



Annual Report
2012



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

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Ladies and Gentlemen,
Chairmen,
State Councillors,
Parliamentary Representatives,

in accordance with the provisions contained in article 5 of the Law instituting Azienda Elettrica Ticinese (LAET), we hereby submit for your approval (article 5, paragraph 2 LAET):

- the Board of Directors' management report for the year 2012;**
- the financial statements for the year 2012;**
- the proposal for allocation of profit;**
- the auditors' report.**

The English version of the AET 2012 Annual Report is merely a translation:
the official version is the Italian text.

AET Group

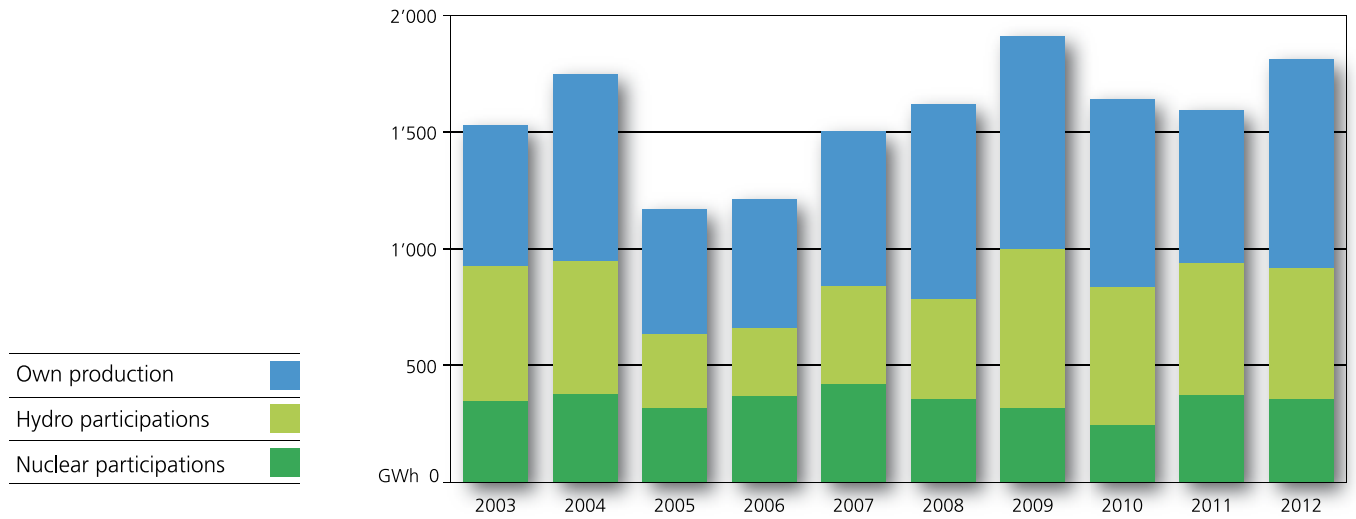
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Key figures

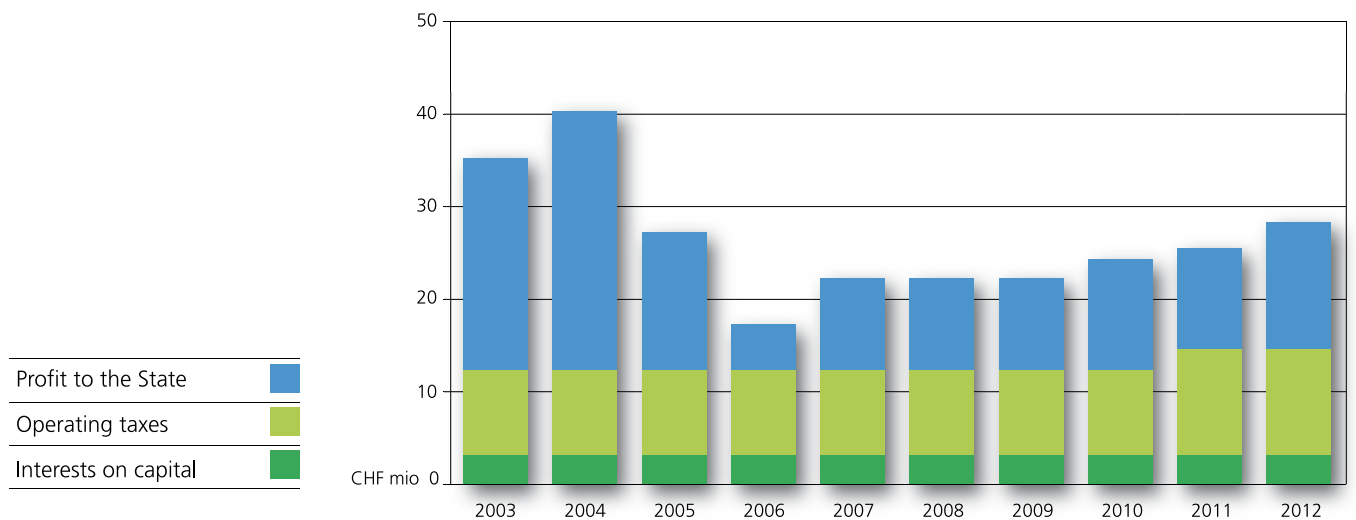
	2012	2011	change
	CHF million	CHF million	in %
Operating income	1,316	1,450	-9%
thereof			
Energy sales in Ticino	201	200	1%
Energy sales outside Ticino	967	1,149	-16%
Operating result	40	34	19%
Profit for the year	21	17	24%
Cash flow before change in net current assets	61	50	22%
Cash flow from operating activities	35	18	97%
Equity	428	417	2%
Non-current assets	562	562	0%
Balance sheet total	869	855	2%
Employees of the Group (full time equivalent)	247.7	239.5	3%

	2012	2011	change
	GWh	GWh	in %
AET production	894	657	36%
Energy from participations	948	985	-4%
Energy purchase	13,487	16,989	-21%
Energy sales in Ticino	2,587	2,756	-6%
Energy sales outside Ticino	12,695	15,829	-20%

AET production



Evolution of payments to the State





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Company officers

Board of Directors

Leidi Fausto Chairman

Netzer Marco Vice Chairman

Beffa Floriano

Lombardi Sandro

Ogna Ronald

Pedrina Fabio

Grand Council's audit office

Gianini Sergio

Piazzini Gianluigi

Prada Giancarlo

Paglia Erto (Deputy auditor)

AET Group's audit office

Ernst&Young Ltd, Lugano

Management

Pronini Roberto	CEO
Nauer Claudio	Co-CEO
Kurzo Flavio	Head of finance and risk management
Losa Edy	Head of energy production
Sartori Stefano	Head of quality / safety / environment
Scerpella Fiorenzo	Head of grid
Tognola Giorgio	Head of energy trade



The Management of AET.

From left to right: Flavio Kurzo, Giorgio Tognola, Stefano Sartori, Roberto Pronini, Edy Losa, Claudio Nauer and Fiorenzo Scerpella.



Introduction by the Chairman of the Board of Directors

AET and the new challenges of the market

AET's hydroelectric production in 2012 has recorded values of 10% above the long term average. If in the past positive production figures translated into favourable company profits, the changes affecting the energy market in the last years have introduced new elements of uncertainty which render this equation less obvious.

In 2012 the European and Swiss energy markets have known drastic price reductions, due to the combined effects of a fall in consumption in many countries affected by the economic crisis and of the increase in production from heavily subsidised renewable sources.

In this context, Azienda Elettrica Ticinese has closed the year with a net profit of CHF 21 million, reached after the recording of significant provisions. The overall payments to the Canton will amount to CHF 28.4 million.

Market evolution and the quickly changing regulatory framework accentuate the instability factors for the future and may substantially affect the Company and the entire sector. The first phase of the liberalization of the Swiss electric market is now having effect and one already faces the second phase, which will progressively affect all consumers from 2015-2016.

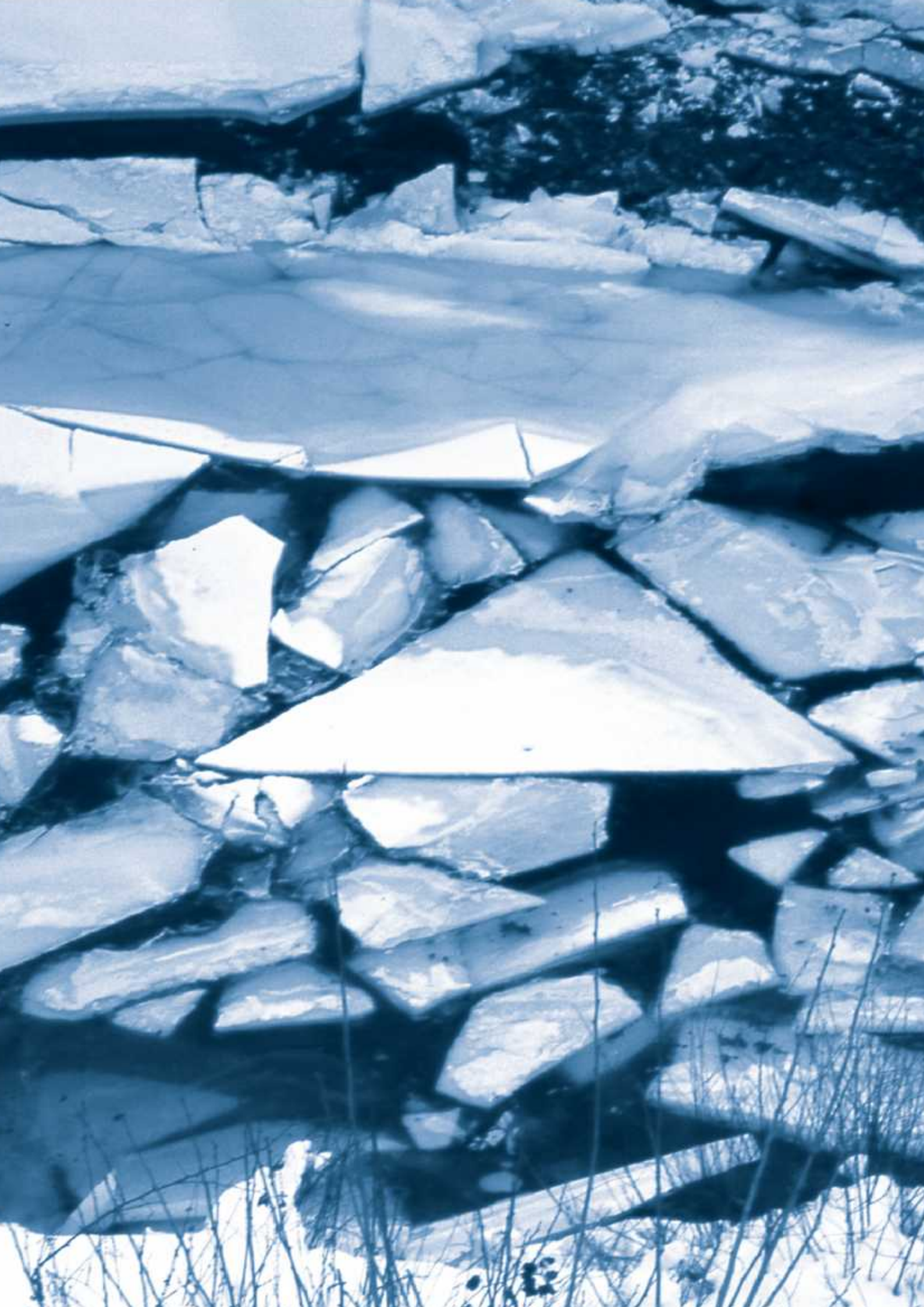
If in this context there will be no certainty of being able to sell in Ticino the energy acquired in compliance with the long term supply mandate of the Canton, AET will no longer be able to take on the risks related to this role and will have to adopt a different approach in managing its energy portfolio.

It therefore seems unavoidable the necessity of resuming with decision the debate on the regional energy sector and the role of AET, with the aim of setting into motion new forms of cooperation in order to give full value to the cantonal energy potential and to successfully cope with the future challenges.



Fausto Leidi
Chairman of the Board of Directors





Management report

General considerations

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The year 2012 pointed out the changes affecting the electricity sector, on both a European and a national level. Such sudden changes in logic and habits compel AET, like all firms in the sector, to constantly review its strategy.

The most obvious sign on a continental level has been the drastic reduction in energy market prices. Evolution unfolds as a drop in energy consumption, resulting from the protraction of the international economic crisis, set against an excess of supply ascribable to the input into the grid of large amounts of heavily subsidised energy from renewable sources such as German and Italian aeolian and photovoltaic energy. A rapidly evolving market, destined to suffer further upsets when the process of the abandonment of nuclear energy announced by many European countries will enter into effect. Current price levels are not sustainable in the long term: from several sides, above all in Germany, critical voices are being raised asking how much longer the «renewable energy system», based on state subsidies, can last. In this context those who benefit most are large consumers of electric energy who turn out to be exempt from the contributions necessary to feed the renewable energy subsidies. The powerful German industrial lobby plays an essential role in this context. The (extremely low) current price of the European CO₂ emission certificates (below EUR 5/tonne, compared to EUR 30/tonne in 2008) favours the old and polluting lignite power plants, which in 2012 achieved record production, over the new and far less polluting fossil fuelled plants, and penalises above all the generation of gas power plants.

At current market prices, many power plants (new generation included) no longer cover production costs and are shut down or will be in the short term. The European community is discussing modifications to the CO₂ emissions taxation model in order to achieve the 2020 objectives, but still no agreement has been found between Germany and the rest of Europe.

The value of Swiss accumulation hydroelectric production, increased in the past by exports towards the European market, has been significantly reduced in recent years by the price reduction of the peak energy (in competition with photovoltaic production) and by the decrease of value of the Euro on the Swiss franc (exchange rate CHF/EUR reduced from 1.60 to 1.20).

On a national level, future scenarios have been outlined by the «2050 Energy Strategy» of the Federal Council, under consultation during 2012. A strategy which aims to guarantee a secure supply even after the abandonment of nuclear energy and based on an increase in renewable indigenous production on one side and the improvement of energy efficiency on the other.

AET's company strategy, which foresees the end of coal and nuclear productions by 2035 and 100% renewable production by 2050 thanks to the win back of its waters by Canton Ticino, is in line with that outlined by the Swiss Confederation.

As far as the regional market is concerned, 2012 has marked an acceleration of the process of liberalization, which in Ticino involved the shift of several clients to the free market and the appearance of suppliers from northern Switzerland. A situation which will affect the company profits and marks a tendency towards revolutionizing the entire electric sector, both national and cantonal. With the introduction of LAEI (the Federal law on electric supply) the distributors are no longer obliged to purchase their supply from AET and competitors from outside the Canton are active in Ticino with distributors and/or final clients. In a difficult market context, marked by extremely low prices and a temporary abundance of supply, from 2014 and for some years AET will realize much lower financial results than in the past. In order to contain the loss of market shares (a process already under way) and the erosion of the profit margin, the AET Board of Directors will adjust the strategy to preserve the value of the cantonal company.

