

The cover features a composite background. The top half shows a high-voltage electrical substation with a tall transmission tower and power lines, set against a backdrop of mountains and a bright sun with lens flare. The bottom half shows a close-up of a pen pointing to a date on a colorful calendar. The 'aet' logo is centered at the bottom.

# Annual Report 2011





**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 Board of Directors' management report for the year 2011;**
- the financial statements for the year 2011;**
- the proposal for allocation of profit;**
- the auditor's report;**

and for discussion (article 5, paragraph 3 LAET)

- the report on planned activity for the next two years.**

The English version of the AET 2011 Annual Report is merely a translation:  
the official version is the Italian text.

# AET Group

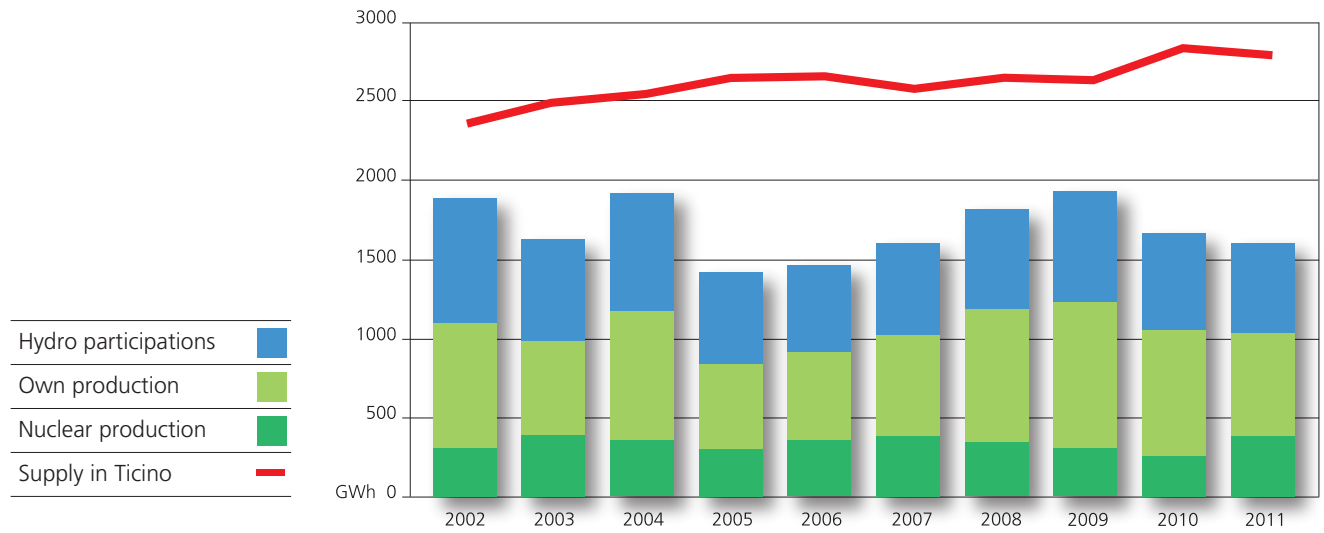
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## Key figures

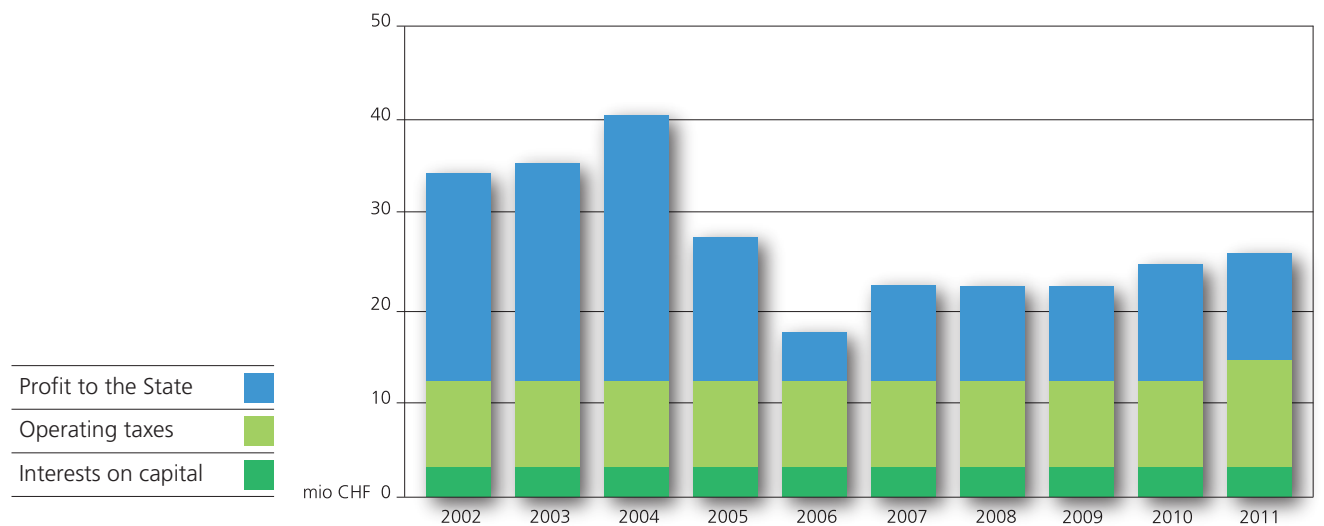
	<b>2011</b>	<b>2010</b>	<b>change</b>
	CHF million	CHF million	in %
Operating income	1,450	1,550	-6%
thereof			
Energy sales in Ticino	200	203	-2%
Energy sales outside Ticino	1,149	1,291	-11%
Operating result	34	48	-30%
Profit for the year	17	35	-52%
Cash flow before change in net current assets	50	59	-15%
Cash flow from operating activities	18	47	-62%
Equity	417	416	0%
Non-current assets	562	572	-2%
Balance sheet total	855	864	-1%
Employees of the Group (full time equivalent)	240	228	5%

	<b>2011</b>	<b>2010</b>	<b>change</b>
	GWh	GWh	in %
AET production	657	809	-19%
Energy from participations	984	895	10%
Energy purchase	16,903	16,700	1%
Energy sales in Ticino	2,756	2,807	-2%
Energy sales outside Ticino	15,742	15,564	1%

## Supply and production in Ticino



## Evolution of payments to the State





**Annual Report 2011**

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# Company officers

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## Board of Directors

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**Leidi Fausto** Chairman

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**Netzer Marco** Vice Chairman

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**Beffa Floriano**

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**Camponovo Aron** until 31.08.2011

---

**Lombardi Sandro**

---

**Ogna Ronald**

---

**Pedrina Fabio**

---

## Grand Council's audit office

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**Gianini Sergio**

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**Piazzini Gianluigi**

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**Prada Giancarlo**

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**Paglia Erto** (Deputy auditor)

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## AET Group's audit office

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**Ernst&Young Ltd, Lugano**

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## Management

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<b>Pronini Roberto</b>	CEO
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<b>Nauer Claudio</b>	Co-CEO
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<b>Kurzo Flavio</b>	Head of Finance and Risk management
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<b>Losa Edy</b>	Head of Energy Production
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<b>Sartori Stefano</b>	Head of Quality / Safety / Environment
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<b>Scerpella Fiorenzo</b>	Head of Grid
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<b>Tognola Giorgio</b>	Head of Energy Trade
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The Management of AET.

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



# Introduction by the Chairman of the Board of Directors

## AET continues to fulfil its mandate

The Azienda Elettrica Ticinese was established in 1958 with the purpose to exploiting the natural and water resources of the Canton, to the advantage of its territory, its economy and all its inhabitants. A role which, in the economic context and that of the energy market which has characterized recent years, proves more relevant than ever.

The way to go to maintain energy supplies at competitive conditions is fraught with uncertainties. As a result of the Fukushima disaster, the Federal Parliament has confirmed the decision to gradually abandon nuclear energy, adopting new strategies: to boost efficiency and energy saving and to increase power generation from renewable sources. A decision that comes along to other elements of uncertainty: the crisis that is hitting Europe, the frailty of the euro, an appreciable increase in the production of wind and solar power based on heavy public subsidies and the growing costs of fossil fuels.

In response to these fresh challenges AET has updated its own strategy, consequently adapting its operations. The long-term objective (2050) is a 100% renewable supply, thanks to the repossession of all the Canton's waters. Thermic resources will nevertheless remain essential to ensure the necessary energy mix in the period of transition.

The systematic undertaking to improve internal organisation, the review and reorientation of investments towards "core business", the identification of suitable market outlets and the strengthening of collaboration with the other electric companies of Ticino, are nothing but examples of the immense recent efforts to reach the new objectives.

Faced with a highly liberalized market, characterized by extreme volatility and strong competition, and despite the significant impairment provisions which have been booked, AET has closed the 2011 financial year with a net profit of CHF 14.7 million, with an overall contribution to the Canton equal to CHF 27 million. A result achieved in a year in which the entire electrical sector has been hardy affected, and that should be read positively.



Fausto Leidi  
Chairman of the Board of Directors





# Management report

## General considerations

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The 2011 financial year was characterized by very difficult conditions, mainly due to international factors: above all should be mentioned the sovereign debt crisis, which has affected the financial markets and the economy in general, causing (along with other factors) a general reduction in electricity consumption. The debt crisis has kept pressure on the European single currency, which in the course of the summer months of the year significantly decreased compared to the Swiss franc. This tendency was subsequently corrected by the decision of the Swiss National Bank, which has brought back the course of the Swiss franc at a value above the 1.20 threshold in relation to the euro. The crisis in the North African nations has also effected the European energy market, with high fuel prices (oil and gas), against generally low electricity prices. The reduction of the margin between cost of raw materials and sale of the final product caused appreciable reductions in the profits of the entire energy sector, which must reckon with unforeseeable market conditions up until a couple of years ago.

The generally contained prices of electric energy are also ascribable to the large volumes of renewable energy production abroad (mainly in Germany): state incentives on renewable energy have caused a rush towards investment in new facilities (above all wind and solar), with consequent temporary over-production in some periods of the year.

In commenting on the last financial year the nuclear disaster of Fukushima has already been mentioned, which event has brought back into discussion the entire energy policy both national and international: in Germany eight old generation nuclear power plants have been decommissioned, while the Swiss political authorities have decided to gradually abandon the nuclear supply, as the active nuclear power plants will reach expiry. Still in Switzerland, the discussion regarding new nuclear investments has come to a probably decisive halt.

The electrical sector is characterized by the high levels of investment necessary for the construction of productive facilities (independently of the utilized energy vectors), with relative long periods of operation and respective depreciation. In the difficult international context just referred to, the majority of Swiss electric companies operating at international level have had to record strong extraordinary depreciations, principally in production facilities which at present are not in a position to produce electrical energy at competitive prices in relation to the market. These additional factors have produced significant contractions in the results of the electrical concerns, which in part close 2011 with particularly significant losses. Similarly to this situation, the stock values of Swiss electrical companies have also suffered an appreciable decline.

In addition to the international factors which have affected the electrical sector in general, specific factors should be mentioned which have marked AET's 2011 operations: unfavourable climatic conditions, which will be referred to later, have caused a reduction in the hydroelectric production of the own hydroelectric plants equal to 20% compared to the preceding financial year, for a production deficit which, expressed in money terms, amounts to around CHF 9 million. It is worth remembering that one of the major risks to which AET is exposed is the meteorological one, against which no easily applicable countermeasures exist.

Beyond the difficulties known to all participants in the electric market, 2011 represented for AET a year of consolidation: following the changes of the previous period, the management nominated in 2010 operated without any personnel change, but with a partial reorganisation and redistribution of some functions, keeping in mind the peculiarities of its members. Parallely the efforts undertaken in "governance" were continued, to provide the company with the necessary resources to face effectively the challenges of the market.

On the investment front, attention has been concentrated on projects in the Canton of Ticino: with a view to the future significant steps have been taken towards a shared solution with SBB (Swiss Federal Railways) as regards the Ritom plant. On the solar energy front, several projects have been promoted, among which the Sant'Antonino plant (in collaboration with Migros Ticino), which once in operation (middle of 2012) will be the most powerful solar facility in Ticino. On the wind power front, the St. Gotthard project has suffered a setback due to the judicial decision in favour of the appeal by the STAN, Società ticinese per l'arte e la natura (Society for Art and Nature of Ticino) as regards the adoption procedure of the change to the urban planning regulation. The competent authorities have already restarted the necessary procedures and AET will present a project as soon as possible, with the intention of building the St. Gotthard wind farm before the end of 2015.

At the commercial level we record a consolidation on reference markets, in particular in Italy, while as regards the distributors of Ticino all contracts have been renewed at least until the 2013 financial year. AET continues to fulfil its own institutional mandate of energy supply through the distributors, even if, on the other hand, it observes the provisions of the Legge federale sull'approvvigionamento elettrico (Federal Electricity Supply Act), these would not prevent AET from approaching directly the eligible end-consumers. Regarding this last aspect AET intends to avail itself of the collaboration of distributors, so that in a profitable and reciprocal partnership characterized by maximum transparency it is still possible to maintain as great a turnover as possible in Ticino. In the absence of concrete collaboration, AET is seriously evaluating the possibility of supplying eligible end-consumers directly.

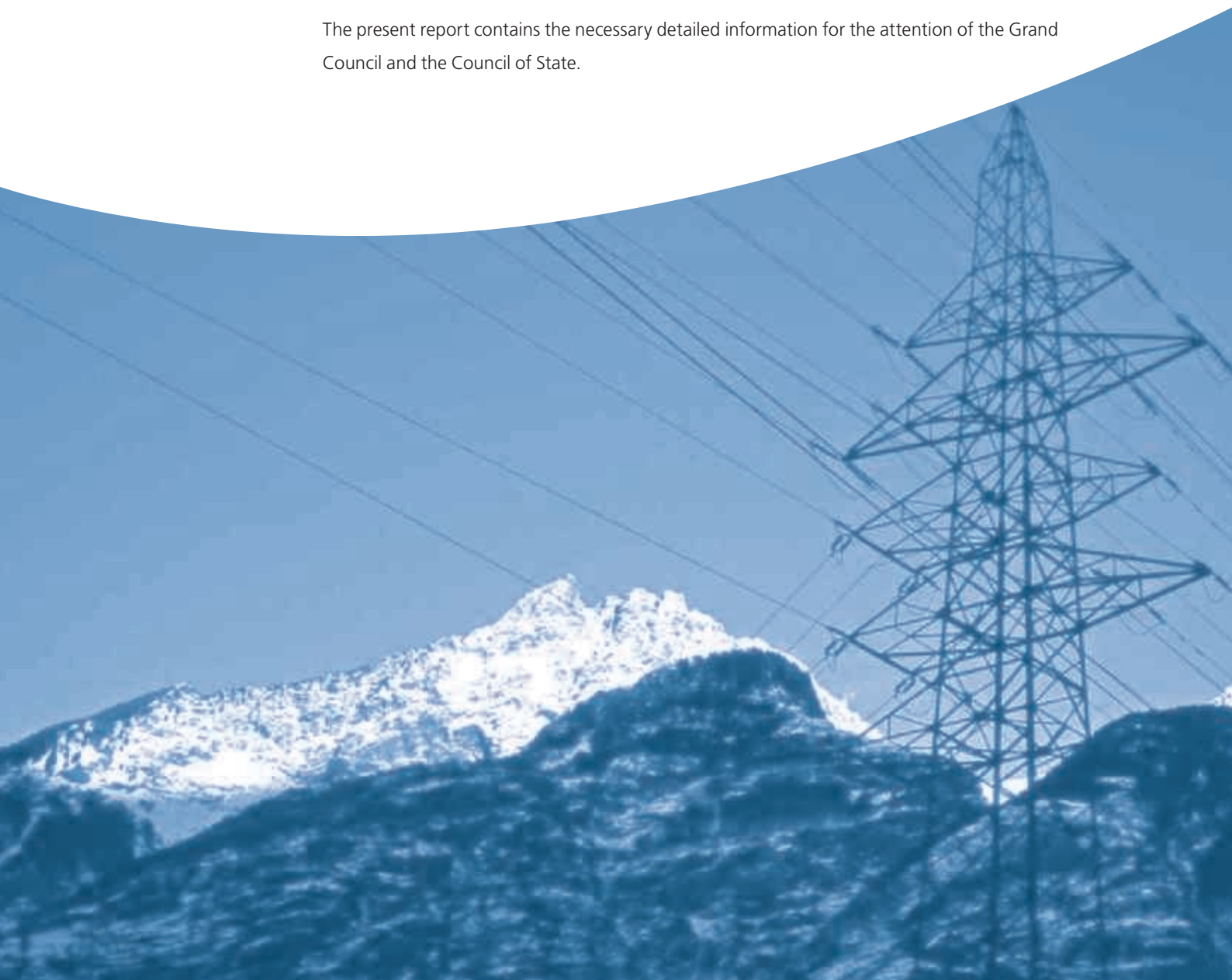
On the media front, after the Cantonal vote "Per un'AET senza carbone" (For a coal-free AET), 2011 has shown a substantial normalisation of activity with the media and with Parliament. At the beginning of 2011 the Grand Council had approved the alternative plan favourable to the maintenance of participation in the German company Trianel Kohlekraftwerk Lünen GmbH & Co. KG. On the 05.06.2011 the Cantonal vote was taken: the citizens of the Canton Ticino have approved the alternative plan, supported by AET itself. The vote allows AET to consolidate the long term supply of Ticino and to operate with the necessary energy mix during a transition phase, towards the 2050 objective of 100% renewable energy for the citizens of Ticino. AET will do its utmost to support important investments in hydroelectric energy and in new renewable energies, towards an end coal and nuclear by 2035, to favour energy efficiency and the reduction of consumption and the gradual repossession to Canton of Ticino of its own waters (with particular reference to Lucendro and to the large power generation of Maggia and Blenio plants).

The annual report, based on the accounting principles of Swiss GAAP FER, attests to a perfectly healthy financial situation, with an equity value close to 50% of the total balance sheet. At the level of operating results, AET has not emerged unscathed from the difficult situation illustrated at the opening of this chapter: against a discreet operational profit, AET also recorded additional costs to write down the value of some foreign participations, so that the net profit translates into a profit halved compared to the forecast and lower than the recent past result, but still positive.

However, this situation allows AET to submit to the Grand Council a proposal of payment to the State of CHF 14.2 million (interest on endowment capital of CHF 3.2 million, corresponding to a remuneration of 8%, devolution of the remaining profit in the form of a dividend of CHF 11 million).

On the subject of payments to the state it is well to remember that AET pays “water fees” of CHF 11.3 million (with an increment of CHF 2.3 million as regards the previous financial period), and further an “indirect” quota of water fees of CHF 7.4 million (with an increase of CHF 1.6 million on 2010) through the participation of the State (Verzasca, Blenio and Maggia). In addition AET pays taxes to the municipalities of around CHF 1.6 million per year.

The present report contains the necessary detailed information for the attention of the Grand Council and the Council of State.



