Financial statements 2012

Services Industriels de Genève

1

Audit report

As statutory auditor, we have audited from pages 3 to 58 the accompanying consolidated financial statements of Services Industriels de Genève, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of the International Financial Reporting Standards (IFRS) and the articles 158 to 160 of the Constitution of the Republic and Canton of Geneva and the "Loi sur l'organisation des Services Industriels de Genève" dated 5 October 1973. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with the articles 158 to 160 of the Constitution of the Republic and Canton of Geneva and the "Loi sur l'organisation des Services Industriels de Genève" dated 5 October 1973.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Geneva, 19 March 2013

KPMG SA

Pierre Henri Pingeon	Valérie Reymond Benetazzo
Licensed audit expert	Licensed audit expert
Auditor in Charge	

2

Financial statements

as at 31 December 2012

Consolidated statement of comprehensive income

for the financial year

		2012	2011	Note
	Revenue	1'077'981	1'053'927	2
Revenue		**1'077'981**	**1'053'927**	
	Energy purchases for resale	415'838	443'748	3
	Operating expenses	337'305	337'127	4
	- Personnel expenses	*258'814*	*254'686*	
	- Fees and external mandates	*24'115*	*23'675*	
	- Waste disposal expenses	*10'409*	*10'828*	
	- General operating expenses	*77'228*	*79'744*	
	- Capitalised and stored production	*-33'261*	*-31'806*	
	Pension obligation	35'495	34'796	21
	Amortisation	116'828	115'824	5
Expenses		**905'466**	**931'495**	
Results from operating activities		**172'515**	**122'432**	
	Finance expense	-22'189	-19'808	6
	Finance income	14'460	2'794	6
	Share of results of equity-accounted investees	-101'839	-99'070	10
Results before charges to public authorities		**62'947**	**6'348**	
	Charges to public authorities	134'224	78'914	7
Consolidated net result		**-71'277**	**-72'566**	
	Revaluation of hedging derivatives	-563	838	31
	Revaluation of available-for-sale financial assets	-218	-494	15
	Share of comprehensive income of investees consolidated by the equity method	-3'458	-2'004	10
Other comprehensive income		**-4'239**	**-1'660**	
Comprehensive income		**-75'516**	**-74'226**	

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December

Assets

		2012	2011	Note
Non-current assets	Property, plant and equipment	2'868'913	2'769'654	8
	Intangible assets	15'811	9'340	9
	Investments in associates and joint ventures	726'077	874'099	10
	Financial assets and prepayments	443'148	436'025	11
	Total non-current assets	**4'053'949**	**4'089'118**	
Current assets	Inventories and work in progress	29'135	29'508	12
	Trade receivables from supplies and services	203'094	186'947	13
	Other financial assets and prepayments	77'675	88'338	14
	Cash and cash equivalents	36'178	82'250	15
	Total current assets	**346'082**	**387'043**	
	Total assets	**4'400'031**	**4'476'161**	

Equity and liabilities

		2012	2011	Note
Equity	Share capital	100'000	100'000	16
	Consolidated reserves	2'316'684	2'392'708	17
	Hedging reserve	-630	-67	31
	Revaluation reserve of financial assets	-712	-494	
	Consolidated net result	-71'277	-72'566	29
	Total equity	**2'344'065**	**2'419'581**	
Liabilities	Non-current liabilities			
	Third party participation in investments	490'580	485'901	18
	Non-current borrowings	585'967	606'817	19
	Provisions	81'578	78'631	20
	Pension obligations	456'426	420'931	21
	Financial liabilities and other obligations	70'015	94'918	22
	Total non-current liabilities	1'684'566	1'687'198	
	Current liabilities			
	Current borrowings	20'850	20'850	19
	Suppliers	121'559	150'081	23
	Government and other public authorities	91'725	33'974	24
	Other financial liabilities and accrued expenses	137'266	164'477	25
	Total current liabilities	371'400	369'382	
	Total liabilities	**2'055'966**	**2'056'580**	
	Total equity and liabilities	**4'400'031**	**4'476'161**	

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated statement of changes in equity

as at 31 December

	Share capital	Consolidated reserves	Hedging reserve	Revaluation reserve of financial assets	Net result for the financial year	Total	Note
Balance as at 31.12.2010	**100'000**	**2'271'769**	**-905**	**0**	**122'943**	**2'493'807**	
Allocation of the consolidated net results of the previous financial year		122'943			-122'943	0	
Balance as at 01.01.2011	**100'000**	**2'394'712**	**-905**	**0**	**0**	**2'493'807**	
Consolidated net results					-72'566	-72'566	29
- SIG net results					*75'151*	*75'151*	
- Contribution of consolidated companies					*-147'717*	*-147'717*	
Other comprehensive income		-2'004	838	-494		-1'660	
- Revaluation of hedging derivatives			*838*			*838*	31
- Revaluation of available-for-sale financial assets				*-494*		*-494*	15
- Share of comprehensive income of investees consolidated by the equity method		*-2'004*				*-2'004*	10
Balance as at 31.12.2011	**100'000**	**2'392'708**	**-67**	**-494**	**-72'566**	**2'419'581**	
Allocation of the consolidated net results of the previous financial year		-72'566			72'566	0	
Balance as at 01.01.2012	**100'000**	**2'320'142**	**-67**	**-494**	**0**	**2'419'581**	
Consolidated net results					-71'277	-71'277	29
- SIG net results					*77'536*	*77'536*	
- Contribution of consolidated companies					*-148'813*	*-148'813*	
Other comprehensive income		-3'458	-563	-218		-4'239	
- Revaluation of hedging derivatives			*-563*			*-563*	31
- Revaluation of available-for-sale financial assets				*-218*		*-218*	15
- Share of comprehensive income of investees consolidated by the equity method		*-3'458*				*-3'458*	10
Balance as at 31.12.2012	**100'000**	**2'316'684**	**-630**	**-712**	**-71'277**	**2'344'065**	

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated statement of cash flows

as at 31 December

			2012	2011	Note
Operating activities	Consolidated net results		-71'277	-72'566	
	Dividends received from equity-accounted investees		46'931	48'617	10
	Non-monetary revenues and expenses				
	Share of results of equity-accounted companies		101'839	99'070	10
	Amortisation of fixed assets		116'828	115'824	5
	Change in provisions		37'099	26'384	20
	Multi-annual equalisation fund		-18'852	-362	22
	Change in fair value of financial instruments		-3'231	6'575	31
	Gain on investments		1'775	0	
	Self-financing capacity	a	211'112	223'542	
	(Increase) / decrease in operating assets		-22'474	-2'690	
	Increase / (decrease) in operating liabilities		21'647	9'776	
	Change in net operating assets	b	-827	7'086	
	Net cash from operating activities	**c=a+b**	**210'285**	**230'628**	
Investing activities	Investments in property, plant and equipment and intangible assets		-242'429	-221'389	
	Third party participation in investments		24'668	19'194	18
	Financial contributions to investments		-6'271	-323'607	11
	Long-term loans		-13'911	-63'783	11
	Repayment of long-term loans		2'436	4'270	11
	Net cash used in investing activities	d	-235'507	-585'315	
	Free cash flow	**e=c+d**	**-25'222**	**-354'687**	
Financing activities	Increase in borrowings		0	280'000	19
	Repayment of borrowings		-20'850	-18'000	19
	Net cash from / (used in) financing activities	f	-20'850	262'000	
Change in cash flow	**Net change in cash and cash equivalents**	**g=e+f**	**-46'072**	**-92'687**	
	Cash and cash equivalents at the beginning of the financial year	h	82'250	174'937	
	Cash and cash equivalents at the end of the financial year	**g+h**	**36'178**	**82'250**	

The accompanying accounting policies and notes are an integral part of these financial statements.

3

Accounting principles

as at 31 December 2012

Basic principles

Since 1999, the consolidated financial statements have been established in accordance with the International Financial Reporting Standards (IFRS) (formerly IAS standards) issued by the International Accounting Standards Board (IASB), and in accordance with the interpretations published by the "IFRS Interpretations Committee" (IFRIC).

The accounts have been prepared on the historical costs basis. Therefore, the value allocated to financial statement items reflects the costs at the actual date of the activities or facts concerned, with the exception of certain assets and liabilities which are measured at their fair value.

These consolidated financial statements were approved by SIG's Board of Directors on 19 March 2013.

All values are in KCHF (thousands of Swiss francs) unless otherwise indicated.

Notes on risk assessment

SIG's Board of Directors is responsible for the analysis of all risks at all company levels and for the implementation of appropriate controls to mitigate them. Financial risk controls are integrated into SIG´s Internal Control System (ICS).

In this context and in order to guarantee accounting regularity, the ICS includes procedures which allow management to manage risks of material misstatement in financial statements prepared according to the IFRS framework.

Consolidation

SIG has six subsidiaries, nineteen companies under joint control and four associates. The consolidated accounts include SIG's annual accounts and those of the aforementioned companies.

Investments acquired or disposed of during the financial year are included in the scope of consolidation as of their date of acquisition and are excluded as of their date of sale.

Subsidiaries

Equity investments, which correspond to business combinations, are recorded according to the acquisition method. This method consists in recording the acquired company's assets and liabilities at their fair value while distinguishing the identifiable assets and liabilities from the goodwill.

Subsidiaries are then consolidated by full consolidation. This method consists of replacing the investment´s carrying amount with all of the subsidiary´s assets and liabilities, while distinguishing those not held by SIG.

Changes in the share held in a subsidiary which do not result in a loss of control are recorded in consolidated equity.

In the case of loss of control, SIG deducts from its consolidated accounts the subsidiary's assets and liabilities at their carrying amount and recognises the fair value of the counterparty received. Any investment maintained in the former subsidiary is recognised at its fair value at the date of the loss of control. The resulting difference is recorded in the consolidated statement of comprehensive income.

Associates

Investments in associates are consolidated according to the equity method. This method is applied to companies over which SIG exercises significant influence without control; these are usually companies in which SIG holds between 20% and 50% of voting rights.

The investment is initially recorded at cost and is then adjusted to take into account changes subsequent to the acquisition of SIG's share in the associate's net assets.

The goodwill identified on acquisition is included in the investment in associates.

SIG´s share in the investee´s results is recognised in the consolidated statement of comprehensive income. The share in changes in equity which does not affect the financial performance is recorded in other comprehensive income.

Results and equity are recognised on the basis of the accounting principles and methods used by associates. These principles and methods may be different from those used by SIG. In such a case, appropriate adjustments are made to the financial statements of the companies concerned.

Companies under joint control

Companies which are jointly held and managed ("joint ventures") are also consolidated according to the equity method.

Goodwill

Goodwill is considered to be the difference between the price paid and the fair value of SIG's share in net assets acquired, at the date of acquisition. Goodwill is recorded on the balance sheet as intangible assets and then measured at cost less accumulated impairment losses.

An impairment test is performed annually, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. In the case of long-term impairment, goodwill is reduced by the corresponding amount of the impairment loss.

The identification and valuation of net assets and acquisition costs resulting in negative goodwill are reassessed. Any surplus remaining after this operation is recognised in profit or loss.

Fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The net fair value of derivatives recorded on the balance sheet represents the potential gain or loss on these contracts, assuming that no change takes place on the market between the balance sheet closing date and the maturity date.

Financial instruments recorded at their fair value are split into three different levels depending on the method used to determine their fair value.

The determination of the fair value requires the use of assumptions and estimates concerning future business growth, which affect the financial statements. The actual subsequent results may differ from these estimates.

Level 1

The fair value of financial instruments is based on the market prices for securities that are traded on an active market at the closing date. The market prices used for financial assets held by SIG are the purchase prices applicable at the valuation date.

Level 1 includes forward electricity operations which are conducted abroad over the counter or via a broker, whose fair value is determined by comparison with similar contracts traded on the German stock market.

Level 2

The fair value of financial instruments not traded on an active market is determined by using valuation techniques. SIG relies on different valuation techniques and selects assumptions based on market conditions at the closing date.

The prices paid in recent transactions for similar instruments are used for certain financial instruments.

Level 2 includes forward exchange and currency options contracts whose fair value is determined on the basis of forward exchange rates at the closing date.

Level 3

The fair value of financial instruments with no observable imputs is determined using other techniques, such as discounting of cash flows.

Level 3 valuation methods include the following financial instruments:

The investment in EnergieDienst Holding is recorded at its fair value. The latter corresponds to the cost. The investment's recoverable value is estimated using the discounted value of estimated future cash flows.

The fair value of the FMHL options is determined by discounting estimated future cash flows. The forward prices of electricity on the German stock market and a discount rate are used for the valuation calculation.

The fair value of interest rate swaps is calculated as being the discounted value of estimated future cash flows.

The fair value of interest rate options corresponds to the sum of its components' net values determined according to the Black & Scholes model.

Property, plant and equipment

Cost elements

The valuation of property, plant and equipment represents the acquisition price paid for their acquisition or their construction less accumulated amortisation.

Subsequent costs are added to the asset's carrying amount when they are intended to increase or expand the originally defined level of performance of the existing asset.

The borrowing costs directly attributable to the construction of assets (interim interests), whose duration and amount exceed set limits, are defined as a cost element for the period of time required to complete and prepare the asset for its intended use. The limits are based on the company's materiality level for these assets.

Amortisation

Amortisation is determined for each component which has a significant cost in relation to the element's total cost. They are calculated according to the straight-line method on the basis of the following useful lives, which take into account durations of use and technological obsolescence:

• Primary wastewater disposal network collectors	10 to 70 years
• Buildings	10 to 80 years
• Production equipment	5 to 50 years
• Transport equipment	20 to 60 years
• Distribution equipment	20 to 60 years
• Other property, plant and equipment	4 to 20 years

Land is not amortised and is considered to have an indefinite useful life.

Impairment

If the carrying amount of an asset exceeds its estimated recoverable amount, then impairment is recorded.

Disposal

The profit or loss resulting from the disposal of property, plant and equipment is presented in the consolidated statement of comprehensive income.

