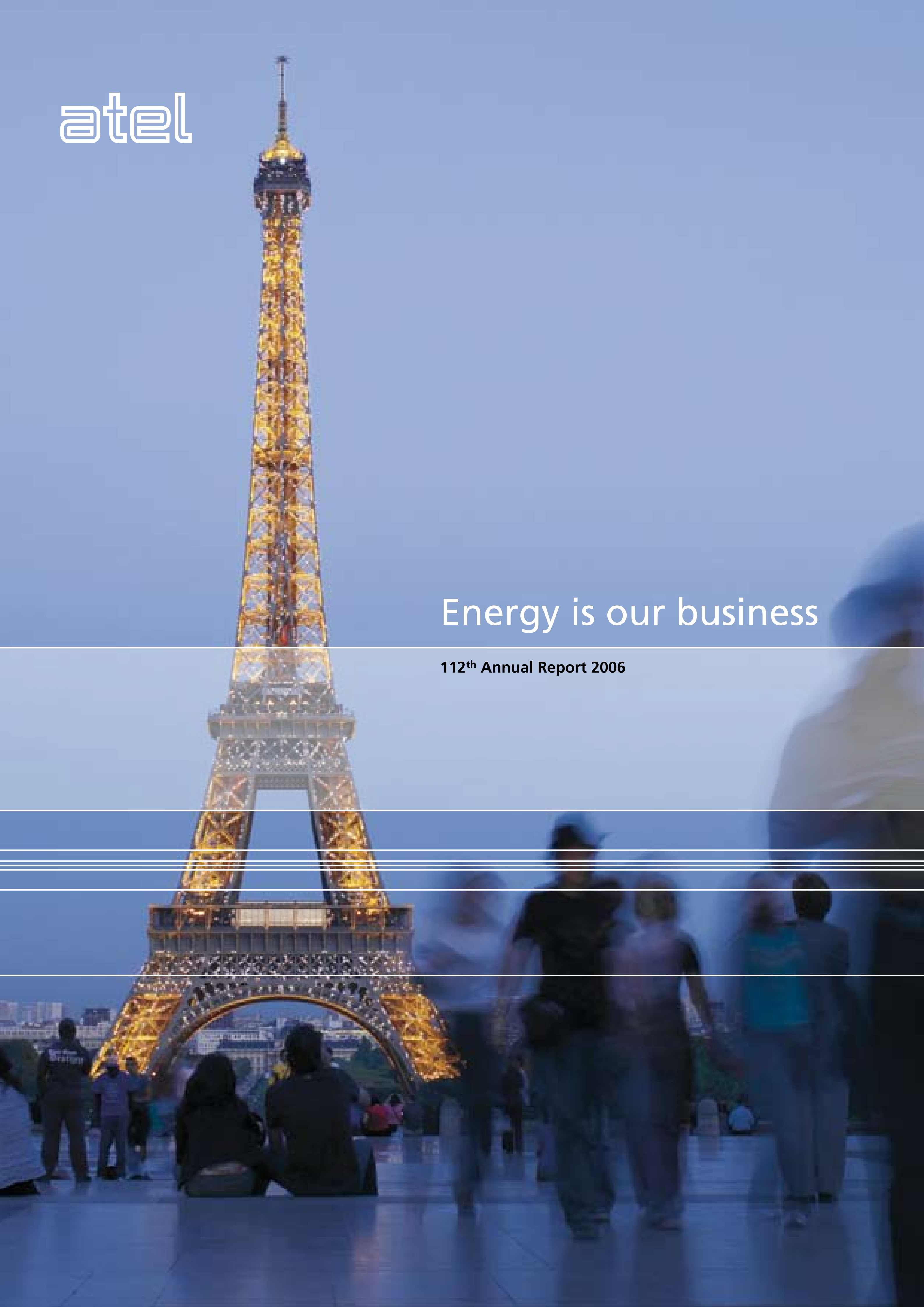


Energy is our business

112th Annual Report 2006

Key Figures 2006

Atel Group

	+/- variance 2005–2006 in % (based on CHF)	2005 CHF mn.	2006 CHF mn.	2005 EUR mn.	2006 EUR mn.
Energy sales (TWh)	17.8	98.166	115.642	98.166	115.642
Net revenue	32.1	8 580	11 334	5 543	7 205
Energy	38.4	7 020	9 716	4 535	6 177
Energy Services	4.0	1 564	1 626	1 010	1 034
Earnings before interest, tax, depreciation and amortisation (EBITDA)	42.6	737	1 051	476	668
Depreciation	–3.1	–196	–202	–127	–128
Release of value adjustments on assets	–	–	257	–	163
Earnings before interest and tax (EBIT)	104.5	541	1 106	349	703
as % of net revenue	55.6	6.3	9.8	6.3	9.8
Group profit	117.8	413	899	267	572
as % of net revenue	64.6	4.8	7.9	4.8	7.9
Net investments	–18.1	299	245	193	156
Total equity	42.3	2 464	3 506	1 585	2 182
as % of total assets	11.9	33.7	37.7	33.7	37.7
Total assets	26.9	7 317	9 288	4 705	5 780
Employees*	1.1	8 368	8 461	8 368	8 461
plus trading in standardised products					
in TWh	34.6	149.982	201.892	149.982	201.892
in CHF mn. or EUR mn.	65.4	8 289	13 708	5 355	8 715

* Average number of full-time equivalent employees

Per share information

	+/- variance 2005–2006 in %	2005 CHF	2006 CHF
Nominal value	–	100	100
Share price at 31.12.	63.6	1 895	3 100
High	38.8	2 270	3 150
Low	12.7	1 650	1 859
Net profit	119.3	135	296
Equity (attributable to Atel shareholders)	43.6	777	1 115
Dividend	42.9	28	40
Average trading volume/day		137	157

Energy is our business

Founded in 1894, Aare-Tessin Ltd. for Electricity (Atel) is Switzerland's leading energy services provider, operating 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, France and Central and Eastern Europe.

Energy segment: productive harmony

Expertise and experience in trading and sales are the keys to exactly satisfying the individual customers' needs. Atel comprehensively covers every link in the value chain: its own generation facilities, established European trading, customer-oriented sales and marketing, and an extensive transmission system in the Swiss electricity hub. All of these factors combine to give Atel a pivotal role as a production-based energy trader in Europe.

Power generation and grid: minimising risks

Atel pursues its objective of generating a reliable power supply through a combination of its own power stations in Switzerland, Italy, the Czech Republic and Hungary, interests in hydroelectric and thermal joint ventures, and long-term options to purchase output from third-party generators.

The company's ultimate goal, both for Switzerland and for the rest of Europe, is to ensure a sustainable mix of conventional and renewable energy sources – and to expand its generation portfolio. By diversifying its generation portfolio, both technologically and geographically, Atel reduces risks and also its unilateral dependence on primary fuels like gas and coal. In addition, Atel operates its own extra-high voltage network with strategically important North-South links.

Trading: flexible response

Atel generates over 80 per cent of its total sales elsewhere in Europe. Teams of international traders at Atel's head office in Olten and in Prague trade in conventional physical and financial products, and also in coal, gas, oil and CO_2 certificates. Competent analysts and risk managers ensure that these trading activities contribute significantly to the optimisation of purchasing and selling prices. At the same time, the expansion of Atel's own generation capacities in Europe provides long-term support for its successful energy trading activities. The close interaction between generating and trading activities enables Atel to optimise the management of its generation portfolio on a flexible, international basis.

