ANNUAL REPORT 2010

tiroler wasser kraft

2010: TIWAG presents its second-best fiscal year ever.

A result from ordinary activities in the amount of EUR 103 million ensures TIWAG's independence as a publicly owned Tyrolean enterprise and is a prerequisite for the necessary investments in future growth, supply security and ecological change.

Dr. Bruno Wallnöfer

DI Alfred Fraidl

Report of the 87th fiscal year of TIWAG-Tiroler Wasserkraft AG

from January 1 to December 31, 2010

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Year-on-year comparison

TIWAG-Tiroler Wasserkraft AG	2005	2006	2007	2008	2009	2010
Energy business (in GWh)	17,289.9	17,563.7	18,523.1	18,101.9	16,661.8	17,476.6
Sales revenues (in EUR million)	860.2	917.3	1,093.9	1,157.9	1,121.5	1,140.8
Cashf low (in EUR million)	152.9	85.8	166.0	158.7	149.5	105.0
Result from ordinary activities (in EUR million)	71.3	86.6	142.8	88.4	93.6	103.0
Additions to tangible assets (in EUR million)	65.7	63.4	63.8	57.5	67.5	85.0

Group						
Sales revenues (in EUR million)	1,042.2	1,227.3	1,318.5	1,419.8	1,348.3	1,369.0
Cash flow (in EUR million)	165.5	134.6	188.6	194.1	144.5	151.3
Result from ordinary activities (in EUR million)	66.9	81.2	127.1	79.1	80.4	95.6
Additions to tangible assets (in EUR million)	93.6	95.7	137.7	78.4	83.9	106.8

Company boards

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KommR Dkfm. Dr. Hansjörg Jäger (1st Deputy Chairman)
Dipl.-Ing. Horst Braun (2nd Deputy Chairman until May 10, 2010)
Landesrat Christian Switak (2nd Deputy Chairman since May 10, 2010)
Dipl.-Ing. Dr. techn. Herbert Hönlinger (until May 10, 2010)
Bundesrat Bürgermeister Ing. Hans-Peter Bock (since May 10, 2010)
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
Ing. Stefan Mark
Bernhard Paßler

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

Foreword by the Management Board

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

TIWAG-Tiroler Wasserkraft AG looks back on a successful fiscal year 2010. The company not only benefitted from but also reinforced the marked recovery of Tyrol's economy; following the setback in 2009, electricity and gas sales have clearly risen again. Over the years, our business model has proven reliable and resilient to crises in the economic cycle. In the year under review, our value-oriented growth strategy, hydropower advantage, cost awareness and dedicated employees once more were the reliable pillars of our success.

With sales revenues of EUR 1,140,785,783.– and a result from ordinary activities amounting to EUR 103 million in 2010 (previous year: EUR 93.6 million), the company again managed to achieve its second best results since its foundation, seizing business opportunities in a challenging economic and regulatory environment. Equity capital (including untaxed reserves) reached an amount of EUR 965 million, bringing the equity ratio to 48.7 %.

Consolidated sales revenues came to EUR 1,369,045,000.– and the group result from ordinary activities amounted to EUR 95,628,000.–

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 in the course of the marked economic upswing. This result ensures TIWAG's independence as a publicly owned Tyrolean enterprise and provides a solid basis for the necessary investments in future growth, supply security and accelerated ecological change within Tyrol's energy industry. The corporate income tax on the result for 2010 amounts to approx. EUR 11 million. The Province of Tyrol will receive a record dividend of EUR 28 million. Moreover, additional reserves for strengthening competitiveness and for financing the planned expansion of domestic hydropower could be allocated.

Although fiscal 2010 was characterized by a lower operating result as compared to previous years, in particular due to a one-time effect, this could be more than compensated by the best financial results of our entire corporate history (EUR 63.68 million). The two large subsidiaries TIWAG-Netz AG and TIGAS-Erdgas Tirol GmbH together contributed an impressive amount of EUR 23.6 million to the overall result.

Especially in view of the considerable risks with regard to the self-sustainability and lasting effect of the economic upswing and the development of the 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 unswerving loyalty, securing a market share in Tyrol of over 95 % for TIWAG despite increasing competition.

TIWAG is prepared for the turn in energy policy and will be able to contribute to speeding up the "greening" of Tyrol's electricity industry and to reducing dependency on electricity imports and fossil energy sources.

This will require the swift expansion of domestic hydropower and other forms of renewable energy generation, as well as far-reaching improvement of energy efficiency, in order to secure Tyrol's future electricity supply. 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 greatest degree 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 are expected to 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 2010 was again marked by far-reaching strategic decisions setting the future course towards ensuring promising corporate development of the TIWAG group in the long run:

Upon the lapse of September 30, 2010, the premature termination of the energy barter agreement with EnBW regarding half of the capacity of the Sellrain-Silz group of power stations, which had been agreed on due to changed framework conditions in the energy sector, took effect. 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.

For the purposes of our planned expansion of the Kaunertal power station into a group of power stations, we have found a very well-suited location for an upper stage storage reservoir in the Platzertal valley (municipality of Pfunds). The Platzertal site is located west of the Gepatsch reservoir at about 2,300 meters above sea level. Our plans include a reservoir with a useful capacity of 42 million m3 and a rockfill dam of about 120 meters height with a rockfill volume of ca. 7.8 million m3. We publicly presented this once more optimized and balanced overall solution in the affected municipalities in February 2011.

Environmental impact assessment of the planned expansion of the Sellrain-Silz/Kühtai group of power stations is currently underway. We estimate that the next important procedural step, i.e. making the project documentation available for public inspection in the host municipalities, will occur shortly.

We are also making good progress with the project planning works for a diversion-type run-of-river power station on the Tauernbach stream in East Tyrol. In planning this project, we will do our utmost to protect the nearby national park.

In late fall 2010, we participated in the capital increase of Verbund and thus substantially secured this strategically most important and most profitable investment of TIWAG for the long term.

Thanks to the carefully prepared large-scale cooperation with the Verbund transmission network operator APG with regard to control area management and transmission network operations, which was timely implemented with operational effect from January 1, 2011, our subsidiary TIWAG-Netz AG was not only able to proactively fulfill the requirements imposed by the new, stricter regulatory framework that has meanwhile entered into force, but also could further improve and strengthen the strategic position of the TIWAG group.

With effect from February 28, 2011, Austria's energy industry successfully realized a strategically important objective that had been persistently pursued for a long time: Austria's inclusion in the Central West Electricity regional energy market ("Pentalateral Energy Forum"). Austria's full membership in the Central West market was not only necessary in order to participate in the dynamic developments of this leading regional market comprising Germany, France, Belgium, the Netherlands and Luxembourg, but also to keep Austria's current position from deteriorating. There had been justified concerns that a lack of full membership in the Central West Electricity regional energy market could have resulted in a gradual alienation from Germany, traditionally Austria's most important trade partner, which would have entailed far-reaching disadvantages for the Austrian economy in general and the long-standing cooperation between Tyrol's electricity industry and that of southern Germany in particular.

Since the new Electricity Industry and Organization Act ("ElWOG 3") was passed in fiscal 2010, there is now legal certainty regarding the regulatory framework governing the Austrian energy sector, at least for the medium term. Following difficult political debates, the legislative process in the end produced a relatively acceptable overall solution.

Finally, March 15, 2011, marked a day with far-reaching consequences that set the future course for the (regulatory) framework shaping the further suitable expansion of hydropower in Tyrol:

In its session on March 15, 2011, the provincial government of Tyrol adopted the final draft of the list of criteria for hydropower projects in Tyrol ("Kriterienkatalog Wasserkraft in Tirol") as a planning instrument and benchmark for evaluating technical, economic and ecological aspects of hydropower projects. After carefully assessing all aspects to be taken into consideration from the perspective of corporate interests and weighing all associated advantages and disadvantages, TIWAG, in the end, agreed to the list of criteria, although technical and methodological concerns remain.

For TIWAG, the value added mainly lies in the fact that Tyrol's provincial government – upon motion by the provincial governor himself – complemented the adoption of the list of criteria with far-reaching fundamental energy policy and energy strategy decisions:

The provincial government has, for instance, expressed its commitment to TIWAG's projects "expansion of the Kaunertal power station", "expansion of the Sellrain-Silz group of power stations" and "Tauernbach power station" and has also expressed its support for further ecologically sustainable and economically sensible medium-sized power station projects.

The provincial administration has been instructed to take all organizational measures required for swiftly realizing these hydropower projects in a target-oriented manner, subject to the strategic energy policy objectives of the Tyrolean government and applicable law, taking into account, in particular, public interest in the expansion of hydropower and ecological and economic circumstances.

In addition, TIWAG has been invited to further pursue and develop the above-mentioned projects as a top priority and in a consensus-oriented manner, and to develop further projects – together with the regional stakeholders and affected municipalities – for the expansion of hydropower along those water routes that are suitable and eligible for further expansion according to the list of criteria. Thus, the suitable expansion of hydropower in Tyrol again received explicit political support, of an unprecedented nature, through this government decision.

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 – at least in Austria, Germany and Switzerland – nuclear power-free system, it will definitely encounter considerable transformation problems in this context.

Given the overall conditions discussed, it is crucial to speed up the expansion of domestic hydropower and of other renewable forms of energy generation and to comprehensively improve energy efficiency in order to ensure secure, sustainable and affordable electricity supply for Tyrol. In order to realize these objectives it is necessary that Tyrol participates in the new energy and climate policy of the European Union as permitted by its environmental characteristics and possibilities. This policy in particular aims to consolidate the individual contributions of the Member States – that are directed by their environmental characteristics and possibilities – into a pan-European optimum. The express aim is to massively expand and optimize power generation from renewable, low-carbon electricity generation forms, taking into account the environmental characteristics of the different regions, i.e. to expand wind power particularly in the northern and western European coastal regions, to expand solar energy generation, above all,

in southern Europe, and to expand pumped storage hydropower primarily in the Alpine region.

The naturally volatile production volumes of wind and solar energy, which are strongly dependent on weather conditions, require additional storage capacities and immediately available control energy for the stabilization of the electricity networks. From a current perspective – and for years to come – these functions will be best fulfilled by pumped storage power stations. In this sense, pumped storage power stations can be regarded as Europe's "green batteries", which crucially contribute to system stabilization and to the further expansion of the production contributions of wind and solar energy as well as their integration into the overall system.

At the end of February 2011, TIWAG presented the 2011 energy efficiency package for Tyrol ("Tiroler Energieeffizienzpaket 2011"), which consists of ten integral components. This package has been readily welcomed by our customers, in particular the heat pump subsidy program, the guaranteed purchase of excess power supplies from private photovoltaics stations by TIWAG as well as its subsidies for electric vehicles.

May 1, 2011, saw the operational market entry of our subsidiary Ökoenergie Tirol, which offers all customers that wish to personally contribute to the green turn in the energy sector the possibility to procure 100 % of their electricity from small Tyrolean hydropower stations against a small surcharge.

Moreover, we have fundamentally changed our production mix for the supply of Tyrolean end customers. By doing without "grey electricity" (ENTSO-E mix), we will from now on guarantee nuclear power-free energy labeling. This has been achieved through the purchase of sufficient quantities of renewable energy certificates. This measure has a socio-political and economic control effect – even if it does not alter the power flow in the network in electro-physical terms.

For TIWAG, strengthening Tyrol's energy autonomy means expanding our pumped-storage hydropower and, at the same time, increasing the generation of base load energy in larger and smaller run-of-river power stations. Even if these measures will never make it possible to fully cover Tyrol's demand, especially in the winter half-year, they will nevertheless reduce the necessity to purchase non-domestic electricity and make it possible to anchor value creation within Austria.

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 are prepared and willing to swiftly promote the "greening" of Tyrol's energy industry. 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 2011

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

MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP

Hydropower remains our most important renewable source of energy with the highest energy conversion efficiency and energy gain factor.

The fiscal year 2010

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. TIWAG has a strong market position in Tyrol, where it is the leading energy company. The subsidiary TIGAS-Erdgas Tirol GmbH supplies Tyrolean households, businesses and the industrial sector with natural gas and TIWAG-Netz AG was responsible for the transport of electricity across all network levels and for regional distribution in the reporting year. In the reporting year, the group achieved a sales volume of EUR 1,369,045,648.57 and employed 1,350 people. 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.
In the reporting year, a far-reaching reorientation of our corporate strategy was launched. It is now as follows:

- TIWAG is the leading energy provider in Tyrol and is determined to make use of supra-regional growth potential
- TIWAG is 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.

- **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/heat** (free market)

As its core business, TIGAS-Erdgas Tirol GmbH operates on the Tyrolean market as regional distribution company. The reporting year saw the kick-off for market entry into Tyrol's remote heating market. In order to optimize supply security, TIGAS is expanding its business operations in the value creation chain by acquiring shares in exploration and marketing companies. Natural gas is a "premium product" for the end consumer that can be transported over long distances and can 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 distribution network 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. In the reporting year, we took major policy decisions for our corporate future. In anticipation of the new energy regulations, the Tyrol control area and the APG control area will be consolidated.

2. FRAMEWORK CONDITIONS

Developments in the electricity and gas sector are driven by the "three e's", i.e. energy security, economic growth and environmental protection. Increasing energy demand and climate change have led to dramatic changes in the energy sector.

The accompanying restructuring of the regulatory framework and the liberalization of the energy markets

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 significant competitive advantage.

2.1. Economic and energy industry framework

Strengthened by extensive economic stimulus packages and expansive monetary policy, the global economy gradually recovered from the crisis towards the end of 2009. This recovery continued throughout the first half of 2010, but lost momentum in the second half of 2010 because the inventory cycle abated, fiscal incentives were no longer available, while at the same time consolidation efforts were being initiated. Economic recovery in the euro area was markedly slower. The Greek debt crisis and speculations regarding further liquidity crises in the euro area caused severe turbulences on the financial markets. Thanks to the adopted European Stabilization Mechanism, the markets could be stabilized and external depreciation of the euro could be slowed down.

The Austrian economy continued to pick up. The main stimuli for the Austrian economy were provided by the rebound of the global economy and by the strong growth of Germany, Austria's largest trading partner. After Austria's economic output had declined by 3.7 % in the year 2009, fiscal 2010 saw growth of 1.9 %. According to the Oesterreichische Nationalbank, Austria's central bank, growth is expected to accelerate further; the forecasts for the years 2011 and 2012 project growth rates of 2.1 % and 2.3 %, respectively. This upswing is primarily driven by exports; domestic demand remains dampened, in particular due to budget consolidation measures. These measures have put a strain on available real household income and, consequently, on private consumption. Overall, consumption growth is expected to remain between 1 % and 1.5 % in the years 2011 and 2012.

Economic developments have significant impact on energy consumption.
Moreover, electricity and gas providers are strongly influenced by the degree of market liberalization and the shift of energy supply from the sphere of public responsibility to a competitive environment. This economic and energy industry framework is reflected in prices and tariffs.

In the reporting year, the price situation on the primary energy market was rather heterogeneous, since oil, coal and gas prices developed very differently. Most energy prices are directly or indirectly linked to oil price developments. At the beginning of the year, oil prices stabilized at a level of around USD 80 per barrel; gas prices decreased in the first quarter, while hard coal prices remained more or less unchanged. Subsequently, the price for crude oil rose to USD 89 per barrel by early May and then plummeted to USD 70 per barrel. In the following, the oil price neared the USD 100 per barrel mark by the end of the year. From the second quarter on, gas prices also increased, but shortly fell from mid-year on, and from mid-November prices picked up strongly again.
Hard coal prices also showed the same tendency. Towards the end of the year, prices increased and reached the annual maximum value of USD 130/to. The price for CO2 emission allowances decreased slightly. From April 2010, the price rose to EUR 16/to EUA and decreased moderately by the end of the year. The annual average price came to EUR 15/to EUA.
Electricity consumption in Austria has picked up again since end-2009.
In this context, it must be taken into account that the energy consumption of private households is strongly dependent on weather conditions, while corporate energy demand largely hinges on the overall economic situation.
The electricity prices on the wholesale market for deliveries in front year 2011 and for the years 2012 and 2013 already started out at a low level at the beginning of the ongoing fiscal year. In particular the peak price was subjected to price pressure due to the price situa-

tion on the natural gas market. For delivery dates from April, both base prices and peak prices have increased, reaching their maximum for mid-June. The electricity trading prices for the annual supply for 2011 in the trading year 2010 amounted to an average of EUR 50/MWh base and EUR 64/MWh peak.
The ratio between base and peak deliveries decreased in the reporting year.
Prices on the spot market also stabilized at a low level throughout Europe at the beginning of the year, despite low temperatures, yet high wind power supply and cyclically low customer demand. The average spot trading prices for deliveries on the next day came to approximately EUR 44/MWh and were thus 13 % higher than in the previous year.

2.2. Energy policy framework

With regard to energy policy, electricity enjoys a special status as it cannot be easily substituted and since it is likely to be increasingly used as a replacement for fossil energy sources.
One of the most important and influential stakeholders of energy supply companies is the public sector. Another important factor that influences corporate results is the international development of energy and climate policy. At the United Nations Earth Summit in Rio de Janeiro in 1992, the international community signed the UNFCCC (United Nations Framework Convention on Climate Change), which formulated the objective of reducing the greenhouse gas emissions of the industrialized nations. This convention entered into force in March 1994 and is supplemented and developed through annual climate summits of the signatories (COP – Conference of the Parties). In December 1997, at the third climate summit (COP-3) in Kyoto, the industrialized nations made a commitment to verifiably reduce their greenhouse gas emissions. In order to meet the Kyoto targets in a cost-efficient manner, the Emission Trading Directive was issued at European level. At the beginning of the year 2005, the global emission allowance market was put into operation. The second allocation period for CO2 emission allowances will end in 2012. In December 2009, a world climate summit took place in Copenhagen. The aim of this summit was to come to a binding agreement on a successor treaty to the Kyoto Protocol, which will expire in 2012. However, no consensus could be reached as to the wording of a successor treaty with binding effect under international law – further negotiations have been scheduled.

In the year 2008, the EU Commission presented its plans for the realization of the adopted 2020 climate targets. Energy consumption and greenhouse gas emissions (CO2) are to be reduced by 20 % and the use of renewable energy shall be expanded to reach 20 % of overall energy consumption. Austria has made a commitment to raise the share of renewable energy sources in end energy consumption from 25.8 % to 34.0 %. The promotion of renewable sources of energy thus also has strong political support.

At national level, the reporting year saw the adoption of the Austrian energy strategy, which contains the strategic pillars of future energy and climate policy in Austria. The measures outlined in this strategy are supposed to show how Austria's share in the European energy and climate targets can be realized. Austria pursues a threefold strategy: systematically raising energy efficiency in all important sectors, expanding renewable sources of energy and securing long-term energy supply. In the area of electricity generation, the strategy to expand renewable sources of energy confirms our commitment to tapping the potential of hydropower.
Supply security, environmental sustainability, social responsibility, cost efficiency and competitiveness have been defined as framework targets for energy policy.

As the German and Austrian electricity markets are closely interconnected and form a price zone, energy policy developments in Germany also have significant impact on TIWAG's electricity business. On September 28, 2010, the German government adopted energy policy objectives in its energy concept for environmentally friendly, reliable and affordable energy supply ("Energiekonzept für eine umweltschonende, zuverlässige und bezahlbare Energieversorgung"), which formulates

guidelines for an overall strategy towards sustainable energy supply for the period up until 2050. The electricity goals and measures up until the short-term target 2020 among other things include reducing energy consumption by 10 %, raising the share of electricity generation from renewable sources of energy in gross electricity consumption to 35 %, extending the running time of nuclear power plants by an average of 12 years, expanding offshore wind capacity to 10 GW and onshore wind capacity to 35.8 GW, promoting electric vehicles and expanding network infrastructure. However, in light of the nuclear catastrophe in Japan, a completely new, contrary nuclear power policy has been formulated.

2.3. Legal framework

Many issues that affect energy supply companies are strongly driven by external factors, above all by liberalization and the associated unbundling.

The EU's legislative activities aim to promote effective competition and, at the same time, to ensure environmental protection and supply security.

In September 2007, the European Commission presented its related legislation proposals (third liberalization package for the internal energy market – "3rd package").

After intensive negotiations, the 3rd internal market package was published in the Official Journal No. L 211 of the European Union on 14 August 2009. This internal market package consists of two regulations and two directives.

One major target of the directives is to develop an internal market for electricity and natural gas with a competitive structure based on a community-wide interconnected system.

Further unbundling is supposed to effectively resolve conflicts of interest between producers and suppliers, on the one hand, and long-distance line and transmission network operators, on the other hand, to create incentives for the necessary investments and to ensure the effective entry of market newcomers through a transparent and effective legal framework.

Further key elements of the new directives are the strengthening and protection of consumer rights, the effective unbundling of transmission and long-distance line network operators, ensuring unrestricted market access for the supply and the development of capacities for new generation plants, harmonizing competencies as well as taking measures to strengthen the independence of regulatory authorities. The implementation of the 3rd internal energy market package required a far-reaching revision of the regulations applied in the national electricity and gas sectors. National transposition took place through the 2010 Electricity Industry and Organization Act (ElWOG 2010).

These new norms affect all levels of the value creation chain and have opened up new intervention possibilities for regulatory authorities. As far as TIWAG is concerned, the development of the legal framework at federal level by means of the implementation of the 3rd internal market package of the European Union and the measures for further implementing the European Water Framework Directive (amendments of the Austrian Water Act (Wasserrechtsgesetz, WRG), further regulations pertinent to the enforcement of the Austrian Water Act and a list of criteria issued by the federal government) will significantly influence the financial situation of the company.

The 2010 Electricity Industry and Organization Act (ElWOG 2010) entered into force on March 03, 2011, marking the beginning of a new era for the Austrian energy market which will lead to improvements for consumers and to Austria's stronger integration in the European energy market. The core elements of the new national provisions are a stricter separation of transmission networks from production and distribution, new, clearly defined tasks for the national regulatory authorities, improved transparency and the strengthening of end consumer rights.

Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L. 327 of 22.12.2000) has provided the legal frame-

work for the EU's water management since it entered into force on December 22, 2000.
The basic approach of this directive alone has led to far-reaching changes in national water policy. Austria's legislation was primarily adjusted by means of the Revised Austrian Water Act of 2003 (Wasserrechtsgesetz-Novelle 2003) (Federal Law Gazette I No. 82/2003).
The Water Framework Directive (WFD) stipulates that a good quality of surface waters is to be achieved by the year 2015. The related implementation of EU requirements is subject to a multi-layered process.
In order the realize the objectives and principles of the Austrian Water Act of 1959 (WRG 1959), Federal Law Gazette I No. 123/2006, the Federal Minister of Agriculture, Forestry, Environment and Water Management must draw up a national plan for the management of water resources (Nationaler Gewässerbewirtschaftungsplan; NGP) every six years, in cooperation with the provincial water management planning authorities.

Key steps towards implementing the directive are the development of a national plan for the management of water resources and the associated regulation on ecological quality targets for surface waters (Qualitätszielverordnung Ökologie Oberflächengewässer, QZVO). The 2009 national plan for the management of water resources was published on March 30, 2010, and represents a framework plan in terms of water management which covers three planning periods up until the year 2027. Based on a comprehensive analysis of the current status, the national plan for the management of water resources lays down significant uses of water resources and conservation and decontamination targets to be achieved as well as the measures necessary to this end. Planning measures are taken against the background of environmental quality standards defined by statutory regulations.

For the purpose of assessing the ecological quality of surface waters, the regulation on ecological quality targets for surface waters (Federal Law Gazette II No. 99/2010) defines desired target states by means of defined parameters for very good, good, moderate, unsatisfactory and bad ecological states. Based on these requirements, a uniform list of federal criteria has been drawn up for Austria.

In the reporting year, the Province of Tyrol published a draft list of criteria for the further use of hydro-power in Tyrol. The first draft would have significantly impeded or prevented the expansion of regional hydropower. TIWAG rejected this first draft in its entirety, which triggered a process of discussion that was completed in 2011. On March 15, 2011, the provincial government of Tyrol put the final version of the list of criteria into force, confirming the objective of an appropriate expansion of hydro-power in Tyrol.

With regard to the legal regulatory framework, a four-year price-/revenue-cap regulation system was introduced in early 2006.
Currently, the system provides for inflation compensation and for the control of corporate efficiency based on a benchmarking procedure.
In the second regulatory period from 2010 – 2013, the capital cost factor was raised from 6.040 % to 7.025 %, investments are recognized and 50 % of the increase in efficiency must be passed on to the end customer at the end of the regulatory period.

3. COURSE OF BUSINESS

Significant developments in the reporting year included the implementation of the transfer of the operation of transmission lines in Tyrol, which had been initiated in 2009, the premature termination of an energy barter agreement and a cross-border leasing transaction, as well as the exercise of subscription rights in the course of a capital increase carried out by Verbund AG.
In order to prepare for the transposition of the stricter unbundling requirements of the third EU liberalization package for transmission networks into Austrian law, TIWAG, TIWAG-Netz AG, VERBUND AG and VERBUND-Austrian Power Grid AG (APG) concluded a cooperation agreement on June 30, 2009.