Third-party participations in investments

Public subsidies

Public subsidies applying to property, plant and equipment are considered as deferred income and are recognised in profit or loss on a straight-line basis over the affected assets' estimated duration of use. Deferred income appears in the liabilities at its carrying amount and in the statement of comprehensive income is deduced from the amortisation to which it relates.

Donations

Donations refer to materially important facilities built by SIG for third parties (State, private companies) and then assigned to SIG.

These facilities are recorded as property, plant and equipment financed by public subsidies.

Customer participations

SIG is contracted to build facilities aimed at supplying energy and water to its customers. The customers contribute to the maintenance of these facilities through an investment share. The facilities remain SIG's property.

These assets are treated as property, plant and equipment benefiting from public subsidies.

Intangible assets

Research and development

Cost elements

Research and development expenses are recognised in the statement of comprehensive income as incurred.

As soon as the analysis shows that the IFRS recognition criteria are met, development costs incurred are capitalised.

Development costs initially recorded as expenses are not subsequently capitalised.

Amortisation

Capitalised development costs are considered to have a finite useful life and are amortised as soon as they are capitalised, using the straight-line method of amortisation over a period that does not exceed five years.

Software development costs

Cost elements

In general, costs linked to computer software development are expensed as incurred.

In the instance that costs are clearly linked to a specific product for which expected profits generated exceed one year, an intangible asset is recognised. These costs only include expenditures directly attributable to the development of the project, i. e. the personnel costs of the development team.

Costs incurred to increase or extend the economic benefit of the computer software beyond the initial specifications are considered to be improvements and capitalised.

Amortisation

The development costs for capitalised software are amortised on a straight-line basis over their useful life which shall not exceed five years. An exception arises for specific computer applications for which our experts have estimated that their useful life is greater than five years but less than ten years.

Other intangible assets

Other intangible assets purchased from third parties are capitalised and amortised on a straight-line basis over a period which does not exceed five years.

When an intangible asset is an integral part of equipment, it is treated as property, plant and equipment.

At the end of each financial year, the useful life and the amortisation method of all of these assets are reassessed.

Financial assets

Equity securities are measured at fair value.

Derivatives are measured at fair value.

Receivables are valued at amortised cost.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined by using the weighted average cost method. It comprises only direct purchase costs.

Impairment charges are recorded for inventory items considered to be obsolete.

Work in progress

Work in progress represents a large number of construction contracts for which the duration is generally less than one year. Therefore, SIG records the revenues generated by these contracts upon completion of the work.

However, losses are recognised as soon as they become foreseeable and recorded during the period in which they are identified.

If the duration of the contract exceptionally extends over several years and if it is possible to estimate the outcome reliably, SIG uses the percentage of completion method to estimate the appropriate amount recognised in profit or loss during the period. The percentage of completion is determined on the basis of the costs incurred up to the date considered.

The costs of work in progress include equipment and personnel expenses.

Trade receivables from supplies and services

Trade receivables are recorded at their expected net realisable value.

An assessment is carried out for doubtful accounts of significant value on the basis of a review of amounts due at the end of the financial year. This credit risk assessment is based on an internal assessment of events which occurred before the closing date and considers the solvency of important clients. Any resulting impairment estimated is assigned to specific trade receivables.

An additional collective provision for losses on receivables is statistically calculated on the basis of historical losses in previous years and of probability of recovery.

Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and other short-term investments with original maturities of three months or less.

Other financial assets and liabilities

Other receivables, accounts payable to suppliers and other accounts payable are measured at amortised cost. This value approximates fair value.

Financial instruments

The classification of financial instruments depends on their type and the reason for purchase or subscription.

Financial assets and liabilities are classified in the following categories:

Financial assets and liabilities at fair value through profit and loss

These are financial assets or liabilities which are held for trading.

They are initially recognised and then revalued at fair value at each closing date. Profits and losses resulting from changes in fair values are recorded directly in the statement of comprehensive income.

Held-to-maturity investments

These are financial assets which SIG intends, and is able, to hold to maturity. These instruments have fixed or determinable payments and a fixed maturity date.

They are initially recognised at fair value and then revalued at amortised cost. Profits and losses resulting from changes in amortised cost are recorded directly in the statement of comprehensive income.

Loans and receivables

These are financial assets that are not quoted on an active market and which have fixed or determinable payments.

They are initially recognised at fair value and then revalued at amortised cost. Profits and losses resulting from changes in amortised cost are recorded directly in the statement of comprehensive income.

Bank balances, cash as well as trade receivables are included in this category.

Available-for-sale financial assets

These are financial assets designated as available-for-sale or that are not classified in any of the three previous categories.

They are initially recognised and then revalued at fair value at each closing date. Profits and losses resulting from changes in fair value are presented in other comprehensive income until they are sold except for long-term impairment losses which are recorded in profit or loss.

Equity securities are included in this category.

Financial liabilities measured at amortised cost

These are financial liabilities that are not classified in the category of financial liabilities at fair value through the statement of comprehensive income.

They are initially recognised at fair value and then revalued at amortised cost. Profits and losses resulting from changes in amortised cost are recorded directly in the statement of comprehensive income.

Non-current borrowings, current borrowings, obligations to Gaznat, suppliers and creditors are included in this category.

Normal operations

The scope of application of financial instruments has been defined by SIG in accordance with the provisions of IAS 39. In particular, forward electricity contracts with physical delivery are considered to be excluded from the scope of the application of IAS 39 where these contracts were concluded in the context of SIG's normal operations. This is demonstrated when the following conditions are met:

- a physical delivery occurs systematically;
- the volumes purchased correspond to those required for SIG's operational needs;
- the contracts are not similar to option sales as provided for by IAS 39. In the specific case of electricity sale contracts, the contract is similar to a fixed forward sale or to a sale of capacity.

Only contracts that meet all of these conditions are considered to be excluded from the scope of application of IAS 39. This analysis requires the creation of specific documentation.

SIG considers that electrical energy purchase and sales transactions concluded in order to make the volume available coincide with that required to supply its customers fall within the scope of its activities as an integrated electrician that is also a partial producer. They are therefore excluded from the scope of application of IAS 39.

Derivatives

SIG uses derivatives in order to reduce its exposure to interest rate fluctuations, exchange risks and risks linked to the supply of electrical energy. These instruments are initially recognised at fair value at the date of conclusion of the derivative contract and subsequently revalued at fair value.

The treatment method for gains or losses resulting from this valuation depends on the relation between the derivative and the hedged item. Upon conclusion of the contract, the derivative is designated as:

- An instrument that meets the cash flows hedging criteria. The effective part of the gain or loss on the hedging instrument is recorded under other comprehensive income and the inefficient part is recorded in the consolidated net results.
- An instrument that does not meet the hedging criteria according to the standard, but provides effective financial cover. The gain or loss on the derivative is recorded immediately in the consolidated net results.

For an instrument designated as meeting the cash flows hedging criteria, SIG documents the relationship between the hedged element and the hedging instrument from the beginning of the transaction. Furthermore, it specifies its objectives concerning risk management and the hedging strategy. SIG also documents, both at the beginning of the hedging operation and on a permanent basis, the measurement of the efficient nature of the derivatives used in order to counterbalance the changes in cash flow of the hedged elements.

The use of derivatives aims solely to manage interest rate risks, exchange risks and risks of variations in electricity prices.

SIG contracts the following derivatives: interest rate swaps, interest and exchange options, forward exchange operations, forward electricity operations and the FMHL option.

The amounts paid or received in relation to financial instruments are recognised as expenses or revenues in the relevant financial year.

The specific accounting methods used as well as additional information are described in the annex.

Foreign currency transactions

Foreign currency transactions are translated at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the end of the financial year. The exchange differences resulting from these monetary assets and liabilities are recorded in the statement of comprehensive income.

Provisions

Provisions are recorded when:

- SIG has a current obligation resulting from a past event;
- It is probable that an outflow of funds representing economic benefits will be necessary to settle the obligation; and
- A reliable assessment of the amount of the obligation can be carried out.

At the closing date, management assesses the amount of the obligation based on constantly applied economic criteria. It is recorded at the discounted value of the obligation.

Pension obligations

SIG provides a defined benefit pension plan to employees.

The retirement benefit costs are assessed using the projected unit credit method. According to this method, the cost of retirement is recognised in the statement of comprehensive income in the year in which it occurs, in order to spread it evenly over the employees' duration of service, or recorded immediately in the case of retirees.

The actuarial assumptions used to determine the obligation are objective and mutually compatible. Their evolution is systematically analysed and monitored by the financial department.

Pension obligations are calculated annually by a qualified actuary at the present value of estimated future payments.

Items recognised in the statement of comprehensive income include the accumulated actuarial gains and losses resulting from changes in actuarial assumptions and exceeding 10% of the discounted value of the pension plan's assets or, if the amount is greater, 10% of the present value of the defined benefit obligation. These items are recognised over the expected average remaining working life of the employees concerned.

Recognition of revenues

Revenues

Revenues are recognised upon delivery of fluids, energies and upon treatment of waste and wastewater. This includes fluids and energies provided and consumed until the end of the accounting period.

Multi-annual equalisation fund

Electrical energy prices, supply and applicable taxes are subject to the regulator's approval. The gain resulting from the difference between the amounts received and the maximum remuneration approved by the regulator is recorded as deferred income in the statement of financial position under "Financial liabilities and other obligations", in a multi-annual equalisation fund. It is then recorded as revenues over the following periods during which price reductions intended to reimburse overpayments are granted to customers for the quantities consumed. When a loss is recognised as a result of this difference, the shortfall in revenues is recorded on the balance sheet under "Financial assets and prepayments" in a multi-annual equalisation fund. It is then reversed over the following periods during which price increases intended to remunerate SIG for the services provided are set for the customers for the quantities consumed.

Services

Services provided which exceed one year and which are important are recorded according to the contract's stage of completion. Services include in particular construction contracts.

Telecom advances

Single payments made in advance by customers for the lease of physical information transmission carriers (Telecom) are classified under "Financial liabilities and other obligations". They are then spread over all periods covered by the lease on a systematic basis which reflects a constant periodic rate of return on the balance of the amount received in advance.

Other revenues from normal operations

Other revenues from normal operations are recorded on the following basis:

- Pro rata temporis for interest;
- As they are acquired for charges to public authorities;
- When the right to receive the payment is established for dividends.

Charges to public authorities

The amounts which SIG must pay to the State, to the city and to the municipalities of Geneva are fixed by law. They are presented separately in the consolidated statement of comprehensive income.

SIG is not subject to taxation of its income and capital. Therefore, IAS 12 only applies to subsidiaries which have been fully consolidated and whose taxes are not significant.

Determining accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in order to determine the value of assets and liabilities as well as of revenues and expenses for the financial year. Depending on the evolution of assumptions considered, or on changes in economic conditions to those existing at the reporting date, the amounts stated in SIG's future consolidated financial statements may differ from current estimates.

The primary sources of uncertainty concerning estimates relate to the following positions:

Property, plant and equipment

When evidence of impairment is identified, the value in use of property, plant and equipment is calculated by estimating the anticipated future discounted cash flows resulting from these assets. The estimation of these cash flows is based primarily on the business plan of the entities concerned.

Management considers that the book value of the assets recorded in the financial statements corresponds to their value in use.

Valuation of associates and joint ventures

The value in use of associates and joint ventures is calculated according to a method similar to that used for property, plant and equipment.

SIG holds mainly 23.02% of the shares of EOS Holding, which holds 31.38% of Alpiq's shares. The value of this investment is sensitive to changes in consumption, in the euro's exchange rate and in electricity wholesale prices on the market.

Management considers that the book value of associates and joint ventures recorded in the financial statements corresponds to their value in use.

Consolidated investments in and receivables from wind project companies

The value in use of investments in wind project companies and of receivables from these companies is calculated according to a method similar to that used for property, plant and equipment.

The value of these companies, from which the value of consolidated investments in and receivables from wind project companies is derived, is sensitive to the obtaining of the building authorisations as well as to the fluctuation of construction costs, of wind conditions and of the discount rate.

Management considers that the book value of the consolidated investments in and receivables from wind project companies corresponds to their value in use.

Financial instruments

In order to estimate financial instruments that are not quoted on the market at fair value (primarily energy contracts), SIG uses valuation models which are based on a number of assumptions. The modification of such assumptions could potentially have a significant impact on the accounts.

Consumption to be invoiced

The value of the energy quantities supplied, not recorded and not invoiced, is determined at the reporting date on the basis of consumption statistics and sales prices estimates. The determination of this value depends on the assumptions used to determine the share of turnover that is not invoiced at the closing of the accounts.

Pension obligations

The calculation of pension obligations is based on actuarial valuations which are particularly sensitive to discount rate assumptions and salary increase rates.

Comparative data

Deferred remuneration, recorded on the balance sheet under provisions at the end of 2011, is presented under other financial liabilities and accrued expenses at the end of 2012. The comparative data have also been restated.

Where appropriate, the comparative data have been adjusted in order to comply with the changes in presentation for this year.

These modifications allow the financial information's quality to be improved.

Adoption of new standards and interpretations

At the closing date of these consolidated financial statements, new or amended standards and interpretations issued but not yet effective were as follows:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards", amendments to the standard
- IFRS 7 "Financial Instruments: Disclosures", amendments to the standard
- IFRS 9 "Financial Instruments", new standard
- IFRS 10 "Consolidated Financial Statements", new standard
- IFRS 11 "Joint Arrangements", new standard
- IFRS 12 "Disclosure of Interests in Other Entities", new standard
- IFRS 13 "Fair Value Measurement", new standard
- IAS 1 "Presentation of Financial Statements", amendments to the standard
- IAS 19 "Employee Benefits", revision of the standard
- IAS 27 "Separate Financial Statements", revision of the standard
- IAS 28 "Investments in Associates and Joint Ventures", revision of the standard
- IAS 32 "Financial Instruments: Presentation", amendments to the standard
- Amendments resulting from the IFRS annual improvement programme 2012

Management has decided not to adopt these new standards early.

