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# Financial statements 2011

Services Industriels de Genève

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# 1

## Audit report

As statutory auditor, we have audited from pages 3 to 60 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 2011.

### 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 de 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 2011 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 de 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, 22 March 2012

KPMG SA



Pierre Henri Pigeon  
Licensed audit expert  
Auditor in Charge



Damien Bordes  
Licensed audit expert

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## Financial statements

as at 31 December 2011

Consolidated statement of comprehensive income

as at 31 December 2011

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as at 31 December 2011

# Consolidated statement of comprehensive income

as at 31 December 2011

|  | 2011             | 2010             | Note |
|--|------------------|------------------|------|
|  |                  | readjusted       |      |
| Revenue  | 1'053'927        | 1'026'181        | 2    |
| <b>Revenue</b>   | <b>1'053'927</b> | <b>1'026'181</b> |      |
| Energy purchases for resale  | 443'748          | 424'603          | 3    |
| Operating expenses   | 337'127          | 339'088          | 4    |
| - Personnel expenses   | 254'686          | 248'371          |      |
| - Fees and external mandates   | 23'675           | 21'663           |      |
| - Waste disposal expenses  | 10'828           | 12'597           |      |
| - General operating expenses   | 79'744           | 86'592           |      |
| - Capitalised and stored production  | -31'806          | -30'135          |      |
| Pension obligation   | 34'796           | 28'276           | 21   |
| Amortization   | 115'824          | 110'543          | 5    |
| <b>Expenses</b>  | <b>931'495</b>   | <b>902'510</b>   |      |
| <b>Results from operating activities</b>                                     | <b>122'432</b>   | <b>123'671</b>   |      |
| Finance costs  | -19'808          | -14'513          | 6    |
| Finance income   | 2'794            | 23'329           | 6    |
| Share of results of equity-accounted companies                               | -99'070          | 68'259           | 10   |
| <b>Results before charges to public authorities</b>                          | <b>6'348</b>     | <b>200'746</b>   |      |
| Charges to public authorities  | 78'914           | 77'803           | 7    |
| <b>Consolidated net result</b>   | <b>-72'566</b>   | <b>122'943</b>   |      |
| Revaluation of hedging derivatives   | 838              | -175             | 31   |
| Revaluation of available-for-sale financial assets                           | -494             |                  | 15   |
| Share of comprehensive income of companies consolidated by the equity method | -2'004           | -40'027          | 10   |
| <b>Other comprehensive income</b>  | <b>-1'660</b>    | <b>-40'202</b>   |      |
| <b>Comprehensive income</b>  | <b>-74'226</b>   | <b>82'741</b>    |      |

The accounting principles described as well as the annexed notes form an integral part of these financial statements.

# Consolidated statement of financial position

as at 31 December 2011

|  | 2011             | 2010             | 2009             | Note |
|--|------------------|------------------|------------------|------|
|  |                  | readjusted       | readjusted       |      |
| <b>Assets</b>                                    |                  |                  |                  |      |
| <b>Non-current assets</b>                        |                  |                  |                  |      |
| Property, plant and equipment                    | 2'769'654        | 2'682'168        | 2'592'783        | 8    |
| Intangible assets                                | 9'340            | 14'388           | 11'489           | 9    |
| Investments in associates and joint ventures     | 874'099          | 1'018'786        | 1'028'899        | 10   |
| Financial assets and prepayments                 | 436'025          | 77'894           | 83'314           | 11   |
| <b>Total non-current assets</b>                  | <b>4'089'118</b> | <b>3'793'236</b> | <b>3'716'485</b> |      |
| <b>Current assets</b>                            |                  |                  |                  |      |
| Inventories and work in progress                 | 29'508           | 31'203           | 30'013           | 12   |
| Trade receivables from supplies and services     | 186'947          | 176'772          | 169'872          | 13   |
| Other financial assets and prepayments           | 88'338           | 110'864          | 87'382           | 14   |
| Cash and cash equivalents                        | 82'250           | 174'937          | 172'305          | 15   |
| <b>Total current assets</b>                      | <b>387'043</b>   | <b>493'776</b>   | <b>459'572</b>   |      |
| <b>Total assets</b>                              | <b>4'476'161</b> | <b>4'287'012</b> | <b>4'176'057</b> |      |
| <b>Equity and liabilities</b>                    |                  |                  |                  |      |
| <b>Equity</b>                                    |                  |                  |                  |      |
| Share capital                                    | 100'000          | 100'000          | 100'000          | 16   |
| Consolidated reserves                            | 2'392'708        | 2'271'769        | 1'651'113        | 17   |
| Hedging reserve                                  | -67              | -905             | -730             | 31   |
| Revaluation reserve of financial assets          | -494             | 0                | 0                |      |
| Consolidated net result                          | -72'566          | 122'943          | 660'683          | 29   |
| <b>Total equity</b>                              | <b>2'419'581</b> | <b>2'493'807</b> | <b>2'411'066</b> |      |
| <b>Liabilities</b>                               |                  |                  |                  |      |
| <b>Non-current liabilities</b>                   |                  |                  |                  |      |
| Third party participation in investments         | 485'901          | 489'981          | 498'082          | 18   |
| Non-current borrowings                           | 606'817          | 347'667          | 365'667          | 19   |
| Provisions                                       | 89'827           | 98'239           | 98'311           | 20   |
| Pension obligations                              | 420'931          | 386'135          | 357'859          | 21   |
| Liabilities towards an associate                 | 0                | 0                | 15'787           |      |
| Financial liabilities and other obligations      | 94'918           | 123'401          | 87'041           | 22   |
| <b>Total non-current liabilities</b>             | <b>1'698'394</b> | <b>1'445'423</b> | <b>1'422'747</b> |      |
| <b>Current liabilities</b>                       |                  |                  |                  |      |
| Current borrowings                               | 20'850           | 18'000           | 68'000           | 19   |
| Suppliers  | 150'081          | 126'066          | 99'764           | 23   |
| Government and other public authorities          | 33'974           | 42'234           | 40'226           | 24   |
| Other financial liabilities and accrued expenses | 153'281          | 161'482          | 134'254          | 25   |
| <b>Total current liabilities</b>                 | <b>358'186</b>   | <b>347'782</b>   | <b>342'244</b>   |      |
| <b>Total liabilities</b>                         | <b>2'056'580</b> | <b>1'793'205</b> | <b>1'764'991</b> |      |
| <b>Total equity and liabilities</b>              | <b>4'476'161</b> | <b>4'287'012</b> | <b>4'176'057</b> |      |

The accounting principles described as well as the annexed notes form an integral part of these financial statements.

## Consolidated statement of changes in equity

as at 31 December 2011

|   | Share<br>Note capital | Consolidated<br>reserves | Hedging<br>reserve | Revaluation<br>reserve of<br>financial assets | Net<br>result for the<br>financial year | Total            | Note |
|---|-----------------------|--------------------------|--------------------|---|---|------------------|------|
| <b>Balance as at 31.12.2009, published</b>  | <b>100'000</b>        | <b>1'703'499</b>         | <b>-730</b>        | <b>0</b>                                      | <b>661'848</b>                          | <b>2'464'617</b> |      |
| Impact of adjustment of employee benefits   |                       | -52'386                  |                    |   | -1'165                                  | -53'551          |      |
| <b>Balance as at 31.12.2009</b>   | <b>100'000</b>        | <b>1'651'113</b>         | <b>-730</b>        | <b>0</b>                                      | <b>660'683</b>                          | <b>2'411'066</b> |      |
| Allocation of the consolidated net results of the previous financial year             |                       | 660'683                  |                    |   | -660'683                                | 0                |      |
| <b>Balance as at 01.01.2010</b>   | <b>100'000</b>        | <b>2'311'796</b>         | <b>-730</b>        | <b>0</b>                                      | <b>0</b>                                | <b>2'411'066</b> |      |
| Consolidated net results  |                       |                          |                    |   | 122'943                                 | 122'943          | 29   |
| - <i>SIG net results</i>  |                       |                          |                    |   | 104'280                                 | 104'280          |      |
| - <i>Contribution of consolidated companies</i>                                       |                       |                          |                    |   | 18'663                                  | 18'663           |      |
| Other comprehensive income  |                       | -40'027                  | -175               |   |   | -40'202          |      |
| - <i>Revaluation of hedging derivatives</i>   |                       |                          | -175               |   |   | -175             | 31   |
| - <i>Share of comprehensive income of companies consolidated by the equity method</i> |                       | -40'027                  |                    |   |   | -40'027          | 10   |
| <b>Balance as at 31.12.2010</b>   | <b>100'000</b>        | <b>2'271'769</b>         | <b>-905</b>        | <b>0</b>                                      | <b>122'943</b>                          | <b>2'493'807</b> |      |
| Allocation of the consolidated net results of the previous financial year             |                       | 122'943                  |                    |   | -122'943                                | 0                |      |
| <b>Balance as at 01.01.2011</b>   | <b>100'000</b>        | <b>2'394'712</b>         | <b>-905</b>        | <b>0</b>                                      | <b>0</b>                                | <b>2'493'807</b> |      |
| Consolidated net results  |                       |                          |                    |   | -72'566                                 | -72'566          | 29   |
| - <i>SIG net results</i>  |                       |                          |                    |   | 75'151                                  | 75'151           |      |
| - <i>Contribution of consolidated companies</i>                                       |                       |                          |                    |   | -147'717                                | -147'717         |      |
| Other comprehensive income  |                       | -2'004                   | 838                | -494  |   | -1'660           |      |
| - <i>Revaluation of hedging derivatives</i>   |                       |                          | 838                |   |   | 838              | 31   |
| - <i>Revaluation of available-for-sale financial assets</i>                           |                       |                          |                    | -494  |   | -494             | 15   |
| - <i>Share of comprehensive income of companies consolidated by the equity method</i> |                       | -2'004                   |                    |   |   | -2'004           | 10   |
| <b>Balance as at 31.12.2011</b>   | <b>100'000</b>        | <b>2'392'708</b>         | <b>-67</b>         | <b>-494</b>                                   | <b>-72'566</b>                          | <b>2'419'581</b> |      |

The accounting principles described as well as the annexed notes form an integral part of these financial statements.

# Consolidated statement of cash flows

as at 31 December 2011

|                             |   | 2011            | 2010            | Note            |    |
|-----------------------------|---|-----------------|-----------------|-----------------|----|
| <b>Operating activities</b> | <b>Consolidated net results</b>   | -72'566         | 122'943         |                 |    |
|                             | Dividends received from equity-accounted companies                        | 48'617          | 49'655          | 10              |    |
|                             | <b>Non-monetary revenues and expenses</b>                                 |                 |                 |                 |    |
|                             | Share of results of equity-accounted companies                            | 99'070          | -68'259         | 10              |    |
|                             | Amortisation of fixed assets  | 115'824         | 110'543         | 5               |    |
|                             | Change in provisions  | 26'384          | 28'204          | 20              |    |
|                             | Multi-annual equalisation fund  | -362            | 36'825          | 22              |    |
|                             | Change in fair value of financial instruments and amortised cost of loans | 6'575           | -19'931         | 31              |    |
|                             | <b>Self-financing capacity</b>  | <b>a</b>        | <b>223'542</b>  | <b>259'980</b>  |    |
|                             | (Increase) / decrease in operating assets                                 |                 | -2'690          | 366             |    |
|                             | Increase / (decrease) in operating liabilities                            |                 | 9'776           | 35'387          |    |
|                             | <b>Change in net operating assets</b>                                     | <b>b</b>        | <b>7'086</b>    | <b>35'753</b>   |    |
|                             | <b>Net cash from operating activities</b>                                 |                 |                 |                 |    |
|                             | <b>c=a+b</b>  | <b>230'628</b>  | <b>295'733</b>  |                 |    |
| <b>Investing activities</b> | Investments in property, plant and equipment and intangible assets        | -221'389        | -231'855        |                 |    |
|                             | Third party participation in investments                                  | 19'194          | 20'925          | 18              |    |
|                             | Financial contributions to investments                                    | -323'607        | -18'288         | 11              |    |
|                             | Long-term loans   | -63'783         | -2'105          | 11              |    |
|                             | Repayment of long-term loans  | 4'270           | 6'222           | 11              |    |
|                             | <b>Net cash used in investing activities</b>                              | <b>d</b>        | <b>-585'315</b> | <b>-225'101</b> |    |
| <b>Free cash flow</b>       |   |                 |                 |                 |    |
|                             | <b>e=c+d</b>  | <b>-354'687</b> | <b>70'632</b>   |                 |    |
| <b>Financing activities</b> | Increase in borrowings  | 280'000         | 0               | 19              |    |
|                             | Repayment of borrowings   | -18'000         | -68'000         | 19              |    |
|                             | <b>Net cash from financing activities</b>                                 | <b>f</b>        | <b>262'000</b>  | <b>-68'000</b>  |    |
| <b>Change in cash flow</b>  | <b>Net change in cash and cash equivalents</b>                            | <b>g=e+f</b>    | <b>-92'687</b>  | <b>2'632</b>    |    |
|                             | Cash and cash equivalents at the beginning of the financial year          | h               | 174'937         | 172'305         |    |
|                             | <b>Cash and cash equivalents at the beginning of the financial year</b>   | <b>g+h</b>      | <b>82'250</b>   | <b>174'937</b>  | 15 |

The accounting principles described as well as the annexed notes form an integral part of these financial statements.