The reason behind the consolidation of Tyrol control area and the APG control area was the 3rd energy market liberalization package. The newly created legal framework would have made the continued existence of a small independent Tyrolean transmission network uneconomical. The cooperation solution that was agreed on will guarantee a continued cost-efficient energy supply of the Province of Tyrol and the long-standing interconnected thermal-hydraulic operation with neighbor Germany in the future. Moreover, the ownership of the maximum-voltage networks and the jobs connected with the operation of the transmission network could be preserved in Tyrol.

A further significant development in the reporting year was the premature termination of a long-term energy barter agreement. This agreement had been concluded with EnBW Kraftwerke AG in 1977, long before liberalization took place. Due to the changed framework conditions, i.e. the creation of a free electricity market in the course of liberalization, the rising costs of primary energy and the charging of costs for CO2 emission allowances, the agreement, which would originally have been valid until fall 2017, was terminated prematurely with effect from September 30, 2010. A compensation payment in the amount of EUR 85 million was made. In exchange for these non-recurring special charges (extraordinary item), half of the capacity of the Sellrain-Silz power station was prematurely returned to TIWAG, which can now operate this part for its own account. Since October 1, 2010, the high-quality peak and control energy generated from the returned half of the capacity of the pumped storage power station has been marketed for TIWAG's own account.

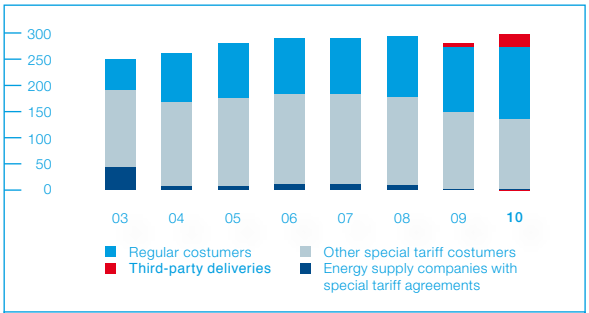
Moreover, a part of the cross-border leasing transactions concluded with regard to the electricity distribution network were terminated prematurely in the reporting year, upon mutual agreement with the contractual partner. In 2003, a present value benefit had resulted from the transaction. Taking into account the interest savings accrued on this basis since 2003 as well as the costs associated with this transaction, the economic advantage could be fully preserved through the termination.
Towards the end of the year, TIWAG also exercised all of its subscription rights in the course of the capital increase carried out by Verbund AG. The subscription of the new shares did not affect the percentage share in the nominal capital of Verbund AG.

3.1. Course of business in the individual business segments

The core activities of the company unfold in the various business segments. In the case of TIWAG, the most important business segments include production, electricity business (procurement and trade) and distribution. The physical basis on which these processes take place is the network. These transport services are provided to customers by the subsidiary TIWAG-Netz AG. The future development of the company will be influenced by investments in power stations and by significant social and economic trends. These core activities are handled by a separate construction division and the engineering segment, on the one hand, and by the new energy strategy and energy efficiency division that was founded in the reporting year, on the other hand.

3.2. Production/Procurement

Electricity is no primary energy; rather it is derived from primary energy by means of conversion processes.



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

The generation of electricity is the beginning of the output process. Since electricity generation is decisively influenced by topographic conditions, TIWAG, Tyrol's largest electricity company, mainly generates electricity from hydropower.

TIWAG-Tiroler Wasserkraft AG produces electricity from water by using run-of-river power stations, which supply constantly generated base load electricity, and storage power stations, which produce peak energy. Pumped storage power stations generate control energy which primarily serves the purpose of compensating imbalances between electricity supply and demand.

The reporting year was characterized by low market prices and low water flow volume.

TIWAG produced 3,188.1 GWh of electricity in its own power stations in the reporting year, which is 11.7 % less than in 2009 (3,611 GWh). The main reason behind the decline in TIWAG's own generation was the reduced water supply in the reporting year. In addition to its own generation, TIWAG purchased 12,490.3 GWh of electricity from external suppliers (previous year: 11,231.4 GWh).
As compared to the previous year, electricity purchased from other suppliers increased by 5.3 %. Own generation accounted for 18.2 % of the overall volume of delivered electricity of 17,476.6 GWh. Without taking into account energy trading and barter activities, own generation covered 65.8 %.
In the reporting year, power station capacity came to 1,540 MW and thus remained unchanged vis-à-vis the previous year.

3.3. Trade/Distribution

The energy trading and distribution segments see to the procurement of electricity and gas and are responsible for trading on wholesale markets and for customers' sales. The liberalization of the electricity and gas markets has led to the development of energy trading which is steadily gaining in importance. The central trading forum is the energy exchange, which provides a transparent market platform for energy products. TIWAG's trading activities are primarily geared to the risk- and costoptimized management of the electricity and gas portfolio in the group.

The trading segment is closely interconnected with the distribution segment, which gears supply to demand in a fashion which ensures that customers are supplied with the desired volume of electricity. Own generation, long-term purchase rights and barter agreements and supply of electricity traders are combined so as to ensure that the needs of TIWAG's customers in Tyrol are covered.
A decisive success factor with regard to distribution is the ability to offer tailored products to large customers and affordable standard products to small customers.
TIWAG supplies small, medium, key account and bundled customers. Small and medium customers usually want full supply, both with and without the compilation of a load profile. Key account customers without own generation are offered portfolio management with comprehensive load management. These key account customers are strongly price-oriented. TIWAG also supplies bundled customers that operate at several locations and wish to cover their energy supply through a single supplier. End customers receive structured products that are specifically tailored to the needs of the relevant customer. In the reporting year, the high market share in the customer territory could be maintained.

Volumes

In the reporting year, TIWAG sold 17,476.6 GWh of electricity. As compared to the previous year, electricity sales thus rose by 4.9 %.
This increase can be primarily attributed to electricity trading. If one disregards trading activities, sales remained nearly unchanged. In the Tyrol sales area, 2,227.2 GWh were delivered to special tariff customers and 1,275.1 GWh to regular customers. Gas sales were higher than in the previous year. In the reporting year, 297.6 million m³ of gas were sold in the TIGAS supply network. As compared to the previous year, this represents an increase of 6.6 %.

Prices

With regard to customer electricity prices, the network tariffs of TIWAG-Netz AG for private household customers were reduced by 0.210 cent/kWh in 2010 with effect from January 01, 2010. At the same time, the 2010 regulation on prescribed prices for green electricity (Ökostrom-Verrechnungspreis-Verordnung 2010), which entered into force on January 1, 2010, laid down increased prices at which all Austrian electricity suppliers must purchase green electricity. The net additional costs resulting therefrom amounted to 0.188 cent/kWh. The increase in the additional charge for green electricity was nearly completely offset by the reduction in network tariffs. The electricity price for regular customers was increased with effect from December 1, 2010 – specifically, the kilowatt hour rates for energy charged to regular customers was raised by 0.25 cent per kilowatt hour. Despite this price adjustment, TIWAG-Tiroler Wasserkraft AG continued to offer the lowest electricity price to its regular customers in comparison with all other Austrian regional electricity suppliers. Network tariffs have been subjected to massive regulatory cost pressure due to the price-/revenue-cap regulation system.

3.4. Transport

Generated or procured energy that is bound to transmission lines must be transported from the power stations to the consumption centers. In order to ensure that production matches consumption in the electricity network of TIWAG-Netz AG at all times, services targeted at system stability are rendered. Such services include system coordination, ensuring primary control, balance sheet management, voltage stability and compensation of transmission losses.

TIWAG-Netz AG sees to transport and service provisions guided by a standard of high supply security. Output from the network of TIWAG-Netz AG amounted to 4,884 GWh. As compared to the previous year, this represents an increase of approximately 3.5 %.

In the long-term average from 1980 to 2010, the average annual increase in consumption in the supply area of TIWAG-Netz AG amounts to roughly 2.8 %.

The most important indicator for quantifying supply security is non-availability due to disruptions.

Non-availability in the network of TIWAG-Netz AG increased from around 25 per affected customer in the previous year to approximately 34 minutes in the reporting year.

By comparison, the annual average for 2010 published by the regulatory authority amounted to a total of 37 minutes.

On the basis of availability over the year, the availability of electrical power supply in the supply area of TIWAG-Netz AG in the reporting year came to more than 99.99 %.

An important success factor in the area of network operations is dealing with regulatory requirements and the associated choice of the right maintenance strategy. Energy policy trend regarding decentralized wind and solar stations also require corresponding investments and adjustments in the network. The volatility associated with energy production through wind and the sun requires the availability of control energy in order to compensate volatilities in the network. These framework conditions make network management considerably more difficult.

The second four-year regulatory period in the electricity network sector began on January 1, 2010.

3.5. Investment/Maintenance

Environmental aspects and the associated political and public debate often cause decision-making processes for development of new generation plants to take years. TIWAG also needs to operate under these conditions. Regardless, the planned investments were pursued with determination. In the production segment, for instance, TIWAG submitted the project plans for expanding the Sellrain-Silz group of power stations to the authority of first instance for environmental impact assessment on December 23, 2009. In the reporting year, the legal improvements demanded by the authorities were carried out. Furthermore, construction for an exploration shaft and the associated exploration program were taken up. With regard to the expansion of the Kaunertal

power station into a group of power stations, the permits for explorations, tests for determining the necessary replenishment water and the construction of water level stations were granted. For the construction of a new penstock and surge tank in the Kaunertal power station, geological exploration measures and planning works were continued in the reporting year. The new penstock was decided on.

First core drillings for the reservoir variant in the Platzertal valley have been carried out. Tenders for the planning and project development works for the Tauernbach power station have been invited.
Next to the planned large power stations, smaller hydropower projects are being developed and realized. Construction work for the Bruckhäusl power station took off in the reporting year; it is scheduled to be put into operation at the end of 2011.
The construction and procurement decision for the Finsing power station was issued in the reporting year, construction work is scheduled to begin in summer 2011. In addition to direct investments, TIWAG also acquired a 25 % participation in Ötztaler Wasserkraft GmbH in the last quarter of fiscal 2010. The objective of this company is the planning, construction and operation of a hydropower station Tumpen/Habichen.
Also in the area of network operations, investment and maintenance projects were carried out as planned. In the reporting year, investments in the network were higher than investments in production.

3.6. Energy efficiency/Green electricity

Customers are offered efficient energy consumption through corresponding energy saving services. In the reporting year, energy efficiency and energy consulting were of key importance.

For this reason, TIWAG offers various subsidy programs. In addition to subsidies for the installation of heat pumps, TIWAG also supported short-term initiatives for improving thermal insulation of buildings and for promoting alternative heating systems.

In times of growing public and political debate on the use of natural resources and against the background of global climate change forecasts, first changes in the consumption behavior of certain demographic groups can be observed. For this reason, TIWAG established a separate green electricity subsidiary in the reporting year. This subsidiary procures and sells electricity from renewable sources of energy.

On October1, 2010, a new energy strategy and energy efficiency division was set up. The central mission of this division is to formulate fundamental strategies and to coordinate legal and energy policy framework conditions as well as technical developments in the company.

3.7. Research & Development

In the year 2010, several new and existing research projects were worked on. These projects included projects within the group as well as cooperation projects. TIWAG primarily focuses on application-oriented research that yields many application benefits and is hydropower-related. In the reporting year, TIWAG decided to participate in five projects at the alpS center for natural hazards and risk management (alpS-Zentrum für Naturgefahren- und Risikomanagement).
The research and development activities also support power station projects.

4. FINANCIAL PERFORMANCE INDICATORS

	2010 in EUR 1,000	2009 in EUR 1,000
Income status – key figures		
Sales revenues – electricity sector	1,018,836.4	1,000,288.1
Lease income – network	102,138.8	101,383.8
Other sales revenues	19,810.6	19,834.8
	1,140,785.8	1,121,506.7
Operating results	39,333.0	47,511.2
Financial results	63,681.0	46,120.6
Result from ordinary activities	**103,014.0**	**93,631.8**
Return on sales in %	3.4	4.2
Return on equity in %	9.9	9.3
Total return on capital in %	5.6	5.0
Asset and financial status – key figures		
Net current assets (working capital)	-72,935.4	-35,664.8
Equity ratio in %	48.7	47.7
Cash flow – key figures		
Operating cash flow	104,965.8	42,171.5
Net cash flow from investment activities	-166,070.1	-67,766.0
Net cash flow from financing	37,813.1	28,889.9

5. FINANCIAL SITUATION OF THE COMPANY

TIWAG's financial statements for both the company and the group have been prepared according to the provisions of the Austrian Business Code (Unternehmensgesetzbuch, UGB) and the Austrian Stock Corporation Act (Aktiengesetz, AktG).

INCOME STATUS (OF THE COMPANY)

Turnover was 1.7 % higher than in the previous year. The relevant factors for the increase in sales revenues were energy trading activities. TIWAG achieved a turnover of EUR 1,140,785.8 thousand (previous year: EUR 1,121,506.7 thousand). This amount includes sales revenues from the electricity sector in the amount of EUR 1,018,836.4 thousand (previous year: EUR 1,000,288.1 thousand). This corresponds to a 1.9 % increase.

	2010 in EUR million	in %	2009 in EUR million	in %	Change in EUR million	in %
Electricity sector	1,018.8	89.3	1,000.3	89.2	18.5	1.9
Lease income - network	102.1	9.0	101.4	9.0	0.7	0.7
Other sales revenues	19.8	1.7	19.8	1.8	0	0
TOTAL sales revenues	**1,140.7**	**100.0**	**1,121.5**	**100.0**	**19.2**	**1.7**

Revenues booked under "Lease income – network" resulted from the lease of the operation of the distribution network to TIWAG-Netz AG. The related lease payment increased vis-à-vis the previous year by 0.7 % to EUR 102.1 million.

Due to the transfer of the operation of the transmission lines, the lease contract had to be adapted in the reporting year. Moreover, regulatory framework conditions changed and caused an adjustment of the contractually agreed interest component. Specifically, the assessment basis changed due to the provisions con-

tained in the regulation on system usage tariffs 2010 (Systemnutzungstarife-Verordnung, SNT-VO 2010) and the interest rate was increased to 7.025 %. In total, the lease payment increased vis-à-vis the previous year by EUR 0.7 million.

Own work capitalized increased by 31.3 % or EUR 3.7 million to EUR 15.7 million (previous year: EUR 11.9 million).

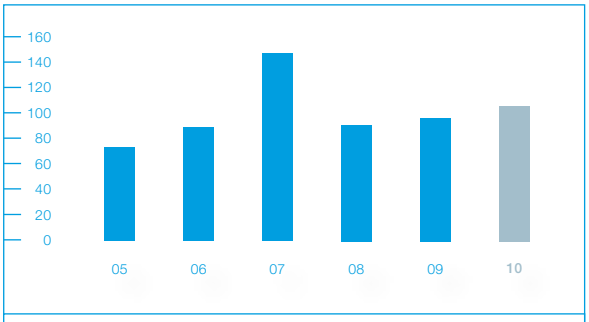
Other operating income mainly increased due to the reversal of provisions made in the previous years because of risks in connection with a power purchase agreement.

Operating expenses in the reporting year present as follows:

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Cost of materials	813.4	70.7	827.2	75.5	-13.8	-1.7
Personnel expenses	112.6	9.8	122.6	11.2	-10.0	-8.2
Depreciation	66.3	5.8	65.8	6.0	0.5	9.1
Other expenses	157.7	13.7	80.2	7.3	77.5	96.7
TOTAL operating expenses	**1,150.0**	**100.0**	**1,095.8**	**100.0**	**54.2**	**4.9**

The cost of materials item fell by 1.7 % to EUR 813.4 million. The change in cost of materials was caused by diametrically opposed developments. The main reason for increases in cost of materials was the rise in electricity purchased from other suppliers, while the reduction resulted from the smaller volume of swapped energy and the use of the provision for contingent losses.

Personnel expenses decreased by 8.2 % to EUR 112.6 million. Expenses for wages and salaries, statutory charges and other social security contributions increased by 2.4 %, taking into account a wage increase of 1.45 %. Expenses for pensions primarily



Result from ordinary activities of Tiroler Wasserkraft from 2005–2010 (in EUR million)

changed due to the reduction of the pension provisions by EUR 12.1 million to EUR 9.8 million. In the reporting year, 1,253 employees were employed on an annual average. Compared to the previous year, the number of employees fell by 14 employees. At EUR 66.3 million, depreciation was above the level of the previous year (EUR 65.8 million).

Due to one-time effects, other operating expenses rose relative to the previous year, coming to EUR 157.7 million (previous year: EUR 80.2 million). This rise is to be attributed mainly to a compensation payment in the amount of EUR 85 million paid to EnBW Kraftwerke AG. TIWAG's operative income status declined as compared to the previous year owing to the mentioned extraordinary item. Specifically, the operating results fell by EUR 8.2 million to EUR 39.3 million. In the reporting year, electricity generation accounted for the most significant contribution to the result. The income status with regard to energy trading improved thanks to the optimized procurement strategy. The financial results increased significantly by EUR 17.6 million to EUR 63.7million. Growing income from financial results is also attributable to the profit and loss transfer of the affiliated companies TIGAS-Erdgas Tirol GmbH and TIWAG-Netz AG as well as the increased distribution of dividends by VERBUND AG. Also the other financial results improved owing to the early release of some deferred income in the context of a CBL transaction. The company's income status was thus significantly shaped by the results of the subsidiaries and the Verbund shareholding. The result from ordinary activities rose by 10.0% to EUR 103.0 million, despite negative extraordinary items.

Taking into account the lower operating results, income taxes also fell by 17.4 % to EUR 10.9 million. After deduction of the corporate income tax in the amount of EUR 10.9 million (previous year: EUR 13.2 million) the company posted a net income for the year of EUR 92.1 million (previous year: EUR 80.4 million). Taking into account untaxed reserves in the amount of EUR 17.5 million (previous year: EUR 8.0), 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 0.3 million, and after allocation of EUR 53 million to the reserves from retained earnings, balance sheet profit for fiscal 2010 totaled EUR 28.2 million. At the general meeting of shareholders in May 2011, the Management Board and the Supervisory Board of TIWAG-Tiroler Wasserkraft AG will propose a dividend of EUR 28 million for fiscal 2010.

In relation to the net income for the year, this represents a dividend payout ratio of 30.4 % (previous year: 26.1 %).

INCOME STATUS (OF THE GROUP)

In 2010, the TIWAG group generated consolidated external sales revenues of EUR 1,369.0 million. This represents an increase by EUR 20.7 million or 1.5 %.

The consolidated sales revenues present as follows:

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Electricity sector	1,203.7	88.0	1,192.2	88.4	+11.5	+1.0
Natural gas sector	143.0	10.4	134.1	9.9	+8.9	+6.6
Navigation	2.5	0.2	2.6	0.2	-0.1	-3.8
Auxiliary operations, charges passed on to third parties	19.8	1.4	19.4	1.5	+0.4	+2.1
TOTAL sales revenues	**1,369.0**	**100.0**	**1,348.3**	**100.0**	**+20.7**	**+1.5**

The portion of the sales revenues accounted for by the electricity sector amounted to 88.0 %. Compared to the previous year, electricity sales rose by EUR 11.5 million to EUR 1,203.7 million.

In the natural gas sector, the group's subsidiary TIGAS recorded sales of EUR 143.0 million (previous year: EUR 134.1 million). The decisive factor behind the increase in sales was the opening up of new customer segments.
The portion accounted for by the natural gas sector thus amounted to 10.4 % (previous year: 9.9 %). Consolidated sales revenues include energy levies in the amount of EUR 70.2 million (previous year: EUR 67.7 million).

Operating expenses in the reporting year present as follows:

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Cost of materials	902.6	66.6	930.1	71.2	-27.5	-3.0
Personnel expenses	119.4	8.8	129.4	9.9	-10.0	-7.7
Depreciation	85.2	6.3	84.5	6.5	+0.7	+0.8
Other expenses	248.2	18.3	161.7	12.4	+86.5	+53.5
TOTAL operating expenses	**1,355.4**	**100.0**	**1,305.7**	**100.0**	**+49.7**	**+3.8**

The cost of materials item includes gas purchases in the amount of EUR 73.2 million.
Other operating expenses increased by EUR 85 million to EUR 248.2 (+53.5 %) mainly due to the compensation payment made to EnBW. Despite the rise in expenses, the operating results were EUR 1.0 million (1.5 %) higher, amounting to a total of EUR 68.5 million.

The financial results increased by EUR 14.2 million to EUR 27.1 million, thanks to the higher distributions made by VERBUND AG. This item also comprises the results of the associated companies.
The group result from ordinary activities came to EUR 95.6 million and thus surpassed the result of the previous year (EUR 80.4 million). After deduction of

corporate income tax in the amount of EUR 14.5 million (previous year: EUR 14.6 million) the group net income for fiscal 2010 amounts to EUR 81.1 million (previous year: 65.8 million).

ASSET STATUS (OF THE COMPANY)

The balance sheet total of TIWAG as at the balance sheet date (December 31, 2010) amounted to EUR 1,981.5 million and thus increased by 5.7 %. Of the total assets, fixed assets accounted for EUR 1,621.2 million (previous year: EUR 1,521.3 million), current assets for EUR 356.0 million (previous year: EUR 349.9 million) and deferred charges for EUR 4.3 million (previous year: EUR 3.8 million).

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Fixed assets	1,621.2	81.8	1,521.3	81.1	99.9	+6.6
Current assets	356.0	18.0	349.9	18.7	6.1	+1.7
Prepaid expenses and deferred charges	4.3	0.2	3.8	0.2	0.5	+13.2
TOTAL assets	**1,981.5**	**100.0**	**1,875.0**	**100.0**	**106.5**	**5.7**

As compared to the previous year, fixed assets grew by 6.6 % to EUR 1,621.2 million.

TIWAG increased its investments by EUR 97.5 million to EUR 168.7 million.
Of the fixed assets, tangible assets and intangible assets accounted for EUR 87.5 million and financial assets for EUR 81.2 million.
Of investments in tangible assets, generally, production facilities accounted for EUR 26.9 million and transformer and distribution facilities for EUR 49.3 million. Thus, investments in the network were again higher than investments in production facilities in the reporting year. Investments in tangible assets were EUR 23.7 million higher than depreciation.

Of the total assets, tangible assets accounted for a portion of 36.8 % (previous year: 37.7 %).

Financial assets rose by 10.0 % to EUR 871.3 million. Their share in total assets thus came to a total of 44 % (previous year: 42.3 %). The increase in financial assets primarily resulted from the exercise of subscription rights in connection with the capital increase of VERBUND AG.
Current assets rose by EUR 6.1 million to EUR 356.0 million (previous year: EUR 349.9 million). The share of current assets in total assets thus came to 18.0 % (previous year: 18.7 %).

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Shareholders' equity	878.5	44.3	818.6	43.7	+59.9	+7.3
Untaxed reserves	86.3	4.4	75.2	4.0	+11.1	+14.8
Investment grants	3.6	0.2	3.8	0.2	-0.2	-5.3
Contributions to construction costs	132.4	6.7	128.1	6.8	+4.3	+3.4
Provisions	269.1	13.6	303.4	16.2	-34.3	-11.3
Liabilities	462.8	23.3	390.0	20.8	+72.8	+18.7
Deferred income	148.8	7.5	155.9	8.3	-7.1	-4.6
TOTAL equity and liabilities	**1,981.5**	**100.0**	**1,875.0**	**100.0**	**+106.5**	**5.7**

On the liabilities side, shareholders' equity accounted for EUR 878.5 million (previous year: EUR 818.6 million), which corresponds to a share of 44.3 % (previous year: 43.7 %). Shareholders' equity increased by 7.3 % or EUR 59.9 million. 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 48.7 % (previous year: 47.7 %).

All in all, provisions and liabilities increased by EUR 38.5 million to EUR 731.9 million.
Due to higher investments, bank loans and overdrafts rose by EUR 56.4 million to EUR 221.0 million (previous year: EUR 164.6 million). The reported bank loans and overdrafts mainly served the refinancing of securities in

the form of fixed-term deposits.

Due to higher investments – in particular owing to the acquisition of new shares on the occasion of the capital increase of Verbund – additional external financing was required. For this reason, bank loans and overdrafts increased by 34.3 %.

ASSET STATUS (OF THE GROUP)

The asset and capital structure developed as follows:
As at December 31, 2010, the TIWAG group reported a balance sheet total of EUR 2,217.1 million (previous year: EUR 2,109.9 million).

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Fixed assets	1,816.8	81.9	1,714.9	81.3	+101.9	+5.9
Current assets	393.5	17.8	388.7	18.4	+4.8	+1.3
Prepaid expenses and deferred charges	6.8	0.3	6.3	0.3	+0.5	+7.9
TOTAL assets	**2,217.1**	**100.0**	**2,109.9**	**100.0**	**+107.2**	**+5.1**

On the asset side, the fixed assets rose by EUR 101.9 million or 5.9 % to EUR 1,816.8 million (previous year: EUR 1,714.9 million). Tangible assets increased to EUR 1,115.2 million, i.e. by 50.3 % (previous year: 51.6 %).
Additions to tangible assets amounted to EUR 106.8 million.
The financial assets item mainly changed due to the increase in the valuation of the shareholding in VERBUND AG by EUR 78.9 million to EUR 681.1 million (previous year: EUR 602.2 million).

