

A long-exposure photograph of a modern building at night. The building features a prominent stone pillar and large windows that are illuminated from within, casting a warm glow. The sky is a deep blue, filled with numerous white star trails that create a sense of motion and time. The overall mood is serene and futuristic.

Annual Report
2014



Azienda Elettrica Ticinese

Annual Report **2014**

**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**

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 report of the Board of Directors for the year 2014;
- the financial statements for the year 2014;
- the proposal for allocation of profit;
- the auditors' report.

The english version of the AET 2014 Annual Report is merely a translation:
the official version is the italian text.



The restoration of the Vecchia Biaschina exteriors

In this publication, we present the historic Biaschina power station in Bodio, the exterior of which was completely restored in 2014.

The former power station, now known as the Vecchia Biaschina, was built in the years 1906-1911 to plans drawn up by architect Ugo Monneret de Villard and engineer Agostino Nizzola for Motor, a Baden-based joint-stock company. Inspired by the Viennese Secession (Art Nouveau) style of architecture, it is the only building of its kind in Ticino. The plant reverted to the Canton in 1959 and was entrusted to the management of the recently established Azienda Elettrica Ticinese (AET), which kept it in operation until 1988. The building now houses the AET engineering workshop.

Cover photograph: the Vecchia Biaschina power station (west elevation)

Table of contents

2014 in summary	7
Company officers	9
<hr/>	
Report of the Board of Directors	
Introduction by the Chairman	13
Management report	17
Proposal for allocation of profit	23
<hr/>	
Consolidated financial statements	
Consolidated balance sheet	28
Consolidated income statement	30
Consolidated cash flow statement	31
Statement of changes in consolidated equity	32
Notes to the consolidated financial statements	33
Audit report by Ernst & Young Ltd on the consolidated financial statements	54
<hr/>	
Financial statements	
Balance sheet	60
Income statement	62
Cash flow statement	63
Statement of changes in equity	64
Notes to the financial statements	65
Audit report by Ernst & Young Ltd on the financial statements	82
Grand Council auditors' report	84
<hr/>	
Annexes	
AET Group companies	90
Statistical informations	92



Azienda Elettrica Ticinese

CENTRALE
BASTENA
1910

The restoration comprised renovation of 1,100 m² of concrete render, washing and cleaning of the stonework, repainting of the external wood and ironwork, and repair of the original decorative features.

2014 in summary

Key figures

	2014	2013	2012	2011	2010
In CHF million					
Operating income	1,212	1,087	1,316	1,450	1,550
Operating result	50	51	40	34	48
Profit for the year	13	12	21	17	35
Cash flow before change in net current assets	74	84	61	50	59
Cash flow from operating activities	58	71	35	18	47
Equity	454	453	428	417	416
Non-current assets	771	776	562	562	572
Balance sheet total	1,149	1,165	869	855	864
Distribution of dividends to the State	5	10	14	11	12
Interest on capital due to the State	3	3	3	3	3
Water fees to the State	12	11	11	11	9
Total payment to the State	20	24	28	25	24
Employees of the Group (full time equivalent)	434.4	435.5	247.7	239.5	227.6

	2014	2013	2012	2011	2010
In GWh					
Production AET Group	1,020	983	926	704	870
Production participations	2,004	1,327	918	937	833



Management of AET

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

Company officers

Board of Directors

Leonardi Giovanni, *Chairman from 01.07.2014*
Leidi Fausto, *Chairman until 30.06.2014*
Netzer Marco, *Vice Chairman*
Beffa Floriano
Bianchi Ronny (in office until 30.06.2014)
Cereghetti Claudio (in office from 19.08.2014)
Lombardi Sandro
Ogna Ronald

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 / logistic*
Scerpella Fiorenzo, *Head of grid*
Tognola Giorgio, *Head of energy trade*



Sophisticate decorative motifs of Klimtian inspiration, typical of the Art Nouveau style, adorn the main entrance.

Report of
the Board of Directors



The tall and imposing entrance block symbolizes the strength and - for the time - grandeur of the work.

Introduction by the Chairman

AET and the energy policies

The 2014 result realised by AET was once again affected by the fall in electricity prices and distortions within the energy market in Europe.

Despite the 2014 hydroelectric production significantly exceeded the long-term average, because of the low energy prices and the related need to book significant value impairment, AET has only been able to reach a break even result. A few years ago such generation would have produced a significant result improvement.

The indications available to us suggest that electricity prices will remain particularly low for several more years, and the recent decision by the National Bank to abandon the fixed exchange rate with the euro will not help the situation.

I am convinced that in order to preserve Ticino's energy resources and their capacity to generate value added for the Canton, it will be necessary to implement a long-term strategy involving not only AET but also all electricity companies operating in the sector. The political authorities should introduce incentives for the hydroelectric production, which is as renewable as other highly subsidised sources.

Swiss energy policy

The distortions in the European energy market show their dramatic impact on the hydroelectric power generation where, given the current price levels, power station revenues are not sufficient to cover their production costs. This loss in profitability, which is a consequence of energy choices that promote new renewable sources to the detriment of traditional hydroelectric power, is not only affecting short-term results, but is also seriously jeopardising the maintenance of existing infrastructure and any future investment in what remains the principal renewable resource of our country. The issue was finally recognised by the federal politicians, who started to debate it in 2014. If Switzerland is not to squander the wealth of energy offered by its waters – which, according to the plans of the Confederation itself, will be increasingly important in guaranteeing security of supply and network stability – it is necessary for the political system to introduce the corrections required in order to ensure that it remains competitive compared to other sources, within a non-discriminatory system that takes account of market mechanisms.

Market liberalisation

The liberalisation of the Swiss domestic market in two stages represents a further uncertainty, which will have to be dealt with in the short term on both national and cantonal level. Since 2009 we have been operating within a hybrid market: large consumers, including distributors, can purchase energy on the market, whilst smaller consumers are still subject to the monopoly regime. This is a situation which favours distributors, they can force producers into competition when purchasing electricity, whilst then being able to resell it with a guaranteed profit margin to small consumers still subject to the monopoly regime. For this reason Swiss producers, all facing operating difficulties, have welcomed

the decision by the Federal Council to implement full liberalisation in 2018, which will enable supply and demand to be rebalanced through market mechanisms.

The reorganisation of the cantonal energy sector

AET supports the need to reorganise the Ticino energy sector by optimising structures and processes with an eye on the competition which will follow the full liberalisation of the market. The sector will only be able to defend cantonal market share, maintaining the value added of the entire energy supply chain within Ticino, if the sector remains cohesive and is able to exploit its respective capacities by drawing on synergies.

With this in mind, the company has strongly supported the initiative promoted by the Cantonal Department of Finance and Economy (DFE) which, by opening up for consultation the Report on the reorganisation of the Ticino energy sector (Rielti), has established a roundtable for discussion between AET and Ticino distributors. I sincerely hope that this relationship will lead to serious reflection and that the representatives of the various companies will meet in order to define a beneficial long-term strategy for the entire sector.

The strategy of AET

AET is pursuing a clear company strategy which, in line with the objectives set forth in the Cantonal Energy Plan, envisages a gradual increase in renewable energy production in the Canton and the gradual divestment of its participation in other generation sources as well as the reversion of the major power plants in Val Maggia (Ofima) and Valle di Blenio (Ofible) between 2035 and 2048. The St. Gotthard wind farm project and the new Ritom plant, along with the recent acquisition of the Lucendro plant, are clear steps of the work performed in this direction.

In parallel, AET will continue to operate in the areas of energy trading and medium and high-tension grid management, developing a range of highly professional services to be offered to third parties, and drawing on internal expertise in order to safeguard skilled jobs in Ticino. All of this will occur within a market context which requires the skills to control and manage new risks, including in particular financial risks, in order to maintain the value of existing cantonal and municipal investment stock.



Giovanni Leonardi
Chairman



Traces of the past

Many features of the old power station are still visible. These include the penstock, at the back of the power station, testimony to human toil and ingenuity. In contrast, inside the building (next image) we find a sophisticated marble control panel, carefully and stylishly designed.

CONTATORE
con
TRASFORMATORI



Interruttori

INTERRUTTORE DI CAMPO



TENSIONE GENERATORE TENSIONE SBARRE

Management report

An ever decreasing market

AET ended 2014 with an operating result of CHF 23 million, down 46% compared to the previous year. This result was made possible by a 20% above long term average hydroelectric generation, however realised in a market context characterised by constantly falling prices.

The net profit for the year of CHF 0.5 million was affected by value impairment for several items acquired at a time, now firmly in the past, when a monopoly was in place and AET was obliged to satisfy cantonal energy requirements. These include the EDF contract and the Trianel (gas) contract, which caused significant extraordinary costs because of the need to book value impairment. These charges have partially been offset by the extraordinary income of approximately CHF 7 million related to the repayment made by Swissgrid of the SDL contributions paid in 2009-2010 for power stations with generation power exceeding 50 MW.

Looking beyond financial year 2014 with regard to the immediate future and the medium-term, AET shares the significant concerns expressed by producers of the hydroelectric sector: current market conditions, which are heavily influenced by incentives for “new renewables” introduced in Europe and (on a lesser scale) in Switzerland, are excessively penalising the alpine hydroelectric production. The strategy promoted by the Association of Swiss Electricity Companies (VSE/AES) seeking to raise awareness on the part of federal and cantonal authorities in order to promote the adoption of measures to safeguard hydroelectric production is therefore endorsed.

Without any decisive changes on the electricity market, AET too will be forced into negative results and will no longer be able to distribute profits to the State over the coming years.

Production

Electricity

2014 has again been particularly favourable for the generation of hydroelectricity for both the own and the participated plants, power generation has been 12% higher than the previous year and 20% above the long-term average.

Electricity produced by the Group, which was favoured by abundant rainfall, increased by 6% compared to 2013, which was already a positive year, reaching 970 GWh. Moreover, electricity generated from hydro generation participations grew by 23%, thanks to the water reserves accumulated in reservoirs at the start of 2014.

Despite the excellent results in terms of production, falling prices across the board strongly limited the income-generating capacity of hydroelectric power stations, where production costs were sometimes higher than market prices. This situation is attributable to European demand which is struggling to recover and the well known distortions in the market caused by state subsidies for wind and solar power.

As regards electricity generated from participation in thermoelectrical power plants, it is reported that the Lünen power station concluded its first year of operation with a total power production of more than 5,100 GWh, benefiting from its flexibility on the market for reserve capacity. In this case too, the share of energy attributable to AET had to be sold at market prices that were much lower than the production costs, which are affected by the plant amortisation.

On the renewables production front, it is noted that new photovoltaic installations came on stream, including that built in conjunction with the Aziende Municipalizzate Bellinzona (AMB) on the roof of Luxury Goods International in Sant'Antonino, which is the largest photovoltaic power plant in the Canton with an installed capacity of 1,400 kWp. The energy generated by all AET's photovoltaic installations in 2014 totalled 978 MWh, decreasing 2% compared to the previous year due to adverse weather conditions.

Terravent AG, a company created by AET along with 5 other public Swiss companies with the purpose of investing in onshore wind farms in Europe, finally concluded the process of acquiring its fifth wind farm, which is situated in northern Germany, increasing the total installed capacity of its wind farms to 90 MW.

Thermal energy

The strategy of the AET Group foresees the diversification of its operations through participations in companies involved in the distribution of thermal energy.

Out of these it is important to mention TERIS Teleriscaldamento del Bellinzone SA, which competed the main network south of Bellinzona during the course of the year, launching various works for the connection of cantonal buildings, including the Orsolino Palace and the San Giovanni Hospital in Bellinzona. Clients already being supplied include LATI, the Migros store in Sant'Antonino and the Paganini Re retirement home in Bellinzona.

Also the works for the extension of the gas transportation network owned by Metanord SA were pursued in both the Bellinzona and Locarno areas. Following the grant of a distribution licence by the city of Bellinzona, work on the laying of the network was started to the north of Giubiasco.

As regards the company Calore SA, the wood-fired district heating plant in Blenio came on stream, having been built in conjunction with the municipality and various community associations.

Sales

Sales is the area which, more than any other, has been forced to deal with the effects of liberalisation. An increasing number of competitors are entering the Ticino market and are competing against AET for supplies to distribution companies and against the distributors for supplies to large customers. AET has been forced to alter its sales strategy by updating the supply, market access and management services offered to distributors throughout Switzerland.

This has enabled it to extend existing supply contracts with most distribution companies operating in the Canton – under terms extremely favourable to the latter – and to consolidate its market presence north of the Alps thanks to the conclusion of new contracts over the coming years.

