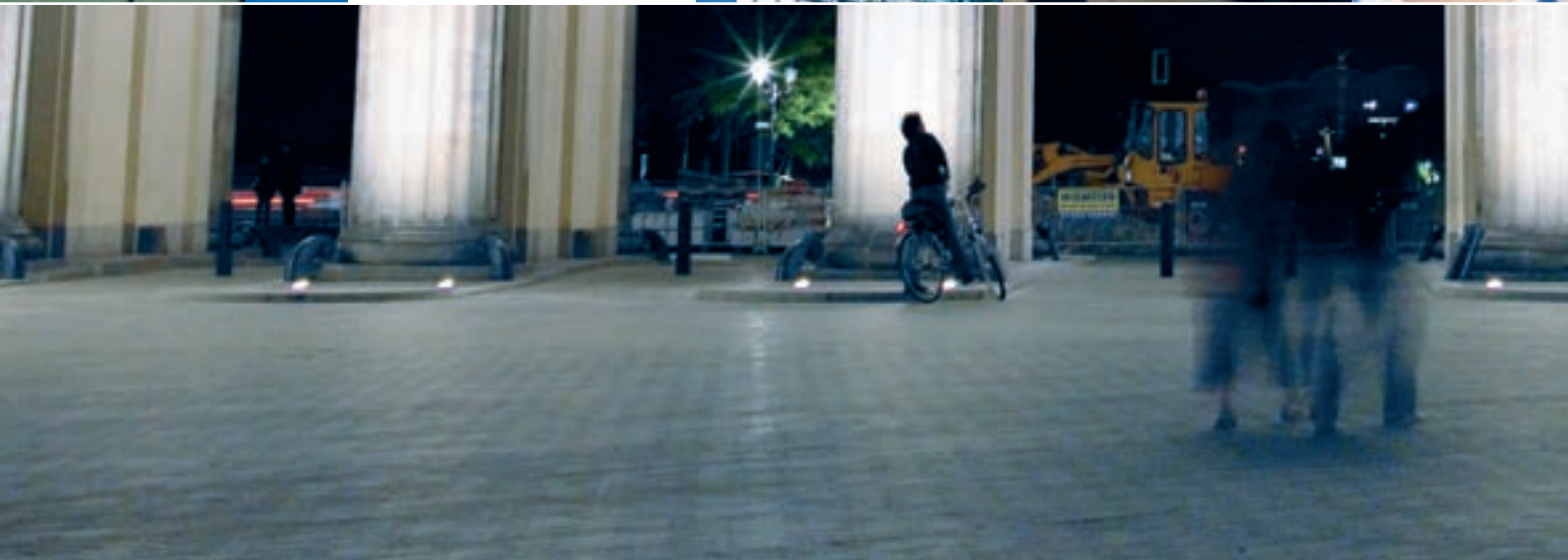


atel



Energy is our business

111th Annual Report 2005



Key Figures 2005

Atel Group

	+/- variance 2004–2005 in % (based on CHF)	2004 CHF mn.	2005 CHF mn.	2004 EUR mn.	2005 EUR mn.
Energy sales (GWh)	8.4	90 581	98 166	90 581	98 166
Net turnover	24.9	6 867	8 580	4 459	5 543
Energy	28.8	5 452	7 020	3 540	4 535
Energy Services	10.3	1 418	1 564	921	1 010
Earnings before interest, tax, depreciation and amortisation (EBITDA)	0.3	735	737	477	476
Depreciation (2004 incl. goodwill depreciation)	19.0	–242	–196	–157	–127
Earnings before interest and tax (EBIT)	9.7	493	541	320	349
in % of net turnover	–12.5	7.2	6.3	7.2	6.3
Group profit	21.1	341	413	221	267
in % of net turnover	–4.0	5.0	4.8	5.0	4.8
Net investments	225.0	92	299	60	193
Shareholders' equity	16.1	2 123	2 464	1 379	1 585
in % of total assets	–1.7	34.3	33.7	34.3	33.7
Total assets	18.3	6 186	7 317	4 017	4 705
Employees*	6.3	7 872	8 368	7 872	8 368
plus trading in standardised products					
in GWh	37.9	108 761	149 982	108 761	149 982
in CHF mn. or EUR mn.	64.6	5 035	8 289	3 269	5 355

* Average number of full-time equivalent employees

Per share information

	+/- variance 2004–2005 in %	2004 CHF	2005 CHF
Nominal value	–	100	100
Share price at 31.12.	14.8	1 650	1 895
Highest	36.7	1 660	2 270
Lowest	68.4	980	1 650
Group profit	27.4	106	135
Shareholders' equity (Percentage of Atel shareholders)	17.0	664	777
Dividend	16.7	24	28
Average trading volume/day		478	137

Amendments to International Financial Reporting Standards (IFRS)

A variety of amendments concerning IFRS, which Atel implemented during the year under review, took effect as at 1 January 2005. The changes sometimes affected the previous year's results and key figures as well as the earning per share retrospectively. The financial report contains explanations on changes and other adjustments made to the balance sheet and income statement.

Energy is our business

Founded in 1894, Aare-Tessin Ltd. for Electricity (Atel) is Switzerland's leading energy services provider, active throughout Europe. Today Atel concentrates on two segments: Energy and Energy Services. The geographical areas in Europe on which it focuses are Switzerland, Italy, Germany, Scandinavia, France and Central and Eastern Europe.

Energy segment: productive harmony

Trading and distribution, based on a broad range of production facilities, are the key to the precise satisfaction of individual customer needs.

Atel comprehensively covers every link in the output chain: its own production, established European trading, customer-orientated sales and marketing, and an extensive transmission grid in the power-distribution hub of Switzerland. All this confirms Atel's importance as a production-backed energy trader in Europe.

Power generation and the grid: minimising risks

Atel pursues its objective of generating a secure power supply by a combination of its own power stations throughout Europe, holdings in hydroelectric and thermal joint ventures, and long-term options to the output of third-party power stations. The ultimate goal, both for Switzerland and for the rest of Europe, is a sustainable mix of conventional and renewable energy sources. By diversifying production, in both technical and geographical terms, Atel reduces risks – and also its unilateral dependence on primary energy carriers like gas and coal.

Trading: flexible response

Atel generates some 80 per cent of its total sales elsewhere in Europe. Teams of international traders at its head office in Olten and in Prague trade in conventional physical and financial products, and also in coal, gas, oil and CO₂ certificates. Competent analysts and risk managers ensure that these trading activities contribute significantly to the optimisation of procurement and selling prices. On the other hand the expansion of Atel's own production capacities in Europe provides long-term support for its successful energy-trading activities.

The close interweaving of production and trading enables Atel to optimise the management of its power-station portfolio on a flexible, international basis.

Selling power: at home throughout Europe

Advancing liberalisation is making the networking of energy competencies – across both sector and national boundaries – more and more important to the competitiveness of companies and both private and public institutions. Atel's broad energy portfolio enables it to take full account of these growing customer needs.

With over twenty sales company subsidiaries throughout Europe, some of them wholly owned, Atel is always a competent partner to its customers – wherever they are located. Tailor-made procurement strategies – from a full power supply to structured portfolios – help customers with the most diverse requirements to obtain the energy they need on the best possible terms. Consolidating existing national companies and establishing new subsidiaries are two important mainstays of the Atel corporate strategy.

Energy Services segment: every aspect of energy

Atel's Energy Services segment supports and completes its portfolio with a broad range of services covering all aspects of energy: its generation, transmission and applications.

The Atel Installationstechnik Group is the market leader in Switzerland, and it also covers the areas of Energy Supply Technology, Communications Technology, Traffic and Buildings Services in neighbouring countries.

With the GAH Group, an established energy services company in Germany, Atel delivers a wide variety of services to the energy industry and companies in the fields of communications, industrial technology and plant technology in Northern and Eastern Europe. The current extension of the output chain will expand Atel's already comprehensive range of services, adding future-oriented system and customer solutions in Energy Technology, Industrial/Plant Technology, Energy Supply Technology and Communications Technology.

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Scandinavian pioneers



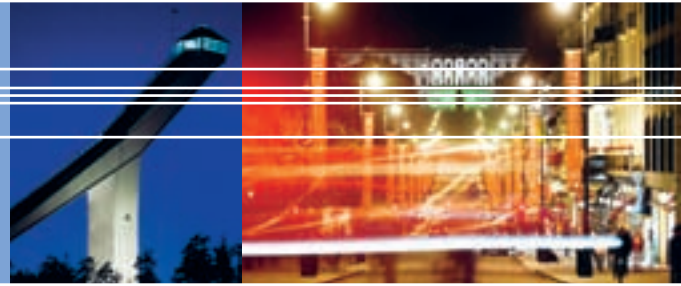


For thousands of years the land lay under the ice. Today Norway is among the richest nations on earth. With the discovery and development of huge deposits of oil and gas, this unified kingdom achieved an economic quantum leap in a single generation. The country has other important natural resources apart from fossil fuels, among them water, fish and timber. It is symbolic of Norway's natural wealth that Oslo, Scandinavia's oldest city, is surrounded by majestic forests.

Norway played a pioneering role in the liberalisation of the European electricity markets in the 1990s. The market for free energy trading began to open up as early as 1992, and the following year saw the foundation of Nord Pool, Europe's first electricity exchange. Norway's many years of experience ideally qualify it to harmonise and coordinate the growing complexity of power generation and consumption, supply and demand.

Atel's Norwegian subsidiary Energipartner is also building on this expertise, based on a broad range of energy carriers for the best possible continuity of supply and minimum risk. For many companies, the dynamic development of the liberalised electricity markets is making tailor-made energy portfolios a decisive competitive advantage.

«Energy business: back in the limelight»



Oslo



Demand remains vigorous, the supply remains limited, and CO₂ stabilisation mechanisms are making their mark on the liberalised European energy market: energy and electricity prices continued to rise in 2005. One additional reason for the price rise is that CO₂ stabilisation mechanisms were priced into the European reference market from March onwards. Initially EUR 7 per tonne of CO₂, the figure soared in the second half of the year – eventually settling down in the region of EUR 23.

But the rising prices of primary energy and CO₂ certificates are not the only reason why the European energy business is back in the limelight. The sudden curtailment of gas deliveries to Ukraine also highlighted Europe's high – too high – dependence on Russian gas produc-

tion. From Atel's viewpoint, continuing efforts to liberalise the European electricity (and gas) supply are joining high primary-energy prices at the centre of attention. Intensive discussions within the EU about prohibited state subsidies are putting capacity prioritisation for long-term cross-border deliveries under increasing pressure. The European Court of Justice has handed down a verdict condemning privileged grid access for cross-border transmission as a breach of the ban on discrimination. This verdict has direct positive and negative consequences for Atel's activities within the EU. For cross-border electricity trading from and with Switzerland, conversely, it is essential to reach a bilateral agreement between Switzerland and the European Union that will quickly create clarity and legal certainty.

Market deregulation is the dominant topic also in Switzerland. The Federal Council and the National Council want the electricity market to be opened up step by step. The first stage would be to give industrial and commercial customers a free choice of electricity supplier from 2007.

Because of their strong European links, Atel and the other operators of the Swiss transmission grid are in favour of rapid and complete market deregulation in tandem with the EU. In technical terms the link to the European synchronised grid has long been a reality, and on 14 December 2005 the Swiss electricity industry took a significant step towards political and economic harmonisation with Europe when it introduced the FPBG system. As this implements many of the adjustments called for by the EU, it therefore creates the preconditions for capacity auctions on Switzerland's frontiers. In future both domestic and foreign traders will thus be able to conduct cross-border electricity transactions in Switzerland.

In this dynamic environment the performance of the Atel Group has once more been encouraging. Despite difficult prevailing circumstances, group results – especially net profit, the capital ratio and the operating margin – moved in the right direction. Sales were substantially up in comparison with the previous year, though the fact that the Leibstadt nuclear power station was out of action for several months had a perceptible negative effect on re-



sults, as did the low water level and high primary energy prices. Good business performance in other areas, however, more than made up for these negative factors.

These good results confirm that we are on the right track. In the context of our existing corporate strategy, Atel's competitiveness is to be further reinforced through the proposed change in our shareholder structure. The purchase of the UBS 55.6% equity holding in Motor-Columbus (MC) was completed on 29 September 2005. EDF, EOS and Atel's former Swiss shareholders, plus AIL (Aziende Industriali di Lugano SA), WWZ (Wasserwerke Zug AG) and Atel itself, signed the purchase contracts and a syndication agreement. In the medium term, after the amalgamation of MC and Atel, all the operating activities of EOS – and also, it is expected, the Swiss activities of EDF – will be brought into the merged company. The planned amalgamation opens up new opportunities in liberalising markets. It will create a new, significant energy company with sales approaching CHF 10 billion, with a leading market position in Switzerland and activities throughout Europe. The purchase is expected to be

completed in the first quarter of 2006, subject to the consent of both domestic and foreign authorities.

Atel's experienced Executive Board team, headed by CEO Giovanni Leonardi, remains unchanged. Experience and continuity are thus assured. This also creates clarity for the Group's customers and employees, to whom our heartfelt thanks are due for their hard work, their support, and the confidence they have placed in us in the last financial year.

Walter Bürgi
Chairman of the Board of Directors

«In excellent shape to face the competition»



Oslo



Giovanni Leonardi, twelve months ago Atel said that it expected its results to be comparable with those of the previous year, subject to unforeseen events. Were they?

In terms of the volume of electricity supplied, the results are indeed comparable. But in terms of value and profit they are significantly higher, mainly in consequence of very successful market activities, a higher price level and other special factors. The unforeseen event was a damage to the generator at the Leibstadt nuclear power station, which was completely out of action from April to September. As the

facility's largest individual shareholder, Atel was gravely affected by this stoppage: we had to buy energy in the market to make up for lost production. Power stations in Italy also suffered less serious production breakdowns.

The sale of the UBS holding in Motor-Columbus to Atel must have been another extraordinary event. How closely were you involved?

Even though Atel was "up for sale", we managed to safeguard the company's interests – particularly because Atel is also part of the purchasing syndicate. This meant that many of my management colleagues bore a double burden for months, and I find it quite remarkable that we still managed to generate record profits. Let me once more take this opportunity to offer my colleagues on the Executive Board and in senior management – and indeed all Atel's employees – my compliments and thanks.