The increase in current assets amounted to 1.3 % and thus a total of EUR 393.9 million. Therefore, the share of current assets in the balance sheet total amounted to 17.8 % (previous year: 18.4 %).

	2010		2009		Change against the previous year	
	in EUR million	in %	in EUR million	in %	in EUR million	in %
Shareholders' equity (including minority interests)	924.1	41.7	864.1	41.0	+60.0	+6.9
Investment grants	12.2	0.6	12.6	0.6	-0.4	-3.2
Contributions to construction costs	167.3	7.5	163.1	7.7	+4.2	+2.6
Provisions	294.7	13.3	323.9	15.4	-29.2	-9.0
Liabilities	660.1	29.8	582.2	27.6	+77.9	+13.4
Deferred income	158.7	7.1	164.0	7.7	-5.3	-3.2
TOTAL equity and liabilities	**2,217.1**	**100.0**	**2,109.9**	**100.0**	**+107.2**	**+5.1**

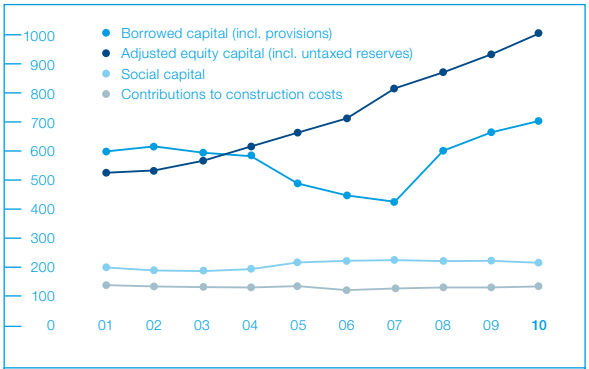
On the liabilities side, shareholders' equity rose by EUR 60.0 million or 6.9 % to EUR 924.1 million (previous year: EUR 864.1 million). The equity ratio of the TIWAG group thus climbed from 41 % to 41.7 % in the past fiscal year.
Liabilities within the group came to EUR 660.5 million (previous year: EUR 582.2 million), the financing portion of contributions to construction costs amounted to 7.5 % (previous year: 7.7 %).

FINANCIAL STATUS (OF THE COMPANY)

TIWAG's financial assets developed as follows in the year under review:

Cash flow statement	2010 in EUR million	2009 in EUR million
Operating cash flow	105.0	42.2
Net cash flow from investment activities	-166.1	-67.8
Net cash flow from financing activities	37.8	28.9
Change in cash and cash items	-23.3	-6.3

In the fiscal year 2010, an operating cash flow in the amount of EUR 105.0 million was achieved.



Performance of capital for Tiroler Wasserkraft (in EUR million)

Cash outflows from investment activities amounted to EUR 166.1 million. This increase by EUR 98.3 million resulted from stepped-up investment activities. The largest individual item is the purchase of the Verbund shares.
TIWAG covers it capital requirements mainly from operating cash flow.

The cash flow from financing activities amounted to EUR 37.8 million.
A dividend of EUR 21 million (previous year: EUR 21 million) was paid out. The dividend paid out to the owner, the Province of Tyrol, reflected a distribution rate of 22.8 % in the year under review (previous year: 26.1 %).

FINANCIAL STATUS (OF THE GROUP)

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

Cash flow statement	2010 in EUR million	2009 in EUR million
Operating cash flow	151.3	37.4
Net cash flow from investment activities	-199.8	-93.1
Net cash flow from financing activities	37.7	59.8
Change in cash and cash items	-10.9	-12.1

A detailed cash flow statement can be found in the notes to the consolidated financial statements.
Operating cash flow was higher than in the previous year. Cash outflows from investment activities were EUR 199.8 million.

Cash flow from financing activities amounted to EUR 37.7 million. Additional financing was mainly obtained by taking out loans.

6. EMPLOYEES

In the reporting year, 1,253 employees were employed by TIWAG and a total of 1,350 employees by all companies included in the consolidated financial statements of the TIWAG group. With regard to group-wide employment, this meant a decrease of 1.0 % compared to the previous year.
In the year under review, wages and salaries were raised by 1.45 % based on the collective bargaining agreement.

A competitive working environment not only involves attractive payment but also a company pension scheme. Such fringe benefits are an important reason for employees' loyalty to the company.

The "Staff plan 2009" project was completed in the first quarter of the reporting year and entered into force on May 1, 2010. The staff plan now defines the number of positions allocated to the individual functions of each organizational unit. Each position was assessed and the employees were assigned to the relevant positions by name. The relevant reclassifications were completed in the reporting year.

The support and training of young people is of major importance to TIWAG. The Province of Tyrol acknowledged TIWAG's efforts in this area with the award for companies providing excellent apprentices training.

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 435.1 million, thus posting a value EUR 16.6 million above the comparable value of the previous year.
Overall, TIGAS invested EUR 20.2 million in the expansion of natural gas supply in Tyrol in the year under review.
Financial assets amounted to EUR 81.3 million, which represented an increase of EUR 13.1 million against the previous year.

Current assets of EUR 23.7 million were reported as at the balance sheet date, a value EUR 4.8 million above the value of the previous year.

Equity capital including untaxed reserves grew by EUR 5.5 million to EUR 237.8 million.
As at the balance sheet date, contributions to construction costs in the amount of EUR 20.7 million were reported.
The company's total liabilities amounted to EUR 193.1 million as at December 31, 2010, reflecting an increase by a total of EUR 11.1 million against the previous year.

Sales revenues (incl. metering charges and natural gas tax) increased by 6.6 % vis-à-vis the previous year, rising to a total of EUR 143.0 million.

At EUR 73.8 million, the cost of materials reported was EUR 1.6 million below the comparable value of the previous year. Depreciation of intangible fixed assets and tangible fixed assets came to EUR 16.7 million in fiscal 2010. Other operating expenses in the total amount of EUR 35.4 million were reported, a value EUR 8.2 million above the comparable value of the previous year.

Earnings before interest and taxes in the reporting year amounted to EUR 15.8 million, representing an increase of EUR 2.5 million against the previous year (EUR 13.3 million). Financial results improved by EUR 0.3 million on balance vis-à-vis the previous year, reaching a total of +EUR 295,533.98.
The result from ordinary activities came to EUR 16,091,879.63 in the reporting year, marking a EUR 2.8 million increase against the previous year.
After taking into account all movements of reserves, the company reported profits of EUR 10,568,038.48, 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 of 2004 (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2004) and section 73 par. 7 of the Tyrolean Electricity Act of 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. 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.

Fixed assets amounted to EUR 1.4 million after the acquisition of ownership in the transmission network and various participations.

Current assets of EUR 60.6 million were reported as at the balance sheet date, a value EUR 14.5 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 11.1 million were reported.
The company's total liabilities as at December 31, 2010, amounted to EUR 39.8 million, marking an overall increase EUR 15.5 million against the previous year.

Sales revenues increased by 2.8 % against the previous year, reaching a total value of EUR 223.5 million.
At EUR 36.1 million, the cost of materials was EUR 1.3 million below the comparable value of the previous year (i.e. -3.5 %).
Other operating expenses were reported at a total of EUR 174.8 million, EUR 4.8 million above the comparable value of the previous year.

Earnings before interest and taxes amounted to EUR 12.5 million in the year under review, representing an increase of EUR 3.7 million against the comparable value of the previous year (EUR 8.8 million). The financial results increased by EUR 0.2 million on balance against the previous year, reaching a total of EUR 0.6 million.
The result from ordinary activities came to EUR 13,091,769.28 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 in connection 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 102.1 million in fiscal 2010.

Achenseeschiffahrt-GesmbH (ASG)

In fiscal 2010, Achenseeschiffahrt-GesmbH achieved sales in the amount of EUR 2.6 million. The net income for the year amounted to EUR 83.4 thousand.

TIWAG Hydro Engineering GmbH in liquidation (HyE)

At the general meeting of shareholders on December 20,

2006, the liquidation of the company was resolved after detailed examination and evaluation of the business model. The closing balance of the liquidation was prepared as at September 30, 2010, and the liquidation assets reported therein were taken over by the parent company in the reporting year.

TIWAG-Italia GmbH in liquidation

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 the reporting year. Liquidation will probably be finally completed in 2011.

Stadtwärme Lienz Produktions- und Vertriebs-GmbH

Sales revenues came to a total of EUR 5.6 million. The operating results (earnings before interest and taxes) amounted to +EUR 138.2 thousand (previous year: -EUR 15 thousand).

In the calendar year 2010, around 63.3 gigawatt hours of heating energy were delivered to the customers of Stadtwärme Lienz. This represented an increase in sales of approximately 5.9 %. In 2010, around 8.3 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

Around the world, the energy industry is confronted with numerous radical changes, the most important trend being the growing demand in energy. According to forecasts, Europe will need around 25 gigawatts of additional energy production capacity by the year 2020. Since, in the long-term, a substitute for limited energy sources has to be found and since policymakers have committed themselves to renewable energy sources, the expansion of hydropower, among other forms of energy generation, is being promoted. On the one hand, the expansion of hydropower delivers new capacities for energy production and, on the other hand, also efficient energy storage systems. Energy storage will become a crucial technology in the electricity industry, all the more since energy production by wind power stations will play a key role. In particular the expansion of generation facilities for the production of renewable energy in Germany as provided for in the energy concept of the German federal government of September 28, 2010, requires sufficient storage capacities and a stronger transmission network. As it cannot be expected that renewable energies will sufficiently cover demand and address load profile fluctuations for a long time to come, the German energy concept envisages increasing demand in storage and control energy. The efficient integration of wind and solar energy systems into existing energy systems thus requires an intelligent combination with different storage types, in particular pumped storage power stations. It should be taken into account that there are possibilities to control network load not only from the supply side but also on the consumer side, e.g. by efficient load profile management and a more intelligent energy network (smart grid). From the company's point of view this means that new large and small power stations will have to be built and existing power stations need to be optimized.

With regard to network operations, defining factors for TIWAG-Netz AG will be the transposition of the third EU internal market package into national law and the consolidation of the control areas.
These developments and technological progress will probably lead to the point where the production costs of electricity from renewable energy sources will be equal or lower than the production costs of electricity from fossil fuels.

The high demand and the expansion of the production facilities will also go beyond existing network capacities and favor new technologies, such as smart grids and smart meters. Energy efficiency will also be a key element in the energy industry.

Ensuring reliable and fair-priced power supply in Tyrol is one of TIWAG's central objectives. This is why we invest in climate-friendly and efficient energy supply through hydropower.

A central issue for the future is also to which extent supply security can be ensured at an unchanged price level. As power demand rises, long-term electricity import contracts expire and production capacities cannot be expanded due to the relevant framework conditions, there will be a gap in power supply that will need to be bridged.
In the fiscal year 2011, sales revenues are expected to reach the same level as in the previous year, while the operating results will probably increase – since no extraordinary items are expected in 2011. The financial results will be lower due to the planned distributions and profit and loss transfer of the shareholdings. Moreover, annual income will remain approximately on the same level in the reporting year, assuming stable economic conditions and that there will be no negative extraordinary items.

2. OPPORTUNITIES AND RISKS FOR THE COMPANY

Like no other sector, the electricity industry is characterized by high capital requirements, its nature as a partly natural monopoly and the consequently large concentration of regulatory requirements. These characteristics are key elements of the opportunities and risks profile of our company.

Organization of the risk management system

In the year under review, the project launched in the previous year in order to develop the existing risk management system and internal control system was finalized.

Due to the identified value-adding processes and value-supporting processes, a centrally controlled, coordinated and documented risk management system was established. Since then, risk management has been integrated into business operations as a continuous process.

The newly established risk controlling analyzes and evaluates TIWAG's overall risk situation.

The identified and evaluated risks are reported to the Management Board of the TIWAG group, allowing the Management Board to assess the risk situation and take adequate counter-measures. Risk management is also addressed by reports to the Supervisory Board and the audit committee.

Opportunities

- Opportunities are evaluated and managed in the course of planning. 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

TIWAG is exposed to a number of risks. In the energy sector, economic, political and technological develop-

ments, meteorological conditions as well as competition and regulatory conditions have decisive influence on the company's results. In connection with the construction of new power stations, energy supply companies are exposed to risks due to stricter requirements imposed by environmental legislation. Furthermore, operational risks such as business interruptions may occur.

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 development and control of risk guidelines by the company management is the responsibility of the risk committee, which also includes the competent member of the Management Board. Limits are monitored on an ongoing basis by the risk management team. In practice, trades are concluded according to applicable best practice regulations and 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 with 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, regular servicing as well as quality and maintenance inspections. 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. These risks are managed in the central group treasury. 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 appropriate contract design and a tight system of claims management (monitoring) 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. The changes introduced by the Electricity Industry and Organization Act of 2010, which enters into force as of March 31, 2011, will have little influence on the income status.

- 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

Energy suppliers plan their investments over a long-term horizon of several decades, the related risks being significantly influenced by the applicable energy policy framework. In particular, the legal situation concerning permit procedures for the construction of new power stations poses risks for TIWAG.

The political, economic and legal framework conditions under which the national and international energy industry operates pose considerable risks to earnings. Overall, the structure of business risks has remained unchanged.
TIWAG's opportunities particularly lie in the almost 100 % focus on hydropower generation with high- and highest-quality products from (pumped) storage power stations.
For the fiscal year to come, there are no apparent risks that might jeopardize the continued existence of TIWAG-Tiroler Wasserkraft AG and the TIWAG group.

III. REPORT ON EVENTS THAT OCCURRED AFTER THE BALANCE SHEET DATE AND OUTLOOK FOR THE FISCAL YEAR 2011

Although the overall economic outlook remains uncertain, we expect operating results to improve and financial results to decrease. Therefore, if the planning assumptions turn out to be correct, we expect the result for the year to remain more or less unchanged.
After the balance sheet date on December 31, 2010, the storage variant for the Kaunertal power station project was presented. With effect from January 1, 2011, the Tyrol control area and the APG control area were consolidated under the direction of APG.

The increase of charges for network usage and network loss by around 3 % on average, which took effect on January 1, 2011, was primarily intended to cover the substantial investments made, taking into account the reduction in power sales caused by the economic crisis in 2009. It is currently not possible to say with definite effect to which extent related revenues will ultimately be at the company's disposal due to the "regulation account" introduced under the revenue-cap regulation scheme of the Electricity Industry and Organization Act of 2010.

In view of globally unstable overall conditions, especially concerning the generation of electricity from nuclear energy, the provincial government intends to swiftly restructure the energy industry system so as to increasingly base Tyrol's energy supply on domestic, renewable energy sources and to gradually achieve a solid level of energy autonomy.

In order to achieve these objectives, it is necessary that Tyrol contributes to the new energy and climate policy of the European Union as permitted by its environmental characteristics and possibilities. The European Union intends to transform the existing energy industry system into a sustainable, low-carbon and decentralized system. The Member States' contributions – as directed by their environmental characteristics and possibilities

– are to be consolidated into a pan-European optimum.

The national debt crisis and the euro crisis, the political unrest in North Africa and the Middle East and – most recently – the earth quake, tsunami and reactor catastrophe in Japan entail significant risks for the global economy and thus also for the energy industry. A concept for expanding Tyrol's energy autonomy, for improving the energy mix for supplying end consumers and for – gradually – reducing the dependence on foreign power supply is expected for Tyrol. TIWAG will develop and present such a concept in the next months.

The extraordinary risk factors mentioned above, including the reactor catastrophe in Japan, will have significant effects on the global economy and the global energy system. Accordingly, they considerably compromise the forecast certainty for the fiscal year 2011.

Since TIWAG relies on domestic, renewable hydropower for its electricity generation and contributes control energy from pumped storage power stations to the system, the initiated turn in energy policy should, however, ultimately present an advantage for the company. Certain aspects of the current global crisis confirm TIWAG's corporate policy, which aims at the expansion of domestic hydropower, the improvement of energy efficiency and the gradual achievement of an adequate level of energy autonomy for the Province of Tyrol.

Innsbruck, March 31, 2011

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

FURTHER INFORMATION ON THE FISCAL YEAR

We stand for a sustainable business policy, value-oriented growth, secure power supply and reasonable prices.

Customers

Thanks to its persistent customer- and service-oriented distribution activities, TIWAG could further strengthen its leading position on the Tyrolean energy market.

The success of market development was once more reflected by high customer satisfaction in the reporting year 2010. TIWAG's market position is based on tailored, reasonably priced electricity products and individual, solution-oriented customer service. Moreover, the demand orientation and strong regional focus of TIWAG's distribution activities contribute to strong customer loyalty.

The TIWAG Service Center: Fast, competent & customer-friendly

With its 19 committed staff members, the TIWAG Service Center provides fast and reliable information for our customers. Well-founded expertise and social as well as communicative competence form the pillars of our successful service concept.
Around 132,000 telephone calls as well as approx. 75,000 written inquiries and 3,100 inquiries in person were processed by the Service Center team in the reporting year. TIWAG is commit-ted to continuously improving the quality of its customer services through targeted staff training. The training focuses in 2010 included:

- training as energy efficiency advisors
- energy efficiency subsidies
- conflict management courses
- optimization of internal workflows

Customer orientation and trust promote demand-oriented solutions

TIWAG's distribution division continued to strive for regular personal contact with our customers. As a consequence, TIWAG could once more successfully position itself as an attractive Tyrolean partner for key account and business customers in 2010. To show that our customers' trust in our company is justified, we continue to work on tailored, demand-oriented solutions. The renewal of the partnership with the Tyrolean cable car operators through a newly concluded contract is an excellent example of a long-standing fruitful business partnership. Also the Tyrolean school ski days, organized in cooperation with the Tyrolean cable car operators, allowed us to successfully reach Tyrol's youth. In addition, other top sports and culture events helped us to enhance customer contacts and to create emotional value added in the reporting year.

Customer surveys

TIWAG regularly conducts surveys on customer satisfaction. The most recent interviews of our business and private customers were carried out by a professional market research firm in spring. Overall, customer satisfaction remains high and has even increased as compared to 2007. Energy consulting services and the work of the Service Center as well as the team responsible for the remedying network disruptions rank particularly high among customer satisfaction factors. In the year 2010, the level of public awareness of TIWAG as an energy provider remained stable in the year 2010, TIWAG being named in 95% of all unprompted answers.

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 2,220 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 950 consulting sessions. These trade fairs included Innsbrucker Frühjahrsmesse, Innsbrucker Herbstmesse, Häuslbauermesse, several in-house exhibitions as well as Tiroler Passivhausforum.

When it comes to training and further education for its employees, TIWAG adheres to strict standards. TIWAG

energy consultants undergo demanding training programs and are, for instance, trained as business energy managers. TIWAG directly passes this competitive edge in terms of knowledge and experience on to its customers, for example by means of an information initiative in cooperation with the Tyrolean Economic Chamber, the Province of Tyrol and Energie Tirol and through further education courses for certified heat pump installation technicians in cooperation with the Austrian Institute of Technology (AIT).

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

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 2010, TIWAG supported the installation of 368 heat pumps.

Energy efficiency

TIWAG stands for an efficient use of valuable electric energy. In addition to the sustainable expansion of domestic hydropower and the use of alternative sources of energy, TIWAG therefore also takes measures designed to promote efficient energy use. In 2010, TIWAG provided 100,000 high-quality energy-efficient light bulbs to the entire Tyrolean population, together with the association of Tyrolean municipalities (Tiroler Gemeindeverband) and the regional Tyrolean energy providers that make up Energie West GmbH. The use of these light bulbs makes it possible to save energy of no less than eight gigawatt hours (8 million kilowatt hours) per year. These savings correspond to the total annual average electricity consumption of 2,000 households.

TIWAG and its local partner energy supply companies act in concert with policymakers to promote efficient energy use.

Employees

Given our commitment to speeding up ecological change within the energy industry, increasingly intense competition and growing regulatory pressure, TIWAG, more than ever, depends on committed and motivated employees for maintaining its position as leading and highly profitable energy supply company for Tyrol.

The realization of our corporate goals in such a difficult economic environment is made possible by the commitment, initiative and responsibility of our employees, who strive for maximum performance and support necessary organizational changes. An important contribution is the coordinated, determined and fair cooperation of all managers based on professional management on all levels.

The headcount continued to slightly decrease in the reporting year. In order to ensure that TIWAG can count on the required qualified human resources, we increasingly hired technical specialists, primarily for our hydropower projects.

„It is extremely important for us to win over the right people for our company and to prepare them for future challenges by professional personnel development measures,"

Dr. Andreas Falkner, Head of TIWAG Human Resources

Persons employed (TIWAG staff and employees hired out to TIWAG-Netz AG)	2010		2009		2008	
	Headcount	FTEs*	Headcount	FTEs*	Headcount	FTEs*
As at: December 31 (excluding Management Board Members)						
Salaried employees	1,048	1,022	1,039	1,013	1,052	1,026
Wage earners	189	183	210	204	212	205
Salaried employees – apprentices	14	14	12	12	13	13
Wage earners – apprentices	36	36	36	36	37	37
	1,287	**1,255**	**1,297**	**1,265**	**1,314**	**1,281**
Men	1,131	1,126	1,149	1,143	1,161	1,155
Women	156	129	148	122	153	126
	1,287	**1,255**	**1,297**	**1,265**	**1,314**	**1,281**
Average age** (in years)	45.6		45.2		44.9	
Average time with company** (in years)	23.6		23.4		23.2	

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

PERSONNEL DEVELOPMENT

Employees with excellent personal skills and technical training are the basis which allows us to meet the challenges of the market, of a constantly changing environment and of the resulting adjustments in the organization of TIWAG. We therefore consider investments in the training and further education of our personnel a crucial prerequisite for ensuring our company's future prosperity.

In the year 2010, we again focused on technical training activities, project management training based on in-house project management standards developed for this purpose as well as personality development and the improvement of communication skills. In this connection, special emphasis was placed on development measures in the area "management" (see also the "Projects" section).
Furthermore, there were tailored team-building measures, IT trainings and seminars on safety and environmental issues.

In 2010, individual coaching and workshops complemented the activities of the Human Resources department, which was also strongly involved in processes designed to change the setup of organizational units.

In total, the company invested around EUR 900,000 in the training and further education of personnel.

PROJECTS

In the reporting year, several major projects on corporate culture and personnel management were carried out. In particular, we would like to point out the following projects:

- **Project "Staff plan 2010"**

On May 1, 2010, a staff plan binding for the entire company was put into effect as planned. The objective of the project, which spanned several years and covered the entire company, was to objectively and transparently identify, summarize and evaluate all aspects of the workload TIWAG has to meet in order to fulfill its tasks, independently of specific persons. The sum of all positions described in the staff plan thus reflects the sum of all activities to be carried out in our company.

In the course of this multi-stage process, the Management Board and the project team produced a viable result which ensures a solid organizational framework as well as a stable long-term basis for successful personnel development and career planning.
Based on the "guidelines for management and cooperation" developed in the course of the KOMMIT project, specific measures for implementing and integrating these guidelines into everyday work and for establishing a new management culture within TIWAG were taken in the reporting year as detailed below.

- **Project "Management workshop"**

In the course of the management workshop, over 100 team leaders and forepersons intensively dealt with four core tasks in their management work:

- Management and appreciation
- Managing oneself
- Leadership
- Organizational development and managing change

The primary demand put on every participant was to critically analyze her/his leadership role and the related management tasks. Implementation of the project objectives was ensured by professional trainers, expert input and, above all, illustration by practical cases based on real-life management situations. Moreover, participants were given guidance in individual orientation talks, which were also aimed at identifying areas that require personal development on the part of the individual managers. The program for further developing this management level was completed in May 2010; "refresher days" have been planned in order to reinforce the insights and skills gained in the course of the management workshop for use in real-life management situations.

Project "Development center"

Based on the management guidelines, this business simulation game, which was adapted to TIWAG's requirements, was completed in the reporting year. The aim of the development center was to evaluate the quality of the management work of the first two executive levels.

Experts closely monitored the behavior of the top 60 executives, who were requested to carry out specific tasks, over a period of three days, and analyzed and evaluated their behavior based on a TIWAG-specific evaluation model.

Extensive and intensive feedback sessions created an environment favorable to enhancing learning efficiency and teaching participants to effectively and fruitfully translate their theoretical insights into practice with lasting effect. The development centers focused on the ability to critically reflect on one's own leadership and social behavior, to accurately assess one's own strengths and weaknesses but also the ability to take decisions and set priorities under high pressure. Consequently, individual development measures were developed and determined for each participant.

Project "Learning campus"

The aim of this transfer method, which was developed for TIWAG, was to gradually yet firmly integrate the processes of learning together and from one another that had been initiated by the development centers in everyday working life. The aim was to develop a corporate culture that promotes the appreciation of mutual feedback as well as learning together and from one another in order to make it possible to implement tasks and programs involving different divisions of the company faster, more efficiently, more successfully and with stronger target orientation. The structure of the learning campus served to markedly and quickly improve the quality of management work in compliance with the management guidelines and to work towards completing management tasks and functions in a better way.