In order to enable local distribution companies to remain competitive in respect of large consumers and to avoid losing market share in Ticino, AET also increased its cooperation with Enertì SA (a company owned by local distributors) when establishing the range of services offered.

The cooperation with Enertì SA has also given rise to tìsole and tinatura, two certified renewable products which, along with tiacqua, complete the range of local products offered to consumers in the Canton. From 2014 tiacqua (which is generated from 100% certified renewable sources using Ticino water) has become the standard product offered by Aziende Municipalizzate di Bellinzona (AMB), Aziende Industriali di Lugano AIL SA and Società Elettrica Sopracenerina SA (SES) to the domestic economies of their own catchment areas.

Abroad, AET Italia SpA has pursued its strategy of expanding sales to clients from the SME segment and reducing its exposure in the large clients segment, increasing the number of users supplied, whilst maintaining margins and reducing volumes. The company has distinguished itself by the quality of the services offered to the reseller segment (wholesale client which sells on to micro-businesses and domestic consumers), doubling the number of resellers supplied.

Strategic projects

The acquisition of Società Elettrica Sopracenerina SA (SES)

After the acquisition of the entire shareholding in Società Elettrica Sopracenerina SA (SES) was concluded by SES Holding Ltd, SES was delisted from the stock exchange.

In the second part of the year, SES Holding Ltd was merged into Società Elettrica Sopracenerina SA (SES) through a reverse merger. Subsequently, procedures were launched to allow the involvement of the municipal executives and the municipal councils, in order to enable the municipalities from the catchment area to acquire shares in SES. At the end of the year, the municipalities had access to credit necessary in order to acquire 70% of SES by the 01.01.2016; AET will hold a relative majority stake of 30%.

The new Law on Azienda Elettrica Ticinese

The message on the new Law on AET, promoted by the Cantonal Department of Finance and Economy (DFE) with the aim of bringing the company's control structure in line with modern public corporate governance models, was transmitted to the Grand Council in June and discussed during the March 2015 parliamentary session. The Parliament decided to refer the message to the Special Commission on Energy for further considerations.

The new Ritom power plant

The procedural actions for the renewal of the licence for the exploitation of the Lake Ritom waters by Ritom SA, a company pending incorporation which will be 75% controlled by the Swiss Federal Railways and 25% by the Canton of Ticino with AET, was pursued throughout 2014. In September the Federal Council approved the plan concerning the protection and use of the waters, and a few

weeks later an agreement was reached between the promoters of the project and the municipalities of Quinto and Airolo. On 23 December 2014, the Council of State adopted the message on the renewal of the concession addressed to the Grand Council, which approved it at its session of 24 March 2015.

Parco eolico del San Gottardo SA

Two appeals have been submitted against the St. Gotthard wind farm project by Società Ticinese per l'Arte e la Natura (STAN) and the Fondazione Pro San Gottardo, which were dismissed by the State Council when approving the variation to the Zoning Plan and the Detailed Plan of the St. Gotthard area presented by the Municipality of Airolo. STAN only filed a further appeal against that decision to the Cantonal Administrative Court. This means that the submission of the construction license application, which had originally been planned for the summer of 2015, has been further delayed. In the meantime, wind measurements are continuing, these will enable the identification of the wind turbine type with the best performance on the Pass site.

The acquisition of the Lucendro power plant

During the second half of the year AET started with Alpiq Ltd the negotiations which led to the sale in 2015 of Alpiq Hydro Ticino SA to AET. AET thus could obtain control over the Lucendro power plant 9 years before the return to public control time limit. This was a historic result, which was precipitated by the previous decisions by the cantons of Uri and Ticino to reject the application seeking the renewal of the licence for water exploitation (the application was submitted by Alpiq Ltd in 2013).

Foreign investments

The AET Group holds several equity interests in production companies operating abroad, which were acquired at a time characterised by increasing demand for energy, particularly high prices and the obligation for AET to guarantee the energy supply in the Canton, which required it to expand its energy portfolio and to diversify production sources. The evolution of the market over recent years, which has followed a diametrically opposite trend compared to the years following 2000 in terms both of prices and available volumes, caused a value decrease of the investments (or respectively equity interests) in production facilities using traditional energy sources: this is a phenomenon which is affecting all major national and international producers. The new strategy adopted by the company envisages a gradual divestment of these interests in favour of investments which will enable it to expand the share of renewable production on the cantonal territory. The disposal of these investments will be difficult under the current market conditions and might be delayed waiting for a more favourable context.

AET CoGen Srl

The power station in Gavirate (Varese) has only been supplying heat to its district heating network; electricity production has essentially been stopped. At the same time negotiations for the disposal of the plant have started.

CEG Group

Similarly to AET CoGen Srl, also the operations of CEG SpA Group (80% owned by AET) are decreasing: the plant in Occimiano (operated by the company Bio Elettricità Occimiano Srl, which is 100% owned by CEG SpA) has already been sold, whilst negotiations concerning the sale of the property are at an advanced stage. Negotiations concerning the sale of the Guarcino plant (operated by the company

Bio Energia Guarcino Srl, which is 50% owned by CEG SpA) are also at an advanced stage with the counterparty interested in managing the plant with a view to creating synergies with the paper mill adjacent to the power station.

The third power station in Chivasso (operated by the company Biogen Chivasso Srl, which is 50% owned by CEG SpA) is operating within a renewable energy incentivisation scheme.

Renewable Energy Investments SPC (REI)

The two wind farms financed by REI are operating under normal conditions: the owner of the Greek electricity grid offtakes and remunerates the energy produced by the Mitikas and Makedonias wind farms. Considering the adverse market conditions and the specific circumstances in Greece, the investment has been further impaired in 2014 on the basis of the market value calculated by the company and confirmed by its auditors.



One of the four Brown Boveri & Cie AG three-phase synchronous generators, dating from 1911, is still in place. Its maximum output was 7 MW, generating a current of 8 kV. When the generators were ordered, they were the largest designed for European applications.

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:

In CHF 1,000	
Profit for the year 2014	519
– to the State: 8% interest on the endowment capital	–3,200
– dividend to the State	–5,000
+ withdraw from retained earnings	7,681
Carryovers in the new financial year	0

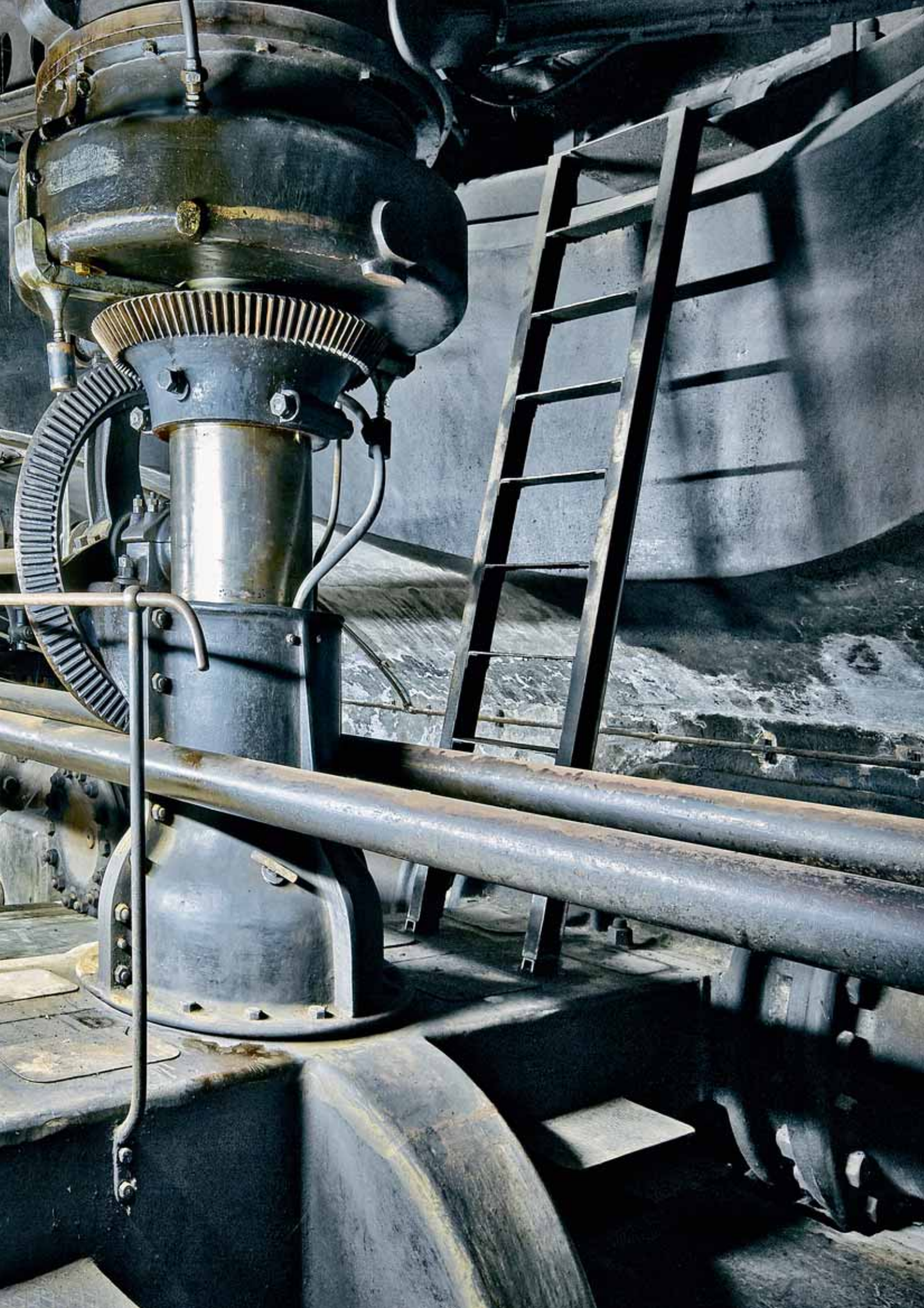
On the basis of the documentation submitted we ask the State Council and the Grand Council, for ratification of:

- the Report of the Board of Directors for the year 2014;
- the Financial statements for the year 2014;
- the proposal for allocation of profit;

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



Detail of the automatic control room with oil hydraulic servo-motor: the Pelton wheel with four circular nozzles is directly connected to the generator.





Installing the penstock, January 1910.
The building of the Biaschina power station was the pre-condition for the industrialization of the lower Leventina Valley. The driving force behind the project was engineer Agostino Nizzola, who played an extremely important part in developing electricity generation in Switzerland.

Consolidated financial statements

Consolidated balance sheet

Assets

		31.12.2014	31.12.2013
In CHF 1,000	Notes		
Operating plants and equipment		457,029	465,734
Land and buildings		50,067	49,638
Tangible fixed assets under construction		50,769	42,509
Tangible fixed assets on lease		1,429	2,516
Other tangible fixed assets		3,460	3,888
Tangible fixed assets	2	562,754	564,285
Participations in associates	3	16,478	17,491
Long-term securities	4	52,864	48,000
Advances and loans to participations	5	52,748	34,696
Other financial assets		2,086	3,962
Financial assets		124,176	104,149
Plant and equipment use rights		6,760	6,556
Energy procurement rights		69,092	91,755
Intangible assets under construction		2,946	2,492
Other intangible assets		5,622	7,239
Intangible assets	6	84,420	108,042
Total Non-current assets		771,350	776,476
Receivables from goods and services	7	87,279	176,465
Other short-term receivables	8	35,181	19,759
Inventories	9	36,685	38,532
Prepayments and accrued income	10	154,050	68,497
Cash and cash equivalents	11	64,440	84,915
Total Current assets		377,635	388,168
Total Assets		1,148,985	1,164,644

Liabilities and equity

		31.12.2014	31.12.2013
In CHF 1,000	Notes		
Endowment capital		40,000	40,000
Conversion differences		-3,754	-2,623
Retained earnings		369,950	372,616
Profit for the year		13,414	12,106
Equity attributable to AET		419,610	422,099
Minority interests		34,528	31,142
Total Group equity		454,138	453,241
Long-term provisions	12	34,550	35,776
Other long-term liabilities		4,213	2,651
Long-term financial liabilities	13	357,937	437,682
Long-term liabilities		396,700	476,109
Payables from goods and services	14	38,065	90,112
Short-term financial liabilities	15	115,136	48,050
Other short-term liabilities	16	9,146	19,921
Accrued liabilities and deferred income	17	125,107	68,908
Short-term provisions	12	10,693	8,303
Current liabilities		298,147	235,294
Total Liabilities		694,847	711,403
Total Liabilities and equity		1,148,985	1,164,644