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## Accounting principles

as at 31 December 2011

### Basic principles

Since 1999, the consolidated financial statements have been established in accordance with the International Financial Reporting Standards (IFRS) (formerly IAS norms) 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 statements 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 22 March 2012.

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 three subsidiaries, twenty-two companies under joint control and three 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 in which SIG holds between 20% and 50% of voting rights and over which SIG exercises significant influence without control.

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 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 inputs is determined using other techniques, such as discounting of cash flows.

Level 3 valuation methods include the following financial instruments:

The fair value of the shares in EnergieDienst Holding is calculated 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 30 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 infinite 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 other operating expenses.

## 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 are deducted 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 to be 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 associated with 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.

Value adjustments are regularly applied to objects 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 stage of completion method to estimate the appropriate amount recognised in profit or loss during the period. The stage 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.

Expected losses resulting from events occurred after the closing date, regardless of their probability, are not recorded.

## 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 is close to the 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 the statement of comprehensive income**

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.

The assessment of the amount of the obligation is based on consistently applied financial criteria.

## 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 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 "Other 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 "Other 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;
- 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

The determination of possible long-term impairment of the Cheneviers plant, the primary wastewater sewage network plants and the recharge station for the Genevois area water sheet requires the calculation of their value in use. This is calculated by estimating the anticipated future discounted cash flows resulting from these assets. The estimation of future cash flows linked to the infrastructure is based primarily on the company's business plan.

Management considers that the value of the infrastructure recorded in the financial statements corresponds to its value in use.

The same method is used to estimate the possible long-term impairment of electricity production facilities. In this case, the estimation of the amount of these cash flows is based on the medium-term price of electricity on the Leipzig EEX stock market. The regulation of prices charged for the supply of electricity is also taken into account for the estimation of electricity transport assets. Management considers this approach to be the most appropriate.

On the basis of the above-mentioned information, management considers that the carrying amount of electricity production and distribution facilities is representative of its 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

### Employee benefits

SIG's Staff Regulations grant bonuses to employees according to their seniority and upon retirement. It also grants pensioners a monthly contribution to health insurance costs.

As at 31 December 2011, provisions for bonuses and contribution to pensioners' health insurance costs are recorded under liabilities in the consolidated statement of financial position, on the provisions' line. The net change in these provisions is recorded on the personnel expenses' line in the consolidated statement of comprehensive income. In this respect, the Staff Regulations remain unchanged as compared to the previous year. The 2010 and 2009 financial years were thus modified retroactively, in line with the provisions of IAS 8. This implies, according to IAS 1, the presentation of an additional statement of financial position at the opening of the comparative financial year.

The effect of these adjustments is detailed below.

|                          | 31.12.2009 |            | 01.01.2010 | 2010      |            | 2010       | 31.12.2010 |
|--------------------------|------------|------------|------------|-----------|------------|------------|------------|
|                          | published  | adjustment | readjusted | published | adjustment | readjusted |            |
| Provisions               | -44'760    | -53'551    | -98'311    | 1'237     | -1'165     | -98'239    |            |
| Consolidated reserves    | -1'703'499 | 52'386     | -1'651'113 |           |            |            |            |
| Consolidated net results | -661'848   | 1'165      | -660'683   | -124'108  | 1'165      | -122'943   |            |

**Other comparative data** Other creditors, which were recorded in the statement of financial position under suppliers and creditors at the end of 2010, are presented under other financial assets and liabilities at the end of 2011. The comparative data have also been retreated.

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
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", new interpretation
- IAS 1 "Presentation of Financial Statements", amendments to the standard
- IAS 12 "Income Taxes", amendment 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 2011

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 2011, 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 was already applied as at 31 December 2011, the pension obligation would be increased by CHF 377 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 potential impact of the other new standards is currently being assessed.

# 4

## Annexes to the consolidated financial statements

<sup>a</sup>s at 31 December 2011

In the annexed notes 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 ensures solely 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 (LApEI) 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.

12% of electricity supply is ensured by the hydroelectric plants (Verbois, Seujet), 3% through the recycling of treated waste (Cheneviers plant), 0.4% from other types of installations (SIG Solar) which are owned by SIG, and 6% through our investment (Société des Forces Motrices de Chancy-Pougny). The 78.6% 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 comprise 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 equity accounting |
|---|---|----------------------|------------|-------------------|-----------------------------|
| <b>Electricity sector</b>                               |   |                      |            |                   |                             |
| 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                        |
| TourNEvent SA   |   | Rochefort            | 51.0       | CC                | 2010                        |
| Verrivent SA  |   | Les Verrières        | 51.0       | CC                | 2010                        |
| Windpark Jaunpass SA                                    |   | Boltingen            | 51.0       | 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               | 31.9       | CC                | 2011                        |
| <b>Gas and thermal energy sector</b>                    |   |                      |            |                   |                             |
| Gaznat SA   | Supply and transport of energy  | Lausanne             | 37.5       | A                 | 1999                        |
| Cadiom SA   | Production and distribution of energy   | Vernier              | 51.0       | CC                | 1999                        |
| <b>Multi-service sector</b>                             |   |                      |            |                   |                             |
| 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 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 |
|---|---|-------------|------------|---------------------------------|
| <b>Electricity sector</b>               |   |             |            |                                 |
| 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                            |
| <b>Multi-service sector</b>             |   |             |            |                                 |
| 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

|                                   | 2011             | 2010             |
|-----------------------------------|------------------|------------------|
| Drinking water revenues           | 98'390           | 99'558           |
| Wastewater revenues               | 86'254           | 74'222           |
| Gas and thermal energy revenues   | 211'845          | 215'421          |
| Electrical energy revenues        | 302'558          | 299'795          |
| Electricity production revenues   | 3'826            | 2'866            |
| Electricity distribution revenues | 222'247          | 210'395          |
| Waste recovery revenues           | 58'304           | 55'855           |
| SIG Services revenues             | 51'726           | 48'537           |
| Other revenues                    | 18'777           | 19'532           |
| <b>Total revenues</b>             | <b>1'053'927</b> | <b>1'026'181</b> |

## 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 37% of electricity purchases from the EOS Holding group and approximately 6% 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, updating the "Management policy for risks linked to electricity supply" was approved by the Board of Directors on 22 June 2010. 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 concludes forward contracts for the purchase of electrical energy. Part of these contracts are concluded abroad and do not always result in physical delivery. These contracts are concluded with the aim of being conserved until their maturity. At the time of their conclusion, 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

|                                      | 2011           | 2010           | 2009           |
|--------------------------------------|----------------|----------------|----------------|
| <b>Personnel expenses</b>            | <b>254'686</b> | <b>248'371</b> | <b>245'344</b> |
| Salaries                             | 194'561        | 190'129        | 185'612        |
| Social charges                       | 45'895         | 43'377         | 46'265         |
| Variable remuneration                | 7'674          | 7'844          | 5'797          |
| State personnel                      | 2'077          | 2'539          | 3'215          |
| Other personnel charges              | 4'479          | 4'482          | 4'455          |
| <b>Fees and external mandates</b>    | <b>23'675</b>  | <b>21'663</b>  | <b>18'541</b>  |
| Temporary staff                      | 18'863         | 18'377         | 15'606         |
| Consulting expenses                  | 4'509          | 1'733          | 1'712          |
| Other purchases of external services | 303            | 1'553          | 1'223          |
| <b>Waste disposal expenses</b>       | <b>10'828</b>  | <b>12'597</b>  | <b>15'359</b>  |
| <b>General operating expenses</b>    | <b>79'744</b>  | <b>86'592</b>  | <b>79'902</b>  |
| Expenses linked to premises          | 7'340          | 7'436          | 7'360          |
| Supplies and services                | 51'271         | 58'235         | 52'012         |
| Insurances and taxes                 | 3'794          | 3'652          | 3'718          |
| Institutional communication          | 9'616          | 8'248          | 6'630          |
| Other operating expenses             | 7'723          | 9'021          | 10'182         |
| <b>Total expenses</b>                | <b>368'933</b> | <b>369'223</b> | <b>359'146</b> |
| Capitalised and stored production    | -31'806        | -30'135        | -30'075        |
| <b>Total operating expenses</b>      | <b>337'127</b> | <b>339'088</b> | <b>329'071</b> |

#### 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 comprise 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.

## Net change in provisions and asset corrections

Operating expenses are presented net of the following changes in provisions and asset corrections:

|  | 2011          | 2010          | 2009          | Note |
|--|---------------|---------------|---------------|------|
| <b>Provisions</b>  | -5'845        | -70           | -2'884        |      |
| <b>Salaries</b>  |               |               |               |      |
| Deferred remuneration  | -317          | 949           | 238           | 20   |
| Employee benefits  | 493           | 294           | 294           | 20   |
| <b>Social charges</b>  |               |               |               |      |
| Employee benefits  | 956           | 872           | 872           | 20   |
| <b>Purchases of external services</b>                                      |               |               |               |      |
| Obligations connected to the ordinance on low voltage installations (OIBT) | -5'253        | -1'370        | -2'294        | 20   |
| <b>Supplies and services</b>   |               |               |               |      |
| Medium voltage / low voltage transformers                                  | -1'680        | -35           | 2             | 20   |
| Closure of the Châtillon site  | -44           | -780          | -1'996        | 20   |
| <b>Asset corrections</b>   | -1'564        | -1'853        | 290           |      |
| <b>Supplies and services</b>   |               |               |               |      |
| Stock correction   | -886          | -468          | 87            | 12   |
| <b>Other operating expenses</b>  |               |               |               |      |
| Correction of trade receivables  | -678          | -1'385        | 203           | 13   |
| <b>Total allowances for provisions and asset corrections</b>               | <b>-7'409</b> | <b>-1'923</b> | <b>-2'594</b> |      |

## 5. Amortisation

| Amortisation on                          | 2011           | 2010           |
|--|----------------|----------------|
| <b>Property, plant and equipment</b>     | <b>110'531</b> | <b>106'235</b> |
| Amortisation                             | 119'237        | 107'073        |
| Third party participation in investments | -16'828        | -16'928        |
| Scrapping and other disposals            | 8'122          | 16'090         |
| <b>Intangible assets</b>                 | <b>5'293</b>   | <b>4'308</b>   |
| <b>Total amortisation</b>                | <b>115'824</b> | <b>110'543</b> |

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.

Since costs cannot be capitalised, they are transferred to amortisation for the financial year. For the 2011 financial year, this analysis identified costs amounting to KCHF 6'358 for amortisation (KCHF 520 in 2010).

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

## 6. Finance costs and income

|  | 2011           | 2010           |
|--|----------------|----------------|
| <b>Finance costs</b>   | <b>-19'808</b> | <b>-14'513</b> |
| Interests on share capital   | -5'000         | -5'000         |
| <b>Finance interests and costs</b>                                   | <b>-14'808</b> | <b>-9'513</b>  |
| Interests and costs of borrowings                                    | -6'357         | -6'653         |
| Losses of financial instruments                                      | -991           | -1'206         |
| Changes in the value of financial instruments                        | -6'082         | 0              |
| Other finance costs  | -3'689         | -2'428         |
| Share of recognised interests  | 2'311          | 774            |
| <b>Finance income</b>  | <b>2'794</b>   | <b>23'329</b>  |
| Change in value of financial instruments                             | 0              | 19'931         |
| Revenues from accounts receivables, investments and current accounts | 2'791          | 3'395          |
| Revenues from equity securities                                      | 3              | 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 2011 (2.5% in 2010).