A total of nine sessions were organized, which focused on giving and receiving feedback and implementing decisions. The learning campus also dealt with topics such as advice among colleagues, managing change as well as key issues defined in the guidelines (such as project management, implementing strategies, integrity in management situations). In December 2010, the learning campus was evaluated and completed. These evaluation results will also be taken into account when implementing the management program.

Project "Management program"

Based on the results of the measures "management workshop", "development center" and "learning campus" described above, a management program for TIWAG was developed.

The management program, among other things, aims at the improvement of management skills, management behavior and processes, greater self-reliance of managers and the targeted application of management instruments. The program is also designed to make progress in this area measureable. The TIWAG management program has already been integrated into existing management instruments and systems.

Based on the areas that require further personal development on the part of the top executive level, as identified in the development centers and at the learning campus, 12 key areas have been determined and described in detail for implementation; the managers have to attend three obligatory modules in the areas "managing with determination", "management processes and instruments" as well as "managing change". Other areas that require further personal development on the part of individual managers are covered by special offers such as seminars or coaching sessions.

APPRENTICES AND TRAINEES

"It is one of our major concerns to offer well-founded and high-quality vocational training to young people. We trained a total of 61 apprentices in the year 2010," head of Human Resources Dr. Andreas Falkner summarizes. 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. Some technical apprenticeships, such as mechanical engineering technician, electric energy technician, metal-working specialists etc., require additional pre-employment health examinations, in order to test specifically the aptness for the intended trade from the perspective of occupational health. Our application procedure is completed by an individual evaluation by experts within our company.

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

The high quality of the training we provide has been impressively demonstrated at various competitions in which our apprentices repeatedly took part in recent years. “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 2010, as in previous years, our apprentices learning the skilled trade of electric energy technician and related trades 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 2010 opted for the new training model “Lehre mit Matura” (apprenticeship with university-entrance secondary education diploma) and successfully completed the required entrance examination. This raises the number of participants in this program to fourteen 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.

On November 15, 2010, TIWAG received the award “Ausgezeichneter Tiroler Lehrbetrieb” (Great place to work for apprentices in Tyrol). This distinction is awarded by the Province, the Economic Chamber and the Chamber of Labor and certifies that TIWAG provides excellent vocational training. It is only awarded to companies that successfully complete a strict certification procedure.

In the reporting year, 71 trainees had the opportunity to receive practical training and gain insight into everyday working life. In total, TIWAG offered 150 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.

The company provides its employees with the so-called “day care allowance”. This allowance covers 50 per cent of the costs for a day care service center, an in-home day care provider or comparable institutions. This family-friendly, 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.

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 1,432 former staff members and their surviving dependents.

EMPLOYEE PROTECTION

Fall protection – work in great heights

In the reporting year, the administrative unit for safety and environmental issues organized 22 courses on "Work in great heights". In these courses, 195 employees, mainly technicians working in the assembly/service area of TIWAG-Netz AG, were trained in the correct handling of their personal protective equipment (PPE) for the purpose of fall protection. In the course of these training sessions, which were held in the training facilities in the Wilten transformer station, a new system for rescuing and retrieving co-workers from electrical towers was developed. The new equipment required for this purpose already is at the employees' disposal.

Accident prevention training

In the year 2010, the company held various accident prevention training sessions for around 450 employees. These sessions focused on current accident situations, the correct securing of loaded material, the transport of dangerous goods as well as an information portal on the intranet site of the administrative unit for safety and environmental issues.

Construction coordination

Training with respect to the Construction Coordination Act (Baukoordinationsgesetz, BauKG) was continued and completed by formulating pertinent guidelines. The intranet platform of the administrative unit for safety and environmental issues provides a workflow graphic designed to make it easier to grasp this complex issue.

Fire prevention, fire control

In order to provide further training material on fire control, the so-called "Virtual Training Company – General" and "Virtual Training Company – Main Administration" were launched on the intranet platform. This module provides a virtual tour of the company and allows employees to interactively familiarize themselves with the fire control guidelines valid for their areas. A separate test must be passed in order to successfully complete the training.

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 in order to enhance internal mobility and create attractive career opportunities.

Operation and maintenance of power stations

In 2010, TIWAG's power stations generated some 3,188 GWh of electricity, a volume 1.6 % or 52 GWh above the values of an average water year.

To maintain and improve availability and the capacity of the power stations, extensive maintenance work was carried out on the Silz and Kaunertal power stations and the Kalserbach power station, among others, as well as on several small power stations.

IMPORTANT PROJECTS AND MEASURES IMPLEMENTED

SILZ POWER STATION

- **Shutdown, overhaul of the spherical valves**

In spring 2010, the four spherical valves in the Silz power station were overhauled. For this purpose, the discharge pipe had to be emptied. These works are carried out at regular intervals of around 15 years in order to ensure that the high demands in terms of operational safety and availability can be met. In the course of the overhaul, the rotors were repaired, the corrosion protection was renewed, the auxiliary generators were revitalized and various material inspections on parts that are exposed to a lot of strain were carried out.
The runner of the turbine of machine 2 was replaced. The turbine nozzles, together with the entire regulating and control units in both machines were overhauled. The overhaul of the Silz power station also included extensive inspection works and checks on the generators. The corrosion protection of the discharge pipe had to be renewed in some of the less steep parts. Also the pressure tunnel leading from the inflow of the Längental reservoir to the surge tank was inspected.

Assembly of a spherical valve

Six weeks after the overhaul had been completed, operating personnel noticed that the spherical valves were again damaged. Some of the screws holding the retaining ring in place were broken and also the newly applied corrosion protection had come off in large areas. Thus, both machines had to be shut down immediately for safety reasons. In order to reapply a new layer of corrosion protection coating, the rotors were once more transported to the manufacturing company in Graz. Since the spherical valve rotors were repaired in pairs, only one machine set at a time was available for operation. The works could not be completed before the end of October, when the last spherical valve was installed.

KALSERBACH POWER STATION

- **Partial replacement of generators 1 and 2, Replacement of the machine transformer and the voltage regulator**

For several years, the oil readings of the 55-year-old machine transformers had indicated that the end of their lifespan was imminent. Already in 2006, several leaks had to be provisionally repaired and the transformer oil had to be reclaimed so as to ensure continued operation until the arrival of the new transformers. The transformers were finally replaced in spring 2010. At the same time, the stators of generators 1 and 2, which had already been in very bad condition, were replaced. The voltage regulators and generator coolers of all three machines also no longer met the necessary technical

requirements and had to be replaced. By the end of May, all three machine sets were fully operational again. The measures taken ensure safe operation for decades to come.

Delivery of the transformer to the Kalserbach power station

IMST, KIRCHBICHL AND LANGKAMPFEN POWER STATIONS

▪ Reservoir flushing

The spring runoff led to an elevated water flow volume in the Inn river in mid-June 2010, representing an "HQ_1 flood" (i.e. a flood level that usually occurs only once a year). Every year, these runoff conditions are taken advantage of for flushing silt and sediment out of the reservoirs. In this manner, around 120,000 m^3 could be flushed out of the Runserau reservoir in Prutz and ca. 450,000 m^3 each could be cleared from the Kirchbichl and Langkampfen reservoirs. In the area of the Kirchbichl bridge across the Inn, for example, the river bed of the Inn could be lowered by 70 cm. This measure has increased the discharge capacity in the Inn again, thus improving flood safety.

Pursuant to an order issued under water law, TIWAG is obliged to shut down its power stations when the water flow volume of the Inn river reaches a certain level. In the case of the Kirchbichl power station, for instance, the weirs must be opened if the water volume reaches 750 m^3/s. Before the sediment transport in the Kirchbichl reservoir starts, also the weirs at the Langkampfen power station must be open to allow the further transportation of the Inn river gravel.

Runserau weir facility

Kirchbichl weir facility

Langkampfen weir facility

Construction and restoration of power stations

BRUCKHÄUSL POWER STATION

In October 2008, TIWAG had submitted applications for the authorization of the new construction of the Bruckhäusl power station under water and nature conservation law.
Once all legally effective authorization orders had been obtained, the old Einöden and Söll/Leukental power stations were put out of operation in March 2010. Subsequently, the electrical installations and machinery components and steel construction parts for hydraulic engineering were dismantled and the old power station buildings were torn down. In mid-April 2010, construction work for the new parts of the power station was taken up. In August, provincial governor Günther Platter and representatives of the host municipalities Kirchbichl and Wörgl visited the Bruckhäusl construction site.

By the end of 2010, parts of the weir facility as well as the shell of the water catchment plant, the sand dredging plant, the discharge pipe and the shell of the power house had already been largely completed. The water catchment plant uses the energy of the residual flow that is fed into the Brixentaler Ache river. Work for the construction of the underwater channel has also already been taken up. The power station is scheduled to be put into operation in September 2011.

Dismantling of the old power house

Laying of the discharge pipe

Shell of the new Bruckhäusl power station

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

SYSTEM MANAGEMENT

Network load

The highest peak load ever measured in the Tyrol control area occurred on February 15, 2010, and then again on December 14, 2010. At 1,112 MW, the value measured on both days exceeded the previously highest peak load of 2009 by 4 MW. The highest daily consumption since the beginning of records was measured on December 14, 2010, and amounted to 22,908 MWh. Energy delivered from the network operated by TIWAG-Netz AG amounted to around 4,884 GWh and thus increased by around 3.5% against the comparable value of the previous year. It thus fell short of the amount of energy delivered before the global economic crisis only by around 16 GWh.
In addition to the continuous expansion of the distribution network, this development will also require reinforcement of the transmission network, the backbone of power supply.

Malfunctions

In the year 2010, the following extraordinary malfunctions occurred in the system management of the network operated by TIWAG-Netz AG:

In the period from June 25 to June 28, 2010, several landslides occurred in the Ischgl cable car area. Consequently, the power supply to three stations was interrupted for three days.

On July 17, 2010, a massive storm front with intensive hail in some parts hit Northern Tyrol and caused several disruptions in the medium-voltage network, leaving 74 stations without power supply. Power supply for around 2,500 customers was interrupted for some time.

The early and sudden onset of winter in Northern and East Tyrol on October 25 and 26 resulted in a total of five malfunctions of the high-voltage network and 24 malfunctions of the medium-voltage network. Around 18,000 customers in 37 local network areas were affected.

On November 22, 2010, wet snow falls in East Tyrol caused several fallen trees and thus numerous disruptions of the high- and medium-voltage networks. In order to restore power supply for the around 4,000 affected customers in 10 local network areas as fast as possible, electricity was routed via a 30 kV network.

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 as fast as possible.

Risk management

Because of their great importance for supply security, the vital IT systems of TIWAG-Netz AG were again checked by external experts in the fiscal year 2010 in order to ensure compliance with security standards and the required system availability.

Network cooperation/Consolidation of control areas

After conclusion of the network cooperation agreement in the year 2009, early 2010 saw the conclusion of a transfer agreement with Austrian Power Grid AG (APG) with regard to the transmission network of TIWAG-Netz AG, which provided for the consolidation of the Tyrol control area with the APG control area under the direction of APG.

The technically complex transfer of the Tyrol control area from the German group of transmission network operators to the APG control area with effect from January 1, 2011, required intensive cooperation with APG, the future control area manager for Tyrol, and the German transmission network operators. In this connection, additional operational issues had to be resolved between Austria and Germany so as not to interfere with existing contractual relationships of Tyrolean power station operators in the German control power market.

At the turn of the year 2010/11, the load frequency stabilizer in Thaur was shut down; the Tyrol control area was transferred from the German group of transmission network operators and integrated into the APG control area and, as of January 1, 2011, 00:00 a.m., has been

controlled via APG's load frequency stabilizer. Thus, the complex works relating to the consolidation of the control areas could be completed successfully and according to schedule.

Electricity Industry and Organization Act of 2010

At the end of the year 2010, the National Council and the Federal Council adopted the Electricity Industry and Organization Act of 2010 (Elektrizitätswirtschafts- und -organisationsgesetz 2010, ElWOG 2010) and the Energy Control Act of 2010 (Energie-Control-Gesetz 2010, E-ControlG 2010). These two acts transpose the provisions of the third EU internal market directive into Austrian law. Central elements of the transposed statutory regulations are: even stricter unbundling requirements for transmission network operators and distribution network operators, more rights for customers, the reorganization of the regulatory authorities and the tariff procedure as well as the preparation of a large-scale introduction of intelligent metering devices ("smart meters"). Both TIWAG and TIWAG-Netz AG are well-prepared for the new statutory regulations and the related challenges.

MAXIMUM- AND HIGH-VOLTAGE NETWORK

Zillertal 110 kV overhead line – Completion and start of operations

In the year 2010, the second part of the 80-year-old 110 kV overhead line through the Zillertal valley was renewed – from the Fügen transformer station to the Zell am Ziller transformer station. The method developed during the renewal of the first section of the line for laying power pole foundations with a "ductile ram pile" was perfected in the course of the renewal of the second section. In the course of these works, we developed a new procedure for examining piles, together with the company Grund-, Pfahl- und Sonderbau (GPS). The so-called "pile HAY proof system", which is going to be patented, allows for the simultaneous execution of a tension and a pressure test on one and the same pile.

The foundation concept developed by TIWAG-Netz AG for the Zillertal line could be presented to a large circle of line construction experts on February 4, 2010, and received very positive feedback by all experts present.

In the period from April to May 2010, the critical cable pulling works along the route of the existing 110 kV line were carried out. For this purpose, we developed an extensive switching program in the course of which the existing line systems were sometimes switched off alternatingly and sometimes simultaneously to make it possible to carry out the cable pulling works and to ensure supply for the population.

Step by step, the individual new line sections were put into operation. On June 24, 2010, after completion of the last concrete reinforcement works, the new line from Jenbach via the Fügen transformer station up to Zell am Ziller was put into operation.

On October 1, 2010, after completion of the remaining works, deputy provincial governor Anton Steixner and Dr. Bruno Wallnöfer in his function as the Chairman of the Supervisory Board of TIWAG Netz AG officially put the renewed 110 kV overhead line through the Zillertal valley into operation. The ceremony was attended by mayors, official representatives, land owners, suppliers and employees.

Restoration of the Inntal valley 220 kV line

The 220 kV line through the Inntal valley is the backbone of reliable power supply in Tyrol. A major part of the 220 kV line Zell – Strass – Thaur – Oberhofen, and thus also of the electricity towers including foundation, isolators, clamps, connectors and conductor ropes, was built in the years from 1958 until 1963. The 220 kV line from Western Tyrol to Prutz was built and put into operation between 1961 and 1964. All components used are thus at least 50 years old and therefore have to be overhauled or replaced.
In order to be able to guarantee future supply security and quality for Tyrol at the same high level customers currently enjoy, TIWAG-Netz AG decided to immediately start with the required renovation measures (overhaul of the concrete foundations based on their condition, overhaul of the supporting structures for the cables,

replacement of the conductor ropes, isolators etc., renewal of corrosion protection). The overhaul comprises a total of 112 line kilometers of cable pairs and 381 lattice steel towers; investments of ca. EUR 40 million will be required.

In the year 2009, the poles and foundations of ten selected towers in the line section from the Zell am Ziller transformer station up to the outgoing feeder near Oberhofen were overhauled. Subsequently, 2010 saw the renovation of the foundations of all towers and the dead-end towers in the 10 km section from Oberhofen to Ranggen. Afterwards, from end-September to early November 2010, the cable pulling works were carried out between Oberhofen and Ranggen and modern TAL/HACIN conductor ropes were put into place.

Maintenance work in the line routing from Prutz to Western Tyrol, which spans 27.4 km and includes 106 electricity towers, began in fall 2010 with the renovation of electricity towers and foundations. The cable pulling works have been scheduled for 2011 and are to be carried out during the general inspection and overhaul of the Kaunertal power station. According to schedule, the overhaul of the entire Inntal valley 220 kV line should be completed by 2014.

▪ Remodeling works on the 110 kV line from Thaur to Wilten

The project at hand was prompted by the implementation of the overhead noise barrier on the Brenner highway in the vicinity of Innsbruck/Amras by ASFINAG. In order to maintain the required safety distance, it was necessary to raise the two electricity towers no. 15 and 16 accordingly.

Electricity towers had to be raised because of the overhead noise barrier in the vicinity of Innsbruck/Amras

Since late fall 2009, the foundation for the power poles had been prepared step by step in close cooperation and coordination with the commissioned construction company. After rolling traffic on the highway had been routed to the Northern lane covered by the now completed noise barrier, the re-modeling work was carried out by telescopic cranes during the weekend of December 17 to 19 under the most adverse weather conditions.

▪ Renewal of the 110 kV switching station at the St. Johann transformer station

The existing transformer station has been in operation since 1962. Thus, the components of the open-air 110 kV station have reached the end of their technical life cycle. It has also become necessary to erect a third transformer.

Since it is to be expected that the network load in the greater St. Johann area will continue to rise in the future, TIWAG-Netz AG decided to develop a future-oriented concept for a load concentration of these dimensions, which provides for the dismantling of the old and construction of a new 110 kV switching station in the form of an in-door gas-insulated switching station with a sectionalized double busbar.

Next to compliance with all operational requirements, simple expandability of the switching station in the future, improvement of supply security and minimal need for maintenance, a trendsetting modular spacial concept has been developed for the station at St. Johann.

After detailed planning, an extensive tender procedure and the award of the contract in the year 2010, the construction phase for the switching station was scheduled to start in the first quarter of 2011. By fall 2011, the factory-tested switching station will be assembled, the lines will be connected and the station will be put into operation, so that the station will be up and running before the 2011/2012 winter season.

▪ Replacement of the 220/110 kV main transformer in the Western Tyrol transformer station

The main transformer in the Western Tyrol transformer

station, which had been over 40 years old and in need of renovation, was replaced by a new main transformer. The new main transformer had already been ordered in September 2009. Transport from the manufacturing company in Poland and assembly took place in September 2010. At the end of October 2010, the transformer was put into operation.

Since the assembly of the new main transformer has been completed, the old main transformer is now being rehabilitated and will serve as a spare main transformer in the future.

Complete overhaul of the Zirl transformer station

The 110 kV switching station of the Zirl transformer station was built in the year 1955 with concrete supporting structures. Due to extensive weathering, the supporting structures were no longer stable enough. In the course of the complete overhaul, the number of busbars of the station was reduced from 3 to 2, which reflects both current and future requirements. The total costs of the overhaul amounted to ca. EUR 2.5 million.

In order to keep the power supply intact, all replacement and repair works were carried out in the vicinity of the tension field of neighboring, operating switchboard sections. This required extensive deployment of specialized staff on the part of TIWAG-Netz AG.

From September 2010 on, the overhauled outgoing feeders were connected to the network step by step. In early October 2010, the restored station could be put into operation after several years of remodeling.

MEDIUM- AND LOW-VOLTAGE NETWORK

In accordance with increasing demand for electricity, the distribution network was further expanded by adding 37 transformer stations providing an additional installed capacity of 56,760 kVA.
In the reporting period, the medium-voltage network was extended by 8 km, increasing cabling density from 57 % to 59 %.

Electrification of the Bächental valley

The low-voltage network grew by 102 km in the reporting year, raising cabling density from 73 % to 75 %.

In the reporting year, 1,400 customer systems with a total load of 23,144 kW were connected to the distribution network for the first time, and the capacity of existing customer systems was expanded by 18,288 kW.

A project that deserves particular attention is the electrification of the mountain lodges and the rock oil distillery in the Bächental valley with a 30 kV underground and low-voltage cable. The project was carried out entirely in the Karwendel Natura 2000 protected area, affecting for a large part the Karwendel nature protection area and for a small part the Achental West protected area. Therefore, extensive negotiations with regard to issues of environmental protection law were necessary and a large number of administrative and legislative restrictions had to be complied with. The routing was determined in close cooperation with the expert for environmental protection assigned to the project by the authorities. In the area of the mountain lodges, very often wetlands with rare plants and small animals were affected, making cabling works were very difficult in these areas. The cabling works were outsourced, while the highly specialized assembly works were carried out by our own personnel.

In a record time of only four months of construction time, 55 new clients could be connected to the distribution network via 5 km of medium-voltage cables and 14 km of low-voltage cables. The entire electrification project required a total investment of around 1.7 million EUR.

Energy trading

The trading year 2010 was characterized by an increasingly pronounced recovery of the global economy, driven mainly by the booming emerging markets Brazil, India and especially China. This development caused a noticeable rise of the prices for primary energy sources. In Europe, the European sovereign debt crisis dampened economic development. On the energy futures market, prices for base products increased only marginally compared to the previous year. Peak products were traded at a price lower than that of the previous year. Prices for short-term deliveries rose slightly; day trading volumes increased markedly.

PRIMARY ENERGY SOURCES

The prices paid for coal and gas on the global market strongly affect the production costs of all thermal power stations and thus significantly influence the market prices for electricity.

■ Crude oil

The oil price is very often regarded as a barometer of global economic development. In the course of the year 2010, the oil price development indicated that the global economy was increasingly recovering from the financial and economic crisis. Figure 1 shows the price development for Brent crude oil for next-month delivery in USD per barrel and EUR per barrel.

The low temperatures in early 2010 caused the ICE Brent Index to rise to over 80 USD per barrel; subsequently, the index fell to 70 USD per barrel, which is to be attributed to China's interest rate policy, which stifled economic growth, the European sovereign debt crisis and to weak economic data in the US. In the first half of February, there was increasing confidence in the economy and, headed by the financial markets, prices rose and did not come to a halt until early May, reaching a maximum level of 89 USD per barrel, and then plummeted back to the annual low of 70 USD per barrel. This price slump must be viewed against the background of the downgrading of European debtor countries by US rating agencies and a 4-year low of the euro. In the US, large oil stocks were reported, which, indicating slow demand, also had a price-dampening effect. In the third quarter of 2010, prices mainly remained in the range between 70 USD per barrel and 80 USD per barrel. Confidence in the European economy grew as the euro exchange rate rose after the EU's rescue package for Greece had been adopted. The frequent price oscillations between 70 and 80 USD per barrel can be interpreted as the reflection of a skeptical and cautious market; however, there was also talk of speculative influences. The fourth quarter was characterized by robust demand in Asia as well as in Europe. In November,

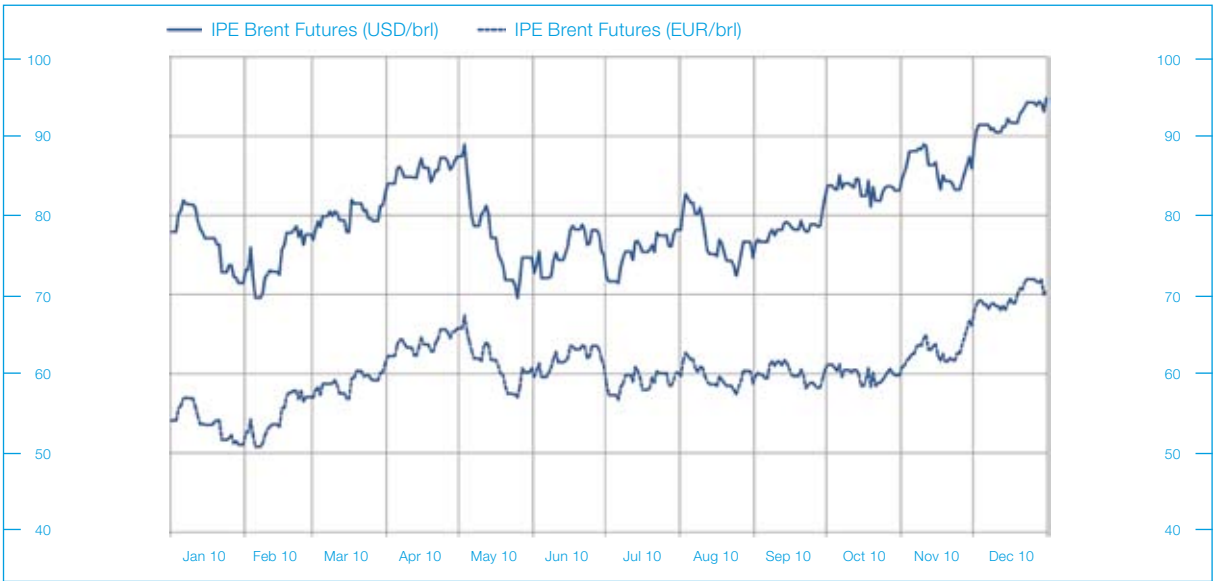


Figure 1

oil prices rose to nearly 90 USD per barrel and only showed minor reactions, i.e. a temporary price fall, in the wake of the Irish debt crisis and China's announcement that it would take interest rate measures to control its overheated internal economic growth. From end-November on, the market sentiment was globally positive and oil prices were quoted at the annual high of 94 USD per barrel until end-December.

Gas

In 2010, natural gas trade was characterized by emerging structural market changes, since newly developed extraction capacities in the US increased supply quantities and put pressure on gas prices, which are usually pegged to the oil price. Up to now, the majority of natural gas has been extracted from underground gas pockets. Over the last years, extraction technologies have been improved, which means that also "unconventional" gas sources in rocks with low gas permeability, such as slate and clay, can be exploited at competitive prices. The price-determining influence of the peg to oil prices was thus weakened and market opinion in part even foresees the end of this peg. Long-term gas import contracts which stipulate a peg to oil prices and cover important volumes of gas supply for Europe were faced with price pressure. According to information released by the exchanges, these long-term gas import contracts showed considerable price disadvantages in 2010 compared to the wholesale prices.