The second phase of the liberalization, which foresees the opening of the energy market to all final costumers in Switzerland, is still in discussion at federal level and is an integral part of the negotiations between Switzerland and Europe over the bilateral agreement on the exchange of energy: the opening of the market, originally expected in 2014, will probably be postponed for one or two years.

This said, the necessity of a reorganization of the cantonal energy sector in general and of the role of the AET mandate in particular appears obvious. The competitiveness of the company in this new climate depends on its obligation to supply the Canton. In this sense, AET has already pointed out to the Council of State the problematic situation in which it operates: in the past the company has assumed the commitment to long term «public service», taking on the burden of long term supply of electricity to the Canton. On the other hand, the regional distributors opt for short term supply on the free market, taking advantage of prices at minimum levels, thus compromising the profitability of AET. There is therefore need to rethink the role of AET and that of the respective regulating law, so that the Canton can preserve the financial value of the company. Last but not least the new tasks that will be assigned to AET following the Cantonal Energy Plan (PEC) and the application of the new provisions concerning minimum discharges could impair the competitiveness of AET respect to the other participants in the electric market.

In this difficult context, in 2012 AET has achieved a good result in terms of own production, increased by 36% with respect to the previous financial year thanks to the abundant precipitation well distributed over the course of the year and a prolonged period of thaw.

As for sales to distributors in Ticino, a contraction of around 6% compared to 2011 has been ascertained, essentially attributable to the direct purchase from third party suppliers of a 20 MW band by Aziende Industriali di Lugano (AIL) SA, who decided to no longer purchase this energy through AET. The contracts with the distributors for 2013 have all been renewed.

2012 has seen the company take important steps toward the strategy presented to the Council of State in the autumn of 2011. A strategy which, we will remember, is based on the following six mainstays:

- renewable energies (100% by 2050)
- energy efficiency within its own production facilities
- the development of core markets (chiefly in Switzerland and Italy)
- the cantonal power grid
- the new roles assigned by the Cantonal Energy Plan (PEC)
- cooperation with other electric companies both within and outside the Canton.

As far as renewable energy is concerned, the completion of three new photovoltaic plants should be mentioned: the educational demonstrative plant installed in the precincts of the «Percorso del cemento» in the Parco della Breggia, of 20 kW, the 3 kW pilot plant on the avalanche shelters on the St. Gotthard and finally the plant realized in cooperation Migros Ticino on the roof of their logistic centre in S. Antonino, which with its 380 kW is currently the largest in the Canton. Parallely, the negotiations regarding the realization of some new plants, which will see the light from 2013, are in an advanced phase.

Still on the subject of renewable energy, of note is the purchase of two operational aeolian farms situated in France for a total of 44 MW, by the subsidiary Terravent AG, in which AET holds a 21.4% share. Still concerning wind power, the second Greek wind farm («Makedonias», 28 MW) financed through Renewable Energy Investments SPC (REI), of which AET holds about 20%, is also now connected to the national grid and has begun production.

Finally of note are important steps forward in negotiations between AET and SBB (the Swiss Federal Railways), with the submission of the concession for the utilization of the Ritom Lake waters to the cantonal authority, which was prepared together with SBB following the agreement reached in 2010. The expectation is to obtain parliamentary approval during the course of 2014.

On the communications front the financial year 2012 has marked a return to «normality», with a clear reduction compared to the past in political and mass media intervention against the company. Relations are good with all the political authorities (Council of State, Department of finance and economy, Grand Council and its committees), with the majority of the government parties and the principal mass media active in the Canton. Significant in this regard is the transfer of the shares held in Tele Ticino SA to Banca dello Stato, like AET property of Canton Ticino, at a transaction price corresponding to the subsidiary's equity value.

The mentioned difficult market situation, which also AET has found itself confronting, has on one side weighed upon the operating result which nevertheless remains positive thanks to the cited high output and on the other has obliged the company to perform certain value adjustments, with negative consequences for the net result for the year, which amounts to CHF 21.1 million (consolidated result) as opposed to CHF 17 million for the previous financial year.

AET will distribute CHF 17 million of profit to the State of Ticino Canton: CHF 13.8 million in the form of «dividend» and CHF 3.2 million as interest on endowment capital (CHF 40 million) considering an 8% interest rate. As regards payments to the State the «water fees» are also to be taken into consideration: CHF 11.4 million for the use of the Canton's waters in its own facilities and a further CHF 7.4 million through the Canton's participating electric companies (Ofima, Ofible and Verzasca).

The energy trade

Sales

The effects of the liberalization of the national electric market on clients consuming over 100 MWh per annum were made known for the first time in Ticino during the course of 2012.

AET has been closely involved in this process, having to formulate numerous proposals for the transfer to the free market on behalf of the regional distributors. In this context a collaboration agreement with Enerti (Joint Stock Company held by the nine principle distribution companies of the Canton) was also concluded, for supply to multi-site clients in Ticino.

Sales activity in 2012 was marked by this sudden change and in 2013 the transfer to the free market of the first group of clients will decrease the company's revenue by some millions of Swiss francs.

As regards acquisition of clients, agreements have been renewed with Azienda Elettrica di Massagno (AEM) for 2013 and with Cooperativa Elettrica di Faido for 2013 and 2014. The contract with Energia del Moesano (EdM), which foresees both the supply and the purchase of the communally-owned energy quota produced by the ELIN facilities, has been extended.

The distribution companies which had renewed the supply contract have enjoyed – also in 2012 – a discount of CHF 0.5 cts/kWh, conceded with the aim of favouring final clients in Ticino. To this is added a further discount of CHF 0.1 cts/kWh recognized following a correction of the Swiss electric market indices (SWEP index replaced by the SWISSIX index during 2012). The amount of these discounts weighs on the company results for 2012 for a total of close to CHF 12 million.

As regards the type of energy supplied in the Canton, AET continues its policy of transparency and environmental responsibility. The energy mix delivered to distribution companies and clients over the course of 2012 was composed of 82% energy from renewable sources (for the most part hydroelectric power from Switzerland and abroad), 4% from urban waste and 14% from non-renewable energy vectors (nuclear energy). AET has taken on the costs of obtaining the necessary certificates of origin, avoiding an increase in sales prices to its clients.

In absolute terms, AET sales to distributors in Ticino decreased by around 6% in 2012. The principal factor weighing on these results is the previously mentioned decision by Aziende Industriali di Lugano (AIL) SA to acquire through a third party a 20 MW band. In small measure the evolution has been marked by a reduction in consumption ascribable to the economic situation, to a probable increase in energy efficiency and to climatic circumstances.

Portfolio Management

In terms of own production, 2012 has been a particularly positive year with an increase of 36% with respect to 2011. A result made possible by abundant and well distributed precipitations over the course of the year and by a prolonged period of thaw at high altitude. The availability given by the participated accumulation power plants has enabled a better exploitation of production during the month of February, when cold periods have determined particularly high prices.

The production from hydroelectric participations was in line with that of the previous year. The impact of the high precipitation was in this case less important, as the greater accumulation capacity of these facilities manages to mitigate the negative effects of dry years like 2011. Furthermore, it is underlined that the facilities of the Officine Idroelettriche di Blenio (Ofible), hold by the Canton for a 20% share, have remained out of service for special overhaul from January to the middle of May 2012.

Trading

Spot market prices in Germany, France and Switzerland have suffered a major contraction, explainable by the reduction in demand (as a result of the ongoing economic crisis), combined with an abundant supply of wind and photovoltaic energy in Germany and of hydroelectric energy in Switzerland.

The only market in partial countertendency was that of Italy, which has seen prices increases in the first three quarters of the year, registering a marked reduction only in the fourth quarter.

The forward market trend has followed that of the spot market.

Production activity

AET has organised its own competence centre on photovoltaic energy which has already matured into a good experience, applied to the installation of several company facilities and in the analysis of dozens of proposals on the part of contractors from Ticino. AET has also participated in the solar mapping of the Canton, promoted by the Dipartimento del territorio and presented to the press in August 2012.

In the course of the financial year the aforementioned photovoltaic installations of Parco della Breggia, of St. Gotthard (pilot facility on the avalanche shelters) and of Migros Ticino have been put into service. As regards the main overhaul and maintenance operations of the plants one should mention the overhaul of a turbine and the installation of a new control and command mechanism for a group at the Nuova Biaschina power plant, the cleaning of the Val d'Ambra basin, the conversion of the cooling system at the Ponte Brolla power plant and the installation of the new turbine regulators on the two production groups of the Stalvedro power plant.

Distribution grid

Also in 2012, numerous interventions of development and modernization of the grid were carried out, as for example the replacement of the 220 kV disconnecting switches in the substations of Iragna and Magadino and the conclusion of the first stage of the cabling works on the 16 kV industrial net on the Bodio industrial area, with the relative dismantling of the aerial grid.

The Lugano regional grid was developed with the construction of a new AEM (Massagno) substation in the Commune of Capriasca, connected to that of Sigirino with a double 50 kV cable. The AEM grid is now fed directly by the AET network. At Vezia work has begun on the Pian Scairolo – Crespera cable tunnel in a northerly direction (almost up to the new SBB substation), for the cabling of the AET/SBB/AIL 150/132 kV line for a distance of approximately one kilometre.

Further South, in the Mendrisio substation, the third 150/50 kV transformer with a transformation capacity of 100 MVA (capacity required by the consumption increase in the Mendrisio region), has been put into service.

Participations

The following summary reports the most significant information on the subsidiaries, independently of their entries in the AET's annual report (whether registered as «participations» balance sheet items or as «long-term securities» balance sheet items).

AET CoGen Srl

The Gavirate cogeneration power plant has continued to suffer from the spread between the cost of methane gas and the sale price of the produced power. The worsening crisis in the European electric energy market, ongoing since several years, has had repercussions on the power plant, inexorably eroding the industrial margins.

AET is constantly seeking alternatives for the conversion of the facility to renewable energy, and other solutions aiming to reduce operative loss: no improvements in the thermoelectric sector are foreseen in 2013 for which reason reorganisation programs will be adopted.

AET Italia SpA

The continuing economic crisis has strongly affected the demand for electric energy in Italy, which records a 3.1% reduction compared to 2011, with a total amount of energy consumed in line with 2004. Despite the unfavourable context, AET Italia has increased both the number of its clients (+ some 20%) and the quantity of energy supplied (+ some 60% with respect to 2011). The company's performance is ascribable to a prudent commercial policy which has its mainstays in the reinforcement of the sales force on the ground and in a personalized attention to the needs of the clientele, this last allowing the achievement of a 76% contract renewal rate. The development strategy of the SMEs segment is confirmed, allowing the realization of greater profit margins with respect to the larger clients.

From the point of view of governance AET Italia has completed the process of alignment to the Group standards, renewing the ISO 9001 certificate and bringing into line the internal control system.

AET NE1 SA

In accordance with the provisions of the federal law LAEI, AET NE1 SA, owner of the AET very high tension grid, was sold to Swissgrid at the beginning of 2013.

Calore SA

In the course of the year several projects were evaluated and the go-ahead was given for the planning of the connection of the teacher training school in Locarno to the La Carità hospital's thermic energy distribution network. Work has begun on the renovation of the heating system of the primary school in Massagno, to be completed in association with AEM.

At the same time the project for a district woodchips heating in the Commune of Blenio continues, promoted by Biomassa Blenio SA.

CEG SpA Group

In the course of 2012 the power plant in Chivasso, which was put in parallel with the national grid at the end of November, was completed and began energy production in December 2012.

At an economic level the CEG Group is suffering the appreciable rise in the cost of vegetable oils on the international markets, which has brought a significant squeeze of the profit margins in comparison with expectations. The volatility of the market quotations for vegetable oils makes the economic-financial prospects of CEG Group uncertain. At the end of 2012 the subsidiary company was refinanced with an additional EUR 4 million, deposited solely by the AET shareholders. This funding was converted in to share capital on 10.01.2013 bringing AET's shareholding to 79.88%. Considering the level of market prices on combustible oil and the uncertainty surrounding the group's economic-financial prospects, AET's investments in the CEG Group are subject to a value impairment.

Metanord SA

In the course of the year the high pressure stretch between Rivera and Quartino was completed and tested by the responsible authorities (ERI/BFE) and connections with the adjacent networks will be realized in the short term. Also in the completion phase are the medium pressure lots on the Piano di Magadino, from Quartino in the direction of Giubiasco and from Quartino towards Riazzino (Locarno industrial zone), which will be completed by summer 2013. During 2013 there will be a drive towards the acquisition and tying in of new clients in the zones already served and those which will be in the short term.

Parco eolico del San Gottardo SA (PESG)

The changes to the Commune planning scheme, the detailed plan for the St. Gotthard region and the Report on environmental impact (RIA 1) drawn up by the Airolo communal planner and the PESG planners, with the closer examinations requested by the Canton according to the position taken on the preliminary study, have been submitted for examination to the relevant cantonal offices. Parallely, the project was presented to the Federal Commission for nature and landscape.

Approval of the environmental impact analysis and of the planning file is expected in the course of 2013, which should make possible (in the absence of possible appeals) the preparing and the obtaining of the construction licence during the course of 2014. Work on the St. Gotthard pass is expected to begin in summer 2015.

Renewable Energy Investments SPC (REI)

REI's main investments consist of wind farms located in Greece. The Mitikas wind farm has been operating since 2011, while the Makedonias plant was completed at the end of 2012 and is now connected to the national grid.

AET holds a 20% share in REI, registered in the balance sheet with a net residual value which takes into account any impairment incurred during 2012 (at the time of approval of this report the audited annual account of REI is still not available).

Senco Holding SA

Over the course of 2012 the Ossasco (CEL Bedretto) power plant was put into service.

On the contrary, the CEL Brione Verzasca project has been abandoned following the verdict of the Federal Tribunal which confirmed the cancellation of the concession for the use of the waters of Verzasca, decided by TRAM (Regional Administrative Tribunal) in summer 2012.

TERIS Teleriscaldamento del Bellinzonese SA (TERIS)

The district heating plant using heat produced by the incinerator at Giubiasco began supplying heat in the month of October: the first client to be connected was Agrotomato SA of Giubiasco. Over the course of the winter the connection with Migros of S. Antonino was completed and put into service. Negotiations with potential new clients and the signing of supply contracts continue.

Terravent AG

The company, incorporated in July 2011 by six Swiss electric companies, has begun its activity with the acquisition of the first wind farm in France, situated in the department of Aveyron in the «Midi-Pyrénées» region. Terravent has assessed the purchase of other wind farms, among which a second in France, the acquisition of which is foreseen for the beginning of 2013.

Trianel Kohlekraftwerk Lünen GmbH & Co. KG (TKL)

The construction of the Lünen thermoelectric plant has been completed and tests have been carried out on all its components. The first synchronization with the grid has been made at the end of the year: from a technical viewpoint the plant works without any significant problem.

Assuming all necessary authorization will be given, entry into service is expected for the third quarter of 2013.