Consolidated income statement

		2014	2013
In CHF 1,000	Notes		
Operating income			
Energy sales	18	974,648	883,310
Grid income		210,960	182,119
Other operating income	19	26,605	21,718
Total Operating income		1,212,213	1,087,147
Operating expenses			
Energy purchases	20	-895,729	-796,241
Grid expenses		-130,917	-127,536
Personnel expenses	21	-50,561	-40,078
Services and material		-11,809	-10,815
Depreciation on tangible fixed assets		-27,809	-20,686
Amortisation on intangible assets		-9,344	-8,888
Other depreciation and amortisation		-161	-161
Other operating expenses	22	-35,974	-31,883
Total Operating expenses		-1,162,304	-1,036,288
Operating result		49,909	50,859
Financial result	23	-14,635	-8,659
Result from associates	3	3,429	2,467
Ordinary result		38,703	44,667
Non-operating result		6	-17
Extraordinary result	24	-16,817	-29,896
Profit before income taxes		21,892	14,754
Income taxes		-4,533	-2,080
Group profit for the year		17,359	12,674
Minority interests		-3,945	-568
Profit for the year attributable to AET		13,414	12,106

Consolidated cash flow statement

	2014	2013
In CHF 1,000		
Profit for the year	13,414	12,106
Minority interests to income statement	3,945	568
Depreciation on tangible fixed assets	27,809	20,686
Amortisation on intangible assets	9,344	8,888
Other depreciation and amortisation	161	161
Change in long-term provisions	-1,221	6,686
Change in impairments	20,628	33,540
Profit / loss from disposal of non-current assets	-297	-134
Result from associates	995	999
Other non cash expenses and income	-1,145	656
Cash flow before change in net current assets	73,633	84,156
Change in receivables, inventories and prepayments and accrued income	-11,470	-7,396
Change in liabilities and accrued liabilities and deferred income	-6,051	-3,227
Change in short-term provisions	2,391	-2,554
Cash flow from operating activities	58,503	70,979
Outflows for investment in tangible fixed assets	-55,740	-34,318
Inflows from disposal of tangible fixed assets	27,731	12
Outflows for investment in intangible assets	-1,954	-1,291
Inflows from disposal of intangible assets	-	-
Outflows for investment in financial assets	-29,171	-11,184
Inflows from disposal of financial assets	4,637	3,059
Acquisition of consolidated organisations, less cash	-415	-120,368
Cash flow from investing activities	-54,912	-164,090
Issuance / repayment of short-term financial liabilities	-4,210	10,059
Issuance / repayment of long-term financial liabilities	-5,686	122,070
Distribution of dividends to minority shareholders of subsidiaries	-868	-
Interests on capital due to the State	-3,200	-3,200
Distribution of dividends to the State	-10,000	-13,800
Cash flow from financing activities	-23,964	115,129
Cash and cash equivalents at the beginning of the year	84,915	62,815
Cash flow	-20,373	22,018
Conversion differences on cash and cash equivalents	-102	82
Cash and cash equivalents at the end of the year	64,440	84,915

Statement of changes in consolidated equity

	Endowment capital	Conversion differences	Retained earnings	Profit for the year	Equity attributable to AET	Minority interests	Total Group Equity
In CHF 1,000							
Equity at 01.01.2013	40,000	-3,595	365,997	21,117	423,519	4,111	427,630
Allocation of profit	-	-	21,117	-21,117	0	-	0
Interests on capital due to the State	-	-	-3,200	-	-3,200	-	-3,200
Distribution of dividends to the State	-	-	-13,800	-	-13,800	-	-13,800
Conversion differences	-	972	-333	-	639	-182	457
Change in consolidation scope	-	-	925	-	925	26,645	27,570
Offset consolidation difference	-	-	1,910	-	1,910	-	1,910
Profit for 2013	-	-	-	12,106	12,106	568	12,674
Equity at 31.12.2013	40,000	-2,623	372,616	12,106	422,099	31,142	453,241
Allocation of profit	-	-	12,106	-12,106	0	-	0
Interests on capital due to the State	-	-	-3,200	-	-3,200	-	-3,200
Distribution of dividends to the State	-	-	-10,000	-	-10,000	-868	-10,868
Conversion differences	-	-1,131	181	-	-950	-3	-953
Change in consolidation scope	-	-	-1,338	-	-1,338	312	-1,026
Offset consolidation difference	-	-	-415	-	-415	-	-415
Profit for 2014	-	-	-	13,414	13,414	3,945	17,359
Equity at 31.12.2014	40,000	-3,754	369,950	13,414	419,610	34,528	454,138

Notes to the consolidated financial statements

1. Accounting principles

The consolidated financial statements 2014 of the Azienda Elettrica Ticinese Group (AET Group) were prepared in accordance to the Swiss GAAP FER as a whole and approved by the Board of Directors on the 28.04.2015.

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	Share capital	Shareholding at 31.12.2014	Shareholding at 31.12.2013
		in 1,000	%	%
AET CoGen Srl	EUR	100	100.00	100.00
AET Idronord Srl	EUR	100	90.00	90.00
AET Italia Holding Srl	EUR	4,836	100.00	100.00
AET Italia SpA	EUR	4,000	100.00	100.00
Bio Elettricità Occimiano Srl (BEO)	EUR	50	80.00	79.88
Calore SA	CHF	2,000	83.57	90.55
CEG SpA	EUR	120	80.00	79.88
Parco eolico del San Gottardo SA	CHF	1,000	70.00	70.00
Senco Holding SA	CHF	150	85.45	92.59
Senco Sagl	CHF	220	85.45	92.59
SES Holding Ltd ²	CHF	–	–	99.50
Società Elettrica Sopracenerina SA (SES)	CHF	16,500	70.89	85.18
Società Locarnese di partecipazioni immobiliari SA	CHF	2,064	70.50	84.71
SPE Società per Partecipazioni Energetiche SA	CHF	8,000	100.00	100.00
TERIS Teleriscaldamento del Bellinzonese SA	CHF	10,000	60.00	60.00

¹ Direct and indirect subsidiaries

² Absorbed into SES through reverse merger on the 16.09.2014

All consolidated companies have closed their financial year on the 31.12.2014.

At the time of acquisition, all acquired net assets are valued at fair value. Any difference between the acquisition price and the value of the acquired net assets is recognised as consolidation difference and immediately compensated with group equity. 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%, 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

During 2014 the following changes in consolidation scope of the AET Group have incurred:

- On the 16.09.2014 Società Elettrica Sopracenerina SA (SES) absorbed through reverse merger its controlling entity SES Holding Ltd. In application of the exchange ratio AET, previously controlling 99.5% of SES Holding Ltd, obtained a 70.89% participation in SES.

During 2013 the following changes in consolidation scope of the AET Group have incurred:

- On the 03.01.2013 AET has completed the sale of AET NE1 SA to Swissgrid AG.
- On the 10.01.2013 AET Group subscribed a capital increase of CEG SpA, raising its participation to 79.88% (before 50%). CEG SpA and its 100% subsidiary Bio Elettricità Occimiano Srl (BEO), included until 2012 in the group financial statements according to the equity method, have been consolidated for the first time in 2013.
- On the 27.05.2013 AET has subscribed 99.5% of the capital of the newly incorporated SES Holding Ltd (at the constitution time PRH Holding Ltd). On the 09.07.2013 SES Holding Ltd acquired 60.9% of the share capital of the Società Elettrica Sopracenerina SA (SES). With this acquisition the following companies became part of AET Group:
 - Società Elettrica Sopracenerina SA (SES), Locarno;
 - Società Locarnese di Partecipazioni e Immobiliare SA (SAP SA), Locarno;
 - Calore SA, Locarno (before held at 48.9% by AET and included in the group financial statements according to the equity method);
 - Senco Holding SA, Locarno (before held at 50% by AET and included in the group financial statements according to the equity method);
 - Senco Sagl, Locarno (before held at 48.9% by AET and included in the group financial statements according to the equity method).

The key balance sheet positions at the time of disposal or acquisition / subscription of those companies present as follows (for the year 2013):

	AET NE1 SA	CEG SpA	BEO Srl	SES Holding Ltd	SES SA
	CHF 1,000	EUR 1,000	EUR 1,000	CHF 1,000	CHF 1,000
Non-current assets	11,407	1,367	5,444	–	227,707
Current assets except cash	2,372	16,732	197	–	46,183
Cash and cash equivalents	–	250	321	100	10,767
Total assets	13,779	18,349	5,962	100	284,657

Equity	4,546	–4	50	100	144,269
Long-term liabilities	3,739	8,506	4,400	–	106,257
Current liabilities	5,494	9,847	1,512	–	34,131
Total liabilities and equity	13,779	18,349	5,962	100	284,657

	Calore SA	Senco Holding SA	Senco Sagl	SAP SA
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Non-current assets	3,227	416	–	27,271
Current assets except cash	516	36	128	292
Cash and cash equivalents	1,837	136	138	2,219
Total assets	5,580	588	266	29,782

Equity	3,242	282	190	29,287
Long-term liabilities	2,096	300	–	–
Current liabilities	242	6	76	495
Total liabilities and equity	5,580	588	266	29,782

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 positive or negative difference between acquisition price and the value of the net assets acquired is immediately compensated with group equity without impact on the result of the period.

Associates ¹	Currency	Share capital	Shareholding at 31.12.2014	Shareholding at 31.12.2013
		in 1,000	%	%
Bio Energia Guarcono Srl (BEG)	EUR	1,100	40.00	39.94
Biogen Chivasso Srl	EUR	20	40.00	39.94
Biomassa Blenio SA	CHF	870	27.58	29.88
Energie Rinnovabili Losone (ERL) SA	CHF	2,700	26.63	28.39
Enerti SA	CHF	200	23.43	28.15
Metanord SA	CHF	18,594	36.03	37.06
Nord Energia SpA	EUR	10,200	40.00	40.00
Quadra Srl	EUR	20	50.00	50.00
SES Controlli Sagl	CHF	20	28.36	34.07

¹ Direct and indirect associates

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 balance sheet date 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 result of the year.

Exchange rates applied (EUR / CHF)	2014	2013
Exchange rate on the closing date 31.12	1.2024	1.2255
Average exchange rate	1.2146	1.2308

1.2. Accounting principles

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

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 works	40 – 75 years
Electromechanical installations	20 – 50 years
Electromechanical equipments	10 – 35 years
Powerlines	30 – 55 years
Substations and transformers	20 – 35 years
Buildings	40 – 50 years
Photovoltaic plants	12 – 25 years
Machinery and tools	4 – 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 debt 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 or 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 refer to energy transmission on third party powerlines. 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 or 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 original depreciation scheme.

1.2.8. Provisions

Provisions are deemed to cover probable future disbursements related to legal or implicit obligations arising from past events. 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. Revenues

Revenues are recorded in the income statement at the moment of the settlement of the delivery. They 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

Pension benefits for employees hired by Swiss entities are covered by autonomous pension funds. The financial implications of the pension schemes in place, regardless of their structure and legal form, are included in the consolidated 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 future cash outflow for the company in the form of restructuring contributions. Economic benefits consist 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. Income taxes

Income 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. The Group parent company AET is not subject to any income tax.