Figure 2 shows the European TTF Gas quotation as well as the US-American NYMEX Natural Gas Future quotation, each for next-month delivery in EUR/MWh.

The supply situation described above caused prices to decline from around EUR 14/MWh to EUR 12/MWh in the first quarter of 2010. In the second quarter of 2010, the market turned bullish, bringing the European TTF quotation to above EUR 20/MWh, which, according to market opinion, was mainly caused by speculative demand. At the beginning of July, EUR 21/MWh were reached for a short period of time and were then

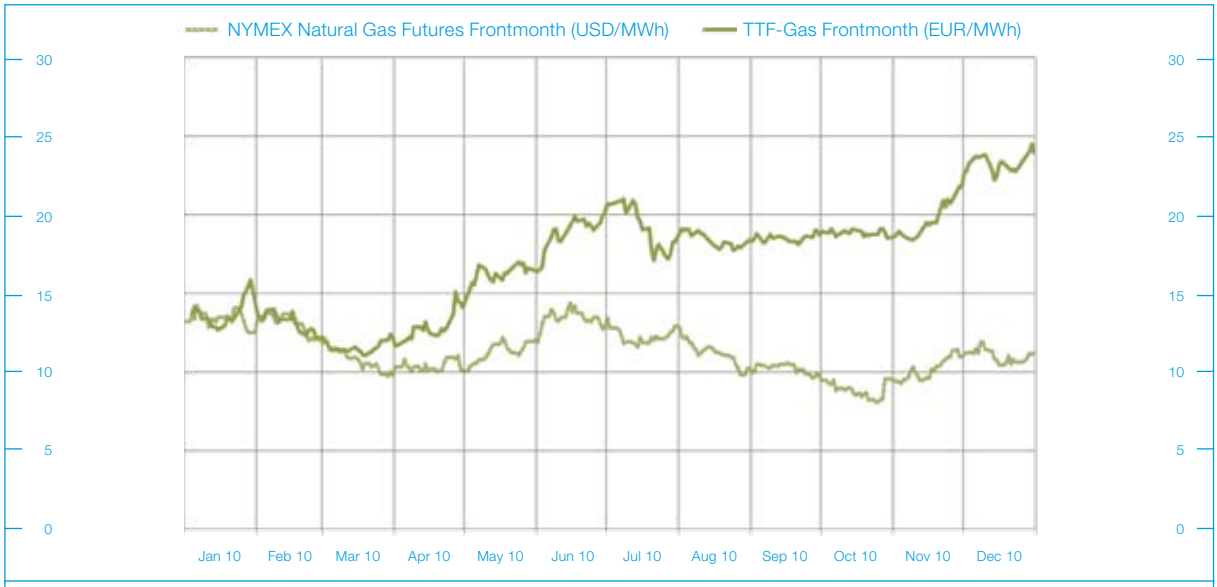


Figure 2

corrected to around EUR 19/MWh. This price level prevailed in the third quarter and until mid-November without any particular fundamental explanations. From mid-November, cold weather and positive market sentiment seem to have triggered a massive price hike; in any case, the TTF quotation climbed to EUR 24/MWh by the end of the year. Thus, prices were around 70 % higher at the end of the year than they had been at the beginning of the year.

The development of the US-American NYMEX Natural Gas Future quotation (EUR/MWh) diverged from the European wholesale price curve from the second quarter of 2010, leading to a price of EUR 11/MWh at year-end 2010, which corresponded to a level half that of the European TTF quotation.

Hard coal

The prices for hard coal on the global market were still influenced by China's still growing energy hunger. In the trading year 2010, China's high import rates, which continued to soar in the course of the year, proved to be the driving force behind price development, which was further boosted by the growing demand in Europe and the US.

Figure 3 shows the EEX API#2 hard coal quotation for next-month deliveries in USD/to and in EUR/to in the year 2010. In the first quarter, prices mostly declined, hitting bottom at around 75 USD/to. The recovery of the global economy caused prices to considerably pick up in the second quarter also in this sector – to a level of 92 USD/to, which also prevailed in the third quarter. In the fourth quarter, prices soared, climbing up to the annual high of 130 USD/to by the end of December.

Wholesale prices for hard coal and natural gas almost doubled in the course of 2010, if one looks at the annual low and the annual high. The market price for electricity, however, remained on a relatively low level throughout the year. The risks of investing in new hard coal and CCGT power stations are thus apparent. Furthermore,

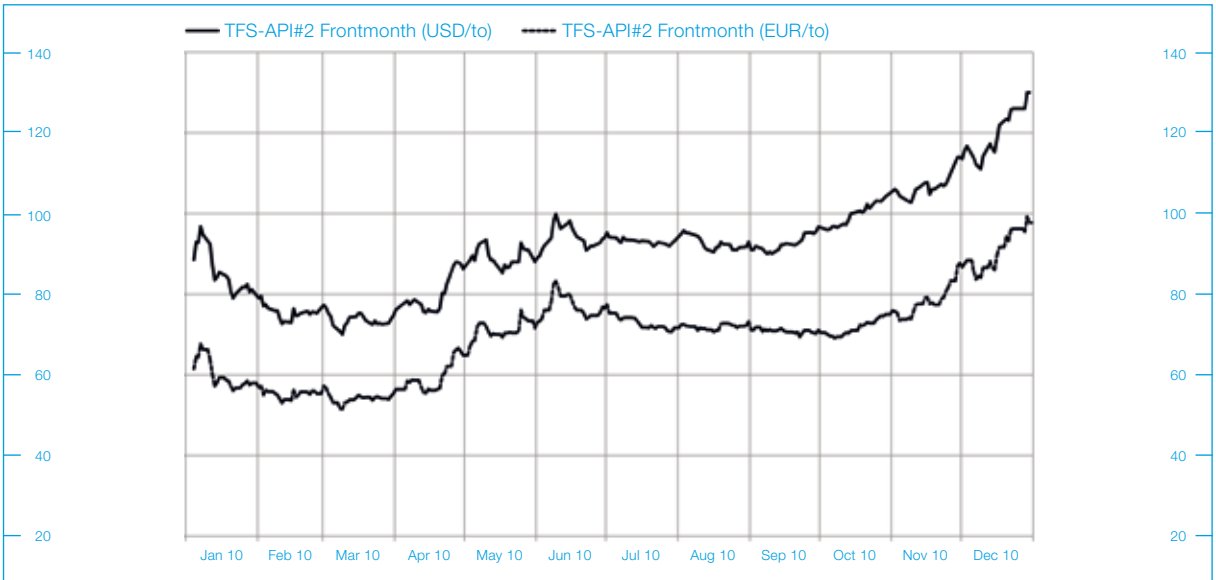


Figure 3

there will be no more cost-free emission allowances in the future, carbon capture systems for coal fired power stations are only in the test phase and the promoted expansion of renewable forms of energy generation will shorten the running times of thermal power plants.
New hydropower stations may rely on by far more favorable conditions; a good example is the Kühtai II pumped storage power station of TIWAG-Tiroler Wasserkraft AG that is ready for construction. There are no price risks for energy feedstock as well as CO2 allowances, and emissions that are detrimental to the climate are avoided. Furthermore, hydropower stations equipped to provide control energy make it possible to compensate the fluctuations in the production contributions of alternative energy sources, in particular wind and solar energy, thus enabling the integration of these renewable energy sources into European energy networks.

SPOT TRADING AND DAY TRADING

The annual average spot trading prices for next-day deliveries were quoted at EUR 44/MWh and thus were around 13 % above the level of the previous year (EUR 39/MWh), clearly reflecting the economic upswing mentioned above. In the trading year 2009, the annual base supply for 2010 had been traded at an average of EUR 49/MWh and thus above the spot market price.
Day trading covers the delivery period between day-ahead and control energy deliveries with hourly products and has been expanded extensively owing to the increasing use of insecure forms of production (wind power stations, photovoltaics stations). The EEX (EPEX) energy exchange has reported that the trade volume of intraday deliveries doubled in 2010. On annual average, the intraday price came to EUR 46/MWh and was thus around 5 % above the spot market level.

Figure 4 shows the price development of both trading products at the EEX (EPEX) energy exchange in the year

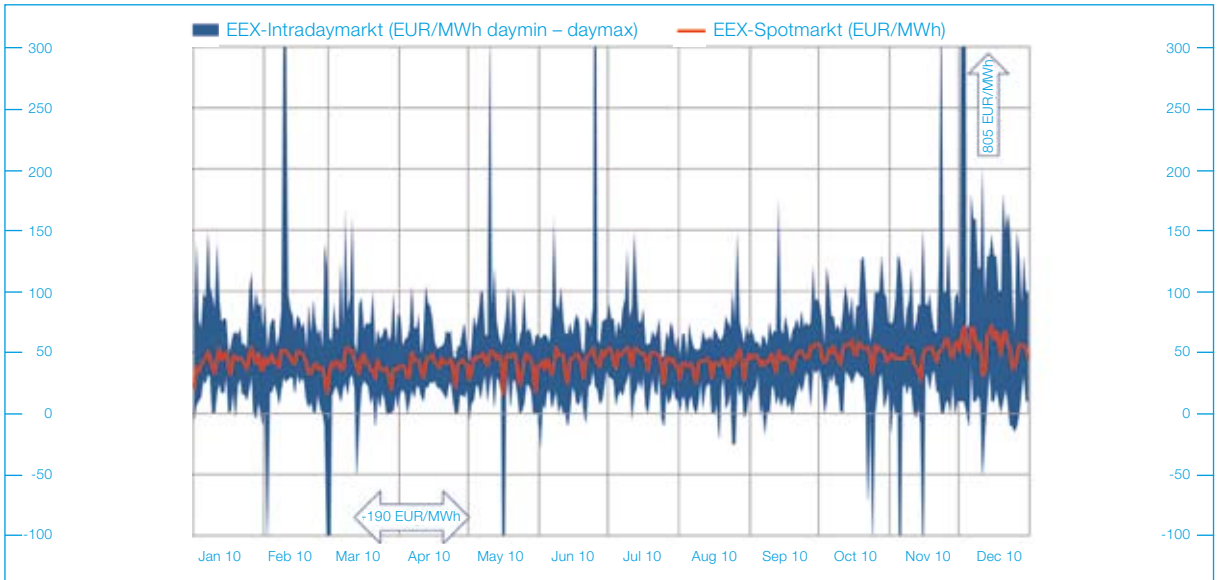


Figure 4

2010, illustrated by the average price on the spot market (Phelix base) and as the minimum and maximum daily values on the intraday market.

The average price for day-ahead deliveries in the first and second quarters was around EUR 41/MWh. In the third quarter, prices rose to an average of EUR 44/MWh. In the last quarter, prices continued to climb and reached an average of EUR 51/MWh, culminating in December with a monthly average of EUR 56/MWh, which also represented the annual high.
The volatile price development on the spot market can be interpreted as a reflection of the generation/load expectations of market participants. Intraday pricing – as a reflection of short-term surplus or shortage situations to be balanced – was, as expected, even more volatile, with negative prices of up to -EUR 190/MWh and a maximum price of +EUR 805/MWh in December.

Intraday and spot products are traded all year round at the energy exchanges. Trading on weekends and overnight has not yet reached the extent of trading on workdays. Nevertheless, almost all European electricity traders take part in weekend and overnight trading, since the increasing capacity overload of cross-border transmission lines opens up new market opportunities through the short-term use of free capacities.

In order to optimize limited transport capacities, so-called market coupling projects were started. Market coupling mechanisms were jointly developed by energy exchanges and transmission network operators and aim at a more efficient use of available transport capacities as well as an alignment of prices in the different market regions. At the end of 2010, Belgium, Germany, France, Luxembourg and the Netherlands launched the Central Western European Market Coupling (CWE Market Coupling) for the spot market. Furthermore, Germany and France joined efforts with the purpose of coordinating the allocation of capacities for the intraday market, and a cooperation project between Denmark and Germany aims at optimizing the connection between Northern and Central Europe.

However, the European objective of consolidating all European market regions into a uniform European energy market requires a substantial expansion of the networks, which forms an integral part of the third EU liberalization package. In practice, however, network expansion projects face manifold obstacles, which means that market coupling projects will probably constitute a long-term transitional solution.

CONTROL ENERGY TRADING

Differences between the supply of electricity and actual power consumption by customers must be balanced almost simultaneously so as not to put network stability at risk. This task is fulfilled by the respective transmission network operator in the operator's network area (control area) through the simultaneous increase and decrease of power station output (= 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 yet automatically drawn on by the transmission network operator from the suppliers, but by telephone or e-mail.
The price for control energy is composed of the capacity charge (availability) and the 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 were still attractive despite a general price decline since the previous year.

Especially (pumped) storage stations are optimally suited to provide control power. To be able to offer control energy, these power stations must be inspected

("prequalified") by transmission network operators. With its power stations that are equipped for providing control energy, TIWAG-Tiroler Wasserkraft AG was prequalified in Tyrol and with regard to the transmission network operators in Germany in 2010, and provided them with all types of control energy.

FUTURES TRADING

Energy trading with futures products, i.e. concerning delivery periods in the more distant future, is subject to other pricing mechanisms than spot trading, which is dominated by actual, current parameters (weather, temperature, supply/demand). Futures trading also attracts a larger circle of traders, e.g. participants from the financial market, and pricing in futures trading is not only influenced by objective criteria (e.g. prices of commodities, emission allowances) but also by expectations, opinions prevailing on the market and market behavior.

At around EUR 50/MWh, the price of the annual base supply for 2011 on the futures market hardly changed in the trading year 2010, remaining more or less at the same low level observed in the previous year. Compared to previous years, the analysis of the price curve shows a less marked correlation with the prices for primary energy sources. The fourth quarter of 2010 was particularly remarkable in this respect; while the prices for primary energy sources picked up distinctly due to international demand, there was hardly any reaction with regard to European energy price quotations.

Furthermore, there have been structural changes in the European energy production mix which are increasingly reflected in the price structure. Due to the expansion of wind power stations and photovoltaics stations, these forms of energy generation increasingly reach the capacities of conventional power stations. Since the energy produced by green power stations is purchased at fixed, market-independent prices based on purchasing guarantees, it is safe to expect the increasing replace-

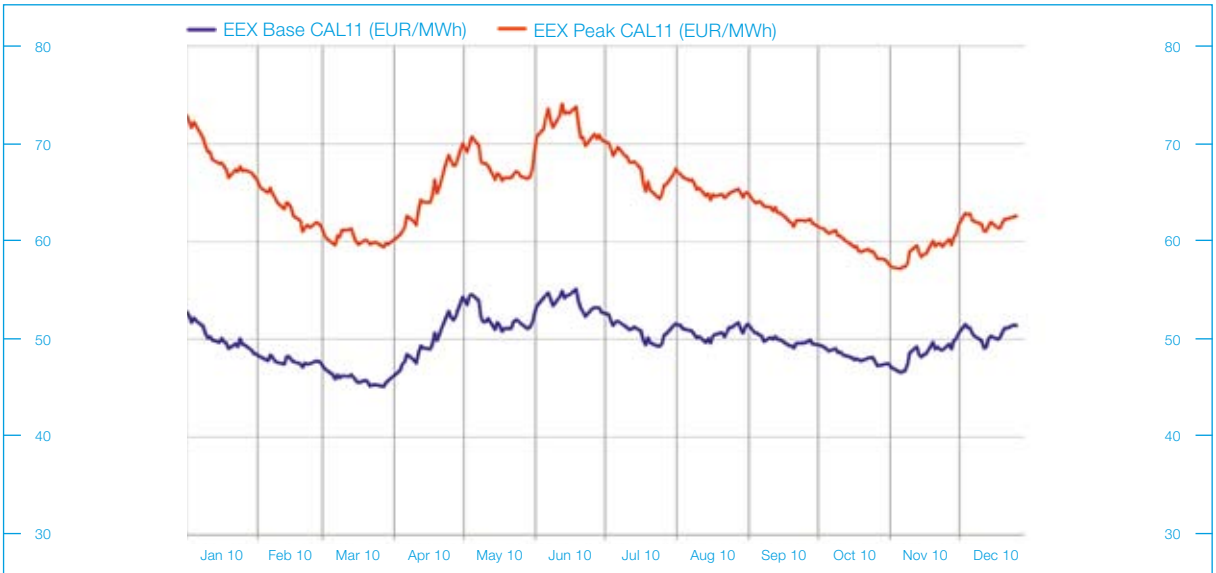


Figure 5

ment of conventional thermal production and correspondingly a lower level of primary energy consumption. In the year 2010, Germany moreover decided to extend the running time of nuclear power stations, which also constitute a price-dampening production mix component.

Figure 5 shows the electricity trading prices (futures) as published by European Energy Exchange AG (EEX) in Germany for the annual supply of 2011 in the trading year 2010. On annual average, supply of CAL 11 base was traded at EUR 50/MWh and CAL 11 peak at EUR 64/MWh in 2010.

The price of the continuous annual supply of 2011 steadily decreased from an initial price of EUR 53/MWh to the annual low of EUR 45/MWh base at the end of April. By mid-June, economic recovery had caused the price to rise again to the annual high of EUR 55/MWh base. In the second half of the year, the market price for base deliveries quickly decreased to EUR 50/MWh and subsequently remained at this level. Volatility on the futures market thus remained high.

The previously observed ratio of base deliveries to peak deliveries diminished markedly in the course of the year. This development is related to the growing production contributions of photovoltaics stations. Given their nature, these stations tend to produce peak energy and thus reduce the demand for conventional generation on week-days. Accordingly, on annual average, annual peak supply was traded at EUR 64/MWh and thus EUR 6/MWh below the annual average of the previous year, while the base price of EUR 50/MWh was EUR 1/MWh higher than in the previous year.

EMISSION ALLOWANCES

Figure 6 shows market prices of emission allowances for the second trading period for the year 2011.

After a stable first quarter (approx. EUR 13/to EUA),

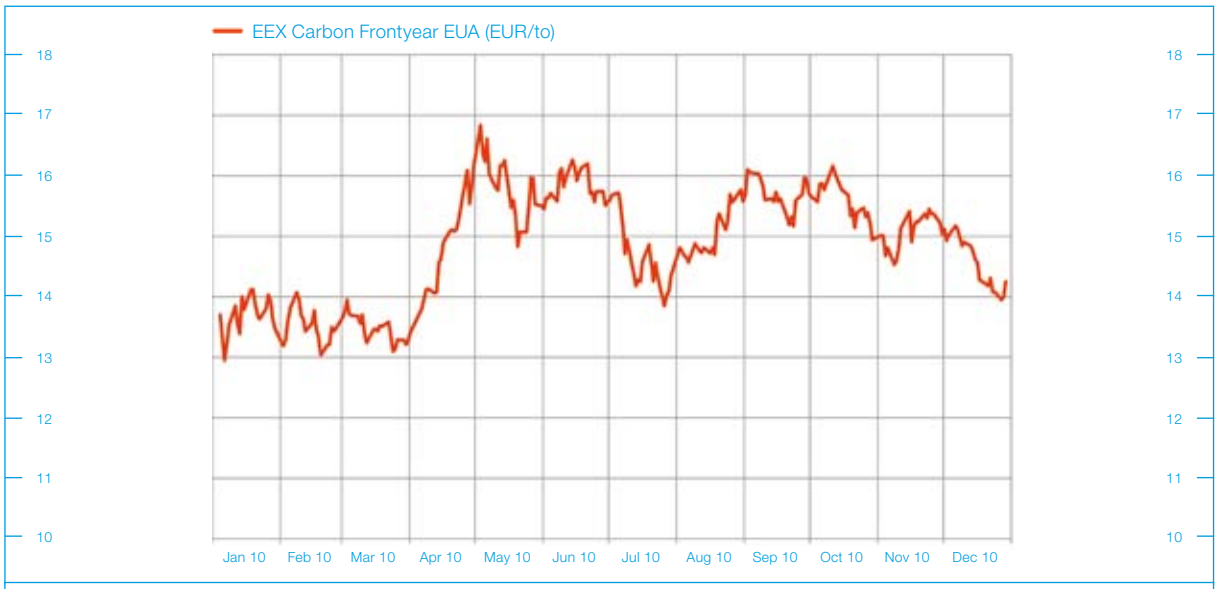


Figure 6

prices rose to around EUR 16/to EUA due to strong demand and publications by the EU Commission on the framework conditions for the third trading period. In the further course of the year, prices leveled off at a range between EUR 14 and EUR 16/to EUA. The relatively low price level was mainly attributed to a surplus of emission allowances left over from the previous year, in which the economy had been weak. Furthermore, it does not seem unlikely that fewer emission allowances were needed due to an increase in green production. The annual average price in 2010 was EUR 15/to EUA.

ELECTRICITY TRADING BY TIWAG

The electricity trading activities of TIWAG-Tiroler Wasserkraft AG span several areas: On the one hand, TIWAG engages in portfolio trading in order to ensure the price-optimized coverage of its customers' needs in Tyrol through a mix of own generation, long-term purchase rights and barter agreements, as well as the supply of electricity traders.

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 – a business segment which TIWAG intensively pursued and further expanded in 2010 by taking over half of the capacity of the Sellrain-Silz group of power stations and using it for producing control energy for its own account. With the increasing construction of wind power stations all over Europe, 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 22 TWh (purchase and delivery). In this field of activity, we are among other things exposed to financial risks, which we counteract 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), and the European initiatives for market transparency and market integrity will result in further adjustments of the risk management process, and of reporting and controlling.

The quantities of inflow to all power stations of TIWAG-Tiroler Wasserkraft AG were slightly below the long-term average in the year 2010.

BUSINESS ENVIRONMENT OF THE ENERGY INDUSTRY

In the course of the transposition of the third internal market package in Austria, the Electricity Industry and Organization Act 2010 and the Energy Control Act were amended with effect from March 2011. There are material changes with regard to the unbundling of transmission network operators, the unbundling of distribution network operators, the introduction of smart electricity meters, improved consumer protection and the reorganization of the regulatory authority E-Control.

One factor to be pointed out in this connection is the close cooperation of TIWAG-Netz AG with the transmission network operator Austrian Power Grid, which integrates the operation of the Tyrolean transmission network in the APG control area, which now comprises eight of Austria's nine provinces.

The German federal government has presented the new German energy concept, which focuses on a large-scale "greening" of the energy supply sector. The concept, for

instance, aims at reducing CO2 emissions by 80 % by 2050 and at raising the share of renewable energy to 80 % of overall energy consumption. The consumption of primary energy is to be cut by 50 %.

At European level, there were extensive preparations for reforming financial market regulation (Markets in Financial Instruments Directive, Capital Requirements Directive, market abuse, European Market Infrastructure Regulation, short-selling, etc.) as well as activities aimed at improving market integrity and transparency. The amendment and revised regulatory framework will bring energy trading closer to the rules and regulations for the financial services sector. They will lead to more extensive reporting and transparency requirements and, possibly, also to stricter capital requirements for energy traders.

Other activities

DAILY POWER CONSUMPTION IN TYROL REACHES NEW HIGH

On December 14, 2010, power consumption in Tyrol reached a historical high of almost 22.9 GWh. This daily value alone corresponds to one-seventh of the annual production of the Inn river power station at Langkampfen.

„We need new environmentally friendly hydropower stations and stronger networks.“

Dr. Bruno Wallnöfer, Chairman of the TIWAG Management Board

“These clear facts underline that we need to do even more for the supply security of our customers,” Dr. Bruno Wallnöfer, Chairman of TIWAG’s Management Board, emphasized. His conclusion: “We need new environmentally friendly hydropower stations and stronger networks.”

DIVERSE SUBSIDY PROGRAMS FOR EFFICIENT ENERGY USE

Promotion of electric vehicles

In the course of its activities to raise energy efficiency, TIWAG also invests in the promotion of electric vehicles (“e-mobility”) and, in 2010, we granted subsidies to a total of 1,000 customers who bought e-bikes (300 euro per purchase) or e-scooters (400 euro per purchase).
Chairman of the Management Board Dr. Bruno Wallnöfer said: “We are happy that electric vehicles – these particularly energy-efficient and environmentally friendly means of transport – are well-received by the general public and are thus delighted to provide our customers with an incentive for investing in a two-wheeled electric vehicle.”
Also Tyrol’s tourism experts are enthusiastic about the noise-free HP miracles. Therefore, TIWAG, together with ElectroDrive Tirol GmbH, provides the tourism industry with two-wheeled electric vehicles, including – if desired – supplementary technical on-site infrastructure.
Since the 2010 subsidy program had been extremely well-received, TIWAG’s subsidy campaign was continued in the year 2011. A further 500 customers were happy to receive a subsidy for the purchase of their electric vehicles.

TIWAG and ElectroDrive Tirol GmbH provide the tourism industry with both e-mobility infrastructure and two-wheeled electric vehicles.

Photovoltaics

Since the federal government’s 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. In May 2011, subsidization at the fixed compensation rate of 15 cent/kWh – more than twice the energy price in Tyrol, which is around 6 cent/kWh – was prolonged until further notice.