Energy prices soared in 2005. Is this a short-term phenomenon?

On the contrary. We believe these price rises for oil and gas, the primary energy carriers, are a long-

term trend – through it may not remain quite so pronounced. Energy prices in general, and for electricity in particular, are likely to remain high in the medium to long term.

What does that mean for Switzerland?

Switzerland consumed more electricity than it produced in 2005 – the first time this has happened for decades. That made us dependent on importing electricity. On top of that, there were indications of short-term bottlenecks in production capacity throughout Europe. The politically-motivated restrictions on Russian gas deliveries through Ukraine to Central Europe from the end of December 2005 may have been short-lived, but they throw the problem into sharp relief. Both these factors highlight the fact that Switzerland would be well-advised to keep its dependence on energy supplies from abroad to a minimum.

How do you assess Atel's medium-term development?

The strategy we are implementing has evidently put us on the right track. We are achieving encouraging



results in our defined core markets outside Switzerland, which now account for over 80% of total sales, as well as at home.

What will be the most important future success factor?

In free markets, besides good positioning, what determines a company's success is its speed and flexibility, its range of products and services, and the expertise of its workforce. In all these areas Atel is in excellent shape to face the competition.

Where are speed and flexibility especially necessary?

Let's take the example of Italy. The combination of imported energy, electricity from our own local power stations and the additional possibilities offered by trading gives Atel the stability and flexibility we need in this still very attractive growth market. We are in a position to offer our customers tailor-made solutions, and to do so quickly – without having to take disproportionate risks.

With its own power stations in various different countries, isn't Atel dissipating its strength?

No, this strategy is really paying off. Atel employs its own power station capacities in Switzerland, Italy, Hungary and the Czech Republic on a selective basis, when it is beneficial to do so. This strategy makes a major contribution to our commercial success. Atel is therefore continuing to expand the supranational management of all its production facilities.

Are you planning to acquire more power stations?

Yes, we are currently considering a number of opportunities. If the terms are right and the acquisition would strengthen us in terms of our business model, we shall go ahead. But in expanding our production capacities we are also considering renewable energy sources, both in Switzerland and abroad.

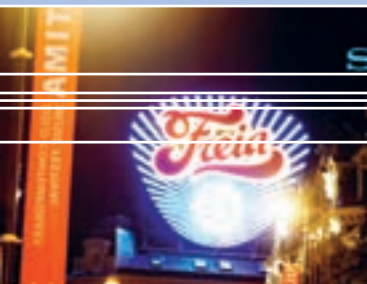
How has the Energy Services segment performed?

Here, too, Atel achieved its objectives in 2005. Market performance in Switzerland and Italy suffered because the price level remained low, but in Germany and the countries of Central and Eastern Europe the GAH Group benefited

from continuous growth in its market volumes. In parallel to this, the divestment of four companies in the GAH Group was largely completed. In Switzerland, Atel Installations-technik Ltd. continued to reinforce its portfolio in the year under review.

What is in store for Atel in 2006?

This year – again subject to unforeseen events – we expect continued stable development in the Energy segment. Companies in the Energy Services segment will benefit particularly from the positive trend in economic activity. Once again it is our objective to increase sales in our energy and energy-services businesses. In view of advancing liberalisation and the slower pace of energy-price rises, it will be by no means easy to repeat the encouraging operating results we achieved in 2005.



Oslo

Atel is changing: a new structure, new partners. The new company is expected to commence operations in 2008.

After lengthy negotiations, contracts for the purchase of the 55.6% stake in Motor-Columbus AG (MC) from UBS were signed on 29 September. In this initial phase a predominantly Swiss syndicate has thus acquired a majority interest in Motor-Columbus. It consists of a group of companies that are currently minority shareholders in Atel, two new shareholders – Wasserwerke Zug AG (WWZ) and Aziende Industriali di Lugano SA (AIL) – plus Energie Ouest Suisse (EOS) und Electricité de France (EDF). For its part, MC is the majority shareholder in Atel with a 58.6% stake. Completion of the contracts is subject to the fulfilment of various legal conditions and to the approval of the competent authorities. After completion Atel shareholders will receive a take-over bid, following which MC and Atel will be amalgamated to form a single company. These transactions are expected to be completed by mid-2006.

The next step will be to amalgamate EOS with the merged MC/Atel. The result will be the leading energy

company in Western Switzerland, with a European alignment and dimension. To this end the merged MC/Atel will first be restructured into a holding company, into which EOS will bring its operating activities and its assets. In addition EDF intends to contribute its holdings in Swiss power stations. At the same time the registered office of the new holding company will be transferred to Neuenburg, while the Executive Board remains in Olten. The preparation and implementation of this complex process are expected to last until the end of 2007. During this period both EOS and the merged MC/Atel will continue to develop in line with the existing business strategy, with no changes to their structures or organisation.

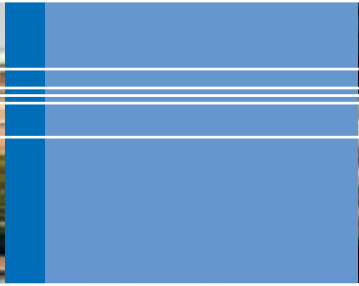
The new company is expected to commence operations at the beginning of 2008. The company will build on Atel's conventional strengths, namely its trading, marketing and service activities throughout Europe on a sound Swiss basis, and a diversified portfolio of power stations in various European countries – while at the same time exploiting the strengths and competencies of EOS, especially in the operation of hydro-electric power stations. The new

company, with firm roots in both the German-speaking and western parts of Switzerland, will have a variety of strong partners throughout Europe, EDF prominent among them as its strategic partner – and it will continue to play its part as the European hub. The Atel success story will go on, in a new structure and with new partners.

110th Annual General Meeting

The 110th Annual General Meeting was held on 28 April 2005. It reappointed former members of the Board of Directors Christian Wanner, Dr Hans Büttiker and Dr Rainer Schaub for a further term of three years. Ernst & Young Ltd. was re-elected as auditors and Group auditors for a further one-year statutory term. The Annual General Meeting approved the Annual Report, the annual accounts and the consolidated accounts for 2004, discharged the members of the Board of Directors and agreed to the Board of Directors' proposal for the appropriation of retained earnings.

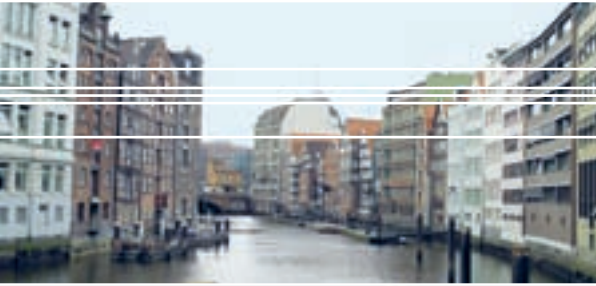
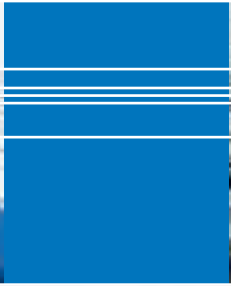
Energy-intensive steel production



Two thirds of a modern car consists of steel. Whether we take the automotive, mechanical or electrical engineering industries: no material has a greater influence on our daily lives. With its varied properties and recycling possibilities, steel has been the basis for industrial development since time immemorial. What began over 5,000 years ago with the processing of meteorite rocks is today an industry that spans the world, producing more than 2,500 types of steel. One of these is high-quality wire rods from Mittal Steel in Hamburg, which are processed into piano strings, springs and tyre cord.

Steel production is making increasing use of electric-arc furnaces, which convert electrical energy into temperatures high enough to melt metal. Graphite electrodes generate gigantic arcs in furnaces loaded with scrap metal and sponge iron. The arc temperatures required for the melting process range up to 5,000 degrees Celsius.

Steel producers must optimise their energy procurement if they are to meet their enormous energy requirements and avoid short-term power cuts. Mittal Steel near Hamburg and Atel Energie AG are jointly developing a tailor-made procurement strategy that will make it possible to combine security of supply with efficiency.



Atel in society



Hamburg



In a modern society every individual must be prepared to commit himself to the common good. The best precondition for this is sufficient scope for personal responsibility. Atel makes every effort to exploit that scope, exercising its commercial, social and ecological responsibilities. To Atel, the principles of Corporate Social Responsibility are part of its established corporate policy – and an important determining factor in its long-term operations.

Long-term commitment

As a company active in the energy sector, Atel has no choice but to adopt an entrepreneurial approach that consistently focuses on the long term. Planning, building and operating a power station is a matter of several decades – in the case of concessions for hydroelectric stations, almost a century. The nature of the business makes long-term added value the supreme objective. Conscious that investors and shareholders have to be recompensed for committing their capital, Atel strives to achieve reasonable profitability – though without seeking to maximise profits in the short term. This

attitude and philosophy proved absolutely correct in the last financial year.

As part of a strategy focusing on safeguarding profits in the long term, Atel maintains a continuous dialogue with players in the financial market. This promotes an understanding of Atel – especially now that the shareholder structure is changing – and of the energy sector in general. This was the spirit underlying numerous occasions that not only made interested parties aware of the company's strategy and prospects, but also served to keep capital providers informed. In future Atel will maintain its policy of meeting the requirements of the various players in the financial market.

Atel in dialogue

As an energy company active throughout Europe, Atel wishes to be firmly rooted in the regional electricity markets. This stems from the conviction that this is the only way of identifying and meeting the needs of customers and the public in all of those markets. Geographical and cultural proximity are preconditions for partnerships based on mutual trust. A dense network of mar-



keting companies guarantees better understanding and more targeted support. As an experienced, professional company for energy trading and energy services with Swiss roots, Atel thus stands for a very high level of performance.

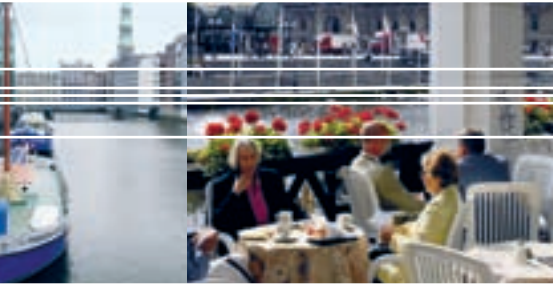
And this is also reflected in the dialogue with the media, the world of politics and a wider public. Atel is committed to a policy of active, open and continuous information and discussion. We have strengthened our public-relations work to take account of increased public interest in both the company and energy-related topics, and this has already produced encouraging results: understanding for the energy industry is increasing as are energy-related discussions in public and specialist circles.

Atel plays an active part in the commercial and social development of its markets. This commitment has led to numerous activities in social projects and sponsorship, all of which are tailored to be consistent with special local characteristics. In the Czech Republic, for example, we support the junior team of the Kladno ice-hockey club, as well as various local social institutions.

Orientation and encouragement

The pace of change in the commercial and political environment remains rapid, presenting Atel and its workforce with the challenge of constantly questioning their functions, processes, organisation and how they see their roles, and then adapting these to changed circumstances. The Atel corporate culture provides a range of orientation aids at all levels. Convinced that the interests of the workforce and the company must be constantly rebalanced, Atel has ensured that its management systems are flexible enough to provide scope for individual solutions.

Personnel policy, shaped by respect for the unique qualities of our employees, promotes intercultural cooperation and looks beyond short-term trends to focus on central values, such as having time for individual employees, basing activities on objectives and teamwork, paying fair salaries, promoting professional development. Atel gives its employees a working environment that encourages life-long learning. Two focuses of attention in this area are executive training and the training of a total of 550 apprentices.



Hamburg

Atel also attaches great importance to safety in the workplace. Evidence that we are on the right track comes – inter alia – from Hungary, where Atel Csepel won several prizes in 2005. In the “Healthy Workplace” competition the company took first place, and for the seventh time in succession it received an award for exemplary safety at work. And of all the employers in Hungary, Atel Csepel was honoured as the second-best.

Sustainable and secure

Atel seeks to engage in dialogue with all important social groupings, taking an active part in the political discussion on energy topics and prevailing national parameters. Top of the agenda for public discussion is continuity of supply. Atel’s responsibilities to the economy and society mean that it has to adopt clear positions on the burning questions of continuity of supply and climate policy, and make an important contribution to finding new, responsible ways of generating energy and using it. In the knowledge that no energy carrier is capable of meeting rising energy requirements on its own, Atel seeks to ensure that its power-station holdings represent a

sensible mix of conventional and renewable energy sources. This is the only way to keep Europe’s energy supply as secure in the future as it has been in the past – and it is also the only way to comply with CO₂ guidelines. Because of the looming supply shortfall, particular importance is attached to the construction of large-scale facilities to generate base energy.

In our commitment to a future with a secure energy supply, sustainability and efficiency have the highest priority. Atel supports the continued development of renewable energies within the limits of commercial parameters. About three quarters of our employees work in Energy Services, one of whose concerns is the construction of facilities for the generation and the efficient use of renewable energies. Under the heading of sustainability, Atel also contributes at various levels to the preservation of the environment. The construction of the power station at Ruppoldingen, for example, involved several different measures designed to preserve the flora and fauna – and indeed it is now regarded throughout Europe as exemplary. New power stations in Eastern Europe have received



awards for their high ecological standards: they already satisfy all the EU's environmental guidelines. In Hungary the company was singled out for its exemplary environmental communication. To defuse the problem of CO₂ in power generation, Atel is also in favour of making use of nuclear power with the latest advances in technology in addition to the systematic expansion of hydroelectric power.

Comprehensive information from Atel



Hamburg

The principles and rules for the Corporate Governance of the Atel Group are set out in the company's articles of association, its Organisational Regulations, the Executive Board Regulations, the group guidelines and the organisation chart, which illustrates relationships between affiliated companies. They are regularly reviewed by the Board of Directors and the Executive Board, and adapted if necessary.

Capital structure and shareholders' rights

Capital structure

Unchanged since 1992, the share capital of Aare-Tessin Ltd. for Electricity is CHF 303,600,000, divided into 3,036,000 registered shares, each with a nominal value of CHF 100. The shares are fully paid in. At the Annual General Meeting every share represented is entitled to one vote. There are no restrictions on transferability or voting rights. The Statement of Changes in Equity can be found in the Financial Report, on page 13 for the Atel Group's consolidated financial statements and on page 76 for those of Aare-Tessin Ltd. for Electricity.