### Revenues from equity securities

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

**Interests and premiums paid** Interests paid in 2011 totalled KCHF 12'355 (KCHF 12'573 in 2010).

Bonuses on interest and exchange rate options paid and received in 2011 amounted to a net value of KCHF 0 (KCHF -185 in 2010).

## 7. Charges to public authorities

| 2010  | State         | City Municipalities | Federal Government | Other         | Total         |
|---|---------------|---------------------|--------------------|---------------|---------------|
| Charges for the use of the public domain                                | 9'241         | 12'432              | 15'292             |               | 36'965        |
| Public authority energy fund  | 3'906         |                     |                    |               | 3'906         |
| Regulatory charges to the State regarding water rights                  | 3'995         |                     |                    |               | 3'995         |
| Hydraulic charges   | 4'864         |                     |                    |               | 4'864         |
| New renewable energies  |               |                     | 13'017             |               | 13'017        |
| Cover for residual costs of services-system                             |               |                     | 856                |               | 856           |
| Charges for the financing of the secondary wastewater treatment network | 11'950        |                     |                    |               | 11'950        |
| Subsidies and other charges   |               | 187                 |                    | 2'063         | 2'250         |
| <b>Charges to public authorities</b>                                    | <b>33'956</b> | <b>12'432</b>       | <b>15'479</b>      | <b>13'873</b> | <b>77'803</b> |
| 2011  |               |                     |                    |               |               |
| 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        |
| Cover for residual costs of services-system                             |               |                     |                    |               | 0             |
| Charges for the financing of the secondary wastewater treatment network | 11'803        |                     |                    |               | 11'803        |
| Subsidies and other charges   |               | 185                 |                    | 4'065         | 4'250         |
| <b>Charges to public authorities</b>                                    | <b>35'406</b> | <b>11'840</b>       | <b>14'934</b>      | <b>12'669</b> | <b>78'914</b> |

### 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). The charge represents 5% of gross revenues paid to the State and 15% of gross revenues paid to the municipalities for use of the electrical network on their respective territories during the applicable financial year.

**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 on the use of surface and subsurface water (5 March 2003).

### 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. Between 1 May 1987 and 31 December 2010, they amounted to CHF 80 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.

**Cover for residual costs of services-system**

Until the end of July 2010, in accordance with article 31b of the ordinance on the supply of electricity (OApEI), temporary arrangements for the period from 2009 to 2013, the national transport network company bills on an individual basis operators of electrical plants which have a capacity of 50 MW or more, proportionally to their share of gross energy production, for the share of residual costs of services-system. On 8 July 2010, the Swiss federal administrative tribunal issued a decision stipulating that this billing was anticonstitutional and illegal. As from January 2011, residual costs of services-system are billed to final clients.

**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.

**Payments in favour of public authorities**

|   | State         | City          | Municipalities | Federal Government | Other        | Total         |
|---|---------------|---------------|----------------|--------------------|--------------|---------------|
| <b>2010</b>   |               |               |                |                    |              |               |
| Charges to public authorities                         | 33'956        | 12'432        | 15'479         | 13'873             | 2'063        | 77'803        |
| Interest on the share capital (see note 6)            | 2'750         | 1'500         | 750            |                    |              | 5'000         |
| <b>Total payments in favour of public authorities</b> | <b>36'706</b> | <b>13'932</b> | <b>16'229</b>  | <b>13'873</b>      | <b>2'063</b> | <b>82'803</b> |
| <b>2011</b>   |               |               |                |                    |              |               |
| Charges to public authorities                         | 35'406        | 11'840        | 14'934         | 12'669             | 4'065        | 78'914        |
| Interest on the share capital (see note 6)            | 2'750         | 1'500         | 750            |                    |              | 5'000         |
| <b>Total payments in favour of public authorities</b> | <b>38'156</b> | <b>13'340</b> | <b>15'684</b>  | <b>12'669</b>      | <b>4'065</b> | <b>83'914</b> |

Detailed charges  
for the use of  
the public domain

| Municipalities     | 2011 charges to be<br>paid in 2012 | 2010 charges to be<br>paid in 2011 |
|--------------------|------------------------------------|------------------------------------|
| Aire-la-Ville      | 34                                 | 37                                 |
| Anières            | 114                                | 118                                |
| Avully             | 60                                 | 66                                 |
| Avusy              | 52                                 | 56                                 |
| Bardonnex          | 95                                 | 99                                 |
| Bellevue           | 161                                | 167                                |
| Bernex             | 315                                | 342                                |
| Carouge            | 1'345                              | 1'408                              |
| Cartigny           | 37                                 | 40                                 |
| Chancy             | 38                                 | 40                                 |
| Chêne-Bougeries    | 466                                | 476                                |
| Chêne-Bourg        | 371                                | 400                                |
| Choulex            | 44                                 | 47                                 |
| Collex-Bossy       | 55                                 | 61                                 |
| Collonge-Bellerive | 540                                | 565                                |
| Cologny            | 351                                | 366                                |
| Confignon          | 147                                | 159                                |
| Corsier            | 82                                 | 84                                 |
| Dardagny           | 157                                | 157                                |
| Genève             | 11'839                             | 12'431                             |
| Genthod            | 109                                | 111                                |
| Grand-Saconnex     | 810                                | 814                                |
| Gy                 | 19                                 | 20                                 |
| Hermance           | 42                                 | 47                                 |
| Jussy              | 60                                 | 64                                 |
| Laconnex           | 24                                 | 27                                 |
| Lancy              | 1'513                              | 1'580                              |
| Meinier            | 81                                 | 86                                 |
| Meyrin             | 1'711                              | 1'740                              |
| Onex               | 459                                | 498                                |
| Perly-Certoux      | 131                                | 140                                |
| Plan-les-Ouates    | 1'065                              | 1'049                              |
| Pregny-Chambésy    | 251                                | 260                                |
| Presinge           | 27                                 | 29                                 |
| Puplinge           | 84                                 | 89                                 |
| Russin             | 18                                 | 19                                 |
| Satigny            | 612                                | 621                                |
| Soral              | 27                                 | 30                                 |
| Thônex             | 537                                | 581                                |
| Troinex            | 91                                 | 97                                 |
| Vandoeuvres        | 140                                | 146                                |
| Vernier            | 1'656                              | 1'682                              |
| Versoix            | 480                                | 506                                |
| Veyrier            | 340                                | 369                                |
| Etat de Genève     | 8'862                              | 9'241                              |
| <b>Total</b>       | <b>35'452</b>                      | <b>36'965</b>                      |

## 8. Property, plant and equipment

### Net property, plant and equipment

|  | Land and buildings | Production and distribution facilities | Other property plant and equipment | Under construction | Total            |
|--|--------------------|--|------------------------------------|--------------------|------------------|
| <b>Net balance as at 31.12.2009</b>                    | <b>765'837</b>     | <b>1'506'162</b>                       | <b>31'197</b>                      | <b>289'587</b>     | <b>2'592'783</b> |
| Investments  |                    |  |                                    | 224'153            | 224'153          |
| Recognised interests                                   |                    |  |                                    | 774                | 774              |
| Transfer from property, plant and equipment            |                    |  |                                    | -280               | -280             |
| Transfer from third-party participation in investments |                    |  |                                    |                    | 0                |
| Disinvestments   | -82                | -27'892                                | -215                               |                    | -28'189          |
| Putting into service                                   | 8'009              | 73'285                                 | 10'343                             | -91'637            | 0                |
| Amortisation   | -22'528            | -77'400                                | -6'625                             | -520               | -107'073         |
| <b>Net balance as at 31.12.2010</b>                    | <b>751'236</b>     | <b>1'474'155</b>                       | <b>34'700</b>                      | <b>422'077</b>     | <b>2'682'168</b> |
| Investments  |                    |  |                                    | 217'715            | 217'715          |
| Recognised interests                                   |                    |  |                                    | 2'311              | 2'311            |
| Transfer from property, plant and equipment            |                    |  |                                    | 1'263              | 1'263            |
| Transfer from third-party participation in investments | -61                | 61                                     |                                    | -5'364             | -5'364           |
| Disinvestments   | -3'997             | -4'990                                 | -215                               |                    | -9'202           |
| Putting into service                                   | 42'272             | 225'267                                | 14'487                             | -282'026           | 0                |
| Amortisation   | -23'690            | -80'948                                | -8'241                             | -6'358             | -119'237         |
| <b>Net balance as at 31.12.2011</b>                    | <b>765'760</b>     | <b>1'613'545</b>                       | <b>40'731</b>                      | <b>349'618</b>     | <b>2'769'654</b> |

### Gross property, plant and equipment

|  | Gross value      | Accumulated amortisation | Net value        |
|--|------------------|--------------------------|------------------|
| <b>31.12.2010</b>                                |                  |                          |                  |
| Land and buildings                               | 1'183'274        | -432'038                 | 751'236          |
| Production and distribution facilities           | 2'807'936        | -1'333'781               | 1'474'155        |
| Other property, plant and equipment              | 203'973          | -169'273                 | 34'700           |
| Property, plant and equipment under construction | 422'077          |                          | 422'077          |
| <b>Total property, plant and equipment</b>       | <b>4'617'260</b> | <b>-1'935'092</b>        | <b>2'682'168</b> |
| Of which depreciation                            |                  | -149'120                 |                  |
| <b>31.12.2011</b>                                |                  |                          |                  |
| Land and buildings                               | 1'213'728        | -447'968                 | 765'760          |
| Production and distribution facilities           | 2'997'088        | -1'383'543               | 1'613'545        |
| Other property, plant and equipment              | 192'650          | -151'919                 | 40'731           |
| Property, plant and equipment under construction | 349'618          |                          | 349'618          |
| <b>Total property, plant and equipment</b>       | <b>4'753'084</b> | <b>-1'983'430</b>        | <b>2'769'654</b> |
| Of which depreciation                            |                  | -140'993                 |                  |



## Depreciation

### Net depreciation

|                                     | Land and buildings | Production and distribution facilities | Other property plant and equipment | Under construction | Total           |
|-------------------------------------|--------------------|--|------------------------------------|--------------------|-----------------|
| Net balance as at 01.01.2010        | -79'073            | -72'972                                | -293                               | -4'909             | -157'247        |
| Amortisation                        | 3'479              | 4'595                                  | 53                                 |                    | 8'127           |
| <b>Net balance as at 31.12.2010</b> | <b>-75'594</b>     | <b>-68'377</b>                         | <b>-240</b>                        | <b>-4'909</b>      | <b>-149'120</b> |
| Net balance as at 01.01.2011        | -75'594            | -68'377                                | -240                               | -4'909             | -149'120        |
| Amortisation                        | 3'479              | 4'595                                  | 53                                 |                    | 8'127           |
| <b>Net balance as at 31.12.2011</b> | <b>-72'115</b>     | <b>-63'782</b>                         | <b>-187</b>                        | <b>-4'909</b>      | <b>-140'993</b> |

### Gross depreciation

|  | Gross value     | Accumulated amortisation | Net value       |
|--|-----------------|--------------------------|-----------------|
| <b>31.12.2010</b>                      |                 |                          |                 |
| Land and buildings                     | -86'031         | 10'437                   | -75'594         |
| Production and distribution facilities | -82'161         | 13'784                   | -68'377         |
| Other property, plant and equipment    | -399            | 159                      | -240            |
| Assets under construction              | -4'909          |                          | -4'909          |
| <b>Total depreciation</b>              | <b>-173'500</b> | <b>24'380</b>            | <b>-149'120</b> |
| <b>31.12.2011</b>                      |                 |                          |                 |
| Land and buildings                     | -86'031         | 13'916                   | -72'115         |
| Production and distribution facilities | -82'161         | 18'379                   | -63'782         |
| Other property, plant and equipment    | -399            | 212                      | -187            |
| Assets under construction              | -4'909          |                          | -4'909          |
| <b>Total depreciation</b>              | <b>-173'500</b> | <b>32'507</b>            | <b>-140'993</b> |

### Cheneviers plant

The estimation of the recoverable value of the Cheneviers plant's assets required the recording of a depreciation of KCHF 135'500 in 2007. The calculation of the value in use included the following elements:

- The use of the discounted future cash flow method;
- The discount rate including risk is 5% in 2011 (5% in 2010);
- The price for waste incineration is not indexed to inflation;
- Revenues from waste outside the collection zone recorded solely for contracts concluded or in final negotiations as at 31 December.