Airlight Energy Holding SA

In the course of autumn 2012 AET sold its shareholdings in Airlight Energy Holding SA at a slightly higher price than the historical investment cost.

In the last period AET held a share of 7.79% of the share capital.

Strategic projects

Ritom

The request for the new concession for the exploitation of the Ritom waters prepared by SBB with AET, which foresees the construction of a new joint power plant, was sent to the Canton at the end of the year. The submission of the request to the competent offices is expected for the first months of 2013, while the forwarding of the message to the Grand Council for the final decision is expected at the end of 2013.

Meanwhile, the preparation of contracts for the establishment of Ritom SA is ongoing. The company, hold at 75% by SBB and at 25% by the Canton, will take over the management of the future power plant.

Cantonal Energy Plan (PEC)

The PEC draft, to the development of which AET has participated as member of the working group, was submitted in the course of 2012; in April 2013 the Council of State has published the action plan for the PEC, accompanied by three messages regarding the putting into effect of the priority measures.

Acquisition of the SES shares owned by Alpiq

In the second half of 2012, in agreement with Aziende Industriali di Lugano (AIL) SA, AET has made a request to Alpiq for the acquisition of its shareholding in the Società Elettrica Sopracenerina SA (SES). Later on, taking into account the interests of the Communes supplied by SES, the negotiations have been restricted to AET and the said municipalities. Should AET and Alpiq reach an agreement for the transfer of the shareholding, it would have to involve Grand Council, presumably by summer 2013.

Human Resources

On the personnel front, 2012 marked the conclusion of a reinforcement phase prolonged over a five year period. The number of employees is now stable (225.4 units equivalent to full time, including 13 apprentices in training; respectively 247.7 units at Group level) and guarantees adequate cover for all the functions performed by the company. The hiring aimed mainly at the substitution of personnel (retirements or resignations). Worth underlining is the high number of interesting candidates for the competitions proposed, a clear sign of AET's attraction as an employer.

Finance e risk management

In the course of 2012 the finance and risk management department has been active on the one hand in consolidation of the management processes and instruments, and on the other occupied with the sale of the subsidiary AET NE1 SA to Swissgrid within the GO! project and with activities related to the evaluation of the SES shareholding.

As for risk management, the service has been consolidated into a definitive form; the team is composed of one person in charge and three team members, all with vast specific professional experience.



Proposal for allocation of profit

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

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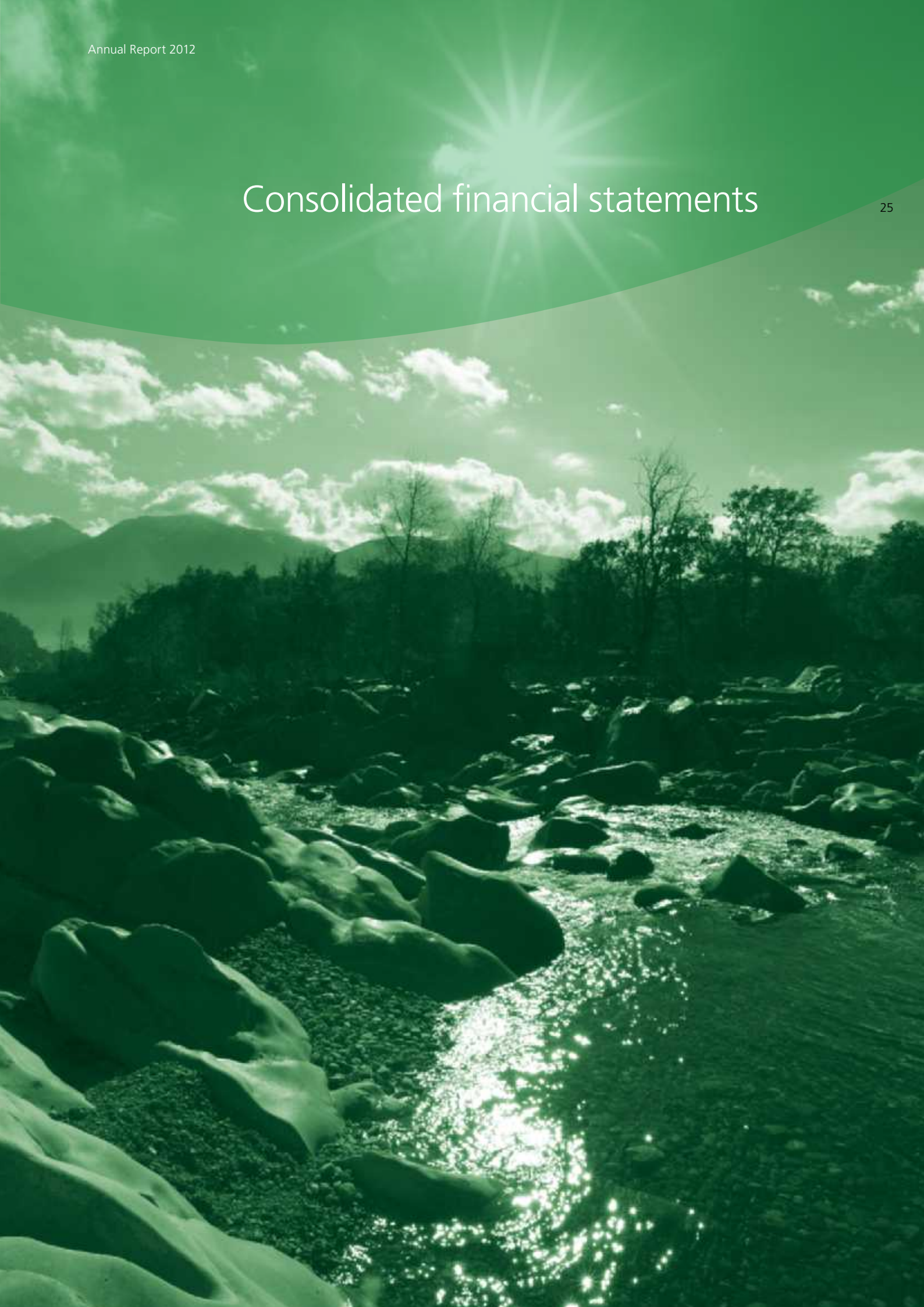
	CHF 1,000
Profit for the year 2012	21,191
+ profit carryover at the beginning of the financial year	3,231
Profit available for allocation	24,422
./. to the State: 8% interest on the endowment capital	-3,200
./. devolution to the State	-13,800
./. attribution to the general reserves	-7,000
Carryovers in the new financial year	422

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

- the Board of Directors' Management report for the year 2012;
- the financial statements for the year 2012;
- the proposal for allocation of profit;

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

Consolidated financial statements



Consolidated balance sheet

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		31.12.2012	31.12.2011
ASSETS	Notes	CHF 1,000	CHF 1,000
Operating plants and equipment		254,361	256,861
Land and buildings		38,182	37,596
Tangible fixed assets under construction		40,426	30,509
Tangible fixed assets on lease		1,870	4,800
Other tangible fixed assets		1,305	1,475
Tangible fixed assets	2	336,144	331,241
Participations in associates	3	18,937	15,486
Long-term securities	4	64,028	68,870
Advances and loans to associates	5	20,685	11,880
Other financial assets	6	4,939	6,227
Financial assets		108,589	102,463
Plant and equipment use rights		7,036	7,172
Energy procurement rights		104,241	115,200
Intangible assets under construction		1,991	892
Other intangible assets		4,104	4,811
Intangible assets	7	117,372	128,075
Total Non-current assets		562,105	561,779
Receivables from goods and services	8	166,336	184,249
Other short-term receivables	9	6,922	4,019
Inventories		12,849	4,220
Prepayments and accrued income	10	58,230	39,904
Cash and cash equivalents	11	62,815	60,884
Total Current assets		307,152	293,276
TOTAL ASSETS		869,257	855,055

		31.12.2012	31.12.2011
		CHF 1,000	CHF 1,000
LIABILITIES AND EQUITY			
	Notes		
Endowment capital		40,000	40,000
Conversion differences		-3,595	-3,196
Retained earnings		365,997	363,171
Profit for the year		21,117	16,989
Equity attributable to AET		423,519	416,964
Minority interests		4,111	318
Total Group equity		427,630	417,282
Long-term provisions	12	20,634	18,297
Other long-term liabilities		-	52
Long-term financial liabilities	13	229,846	219,593
Long-term liabilities		250,480	237,942
Payables from goods and services	14	105,979	140,842
Short-term financial liabilities	15	27,170	21,923
Other short-term liabilities	16	4,859	5,049
Accrued liabilities and deferred income	17	46,845	25,842
Short-term provisions	12	6,294	6,175
Current liabilities		191,147	199,831
Total Liabilities		441,627	437,773
TOTAL LIABILITIES AND EQUITY		869,257	855,055

Consolidated income statement

	Notes	2012 CHF 1,000	2011 CHF 1,000
Operating income			
Energy sales	18	1,167,991	1,348,458
Grid income		136,554	89,079
Other operating income	19	11,706	12,088
Total Operating income		1,316,251	1,449,625
Operating expenses			
Energy purchase	20	-1,077,727	-1,268,004
Grid expenses		-103,314	-57,669
Personnel expenses	21	-27,883	-27,838
Services and material		-11,723	-9,632
Depreciation on tangible fixed assets		-14,997	-14,403
Amortisation on intangible assets		-10,216	-9,941
Other depreciation and amortisation		-158	-157
Other operating expenses	22	-29,917	-28,106
Total Operating expenses		-1,275,935	-1,415,750
Operating result		40,316	33,875
Financial income	23	2,183	1,634
Financial expenses	24	-9,793	-12,112
Result from participations in associates	3	1,576	1,651
Ordinary result		34,282	25,048
Non-operating result		4	3
Extraordinary result	25	-13,356	-8,024
Profit before taxes		20,930	17,027
Taxes		60	-151
Group profit for the year		20,990	16,876
Minority interests		127	113
Profit for the year attributable to AET		21,117	16,989

Consolidated cash flow statement

	2012	2011
	CHF 1,000	CHF 1,000
Profit for the year	21,117	16,989
Minority interests to income statement	-127	-113
Depreciation on tangible fixed assets	14,997	14,403
Amortisation on intangible assets	10,216	9,941
Other depreciation and amortisation	158	157
Change in long-term provisions	2,338	387
Change in impairments	14,195	8,674
Profit/loss from disposal of non-current assets	-62	-34
Result from the application of the equity method	-1,576	-1,651
Other non cash expenses	-170	1,433
Cash flow before change in net current assets	61,086	50,186
Change in receivables, inventories and prepayments and accrued income	-12,125	-22,650
Change in liabilities and accrued liabilities and deferred income	-13,975	-4,476
Change in short-term provisions	119	-5,229
Cash flow from operating activities	35,105	17,831
Outflows for investment in tangible fixed assets	-26,891	-17,866
Inflows from disposal of tangible fixed assets	418	198
Outflows for investment in intangible assets	-837	-1,839
Inflows from disposal of intangible assets	-	-
Outflows for investment in financial assets	-17,024	-7,639
Inflows from disposal of financial assets	5,821	3,514
Acquisition of consolidated organisations, less cash	-	-
Cash flow from investing activities	-38,513	-23,632
Issuance/repayment of short-term financial liabilities	5,368	3,165
Issuance/repayment of long-term financial liabilities	10,651	-4,252
Payment of capital of minority shareholders of subsidiaries	3,520	270
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-11,000	-12,000
Cash flow from financing activities	5,339	-16,017
Cash and cash equivalents at the beginning of the year	60,884	82,759
Cash flow	1,931	-21,818
Conversion differences on cash and cash equivalents	-	-57
Cash and cash equivalents at the end of the year	62,815	60,884

Statement of changes in consolidated equity

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	Endow- ment capital	Conver- sion dif- ferences	Retained earnings	Profit for the year	Equity attribut- able to AET	Minority interests	Total Group Equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Equity at 01.01.2011	40,000	-2,392	342,900	35,291	415,799	163	415,962
Allocation of profit	-	-	35,291	-35,291	-	-	-
Interest on capital due to the State	-	-	-3,200	-	-3,200	-	-3,200
Distribution of profit to the State	-	-	-12,000	-	-12,000	-	-12,000
Capital increase	-	-	-	-	-	270	270
Conversion differences	-	-804	180	-	-624	-2	-626
Change in consolidation scope	-	-	-	-	-	-	-
Offset goodwill	-	-	-	-	-	-	-
Profit for 2011	-	-	-	16,989	16,989	-113	16,876
Equity at 31.12.2011	40,000	-3,196	363,171	16,989	416,964	318	417,282
Allocation of profit	-	-	16,989	-16,989	-	-	-
Interest on capital due to the State	-	-	-3,200	-	-3,200	-	-3,200
Distribution of profit to the State	-	-	-11,000	-	-11,000	-	-11,000
Capital increase	-	-	-	-	-	3,920	3,920
Conversion differences	-	-399	37	-	-362	-	-362
Change in consolidation scope	-	-	-	-	-	-	-
Offset goodwill	-	-	-	-	-	-	-
Profit for 2012	-	-	-	21,117	21,117	-127	20,990
Equity at 31.12.2012	40,000	-3,595	365,997	21,117	423,519	4,111	427,630

Notes to the consolidated financial statements

1 Accounting principles

The consolidated financial statements 2012 of the Azienda Elettrica Ticinese (AET) were prepared in accordance to the Swiss GAAP FER as a whole and approved by the Board of Directors on 29.04.2013.

1.1 Consolidation principles

1.1.1 Companies consolidated according to the full consolidation method

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

Subsidiaries ¹	Currency	Nominal capital	Holding at 31.12.2012	Holding at 31.12.2011
AET CoGen Srl	EUR	100,000	100.00%	100.00%
AET Idronord Srl	EUR	433,393	90.00%	90.00%
AET Italia Holding Srl	EUR	4,835,900	100.00%	100.00%
AET Italia SpA	EUR	4,000,000	100.00%	100.00%
AET NE1 SA	CHF	4,000,000	100.00%	100.00%
Parco eolico del San Gottardo SA	CHF	1,000,000	70.00%	70.00%
SPE Società per Partecipazioni Energetiche SA	CHF	8,000,000	100.00%	100.00%
TERIS Teleriscaldamento del Bellinzonese SA	CHF	10,000,000	60.00%	60.00%

¹ Direct and indirect subsidiaries

All participations have closed their financial year on the 31.12.2012.

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

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

1.1.2 Changes in consolidation scope

In 2012 there has been no change in the consolidation scope of the AET Group.

In 2011 AET Italia Holding Srl was consolidated for the first time whose, on the 01.12.2010 the AET Group subscribed 100% of its capital.