Shareholders' rights

Shareholders' financial and code-termination rights are regulated by law and the Company's Articles of Association, which stipulate a 50-day time limit for submitting motions for agenda items at the General Meeting. The major shareholders as entered in the Share Register are given on page 49 of the Financial Report.

Majority shareholders in Aare-Tessin Ltd. for Electricity are obliged to take part in a public purchase offer under the Swiss Federal Law on Stock Exchanges and Securities Trading (no opting-out clause).

Stock exchange listing

Shares in Aare-Tessin Ltd. for Electricity are listed on the SWX Swiss Exchange under international securities identification number ISIN CH0001363305. Market capitalisation at the end of 2005 was CHF 5.8 billion.

Società Elettrica Sopracenerina SA, Locarno, of which Atel owns 59.5%, is also listed on the SWX Swiss Exchange (ISIN CH0004699440). Market capitalisation at the end of 2005 was CHF 253 million.

Information policy

Atel keeps its shareholders, potential investors and other stakeholder groups fully, promptly and regularly informed through its annual, interim and quarterly reports, at conferences for balance-sheet media and financial analysts and at the General Meeting.

Our communication channels are completed by our constantly updated website – www.atel.ch – and by press releases which detail important events. Key dates for the current financial year are listed on page 63.

Board of Directors and Executive Board

The Board of Directors is responsible for the Atel Group's overall guidance and strategic matters, as well as for supervising the Executive Board.

The Board of Directors has given the CEO responsibility for the Atel Group's overall operating management. The CEO is Chairman of the Executive Board and has delegated some of his management responsibilities to members of the Executive Board.

The Organisational Regulations and Executive Board Regulations govern the competencies and division of tasks between the Board of Directors and CEO/Executive Board.

The major consolidated Group companies are listed in the Financial Report on pages 66 to 70.



* Member of the Executive Board

** Corporate Accounting + Reporting, Corporate Taxes, Corporate Treasury + Insurance, Corporate Planning + Controlling, Corporate Risk Management, Corporate IT, Internal Audit

*** Corporate Public Affairs, Corporate Communications, Corporate Legal, Corporate Human Resources, Corporate Development + Organisation

Date: 1 February 2006

A sense of anticipation on the River Spree



The Brandenburg Gate, the Alexanderplatz, the Reichstag: these are Berlin's most famous landmarks. The long, chequered history of this once divided city has given it two radio and television towers, two National Galleries, two Congress Centres and two Zoological Gardens. Just a few years ago Europe's biggest building site, Berlin is preparing to become one of the continent's most modern cities.

There is also a sense of excitement among the trading specialists at Atel Energie AG in Germany, who concentrate on electricity trading and marketing in the five new federal states. This enables Atel Energie AG to give its customers maximum protection from volatile prices and possible volume risks.

Electricity trading is assuming increasing strategic importance as the interface between power generation and marketing. As well as physical electricity trading for spot delivery, financial trading with derivative products such as options and futures is now an established market feature. This has laid the foundations for the dynamic continued development of national and cross-border electricity and multi-energy trading.





Berlin



Organisation

The structural reorganisation of the Group approved by the Board of Directors in 2004 was refined and finalised during 2005, and the associated personnel changes implemented.

Herbert Niklaus, formerly head of grid operations, has headed the Energy Switzerland business division since 1 January 2005. The new head of the Grid business unit (since mid-March 2005) is Dr Matthias Zwicky.

Stefan Hatt has been responsible for the Energy Services business division, which consists of Atel Installationstechnik Group (AIT) and the GAH Group, since 1 January 2005. The new head of the Energy Northern/Eastern Europe business division since 1 February 2006 is Reinhold Frank, whose predecessor Nico Dostert has retired.

At the marketing-company level, the Entrade Group has been integrated into Atel's Central/Eastern Europe market and Northern Europe market business units as of the beginning of 2006.

Remo Pozzi, Head of the Western Europe market business unit, retired on 31 December 2005. He was suc-

ceeded on 1 January 2006 by Pascal Hamamdjian, formerly head of our French marketing company Atel Energie SAS.

Board of Directors

The Board of Directors comprises twelve members, who have no management function within the company.

Shareholders are entitled to nominate new members of the Board of Directors. The most important selection criteria are general

and specific technical expertise in Atel's business fields, a wealth of profound experience and entrepreneurial vision. It is also of particular importance that the composition of the Board should be balanced.

The CVs and professional backgrounds of members of the Board of Directors, together with information on their other activities, can be found on the Atel website: www.atel.ch/en/about_us/Corporate_Governance/index.jsp.

Board of Directors

	First elected	Term of office ends
Dr Walter Bürgi, CH-Grenchen, Chairman	1981	2006
Christian Wanner, CH-Messen, Vice-Chairman	1996	2008
Marc Boudier, FR-Sèvres	2001	2007
Dr Hans Büttiker, CH-Dornach	1988	2008
Rolf Büttiker, CH-Wolfwil	2004	2007
Ulrich Fischer, CH-Seengen	1986	2007
Dr Marcel Guignard, CH-Aarau	1988	2006
Urs B. Rinderknecht, CH-Ennetbaden	1995	2007
Dr Rainer Schaub, CH-Binningen	1996	2008
Urs Steiner, CH-Laufen	2004	2007
Dr h.c. Heinrich Steinmann, CH-Uitikon	1994	2006
Giuliano Zuccoli, IT-Sesto San Giovanni	2003	2006



Members are elected for a three-year term and are eligible for re-election. A member elected mid-term to replace a previous member completes his predecessor's term of office.

How the Board of Directors works

The Board of Directors constitutes itself. Each year it elects a Chairman and Vice-Chairman from amongst its members, and a Secretary who need not be a member of the Board.

The Chairman determines the agenda for Board of Directors' meetings after consultation with the CEO. Any member of the Board of Directors can make a written request for a particular item to be included on the agenda.

Prior to meetings, members of the Board of Directors receive documentation that helps them prepare for items on the agenda. The Board of Directors met ten times in the year under review.

Members of the Executive Board normally attend meetings of the Board of Directors in an advisory capacity. They leave the meeting if the Chairman so orders.

Resolutions of the Board of Directors are passed by a majority of voting members present. In the event of a tie, the Chairman has the casting vote. Should conflicts of interest arise, the relevant member(s) must leave the meeting.

Minutes are kept of negotiations and resolutions of the Board of Directors. These are distributed to members and approved at the following meeting.

Between meetings any member may ask the CEO for information on the company's business and, with the Chairman's authorisation, on individual transactions. Any member can ask the Chairman to arrange for him to inspect books and files where this is necessary for the performance of his duties.

Control and supervisory mechanisms

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual objectives and on progress towards their achievement. During the year the Executive Board reports quarterly and at each meeting on the course of business, the extent to which objectives are being achieved and other important developments. The exter-

nal auditors submit a Management Letter to the Board of Directors and make an oral presentation on the results of their audit and the matters on which they propose to concentrate in future. Internal audit submits an annual audit programme to the Board of Directors for its approval, and subsequently reports periodically on its findings and recommendations, together with their implementation. The Board of Directors receives an annual written report on the situation and developments in group-wide risk management and its most important constituents. The report presents principles and limits, details compliance with them, and contains information on planned expansion.



Berlin

Executive Board

The Executive Board comprises seven members.

The CVs of members of the Executive Board, together with information on their other activities, can be found on the Atel website: www.atel.ch/en/about_us/Corporate_Governance/index.jsp.





Giovanni Leonardi (front row, centre)

CEO
Dipl. El.-Ing. ETHZ
Swiss national,
born 1960;
with Atel since 1991, CEO since 2004;
member of the Board of Directors of Società
Elettrica Sopracenerina SA, Locarno

Antonio M. Taormina (front row, left)

Head of Energy Southern/Western Europe
Dipl. Math. ETHZ
Swiss and Italian national,
born 1948;
member of the Atel Executive Board since
1999; member of the Board of Directors of
Società Elettrica Sopracenerina SA, Locarno

Herbert Niklaus (back row, first from the left)

Head of Energy Switzerland
Dipl. El.-Ing. ETHZ
Swiss national,
born 1955;
with Atel since 1996, member of the
Executive Board since 2005

Reinhold Frank

(back row, second from the left)

Head of Energy Northern/Eastern Europe
Diplom-Ingenieur
German national
born 1955
member of the Atel Executive Board
since 2006

Heinz Saner

(back row, second from the right)

Head of Management Services
Lic. iur., solicitor and notary
Swiss national,
born 1957;
with Atel since 1988, member of
the Executive Board since 2004

Kurt Baumgartner (front row, right)

Head of Financial Services, CFO
Lic. rer. pol.
Swiss national,
born 1949;
with Atel since 1975, member of
the Executive Board since 1992

Stefan Hatt (back row, right)

Head of Energy Services
Dipl. Ing. ETHZ, lic. oec. HSG
Swiss national,
born 1964;
member of the Atel Executive Board
since 2005



Berlin

Remuneration and shareholdings

Members of the Board of Directors receive fixed remuneration and a lump-sum expense allowance which is based on a graduated scale for the Chairman and other Board members. The amount of remuneration is determined by the Board of Directors.

The remuneration of members of the Executive Board consists of a basic salary and a bonus linked to company and personal targets. The bonus paid in the reporting year is based on the prior year's performance. The Atel Group's senior managers also benefit from non-obligatory insurance. The amount of remuneration for members of the Executive Board is determined by the Chairman of the Board of Directors and one other member of the Board of Directors.

Board of Directors

The remuneration of members of the Board of Directors in the 2005 financial year totalled approximately CHF 2 million.

Based on the information available to us, members of the Board of Directors held a total of 613 regis-

tered shares in Aare-Tessin Ltd. for Electricity as at 31 December 2005.

The member of the Board of Directors with the highest total remuneration in the last financial year received CHF 0.5 million.

Executive Board

The remuneration of members of the Executive Board for 2005 totalled CHF 6 million, including the remuneration of members who stood down during the year.

Based on the information available to us, members of the Executive Board held a total of 56 registered shares in Aare-Tessin Ltd. for Electricity as at 31 December 2005.

Change-of-control clauses

The contracts of employment of members of the Executive Board contain standard change-of-control clauses, under which the person concerned is entitled to severance pay equal to one year's remuneration if the contractual relationship is terminated within twelve months of a change of control.

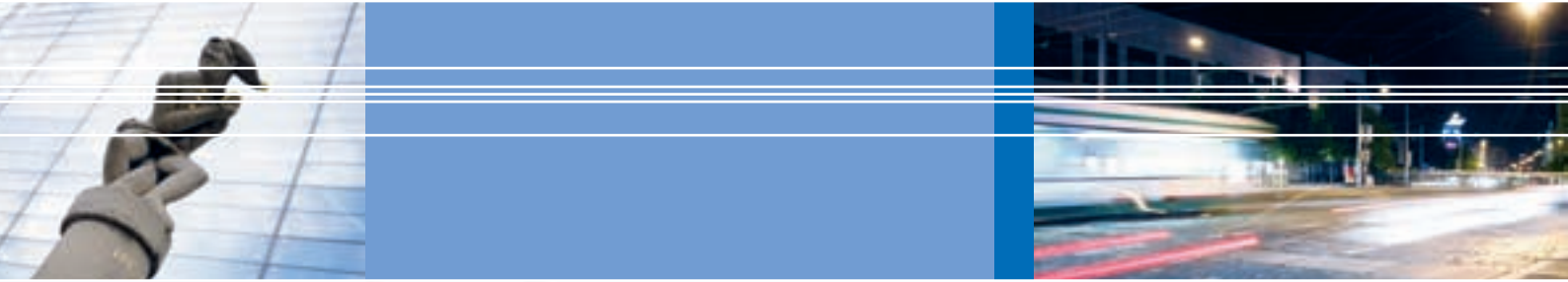
In addition, if a member of the Board of Directors retires from the Board before the end of his normal term of office in consequence of a change of control, he receives the Directors' fees due to him until the end of his normal term.

External auditors

Ernst & Young Ltd., Zurich have been the auditors and Group auditors for Aare-Tessin Ltd. for Electricity since 2002. The auditors and Group auditors are elected for a one-year term of office by the General Meeting. Their performance and fee are reviewed annually. Ernst & Young Ltd.'s current mandate manager has been in charge of the Atel audit since 2004.

In the financial year, Ernst & Young Ltd. as auditors and Group auditors received remuneration for this service of approximately CHF 2.8 million. Fees paid for additional audit-related work, tax consultancy and general advice totalled approximately CHF 1.9 million.

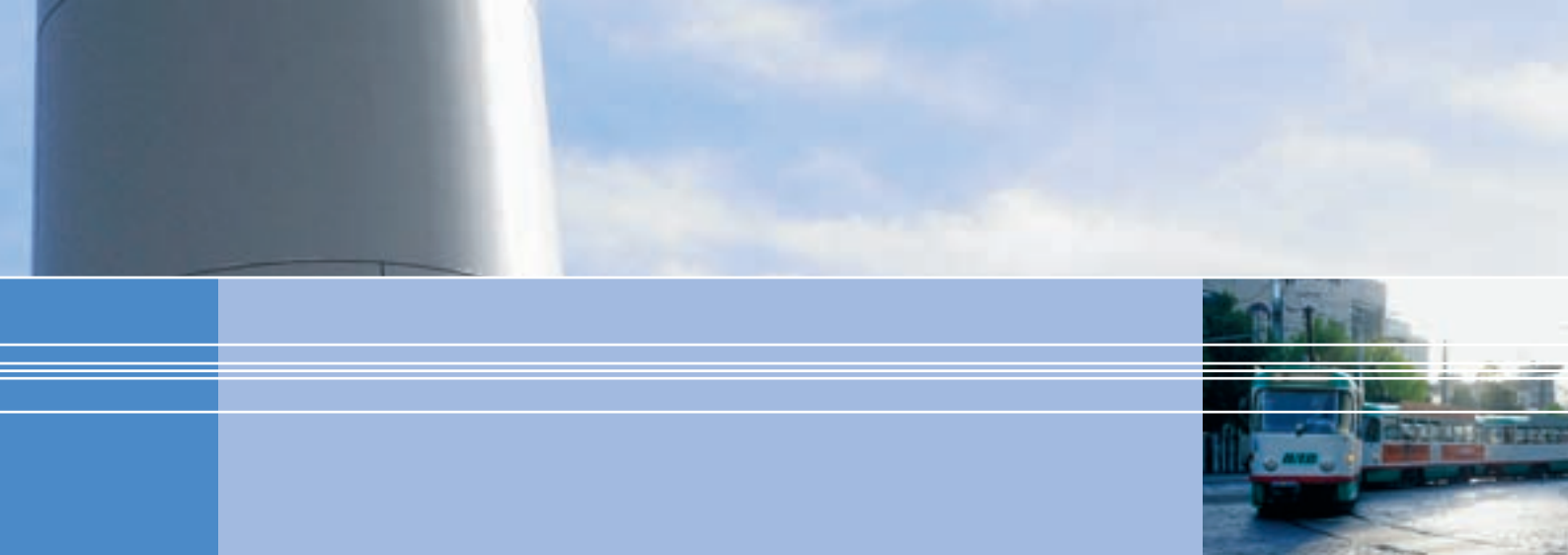
The land of whirling windmills



In Germany, the wind-power “champion of the world”, the sails of over 17,000 wind turbines are currently in motion. They provide almost exactly six per cent of national electricity consumption. Together with geothermal energy, solar power and bioenergy, wind power is one of the “new” renewable energies. The most promising approach for the future, nonetheless, is a balanced mix of traditional and alternative energy carriers, in which the strengths and weaknesses of individual sources cancel each other out.