Thus, at the end of 2011, the assets of the Cheneviers plant were reduced by a net depreciation of KCHF 107'348 (KCHF 114'386 at the end of 2010).

### Primary wastewater treatment network

The estimation of the recoverable value of the primary wastewater treatment network required the recording of a depreciation of KCHF 38'000 in 2007. The calculation of the value in use included the following elements:

- The use of the discounted future cash flow method;
- The discount rate including risk is 5% in 2011 (5% in 2010);
- Revenues from the purification tax taking into account a historic reduction in the volume of drinking water sold by 1% per year until 2014 and then by 0.5% per year for the following years;

At the end of 2011, the primary wastewater treatment network was therefore reduced by a net depreciation of KCHF 33'645 (KCHF 34'734 at the end of 2010).

## 9. Intangible assets

|   | In<br>service | In<br>development | Goodwill   | Total         |
|---|---------------|-------------------|------------|---------------|
| <b>2010</b>                                     |               |                   |            |               |
| <b>Net balance at opening</b>                   | <b>7'560</b>  | <b>3'786</b>      | <b>143</b> | <b>11'489</b> |
| Investments                                     |               | 6'927             |            | 6'927         |
| Transfers from/to property, plant and equipment | 280           |                   |            | 280           |
| Transfers from financial assets                 |               |                   |            | 0             |
| Putting into service                            | 3'685         | -3'685            |            | 0             |
| Amortisation                                    | -4'308        |                   |            | -4'308        |
| <b>Net balance at closing</b>                   | <b>7'217</b>  | <b>7'028</b>      | <b>143</b> | <b>14'388</b> |
| <b>2011</b>                                     |               |                   |            |               |
| <b>Net balance at opening</b>                   | <b>7'217</b>  | <b>7'028</b>      | <b>143</b> | <b>14'388</b> |
| Investments                                     |               | 1'363             |            | 1'363         |
| Transfers from/to property, plant and equipment | -1'263        |                   |            | -1'263        |
| Transfers from financial assets                 | 145           |                   |            | 145           |
| Putting into service                            | 7'071         | -7'071            |            | 0             |
| Amortisation                                    | -5'293        |                   |            | -5'293        |
| <b>Net balance at closing</b>                   | <b>7'877</b>  | <b>1'320</b>      | <b>143</b> | <b>9'340</b>  |

Intangible assets primarily include 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.

## 10. Investments in associates and companies under joint control

Movement of investments

|  | SFMCP         | EOS<br>Holding | Gaznat        | Cadiom       | Swiss-<br>power | Other         | Total            |
|--|---------------|----------------|---------------|--------------|-----------------|---------------|------------------|
| <b>Investments as at 31.12.2009</b>  | <b>37'268</b> | <b>910'393</b> | <b>72'510</b> | <b>5'758</b> | <b>2'245</b>    | <b>725</b>    | <b>1'028'899</b> |
| <b>2010 movements</b>  |               |                |               |              |                 |               |                  |
| Acquisitions   |               |                | 2'293         |              | 1'125           | 23'655        | 27'073           |
| Amendments to the financial reinforcement plan                                     |               |                | -15'787       |              |                 |               | -15'787          |
| Share of comprehensive income  |               | -39'831        |               | -172         |                 |               | -40'003          |
| Dividends received   | -2'167        | -46'042        | -313          |              | -1'128          | -5            | -49'655          |
| Share of results   | 963           | 50'257         | 20'644        | 707          | 2'629           | -6'941        | 68'259           |
| - IFRS retreatment   |               |                | 15'225        |              |                 |               | 15'225           |
| - Share of results for the financial year  | 963           | 50'257         | 5'419         | 707          | 2'629           | -6'941        | 53'034           |
| <b>Total investments in associates or companies under joint control at closing</b> | <b>36'064</b> | <b>874'777</b> | <b>79'347</b> | <b>6'293</b> | <b>4'871</b>    | <b>17'434</b> | <b>1'018'786</b> |
| <b>2011 movements</b>  |               |                |               |              |                 |               |                  |
| Acquisitions   |               |                |               |              |                 | 15'427        | 15'427           |
| Reclassification to financial assets   |               |                |               |              |                 | -10'425       | -10'425          |
| Share of comprehensive income  |               | -1'802         |               | -200         |                 |               | -2'002           |
| Dividends received   | -1'806        | -46'042        | -313          |              | -448            | -8            | -48'617          |
| Share of results   | -2'402        | -91'983        | -6'108        | 671          | 1'264           | -512          | -99'070          |
| - IFRS retreatment   |               |                | -8'437        |              |                 |               | -8'437           |
| - Share of results for the financial year  | -2'402        | -91'983        | 2'329         | 671          | 1'264           | -512          | -90'633          |
| <b>Total investments in associates or companies under joint control at closing</b> | <b>31'856</b> | <b>734'950</b> | <b>72'926</b> | <b>6'764</b> | <b>5'687</b>    | <b>21'916</b> | <b>874'099</b>   |

## Equity-accounted investments

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

All investments in equity-accounted companies were subject to a valuation at the recoverable value established using a method identical to that applied to the "Property, plant and equipment" category (see note 8).

### 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 EOSH's net consolidated results of MCHF 25 in 2011 should be deducted.

### 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 reduction 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 Lemman. 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 85.

## Non consolidated investments

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

## Financial information of associates and companies under joint control

### Associates

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

|                                      | 2011           | 2010             |
|--------------------------------------|----------------|------------------|
| Non-current assets                   | 767'595        | 855'607          |
| Current assets                       | 197'041        | 221'897          |
| <b>Total assets</b>                  | <b>964'636</b> | <b>1'077'504</b> |
| Equity                               | 813'563        | 960'239          |
| Non-current liabilities              | 65'045         | 27'788           |
| Current liabilities                  | 86'028         | 89'477           |
| <b>Total liabilities</b>             | <b>964'636</b> | <b>1'077'504</b> |
| Revenues                             | 288'174        | 347'347          |
| Expenses                             | -385'000       | -283'527         |
| <b>Result for the financial year</b> | <b>-96'826</b> | <b>63'820</b>    |

## Companies under joint control

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

|                                      | 2011          | 2010          |
|--------------------------------------|---------------|---------------|
| Non-current assets                   | 90'806        | 61'981        |
| Current assets                       | 7'552         | 9'870         |
| <b>Total assets</b>                  | <b>98'358</b> | <b>71'851</b> |
| Equity                               | 42'031        | 54'084        |
| Non-current liabilities              | 37'156        | 15'382        |
| Current liabilities                  | 19'171        | 2'385         |
| <b>Total liabilities</b>             | <b>98'358</b> | <b>71'851</b> |
| Revenues                             | 18'474        | 18'789        |
| Expenses                             | -20'716       | -24'061       |
| <b>Result for the financial year</b> | <b>-2'242</b> | <b>-5'272</b> |

## 11. Financial assets

|   | 2011           | 2010          |
|---|----------------|---------------|
| Receivables from CERN                         | 40'356         | 42'756        |
| Receivables from wind project companies       | 25'052         | 0             |
| Receivables from SFMCP                        | 13'228         | 2'000         |
| Receivables from the State                    | 0              | 1'852         |
| Other financial receivables                   | 886            | 904           |
| <b>Total receivables</b>                      | <b>79'523</b>  | <b>47'512</b> |
| Derivatives (see note 31)                     | 10'443         | 29'646        |
| FMHL financial option (see note 26)           | 0              | 640           |
| <b>Total derivatives</b>                      | <b>10'443</b>  | <b>30'286</b> |
| Equity securities                             | 293'505        | 96            |
| Prepayments to EnBW                           | 52'555         | 0             |
| <b>Total financial assets and prepayments</b> | <b>436'025</b> | <b>77'894</b> |

### 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 put into 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.

### 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).

### Receivables from the State

The receivables from the State result from financial operations relating to the ownership transfer of assets of the Cheneviers plant.

|                     |  |
|---------------------|--|
| 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.<br><br>In 2011, SIG invested MCHF 291 in the share capital of EnergieDienst Holding, i.e. a 15.05% share. |
| Prepayments to EnBW | Prepayment of MCHF 53 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  | 2011          | 2010          |
|--|---------------|---------------|
| Equipment allocated to construction (e.g. networks)      | 10'473        | 10'424        |
| Equipment allocated to operation (e.g. furniture, tools) | 16'133        | 16'709        |
| Provision for stock depreciation                         | -3'009        | -3'895        |
| <b>Total inventories</b>                                 | <b>23'597</b> | <b>23'238</b> |
| <b>Total work in progress</b>                            | <b>5'911</b>  | <b>7'965</b>  |
| <b>Total inventories and work in progress</b>            | <b>29'508</b> | <b>31'203</b> |
| Anticipated payments received from construction projects | 10'548        | 13'159        |
| Sales recognised as revenues from the period             | 36'975        | 35'862        |

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:

|                                       | 2011         | 2010         |
|---------------------------------------|--------------|--------------|
| <b>Obsolete inventory as at 01.01</b> | <b>3'895</b> | <b>4'363</b> |
| Reversal                              |              | -368         |
| Use                                   | -1'118       | -100         |
| Addition                              | 232          |              |
| <b>Obsolete inventory as at 31.12</b> | <b>3'009</b> | <b>3'895</b> |

Inventories recognised under losses in 2011 amount to KCHF 1'370 (KCH 651 in 2010).

## 13. Trade receivables from supplies and services

|   | 2011           | 2010           |
|---|----------------|----------------|
| Customers   | 188'969        | 179'472        |
| Provision for depreciation on trade receivables           | -2'022         | -2'700         |
| <b>Total trade receivables from supplies and services</b> | <b>186'947</b> | <b>176'772</b> |

### Customers

#### Consumption to be invoiced

The "Customers" item includes consumption to be invoiced for an estimated amount of KCHF 97'608 for 2011 (KCHF 97'036 for 2010).

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:

|                               | 2011  | 2010  |
|-------------------------------|-------|-------|
| Security deposits             | 7'239 | 7'807 |
| Bank guarantees in our favour | 857   | 916   |

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.

**Provision for depreciation on trade receivables**

The movement of the provision for depreciation on trade receivables is as follows:

|                                       | 2011         | 2010         |
|---------------------------------------|--------------|--------------|
| <b>Doubtful accounts as at 01.01.</b> | <b>2'700</b> | <b>4'085</b> |
| Reversal                              | -189         | -449         |
| Use                                   | -489         | -939         |
| Addition                              |              | 3            |
| <b>Doubtful accounts as at 31.12.</b> | <b>2'022</b> | <b>2'700</b> |

Matured trade receivables which are unfunded are considered to be recoverable.

Losses on trade receivables for 2011 amount to KCHF 1'317 (KCHF 2'376 in 2010).