1.2.14. Related party transactions

Transactions with associates include all transactions and debit / credit relationships 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, AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern and Trianel Kohlekraftwerk Lünen GmbH & Co. KG held by AET for less than 20%. AET offtakes the respective share of energy and covering the related 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
In CHF 1,000						
Cost value at 01.01.2013	563,165	45,514	40,426	18,422	8,179	675,706
Change in consolidation scope	433,965	14,257	26,266	986	9,925	485,399
Reclassification	42,289	1,218	-44,583	-	382	-694
Additions	12,775	322	20,427	-	794	34,318
Disposals	-3,533	-1,039	-27	-	-78	-4,677
Conversion differences	257	9	-	300	7	573
Cost value at 31.12.2013	1,048,918	60,281	42,509	19,708	19,209	1,190,625
Change in consolidation scope	-	-	-	-	-	0
Reclassification	43,647	332	-44,191	-	-	-212
Additions	1,012	1,398	52,477	226	627	55,740
Disposals	-65,343	-314	-26	-982	-796	-67,461
Conversion differences	-320	-11	0	-372	-10	-713
Cost value at 31.12.2014	1,027,914	61,686	50,769	18,580	19,030	1,177,979
Accumulated depreciation at 01.01.2013	-308,804	-7,332	0	-16,552	-6,874	-339,562
Change in consolidation scope	-257,254	-2,658	-	-498	-7,791	-268,201
Reclassification	-	-	-	-	-	0
Depreciation	-19,296	-630	-	-40	-719	-20,685
Disposals	3,600	-	-	-	78	3,678
Impairments	-1,359	-20	-	-	-12	-1,391
Conversion differences	-71	-3	-	-102	-3	-179
Accumulated depreciation at 31.12.2013	-583,184	-10,643	0	-17,192	-15,321	-626,340
Change in consolidation scope	-	-	-	-	-	0
Reclassification	-	-	-	-	-	0
Depreciation	-25,413	-861	-	-470	-1,065	-27,809
Disposals	38,138	180	-	756	796	39,870
Impairments	-529	-299	-	-399	14	-1,213
Conversion differences	103	4	-	154	6	267
Accumulated depreciation at 31.12.2014	-570,885	-11,619	0	-17,151	-15,570	-615,225
Net carrying amount at 01.01.2013	254,361	38,182	40,426	1,870	1,305	336,144
Net carrying amount at 31.12.2013	465,734	49,638	42,509	2,516	3,888	564,285
Net carrying amount at 31.12.2014	457,029	50,067	50,769	1,429	3,460	562,754

The insured value of tangible fixed assets against fire risk amounts to CHF 898.3 million at 01.01.2015 (CHF 872.5 million at 01.01.2014).

3. Participations in associates

31.12.2014	Equity	Holding	AET's share of the equity	AET's share of the profit
In CHF 1,000		%		
Bio Energia Guarcino Srl (BEG)	0	50.00	0	0
Biogen Chivasso Srl	0	50.00	0	0
Biomassa Blenio SA	840	33.00	277	0
Energie Rinnovabili Losone (ERL) SA	2,111	33.33	703	0
Enerti SA	205	33.05	68	0
Metanord SA	12,904	38.12	4,919	-431
Nord Energia SpA	26,086	40.00	10,434	3,860
Quadra Srl	0	50.00	0	0
SES Controlli Sagl	192	40.00	77	0
Total			16,478	3,429

31.12.2013	Equity	Holding	AET's share of the equity	AET's share of the profit
In CHF 1,000		%		
Bio Energia Guarcino Srl (BEG)	0	50.00	0	0
Biogen Chivasso Srl	0	50.00	0	0
Biomassa Blenio SA	270	33.00	89	-2
Energie Rinnovabili Losone (ERL) SA	2,111	33.33	704	-19
Enerti SA	205	33.05	67	7
Metanord SA	14,035	38.12	5,350	-133
Nord Energia SpA	28,010	40.00	11,204	2,977
Quadra Srl	0	50.00	0	0
SES Controlli Sagl	192	40.00	77	7
Terravent AG	-	-	-	-370
Total			17,491	2,467

As of 31.12.2014 the shares of Metanord SA are pledged in favour of creditors of the company.

4. Long-term securities

	31.12.2014	31.12.2013
In CHF 1,000		
Trianel Kohlekraftwerk Lünen GmbH & Co. KG	38,178	38,178
./ impairment	-20,700	-20,700
Renewable Energy Investments SPC	15,678	15,678
./ impairment	-13,200	-10,200
Kraftwerke Mattmark AG	12,116	12,273
Swissgrid AG	11,754	3,756
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Terravent AG	2,250	2,250
Other	488	465
Total	52,864	48,000

The holding in Trianel Kohlekraftwerk Lünen GmbH & Co. KG is impaired because of the deterioration of the market conditions in which the power plant owned by the company operates.

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 (31.12.2013) and of current financial and economical expectations; the increase of the impairment has been recorded as financial expense.

In 2014 in the context of the setting of the national power transportation grid, held by Swissgrid AG, AET has sold to Swissgrid AG further parts of its grid which have been included in the scope of the national power transportation grid. The disposal consideration consisted in Swissgrid AG shares and loans towards it, thus increasing the participation into Swissgrid AG.

5. Advances and loans to participations

	31.12.2014	31.12.2013
In CHF 1,000		
Swissgrid AG	23,909	5,248
Metanord SA	13,200	11,300
Terravent AG	12,750	12,750
Nord Energia SpA	1,584	4,092
Other	1,305	1,306
Total	52,748	34,696

The loan to Swissgrid AG represents part of the consideration of the disposal of grid assets belonging to the national power transportation grid; the loan is subject to mandatory convertibility in case of reduction of the own capitalisation ratio of Swissgrid AG below certain limits defined by the Federal Electricity Commission (Elcom).

6. Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
In CHF 1,000					
Cost value at 01.01.2013	10,882	151,583	1,991	9,305	173,761
Change in consolidation scope	-1,473	-	-	8,973	7,500
Reclassification	306	-	-283	671	694
Additions	90	-	784	417	1,291
Disposals	-	-	-	-	0
Conversion differences	-	-	-	57	57
Cost value at 31.12.2013	9,805	151,583	2,492	19,423	183,303
Change in consolidation scope	-	-	-	-	0
Reclassification	-	-	-338	550	212
Additions	2,398	-	792	610	3,800
Disposals	-	-	-	-700	-700
Conversion differences	-	-	-	-72	-72
Cost value at 31.12.2014	12,203	151,583	2,946	19,811	186,543
Accumulated amortisation at 01.01.2013	-3,846	-47,342	0	-5,201	-56,389
Change in consolidation scope	833	-	-	-5,725	-4,892
Reclassification	-	-	-	-	0
Amortisation	-236	-6,949	-	-1,703	-8,888
Additions	-	-	-	-	0
Disposals	-	-	-	-	0
Impairments	-	-5,537	-	472	-5,065
Conversion differences	-	-	-	-27	-27
Accumulated amortisation at 31.12.2013	-3,249	-59,828	0	-12,184	-75,261
Change in consolidation scope	-	-	-	-	0
Reclassification	-	-	-	-	0
Amortisation	-348	-6,529	-	-2,467	-9,344
Additions	-1,846	-	-	-	-1,846
Disposals	-	-	-	476	476
Impairments	-	-16,134	-	-56	-16,190
Conversion differences	-	-	-	42	42
Accumulated amortisation at 31.12.2014	-5,443	-82,491	0	-14,189	-102,123
Net carrying amount at 01.01.2013	7,036	104,241	1,991	4,104	117,372
Net carrying amount at 31.12.2013	6,556	91,755	2,492	7,239	108,042
Net carrying amount at 31.12.2014	6,760	69,092	2,946	5,622	84,420

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). Both contracts are subjected to an impairment which has been increased in 2014 following a further deterioration of their reference market conditions.

7. Receivables from goods and services

	31.12.2014	31.12.2013
In CHF 1,000		
Associates	6,895	15,389
Other related parties	514	90
Third parties	79,870	160,986
Total	87,279	176,465

The balance includes amounts in foreign currency for EUR 36.8 million (EUR 80.0 million at 31.12.2013). The decrease of receivables from goods and services is mainly due to a change in the accounting procedures, prepayments and accrued income have increased correspondingly.

8. Other short-term receivables

	31.12.2014	31.12.2013
In CHF 1,000		
Associates	–	–
Other related parties	130	–
Third parties	34,809	19,494
Deferred income taxes	242	265
Total	35,181	19,759

9. Inventories

	31.12.2014	31.12.2013
In CHF 1,000		
Stock and consumables	8,012	8,123
Energy related certificates	28,673	30,409
Total	36,685	38,532

The energy related certificates include stock in guarantees of origin for renewable energy as well as CO2 emission rights. Energy related certificates are valued at the lower of cost or market value.

10. Prepayments and accrued income

	31.12.2014	31.12.2013
In CHF 1,000		
Associates	3,545	7,164
Other related parties	6,228	6,510
Third parties	142,130	52,789
Work in progress	2,147	2,034
Total	154,050	68,497

The balance includes amounts in foreign currency for EUR 102.4 million (EUR 37.6 million at 31.12.2013). The increase of prepayments and accrued income is mainly due to a change in the accounting procedures, receivables from goods and services have decreased correspondingly. Work in progress refers to works being executed for third party customers.

11. Cash and cash equivalents

	31.12.2014	31.12.2013
In CHF 1,000		
Balances in CHF	44,384	69,086
Balances in foreign currency (conversion rate at the end of year)	20,056	15,829
Total	64,440	84,915

All balances are freely available, with the exception of assets with equivalent value of CHF 6.9 million (CHF 5.7 million at 31.12.2013) deposited in foreign bank accounts in euro for the coverage of commercial transactions on international markets.

12. Provisions

	Onerous contracts	Indemnifications and plant decommissioning	Tax provisions	Other provisions	Total
In CHF 1,000					
Carrying amount at 01.01.2013	5,500	14,310	145	6,973	26,928
<i>thereof long-term</i>	5,500	14,310	0	824	20,634
<i>thereof short-term</i>	0	0	145	6,149	6,294
Change in consolidation scope	–	–	7,679	5,327	13,006
Increase	4,940	598	939	2,946	9,423
Utilisation	–	–	90	–1,484	–1,394
Release	–	–	–276	–3,608	–3,884
Carrying amount at 31.12.2013	10,440	14,908	8,577	10,154	44,079
<i>thereof long-term</i>	10,440	14,908	6,434	3,994	35,776
<i>thereof short-term</i>	0	0	2,143	6,160	8,303
Change in consolidation scope	–	–	–	–	0
Increase	–	619	1,442	4,818	6,879
Utilisation	–	–	–3	–1,729	–1,732
Release	–2,450	–	–	–1,533	–3,983
Carrying amount at 31.12.2014	7,990	15,527	10,016	11,710	45,243
<i>thereof long-term</i>	7,990	15,527	7,625	3,408	34,550
<i>thereof short-term</i>	0	0	2,391	8,302	10,693

The provision for onerous contracts covers expected disbursements related to commitments of the AET Group.

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 costs of decommissioning AET plants at the end of their utilisation. The present value at the balance sheet date of the expected expenses is computed by applying a 4% discount rate, the provision increase in the year is due to the discounting.

13. Long-term financial liabilities

	31.12.2014			31.12.2013		
	Financial debt	Debt from finance leases	Total	Financial debt	Debt from finance leases	Total
In CHF 1,000						
Liabilities due between 1 and 5 years	104,000	208	104,208	173,850	2,309	176,159
Liabilities due between 5 and 10 years	143,625	6,646	150,271	160,000	3,820	163,820
Liabilities due after 10 years	103,458	–	103,458	96,035	1,668	97,703
Total	351,083	6,854	357,937	429,885	7,797	437,682

14. Payables from goods and services

	31.12.2014	31.12.2013
In CHF 1,000		
Associates	1,215	1,735
Other related parties	2,003	2,158
Third parties	34,847	86,219
Total	38,065	90,112

The balance includes amounts in foreign currency for EUR 8.1 million (EUR 47.2 million at 31.12.2013). The decrease of payables from goods and services is mainly due to a change in the accounting procedures, accrued liabilities and deferred income have increased correspondingly.

15. Short-term financial liabilities

	31.12.2014	31.12.2013
In CHF 1,000		
Liabilities towards financial institutions in CHF	79,613	5,619
Liabilities towards financial institutions in foreign currency	35,523	42,431
Total	115,136	48,050

16. Other short-term liabilities

	31.12.2014	31.12.2013
In CHF 1,000		
Associates	–	–
Other related parties	3	–
Third parties	9,143	19,921
Total	9,146	19,921

17. Accrued liabilities and deferred income

	31.12.2014	31.12.2013
In CHF 1,000		
Associates	5,170	3,504
Other related parties	–	–
Third parties	119,937	65,404
Total	125,107	68,908

The balance includes amounts in foreign currency for EUR 65.7 million (EUR 28.3 million at 31.12.2013). The increase of accrued liabilities and deferred income is mainly due to a change in the accounting procedures, payables from goods and services have decreased correspondingly.