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

	AET Italia Holding
	EUR 1,000
Non-current assets	4,836
Current assets except cash	–
Cash and cash equivalents	–
Total assets	4,836
Equity	4,836
<i>Minority interests thereof</i>	–
Long-term liabilities	–
Current liabilities	–
Total liabilities and equity	4,836



1.1.3 Companies included according to the equity method

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

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

Associates ¹	Currency	Nominal capital	Holding at 31.12.2012	Holding at 31.12.2011
Calore SA	CHF	2,000,000	48.90%	48.90%
Calore Elettricità Gas SpA	EUR	5,000,000	50.00%	50.00%
Metanord SA	CHF	18,594,000	30.95%	30.95%
Nord Energia SpA	EUR	10,200,000	40.00%	40.00%
Quadra Srl	EUR	20,000	50.00%	50.00%
Senco Holding SA	CHF	150,000	50.00%	50.00%
Terravent AG	CHF	10,000,000	21.40%	21.40%

¹ Associates directly and indirectly

1.1.4 Other participations

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

1.1.5 Conversion of financial statements held in foreign currency

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

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

Exchange rates applied (CHF/EUR):	2012	2011
Exchange rate at the closing date on 31.12	1.2068	1.2139
Average exchange rate	1.2053	1.2336

1.2 Accounting principles

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

1.2.1 Tangible fixed assets

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

Land is not depreciated. Buildings are valued at their acquisition or construction cost and depreciated like operating plant and equipment. Operating equipment is depreciated on the basis of its useful life. Tangible fixed assets under construction are reported at construction cost, with no interest capitalisation. Tangible fixed assets under construction are not depreciated. The minimum and maximum depreciation periods for each tangible fixed asset category are as follows:

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

Renewal or optimisation investments on plants are capitalised if the useful life, the performance or the quality of the involved plant are significantly improved. Tangible fixed assets acquired through financial leases are capitalised and the corresponding liabilities reported as financial liabilities.

1.2.2 Financial assets

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

1.2.3 Intangible assets

Intangible assets are capitalised at their acquisition cost adjusted by amortisation and any necessary impairment. Plants and equipment usage rights represent the right of energy transmission on third party gridlines. They are amortised on a straight-line basis taking into account the contractual agreements and the technical life of the plant (40-75 years); the energy procurement rights are straight-line amortised on the basis of their useful life (10-20 years); other intangible assets are straight-line amortised on the basis of their useful life.

1.2.4 Receivables

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

1.2.5 Inventories

Inventories include small tools, spare parts and energy related certificates. Inventories are valued at the lower of weighted average purchase price and market value. The carrying value of inventories is adjusted for slow-moving items.

1.2.6 Cash and cash equivalents

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

1.2.7 Impairment

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

1.2.8 Provisions

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

1.2.9 Liabilities

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

1.2.10 Off-balance-sheet transactions

All contingent liabilities and other non-recognisable commitments existing at the balance sheet date are disclosed in the notes to the consolidated financial statements.

1.2.11 Income

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

1.2.12 Pension funds

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

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

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

1.2.13 Taxes

Tax expense includes all current and deferred taxes. Deferred taxes arise from valuation differences between the tax financial statements and the financial statements used for consolidated reporting purposes.

AET is not subject to any direct tax.

1.2.14 Related party transactions

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

2 Tangible fixed assets	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Tangible fixed assets on lease	Other tangible fixed assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost value at 01.01.2011	536,255	44,282	28,820	20,971	7,465	637,793
Change in consolidation scope	–	–	–	–	–	–
Reclassification	14,852	423	–15,416	–1,747	181	–1,707
Additions	281	–	17,105	–	480	17,866
Disposals	–1,491	–	–	–	–209	–1,700
Conversion differences	–175	–15	–	–611	–8	–809
Cost value at 31.12.2011	549,722	44,690	30,509	18,613	7,909	651,443
Change in consolidation scope	–	–	–	–	–	–
Reclassification	13,885	1,031	–15,860	–	29	–915
Additions	675	23	25,777	–	416	26,891
Disposals	–1,073	–227	–	–82	–173	–1,555
Conversion differences	–44	–3	–	–109	–2	–158
Cost value at 31.12.2012	563,165	45,514	40,426	18,422	8,179	675,706
Accumulated depreciation at 01.01.2011	–281,271	–6,686	–	–5,347	–6,126	–299,430
Change in consolidation scope	–	–	–	–	–	–
Reclassification	–215	–	–	215	–	–
Depreciation	–12,747	–414	–	–720	–522	–14,403
Disposals	1,328	–	–	–	209	1,537
Impairments	–	–	–	–8,537	–	–8,537
Conversion differences	44	6	–	576	5	631
Accumulated depreciation at 31.12.2011	–292,861	–7,094	–	–13,813	–6,434	–320,202
Change in consolidation scope	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
Depreciation	–13,403	–410	–	–645	–539	–14,997
Disposals	298	227	–	–	169	694
Impairments	–2,848	–56	–	–2,174	–71	–5,149
Conversion differences	10	1	–	80	1	92
Accumulated depreciation at 31.12.2012	–308,804	–7,332	–	–16,552	–6,874	–339,562
Net carrying amount at 01.01.2011	254,984	37,596	28,820	15,624	1,339	338,363
Net carrying amount at 31.12.2011	256,861	37,596	30,509	4,800	1,475	331,241
Net carrying amount at 31.12.2012	254,361	38,182	40,426	1,870	1,305	336,144

The insured value of tangible fixed assets against fire risk amounts to CHF 474 million at 01.01.2013 (CHF 490 million at 01.01.2012). In the financial year 2012 an impairment has been recorded on the tangible fixed assets on lease following the

deterioration of the market conditions. In particular fuel prices increases coupled with low energy prices have reduced the value of the thermoelectric power plant assets.

3 Participations in associates

31.12.2012	Equity	Holding	AET's share of the equity	AET's share of the profit
Associates	CHF 1,000		CHF 1,000	CHF 1,000
Calore SA	2,416	48.90%	1,182	46
Calore Elettricità Gas SpA	–	50.00%	–	–
Metanord SA	14,420	30.95%	4,463	–356
Nord Energia SpA	28,783	40.00%	11,513	2,273
Quadra Srl	–	50.00%	–	–
Senco Holding SA	212	50.00%	106	7
Terravent AG	7,818	21.40%	1,673	–394
Total			18,937	1,576

31.12.2011	Equity	Holding	AET's share of the equity	AET's share of the profit
Associates	CHF 1,000		CHF 1,000	CHF 1,000
Calore SA	2,322	48.90%	1,135	71
Calore Elettricità Gas SpA	–	50.00%	–	–
Metanord SA	15,572	30.95%	4,819	–165
Nord Energia SpA	23,230	40.00%	9,293	1,819
Quadra Srl	–	50.00%	–	–
Senco Holding SA	199	50.00%	99	–
Terravent AG	655	21.40%	140	–74
Total			15,486	1,651

In 2012 Terravent AG has increased its capital by CHF 9 million, AET subscribed the 21.4% of the increase.

4 Long-term securities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Trianel Kohlekraftwerk Lünen GmbH & Co. KG	38,178	38,178
Renewable Energy Investments SPC	15,678	15,678
./.. impairment	-8,700	-6,900
Kraftwerke Mattmark AG	12,430	12,587
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Airlight Energy Holding SA	-	2,862
Other	142	165
Total	64,028	68,870

The shares of Renewable Energy Investments SPC (REI) are valued at their historical cost. The impairment amount was determined on the basis of the latest available NAV information (31.12.2011) and of current financial and economical expectations. The increase of the impairment has been recorded as financial expense.

In 2012 AET sold its participation in Airlight Energy Holding SA.



5 Advances and loans to associates

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Calore Elettricità Gas SpA	9,720	4,916
./. impairment	-9,720	-4,916
Metanord SA	7,500	4,300
Terravent AG	6,587	-
Nord Energia SpA	6,122	6,842
Bio Elettricità Occimiano Srl	4,948	4,977
./. impairment	-4,948	-4,977
Geopower Basel AG	2,628	2,628
./. impairment	-2,628	-2,628
CEL Cerentino SA	326	396
Senco Holding SA	150	150
CMC MeSta SA	-	192
Total	20,685	11,880

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

6 Other financial assets

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Advance to PurEnergy SA	1,620	2,428
Advance to Axpo Trading AG	1,426	2,243
Other	1,893	1,556
Total	4,939	6,227

During 2011 AET granted an advance to PurEnergy, obtaining the transfer of credits for the coverage of the advance refund, in 2012 it was partially repaid.

The advance to Axpo Trading AG was made within the context of an energy supply agreement on the Italian market.

7 Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost value at 01.01.2011	10,444	151,839	3,353	3,311	168,947
Change in consolidation scope	–	–	–	–	–
Reclassification	448	–256	–3,982	5,493	1,703
Additions	–	–	1,521	318	1,839
Disposals	–	–	–	–147	–147
Conversion differences	–	–	–	–53	–53
Cost value at 31.12.2011	10,892	151,583	892	8,922	172,289
Change in consolidation scope	–	–	–	–	–
Reclassification	103	–	812	–	915
Additions	47	–	327	463	837
Disposals	–160	–	–40	–68	–268
Conversion differences	–	–	–	–12	–12
Cost value at 31.12.2012	10,882	151,583	1,991	9,305	173,761
Accumulated amortisation at 01.01.2011	–4,743	–27,662	–	–1,904	–34,309
Change in consolidation scope	–	–	–	–	–
Reclassification	1,267	142	–	–1,404	5
Amortisation	–244	–8,863	–	–834	–9,941
Disposals	–	–	–	32	32
Impairments	–	–	–	–12	–12
Conversion differences	–	–	–	11	11
Accumulated amortisation at 31.12.2011	–3,720	–36,383	–	–4,111	–44,214
Change in consolidation scope	–	–	–	–	–
Reclassification	–	–	–	–	–
Amortisation	–286	–8,759	–	–1,171	–10,216
Disposals	160	–	–	24	184
Impairments	–	–2,200	–	56	–2,144
Conversion differences	–	–	–	1	1
Accumulated amortisation at 31.12.2012	–3,846	–47,342	–	–5,201	–56,389
Net carrying amount at 01.01.2011	5,701	124,177	3,353	1,407	134,638
Net carrying amount at 31.12.2011	7,172	115,200	892	4,811	128,075
Net carrying amount at 31.12.2012	7,036	104,241	1,991	4,104	117,372

The energy procurement rights mainly refer to an energy procurement right from EDF (termination 31.12.2027) and an agreement for energy procurement from a German gas-fired power plant (termination 31.12.2027). The impairment recorded

in 2012 relates to a deterioration of the market conditions on this energy procurement right.

8 Receivables from goods and services	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Associates	910	2,034
Other related parties	30	61
Third parties	165,396	182,154
Total	166,336	184,249

The balance includes receivables in foreign currency for EUR 94.1 million (EUR 100.5 million at 31.12.2011).

9 Other short-term receivables	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Associates	244	–
Other related parties	–	453
Third parties	6,678	3,566
Total	6,922	4,019

10 Prepayments and accrued income	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Associates	1,040	2,048
Other related parties	4,658	3,271
Third parties	50,675	33,221
Work in progress	1,857	1,364
Total	58,230	39,904

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

11 Cash and cash equivalents	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Balances in CHF	46,428	50,497
Balances in foreign currency (at the end of year equivalent)	16,387	10,387
Total	62,815	60,884

All balances are freely available, with the exception of assets with equivalent value of CHF 5.5 million (CHF 7.1 million at 31.12.2011) deposited in foreign bank accounts in euro for the coverage of commercial transactions in international markets.

12 Provisions

	Onerous contracts	Energy sale onerous contracts	Indemnifications and plant decommissioning	Other provisions	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Carrying amount at 01.01.2011	3,500	7,000	13,210	5,604	29,314
thereof long-term	3,500	1,200	13,210	–	17,910
thereof short-term	–	5,800	–	5,604	11,404
Increase	–	–	552	2,258	2,810
Utilisation	–	–	–	–1,852	–1,852
Release	–	–5,800	–	–	–5,800
Carrying amount at 31.12.2011	3,500	1,200	13,762	6,010	24,472
thereof long-term	3,500	800	13,762	235	18,297
thereof short-term	–	400	–	5,775	6,175
Increase	2,000	–	548	2,147	4,695
Utilisation	–	–	–	–1,769	–1,769
Release	–	–300	–	–170	–470
Carrying amount at 31.12.2012	5,500	900	14,310	6,218	26,928
thereof long-term	5,500	600	14,310	224	20,634
thereof short-term	–	300	–	5,994	6,294

The provision for the onerous contracts covers expected disbursements related to commitments of the AET Group. In 2012 the deterioration of the expected market conditions to which the activities of thermoelectric production in Italy are exposed required the increase of this position.

The provision for energy sale onerous contracts covers the cost expected in respect of the execution of energy delivery contracts finalised in the past at sale prices below the average energy procurement of AET. The release of the provisions for onerous contract on energy sale corresponds to the provision part related to 2012.

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

The other provisions include the expected operating cost arising from past events, of which CHF 1.1 million (31.12.2011: CHF 1.3 million) related to litigation costs. The utilisation of other provisions includes a CHF 1 million payment of the employer quota for the restructuring contributions of the "Fondo per il pensionamento anticipato del personale dell'Azienda Elettrica Ticinese".

13 Long-term financial liabilities	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Dexia Dublin, 10.01.2008–10.01.2028 ¹ , 3.460%	150,000	150,000
Zürcher Kantonalbank (ZKB), 18.08.2005–18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank (ZKB), 02.06.2006–02.06.2016, 3.375%	15,000	15,000
Allianz Suisse, 03.05.2011–03.05.2026, 2.830%	13,000	13,000
Fondi di compensazione AVS, 03.05.2011–03.05.2021, 2.540%	13,000	13,000
Pensionskasse Post, 20.09.2012–20.09.2029, 2.080%	5,000	–
Pensionskasse Post, 11.12.2012–11.12.2020, 1.280%	5,000	–
Debt for finance leases	7,719	7,765
Other	1,127	828
Total	229,846	219,593

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

14 Payables from goods and services	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Associates	814	941
Other related parties	2,028	1,890
Third parties	103,137	138,011
Total	105,979	140,842

The balance includes payables in foreign currency for EUR 72.5 million (EUR 92.1 million at 31.12.2011).