Heat pump subsidy

TIWAG has already supported the installation of heat pumps with an investment subsidy since 2007 and will continue to do so. 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 in each individual case.

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). 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. This campaign will end in June 2011.

EXPANSION OF DOMESTIC HYDROPOWER

EXPANSION OF THE KAUNERTAL POWER STATION: TIWAG PRESENTED ALTERNATIVE RESERVOIR LOCATION

The planned expansion of the Kaunertal power station will in any case require a second reservoir. With regard to the proposed solutions, TIWAG had already intensively investigated and worked on the possible locations Taschach in the Pitztal valley and Fernergrieß at the farthest end of the Kaunertal valley in 2009.

Expert analyses revealed that both options would be difficult to realize. Serious geological and structural engineering problems were identified which it would have only been possible to solve at disproportionally high costs.

In May 2010, TIWAG thus presented the alternative location "Platzertal valley", located in the municipality of Pfunds. The reservoir would be located west of the Gepatsch reservoir at a sea level of around 2,200 meters. The project provides for a reservoir with a useful capacity of 42 million m³ and a rockfill dam of natural stones (volume: ca. 7.8 million m³). This is significantly less than in the Taschach and Fernergrieß scenarios. The significantly higher head nevertheless makes this option very interesting. The planned reservoir will be fed mainly from the Gepatsch reservoir by pumps. The only natural inflow into the reservoir will be the Platzerbach stream. Due to the numerous inflows below the embankment dam, the water flow volume in the lower section of the stream would hardly be reduced.

Platzertal upper stage storage reservoir (photo montage)

Construction of the dam could be particularly non-invasive, since the construction site will be made accessible underground via an access tunnel from the Gepatsch reservoir. Thus, no aboveground development roads from Pfunds or Tösens will be necessary. The existing forest and pasture roads will also remain unharmed since they will not be needed as access roads for the construction site.

"With regard to energy generation and ecological criteria, the Platzertal location is a very interesting option," Dr. Bruno Wallnöfer, Chairman of TIWAG's Management Board, says. The storage volume is relatively moderate, geological conditions have been assessed as favorable and construction of the dam could be particularly non-invasive.

Presentation of the new Platzertal reservoir location: Dr. Bruno Wallnöfer, project manager DI Wolfgang Stroppa, mayor DI Gerhard Witting (Pfunds), mayor Josef Raich (Kaunertal), mayor Walter Gaim (Prutz), mayor Ing. Helmut Kofler (Tösens) and DI Alfred Fraidl.

TIWAG has presented the plans to the most important stakeholders in the project municipalities in the course of numerous information events in the affected municipalities and has invited the population to participate in a thorough discussion in the framework of the "dialogue and encounter" program. At information fairs, the citizens of the potential host municipalities had the opportunity to obtain extensive information on the project and to discuss the project with TIWAG's management team. Dr. Bruno Wallnöfer and Dipl.-Ing. Alfred Fraidl, TIWAG's Management Board team, want to propose to the municipalities to cooperate in designing a concept for the future which ensures that the regional population benefits appropriately from the value creation.

FINANCIAL STATEMENTS FOR THE COMPANY AND FOR THE GROUP

We want to speed up ecological improvements within Tyrol's energy industry, enhance the energy mix we provide to our end customers, become less dependent on non-domestic supply and thus contribute to a solid basis for Tyrol's energy autonomy.

BALANCE SHEET AS AT DECEMBER 31, 2010

Assets	Dec. 31, 2010 EUR	EUR	Dec. 31, 2009 in EUR 1,000	in EUR 1,000
A. Fixed assets				
I. Intangible assets	20,092,491.59		22,420.97	
II. Tangible assets	729,802,038.26		706,686.57	
III. Financial assets	871,325,796.92	1,621,220,326.77	792,186.52	1,521,294.06
B. Current assets				
I. Inventories	3,370,339.15		3,956.25	
II. Receivables and other assets	333,763,829.10		303,792.59	
III. Securities and interests	6,331,500.00		6,573.00	
IV. Cash in hand and at bank	12,506,319.21	355,971,987.46	35,556.10	349,877.94
C. Prepaid expenses and deferred charges				
1. Other prepaid expenses and deferred charges		4,343,131.29		3,795.59
		1,981,535,445.52		**1,874,967.59**

Equity and liabilities	Dec. 31, 2010 EUR	EUR	Dec. 31, 2009 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	777,596,243.02		724,596.24	
IV. Balance sheet profit, thereof carried forward: EUR 258,149.32 (previous year: EUR 1,000 141.6)	28,193,371.14	878,462,448.33	21,258.15	818,527.22
B. Untaxed reserves		86,291,866.47		75,158.40
C. Investment grants from public funds		3,594,355.02		3,817.19
D. Contributions to construction costs		132,454,151.80		128,053.63
E. Provisions		269,098,664.56		303,445.84
F. Liabilities		462,850,996.30		389,971.40
G. Deferred income		148,782,963.04		155,993.91
		1,981,535,445.52		**1,874,967.59**
1. Contingent liabilities		375,410,558.76		320,085.89

INCOME STATEMENT 2010

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 23,757,933.34; previous year, in EUR 1,000: 18,273.4)
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 52,080.27; previous year, in EUR 1,000: 1,353 b) expenses related to affiliates EUR 1,340,961.95; privious year, in EUR 1,000: 1,629
15. Interest and similar expenses (thereof interest component of allocation to social capital: EUR 7,022,601.93; previous year, in EUR 1,000: 7,133)
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

	2010		2009	
	EUR	EUR	in EUR 1,000	in EUR 1,000
		1,140,785,783.61		1,121,506.59
		-677,858.33		167.47
		15,682,138.33		11,937.64
	789,044.50		2,182.00	
	29,313,282.16		1,371.22	
	3,455,813.08	33,558,139.74	6,176.78	9,730.00
	-810,146,588.40		-823,080.12	
	-3,286,695.83	-813,433,284.23	-4,133.96	-827,214.08
	-8,889,895.27		-9,595.35	
	-70,924,606.41		-68,203.67	
	-2,369,874.32		-2,650.48	
	-9,832,649.09		-21,896.91	
	-19,741,195.62		-19,390.17	
	-839,803.43	-112,598,024.14	-872.00	-122,608.58
		-66,286,348.35		-65,839.18
	-714,733.77		-661.01	
	-156,982,855.51	-157,697,589.28	-79,507.65	-80,168.66
		39,332,957.35		**47,511.20**
		60,350,730.42		48,771.64
		1,380,238.47		1,419.55
		13,176,129.88		9,330.86
		20,205.54		25.44
		-1,685,713.20		-3,448.25
		-9,560,634.40		-9,978.66
		63,680,956.71		**46,120.58**
		103,013,914.06		**93,631.78**
		-10,945,221.51		-13,196.80
		92,068,692.55		**80,434.98**
		6,349,259.22		6,164.69
		0.00		0.00
		-17,482,729.95		-7,983.12
		-53,000,000.00		-57,500.00
		258,149.32		141.60
		28,193,371.14		**21,258.15**

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

Assets	Dec. 31, 2010 EUR	EUR	Dec. 31, 2009 in EUR 1,000	in EUR 1,000
A. Fixed assets				
I. Intangible assets	20,571,804.68		22,922.47	
II. Tangible assets	1,115,170,696.62		1,089,760.38	
III. Financial assets	681,094,069.61	1,816,836,570.91	602,231.36	1,714,914.22
B. Current assets				
I. Inventories	4,533,588.21		5,792.75	
II. Receivable and other assets	312,858,889.16		295,665.03	
III. Securities and interests	6,331,500.00		6,573.00	
IV. Cash in hand and at bank	69,852,424.94	393,576,402.31	80,713.76	388,744.54
C. Prepaid expenses and deferred charges				
1. Other prepaid expenses and deferred charges		6,746,784.01		6,315.26
		2,217,159,757.23		**2,109,974.02**

Equity and liabilities	Dec. 31, 2010 EUR	EUR	Dec. 31, 2009 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	738,652,581.24		694,041.87	
IV. Net income for the year	80,165,324.99		64,934.00	
V. Minority interests	32,642,782.52	924,133,522.92	32,453.24	864,101.94
B. Investment grants from public funds		12,151,533.09		12,588.92
C. Contributions to construction costs		167,289,496.24		163,051.80
D. Provisions		294,743,319.11		323,943.57
E. Liabilities		660,110,706.54		582,242.59
F. Deferred income		158,731,179.33		164,045.20
		2,217,159,757.23		**2,109,974.02**
1. Contingent liabilities		383,404,418.80		327,946.66

CONSOLIDATED INCOME STATEMENT 2010

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 297,080.27; previous year, in EUR 1,000: 1,877 b) expenses related to affiliates: EUR 0.00; previous year, in EUR 1,000: 3.4 c) expenses related to associated companies: EUR 9,469,855.36; previous year, in EUR 1,000: 13,551
15. Interest and similar expenses (thereof interest portion of allocation to social capital: EUR 7,100,437.37; previous year, in EUR 1,000: 7,188)
16. Subtotal items 10 to 15
17. Result from ordinary activities before tax
18. Income taxes
19. Net income for the year
20. Other shareholders' share in the income for the year
21. Net income for the year

	2010		2009	
	EUR	EUR	in EUR 1,000	in EUR 1,000
		1,369,045,648.57		1,348,267.80
		-393,938.18		127.53
		17,040,299.44		13,089.59
	1,172,026.57		2,206.68	
	31,036,790.92		1,639.94	
	5,986,914.44	38,195,731.93	7,784.35	11,630.97
	-891,064,817.88		-918,297.43	
	-11,502,546.99	-902,567,364.87	-11,789.16	-930,086.59
	-10,078,380.84		-10,951.94	
	-75,021,520.89		-71,917.49	
	-2,472,407.30		-2,776.01	
	-9,947,596.03		-22,205.59	
	-20,968,216.24		-20,619.67	
	-936,182.63	-119,424,303.93	-938.74	-129,409.43
		-85,182,292.76		-84,455.07
	-70,976,870.76		-68,362.52	
	-177,208,178.39	-248,185,049.15	-93,308.16	-161,670.68
		68,528,731.05		**67,494.12**
		34,423,404.02		29,817.19
		1,387,356.02		1,421.54
		14,561,874.35		10,715.56
		20,205.54		976.68
		-11,156,668.56		-17,174.33
		-12,136,804.68		-12,868.37
		27,099,366.69		**12,888.27**
		95,628,097.74		**80,382.39**
		-14,520,819.29		-14,619.10
		81,107,278.45		**65,763.29**
		-941,953.46		-829.29
		80,165,324.99		**64,934.00**

NOTES

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 consolidated financial statements have been prepared as at the balance sheet date of the financial statements of TIWAG-Tiroler Wasserkraft AG. The fiscal year comprises the period from January 1 to December 31. The company balance sheet and income statement and the consolidated balance sheet and income statement are explained separately. The currency used in the annual report is euro. Unless stated otherwise, all figures for the previous year are given in thousands of euro (EUR 1,000). TIWAG-Tiroler Wasserkraft AG prepares the annual financial statements according to the provisions contained in the Austrian Business Code (Unternehmensgesetzbuch, UGB) and the Austrian Stock Corporation Act (Aktiengesetz, AktG) as amended. The income statement in the individual company financial statements and consolidated financial statements is prepared applying the "total cost" format (breakdown by type of expenditure). The summation of rounded amounts and percentages may result in rounding differences due to the use of automatic calculation aids.

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. The financial statements of the companies included in the consolidated financial statements that have been prepared as at the balance sheet date of the consolidated financial statements have been prepared according to the harmonized intragroup accounting principles. In the interest of a clear presentation, individual items in the balance sheet and the income statement have been combined. These items are reported separately in the notes. In the case of assets and liabilities which fall under several balance sheet items, the related explanatory notes state the other items under which the relevant assets and liabilities fall. The financial statements have been prepared in compliance with the principle of completeness and the balance sheet items have been valued on a going-concern basis. The principle of prudence was taken into account and the principle of item-by-item valuation was applied.

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 to be valued at acquisition or production costs, reduced by 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 1/3 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 assets	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. Unscheduled depreciation to lower actual values is carried out if a lasting impairment of value is expected. 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 6,318,828.17 and, in the case of the consolidated financial statements, in the amount of EUR 6,318,828.17.

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 distribution costs is not included.

3. RECEIVABLES AND OTHER ASSETS, CASH AT BANK

Receivables were valued at acquisition costs.
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.
Next to liquid means in the narrowest sense, i.e. checks, cash in hand and at bank, cash also includes short-term investments that can be converted into cash amounts at any time.

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 in 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.
The item “Other provisions” includes all risks identifiable as at the balance sheet date that are attributable to past events and whose amounts or due dates are uncertain.

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 that are denominated in currencies from outside the European Monetary Union are measured at the higher of the cost or the exchange rate.

7. BASES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of TIWAG-Tiroler Wasserkraft AG for the fiscal year from January 1, 2010, to December 31, 2010, were prepared in compliance with sections 244 – 267 of the Austrian Business Code as amended at the balance sheet date.
The following explanatory notes comprise statements that need to be included in the consolidated financial statements as notes to the consolidated financial statements, alongside the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the development of the group’s equity capital.
TIWAG-Tiroler Wasserkraft AG, having its registered office in Innsbruck, Eduard-Wallnöfer-Platz 2, is the parent company of the TIWAG group. Since the consolidated financial statements are not relevant for calculating distributions, the previously applied differentiation between reserves from retained earnings and balance sheet profit was discarded in the year under review. The net income for the year reduced by the share accounted for by minority shareholders is now reported separately under shareholders’ equity. In order to ensure comparability with the previous year, the previous year’s figures were adjusted accordingly.

8. CONSOLIDATED GROUP

At the balance sheet date, the TIWAG group comprises a total of eight subsidiaries within the meaning of section 244 of the Austrian Business Code, six of which (previous year: 6) are included in the consolidated financial statements within the scope of full consolidation. With regard to the fully consolidated companies, the parent company, TIWAG-Tiroler Wasserkraft AG, is entitled to the majority of voting rights and a controlling influence.

The following subsidiaries are included in the consolidated financial statements by way of full consolidation:

- TIGAS-Erdgas Tirol GmbH (TIGAS),
- Achenseeschiffahrt-GesmbH (ASG),
- TIWAG-Netz AG (previously: Tiroler Regelzone AG),
- Ökoenergie Tirol GmbH (ÖET),
- TIWAG-Italia GmbH i.L. (TITA) *and*
- Stadtwärme Lienz Produktions- und Vertriebs-GmbH (SWL)

The consolidated group has not changed significantly in comparison to the previous year so that the previous year’s consolidated financial statements are comparable. In the past fiscal year, one company, i.e. TIWAG Hydro Engineering GmbH in Liquidation, left the consolidated group.

The subsidiary Achensee-Hotelgesellschaft m.b.H. had not been included in the consolidated financial statements due to the provisions of section 249 par. 2 of the Austrian Business Code. On April 8, 2010, the company’s memorandum of association was revised. The company’s name is now Ökoenergie Tirol GmbH and the object of the company now is to buy and sell energy from renewable energy sources. Due to these changes, the right to opt against capital consolidation, which had previously been exercised, was waived and Ökoenergie Tirol GmbH is subject to initial consolidation as at December 31, 2010.
From the group’s point of view, the shares in two subsidiaries are of minor importance pursuant to section 249 par. 2 of the Austrian Business Code. They are thus reported under affiliated companies.
Generally, six companies are included based on the equity method. TIWAG’s participations in Innsbrucker Kommunalbetriebe Aktiengesellschaft (IKB AG) and MyElectric Energievertriebs- und -dienstleistungs GmbH

as well as its participation with regard to TIGAS's participation in SELGAS AG are included as associated companies 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, three companies have not been included as associated company pursuant to section 263 par. 2 of the Austrian Business Code. The companies not fully consolidated pursuant to section 249 par. 2 of the Austrian Business Code and not valued at equity pursuant to section 263 par. 2 of the Austrian Business Code show the following figures – based on the amounts of the previous year:

	Not fully consolidated [section 249 par. 2 of the Austrian Business Code] compared to the group (in %)	Not valued at equity [section 263 par. 2 of the Austrian Business Code] compared to the group (in %)
Fixed assets	0.04	1.88
Current assets	0.18	1.02
Shareholders' equity	0.12	-0.09
Debts	0.05	2.76
Sales revenues	0.08	0.75
Result	-0.37	-0.09

9. 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 TIWAG-Italia GmbH it is Oct. 1, 2003, and for Stadtwärme Lienz Produktions- und Vertriebs-GmbH it is Dec. 31, 2007, and for Ökoenergie Tirol GmbH it is Dec. 31, 2010. 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 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 and of Ökoenergie Tirol GmbH resulted in a difference in the amount of EUR 1,215.57 and of EUR 8,419.84, which was also allocated to reserves from retained earnings. As per liquidation order of Oct. 21, 2010, the deconsolidation of TIWAG Hydro Engineering GmbH in Liquidation was carried out without affecting income. The liquid funds disclosed in the liquidation balance were taken over by the parent company.
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 AG (ENERGAS SÜDGAS AG and SELGAS AG were merged with effect as of Dec. 31, 2005, with SELGAS AG being the acquiring company; in preparation of the merger, TIGAS increased its share in SELGAS from 30 % to 40 % in order to acquire a share in SELGAS equal to the share TIGAS held in ENERGAS). 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. The reported value of investments in the companies, which are valued based on the equity method, is increased/decreased according to the capital share held and changes in shareholders' equity.

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.
The consolidation methods applied have not changed compared to the previous year.

10. 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 power 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.
In the reporting year, a part of the cross-border leasing transactions that had been concluded with regard to the electricity distribution network was prematurely terminated upon mutual agreement of all contractual partners.

The total net present value benefit resulting from the transactions amounted to EUR 202,588,426.39, of which EUR 8,175,024.40 were accounted for by the transaction now terminated. 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 – taking into account the premature termination of one cross-border leasing transaction – amounted to EUR 148,768,004.60 as at the balance sheet date (previous year, in EUR 1,000: 155,959.3).

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, there are no assets or liabilities on the part of TIWAG-Tiroler Wasserkraft AG if one applies 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 in previous fiscal years, 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.

11. 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. In addition to 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, i.e. which are 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 26.88 million are accounted for by electricity generation, EUR 49.32 million by transformation and distribution, EUR 0.78 million by counting and metering devices and EUR 7.98 million by administration and other items.
Losses through disposal of tangible assets amount to EUR 369,688.74, of which EUR 49,975.14 come from sales. Profit from the sale of tangible assets amounts to EUR 789,044.50. The item "Land, rights equivalent to land and buildings, including buildings on third-party land" includes a land value in the amount of EUR 38,274,832.15.

Financial assets

Additions to financial assets are mainly attributable to the capital increase of VERBUND AG. In the course of the capital increase, the subscription rights of the existing Verbund shareholders were observed. TIWAG-Tiroler Wasserkraft AG as major shareholder exercised all of its subscription rights and acquired the new shares at the final subscription and offered price. Additionally, several tranches of Verbund shares were acquired at the stock exchange in the year under review.
On April 8, 2010, TIWAG-Tiroler Wasserkraft AG acquired the remaining shares in Achensee-Hotelgesellschaft m.b.H. and revised the memorandum of association. The company which is now called Ökoenergie Tirol GmbH buys and sells energy from renewable energy sources. The primary object of the company is the customer-oriented extension of the range of products to cater to the needs of a growing customer segment. TIWAG also intends to carry out its ventures into the "e-mobility" sector via this subsidiary.
Moreover, in the reporting year, TIWAG granted shareholders' grants to Wasser Tirol – Wasserdienstleistungs-GmbH and Stadtwärme Lienz Produktions- und Vertriebs-GmbH. The disposal of financial assets mainly relates to the distribution of the assets of TIWAG Hydro Engineering GmbH in Liquidation remaining after liquidation. The shares in affiliated companies have been disposed of and, in turn, the parent company has taken over the liquid funds of the liquidated company.
Moreover, the shares in A & B Ausgleichsenergie & Bilanzgruppen-Management AG were sold to TIWAG-Netz AG.
Details on the shareholdings are listed in the statement of shareholdings.
Extended loans in the total amount of EUR 463,193.16 will fall due within a year. Long-term securities with a book value of EUR 82,584,960.37 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. Ökoenergie Tirol GmbH, Innsbruck [3) 5) 12) 16)]	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 [12) 20) 21)]	FN 223791 f	EUR	726,700.00
6. TIWAG-Italia GmbH i. L., Bozen [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) 12)]	FN 195282 f	EUR	4,545,000.00
Participations			
1. Energie AG Oberösterreich, Linz [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. VERBUND AG, Vienna [23) 24)]	FN 76023 z	EUR	347,415,686.00
7. Innsbrucker Kommunalbetriebe AG, Innsbruck [8)]	FN 90981 x	EUR	10,000,000.00
8. A&B Ausgleichsenergie & Bilanzgruppen-Management AG, Innsbruck [15) 22)]	FN 203122 i	EUR	692,000.00
9. VERBUND-Austrian Hydro Power AG, Wien	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	1,357,884,000.00
15. Tauerngasleitung Studien- und Planungsgesellschaft m.b.H., Wals-Siezenheim [9)]	FN 304217 d	EUR	59,188.22
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
18. CISMO Clearing Integrated Services and Market Operations GmbH, Vienna [15)]	FN 197614 i	EUR	400,000.00
19. ECRA Emission Certificate Registry Austria GmbH, Vienna [15)]	FN 249085 b	EUR	35,000.00
20. APCS Power Clearing and Settlement AG, Vienna [15)]	FN 196976 x	EUR	2,200,000.00
21. Ötztaler Wasserkraft GmbH, Umhausen [25)]	FN 353576 s	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)] Amendment of the memorandum of association; previously: Achensee-Hotelgesellschaft m.b.H., Eben
[6)] Previously: 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 2010.
[12)] Included in group taxation.
[13)] Half of the nominal capital has been paid up.

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	2010	EUR	228,438,433.66	EUR	16,091,879.63
100.000	EUR	37,000.00	2010	EUR	4,972,085.83	EUR	83,436.25
100.000	EUR	38,000.00	2010	EUR	22,370.19	EUR	-1,823.42
100.000	EUR	500,000.00	2010	EUR	1,991,514.00	EUR	13,091,769.28
100.000	EUR	726,700.00	2010	EUR	741,389.33	EUR	-11,590.87
100.000	EUR	90,000.00	2010	EUR	193,441.00	EUR	-456,462.00
100.000	EUR	100,000.00	2010	EUR	74,602.16	EUR	-2,415.77
100.000	EUR	500,000.00	2009	EUR	920,453.10	EUR	-242,156.83
100.000	EUR	4,545,000.00	2010	EUR	4,583,712.66	EUR	-66,971.69
8.251	EUR	7,344,000.00	2009/2010	EUR	936,820,061.75	EUR	64,826,379.20
50.000	EUR	50,000.00	2009	EUR	-951,976.25	EUR	-183,800.54
50.000	EUR	100,000.00	2009	EUR	820,558.06	EUR	0.00
36.000	EUR	72,000.00	2009	EUR	218,481.51	EUR	4,874.10
30.900	EUR	10,815.11	2008/2009	EUR	1,363,851.02	EUR	-3,010.57
7.298	EUR	25,353,899.00	2009	TEUR	1,837,839.60	TEUR	515,183.70
49.999	EUR	4,999,900.00	2009	EUR	219,748,489.36	EUR	11,757,469.08
20.925	EUR	144,800.00	2009	EUR	1,528,759.82	EUR	333,159.82
0.222	EUR	308,455.78	2009	TEUR	1,126,510.30	TEUR	539,439.30
0.079	EUR	85.00	2009	TEUR	179,696.20	TEUR	17,647.30
9.000	EUR	13,500.00	2009	EUR	1,200,461.00	EUR	383,349.00
6.000	EUR	4,819,800.00	2009	EUR	276,175,076.19	EUR	77,796,972.82
40.000	EUR	6,560,000.00	2009	EUR	23,922,761.00	EUR	2,592,328.00
3.750	NOK	50,926,000.00	2009	NOK 1,000	185,286.00	NOK 1,000	-77,804.00
4.435	EUR	2,625.00	2009	EUR	1,435,691.07	EUR	-3,368,962.34
48.780	EUR	20,000.00	2009	EUR	-49,569.55	EUR	54,496.04
12.600	EUR	12,600.00	2009	EUR	5,744,801.63	EUR	699,278.69
2.500	EUR	9,999.40	2009	EUR	2,580,741.98	EUR	1,778,350.87
4.000	EUR	1,400.00	2009	EUR	289,887.89	EUR	39,337.50
5.000	EUR	110,000.00	2009	EUR	2,078,252.15	EUR	-241,114.85
25.000	EUR	25,000.00	–	EUR	newly founded	EUR	newly founded

[14] Register of Business Enterprises
[15] Participation is held by TIWAG-Netz AG.
[16] Initial consolidation December 31, 2010
[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; opening balance sheet for liquidation as at June 9, 2010
[19] Agreement for the sale and purchase of shares of December 22, 2009
[20] Final consolidation upon completion of the liquidation as at October 21, 2010
[21] Figures as stated in the closing balance sheet for liquidation as at September 30, 2010
[22] Sale of the shares to TIWAG-Netz AG
[23] Previously: Österreichische Elektrizitätswirtschafts-AG
[24] Capital increase registered on November 26, 2010 (FN 76023 z)
[25] According to the memorandum of association of October 11, 2010, held by TIWAG Beteiligungs GmbH

Inventories

The inventories include:

	Dec. 31, 2010 EUR	Dec. 31, 2009 in EUR 1,000
1. Raw materials and supplies	2,317,430.31	2,122.76
2. Installation materials and goods purchased for resale	83,446.63	71.39
3. Biomass fuels	355,937.72	464.10
4. Other inventories	14,604.78	21.22
5. Services not yet chargeable	598,919.71	1,276.78
TOTAL inventories	**3,370,339.15**	**3,956.25**

Receivables and other assets

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

	Dec. 31, 2010 EUR	Stating separately those with a remaining term of > 1 year	Dec. 31, 2009 in EUR 1,000
1. Trade receivables	60,523,378.52 (55,898,170.31)	574,308.38 (2,129,560.88)	55,898.17
2. Receivables due from affiliated companies	52,455,551.39	0.00	33,167.39
3. Receivables due from companies in which there is a participating interest	11,447,126.44	0.00	13,253.83
4. Other receivables and assets	209,337,772.75	0.00	201,473.20
TOTAL receivables and other assets	**333,763,829.10**	**574,308.38**	**303,792.59**

Under trade receivables, deductions amounting to EUR 873,385.00 have been made as provisions for bad debts.