18. Energy sales

	2014	2013
In CHF 1,000		
Energy sales in Switzerland	304,539	319,441
Energy sales in Italy	367,528	304,959
Energy sales in Germany	198,614	183,152
Energy sales in France	56,865	32,696
Other income energy sales	47,102	43,062
Total	974,648	883,310

19. Other operating income

	2014	2013
In CHF 1,000		
Own work capitalised	10,658	6,447
Income from services	11,128	10,072
Other	4,819	5,199
Total	26,605	21,718

20. Energy purchases

	2014	2013
In CHF 1,000		
Purchases from participations	–99,522	–78,401
Long-term contractual purchases	–65,123	–58,526
Purchases on the market	–731,084	–659,314
Total	–895,729	–796,241

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

21. Personnel expenses

	2014	2013
In CHF 1,000		
Salaries and other compensation	-41,440	-32,015
Social contributions	-8,571	-7,848
Other expenses	-1,025	-615
Recoveries from insurance companies	475	400
Total	-50,561	-40,078

Employees of the Group

	31.12.2014	31.12.2013
Full time equivalent		
Permanent employees	402.2	394.3
Temporary auxiliary employees	11.2	17.2
Apprentices	21.0	24.0
Total	434.4	435.5

22. Other operating expenses

	2014	2013
In CHF 1,000		
Water fees to the Canton Ticino State	-11,733	-11,358
Local taxes and other contributions	-2,015	-1,992
Other	-22,226	-18,533
Total	-35,974	-31,883

23. Financial result

	2014	2013
In CHF 1,000		
Interest income	2,215	2,385
Income from participations	504	466
Other financial income	237	114
Exchange rate differences	-997	846
Interest payments and commissions	-12,947	-10,346
Other financial expenses	-3,647	-2,124
Total	-14,635	-8,659

Other financial expenses include the impairment increase of the REI securities for CHF 3.0 million (2013: CHF 1.5 million).

24. Extraordinary result

	2014	2013
In CHF 1,000		
Reversal of impairments on non-current assets	–	1,484
Profit from disposal of non-current assets	297	205
Other extraordinary income	7,201	811
Impairments of non-current assets / provisions	–20,444	–32,095
Other extraordinary expenses	–3,871	–301
Total	–16,817	–29,896

Impairment and provision changes are due to the deterioration of the market conditions and of the regulatory framework to which certain group generating units are exposed.

The following table summarises the impairment charges recorded in 2014 by activity field.

Impairments of non-current assets/provisions

	Tangible fixed assets	Intangible assets	Other assets	Provisions	Total
In CHF 1,000					
Energy production Germany	–	–	–	–	0
Energy production Italy	–1,213	–56	–2,310	–	–3,579
Contractual energy procurement France	–	–14,431	–	–	–14,431
Contractual energy procurement Germany	–	–1,703	–	–731	–2,434
Total	–1,213	–16,190	–2,310	–731	–20,444

25. Goodwill

The positive difference 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 capitalised on the balance sheet and amortised on a straight-line basis over 5 years the consolidated balance sheet and the consolidated income statement would present the following variations:

	2014	2013
In CHF 1,000		
Historical cost	2,167	1,752
Goodwill	332	350
Equity (retained earnings)	332	350
Amortisation goodwill of the year	–433	–350
Profit	–433	–350

26. Contingent liabilities

Guarantees

	31.12.2014	31.12.2013
In CHF 1,000		
Biogen Chivasso Srl	29,638	30,209
Bio Energia Guarcino Srl (BEG)	18,989	18,842
Total	48,627	49,051

Other commitments

	31.12.2014	31.12.2013
In CHF 1,000		
Acquisition of a stake in Parco eolico del San Gottardo SA	–	2,000
Squeeze-out minorities Società Elettrica Sopracenerina SA (SES)	–	2,073
Total	0	4,073

Guarantees are issued in favour of foreign financial institutions as security of financing facilities granted to group affiliates. The guarantees in favour of creditors of Biogen Chivasso and BEG relate for CHF 48.2 million to leasing contracts with residual debt as of 31.12.2014 of CHF 32.4 million.

27. 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 involving irrevocable obligations:

Energy purchase contracts and market operations

	Market transactions	Long-term contracts
Cumulative volume in CHF 1,000		
2015	345,184	92,479
from 2 to 5 year	83,091	252,962
over 5 year	–	290,990

In addition, AET Group has an offtake commitment for the energy produced by its own power generation participations and the participations of the Canton Ticino, 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 8.9 million (value of the indexed contact based on 2014 prices and yearend exchange rate).

At 31.12.2014 AET Group has derivative financial instruments subscribed for the interest rate hedging for a contractual volume of CHF 54 million (31.12.2013: none).

As of 31.12.2014 the total amount of operating leasing not recognised on the balance sheet amounts to CHF 0.8 million (31.12.2013: CHF 1 million); operating leasing expenses for 2014 amount to CHF 0.5 million (2013: CHF 0.6 million).

28. Pension benefit obligations

	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
31.12.2014					
In CHF 1,000					
CPE Cassa Pensione Energia	104.30%	–	–	–2,894	–2,894
Inflation indemnities to pensioners ¹		–1,187	–21	–	–21
Fondo Pensionamento Anticipato dell'AET	106.36%	–578	–	–758	–758
Total		–1,765	–21	–3,652	–3,673

¹ Provisions for future payments for inflation indemnities to pensioners.

	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
31.12.2013					
In CHF 1,000					
CPE Cassa Pensione Energia	107.20%	–	–	–2,841	–2,841
Inflation indemnities to pensioners ¹		–1,301	–32	–	–32
Fondo Pensionamento Anticipato dell'AET	104.23%	–940	–940	–526	–1,466
Total		–2,241	–972	–3,367	–4,339

¹ Provisions for future payments for inflation indemnities to pensioners.

29. Transactions with related parties

Transactions with associates

	2014	2013
In CHF 1,000		
Energy sales	26,971	18,295
Service and other income	874	1,104
Financial income	493	1,141
Energy purchases	72,522	42,855
Service and other expenses	1,555	720
Advances paid	15,003	15,542
Receivables from goods and services	6,895	15,389
Prepayments and accrued income	3,657	7,256
Payables from goods and services	1,215	1,735
Accrued liabilities and deferred income	5,170	3,504
Guarantees	48,627	49,051

Transactions with other related parties

	2014	2013
In CHF 1,000		
Energy sales	432	82
Service and other income	1,335	280
Financial income	858	836
Energy purchases	101,095	79,213
Service and other expenses	320	364
Advances paid	37,745	19,154
Receivables from goods and services	514	90
Prepayments and accrued income	6,236	6,511
Payables from goods and services	2,003	2,158
Accrued liabilities and deferred income	–	–
Guarantees	–	–

30. Risk assessment

The Board of Directors and Management give the utmost attention and deploy the necessary 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 volumes compared to forecasts. 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 wholesale activity is mainly performed with large Swiss and bordering countries power companies. Limits of exposure are fixed for each counterpart, based on their economic and financial situation. In the context of the retail operations on the Italian market, the counterparty risks are for the large part insured against potential default. Counterparty risk related to the Swiss commercial / distribution activity is managed through the constant monitoring of the receivable positions, the request of bank guarantees or deposits as well as the installation of prepayment machines at the retail clients.

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.

31. Subsequent events

2014: on the 15.01.2015 the Swiss National Bank has discontinued the minimum exchange rate of CHF 1.20 per euro. This caused an immediate appreciation of the CHF. AET executes a significant part of its transactions in euro.

On the 20.03.2015 AET and Alpiq Ltd have signed an agreement for the acquisition by AET of the share capital of Alpiq Hydro Ticino SA.

2013: on the 03.01.2014 AET has finalised the disposal of certain transport grid to Swissgrid AG. The transaction has been conducted with no financial nor economic impact.



Maintenance work on the penstock carrying water from Lavorgo to the power station. 185 metres long and on a 65% gradient, the penstock was laid partly in an underground tunnel, partly in the open.

Audit report by Ernst & Young Ltd on the consolidated financial statements



Ernst & Young Ltd
Corso Elvezia 33
P.O. Box
CH-6901 Lugano

Phone +41 58 286 24 24
Fax +41 58 286 24 00
www.ey.com/ch

To the Board of Directors of
Azienda Elettrica Ticinese, Bellinzona

Lugano, 28 April 2015

Report of the independent auditor on the consolidated financial statements

As independent auditor and in accordance with your instructions, we have audited the accompanying consolidated 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 27 to 52) for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 present a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.

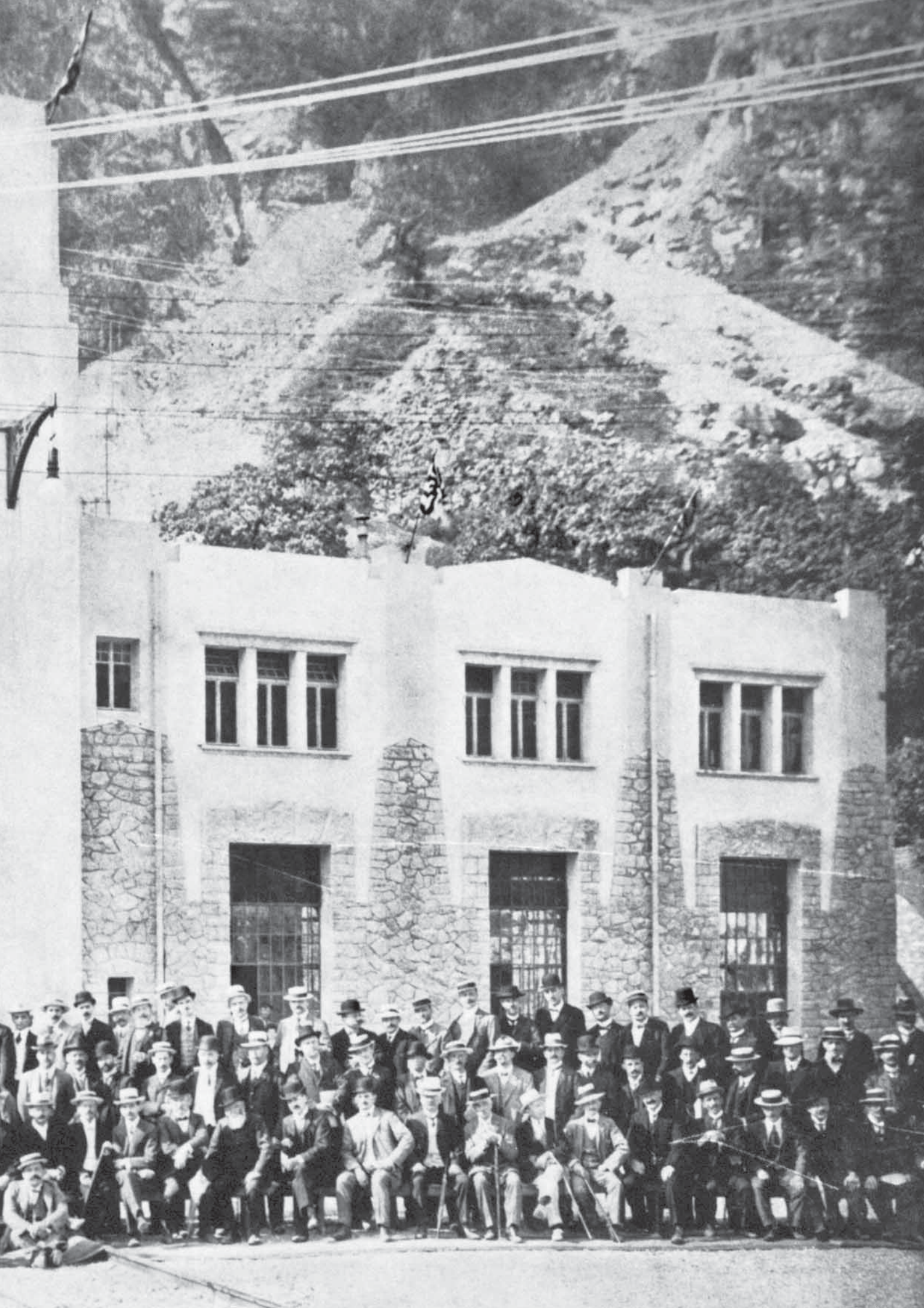

Ernst & Young Ltd

Stefano Caccia
Licensed audit expert
(Auditor in charge)


Claudio Cereggetti
licensed audit expert



The Biaschina plant ("La Centrall"), in its day the largest in Ticino, was officially inaugurated on Sunday 10 September 1911, giving rise to the first major industrial development of the Canton.





The present day

The Vecchia Biaschina building now houses the AET's engineering workshop, combining both bold and modern features. Solid iron girders, over a hundred years old, carry the weight of the new overhead crane.