The revision of IAS 19, which will come into force on 1st January 2013, requires in particular that actuarial gains and losses be recorded immediately in equity. As at 31 December 2012, these actuarial gains and losses are not recognised in the consolidated statement of financial position. They are amortised in the consolidated statement of comprehensive income throughout the expected residual average active life of the employees concerned.

If the revision of IAS 19 had been applied as at 31 December 2012, the pension obligation would be increased by CHF 468 million and equity would be reduced by the same amount.

The revision of IAS 19 also requires that the discount rate and the return rate of assets and liabilities be identical, i.e. a net interest cost.

The cumulated effect of the two above-mentioned changes will imply an increase of the benefits costs recognised each year in the consolidated statement of comprehensive income, taking into account the actual actuarial assumptions.

The IFRS 11 standard, which is currently being assessed by SIG, concerns companies which are controlled jointly. In this regard, it concentrates on the joint arrangement's rights and obligations rather than on its legal form. It distinguishes between the joint operation and the joint venture. According to IFRS 11, some investments of SIG in companies could have to be consolidated according to a method different to that currently used.

The potential impact of the other new standards is currently being assessed.

4

Notes to the consolidated financial statements

as at 31 December 2012

All values are in KCHF unless otherwise indicated.

SIG is an independent public legal entity under the supervision of the Council of State. It is personally and solely liable for all of its debts and obligations.

SIG's organisation is governed by the law of 5 October 1973 resulting from articles 158 to 160 of the Constitution of Geneva.

The Constitution of the Republic and Canton of Geneva establishes the objective for SIG to provide water, gas, electricity and thermal energy and to undertake waste treatment in the Canton of Geneva. SIG's tasks also include the disposal and treatment of polluted water within the scope established by the law. Furthermore, SIG may develop activities in areas that are linked to the above-mentioned objective and provide services in the field of telecommunications.

Monopoly activities

Drinking water

SIG solely supplies drinking water to the population and the economy of the Canton of Geneva.

The non-current assets of the drinking water pumping, treatment and supply network belong to SIG. 80% of the water is pumped from the lake and the remainder from the ground water of the Genevois area. It is treated in order to ensure its quality before supplying it to customers.

Wastewater

SIG is solely responsible for the disposal, transport and treatment of polluted water from the entire canton and cross-border area.

This activity is under the control of the federal law of 7 October 1983 on the protection of the environment (LPE).

The facilities and buildings of the primary wastewater collection, treatment and disposal network belong to SIG. Wastewater is sent to various purification plants where it is cleaned and discharged in the Rhone and Arve rivers.

Waste recovery

SIG is solely responsible for waste treatment and recovery in the canton.

This activity is under the control of the federal law of 7 October 1983 on the protection of the environment (LPE).

The waste treatment facilities and buildings belong to SIG. Waste is brought to the Cheneviers plant by river or road transport. It consists of household waste, industrial waste similar to household waste, special waste and green waste.

The treatment of special waste and the operations of the Châtillon disposal site are competitive operations.

Electricity distribution

SIG solely ensures the transport and delivery of electricity within the Canton of Geneva.

The non-current assets of the electricity distribution network belong to SIG. The electricity distribution network is partially subterranean and partially overhead. It is notably composed of high, medium and low voltage lines, the connection with neighbouring cantons and countries occurring by means of very high voltage lines.

Competitive operations

Natural gas and thermal energy

SIG supplies natural gas and thermal energy to the population and the economy of the Canton of Geneva.

Customers can choose between gas and electricity for their heating needs. Once connected to the gas supply, clients are captive of SIG for energy supply.

The non-current assets of the natural gas supply network belong to SIG. Natural gas is supplied from European networks via Gaznat SA, of which SIG is a shareholder, to SIG's distribution network. This network then ensures distribution to users in the Geneva area.

Electricity production

SIG produces part of the electricity which it transports and supplies in the Canton of Geneva.

The non-current assets for electricity production belong to SIG. They primarily include:

- The diversion dams of Verbois and le Seujet which ensure the production of hydroelectric energy;
- The photovoltaic panels of SIG Solar which produce solar energy;
- The facilities of the Cheneviers plant which transform the heat from waste treatment into thermal and electrical energy.

SIG Services

SIG primarily provides services in the areas of telecoms, construction and installations, these services being related to the core areas of activity of SIG, i.e. water, gas and electricity.

This activity is competitive since customers may choose their provider for the services desired.

The objective of the telecom activities is to provide a high-quality physical carrier for the high-speed transmission of information and to conceive interconnection sites in order to bring service providers and final customers closer together.

Partially competitive activities

Electrical energy	SIG supplies electrical energy to the population and economy of the Canton of Geneva. The federal law on the supply of electricity (LApEl) allows consumers of more than 100 MWh/year to choose their provider. As a result, this activity includes captive customers (< 100 MWh/year) and eligible customers (> 100 MWh/year). The latter have either chosen free competition and SIG as supplier, or have not chosen free competition. These three types of customers are, however, grouped within one single activity, as SIG's management does not consider the type of electrical energy sales for analytical purpose. 16% of electricity supply is ensured by the hydroelectric plants (Verbois, Seujet), 3% through the recycling of treated waste (Cheneviers plant), 0.6% from other types of installations (SIG Solar) which are owned by SIG, and 8% through our investment (Société des Forces Motrices de Chancy-Pougny). The 72.4% balance is provided by purchases from outside the canton, principally from EOS Holding, of which SIG is a shareholder, and from other third party companies. Delivery to customers is ensured by SIG's electricity distribution network throughout the Canton of Geneva.

Other activities

Other	Other activities include the infrastructure necessary for the operation of the company.

1. Scope of consolidation

Associates and companies under joint control

Companies consolidated according to the equity method are as follows:

Companies	Objective	Head office	Share in %	Connection to SIG	Beginning of equity accounting
Electricity sector					
EOS Holding	Production, transport, trading and sale	Lausanne	23.0	A	1999
Société des Forces Motrices de Chancy-Pougny SA (SFMCP)	Production of energy	Chancy	72.2	CC	1999
Securelec - Vaud SA	Control of electrical facilities	Ecublens	38.4	CC	2005
SwissWinds Development GmbH	Promotion of wind energy projects	Grimisuat	28.0	CC	2010
ennova SA		Le Landeron	20.0	CC	2011
Parc Eolien de la Grandsonnaz SA	Development, installation, production and sale of electrical energy from wind farms	Bullet	40.0	CC	2009
Parc Eolien de la Montagne de Moutier SA		Moutier	40.0	CC	2009
Parc Eolien de la Montagne du Droit SA		Court	40.0	CC	2009
Parc Eolien de la Montagne de Romont SA		Romont BE	40.0	CC	2009
Parc Eolien du Mont de Boveresse SA		Val-de-Travers	40.0	CC	2009
Windpark Schwängimatt SA		Laupersdorf	40.0	CC	2009
Parc Eolien de St-Brais SA		St-Brais	55.0	CC	2010
Parc Eolien de Delémont SA		Delémont	55.0	CC	2010
EssairVent SA		Essertines-sur-Rolle	48.5	CC	2010
Parco eolico del San Gottardo SA		Airolo	25.0	CC	2010
Windpark Burg SA		Kienberg	51.0	CC	2011
Gries Wind SA		Obergoms	25.0	CC	2011
Swisspower Renewables SA	Participations in the field of renewable energies	Zürich	23.2	CC	2011
Gas and thermal energy sector					
Gaznat SA	Supply and transport of energy	Lausanne	37.5	A	1999
Cadiom SA	Production and distribution of energy	Vernier	51.0	CC	1999
Dalkia (Suisse) SA	Acquisition and management of companies in Switzerland	Thônex	40.0	A	2012
Multi-service sector					
Swisspower Energy SA	Distribution of energy and related services	Zürich	29.9	A	2005
PôleBio Energies SA	Treatment, recovery of waste and energy	Satigny	33.3	CC	2011

A = Associate
CC = Under Joint Control

The scope of consolidation of associates and joint ventures lists SIG's direct investment in these companies.

The acquired percentage of shares, which expresses the share of capital held, is identical to that of voting rights.

Companies under joint control

Investments under joint control benefit from shareholder agreements which ensure their joint management.

SIG holds more than half of the voting rights in SFMCP, Cadiom SA and several companies active in the wind energy field. However, holding the majority of voting rights does not, in this case, give control over these companies. Shareholder agreements limit the power of SIG to determine the financial and operating policies of these entities.

For this reason, these investments are treated as shares held in joint ventures (joint control).

Subsidiaries

Companies consolidated according to the full consolidation method are as follows:

Companies	Objective	Head office	Share in %	Beginning of full consolidation
Electricity sector				
Securelec SA	Advising and inspections in the area of electrical facilities safety	Carouge	100	2004
Compagnie Luminotechnique SA	Development, conception, manufacture and sale of high external lighting	Satigny	100	2009
Verrivent SA	Development, installation, production and sale of electrical energy from wind farms	Les Verrières	100	2012
TourNEvent SA	Development, installation, production and sale of electrical energy from wind farms	Rochefort	100	2012
Windpark Jaunpass SA	Development, installation, production and sale of electrical energy from wind farms	Boltingen	100	2012
Multi-service sector				
Services Industriels de Genève (France)	Conception, realisation, survey and projects in SIG's areas of activity	Annemasse	100	2009

Securelec SA created, along with other industrial partners, Securelec – Vaud SA of which it holds 38.4% of the voting rights.

Non consolidated investments

Other non consolidated investments appear under "Financial assets" (see note 11).

2. Revenues

	2012	2011
Drinking water revenues	97’305	98’390
Wastewater revenues	84’486	86’254
Gas and thermal energy revenues	247’875	211’845
Electrical energy revenues	284’952	302’558
Electricity production revenues	3’965	3’826
Electricity distribution revenues	234’202	222’247
Waste recovery revenues	61’477	58’304
SIG Services revenues	45’364	51’726
Other revenues	18’355	18’777
Total revenues	**1’077’981**	**1’053’927**

3. Energy purchases for resale

This entry represents external energy purchases that are directly linked to sales. Purchases are primarily made from related parties:

- 100% of natural gas purchases from Gaznat SA;
- approximately 34% of electricity purchases from the EOS Holding group and approximately 8% from Société des Forces Motrices de Chancy-Pougny SA (SFMCP).

This excludes SIG's own energy production such as Verbois, Seujet and the Cheneviers plant. This production represents a significant part of the canton’s electricity consumption. The corresponding costs are presented in different expenditure items on the statement of comprehensive income.

Management of risks linked to energy supply

Management policy for risks linked to electricity supply

In the context of its operational activities linked to the sale of energy, SIG is subject, in particular, to variations in energy prices due to the evolution of market prices, to the reliability of its suppliers and to the weak liquidity of the Swiss market.

SIG sells gas and electricity. The risks relating to gas supply are currently managed by Gaznat SA, a company in which SIG has an investment (see note 1).

SIG has put in place an internal organisational structure which allows it to manage its electrical energy portfolio in a dynamic manner. This portfolio is managed with the aim of covering electrical energy requirements at a minimum cost while at the same time controlling the risks linked to market prices and volumes linked to open positions as well as the risks linked to counterparty failure.

Thus, the updated the "Management policy for risks linked to electricity supply" has been approved by the Board of Directors. This policy is intended to define the context in which the operations linked to electricity supply must be carried out. It is complemented by a manual on the management of risks linked to electricity supply which represents its operational part and is updated and approved by the Supply Committee.

Each year, the Supply Committee approves the supply strategy as well as certain obligation limits in terms of quantity and value. A list of authorised counterparties is also established.

Two types of products are authorised:

- Products which result in a physical delivery at the contract maturity;
- Financial instruments without physical delivery which allow hedging of price risks. The use of financial instruments is limited to products which use as a reference EEX stock prices, which have a strong correlation to Swiss prices.

The following limits are set:

- A minimum limit on physical supply in Switzerland;
- A maximum obligation limit which allows price risks of open positions to be controlled;
- A maximum obligation limit towards counterparties;
- A maximum volume and price limit in order to control the dynamic management of the portfolio;
- Usage limits for financial instruments in terms of nominal amounts, margin calls and purchase premiums.

Supply contracts

Three quarters of the total electrical energy consumption of customers is provided by energy purchase contracts with suppliers.

These contracts are distributed as follows:

- Long-term contracts of over 5 years. These contracts contain in particular a purchase right concluded with EOS SA (see note 26);
- Medium-term contracts, annual, quarterly or monthly;
- Short-term contracts, weekly or daily;
- Intraday contracts, hourly for the current day.

  In order to better manage the risks linked to fluctuations in electricity prices, SIG enters into forward contracts for the purchase of electrical energy. Part of these contracts are concluded abroad, due to the low liquidity of the Swiss energy market, and do not always result in physical delivery. These contracts are entered into with the aim of being conserved until their maturity. At inception, on the basis of defined criteria, these contracts are classified in the normal operations portfolio or in the dynamic portfolio. The normal operations portfolio is not recorded on the balance sheet and the dynamic portfolio is presented in the assets or liabilities with counterparty in the consolidated statement of comprehensive income.

FMHL financial option

The EOS Holding group has ceded an FMHL financial option to SIG (see note 26).

4. Operating expenses

	2012	2011
Personnel expenses	**258’814**	**254’686**
Salaries	197’586	194’561
Social charges	46’930	45’895
Variable remuneration	7’200	7’674
State personnel	1’901	2’077
Other personnel charges	5’197	4’479
Fees and external mandates	**24’115**	**23’675**
Temporary staff	17’939	18’863
Consulting expenses	5’505	4’509
Other purchases of external services	671	303
Waste disposal expenses	**10’409**	**10’828**
General operating expenses	**77’228**	**79’744**
Expenses linked to premises	7’596	7’340
Supplies and services	49’882	51’271
Insurances and taxes	3’925	3’794
Institutional communication	7’433	9’616
Other operating expenses	8’392	7’723
Total expenses before capitalisation and storage	**370’566**	**368’933**
Capitalised and stored production	-33’261	-31’806
Total operating expenses	**337’305**	**337’127**

Variable remuneration

Variable remuneration is an element of SIG's remuneration system. It is calculated on the basis of the “results” exceeding the objectives set beforehand. Its possible allocation is intended to better value the contribution of all the employees to the important efforts required by the company’s adaptation to its future challenges.