The receivables due from affiliated companies relate to TIGAS-Erdgas Tirol GmbH, TIWAG-Netz AG, Wasser Tirol - Wasserdienstleistungs-GmbH, Achenseeschiffahrt-GesmbH, Stadtwärme Lienz Produktions- und Vertriebs-GmbH as well as TIWAG Beteiligungs 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 38,241.90.

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 891,448.38. Other receivables and assets include, in particular, receivables due from

corporate income tax and creditable capital gains tax in the amount of EUR 29,300,544.59, and from pending input tax in the amount of EUR 2,469,933.11 as well as receivables vis-à-vis suppliers in the amount of EUR 452,084.96. Also reported under this item are advance payments made for various orders in the amount of EUR 117,400.00. In the year under review, the existing fixed-term deposits in the amount of EUR 159.6 million (previous year: EUR 163.8 million) were reclassified from cash at bank to other receivables. In order to ensure comparability with the previous year, the previous year's figures were adjusted accordingly.
Other current securities and interests at the balance sheet date consist of bonds in the amount of EUR 6,331,500.00.
As at December 31, 2010, there were receivables in the amount of EUR 574,308.38 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 14,368,732.00 (previous year, in EUR 1,000: 13,889.9), 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

Shareholders' equity

The nominal capital in the amount of EUR 72,670,000.00 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 770,328,959.60.

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 4,400,522.06 in the year under review. The consumption of contributions to construction costs amounting to EUR 12,877,990.26 is included in the sales revenues.

	Dec. 31, 2010 EUR	Dec. 31, 2009 in EUR 1,000
1. Provisions for severance payments (subject to tax: EUR 5,735,227.33)	38,819,128.76	37,790.71
2. Provisions for pensions (subject to tax: EUR 26,111,499.31)	157,986,862.67	166,694.84
3. Tax provisions	18,400,320.91	7,653.66
4. Other provisions (subject to tax: EUR 3,507,639.18)	53,892,352.22	91,306.63
TOTAL provisions	**269,098,664.56**	**303,445.84**

Other provisions include the provision for waste water disposal measures in connection with the Strassen-Amlach power station on the Drau river (EUR 3,699,860.55), provisions for anniversary bonuses (EUR 11,555,223.49), for holiday entitlements not used (EUR 5,461,087.00), and for accrued flexible working hours of employees (EUR 1,763,850.00) and a provision for contingent losses related to the total item of derivative financial instruments in the amount of EUR 15,191,571.00.

Liabilities

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

(Figures for the previous year in parentheses)	Balance sheet value Dec. 31, 2010 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, 2009 in EUR 1.000
1. Bank loans and overdrafts	220,959,773.70 (164,645,023.59)	220,954,456.78 (164,639,358.80)	1,431.22 (1,415.23)	3,885.70 (4,249.56)	(164,645.02)
2. Advance payments received	552,786.22 (1,284,216.82)	552,786.22 (1,284,216.82)	0.00 (0.00)	0.00 (0.00)	(1,284.22)
3. Trade payables	138,785,770.84 (126,642,653.57)	51,841,064.36 (42,205,219.02)	86,239,346.48 (83,732,074.55)	705,360.00 (705,360.00)	(126,642.65)
4. Liabilities to affiliated companies	259,502.68 (308,229.42)	259,502.68 (308,229.42)	0.00 (0.00)	0.00 (0.00)	(308.23)
5. Liabilities to companies in which there is a participating interest	934,314.04 (1,222,662.15)	934,314.04 (1,222,662.15)	0.00 (0.00)	0.00 (0.00)	(1,222.66)
6. Other liabilities	101,358,848.82 (95,868,610.11)	91,772,722.71 (86,273,486.65)	97,188.01 (85,780.08)	9,488,938.10 (9,509,343.38)	(95,868.61)
thereof tax	*31,135,952.67* *(31,456,793.52)*	*31,135,952.67* *(31,456,793.52)*	*0.00* *(0.00)*	*0.00* *(0.00)*	*(31,456.79)*
thereof social security	*1,923,563.78* *(1,855,513.27)*	*1,923,563.78* *(1,855,513.27)*	*0.00* *(0.00)*	*0.00* *(0.00)*	*(1,855.51)*
TOTAL liabilities	**462,850,996.30** **(389,971,395.66)**	**366,314,846.79** **(295,933,172.86)**	**86,337,965.71** **(83,819,269.86)**	**10,198,183.80** **(10,218,952.94)**	**(389,971.40)**

Liabilities to affiliated companies relate to the subsidiaries 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 9,297,304.53 and liabilities payable to customers in the amount of EUR 46,658,752.59. The item “Other liabilities” includes expenses (fiscal charges on wages) in the amount of EUR 2,361,017.08 which were to become cash-effective only after December 31, 2010. Other liabilities in the amount of EUR 310,142.41 are mortgage-secured.

Contingent liabilities

Of contingent liabilities vis-à-vis affiliated companies, an amount of EUR 15,000,000.00 relates to the available amount of bank guarantees of TIWAG-Italia GmbH in Liquidation on the basis of a letter of comfort, an amount of EUR 8,000,000.00 and EUR 17,407,135.00

to liabilities of TIGAS-Erdgas Tirol GmbH and Stadtwärme Lienz Produktions- und Vertriebs-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 307,356,740.62, 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 20,854,032.18 as well as contingencies based on guarantees in Austria and abroad in the amount of EUR 6,792.650.96.

The total of other financial obligations connected with open-ended investments and the general renovation of various facilities will amount to approximately EUR 64.5 million in the next fiscal year (2011).

The right of the Municipality of Innsbruck to offer the remaining 50 % plus 1 share in IKB AG to TIWAG-Tiroler Wasserkraft AG for acquisition, which had been provided for in the set of agreements governing the acquisition of the participation in Innsbrucker Kommunalbetriebe Aktiengesellschaft (IKB AG), expired in the reporting year.

2. INCOME STATEMENT

Sales revenues

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

	2010 EUR	2009 in EUR 1,000
Electricity business	1,018,836,341.30	1,000,288.06
Auxiliary operations (incl. agriculture and forestry)	124,569.31	203.92
Installation and sales business, charges passed on to third parties	121,824,873.00	121,014.61
TOTAL sales revenues	**1,140,785,783.61**	**1,121,506.59**

Charges passed on to third parties include the revenue from the lease statement for transmission and distribution network operations in the amount of EUR 102,138,826.68.

Other operating income

Other operating income includes, among other things, income from disposal of assets in the amount of EUR 789,044.50, income from the reversal of provisions

in the amount of EUR 29,313,282.16 and from remaining operating income in the amount of EUR 3,455,813.08.

The income from the reversal of provisions in the amount of EUR 29,313,282.16 (previous year: EUR 1,371,216.36) includes the reversal of provisions made in the previous year for contingent losses (EUR 20.81 million) in connection with an energy barter agreement as well as the related reversal of provisions made for liabilities in connection with possible additional costs arising from CO2 emission allowances in the amount of EUR 5.22 million.

The remaining other operating income includes, among other things, compensation payments for damage in the amount of EUR 1,359,873.16 and price gains in the amount of EUR 791,753.91.

Cost of materials and purchased services

The following sub-items are included under the heading "Cost of materials and purchased services":

	2010 EUR	2009 in EUR 1,000
Electricity purchased from other suppliers (incl. swapped energy)	801,295,744.32	793,473.13
Contingent losses – energy barter agreement	0.00	20,810.00
Expenses for electricity transmission	139,725.27	87.13
System services	2,060,109.59	3,094.31
Other materials used	9,937,705.05	9,749.51
TOTAL cost of materials and purchased services	**813,433,284.23**	**827,214.08**

Personnel expenses

Expenses for severance payments are broken down into EUR 5,819.12 (previous year: EUR 9,042.26) for members of the Management Board and EUR 2,364,055.20 for employees. Contributions to employee provision funds came to EUR 94,745.03.

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 489,639.00 (previous year: EUR 594,640.17) for members of the Management Board. Taking into account the reversal of pension provisions for members of the Management Board in the amount of EUR 568,596.18 (previous year: EUR 507,496.56) this results in a surplus for the reporting year of EUR 78,957.18 (previous year: EUR -87,123.61). Expenses for pensions amounted to EUR 9,913,515.18 for employees.

Total remuneration to the Management Board for the fiscal year amounted to EUR 618,475.04 (previous year: EUR 573,407.31), and payments to former members and their surviving dependents came to EUR 442,915.55 (previous year: EUR 561,960.12).
In the fiscal year 2010, 1,253 persons were employed on average, thereof 1,017 salaried employees, 191 wage earners and 45 apprentices (previous year: 1,267 employees, thereof 1,016 salaried employees, 208 wage earners and 43 apprentices). As a result of the agreement concluded on November 18, 2005, an annual average of 112 wage earners, 379 salaried employees and 18 apprentices were hired out to TIWAG-Netz AG (previous year: 125 wage earners, 376 salaried employees, 20 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.

Compared to the previous year, the other operating expenses increased by EUR 77,528,933.07. The main cause for this increase is a non-recurring special charge in the amount of EUR 85 million (extraordinary item) for the premature termination of the energy barter agreement with EnBW Kraftwerke AG on September 30, 2010.

In addition, other operating expenses primarily include travel expenses of EUR 2,904,619.85, consultation expenses of EUR 9,283,063.82, compensations in the amount of EUR 3,292,027.74, rents and leases in the amount of EUR 4,057,471.57, various external services in the amount of EUR 26,302,687.79 and advertising and promotional expenses of EUR 6,693,662.31.
Remuneration for the Supervisory Board amounted to EUR 10,774.84.

Income from participations

The income from participations mainly comprises distributions from VERBUND AG in the amount of EUR 28,072,250.00, the profit and loss transfers of the subsidiaries TIGAS-Erdgas Tirol GmbH in the amount of EUR 10,568,038.48 and TIWAG-Netz AG in the amount of EUR 13,091,769.28.
Profit and loss transfer agreements had been concluded with the subsidiaries TIGAS-Erdgas Tirol GmbH, TIWAG-Netz AG and Achenseeschiffahrt-GesmbH.

Other interest and similar income

Item 12 (other interest and similar income) mainly includes income from current securities in the amount of EUR 69,335.00, bank interest payments in the amount of EUR 1,218,803.84 and proportional income from cross-border leasing transactions amounting to EUR 11,160,442.37 (previous year: EUR 6,452,159.19). The increase of the last item mainly results from the termination of a cross-border leasing transaction regarding part of the electricity distribution network. After deduction of the proportionate present value benefit repaid to the contractual partners, the income that had previously been deferred in this connection (EUR 4,737,603.47) was reversed, which increased income.

Expenses related to financial assets and current securities

Next to the write-down of the shareholding in Wasser Tirol – Wasserdienstleistungs-GmbH in the amount of EUR 245,000.00, losses from the depreciation of long-term securities in the amount of EUR 52,080.27 and from the depreciation of current securities in the amount of EUR 241,500.00, these expenses essentially include the compensatory payments to holders of minority interests in TIGAS-Erdgas Tirol GmbH in the amount of EUR 1,095,961.95.

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 2,342,159.58) and the interest component of the allocation for severance payments and pension provisions (EUR 7,022,601.93).

Income taxes

The subsidiaries TIGAS-Erdgas Tirol GmbH, TIWAG-Netz AG, Achenseeschiffahrt-GesmbH were included in group taxation with TIWAG-Tiroler Wasserkraft AG as the parent company.

In the reporting year, this group of companies was expanded to include Stadtwärme Lienz Produktions- und Vertriebs-GmbH and Ökoenergie Tirol GmbH. TIWAG Hydro Engineering GmbH ceased to be part of the group of companies in 2010 due to its liquidation.
In addition, Bioenergie Kufstein GmbH and MyElectric Energievertriebs- und -dienstleistungs GmbH are included in the group taxation by means of relationships of holdings.
With regard to tax allocation, profit and loss transfer agreements have been concluded with TIGAS-Erdgas Tirol GmbH, TIWAG-Netz AG and Achenseeschiffahrt-GesmbH; in the case of the remaining companies, taxes are allocated according to the stand-alone method.

The reported taxes of EUR 10,945,221.51 not only include the corporate income tax for the fiscal year 2010 but also a tax allocation in the amount of EUR 186,314.60.

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 11,133,470.73.

Balance sheet profit

Taking into account the adjustments to the reserves – in particular allocations to uncommitted reserves in the amount of EUR 53,000,000.00 and the profit carried forward from the previous year amounting to EUR 258,149.32 – balance sheet profit comes to EUR 28,193,371.14.

Other information

Company boards

In the fiscal year 2010, the following persons were members of the Management Board:

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

In the fiscal year 2010, 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 until May 10, 2010)
- Landesrat Christian Switak (2nd Deputy Chairman since May 10, 2010) Member of the Provincial Government
- Dipl.-Ing. Dr. techn. Herbert Hönlinger (until May 10, 2010)
- Bundesrat Bürgermeister Ing. Hans-Peter Bock (since May 10, 2010, Member of the Federal Council, Mayor)
- 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
- Ing. Stefan Mark
- Bernhard Paßler

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, 2010. 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, 2009, 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, 2010 in EUR million						
Forwards	629.9	695.2	-65.3	70.8	-85.6	-14.8
Options and futures	12.4	10.8	1.6	0.3	-0.7	-0.4
TOTAL	**642.3**	**706.0**	**-63.7**	**71.1**	**-86.3**	**-15.2**
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**

Netting agreements with the contract partners are in place. Due to the current values as at the balance sheet date, in fiscal 2010, 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, 2010 EUR	Additions EUR	Disposals EUR
I. Intangible assets			
1. Electricity procurement rights	0.00	41,166.60	0.00
2. Other rights	16,455,151.90	545,888.56	0.00
3. EDP programs	15,224,246.80	630,114.90	-109,694.21
4. Goodwill	50,463,033.16	0.00	0.00
5. Prepayments	6,755,304.08	1,394,867.88	0.00
TOTAL I.	**88,897,735.94**	**2,612,037.94**	**-109,694.21**
II. Tangible assets			
1. Land, rights equivalent to land and buildings, including buildings on third-party land	1,047,492,184.56	6,901,202.28	-41,889.15
2. Machinery and electrical plants	826,289,828.60	15,067,888.19	-3,556,077.66
3. Line systems	589,845,547.02	23,029,115.52	-1,648,433.94
4. Other fixtures, fittings, tools and office equipment	43,866,473.68	3,034,447.58	-3,007,809.63
5. Prepayments and construction in progress	52,020,118.71	36,928,825.50	-13,684.17
TOTAL II.	**2,559,514,152.57**	**84,961,479.07**	**-8,267,894.55**
III. Financial assets			
1. Investments in affiliates	255,683,354.65	1,493,300.00	-726,700.00
2. Participations	512,284,804.42	73,939,390.46	-418,552.13
TOTAL 1. to 2.	**767,968,159.07**	**75,432,690.46**	**-1,145,252.13**
3. Long-term securities (book-entry securities)	95,135,700.79	842,273.25	-539,523.32
4. Other loans	226,540.80	4,877,887.66	-61,313.87
TOTAL III.	**863,330,400.66**	**81,152,851.37**	**-1,746,089.32**
TOTAL fixed assets	**3,511,742,289.17**	**168,726,368.38**	**-10,123,678.08**

Transfers EUR	As at Dec. 31, 2010 EUR	Accumulated depreciation EUR	Residual book value As at Dec. 31, 2010 EUR	Residual book value As at Dec. 31, 2009 EUR	Depreciation 2010 EUR
0.00	41,166.60	1,029.17	40,137.43	0.00	1,029.17
0.00	17,001,040.46	10,439,165.40	6,561,875.06	6,671,727.00	655,740.50
0.00	15,744,667.49	14,380,584.83	1,364,082.66	1,379,009.86	645,042.10
0.00	50,463,033.16	43,082,062.62	7,380,970.54	11,019,677.78	3,638,707.24
0.00	8,150,171.96	3,404,746.06	4,745,425.90	3,350,558.02	0.00
0.00	**91,400,079.67**	**71,307,588.08**	**20,092,491.59**	**22,420,972.66**	**4,940,519.01**
582,747.27	1,054,934,244.96	713,803,762.28	341,130,482.68	354,827,582.77	21,178,659.61
8,161,539.44	845,963,178.57	701,940,710.28	144,022,468.29	138,176,038.88	17,096,448.19
11,111,755.64	622,337,984.24	451,514,403.72	170,823,580.52	156,224,601.55	19,417,008.77
13,411.40	43,906,523.03	34,232,065.51	9,674,457.52	10,352,981.84	3,653,712.77
-19,869,453.75	69,065,806.29	4,914,757.04	64,151,049.25	47,105,361.67	0.00
0.00	**2,636,207,737.09**	**1,906,405,698.83**	**729,802,038.26**	**706,686,566.71**	**61,345,829.34**
0.00	256,449,954.65	57,433,614.04	199,016,340.61	198,494,740.61	245,000.00
0.00	585,805,642.75	1,346,500.00	584,459,142.75	510,938,304.42	0.00
0.00	**842,255,597.40**	**58,780,114.04**	**783,475,483.36**	**709,433,045.03**	**245,000.00**
0.00	95,438,450.72	12,631,251.75	82,807,198.97	82,526,932.50	52,080.27
0.00	5,043,114.59	0.00	5,043,114.59	226,540.80	0.00
0.00	**942,737,162.71**	**71,411,365.79**	**871,325,796.92**	**792,186,518.33**	**297,080.27**
0.00	**3,670,344,979.47**	**2,049,124,652.70**	**1,621,220,326.77**	**1,521,294,057.70**	**66,583,428.62**

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

	As at Jan. 1, 2010 EUR	Allocation EUR	Reversal Consumption EUR	As at Dec. 31, 2010 EUR
1. Untaxed reserves (development)				
1.1. Valuation reserve (see detail)	75,158,395.74	17,482,729.95	-6,349,259.22	86,291,866.47
TOTAL untaxed reserves	**75,158,395.74**	**17,482,729.95**	**-6,349,259.22**	**86,291,866.47**
2. Investment grants from public funds (development)				
Investment grants – Kaiserwerke	21,551.37	0.00	-3,939.35	17,612.02
Investment grants – Längenfeld power station	3,795,638.00	0.00	-218,895.00	3,576,743.00
TOTAL investment grants from public funds	**3,817,189.37**	**0.00**	**-222,834.35**	**3,594,355.02**

III.5. VALUATION RESERVE ON ACCOUNT OF SPECIAL DEPRECIATION

(with reference to applicable tax provisions)

	As at Jan. 1, 2010	Allocation	Reversal Consumption	Reversal Disposals Transfers*	As at Dec. 31, 2010
	EUR	EUR	EUR	EUR	EUR
a) Accelerated depreciation					
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third party land	23,754,901.50	0.00	-4,765,470.67	-12.65	18,989,418.18
2. Machinery and electrical plants	86,448.56	0.00	-17,126.70	-3,118.57	66,203.29
3. Line systems	2,190,209.77	0.00	-594,500.88	-8.44	1,595,700.45
4. Other fixtures, fittings, tools and office equipment	115.40	0.00	-57.71	0.00	57.69
TOTAL a)	**26,031,675.23**	**0.00**	**-5,377,155.96**	**-3,139.66**	**20,651,379.61**
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. Land, rights equivalent to land and buildings, including buildings on third-party land	0.00	632,976.78	0.00	96,097.14 *	729,073.92
2. Machinery and electrical plants	699,685.22	2,954,650.82	0.00	1,264,572.90 *	4,918,908.94
3. Line systems	2,065,984.78	3,868,221.63	0.00	1,724,452.76 * -1,117.53	7,657,541.64
4. Other fixtures, fittings, tools and office equipment	403,542.96	418,858.58	0.00	-2,539.59	819,861.95
5. Construction in progress	4,308,275.13	8,937,330.23	0.00	-3,085,122.80 *	10,160,482.56
TOTAL c)	**7,477,488.09**	**16,812,038.04**	**0.00**	**-3,657.12**	**24,285,869.01**
d) From transfer of hidden reserves					
Intangible assets					
1. EDP programs	8,511.44	0.00	-8,511.44	0.00	0.00
	8,511.44	**0.00**	**-8,511.44**	**0.00**	**0.00**
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third-party land	16,670,527.14	0.00	-307,341.33	-683.10	16,362,502.71
2. Machinery and electrical plants	1,424,021.28	0.00	-92,298.65	-1,067.23	1,330,655.40
3. Line systems	409,671.40	0.00	-33,221.10	0.00	376,450.30
	18,504,219.82	**0.00**	**-432,861.08**	**-1,750.33**	**18,069,608.41**
Financial assets					
1. Participations	21,706,653.34	0.00	0.00	0.00	21,706,653.34
TOTAL d)	**40,219,384.60**	**0.00**	**-441,372.52**	**-1,750.33**	**39,776,261.75**
e) From depreciation (pursuant section 13 Income Tax Act 1998)					
Tangible assets					
1. Machinery and electrical plants	1,249,728.98	670,691.91	-520,292.78	-1,890.85	1,398,237.26
	1,249,728.98	**670,691.91**	**-520,292.78**	**-1,890.85**	**1,398,237.26**
TOTAL e)	**1,249,728.98**	**670,691.91**	**-520,292.78**	**-1,890.85**	**1,398,237.26**
TOTAL valuation reserve	**75,158,395.74**	**17,482,729.95**	**-6,338,821.26**	**-10,437.96**	**86,291,866.47**

III.6. VALUATION RESERVE ON ACCOUNT OF SPECIAL DEPRECIATION

(broken down by balance sheet items)

	As at Jan. 1, 2010	Allocation	Reversal Consumption	Reversal Disposals Transfers*	As at Dec. 31, 2010
	EUR	EUR	EUR	EUR	EUR
Intangible assets					
1. EDP programs	8,511.44	0.00	-8,511.44	0.00	0.00
TOTAL intangible assets	**8,511.44**	**0.00**	**-8,511.44**	**0.00**	**0.00**
Tangible assets					
1. Land, rights equivalent to land and buildings, including buildings on third-party land	40,605,547.48	632,976.78	-5,072,812.00	-695.75 96,097.14*	36,261,113.65
2. Machinery and electrical plants	3,459,884.04	3,625,342.73	-629,718.13	-6,076.65 1,264,572.90*	7,714,004.89
3. Line systems	4,665,865.95	3,868,221.63	-627,721.98	-1,125.97 1,724,452.76*	9,629,692.39
4. Ohter fixtures, fittings, tools and office euqipment	403,658.36	418,858.58	-57.71	-2,539.59	819,919.64
5. Construction in progress	4,308,275.13	8,937,330.23	0.00	-3,085,122.80	10,160,482.56
TOTAL tangible assets	**53,443,230.96**	**17,482,729.95**	**-6,330,309.82**	**-10,437.96**	**64,585,213.13**
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**	**75,158,395.74**	**17,482,729.95**	**-6,338,821.26**	**-10,437.96**	**86,291,866.47**

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 tangible assets amounted to EUR 106.8 million (previous year: EUR 83.9 million), of which EUR 20.2 million (previous year: 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 42,124,322.77 (previous year: EUR 40.3 million).

Financial assets

Loans totaling EUR 463,193.16 will become due within one year.

