financial statements and description of the nature and scope of the statutory audit of the financial statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian standards on auditing. These standards require that we comply with professional codes and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

An audit involves procedures to obtain evidence supporting the amounts and disclosures in the financial statements. Audit procedures are selected at the auditor's due discretion, taking into account the auditor's assessment of the risk that material misstatements might occur, whether due to fraud or error. When assessing this risk, the auditor takes into consideration the internal control system, to the extent that it is relevant for preparing the financial statements and for presenting fairly, in all material respects, the company's financial position and the results of its operations, in order to determine suitable audit procedures in line with overall conditions; such risk assessment is, however, not intended to yield an audit opinion on the effectiveness of the company's internal controls. The audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that we obtained sufficient and appropriate evidence, so that our audit provides a reasonable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. Based on the results of our audit, we find that the financial statements correspond to statutory requirements and present fairly, in all material respects, the company's financial position as at December 31, 2009, as well as the results of the company's operations for the fiscal year from January 1 to December 31, 2009, in accordance with accounting principles generally accepted in Austria.

Statements on the management report

In line with statutory requirements, the management report must be audited so as to ascertain whether it is consistent with the financial statements and whether other statements made in the management report do not give a false impression of the company's situation. The independent auditor's report must also contain a statement as to whether the management report is consistent with the financial statements.
In our opinion, the management report is consistent with the financial statements.

Innsbruck, March 31, 2010

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski · Austrian Chartered Accountant
Mag. Gabriele Lehner · Austrian Chartered Accountant

AUDIT OPINION
REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of

TIWAG-Tiroler Wasserkraft AG, Innsbruck,

for the fiscal year from January 1 to December 31, 2009, including the underlying accounting records. These consolidated financial statements consist of the consolidated balance sheet as at 31 December, 2009, the consolidated income statement, the consolidated cash flow statement and the development of the group's equity capital for the year ended on December 31, 2009, as well as the notes to the consolidated financial statements.

Management responsibility for the consolidated financial statements and the underlying accounting records

The company's management is responsible for the group's accounting records and for preparing consolidated financial statements which present fairly, in all material respects, the group's financial position and the results of its operations in accordance with the provisions of Austrian company law. This responsibility includes: developing, implementing and maintaining an internal control system, to the extent that this is relevant for preparing the consolidated financial statements and for presenting fairly, in all material respects, the group's financial position and the results of its operations, in order to ensure that the consolidated financial statements are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting principles; making estimates that seem appropriate when taking into account overall conditions.

Responsibility of the auditor of the consolidated financial statements and description of the nature and scope of the statutory audit of the consolidated financial statements

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian standards on auditing. These standards require that we comply with professional codes and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatements.

An audit involves procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are selected at the auditor's due discretion, taking into account the auditor's assessment of the risk that material misstatements might occur, whether due to fraud or error. When assessing this risk, the auditor takes into consideration the internal control system, to the extent that it is relevant for preparing the consolidated financial statements and for presenting fairly, in all material respects, the group's financial position and the results of its operations, in order to determine suitable audit procedures in line with overall conditions; such risk assessment is, however, not intended to yield an audit opinion on the effectiveness of the group's internal controls. The audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that we obtained sufficient and appropriate evidence, so that our audit provides a reasonable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. Based on the results of our audit, we find that the consolidated financial statements correspond to statutory requirements and present fairly, in all material respects, the group's financial position as at December 31, 2009, as well as the results of the group's operations and cash flows for the fiscal year from January 1 to December 31, 2009, in accordance with accounting principles generally accepted in Austria.

Statements on the group management report

In line with statutory requirements, the group management report must be audited so as to ascertain whether it is consistent with the consolidated financial statements and whether other statements made in the group management report do not give a false impression of the group's situation. The independent auditor's report must also contain a statement as to whether the group management report is consistent with the consolidated financial statements.

In our opinion, the group management report is consistent with the consolidated financial statements.

Innsbruck, March 31, 2010

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski · Austrian Chartered Accountant
Mag. Gabriele Lehner · Austrian Chartered Accountant

PROPOSAL FOR THE APPROPRIATION OF PROFITS

It is proposed that a dividend in the amount of EUR 21,000,000.00 be paid out of the balance sheet profit of fiscal 2009 in the amount of EUR 21,258,149.32 and that the remaining amount of EUR 258,149.32 be carried forward to a new account.

Innsbruck, March 31, 2010

The Management Board
Dr. Bruno Wallnöfer · Dipl.-Ing. Alfred Fraidl

REPORT OF THE SUPERVISORY BOARD

In fiscal 2009, once again, the Supervisory Board kept abreast of the course of business and the state of the company. It convened five times and was regularly informed by the Management Board on the basis of regular reports, both orally and in writing, and supervised the Management Board's executive decisions.