State personnel

The "State personnel" item represents the employees of the Cheneviers plant, the wastewater activities and the Châtillon site who have chosen to remain employees of the State of Geneva.

Waste disposal expenses

Waste disposal expenses represent the cost to remove residues (ashes, clinkers, etc.) produced by the Cheneviers plant, the quantity of which is directly linked to the volume of waste treated and invoiced, as well as the removal of untreated waste.

They also include expenses arising from the removal and incineration of sludge from the wastewater purification plants, as well as those incurred in connection with the removal of stones and sand extracted from the settling tanks.

Capitalised and stored production

Capitalised and stored production relates to operating costs (labour and expenses) of the financial year that are recognised in property, plant and equipment under construction or in work-in-progress. These operating costs are first presented in the relevant operating expense caption and then transferred to the balance sheet through the “Capitalised and stored production” caption.

5. Amortisation

	2012	2011
Property, plant and equipment	111’032	110’531
Amortisation	115’276	119’237
Third party participation in investments	-17’167	-16’828
Scrapping and other disposals	12’923	8’122
Intangible assets	5’796	5’293
Total amortisation	**116’828**	**115’824**

In order to determine the costs that cannot be capitalized, SIG carries out an analysis of recognised costs at the commencement of the service of the property, plant and equipment under construction and at the end of the financial year for significant property, plant and equipment under construction.

Costs which cannot be capitalised are transferred to amortisation for the financial year. For the 2012 financial year, this analysis identified costs amounting to KCHF 4’087 for amortisation (KCHF 6’358 in 2011).

Depreciations ("impairment") are described in note 8.

6. Finance expense and income

	2012	2011
Finance expense	**-22’189**	**-19’808**
Interests on share capital	-5’000	-5’000
Interests and costs of borrowings	-10’317	-6’357
Share of recognised interests	2’333	2’311
Changes in the value of financial instruments	0	-6’082
Losses of financial instruments	-195	-991
Other finance expense	-9’010	-3’689
Finance income	**14’460**	**2’794**
Revenues from accounts receivables, investments and current accounts	3’527	2’791
Changes in the value of financial instruments	3’449	0
Revenues from equity securities	7’484	3

Interests on share capital An interest of 5% per year is collected on the share capital by public authorities (article 3, paragraph 5 of the law on the organisation of SIG of 5 October 1973).

Share of recognised interests SIG calculates and recognises interim interests on investments under construction. The interest rate applied is 2.5% in 2012 (2.5% in 2011).

Revenues from equity securities

Dividends from equity securities which are not subject to the equity method are recorded under "Revenue from equity securities".

7. Charges to public authorities

2011	State	City	Municipalities	Federal Government	Other	Total
Charges for the use of the public domain	8'863	11'840	14'749			35'452
Public authority energy fund	3'906					3'906
Regulatory charges to the State regarding water rights	4'810					4'810
Hydraulic charges	6'024					6'024
New renewable energies				12'669		12'669
Charges for the financing of the secondary wastewaster treatment network	11'803					11'803
Subsidies and other charges			185		4'065	4'250
Total charges for the use of the public domain	**35'406**	**11'840**	**14'934**	**12'669**	**4'065**	**78'914**
2012						
Charges for the use of the public domain	64'939	10'600	13'753			89'292
Public authority energy fund	3'906					3'906
Regulatory charges to the State regarding water rights	4'811					4'811
Hydraulic charges	4'901					4'901
New renewable energies				13'055		13'055
Charges for the financing of the secondary wastewaster treatment network	12'777					12'777
Subsidies and other charges			187		5'295	5'482
Total charges for the use of the public domain	**91'334**	**10'600**	**13'940**	**13'055**	**5'295**	**134'224**

Charges for the use of the public domain

The amount of the annual charge for the use of the public domain payable to the State, to the city and to the municipalities is established in accordance with article 32, paragraphs 2 and 3 of the law on the organisation of SIG (5 October 1973). In 2011, the charge represents 5% of gross revenues paid to the State and 15% of gross revenues paid to the municipalities for the use of the electrical network on their respective territories during the applicable financial year. In 2012, the charge payable to the State has increased to 40%.

Public authority energy fund The public authority energy fund is constituted in accordance with article 31, paragraphs 3 and 4 of the law on the organisation of SIG. 10% of revenues invoiced to the State, to the City of Geneva and to the surrounding municipalities is allocated to the public authority energy fund. This fund is for the development of renewable energies and energy saving measures.

Regulatory charges to the State regarding water rights

The State collects charges regarding water rights in accordance with article 33 of the water law of 5 July 1961 and articles 21 and following of the regulation (5 March 2003) on the use of surface and subsurface water.

Hydraulic charges

The State collects annual charges for the use of water as a motive force, in accordance with articles 49 and following of the federal law on the use of hydroelectric forces (22 December 1916) and the regulation of the federal council on the calculation of charges relating to water rights (12 February 1918).

Since 1 January 2011, these charges amount to CHF 100 per kW.

New renewable energies

In accordance with article 15b of the federal law on energy (LEne), the national transport network company collects a supplement on the costs of transport over high-voltage networks in order to finance, in particular, the pooled costs at the national level which are not covered by market prices, and which are covered by the network operators for the coverage of electricity from renewable sources.

Charges for financing of the secondary wastewater treatment network

Charges for financing of the secondary wastewater treatment network are paid to the State.

Subsidies and other charges

Subsidies and other charges primarily include free waste treatment for charities and financial incentives in connection with the energy savings programme.

Detailed charges for the use of the public domain

Municipalities	2012 charges to be paid in 2013	2011 charges to be paid in 2012
Aire-la-Ville	32	34
Anières	104	114
Avully	53	60
Avusy	47	52
Bardonnex	87	95
Bellevue	149	161
Bernex	287	315
Carouge	1’200	1’345
Cartigny	32	37
Chancy	36	38
Chêne-Bougeries	425	466
Chêne-Bourg	348	371
Choulex	45	44
Collex-Bossy	48	55
Collonge-Bellerive	502	540
Cologny	325	351
Confignon	128	147
Corsier	76	82
Dardagny	142	157
Genève	10’600	11’839
Genthod	98	109
Grand-Saconnex	806	810
Gy	18	19
Hermance	40	42
Jussy	56	60
Laconnex	22	24
Lancy	1’389	1’513
Meinier	78	81
Meyrin	1’622	1’711
Onex	420	459
Perly-Certoux	122	131
Plan-les-Ouates	1’094	1’065
Pregny-Chambésy	231	251
Presinge	24	27
Puplinge	86	84
Russin	17	18
Satigny	573	612
Soral	26	27
Thônex	493	537
Troinex	81	91
Vandoeuvres	126	140
Vernier	1’512	1’656
Versoix	438	480
Veyrier	315	340
Etat de Genève	64’939	8’862
Total	**89’292**	**35’452**

8. Property, plant and equipment

2011	Land and buildings	Production and distribution facilities	Other property plant and equipment	Under construction	Total
Gross value as at 1st January	**1’183’274**	**2’807’936**	**203’973**	**422’077**	**4’617’260**
Investments				217’715	217’715
Recognised interests				2’311	2’311
Transfers from intangible assets				1’263	1’263
Transfers from third party participation in investments				-5’364	-5’364
Placed in service	42’205	225’334	14’487	-282’026	0
Disposals	-11’750	-36’182	-25’870	-6’358	-80’160
Gross value as at 31st December	**1’213’729**	**2’997’088**	**192’590**	**349’618**	**4’753’025**
Cumulated amortisation as at 1st January	**-432’038**	**-1’333’781**	**-169’273**		**-1’935’092**
Amortisation	-23’689	-80’947	-8’241		-112’877
Disposals	7’758	31’185	25’655		64’598
Cumulated amortisation as at 31st December	**-447’969**	**-1’383’543**	**-151’859**		**-1’983’371**
of which net impairment as at 31st December	*-32’018*	*-36’210*	*-37*	*-4’909*	*-73’174*
Net book value as at 31st December	**765’760**	**1’613’545**	**40’731**	**349’618**	**2’769’654**
2012					
Gross value as at 1st January	**1’213’729**	**2’997’088**	**192’590**	**349’618**	**4’753’025**
Investments				234’596	234’596
Recognised interests				2’333	2’333
Transfers to intangible assets				-6’652	-6’652
Transfers from third party participation in investments					0
Placed in service	32’493	200’693	12’210	-245’396	0
Disposals	-5’606	-68’526	-1’454	-3’207	-78’793
Gross value as at 31st December	**1’240’616**	**3’129’255**	**203’346**	**331’292**	**4’904’509**
Cumulated amortisation as at 1st January	**-447’969**	**-1’383’543**	**-151’859**	**0**	**-1’983’371**
Amortisation	-23’886	-82’868	-8’519		-115’273
Disposals	4’754	56’861	1’433		63’048
Cumulated amortisation as at 31st December	**-467’101**	**-1’409’550**	**-158’945**	**0**	**-2’035’596**
of which net impairment as at 31st December	*-28’688*	*-32’346*	*-25*	*-4’909*	*-65’968*
Net book value as at 31st December	**773’515**	**1’719’705**	**44’401**	**331’292**	**2’868’913**

Cheneviers plant

The estimation of the recoverable value of the Cheneviers plant’s assets required the recording of an impairment of KCHF 135’500.

At the end of 2012, the assets of the Cheneviers plant were reduced by a net impairment of KCHF 32’713 (KCHF 38’491 at the end of 2011).

Primary wastewater treatment network

The estimation of the recoverable value of the primary wastewater treatment network required the recording of an impairment of KCHF 38’000.

At the end of 2012, the primary wastewater treatment network was reduced by a net depreciation of KCHF 33’255 (KCHF 34'683 at the end of 2011).

9. Intangible assets

2011	In service	In development	Intangible assets of subsidiaries	Goodwill	Total
Gross value as at 1st January	**61'957**	**7'029**		**143**	**69'129**
Investments		1'362			1'362
Transfers to property, plant and equipment	-1'263				-1'263
Transfers from financial assets	145				145
Placed in service	7'071	-7'071			0
Disposals					0
Gross value as at 31st December	**67'910**	**1'320**		**143**	**69'373**
Cumulated amortisation as at 1st January	**-54'736**				**-54'736**
Amortisation	-5'297				-5'297
Disposals					0
Cumulated amortisation as at 31st December	**-60'033**	**0**		**0**	**-60'033**
Net book value as at 31st December	**7'877**	**1'320**		**143**	**9'340**

2012	In service	In development	Intangible assets of subsidiaries	Goodwill	Total
Gross value as at 1st January	**67'910**	**1'320**		**143**	**69'373**
Investments		936	1'584	3'099	5'619
Transfers from property, plant and equipment	6'652				6'652
Placed in service	606	-606			0
Disposals	-70				-70
Gross value as at 31st December	**75'098**	**1'650**	**1'584**	**3'242**	**81'574**
Cumulated amortisation as at 1st January	**-60'033**	**0**	**0**	**0**	**-60'033**
Amortisation	-5'796				-5'796
Disposals	66				66
Cumulated amortisation as at 31st December	**-65'763**	**0**	**0**	**0**	**-65'763**
Net book value as at 31st December	**9'335**	**1'650**	**1'584**	**3'242**	**15'811**

Intangible assets in service and in development

This item primarily includes acquired software.

The cost of additional internal developments intended to adapt standard software to the specific needs of SIG appears in the "In development" column. Upon their commencement of service, these costs are added to the initial investment value.

Intangible assets of subsidiaries

This item primarily includes development costs activated by the subsidiary Verrivent SA.

Goodwill

This item primarily includes goodwill resulting from the full consolidation of the subsidiary Verrivent SA.

10. Investments in associates and companies under joint control

Movement of investments

2011	EOS Holding	Gaznat	SFMCP	Cadiom	Swiss-power	Dalkia	Wind project companies	Total
Investments as at 1st January	874'777	79'347	36'064	6'293	4'871		17'434	1'018'786
Acquisitions							15'427	15'427
Reclassification to financial assets							-10'425	-10'425
Share of comprehensive income	-1'802			-200				-2'002
Dividends received	-46'042	-313	-1'806		-448		-8	-48'617
Share of results	-91'983	-6'108	-2'402	671	1'264		-512	-99'070
- IFRS retreatment		*-8'437*						*-8'437*
- Share of results for the financial year	*-91'983*	*2'329*	*-2'402*	*671*	*1'264*		*-512*	*-90'633*
Investments as at 31st December	**734'950**	**72'926**	**31'856**	**6'764**	**5'687**		**21'916**	**874'099**
2012								
Investments as at 1st January	734'950	72'926	31'856	6'764	5'687		21'916	874'099
Acquisitions						4'599	4'084	8'683
Disposals		-2'583					-1'894	-4'477
Share of comprehensive income	-3'819			361				-3'458
Dividends received	-46'042	-405			-476		-8	-46'931
Share of results	-109'738	1'335	4'362	174	2'055	80	-107	-101'839
- IFRS retreatment								*0*
- Share of results for the financial year	*-109'738*	*1'335*	*4'362*	*174*	*2'055*	*80*	*-107*	*-101'839*
Investments as at 31st December	**575'351**	**71'273**	**36'218**	**7'299**	**7'266**	**4'679**	**23'991**	**726'077**

Equity-accounted investees

There have not been any significant changes in the percentage of interests in equity-accounted investees.

EOS Holding

SIG holds a 23.02% share in EOSH, which holds a 31.38% share in Alpiq. The latter announced in 2011 a restructuring of its activities and the recording of a depreciation of its assets of CHF 1.6 billion. The impact of the depreciation of Alpiq's assets on SIG's consolidated statement of comprehensive income amounts to MCHF 116 in 2011, from which the net consolidated result of EOSH and Alpiq of MCHF 25 in 2011 should be deducted.