Electricity sales: at home throughout Europe

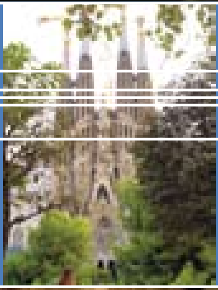
Progressive liberalisation is making the networking of energy competencies – across both sector and national boundaries – more and more important to the competitiveness of companies and both private and public institutions. Atel's broad energy portfolio, together with its experience and expertise, enables it to respond fully to these growing customer needs. With over twenty sales companies and subsidiaries throughout Europe, Atel is always a competent partner to its customers – wherever they are located. Tailor-made procurement strategies – from 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 Atel's corporate strategy.

Energy Services segment: every aspect of energy

Atel's Energy Services segment supports and rounds out its portfolio with a broad range of services encompassing all aspects of electricity generation, transmission and applications. Leading the market in Switzerland, the Atel Installationstechnik Group also covers the energy supply, traffic engineering and building services segments in Italy. Through the GAH Group, an established energy services company based in Heidelberg, Atel delivers a wide variety of services for industrial and power plant engineering, energy transmission and communications technology in Germany and Eastern Europe. Continuous expansion of the value chain will enhance Atel's already comprehensive range of services, adding future-oriented system and customer solutions.

Contents

Barcelona



Visiting Barcelona means experiencing Gaudí. A landscape architect, artist and town planner, this turn-of-the-century master builder has probably left his mark on the Catalan capital more than anyone else. The eccentric buildings and organic sculptures are remarkably high-spirited, they radiate an exuberance and a succession of ever-changing visual challenges that never fail to amaze the beholder.

Every day a new challenge – this is an apt description of the work performed by Daniel Tews, 36, born in Germany with Italian roots. He is in charge of Atel Energía SA and responsible for the Iberian market. Developing the Atel subsidiary on the Iberian peninsula is a challenge he relishes. A much-travelled business economist, Tews applies enthusiasm, a good measure of pioneering spirit and a great deal of in-depth know-how to steadily strengthening Atel's position in the highly competitive Spanish energy market.

With its presence in currently 25 countries, Atel is able to bring an exceptional stock of expertise to bear in the European energy market.

Atel further consolidates its leading position

Barcelona

The subject of energy continued to gain importance during the year under review, on a global level and for Switzerland and the rest of Europe alike. Worldwide energy consumption is continuously rising, driven by the thriving global economy and the increasing hunger for energy on the part of the major growth nations like China, India and Brazil. Energy is becoming ever scarcer – and ever more important as a factor in power politics.

Throughout Europe, energy – and electricity in particular – is becoming a central political issue. For quite some time now, the authorities have been devoting more attention to interrelationships and structures in energy production and distribution. Developments in the markets, now largely liberalised, have lagged behind expectations. Furthermore Germany has said that it will focus particularly on climate and energy policy during its EU presidency in 2007.

On the evening of 4 November 2006, in an incident that typified the situation in the European electricity grid, the power failed in large areas of Europe from Hamburg to Malaga, for periods ranging from minutes to several hours. Switzerland escaped by the skin of its teeth. This incident highlights the fact that the European energy grid is tightly interconnected – which makes it vulnerable. It also shows that the constant availability of electrical energy that we have enjoyed for several decades, in any quantity and on favourable terms, is a privilege that we may no longer be able to take for granted in future. The underlying factors are a shortage of generation capacities, an increase in consumption, and a transmission grid that is reaching its limits, after years of failure to expand in pace with rising consumption.

Switzerland and the rest of Europe therefore face huge challenges in securing a reliable power supply. There is a huge need for capital spending on both power stations and transmission lines. In addition, it is up to the politicians to send out clear, unequivocal signals, and to ensure that legal certainty and investment security exist at all levels. Failing that, there is a risk that desperately needed investment will be subject to further delays.

In this connection it is clear at both national and European level that climate and energy policy are increasingly merging together. The central components of climate policy are at the same time the mainstays of energy policy. One example of this is the CO_2 problem, which can only be solved by means of a sensible compromise between climate and energy policies. Here the general environment in Switzerland must be favourable to investment and comparable with the rest of Europe.

In 2006 the Swiss parliament approved most of the measures necessary to open up the national market in two stages and to formulate relations with the rest of Europe in the field of energy. Both these factors are crucial if Switzerland is to avoid becoming an isolated enclave, with an insecure power supply, amidst

a homogeneous European electricity market.

2006 was a successful year for Atel. We made the most of the opportunities presented to us by a dynamic environment, once more setting new records for sales, revenue and profit. Atel further consolidated its position as a significant Swiss powerhouse in the European energy market, reaching the leading position in selected areas.

Headed by CEO Giovanni Leonardi, the senior management team achieved these notable successes in a demanding environment. This would naturally have been impossible but for our highly qualified and motivated staff, now more than 8000 strong – to whom I should like to express my gratitude, on behalf of the Board of Directors, for their tremendous commitment. All in all, Atel is in good shape, and extremely efficient. I take this opportunity to express my particular thanks to those members of the Board of Directors who left office at the 2006 Annual General Meeting – especially, of course, to Walter Bürgi, our former Chairman. Their far-sighted guidance in recent years has enabled Atel to develop into a thriving company with roots throughout Europe. Their skills were in particular demand in the very recent past, when specific decisions had to be taken about the future of the group. Atel today is well placed to face the challenges that the future will bring, whatever these may be.

Rainer Schaub
Chairman of the Board of Directors

Market and growth opportunities: all intact

Barcelona

Giovanni Leonardi, how will you remember the 2006 financial year?

I can describe the year in three words: intense, interesting, inspiring. Developments in the Energy segment's environment were positive: rising consumption, rising prices. Furthermore we posted above-average results. Among other things, I put this down to the fact that we moved quickly in the open European markets. We succeeded in further expanding our position. The commencement of business activity in Spain and the opening of new offices in Greece are particularly worthy of mention. At the same time, we have continued the successful expansion of available generation capacities. That's not something that goes without saying, because generation capacities are a hot topic at the moment. And once again, our Trading business unit made a significant contribution to our success – especially thanks to the skilled, coordinated exploitation of the generation capacities that are available to us.

Are you similarly positive about the Energy Services segment?

Yes, the performance of the Energy Services segment was also generally encouraging. Now that GA-Tec has been sold, the restructuring of the GAH Group in Heidelberg is virtually complete. The GAH Group also succeeded in obtaining orders for a number of major projects, such as the planning, supply and assembly of high-pressure piping for the Neurath brown coal power station and project work for the new nuclear power station in Finland. Each of these orders is worth several hundred million francs. The individual divisions of Atel Installationstechnik Ltd. (AIT) also operated at high capacity levels. AIT passed an important milestone when it tendered for the work on the interior of the Gotthard base tunnel, which has a volume of more than 1.5 billion francs.

How do you assess the situation regarding the security of Switzerland's electricity supply in the medium to long term?

If anything, the situation has become even more acute. 2006 brought another sharp increase in electricity consumption in Switzerland – a further indication that the power shortfall is coming sooner, and will be more acute, than many studies have forecast. Even today, power station capacities are barely able to cope with the demand at peak periods – and soon they will no longer be able to.