Wind and solar power stations cannot supply base energy. How much electricity they produce, if any, depends mainly on the weather. An expansion of the electricity grid is thus not only required by heavier trading volumes in the liberalised electricity markets, but also by the sporadic supply from the “new” renewable energies. Substantial forward-looking investments will have to be made by industry, the energy business and public authorities in order to maintain the current supply level and meet future energy requirements.

Enertrag, the energy company that operates wind farms in the centre of the North German lowland plain, relies on the expertise of engineers from Atel subsidiary GAH Energieanlagenbau. They build the transformer stations and make sure that the cabling and the grid feed operate properly. This close collaboration between proven partners creates technically mature, economically sound solutions for the energy supply of today and tomorrow.





Magdeburg

One-stop energy shop

As a production-based trading specialist, Atel is ideally positioned in the high-growth, increasingly liberalised European energy market. The Energy segment includes sales trading and distribution, power generation and transmission.

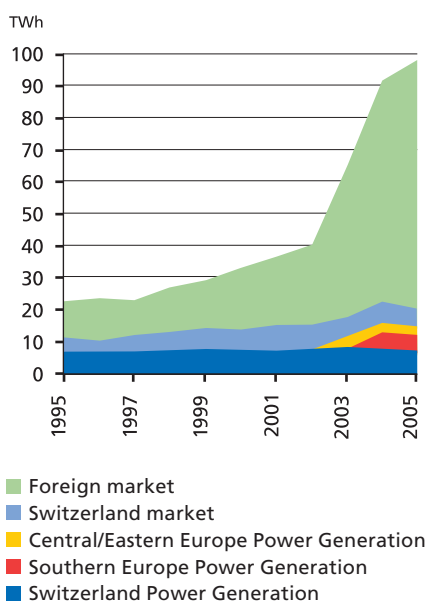
Continuing success in Southern Europe

The electricity price paid by industrial and major customers in Switzerland was heavily influenced by the continuing rise in energy prices in the year under review. Low reservoir levels prevented Swiss hydroelectric power stations from achieving their production targets, and generator damage at the Leibstadt power station put it out of action for five months – forcing Atel to buy energy in the free market to make up for the resulting shortfall. High points in the year under review included the commissioning of the 14-kilometre power line over the Nufenen Pass, which makes an important contribution to Swiss continuity of supply.

Performance in the growth market of Italy, in spite of a few production stoppages, was encouraging. The Tolling Agreement signed with Edipower in 2003 enabled Atel Energia in Milan to raise its supply volumes once more. On entering the gas business Atel achieved competitive procurement prices, while the Novel and ACTV gas-combi power stations – commissioned in 2005 – hit their production targets in their very first year of operations. As well as extending supply contracts with existing major customers, Atel Energia also recruited several new ones.

With the expansion of marketing business in France and the opening of subsidiary Atel Energia SA in Barcelona, the newly-created Western Europe business unit made a successful start to the year under review.

Energy procurement 1995–2005
not including standard transactions





Central/Eastern Europe: Objectives exceeded

By completing the integration of trading specialist Entrade into the Central/Eastern Europe business unit, Atel has further consolidated its position as the leading electricity trader in this market. The economic upturn in the new EU member states of Central and Eastern Europe has continued, opening up new business opportunities – of which Atel took full advantage in the year under review.

In Germany Atel increased sales, in both volume and value terms – and also profits, which can be put down to its extremely successful marketing partnerships. In spite of significantly higher electricity prices, Atel responded with flexible solutions to the growing need for long-term procurement concepts.

The Trading business unit substantially exceeded its profit targets. Trading with standardised and structured products made a particular contribution to this good result.

Atel continued to extend its leading position in Central and Eastern Europe in the year under review,

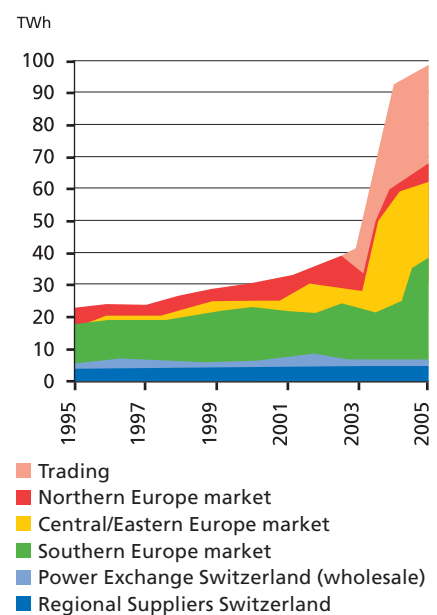
completing its take-over of the Moravské Teplárny thermal power station and the expansion of the Kladno power station. The Csepel production facility in Hungary maintained its strong performance.

Outlook

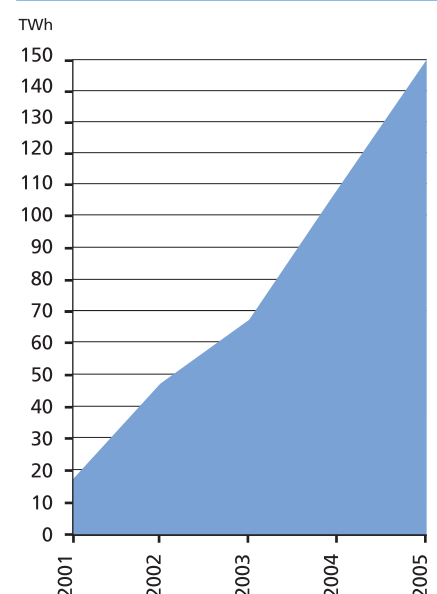
As the energy markets continue to open up, our activities in 2006 will focus on various political topics – among them unresolved questions on grid usage and the formation of swissgrid, the new grid operator. With an eye to the electricity-supply shortfall that seems likely to occur from 2020, Atel is increasingly occupied with the question of building new major facilities for base energy generation in Switzerland.

In Western Europe attention will focus on the continuing expansion of marketing and trading activities. In Italy Atel will particularly concentrate on the development of future-oriented renewable-energy projects, as these will play a greater role in future in the attractive Italian market.

Energy sales 1995–2005
Not including standard transactions



Energy sales 2001–2005
Standard transactions completed





Magdeburg

Successful market development

- Momentous decisions on liberalising the electricity market in Switzerland • Liberalisation progresses in Italy • Success in Northern Europe with flexible energy products • Leading position in the Central/Eastern Europe market consolidated
- Trading again exceeds profit targets

Switzerland market

Position further expanded

A mismatch between supply and demand, higher prices for fossil energy carriers, increasing grid bottlenecks on Switzerland's northern borders: all these factors pushed Swiss wholesale prices higher. Energy prices, which continued to rise in the year under review, had direct effects on the electricity price for industrial

and major customers. Besides rising trading volumes in the electricity market, increasingly free throughout Europe, the cold winter of 2004/05 was also responsible for rising sales of electricity.

On the political plane several momentous decisions were taken in the year under review. In the Swiss parliament the National Council passed the Electricity Supply Act,

Further information:

www.aare-strom.ch
www.aek.ch
www.aem.it
www.aem.torino.it
www.aen.ch
www.atel-energie.de
www.ecoswitch.de
www.edipower.it
www.eex.de
www.egt-triberg.de
www.energipartner.no
www.powernext.fr
www.repower.ch
www.ses.ch

	+/- variance 2004–2005 in % (based on CHF)	2004 CHF mn.	2005 CHF mn.	2004 EUR mn.	2005 EUR mn.
Energy sales (GWh)	8.4	90 581	98 166	90 581	98 166
Net turnover	28.8	5 452	7 020	3 540	4 535
Segment profit	6.1	344	365	223	236
in % of net turnover	-17.5	6.3	5.2	6.3	5.2
Net investments in tangible fixed and intangible assets	34.9	83	112	54	72
Number of employees as at balance sheet date	26.0	1 152	1 451	1 152	1 451
plus trading in standardised products					
in GWh	37.9	108 761	149 982	108 761	149 982
in CHF mn. or EUR mn.	64.6	5 035	8 289	3 269	5 355



which forms the basis for the liberalisation of the Swiss electricity market. Whereas Atel has always spoken in favour of the complete deregulation of the market in a single step, it is now to be opened up in two stages. Customers will thus not have a free choice of energy supplier until 2012. The agreed amendment of the Electricity Act for cross-border trading clears the way for a bilateral electricity-trading agreement between Switzerland and the EU. Furthermore the National Council voted decisively in favour of the Energy Bill governing the promotion of renewable energies. The Bill provides state support for research into renewable energies, for generation based on renewable sources and for feeding the resulting power into the grid, and this can be expected to make electricity more expensive to customers in Switzerland.

A further innovation in December 2005 was the introduction of the FPBG system in Switzerland for the use of the transmission grid. The Swiss transmission grid is thus now subject to the same rules for international electricity transit as our neighbouring European countries. This enables Atel to make more flexible use of its Swiss power stations.

In connection with the introduction of the Kyoto Protocol, the Federal Council issued a directive on the CO₂ fuel levy and its netting with emission reductions abroad. Together with the "climate centime" that has been in force since 1 October 2005, this is intended to help to achieve the quantitative reduction targets for emissions of greenhouse gases.

Success in the regions

Despite brisk construction activity, the economic situation in Ticino was generally subdued. There was no significant sign of an upturn, and unemployment was above the Swiss average. Not surprisingly, there was only a moderate increase in sales as compared with the previous year. As its production of electricity declined by almost half, SES obtained correspondingly more from Aziende Elettrica Ticinese (AET) – which had a negative effect on net profits. The energy-supply contract between SES and AET was renewed until 2009. In the year under review, SES commenced various projects aimed at closer cooperation with Aziende Industriali di Lugano (AIL). The objective is not to cooperate in strategic areas, but to exploit synergies more effectively.

In the current year SES expects supply volumes to be slightly higher, with no changes in prices or the territory. One of the company's central objectives is to negotiate with the local authorities on maintaining or extending its territory. To this end SES regularly reviews the viability of buying up the electrical grids of small-scale local-authority electricity producers.

Atel Versorgungs AG (AVAG) expanded its territory in the year under review by acquiring and successfully integrating the Elektrizitätsgesellschaft Schönenwerd (EGS). Eleven of the former concession authorities and two former EGS authorities accepted the proposed participation model, and hence also became shareholders in AVAG. The operational management of AVAG, together with Städtische Betriebe Olten (sbo), is provided by Aare Energie AG (a.en).

AEK Energie AG can look back on a successful 2005. The commissioning of the long-distance steam pipeline from the waste incineration plant in Zuchwil to the M-real paper factory in Biberist marked the completion of a trail-blazing project in the field of ecological and eco-



Magdeburg

nomical energy supply. The past year also brought a further sharp increase in demand for the wood pellets produced by its subsidiary AEK Pellet AG.

Southern Europe market

Abiding growth prospects

Atel's exports of electricity to Italy continued to be encouraging in 2005, even though transport capacities in cross-border electricity trading remained inadequate – and even though the Leibstadt nuclear power station was out of action for several months. The temporary withdrawal of operating approval for the Brindisi power station's coal-transfer facility had a slight negative effect on profits, and there were also short-term technical problems at other power stations. The effect of the Tolling Agreement signed with Edipower in autumn 2003, conversely, remains positive. While Atel Energia is responsible for fuel procurement and for selling the electricity generated, Edipower guarantees the operation and the availability of the plant. Atel Energia holds 16% of the Edipower equity, and 20% of installed output or its own generation. This is currently equivalent to about 1500 megawatts (of which 153 MW

is hydroelectric power generation). Atel manages two thermal power stations of its own, with installed output of 100 MW.

A further stage in the liberalisation of the still young Italian electricity exchange proved beneficial to Atel. Whereas previously a single buyer used to take all the electricity offered on behalf of all customers in the tied market, since January 2005 Italian electricity trading has also been free on the demand side. This takes Italy into the decisive liberalisation phase, which opens up additional opportunities for Atel. Atel Energia Milano has expanded its organisation to help it to adjust to changed market needs. The company's branch office in Rome is scheduled to open in the current year.

The rising importance of gas

Besides electricity sales, the Tolling Agreement also covers fuel procurement for the principal activities of Atel Energia. In the fifth-largest electricity and third-largest gas market in Europe, gas is increasingly becoming a strategic factor in fuel procurement. With its entry into the Italian gas business, Atel is exploiting the different price trends in

electricity and gas trading to achieve competitive prices. Under a Tolling Agreement Atel has also taken over fuel procurement and energy sales for its own Novel and ACTV gas-combi power stations.

Atel Energia has extended existing supply contracts with major customers for energy generated in Italy, and has also recruited a number of important new customers.

Central/Eastern Europe market

Expectations substantially exceeded

The economic upturn in the new EU member states continued last year. At the same time the process of adapting to European guidelines gathered pace, helping to generate more transparency in the markets. A contribution to this positive development came from the resynchronisation of the regional electricity markets in Southern Europe with the markets of the UCTE zone. Once again Atel has successfully exploited the resulting business opportunities, for example by expanding its marketing to major customers.