In 2012, Alpiq announced an additional depreciation of its assets of CHF 1.6 billion. The impact of the depreciation of Alpiq's assets on SIG's consolidated statement of comprehensive income amounts to MCHF 116 in 2012, from which the consolidated net result excluding depreciation of EOSH and Alpiq in 2012 and the other consolidation items for a total amount of MCHF 6 should be deducted. At the end of 2012, the SIG's valuation of Alpiq corresponds to the share of Alpiq's equity indirectly held by SIG.

Gaznat – Change to durations of use

In 2011, Gaznat revised the economic durations of use of its non-current assets and reduced its cumulated amortisation. Unigaz, held by Gaznat and consolidated by the latter, performed the same analysis and also reduced its accumulated amortisation. The impact of the increase of the durations of use of the non-current assets of Gaznat and Unigaz amounts to MCHF 10 in SIG's consolidated statement of comprehensive income in 2011.

Gaznat – Exploratory drilling

Petrosvibri SA, which is included within Gaznat's scope of consolidation, performed an exploratory drilling at the end of 2009 and in 2010 in order to identify the presence of natural gas deposits under Lake Leman. The conclusions of the exploratory drillings do not allow to keep the drilling costs in the statement of financial position. They were thus recognised under expenses in 2011 for an amount of MCHF 8.8.

SFMCP

SFMCP has a concession for the operation and renovation of the Chancy-Pougny dam. This concession will end on 8 April 2061.

The going concern of the facilities and the granting of the concession requires undertaken, planned or imposed investments estimated at MCHF 83.

Wind project companies

The value of consolidated investments and receivables amounts to MCHF 62 at the end of 2012 (MCHF 47 at the end of 2011).

Financial information of associates and companies under joint control

The following amounts represent SIG's share in the assets and liabilities, revenues and expenses of the four associates and the nineteen companies under joint control after retreatment according to the IFRS norms. They are consolidated in the financial statements using the equity method.

	2012	2011
Non-current assets	722'481	858'401
Current assets	234'745	204'593
Total assets	**957'226**	**1'062'994**
Equity	705'277	855'594
Non-current liabilities	140'494	102'201
Current liabilities	111'455	105'199
Total liabilities	**957'226**	**1'062'994**
Revenues	328'773	306'648
Expenses	-430'612	-405'718
Result for the financial year	**-101'839**	**-99'070**

11. Financial assets

	2011	2010
Receivables	90'997	79'522
Receivables from CERN	37'920	40'356
Receivables from wind project companies	33'052	25'052
Receivables from SFMCP	17'728	13'228
Other financial receivables	2'297	886
Derivatives	3'711	10'443
Derivatives (see note 31)	3'711	10'443
FMHL financial option (see note 26)	0	0
Unconsolidated equity securities	293'676	293'505
Prepayments to EnBW	54'764	52'555
Total financial assets and prepayments	**443'148**	**436'025**

Receivables from CERN

SIG is contractually obliged to supply cooling and drinking water to the European Organization for Nuclear Research (CERN). In this context, it has developed, built and placed in service the necessary facilities.

The receivables from CERN include facilities which have been sold to the latter and CERN's participation in facilities which have remained the property of SIG.

The receivables from CERN are discounted. An annual interest is recognised in finance income.

Receivables from wind project companies

These receivables are from companies under joint control which are active in the area of electrical energy from wind farms (see note 10).

Receivables from SFMCP

Receivables from SFMCP are used by the latter in the context of its investments to ensure the going concern of its plants (see note 10).

Equity securities

Equity securities include securities of companies related to the activities of SIG which are held in the long-term and help to develop business and sales relationships. These investments are recorded at cost since their fair value cannot be assessed in a reliable manner.

Indeed, either SIG's investment is not economically significant or the evolution of the market in which the companies are active implies that subjective valuation elements are predominant. Furthermore, a valuation based solely on equity would be inappropriate.

In 2011, SIG invested MCHF 291 in the share capital of EnergieDienst Holding, i.e. a 15.05% share. The investment's recoverable value is assessed using the discounted future estimated cash flows.

Prepayments to EnBW

The prepayment of MCHF 55 to Energie Baden-Württemberg results from operations relative to the acquisition from the latter of the shares of EnergieDienst Holding.

12. Inventories and work in progress

Inventories	2012	2011
Total inventories	**23'804**	**23'597**
Equipment allocated to construction	10'566	10'473
Equipment allocated to operation	16'230	16'133
Provision for obsolete inventory	-2'992	-3'009
Total work in progress	**5'331**	**5'911**
Total inventories and work in progress	**29'135**	**29'508**
Anticipated payments received from construction projects	9'972	10'548
Sales recognised as revenues from the period	32'196	36'975

Inventories allocated to construction are used for SIG's own construction as well as for work in progress. Work in progress includes services to be invoiced to third parties.

Anticipated payments received from construction projects are presented in the revenues from future periods in "Other financial liabilities and accrued expenses" (see note 25).

Provision for obsolete inventory

The movement of the provision for obsolete inventory is as follows:

	2012	2011
Obsolete inventory as at 1st January	3'009	3'895
Reversal	-17	
Use		-1'118
Addition		232
Obsolete inventory as at 31st December	**2'992**	**3'009**

Inventories recognised under losses in 2012 amount to KCHF 252 (KCHF 1'370 in 2011).

13. Trade receivables from supplies and services

	2012	2011
Customers	202'640	188'969
Customers associates and companies under joint control	2'509	0
Allowance for doubtful accounts	-2'055	-2'022
Total trade receivables from supplies and services	**203'094**	**186'947**

Customers

Consumption to be invoiced

The "Customers" item includes consumption to be invoiced for an estimated amount of KCHF 100'583 for 2012 (KCHF 97'608 for 2011).

This includes revenues from drinking water, gas and electricity supplied to and consumed by customers up until the end of the accounting period as well as revenues from waste recovery and wastewater treatment, all of which have not yet been invoiced.

Customer guarantees

Part of the invoices sent to our customers is guaranteed by security deposits and bank guarantees in our favour:

	2012	2011
Security deposits	6'536	7'239
Bank guarantees in our favour	57	857

Security deposits are presented under "Financial liabilities and other obligations" (see note 22).

Amortised cost

The amortised cost of trade receivables from supplies and services corresponds to their nominal value.

Allowance for doubtful accounts

The movement of the allowance for doubtful accounts is as follows:

	2012	2011
Doubtful accounts as at 1st January	2'022	2'700
Addition	504	
Change in estimate		-189
Use	-471	-489
Doubtful accounts as at 31st December	**2'055**	**2'022**

Overdue receivable balances which have not been provided for are considered to be recoverable.

Losses on trade receivables for 2012 amount to KCHF 1’266 (KCHF 1’317 in 2011).

14. Other financial assets and prepayments

Other financial assets	2012	2011
Energy sales	22’255	24’681
Derivatives (see note 31)	15’631	32’609
Current account with the City	9’823	7’256
Other financial assets due from third parties	4’800	4’783
Other financial assets due from associates and companies under joint control	14’787	2’634
Prepayments		
Other temporary assets	5’179	14’778
Other temporary assets with associates and companies under joint control	5’200	1’597
Total other financial assets and prepayments	**77’675**	**88’338**

15. Cash and cash equivalents

	2012	2011
Cash	5’439	26’293
Short-term investments	30’739	55’957
Cash and cash equivalents	**36’178**	**82’250**
Available lines of credit	115’000	55’000
Amount drawn	0	0

Lines of credit

The level of lines of credit is set on the basis of our requirements and revised periodically with our financial partners.

16. Share capital

Article 3 of the law on the organisation of SIG of 5 October 1973 establishes the amount of share capital, the holders of this capital and their shares as well as the remuneration rate for the share capital, i.e. 5% per year.

	State as at 31.12.2012	State as at 31.12.2011
State of Geneva	55’000	55’000
City of Geneva	30’000	30’000
Other municipalities of Geneva	15’000	15’000
Total share capital	**100’000**	**100’000**

17. Consolidated reserves

Movements	New construction fund	Insurance fund	General reserve fund	Châtillon site reserve fund	Non allocated reserves	Total
Consolidated reserves as at 31.12.2010	**738’049**	**146’873**	**733’416**	**-373**	**653’804**	**2’271’769**
Allocation of the consolidated net results for the previous financial year	66’594	5’698	32’289	-301	18’663	122’943
Consolidated reserves as at 01.01.2011	**804’643**	**152’571**	**765’705**	**-674**	**672’467**	**2’394’712**
Share of comprehensive income of investees consolidated by the equity method					-2’004	-2’004
Consolidated reserves as at 31.12.2011	**804’643**	**152’571**	**765’705**	**-674**	**670’463**	**2’392’708**
Allocation of the consolidated net results for the previous financial year	74’705			446	-147’717	-72’566
Consolidated reserves as at 01.01.2012	**879’348**	**152’571**	**765’705**	**-228**	**522’746**	**2’320’142**
Share of comprehensive income of investees consolidated by the equity method					-3’458	-3’458
Reclassification from unallocated reserves	96		4		-100	0
Consolidated reserves as at 31.12.2012	**879’444**	**152’571**	**765’709**	**-228**	**519’188**	**2’316’684**

The following reserves are mentioned in article 28, paragraph 2 of the law on the organisation of SIG of 5 October 1973 (organic law):

New construction fund
The profit from the financial year is allocated to the new construction fund at 30% of new investments for the financial year under consideration.

Insurance fund
The insurance fund is supplied at 15% of the remaining balance of the profit after allocations to the new construction fund.

General reserve fund
The general reserve fund is supplied by the balance of the profit not allocated to the other funds in accordance with the organic law.

Châtillon site reserve fund
The Châtillon site reserve fund includes the accumulated results of the financial years following the transfer of the operation of the Châtillon site to SIG in 2008.

Composition of unallocated reserves

Movements	Hedging reserve of consolidated companies	Dividends received from associates and companies under joint control	Share of accumulated results of associates and companies under joint control	Accumulated results of subsidiaries	Other reserves	Total
Unallocated reserves as at 31.12.2010	**-13’000**	**-200’220**	**911’188**	**1’529**	**-45’693**	**653’804**
Contribution in the previous year of consolidated companies		-49’655	68’259	59		18’663
Unallocated reserves as at 01.01.2011	**-13’000**	**-249’875**	**979’447**	**1’588**	**-45’693**	**672’467**
Share of comprehensive income of companies consolidated by the equity method	-2’002				-2	-2’004
Unallocated reserves as at 31.12.2011	**-15’002**	**-249’875**	**979’447**	**1’588**	**-45’695**	**670’463**
Contribution in the previous year of consolidated companies		-48’617	-99’070	-30		-147’717
Unallocated reserves as at 01.01.2012	**-15’002**	**-298’492**	**880’377**	**1’558**	**-45’695**	**522’746**
Share of comprehensive income of companies consolidated by the equity method	-3’458					-3’458
Reclassification to the new construction fund and to the general reserve fund			-100			-100
Unallocated reserves as at 31.12.2012	**-18’460**	**-298’492**	**880’277**	**1’558**	**-45’695**	**519’188**

18. Third party participation in investments

2011	Land and buildings	Production and distribution facilities	Other property, plant and equipment	Under construction	Total
Gross value as at 1st January	**100'479**	**671'093**	**873**	**17'527**	**789'972**
Investments				19'194	19'194
Transfers to property, plant and equipment				-5'364	-5'364
Placed in service		24'662		-24'662	0
Disposals		-3'115	-21		-3'136
Gross value as at 31st December	**100'479**	**692'640**	**852**	**6'695**	**800'666**
Cumulated amortisation as at 1st January	**-27'667**	**-271'672**	**-654**		**-299'993**
Amortisation	-1'521	-15'289	-17		-16'827
Disposals		2'034	21		2'055
Cumulated amortisation as at 31st December	**-29'188**	**-284'927**	**-650**		**-314'765**
of which net impairment as at 31st December					*0*
Net book value as at 31st December	**71'291**	**407'713**	**202**	**6'695**	**485'901**

2012	Land and buildings	Production and distribution facilities	Other property, plant and equipment	Under construction	Total
Gross value as at 1st January	**100'479**	**692'640**	**852**	**6'695**	**800'666**
Investments				24'668	24'668
Transfers to property, plant and equipment					0
Placed in service		19'178		-19'178	0
Disposals	-92	-7'226	-16		-7'334
Gross value as at 31st December	**100'387**	**704'592**	**836**	**12'185**	**818'000**
Cumulated amortisation as at 1st January	**-29'188**	**-284'927**	**-650**		**-314'765**
Amortisation	-1'520	-15'630	-17		-17'167
Disposals	92	4'404	16		4'512
Cumulated amortisation as at 31st December	**-30'616**	**-296'153**	**-651**		**-327'420**
of which net impairment as at 31st December					*0*
Net book value as at 31st December	**69'771**	**408'439**	**185**	**12'185**	**490'580**

19. Borrowings

	2012			2011		
	Variable rate	Fixed rate	Total	Variable rate	Fixed rate	Total
Non-current borrowings	139'967	446'000	585'967	144'817	462'000	606'817
Current borrowings	12'850	8'000	20'850	14'850	6'000	20'850
Total borrowings	**152'817**	**454'000**	**606'817**	**159'667**	**468'000**	**627'667**

Borrowings are contracted with banking institutions and brokers.

The historical amortised cost established for each borrowing is based on discounted cash flows. The discount rate used corresponds to the original actual interest rate of the financial instrument. The latter amounts to 1.6% in 2012 (1.8% in 2011).

20. Provisions

	Control of low-voltage facilities	Renovation of dedicated MV/LV facilities	Closure of the Châtillon site	Employee benefits	Total
2011					
Provisions as at 1st January	11'713	12'326	7'972	54'715	86'726
Increase		537		4'072	4'609
Change of valuations	-4'597	-1'948	-2'480	389	-8'636
Use	-812	-200	-44	-3'012	-4'068
Provisions as at 31st December	**6'304**	**10'715**	**5'448**	**56'164**	**78'631**
2012					
Provisions as at 1st January	6'304	10'715	5'448	56'164	78'631
Increase		450		4'295	4'745
Change of valuations	-98	851	1'164	655	2'572
Use	-894	-685	313	-3'104	-4'370
Provisions as at 31st December	**5'312**	**11'331**	**6'925**	**58'010**	**81'578**

Maturity of provisions	2012	2011
Non-current	75'692	72'866
Current	5'886	5'765
Total provisions	**81'578**	**78'631**

Control of low-voltage facilities

The provisions of the ordinance on low-voltage facilities (OIBT) regulate the conditions applicable to work on low-voltage electrical facilities and the control of such facilities.