Financial statements

Balance sheet

Assets

		31.12.2014	31.12.2013
In CHF 1,000	Notes		
Operating plants and equipment		214,333	240,866
Land and buildings		36,057	36,172
Tangible fixed assets under construction		30,114	25,366
Other tangible fixed assets		968	1,298
Tangible fixed assets	2	281,472	303,702
Participations	3	74,250	70,270
Long-term securities	4	52,501	47,677
Advances and loans to participations	5	64,047	54,229
Other financial assets		1,194	3,070
Financial assets		191,992	175,246
Plant and equipment use rights		6,652	6,476
Energy procurement rights		69,092	91,755
Intangible assets under construction		1,411	1,182
Other intangible assets		2,373	3,032
Intangible assets	6	79,528	102,445
Total Non-current assets		552,992	581,393
Receivables from goods and services	7	116,621	185,416
Other short-term receivables	8	11,007	3,418
Inventories	9	31,188	33,189
Prepayments and accrued income	10	115,717	33,004
Cash and cash equivalents	11	48,116	42,867
Total Current assets		322,649	297,894
Total Assets		875,641	879,287

Liabilities and equity

		31.12.2014	31.12.2013
In CHF 1,000	Notes		
Endowment capital		40,000	40,000
General reserves		67,000	67,000
Statutory reserves		51,000	51,000
Profit brought forward		237,830	247,514
Profit for the year		519	3,516
Total Equity		396,349	409,030
Long-term provisions	12	28,407	28,450
Other long-term liabilities		2,179	2,343
Long-term financial liabilities	13	221,000	246,000
Long-term liabilities		251,586	276,793
Payables from goods and services	14	59,423	96,316
Short-term financial liabilities	15	51,452	29,412
Other short-term liabilities	16	7,593	17,705
Accrued liabilities and deferred income	17	101,359	44,065
Short-term provisions	12	7,879	5,966
Current liabilities		227,706	193,464
Total Liabilities		479,292	470,257
Total Liabilities and equity		875,641	879,287

Income statement

		2014	2013
In CHF 1,000	Notes		
Operating income			
Energy sales	18	912,272	895,998
Grid income		50,223	44,538
Other operating income	19	14,155	14,453
Total Operating income		976,650	954,989
Operating expenses			
Energy purchases	20	-856,973	-820,208
Grid expenses		-22,069	-14,765
Personnel expenses	21	-25,923	-26,879
Services and material		-6,769	-8,028
Depreciation on tangible fixed assets		-12,779	-13,369
Amortisation on intangible assets		-8,085	-8,321
Other depreciation and amortisation		-157	-157
Other operating expenses	22	-20,710	-20,024
Total Operating expenses		-953,465	-911,751
Operating result		23,185	43,238
Financial result	23	-10,310	-6,058
Ordinary result		12,875	37,180
Non-operating result		6	4
Extraordinary result	24	-12,362	-33,668
Profit for the year		519	3,516

Cash flow statement

	2014	2013
In CHF 1,000		
Profit for the year	519	3,516
Depreciation on tangible fixed assets	12,779	13,369
Amortisation on intangible assets	8,085	8,321
Other depreciation and amortisation	157	157
Change in long-term provisions	-43	5,040
Change in impairments	19,738	32,546
Profit / loss from disposal of non-current assets	-286	-168
Other non cash expenses and income	-308	123
Cash flow before change in net current assets	40,641	62,904
Change in receivables, inventories and prepayments and accrued income	-19,506	-20,768
Change in liabilities and accrued liabilities and deferred income	10,289	950
Change in short-term provisions	1,913	-174
Cash flow from operating activities	33,337	42,912
Outflows for investment in tangible fixed assets	-18,005	-10,820
Inflows from disposal of tangible fixed assets	27,493	12
Outflows for investment in intangible assets	-1,091	-527
Inflows from disposal of intangible assets	-	-
Outflows for investment in financial assets	-29,472	-61,400
Inflows from disposal of financial assets	8,625	898
Cash flow from investing activities	-12,450	-71,837
Issuance / repayment of short-term financial liabilities	-2,315	4,853
Issuance / repayment of long-term financial liabilities	-123	37,345
Interests on capital due to the State	-3,200	-3,200
Distribution of dividends to the State	-10,000	-13,800
Cash flow from financing activities	-15,638	25,198
Cash and cash equivalents at the beginning of the year	42,867	46,594
Cash flow	5,249	-3,727
Cash and cash equivalents at the end of the year	48,116	42,867

Statement of changes in equity

	Endowment capital	General reserves	Statutory reserves	Profit brought forward	Profit for the year	Total Equity
In CHF 1,000						
Equity at 01.01.2013	40,000	60,000	51,000	250,323	21,191	422,514
Allocation of profit	–	7,000	–	14,191	–21,191	0
Interests on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of dividends to the State	–	–	–	–13,800	–	–13,800
Profit for 2013	–	–	–	–	3,516	3,516
Equity at 31.12.2013	40,000	67,000	51,000	247,514	3,516	409,030
Allocation of profit	–	–	–	3,516	–3,516	0
Interests on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of dividends to the State	–	–	–	–10,000	–	–10,000
Profit for 2014	–	–	–	–	519	519
Equity at 31.12.2014	40,000	67,000	51,000	237,830	519	396,349

Notes to the financial statements

1. Accounting principles

The financial statements 2014 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 the 28.04.2015.

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

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 works	40 – 75 years
Electromechanical installations	40 – 50 years
Electromechanical equipments	15 – 35 years
Powerlines	30 – 55 years
Substations and transformers	20 – 35 years
Buildings	40 – 50 years
Photovoltaic plants	12 – 25 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 or 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 refer to energy transmission on third party powerlines. 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 or 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 original depreciation scheme.

1.8. Provisions

Provisions are deemed to cover probable future disbursements related to legal or implicit obligations arising from past events. 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. Revenues

Revenues are recorded in the income statement at the moment of the settlement of the delivery. They 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 AET is affiliated with a multi-employer pension scheme together with other companies operating in the energy sector. This is an independent pension 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 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 future cash outflow for the company in the form of restructuring contributions. Economic benefits consist 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. Income taxes

AET is not subject to any income tax.

1.14. Related party transactions

Transactions with subsidiaries include all transactions and debit / credit relationships with companies in which AET holds the majority of the voting rights. Transactions with associates include all transactions and debit / credit relationships 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, AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern and Trianel Kohlekraftwerk Lünen GmbH & Co. KG held by AET for less than 20%. AET offtakes the respective share of energy covering the related production / procurement costs.

2. Tangible fixed assets

	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Other tangible fixed assets	Total
In CHF 1,000					
Cost value at 01.01.2013	506,554	43,494	37,722	7,749	595,519
Reclassification	20,602	1,202	-22,881	382	-695
Additions	71	-	10,551	198	10,820
Disposals	-2,373	-1,039	-26	-78	-3,516
Cost value at 31.12.2013	524,854	43,657	25,366	8,251	602,128
Reclassification	12,475	332	-13,019	-	-212
Additions	-	100	17,793	112	18,005
Disposals	-64,997	-314	-26	-760	-66,097
Cost value at 31.12.2014	472,332	43,775	30,114	7,603	553,824
Accumulated depreciation at 01.01.2013	-273,876	-7,081	0	-6,618	-287,575
Reclassification	-	-	-	-	0
Depreciation	-12,552	-404	-	-413	-13,369
Additions	-	-	-	-	0
Disposals	2,440	-	-	78	2,518
Accumulated depreciation at 31.12.2013	-283,988	-7,485	0	-6,953	-298,426
Reclassification	-	-	-	-	0
Depreciation	-11,924	-413	-	-442	-12,779
Additions	-	-	-	-	0
Disposals	37,913	180	-	760	38,853
Accumulated depreciation at 31.12.2014	-257,999	-7,718	0	-6,635	-272,352
Net carrying amount at 01.01.2013	232,678	36,413	37,722	1,131	307,944
Net carrying amount at 31.12.2013	240,866	36,172	25,366	1,298	303,702
Net carrying amount at 31.12.2014	214,333	36,057	30,114	968	281,472

The insured value of tangible fixed assets against fire risk amounts to CHF 577.9 million at 01.01.2015 (CHF 565.2 million at 01.01.2014).

3. Participations

	31.12.2014	31.12.2013
In CHF 1,000		
Società Elettrica Sopracenerina SA (SES)	49,750	–
SPE Società per Partecipazioni Energetiche SA	8,000	8,000
./ impairment	–	–3,551
TERIS Teleriscaldamento del Bellinzonese SA	6,000	6,000
Metanord SA	5,505	5,505
Parco eolico del San Gottardo SA	2,868	2,452
Senco Holding SA	1,149	1,136
Calore SA	978	978
SES Holding Ltd	–	49,750
Total	74,250	70,270

In 2014 Società Elettrica Sopracenerina SA (SES) absorbed through reverse merger its controlling entity SES Holding Ltd. In application of the exchange ratio AET, previously controlling 99.5% of SES Holding Ltd, obtained a 70.89% participation in SES. As of 31.12.2014 the shares in Metanord SA are pledged in favour of creditors of the company.

4. Long-term securities

	31.12.2014	31.12.2013
In CHF 1,000		
Trianel Kohlekraftwerk Lünen GmbH & Co.KG	38,178	38,178
./ impairment	–20,700	–20,700
Renewable Energy Investments SPC	15,678	15,678
./ impairment	–13,200	–10,200
Kraftwerke Mattmark AG	12,116	12,273
Swissgrid AG	11,754	3,756
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Terravent AG	2,250	2,250
Other	125	142
Total	52,501	47,677

The holding in Trianel Kohlekraftwerk Lünen GmbH & Co. KG is impaired because of the deterioration of the market conditions in which the power plant owned by the company operates.

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 (31.12.2013) and of the current financial and economical expectations; the increase of the impairment has been recorded as financial expense.

In 2014 in the context of the setting of the national power transportation grid, held by Swissgrid AG, AET has sold to Swissgrid AG further parts of its grid which have been included in the scope of the national power transportation grid. The disposal consideration consisted in Swissgrid AG shares and loans towards it, thus increasing the participation into Swissgrid AG.

5. Advances and loans to participations

	31.12.2014	31.12.2013
In CHF 1,000		
Swissgrid AG	23,909	5,248
Metanord SA	13,200	11,300
Terravent AG	12,750	12,750
SPE Società per Partecipazioni Energetiche SA	12,602	28,877
./. impairment	-200	-6,402
Other	1,786	2,456
Total	64,047	54,229

The advance to SPE Società per Partecipazioni Energetiche SA (SPE) is subordinated for an amount of CHF 12 million (31.12.2013: CHF 15 million) and it is subject to an impairment related to the value impairment of the participations of SPE.

The loan to Swissgrid AG represents part of the consideration of the disposal of grid assets belonging to the national power transportation grid; the loan is subject to mandatory convertibility in case of reduction of the own capitalisation ratio of Swissgrid AG below certain limits defined by the Federal Electricity Commission (Elcom).

6. Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
In CHF 1,000					
Cost value at 01.01.2013	9,347	151,583	1,010	6,953	168,893
Reclassification	306	–	–283	671	694
Additions	72	–	455	–	527
Disposals	–	–	–	–	0
Cost value at 31.12.2013	9,725	151,583	1,182	7,624	170,114
Reclassification	–	–	–338	550	212
Additions	2,370	–	567	–	2,937
Disposals	–	–	–	–476	–476
Cost value at 31.12.2014	12,095	151,583	1,411	7,698	172,787
Accumulated amortisation at 01.01.2013	–3,013	–47,342	0	–3,456	–53,811
Reclassification	–	–	–	–	0
Amortisation	–236	–6,949	–	–1,136	–8,321
Additions	–	–	–	–	0
Disposals	–	–	–	–	0
Impairments	–	–5,537	–	–	–5,537
Accumulated amortisation at 31.12.2013	–3,249	–59,828	0	–4,592	–67,669
Reclassification	–	–	–	–	0
Amortisation	–348	–6,528	–	–1,209	–8,085
Additions	–1,846	–	–	–	–1,846
Disposals	–	–	–	476	476
Impairments	–	–16,135	–	–	–16,135
Accumulated amortisation at 31.12.2014	–5,443	–82,491	0	–5,325	–93,259
Net carrying amount at 01.01.2013	6,334	104,241	1,010	3,497	115,082
Net carrying amount at 31.12.2013	6,476	91,755	1,182	3,032	102,445
Net carrying amount at 31.12.2014	6,652	69,092	1,411	2,373	79,528

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). Both contracts are subjected to an impairment which has been increased in 2014 following a further deterioration of their reference market conditions.

7. Receivables from goods and services

	31.12.2014	31.12.2013
In CHF 1,000		
Group companies	103,200	95,119
Other related parties	183	18
Third parties	13,238	90,279
Total	116,621	185,416

The balance includes amounts in foreign currency for EUR 88.9 million (EUR 105.5 million at 31.12.2013). The decrease of receivables from goods and services is mainly due to a change in the accounting procedures, prepayments and accrued income have increased correspondingly.