Inventories

The inventories include:

	Dec. 31, 2010 EUR	Dec. 31, 2009 in EUR 1,000
1. Raw materials and supplies	2,958,976.55	2,150.60
2. Installation materials and goods purchased for resale	83,446.63	71.40
3. Natural gas inventory	81,800.86	113.99
4. Other inventories	424,450.76	2,077.91
5. Services not yet chargeable	984,913.41	1,378.75
TOTAL inventories	**4,533,588.21**	**5,792.74**

Receivables and other assets

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

	Dec. 31, 2010 EUR	Stating separately those with a remaining term of > 1 year	Dec. 31, 2009 in EUR 1,000
1. Trade receivables	90,153,407.93 (79,703,993.30)	574,308.38 (2,129,560.88)	 79,703.99
2. Receivables due from affiliated companies	100,959.49	0.00	143.75
3. Receivables due from companies in which there is a participating interest	1,451,303.95	0.00	13,262.31
4. Other receivables and assets	211,153,217.79	0.00	202,554.98
TOTAL Receivables and other assets	**312,858,889.16**	**574,308.38**	**295,665.03**

Under trade receivables, deductions amounting to EUR 1,382,359.64 (previous year: EUR 1.42 million) 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 mainly relate to deliveries and other services provided. With regard to this item, deductions amounting to EUR 891,448.38 were made as provisions for bad debts in the year under review.
Other receivables and assets worthy of mention include, in particular, receivables due from tax authorities in the amount of EUR 29.3 million and receivables due from pending input tax in the amount of EUR 3,123,979.79.
In the reporting year, the existing fixed-term deposits in the amount of EUR 159.6 million (previous year: EUR 163.8 million) were reclassified from cash at bank to other receivables. In order to ensure comparability with the previous year, the previous year's figures were adjusted accordingly.

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 14,561,747.00 (previous year, in EUR 1,000: 14,043.0), 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 738,652,581.24 (previous year: EUR 694.04 million) 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. The net income for the reporting year amounts to EUR 80,165,324.99 (previous year: EUR 64.93 million).

"Minority interests" amount to EUR 32,642,782.52 (previous year, in EUR 1,000: 32,453.2).

Contributions to construction costs

Of the contributions to construction costs reported as at the balance sheet date, EUR 140,335,277.73 (previous year: EUR 136.5 million) can be attributed to the construction cost contributions of those entitled to purchase electricity, EUR 19,538,298.14 (previous year: EUR 19.1 million) to the construction cost contributions of those entitled to purchase gas, and EUR 7,415,970.37 (previous year: EUR 7.5 million) to other contributions to construction costs. The consumption of contributions to construction costs amounting to EUR 15,761,199.97 (previous year: EUR 15.7 million) is included in the sales revenues.

Provisions

The provisions are broken down as follows:

	Dec. 31, 2010 EUR	Dec. 31, 2009 in EUR 1,000
1. Provisions for severance payments (subject to tax: EUR 5.921.447,90)	39,970,206.96	38,840.51
2. Provisions for pensions (subject to tax: EUR 26.370.719,31)	159,096,285.67	167,878.36
3. Tax provisions	34,468,331.96	20,167.78
4. Other provisions (subject to tax: EUR 3.548.641,35)	61,208,494.52	97,056.92
TOTAL provisions	**294,743,319.11**	**323,943.57**

The tax provisions include, among other things, a sum of EUR 16,068,011.05 (previous year: EUR 12.5 million) 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 2010 is recorded under the item "Income taxes" in the amount of EUR 3,575,597.78 (previous year: EUR 1.4 million).

Liabilities

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

(Figures for the previous year in parentheses)	Balance sheet value Dec. 31, 2010 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, 2009 in EUR 1,000
1. Bank loans and overdrafts	391,606,012.53 (334,389,494.37)	376,989,480.61 (318,654,246.58)	4,474,903.22 (4,474,887.23)	10,141,628.70 (11,260,360.56)	(334,389.49)
2. Advance payments received	1,807,151.88 (4,045,054.47)	1,807,151.88 (4,045,054.47)	0.00 (0.00)	0.00 (0.00)	(4,045.05)
3. Trade payables	157,413,632.76 (141,554,602.30)	70,468,926.28 (57,117,167.75)	86,239,346.48 (83,732,074.55)	705,360.00 (705,360.00)	(141,554.60)
4. Liabilities to affiliated companies	259,502.68 (106,158.78)	259,502.68 (106,158.78)	0.00 (0.00)	0.00 (0.00)	(106.16)
5. Liabilities to companies in which there is a participating interest	1,304,024.82 (1,557,376.51)	1,304,024.82 (1,557,376.51)	0.00 (0.00)	0.00 (0.00)	(1,557.38)
6. Other liabilities	107,720,381.87 (100,589,900.62)	98,134,255.76 (90,994,776.76)	97,188.01 (85,780.08)	9,488,938.10 (9,509,343.38)	(100,589.90)
thereof tax	*31,453,507.75* *(31,658,657.28)*	*31,453,507.75* *(31,658,657.28)*	*0.00* *(0.00)*	*0.00* *(0.00)*	*(31,658.66)*
thereof social security	*2,063,782.13* *(1,970,601.67)*	*2,063,782.13* *(1,970,601.67)*	*0.00* *(0.00)*	*0.00* *(0.00)*	*(1,970.60)*
TOTAL liabilities	**660,110,706.54** **(582,242,587.05)**	**548,963,342.03** **(472,474,780.85)**	**90,811,437.71** **(88,292,741.86)**	**20,335,926.80** **(21,475,063.94)**	**(582,242.58)**

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 in the amount of EUR 9,349.296.31 (previous year: EUR 9.3 million) and liabilities to customers in the amount of EUR 47,998,374.00 (previous year: EUR 41.5 million). The item “Other liabilities” includes expenses in the amount of EUR 2,522,923.98 which were to become cash-effective only after December 31, 2010. Bank loans and overdrafts are mortgage-secured by two mortgage deeds in the amount of EUR 11.4 million (previous year: EUR 11.4 million), as are other liabilities in the amount of EUR 310,142.41 (previous year: EUR 0.3 million).

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 8,993,860.04 refers to liabilities of SELGAS AG and 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 20,854,032.18, contingencies based on bank guarantees in Austria and abroad in the amount of EUR 6,792,650.96 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 307,356,740.62, computed on the basis of the currency bid price at the balance sheet date.

The total of other financial obligations connected with open-ended investments and the general renovation of various facilities will amount to approximately EUR 67.5 million in the next fiscal year (2011).

The right of the Municipality of Innsbruck to offer the remaining 50 % plus 1 share in IKB AG to TIWAG-Tiroler Wasserkraft AG for acquisition, which had been provided for in the set of agreements governing the acquisition of the participation in Innsbrucker Kommunalbetriebe Aktiengesellschaft (IKB AG), expired in the reporting year.

2. CONSOLIDATED INCOME STATEMENT

Sales revenues

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

	2010 EUR	2009 in EUR 1,000
Electricity business	1,203,673,521.26	1,192,205.6
Gas business	143,027,118.17	134,104.5
Navigation (incl. buffet)	2,534,393.51	2,558.4
Auxiliary operations (incl. agriculture and forestry)	124,569.31	203.9
Installation and sales business, charges passed on to third parties	19,686,048.32	19,195.4
TOTAL sales revenues	**1,369,045,648.57**	**1,348,267.8**

Sales revenues include the energy tax (electricity and natural gas tax) totaling EUR 70.2 million (previous year: EUR 67.7 million).

Cost of materials and purchased services

The item "Cost of materials and purchased services" primarily includes expenses for purchases of electricity and natural gas. The relevant value decreased by around EUR 27.5 million to EUR 902,567,364.87 in fiscal 2010.

Personnel expenses

Expenses for severance payments are broken down into EUR 5,819.12 (previous year: EUR 9.042.26) for members of the Management Board and EUR 2,466,588.18 for employees. Contributions to employee provision funds came to EUR 124,483.72.

Next to ongoing pension payments, the item "Expenses for pensions" also includes the changes in pension provisions. Expenses for pensions amounted to EUR 489,639.00 (previous year: EUR 594,640.17) for members of the Management Board. Taking into account the reversal of pension provisions for members of the Management Board in the amount of EUR 568,596.18 (previous year: EUR 507,496.56) this results in a surplus for the reporting year of EUR 78,957.18 (previous year: EUR -87,123.61). Expenses for pensions amounted to EUR 10,026,553.21 for employees.

Total remuneration to the Management Board for the fiscal year amounted to EUR 618,475.04 (previous year: EUR 573,407.31), and payments to former members and their surviving dependents came to EUR 442,915.55 (previous year: EUR 561,960.12).

In the fiscal year 2010, 1,350 persons were employed on average, thereof 1,076 salaried employees, 227 wage earners and 47 apprentices (previous year: 1,363 employees, thereof 1,076 salaried employees, 243 wage earners and 44 apprentices).

Other operating expenses

Remuneration for the Supervisory Board amounted to EUR 10,774.84.

Taxes recorded under "Other operating expenses" include energy tax (electricity and natural gas tax) in the amount of EUR 70,230,155.51.

In the year under review, auditing expenses in the overall amount of EUR 506,122.77 were incurred, of which EUR 130,500.00 were accounted for by the audit of the financial statements, EUR 8,950.00 by other audit opinions and reports and EUR 366,272.77 for other services.

Expenses related to financial assets and current securities

This item includes a balance of EUR 9,469,855.36 due to the inclusion of associated companies.

Consolidated net income for the year

The consolidated net income for the year amounts to EUR 81,107,278.45. Taking into account the other shareholders' share (EUR -941,953.46) in the income for the year, the remaining amount is EUR 80,165,324.99.

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, 2010 EUR	Additions EUR	Disposals EUR
I. Intangible assets			
1. Electricity procurement rights	787,432.19	66,269.70	0.00
2. Other rights	17,153,048.67	597,075.06	0.00
3. EDP programs	15,978,956.50	690,696.72	-519,898.06
4. Goodwill	50,463,033.16	0.00	0.00
5. Prepayments	6,755,304.08	1,394,867.88	0.00
TOTAL I.	**91,137,774.60**	**2,748,909.36**	**-519,898.06**
II. Tangible assets			
1. Land, rights equivalent to land and buildings, including buildings on third-party land	1,067,292,053.44	7,576,599.45	-240,761.35
2. Machinery and electrical plants	890,670,963.21	17,405,502.13	-4,625,784.16
3. Line systems	1,060,120,213.44	39,291,456.67	-2,090,246.85
4. Other fixtures, fittings, tools and office equipment	55,324,364.79	3,255,305.63	-3,314,492.01
5. Prepayments and construction in progress	53,428,654.38	39,244,499.56	-16,170.17
TOTAL II.	**3,126,836,249.26**	**106,773,363.44**	**-10,287,454.54**
III. Financial assets			
1. Investment in affiliates	1,306,748.78	258,300.00	-22,448.78
2. Loans to affiliates	0.00	0.00	0.00
3. Participations in associated companies	206,771,333.43	0.00	-13,493,963.36
4. Other participations	289,771,966.64	81,897,022.61	-418,552.13
TOTAL 1. to 4.	**497,850,048.85**	**82,155,322.61**	**-13,934,964.27**
5. Long-term securities (book-entry securities)	95,619,723.66	885,318.45	-539,523.32
6. Other loans	23,962,784.85	19,808,770.81	-9,226,526.55
TOTAL III.	**617,432,557.36**	**102,849,411.87**	**-23,701,014.14**
TOTAL fixed assets	**3,835,406,581.22**	**212,371,684.67**	**-34,508,366.74**

Transfers EUR	As at Dec. 31, 2010 EUR	Accumulated depreciation EUR	Residual book value As at Dec. 31, 2010 EUR	Residual book value As at Dec. 31, 2009 EUR	Depreciation 2010 EUR
0.00	853,701.89	375,107.80	478,594.09	440,313.88	27,989.49
0.00	17,750,123.73	11,337,602.56	6,412,521.17	6,501,841.84	686,395.73
0.00	16,149,755.16	14,595,462.18	1,554,292.98	1,610,081.84	684,303.76
0.00	50,463,033.16	43,082,062.62	7,380,970.54	11,019,677.78	3,638,707.26
0.00	8,150,171.96	3,404,746.06	4,745,425.90	3,350,558.02	0.00
0.00	**93,366,785.90**	**72,794,981.22**	**20,571,804.68**	**22,922,473.36**	**5,037,396.24**
593,755.37	1,075,221,646.91	720,847,996.19	354,373,650.72	367,971,470.34	21,683,144.67
8,161,539.44	911,612,220.62	736,478,996.11	175,133,224.51	169,919,686.39	19,826,436.98
11,165,756.68	1,108,487,179.94	604,118,424.42	504,368,755.52	488,826,686.29	34,468,323.12
13,411.40	55,278,589.81	41,791,287.78	13,487,302.03	14,528,640.88	4,166,991.77
-19,934,462.89	72,722,520.88	4,914,757.04	67,807,763.84	48,513,897.34	0.00
0.00	**3,223,322,158.16**	**2,108,151,461.54**	**1,115,170,696.62**	**1,089,760,381.24**	**80,144,896.52**
-38,000.00	1,504,600.00	923,200.00	581,400.00	607,656.89	245,000.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	193,277,370.07	0.00	193,277,370.00	206,771,333.43	0.00
0.00	371,250,437.12	1,869,141.59	369,381,295.54	287,902,825.05	0.00
-38,000.00	**566,032,407.19**	**2,792,341.59**	**563,240,065.54**	**495,281,815.37**	**245,000.00**
0.00	95,965,518.79	12,656,543.83	83,308,974.96	82,986,763.29	53,180.27
0.00	34,545,029.11	0.00	34,545,029.11	23,962,784.85	0.00
-38,000.00	**696,542,955.09**	**15,448,885.42**	**681,094,069.61**	**602,231,363.51**	**298,180.27**
-38,000.00	**4,013,231,899.15**	**2,196,395,328.18**	**1,816,836,570.91**	**1,714,914,218.11**	**85,480,473.03**

V. FINANCIAL STATEMENTS PURSUANT TO SECTION 8 OF THE AUSTRIAN ELECTRICITY INDUSTRY AND ORGANIZATION ACT *(ELEKTRIZITÄTSWIRTSCHAFTS- UND -ORGANISATIONS-GESETZ, EIWOG)*

This section of the notes contains the information required pursuant to section 8 of the Austrian Electricity Industry and Organization Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG).

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 net-

1. BALANCE SHEET AS AT DECEMBER 31, 2010 *(in EUR)*

Assets	
A. Fixed assets	
I. Intangible assets	
II. Tangible assets	
III. Financial assets	
B. Current assets	
I. Inventories	
II. Receivables and other assets	
III. Securities and interests	
IV. Checks, cash in hand and at bank	
C. Prepaid expenses and deferred charges	
TOTAL assets	
Equity and liabilities	
A. Shareholders' equity	
B. Untaxed reserves	
C. Extraordinary investment grants	
D. Contributions to construction costs	
E. Provisions	
F. Liabilities	
G. Deferred income	
TOTAL equity and liabilities	

work of TIWAG-Tiroler Wasserkraft AG. TIWAG-Netz AG 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.

Due to the changed legal framework created by the third energy market liberalization package, the Tyrol control area was consolidated with the APG control area with effect from January 1, 2011. In the course of this consolidation, the tasks of control area manager and operator of the transmission and distribution networks were also transferred to the cooperation partner VERBUND-Austrian Power Grid AG.

In preparation of this consolidation, the transmission network was sold to the subsidiary TIWAG-Netz AG on May 31, 2010.

The existing lease agreement was also adapted in the course of this asset transfer.

Generation, energy trading, supply EUR	Distribution EUR	Other EUR	Total EUR
591,996,071.02	**342,301,402.31**	**686,922,853.44**	**1,621,220,326.77**
12,237,750.46	4,729,194.26	3,125,546.87	20,092,491.59
378,770,139.81	303,801,407.05	47,230,491.40	729,802,038.26
200,988,180.75	33,770,801.00	636,566,815.17	871,325,796.92
86,637,248.91	**60,417,295.36**	**208,917,443.19**	**355,971,987.46**
541,618.28	46,833.05	2,781,887.82	3,370,339.15
76,318,801.63	52,528,278.31	204,916,749.16	333,763,829.10
3,286,049.00	2,635,803.00	409,648.00	6,331,500.00
6,490,780.00	5,206,381.00	809,158.21	12,506,319.21
1,544,565.79	**663,750.00**	**2,134,815.50**	**4,343,131.29**
680,177,885.72	**403,382,447.67**	**897,975,112.13**	**1,981,535,445.52**
355,116,680.15	**131,878,276.50**	**391,467,491.68**	**878,462,448.33**
39,182,638.41	**21,805,923.95**	**25,303,304.11**	**86,291,866.47**
3,594,355.02	**0.00**	**0.00**	**3,594,355.02**
775,365.18	**130,203,282.62**	**1,475,504.00**	**132,454,151.80**
92,166,326.37	**77,225,867.99**	**99,706,470.20**	**269,098,664.56**
189,342,520.59	**42,269,096.61**	**231,239,379.10**	**462,850,996.30**
0.00	**0.00**	**148,782,963.04**	**148,782,963.04**
680,177,885.72	**403,382,447.67**	**897,975,112.13**	**1,981,535,445.52**

2. STATEMENT OF EARNINGS 2010 *(in EUR)*

1.	Sales revenues
2.	Increase or decrease in inventory of services not yet chargeable
3.	Other own work capitalized
4.	Other operating income
5.	Cost of materials and purchased services
6.	Personnel expenses
7.	Depreciation of intangible fixed assets
8.	Other operating expenses
9.	**Subtotal items 1 to 8**
10.	Income from investments
11.	Other financial results
12.	**Subtotal items 10 to 11**
12a.	Set-off of activities
13.	**Result from ordinary activities before tax**
14.	Income taxes
15.	**Net income for the year**

Generation, energy trading, supply EUR	Distribution EUR	Other EUR	Total EUR
1,011,073,282.03	116,705,513.16	13,006,988.42	1,140,785,783.61
0.00	0.00	-677,858.33	-677,858.33
-8,950,208.72	2,283,123.74	22,349,223.31	15,682,138.33
28,557,434.12	1,457,295.55	3,543,410.07	33,558,139.74
-808,223,803.65	-4,020,375.98	-1,189,104.60	-813,433,284.23
-31,201,603.54	-44,122,558.99	-37,273,861.61	-112,598,024.14
-30,123,553.96	-30,578,918.37	-5,583,876.02	-66,286,348.35
-114,619,472.67	-15,017,433.94	-28,060,682.67	-157,697,589.28
46,512,073.61	**26,706,645.17**	**-33,885,761.43**	**39,332,957.35**
4,439,153.36	0.00	55,911,577.06	60,350,730.42
-1,963,365.00	-2,523,964.00	7,817,555.29	3,330,226.29
2,475,788.36	**-2,523,964.00**	**63,729,132.35**	**63,680,956.71**
-18,058,293.84	-16,385,122.92	34,443,416.76	0.00
30,929,568.13	**7,797,558.25**	**64,286,787.68**	**103,013,914.06**
-5,239,095.14	-331,445.86	-5,374,680.51	-10,945,221.51
25,690,472.99	**7,466,112.39**	**58,912,107.17**	**92,068,692.55**

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, 2011

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

DEVELOPMENT OF THE GROUP'S EQUITY CAPITAL FOR THE FISCAL YEAR 2010

	Nominal capital	Capital reserves	Reserves from retained earnings	Group profit for the year	Minority interests	Total
	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000
As at January 1, 2009	72,670.0	2.8	694,044.4	21,141.6	31,550.2	819,409.0
Group profit for the year	0.0	0.0	0.0	64,934.0	829.3	65,763.3
Distribution of dividends	0.0	0.0	0.0	-21,000.0	-10.9	-21,010.9
Sundry	0.0	0.0	-2.6	-141.6	84.6	-59.6
As at December 31, 2009 = as at January 1, 2010	**72,670.0**	**2.8**	**694,041.8**	**64,934.0**	**32,453.2**	**864,101.8**
Group profit for the year	0.0	0.0	0.0	80,165.3	942.0	81,107.3
Distribution of dividends	0.0	0.0	0.0	-21,000.0	-930.2	-21,930.2
Allocations to reserves from retained earnings	0.0	0.0	43,934.0	-43,934.0	0.0	0.0
Sundry	0.0	0.0	676.8	0.0	177.8	854.6
As at December 31, 2010	**72,670.0**	**2.8**	**738,652.6**	**80,165.3**	**32,642.8**	**924,133.5**

CONSOLIDATED CASH FLOW STATEMENT

	2010 in EUR 1,000	2009 in EUR 1,000
Net cash flow from current operations:		
Group profit for the year	81,107.3	65,763.3
+ Depreciation on intangible and tangible assets	85,182.3	84,455.1
- Depreciation on financial assets	298.2	2,227.1
+ Adjustment to net income retained from associated companies	13,494.0	15,773.5
+/- Change in social capital	-7,895.2	991.9
+/- Change in contributions to construction costs	4,237.7	-317.2
- Reversal of investment grants	-437.4	-765.3
+ Reversal of deferred taxes	3,575.6	1,430.5
- Profits from disposal of assets	-1,172.1	-3,187.7
+ Loss from disposal of assets	403.4	3,261.8
- Sundry non-cash earnings	-7,191.3	-6,183.2
	171,602.4	**163,449.7**
-/+ Change in inventories	1,259.2	-1,678.1
-/+ Change in trade receivables	-10,449.4	6,777.4
-/+ Change in receivables due from affiliated companies	42.8	-79.3
-/+ Change in receivables due from companies in which there is a participating interest	1,811.0	-1,696.7
-/+ Change in other assets (including prepaid expenses)	-9,029.8	-119,785.2
+/- Change in trade payables	13,351.8	-19,111.9
+/- Change in liabilities to affiliated companies	153.3	-1.9
+/- Change in liabilities to companies in which there is a participating interest	-253.4	606.0
+/- Change in advance payments made by customers	-2,237.9	2,284.1
+/- Change in tax provisions and other current provisions	-24,880.6	-552.0
+/- Change in other current liabilities (including prepaid expenses)	9,946.9	7,150.5
	-20,286.1	**-126,087.2**
Consolidated operating cash flow	**151,316.3**	**37,362.5**
Net cash flow from investment activities:		
- Investment in intangible and tangible assets	-109,522.3	-85,759.9
+ Earnings from disposal of intangible and tangible assets	1,410.1	2,468.8
- Investments in financial assets	-102,849.4	-20,000.7
+ Earnings from disposal of financial assets	11,132.6	10,239.7
	-199,828.9	**-93,052.1**
Net cash flow from financing activities:		
- Dividend distribution	-21,930.2	-21,010.9
- Shares of minority shareholders in group profit for the year	-154.0	-100.9
+/- Change in non-current financial liabilities	-1,118.7	-1,118.8
+/- Change in current financial liabilities	58,335.2	80,402.8
+/- Change in other long-term debts	2,519.0	1,613.9
	37,651.3	**59,786.1**
Not cash-effective changes in funds:		
- Other not cash-effective changes in funds	0.0	-6,573.0
- Not cash-effective reclassification into financial assets	0.0	-9,583.3
	0.0	**-16,156.3**
Change in securities, cash and cash items	**-10,861.3**	**-12,059.8**

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, 2010, including the underlying accounting records. These financial statements consist of the balance sheet as at December 31, 2010, the income statement for the year ended on December 31, 2010, 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, 2010, as well as the results of the company's operations for the fiscal year from January 1 to December 31, 2010, 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, 2011

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski
Austrian Certified Public Accountant

Mag. Gabriele Lehner · Wirtschaftsprüfer
Austrian Certified Public 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, 2010. These consolidated financial statements consist of the consolidated balance sheet as at December 31, 2010, 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, 2010, 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, 2010, as well as the results of the group's operations and cash flows for the fiscal year from January 1 to December 31, 2010, 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, 2011

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski
Austrian Certified Public Accountant

Mag. Gabriele Lehner
Austrian Certified Public Accountant

PROPOSAL FOR THE APPROPRIATION OF PROFITS

It is proposed that a dividend in the amount of EUR 28,000,000.00 be paid out of the balance sheet profit of fiscal 2010 in the amount of EUR 28,193,371.14 and that the remaining amount of EUR 193,371.14 be carried forward to a new account.

Innsbruck, March 31, 2011

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

REPORT OF THE SUPERVISORY BOARD

In fiscal 2010, once again, the Supervisory Board kept abreast of the course of business and the state of the company. It convened seven times and was regularly informed by the Management Board on the basis of oral and written reports and supervised the Management Board's executive decisions.

The financial statements for both the company and the group for fiscal 2010, 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 and the group 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 2010 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 2011.

We should like to express our thanks and appreciation 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 6, 2011

The Chairman of the Supervisory Board
Ferdinand Eberle

POWER SOURCE IDENTIFICATION

Power source identification	kWh	Share (in %)
Hydropower	3,057,751,170	84.55
Wind power	132,306,347	3.66
Solid biomass	129,273,828	3.57
Biogas	35,242,933	0.97
Liquid biomass	1,978,721	0.05
Landfill gas	1,605,123	0.04
Sewage gas	1,439,255	0.04
Photovoltaics	2,123,581	0.06
Geothermal energy	91,590	0.00
Waste with a high biogenic share	621,592	0.02
Natural gas	254,000,000	7.04
Power of unknown provenance	0	0.00
TOTAL power delivered	**3,616,434,140**	**100.00**

Environmental impact of electricity generation	g/kWh
CO2 emissions	31.00
Radioactive waste	0.00

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 to December 31, 2010, 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 19, 2010

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ulrich Pawlowski
Austrian Certified Public Accountant

Mag. Gabriele Lehner
Austrian Certified Public Accountant

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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.

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