How does Atel assess the potential of the new renewable sources of energy?

Reality doesn't beat about the bush. In 2005, solar and wind power provided roughly 0.03 per cent and 0.01 per cent respectively of the electricity consumed in Switzerland. Geothermal energy – the great white hope among the new renewable energy sources – suffered a major setback to its development when the Basel project was halted following the earth tremors in December.

Even if the optimistic expectations placed in the result of billions of francs in state subsidies were to prove

accurate, this would have only a modest effect on the traditional mix of 60 per cent hydro and 40 per cent nuclear.

Nonetheless Atel is involved in renewable energy generation.

Certainly, we have invested in two wind farms in Sicily and in small hydroelectric stations in northern Italy. It's not only from an environmental viewpoint that this makes sense. Legislation in Italy enables us to back up our investment in operating terms. In Switzerland we have established a new company, Atel EcoPower AG, to handle our increased commitment to renewable sources – principally small hydroelectric stations. Let me say a word about energy efficiency and energy saving as contributions to meeting the electricity shortfall. We support all sensible measures to encourage the efficient use of energy. This includes energy saving, as long as it involves no undue restrictions on the individual liberty of people and companies. In the final analysis, this field has considerable potential for our Energy Services segment.

Does saving energy necessarily mean consuming less electricity?

Only to a certain extent. Saving energy also means, in particular, replacing fossil fuels, and that tends to increase electricity consumption.

So we're left with only imports or new power stations in Switzerland to make good the electricity shortfall?

Correct. Except that imports are not a sustainable solution. The cross-border capacities of existing power lines, which are in any case limited, are subject to short-term political influence. Besides, Europe will soon need all its energy itself. We are going to have to solve our energy problem ourselves.

How about new power stations?

The options for making good the impending electricity shortfall are gas-fired, coal-fired or nuclear power stations. It will be up to the politicians and the public to determine the general framework for the necessary capital spending.

Atel already operates all three types of power station, so we understand all three technologies. Given the need to close the electricity gap on a sustainable basis and in accordance with sound environmental and economic principles, we believe that nuclear power is an indispensable option for Switzerland.

At the end of the year Atel proposed the construction of two new nuclear power stations in Switzerland.

We made our position perfectly clear. As far as gas-fired combined cycle power stations are concerned, the federal government must come up with viable long-term proposals for CO_2 tax, like those in our neighbouring countries – and it must do so fast. That means exempting gas-fired combined cycle power stations from the CO_2 tax and capping any compensation measures at a tolerable level.

Now to nuclear power stations. The Department assumes that it takes up to 25 years to complete a nuclear power station, from conceptiual planning to commissioning. That's ludicrous. The objective must be to cut that period by half. The federal authorities ought to face up to their responsibilities and send a clear signal that the approval procedure for new nuclear power stations is going to be streamlined. That would put conditions here on a par with the rest of Europe, enabling us to take our share of the responsibility. Discussions over the last few months have shown that politicians and civil servants are becoming more aware of the situation.



Barcelona

Back to Atel as a whole: What will the company be focusing on during the coming year?

Naturally we shall continue to devote much of our time and effort to the planned merger of Atel with EOS. Besides that, we shall closely study the various options for new major power stations in Switzerland – and take further steps if we deem it appropriate to do so. We are also planning selective investments in additional generation capacities in all our major markets. Overall we again think the Energy segment will face increased competition throughout Europe, while electricity consumption will continue to rise. This combination offers us many opportunities for growth, and our staff will not let them slip through their fingers.

What about the Energy Services segment?

Here, too, the general outlook is positive. AIT will concentrate on continuing to expand its business profitably, especially in traffic engineering. We also expect new market opportunities in Switzerland as measures to increase energy efficiency become more and more important. Finally GAH will concentrate on the fast-growing energy generation and transmission markets, and on plant engineering throughout Europe. I must make special mention of capital investment in grid expansion, and in generation facilities: not just thermal power stations, but also renewable energies – particularly wind power and biomass.

2006 in focus

The Energy West project

The acquisition of the 55.6% stake in Motor-Columbus Ltd. (MC) from UBS by a predominantly Swiss consortium was completed on 23 March 2006. The consortium consists of a group of Atel shareholders including EOS Holding, EDF Alpes Investissement Sàrl, Elektra Birseck (EBM), Elektra Baselland (EBL), the Canton of Solothurn, IBAarau AG (IBA), Aziende Industriali di Lugano SA (AIL) and Wasserwerke Zug AG (WWZ).

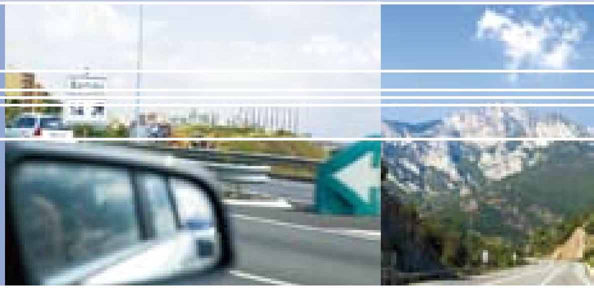
Following the completion of the share purchase contracts, Motor-Columbus Ltd. made Atel shareholders who were not members of the consortium a mandatory public offer to acquire their shares in exchange for shares in Motor-Columbus. This offer was completed on 27 July 2006. Motor-Columbus was offered a total of 16 640 Atel shares in exchange for MC shares, equivalent to 0.55% of Atel's share capital. On 4 September 2006 an Atel shareholder filed a complaint to the Supreme Administrative Court with the Federal Court. This complaint contested the order of the Federal Banking Commission of 4 July 2006 confirming that the consortium's mandatory share exchange offer complied with stock exchange law. The Federal Court is expected to deliver its verdict during the first half of 2007.

In consequence of the legal proceedings relating to the mandatory public offer, the restructuring of Atel and Motor-Columbus into a simplified holding company structure was not able to be carried out in 2006, as originally planned. They have also delayed preparatory work for the planned industrial merger of Atel/MC with EOS and the Swiss activities and assets of EDF. The merger is important for all parties involved and the intention is still to complete it with effect from the end of 2007 and to launch the new company at the beginning of 2008. The aforementioned group of Atel shareholders and EOS Holding would each hold 30 % of the new company, while EDF Alpes Investissement Sàrl would hold 25 %. However, the aim of meeting these dates is becoming increasingly more difficult and they cannot be regarded as certain.

111th Annual General Meeting

The 111th Annual General Meeting was held on 27 April 2006. In the light of changes to the shareholder structure, Atel shareholders consented to various changes in the Board of Directors. Dr. Walter Bürgi, Chairman, and Dr. Heinrich Steinmann did not offer themselves for re-election. Rolf Büttiker, Ulrich Fischer and Urs B. Rinderknecht retired. Dr. Marcel Guignard and Dr. Giuliano Zuccoli were re-elected for a further term of office. Dr. Dominique Dreyer, Philippe Huet, Jean-Philippe Rochon, Hans E. Schweickardt and Dr. Alex Stebler were elected as new members of the Board. Atel's Board of Directors elected Dr. Rainer Schaub, already a member, as its new Chairman, Christian Wanner as Vice-Chairman and Alain Moilliet as Secretary. Ernst & Young AG was reappointed as statutory and group auditors for a further one-year term as prescribed in the Articles of Association. The Annual General Meeting approved the Annual Report, the annual accounts and the consolidated accounts for 2005, discharged the members of the Board of Directors from liability and adopted the Board of Directors' proposal for the appropriation of retained earnings.