The defined targets were substantially exceeded. The integration of trading specialist Entrade into the



business unit, completed as of 1 January 2006, has further consolidated Atel's position as the leading electricity trader in Central and Eastern Europe. The continued expansion of Atel Polska was especially encouraging.

The auction process for cross-border transport rights was expanded in order to ensure the availability of transit capacities. In the year under review, Atel's experienced auction team once again successfully participated in the auctions, obtaining important access rights for cross-border transport capacities (CBC). In electricity trading Atel exploited additional price opportunities by sharply increasing its short-term arbitrage transactions.

Continued business expansion

Atel believes that economic growth will continue as a direct effect of further EU integration, while energy consumption is likely to post above-average growth. To reduce its dependence on CBC auctions, the company must press ahead with its own production capacities – as it did in the year under review by expanding the Kladno thermal power station and acquiring Moravské Teplárny in the Czech Republic.

Growing liberalisation, the expansion of CBC capacities and the increasing integration of countries into the UCTE grid system all favour Atel's growth in the region. Atel sees the expected increases in trading transactions and the additional market flexibility created by the integration of Entrade, as opportunities for furthering business in the current year.

Western Europe market

Entering the Spanish market

The results of detailed market analyses, the continuous rise in the demand for energy and the resulting long-term growth prospects led Atel to create its Western Europe market business unit, which commenced operations in January 2005. Atel has expanded its marketing business in France, and is now – after the gigantic *Électricité de France* (EdF) – among the best-known and most respected market participants. The opening of Atel's subsidiary *Atel Energia SA* in Barcelona has given it a foothold on the Iberian peninsula. Atel intends to employ appropriate growth strategies to expand its position in the Spanish electricity market.

Further liberalisation on the way

The partial privatisation of state energy companies EdF and GdF (*Gaz de France*) was a hot topic for public discussion in France in the year under review. France's largest-ever stock-market flotation was also a step towards the liberalisation of the French energy market. With the continuous expansion of its range of marketing and trading services, Atel will take advantage of the opportunities to meet rising customer needs – while at the same time continuing to develop its successful growth strategy.

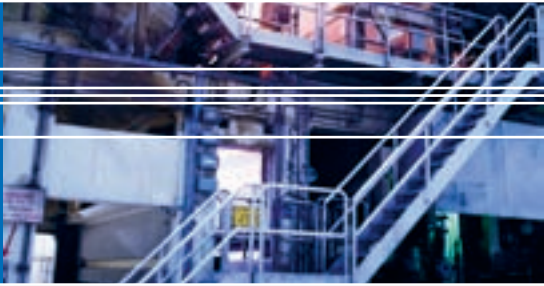
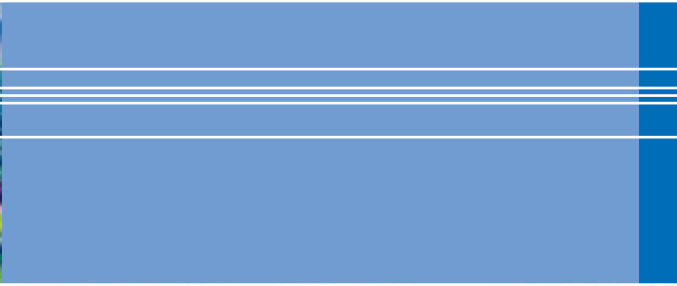
Northern Europe market

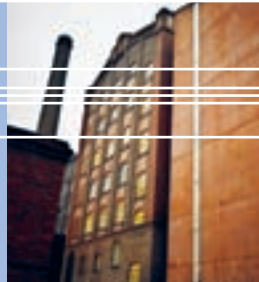
Long-term energy procurement gaining ground

In Germany, Europe's largest and most competitive energy market, Atel has once more significantly improved its market position. In the year under review *Atel Energie AG* increased sales – in both volume and value terms – and earnings, as well as gaining major new customers, in particular in the industrial sector.

Development in the German market was greatly influenced by substantially higher electricity prices, which can mainly be attrib-

Environmentally friendly paper production

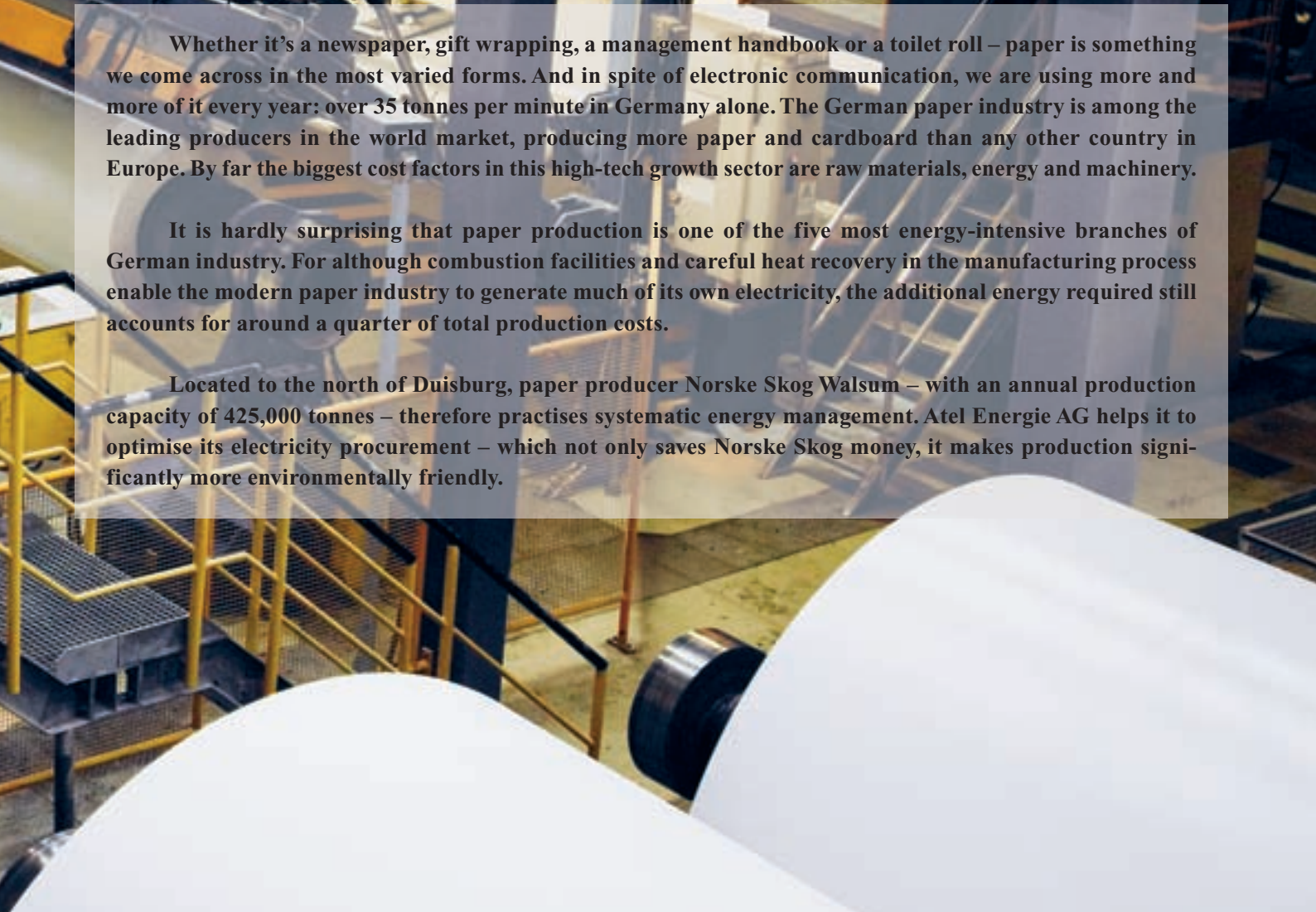




Whether it's a newspaper, gift wrapping, a management handbook or a toilet roll – paper is something we come across in the most varied forms. And in spite of electronic communication, we are using more and more of it every year: over 35 tonnes per minute in Germany alone. The German paper industry is among the leading producers in the world market, producing more paper and cardboard than any other country in Europe. By far the biggest cost factors in this high-tech growth sector are raw materials, energy and machinery.

It is hardly surprising that paper production is one of the five most energy-intensive branches of German industry. For although combustion facilities and careful heat recovery in the manufacturing process enable the modern paper industry to generate much of its own electricity, the additional energy required still accounts for around a quarter of total production costs.

Located to the north of Duisburg, paper producer Norske Skog Walsum – with an annual production capacity of 425,000 tonnes – therefore practises systematic energy management. Atel Energie AG helps it to optimise its electricity procurement – which not only saves Norske Skog money, it makes production significantly more environmentally friendly.





Duisburg

uted to the global rise in fuel costs and to carbon-dioxide (CO₂) emission levies. It was mainly large industrial consumers who found this a problem, and intensive price negotiations soon ensued. Atel Energie AG responded to its customers' need with flexible solutions during the year under review, implementing structured procurement concepts based on price movements in the EEX indices. Change also appears to be in the wind in overall energy-procurement policy: many German companies are switching from what used to be the normal practice – planning for requirements on a year-by-year basis – to longer-term procurement concepts. Atel Energie AG is catering for this desire for increased security with long-term individual procurement solutions.

Successful partnerships

Atel Energie AG's equity holdings also performed well in the year under review. The marketing partnership with EGT Energiehandel GmbH brought about a substantial rise in sales, with a corresponding rise in earnings. Atel also benefited significantly from the marketing partnership with ecoSWITCH, a joint subsidiary of Atel and Stadtwerke Crailsheim GmbH.

The introduction of the new Energy Management Act (EnWG) has accelerated the implementation of the relevant EU guidelines. This will improve conditions in the liberalised gas market, whereas the electricity market is only marginally affected by it. The new Act will only take effect in the coming year, and it should help to expand opportunities for short-term trading transactions and grid services. At the same time grid-usage charges are expected to fall. These changes open up new product possibilities for Atel Energie AG.

The planned withdrawal from nuclear power and an ageing power-station portfolio are leading Germany to make greater efforts to construct new generating facilities. Established supply companies have announced projects of this nature. Atel Energie AG expects the energy-price level to remain high, accompanied by increasing volatility in the electricity market. In view of its solid growth prospects and healthy order books, Atel Energie AG increased its marketing staff during the year under review.

Scandinavian Market

Growth and expansion

As an integral component of a modern energy supply, Atel – through Energipartner AS in Oslo – offers comprehensive services in the field of portfolio management. Large companies and urban utilities in particular are increasingly switching from conventional full-supply contracts to flexible portfolios that meet the energy requirements from various sources, and continually adjust to market movements. With its broad range of services, Energipartner AS has benefited substantially from this development. Implementing a new strategy – analysing the customer's current generation and procurement costs, then drawing up simple, tailor-made products that best exploit the energy sources available to it – helped Energipartner AS to achieve further growth in the year under review. The organisation is under continuous expansion to equip it for future opportunities and challenges.

Trading

Profit targets substantially exceeded

In a dynamic environment, Trading substantially exceeded its profit



targets. Trading with standardised and structured products, both spot and forward, contributed equally to this excellent result. Gas trading was added to the portfolio during 2005: activities commenced at the start of the year.

The energy market in transition

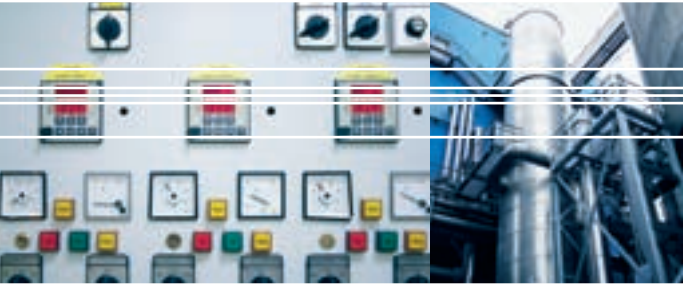
Gas is not the only new commodity to have been traded in the year under review: CO₂ certificates were also traded for the first time, as Atel reacted promptly to new market needs. The European electricity market is changing, from a mosaic of independent national distribution markets to a trading market that is homogenous throughout Europe. The trigger for this change is the fairly advanced adoption of the various EU guidelines into national law. One example of this is capacity auctions on national borders, which are rapidly increasing in importance and effecting a permanent change in the trading business. Grid bottlenecks are increasing the influence of the independent grid operators (transmission system operators) on forward, day-ahead and intra-day trading.

There has also been a change in Trading's customer structure. Its typical wholesale partners are increasingly being joined by urban utilities and resellers on OTC platforms, i.e. off-exchange traders. The 2005 financial year was dominated by a sharp rise in electricity prices in the wholesale market, for which there were two main reasons: the rise in primary-energy prices and the inclusion of the costs of CO₂ certificates in the electricity price. Prices were also extremely volatile – and this will not change in the coming year, because transmission grids are operating close to full capacity and the effect of energy generation from wind farms is becoming greater. This makes it all the harder to forecast future business performance.

Further rise in employee numbers

The business unit's move into several new trading activities has led to an increase of around 15% in its workforce. It is evolving from an electricity trader into an energy trader, concentrating on the internal networking of its expertise in different individual markets: this will enable it to form an accurate assessment of the European market as a whole, and hence to exploit market opportunities systematically and

profitably. This strategy is supported by the introduction of a new trading and risk-management system, which was evaluated in 2005.



Duisburg

Further increase in capacity

- Hydroelectric power generation in Switzerland below expectations
- New pump storage station planned in the Valais
- Novel and Vercelli gas-combi power stations in Italy achieve production targets
- Consolidation in Eastern Europe: purchase of the Moravske Teplarny thermal power station
- Grid business unit completes construction of the Nufenen power line

Further information:

www.atel-csepel.hu
www.cinergy.cz
www.eckg.cz
www.etrans.ch
www.khr.ch
www.kkg.ch
www.kkl.ch
www.kwz.ch
www.refuna.ch
www.swissgrid.ch



Power generation in Switzerland

Higher prices for hydroelectric power

The demand for hydroelectric power is rising in the European electricity market. Not only is it CO₂-free and renewable, there is also a growing need for rapidly adjustable peak energy. This trend is intensified by the massive expansion of wind power, which is irregular and therefore needs to be balanced out. Significantly higher prices were paid for hydroelectric power in the European market in the year under review.