## The Energy Market

### Sales

2011 saw the renewal of supply agreements with the three companies of the Mendrisiotto area: the Aziende Industriali di Mendrisio (AIM), the Aziende Municipalizzate di Stabio (AMS) and AGE of Chiasso, all of which have confirmed their trust in AET by undersigning a new contract. Parallely, the Società Elettrica Sottocenerina (SES), the Aziende Industriali di Lugano SA (AIL SA) and the Azienda Elettrica Comunale di Ascona have also extended their current contracts.

At the end of the summer a new strategic collaboration was agreed with Energia del Moesano (EdM), the association which groups together the municipalities of Mesolcina and Calanca. The first result of this collaboration was the conclusion of an agreement on the supply of electric energy by AET to the municipalities of Mesolcina and Calanca (the first of its type since the creation of AET in 1958). Supply commenced in October 2011 and will continue until at least the end of 2013, at a yearly average quantitative estimated at 90 GWh. A second agreement, meanwhile, concerns the purchase by AET of energy from the participations of the hydroelectric power plants of Mesolcina held by the municipal shareholders of EdM. The contract, effective from October 2011 and expiring at the end of 2016, involves an average quantity of 50 GWh per year. AET will thus be able to optimise the production of hydroelectric stations of Elettricità Industriale SA (ELIN SA) and of Officine Idroelettriche di Mesolcina SA (OIM SA) together with the hydroelectric production of Ticino.

For the years 2011 and 2012 AET has conceded a reduction of 0.5 cents/kWh on sale prices to the distribution companies of Ticino which have undersigned a new supply contract: this decision has influenced company results for 2011 by CHF 10.3 million. It is a measure taken in favour of the end-consumers of Ticino, the application of which is the exclusive jurisdiction of regional distributors: AET trusts that the reduction, granted in favour of the Ticino economy in general, has been put into effect.

In 2011 AET intensified collaboration with ENERTI SA, an association which regroups the majority of the Canton's distribution firms, in order to increase its presence in north of Gotthard, and to better profit from the opportunities presented by the liberalisation of the market, as regards in particular the supplying of costumers who have opted for entry into the free market. AET and ENERTI have also created the renewable energy product "Tiacqua", which allows Ticino consumers to purchase hydroelectric energy certified and produced in Canton of Ticino with a supplementary contribution of 1 cent per kWh consumed, which will be reinvested in Ticino and in the district of every single distributor in favour of the prosecution of projects in the sphere of renewable energy.

As far as the quality of energy provided in Ticino is concerned, AET prosecuted its policy of transparency and responsibility for the environment. The energy mix supplied to the distribution companies and costumers of Ticino in the course of 2011 was composed of 90% electric energy coming from renewable sources (for the most part hydroelectricity from Switzerland and abroad) and the remaining 10% from non-renewable energy vectors (nuclear energy). AET made itself responsible for the costs of acquiring the necessary certificates of origin, avoiding an increase in prices of sale to its costumers.



**Portfolio Management**

For Ticino 2011 was, from a meteorological point of view, a somewhat atypical year. A mild winter with little snow was followed by a spring without precipitation and a summer at first extremely wet (July) and then very hot (August and a good part of September): the falling own production between the months of April and June was equal to 35% compared to 2010, while that of participation production marked a reduction of 30%. The minimum was reached in the month of June with a reduction of 44% in own productions and 41% in participation production.

Cool temperatures and frequent precipitation characterized the month of July which, at -10%, caused AET's largest fall in sales compared to the same period of 2010, which on the contrary was particularly warm. The heavy precipitation of this month was not able to close the gap in production accumulated in the first two quarters; in fact its intensity was such as to not enable AET to process all the incoming water.

On the whole, the third quarter of 2011 faced a drop of 22% in production of the own power plants and an increase of 6.8% in that coming from participations. Corresponding to this situation is a significant decrease in sales to costumers and distributors in Ticino equal to -3.6% compared to the same period of 2010.

The mild climate influenced AET sales also in the final quarter, with a fall of more than 6.5% on 2010. Production at its own power plants recorded a downturn of 20%, while the participation plants production decline was limited at 4.7%, due to the effects of the emptying of the Luzzone basin (the storage capacity of which was reduced earlier than in the past to carry out extraordinary maintenance of the penstocks during the six winter months of 2011-2012).

At a Cantonal level this has brought a drop in consumption as well as in production of electrical energy. AET sales fell by 3.1% compared with 2010, while the below average production produced minor receipts of around CHF 9 million.

**Trading**

In general, even remaining at a contained level with respect to the past, the electricity prices on the European stock exchanges have not stopped growing: in Germany at a rate similar to that of 2010, while in Switzerland in a more marked manner. And if on the French market prices have recorded a modest increase, in Italy, counterwise, they have suffered a strong increase.

The "futures" market of 2011 was marked by volatility, with fluctuation peaks of over 20%. The Fukushima disaster constrained several European governments, among which the German, to revise their own energy policies. The fear of a potential production deficit caused a rise of 15% of prices in the space of a week, with a successive slow return to the levels of the beginning of the year.

## Production

Scarces precipitations have caused a decrease in production of 20% compared to the previous financial year: the five AET electric installations have produced 618 GWh, while the production of solar energy was 0.5 GWh, with an increase of 33% compared to 2010.

Also in 2011 the Leventina plants have contributed to the supply of grid regulation services (secondary and tertiary regulation and tension adjustment) according to Swissgrid directives, a service well remunerated by the manager of the national grid.

## Distribution Grid

In 2011 numerous interventions were carried out for the expansion and modernisation of the grid. In the industrial zone of Bodio the works to grant the redundant operating grid connections of AlpTransit, were completed. AlpTransit foresaw a doubling of capacity with the addition of a second transformer and the replacement of an old 16 kV distribution plant. The works for the wiring of the industrial network have also been started, with the accomplishment of the necessary infrastructures.

For the new Vedeggio-Cassarate tunnel, the distribution grid was put into service, complete with the necessary transformer cabins. In Vezia preparatory works were continued for the extension of the underground cables for Pian Scairolo-Crespera northbound, to close proximity to the SBB substation: this will enable the connection of the AET/SBB/AIL line for a distance of ca. 1 km. At the Manno substation, in collaboration with AIL, planning work has begun on the reconstruction of the control, command and protection system of the 220/150 kV.

At the Riazzino substation, which is of particular importance for the security of the regional supplies to the Locarno area, important extraordinary maintenance work on the second part of the 50 kV and 150 kV plants was completed. The building was mostly renovated and a new remote control based on more modern technology was installed.

The Azienda Elettrica di Massagno has entrusted AET with the leading role in the planning and building of a new substation in the municipality of Capriasca. The new substation will be linked to the one in Sigirino and is expected to go into service in September 2012.

The "SPIDER" command-control system at the Monte Carasso control centre has been completely updated. Information systems have been installed to enable us to offer Swissgrid system performances (SDL), such as maintenance of the 220kV grid, through the supply or the withdrawal of reactive energy from the transmission grid, as well as secondary regulation. Besides the connection of new grid production facilities put into service, also the running of the Morobbia plant (owned by the Aziende Municipalizzate di Bellinzona) has been integrated into the command-control system.

## Participations

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

### **AET CoGen Srl**

The running of the Gavirate plant has suffered particularly from the market situation, likewise most of the gas fired power plants: faced with the extremely high level of fuel prices, energy prices, despite being on the increase, remain far from the levels necessary to obtain profitable operating results. In this difficult context, which has caused a net loss of EUR 1.7 million, AET decided to totally write down the value of the controlled company and of the advances granted to it.

### **AET Italia Srl**

2011 was characterized by a general fall in consumption, production and international trade in electric energy which has particularly affected the Italian market. The fall in consumption, even if predominantly attributable to the economic, is partially due to a great efficiency in the use of energy, combined with the restructuring and modernizing of the industrial and energy systems. In such an environment AET Italia was able to increase both the number of its clients (+ ca. 30%), and the quantity of energy supplied (+ ca. 50% with respect to 2010). This was rendered possible by the commercial policy aimed at a wider presence on the market, with punctual response to the requirements of the costumers and the offer of ever more personalized products. The strategy of penetration into the "small costumers" market is also continued, allowing for better profit margins with respect to larger costumers.

AET Italia has sold part of its cross-border transport capacity of the Mendrisio-Cagno "merchant line", signing long term contracts with several Italian and foreign counterparts and opportunely making the most of times of favourable market margins.

AET Italia has furthermore obtained the renewal of certification ISO 9001 and has put into action the principles of the internal control system adopted by the Parent Company. In the light of the increase in the number of costumers served, and of the quantity of energy supplied, the company has introduced a new software, capable of managing invoicing processes more efficiently and facilitating controlling activities.

### **AET NE1 SA**

AET NE1 SA, owner of the AET high tension grid, will be transferred to Swissgrid, in accordance with the provisions of federal law LAEI. In 2010 Swissgrid started the "GO!" project, which has as its objective the same transfer of all the firms of the transport network created ad hoc. In 2012 preparation and signing of all contracts necessary for the transfer will proceed.

### **Calore SA**

Over the course of the year some new projects have been evaluated and it has been decided to participate to the Blenio (Olivone) wood fired district heating project, promoted by the firm of Biomassa Blenio SA.

**CEG SpA Group**

In 2011 construction continued of the Chivasso electric plant, with a capacity of 20 MW, which will be ready to become operative in 2012. In putting this plant into service CEG will complete its own industrial plan and the total capacity of the biomass fed installations will amount to 42 MW. The original industrial plan (2006) has been reduced to about a third of the estimated capacity.

The activity of the CEG Group has also suffered from the difficult market conditions, with a strong increase in the prices of bio fuels used by the plants.

**Geo-Energie Suisse AG**

Together with other six major companies active in the energy sector, AET has participated in the constitution of Geo-Energie Suisse AG, based in Basel, which has as its objective the exploitation of deep geothermal energy for the production of energy at a national level. Over the course of 2011 a list has been filled of potentially interesting sites for the implementation of inquiries, with the objective of achieving the realisation of a project of deep geothermal energy by 2013 or 2014. Within this sphere, there has been further research and collaborations have yielded very promising results.

**Metanord SA**

In 2011 work was completed on the laying of the conduit and the installation of the methane pipeline from Sigirino to Rivera. At the same time planning was concluded of the network on the Ceneri ridge and the plain of Magadino, towards the expansion lines of the Bellinzona and Locarno areas. The bids for the lots for the relative civil and engineering works were published at the end of 2011, with work assignments in the first months of 2012 and successive implementation predicted by 2013. The acquisition of new subscribers and the connecting of private and industrial subscribers to sections already laid proceeds according to the business plan.

**Parco eolico del San Gottardo SA (PESG)**

The company's management is guaranteed by AET (majority shareholder with 70% of shares) which, with the technical assistance of REInvest, has prepared the dossiers relative to the building licence application. Due to the appeal by the STAN, Società ticinese per l'arte e la natura (Society for Art and Nature of Ticino), which has been accepted on appeal and which appeals to a form fault in the change of procedure of the urban planning regulation (absence of the examination of environmental impact in the preliminary application), the company has not been able to submit the building licence application. The time frame of the project expects the approval of the change of the urban planning regulation, including the analysis of the environmental impact, by the first quarter of 2013 and the obtaining of building permission by the end of 2013. Building work is expected to begin in the summer of 2014 and the wind park to be operational in the autumn of 2015.

**Renewable Energy Investments SPC (REI)**

The main investments of REI consist in wind farms located in Greece: a first farm (Mitikas) went into operation in the first quarter of 2011, while a second (Makedonias) has entered the construction phase and will be completed in 2012. Notwithstanding the difficult financial situation in which the State of Greece finds itself, said investments have already received good part of the promised subsidies (the balance should be paid after 2012). AET holds a 20% share of REI, recorded on the balance sheet with a residual net value of EUR 7.3 million (last available quotation). The exigencies of the liquidity of the company taken into account, in 2011 AET has advanced a loan of EUR 2 million to aid the construction of the Makedonias installation, through the Luxembourgian company PurEnergy.

**Senco Holding SA**

AET, through its shares in Senco Holding SA (50% AET and 50% SES), holds shares of around 10% in the micro-power plants of Dalpe, Campo Vallemaggia and Cerentino. The operating plants yearly produce around 19 GWh of electric energy. The company's strategy foresees new concessions for three plants, the development of the plants at Cerentino and Campo Vallemaggia and the completion of the construction works of the Ossasco power plant.

**TERIS Teleriscaldamento del Bellinzonese SA**

The company continues the construction and administration of a district heating network in the Bellinzona area: in 2011 the planning of the installation and the grid, and in 2012 will begin the construction phase of the north and south grids (the supply of heat to the first subscribers is predicted for the end of 2012).

**Terravent AG**

In 2011 AET agreed to the constitution of this new company, with a share of 21.4%. Like AET, the other partners are also publicly owned Swiss power companies. The company's aim is to acquire wind farms in Europe, as much as possible in states adjoining ours. Terravent expects to acquire facilities already operating, to limit to a minimum the risks involved in similar investments.

**Trianel Kohlekraftwerk Lünen GmbH & Co. KG (TKL)**

Construction of the thermoelectric plant at Lünen (Northern Rhine region-Westphalia) proceeds with a slight delay with respect to original construction plans. The delay accumulated on the part of the consortium building the plant is of around six months (deadline initially predicted for 01.12.2012). TKL trusts it will obtain all the authorisations necessary to the operation of the plant in time, in order to avoid further delays in the plant becoming operative. From the point of view of investment costs, it is expected that the budget will be adhered to.

## Strategic Projects

### Ritom

In 2011 AET and SBB (Swiss Federal Railways) have set up, together with representatives of the Canton, a work group that has prepared the preliminary documentation for the request for a new concession. The latter includes the building of a turbine-pumping station, of a new plant, and of a water demodulation basin into which also the outflow from the existing Stalvedro plant will flow. The project is in the optimisation phase and the submission of the request for the concession is foreseen for the end of 2012.

### Cantonal Energy Plan (PEC)

The consultation phase of the PEC was extended until January 2011. The work group, of which AET is a part, has successively elaborated the comments made and on the basis of these is now proceeding to the definitive elaboration of PEC, which will include:

- the direction on the regional energy policy;
- the objectives for each sector of the energy system (sectorial objectives);
- a plan of action inclusive of descriptive schedules for each instrument chosen to achieve the sectorial objectives, which must in each case indicate legal standing, responsibility and competence, consequences in energy and financial terms, control indicators and other possible parameters;
- the energy scenario determined by the adoption of the plan of action and by the fulfilment of the instruments of which it is composed;
- in the form of an appendix, the Canton energy balance up to 2010 which will serve as a comparison with respect to the reference situation of 2008.

The outline framework foresees the delivery of the draft PEC to the Dipartimento del Territorio (land department) and the Dipartimento delle Finanze e dell'Economia (finance and economy department) by the end of May 2012. There will follow a period of refinement with the objective of presenting the definitive PEC to the Council of State by the summer of 2012.

### Val d'Ambra power plant

As requested by the regional offices in January 2011, the updated Regional Utilisation Plan (PUC) has been presented, which has been adopted by the Council of State with the message nr. 6526 of 06.09.2011. They now await the reports of the territorial planning commission and the successive decision of the Grand Council. During this phase AET was repeatedly called upon to respond to requests for more detailed investigations from the planning commission and the special energy commission.

### Photovoltaic installations

Over the course of 2011 45 potential photovoltaic installations have been analysed: 9 of these have been positively evaluated and are now in the planning phase. Preparations for the construction of Ticino's largest solar power plant, with a capacity of 380 kWp, are going ahead. It is expected to go into operation in the middle of 2012. In the same period an exhibition plant of 20 kWp will be put into service at the Parco della Breggia, accomplished in the context of a didactic path. With these two projects the photovoltaic power installed by AET will reach 930 kWp.

**AET TiGeo**

In 2011 seismic surveys have proceeded along the selected test line (between the Alpe di Brusino and Seseglio): the results of the survey have been the object of elaboration and careful interpretation on the part of AET advisors and a group of independent experts. Drilling has evidenced a particularly complex subsoil structure, such as to render the location and the extraction of possible gas deposits economically prohibitive. Encouraging signs, on the other hand, have emerged concerning deep geothermic energy potential. AET has therefore decided to wait for the first results of the principle pilot projects in the sphere of geothermic energy in Switzerland, before expressing themselves concerning the possible continuation of the TiGeo project (as far as geothermic energy is concerned).

**Human Resources**

On the personnel front 2011 has been a year of adjustment following a period marked by a strong increase in resources. Recruitment has been mainly aimed at replacement of personnel (retirement or resignations) or at particular sectors in which undertakings have grown in respect to the past, those for example in the sphere of renewable energy and Corporate Communications.

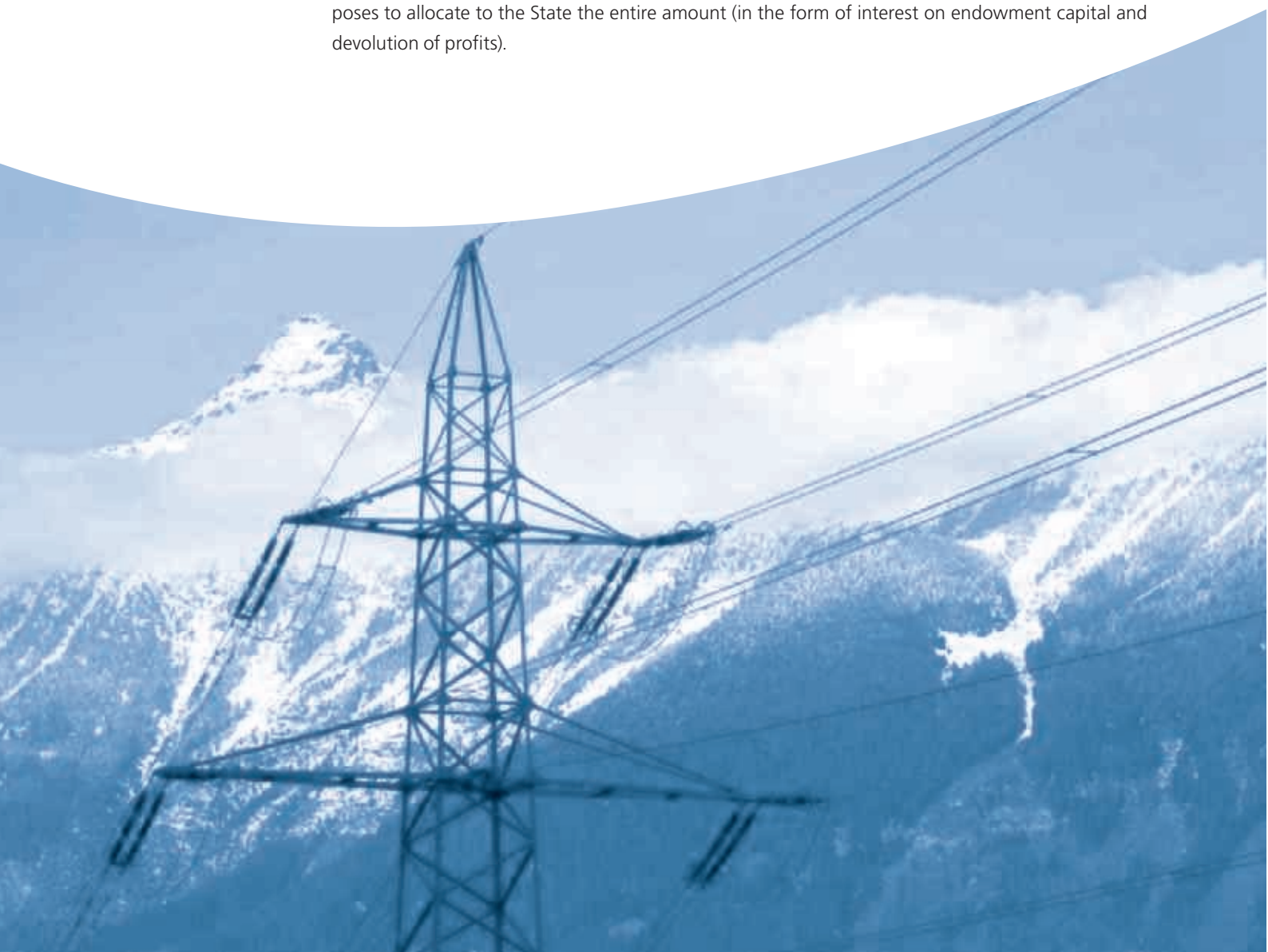
**Risk management**

In the course of 2011 the activities of risk management have been further consolidated. In particular over the course of the summer of 2011 the implementation of the new application for portfolio and risk management was terminated. AET now has at its disposal a modern, efficient instrument which enables adequate management of the operations and risks of the energy trading activity. A company risk assessment is reported in the annual report.