15 Short-term financial liabilities	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Liabilities toward financial institutions in CHF	–	–
Liabilities toward financial institutions in foreign currency	27,170	21,923
Total	27,170	21,923

16 Other short-term liabilities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Associates	–	–
Other related parties	33	–
Third parties	4,826	5,049
Total	4,859	5,049

17 Accrued liabilities and deferred income

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Associates	124	578
Other related parties	697	–
Third parties	46,024	25,264
Total	46,845	25,842

18 Energy sales

	2012	2011
	CHF 1,000	CHF 1,000
Energy sales in Ticino	201,159	199,588
Energy sales in Switzerland	97,267	89,571
Energy sales in Italy	545,327	475,709
Energy sales in Germany	257,925	506,496
Energy sales in France	49,035	67,614
Other income energy sales	17,278	9,480
Total	1,167,991	1,348,458

19 Other operating income

	2012	2011
	CHF 1,000	CHF 1,000
Own costs capitalised	3,428	4,192
Income from services	4,724	4,595
Other	3,554	3,301
Total	11,706	12,088

20 Energy purchase

	2012	2011
	CHF 1,000	CHF 1,000
Purchases from participations	-46,048	-44,812
Purchases in Ticino	-31,079	-30,852
Purchases outside of Ticino	-1,000,600	-1,192,340
Total	-1,077,727	-1,268,004

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

21 Personnel expenses

	2012	2011
	CHF 1,000	CHF 1,000
Salaries and other compensation	-22,813	-22,328
Social contributions	-4,806	-5,242
Other expenses	-452	-560
Recoveries from insurance companies	188	292
Total	-27,883	-27,838

Employees of the Group

	31.12.2012	31.12.2011
Full time equivalent		
Permanent employees	222.3	220.0
Temporary auxiliary employees	12.4	7.5
Apprentices	13.0	12.0
Total	247.7	239.5

22 Other operating expenses

	2012	2011
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	-11,358	-11,358
Local taxes and other contributions	-2,093	-1,859
Other	-16,466	-14,889
Total	-29,917	-28,106

23 Financial income

	2012	2011
	CHF 1,000	CHF 1,000
Interest income	1,722	1,195
Income from participations	456	430
Other	5	9
Total	2,183	1,634

24 Financial expenses

	2012	2011
	CHF 1,000	CHF 1,000
Interest payments and commissions	-7,836	-8,140
Exchange rate differences	427	-1,071
Other	-2,384	-2,901
Total	-9,793	-12,112

Other financial expenses include, for CHF 1.8 million (2011: CHF 2.3 million), the impairment increase of the REI securities.

25 Extraordinary result

	2012	2011
	CHF 1,000	CHF 1,000
Reversal of impairments on non-current assets	345	2,175
Profit from disposal of non-current assets	62	34
Other extraordinary income	10	943
Impairments of non-current assets	-10,336	-8,549
Increase of provision for onerous contracts	-2,000	-
Other extraordinary expenses	-1,437	-2,627
Total	-13,356	-8,024

26 Goodwill

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

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

	2012	2011
	CHF 1,000	CHF 1,000
Historical cost	1,752	2,834
Goodwill	701	1,051
Equity (retained earnings)	701	1,051
Amortisation goodwill of the year	-350	-533
Profit	-350	-533

27 Contingent liabilities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Guarantees	68,071	68,472
Commitments related to company acquisitions	2,000	2,000

The guarantees were granted in favour of creditors of the CEG group and are related for CHF 52.7 million to leasing contracts with residual debt of CHF 37.8 million on 31.12.2012.

The commitments related to company acquisitions refer to the acquisition of the share of the Parco eolico del San Gottardo SA.

28 Other non-recognisable commitments

In the context of the management of its energy portfolio, the AET Group has entered into transactions on the futures markets and finalised various long-term energy acquisition contracts with irrevocable obligation:

Energy purchase contracts and market operations	Market operations	Long-term contracts
Cumulative volume ¹	CHF million	CHF million
2013	699	104
from 2 to 5 year	401	328
over 5 year	–	408

¹ The positions in foreign currency are converted at year end exchange rates. The long-term contracts mentioned above include indexing of the purchase price. The yearly value of the contract is estimated on the basis of the price level at 2012 year end.

In addition AET Group is obliged to withdraw the energy produced by its own power generation participations and the participations of the Canton Ticino State, paying its production cost quota. The duration of these obligations is undetermined and depends on the future developments of those participations.

Finally, the AET Group has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 7.4 million (countervalue based on year end exchange rate and contract price index 2012).

At 31.12.2012 the AET Group has no off-balance sheet lease commitments (31.12.2011: unchanged).

29 Pension benefit obligations

At 31.12.2012	Coverage rate	Economic benefit/ economic obligations for the Group	Change recognised in the result of the period	Expense for contributions of the period	Pension benefit expense in the personnel expenses
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
CPE Cassa Pensione Energia	106.30%	–	–	–1,530	–1,530
Fondo Pensionamento Anticipato dell'AET	104.01%	–	–200	–405	–605
Total		–	–200	–1,935	–2,135

At 31.12.2011	Coverage rate	Economic benefit/ economic obligations for the Group	Change recognised in the result of the period	Expense for contributions of the period	Pension benefit expense in the personnel expenses
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
CPE Cassa Pensione Energia	102.00%	–	–	–1,231	–1,231
Fondo Pensionamento Anticipato dell'AET	83.45%	–1,000	–1,000	–385	–1,385
Total		–1,000	–1,000	–1,616	–2,616

During 2012 the AET Group paid CHF 1.2 million (CHF 1 million provisioned for 2011) as contribution to the restructuring of the "Fondo per il pensionamento anticipato del personale dell'Azienda Elettrica Ticinese".

30 Transactions with related parties

Transactions with associates	2012	2011
	CHF 1,000	CHF 1,000
Energy sales	27	3
Service and other income	510	1,132
Financial income	796	720
Energy purchase	7,734	8,662
Service and other expenses	8	15
Advances paid	20,685	11,880
Receivables from goods and services	910	2,034
Prepayments and accrued income	1,040	2,048
Payables from goods and services	814	941
Accrued liabilities and deferred income	125	578
Guarantees	68,071	68,472

Transactions with other related parties	2012	2011
	CHF 1,000	CHF 1,000
Energy sales	177	–
Service and other income	131	217
Financial income	417	426
Energy purchase	45,697	44,265
Service and other expenses	1,557	394
Advances paid	672	322
Receivables from goods and services	30	61
Prepayments and accrued income	4,658	3,271
Payables from goods and services	2,028	1,890
Accrued liabilities and deferred income	697	–
Guarantees	–	–

31 Risk assessment

The Board of Directors and Management give the utmost attention and necessary deploy resources for the valuation and management of risks in order to adhere to the standards of the sector. The management and valuation of the company's risks have been integrated into the company operating procedures, in order to guarantee the maximum effectiveness.

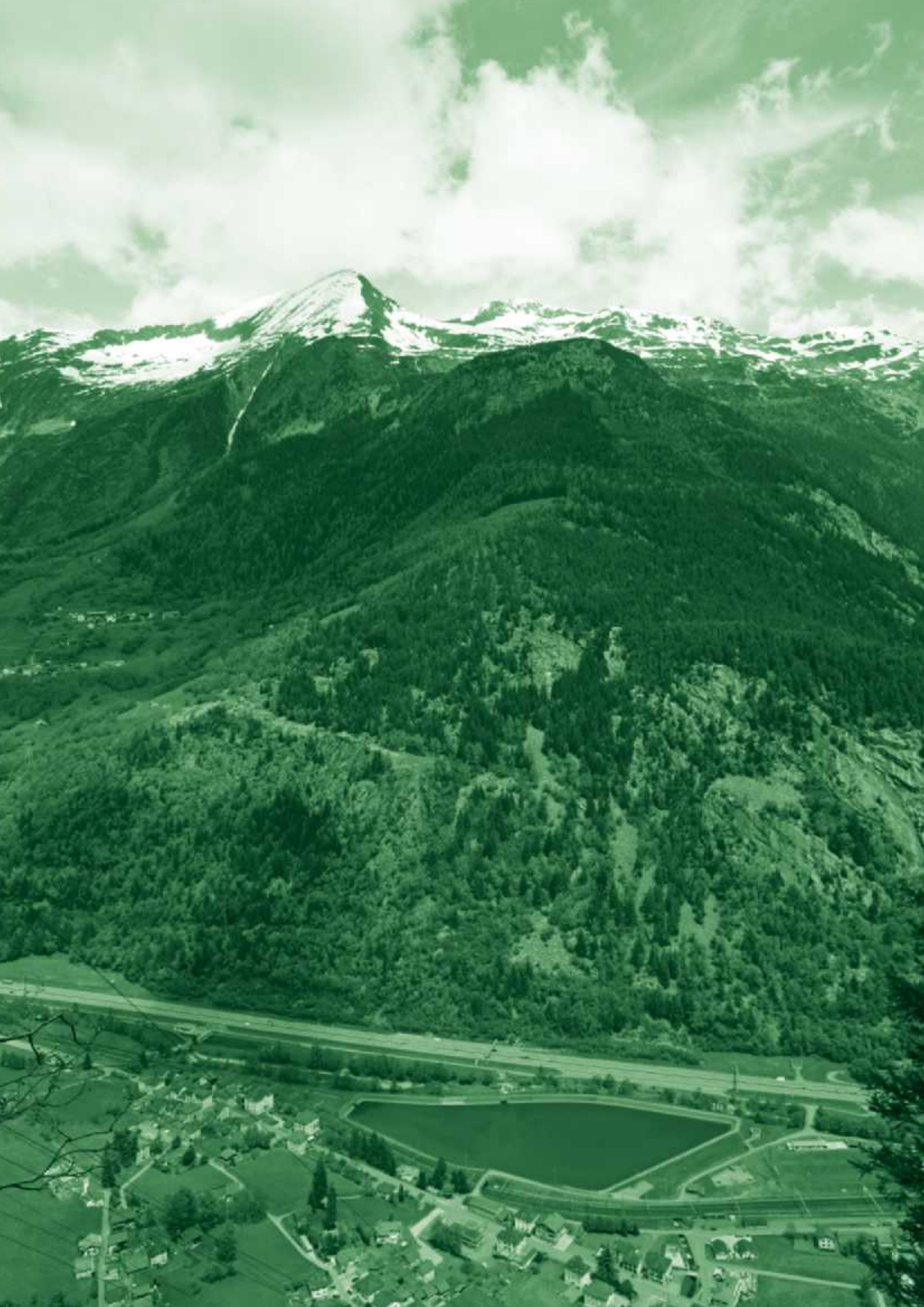
From a financial point of view the AET Group is exposed to following main risk factors:

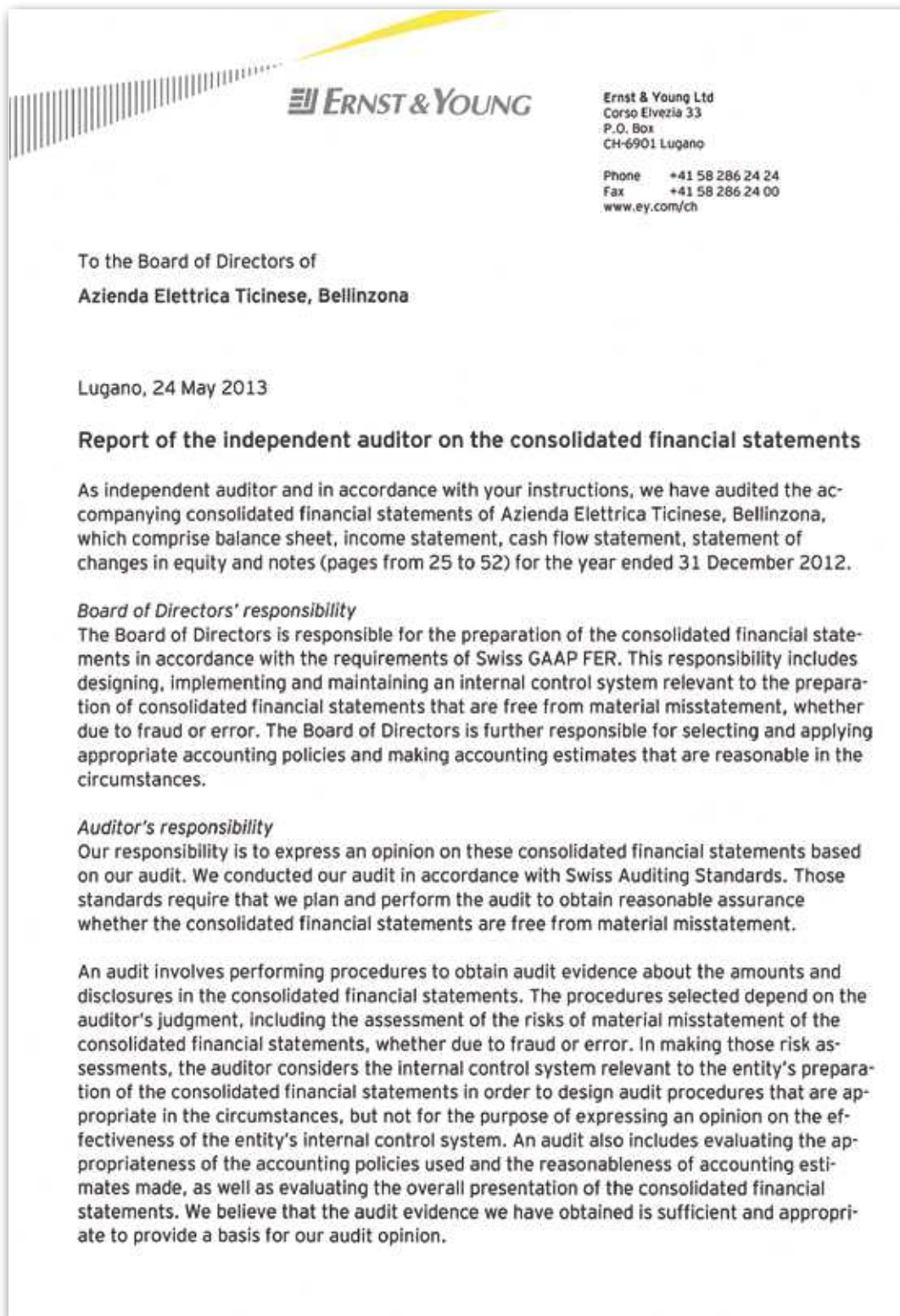
- **Volume risk:** is the risk associated with the variation in the sales volume, respectively of production compared to the forecasted volumes. It's principal cause is the meteorological risk in that the meteorological deviations from the long-term averages cause variations in consumption and production from the hydroelectric plants that are difficult to predict. In the long-term the AET Group manages this risk by diversifying it's supplies with long-term contracts and participations. In the medium to short-term this risk is managed with a gradual rebalancing of the portfolio using updated forecasts and historical data. In addition the AET Group can count on a certain reserve capacity from it's own hydroelectric plants.
- **Market risk:** this is the risk associated with the variations in the price of energy on the markets and the fluctuation of exchange rates. The AET Group manages this risk by monitoring the evolutions and the expectations of market prices and consequently cover the positions. The foreign exchange risk is managed through hedging operations. Market risks mostly have an effect on the quantity of energy sold and produced resulting from the volume risk that can not be efficiently hedged in advance because unknown.
- **Counterparty risk:** is the risk of loss related to the default of payment by commercial counterparties. The AET Group mainly does business with Swiss large electric companies, respectively from bordering countries. Limits of exposure are fixed for each counterpart, based on their economic and financial situation. In the context of the commercial activity on the Italian market, the counterparty risks are for the large part insured against potential default.
- **Regulatory risk:** relates to the introduction or modification of laws, acts or rules at Swiss or European level, which might have an impact on the activity of the AET Group. The AET Group constantly monitors the regulatory developments, adopting the necessary adjustments.

32 Subsequent events

2012: on the 03.01.2013 AET has completed the sale of AET NE1 SA to Swissgrid.