Atel in dialogue



The future of successful companies is based on an unimpaired environment and a healthy society. A viable society, in its turn, needs successful companies that accept their responsibilities, planning and acting for the long term. These close links between business, society and the environment find their expression in the principles of corporate social responsibility, a central component of Atel's business philosophy. Besides a corporate strategy designed to achieve profitable growth in the long term, this also includes various initiatives and programmes for a sustainable, secure, balanced energy supply, the preservation of jobs, transparent communication with all stakeholder groups – and a wide variety of initiatives to ensure that modern working and environmental standards are maintained at all Atel's facilities in Europe.

Transparent communication with capital providers

Energy is at the beginning of a long-term, complex value chain. It is essential for the viability of our entire national economy. As an energy services provider operating throughout Europe, Atel is conscious of its obligation to safeguard profits in the long term, while at the same time pursuing sustainable business development. This attitude is evidenced by the encouraging results of the last financial year, and by our expectations for the financial year to come.

A continuous dialogue at all levels

Regular, transparent dialogue with shareholders and investors is rendered still more important by the hot topic debate about energy supplies going on at both national and European level. Atel has always maintained a dialogue with its capital providers: at numerous events in Switzerland and abroad that serve to increase understanding of the company and the sector, and also by issuing publications and other forms of media about the energy business and the company's future orientation and objectives.

With over 30 sales-companies and branches throughout Europe, Atel is always close to its customers in both segments. Atel is also involved in a large number of cross-border pan-European partnerships, which – together with the concomitant geographical and cultural links with local and national markets – helps maintain a constant exchange of ideas, experience and knowledge. This creates a fertile breeding ground for so-

Pyrenees

lutions that meet customer needs and satisfy tested, uniform standards – while at the same time taking account of the idiosyncrasies of the various regional markets. Atel thus emphasises the importance of the spirit of partnership, which is also central to its corporate values, on a daily basis. In order to put down roots and intensify cooperation at a local level, Atel regularly supports social organisations and sports clubs – such as the Csepel Wrestling Club in Hungary, for example, and the Junior Team of the Kladno Ice Hockey Club in the Czech Republic – as well as a wide range of social institutions.

Atel is also involved in a number of activities designed to intensify technology transfer between industry and research, to make energy systems even more efficient, and – in conjunction with a number of sector partners – to amplify fundamental matters relating to future energy supplies and the electricity market. Atel is a member of swisselectric, the Swiss Association of Electricity Suppliers, which promotes research into future-oriented electricity projects. Atel and its partners in swisselectric contribute valuable expertise – and up to ten million Swiss francs a year – to applied research and development in all energy-related fields.

Atel has for many years pursued an active, transparent information and communication policy, conducting a constant dialogue with the media, political and commercial bodies and the public at large. The last few years have brought massively increased interest in central questions like the security of supply, the future of power generation and the advancing liberalisation of the energy sector. This has given Atel many and diverse opportunities for active participation in the social discussion, and for collaboration with the various political, commercial and social players in search of the best possible solutions. In the last financial year Atel's broad specialist expertise and unambiguous positions enabled it to continue to play an important role, both in debates on energy policy and in helping to devise a just, modern environment in the energy field. Many of Atel's specialists contributed their extensive knowledge and experience to projects run by national and international bodies and specialist groups.

A culture of respect, trust and openness

Most of Europe's electricity and gas markets are opening up, but not at a uniform pace – and the bodies of regulation to which they are subject are

Pyrenees

equally varied. This reflects the accelerating pace of change in society and the worlds of business and politics. Atel's staff know all about change: at ever-decreasing intervals they are having to question familiar structures, processes and tasks and to redefine them. Staff at all levels of the company maintain an attitude of respect, trust and openness towards each other and this results in a healthy willingness to perform. Flexible management structures ensure that personal strengths are developed to the maximum possible extent, as well as motivating individuals to pursue lifelong learning.

Education and training are central mainstays in Atel's human resources policy. They take account of the fact that every member of staff is unique.

As a company that is active throughout Europe, Atel attaches particular importance to intercultural cooperation and the opportunities that it creates. One example: Atel is the main sponsor of the Swiss teams in the annual International Physics Olympiad. This gives talented young people from all over the world the opportunity to put their knowledge and abilities to the test in an international arena. Preparing the next generation of its staff is a high priority for Atel. Last year the company trained over 550 trainees throughout Europe.

Secure jobs are also the result of a smoothly functioning quality management system. They are one indication of a responsible company. And Atel is certainly that. For several years, for example, the Csepel power station complex in Hungary has been receiving international awards for its exemplary workplace safety. It goes without saying that all Atel's production facilities have the most modern equipment, ensuring rigorous safety standards – and have obtained certificates attesting to their impeccable quality management.

Environmental and economic sustainability in everyday practice

The future viability of our society is crucially dependent on the security of our energy supply. This imposes a heavy responsibility on Atel towards society as a whole, which the company fulfils throughout Europe with clear ideas and positions – and by acting in accordance with them. Atel relies on a balanced mix of conventional and renewable energies to meet the soaring global demand for energy tomorrow and the day after, keeping all options open. With this prag-