## Financial management

As indicated in General Considerations, the 2011 financial year felt the effects of the difficult market conditions and the below-average hydroelectrical production; which alongside other factors, among which the year's oscillations in the CHF/EUR exchange rate, have caused net profit to remain below expectations. Nonetheless the operating result is satisfactory. As for other power groups operating at international level, the impact of the value adjustments of thermo-electrical power plants abroad has appreciably reduced net profits in comparison with recent financial years. The net profit remains however positive.

LAET art. 18 provides that the company must have reserves to face the renewal of plants and cover against loss in unfavourable years. With the introduction of Swiss GAAP FER these reserves can no longer be in the form of provisions on the balance sheet. This situation therefore imposes a modified approach to the formulation of the proposal for allocation of profits: AET aims to be able to increase its equity capital funds also in the future, with a policy of distribution to the state based – in general – on a profit share fluctuating between 30% and 50%, while the remaining quota would consist of self-financing and would go towards feeding AET's capital reserves. For 2011, considering the poor results and the necessity for the State to obtain profits from its shareholdings, the payout ratio corresponds in substance to 100%: against a Parent Company profit of around CHF 14 million, AET proposes to allocate to the State the entire amount (in the form of interest on endowment capital and devolution of profits).





# Report on planned activity for the next two years

The report on planned activity inserted in this report intended for the general public is intentionally brief. Major importance themes are only summarised, they can be developed with the parliamentary commissions charged with examining AET's activities.

## Company Management

The Board of Directors in office on 01.01.2012 is composed of just six members: from the month of September 2011 the seventh member is absent, following the expiry of the mandate of Aron Camponovo, engaged by the State on the staff of the Dipartimento delle Istituzioni (department of institutions). AET trusts that the Council of State will soon proceed to the nomination of the missing member, in order to restore its fully composition.

The organisational structure and the rules of company management successively adopted in recent years have been consolidated: from these points of view no adjustments of emphasis are foreseen, but at most some correction whose necessity might arise. What was expressed in the preceding "Report on planned activity" that is to avail itself of an organisation able to give stability and quality to the company management, has found confirmation in the last two-year period.

## Company strategy

In the second quarter of 2011 company policy was updated. AET has informed the Council of State a first time in October; it has subsequently presented the strategy adopted at the meeting in February 2012. AET intends to focus its resources and activities on six mainstays:

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

In the implementation and periodical updating of the company strategy the directions and the policy choices that the Council of State and the Grand Council will adopt in the sphere of PEC will be taken further into consideration, as well as the directions on energy policy which will be decided by the Swiss State.

AET intends to further increase the production quota of renewable energy both within Ticino and outside, with investments in mature projects. Particular attention will be paid to the promotion of photovoltaic and wind power (St. Gotthard), both through construction of its own plants, and in the form of cooperation with other partners.

AET will analyse thoroughly new initiatives in the field of renewable energy, of e-mobility, of smart metering and smart grid, with the participation of SUPSI, the State and other players in the field.

AET cannot but note how the LAET should be quickly conformed to superior laws: the actual constraints that limit AET's sphere of action to production and energy trade must be revised, to explicitly enable to AET, if necessary, to go into distribution. Given that the distributors of Ticino no longer have an obligation to supply from AET, there are no reasons to prevent the company supplying any end-consumers which should request a direct supply. Independently of the LAET revision, AET does not intend to remain passive faced with changes in the market: in case of necessity, in order to safeguard the market share in Ticino and to adequately align the sales contracts to its long term energy procurement, AET must be able to furnish end-consumers on the free market. In fact it is anachronistic that, due to the progressive liberalisation of the Swiss electric sector, AET should remain confined to its classical activities, taking on itself almost exclusively a good part of the risks – in particular tied to the public supply mandate – and being able to only partially profit from the opportunities available to competitors in the market.

### **Participation in large hydroelectric installations and reversions**

Participation in the Ritom plant is essential to the future of the company: with the significant steps taken in the previous two-year period the bases for a positive conclusion to the long lasting dispute over the plant have been set. The state of negotiations in April 2012 leaves hope for the foreseeable future: AET maintains that the solution proposed (new plant under joint ownership: SBB 75% and AET 25%) is both balanced and sustainable from both sides. The dispute relates the particularly complex theme of judicial profile, full of unknowns on both sides: enough to consider that SBB claim a right of appropriation of the power of a water course for their transport enterprises according to art. 12 of the law on the use of hydroelectric power (LUF) and that the Ritom basin is fed by the waters of three Cantons (Graubünden, Ticino and Uri), with different concession deadlines. A judicial case could last for years and waste precious time without undertaking any relevant technical modifications to the plant, which necessitates modernisation work to face the exigencies of public utility and of the market. The proposed solution represents a compromise satisfactory to both sides, both of which await support from the Ticino political authority.

In the long view AET trusts in the recuperation on the part of the Canton of those facilities subject to reversion, conceded to the "Partnerwerke" in the middle of the last century. The company believes that the State should assert its right to re-enter into possession of the waters currently processed by the power plants of Lucendro, Maggia and Blenio: AET trusts in the strong defence of the Canton's interests by the parliament and the government of Ticino and is preparing to step up its activities in this sense.

## Trade

AET intends to consolidate its presence in the reference markets of Germany and Italy, in which the company has been active for some years. As far as AET Italia is concerned it is necessary to further develop the portfolio, to reach the ideal critical mass. In Switzerland it is necessary to increase the presence outside the Canton, to compensate for possible loss of revenue in Ticino (end-consumers or distributors which might decide to purchase their energy from "non AET" suppliers).

As has been wished for in the past, it is fundamental to establish a relationship of collaboration and mutual trust with the distributors of Ticino in every sphere possible (supply and sale of energy, network cooperation), to confront in a coordinated and united fashion the pressure of the free market and to avoid loss of market shares to the advantage of suppliers outside the Canton. To this end, concrete discussions with the distributors are necessary, to achieve the creation of a mixed society for the marketing of energy in Ticino, of which AET is a relevant part, and to assure to the end-consumers of energy supplies at competitive conditions.

## Grid

In the immediate future AET will conclude the projects of renewal or expansion of the 220 kV grid agreed on with Swissgrid: from 01.01.2013 at the latest, Swissgrid will own of the national transport grid. From the moment of transfer of the said network the projects, management and maintenance of these facilities will continue to be executed by the AET personnel, under a Swissgrid mandate.

Collaboration with SBB will continue towards the completion of a combined long-distance power line from Lavorgo to Magadino (SBB 132 kV; AET 50/150/220 kV), to guarantee SBB supply at the moment AlpTransit enters into service.

Locally the 150/50 kV grid will have to be expanded to increase the security of the grid, as well as for the linking up with new production plants.

## Collaboration with other players active in Ticino and Switzerland

For AET it remains vital to develop and consolidate alliances with other players of the electricity market, active in Ticino and in Switzerland, respectively with foreign partners, in production, transport and the marketing of energy, contributing its own know-how, to make the most of all synergies.

Collaboration with other power group represents a part of the company strategy determined by the Board of Directors: AET hopes to find the wished collaboration above all in Ticino, so that the players in the electric market in Ticino can successfully defend the market positions acquired in the past.

## Production

Notwithstanding the temporary halt suffered by the authorisation procedure, AET intends to proceed swiftly and to obtain all the permits necessary for the building of the St. Gotthard wind farm, in order to begin its construction in the summer of 2014.

AET still analyses participations in wind farms in Switzerland and abroad, taking account of technological and economic risks and those of the market: to this end AET participates in the company Terravent, in partnership with other Swiss public electric companies.

The development of options for the Dalpe 2 hydroelectric power plant is practically completed: in-depth analyses of the profitability of the investment are under way.

As regards the pumping/turbine power plants, planning work continues for the construction of the Val d'Ambra 2 facility, while as far as the Verzasca plant is concerned, AET is ready to analyse the project in depth together with AIL and the functionaries of the Canton of Ticino and the city of Lugano.

Finally, planning and installation continues of solar installations within the Canton of Ticino.

## Conclusion

In the latest period changes in the electric sector have occurred like never before: radical changes in energy policies on both national and international level, low market prices (probably for a limited period, while in the medium term all forecasts predict a significant rise in energy prices), stagnant or decreasing consumption due to climatic effects and the international crisis. To which is added difficulties deriving from the value of the European currency against the Swiss franc, which have crowded out the long term strategies determined by the Swiss power group operative on the European markets. In this difficult context, AET has updated its own company strategy and focuses on a secure and lasting supply, with the objective of 100% renewable by 2050.

The Federal Council has recently presented the first package of measures to enable the implementation of the 2050 energy strategy, divided into three periods 2020, 2035 and 2050 (same time frame adopted by AET in 2011 for its own strategy). The objectives of AET and those announced by the Federal government to enable an end to nuclear energy in stages by 2035 are convergent. They predict the increase in the production of renewable energy (solar, wind and "minihydro"), for which AET has created a real competence centre. The objectives of the Federal council foresee also the development of geothermal energy, a sector in which AET is also present (refer to the investments in Geo-Energie Suisse and to the research done in the sphere of the TiGeo project).

The renewal and improvement of the existing hydroelectric plants and the reversion of those reaching expiry will in the future enable the exploitation of the Canton's waters to the advantage of Ticino and its inhabitants.

A priority objective of AET consists in the improvement of energy efficiency and the reduction of in-house consumption, as well as enhancing the awareness of the end-consumer. AET will refurbish the production plants, the grid facilities and the industrial and administration buildings, with the aim of reducing its energy consumption.

AET will build a new centralised head office at Monte Carasso, compliant to the Minergie standard: it will allow a significant reduction in energy consumption and in personnel transfer from one company location to another. The challenge of renewable energy is without doubt demanding: AET is ready to undertake it, together with the new opportunities which will be created in an electric market undergoing a great transformation.





# Proposal for allocation of profit

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

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	<b>CHF 1,000</b>
Profit for the year 2011	14,707
+ profit carryover at the beginning of the financial year	2,724
Profit available for allocation	17,431
./. to the State: 8% interest on the endowment capital	-3,200
./. devolution to the State	-11,000
./. attribution to the general reserves	-
<b>Carryovers in the new financial year</b>	<b>3,231</b>

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

- the Board of Directors' management report for 2011;
- the financial statements for the year 2011;
- the proposal for allocation of profit;

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





# Consolidated financial statements



# Consolidated balance sheet

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		<b>31.12.2011</b>	<b>31.12.2010</b>
<b>ASSETS</b>	Notes	CHF 1,000	CHF 1,000
Operating plants and equipment		256,861	254,984
Land and buildings		37,596	37,596
Tangible fixed assets under construction		30,509	28,820
Tangible fixed assets on lease		4,800	15,624
Other tangible fixed assets		1,475	1,339
<b>Tangible fixed assets</b>	2	<b>331,241</b>	<b>338,363</b>
Participations in associates	3	15,486	13,877
Long-term securities	4	68,870	71,302
Advances and loans to associates	5	11,880	9,720
Other financial assets	6	6,227	3,739
<b>Financial assets</b>		<b>102,463</b>	<b>98,638</b>
Plant and equipment use rights		7,172	5,701
Energy procurement rights		115,200	124,177
Intangible assets under construction		892	3,353
Other intangible assets		4,811	1,407
<b>Intangible assets</b>	7	<b>128,075</b>	<b>134,638</b>
<b>Total Non-current assets</b>		<b>561,779</b>	<b>571,639</b>
Receivables from goods and services	8	184,249	170,333
Other short-term receivables	9	4,019	6,491
Inventories		4,220	4,307
Prepayments and accrued income	10	39,904	28,611
Cash and cash equivalents	11	60,884	82,759
<b>Total Current assets</b>		<b>293,276</b>	<b>292,501</b>
<b>TOTAL ASSETS</b>		<b>855,055</b>	<b>864,140</b>

		31.12.2011	31.12.2010
		CHF 1,000	CHF 1,000
<b>LIABILITIES AND EQUITY</b>			
	Notes		
Endowment capital		40,000	40,000
Conversion differences		-3,196	-2,392
Retained earnings		363,171	342,900
Profit for the year		16,989	35,291
<b>Equity attributable to AET</b>		<b>416,964</b>	<b>415,799</b>
Minority interests		318	163
<b>Total Group equity</b>		<b>417,282</b>	<b>415,962</b>
Long-term provisions	12	18,297	17,910
Other long-term liabilities		52	-
Long-term financial liabilities	13	219,593	223,897
<b>Long-term liabilities</b>		<b>237,942</b>	<b>241,807</b>
Payables from goods and services	14	140,842	151,475
Short-term financial liabilities	15	21,923	18,758
Other short-term liabilities	16	5,049	2,133
Accrued liabilities and deferred income	17	25,842	22,601
Short-term provisions	12	6,175	11,404
<b>Current liabilities</b>		<b>199,831</b>	<b>206,371</b>
<b>Total Liabilities</b>		<b>437,773</b>	<b>448,178</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>855,055</b>	<b>864,140</b>

# Consolidated income statement

	Notes	2011 CHF 1,000	2010 CHF 1,000
<b>Operating income</b>			
Energy sales	18	1,348,458	1,493,777
Grid income		89,079	45,964
Other operating income	19	12,088	9,900
<b>Total Operating income</b>		<b>1,449,625</b>	<b>1,549,641</b>
<b>Operating expenses</b>			
Energy purchase	20	-1,268,004	-1,407,002
Grid expenses		-57,669	-18,378
Personnel expenses	21	-27,838	-26,175
Services and material		-9,632	-7,394
Depreciation on tangible fixed assets		-14,403	-12,699
Amortisation on intangible assets		-9,941	-9,874
Other depreciation and amortisation		-157	-157
Other operating expenses	22	-28,106	-19,572
<b>Total Operating expenses</b>		<b>-1,415,750</b>	<b>-1,501,251</b>
<b>Operating result</b>		<b>33,875</b>	<b>48,390</b>
Financial income	23	1,634	3,108
Financial expenses	24	-12,112	-13,130
Result from participations in associates	3	1,651	1,865
<b>Ordinary result</b>		<b>25,048</b>	<b>40,233</b>
Non-operating result		3	5
Extraordinary result	25	-8,024	-4,329
<b>Profit before taxes</b>		<b>17,027</b>	<b>35,909</b>
Taxes		-151	-663
<b>Group profit for the year</b>		<b>16,876</b>	<b>35,246</b>
Minority interests		113	45
<b>Profit for the year attributable to AET</b>		<b>16,989</b>	<b>35,291</b>

# Consolidated cash flow statement

	2011	2010
	CHF 1,000	CHF 1,000
Profit for the year	16,989	35,291
Minority interests to income statement	-113	-45
Depreciation on tangible fixed assets	14,403	12,699
Amortisation on intangible assets	9,941	9,874
Other depreciation and amortisation	157	157
Change in long-term provisions	387	-1,770
Change in impairments	8,674	2,252
Profit/loss from disposal of non-current assets	-34	-984
Result from the application of the equity method	-1,651	-1,865
Other non cash expenses	1,433	3,613
<b>Cash flow before change in net current assets</b>	<b>50,186</b>	<b>59,222</b>
Change in receivables, inventories and prepayments and accrued income	-22,650	8,463
Change in liabilities and accrued liabilities and deferred income	-4,476	-18,905
Change in short-term provisions	-5,229	-2,179
<b>Cash flow from operating activities</b>	<b>17,831</b>	<b>46,601</b>
Outflows for investment in tangible fixed assets	-17,866	-21,459
Inflows from disposal of tangible fixed assets	198	1,306
Outflows for investment in intangible assets	-1,839	-3,000
Inflows from disposal of intangible assets	-	-
Outflows for investment in financial assets	-7,639	-16,924
Inflows from disposal of financial assets	3,514	54,590
Acquisition of consolidated organisations, less cash	-	-1,658
<b>Cash flow from investing activities</b>	<b>-23,632</b>	<b>12,855</b>
Issuance/repayment of short-term financial liabilities	3,165	-354
Issuance/repayment of long-term financial liabilities	-4,252	-1,001
Payment of capital of minority shareholders of subsidiaries	270	-
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-12,000	-10,000
<b>Cash flow from financing activities</b>	<b>-16,017</b>	<b>-14,555</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>82,759</b>	<b>38,456</b>
<b>Cash flow</b>	<b>-21,818</b>	<b>44,901</b>
Conversion differences on cash and cash equivalents	-57	-598
<b>Cash and cash equivalents at the end of the year</b>	<b>60,884</b>	<b>82,759</b>

# Statement of changes in consolidated equity

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	Endow- ment capital	Conver- sion dif- ferences	Retained earnings	Profit for the year	Equity attribu- table to AET	Minority interests	Total Group Equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Equity at 01.01.2010</b>	<b>40,000</b>	<b>73</b>	<b>318,079</b>	<b>39,756</b>	<b>397,908</b>	<b>125</b>	<b>398,033</b>
Allocation of profit	–	–	39,756	–39,756	–	–	–
Interest on capital due to the State	–	–	–3,200	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–10,000	–	–10,000	–	–10,000
Capital increase	–	–	–	–	–	–	–
Conversion differences	–	–2,465	103	–	–2,362	–19	–2,381
Change in consolidation scope	–	–	–19	–	–19	102	83
Offset goodwill	–	–	–1,819	–	–1,819	–	–1,819
Profit for 2010	–	–	–	35,291	35,291	–45	35,246
<b>Equity at 31.12.2010</b>	<b>40,000</b>	<b>–2,392</b>	<b>342,900</b>	<b>35,291</b>	<b>415,799</b>	<b>163</b>	<b>415,962</b>
Allocation of profit	–	–	35,291	–35,291	–	–	–
Interest on capital due to the State	–	–	–3,200	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–12,000	–	–12,000	–	–12,000
Capital increase	–	–	–	–	–	270	270
Conversion differences	–	–804	180	–	–624	–2	–626
Change in consolidation scope	–	–	–	–	–	–	–
Offset goodwill	–	–	–	–	–	–	–
Profit for 2011	–	–	–	16,989	16,989	–113	16,876
<b>Equity at 31.12.2011</b>	<b>40,000</b>	<b>–3,196</b>	<b>363,171</b>	<b>16,989</b>	<b>416,964</b>	<b>318</b>	<b>417,282</b>

# Notes to the consolidated financial statements

## 1 Accounting principles

The consolidated financial statements 2011 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 25.04.2012.