**14. Other financial assets and prepayments****Other financial assets**

|                           |        |        |
|---------------------------|--------|--------|
| Derivatives (see note 31) | 32'609 | 48'356 |
| Due from third parties    | 14'673 | 12'173 |

**Prepayments**

|   |        |        |
|---|--------|--------|
| Energy sales to associates or companies under joint control | 1'597  | 5'565  |
| Energy sales  | 24'681 | 15'568 |
| Other temporary assets                                      | 14'778 | 29'202 |

|   |               |                |
|---|---------------|----------------|
| <b>Total other financial assets and prepayments</b> | <b>88'338</b> | <b>110'864</b> |
|---|---------------|----------------|

## 15. Cash and cash equivalents

|  | 2011          | 2010           |
|--|---------------|----------------|
| <b>Total cash and cash equivalents at nominal value</b>  | <b>82'744</b> | <b>174'937</b> |
| Adjustment at amortised cost                             | -494          | 0              |
| <b>Total cash and cash equivalents at amortised cost</b> | <b>82'250</b> | <b>174'937</b> |
| Credit line limit  | 55'000        | 50'000         |
| Credit line utilisation                                  | 0             | 0              |

### Credit lines

The level of credit lines 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<br>31.12.2011 |             | State as at<br>31.12.2010 |             |
|--------------------------------|---------------------------|-------------|---------------------------|-------------|
|                                |                           | in %        |                           | in %        |
| State of Geneva                | 55'000                    | 55%         | 55'000                    | 55%         |
| City of Geneva                 | 30'000                    | 30%         | 30'000                    | 30%         |
| Other municipalities of Geneva | 15'000                    | 15%         | 15'000                    | 15%         |
| <b>Total share capital</b>     | <b>100'000</b>            | <b>100%</b> | <b>100'000</b>            | <b>100%</b> |

## 17. Consolidated reserves

| Movements   | New construction fund | Insurance fund | General reserve fund | Châtillon site reserve fund | Non allocated reserves | Total     |
|---|-----------------------|----------------|----------------------|-----------------------------|------------------------|-----------|
| <b>Total consolidated reserves as at 31.12.2009, published</b>                        | 687'445               | 127'433        | 623'254              | 253                         | 265'114                | 1'703'499 |
| Impact of adjustment of provisions for employee benefits                              |                       | -7'858         | -44'528              |                             |                        | -52'386   |
| <b>Total consolidated reserves as at 31.12.2009</b>                                   | 687'445               | 119'575        | 578'726              | 253                         | 265'114                | 1'651'113 |
| Allocation of the consolidated net results for the previous financial year, published | 50'604                | 27'473         | 155'680              | -626                        | 428'717                | 661'848   |
| Impact of adjustment of provisions for employee benefits                              |                       | -175           | -990                 |                             |                        | -1'165    |
| <b>Total consolidated reserves as at 01.01.2010</b>                                   | 738'049               | 146'873        | 733'416              | -373                        | 693'831                | 2'311'796 |
| Share of comprehensive income of companies consolidated by the equity method          |                       |                |                      |                             | -40'027                | -40'027   |
| <b>Total consolidated reserves as at 31.12.2010</b>                                   | 738'049               | 146'873        | 733'416              | -373                        | 653'804                | 2'271'769 |
| Allocation of the consolidated net results for the previous financial year, published | 66'594                | 5'873          | 33'279               | -301                        | 18'663                 | 124'108   |
| Impact of adjustment of provisions for employee benefits                              |                       | -175           | -990                 |                             |                        | -1'165    |
| <b>Total consolidated reserves as at 01.01.2011</b>                                   | 804'643               | 152'571        | 765'705              | -674                        | 672'467                | 2'394'712 |
| Share of comprehensive income of companies consolidated by the equity method          |                       |                |                      |                             | -2'004                 | -2'004    |
| <b>Total consolidated reserves as at 31.12.2011</b>                                   | 804'643               | 152'571        | 765'705              | -674                        | 670'463                | 2'392'708 |

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

|                                    |   |
|------------------------------------|---|
| <b>New construction fund</b>       | The profit from the financial year is allocated to the new construction fund at 30% of new investments for the financial year under consideration.                    |
| <b>Insurance fund</b>              | The insurance fund is supplied at 15% of the remaining balance of the profit after allocations to the new construction fund.  |
| <b>General reserve fund</b>        | The general reserve fund is supplied by the balance of the profit not allocated to the other funds in accordance with the organic law.                                |
| <b>Châtillon site reserve fund</b> | 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   |
|--|---|--|--|-------------------------------------|----------------|---------|
| <b>Total unallocated reserves as at 31.12.2009, published</b>                | 27'003                                    | -87'612  | 370'115  | 1'277                               | -45'669        | 265'114 |
| Impact of adjustment of provisions for employee benefits                     |   |  |  |                                     |                | 0       |
| <b>Total unallocated reserves as at 31.12.2009</b>                           | 27'003                                    | -87'612  | 370'115  | 1'277                               | -45'669        | 265'114 |
| Contribution in the previous year of consolidated companies                  |   | -112'608   | 541'073  | 252                                 |                | 428'717 |
| <b>Total unallocated reserves as at 01.01.2010</b>                           | 27'003                                    | -200'220   | 911'188  | 1'529                               | -45'669        | 693'831 |
| Share of comprehensive income of companies consolidated by the equity method | -40'003                                   |  |  |                                     | -24            | -40'027 |
| <b>Total unallocated reserves as at 31.12.2010</b>                           | -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  |
| Impact of adjustment of provisions for employee benefits                     |   |  |  |                                     |                | 0       |
| <b>Total unallocated reserves as at 01.01.2011</b>                           | -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  |
| <b>Total unallocated reserves as at 31.12.2011</b>                           | -15'002                                   | -249'875   | 979'447  | 1'588                               | -45'695        | 670'463 |

## 18. Third party participation in investments

### Third party net participation in investments

|   | Land and buildings | Production and distribution facilities | Other property, plant and equipment | Under construction | Total   |
|---|--------------------|--|-------------------------------------|--------------------|---------|
| <b>Net balance as at 31.12.2009</b>       | 74'332             | 415'308                                | 236                                 | 8'206              | 498'082 |
| Investments                               |                    |  |                                     | 20'925             | 20'925  |
| Transfer to property, plant and equipment |                    |  |                                     |                    | 0       |
| Disinvestments                            |                    | -12'098                                |                                     |                    | -12'098 |
| Putting into service                      |                    | 11'604                                 |                                     | -11'604            | 0       |
| Amortisation                              | -1'520             | -15'391                                | -17                                 |                    | -16'928 |
| <b>Net balance as at 31.12.2010</b>       | 72'812             | 399'423                                | 219                                 | 17'527             | 489'981 |
| Investments                               |                    |  |                                     | 19'194             | 19'194  |
| Transfer to property, plant and equipment |                    |  |                                     | -5'364             | -5'364  |
| Disinvestments                            |                    | -1'082                                 |                                     |                    | -1'082  |
| Putting into service                      |                    | 24'662                                 |                                     | -24'662            | 0       |
| Amortisation                              | -1'521             | -15'289                                | -18                                 |                    | -16'828 |
| <b>Net balance as at 31.12.2011</b>       | 71'291             | 407'714                                | 201                                 | 6'695              | 485'901 |

## Third party gross participation in investments

|   | Gross value    | Accumulated amortisation | Net value      |
|---|----------------|--------------------------|----------------|
| <b>31.12.2010</b>                                     |                |                          |                |
| Land and buildings                                    | 100'479        | -27'667                  | 72'812         |
| Production and distribution facilities                | 671'095        | -271'672                 | 399'423        |
| Other property, plant and equipment                   | 873            | -654                     | 219            |
| Property, plant and equipment under construction      | 17'527         |                          | 17'527         |
| <b>Total third party participation in investments</b> | <b>789'974</b> | <b>-299'993</b>          | <b>489'981</b> |

**31.12.2011**

|   |                |                 |                |
|---|----------------|-----------------|----------------|
| Land and buildings                                    | 100'479        | -29'188         | 71'291         |
| Production and distribution facilities                | 692'643        | -284'929        | 407'714        |
| Other property, plant and equipment                   | 852            | -651            | 201            |
| Property, plant and equipment under construction      | 6'695          |                 | 6'695          |
| <b>Total third party participation in investments</b> | <b>800'669</b> | <b>-314'768</b> | <b>485'901</b> |

## 19. Borrowings

## Inventory of borrowings

|                          | 2011           | 2010           |
|--------------------------|----------------|----------------|
| Variable rate borrowings | 159'667        | 101'667        |
| Fixed rate borrowings    | 468'000        | 264'000        |
| <b>Total borrowings</b>  | <b>627'667</b> | <b>365'667</b> |

Borrowings have fixed or variable rates contracted with banking institutions and brokers.

## Interest rates

| Interest rates                          | 2011 | 2010 |
|---|------|------|
| Weighted mean of nominal interest rates | 1.8% | 1.8% |
| Weighted mean of actual interest rates  | 1.8% | 1.8% |

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.

## Maturity of borrowings

| Maturity of borrowings  | 2011           | 2010           |
|-------------------------|----------------|----------------|
| Non-current borrowings  | 606'817        | 347'667        |
| Current borrowings      | 20'850         | 18'000         |
| <b>Total borrowings</b> | <b>627'667</b> | <b>365'667</b> |

## 20. Provisions

|  | Deferred remuneration | Obligations related to the OIBT | Renovation of MV / LV facilities | Renovation of the Châtillon site | Employee benefits | Total         |
|--|-----------------------|---------------------------------|----------------------------------|----------------------------------|-------------------|---------------|
| <b>2010</b>  |                       |                                 |                                  |                                  |                   |               |
| Total at opening, published                              | 10'564                | 13'083                          | 12'361                           | 8'752                            |                   | 44'760        |
| Impact of adjustment to provisions for employee benefits |                       |                                 |                                  |                                  | 53'551            | 53'551        |
| <b>Total at opening</b>                                  | <b>10'564</b>         | <b>13'083</b>                   | <b>12'361</b>                    | <b>8'752</b>                     | <b>53'551</b>     | <b>98'311</b> |
| Increase   | 11'513                | 348                             | 512                              |                                  | 3'955             | 16'328        |
| Change of valuations                                     |                       |                                 | -47                              |                                  | 244               | 197           |
| Use  | -10'564               | -1'718                          | -500                             | -780                             | -3'035            | -16'597       |
| <b>Total at closing</b>                                  | <b>11'513</b>         | <b>11'713</b>                   | <b>12'326</b>                    | <b>7'972</b>                     | <b>54'715</b>     | <b>98'239</b> |
| <b>2011</b>  |                       |                                 |                                  |                                  |                   |               |
| Total at opening   | 11'513                | 11'713                          | 12'326                           | 7'972                            | 54'715            | 98'239        |
| Increase   | 11'196                |                                 | 537                              |                                  | 4'072             | 15'805        |
| Change of valuations                                     |                       | -4'597                          | -1'948                           | -2'480                           | 389               | -8'636        |
| Use  | -11'513               | -812                            | -200                             | -44                              | -3'012            | -15'581       |
| <b>Total at closing</b>                                  | <b>11'196</b>         | <b>6'304</b>                    | <b>10'715</b>                    | <b>5'448</b>                     | <b>56'164</b>     | <b>89'827</b> |

| Maturity of provisions  | 2011          | 2010          | 2009          |
|-------------------------|---------------|---------------|---------------|
| Non-current             | 72'866        | 80'416        | 80'752        |
| Current                 | 16'961        | 17'823        | 17'559        |
| <b>Total provisions</b> | <b>89'827</b> | <b>98'239</b> | <b>98'311</b> |

Variations in provisions are recorded under operating expenses and presented in note 4.

### Deferred remuneration

Deferred remuneration is an estimation of the cost of additional hours and untaken holidays which will be used by employees during the following year.

### Obligations related to the ordinance on low voltage facilities (OIBT)

The provisions of the ordinance on low voltage facilities, in force since 1 January 2002, 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 law.

### Renovation of medium voltage / low voltage 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 medium voltage / low voltage transformers (MV/LV) dedicated to customers to the latter.

The amount of the obligation recorded on the balance sheet represents the estimated renovation costs for the equipment after 2011, which must be paid by SIG at the time of transfer of the transformers. It reduces the cost of replacement in the financial year during which it occurs.