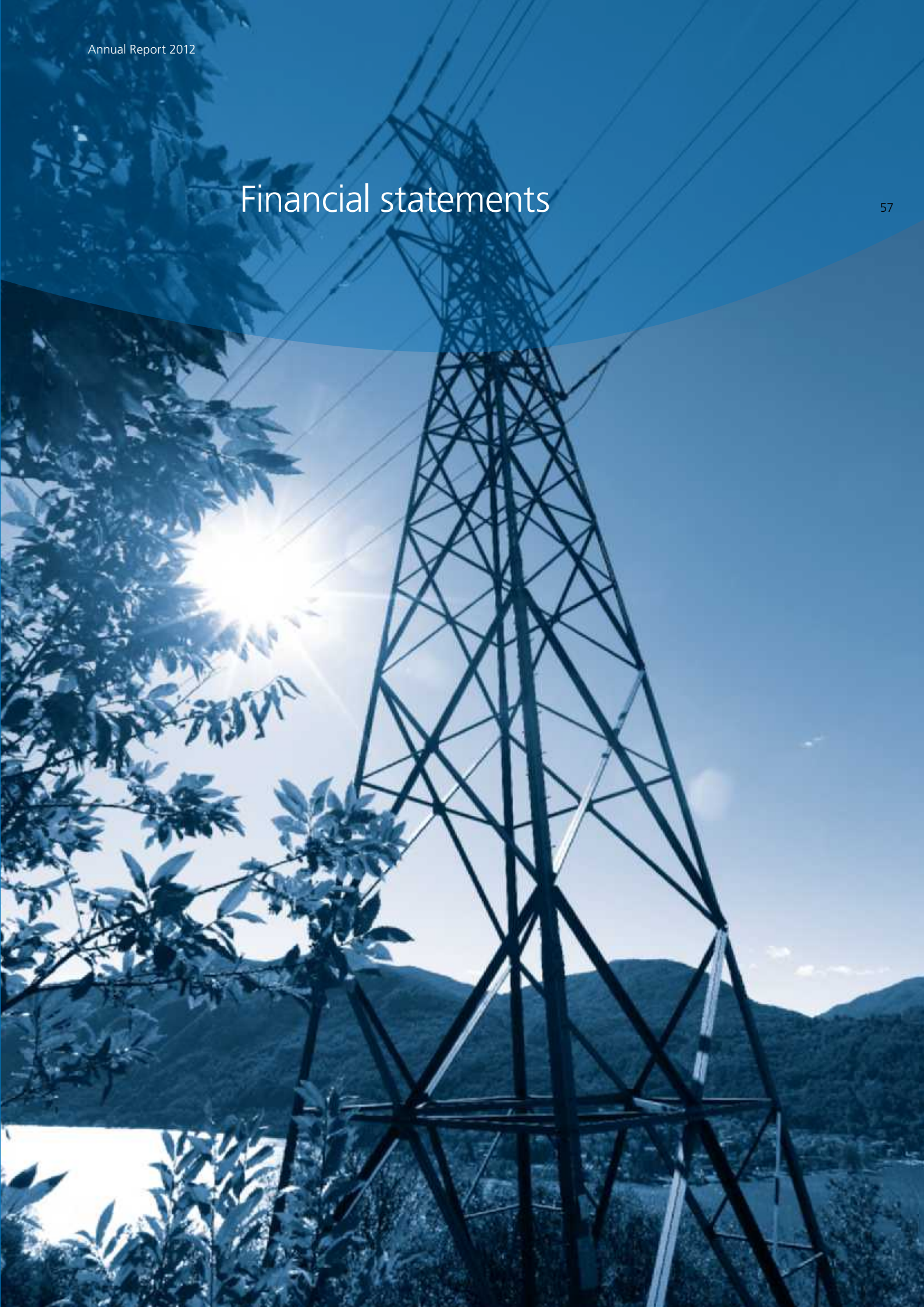
2011: no significant event.







Financial statements



Balance sheet

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		31.12.2012	31.12.2011
	Notes	CHF 1,000	CHF 1,000
ASSETS			
Operating plants and equipment		232,678	241,739
Land and buildings		36,413	37,232
Tangible fixed assets under construction		37,722	29,754
Other tangible fixed assets		1,131	1,216
Tangible fixed assets	2	307,944	309,941
Participations	3	26,660	18,854
Long-term securities	4	64,028	68,870
Advances and loans to participations	5	44,802	25,179
Other financial assets	6	3,858	5,564
Financial assets		139,348	118,467
Plant and equipment use rights		6,334	6,265
Energy procurement rights		104,241	115,201
Intangible assets under construction		1,010	–
Other intangible assets		3,497	4,418
Intangible assets	7	115,082	125,884
Total Non-current assets		562,374	554,292
Receivables from goods and services	8	198,544	202,231
Other short-term receivables	9	2,478	2,271
Inventories		12,565	4,130
Prepayments and accrued income	10	21,781	19,935
Cash and cash equivalents	11	46,594	57,989
Total Current assets		281,962	286,556
TOTAL ASSETS		844,336	840,848

		31.12.2012	31.12.2011
		CHF 1,000	CHF 1,000
LIABILITIES AND EQUITY			
	Notes		
Endowment capital		40,000	40,000
General reserves		60,000	60,000
Statutory reserves		51,000	51,000
Profit brought forward		250,323	249,816
Profit for the year		21,191	14,707
Total Equity		422,514	415,523
Long-term provisions	12	23,410	18,062
Other long-term liabilities		–	52
Long-term financial liabilities	13	211,000	211,000
Long-term liabilities		234,410	229,114
Payables from goods and services	14	114,807	149,477
Short-term financial liabilities	15	24,136	19,422
Other short-term liabilities	16	3,623	4,352
Accrued liabilities and deferred income	17	38,706	16,832
Short-term provisions	12	6,140	6,128
Current liabilities		187,412	196,211
Total Liabilities		421,822	425,325
TOTAL LIABILITIES AND EQUITY		844,336	840,848

Income statement

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	Notes	2012 CHF 1,000	2011 CHF 1,000
Operating income			
Energy sales	18	1,193,980	1,364,803
Grid income		40,974	42,519
Other operating income	19	15,802	15,325
Total Operating income		1,250,756	1,422,647
Operating expenses			
Energy purchase	20	-1,111,925	-1,293,797
Grid expenses		-12,479	-15,532
Personnel expenses	21	-26,214	-26,259
Services and material		-10,235	-8,222
Depreciation on tangible fixed assets		-13,346	-12,837
Amortisation on intangible assets		-9,993	-9,738
Other depreciation and amortisation		-157	-157
Other operating expenses	22	-22,855	-21,110
Total Operating expenses		-1,207,204	-1,387,652
Operating result		43,552	34,995
Financial income	23	1,749	1,204
Financial expenses	24	-9,789	-11,726
Ordinary result		35,512	24,473
Non-operating result		4	3
Extraordinary result	25	-14,325	-9,769
Profit for the year		21,191	14,707

Cash flow statement

	2012	2011
	CHF 1,000	CHF 1,000
Profit for the year	21,191	14,707
Depreciation on tangible fixed assets	13,346	12,837
Amortisation on intangible assets	9,993	9,738
Other depreciation and amortisation	157	157
Change in long-term provisions	5,348	152
Change in impairments	9,764	9,492
Profit/loss from disposal of non-current assets	-55	-34
Other non cash expenses	701	905
Cash flow before change in net current assets	60,445	47,954
Change in receivables from goods and services	3,687	-20,515
Change in inventories	-8,435	107
Change in other receivables and prepayments and accrued income	-2,053	-502
Change in payables from goods and services	-34,670	-3,608
Change in other liabilities and accrued liabilities and deferred income	21,145	4,262
Change in short-term provisions	12	-5,211
Cash flow from operating activities	40,131	22,487
Outflows for investment in tangible fixed assets	-16,464	-17,173
Inflows from disposal of tangible fixed assets	3,851	1,475
Outflows for investment in intangible assets	-579	-1,137
Inflows from disposal of intangible assets	-	-
Outflows for investment in financial assets	-33,845	-14,953
Inflows from disposal of financial assets	4,942	3,219
Cash flow from investing activities	-42,095	-28,569
Issuance/repayment of short-term financial liabilities	4,821	623
Issuance/repayment of long-term financial liabilities	-52	1,052
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-11,000	-12,000
Cash flow from financing activities	-9,431	-13,525
Cash and cash equivalents at the beginning of the year	57,989	77,596
Cash flow	-11,395	-19,607
Cash and cash equivalents at the end of the year	46,594	57,989

Statement of changes in equity

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	Endow- ment capital	General reserves	Statutory reserves	Profit brought forward	Profit for the year	Total Equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Equity at 01.01.2011	40,000	20,000	51,000	275,112	29,904	416,016
Allocation of profit	–	40,000	–	–10,096	–29,904	–
Interest on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–	–12,000	–	–12,000
Profit for 2011	–	–	–	–	14,707	14,707
Equity at 31.12.2011	40,000	60,000	51,000	249,816	14,707	415,523
Allocation of profit	–	–	–	14,707	–14,707	–
Interest on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–	–11,000	–	–11,000
Profit for 2012	–	–	–	–	21,191	21,191
Equity at 31.12.2012	40,000	60,000	51,000	250,323	21,191	422,514



Notes to the financial statements

1 Accounting principles

The financial statements 2012 of the Azienda Elettrica Ticinese (AET) were prepared in accordance to the Swiss GAAP FER as a whole and approved by the Board of Directors on 29.04.2013.

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

1.1 Tangible fixed assets

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

Land is not depreciated. Buildings are valued at their acquisition or construction cost and depreciated like operating plant and equipment. Operating equipment is depreciated on the basis of its useful life. Tangible fixed assets under construction are reported at construction cost, with no interest capitalisation. Tangible fixed assets under construction are not depreciated. The minimum and maximum depreciation periods for each tangible fixed asset category are as follows:

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

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

1.2 Financial assets

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

1.3 Intangible assets

Intangible assets are capitalised at their acquisition cost adjusted by amortisation and any necessary impairment. Plants and equipment usage rights represent the right of energy transmission on third party gridlines. They are amortised on a straight-line basis taking into account the contractual agreements and the technical life of the plant (40-75 years); the energy procurement rights are straight-line amortised on the basis of their useful life (10-20 years); other intangible assets are straight-line amortised on the basis of their useful life.

1.4 Receivables

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

1.5 Inventories

Inventories include small tools, spare parts and energy related certificates. Inventories are valued at the lower of weighted average purchase price and market value. The carrying value of inventories is adjusted for slow-moving items.

1.6 Cash and cash equivalents

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

1.7 Impairment

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

1.8 Provisions

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

1.9 Liabilities

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

1.10 Off-balance-sheet transactions

All contingent liabilities and other non-recognisable commitments existing at the balance sheet date are disclosed in the notes to the financial statements.

1.11 Income

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

1.12 Pension funds

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

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

1.13 Taxes

AET is not subject to any direct tax.

1.14 Related party transactions

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

2 Tangible fixed assets

	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Other tangible fixed assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost value at 01.01.2011	494,031	43,727	28,353	7,186	573,297
Reclassification	13,106	423	-15,416	181	-1,706
Additions	-	-	16,817	356	17,173
Disposals	-2,661	-	-	-209	-2,870
Cost value at 31.12.2011	504,476	44,150	29,754	7,514	585,894
Reclassification	5,147	186	-6,174	29	-812
Additions	5,737	11	14,142	379	20,269
Disposals	-8,806	-853	-	-173	-9,832
Cost value at 31.12.2012	506,554	43,494	37,722	7,749	595,519
Accumulated depreciation at 01.01.2011	-251,979	-6,538	-	-6,028	-264,545
Reclassification	-	-	-	-	-
Depreciation	-11,978	-380	-	-479	-12,837
Additions	-	-	-	-	-
Disposals	1,220	-	-	209	1,429
Accumulated depreciation at 31.12.2011	-262,737	-6,918	-	-6,298	-275,953
Reclassification	-	-	-	-	-
Depreciation	-12,468	-390	-	-488	-13,346
Additions	-3,805	-	-	-	-3,805
Disposals	5,134	227	-	168	5,529
Accumulated depreciation at 31.12.2012	-273,876	-7,081	-	-6,618	-287,575
Net carrying amount at 01.01.2011	242,052	37,189	28,353	1,158	308,752
Net carrying amount at 31.12.2011	241,739	37,232	29,754	1,216	309,941
Net carrying amount at 31.12.2012	232,678	36,413	37,722	1,131	307,944

The insured value of tangible fixed assets against fire risk amounts to CHF 451 million at 01.01.2013 (CHF 472 million at 01.01.2012).

3 Participations

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA	8,000	8,000
./. impairment	-3,551	-3,551
TERIS Teleriscaldamento del Bellinzonese SA	6,000	120
Metanord SA	5,505	5,505
AET NE1 SA	4,000	4,000
Parco eolico del San Gottardo SA	2,452	2,452
Terravent AG	2,140	214
Senco Holding SA	1,136	1,136
Calore SA	978	978
Total	26,660	18,854

In 2012 TERIS Teleriscaldamento del Bellinzonese SA has increased its capital by CHF 9.8 million, AET subscribed the 60% of the increase.

In 2012 Terravent AG has increased its capital by CHF 9 million, AET subscribed the 21.4% of the increase.

4 Long-term securities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Trianel Kohlekraftwerk Lünen GmbH & Co.KG	38,178	38,178
Renewable Energy Investments SPC	15,678	15,678
./. impairment	-8,700	-6,900
Kraftwerke Mattmark AG	12,430	12,587
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Airlight Energy Holding SA	-	2,862
Other	142	165
Total	64,028	68,870

The shares of Renewable Energy Investments SPC (REI) are valued at their historical cost. The impairment amount was determined on the basis of the latest available NAV information (31.12.2011) and of current financial and economical expectations. The increase of the impairment has been recorded as financial expense.

In 2012 AET sold its participation in Airlight Energy Holding SA.

5 Advances and loans to participations

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA	27,977	34,882
./i. impairment	-2,449	-19,507
Metanord SA	7,500	4,300
Terravent AG	6,587	-
AET NE1 SA	3,739	3,737
Geopower Basel AG	2,628	2,628
./i. impairment	-2,628	-2,628
Geo-Energie Suisse AG	672	321
CEL Cerentino SA	326	396
Parco eolico del San Gottardo SA	300	300
Senco Holding SA	150	150
TERIS Teleriscaldamento del Bellinzonese SA	-	600
Total	44,802	25,179

The advance to SPE Società per Partecipazioni Energetiche SA (SPE) is subordinated for an amount of CHF 15 million (31.12.2011: CHF 15 million) and it is subject to an impairment due to the durable value reduction of its participated companies. In the course of 2012 the impairment has been decreased following the restructuring of the subsidiary realized by advance waiver by AET.

The advance to Metanord SA is completely subordinated. The advance to Geopower Basel AG (subordinated for the amount of CHF 2.6 million) is subject to impairment as a result of the interruption of the project development. The advance to Senco Holding SA is subordinated for an amount of CHF 0.11 million.