### 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 <sup>1</sup>	Currency	Nominal capital	Holding at 31.12.2011	Holding at 31.12.2010
AET CoGen Srl	EUR	100,000	100.00%	100.00%
AET Idronord Srl	EUR	1,000,000	90.00%	90.00%
AET Italia Holding Srl	EUR	4,835,900	100.00%	100.00%
AET Italia Srl	EUR	100,000	100.00%	100.00%
AET NE1 SA	CHF	4,000,000	100.00%	100.00%
Parco eolico del San Gottardo SA	CHF	1,000,000	70.00%	70.00%
SPE Società per Partecipazioni Energetiche SA	CHF	8,000,000	100.00%	100.00%
TERIS Teleriscaldamento del Bellinzonese SA	CHF	200,000	60.00%	60.00%

<sup>1</sup> Direct and indirect subsidiaries

During 2011 the following participation was consolidated for the first time:

- AET Italia Holding Srl, following its constitution; the company has been constituted in December 2010 and closed its first exercise on 31.12.2011.

During 2011 there was no deconsolidation.

All participations have closed their financial year on the 31.12.2011.

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

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

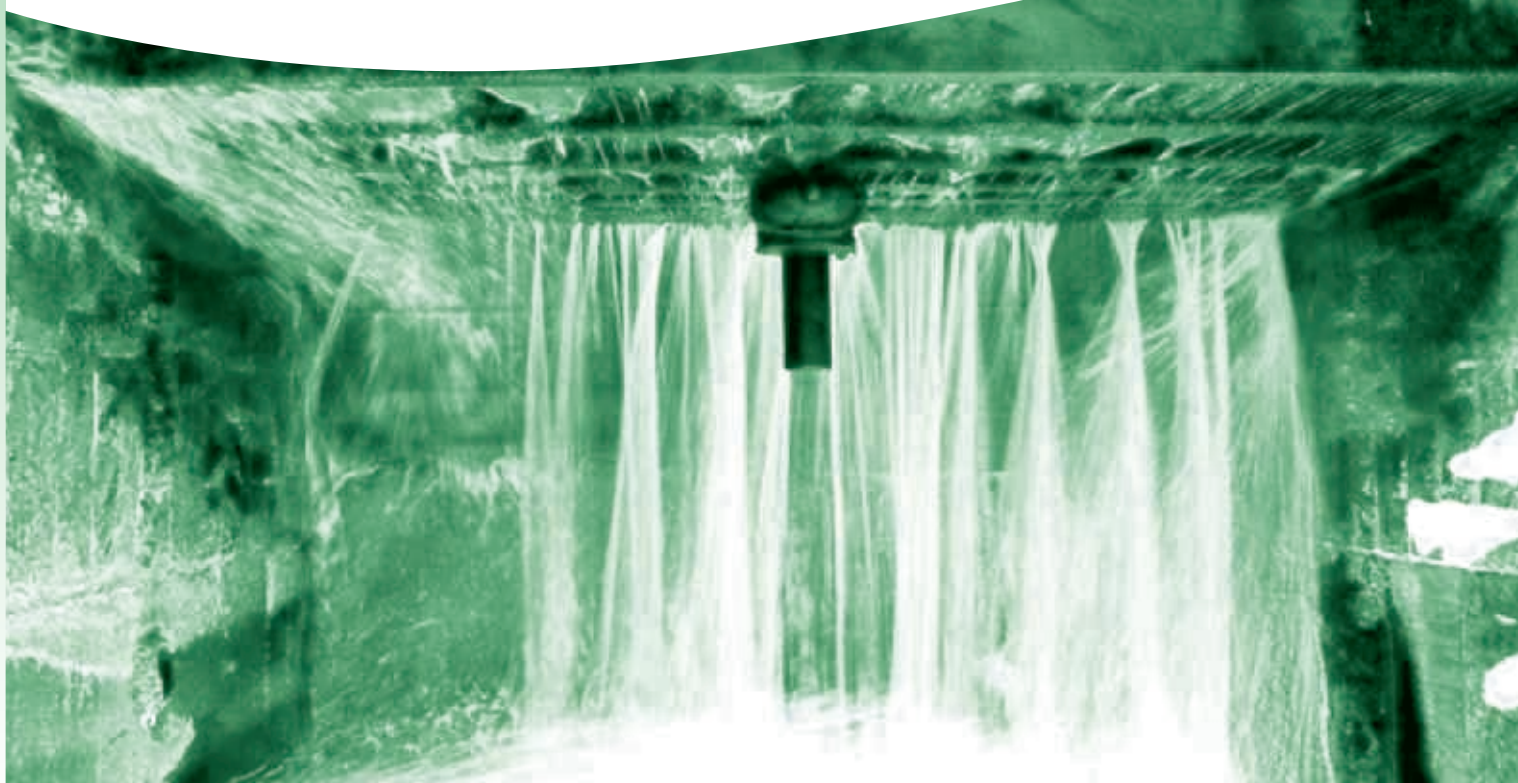
### 1.1.2 Changes in consolidation scope

In the consolidation scope of the AET Group there have been the following changes:

- 01.12.2010 subscription of 100% of the capital of AET Italia Holding Srl, consolidated for the first time in 2011;
- 02.09.2010 acquisition of a 50% shareholding of Parco eolico del San Gottardo SA (PESG) (previous shareholding 20%);
- 08.02.2010 subscription of 60% of the newly incorporated TERIS Teleriscaldamento del Bellinzonese SA (TERIS).

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

	AET Italia Holding	PESG	TERIS
	EUR 1,000	CHF 1,000	CHF 1,000
Non-current assets	4,836	206	–
Current assets except cash	–	–	–
Cash and cash equivalents	–	64	200
<b>Total assets</b>	<b>4,836</b>	<b>270</b>	<b>200</b>
Equity	4,836	73	200
<i>Minority interests thereof</i>	–	22	80
Long-term liabilities	–	–	–
Current liabilities	–	197	–
<b>Total liabilities and equity</b>	<b>4,836</b>	<b>270</b>	<b>200</b>





### 1.1.3 Companies included according to the equity method

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

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

Associates <sup>1</sup>	Currency	Nominal capital	Holding at 31.12.2011	Holding at 31.12.2010
Calore SA	CHF	2,000,000	48.90%	48.90%
Calore Elettricità Gas SpA	EUR	5,000,000	50.00%	50.00%
Metanord SA	CHF	18,594,000	30.95%	30.95%
Nord Energia SpA	EUR	10,200,000	40.00%	40.00%
Quadra Srl	EUR	20,000	50.00%	50.00%
Senco Holding SA	CHF	150,000	50.00%	50.00%
Terravent AG	CHF	1,000,000	21.40%	–

<sup>1</sup> Associates directly and indirectly

### 1.1.4 Other participations

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

### 1.1.5 Conversion of financial statements held in foreign currency

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

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

Exchange rates applied (CHF/EUR):	2011	2010
Exchange rate at the closing date on 31.12	1.2139	1.2505
Average exchange rate	1.2336	1.4208

## 1.2 Accounting principles

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

### 1.2.1 Tangible fixed assets

Tangible fixed assets are valued on the basis of the acquisition or construction cost, taking into account the necessary technical-economical depreciation. Depreciation is computed on a straight-line basis, considering the technical life of the assets generally recognised 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, and interest is not capitalised. Tangible fixed assets under construction are not depreciated. The minimum and maximum depreciation periods for each tangible fixed asset category are as follows:

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

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

### 1.2.2 Financial assets

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

**1.2.3 Intangible assets**

Plants and equipment use rights represent the right of energy transmission on third party gridlines. They are amortised on a straight-line basis taking into account the contractual agreements and the technical life of the plant (40-75 years). The energy procurement rights are capitalised at their cost and straight-line amortised on the basis of their useful life (10-20 years). Other intangible assets are capitalised at their acquisition cost and 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 and spare parts. Inventories are capitalised at the lower of weighted average purchase price and market value. The carrying value of inventories are adjusted for slow-moving.

**1.2.6 Cash and cash equivalents**

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

**1.2.7 Impairment**

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

**1.2.8 Provisions**

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

**1.2.9 Liabilities**

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

### **1.2.10 Off-balance-sheet transactions**

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

### **1.2.11 Income**

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

### **1.2.12 Pension funds**

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

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

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

### **1.2.13 Taxes**

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

AET is not subject to any direct tax.

### **1.2.14 Related party transactions**

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

## 2 Tangible fixed assets

	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Tangible fixed assets on lease	Other tangible fixed assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2010</b>	<b>491,127</b>	<b>44,387</b>	<b>52,477</b>	<b>23,106</b>	<b>7,196</b>	<b>618,293</b>
Change in consolidation scope	–	–	–	–	–	–
Reclassification	46,519	–	–43,639	1,637	–	4,517
Additions	805	–	19,982	109	563	21,459
Disposals	–1,243	–	–	–	–255	–1,498
Conversion differences	–953	–105	–	–3,881	–39	–4,978
<b>Cost value at 31.12.2010</b>	<b>536,255</b>	<b>44,282</b>	<b>28,820</b>	<b>20,971</b>	<b>7,465</b>	<b>637,793</b>
Change in consolidation scope	–	–	–	–	–	–
Reclassification	14,852	423	–15,416	–1,747	181	–1,707
Additions	281	–	17,105	–	480	17,866
Disposals	–1,491	–	–	–	–209	–1,700
Conversion differences	–175	–15	–	–611	–8	–809
<b>Cost value at 31.12.2011</b>	<b>549,722</b>	<b>44,690</b>	<b>30,509</b>	<b>18,613</b>	<b>7,909</b>	<b>651,443</b>
<b>Accumulated depreciation at 01.01.2010</b>	<b>–270,716</b>	<b>–6,308</b>	<b>–</b>	<b>–4,966</b>	<b>–5,908</b>	<b>–287,898</b>
Change in consolidation scope	–	–	–	–	–	–
Reclassification	–289	–	–	–	–	–289
Depreciation	–10,488	–404	–	–1,319	–488	–12,699
Disposals	–	–	–	–	255	255
Impairments	–	–	–	–	–	–
Conversion differences	222	26	–	938	15	1,201
<b>Accumulated depreciation at 31.12.2010</b>	<b>–281,271</b>	<b>–6,686</b>	<b>–</b>	<b>–5,347</b>	<b>–6,126</b>	<b>–299,430</b>
Change in consolidation scope	–	–	–	–	–	–
Reclassification	–215	–	–	215	–	–
Depreciation	–12,747	–414	–	–720	–522	–14,403
Disposals	1,328	–	–	–	209	1,537
Impairments	–	–	–	–8,537	–	–8,537
Conversion differences	44	6	–	576	5	631
<b>Accumulated depreciation at 31.12.2011</b>	<b>–292,861</b>	<b>–7,094</b>	<b>–</b>	<b>–13,813</b>	<b>–6,434</b>	<b>–320,202</b>
<b>Net carrying amount at 01.01.2010</b>	<b>220,411</b>	<b>38,079</b>	<b>52,477</b>	<b>18,140</b>	<b>1,288</b>	<b>330,395</b>
<b>Net carrying amount at 31.12.2010</b>	<b>254,984</b>	<b>37,596</b>	<b>28,820</b>	<b>15,624</b>	<b>1,339</b>	<b>338,363</b>
<b>Net carrying amount at 31.12.2011</b>	<b>256,861</b>	<b>37,596</b>	<b>30,509</b>	<b>4,800</b>	<b>1,475</b>	<b>331,241</b>

The insured value of tangible fixed assets against fire risk amounts to CHF 490 million at 01.01.2012 (CHF 485 million at 01.01.2011). In the financial year 2011 an impairment has been recorded on the tangible fixed assets on lease following the deterioration of the market conditions. In particular fuel prices increases coupled with low energy prices have reduced the value of the thermoelectric power station assets.

### 3 Participations in associates

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

31.12.2010	Equity	Holding	AET's share of the equity	AET's share of the profit
Associates	CHF 1,000		CHF 1,000	CHF 1,000
Calore SA	2,177	48.90%	1,065	23
Calore Elettricità Gas SpA	–	50.00%	–	–
Metanord SA	16,104	30.95%	4,984	–38
Nord Energia SpA	19,321	40.00%	7,729	1,887
Quadra Srl	–	50.00%	–	–33
Senco Holding SA	199	50.00%	99	21
Consolidation effects				5
<b>Total</b>			<b>13,877</b>	<b>1,865</b>

Terravent AG has been established on 05.07.2011; AET participated to its constitution with CHF 0.2 million, counting for 21.4% of the capital. The consolidation effects of 2010 are related with the difference between equity value and cost value of Parco eolico del San Gottardo SA registered at the moment of the full consolidation.

#### 4 Long-term securities

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Trianel Kohlekraftwerk Lünen GmbH & Co. KG	38,178	38,178
Renewable Energy Investments SPC	15,678	15,678
./ impairment	-6,900	-4,600
Kraftwerke Mattmark AG	12,587	12,744
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Airlight Energy Holding SA	2,862	2,862
Other	165	140
<b>Total</b>	<b>68,870</b>	<b>71,302</b>

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 NAV information (31.12.2010). The increase of the impairment has been recorded as financial expense.

**5 Advances and loans to associates**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Nord Energia SpA	6,842	7,912
Bio Elettricità Occimiano Srl	4,977	7,003
./. impairment	-4,977	-7,003
Calore Elettricità Gas SpA	4,916	5,065
./. impairment	-4,916	-5,065
Metanord SA	4,300	1,000
Geopower Basel AG	2,628	2,628
./. impairment	-2,628	-2,628
CEL Cerentino SA	396	466
CMC MeSta SA	192	192
Senco Holding SA	150	150
<b>Total</b>	<b>11,880</b>	<b>9,720</b>

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

**6 Other financial assets**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Advance to PurEnergy SA	2,428	-
Advance to EGL AG	2,243	3,145
Other	1,556	594
<b>Total</b>	<b>6,227</b>	<b>3,739</b>

During 2011 AET granted an advance to PurEnergy, obtaining the transfer of credits for the coverage of the advance refund.

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



## 7 Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2010</b>	<b>10,677</b>	<b>152,740</b>	<b>1,020</b>	<b>4,476</b>	<b>168,913</b>
Change in consolidation scope	–	–	–	207	207
Reclassification	–	–896	–	–1,984	–2,880
Additions	–	19	2,333	648	3,000
Disposals	–	–	–	–	–
Conversion differences	–233	–24	–	–36	–293
<b>Cost value at 31.12.2010</b>	<b>10,444</b>	<b>151,839</b>	<b>3,353</b>	<b>3,311</b>	<b>168,947</b>
Change in consolidation scope	–	–	–	–	–
Reclassification	448	–256	–3,982	5,493	1,703
Additions	–	–	1,521	318	1,839
Disposals	–	–	–	–147	–147
Conversion differences	–	–	–	–53	–53
<b>Cost value at 31.12.2011</b>	<b>10,892</b>	<b>151,583</b>	<b>892</b>	<b>8,922</b>	<b>172,289</b>
<b>Accumulated amortisation at 01.01.2010</b>	<b>–4,457</b>	<b>–18,801</b>	<b>–</b>	<b>–1,316</b>	<b>–24,574</b>
Change in consolidation scope	–	–	–	–	–
Reclassification	–	149	–	28	177
Amortisation	–205	–9,023	–	–646	–9,874
Disposals	–	–	–	–	–
Impairments	–81	–	–	–	–81
Conversion differences	–	13	–	30	43
<b>Accumulated amortisation at 31.12.2010</b>	<b>–4,743</b>	<b>–27,662</b>	<b>–</b>	<b>–1,904</b>	<b>–34,309</b>
Change in consolidation scope	–	–	–	–	–
Reclassification	1,267	142	–	–1,404	5
Amortisation	–244	–8,863	–	–834	–9,941
Disposals	–	–	–	32	32
Impairments	–	–	–	–12	–12
Conversion differences	–	–	–	11	11
<b>Accumulated amortisation at 31.12.2011</b>	<b>–3,720</b>	<b>–36,383</b>	<b>–</b>	<b>–4,111</b>	<b>–44,214</b>
<b>Net carrying amount at 01.01.2010</b>	<b>6,220</b>	<b>133,939</b>	<b>1,020</b>	<b>3,160</b>	<b>144,339</b>
<b>Net carrying amount at 31.12.2010</b>	<b>5,701</b>	<b>124,177</b>	<b>3,353</b>	<b>1,407</b>	<b>134,638</b>
<b>Net carrying amount at 31.12.2011</b>	<b>7,172</b>	<b>115,200</b>	<b>892</b>	<b>4,811</b>	<b>128,075</b>

The energy procurement rights mainly refer to an energy procurement right from EDF (termination 31.12.2027).

<b>8 Receivables from goods and services</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Associates	2,034	81
Other related parties	61	664
Third parties	182,154	169,588
<b>Total</b>	<b>184,249</b>	<b>170,333</b>

The balance includes receivables in foreign currency for EUR 100.5 million (EUR 90.4 million at 31.12.2010).

<b>9 Other short-term receivables</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Associates	–	–
Other related parties	453	652
Third parties	3,566	5,839
<b>Total</b>	<b>4,019</b>	<b>6,491</b>

<b>10 Prepayments and accrued income</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Associates	2,048	12
Other related parties	3,271	5,419
Third parties	33,221	22,051
Work in progress	1,364	1,129
<b>Total</b>	<b>39,904</b>	<b>28,611</b>

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

<b>11 Cash and cash equivalents</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Balances in CHF	50,497	53,165
Balances in foreign currency (at the end of year equivalent)	10,387	29,594
<b>Total</b>	<b>60,884</b>	<b>82,759</b>

All balances are freely available, excepted for the equivalent value of CHF 7.1 million (CHF 0.7 million at 31.12.2010) deposited in foreign bank accounts in euro for the coverage of commercial transactions in international markets.