8. Other short-term receivables

	31.12.2014	31.12.2013
In CHF 1,000		
Group companies	–	–
Other related parties	130	–
Third parties	10,877	3,418
Total	11,007	3,418

9. Inventories

	31.12.2014	31.12.2013
In CHF 1,000		
Stock and consumables	2,515	2,520
Energy related certificates	28,673	30,669
Total	31,188	33,189

The energy related certificates include stock in guarantees of origin for renewable energy as well as CO2 emission rights. Energy related certificates are valued at the lower of cost or market value.

10. Prepayments and accrued income

	31.12.2014	31.12.2013
In CHF 1,000		
Group companies	20,732	6,074
Other related parties	6,223	6,505
Third parties	86,553	18,338
Work in progress	2,209	2,087
Total	115,717	33,004

The balance includes amounts in foreign currency for EUR 68.3 million (EUR 12.2 million at 31.12.2013). The increase of prepayments and accrued income is mainly due to a change in the accounting procedures, receivables from goods and services have decreased correspondingly. Work in progress refers to works being executed for third party customers.

11. Cash and cash equivalents

	31.12.2014	31.12.2013
In CHF 1,000		
Balances in CHF	32,269	35,433
Balances in foreign currency (conversion rate at the end of year)	15,847	7,434
Total	48,116	42,867

All balances are freely available, with exception of the assets with equivalent value of CHF 6.9 million (CHF 5.7 million at 31.12.2013) deposited in foreign bank accounts in euro for the coverage of commercial transactions on international markets.

12. Provisions

	Onerous contracts of participations	Indemnifications and plant decommissioning	Other provisions	Total
In CHF 1,000				
Carrying amount at 01.01.2013	9,453	14,310	5,787	29,550
<i>thereof long-term</i>	8,500	14,310	600	23,410
<i>thereof short-term</i>	953	0	5,187	6,140
Increase	9,015	598	2,488	12,101
Utilisation	–	–	–1,145	–1,145
Release	–5,205	–	–885	–6,090
Carrying amount at 31.12.2013	13,263	14,908	6,245	34,416
<i>thereof long-term</i>	12,500	14,908	1,042	28,450
<i>thereof short-term</i>	763	0	5,203	5,966
Increase	1,582	619	2,135	4,336
Utilisation	–	–	–1,386	–1,386
Release	–14	–	–1,066	–1,080
Carrying amount at 31.12.2014	14,831	15,527	5,928	36,286
<i>thereof long-term</i>	12,500	15,527	380	28,407
<i>thereof short-term</i>	2,331	0	5,548	7,879

The provision for onerous contracts of participations covers expected disbursements due to the commitments of AET in respect of the activity of its participations.

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 expenses is computed by applying a 4% discount rate; the provision increase in the year is due to the discounting.

13. Long-term financial liabilities

	31.12.2014			31.12.2013		
	Financial debt	Debt from finance leases	Total	Financial debt	Debt from finance leases	Total
In CHF 1,000						
Liabilities due between 1 and 5 years	65,000	–	65,000	90,000	–	90,000
Liabilities due between 5 and 10 years	73,000	–	73,000	73,000	–	73,000
Liabilities due after 10 years	83,000	–	83,000	83,000	–	83,000
Total	221,000	0	221,000	246,000	0	246,000

14. Payables from goods and services

	31.12.2014	31.12.2013
In CHF 1,000		
Group companies	42,533	39,584
Other related parties	2,003	2,121
Third parties	14,887	54,611
Total	59,423	96,316

The balance includes amounts in foreign currency for EUR 36.4 million (EUR 67.0 million at 31.12.2013). The decrease of payables from goods and services is mainly due to a change in the accounting procedures, accrued liabilities and deferred income have increased correspondingly.

15. Short-term financial liabilities

	31.12.2014	31.12.2013
In CHF 1,000		
Liabilities towards financial institutions in CHF	25,000	–
Liabilities towards financial institutions in foreign currency	26,452	29,412
Total	51,452	29,412

16. Other short-term liabilities

	31.12.2014	31.12.2013
In CHF 1,000		
Group companies	–	–
Other related parties	2	–
Third parties	7,591	17,705
Total	7,593	17,705

17. Accrued liabilities and deferred income

	31.12.2014	31.12.2013
In CHF 1,000		
Group companies	11,408	10,253
Other related parties	–	–
Third parties	89,951	33,812
Total	101,359	44,065

The balance includes amounts in foreign currency for EUR 59.0 million (EUR 23.9 million at 31.12.2013). The increase of accrued liabilities and deferred income is mainly due to a change in the accounting procedures, payables from goods and services have decreased correspondingly.

18. Energy sales

	2014	2013
In CHF 1,000		
Energy sales in Switzerland	290,560	311,252
Energy sales in Italy	321,279	318,951
Energy sales in Germany	218,404	204,309
Energy sales in France	56,865	35,048
Other income energy sales	25,164	26,438
Total	912,272	895,998

19. Other operating income

	2014	2013
In CHF 1,000		
Own work capitalised	2,778	2,898
Income from services	8,215	8,275
Other	3,162	3,280
Total	14,155	14,453

20. Energy purchases

	2014	2013
In CHF 1,000		
Purchases from participations	-99,868	-78,401
Long-term contractual purchases	-65,123	-58,526
Purchases on the market	-691,982	-683,281
Total	-856,973	-820,208

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

21. Personnel expenses

	2014	2013
In CHF 1,000		
Salaries and other compensation	-21,133	-21,375
Social contributions	-4,646	-5,381
Other expenses	-430	-402
Recoveries from insurance companies	286	279
Total	-25,923	-26,879

Employees of the company

	31.12.2014	31.12.2013
Full time equivalent		
Permanent employees	193.1	195.2
Temporary auxiliary employees	9.2	11.2
Apprentices	12.0	13.0
Total	214.3	219.4

22. Other operating expenses

	2014	2013
In CHF 1,000		
Water fees to the Canton Ticino State	-11,358	-11,358
Local taxes and other contributions	-2,015	-1,992
Other	-7,337	-6,674
Total	-20,710	-20,024

23. Financial result

	2014	2013
In CHF 1,000		
Interest income	1,768	1,587
Income from participations	452	555
Exchange rate differences	-1,405	1,225
Interest payments and commissions	-7,478	-7,302
Other financial expenses	-3,647	-2,123
Total	-10,310	-6,058

Other financial expenses include the impairment increase of the REI securities for CHF 3.0 million (2013: CHF 1.5 million).

24. Extraordinary result

	2014	2013
In CHF 1,000		
Reversal of impairments on non-current assets	–	1,484
Profit from disposal of non-current assets	286	168
Other extraordinary income	6,803	1,005
Impairments of non-current assets	–16,357	–32,530
Increase of provision for onerous contracts of participations	–1,582	–3,795
Other extraordinary expenses	–1,512	–
Total	–12,362	–33,668

25. Contingent liabilities

Guarantees

	31.12.2014	31.12.2013
In CHF 1,000		
AET Italia SpA	39,430	43,282
Biogen Chivasso Srl	29,638	30,209
AET CoGen Srl	19,836	20,218
Bio Energia Guarcino Srl (BEG)	18,989	18,842
CEG SpA	9,308	7,147
TERIS Teleriscaldamento del Bellinzonese SA	600	–
Total	117,801	119,698

Other commitments

	31.12.2014	31.12.2013
In CHF 1,000		
Acquisition of a stake in Parco eolico del San Gottardo SA	–	2,000
Commitment to the financing of SES Holding Ltd	–	3,300
Total	0	5,300

Guarantees are issued in favour of foreign financial institutions to guarantee loans granted to Group participations or obligations related to market activities. The guarantees issued in the interest of AET Italia cover the (short-term) obligations of this subsidiary towards the Italian energy system and market managers, such as the Gestore dei Mercati Energetici, the Gestore dei Servizi Energetici and Terna. The guarantees granted in favour of creditors of the CEG group are related for CHF 48.2 million to leasing contracts with residual debt of CHF 32.4 million as of 31.12.2014.

26. Other non-recognisable commitments

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

Energy purchase contracts and market operations

	Market transactions	Long-term contracts
Cumulative volume in CHF 1,000		
2015	345,184	81,395
from 2 to 5 year	83,091	230,514
over 5 year	–	290,990

In addition, AET has an offtake commitment for the energy produced by its own power generation participations and the participations of the Canton Ticino, paying its production cost quota. The duration of these obligations is undetermined and depends on the future developments of those participations.

Finally, AET has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 4.5 million (value of the indexed contact based on 2014 prices and yearend exchange rate).

At 31.12.2014 AET has no off-balance sheet lease commitments (31.12.2013: unchanged).

27. Pension benefit obligations

	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
31.12.2014					
In CHF 1,000					
CPE Cassa Pensione Energia	104.30%	–	–	–1,603	–1,603
Fondo Pensionamento Anticipato dell'AET	106.36%	–578	–	–758	–758
Total		–578	0	–2,361	–2,361

	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
31.12.2013					
In CHF 1,000					
CPE Cassa Pensione Energia	107.20%	–	–	–1,554	–1,554
Fondo Pensionamento Anticipato dell'AET	104.23%	–940	–940	–526	–1,466
Total		–940	–940	–2,080	–3,020

28. Transactions with related parties

Transactions with subsidiaries

	2014	2013
In CHF 1,000		
Energy sales	158,928	205,836
Service and other income	13,261	13,416
Financial income	68	8
Energy purchases	89,133	129,924
Service and other expenses	5,381	1,995
Advances paid	13,102	23,776
Receivables from goods and services	102,495	94,317
Prepayments and accrued income	18,045	6,074
Payables from goods and services	42,533	39,584
Accrued liabilities and deferred income	11,408	10,244
Guarantees	69,174	70,647

Transactions with associates

	2014	2013
In CHF 1,000		
Energy sales	2,530	1,798
Service and other income	668	502
Financial income	233	365
Energy purchases	–	–
Service and other expenses	16	1
Advances paid	13,200	11,300
Receivables from goods and services	704	802
Prepayments and accrued income	2,860	92
Payables from goods and services	–	–
Accrued liabilities and deferred income	–	9
Guarantees	48,627	49,051

Transactions with other related parties

	2014	2013
In CHF 1,000		
Energy sales	183	14
Service and other income	438	112
Financial income	806	816
Energy purchases	99,334	78,323
Service and other expenses	314	364
Advances paid	37,745	19,154
Receivables from goods and services	183	18
Prepayments and accrued income	6,231	6,506
Payables from goods and services	2,003	2,121
Accrued liabilities and deferred income	–	–
Guarantees	–	–

29. Risk assessment

The Board of Directors and Management give the utmost attention and deploy the necessary 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 volumes compared to forecasts. 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. The wholesale activity is mainly performed with large Swiss and bordering countries power companies. 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.

30. Subsequent events

2014: on the 15.01.2015 the Swiss National Bank has discontinued the minimum exchange rate of CHF 1.20 per euro. This caused an immediate appreciation of the CHF. AET executes a significant part of its transactions in euro.

On the 20.03.2015 AET and Alpiq Ltd have signed an agreement for the acquisition by AET of the share capital of Alpiq Hydro Ticino SA.

2013: on the 03.01.2014 AET has finalised the disposal of certain transport grid to Swissgrid AG. The transaction has been conducted with no financial nor economic impact.

Audit report by Ernst & Young Ltd on the financial statements



Ernst & Young Ltd
Corso Elvezia 33
P.O. Box
CH-6901 Lugano

Phone +41 58 286 24 24
Fax +41 58 286 24 00
www.ey.com/ch

To the Board of Directors of
Azienda Elettrica Ticinese, Bellinzona

Lugano, 28 April 2015

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 59 to 81) for the year ended 31 December 2014.

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.



Opinion

In our opinion, the financial statements for the year ended 31 December 2014 present a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.


Ernst & Young Ltd

Stefano Caccia
Licensed audit expert
(Auditor in charge)


Claudio Cereghetti
licensed audit expert

Grand Council auditors' report

AUDITOR'S REPORT

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

Bellinzona, June 16, 2015

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 2014 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 April 28, 2015, issued by Ernst & Young SA, Lugano, which performed its audit in accordance with art. 727b and 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 spirit of 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 April 28, 2015.

We note that, analogously to the previous financial year, the operating result has almost been entirely absorbed by the impairment charges recorded on certain foreign operations. Consequently, in order to secure the distribution to the State, the company has been forced for the second consequent year to use retained earnings.