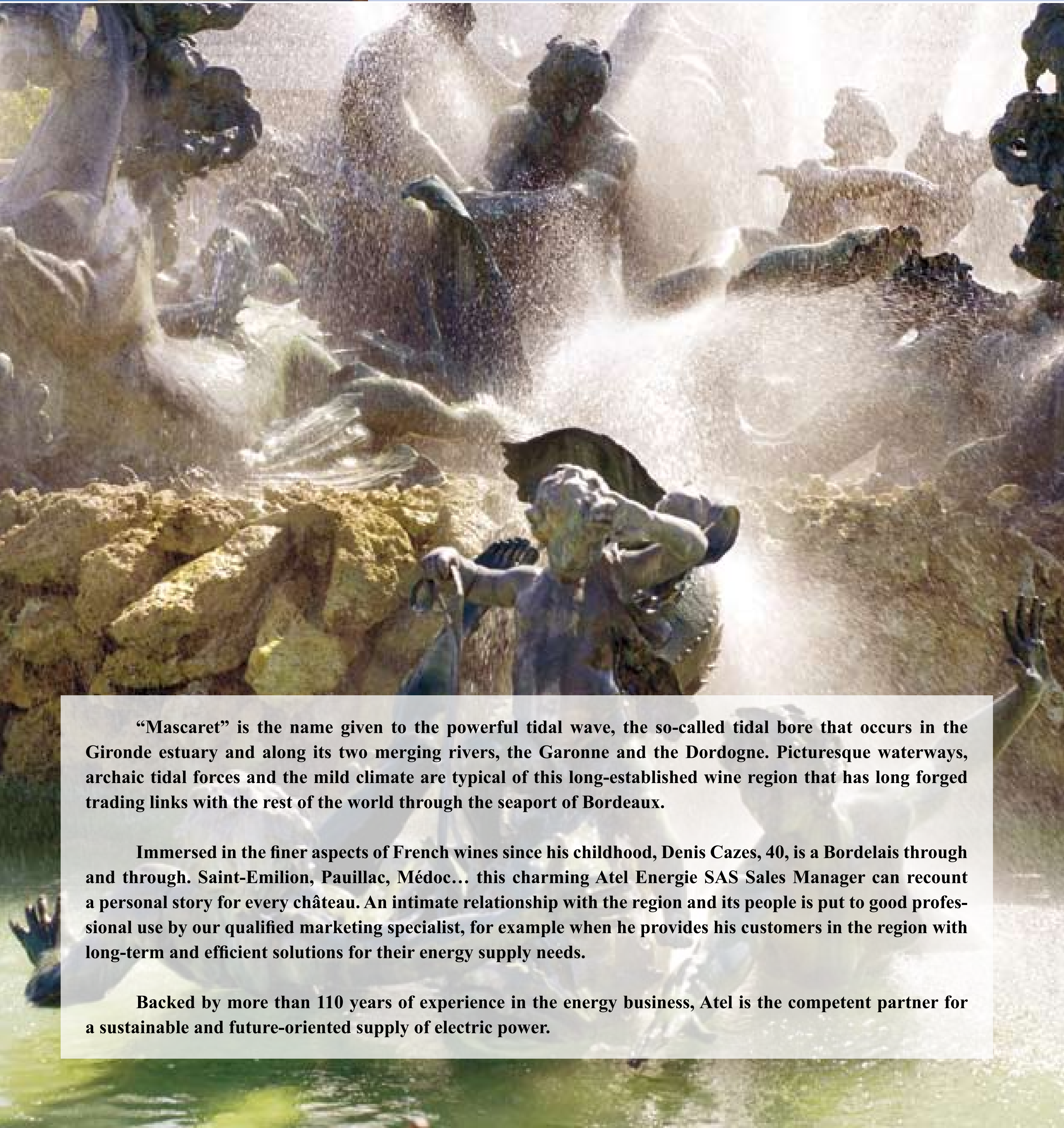
matic approach, Atel acknowledges the tenets of both environmental and economic sustainability – and hence of a coherent, future-oriented energy policy.

With over 6 000 employees in the Energy Services segment, Atel has access to an impressive body of expertise – particularly in the field of renewable energies. Throughout Europe, these experts build the most modern biomass and solar power stations, implement energy efficiency measures and connect wind farms to existing grids.

With regard to climate protection, the achievement of the Kyoto objectives and increased energy efficiency, Atel further increased its commitment to the economically viable use of renewable energies during the year under review. 50 million francs was provided for the promotion of small hydroelectric power stations in Switzerland, and Atel EcoPower AG was established.

Atel took an 85 per cent stake in two small hydroelectric power stations in Piemont, Italy, and a 49 per cent stake in the construction and operation of two large wind farm power stations in Sicily. Atel is thus continuing to expand its already substantial technical and operational expertise in new technologies, making a further contribution to a sustainable energy supply.

Bordeaux

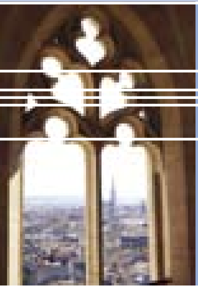


“Mascaret” is the name given to the powerful tidal wave, the so-called tidal bore that occurs in the Gironde estuary and along its two merging rivers, the Garonne and the Dordogne. Picturesque waterways, archaic tidal forces and the mild climate are typical of this long-established wine region that has long forged trading links with the rest of the world through the seaport of Bordeaux.

Immersed in the finer aspects of French wines since his childhood, Denis Cazes, 40, is a Bordelais through and through. Saint-Emilion, Pauillac, Médoc… this charming Atel Energie SAS Sales Manager can recount a personal story for every château. An intimate relationship with the region and its people is put to good professional use by our qualified marketing specialist, for example when he provides his customers in the region with long-term and efficient solutions for their energy supply needs.

Backed by more than 110 years of experience in the energy business, Atel is the competent partner for a sustainable and future-oriented supply of electric power.

Corporate Governance



Bordeaux

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 Executive Board, and adapted where necessary. The following statements are made in accordance with the Corporate Governance Information guidelines of the SWX Swiss Exchange.

Group structure and shareholders

Aare-Tessin Ltd. for Electricity (Atel) is an energy company operating throughout Europe, with core competencies in power generation, electricity trading and sales, and energy services. Atel has significant generation facilities in Switzerland, Italy, Hungary and the Czech Republic. It also has its own transmission and distribution networks. Atel is divided into two segments for Energy and Energy Services.

In the Energy segment Atel combines power generation and grid operation with trading and sales. The segment is subdivided into the following divisions: Energy Switzerland, Energy Southern/Western Europe and Energy Northern/Eastern Europe. All three divisions have their own power stations, affiliated companies and local sales companies.

The Energy Switzerland Division covers sales in the Switzerland market, thermal and hydroelectric power generation in Switzerland, and those parts of the Swiss electricity grid that belong to Atel.

The Energy Southern/Western Europe Division services its market territory through sales subsidiaries Atel Energia S.r.l. in Milan, Atel Energie SAS in Paris and Atel Energia AS in Barcelona. Atel's own power stations, together with its interest in Edipower in Italy and power-station projects in France, also belong to this division – as does Atel Trading, which actively trades in electricity, gas, coal and CO_2 certificates on all the major electricity exchanges in Western Europe.

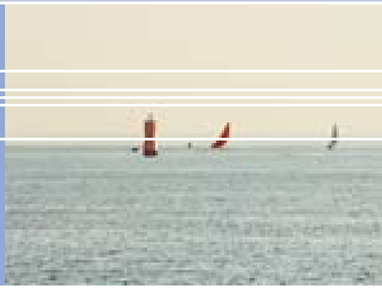
The Settlement and Systems Department handles the commercial and technical settlement of trading and sales transactions.

The Energy Northern/Eastern Europe Division covers markets in Central/Eastern Europe and Northern Europe with its sales and trading companies in Germany, Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Croatia, Serbia, Bulgaria, Romania, Macedonia and Greece. The Scandinavia market is covered by Atel subsidiary Energipartner. The Trading business unit in Central/Eeastern Europe is part of Prague subsidiary Atel Ceská republika, s.r.o. Atel's power stations in the Czech Republic and Hungary are also managed from Prague.

The Energy Services segment delivers services related to all aspects of the generation, distribution and use of energy.

The Southern/Western Europe Region Division consists principally of the companies in Switzerland, Italy and the Czech Republic that belong to Atel Installationstechnik Ltd. Its services: Building Services/Technical Facilities Management, Energy Supply Technology and services for smaller power stations.