**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. It is adjusted according to the dumps' level of filling.

## 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 after 2011.

**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 after 2011.

**Determination of obligations in relation to employee benefits**

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

**Obligation in relation to employee benefits recognised under liabilities**

|  | Employee<br>benefits |
|--|----------------------|
| <b>2009</b>                                    |                      |
| Actual value of obligations                    | 53'551               |
| Actuarial differences not yet registered       | 0                    |
| <b>Obligation recognised under liabilities</b> | <b>53'551</b>        |
| <b>2010</b>                                    |                      |
| Actual value of obligations                    | 56'527               |
| Actuarial differences not yet registered       | -1'812               |
| <b>Obligation recognised under liabilities</b> | <b>54'715</b>        |
| <b>2011</b>                                    |                      |
| Actual value of obligations                    | 65'835               |
| Actuarial differences not yet registered       | -9'671               |
| <b>Obligation recognized under liabilities</b> | <b>56'164</b>        |

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

|  | Employee<br>benefits |
|--|----------------------|
| <b>2009</b>                                    |                      |
| Actual value of obligations as at 01.01        | 52'387               |
| Actual value of additional rights acquired     | 2'264                |
| Interest cost                                  | 1'691                |
| Actuarial losses on obligations                | 244                  |
| Benefits paid                                  | -3'035               |
| <b>Actual value of obligations as at 31.12</b> | <b>53'551</b>        |
| <b>2010</b>                                    |                      |
| Actual value of obligations as at 01.01        | 53'551               |
| Actual value of additional rights acquired     | 2'264                |
| Interest cost                                  | 1'691                |
| Actuarial losses on obligations                | 2'056                |
| Benefits paid                                  | -3'035               |
| <b>Actual value of obligations as at 31.12</b> | <b>56'527</b>        |
| <b>2011</b>                                    |                      |
| Actual value of obligations as at 01.01        | 56'527               |
| Actual value of additional rights acquired     | 2'421                |
| Interest cost                                  | 1'650                |
| Actuarial losses on obligations                | 8'249                |
| Benefits paid                                  | -3'012               |
| <b>Actual value of obligations as at 31.12</b> | <b>65'835</b>        |

## 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.

|  | Employee<br>benefits |
|--|----------------------|
| <b>2009</b>  |                      |
| Obligations recorded as liabilities on the balance sheet at the beginning of the financial year  | 52'387               |
| Benefits costs during the financial year   | 4'199                |
| Employer contribution during the financial year  | -3'035               |
| <b>Obligations recorded as liabilities on the balance sheet at the end of the financial year</b> | <b>53'551</b>        |
| <b>2010</b>  |                      |
| Obligations recorded as liabilities on the balance sheet at the beginning of the financial year  | 53'551               |
| Benefit costs during the financial year  | 4'199                |
| Employer contribution during the financial year  | -3'035               |
| <b>Obligations recorded as liabilities on the balance sheet at the end of the financial year</b> | <b>54'715</b>        |
| <b>2011</b>  |                      |
| Obligations recorded as liabilities on the balance sheet at the beginning of the financial year  | 54'715               |
| Benefit costs during the financial year  | 4'461                |
| Employer contribution during the financial year  | -3'012               |
| <b>Obligations recorded as liabilities on the balance sheet at the end of the financial year</b> | <b>56'164</b>        |

## 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.

|  | Employee<br>benefits |
|--|----------------------|
| <b>2009</b>  |                      |
| Cost of services provided during the financial year  | 2'264                |
| Interest cost  | 1'691                |
| Amortisation of actuarial differences not yet registered   | 244                  |
| <b>Costs of the financial year in relation to employee benefits</b>                                      | <b>4'199</b>         |
| Employer contribution  | -3'035               |
| <b>Obligation in relation to employee benefits in the consolidated statement of comprehensive income</b> | <b>1'164</b>         |
| <b>2010</b>  |                      |
| Cost of services provided during the financial year  | 2'264                |
| Interest cost  | 1'691                |
| Amortisation of actuarial differences not yet registered   | 244                  |
| <b>Costs of the financial year in relation to employee benefits</b>                                      | <b>4'199</b>         |
| Employer contribution  | -3'035               |
| <b>Obligation in relation to employee benefits in the consolidated statement of comprehensive income</b> | <b>1'164</b>         |
| <b>2011</b>  |                      |
| Cost of services provided during the financial year  | 2'421                |
| Interest cost  | 1'650                |
| Amortisation of actuarial differences not yet registered   | 390                  |
| <b>Costs of the financial year in relation to employee benefits</b>                                      | <b>4'461</b>         |
| Employer contribution  | -3'012               |
| <b>Obligation in relation to employee benefits in the consolidated statement of comprehensive income</b> | <b>1'449</b>         |

## History

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

|   | 2011          | 2010          |
|---|---------------|---------------|
| Obligations   | 65'835        | 56'527        |
| Actuarial differences not yet registered                        | -9'671        | -1'812        |
| <b>Obligations recorded as liabilities on the balance sheet</b> | <b>56'164</b> | <b>54'715</b> |
| Gains / losses  |               |               |
| - on obligations, resulting from changes in assumptions         | 8'170         | 2'034         |
| - on obligations, resulting from experience                     | 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 2012

On the basis of the contributions actually paid in 2010, we estimate that employer contributions for the 2012 financial year amount to KCHF 2'988 (KCHF 3'012 in 2011).

## 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 389 in 2011 (KCHF 244 in 2010).

The actuarial differences of the bonuses upon retirement and of the contribution to health insurance costs not yet registered at the beginning of the 2011 and 2010 financial years do not exceed the corridor. Therefore, no part of these actuarial differences is recorded in the statement of comprehensive income.

# 21. Pension obligations

## Determination of the obligation

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

|  | 2011           | 2010           |
|--|----------------|----------------|
| Actual value of obligations                                    | 1'657'834      | 1'647'856      |
| Fair value of assets and liabilities                           | -860'283       | -871'794       |
| <b>Financial situation at the end of the financial year</b>    | <b>797'551</b> | <b>776'062</b> |
| Actuarial differences not yet registered                       | -376'620       | -389'927       |
| <b>Obligation recorded as liabilities on the balance sheet</b> | <b>420'931</b> | <b>386'135</b> |

During the 2011 financial year, the amount of the liabilities on the balance sheet increased by KCHF 34'796 (KCHF 28'276 for 2010). This increase was recorded under "Pension obligations".

|  | 2011             | 2010             |
|--|------------------|------------------|
| <b>Actual value of obligations as at 01.01</b> | <b>1'647'856</b> | <b>1'568'082</b> |
| Actual value of additional rights acquired     | 36'868           | 31'646           |
| Employee contributions                         | 11'386           | 10'937           |
| Interest cost                                  | 48'439           | 49'965           |
| Actuarial losses on obligations                | -28'739          | 53'621           |
| Benefits paid                                  | -57'976          | -66'395          |
| <b>Actual value of obligations as at 31.12</b> | <b>1'657'834</b> | <b>1'647'856</b> |

|   | 2011           | 2010           |
|---|----------------|----------------|
| <b>Fair value of assets and liabilities as at 01.01</b> | <b>871'794</b> | <b>874'780</b> |
| Expected return of assets and liabilities               | 42'774         | 43'158         |
| Employer contribution                                   | 24'328         | 22'837         |
| Employee contributions                                  | 11'386         | 10'937         |
| Actuarial gain / (loss) on the capital                  | -32'023        | -13'523        |
| Benefits paid   | -57'976        | -66'395        |
| <b>Fair value of assets and liabilities as at 31.12</b> | <b>860'283</b> | <b>871'794</b> |

## 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.

|  | 2011           | 2010           |
|--|----------------|----------------|
| <b>Obligations recorded as liabilities on the balance sheet at the beginning of the financial year</b> | <b>386'135</b> | <b>357'859</b> |
| Benefits costs during the financial year   | 59'124         | 51'113         |
| Employer contribution during the financial year  | -24'328        | -22'837        |
| <b>Obligations recorded as liabilities on the balance sheet at the end of the financial year</b>       | <b>420'931</b> | <b>386'135</b> |

## 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.

|   | 2011          | 2010          |
|---|---------------|---------------|
| Cost of services provided during the financial year                             | 48'254        | 42'583        |
| Interest cost   | 48'439        | 49'965        |
| Expected return of assets and liabilities                                       | -42'774       | -43'158       |
| Employee contributions  | -11'386       | -10'937       |
| Amortisation of actuarial differences not yet registered                        | 16'591        | 12'660        |
| <b>Cost of benefits recorded during the financial year</b>                      | <b>59'124</b> | <b>51'113</b> |
| Employer contribution   | -24'328       | -22'837       |
| <b>Pension obligation in the consolidated statement of comprehensive income</b> | <b>34'796</b> | <b>28'276</b> |

## Main actuarial assumptions

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

|   | 2011                    | 2010     |
|---|-------------------------|----------|
| Discount rate                             | 2.5%                    | 3.0%     |
| Expected return of assets and liabilities | 5.0%                    | 5.0%     |
| Future salary increases                   | 1.5%                    | 2.0%     |
| Future increases in retirement benefits   | 0.5%                    | 1.5%     |
| Retirement age                            | according to experience | 61 years |

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 reflect the actual long-term return rates observed on the respective markets.

The actual return of assets and liabilities during the 2011 financial year was KCHF 10'751 (KCHF 29'635 for 2010), which corresponds to an average rate of 1.25% (3.45% in 2010).

## Structure of the scheme's assets

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

|                       | 2011           | 2010           |
|-----------------------|----------------|----------------|
| Obligations and loans | 12.00%         | 11.80%         |
| Shares                | 40.80%         | 42.80%         |
| Buildings             | 42.60%         | 40.80%         |
| Other                 | 4.60%          | 4.60%          |
| <b>Total</b>          | <b>100.00%</b> | <b>100.00%</b> |

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 2007, is as follows:

|   | 2011           | 2010           | 2009           | 2008           | 2007           |
|---|----------------|----------------|----------------|----------------|----------------|
| Obligations   | 1'657'834      | 1'647'856      | 1'568'082      | 1'541'752      | 1'565'710      |
| Fair value of assets and liabilities                            | -860'283       | -871'794       | -874'780       | -803'553       | -969'432       |
| <b>Financial situation at the end of the financial year</b>     | <b>797'551</b> | <b>776'062</b> | <b>693'302</b> | <b>738'199</b> | <b>596'278</b> |
| Actuarial differences not yet registered                        | -376'620       | -389'927       | -335'443       | -413'799       | -294'002       |
| <b>Obligations recorded as liabilities on the balance sheet</b> | <b>420'931</b> | <b>386'135</b> | <b>357'859</b> | <b>324'400</b> | <b>302'276</b> |
| Gains / losses  |                |                |                |                |                |
| - on obligations, resulting from changes in assumptions         | 10'751         | -60'679        |                | 23'490         | 62'181         |
| - on obligations, resulting from experience                     | 17'988         | 7'058          | 5'140          | 28'121         | -10'792        |
| - on the assets and liabilities, resulting from experience      | -32'023        | -13'523        | 55'098         | -180'725       | 339            |

## Additional information

### General description of the type of pension plan

SIG personnel benefit from a defined benefit pension plan.

This scheme 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 2012

On the basis of the contributions actually paid in 2011, we estimate that employer contributions for the 2012 financial year amount to KCHF 24'693 (KCHF 22'847 in 2011).

### Method used to register the actuarial differences

The amount of the actuarial differences not yet recorded at the beginning of the 2011 financial year has exceeded the corridor. Therefore, part of the actuarial differences is recorded in the statement of comprehensive income in the amount of KCHF 16'591 (KCHF 12'660 in 2010).

## 22. Financial liabilities and other obligations

|  | 2011          | 2010           |
|--|---------------|----------------|
| Multi-annual equalisation fund                           | 68'665        | 69'027         |
| Derivatives (see note 31)                                | 6'743         | 32'621         |
| Revenues from future periods                             | 10'331        | 12'057         |
| Security deposits  | 7'239         | 7'807          |
| Benefit fund in case of death                            | 432           | 439            |
| Patronage fund   | 434           | 418            |
| New and renewable energy fund (COGENER)                  | 498           | 459            |
| Environmental fund (COGEFE)                              | 576           | 573            |
| <b>Total financial liabilities and other obligations</b> | <b>94'918</b> | <b>123'401</b> |

### 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    | 2011          | 2010          |
| Non-current                                  | 54'838        | 69'027        |
| Current                                      | 13'827        | 0             |
| <b>Total multi-annual equalisation funds</b> | <b>68'665</b> | <b>69'027</b> |

#### 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

|  |                |                |
|--|----------------|----------------|
|  | 2011           | 2010           |
| Associates and companies under joint control | 42'401         | 41'964         |
| Third party suppliers                        | 107'680        | 84'102         |
| <b>Total suppliers</b>                       | <b>150'081</b> | <b>126'066</b> |

#### Retention payment

Certain invoices are subject to a retention payment in order to ensure proper completion of the work. It corresponds, depending on the case, to between 5% and 10% of the total work carried out.