The amount of the obligation recorded on the balance sheet represents the estimated financial cost of the controls which were not carried out prior to the entry into force of the OIBT and which must be borne by SIG. The obligation is adjusted each year according to the controls which still have to be carried out.

The execution of the outstanding controls and the obligation in connection with the OIBT will end in 2014.

Renovation of dedicated medium-voltage / low-voltage (MV/LV) facilities

The provisions of the LCart require in particular that free competition be observed. In order to conform to these requirements, SIG transfers ownership of MV/LV transformers dedicated to customers to the latter.

The amount of the obligation recorded on the balance sheet represents the estimated renovation costs for the equipment which must be paid by SIG at the time of transfer of the transformers. It is adjusted each year according to the number of transformers which still have to be renovated.

The replacement of transformers and the obligation in connection with the renovation of the MV/LV transformers will end in 2045.

Closure of the Châtillon site

The federal law on the protection of the environment (LPE) requires that the operator bear the costs of the closure of the dump and its subsequent monitoring.

The amount of the obligation recorded on the balance sheet represents the estimated cost of the Châtillon site's closure and its subsequent monitoring which must be borne by SIG. It is adjusted each year according to the dumps' level of filling and to the state of progress of the dump's coverage.

Most costs resulting from the closure of the Châtillon site will end in 2022.

Employee benefits

Bonuses

SIG's Staff Regulations grant bonuses to employees according to their seniority and upon retirement.

The amount of the obligation recognised on the balance sheet represents the estimated actual cost of bonuses to be paid which must be borne by SIG.

Contribution to retiree's health insurance costs

SIG's Staff Regulations grant retirees a monthly contribution to health insurance costs.

The amount of the obligation recognised on the balance sheet represents the estimated actual cost of the contribution to retirees' health insurance costs to be paid which must be borne by SIG.

Determination of obligations in relation to employee benefits

The table below indicates the present value of the obligations in relation to employee benefits.

Obligation in relation to employee benefits recognised under liabilities

	2012	2011
Present value of obligations	72'520	65'835
Actuarial differences not yet registered	-14'510	-9'671
Obligation recognised under liabilities	**58'010**	**56'164**

Present value of the obligation in relation to employee benefits recognised under liabilities

	2012	2011
Present value of obligations as at 1st January	65'835	56'527
Present value of additional rights acquired	2'688	2'421
Interest cost	1'608	1'650
Actuarial losses on obligations	5'493	8'249
Benefits paid	-3'104	-3'012
Present value of obligations as at 31st December	**72'520**	**65'835**

Changes in the obligation in relation to employee benefits recorded on the balance sheet

The following table shows the evolution of the obligation recorded on the balance sheet during the financial year.

	2012	2011
Obligations recorded as liabilities on the balance sheet at the beginning of the financial year	56'164	54'715
Benefits costs during the financial year	4'950	4'461
Employer contribution during the financial year	-3'104	-3'012
Obligations recorded as liabilities on the balance sheet at the end of the financial year	**58'010**	**56'164**

Structure of costs of the financial year in relation to employee benefits

The following table shows the structure of the benefits costs recorded in the statement of comprehensive income.

	2012	2011
Cost of services provided during the financial year	2'688	2'421
Interest cost	1'608	1'650
Amortisation of actuarial differences not yet registered	654	390
Costs of the financial year in relation to employee benefits	**4'950**	**4'461**
Employer contribution	-3'104	-3'012
Obligation in relation to employee benefits in the consolidated statement of comprehensive income	**1'846**	**1'449**

History

The history of the financial situation as at 31 December and the gains and losses resulting from experience, presented prospectively as of 2010, is as follows :

	2012	2011	2010
Obligations	72'520	65'835	56'527
Actuarial differences not yet registered	-14'510	-9'671	-1'812
Obligations recorded as liabilities on the balance sheet	**58'010**	**56'164**	**54'715**
Gains / losses			
- on obligations, resulting from changes in assumptions	*5'052*	*8'171*	*2'034*
- on obligations, resulting from experience	*442*	*78*	*21*

Main actuarial assumptions in relation to employee benefits

The main actuarial assumptions used to estimate the obligations in relation to employee benefits are identical to those used to estimate the pension obligations (see note 21).

Employer contribution in relation to employee benefits expected for 2013

On the basis of the contributions actually paid in 2012, we estimate that employer contributions for the 2013 financial year will amount to KCHF 2'985 (KCHF 2'988 in 2012).

Method used to register the actuarial differences in relation to employee benefits

The actuarial differences of bonuses according to seniority are amortised immediately in the statement of comprehensive income in the amount of KCHF 397 in 2012 (KCHF 389 in 2011).

The amount of the actuarial differences not yet registered at the beginning of the 2012 financial year has exceeded the corridor. Therefore, part of these actuarial differences is recorded in the statement of comprehensive income in the amount of KCHF 257 (KCHF 0 in 2011).

21. Pension obligations

Determination of the obligation

The table below indicates the present value of the obligations and the assets' fair value at the end of the financial year.

	2012	2011
Present value of obligations	1'835'091	1'657'834
Fair value of assets and liabilities	-911'105	-860'283
Financial situation at the end of the financial year	923'986	797'551
Actuarial differences not yet registered	-456'537	-376'620
Change in the pension scheme	-11'023	0
Obligation recorded as liabilities on the balance sheet	**456'426**	**420'931**

The change in the pension scheme consists of the addition of 26% of the 13th salary in the calculation of the salary insured in the pension fund. This addition was approved by the Council of State on 26 July 2012 when it approved the change of status of SIG's personnel.

During the 2012 financial year, the amount of the liabilities on the balance sheet increased by KCHF 35'495 (KCHF 34'796 in 2011). This increase was recorded under "Pension obligations".

	2012	2011
Present value of obligations as at 1st January	1'657'834	1'647'856
Present value of additional rights acquired	34'163	36'868
Employee contributions	11'460	11'386
Interest cost	40'721	48'439
Actuarial losses / (gains) on obligations	131'004	-28'739
Change in the pension scheme	22'045	0
Benefits paid	-62'136	-57'976
Present value of obligations as at 31st December	**1'835'091**	**1'657'834**

	2012	2011
Fair value of assets and liabilities as at 1st January	860’283	871’794
Expected return of assets and liabilities	42’471	42’774
Employer contribution	24’438	24’328
Employee contributions	11’460	11’386
Actuarial gain / (loss) on the capital	34’589	-32’023
Benefits paid	-62’136	-57’976
Fair value of assets and liabilities as at 31st December	**911’105**	**860’283**

Changes in the obligation recorded on the balance sheet

The following table shows the evolution of the obligation recorded on the balance sheet during the financial year.

	2012	2011
Obligations recorded as liabilities on the balance sheet at the beginning of the financial year	420’931	386’135
Benefits costs during the financial year	59’933	59’124
Employer contribution during the financial year	-24’438	-24’328
Obligations recorded as liabilities on the balance sheet at the end of the financial year	**456’426**	**420’931**

Structure of benefits costs of the financial year

The following table shows the structure of the benefits costs recorded in the statement of comprehensive income.

	2012	2011
Cost of services provided during the financial year	45’623	48’254
Interest cost	40’721	48’439
Expected return of assets and liabilities	-42’471	-42’774
Employee contributions	-11’460	-11’386
Amortisation of actuarial differences not yet registered	16’497	16’591
Amortisation of actuarial differences resulting from the change in the pension scheme	11’023	0
Cost of benefits recorded during the financial year	**59’933**	**59’124**
Employer contribution	-24’438	-24’328
Pension obligation in the consolidated statement of comprehensive income	**35’495**	**34’796**

Main actuarial assumptions

The main actuarial assumptions used to estimate the pension obligations are:

	2012	2011
Discount rate	2.0%	2.5%
Expected return of assets and liabilities	5.0%	5.0%
Future salary increases	1.5%	1.5%
Future increases in retirement benefits	0.5%	0.5%
Retirement age	according to experience	according to experience

The expected return of assets and liabilities was calculated on the basis of the expected returns of the various assets in the context of the current investment policy which reflects the actual long-term return rates observed on the respective markets.

The actual return of assets and liabilities during the 2012 financial year was KCHF 77'061 (KCHF 10'751 for 2011), which corresponds to an average rate of 9.10% (1.25% in 2011).

Structure of the pension plan's assets

The table below shows the allocation of assets between the different types of assets.

	2012	2011
Obligations and loans	11.50%	12.00%
Shares	42.20%	40.80%
Buildings	40.80%	42.60%
Other	5.50%	4.60%
Total structure of the pension plan's assets	**100.00%**	**100.00%**

SIG does not hold any part of the pension fund's assets and liabilities and does not occupy any buildings which belong to the fund.

History

The history of the financial situation as at 31 December and the gains and losses resulting from the experience, presented prospectively as of 2008, is as follows:

	2012	2011	2010	2009	2008
Obligations	1'835'091	1'657'834	1'647'856	1'568'082	1'541'752
Fair value of assets and liabilities	-911'105	-860'283	-871'794	-874'780	-803'553
Financial situation at the end of the financial year	923'986	797'551	776'062	693'302	738'199
Actuarial differences not yet registered	-456'537	-376'620	-389'927	-335'443	-413'799
Change in the pension scheme	-11'023				
Obligations recorded as liabilities on the balance sheet	**456'426**	**420'931**	**386'135**	**357'859**	**324'400**
Gains / losses					
- on obligations, resulting from changes in assumptions	*-133'577*	*10'751*	*-60'679*	*0*	*23'490*
- on obligations, resulting from experience	*2'573*	*17'988*	*7'058*	*5'140*	*28'121*
- on the assets and liabilities, resulting from experience	*34'589*	*-32'023*	*-13'523*	*55'098*	*-180'725*

Additional information

General description of the type of pension plan

SIG personnel benefit from a defined benefit pension plan.

This plan specifies that the amount of the retirement pension may not exceed 70% of the determining salary, i.e. the last insured salary.

No other benefit is planned for employees of SIG following the end of their employment.

Employer contribution expected for 2013

On the basis of the contributions actually paid in 2012, we estimate that employer contributions for the 2013 financial year will amount to KCHF 24'749 (KCHF 24'693 in 2012).

Method used to register the actuarial differences

The amount of the actuarial differences not yet recorded at the beginning of the 2012 financial year has exceeded the corridor. Therefore, part of the actuarial differences are recorded in the statement of comprehensive income in the amount of KCHF 16'497 (KCHF 16'591 in 2011).

22. Financial liabilities and other obligations

	2012	2011
Multi-annual equalisation fund	49'813	68'665
Revenues from future periods	9'044	10'331
Security deposits customers (see note 13)	6'717	7'239
Derivatives (see note 31)	2'278	6'743
Benefit fund in case of death	418	432
Patronage fund	534	434
New and renewable energy fund (COGENER)	618	498
Environmental fund (COGEFE)	593	576
Total financial liabilities and other obligations	**70'015**	**94'918**

Multi-annual equalisation fund

The difference between advances received from customers and the maximum revenue approved by the regulator for electrical energy, its supply and the corresponding taxes is deferred. It is recorded as revenues in the following periods during which price reductions intended to reimburse the overcharge are granted to customers for the quantities consumed.

Multi-annual equalisation fund maturities	2012	2011
Non-current	43'116	54'838
Current	6'697	13'827
Total multi-annual equalisation funds	**49'813**	**68'665**

Revenues from future periods

Telecom services generally include operating leases. Therefore the amount of rent is recorded under revenues, regardless of the type of payment selected by the customer.

In the case of single or regular payments made over a different duration than that of the contract providing the facilities, the amounts received in advance are recorded as liabilities on the balance sheet under "Financial liabilities and other obligations" as deferred revenues which are called Revenues from future periods.

They are then spread over all of the periods covered by the lease on a systematic and rational basis which reflects a constant periodic return rate on the balance of the amount received in advance.

Benefit fund in case of death The aim of the benefit fund in case of death is to provide immediate financial aid to the spouse and parents of an active employee whose death deprives them of support.

Patronage fund The patronage fund is intended to provide funds in the cultural and humanitarian field.

New and renewable energy fund (COGENER)

The new and renewable energy fund is intended to finance the development of new renewable energies through a voluntary contribution by SIG.

Environmental fund (COGEFE)

The environmental fund is intended to finance ecological improvement measures in and around the harbour and catchment basin of the Rhone river in the Geneva area.

23. Suppliers

	2012	2011
Third party suppliers	74'789	107'680
Suppliers associates or companies under joint control	46'770	42'401
Total suppliers	**121'559**	**150'081**

Amortised cost The amortised cost of suppliers corresponds to their nominal value.

24. State and other public authorities

	2012	2011
Charges for use of public domain in favour of the State	64'940	8'863
Charges for use of public domain in favour of other public authorities	24'352	26'589
Current account with the State	228	-2'271
Other debts towards public authorities	2'205	793
Total State and other public authorities	**91'725**	**33'974**

25. Other financial liabilities and accrued expenses

Other financial liabilities	2012	2011
Energy purchases	29'668	29'037
Energy purchases from associates or companies under joint control	15'282	18'584
Derivatives (see note 31)	12'457	34'537
Revenues from future periods	14'041	18'685
Other financial liabilities due to third parties	9'667	10'511
Accrued interests on borrowings	141	156
Accrued expenses		
Deferred remuneration	12'062	11'196
Variable remuneration (see note 4)	8'048	8'509
Other accrued expenses and deferred income	34'662	31'784
Other accrued expenses and deferred income with associates and companies under joint control	1'238	1'478
Total other financial liabilities and accrued expenses	**137'266**	**164'477**

Revenues from future periods Revenues from future periods concern anticipated payments received from construction contracts (see note 12).