The Northern/Eastern Europe Region Division consists of the companies in Germany, Poland, the Czech Republic, Hungary, Austria and Belgium that belong to the GAH Group in Heidelberg. The GAH Group provides services in the fields of Energy Generation, Energy Transmission Techno-

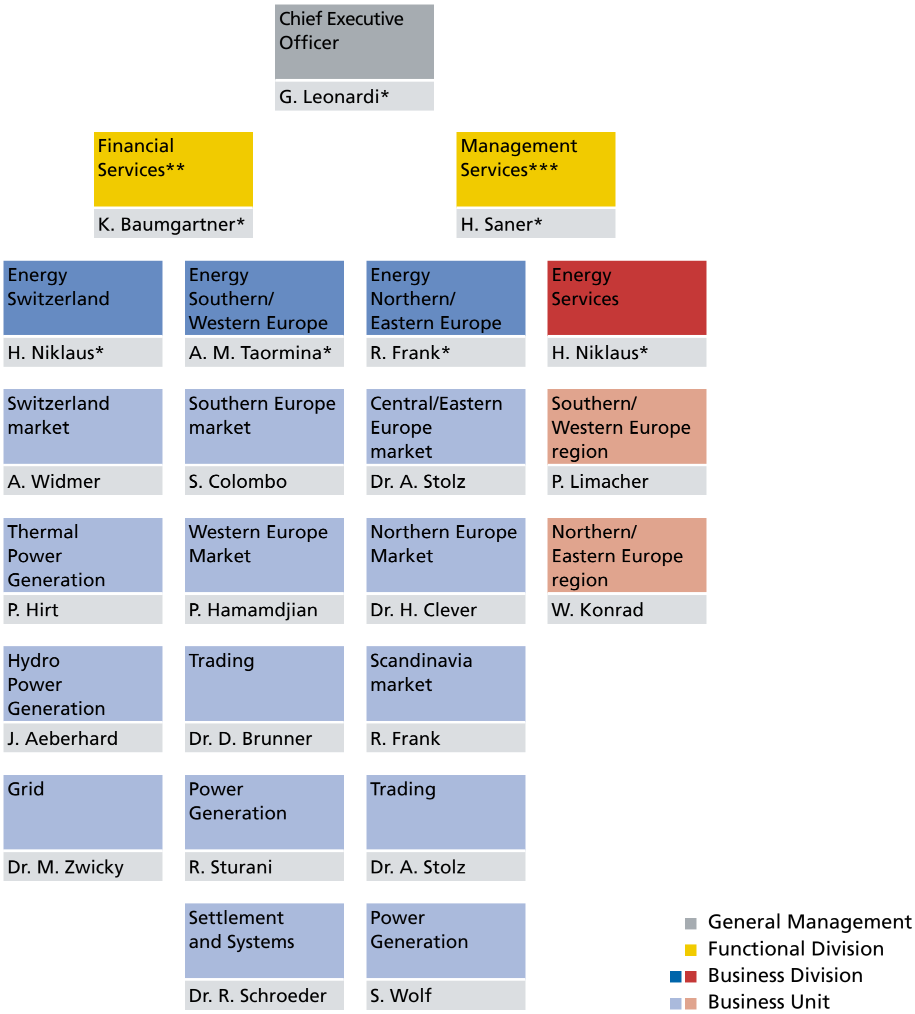


logy, Communications Technology and Industrial Plant Engineering.

Financial Services is a group-level functional division. It consists of Accounting and Reporting, IT, Controlling and Planning, Risk Management, Taxes, Treasury and Insurance. The Internal Audit function is also assigned to this division for organisational purposes. The Management Services functional division includes Human Resources, Communications, Legal Services, the Organisation and Corporate Development Department, Public Affairs and the General Secretariat.

Stock-exchange listing

There has been no change in the share capital of the parent company, Aare-Tessin Ltd. for Electricity, based in Olten, which remains at CHF 303 600 000 (3 036 000 registered shares, each with a nominal value of CHF 100). The registered shares are listed on the SWX Swiss Exchange under international securities identification number ISIN CH0001363305. The company's market capitalisation at the end of 2006 was CHF 9.41 billion (calculation: closing price on 31 December 2006 multiplied by the number of shares in issue = CHF 3 100 x 3 036 000 registered shares).



* Member of the Executive Board

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

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

Date: 31 December 2006

Bordeaux

Società Elettrica Sopracenerina SA, Locarno has share capital of CHF 27 500 000, of which Atel holds 59.5 %. It is also listed on the SWX Swiss Exchange (ISIN CH0004699440), and its market capitalisation at the end of 2006 was CHF 312.95 million (calculation: closing price on 31 December 2006 multiplied by the number of shares = CHF 284.5 x 1 100 000 registered shares).

The principal consolidated group companies are listed in the Financial Report on pages 68 to 72.

Major shareholders of record are listed in the Financial Report on page 51. A diagram showing the principal shareholders of MC/Atel is presented below.

Majority shareholders in Aare Tessin Ltd. for Electricity are required under the Swiss Stock Exchange and Securities Trading Act to take part in a public purchase offer (no opt-out clause). A consortium, or shareholders agreement exists, to which the parties are EOS Holding (Lausanne), EDF International (Paris) and the Swiss minorities consortium. This consists of EBM (Elektra Birseck, Münchenstein), EBL (Elektra Baselland, Liestal), the Canton of Solothurn, IBAarau, AIL (Aziende Industriali di Lugano SA) and WWZ (Wasserwerke Zug AG).

The consortium agreement governs the merger of Aare-Tessin Ltd. for Electricity with the operating components of EOS Holding SA and possibly the Swiss activities of EDF, mutual pre-emption rights and corporate governance.

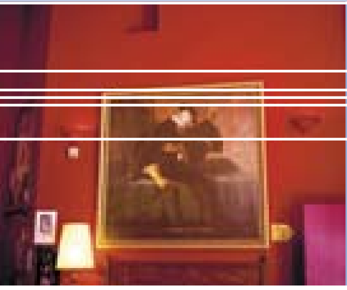
Atel

59.1	Motor-Columbus
14.9	EBM
7.9	EBL
5.8	AEM Milano
5.0	Canton of Solothurn
2.2	IBAarau
5.1	Various (free float)

Motor-Columbus

36.9	EDF
31.5	EOS Holding
7.1	Atel
4.8	AIL
3.3	Canton of Solothurn
2.8	EBM
2.1	WWZ
1.3	EBL
0.4	IBAarau
4.9	EnBW
5.0	Various (free float)

Percentage participations



Cross-shareholdings

Aare-Tessin Ltd. for Electricity holds 5.96 % of AEM S.p.A., which in turn holds 5.8 % of Atel. Atel is represented on the AEM Board of Directors by Antonio M. Taormina, who is a member of the Atel Executive Board – while AEM's representative on the Atel Board of Directors is Dr. Giuliano Zuccholi, Chairman of the Board of Directors of AEM S.p.A. and its delegated chief executive officer.

Capital structure

Share capital

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-up. Atel has no authorised or authorised but unissued capital.

Capital changes

The Statement of Changes in Equity can be found in the Financial Report, on page 14 for the Atel Group's consolidated financial statements and on page 78 for those of Aare-Tessin Ltd. for Electricity.

The Statement of Changes in Equity for 2004 can be found in the 2004 Financial Report, on page 13 for the Atel Group's consolidated financial statements and on page 56 for those of Aare-Tessin Ltd. for Electricity.

Shares

Every share represented at an Annual General Meeting of Aare-Tessin Ltd. for Electricity is entitled to one vote. There are no restrictions on transferability or voting rights. The company has no participation certificates or convertible bonds outstanding.

Board of Directors

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

Members of the Board of Directors

The Board consists of twelve members of the Board of Directors, none of whom exercises any executive functions within the company. The members of the Board are listed on page 20 of the 2006 Annual Report in the table headed «Board of Directors».