Guarantees in the form of security total KCHF 11'349 in 2011 (KCHF 7'976 en 2010). They are blocked for an average period of two years.

#### Amortised cost

The amortised cost of suppliers corresponds to their nominal value.

## 24. State and other public authorities

|  |               |               |
|--|---------------|---------------|
|  | 2011          | 2010          |
| Charges for use of public domain in favour of the State                | 8'863         | 13'147        |
| Charges for use of public domain in favour of other public authorities | 26'589        | 27'724        |
| Current account with the State   | -2'271        | -871          |
| Other debts towards public authorities                                 | 793           | 2'234         |
| <b>Total State and other public authorities</b>                        | <b>33'974</b> | <b>42'234</b> |

## 25. Other financial liabilities and accrued expenses

| <b>Other financial liabilities</b>                                | <b>2011</b>    | <b>2010</b>    |
|---|----------------|----------------|
| Derivatives (see note 31)   | 34'537         | 39'005         |
| Revenues from future periods                                      | 18'685         | 15'439         |
| Due to third parties  | 10'511         | 12'110         |
| <b>Accrued expenses</b>   |                |                |
| Energy purchases from associates or companies under joint control | 18'584         | 17'933         |
| Energy purchases  | 29'037         | 20'580         |
| Accrued interests on borrowings                                   | 156            | 102            |
| Other temporary liabilities                                       | 41'771         | 56'313         |
| <b>Total other financial liabilities and accrued expenses</b>     | <b>153'281</b> | <b>161'482</b> |

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

## 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 2011 (KCHF 640 for 2010).

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 concluded. The maximum amount that the latter may borrow in the context of this financing is KCHF 86'635, on the basis of predefined realisation criteria. As at 31 December 2011, the sum of paid advances is KCHF 33'067 (KCHF 17'655 as at 31 December 2010).

## 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 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 share capital

SIG does not influence and is not under the influence of the companies on which holders of the 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 for sales.

As at 31 December 2011, the balance of the transactions with the holders of share capital is shown under "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 95,282 in 2011 (KCHF 81'307 in 2010). Receivables outstanding as at 31 December 2011 amount to KCHF 16'765 (KCHF 4'083 in 2010).

## 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 (23 members) and of management (8 members) 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, provided to the members of the Board of Directors and members of management.

|  | 2011               |            | 2010               |            |
|--|--------------------|------------|--------------------|------------|
|  | Board of Directors | Management | Board of Directors | Management |
| Remuneration   | 767                | 2'550      | 766                | 2'629      |
| Benefits subsequent to employment  |                    | 391        | 8                  | 433        |
| Compensation for membership of Board of Directors of subsidiaries, associates and companies under joint control of SIG | 87                 |            | 88                 |            |

## 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 5'750. 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 holdings (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 (LApEI)

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

The LApEI 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 (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.

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 LApEI 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, the Swiss Confederation has given priority to work on the new 2050

energy strategy. This strategy should also partly include the revision of the LApEI, which will be delayed and could take place in 2012 or 2013. Furthermore, the opening of the electricity market expected in 2014 according to the LApEI will probably not be effective before 2015 or later. Therefore the situation after 2013 remains uncertain.

### 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 increases 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.

## 29. Allocation of results

### Structure of net results

|   | 2011            | 2010           |
|---|-----------------|----------------|
| <b>SIG net result</b>   | <b>75'151</b>   | <b>104'280</b> |
| Results of subsidiaries   | -30             | 59             |
| Retreatment of dividends received from equity-accounted companies | -48'617         | -49'655        |
| Share of results of equity-accounted companies                    | -99'070         | 68'259         |
| <b>Total contribution of consolidated companies</b>               | <b>-147'717</b> | <b>18'663</b>  |
| <b>Consolidated net result</b>                                    | <b>-72'566</b>  | <b>122'943</b> |

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 2011 financial year will be allocated as follows :

|                                    | 2011          | 2010           |
|------------------------------------|---------------|----------------|
| <b>Châtillon site reserve fund</b> | <b>446</b>    | <b>-301</b>    |
| <b>Allocation of SIG's results</b> |               |                |
| New construction fund              | 74'705        | 66'594         |
| Insurance fund                     | 0             | 5'698          |
| General reserve fund               | 0             | 32'289         |
| <b>SIG net result</b>              | <b>75'151</b> | <b>104'280</b> |

## 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.

|                                 | 2011             | 2010             |
|---------------------------------|------------------|------------------|
| Ratio of financial independence | 0.68             | 0.76             |
| <b>Invested capital</b>         |                  |                  |
| Non-current liabilities         | 1'212'493        | 955'442          |
| Current borrowings              | 20'850           | 18'000           |
| Cash and cash equivalents       | -82'250          | -174'937         |
| <b>Net indebtedness</b>         | <b>1'151'093</b> | <b>798'505</b>   |
| Equity                          | 2'419'581        | 2'493'807        |
| <b>Invested capital</b>         | <b>3'570'674</b> | <b>3'292'312</b> |

## 31. Management of financial risks

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

|  | Fair value   |                                     | Amortized cost        |   | Note |
|--|--|-------------------------------------|-----------------------|---|------|
|  | Derivatives through equity and the statement of comprehensive income | Available-for-sale financial assets | Loans and receivables | Financial liabilities estimated at their amortised cost |      |
| <b>2010</b>                                      |  |                                     |                       |   |      |
| Financial assets and prepayments                 | 30'286   | 96                                  | 47'512                |   | 11   |
| Trade receivables from supplies and services     |  |                                     | 176'772               |   | 13   |
| Other financial assets and prepayments           | 48'356   |                                     | 33'306                |   | 14   |
| Cash and cash equivalents                        |  |                                     | 174'937               |   | 15   |
| <b>Total value by category</b>                   | <b>78'642</b>  | <b>96</b>                           | <b>432'527</b>        | <b>0</b>  |      |
| Non-current borrowings                           |  |                                     |                       | 347'667   | 19   |
| Financial liabilities and other obligations      | 32'621   |                                     |                       | 88'891  | 22   |
| Current borrowings                               |  |                                     |                       | 18'000  | 19   |
| Suppliers  |  |                                     |                       | 126'066   | 23   |
| Government and other public authorities          |  |                                     |                       | 42'234  | 24   |
| Other financial liabilities and accrued expenses | 39'005   |                                     |                       | 66'164  | 25   |
| <b>Total value by category</b>                   | <b>71'626</b>  | <b>0</b>                            | <b>0</b>              | <b>689'022</b>  |      |
| <b>2011</b>                                      |  |                                     |                       |   |      |
| Financial assets and prepayments                 | 10'443   | 293'505                             | 132'077               |   | 11   |
| Trade receivables from supplies and services     |  |                                     | 186'947               |   | 13   |
| Other financial assets and prepayments           | 32'609   |                                     | 40'951                |   | 14   |
| Cash and cash equivalents                        |  |                                     | 82'250                |   | 15   |
| <b>Total value by category</b>                   | <b>43'052</b>  | <b>293'505</b>                      | <b>442'225</b>        | <b>0</b>  |      |
| 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 financial liabilities and accrued expenses | 34'537   |                                     |                       | 76'973  | 25   |
| <b>Total value by category</b>                   | <b>41'280</b>  | <b>0</b>                            | <b>0</b>              | <b>974'930</b>  |      |

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



## Fair value of the financial instruments by level

|                           | Level 1       | Level 2       | Level 3        | Total          |
|---------------------------|---------------|---------------|----------------|----------------|
| <b>2010</b>               |               |               |                |                |
| Equity securities         |               |               | 96             | 96             |
| Derivatives (assets)      | 12'461        | 65'541        | 640            | 78'642         |
| Derivatives (liabilities) | -21'724       | -48'997       | -905           | -71'626        |
| <b>Total</b>              | <b>-9'263</b> | <b>16'544</b> | <b>-169</b>    | <b>7'112</b>   |
| <b>2011</b>               |               |               |                |                |
| Equity securities         |               |               | 293'505        | 293'505        |
| Derivatives (assets)      | 5'863         | 37'188        | 1              | 43'052         |
| Derivatives (liabilities) | -12'061       | -29'153       | -66            | -41'280        |
| <b>Total</b>              | <b>-6'198</b> | <b>8'035</b>  | <b>293'440</b> | <b>295'277</b> |

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

|   | Non-current assets | Current assets | Total assets  | Non-current liabilities | Current liabilities | Total liabilities | Net fair value |
|---|--------------------|----------------|---------------|-------------------------|---------------------|-------------------|----------------|
| <b>2010</b>   |                    |                |               |                         |                     |                   |                |
| Total hedging instruments of cash flow through equity                         |                    |                |               | 904                     |                     | 904               | -904           |
| Total derivatives at fair value through the statement of comprehensive income | 30'286             | 48'356         | 78'642        | 31'717                  | 39'005              | 70'722            | 7'920          |
| <b>Total derivatives</b>  | <b>30'286</b>      | <b>48'356</b>  | <b>78'642</b> | <b>32'621</b>           | <b>39'005</b>       | <b>71'626</b>     | <b>7'016</b>   |
| <b>2011</b>   |                    |                |               |                         |                     |                   |                |
| 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          |
| <b>Total derivatives</b>  | <b>10'443</b>      | <b>32'609</b>  | <b>43'052</b> | <b>6'743</b>            | <b>34'537</b>       | <b>41'280</b>     | <b>1'772</b>   |

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        |  | Note     |
|--|--|-------------------------------------|-----------------------|--|----------|
|  | Derivatives through equity and the statement of comprehensive income | Available-for-sale financial assets | Loans and receivables | Financial liabilities measured at their amortised cost |          |
| <b>2010</b>  |  |                                     |                       |  |          |
| Interests  |  |                                     |                       | 7'665  |          |
| Expenses and premiums                              | 337  |                                     | 1'401                 | 10   |          |
| (Gains)/losses on financial instruments            | 869  |                                     |                       |  |          |
| Change in fair value                               | -19'931  |                                     |                       |  |          |
| (Gains)/losses on exchange                         |  |                                     |                       |  |          |
| Revenues from investments, equity securities, etc. |  | -4                                  | -3'395                |  |          |
| <b>Total</b>                                       | <b>-18'725</b>   | <b>-4</b>                           | <b>-1'994</b>         | <b>7'675</b>   | <b>6</b> |
| <b>2011</b>  |  |                                     |                       |  |          |
| 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                |  |          |
| <b>Total</b>                                       | <b>7'072</b>   | <b>-3</b>                           | <b>-1'617</b>         | <b>11'441</b>  | <b>6</b> |

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

|                                     | 2011        | 2010        |
|-------------------------------------|-------------|-------------|
| <b>Hedging reserves as at 01.01</b> | <b>-905</b> | <b>-730</b> |
| Matured hedging instruments         |             | 337         |
| Value variations                    | 905         | -446        |
| New hedging instruments             | -67         | -66         |
| <b>Hedging reserves as at 31.12</b> | <b>-67</b>  | <b>-905</b> |

## 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" was 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.

| Provisional cash reserves (in MCHF)      | 2012      | 2013-2016 |
|--|-----------|-----------|
| <b>Balance at opening</b>                | <b>82</b> | <b>6</b>  |
| Cash resulting from operations           | 1'111     | 4'663     |
| Cash absorbed by operations              | -984      | -3'959    |
| Cash absorbed by investing activities    | -237      | -1'142    |
| Cash resulting from financing activities | 30        | 860       |
| Reduction of borrowings                  | 4         | -400      |
| <b>Balance at closing</b>                | <b>6</b>  | <b>28</b> |

#### 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.

| 2010   | 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 | 24'691             | 27'156                | 81'836                 | 362'459              | 496'142        |
| Short- and long-term derivatives                         | 39'005             | 25'950                | 6'671                  |                      | 71'626         |
| Financial liabilities and other obligations              | 3'331              | 70'247                | 3'297                  | 12'016               | 88'891         |
| Suppliers  | 126'066            |                       |                        |                      | 126'066        |
| Government and other public authorities                  | 42'234             |                       |                        |                      | 42'234         |
| Other financial liabilities and accrued expenses         | 66'062             |                       |                        |                      | 66'062         |
| <b>Total</b>   | <b>301'389</b>     | <b>123'353</b>        | <b>91'804</b>          | <b>374'475</b>       | <b>891'021</b> |

#### 2011

|  |                |               |                |                |                  |
|--|----------------|---------------|----------------|----------------|------------------|
| 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           |
| <b>Total</b>   | <b>344'017</b> | <b>93'636</b> | <b>255'234</b> | <b>447'240</b> | <b>1'140'127</b> |

#### 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. Matured accounts payable have been open for over 3 months. They amount to KCHF 7'365 in 2011 (KCHF 8'229 in 2010). 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

|  | 2011           | 2010           |
|--|----------------|----------------|
| Financial assets and prepayments             | 436'025        | 77'894         |
| Trade receivables from supplies and services | 186'947        | 176'772        |
| Other financial assets and prepayments       | 73'560         | 81'662         |
| Cash and cash equivalents                    | 82'250         | 174'937        |
| <b>Total</b>                                 | <b>778'782</b> | <b>511'265</b> |

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

#### Market risks

##### Interest rate risks

With borrowings subscribed at fixed or variable rates, SIG is confronted with 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.