6 Other financial assets

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Advance to PurEnergy SA	1,620	2,428
Advance to Axpo Trading AG	1,426	2,243
Other	812	893
Total	3,858	5,564

During 2011 AET granted an advance to PurEnergy, obtaining the transfer of credits for the coverage of the advance refund, in 2012 it was partially repaid.

The advance to Axpo Trading AG was made within the context of an energy supply agreement on the Italian market.

7 Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost value at 01.01.2011	6,816	151,583	3,353	2,349	164,101
Reclassification	1,706	–	–4,490	4,490	1,706
Additions	–	–	1,137	–	1,137
Disposals	–	–	–	–	–
Cost value at 31.12.2011	8,522	151,583	–	6,839	166,944
Reclassification	–	–	812	–	812
Additions	985	–	198	114	1,297
Disposals	–160	–	–	–	–160
Cost value at 31.12.2012	9,347	151,583	1,010	6,953	168,893
Accumulated amortisation at 01.01.2011	–2,100	–27,520	–	–1,702	–31,322
Reclassification	–	–	–	–	–
Amortisation	–157	–8,862	–	–719	–9,738
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Impairments	–	–	–	–	–
Accumulated amortisation at 31.12.2011	–2,257	–36,382	–	–2,421	–41,060
Reclassification	–	–	–	–	–
Amortisation	–198	–8,760	–	–1,035	–9,993
Additions	–718	–	–	–	–718
Disposals	160	–	–	–	160
Impairments	–	–2,200	–	–	–2,200
Accumulated amortisation at 31.12.2012	–3,013	–47,342	–	–3,456	–53,811
Net carrying amount at 01.01.2011	4,716	124,063	3,353	647	132,779
Net carrying amount at 31.12.2011	6,265	115,201	–	4,418	125,884
Net carrying amount at 31.12.2012	6,334	104,241	1,010	3,497	115,082

The energy procurement rights mainly refer to an energy procurement right from EDF (termination 31.12.2027) and an agreement for energy procurement from a German gas-fired power plant (termination 31.12.2027). The impairment recorded in 2012 relates to a deterioration of the market conditions on this energy procurement right.

8 Receivables from goods and services

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Group companies	69,764	37,421
Other related parties	30	61
Third parties	128,750	164,749
Total	198,544	202,231

The balance includes receivables in foreign currency for EUR 116.6 million (EUR 113.2 million at 31.12.2011).

9 Other short-term receivables

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Group companies	–	–
Other related parties	–	453
Third parties	2,478	1,818
Total	2,478	2,271

10 Prepayments and accrued income

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Group companies	486	667
Other related parties	4,658	3,271
Third parties	14,780	14,547
Work in progress	1,857	1,450
Total	21,781	19,935

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

11 Cash and cash equivalents

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Balances in CHF	37,638	48,614
Balances in foreign currency (at the end of year equivalent)	8,956	9,375
Total	46,594	57,989

All balances are freely available, with exception of the assets with equivalent value of CHF 5.5 million (CHF 7.1 million at 31.12.2011) deposited in foreign bank accounts in euro for the coverage of commercial transactions in international markets.

12 Provisions

	Onerous contracts of participations	Energy sale onerous contracts	Indemnifications and plant decommissioning	Others provisions	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Carrying amount at 01.01.2011	3,500	7,000	13,210	5,539	29,249
thereof long-term	3,500	1,200	13,210	–	17,910
thereof short-term	–	5,800	–	5,539	11,339
Increase	–	–	552	1,973	2,525
Utilisation	–	–	–	–1,784	–1,784
Release	–	–5,800	–	–	–5,800
Carrying amount at 31.12.2011	3,500	1,200	13,762	5,728	24,190
thereof long-term	3,500	800	13,762	–	18,062
thereof short-term	–	400	–	5,728	6,128
Increase	5,953	–	548	1,028	7,529
Utilisation	–	–	–	–1,749	–1,749
Release	–	–300	–	–120	–420
Carrying amount at 31.12.2012	9,453	900	14,310	4,887	29,550
thereof long-term	8,500	600	14,310	–	23,410
thereof short-term	953	300	–	4,887	6,140

The provision for the onerous contracts of participations covers expected disbursements due to the commitments of AET in respect of the activity of its participations. In 2012 the deterioration of the expected market conditions to which the activities of thermoelectric production in Italy are exposed required the increase of this position.

The provision for energy sale onerous contracts covers the cost expected in respect of the execution of energy delivery contracts finalised in the past at sale prices below the average energy procurement of AET. The release of the provisions for onerous contract on energy sale corresponds to the provision part related to 2012.

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

The other provisions include the expected operating cost arising from past events, of which CHF 1.1 million (31.12.2011: CHF 1.3 million) related to litigation costs. The utilisation of other provisions includes a CHF 1 million payment of the employer quota for the restructuring contributions of the "Fondo per il pensionamento anticipato del personale dell'Azienda Elettrica Ticinese".

13 Long-term financial liabilities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Dexia Dublin, 10.01.2008–10.01.2028 ¹ , 3.460%	150,000	150,000
Zürcher Kantonalbank (ZKB), 18.08.2005–18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank (ZKB), 02.06.2006–02.06.2016, 3.375%	15,000	15,000
Allianz Suisse, 03.05.2011–03.05.2026, 2.830%	13,000	13,000
Fondi di compensazione AVS, 03.05.2011–03.05.2021, 2.540%	13,000	13,000
Total	211,000	211,000

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

14 Payables from goods and services

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Group companies	17,131	14,266
Other related parties	2,028	1,890
Third parties	95,648	133,321
Total	114,807	149,477

The balance includes payables in foreign currency for EUR 80.7 million (EUR 99.3 million at 31.12.2011).

15 Short-term financial liabilities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Liabilities toward financial institutions in CHF	–	–
Liabilities toward financial institutions in foreign currency	24,136	19,422
Total	24,136	19,422

16 Other short-term liabilities

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Group companies	87	–
Other related parties	33	–
Third parties	3,503	4,352
Total	3,623	4,352

17 Accrued liabilities and deferred income

	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Group companies	8,755	316
Other related parties	697	–
Third parties	29,254	16,516
Total	38,706	16,832

18 Energy sales

	2012	2011
	CHF 1,000	CHF 1,000
Energy sales in Ticino	201,088	199,588
Energy sales in Switzerland	97,267	89,571
Energy sales in Italy	536,327	471,753
Energy sales in Germany	266,082	526,603
Energy sales in France	72,772	67,614
Other income energy sales	20,444	9,674
Total	1,193,980	1,364,803

19 Other operating income	2012	2011
	CHF 1,000	CHF 1,000
Own costs capitalised	3,368	4,106
Income from services	8,131	7,032
Other	4,303	4,187
Total	15,802	15,325

20 Energy purchase	2012	2011
	CHF 1,000	CHF 1,000
Purchases from participations	-46,048	-44,812
Purchases in Ticino	-31,049	-30,852
Purchases outside of Ticino	-1,034,828	-1,218,133
Total	-1,111,925	-1,293,797

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

21 Personnel expenses	2012	2011
	CHF 1,000	CHF 1,000
Salaries and other compensation	-21,523	-21,088
Social contributions	-4,484	-4,952
Other expenses	-395	-510
Recoveries from insurance companies	188	291
Total	-26,214	-26,259

Employees of the company	31.12.2012	31.12.2011
Full time equivalent		
Permanent employees	201.8	201.4
Temporary auxiliary employees	10.6	7.5
Apprentices	13.0	12.0
Total	225.4	220.9

22 Other operating expenses

	2012	2011
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	-11,358	-11,358
Local taxes and other contributions	-2,092	-1,859
Other	-9,405	-7,893
Total	-22,855	-21,110

23 Financial income

	2012	2011
	CHF 1,000	CHF 1,000
Interest income	1,293	774
Income from participations	456	430
Total	1,749	1,204

24 Financial expenses

	2012	2011
	CHF 1,000	CHF 1,000
Interest payments and commissions	-7,250	-7,371
Exchange rate differences	-155	-1,454
Other	-2,384	-2,901
Total	-9,789	-11,726

Other financial expenses include, for CHF 1.8 million (2011: CHF 2.3 million), the impairment increase of the REI securities.

25 Extraordinary result

	2012	2011
	CHF 1,000	CHF 1,000
Reversal of impairments on non-current assets	345	600
Profit from disposal of non-current assets	54	34
Other extraordinary income	7	-
Impairments of non-current assets	-8,309	-7,792
Increase of provision for onerous contracts of participations	-5,959	-
Other extraordinary expenses	-463	-2,611
Total	-14,325	-9,769

26 Contingent liabilities

Guarantees	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
CEG SpA and participations	68,071	68,472
AET CoGen Srl	21,792	20,949
AET Italia SpA	42,742	27,148
AET Idronord Srl	–	2,467
Total	132,605	119,036

Guarantees are issued in favor of foreign financial institutions to guarantee loans to the participations. The guarantees were granted in favour of creditors of the CEG group and are related for CHF 52.7 million to leasing contracts with residual debt of CHF 37.8 million on 31.12.2012.

Other commitments	31.12.2012	31.12.2011
	CHF 1,000	CHF 1,000
Commitments related to company acquisitions	2,000	2,000

The commitments related to company acquisitions refer to the acquisition of the share of the Parco eolico del San Gottardo SA.

27 Other non-recognisable commitments

In the context of the management of its energy portfolio, the AET has entered into transactions on the futures markets and finalised various long-term energy acquisition contracts with irrevocable obligation:

Energy purchase contracts and market operations	Market operations	Long-term contracts
	CHF million	CHF million
Cumulative volume ¹		
2013	699	104
from 2 to 5 year	401	328
over 5 year	–	408

¹ The positions in foreign currency are converted at year end exchange rates. The long-term contracts mentioned above include indexing of the purchase price. The yearly value of the contract is estimated on the basis of the price level at 2012 year end.

In addition AET is obliged to withdraw the energy produced by its own power generation participations and the participations of the Canton Ticino State, paying its production cost quota. The duration of these obligations is undetermined and depends on the future developments of those participations.

Finally, the AET has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 3.9 million (countervalue based on year end exchange rate and contract price index 2012).

At 31.12.2012 AET has no off-balance sheet lease commitments (31.12.2011: unchanged).

28 Pension benefit obligations

At 31.12.2012	Coverage rate	Economic benefit/ economic obligations for the company	Change recognised in the result of the period	Expense for contributions of the period	Pension benefit expense in the personnel expenses
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
CPE Cassa Pensione Energia	106.30%	–	–	–1,530	–1,530
Fondo Pensionamento Anticipato dell'AET	104.01%	–	–200	–405	–605
Total		–	–200	–1,935	–2,135

At 31.12.2011	Coverage rate	Economic benefit/ economic obligations for the company	Change recognised in the result of the period	Expense for contributions of the period	Pension benefit expense in the personnel expenses
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
CPE Cassa Pensione Energia	102.00%	–	–	–1,231	–1,231
Fondo Pensionamento Anticipato dell'AET	83.45%	–1,000	–1,000	–385	–1,385
Total		–1,000	–1,000	–1,616	–2,616

During 2012 the AET paid CHF 1.2 million (CHF 1 million provisioned in 2011) as contribution to the restructuring of the "Fondo per il pensionamento anticipato del personale dell'Azienda Elettrica Ticinese".

29 Transactions with related parties

Transactions with subsidiaries	2012	2011
	CHF 1,000	CHF 1,000
Energy sales	171,961	101,400
Service and other income	4,466	3,619
Financial income	167	237
Energy purchase	96,642	58,570
Service and other expenses	51	–
Advances paid	29,567	20,012
Receivables from goods and services	68,915	36,764
Prepayments and accrued income	406	33
Payables from goods and services	17,131	14,266
Accrued liabilities and deferred income	8,755	11
Guarantees	64,534	50,564

Transactions with associates	2012	2011
	CHF 1,000	CHF 1,000
Energy sales	5	3
Service and other income	457	1,082
Financial income	219	101
Energy purchase	–	304
Service and other expenses	8	15
Advances paid	14,563	4,846
Receivables from goods and services	849	657
Prepayments and accrued income	80	635
Payables from goods and services	–	–
Accrued liabilities and deferred income	–	304
Guarantees	68,071	68,472

Transactions with other related parties	2012	2011
	CHF 1,000	CHF 1,000
Energy sales	177	–
Service and other income	131	217
Financial income	417	426
Energy purchase	45,697	44,265
Service and other expenses	1,557	394
Advances paid	672	322
Receivables from goods and services	30	61
Prepayments and accrued income	4,658	3,271
Payables from goods and services	2,028	1,890
Accrued liabilities and deferred income	697	–
Guarantees	–	–

30 Risk assessment

The Board of Directors and Management give the utmost attention and necessary deploy resources for the valuation and management of risks in order to adhere to the standards of the sector. The management and valuation of the company's risks have been integrated into the company operating procedures, in order to guarantee the maximum effectiveness.

From a financial point of view AET is exposed to following main risk factors:

- **Volume risk:** is the risk associated with the variation in the sales volume, respectively of production compared to the forecasted volumes. It's principal cause is the meteorological risk in that the meteorological deviations from the long-term averages cause variations in consumption and production from the hydroelectric plants that are difficult to predict. In the long-term AET manages this risk by diversifying it's supplies with long-term contracts and participations. In the medium to short-term this risk is managed with a gradual rebalancing of the portfolio using updated forecasts and historical data. In addition AET can count on a certain reserve capacity from it's own hydroelectric plants.
- **Market risk:** this is the risk associated with the variations in the price of energy on the markets and the fluctuation of exchange rates. AET manages this risk by monitoring the evolutions and the expectations of market prices and consequently cover the positions. The foreign exchange risk is managed through hedging operations. Market risks mostly have an effect on the quantity of energy sold and produced resulting from the volume risk that can not be efficiently hedged in advance because unknown.

- **Counterparty risk:** is the risk of loss related to the default of payment by commercial counterparties. AET mainly does business with Swiss large electric companies, respectively from bordering countries. Limits of exposure are fixed for each counterpart, based on their economic and financial situation.
- **Regulatory risk:** relates to the introduction or modification of laws, acts or rules at Swiss or European level, which might have an impact on the activity of AET. AET constantly monitors the regulatory developments, adopting the necessary adjustments.

31 Subsequent events

2012: on the 03.01.2013 AET has completed the sale of AET NE1 SA to Swissgrid.

2011: no significant event.





To the Board of Directors of
Azienda Elettrica Ticinese, Bellinzona

Lugano, 24 May 2013

Report of the independent auditor on the financial statements

As independent auditor and in accordance with your instructions, we have audited the accompanying financial statements of Azienda Elettrica Ticinese, Bellinzona, which comprise balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages from 57 to 81) for the year ended 31 December 2012.