Low water

Hydroelectric power stations operated with few technical faults in 2005, but below-average precipitation and low reservoir levels prevented production targets from being achieved. The brief floods in the summer did little to improve the situation. On the contrary: higher costs were incurred, as the debris left by the waters had to be removed.

The revision of the Swiss Water Protection Act now being dealt with in the Council of States should improve the situation for hydroelectric power generation. Rigid regulations regarding residual water are to be re-

placed by a flexible system that will permit more hydroelectric power to be generated. Market deregulation in Switzerland will also affect hydroelectric power generation: the reorganisation of grid operations in Switzerland will require norms for the use of hydroelectric power for grid services to be defined and reassessed.

New pump storage station planned

The focus in 2006 will be on concession renewals for several joint-venture power stations. Construction of the Nant de Drance pump storage power station will continue. The plan is to pump water from the Lac d'Emosson, at 1930 metres above sea level, to the Lac Vieux Emosson 270 metres higher. Installed output is expected to be 600 MW. Preparatory work on the project, including geological test-drilling, was completed in summer 2005. Our project partner will be SBB.

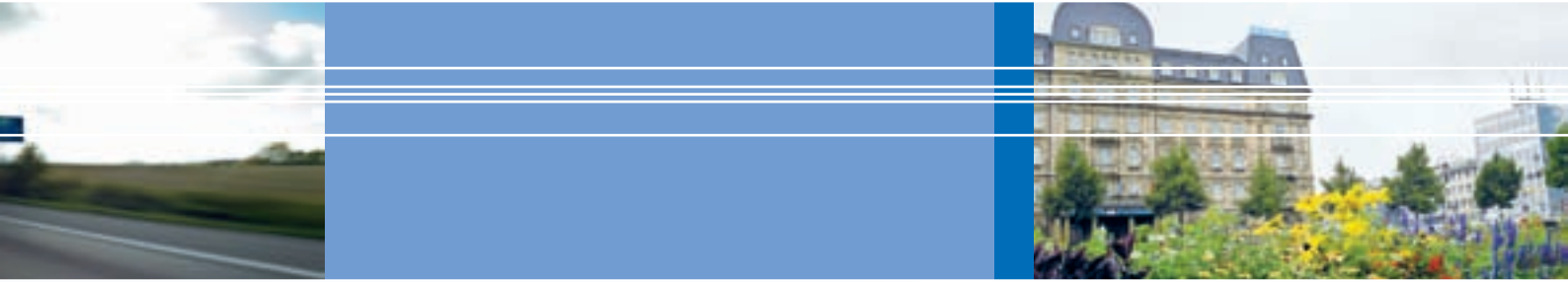
There have been several personnel changes. In spring 2005 Georges-Alain Zuber took over responsibility for Forces Motrices de la Gougra SA. Olivier Dumas was elected Chairman of the Martigny local authority, and will henceforth act as Director of the Emosson SA power station in a part-time capacity.

Breakdown in Leibstadt

Production at the Gösgen nuclear power station (KKG) was in line with the plan in the year under review. But in Leibstadt generator damage put Switzerland's largest nuclear power station out of action for five months. Lost production totalled 4000 GWh, of which Atel's share was 1100 GWh. Power generation was resumed in September. 2005 also saw the commencement of construction for the extended fuel-element wet store at the KKG.

The Nuclear Energy Act and the Nuclear Energy Directive came into effect, making the operation of the two power stations more administratively demanding. Hearings began on the Federal Nuclear Safety Inspectorate Bill in the year under review. The shortfall in the Swiss electricity supply that is expected to make itself felt from 2020 is significant in terms of energy policy. All the options for major new power generation facilities must now be carefully studied.

Future-orientated biomass power station



An estimated ten million tonnes of waste wood – from discarded wardrobes to railway sleepers – has to be disposed of in Germany every year. Much of this is used by the timber-processing industry for the production of industrial charcoal, chipboard and other secondary products. At the same time, timber – the oldest energy carrier – is regaining some of its old importance, since as a renewable, CO₂-neutral energy source it is outstandingly suitable for generating heat and electricity.

The Mannheim biomass power station processes 500 tonnes of waste wood a day, some of it from households, some from industry. The timber is chopped up, foreign bodies are removed, and it is then burned. The steam this generates drives a condensation turbine, which produces an annual total of some 160 GWh of electricity through a generator. This is enough to supply over 50,000 households with electricity. Power generation from biomass has two benefits: it utilises indigenous resources, and it does not pollute the environment – because timber is a renewable, carbon-neutral energy carrier: burning biomass does not add to the greenhouse gases and carbon dioxide in the atmosphere.

The reliable output of the Mannheim biomass power station is based on the long-standing expertise of Kraftanlagen München GmbH, a member company of the GAH Group that therefore ultimately belongs to Atel. As the General Contractor it planned, supplied and installed this largely automated power station, and it has done the same with many other innovative power-generating facilities.

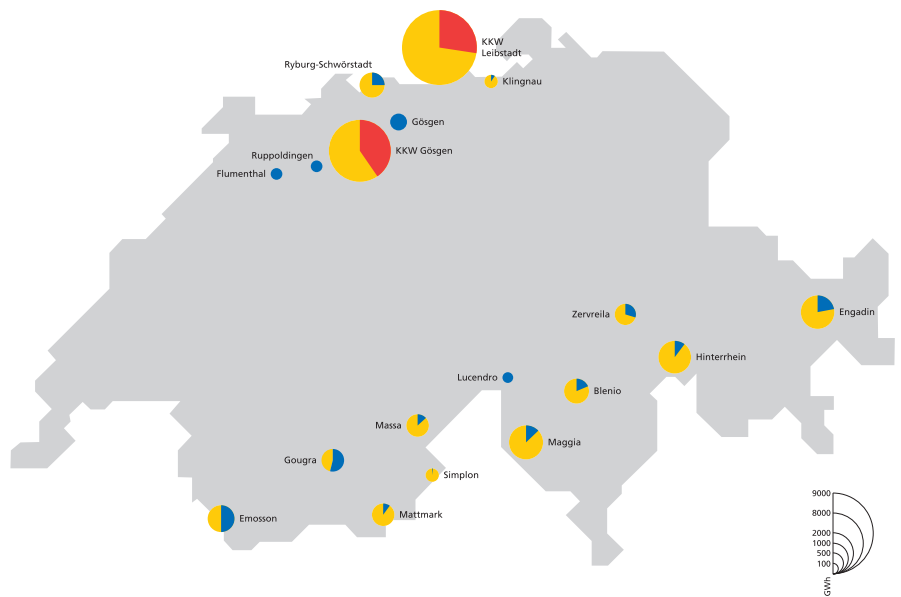




Duisburg

Power generation in Switzerland

- Atel's own hydroelectric power stations
- Holdings in hydroelectric joint ventures incl. purchase rights
- Holdings in thermal joint ventures



Hydroelectric power stations Switzerland

Company	Atel holding in %	Capacity MW	Power generation GWh average	Power generation GWh 2004/2005	Variance in %	Atel share GWh 2004/2005
Atel Hydro AG**/*	100.0	92	554	456	-19.69	456
Atel Hydro Ticino SA*	100.0	60	100	75	-25.00	75
Aarewerke AG	10.0	43	230	215	-6.52	22
Blenio Kraftwerke AG	17.0	391	891	765	-14.14	130
Electra-Massa AG*	11.5	340	543	572	5.34	66
Electricité d'Emosson SA	50.0	360	865	799	-7.63	400
Energie électrique du Simplon SA*	1.7	42	244	216	-11.37	18
Engadiner Kraftwerke AG	22.0	410	1 418	1 116	-21.30	246
Kraftwerke Ryburg-Schwörstadt AG	25.0	110	752	730	-2.93	183
Kraftwerke Gougra AG	54.0	159	626	625	-0.16	406
Kraftwerke Hinterrhein AG	9.3	651	1 410	1 190	-15.60	111
Kraftwerke Zervreila AG	30.0	250	565	497	-12.04	149
Maggia Kraftwerke AG	12.5	626	1 475	1 275	-13.56	159
Total Atel share 2004/2005				(prior year 2419)		2 421

* Calendar year

** Excluding BKW share KW Flumenthal

Thermal power stations Switzerland

Company	Atel holding in %	Capacity MW	Power generation GWh average	Power generation GWh 2005	Variance in %	Atel share GWh 2005
Kernkraftwerk Gösgen-Däniken AG	40.0	970	7 308	7 583	3.8	3 033
Kernkraftwerk Leibstadt AG*	27.4	1 165	7 737	5 739	-27.8	1 572
Total 2005			15 045	13 322		4 605

* Longer operating failure



Power generation in Italy

In view of the more favourable legal situation in Italy, construction work on power generation facilities of the order of several thousand megawatts began in 2005. The Italian market remains attractive in spite of the substantial increase in domestic capacity, because the country has much lost ground to make up – and there is still vigorous demand for flexible capacities.

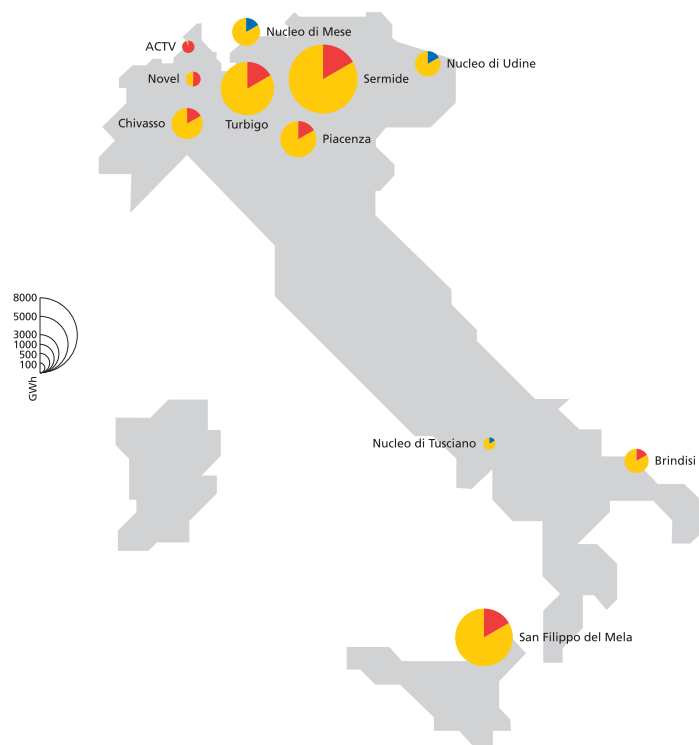
Atel's own gas-combi power stations, Novel S.p.A. and Atel Centrale Termica Vercelli (ACTV), achieved their production targets in their first year of commercial operations. The only problem was a generator failure in February 2005 at Novel, which resulted in a 96 GWh loss of output. Edipower (in which Atel holds a 16% stake) could not quite achieve its production target because of the stoppage at Brindisi, which was due to dust emissions from the coal bunker. Since November 2005 all facilities have again been operating at full capacity. The establishment of the Atel Operation & Maintenance unit – which maintains and operates Novel, ACTV and other facilities – was completed on schedule.

The growing importance of renewable energies

Renewable-energy projects – especially those involving wind and hydroelectric power – will be actively considered in 2006. Italy fixed its CO₂

Power generation in Italy

- Atel's own thermal power stations
- Holdings in thermal power stations
- Holdings in hydroelectric power stations





Mannheim

Hydroelectric power stations Italy

Company	Atel holding in %	Capacity MW	Power generation	*Power generation	Variance in %
			GWh average	GWh 2005	
Edipower S.p.A., Nucleo di Mese	16	377	1 030	644	-37.0
Edipower S.p.A., Nucleo di Tusciano	16	96	198	231	17.0
Edipower S.p.A., Nucleo di Udine	16	309	689	727	-6.0
Totale 2005				1 602	

* Excluding production of CIP 6 and mini-hydro facilities

Thermal power stations in Italy

Company	Atel holding Atel in %	Capacity MW*	Power generation
			GWh 2005*
Edipower S.p.A., Brindisi	16	640	959
Edipower S.p.A., Chivasso	16	1 159	5 516
Edipower S.p.A., Piacenza	16	320**	1 166
Edipower S.p.A., S. Filippo	16	1 280	4 503
Edipower S.p.A., Sermide	16	1 149	6 200
Edipower S.p.A., Turbigio	16	1 740	2 778
Novel S.p.A.	51	100	570
Atel Centrale Termica Vercelli S.r.l. (ACTV)	95	50	350
Total 2005			22 042

* 100%

** Repowering, from 2006 833 MW

quotas in accordance with the Kyoto Protocol in the year under review. In addition, the conditions attached to the issue of green certificates are becoming more and more exacting, making the use of renewable energies increasingly attractive.

Power generation in Central/ Eastern Europe

Power station acquisition in the Czech Republic.

In the year under review, Atel completed its 100% acquisition of the Moravské Teplárny thermal power station in the south-east of the Czech Republic from American energy group Cinergy. Located near the town of Zlín, the facility generates electrical energy, process heat and district heating. Moravské Teplárny has a total output of 66 MW of electrical energy and 377 MW of thermal energy, and it has significant potential for expansion. Mainly coal-powered, the power station commenced operations in 1996 and 2001 (extended facilities) – and it has received international awards and certificates for meeting the highest requirements relating to environmental protection, reliable operation and safety at work.



Position in Eastern Europe consolidated

Atel's other Eastern European power generation facilities, Kladno in the Czech Republic and Csepel (Budapest) in Hungary, once again reported high output figures in 2005. These power station complexes are extremely reliable: they both exceeded their output targets. Further growth is expected in the Czech Republic: Atel has obtained approval for an additional gas turbine at the 343 MW coal-fired power station in Kladno. Construction work on the 43 MW gas turbine began in the year under review, and it is expected to commence operations in the fourth quarter of 2006.