## 12 Provisions

	Onerous contracts of participations	Energy sale onerous contracts	Indemnifications and plant decommissioning	Other provisions	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Carrying amount at 01.01.2010</b>	–	<b>14,900</b>	<b>12,680</b>	<b>5,683</b>	<b>33,263</b>
<b>thereof long-term</b>	–	<b>7,000</b>	<b>12,680</b>	–	<b>19,680</b>
<b>thereof short-term</b>	–	<b>7,900</b>	–	<b>5,683</b>	<b>13,583</b>
Increase	3,500	–	530	–	4,030
Utilisation	–	–	–	–	–
Release	–	–7,900	–	–79	–7,979
<b>Carrying amount at 31.12.2010</b>	<b>3,500</b>	<b>7,000</b>	<b>13,210</b>	<b>5,604</b>	<b>29,314</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>1,200</b>	<b>13,210</b>	–	<b>17,910</b>
<b>thereof short-term</b>	–	<b>5,800</b>	–	<b>5,604</b>	<b>11,404</b>
Increase	–	–	552	2,258	2,810
Utilisation	–	–	–	–1,852	–1,852
Release	–	–5,800	–	–	–5,800
<b>Carrying amount at 31.12.2011</b>	<b>3,500</b>	<b>1,200</b>	<b>13,762</b>	<b>6,010</b>	<b>24,472</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>800</b>	<b>13,762</b>	<b>235</b>	<b>18,297</b>
<b>thereof short-term</b>	–	<b>400</b>	–	<b>5,775</b>	<b>6,175</b>

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

The provision for energy sale onerous contracts covers the cost expected in respect of the execution of energy delivery contracts finalised in the past at sale prices below the average energy procurement of AET. The release of the provisions for onerous contract on energy sale corresponds to the provision part related to 2011.

The provision for indemnifications and plant decommissioning cover the expected cost of indemnification related to the operation of own plants as well as the expected future cost of decommissioning AET plants at the end of their utilisation. The present value at the balance sheet date of the expected expense was computed by applying a 4% interest rate; the provision increase in 2010 reflects the impact of the discounting.

The other provisions include the expected operating cost arising from past events, of which CHF 1.3 million (2010: 1.4 million) related to the cost of litigation. The constitution of other provisions includes a short term amount of CHF 1 million intended to the financing of the quota entitled to the employer for the restructuring contributions of the "Fondo per il pensionamento anticipato del personale dell'Azienda Elettrica Ticinese".

**13 Long-term financial liabilities**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Dexia Dublin, 10.01.2008–10.01.2028 <sup>1</sup> , 3.460%	150,000	150,000
Zürcher Kantonalbank (ZKB), 18.08.2005–18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank (ZKB), 02.06.2006–02.06.2016, 3.375%	15,000	15,000
Allianz Suisse, 03.05.2011–03.05.2026, 2.830%	13,000	–
Fondi di compensazione AVS, 03.05.2011–03.05.2021, 2.540%	13,000	–
Dexia Dublin, 01.06.2007–01.06.2022, 3.1425%	–	25,000
Debt for finance leases	7,765	13,005
Other	828	892
<b>Total</b>	<b>219,593</b>	<b>223,897</b>

<sup>1</sup> Repayment dates: CHF 50 million on the 10.01.2018, CHF 50 million on the 10.01.2023, CHF 50 million on the 10.01.2028

**14 Payables from goods and services**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Associates	941	259
Other related parties	1,890	2,210
Third parties	138,011	149,006
<b>Total</b>	<b>140,842</b>	<b>151,475</b>

The balance includes payables in foreign currency for EUR 92.1 million (EUR 105.1 million at 31.12.2010).

**15 Short-term financial liabilities**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Liabilities toward financial institutions in CHF	–	–
Liabilities toward financial institutions in foreign currency	21,923	18,758
<b>Total</b>	<b>21,923</b>	<b>18,758</b>

**16 Other short-term liabilities**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Associates	–	–
Other related parties	–	–
Third parties	5,049	2,133
<b>Total</b>	<b>5,049</b>	<b>2,133</b>

**17 Accrued liabilities and deferred income**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Associates	578	–
Other related parties	–	–
Third parties	25,264	22,601
<b>Total</b>	<b>25,842</b>	<b>22,601</b>

**18 Energy sales**

	2011	2010
	CHF 1,000	CHF 1,000
Energy sales in Ticino	199,588	202,880
Energy sales in Switzerland	89,571	117,856
Energy sales in Italy	475,709	540,656
Energy sales in Germany	506,496	467,488
Energy sales in France	67,614	155,642
Other income energysales	9,480	9,255
<b>Total</b>	<b>1,348,458</b>	<b>1,493,777</b>

**19 Other operating income**

	2011	2010
	CHF 1,000	CHF 1,000
Own costs capitalised	4,192	3,472
Income from services	4,595	3,359
Other	3,301	3,069
<b>Total</b>	<b>12,088</b>	<b>9,900</b>

<b>20 Energy purchase</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Purchases from participations	-44,812	-42,718
Purchases in Ticino	-30,852	-31,190
Purchases outside of Ticino	-1,192,340	-1,333,094
<b>Total</b>	<b>-1,268,004</b>	<b>-1,407,002</b>

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

<b>21 Personnel expenses</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Salaries and other compensation	-22,328	-20,949
Social contributions	-5,242	-4,586
Other expenses	-560	-900
Recoveries from insurance companies	292	260
<b>Total</b>	<b>-27,838</b>	<b>-26,175</b>

<b>Employees of the Group</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Full time equivalent		
Permanent employees	220.0	210.3
Temporary auxiliary employees	7.5	5.3
Apprentices	12.0	12.0
<b>Total</b>	<b>239.5</b>	<b>227.6</b>

**22 Other operating expenses**

	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	-11,358	-9,087
Local taxes and other contributions	-1,859	-1,870
Other	-14,889	-8,615
<b>Total</b>	<b>-28,106</b>	<b>-19,572</b>

On 01.01.2011 an adjustment of the water fees came into force, increasing the water fees to the Canton Ticino State from CHF 80 to CHF 100 per gross kW.

**23 Financial income**

	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Interest income	1,195	1,744
Income from participations	430	442
Profit from disposal of investments in associates	-	922
Other	9	-
<b>Total</b>	<b>1,634</b>	<b>3,108</b>

**24 Financial expenses**

	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Interest payments and commissions	-8,140	-8,049
Exchange rate differences	-1,071	-3,381
Other	-2,901	-1,700
<b>Total</b>	<b>-12,112</b>	<b>-13,130</b>

## 25 Extraordinary result

	2011	2010
	CHF 1,000	CHF 1,000
Reversal of impairments on advances	2,175	–
Profit from disposal of tangible and intangible fixed assets	34	63
Other extraordinary income	943	500
Impairments of tangible and intangible fixed assets	–8,549	–1,087
Increase of provision for onerous contracts of participations	–	–3,500
Other extraordinary expenses	–2,627	–305
<b>Total</b>	<b>–8,024</b>	<b>–4,329</b>

Other extraordinary expenses are related to dismissed projects.

## 26 Goodwill

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

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

	2011	2010
	CHF 1,000	CHF 1,000
Historical cost	2,834	2,834
Goodwill	1,051	1,584
Equity (retained earnings)	1,051	1,584
Amortisation goodwill of the year	–533	–567
Profit	–533	–567



## 27 Contingent liabilities

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Guarantees	68,472	76,554
Commitments related to company acquisitions	2,000	2,000

The guarantees were granted in favour of creditors of the CEG group and are related for CHF 53 million to leasing contract with residual debt of CHF 38.7 million on 31.12.2011.

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

## 28 Other non-recognisable commitments

In the context of the management of its energy portfolio, the AET Group has finalised various long-term energy acquisition contracts with irrevocable obligation:

Energy purchase contracts and market operations	Market operations	Long-term contracts
	CHF million	CHF million
Cumulative volume <sup>1</sup>		
2012	686	142
from 2 to 5 year	200	509
over 5 year	–	541

<sup>1</sup> The positions in foreign currency are converted at year end exchange rates. The long-term contracts mentioned above include indexing of the purchase price. The yearly value of the contract is estimated on the basis of the price level at 2011 year end.

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

Finally, the AET Group has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 7.2 million (countervalue based on year end exchange rate and contract price index 2011).

At 31.12.2011 the AET Group has no off-balance sheet lease commitments (31.12.2010: unchanged).

## 29 Pension institutions

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

At 31.12.2010	Coverage rate	Economic benefit/ economic obligations for the Group	Change recognised in the result of the period	Contributions concerning the business period	Pension benefit expense in the personnel expenses
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cassa Pensione Energia	107.90%	–	–	1,728	1,728
Fondo Pensionamento Anticipato dell'AET	92.50%	–	–	385	385
<b>Total</b>		<b>–</b>	<b>–</b>	<b>2,113</b>	<b>2,113</b>

AET foresees to be asked to contribute to the restructuring of the "Fondo per il pensionamento anticipato del personale dell'AET" for an estimated amount of CHF 1 million. Consequently in 2011 a short-term provision of CHF 1 million was constituted debiting personnel expenses.

### 30 Transactions with related parties

<b>Transactions with associates</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Energy sales	3	3
Service and other income	1,132	738
Energy purchase	8,662	–
Service and other expenses	15	–
Advances paid	11,880	9,720
Receivables from goods and services	2,034	81
Prepayments and accrued income	2,048	1,631
Payables from goods and services	941	225
Accrued liabilities and deferred income	578	–
Guarantees	68,472	76,554

<b>Transactions with other related parties</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Energy sales	–	–
Service and other income	217	103
Energy purchase	44,265	42,718
Service and other expenses	394	26
Advances paid	322	–
Receivables from goods and services	61	25
Prepayments and accrued income	3,271	4,058
Payables from goods and services	1,890	–
Accrued liabilities and deferred income	–	–
Guarantees	–	–

## 31 Risk assessment

The Board of Directors and Management give the utmost attention and 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. The implementation of the new IT platform *Energy Trading and Risk Management*, in the summer of 2011, has provided the Risk management of AET with an efficient instrument to continually strengthen the monitoring and the management of risks, in particular permitting the analysis of the evolutions foreseen in the portfolio on the basis of data from the forward markets.

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

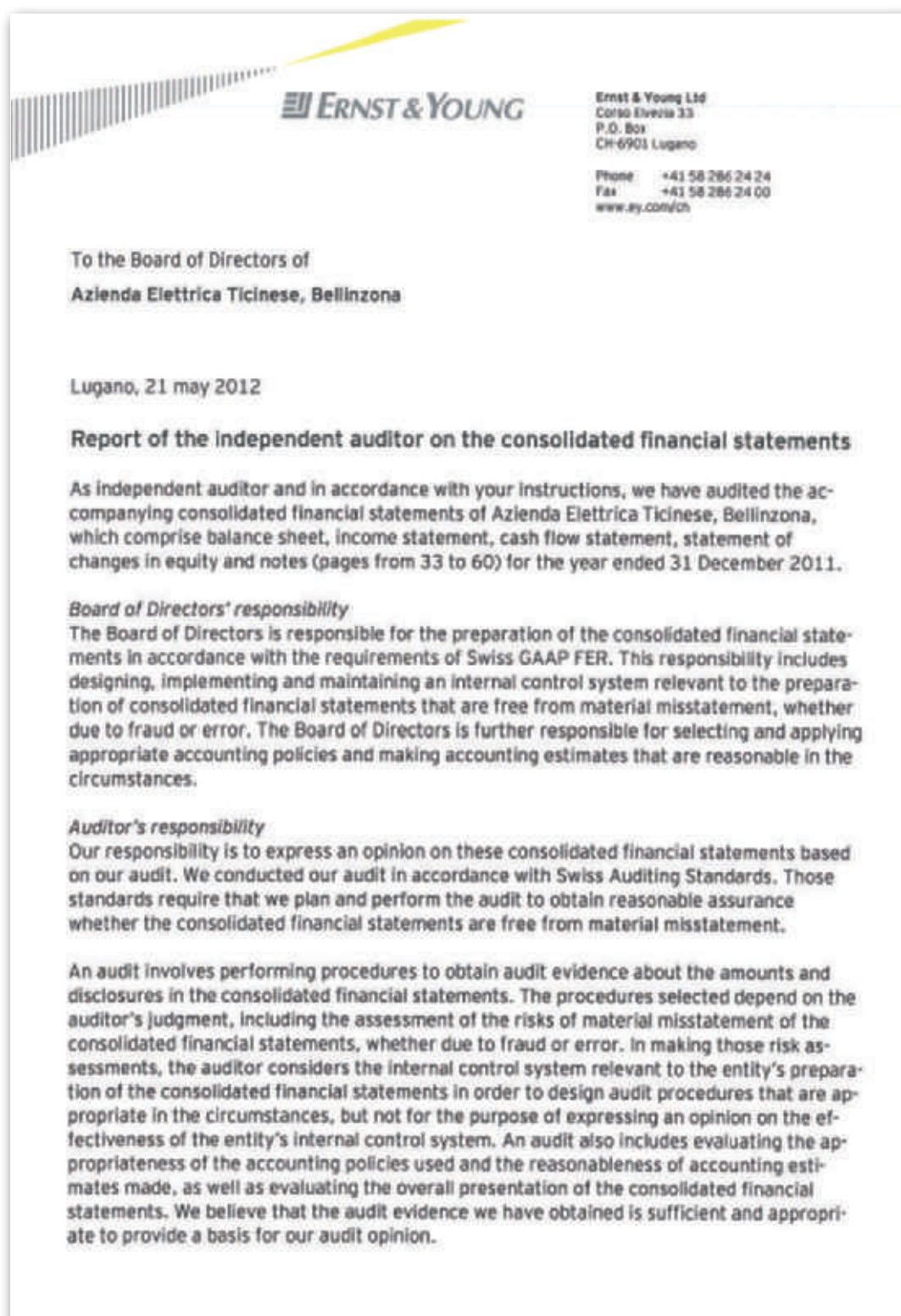
- **Volume risk:** is the risk associated with the variation in the volume of sales, respectively of production compared to the forecasted volumes. It's principal cause is the meteorological risk in that the meteorological deviations from the long-term averages cause variations in consumption and production from the hydroelectric plants that are difficult to predict. In the long-term the AET Group manages this risk by diversifying it's supplies with long-term contracts and participations. In the medium to short-term this risk is managed with a gradual rebalancing of the portfolio using updated predictions 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 covered in advance because unknown.
- **Counterparty risk:** this is represented by the risk of loss related to the default of payment by commercial counterparties. The AET Group mainly does business with Swiss large electric companies, respectively from bordering countries. Limits of exposure are fixed for each counterparty, based on their economic and financial situation. In the context of the commercial activity on the Italian market, the counterparty risks are for the large part insured against potential default.

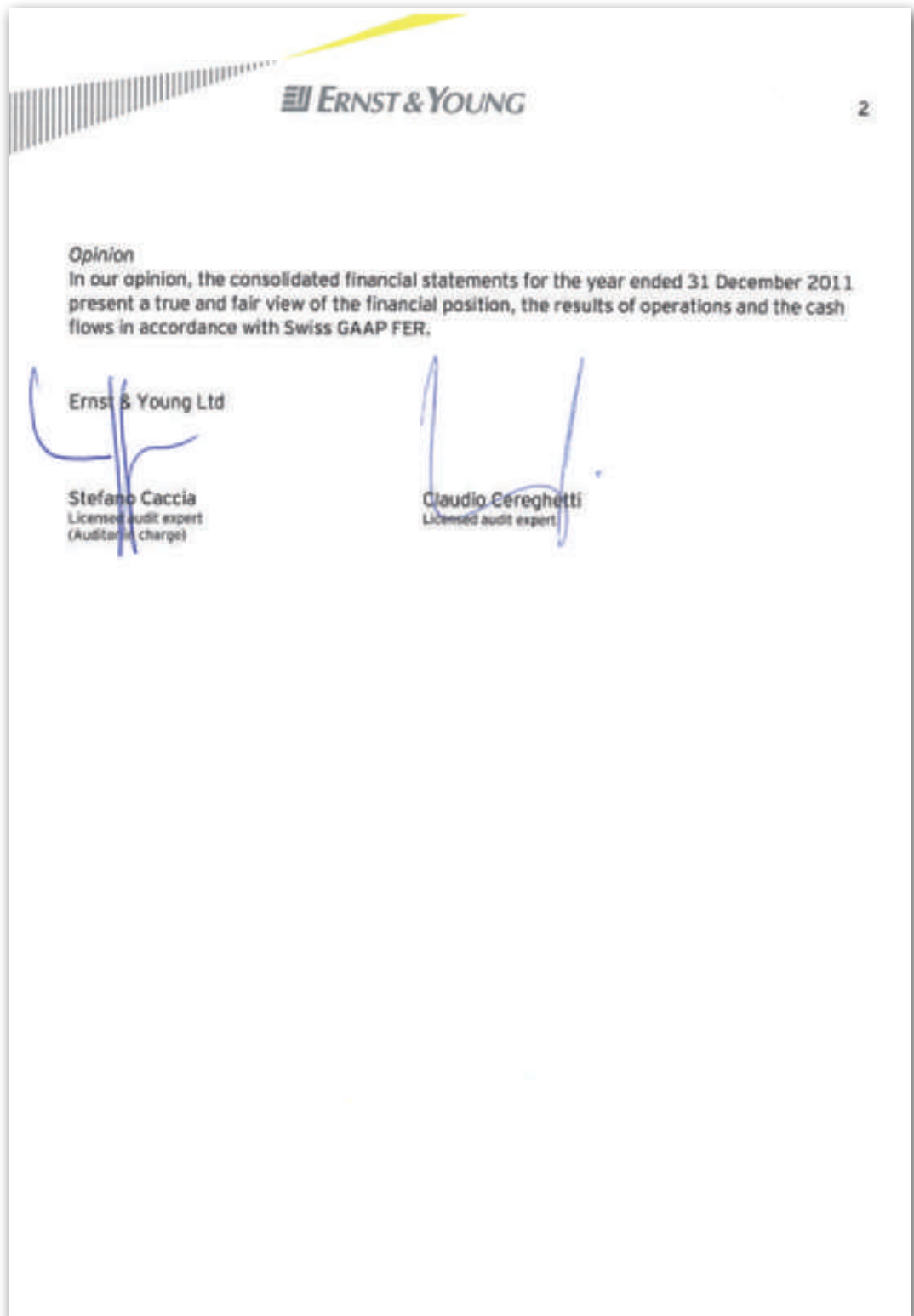
## 32 Subsequent events

No significant event.