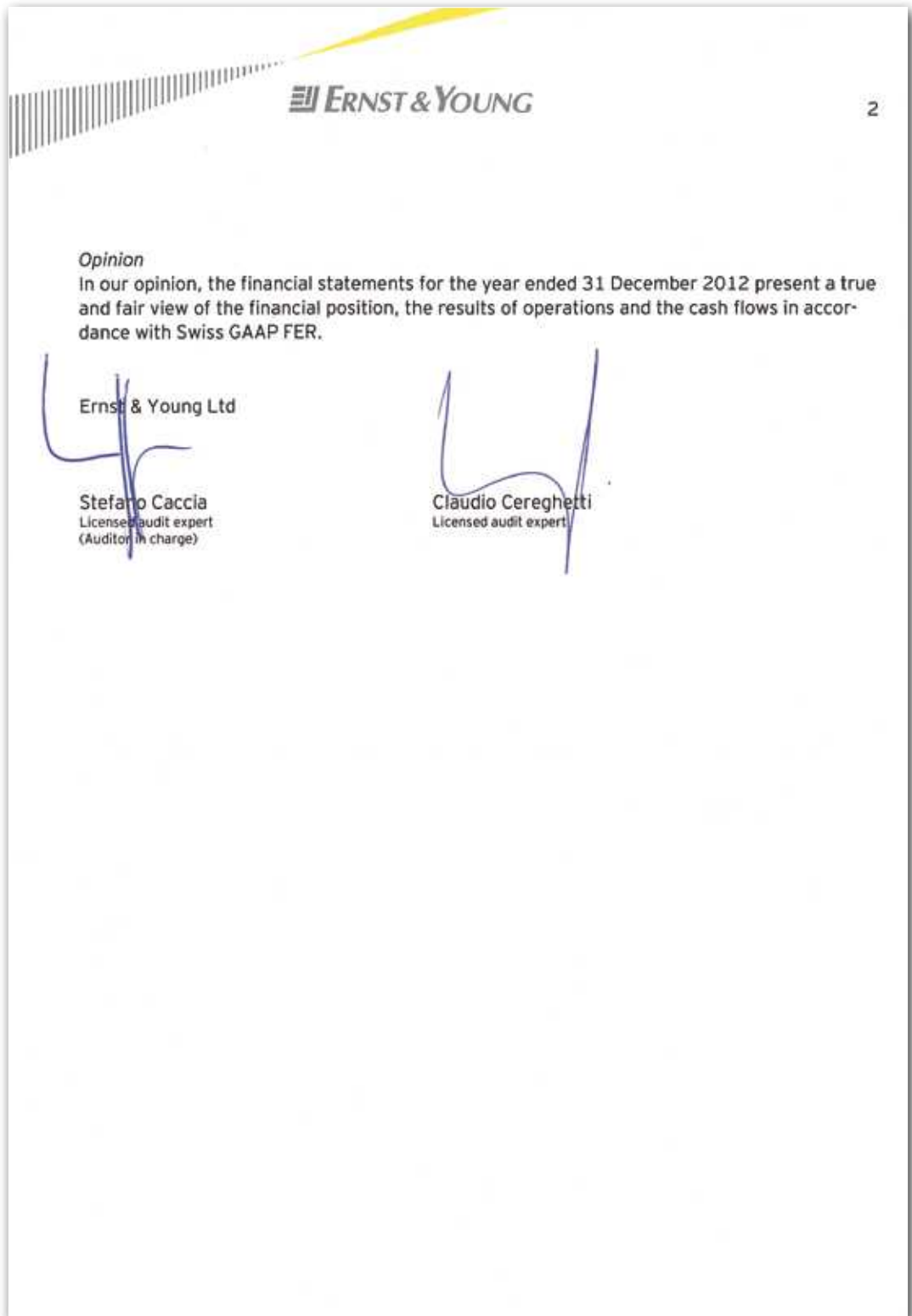
Board of Directors' responsibility

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

Auditor's responsibility

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

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



Ernst & Young Ltd

Stefano Caccia
Licensed audit expert
(Auditor in charge)

Claudio Cereghetti
Licensed audit expert

AUDITOR'S REPORT

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

Bellinzona, June 19, 2013

Mr President,
Dear Councillors,

In our capacity as Auditors, in accordance to the "Legge istituyente l'Azienda Elettrica Ticinese", we have conducted our audit procedures on the financial statements for the 2012 financial year.

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

We have also reviewed the Auditors' report dated May 24, 2013, issued by Ernst & Young SA, Lugano, which performed its audit in accordance with art. 727b and art. 729a of the Swiss Code of Obligations.

Based on our audit, we have ascertained that:

- the financial statements (consisting of balance sheet, income statement, notes and cash flow statement), which have been submitted to us and proposed for publication, agree with the entries of the financial accounting records;
- the financial accounting records have been kept properly;
- the proposal of the Board of Directors regarding the allocation of profit complies with the articles 18 and 19 of the "Legge istituyente l'Azienda Elettrica Ticinese".

We have taken note of the consolidated financial statements of the AET Group, certified by Ernst & Young SA with its report dated May 24, 2013.

In the course of the 2012 financial year we observed an increase of the risk related to certain participations. Further we report the continuation of the negative evolution of AET CoGen Srl; this required the adoption of further extraordinary measures.

Based on these considerations, we propose that you:

- approve the financial statements for the year 2012, which closed with a profit for the year of CHF 21'190'460;
- accept the proposal for the allocation of the profit presented by the Board of Directors.

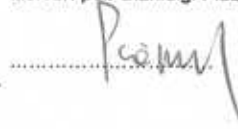
In conclusion, we propose that you discharge the Board of Directors and the Executive Committee for their management during 2012.

The auditors:

Sergio Gianini



Lic. rer. pol. Gianluigi Piazzini



Dr. oec. Giancarlo Prada







AET Group companies

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

¹ sold in 2012

² voting rights of 8.1%

Activity	Value	Nominal equity at 31.12.2012	Participation at 31.12.2012	Participation at 31.12.2011
Detention transit power grid in Ticino	CHF	4,000,000	100.0%	100.0%
Exploitation of alternative energy technologies	CHF	32,345,000	– ¹	12.2%
Detention of sub-participation and nuclear energy procurement rights	CHF	90,000,000	7.0%	7.0%
Production of heat/refrigeration	CHF	2,000,000	48.9%	48.9%
Construction and management of thermal and renewable energy plants	CHF	300,000	16.1%	16.1%
Engineering services in favour of Calore SA	CHF	50,000	48.9%	48.9%
Research in the geothermal energy field	CHF	700,000	14.3%	14.3%
Research in the geothermal energy field	CHF	6,136,000	4.8%	4.8%
Sub-participation through Axpo Trading AG. Hydroelectric production	CHF	90,000,000	8.4%	8.4%
Construction of gas distribution plants	CHF	18,594,000	31.0%	31.0%
Engineering services in favour of Metanord SA	CHF	100,000	31.0%	31.0%
Construction and management of windpark on St. Gotthard	CHF	1,000,000	70.0%	70.0%
Investment vehicle for the construction of renewable energy plants	EUR	50,187,000	20.1%	20.1%
Acquisition of participations in the hydroelectric micro power plants	CHF	150,000	50.0%	50.0%
Engineering services in favour of hydro power plants promoted by Senco Holding SA	CHF	220,000	50.0%	50.0%
Energy production, micro hydroelectric power plant	CHF	200,000	9.0%	9.0%
Energy production, micro hydroelectric power plant	CHF	200,000	10.0%	10.0%
Energy production, micro hydroelectric power plant	CHF	200,000	10.0%	10.0%
Development of micro hydroelectric power plant	CHF	200,000	10.0%	10.0%
Development of micro hydroelectric power plant	CHF	100,000	10.0%	10.0%
Development of micro hydroelectric power plant	CHF	100,000	10.0%	10.0%
Subholding	CHF	8,000,000	100.0%	100.0%
Subholding	EUR	4,835,900	100.0%	100.0%
Energy production from thermal power plant gas	EUR	100,000	100.0%	100.0%
Hydroelectric energy production	EUR	433,393	90.0%	90.0%
Energy trading	EUR	4,000,000	100.0%	100.0%
Production of electrical and thermal energy	EUR	5,000,000	50.0%	50.0%
Energy production from biofuel power plant	EUR	50,000	50.0%	50.0%
Energy production from biofuel power plant	EUR	1,100,000	25.0%	25.0%
Construction of biofuel power plant	EUR	20,000	25.0%	25.0%
Management of cross-border interconnection power line (Merchant Line)	EUR	10,200,000	40.0%	40.0%
Detention of Mendrisio – Stabio border power line	CHF	14,000,000	40.0%	40.0%
Not active company	CHF	100,000	– ¹	50.0%
Main Contractor for the construction of biofuel-fired power plants	EUR	20,000	50.0%	50.0%
Radio and television productions	CHF	4,950,000	– ¹	11.0% ²
District heating	CHF	10,000,000	60.0%	60.0%
Wind power production	CHF	10,000,000	21.4%	21.4%
Production of energy from the coal-fired power plant in Lünen	EUR	147,944,200	15.8%	15.8%

Statistical informations

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Group production and purchasing (in GWh)

Hydroelectric production of AET, including participations and compensations, was 1,457 GWh, 19% higher than in 2011. The nuclear participation decreased from 373 GWh in 2011 to 353 GWh in 2012 (-5%). The purchasing of energy decreased by 21% compared to the previous period.

		Winter	Summer	Year	2011
Own production	Biaschina	167	266	434	313
	Piottino	139	186	324	245
	Stalvedro	26	35	61	45
	Ofima payment	9	45	53	38
	Ponte Brolla	6	8	14	11
	Tremorgio	7	–	7	5
	Photovoltaic	–	1	1	1
Total own production		354	540	894	657
Participations	Maggia	129	156	285	248
	Blenio	46	95	141	197
	Verzasca	38	41	79	72
	KW Mattmark	30	28	58	47
	AET Idronord	–	1	1	1
	AKEB	192	150	342	359
	KK Leibstadt	6	5	12	14
	AET CoGen	21	10	31	47
Total participations		462	486	948	985
Energy's purchase	Purchase	7,126	6,361	13,487	16,989
Total		7,942	7,387	15,329	18,631

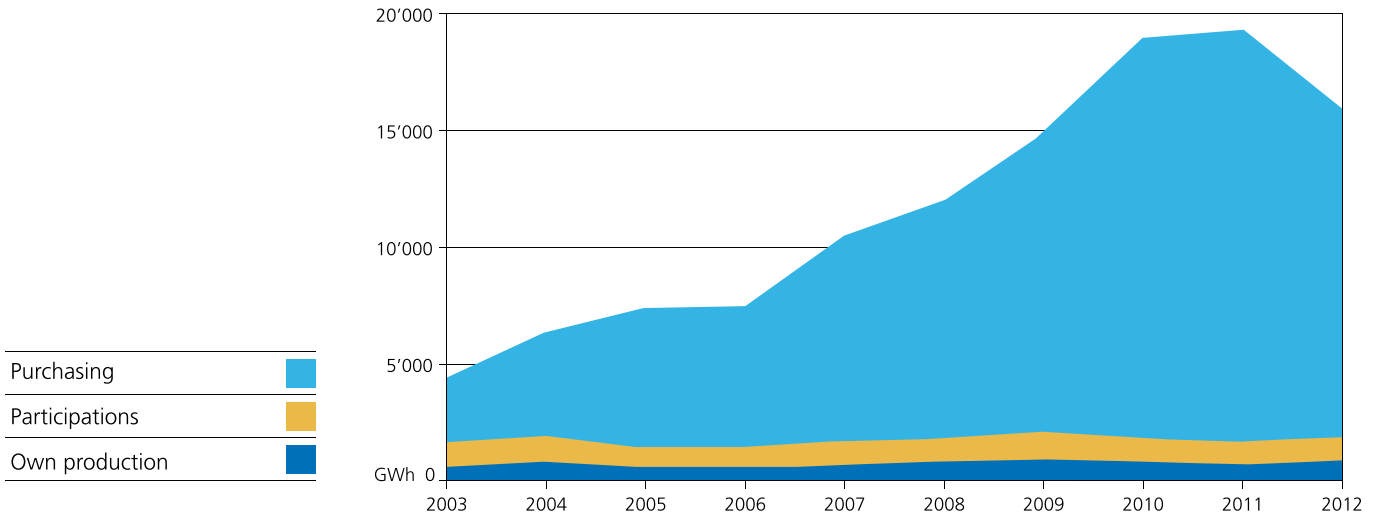
Group sales (in GWh)

Distribution to costumers decreased by 169 GWh compared to 2011 (-6%). Energy sale recorded a contraction of 3,134 GWh (-20%) compared with the previous period.

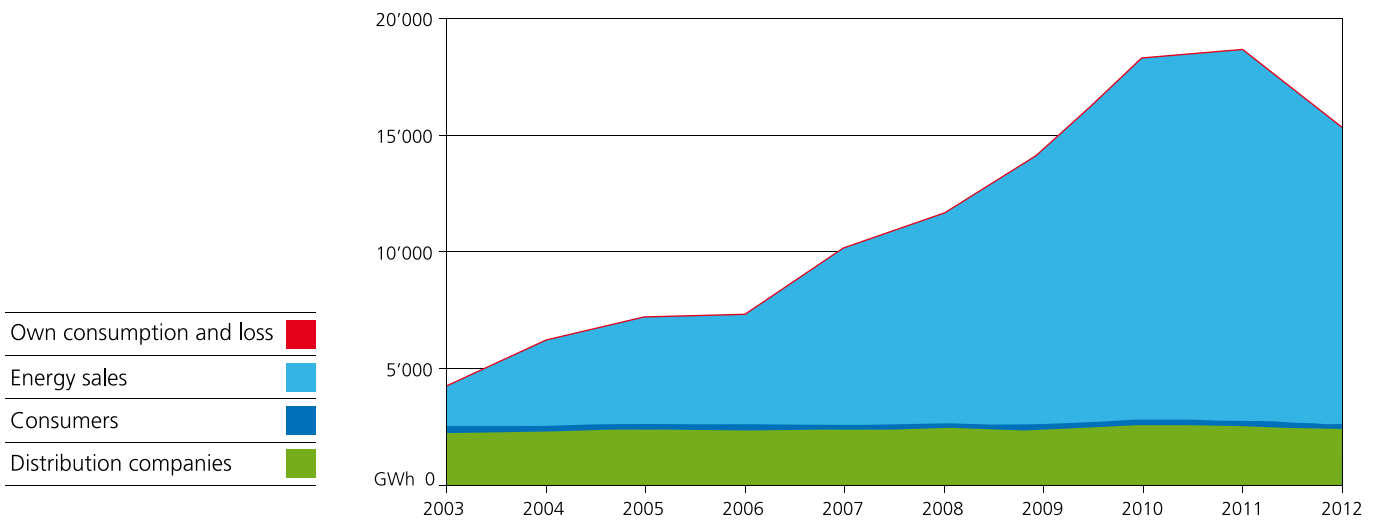
		Winter	Summer	Year	2011
Users	Distribution companies	1,340	1,033	2,372	2,530
	End customers	106	109	215	226
Energy's sale	Sale	6,471	6,224	12,695	15,829
Total		7,916	7,365	15,282	18,585
Own consumption and losses		26	21	47	46



Group production and purchasing (in GWh)



Group sales (in GWh)







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