Deferred remuneration Deferred remuneration represents the estimated cost of untaken extra hours and holidays which will be taken the following year by the employees concerned.

26. Relations with related parties

SIG's relations with related parties are indicated and highlighted in all the applicable sections of the financial statements.

Subsidiaries, associates and companies under joint control

Most transactions with related parties occur in the context of energy purchases for resale (see notes 3 and 23). The prices are fixed by contract (see note 27).

Purchase right

In the context of the contracts with the EOS Holding Group, SIG has the possibility to purchase a fixed maximum annual amount of electricity from EOS SA until 31 December 2030, at a price equivalent to the mean production cost of EOS SA. The accumulated difference during the period given between the mean sales price of EOS SA and its mean production cost for the quantities purchased by SIG may not exceed a mutually agreed maximum limit.

This supply possibility is considered to be a right to purchase which begins when it is exercised and expires only upon delivery of electricity.

The exercise of this right to purchase on the part of SIG depends on market conditions. Therefore, this right only impacts the consolidated statement of comprehensive income when it is exercised.

FMHL financial option

The EOS Holding Group has ceded to SIG in compensation for the important efforts made a right of collection of power from its share in the production of Forces Motrices Hongrin-Léman SA (FMHL).

This right allows SIG to acquire a predefined quantity of energy at the cost of production or to receive its financial equivalent.

The estimated value of the option for a 5-year period is KCHF 0 in 2012 (KCHF 0 for 2011).

The FMHL financial option is presented with the other financial assets (see note 11).

Companies active in the field of electrical energy from wind farms

In 2009, SIG invested in companies active in the field of electrical energy from wind farms. Loan contracts in favour of these companies were also entered into. The maximum amount that the latter may borrow in the context of this financing is KCHF 79'517, on the basis of predefined realisation criteria. As at 31 December 2012, the sum of paid advances is KCHF 39'579 (KCHF 33'067 as at 31 December 2011).

Short-term financing operation

Short-term financing operations are sometimes carried out between related parties in order to optimise their respective cash positions.

Holders of SIG's share capital

Charges and discounts

Different laws set the amounts of charges and discounts which SIG must pay to the State, the City and the municipalities (see note 7).

Interest on share capital

The law on the organisation of SIG of 5 October 1973 states that a set annual interest corresponding to 5% of the share capital must be paid to the holders of this capital (see note 6).

Transactions with the holders of SIG's share capital

SIG does not influence and is not under the influence of the companies on which holders of SIG's share capital exercise control, joint control or notable influence.

Any transactions relating to the provision of energies and services by SIG to holders of the share capital and companies on which they exercise control, joint control or notable influence are carried out according to the usual conditions and terms of sale.

As at 31 December 2012, the transactions with the holders of SIG's share capital are shown under "Charges to public authorities" (see note 7) and "State and other public authorities" (see note 24).

Entities under the control, the joint control or the influence of the holders of SIG's share capital

Sales to related parties under the control, the joint control or the influence of the holders of SIG's share capital amount to KCHF 83'657 in 2012 (KCHF 95'282 in 2011). Receivables outstanding as at 31 December 2012 amount to KCHF 16'420 (KCHF 17'165 in 2011).

Top management

The list of the members of management and of the Board of Directors is included in the report on sustainable development.

Board of Directors and management remuneration

The remuneration of the Board of Directors and of management is set by private law employment contracts or by public law statutory conditions.

The below table shows the remuneration, the benefits subsequent to employment and the compensation for membership of Board of Directors of subsidiaries, associates and companies under joint control of SIG, provided to the 23 members of the Board of Directors and to the 8 members of management.

	2012		2011	
	Board of Directors	Management	Board of Directors	Management
Remuneration	723	2'324	767	2'550
Benefits subsequent to employment		303		391
Compensation for membership of Board of Directors of subsidiaries, associates and companies under joint control of SIG	142		87	

Benefits subsequent to employment within management

Benefits subsequent to employment (retirement benefits) for members of management are calculated according to the rules which apply to all SIG employees. Furthermore, they do not receive end of contract bonuses or other similar benefits.

Transactions with top management

Any transactions relating to the products and services of SIG with its top management and any other party through the latter are carried out according to the usual conditions and terms for sales.

Loans to top management

No individual loans are granted to members of top management.

27. Obligations

Obligations to companies active in the wind energy sector

In the context of the development of its wind activities, SIG committed to pay a success premium to its partners when definitive construction permits and permanent building rights are obtained.

Obligations to Gaznat SA

In the context of the capital increase of Gaznat SA in 1993, SIG agreed to grant this company a subordinated loan in the value of KCHF 6'591. This loan will be paid upon request by Gaznat SA.

Energy purchase contracts

SIG is contractually obligated to purchase electrical energy, under defined conditions, from its investments (SFMCP and the EOS Holding group) and third parties.

SIG contractually committed to purchase gas, under defined conditions, from its investment Gaznat SA.

The contractual details for the calculation of the purchase prices aim to ensure the financial stability of its partners and optimal management of the electricity and gas supply.

Guarantee ISDS Oulens SA

SIG has an investment in ISDS Oulens SA, whose objective is to operate a storage facility for stabilised waste.

In relation with this investment, a simple guarantee for the amount of KCHF 3'021 has been subscribed by the State of Geneva as a guarantee for the repayment of the credit received by ISDS Oulens SA from the lender.

Obligation in favour of Cadiom SA

In order to complete the financing of the construction of its long distance heating network, Cadiom SA received a bank loan.

In 2006, all the shareholders of Cadiom SA pledged their shares as security to the banking institution which granted the loan.

28. Impact of the new laws on financial statements

Federal law on the supply of electricity (LApEl)

The legal framework applicable as of 2009 to electricity supply in Switzerland is defined by the federal law (LApEl) and its ordinance (OApEl), the directives and decisions of the regulator (ElCom) and secondarily by the electrical branch (AES).

The LApEl aims to create the proper conditions to ensure safe electricity supply as well as an electricity market focused on competition. It also establishes the general conditions to guarantee a reliable supply to all parts of the country in accordance with the principles of sustainable development as well as to maintain and reinforce the competitiveness of the Swiss electricity sector on the international stage.

During the first phase of the opening of this market (initially planned for the period from 2009 to 2013), only the customers who own sites consuming more than 100,000 kWh per year may opt for the provider of their choice. In SIG's area of supply, this potentially applies to approximately 1% of the sites and represents nearly half the electricity consumed in the canton.

For the first phase, regardless of certain appeals that have not yet been decided, the financial consequences of the regulation or the customers' choices may now be better anticipated by supply network managers and by electrical energy suppliers.

In order to respond to the weaknesses observed in the current legislation, the Federal Council had announced in November 2009 that it wanted to put in consultation a revision of the LApEl in 2011 in view of an entry into force in 2014, in particular in order to reinforce the regulator, cost control, fee transparency and the independence of the national transport network.

Since the earthquake and the tsunami which hit Japan on 11 March 2011 and the decision of the Federal Council and the Parliament to phase out nuclear power progressively, the Swiss Confederation has given priority to work on the new 2050 energy strategy. A first project for the complete revision of the federal law on energy (LEne) comprising measures to ensure an economical and rational utilization of energy and to increase the use of renewable energies was put in consultation until 31st January 2013, with an expected entry into force in 2015. At the beginning of 2013, the Federal Councillor Doris Leuthard announced that she expected the second step of the opening of the electricity market in 2015 and that a consultation concerning the changes to the LApEl would be initiated in 2013.

Opening of the natural gas market

Since 1st October 2012, the opening of the Swiss gas market was materialised by the signing of an agreement between the gas sector (ASIG) and industrial consumers. This agreement allows customers who use natural gas for industrial purposes and whose consumption throughput is higher than 200 Nm3/h to procure gas from third party suppliers whilst using the local transport and distribution network against payment. The necessary consumption throughput in order to benefit from this agreement could be lowered to 150 Nm3/h as of October 2015.

Cantonal law on the organisation of the Services Industriels de Genève (LSIG)

On 15 December 2011, the Grand Conseil adopted a modification of the LSIG concerning the yearly charge for the use of the public domain. The amount of the yearly charge due by SIG to the State increased from 5% of gross revenues for the use of the electricity network on their territory during the financial year under review to 40% for 2012 and to 25% for 2013 and 2014. This increase will not be reflected on tariffs, but supported by SIG. By adding the yearly charge for the use of the public domain due to the municipalities of 15%, the total charge due by SIG amounts to 55% of gross revenues for the use of the electricity network for 2012 and to 40% of the same revenues for 2013 and 2014.

In 2012, the municipality of Aire-la-Ville and others lodged an appeal before the Federal Tribunal against this transitional change of the LSIG. The Federal Tribunal's decision is still pending.

29. Allocation of results

Structure of net results

	2012	2011
SIG net result	**77'536**	**75'151**
Results of subsidiaries	-43	-30
Retreatment of dividends received from equity-accounted investees	-46'931	-48'617
Share of results of equity-accounted investees	-101'839	-99'070
Total contribution of consolidated companies	**-148'813**	**-147'717**
Consolidated net result	**-71'277**	**-72'566**

The consolidated net results comprise SIG's net results and the contribution of consolidated companies.

The contribution of consolidated companies represents the impact of the consolidation of investments on the current year's results. It is allocated to the group's reserves.

Allocation of SIG's net results

Article 28 of the law on the organisation of SIG foresees the allocation of SIG's net results in the following order of priority:

- To the new construction fund in the amount of 30% of new investments in the financial year under consideration;
- To the insurance fund in the amount of 15% of the remaining balance until it reaches 10% of the carrying amount of the assets recorded onto the balance sheet;
- The remaining balance to a general reserve fund.

This distribution is calculated after allocation of the net results of the Châtillon site operation to the Châtillon site reserve fund.

The profit of the 2012 financial year will be allocated as follows:

	2012	2011
Châtillon site reserve fund	507	446
Allocation of SIG's results		
New construction fund	69'371	74'705
Insurance fund	1'149	0
General reserve fund	6'509	0
SIG net result	**77'536**	**75'151**

30. Capital management

SIG is committed to a modern, transparent and responsible public service which is beneficial to the community. Therefore, SIG guarantees to its customers a fair and transparent price and proposes solutions to improved production and consumption. Sustainable development also constitutes the reference basis for SIG's values and strategy. Sustainable development is organised around the systematic and harmonious deployment of the three dimensions which are economic efficiency, the quality of the social environment and the preservation of the environment.

Concerning the economic dimension, SIG aims to ensure its long-term existence by generating cash and taking out the loans necessary to ensure the ongoing renewal, reliability and development of public utility infrastructure.

These objectives are materialised by a target ratio of financial independence.

The ratio of financial independence corresponds to the relationship between equity and invested capital. Invested capital is materialised by the sum of equity, non-current accounts payable excluding third party participations in investments and current borrowings, less cash and cash equivalents.

	2012	2011
Ratio of financial independence	0.67	0.68
Invested capital		
Non-current liabilities	1'193'986	1'201'297
Current borrowings	20'850	20'850
Cash and cash equivalents	-36'178	-82'250
Net indebtedness	**1'178'658**	**1'139'897**
Equity	2'344'065	2'419'581
Invested capital	**3'522'723**	**3'559'478**

31. Management of financial risks

Carrying amount and market value of financial assets and liabilities by category

	Fair value		Amortized cost		
2011	Derivatives through equity and the statement of comprehensive income	Available-for-sale financial assets	Loans and receivables	Financial liabilities estimated at their amortised cost	Note
Financial assets and prepayments	10'443	293'505	132'076		11
Trade receivables from supplies and services			186'947		13
Other current financial assets	32'609		39'354		14
Cash and cash equivalents			82'250		15
Total value by category	**43'052**	**293'505**	**440'627**	**0**	
Non-current borrowings				606'817	19
Financial liabilities and other obligations	6'743			86'235	22
Current borrowings				20'850	19
Suppliers				150'081	23
Government and other public authorities				33'974	24
Other current financial liabilities	34'537			76'973	25
Total value by category	**41'280**	**0**	**0**	**974'930**	
2012					
Financial assets and prepayments	3'711	293'676	145'761		11
Trade receivables from supplies and services			203'094		13
Other current financial assets	15'631		51'665		14
Cash and cash equivalents			36'178		15
Total value by category	**19'342**	**293'676**	**436'698**	**0**	
Non-current borrowings				585'967	19
Financial liabilities and other obligations	2'278			65'575	22
Current borrowings				20'850	19
Suppliers				121'559	23
Government and other public authorities				91'725	24
Other current financial liabilities	12'457			68'799	25
Total value by category	**14'735**	**0**	**0**	**954'475**	

The carrying amount of the financial assets and liabilities corresponds to their market value.

Fair value of the financial instruments by level

2011	Level 1	Level 2	Level 3	Total
Equity securities			293'505	293'505
Derivatives (assets)	5'863	37'188	1	43'052
Derivatives (liabilities)	-12'061	-29'153	-66	-41'280
Total fair value of financial instruments by level	**-6'198**	**8'035**	**293'440**	**295'277**
2012				
Equity securities			293'676	293'676
Derivatives (assets)	3'969	15'373		19'342
Derivatives (liabilities)	-3'801	-10'305	-629	-14'735
Total fair value of financial instruments by level	**168**	**5'068**	**293'047**	**298'283**

The accounting methods used to determine the fair value for the three levels of financial instruments above are described in the "Accounting principles" note.

Influence of derivatives on the balance sheet

2011	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Net fair value
Total hedging instruments of cash flow through equity				67		67	-67
Total derivatives at fair value through the statement of comprehensive income	10'443	32'609	43'052	6'676	34'537	41'213	1'839
Total derivatives	**10'443**	**32'609**	**43'052**	**6'743**	**34'537**	**41'280**	**1'772**
2012							
Total hedging instruments of cash flow through equity				630		630	-630
Total derivatives at fair value through the statement of comprehensive income	3'711	15'631	19'342	1'648	12'457	14'105	5'237
Total derivatives	**3'711**	**15'631**	**19'342**	**2'278**	**12'457**	**14'735**	**4'607**

The fair values of interest or exchange derivatives have been calculated by the relevant banks according to the market data observable at the balance sheet closing date. These instruments have been concluded with the aim of being held to maturity.