AZIENDA ELETTRICA TICINESE





Ernst & Young Ltd

Stefano Caccia  
Licensed audit expert  
(Auditor in charge)

Claudio Cereghetti  
Licensed audit expert







# Balance sheet

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		<b>31.12.2011</b>	<b>31.12.2010</b>
	Notes	CHF 1,000	CHF 1,000
<b>ASSETS</b>			
Operating plants and equipment		241,739	242,052
Land and buildings		37,232	37,189
Tangible fixed assets under construction		29,754	28,353
Other tangible fixed assets		1,216	1,158
<b>Tangible fixed assets</b>	2	<b>309,941</b>	<b>308,752</b>
Participations	3	18,854	17,410
Long-term securities	4	68,870	71,302
Advances and loans to participations	5	25,179	25,361
Other financial assets	6	5,564	3,173
<b>Financial assets</b>		<b>118,467</b>	<b>117,246</b>
Plant and equipment use rights		6,265	4,716
Energy procurement rights		115,201	124,063
Intangible assets under construction		–	3,353
Other intangible assets		4,418	647
<b>Intangible assets</b>	7	<b>125,884</b>	<b>132,779</b>
<b>Total Non-current assets</b>		<b>554,292</b>	<b>558,777</b>
Receivables from goods and services	8	202,231	181,716
Other short-term receivables	9	2,271	4,988
Inventories		4,130	4,237
Prepayments and accrued income	10	19,935	16,716
Cash and cash equivalents	11	57,989	77,596
<b>Total Current assets</b>		<b>286,556</b>	<b>285,253</b>
<b>TOTAL ASSETS</b>		<b>840,848</b>	<b>844,030</b>

		<b>31.12.2011</b>	<b>31.12.2010</b>
		CHF 1,000	CHF 1,000
<b>LIABILITIES AND EQUITY</b>			
	Notes		
Endowment capital		40,000	40,000
General reserves		60,000	20,000
Statutory reserves		51,000	51,000
Profit brought forward		249,816	275,112
Profit for the year		14,707	29,904
<b>Total Equity</b>		<b>415,523</b>	<b>416,016</b>
Long-term provisions	12	18,062	17,910
Other long-term liabilities		52	–
Long-term financial liabilities	13	211,000	210,000
<b>Long-term liabilities</b>		<b>229,114</b>	<b>227,910</b>
Payables from goods and services	14	149,477	153,085
Short-term financial liabilities	15	19,422	18,758
Other short-term liabilities	16	4,352	1,398
Accrued liabilities and deferred income	17	16,832	15,524
Short-term provisions	12	6,128	11,339
<b>Current liabilities</b>		<b>196,211</b>	<b>200,104</b>
<b>Total Liabilities</b>		<b>425,325</b>	<b>428,014</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>840,848</b>	<b>844,030</b>

# Income statement

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	Notes	2011 CHF 1,000	2010 CHF 1,000
<b>Operating income</b>			
Energy sales	18	1,364,803	1,453,309
Grid income		42,519	42,228
Other operating income	19	15,325	12,714
<b>Total Operating income</b>		<b>1,422,647</b>	<b>1,508,251</b>
<b>Operating expenses</b>			
Energy purchase	20	-1,293,797	-1,371,124
Grid expenses		-15,532	-18,378
Personnel expenses	21	-26,259	-25,046
Services and material		-8,222	-7,215
Depreciation on tangible fixed assets		-12,837	-10,522
Amortisation on intangible assets		-9,738	-9,648
Other depreciation and amortisation		-157	-157
Other operating expenses	22	-21,110	-18,327
<b>Total Operating expenses</b>		<b>-1,387,652</b>	<b>-1,460,417</b>
<b>Operating result</b>		<b>34,995</b>	<b>47,834</b>
Financial income	23	1,204	1,436
Financial expenses	24	-11,726	-15,807
<b>Ordinary result</b>		<b>24,473</b>	<b>33,463</b>
Non-operating result		3	5
Extraordinary result	25	-9,769	-3,564
<b>Profit for the year</b>		<b>14,707</b>	<b>29,904</b>

# Cash flow statement

	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Profit for the year	14,707	29,904
Depreciation on tangible fixed assets	12,837	10,522
Amortisation on intangible assets	9,738	9,648
Other depreciation and amortisation	157	157
Change in long-term provisions	152	-1,770
Change in impairments	9,492	1,596
Profit/loss from disposal of non-current assets	-34	-63
Other non cash expenses	905	6,283
<b>Cash flow before change in net current assets</b>	<b>47,954</b>	<b>56,277</b>
Change in receivables from goods and services	-20,515	9,918
Change in inventories	107	-168
Change in other receivables and prepayments and accrued income	-502	-1,424
Change in payables from goods and services	-3,608	-18,333
Change in other liabilities and accrued liabilities and deferred income	4,262	-827
Change in short-term provisions	-5,211	-2,150
<b>Cash flow from operating activities</b>	<b>22,487</b>	<b>43,293</b>
Outflows for investment in tangible fixed assets	-17,173	-20,026
Inflows from disposal of tangible fixed assets	1,475	1,306
Outflows for investment in intangible assets	-1,137	-2,333
Inflows from disposal of intangible assets	-	-
Outflows for investment in financial assets	-14,953	-6,440
Inflows from disposal of financial assets	3,219	49,136
<b>Cash flow from investing activities</b>	<b>-28,569</b>	<b>21,643</b>
Issuance/repayment of short-term financial liabilities	623	-354
Issuance/repayment of long-term financial liabilities	1,052	-
Interests on capital due to the State	-3,200	-3,200
Distribution of profit to the State	-12,000	-10,000
<b>Cash flow from financing activities</b>	<b>-13,525</b>	<b>-13,554</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>77,596</b>	<b>26,214</b>
<b>Cash flow</b>	<b>-19,607</b>	<b>51,382</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>57,989</b>	<b>77,596</b>

# Statement of changes in equity

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	<b>Endow- ment capital</b>	<b>General reserves</b>	<b>Statutory reserves</b>	<b>Profit brought forward</b>	<b>Profit for the year</b>	<b>Total Equity</b>
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Equity at 01.01.2010</b>	<b>40,000</b>	<b>20,000</b>	<b>51,000</b>	<b>247,881</b>	<b>40,431</b>	<b>399,312</b>
Allocation of profit	–	–	–	40,431	–40,431	–
Interest on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–	–10,000	–	–10,000
Profit for 2010	–	–	–	–	29,904	29,904
<b>Equity at 31.12.2010</b>	<b>40,000</b>	<b>20,000</b>	<b>51,000</b>	<b>275,112</b>	<b>29,904</b>	<b>416,016</b>
Allocation of profit	–	40,000	–	–10,096	–29,904	–
Interest on capital due to the State	–	–	–	–3,200	–	–3,200
Distribution of profit to the State	–	–	–	–12,000	–	–12,000
Profit for 2011	–	–	–	–	14,707	14,707
<b>Equity at 31.12.2011</b>	<b>40,000</b>	<b>60,000</b>	<b>51,000</b>	<b>249,816</b>	<b>14,707</b>	<b>415,523</b>



# Notes to the financial statements

## 1 Accounting principles

The financial statements 2011 of Azienda Elettrica Ticinese (AET) were prepared in accordance to the Swiss GAAP FER as a whole and approved by the Board of Directors on 25.04.2012.

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

### 1.1 Tangible fixed assets

Tangible fixed assets are valued on the basis of the acquisition or construction cost, taking into account the necessary technical-economical depreciation. Depreciation is computed on a straight-line basis, considering the technical life of the assets generally recognised 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, and interest is not capitalised. Tangible fixed assets under construction are not depreciated. The minimum and maximum depreciation periods for each tangible fixed asset category are as follows:

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

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

### 1.2 Financial assets

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

**1.3 Intangible assets**

Plants and equipment use rights represent the right of energy transmission on third party gridlines. They are amortised on a straight-line basis taking into account the contractual agreements and the technical life of the plant (40-75 years). The energy procurement rights are capitalised at their cost and straight-line amortised on the basis of their useful life (10-20 years). Other intangible assets are capitalised at their acquisition cost and 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 and spare parts. Inventories are capitalised at the lower of weighted average purchase price and market value. The carrying value of inventories are adjusted for slow-moving.

**1.6 Cash and cash equivalents**

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

**1.7 Impairment**

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

**1.8 Provisions**

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

**1.9 Liabilities**

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

**1.10 Off-balance-sheet transactions**

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



### **1.11 Income**

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

### **1.12 Pension funds**

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

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

### **1.13 Taxes**

AET is not subject to any direct tax.

### **1.14 Related party transactions**

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

## 2 Tangible fixed assets

	Operating plants and equipment	Land and buildings	Tangible fixed assets under construction	Other tangible fixed assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2010</b>	<b>451,622</b>	<b>43,727</b>	<b>52,476</b>	<b>6,944</b>	<b>554,769</b>
Reclassification	43,639	–	–43,639	–	–
Additions	13	–	19,516	497	20,026
Disposals	–1,243	–	–	–255	–1,498
<b>Cost value at 31.12.2010</b>	<b>494,031</b>	<b>43,727</b>	<b>28,353</b>	<b>7,186</b>	<b>573,297</b>
Reclassification	13,106	423	–15,416	181	–1,706
Additions	–	–	16,817	356	17,173
Disposals	–2,661	–	–	–209	–2,870
<b>Cost value at 31.12.2011</b>	<b>504,476</b>	<b>44,150</b>	<b>29,754</b>	<b>7,514</b>	<b>585,894</b>
<b>Accumulated depreciation at 01.01.2010</b>	<b>–242,285</b>	<b>–6,157</b>	<b>–</b>	<b>–5,836</b>	<b>–254,278</b>
Reclassification	–	–	–	–	–
Depreciation	–9,694	–381	–	–447	–10,522
Disposals	–	–	–	255	255
<b>Accumulated depreciation at 31.12.2010</b>	<b>–251,979</b>	<b>–6,538</b>	<b>–</b>	<b>–6,028</b>	<b>–264,545</b>
Reclassification	–	–	–	–	–
Depreciation	–11,978	–380	–	–479	–12,837
Disposals	1,220	–	–	209	1,429
<b>Accumulated depreciation at 31.12.2011</b>	<b>–262,737</b>	<b>–6,918</b>	<b>–</b>	<b>–6,298</b>	<b>–275,953</b>
<b>Net carrying amount at 01.01.2010</b>	<b>209,337</b>	<b>37,570</b>	<b>52,476</b>	<b>1,108</b>	<b>300,491</b>
<b>Net carrying amount at 31.12.2010</b>	<b>242,052</b>	<b>37,189</b>	<b>28,353</b>	<b>1,158</b>	<b>308,752</b>
<b>Net carrying amount at 31.12.2011</b>	<b>241,739</b>	<b>37,232</b>	<b>29,754</b>	<b>1,216</b>	<b>309,941</b>

The insured value of tangible fixed assets against fire risk amounts to CHF 472 million at 01.01.2012 (CHF 470 million at 01.01.2011).

### 3 Participations

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA	8,000	8,000
./ impairment	-3,551	-3,551
Metanord SA	5,505	5,505
AET NE1 SA	4,000	4,000
Parco eolico del San Gottardo SA	2,452	1,822
Senco Holding SA	1,136	1,136
./ impairment	-	-600
Calore SA	978	978
Terravent AG	214	-
TERIS Teleriscaldamento del Bellinzonese SA	120	120
<b>Total</b>	<b>18,854</b>	<b>17,410</b>

In 2011 Parco eolico del San Gottardo SA has increased its capital with CHF 0.9 million, AET subscribed the 70% of the increase.

After an analysis of the strategical - financial positioning of Senco Holding and its participates, the impairment in financial statements 2010 has been released.

Terravent AG has been established on 05.07.2011; AET participated to its constitution with CHF 0.2 million, counting for 21.4% of the capital.

### 4 Long-term securities

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Trianel Kohlekraftwerk Lünen GmbH & Co.KG	38,178	38,178
Renewable Energy Investments SPC	15,678	15,678
./ impairment	-6,900	-4,600
Kraftwerke Mattmark AG	12,587	12,744
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	6,300	6,300
Airlight Energy Holding SA	2,862	2,862
Other	165	140
<b>Total</b>	<b>68,870</b>	<b>71,302</b>

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 NAV information (31.12.2010). The increase of the impairment has been recorded as financial expense.

## 5 Advances and loans to participations

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
SPE Società per Partecipazioni Energetiche SA	34,882	30,776
./. impairment	-19,507	-12,068
Metanord SA	4,300	1,000
AET NE1 SA	3,737	4,737
Geopower Basel AG	2,628	2,628
./. impairment	-2,628	-2,628
TERIS Teleriscaldamento del Bellinzonese SA	600	300
CEL Cerentino SA	396	466
Geo-Energie Suisse AG	321	-
Parco eolico del San Gottardo SA	300	-
Senco Holding SA	150	150
<b>Total</b>	<b>25,179</b>	<b>25,361</b>

The advance to SPE Società per Partecipazioni Energetiche SA (SPE) is subordinated for an amount of CHF 15 million (31.12.2010: CHF 15 million) and it is subject to an impairment due to the durable value reduction of its participated companies. In the course of 2011 the impairment has been increased following the deterioration of the market conditions. In particular fuel prices increases upled with low energy prices have reduced the value of the thermoelectric power station assets.

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

## 6 Other financial assets

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Advance to PurEnergy SA	2,428	-
Advance to EGL AG	2,243	3,145
Other	893	28
<b>Total</b>	<b>5,564</b>	<b>3,173</b>

During 2011 AET granted an advance to PurEnergy, obtaining the transfer of credits for the coverage of the advance refund.

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

## 7 Intangible assets

	Plant and equipment use rights	Energy procurement rights	Intangible assets under construction	Other intangible assets	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Cost value at 01.01.2010</b>	<b>6,816</b>	<b>151,583</b>	<b>1,020</b>	<b>2,349</b>	<b>161,768</b>
Reclassification	–	–	–	–	–
Additions	–	–	2,333	–	2,333
Disposals	–	–	–	–	–
<b>Cost value at 31.12.2010</b>	<b>6,816</b>	<b>151,583</b>	<b>3,353</b>	<b>2,349</b>	<b>164,101</b>
Reclassification	1,706	–	–4,490	4,490	1,706
Additions	–	–	1,137	–	1,137
Disposals	–	–	–	–	–
<b>Cost value at 31.12.2011</b>	<b>8,522</b>	<b>151,583</b>	<b>–</b>	<b>6,839</b>	<b>166,944</b>
<b>Accumulated amortisation at 01.01.2010</b>	<b>–1,943</b>	<b>–18,524</b>	<b>–</b>	<b>–1,207</b>	<b>–21,674</b>
Reclassification	–	–	–	–	–
Amortisation	–157	–8,996	–	–495	–9,648
Disposals	–	–	–	–	–
<b>Accumulated amortisation at 31.12.2010</b>	<b>–2,100</b>	<b>–27,520</b>	<b>–</b>	<b>–1,702</b>	<b>–31,322</b>
Reclassification	–	–	–	–	–
Amortisation	–157	–8,862	–	–719	–9,738
Disposals	–	–	–	–	–
<b>Accumulated amortisation at 31.12.2011</b>	<b>–2,257</b>	<b>–36,382</b>	<b>–</b>	<b>–2,421</b>	<b>–41,060</b>
<b>Net carrying amount at 01.01.2010</b>	<b>4,873</b>	<b>133,059</b>	<b>1,020</b>	<b>1,142</b>	<b>140,094</b>
<b>Net carrying amount at 31.12.2010</b>	<b>4,716</b>	<b>124,063</b>	<b>3,353</b>	<b>647</b>	<b>132,779</b>
<b>Net carrying amount at 31.12.2011</b>	<b>6,265</b>	<b>115,201</b>	<b>–</b>	<b>4,418</b>	<b>125,884</b>

The energy procurement rights mainly refer to an energy procurement right from EDF (termination 31.12.2027).

<b>8 Receivables from goods and services</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Group companies	37,421	18,856
Other related parties	61	664
Third parties	164,749	162,196
<b>Total</b>	<b>202,231</b>	<b>181,716</b>

The balance includes receivables in foreign currency for EUR 113.2 million (EUR 98.7 million at 31.12.2010).

<b>9 Other short-term receivables</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Group companies	–	–
Other related parties	453	652
Third parties	1,818	4,336
<b>Total</b>	<b>2,271</b>	<b>4,988</b>

<b>10 Prepayments and accrued income</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Group companies	667	605
Other related parties	3,271	4,058
Third parties	14,547	10,924
Work in progress	1,450	1,129
<b>Total</b>	<b>19,935</b>	<b>16,716</b>

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

<b>11 Cash and cash equivalents</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Balances in CHF	48,614	51,394
Balances in foreign currency (at the end of year equivalent)	9,375	26,202
<b>Total</b>	<b>57,989</b>	<b>77,596</b>

All balances are freely available, excepted for the equivalent value of CHF 7.1 million (CHF 0.7 million at 31.12.2010) deposited in foreign bank accounts in euro for the coverage of commercial transactions in international markets.

## 12 Provisions

	Onerous contracts of participations	Energy sale onerous contracts	Indemnifications and plant decommissioning	Others provisions	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Carrying amount at 01.01.2010</b>	–	<b>14,900</b>	<b>12,680</b>	<b>5,589</b>	<b>33,169</b>
<b>thereof long-term</b>	–	<b>7,000</b>	<b>12,680</b>	–	<b>19,680</b>
<b>thereof short-term</b>	–	<b>7,900</b>	–	<b>5,589</b>	<b>13,489</b>
Increase	3,500	–	530	–	4,030
Utilisation	–	–	–	–	–
Release	–	–7,900	–	–50	–7,950
<b>Carrying amount at 31.12.2010</b>	<b>3,500</b>	<b>7,000</b>	<b>13,210</b>	<b>5,539</b>	<b>29,249</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>1,200</b>	<b>13,210</b>	–	<b>17,910</b>
<b>thereof short-term</b>	–	<b>5,800</b>	–	<b>5,539</b>	<b>11,339</b>
Increase	–	–	552	1,973	2,525
Utilisation	–	–	–	–1,784	–1,784
Release	–	–5,800	–	–	–5,800
<b>Carrying amount at 31.12.2011</b>	<b>3,500</b>	<b>1,200</b>	<b>13,762</b>	<b>5,728</b>	<b>24,190</b>
<b>thereof long-term</b>	<b>3,500</b>	<b>800</b>	<b>13,762</b>	–	<b>18,062</b>
<b>thereof short-term</b>	–	<b>400</b>	–	<b>5,728</b>	<b>6,128</b>

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

The provision for energy sale onerous contracts covers the cost expected in respect of the execution of energy delivery contracts finalised in the past at sale prices below the average energy procurement of AET. The release of the provisions for onerous contract on energy sale corresponds to the provision part related to 2011.

The provision for indemnifications and plant decommissioning cover the expected cost of indemnification related to the operation of own plants as well as the expected future cost of decommissioning AET plants at the end of their utilisation. The present value at the balance sheet date of the expected expense was computed by applying a 4% interest rate; the provision increase in 2010 reflects the impact of the discounting.

The other provisions include the expected operating cost arising from past events, of which CHF 1.3 million (2010: 1.4 million) related to the cost of litigation. The constitution of other provisions includes a short term amount of CHF 1 million intended to the financing of the quota entitled to the employer for the restructuring contributions of the "Fondo per il pensionamento anticipato del personale dell'Azienda Elettrica Ticinese".

**13 Long-term financial liabilities**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Dexia Dublin, 10.01.2008–10.01.2028 <sup>1</sup> , 3.460%	150,000	150,000
Zürcher Kantonalbank (ZKB), 18.08.2005–18.08.2025, 2.875%	20,000	20,000
Zürcher Kantonalbank (ZKB), 02.06.2006–02.06.2016, 3.375%	15,000	15,000
Allianz Suisse, 03.05.2011–03.05.2026, 2.830%	13,000	–
Fondi di compensazione AVS, 03.05.2011–03.05.2021, 2.540%	13,000	–
Dexia Dublin, 01.06.2007–01.06.2022, 3.1425%	–	25,000
<b>Total</b>	<b>211,000</b>	<b>210,000</b>

<sup>1</sup> Repayment dates: CHF 50 million on the 10.01.2018, CHF 50 million on the 10.01.2023, CHF 50 million on the 10.01.2028

**14 Payables from goods and services**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Group companies	14,266	4,092
Other related parties	1,890	1,877
Third parties	133,321	147,116
<b>Total</b>	<b>149,477</b>	<b>153,085</b>

The balance includes payables in foreign currency for EUR 99.3 million (EUR 106.9 million at 31.12.2010).