Based on these considerations, we propose that you:

- approve the financial statements for the year 2014, which closed with a profit for the year of CHF 518'639;
- accept the proposal for the allocation of the profit presented by the Board of Directors.

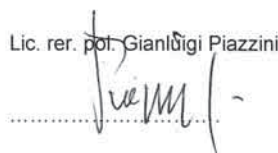
In conclusion, we propose that you discharge the Board of Directors and the Executive Committee for their management during 2014.

The auditors:

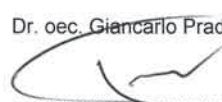
Sergio Gianini



Lic. rer. pol. Gianluigi Piazzini



Dr. oec. Giancarlo Prada





Welding in progress: refurbishing the guide vanes of the Francis-type turbines used at the Stalvedro, Piottino and Nuova Biaschina power stations.



The engineering workshop employs four people whose job is to machine and maintain the mechanical parts used in the AET's hydroelectric power stations.





The operation has been an opportunity to restore the building – which stands in full view of drivers and passengers travelling south on the A2 motorway – to its original splendour.





Alongside the Vecchia Biaschina building is the company's training centre, established in 1987, where automation technician apprentices learn their trade. Its work is of vital importance: the company is convinced that young people are the best resource in which to invest for a successful future.

AET Group companies

	Value	Nominal equity at 31.12.2014 in 1,000	Participation at 31.12.2014 %	Participation at 31.12.2013 %
AKEB Aktiengesellschaft für Kernenergie – Beteiligungen				
Luzern (AKEB), CH-Luzern <i>Nuclear energy participations and offtake rights</i>	CHF	90,000	7.00	7.00
Calore SA, CH-Locarno <i>Thermal energy</i>	CHF	2,000	83.57	90.55
Biomassa Blenio SA, CH-Blenio <i>Biomass thermal energy</i>	CHF	870	27.58	29.88
Geo-Energie Suisse AG, CH-Basel <i>Development of geothermal power</i>	CHF	1,900	5.26	5.26
Geopower Basel AG in Liquidation, CH-Basel <i>Development of geothermal power</i>	CHF	6,136	4.76	4.76
Kraftwerke Mattmark AG (KW Mattmark), CH-Saas Grund <i>Sub-participation through Axpo Trading AG. Hydroelectric power generation</i>	CHF	90,000	8.41	8.41
Metanord SA, CH-Bellinzona <i>Gas distribution</i>	CHF	18,594	36.03	37.06
Metanord Ingegneria SA, CH-Bellinzona <i>Engineering services in favour of Metanord SA</i>	CHF	100	36.03	37.06
Parco eolico del San Gottardo SA (PESG), CH-Airolo <i>Wind power, development of a windpark on St. Gotthard</i>	CHF	1,000	70.00	70.00
Renewable Energy Investments SPC (REI), Grand Cayman <i>Investment vehicle in wind power</i>	EUR	50,187	20.09	20.09
Senco Holding SA, CH-Locarno <i>Holding participation into hydroelectric power generation (micro power plants)</i>	CHF	150	85.45	92.59
CEL Bedretto SA, CH-Bedretto <i>Hydroelectric generation</i>	CHF	200	17.09	18.52
CEL Buseno SA, CH-Buseno <i>Development of a hydroelectric power plant</i>	CHF	100	17.09	18.52
CEL Campo Vallemaggia SA, CH-Campo Vallemaggia <i>Hydroelectric generation</i>	CHF	200	17.09	18.52
CEL Cauco SA, CH-Cauco <i>Development of a hydroelectric power plant</i>	CHF	100	17.09	18.52
CEL Cerentino SA, CH-Cerentino <i>Hydroelectric generation</i>	CHF	200	17.09	18.52
CEL Dalpe SA, CH-Dalpe <i>Hydroelectric generation</i>	CHF	200	15.38	16.67
CEL Lavizzara SA, CH-Lavizzara <i>Development of a hydroelectric power plant</i>	CHF	200	17.09	–
Senco Sagl, CH-Locarno <i>Engineering services in favour of hydroelectric power plants promoted by Senco Holding SA</i>	CHF	220	85.45	92.59
SES Holding Ltd, CH-Locarno <i>Holding company for the acquisition of the SES participation</i>	CHF	– ¹	– ¹	99.50

¹ absorbed from the controlling entity SES through reverse merger

	Value	Nominal equity at 31.12.2014 in 1,000	Participation at 31.12.2014 %	Participation at 31.12.2013 %
Società Elettrica Sopracenerina SA (SES) , CH-Locarno <i>Power distribution company</i>	CHF	16,500	70.89	85.18
Energie Rinnovabili Losone (ERL) SA , CH-Losone <i>Biomass thermal energy</i>	CHF	2,700	23.63	28.39
Enerti SA , CH-Monteceneri <i>Service company</i>	CHF	200	23.43	28.15
SES Controlli Sagl , CH-Locarno <i>Service company</i>	CHF	20	28.36	34.07
Società Della Funicolare Locarno - Madonna del Sasso SA (FLMS) , CH-Locarno <i>Ownership and operation of a funicular</i>	CHF	900	9.66	11.60
Società Locarnese di partecipazioni e immobiliare SA (SAP SA) , CH-Locarno <i>Real estate company</i>	CHF	2,064	70.50	84.71
SPE Società per Partecipazioni Energetiche SA (SPE) , CH-Bellinzona <i>Holding company</i>	CHF	8,000	100.00	100.00
AET Italia Holding Srl , I-Milan <i>Holding company</i>	EUR	4,836	100.00	100.00
AET CoGen Srl , I-Milan <i>Gas power generation</i>	EUR	100	100.00	100.00
AET Idronord Srl , I-Milan <i>Hydroelectric power generation</i>	EUR	100	90.00	90.00
AET Italia SpA , I-Milan <i>Energy sales</i>	EUR	4,000	100.00	100.00
CEG SpA , I-Milan <i>Holding and services</i>	EUR	120	80.00	79.88
Bio Elettricità Occimiano Srl (BEO) , I-Milan <i>Biofuel power generation</i>	EUR	50	80.00	79.88
Bio Energia Guarcino Srl (BEG) , I-Guarcino <i>Biofuel power generation</i>	EUR	1,100	40.00	39.94
Biogen Chivasso Srl , I-Chivasso <i>Biofuel power generation</i>	EUR	20	40.00	39.94
Nord Energia SpA , I-Milan <i>Management of cross-border interconnection power line (Merchant Line)</i>	EUR	10,200	40.00	40.00
CMC MeSta SA , CH-Bellinzona <i>Detention of Mendrisio – Stabio cross-border power line</i>	CHF	14,000	40.00	40.00
Quadra Srl , I-Como <i>Main Contractor for the construction of biofuel power plants</i>	EUR	20	50.00	50.00
Swissgrid AG , CH-Laufenburg <i>Swiss transmission system operator</i>	CHF	312,059	1.72	0.60
TERIS Teleriscaldamento del Bellinzonese SA (TERIS) , CH-Giubiasco <i>Thermal energy from waste</i>	CHF	10,000	60.00	60.00
Terravent AG , CH-Dietikon <i>Wind power generation</i>	CHF	15,000	15.00	15.00
Trianel Kohlekraftwerk Lünen GmbH & Co. KG (TKL) , D-Aachen <i>Coal power generation, Lünen</i>	EUR	147,944	15.84	15.84

Statistical informations

Production and purchases of AET Group

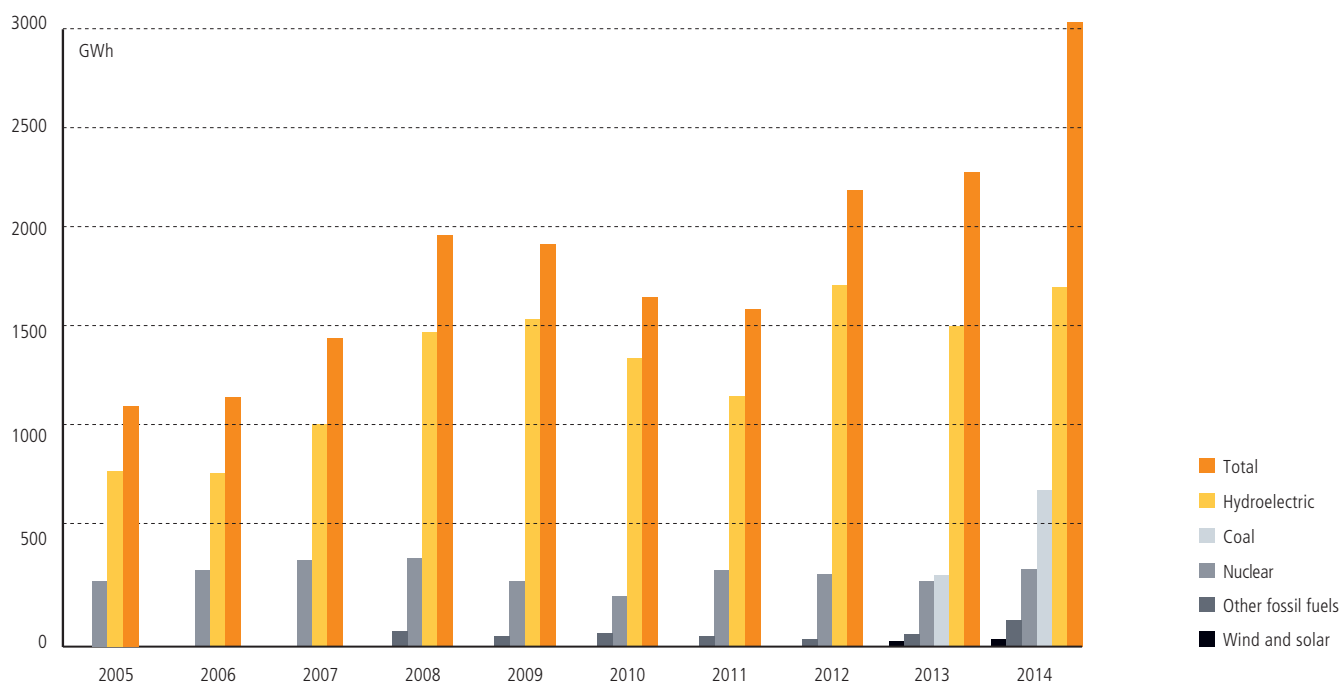
	Winter	Summer	2014	2013
In GWh				
Production AET Group				
AET Biaschina	212	270	482	465
AET Piottino	162	185	347	356
AET Stalvedro	29	33	62	57
AET Ofima exchange	9	41	50	48
AET Ponte Brolla	10	10	20	12
AET Tremorgio	8	2	10	8
AET Idronord	1	1	2	1
AET CoGen	2	0	2	20
SES Giumaglio	11	21	32	9
SES Ticineto	3	9	12	6
Photovoltaic	0	1	1	1
Total production AET Group	447	573	1,020	983
Production participations (share attributable to AET Group)				
Maggia	170	172	342	256
Blenio	114	110	224	199
Verzasca	60	54	114	85
KW Mattmark	22	27	49	55
Senco Group	2	4	6	3
Terravent AG	11	22	33	24
AKEB	186	175	361	304
KK Leibstadt	8	6	14	15
CEG Group	54	48	102	38
Trianel TKL	373	386	759	348
Total production participations	1,000	1,004	2,004	1,327
Long-term contracts ¹	494	514	1,008	1,025
Purchases on the market	6,144	5,321	11,465	9,348
Total	8,085	7,412	15,497	12,683

¹ Delivery contractualised for more than 5 years

Supply of AET Group

	Winter	Summer	2014	2013
In GWh				
Sales to distribution companies	1,146	939	2,085	2,119
Sales to end customers	782	656	1,438	1,611
Sales on the market	6,145	5,772	11,917	8,899
Own consumption and losses	12	45	57	54
Total	8,085	7,412	15,497	12,683

Production AET Group and participations





The building's south elevation: through the tall windows it was possible to observe the marvel of electricity generation.



Photos:

Foto atelier Mattel (pp. 4-6, 10-12, 16-24, 58-86, 96)
Stefano Mussio (pp. 15, 88)
Massimo Pacciorini-Job (p. 8)
Comune di Bodio (pp. 26, 56)

©Azienda Elettrica Ticinese

Visual Concept: Lucasdesign SA, Giubiasco
Print: Salvioni arti grafiche SA, Bellinzona



Azienda Elettrica Ticinese

P.O. Box 1041

CH-6501 Bellinzona

+ 41 (0)91 822 27 11

info@aet.ch

www.aet.ch