Influence of financial assets and liabilities on results

	Fair value		Amortized cost		
2011	Derivatives through equity and the statement of comprehensive income	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at their amortised cost	Note
Interests				9'201	
Expenses and premiums	12		1'174	35	
(Gains)/losses on financial instruments	978				
Change in fair value	6'082				
(Gains)/losses on exchange				2'205	
Revenues from investments, equity securities, etc.		-3	-2'791		
Total	**7'072**	**-3**	**-1'617**	**11'441**	**6**
2012					
Interests				14'057	
Expenses and premiums	61		248		
(Gains)/losses on financial instruments	134				
Change in fair value	-3'449				
(Gains)/losses on exchange				6'381	
Revenues from investments, equity securities, etc.		-7'484	-3'527		
Total	**-3'254**	**-7'484**	**-3'279**	**20'438**	**6**

Adjustments to the carrying amount at fair value are recorded in the hedging reserve for transactions indicated as hedging operations.

The interest rate differential for hedging financial instruments used for debt management is presented in finance costs and finance income on the statement of comprehensive income, as is the interest charge linked to contracted loans. The price differential for derivatives used for electricity supply management is presented in purchases for resale on the statement of comprehensive income, as are hedged electricity purchases.

Influence of derivatives on hedging reserves

	2012	2011
Hedging reserves as at 1st January	**-67**	**-905**
Matured hedging instruments		
Value variations	-39	905
New hedging instruments	-524	-67
Hedging reserves as at 31st December	**-630**	**-67**

Management of financial risks

Managing risks first requires knowledge of the nature of these risks in order to identify them, evaluate them and then reduce their impact by using appropriate instruments and techniques. Monitoring is systematically carried out by the company's management.

In the context of its operational activities and the management of its debt, SIG is exposed to liquidity, credit and market risks (interest rate, exchange rate and price risk).

The new formulation of the "management policy for financial risks" has been approved by the Board of Directors on 18 February 2010. This policy aims to define the context in which financial management is permitted to manage financial risks. It is complemented by a manual on the management of financial risks which represents its operational part and is updated after each change in the policy.

Risks linked to liquid assets

SIG is structured to borrow capital in the medium and long term. Due to its structure the company may temporarily find itself in a situation of reduced liquid assets. In order to neutralise this risk SIG has lines of credit from banking institutions and has access to funds which are available at any time.

Thus, the management policy for SIG's liquid assets consists of guaranteeing the availability of cash necessary for the functioning of the company while optimising the return on these surplus funds. An objective is set regarding the minimum rate of return.

The management of these risks is ensured by investments whose limits on obligations and counterparties are authorised by management.

Contractual maturities of financial liabilities

The maturity analysis highlights the remaining contractual duration of liabilities at the closing date. The amounts stated represent undiscounted contractual cash flows.

2011	Less than one year	From one to two years	From two to five years	More than five years	Total
Current and non-current borrowings and related interests	31'957	31'053	251'936	436'794	751'740
Short- and long-term derivatives	34'536	6'594	150		41'280
Financial liabilities and other obligations	16'652	55'989	3'148	10'446	86'235
Suppliers	150'081				150'081
Government and other public authorities	33'974				33'974
Other financial liabilities and accrued expenses	76'817				76'817
Total contractual maturity of financial liabilities	**344'017**	**93'636**	**255'234**	**447'240**	**1'140'127**
2012					
Current and non-current borrowings and related interests	31'052	131'078	150'750	406'902	719'782
Short-and long-term derivatives	12'457	1'754	524		14'735
Financial liabilities and other obligations	9'387	44'218	3'004	8'966	65'575
Suppliers	121'559				121'559
Government and other public authorities	91'725				91'725
Other financial liabilities and accrued expenses	68'658				68'658
Total contractual maturity of financial liabilities	**334'838**	**177'050**	**154'278**	**415'868**	**1'082'034**

Credit risks

Part of the credit risk is due to cash investments and to derivatives transactions. These operations are carried out with carefully selected financial institutions. Taking into account the rating of these banking counterparties, management does not anticipate any loss which would result from their failure regarding their contractual obligations.

SIG's activity is also confronted with the possibility of defaults or delays in payments from its debtors. The management of credit risk requires regular and systematic verification of open credits and a periodical analysis of the counterparties' solvency. Overdue accounts payable have been open for over one month. They amount to KCHF 18'860 in 2012 (KCHF 7'365 in 2011). No interest is invoiced on these accounts payable. Management considers that there will be no significant loss linked to payments from debtors.

Furthermore, financial assets are subject to an impairment test.

Exposure to credit risks

	2012	2011
Financial assets and prepayments	443'148	436'024
Trade receivables from supplies and services	203'094	186'947
Other financial assets and prepayments	67'296	71'963
Cash and cash equivalents	36'178	82'250
Total exposure to credit risks	**749'716**	**777'184**

The maximum credit risk corresponds to the carrying amount of the financial assets under consideration.

Market risks

Interest rate risks

With borrowings held at fixed or variable rates, SIG is exposed to capital market interest rate fluctuations.

SIG's strategy consists of assessing this risk primarily in terms of the reduction in the average cost of the existing debt while ensuring that the variable rate debt does not exceed a defined percentage of the total debt. Management's aim is established in relation with an actual interest rate.

The management of these risks is ensured by the use of financial instruments whose limits on obligations and counterparties are authorised by management. Management operations linked to interest rate risks may only be carried out on the existing debt.

Exchange risks

Part of the company's expenditure, primarily purchases of electricity, occurs in EUR. Therefore, there is an exchange risk on the result of these sales transactions which are denominated in a currency other than CHF.

SIG's strategy aims to minimise the impact of fluctuations in EUR/CHF on financial expenses by using hedging instruments and by following the principle of prudence. An objective is set in relation to a reference exchange rate.

The management of these risks is ensured by using financial instruments whose limits on obligations and counterparties are authorised by management. Short sales are not permitted.

Price risks

The management of price risks is explained in the "Management of risks linked to energy supply" section (see note 3).

Sensitivity analysis

A sensitivity analysis is carried out for financial instruments recorded at the date of closing.

An analysis of the sensitivity to interest risk is carried out annually for financial instruments used in the context of debt management.

An analysis of the sensitivity to exchange risk is carried out annually for financial instruments used in the context of debt management, for forward purchases of electricity abroad and for other balance sheet items for which the underlying currency is other than CHF.

An analysis of the sensitivity to price risk is carried out annually for forward purchases of electricity abroad.

A reasonable variation in interest and exchange rates and in market prices of electricity is applied individually to financial instruments opened on 31 December 2011 and 2012, all other variables being constant.

Sensitivity to risks

2011	Variation of the		Proportion of the variation		Impact on the net financial expenses		Impact on the hedging reserve
Interest risk							
	interest rate	↗	0.5%			↗	898
	interest rate	↘	0.5%			↘	
Exchange risk							
	EUR/CHF exchange rate	↗	10 cts	↘	28'999		
	EUR/CHF exchange rate	↘	10 cts	↗	28'941		
Price risk							
	price of electricity	↗	10%	↘	3'173		
	price of electricity	↘	10%	↗	3'079		
2012							
Interest risk							
	interest rate	↗	0.5%			↗	864
	interest rate	↘	0.5%			↘	
Exchange risk							
	EUR/CHF exchange rate	↗	10 cts	↘	15'586		
	EUR/CHF exchange rate	↘	10 cts	↗	15'709		
Price risk							
	price of electricity	↗	10%				
	price of electricity	↘	10%				

32. Events subsequent to closing

On 31st January 2013, the Board of Directors voted in favour of the abolition of the contribution to retirees' health insurance costs (see note 20), effective between June and December 2013.

No other event requiring the presentation of additional information occurred between the closing date and the date at which the publication of the financial statements was authorised.

5

Multiannual data

as at 31 December 2012

Simplified consolidated statement of income

(Values in MCHF)	2008*	2009	2010	2011	2012
Revenues	1027	1038	1026	1054	1078
Expenses	-823	-810	-902	-932	-905
Results from operating activities (EBIT)	204	228	124	122	173
Net finance costs	-34	-28	9	-17	-8
Share of results of equity-accounted investees	65	541	68	-99	-102
Results before charges to public authorities	235	741	201	6	63
Charges to public authorities	-72	-80	-78	-79	-134
Group net result	**163**	**661**	**123**	**-73**	**-71**

(Values in %)					
Revenues	100	100	100	100	100
Expenses	-80	-78	-88	-88	-84
Results from operating activities (EBIT)	20	22	12	12	16
Net finance costs	-3	-3	1	-2	-1
Share of results of equity-accounted companies	6	52	7	-9	-9
Results before charges to public authorities	23	71	20	1	6
Charges to public authorities	-7	-8	-8	-7	-13
Group net result	**16**	**63**	**12**	**-6**	**-7**

** Without retreatment of the impact of the retroactive modification of the durations of use of property, plant and equipment*

Simplified consolidated balance sheet

(Values in MCHF)	2008*	2009	2010	2011	2012
Non-current assets	3454	3716	3793	4089	4054
Current assets less cash	285	287	319	305	310
Cash and cash equivalents	88	172	175	82	36
Current assets	373	459	494	387	346
Total assets	**3827**	**4176**	**4287**	**4476**	**4400**
Equity	2069	2411	2494	2419	2344
Non-current liabilities	1’374	1’412	1’434	1’687	1’685
Current borrowings	100	68	18	21	21
Current liabilities less current borrowings	284	285	341	349	350
Liabilities	1758	1765	1793	2057	2056
Total equity and liabilities	**3827**	**4176**	**4287**	**4476**	**4400**

(Values in %)					
Non-current assets	90	89	88	91	92
Current assets less cash	8	7	8	7	7
Cash and cash equivalents	2	4	4	2	1
Current assets	10	11	12	9	8
Total assets	**100**	**100**	**100**	**100**	**100**
Equity	54	58	58	54	53
Non-current liabilities	36	33	33	38	38
Current borrowings	3	2	0	0	0
Current liabilities less current borrowings	7	7	8	8	8
Liabilities	46	42	42	46	47
Total equity and liabilities	**100**	**100**	**100**	**100**	**100**

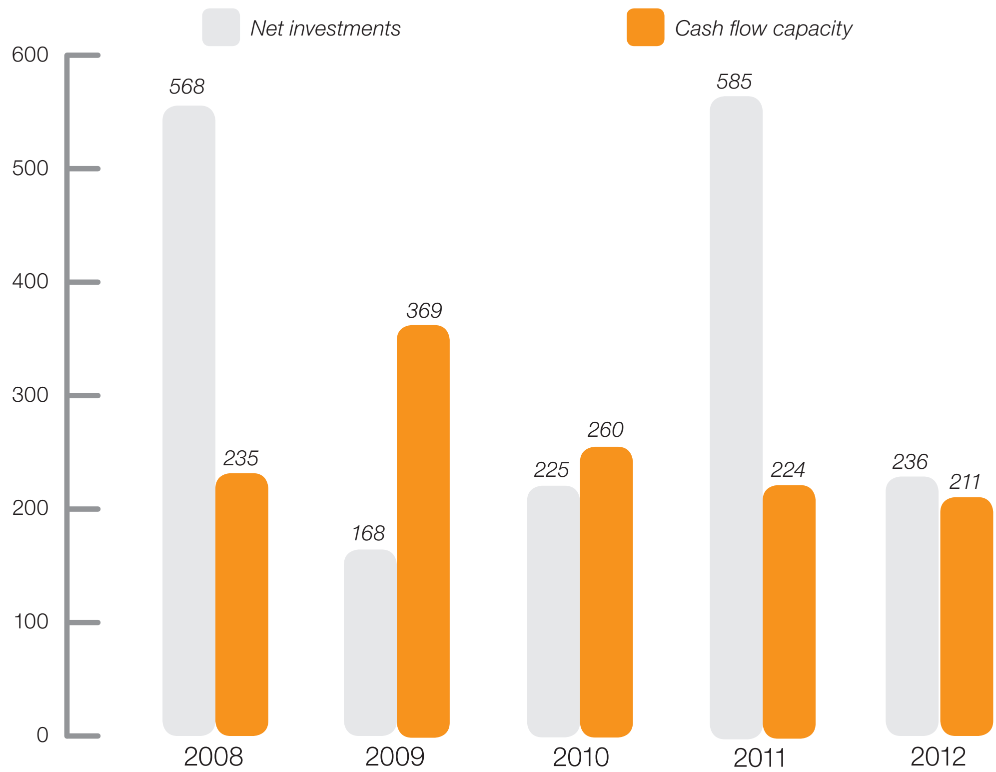
** Without retreatment of the impact of the retroactive modification of the durations of use of property, plant and equipment*

Cash flow capacity

(Values in MCHF)	2008	2009	2010	2011	2012
Group net result	163	661	124	-73	-71
Non-monetary revenues and expenses	72	-292	136	297	282
Cash flow capacity	**235**	**369**	**260**	**224**	**211**

Degree of cash flow of net investments

(Values in MCHF)	2008	2009	2010	2011	2012	Total
Investment expenditure (A)	568	168	225	585	236	1’782
Self financing capacity (B)	235	369	260	224	211	1’299
Ratio (B) / (A) in %	41	220	115	38	90	73



Financial independence

Financial independence *(values in MCHF)*	2008	2009	2010	2011	2012
Equity	2’069	2’411	2’494	2’419	2’344
Liabilities	1’758	1’765	1’793	2’057	2’056

Ratio of financial independence *(in %)*					
Equity	54	58	58	54	53
Liabilities	46	42	42	46	47

Borrowings

(Nominal values in MCHF)	2008	2009	2010	2011	2012
Borrowings as at 31.12	510	434	366	628	607
Reimbursement of borrowings	-290	76	68	-262	21

(Values in %)					
Weighted mean of nominal interest rates	3.51	2.30	1.80	1.80	1.60