**15 Short-term financial liabilities**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Liabilities toward financial institutions in CHF	–	–
Liabilities toward financial institutions in foreign currency	19,422	18,758
<b>Total</b>	<b>19,422</b>	<b>18,758</b>



**16 Other short-term liabilities**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Group companies	–	–
Other related parties	–	–
Third parties	4,352	1,398
<b>Total</b>	<b>4,352</b>	<b>1,398</b>

**17 Accrued liabilities and deferred income**

	31.12.2011	31.12.2010
	CHF 1,000	CHF 1,000
Group companies	316	–
Other related parties	–	–
Third parties	16,516	15,524
<b>Total</b>	<b>16,832</b>	<b>15,524</b>

**18 Energy sales**

	2011	2010
	CHF 1,000	CHF 1,000
Energy sales in Ticino	199,588	202,880
Energy sales in Switzerland	89,571	117,856
Energy sales in Italy	471,753	500,188
Energy sales in Germany	526,603	467,488
Energy sales in France	67,614	155,642
Other income energysales	9,674	9,255
<b>Total</b>	<b>1,364,803</b>	<b>1,453,309</b>

<b>19 Other operating income</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Own costs capitalised	4,106	3,442
Income from services	7,032	5,395
Other	4,187	3,877
<b>Total</b>	<b>15,325</b>	<b>12,714</b>

<b>20 Energy purchase</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Purchases from participations	-44,812	-42,718
Purchases in Ticino	-30,852	-31,190
Purchases outside of Ticino	-1,218,133	-1,297,216
<b>Total</b>	<b>-1,293,797</b>	<b>-1,371,124</b>

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

<b>21 Personnel expenses</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Salaries and other compensation	-21,088	-20,522
Social contributions	-4,952	-4,293
Other expenses	-510	-491
Recoveries from insurance companies	291	260
<b>Total</b>	<b>-26,259</b>	<b>-25,046</b>

<b>Employees of the company</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Full time equivalent		
Permanent employees	201.4	196.8
Temporary auxiliary employees	7.5	5.3
Apprentices	12.0	12.0
<b>Total</b>	<b>220.9</b>	<b>214.1</b>

**22 Other operating expenses**

	2011	2010
	CHF 1,000	CHF 1,000
Water fees to the Canton Ticino State	-11,358	-9,087
Local taxes and other contributions	-1,859	-1,870
Other	-7,893	-7,370
<b>Total</b>	<b>-21,110</b>	<b>-18,327</b>

On 01.01.2011 an adjustment of the water fees came into force, increasing the water fees to the Canton Ticino State from CHF 80 to CHF 100 per gross kW.

**23 Financial income**

	2011	2010
	CHF 1,000	CHF 1,000
Interest income	774	994
Income from participations	430	442
<b>Total</b>	<b>1,204</b>	<b>1,436</b>

**24 Financial expenses**

	2011	2010
	CHF 1,000	CHF 1,000
Interest payments and commissions	-7,371	-7,393
Exchange rate differences	-1,454	-6,714
Other	-2,901	-1,700
<b>Total</b>	<b>-11,726</b>	<b>-15,807</b>

**25 Extraordinary result**

	2011	2010
	CHF 1,000	CHF 1,000
Profit from disposal of tangible and intangible fixed assets	34	63
Other extraordinary income	600	606
Impairments of financial investments	-7,792	-733
Increase of provision for onerous contracts of participations	-	-3,500
Other extraordinary expenses	-2,611	-
<b>Total</b>	<b>-9,769</b>	<b>-3,564</b>

Other extraordinary expenses are related to dismissed projects.

## 26 Contingent liabilities

<b>Guarantees</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
CEG SpA and participations	68,472	76,554
AET CoGen Srl	20,949	21,580
AET Italia Srl	27,148	18,068
AET Idronord Srl	2,467	2,542
<b>Total</b>	<b>119,036</b>	<b>118,744</b>

Guarantees are issued in favor of foreign financial institutions to guarantee loans to the participations. The guarantees were granted in favour of creditors of the CEG group and are related for CHF 53 million to leasing contract with residual debt of CHF 38.7 million on 31.12.2011.

<b>Other commitments</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	CHF 1,000	CHF 1,000
Commitments related to company acquisitions	2,000	2,000

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

## 27 Other non-recognisable commitments

In the context of the management of its energy portfolio, the AET has finalised various long-term energy acquisition contracts with irrevocable obligation:

<b>Energy purchase contracts and market operations</b>	<b>Market operations</b>	<b>Long-term contracts</b>
	CHF million	CHF million
Cumulative volume <sup>1</sup>		
2012	686	142
from 2 to 5 year	200	509
over 5 year	–	541

<sup>1</sup>The positions in foreign currency are converted at year end exchange rates. The long-term contracts mentioned above include indexing of the purchase price. The yearly value of the contract is estimated on the basis of the price level at 2011 year end.

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

Finally, the AET has entered into an interconnection capacity agreement with expiration 2022 and with an annual volume of CHF 3.6 million (countervalue based on year end exchange rate and contract price index 2011).

At 31.12.2011 AET has no off-balance sheet lease commitments (31.12.2010: unchanged).

## 28 Pension institutions

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

At 31.12.2010	Coverage rate	Economic benefit/ economic obligations for the company	Change recognised in the result of the period	Contributions concerning the business period	Pension benefit expense in the personnel expenses
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cassa Pensione Energia	107.90%	–	–	1,728	1,728
Fondo Pensionamento Anticipato dell'AET	92.50%	–	–	385	385
<b>Total</b>		<b>–</b>	<b>–</b>	<b>2,113</b>	<b>2,113</b>

AET foresees to be asked to contribute to the restructuring of the "Fondo per il pensionamento anticipato del personale dell'AET" for an estimated amount of CHF 1 million. Consequently in 2011 a short-term provision of CHF 1 million was constituted debiting personnel expenses.

## 29 Transactions with related parties

Transactions with subsidiaries	2011	2010
	CHF 1,000	CHF 1,000
Energy sales	101,400	53,060
Service and other income	3,619	3,595
Energy purchase	58,570	16,255
Service and other expenses	–	–
Advances paid	20,012	20,194
Receivables from goods and services	36,764	18,775
Prepayments and accrued income	33	–
Payables from goods and services	14,266	4,092
Accrued liabilities and deferred income	11	–
Guarantees	50,564	42,190

Transactions with associates	2011	2010
	CHF 1,000	CHF 1,000
Energy sales	3	3
Service and other income	1,082	738
Energy purchase	304	–
Service and other expenses	15	–
Advances paid	4,846	9,720
Receivables from goods and services	657	81
Prepayments and accrued income	635	605
Payables from goods and services	–	–
Accrued liabilities and deferred income	304	–
Guarantees	68,472	76,554

<b>Transactions with other related parties</b>	<b>2011</b>	<b>2010</b>
	CHF 1,000	CHF 1,000
Energy sales	–	–
Service and other income	217	103
Energy purchase	44,265	42,718
Service and other expenses	394	26
Advances paid	322	–
Receivables from goods and services	61	25
Prepayments and accrued income	3,271	4,058
Payables from goods and services	1,890	–
Accrued liabilities and deferred income	–	–
Guarantees	–	–

### 30 Risk assessment

The Board of Directors and Management give the utmost attention and 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. The implementation of the new IT platform *Energy Trading and Risk Management*, in the summer of 2011, has provided the Risk management of AET with an efficient instrument to continually strengthen the monitoring and the management of risks, in particular permitting the analysis of the evolutions foreseen in the portfolio on the basis of data from the forward markets.

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

- **Volume risk:** is the risk associated with the variation in the volume of sales, respectively of production compare to the forecasted volumes. It's principal cause is the meteorological risk in that the meteorological deviations from the long-term averages cause variations in consumption and production from the hydroelectric plants that are difficult to predict. In the long-term AET manages this risk by diversifying it's supplies with long-term contracts and participations. In the medium to short-term this risk is managed with a gradual rebalancing of the portfolio using updated predictions and historical data. In addition AET can count on a certain reserve capacity from it's own hydroelectric plants.

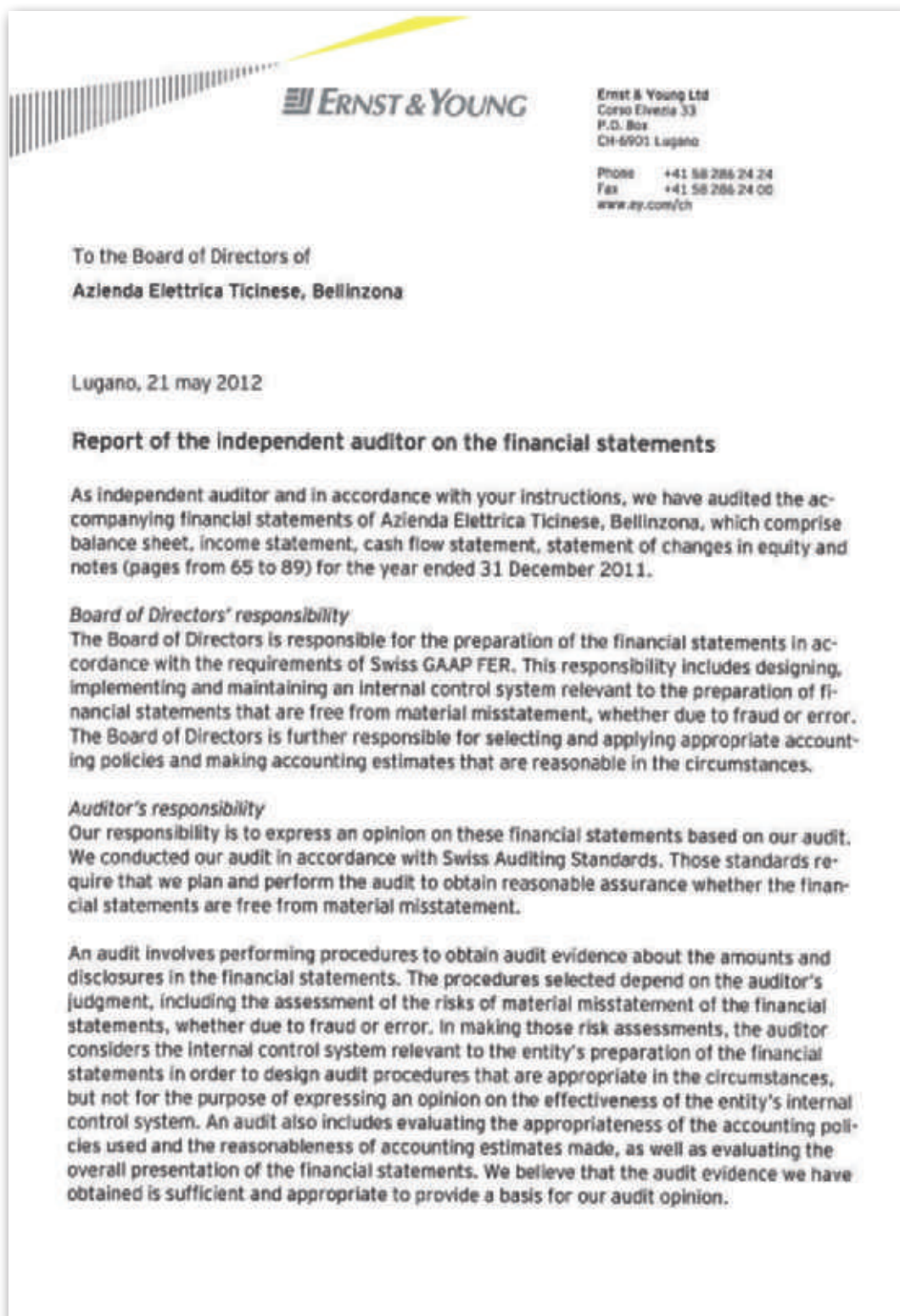


- **Market risk:** this is the risk associated with the variations in the price of energy on the markets and the fluctuation of exchange rates. AET manages this risk by monitoring the evolutions and the expectations of market prices and consequently cover the positions. The foreign exchange risk is managed 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 covered in advance because unknown.
- **Counterparty risk:** this is represented by the risk of loss related to the default of payment by commercial counterparties. AET mainly does business with Swiss large electric companies, respectively from bordering countries. Limits of exposure are fixed for each counterparty, based on their economic and financial situation.

### 31 Subsequent events

No significant event.





To the Board of Directors of  
**Azienda Elettrica Ticinese, Bellinzona**

Lugano, 21 May 2012

### **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 65 to 89) for the year ended 31 December 2011.

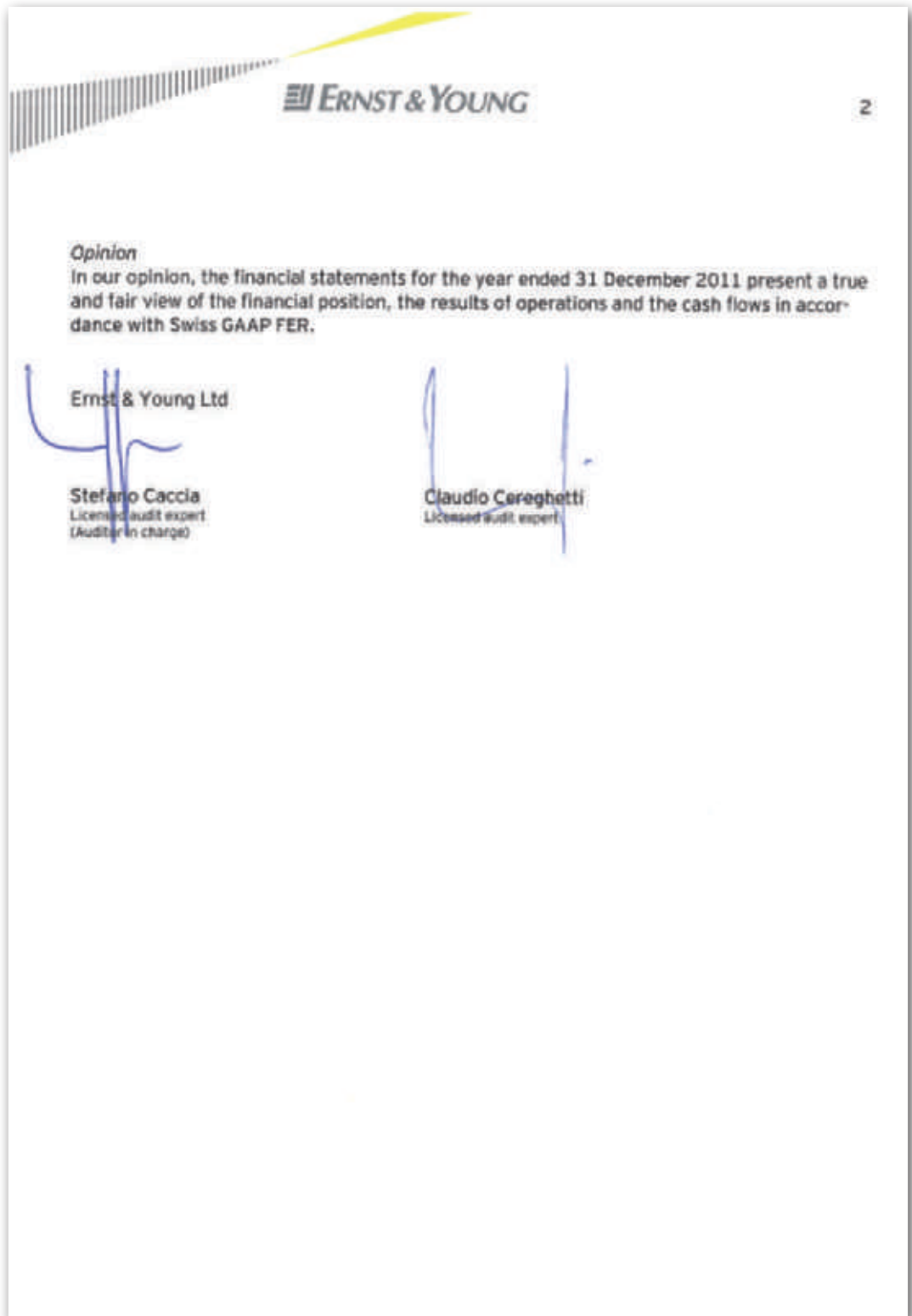
#### *Board of Directors' responsibility*

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

#### *Auditor's responsibility*

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

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



Ernst & Young Ltd

**Stefano Caccia**  
Licensed audit expert  
(Auditor in charge)

**Claudio Cereghetti**  
Licensed audit expert

**AUDITOR'S REPORT**

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

Bellinzona, May 22nd, 2012

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 2011 financial year.

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

We have also reviewed the Auditors' report dated May 21st, 2012, issued by Ernst & Young SA, Lugano, which performed its audit in accordance with art. 727b and art. 729a of the Swiss Code of Obligations.

Based on our audit, we have ascertained that:

- the financial statements (consisting of balance sheet, income statement, notes and cash flow statement), which have been submitted to us and proposed for publication, agree with the entries of the financial accounting records;
- the financial accounting records have been kept properly;
- the proposal of the Board of Directors regarding the allocation of profit complies with the 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 May 21st, 2012.

With regard to AET CoGen S.r.l., on which we expressed a reserve in our report for the 2009 financial year and mentioned again in 2010, we have to point out that it required the adoption of extraordinary measures also in 2011. As a matter of fact, AET had to proceed to a recapitalisation of the company and to record an impairment of the granted advances.

Based on these considerations, we propose that you:

- approve the financial statements for the year 2011, which closed with a profit for the year of CHF 14'707'343;
- accept the proposal for the allocation of the profit presented by the Board of Directors.

Finally, the auditors suggest to the Parliament to review the strategic course of AET, already oriented to the soon to be approved PEC (Canton's Energetic Plan), in light of the plausible evolution of the market and the national policy.

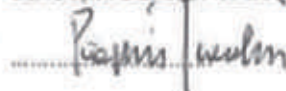
In conclusion, we propose that you discharge the Board of Directors and the Executive Committee for their management during 2011.