The financial statements for both the company and the group for fiscal 2009, along with the accounts and the management reports for both the company and the group, have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Innsbruck. The auditor has drawn up a written report outlining the results and has confirmed that the Management Board provided the required information and supporting evidence and that the accounting as well as the financial statements for both the company and the group are in compliance with statutory provisions and present a true and fair view of the income, asset and financial status of the company under generally accepted accounting principles. The auditor has also confirmed that the management report for the company and the group is in accordance with the financial statements for the company and the group. The auditor has issued an unqualified opinion on the individual company financial statements and the consolidated financial statements.

The Supervisory Board has reviewed the individual company financial statements and the consolidated financial statements, the management report for both the company and the group, and the proposal for the appropriation of profits. The Supervisory Board hereby declares that it is in agreement with the management report drawn up in accordance with section 127 of the Austrian Stock Corporation Act (Aktiengesetz, AktG) and with the proposal for the appropriation of profits, and gives its approval to the 2009 financial statements, hereby adopted in accordance with section 125 par. 2 of the Austrian Stock Corporation Act. The consolidated financial statements and the management report for the group are hereby duly acknowledged.

The Supervisory Board recommends to the annual general meeting of shareholders that KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in Innsbruck be appointed auditor of the individual company financial statements and the consolidated financial statements of TIWAG-Tiroler Wasserkraft AG for fiscal 2010.

We should like to express our thanks to the Management Board and to the entire staff of the company and the group for their commitment and dedication in the past fiscal year.

Innsbruck, May 7, 2010

The Chairman of the Supervisory Board
Ferdinand Eberle

INFORMATION IN ACCORDANCE WITH SECTION 45a PAR. 6 OF THE AUSTRIAN ELECTRICITY INDUSTRY AND ORGANIZATION ACT

Power source identification	kWh	Share
Hydropower	2,274,316,244	64.95 %
Wind power	126,765,112	3.62 %
Biomass (solid and liquid biomass and waste with a high biogenic share)	117,976,715	3.36 %
Biogas	34,416,214	0.98 %
Landfill and sewage gas	2,990,567	0.09 %
Photovoltaics	1,560,377	0.04 %
Geothermal energy	98,519	0.00 %
Power of unknown provenance	943,517,890	26.96 %
TOTAL power delivered	**3,501,641,638**	**100.00 %**

Environmental impact of electricity generation	g/kWh
CO2 emissions	117
Radioactive waste	0.00021

AUDIT RESULTS

We have audited the information provided by TIWAG-Tiroler Wasserkraft AG, Innsbruck, in accordance with the provisions of section 45a par. 5 of the Austrian Electricity Industry and Organization Act for the period from January 1, 2009, to December 31, 2009, on the origin of the volumes delivered to end consumers, broken down by primary energy sources. The company's management is responsible for the preparation and the content of this information. Our responsibility is to express a summary opinion on the information provided.

The audit did not give rise to any material objections. Therefore, after completion of our audit, we express the following summary opinion:

"The information on the origin of the volumes delivered to end consumers, which was provided pursuant to section 45a par. 5 of the Austrian Electricity Industry and Organization Act and broken down by primary energy sources, is conclusive and clear. In the course of our audit, we did not encounter any facts that might have suggested that the identification as provided by the company did not comply with the provisions of the above federal law."

Innsbruck, April 14, 2010

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski · Austrian Chartered Accountant
Mag. Gabriele Lehner · Austrian Chartered Accountant

| IMPRINT |

TIWAG-Tiroler Wasserkraft AG
6020 Innsbruck · Eduard-Wallnöfer-Platz 2
T + 43 (0)50 607 0 · F + 43 (0)50 607 211 26
www.tiroler-wasserkraft.at · office@tiwag.at

CONCEPT, GRAPHIC PRODUCTION AND TYPESETTING:
CITYGRAFIC Agentur für Werbung & Design · Adamgasse 7 · 6020 Innsbruck
www.citygrafic.at · office@citygrafic.at
PHOTOGRAPHY: TIWAG-Tiroler Wasserkraft AG, TIWAG-Netz AG,
Dr. Alessandra Sarti, Christian Vorhofer, Martin Vandory, av-media productions gmbh;
TRANSLATION: lex & tax Übersetzungen GmbH · www.ltx.at · office@ltx.at
PRINT: Alpina Druck GmbH, Postfach 28 · 6022 Innsbruck · www.alpinadruck.com

The English translation of the TIWAG-Tiroler Wasserkraft AG Annual Report is for convenience. Only the German text is binding.

This Annual Report contains forecasts that involve risks and uncertainties. These forecasts are usually accompanied by words such as “expect”, “predict”, “plan”, “believe”, “intend”, “estimate”, “aim”, “anticipate”, “target” etc. Actual results may differ from those anticipated in these forecasts as a result of a number of factors. Forecasts involve inherent risks and uncertainties. TIWAG-Tiroler Wasserkraft AG cautions that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forecasts.