The Board of Directors was partially renewed after the change of control following the consortium's acquisition of the majority interest in Motor-Columbus from UBS. The following members of the Board of Directors left office at the Annual General Meeting: Dr. Walter Bürgi (Chairman) and four ordinary members: Rolf Büttiker, Dr. Heinrich Steinmann, Urs B. Rinderknecht and Ulrich Fischer. Dr. Dominique Dreyer, Philippe Huet, Jean-Philippe Rochon, Hans E. Schweickardt and Dr. Alex Stebler were elected as new members of the Board.

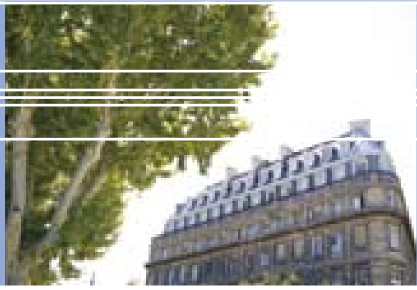
Other activities and interests

Members of the Board of Directors' CVs and professional backgrounds, together with information on their other activities, can be found on Atel's website: www.atel.eu/bod.

Members are elected for a three-year term of office and are eligible for re-election. A member elected mid-term to replace a previous member completes his predecessor's term of office. The new members of the Board of Directors were elected individually in an open ballot at the Annual General Meeting on 27 April 2006.

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

The Board of Directors met ten times during the year under review. The average duration of each meeting



Bordeaux

was four hours. The Chairman determines the agenda for Board of Directors' meetings after consultation with the CEO. Any member of the Board of Directors may make a written request for a particular item to be included on the agenda. Prior to meetings, the members of the Board of Directors receive documentation that enables them to prepare for items on the agenda.

The 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 directs.

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) leave(s) the meeting. Minutes are kept of discussions 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 may request 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 external 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. The Internal Audit function 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.

Board of Directors

	First elected	Term of office ends
Dr. Rainer Schaub, CH-Binningen, Chairman	1996	2008
Christian Wanner, CH-Messen, Vice-Chairman	1996	2008
Marc Boudier, FR-Sèvres	2001	2007
Dr. Hans Büttiker, CH-Dornach	1988	2008
Dr. Marcel Guignard, CH-Aarau	1988	2009
Urs Steiner, CH-Laufen	2004	2007
Dr. Giuliano Zuccoli, IT-Sesto San Giovanni	2003	2009
Dr. Dominique Dreyer, CH-Fribourg	2006	2009
Philippe Huet, FR-Paris	2006	2009
Jean-Philippe Rochon, FR-Paris	2006	2009
Hans E. Schweickardt, CH-Neerach	2006	2009
Dr. Alex Stebler, CH-Nunningen	2006	2009

Audit Committee and Nomination and Remuneration Committee

Two new Board committees were established in mid-year: the Audit Committee (AC) and the Nomination and Remuneration Committee (NRC).

Audit Committee

The AC consists of Marc Boudier (Chair) and three ordinary members: Dr. Dominique Dreyer, Dr. Marcel Guignard and Urs Steiner.

The role of the AC is to support the Board of Directors in fulfilling its supervisory obligations, and especially in monitoring and assessing the activity and independence of the internal and external auditors, the control system, accounting, risk management, compliance and corporate governance.

The AC submits proposals to the Board of Directors for its approval, and at each meeting of the Board it reports orally on its activities, resolutions, conclusions and recommendations. The minutes of the AC are circulated to members of the Board of Directors for their information and as a basis for Board resolutions. The AC also submits an annual report to the Board of Directors summarising the AC's activity during the year under review. As a rule the CEO and CFO attend meetings of the AC. The AC has met twice since it was constituted.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) consists of Hans Schweickardt (Chair) and four ordinary members: Marc Boudier, Dr. Hans Büttiker, Dr. Rainer Schaub and Christian Wanner.

The role of the NRC is to support the Board of Directors in fulfilling its supervisory duty with regard to succession planning on the Board of Directors and Executive Board, group-wide compensation policy, and fixing the contractual terms and terms of employment for the CEO, Executive Board and Heads of Business Units.

The NRC submits proposals to the Board of Directors for its approval, and at each meeting of the Board it reports orally on its activities, resolutions, conclusions and recommendations. The minutes of the NRC are circulated to members of the Board of Directors for their information and as a basis for Board resolutions. The NRC held six meetings in 2006 following its constitution. As a rule its meetings are attended by the CEO.

Division of responsibilities

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 the CEO/Executive Board.

The CEO is authorised, among other things, to make autonomous decisions with regard to non-budgeted transactions up to a value of CHF 5 million. The Regulations give the CEO a substantially higher authority limit for energy transactions.

Information and control mechanisms vis-à-vis the Executive Board

The Executive Board keeps the Board of Directors informed of important events on an ongoing basis. Financial reports are prepared quarterly.

As a rule, members of the Executive Board attend meetings of the Board of Directors to supply any information it may require. They leave the meeting if the Chairman so directs.

Mirambeau

Risk management considers market, credit and transaction risk. 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. A central Risk Management Committee, reporting to the CFO, sets limits for individual areas based on the results of its analysis.

The Board of Directors, at the AC's request, approves audit planning and the summary report annually. Corporate Internal Audit reports directly to the Chairman of the Board. Individual audit reports are submitted to the Chairman and (in summary form) to the AC. Corporate Internal Audit engages an adviser independent of the external auditors for its work.

Executive Board

Members of the Executive Board are listed on pages 24/25 of the Annual Report. Information on their other activities and interests can be found on Atel's website: www.atel.eu/management.

No management contracts exist.

Organisation

The following organisational and personnel changes have taken place:

Since 1 April Herbert Niklaus, who was already Head of the Energy Switzerland Division, has also been responsible for the Energy Services Division. In this capacity he succeeded Stefan Hatt, who left the group on the same date.

On 1 February 2006 Thomas Bruder stepped down as chief executive officer of GAH Anlagentechnik Heidelberg GmbH and left the company. He was succeeded as chief executive officer by Wilhelm Konrad, who also continued to head the Energy Transmission and Communications Technology Division.

Piero Manzoni took up his post as the new chief executive officer of Atel Energia S.r.l. in Milan on 1 April 2006.

Remuneration, shareholdings and loans

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 de-

termined by the Board of Directors on application by the NRC.

The remuneration of Executive Board members consists of base 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 amount of remuneration for members of the Executive Board is determined by the NRC. No share or share option schemes exist for the Board of Directors or Executive Board.

Board of Directors

Members of the Board of Directors' remuneration in the 2006 financial year totalled approximately CHF 2.3 million, including approximately CHF 1.2 million paid to those Members of the Board of Directors who left office at the AGM. In accordance with the regulations in force, departing Members of the Board of Directors were paid all fees due until the end of their current terms of office.

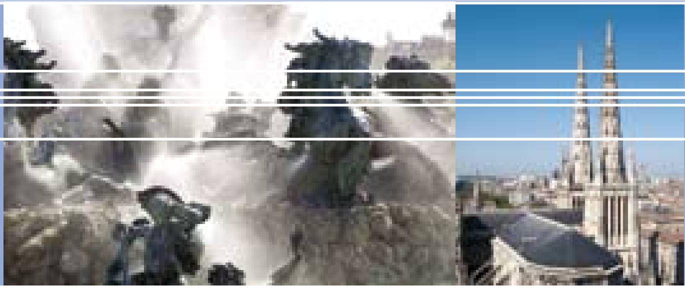
According to the information available to us, Members of the Board of Directors held a total of 122 registered shares in Aare-Tessin Ltd. for Electricity at 31 December 2006.