The auditors:

Sergio Gianini



Lic. rer. pol. Gianluigi Piazzini



Dr. oec. Giancarlo Prada









# AET Group companies

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

<sup>1</sup> voting rights of 8.1%



Activity	Value	Nominal equity at 31.12.2011	Participation at 31.12.2011	Participation at 31.12.2010
Detention transit power grid in Ticino	CHF	4,000,000	100.0%	100.0%
Exploitation of alternative energy technologies	CHF	20,400,000	12.2%	15.4%
Detention of sub-participation and nuclear energy procurement rights	CHF	90,000,000	7.0%	7.0%
Production of heat/refrigeration	CHF	2,000,000	48.9%	48.9%
Construction and management of thermal and renewable energy plants	CHF	300,000	16.1%	–
Engineering services in favour of Calore SA	CHF	50,000	48.9%	48.9%
Research in the geothermal energy field	CHF	700,000	14.3%	14.3%
Research in the geothermal energy field	CHF	6,136,000	4.8%	4.8%
Sub-participation through EGL AG. Hydroelectric production	CHF	90,000,000	8.4%	8.4%
Construction of gas distribution plants	CHF	18,594,000	31.0%	31.0%
Engineering services in favour of Metanord SA	CHF	100,000	31.0%	31.0%
Construction and management of windpark on St. Gotthard	CHF	1,000,000	70.0%	70.0%
Investment vehicle for the construction of renewable energy plants	EUR	50,187,000	20.1%	20.1%
Acquisition of participations in the hydroelectric micro power plants	CHF	150,000	50.0%	50.0%
Engineering services in favour of hydro power plants promoted by Senco Holding SA	CHF	220,000	50.0%	50.0%
Energy production, micro hydroelectric power plant	CHF	200,000	9.0%	9.0%
Energy production, micro hydroelectric power plant	CHF	200,000	10.0%	10.0%
Energy production, micro hydroelectric power plant	CHF	200,000	10.0%	10.0%
Development of micro hydroelectric power plant	CHF	200,000	10.0%	10.0%
Development of micro hydroelectric power plant	CHF	100,000	10.0%	10.0%
Development of micro hydroelectric power plant	CHF	100,000	10.0%	10.0%
Subholding	CHF	8,000,000	100.0%	100.0%
Subholding	EUR	4,835,900	100.0%	100.0%
Energy production from thermal power plant gas	EUR	100,000	100.0%	100.0%
Hydroelectric energy production	EUR	1,000,000	90.0%	90.0%
Energy trading	EUR	100,000	100.0%	100.0%
Production of electrical and thermal energy	EUR	5,000,000	50.0%	50.0%
Energy production from biofuel power plant	EUR	50,000	50.0%	50.0%
Energy production from biofuel power plant	EUR	100,000	25.0%	25.0%
Construction of biofuel power plant	EUR	20,000	25.0%	25.0%
Management of cross-border interconnection power line (Merchant Line)	EUR	10,200,000	40.0%	40.0%
Detention of Mendrisio – Stabio border power line	CHF	14,000,000	40.0%	40.0%
Not active company	CHF	100,000	50.0%	50.0%
Main Contractor for the construction of biofuel-fired power plants	EUR	20,000	50.0%	50.0%
Radio and television productions	CHF	4,950,000	11.0% <sup>1</sup>	11.0% <sup>1</sup>
District heating	CHF	200,000	60.0%	60.0%
Wind power production	CHF	1,000,000	21.4%	–
Production of energy from the coal-fired power plant in Lünen	EUR	147,944,200	15.8%	15.8%

# Statistical information

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## Production in Ticino (in GWh)

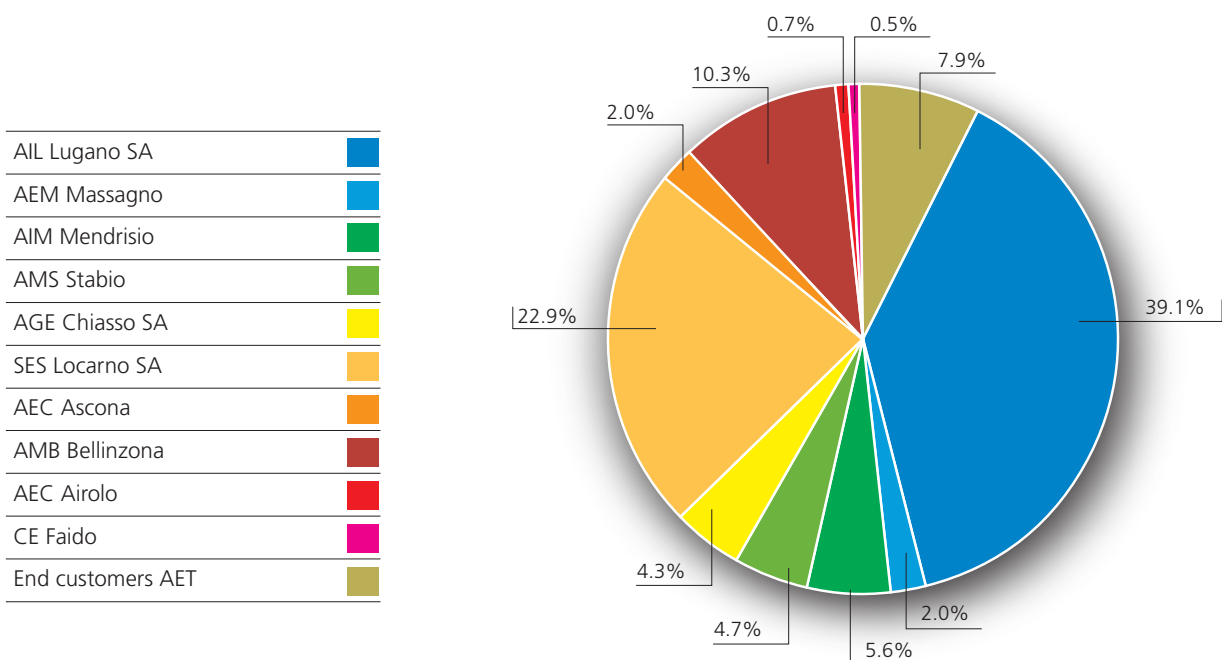
Production of power plants in Ticino in 2011 (deducing pumping energy and excluding SBB) decreased by 10% and was equal to 96% of the multiannual average.

	Winter	Summer	Year	2010
Biaschina	123	190	313	400
Piottino	113	132	245	298
Stalvedro	21	24	45	56
Tremorgio	5	–	5	9
Ponte Brolla	4	6	10	13
Lucendro	62	13	75	89
Verzasca	75	142	217	275
Morobbia	15	23	38	47
Giumaglio	6	13	19	26
Ticinetto	2	8	10	9
Stampa	8	7	15	19
Ceresa	4	7	11	11
Calcaccia	4	9	13	14
Minor power plants and private producers	12	22	34	36
ACR	48	53	101	98
<b>Subtotal</b>	<b>502</b>	<b>649</b>	<b>1,151</b>	<b>1,400</b>
Maggia	555	565	1,120	1,272
Blenio	449	550	999	946
<b>Total</b>	<b>1,506</b>	<b>1,764</b>	<b>3,270</b>	<b>3,618</b>

## Consumption in Ticino (in GWh)

Electrical power consumption in the Canton Ticino decreased by 3.7% (- 4% in winter, - 3.4 % in summer)

	Winter	Summer	Year	2010	Increase %
AEC Airolò	12	9	21	21	0.0
AEC Ascona	30	28	58	61	-4.9
AEM Massagno	35	22	57	61	-6.5
AGE Chiasso SA	66	57	123	123	0.0
AIL Lugano SA	612	503	1,115	1,140	-2.1
AIM Mendrisio	85	74	159	160	-0.6
AMB Bellinzona	164	129	293	300	-2.3
AMS Stabio	68	65	133	138	-3.6
CE Faido	8	6	14	15	-6.6
SES Locarno SA	387	267	654	699	-6.4
TIMCAL SA	50	72	122	129	-5.4
AlpTransit	41	40	81	92	-11.9
SSC and others	12	11	23	24	-4.1
<b>Total</b>	<b>1,570</b>	<b>1,283</b>	<b>2,853</b>	<b>2,963</b>	<b>-3.7</b>



## Production and procurement (in MWh)

Hydroelectric production of AET, including participations and compensations, was 1,221 million kWh, 13% lower than in 2010. The nuclear participations increased by 55%, from 241 million kWh in 2010 to 373 million kWh in 2011. The purchasing of energy increased by 1.2% compared to the previous period.

		Winter	Summer	Year	2010
<b>Own production</b>	Stalvedro	20,917	24,186	45,103	55,796
	Tremorgio	4,565	304	4,869	8,851
	Piottino	112,559	132,052	244,611	297,515
	Biaschina	122,921	189,720	312,641	400,271
	Ponte Brolla	4,437	6,257	10,694	13,462
	OFIMA payement	7,200	30,992	38,192	32,832
	Photovoltaic	172	373	545	409
<b>Participations</b>	Verzasca	24,971	47,426	72,397	91,573
	Blenio	89,440	107,982	197,422	179,979
	Maggia	125,069	122,449	247,518	270,641
	Mattmark	19,846	26,882	46,728	50,006
	AKEB (nuclear)	180,492	178,549	359,041	227,831
	KK Leibstadt	7,767	6,342	14,109	12,920
	AET CoGen	30,024	16,823	46,847	61,771
<b>Energy's purchase</b>	Purchase <sup>1</sup>	8,406,653	8,495,185	16,901,838	16,700,294
	Exchange power	610	612	1,222	5,597
<b>Total</b>		<b>9,157,643</b>	<b>9,386,134</b>	<b>18,543,777</b>	<b>18,409,748</b>

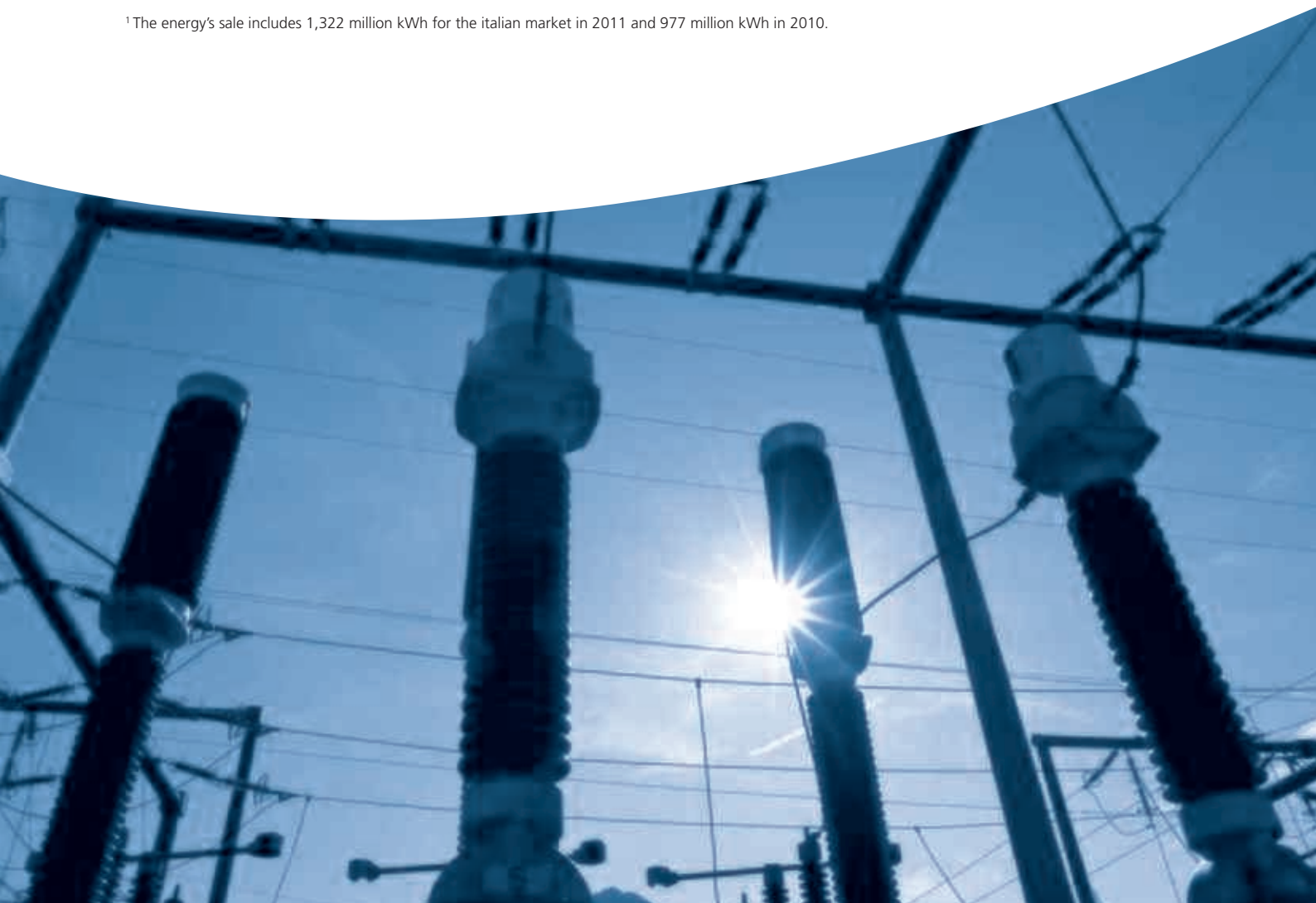
<sup>1</sup> The purchase includes 1,322 million kWh for the Italian market in 2011 and 977 million kWh in 2010.

## AET sales (in MWh)

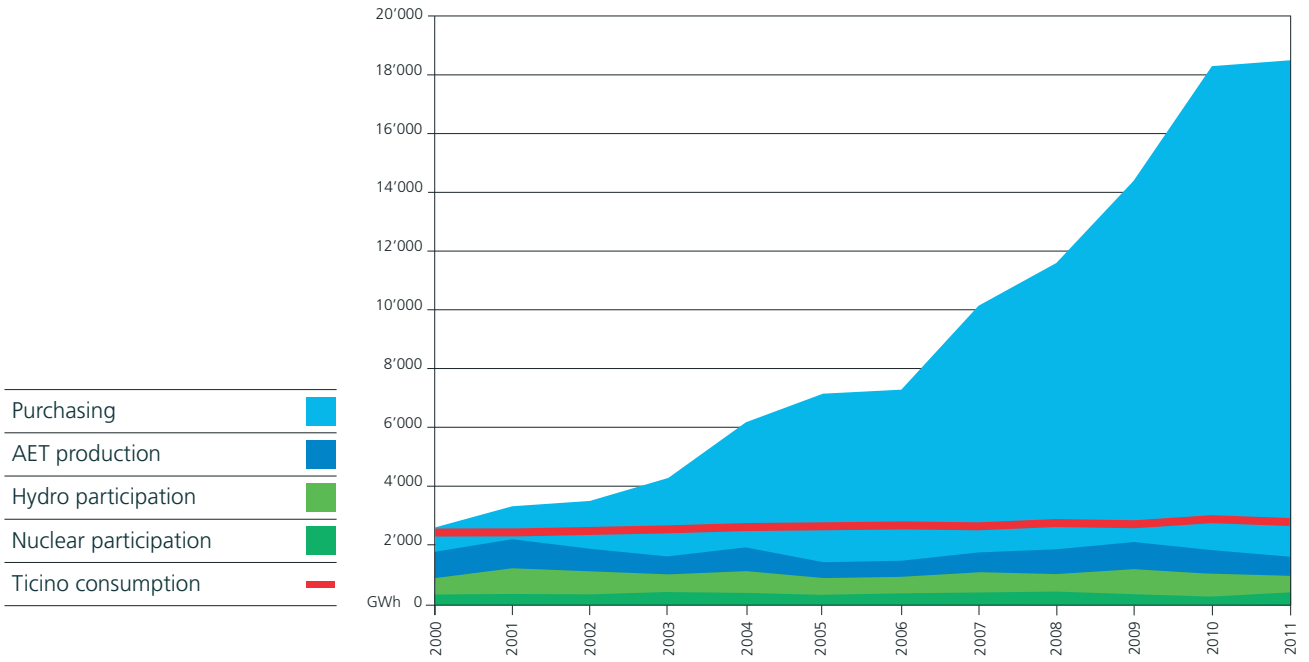
AET's distribution to costumers decreased by 51 million kWh compared to 2010 (-1.8%). The share of demand in the Canton Ticino was 96.6%, compared to 94.7% in 2010. Energy sale recorded an increase of 185 million of kWh (+1.2%) compared with the previous period.

		Winter	Summer	Year	2010
<b>Users</b>	Distribution companies	1,429,835	1,100,528	2,530,363	2,562,951
	End customers	102,894	123,143	226,037	244,196
<b>Energy's sale<sup>1</sup></b>	Sale	7,587,152	8,109,488	15,696,640	15,511,935
	Exchange power	18,396	26,671	45,067	51,817
<b>Total</b>		<b>9,138,277</b>	<b>9,359,830</b>	<b>18,498,107</b>	<b>18,370,899</b>
<b>Own consumption and losses</b>		<b>19,410</b>	<b>26,260</b>	<b>45,670</b>	<b>38,849</b>

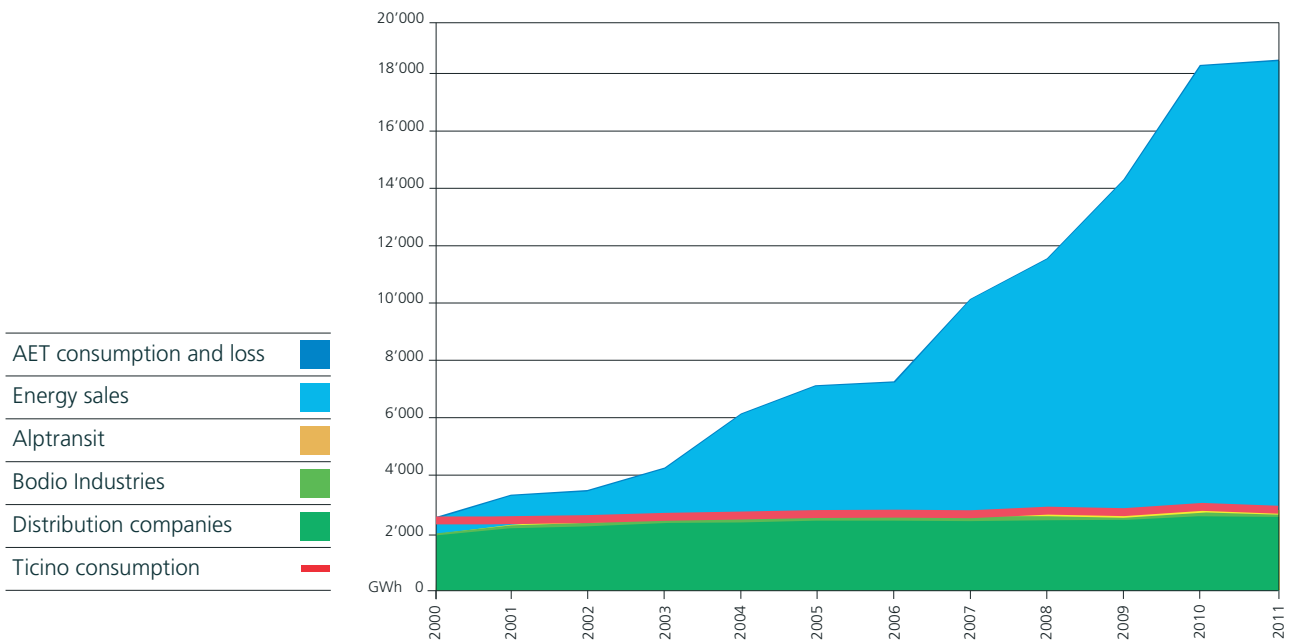
<sup>1</sup>The energy's sale includes 1,322 million kWh for the italian market in 2011 and 977 million kWh in 2010.



## Production and procurement AET



## Supply







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