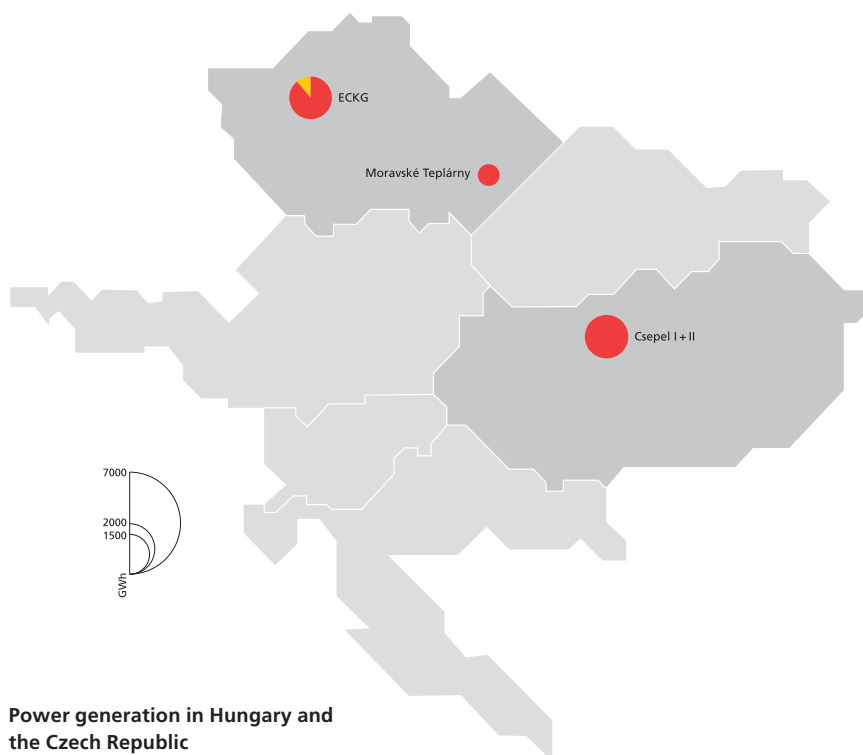
With the expansion of Kladno and the acquisition of Moravské Teplárny, Atel is continuing to consolidate its position as one of the leading energy-service providers in Central and Eastern Europe. These energy markets, like Atel's others, have been significantly affected by the introduction of national CO₂ allocation plans and of trading in certificates. Atel has successfully obtained the required emission quotas and is well positioned for the next two years. The strategy for the coming year is to pursue expansion in

Thermal power stations Central/Eastern Europe

Company	Atel holding in %	Capacity electric MWe	Capacity thermal MWth	Power generation electricity 2005 GWh	Power generation heating 2005 TJ*
Csepel I + II, Budapest	100.0	389	197	1 715	1 304
ECK Generating s.r.o. (ECKG), Kladno	89.0	343	174	1 505	1 336
Moravské Teplárny, Zlín**	100.0	69	377	175	1 65
Total 2005				3 395	4 290

* Heating output only into the heating distribution system (i.e. without heating generated and used for power generation)

** Acquired in December 2005, consolidated as of 1 January 2006



Power generation in Hungary and the Czech Republic

- Atel's own thermal power stations
- Holdings in thermal power stations



Mannheim

geographically dispersed power generation capacities. The top priority, as always, is safe, flexible and reliable production operation, enabling Atel to offer a wide range of energy and grid services.

Grid

Changes in the political environment

The Grid business unit can look back on a successful and eventful year. One high point was on 7 October 2005, when the Nufenen power line came into service. This new 380 KV high-voltage line between Ulrichen and All'Acqua, 14 kilometres long, replaced a 220 KV line that was nearly 60 years old. It makes an important contribution to improving both the continuity of supply in Switzerland and the transmission of electricity from the Alpine hydro-electric stations. Planning and construction took about ten years. The new Nufenen line is part of a major upgrade of the transmission grid between Lake Geneva and the Ticino to the maximum voltage of 380 KV. Besides Atel the other companies involved in the project include EOS, BKW, NOK and SBB. Another new electricity line is under construction between the Bickigen (BE) and Flumenthal (SO) substations. This

new 220/132 KV line will significantly improve continuity of supply in the Solothurn region. Construction began in November 2005, and the demolition of the existing 70-year-old power line is scheduled for the spring of 2006. The new line is scheduled to be ready for operation at the end of 2007.

New grid-management department

Atel Transmission Ltd. has a new grid-management department. Its objective is to represent Atel's interests as a grid owner vis-à-vis future regulators, and to expand and professionalise services to other grid users.

The introduction of the FPBG system – an important step in the direction of liberalisation – has increased the demand from third parties for transmission facilities on the Atel grid. The procedures and contracts for handling occasional transmission facilities have been clarified for Atel Transmission Ltd. and Atel Versorgungs AG. Important decisions for the Swiss electricity market will be taken this year: the Council of States is expected to deal with the Electricity Supply Act on the liberalisation of the Swiss electricity market and the Electricity Act for Cross-border Electricity Trading during 2006.

swissgrid foundation again postponed

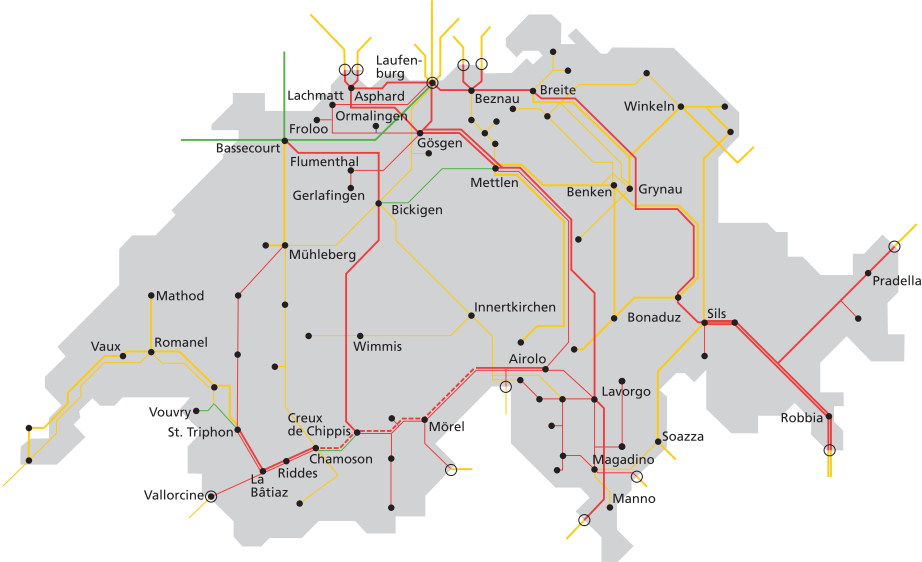
swissgrid, the national grid company, is absolutely no nearer to commencing operations. Central questions remain unresolved, like the composition of the Board of Directors and transition periods for non-discriminatory third-party grid access. swissgrid's establishment costs are reflected in overall Atel Transmission Ltd. earnings, which are thus rather lower than in previous years.

Besides technical questions, political factors will be in the limelight in 2006. The grid-management department will concern itself with grid usage in the current and future environments, and with strategic questions relating to the transmission grid.

Resources continue to be tied up in the establishment of swissgrid, the grid-operating company in which Atel is involved as an active participant in working parties and the project organisation. In terms of operating business the construction of the Bickigen/Flumenthal power line is a central concern, and renovation work is planned for the central North-South line (Mettlen-Lavorgo) and at various substations. The de-



partment will continue to engage in third-party business: construction, operation and maintenance for joint ventures, regional utilities and SBB.



Atel lines in the high-voltage grid

- 380 KV 220 KV
- Atel's own power lines, holdings, long-term rights
- Limited-duration transport rights
- Third parties
- Upgrading
- Substations
- International connections of Atel and partners

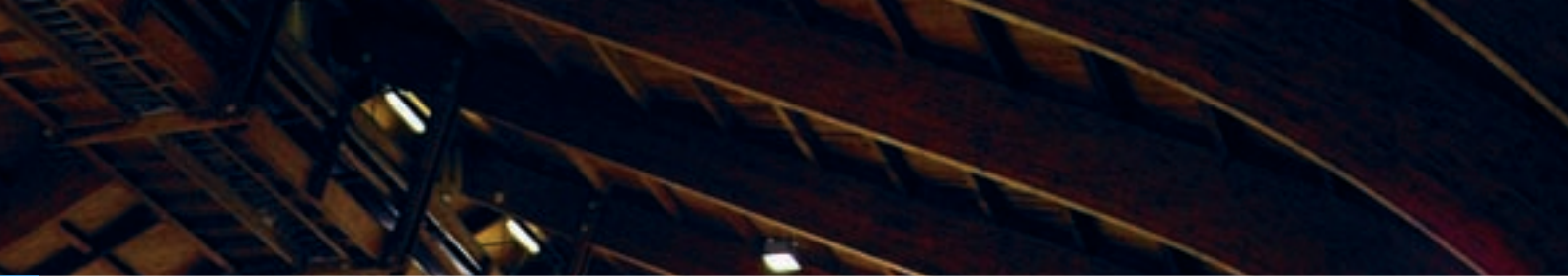
Traditional salt extraction



Salt has shaped the history of humanity. This unassuming mineral has always been a much sought-after trading commodity, and essential for preserving food. Man has sought this precious commodity throughout the world and throughout history.

The Swiss salt works on the Rhine have a long history to look back on: it is over 160 years since the huge salt deposits of north-west Switzerland were discovered, and salt extraction in the Schweizerhalle salt works began. These mighty salt deposits can be seen as the precursor of the chemical industry in Basel. The salt is extracted by the leaching process: boreholes are sunk into the salt deposit and water pumped down into it, which dissolves the salt. The salt water – brine – is pumped into the salt works, softened and evaporated. Six enormous evaporators bring the brine to the boil at slightly over 100 degrees Celsius. Once the salt has crystallised out, it is drawn off as a mash, centrifuged and dried.

The crystallisation and drying process is very energy-intensive. The Rhine salt works at Schweizerhalle employ the modern process of mechanical steam compression, which consumes about 15 times less energy than direct firing with fossil fuels. The salt works obtain the energy they need from regional electricity supplier EBM, which in its turn is supplied by Atel. The cost of electrical energy is an extremely significant proportion of total production costs, and is decisive for the cost effectiveness of the salt-extraction process.





Heidelberg

Combined range of services

The Energy Services segment provides a wide range of services on all aspects of energy and its applications. In Switzerland and northern Italy the Atel Installationstechnik Group covers the fields of energy supply, railway and building services. With over 30 companies and more than 170 offices and branches in Northern and Eastern Europe, the GAH Group – which belongs to Atel – is one of the leading service providers in the energy business, industry and telecommunications.

Growth by acquisition

The Atel Installationstechnik Group (AIT) saw its prices further eroded in 2005, as the expected consolidation in the Swiss construction-services sector failed to materialise. However, high sales volumes made up for unfavourable price trends in the Building Services field. Demand in the field of Energy Supply Technology was very heavy.

The AIT Group carried out selected acquisitions during 2005 to increase its competencies in the fields of electrical installation, automation technology and contact line technology. Especially worthy of note is the take-over of the Electroline company

in Prague, which gives the AIT Group an entrée into the future-oriented Eastern European market – and also makes up for insufficient investment in its domestic Swiss market. Building Services and Building Management contributed about 60% of the satisfactory overall result of the Energy Services Southern/Western Europe business unit, the remaining 40% or so coming from Energy Supply Technology.

Positive signals in Germany

Although economic growth remained weak in 2005, trends in the German GAH Group's markets were positive. Performance was weakest in the Building Services market, but

Further information:

www.gah-gruppe.de
www.group-ait.com

successes abroad made up for slack business in Germany. In addition, a number of companies were sold at the end of 2005 – either because they were not profitable enough or because they did not fit into the Group's core business. Capital spending in the energy-supply field was significantly higher than the previous year; renovation work on grids and power-generation facilities, long overdue, is now being carried out. The Communications Technology business unit also benefited from good business in Energy Supply Technology.

Energy and Plant Technology maintained the previous year's satisfactory level. Foreign business made a substantial contribution, with higher new orders in nuclear technology.

Outlook 2006

The Energy Services segment believes there is development potential in its entire market territory in 2006. The Italian market, where the volume of capital spending is expected to grow, is extremely promising. A major feature of the Swiss market will be a decline in residential construction, though capital

	+/- variance 2004–2005 in % (based on CHF)	2004 CHF mn.	2005 CHF mn.	2004 EUR mn.	2005 EUR mn.
Order intakes	10.5	1 444	1 595	938	1 030
Net turnover	10.3	1 418	1 564	921	1 010
Segment profit	92.3	13	25	8	16
in % of net turnover	77.8	0.9	1.6	0.9	1.6
Net investments in tangible fixed and intangible assets	160.0	15	39	10	25
Number of employees as at balance sheet date	5.0	6 858	7 198	6 858	7 198

investment in other construction and civil-engineering projects is likely to provide positive stimuli. Energy Supply Technology will be executing a number of interesting projects in 2006. Interest rates are crucial to the development of the entire market, because they are the major factor determining construction and capital-investment activity. For the AIT Group 2006 will be a year of continued consolidation. It has plans for expansion, both by organic growth and by acquisition, to increase its market shares in individual regions and fields.

The GAH Group also sees good opportunities for growth. The Energy and Plant Technology business unit expects rising energy consumption

and the reduction in existing surplus capacities to create heavy demand for power station construction. Several business units also expect demand to rise in foreign business, particularly in north-eastern Europe. In Germany, the GAH Group's domestic market, the expected improvement in economic activity is likely to make companies less reluctant to embark on capital spending.



Heidelberg

Stable development

- Atel Installationstechnik Group achieves a foothold in the Energy Supply Technology segment in the Czech Republic
- 2005 results satisfactory

Atel Installationstechnik Ltd.

BuildingServices/
Technical Facilities
Management

Energy Supply
Technology

Atel Bornet Ltd.

Kummler +
Matter Ltd.

Vernier

Zurich

Atel Elettro-
impianti SA

Mauerhofer +
Zuber Ltd.

Savosa

Renens

Atel Building
Technology Ltd.

Elektroline s.a.

Zurich

CZ-Prague

Atel Building Tech-
nology West Ltd.

Olten

Indumo Ltd.

Buchs (AG)

Atel Sesti S.p.A.

IT-Milan



AIT Group facilities

- Building Services and Management
- Energy Supply Technology

Other foreign facilities: Prague (CZ)



After a slow start, there was a perceptible increase in construction volume in the second half of 2005 – leading to improved capacity utilisation in the Building Services field. In the Italian market capacity utilisation was excellent, not least because several major projects were secured. The Energy Supply segment faced a public sector that was reluctant to invest.