#### 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 quarterly 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 basic 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 2010 and 2011, all other variables being constant.

### Sensitivity to risks

| 2010                 | Variation of the      | Proportion of the variation | Impact on the net financial expenses | Impact on the hedging reserve |
|----------------------|-----------------------|-----------------------------|--------------------------------------|-------------------------------|
| <b>Interest risk</b> |                       |                             |                                      |                               |
|                      | interest rate         | ↗ 0.5%                      |                                      | ↗ 908                         |
|                      | interest rate         | ↘ 0.5%                      |                                      | ↘ 908                         |
| <b>Exchange risk</b> |                       |                             |                                      |                               |
|                      | EUR/CHF exchange rate | ↗ 10 cts                    | ↘ 1'066                              |                               |
|                      | EUR/CHF exchange rate | ↘ 10 cts                    | ↗ 1'066                              |                               |
| <b>Price risk</b>    |                       |                             |                                      |                               |
|                      | price of electricity  | ↗ 10%                       | ↘ 3'947                              |                               |
|                      | price of electricity  | ↘ 10%                       | ↗ 3'385                              |                               |
| <b>2011</b>          |                       |                             |                                      |                               |
| <b>Interest risk</b> |                       |                             |                                      |                               |
|                      | interest rate         | ↗ 0.5%                      |                                      | ↗ 898                         |
|                      | interest rate         | ↘ 0.5%                      |                                      | ↘ 0                           |
| <b>Exchange risk</b> |                       |                             |                                      |                               |
|                      | EUR/CHF exchange rate | ↗ 10 cts                    | ↘ 28'999                             |                               |
|                      | EUR/CHF exchange rate | ↘ 10 cts                    | ↗ 28'941                             |                               |
| <b>Price risk</b>    |                       |                             |                                      |                               |
|                      | price of electricity  | ↗ 10%                       | ↘ 3'173                              |                               |
|                      | price of electricity  | ↘ 10%                       | ↗ 3'079                              |                               |

## 32. Events subsequent to closing

No 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 2011

### Simplified consolidated statement of income

| <i>(Values in MCHF)</i>                        | 2007 <sup>*/**</sup> | 2008 <sup>**</sup> | 2009       | 2010       | 2011       |
|--|----------------------|--------------------|------------|------------|------------|
| Revenues                                       | 897                  | 1'027              | 1'038      | 1'026      | 1'054      |
| Expenses                                       | -873                 | -823               | -810       | -902       | -932       |
| Results from operating activities (EBIT)       | 24                   | 204                | 228        | 124        | 122        |
| Net finance costs                              | -8                   | -34                | -28        | 9          | -17        |
| Share of results of equity-accounted companies | 79                   | 65                 | 541        | 68         | -99        |
| Results before charges to public authorities   | 95                   | 235                | 741        | 201        | 6          |
| Charges to public authorities                  | -50                  | -72                | -80        | -78        | -79        |
| <b>Group net result</b>                        | <b>45</b>            | <b>163</b>         | <b>661</b> | <b>123</b> | <b>-73</b> |

| <i>(Values in %)</i>                           |          |           |           |           |           |
|--|----------|-----------|-----------|-----------|-----------|
| Revenues                                       | 100      | 100       | 100       | 100       | 100       |
| Expenses                                       | -97      | -80       | -78       | -88       | -88       |
| Results from operating activities (EBIT)       | 3        | 20        | 22        | 12        | 12        |
| Net finance costs                              | -1       | -3        | -3        | 1         | -2        |
| Share of results of equity-accounted companies | 9        | 6         | 52        | 7         | -9        |
| Results before charges to public authorities   | 11       | 23        | 71        | 20        | 1         |
| Charges to public authorities                  | -6       | -7        | -8        | -8        | -7        |
| <b>Group net result</b>                        | <b>5</b> | <b>16</b> | <b>63</b> | <b>12</b> | <b>-6</b> |

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

\*\* Without retreatment of the impact of the retroactive modification of employee benefits

## Simplified consolidated balance sheet

| (Values in MCHF)                            | 2007**       | 2008**       | 2009         | 2010         | 2011         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Non-current assets</b>                   | <b>2'957</b> | <b>3'454</b> | <b>3'716</b> | <b>3'793</b> | <b>4'089</b> |
| Current assets less cash                    | 231          | 285          | 287          | 319          | 305          |
| Cash and cash equivalents                   | 127          | 88           | 172          | 175          | 82           |
| <b>Current assets</b>                       | <b>358</b>   | <b>373</b>   | <b>460</b>   | <b>494</b>   | <b>387</b>   |
| <b>Total assets</b>                         | <b>3'315</b> | <b>3'827</b> | <b>4'176</b> | <b>4'287</b> | <b>4'476</b> |
| <b>Equity</b>                               | <b>1'671</b> | <b>2'069</b> | <b>2'411</b> | <b>2'494</b> | <b>2'420</b> |
| Non-current liabilities                     | 1'013        | 1'384        | 1'423        | 1'445        | 1'698        |
| Current borrowings                          | 10           | 100          | 68           | 18           | 21           |
| Current liabilities less current borrowings | 621          | 274          | 274          | 330          | 337          |
| <b>Liabilities</b>                          | <b>1'644</b> | <b>1'758</b> | <b>1'765</b> | <b>1'793</b> | <b>2'056</b> |
| <b>Total equity and liabilities</b>         | <b>3'315</b> | <b>3'827</b> | <b>4'176</b> | <b>4'287</b> | <b>4'476</b> |

| (Values in %)                               | 2007**     | 2008**     | 2009       | 2010       | 2011       |
|---|------------|------------|------------|------------|------------|
| <b>Non-current assets</b>                   | <b>89</b>  | <b>90</b>  | <b>89</b>  | <b>88</b>  | <b>91</b>  |
| Current assets less cash                    | 7          | 8          | 7          | 8          | 7          |
| Cash and cash equivalents                   | 4          | 2          | 4          | 4          | 2          |
| <b>Current assets</b>                       | <b>11</b>  | <b>10</b>  | <b>11</b>  | <b>12</b>  | <b>9</b>   |
| <b>Total assets</b>                         | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> |
| <b>Equity</b>                               | <b>50</b>  | <b>54</b>  | <b>58</b>  | <b>58</b>  | <b>54</b>  |
| Non-current liabilities                     | 31         | 36         | 33         | 34         | 38         |
| Current borrowings                          | 0          | 3          | 2          | 0          | 0          |
| Current liabilities less current borrowings | 19         | 7          | 7          | 8          | 8          |
| <b>Liabilities</b>                          | <b>50</b>  | <b>46</b>  | <b>42</b>  | <b>42</b>  | <b>46</b>  |
| <b>Total equity and liabilities</b>         | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> |

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

\*\* Without retreatment of the impact of the retroactive modification of employee benefits

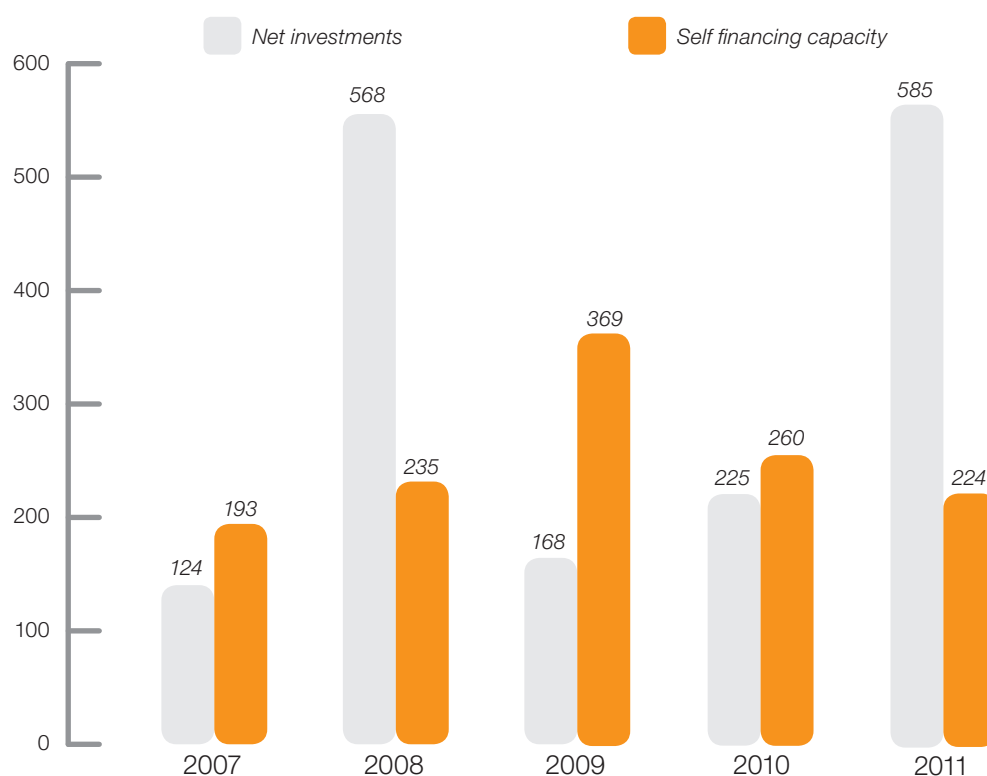
## Self financing capacity

| (Values in MCHF)                   | 2007*      | 2008       | 2009       | 2010       | 2011       |
|------------------------------------|------------|------------|------------|------------|------------|
| Group net result                   | 45         | 163        | 661        | 124        | -73        |
| Non-monetary revenues and expenses | 148        | 72         | -292       | 136        | 297        |
| <b>Self financing capacity</b>     | <b>193</b> | <b>235</b> | <b>369</b> | <b>260</b> | <b>224</b> |

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

## Self financing degree of net investments

| (Values in MCHF)            | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|-----------------------------|------|------|------|------|------|-------|
| Investment expenditure (A)  | 124  | 568  | 168  | 225  | 585  | 1'670 |
| Self financing capacity (B) | 193  | 235  | 369  | 260  | 224  | 1'281 |
| Ratio (B) / (A) in %        | 155  | 41   | 220  | 115  | 38   | 77    |



## Financial independence

| Financial independence (values in MCHF) | 2007* | 2008  | 2009  | 2010  | 2011  |
|---|-------|-------|-------|-------|-------|
| Equity                                  | 1'671 | 2'069 | 2'411 | 2'494 | 2'420 |
| Liabilities                             | 1'644 | 1'758 | 1'765 | 1'793 | 2'056 |

| Ratio of financial independence (in %) | 2007* | 2008 | 2009 | 2010 | 2011 |
|--|-------|------|------|------|------|
| Equity                                 | 50    | 54   | 58   | 58   | 54   |
| Liabilities                            | 50    | 46   | 42   | 42   | 46   |

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



## Borrowings

(Nominal values in MCHF)

|                             | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------|------|------|------|------|------|
| Borrowings as at 31.12      | 220  | 510  | 434  | 366  | 628  |
| Reimbursement of borrowings | 60   | -290 | 76   | 68   | -262 |

(Values in %)

|   |      |      |      |      |      |
|---|------|------|------|------|------|
| Weighted mean of nominal interest rates | 3.26 | 3.51 | 2.30 | 1.80 | 1.80 |
|---|------|------|------|------|------|