Prices continue to fall

The long-expected consolidation of the Swiss construction-services sector failed to materialise in 2005, and accordingly prices in Switzerland not only failed to rise – some were actually further eroded as compared with the previous year. However, the Atel Installationstechnik Group made up for falling prices by increasing its sales volume. In Italy prices held steady.

Focus on Eastern Europe

Energy Supply Technology reported excellent new orders in the fields of traffic-management equipment and energy. The AIT Group's take-over of the Electroline company in Prague in mid-July 2005 was a major step towards opening up the future-oriented Eastern European market. With a 90-strong workforce,

Electroline focuses on products and services for public transport. This acquisition of the Czech company more than made up for insufficient investment in Switzerland in the contact line field. Besides Electroline, the AIT Group also made a number of smaller acquisitions in Switzerland, increasing sales by a total of over 10% in the year under review. The 2005 results as a whole were satisfactory.

The job of the century

In summer 2005 Atel Building Services West tackled the largest job in its history. Jointly with an ARGE partner it is installing all the low-voltage electrical equipment in the Lötschberg AlpTransit. This 35-kilometre railway tunnel between the Bernese Oberland and the Valais is scheduled to come into operation in 2007. Kummler+Matter AG is also involved in the Lötschberg AlpTransit project: it is responsible for contact line facilities and radiating cables. AIT is now exploiting the experience it accumulated while working on the Lötschberg base tunnel in another monumental Swiss infrastructure project: the Gotthard base tunnel. AIT signed a syndication agreement for a joint bid in 2005.



Heidelberg

GAH Group

Industrial Plant and Engineering Division

Kraftanlagen München GmbH

Munich

Kraftanlagen Hamburg GmbH

Hamburg

Kraftanlagen Heidelberg GmbH

Heidelberg

Kraftanlagen Nukleartechnik GmbH

Heidelberg

Franz Lohr GmbH

Ravensburg

Kraftszer Kft.

HU-Budapest

ECM Ingenieur-Unternehmen für
Energie- und Umwelttechnik GmbH

Munich

Ingenieurbüro Kiefer & Voss GmbH

Erlangen

Kamb Elektrotechnik GmbH

Ludwigshafen

Caliqua Gebäudetechnik GmbH

AT-Wiener Neudorf

Energy Transmission/Communication Technology Division

GA Leitungsbau Süd GmbH

Fellbach

Frankenluk Energieanlagenbau GmbH

Bamberg

GA Energieanlagenbau GmbH

Hohenwarsleben

GA Leitungsbau Nord GmbH

Hannover

Elektro Stiller GmbH

Ronnenberg

GA-Magyarország Kft.

HU-Törökbálint

REKS Plzen s.r.o.

CZ-Pilsen

EMS s.r.o.

CZ-Ceská Lipa

Leitungsbau Ges.m.b.H.

AT-Linz

GA-com Telekommunikation und
Telematik GmbH

Bietigheim-Bissingen

Digi Communication Systeme GmbH

Gifhorn

te-com Telekommunikations-Technik
GmbH

Backnang

DIGICOS Sp. z o.o.

PL-Poznań

Pick-up in capital spending

- GAH Group simplifies its corporate structure and focuses more closely on its core businesses
- Sound growth opportunities for the Group as a whole

Even though economic growth in Germany was weak in the year under review, the GAH Group's markets performed well. In the fields of Energy Supply and Communications Technology the economic environment remained stable, as it did in Energy and Plant Technology – while in Building Services the recessive market trend continued, as did heavy pressure on prices and margins. However, a successful performance in foreign business – especially in power generation – more than made up for rather slack business in the Building Services field.

As part of the consolidation and strategic realignment of the GAH Group, Atel decided in the year under review to simplify its corporate structure – the objective being to clarify and reinforce its market

positioning. In future the Group will focus on its two core business fields: Energy and Plant Technology (EAT) and Energy Supply and Communications Technology (EKT).

On the political plane the year under review was dominated in Germany by the formation of the new government. What decisions will be taken as a result, for example on the promotion of wind-power generation or the prolonging of nuclear-reactor lifetimes, remains to be seen. For the current year the GAH Group expects an overall improvement in the economic situation, together with continuing positive stimuli from the Renewable Energy Act (EE), which was passed about six years ago, and the Energy-Heat Coupling Act (KWK).



Olten

Increasing capital spending

Capital spending in the Energy Supply Technology market was slightly up on the previous year. This increase, most of it relating to overdue replacement work on grids and electricity-distribution facilities, had a positive effect on the EKT business unit's results.

The economic situation has improved, first and foremost in high-voltage business, and there has been an increase in both new and replacement capital spending. Also, more contracts for maintenance work on the distribution grid have been awarded. The EKT business unit therefore expects to achieve moderate organic growth in the current year.

In the field of Communications Technology the trend in the year under review was also positive, mainly because the situation in the field of communications, data and transmission technology improved as compared with the previous year. The railway technology and mobile telephony areas remained stable.



GAH Group facilities

- Company head office
- Branches, offices

Other foreign facilities:
 Brussels (BE), Bratislava (SK), Budapest (HU), Törökbálint (HU),
 Poznań (PL), Münchendorf (AT), Prague (CZ), Wiener Neudorf (AT)



Raising the Group profile in the Energy and Plant Technology market segment

The operating result of the Energy and Plant Technology (EAT) business unit maintained the previous year's high level, largely thanks to subsidised investment in biomass and energy-heat coupling facilities. Most of its expansion came from abroad, especially Austria and Scandinavia – making up for declining demand in some service fields in the domestic market.

The nuclear field continues to present good opportunities in the maintenance and decommissioning of nuclear power stations and the disposal of the resulting waste.

The recessive trend in the German building services market persisted. With capital spending on construction still in decline and no let-up in heavy price and competitive pressure, there is no sign of any lasting improvement in the market situation.

Three companies outside the unit's core business were sold at the end of the year under review. One further corporate sale at the end of February 2006 marked the completion of the unit's restructuring process: it is now consolidated, and entirely focused on core activities.

Energy for the sweetest production line



The history of baking is thought to have been triggered around 6,000 years by an accident: a mixture of water and cereal grains was left on a stone heated by the sun, resulting in a primitive form of bread. Over the centuries man has developed it into a skill that today makes over 400 different types of bread. But it was not until the 18th century that new milling technologies led to the invention of sweet dough and short pastry. That marked the birth of home baking.

The prehistory of baking depended entirely on the power of the sun. Progressing from the first modifications of the domestic hearth to the wood-fired baking oven of recent times took thousands of years. Industrialisation brought coal-fired ovens to the fore, and later gas-fired and electric ovens. Much of the Wernli brothers' success was based on the gas-heated conveyor ovens that they first used in 1926. In the same year the brothers built up their confectioner's shop in Trimbach, near Olten, into the first partly automated biscuit bakery in Switzerland. Today Wernli is Switzerland's largest maker of biscuits, with annual production of 8,000 tonnes – in the form of 29 varieties of biscuits and waffles.

Wernli AG needs a reliable energy supply to operate its ultra-modern production facilities and space heating. Most energy is consumed by the six ovens, which work at temperatures between 180 and 250 degrees Celsius. Atel subsidiary a.en Aare Energie AG provides the reliable gas and electricity supply, thus making its contribution to the flawless production of Wernli's delicious products.



Base energy

Base energy is the basic electricity requirement that exists every day, around the clock. In Switzerland base load energy is supplied by run-of-river and thermal (nuclear) power stations.

Hydroelectric power generation

Electricity generation by water power.

Merchant line

A cross-border line that increases the transit capacity between two neighbouring grids. The additional capacity can be used for specific periods solely by investors in the line, which constitutes an increased investment incentive.

Nuclear power stations

Nuclear power stations are a type of thermal power station. They generate heat from the controlled fission of uranium atomic nuclei, which also gives rise to radioactive fission products. Nuclear power stations

therefore incorporate multiple containment zones to prevent hazards to the surrounding environment. Nuclear power stations, like run-of-river power stations, generate base energy.

Peak energy

Peak energy is the proportion of the daily electricity requirement that exceeds the basic level. Heavy swings in peak demand are primarily met by highly controllable storage power stations located in the Alps.

Portfolio management

The active management at a central location of various products traded on the market in order to achieve a sustained increase in profits within a pre-defined risk/reward ratio, taking account of additional boundary conditions.

Repowering

Replacing old power stations with modern, highly efficient and thus more profitable facilities.

Storage power stations

These are hydroelectric power stations fed by at least one mountain reservoir. They can be brought into operation within a few minutes if required. Their output is a function of the difference in altitude between the reservoir and the generator vault, and of the turbine flow rate. Storage power stations meet approximately one third of Switzerland's electricity needs.

Thermal power generation

Power generation in thermal power stations (nuclear and coal-, gas- and oil-fired).

Tolling agreement

The tolling agreement governs the relationship between power-station operators and their partners (tollers). These partners provide the fuel, draw the generated power and distribute it. The power-station operator is solely responsible for the availability, operation and technical renewal of the facilities, for which it is remunerated by the tollers.

UCTE

The Union for the Coordination of Transmission of Electricity in Brussels coordinates the interests of transmission grid operators in over twenty European countries. Their common objective is to ensure the reliable operation of the synchronised grid. UCTE has 35 members, transmission grid operators from twenty European countries. Its Swiss members are Atel, BKW, EGL Grid, EOS, ETRANS and NOK.

The constituent companies of the UCTE jointly operate the largest synchronised grid in the world, which extends from Jutland to Greece and from Morocco to Poland. They currently supply 400 million people with approximately 2,100 TWh a year.

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Dates

27 April 2006	2006 Annual General Meeting
May 2006	Quarterly results 1/06
August 2006	Interim report 2006
November 2006	Quarterly results 3/06
February 2007	Press announcement on 2006 annual results
March 2007	Balance sheet media conference
26 April 2007	2007 Annual General Meeting

Units

Currency

CHF	Swiss francs
CZK	Czech krone
EUR	Euro
HRK	Croatian krone
HUF	Hungarian forint
NOK	Norwegian krone
PLN	Polish zloty
ROL	Rumanian leu
SIT	Slovenian tolar
SKK	Slovakian krone
USD	US dollar

th.	thousand
mn.	million
bn.	billion

Energy

kWh	kilowatt hour
MWh	megawatt hour (1 MWh = 1000 kWh)
GWh	gigawatt hour (1 GWh = 1 million kWh)
TWh	terawatt hour (1 TWh = 1 billion kWh)
TJ	terajoule (1 TJ = 0,2778 GWh)

Power

kW	kilowatt (1 kW = 1000 watts)
MW	megawatt (1 MW = 1000 kilowatts)
GW	gigawatt (1 GW = 1000 megawatts)

MWe	electrical megawatts
MWth	thermal megawatts

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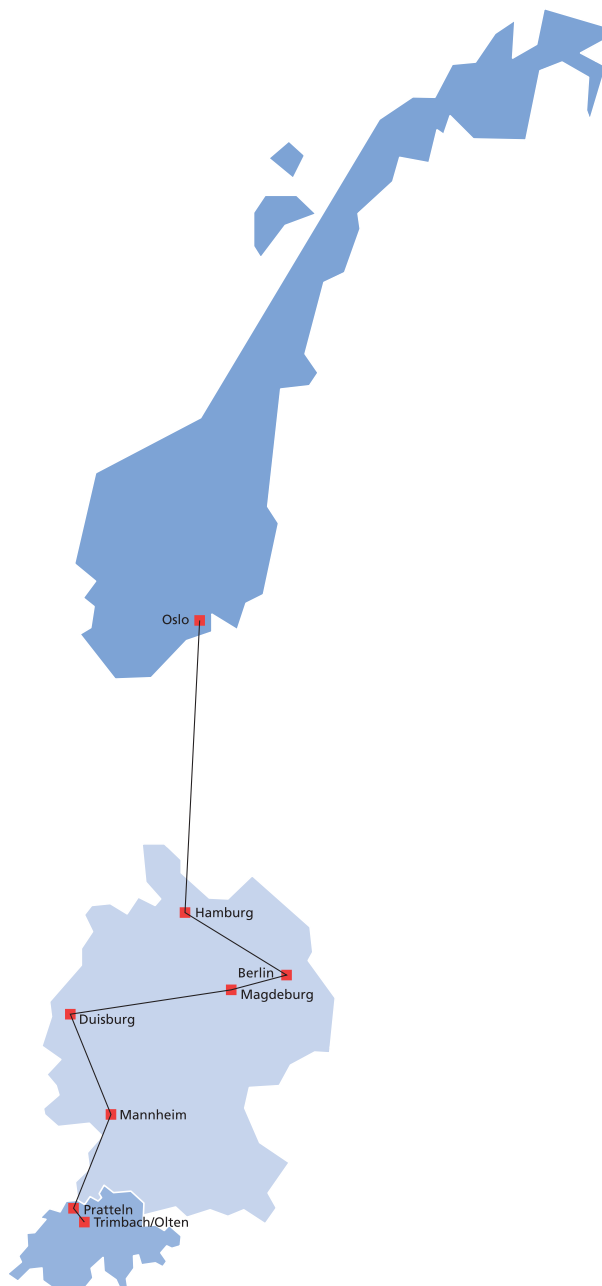
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The word energy, which is derived from the Greek *enérgeia*, means “effective force” and is generally defined in terms of physics as the capability of a system to perform work. “Energy is our business”, the title of the 111th Annual Report of Aare-Tessin Ltd. for Electricity, completes the picture – for everything centres around man, for whom energy is the basis of all life. Energy is therefore nothing less than the lifeblood of our economy and our society.

This photographic journey, from Oslo to Hamburg, Berlin and Atel’s head office in Olten, illustrates the central importance of energy to all our lives. Electricity may simply come out of the socket on the wall, but behind that socket are highly complex processes that we are all too inclined to forget. The intelligent interplay of competitiveness, continuity of supply and concern for the environment are today more important than they have ever been. As a major energy company in the heart of Europe, Atel is acutely conscious of this responsibility – and with our many, varied services we contribute to a sustainable, future-oriented energy market.



Through its subsidiaries and branches, Atel is active in electricity trading, in power generation and in energy services. A new market-focused organisational structure was introduced throughout the Group as of 1 January 2005.

Subsidiaries and branches

- Electricity trading
- Power generation
- Energy services



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