The highest paid member of the Board of Directors in the last financial year was the Chairman, with CHF 256 833. This consists of his fee as Chairman of the Board plus additional remuneration of CHF 140 000 in recognition of the extraordinary work he performed, especially in connection with the changes in the shareholder structure of Atel and Motor-Columbus.

Executive Board

Remuneration paid to Executive Board members in 2006 totalled CHF 6.6 million, including the remuneration of those members who left office during the financial year. Executive Board members are entitled to a company car. The amount of the bonus is determined by the annual results and by personal achievement. In the year under review the variable component was equal to 50 per cent of total salary excluding any special remunerations. According to the information available to us, Executive Board members held a total of 16 registered shares in Aare-Tessin Ltd. for Electricity at 31 December 2006.

No other fees or remuneration were paid to members of the Board of Directors or Executive Board members.



Bordeaux

Executive Board
The Executive Board consists of six members.

CVs of the Executive Board members, together with information on their other activities, can be found on the Atel website: www.atel.eu/management.

Giovanni Leonardi (third from left)

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 (far right)

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

Kurt Baumgartner (second from right)

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

Herbert Niklaus (third from right)

Head of Energy Switzerland
and of Energy Services
Dipl. El.-Ing. ETHZ
Swiss national
Born 1955
With Atel since 1996, member of the
Executive Board since 2005

Heinz Saner (far left)

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

Reinhold Frank (second from left)

Head of Energy Northern/Eastern Europe
Graduate engineer
German national
Born 1955
With Atel since 2006 as member of the
Executive Board

Bordeaux

Shareholders' participation rights

Every share represented at an Annual General Meeting is entitled to one vote. There are no restrictions on transferability or voting rights. The only quotas applicable at Annual General Meetings are those set out in the Swiss Code of Obligations.

Annual General Meetings are convened in accordance with the rules set out in the Swiss Code of Obligations.

Agenda

Shareholders' participation rights are governed by law and the company's Articles of Association. The Articles of Association can be downloaded from: www.atel.eu/articles-of-association.

Shareholders may call for a particular item to be included on the agenda provided that they represent shares with a nominal value of at least CHF 1 million. Such requests must be submitted at least 50 days before the Annual General Meeting. Registered shares must be entered in the share register at least one week before the Annual General Meeting, otherwise their holders will not be entitled to vote.

Change of control and defensive measures

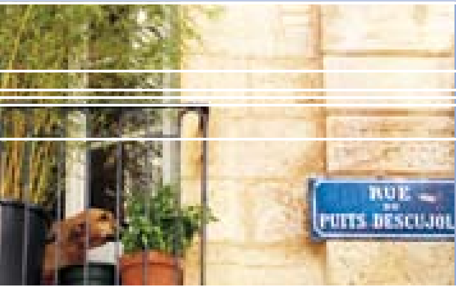
Mandatory offer

Majority shareholders in Aare Tessin Ltd. for Electricity are required under the Swiss Stock Exchange and Securities Trading Act to take part in a public purchase offer (no opt-out clause). The Articles of Association contain no other protective measures.

Change-of-control clauses

Directors who step down before their terms of office are expired in consequence of a change of control are paid the fees to which they would be entitled as directors until the end of their terms of office.

The contracts of employment of Executive Board members contain the usual change-of-control clauses: if the contract of employment is terminated within twelve months of a change of control, the person affected shall be paid severance compensation equal to one year's remuneration.



Auditors

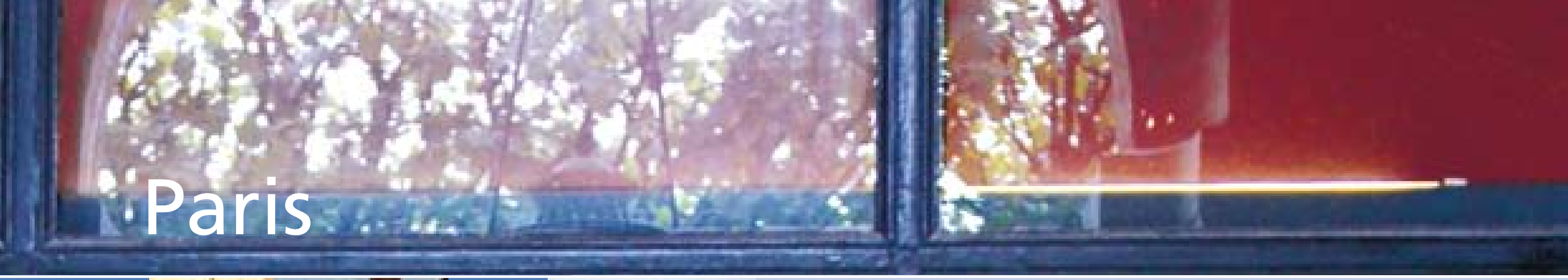
Ernst & Young Ltd., Zurich, has served as statutory and group auditors of Aare-Tessin Ltd. for Electricity since 2002. The statutory and group auditors are each appointed at the Annual General Meeting for a one-year term of office. Their performance and fees are reviewed annually. Ernst & Young Ltd.'s current lead audit partner has been in charge of the Atel audit since 2004. In the 2006 financial year, Ernst & Young Ltd. received fees of approximately CHF 3.3 million as statutory and group auditors. Fees paid for additional audit-related, tax and general advisory services totalled approximately CHF 2.1 million.

External audit information mechanisms

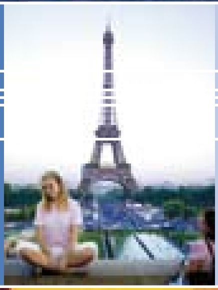
The Audit Committee (AC) is the supervisory body for the external auditors. The external auditors report to the AC at least once a year on the audits they have conducted and the resulting findings and recommendations. The AC agrees the audit plans with the external auditors in advance and assesses their work. The external auditors prepare a Management Letter for the full Board of Directors once a year. The AC may at any time invite the external auditors to attend its meetings. It did so on one occasion during the year under review.

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 annual media and financial analysts conferences and at General Meetings. Our communication channels are completed by our constantly updated website – www.atel.eu – and by press releases detailing important events. Contact addresses are set out on pages 62 / 63 of the Annual Report. Key dates for the current financial year are listed on page 63.



Paris



The name itself is a chanson. Its seductive melody evokes the stylish boulevards and colourful parks and gardens, the picturesque cafés and restaurants of this sparklingly hectic city on the river Seine. Two centuries ago, enterprising Paris restaurateurs invented the bistro, a quick-service eatery. Little did they realise then, that the bistro would become the quintessential venue for romantic tête-à-têtes in a relaxing ambience.

Management assistant Nora Zekri, 29, spends a large part of her typical working day attending to a diverse range of activities and administrative functions. This charming young woman with Algerian roots is familiar with the contrasting features of the city and enjoys the cultural riches Paris has to offer. And she is equally familiar with the varied needs and activities of her in-company contacts in virtually all the Atel Energie SAS departments. With her diplomatic approach and personal commitment she makes a significant behind-the-scenes contribution to smooth and successful operations.

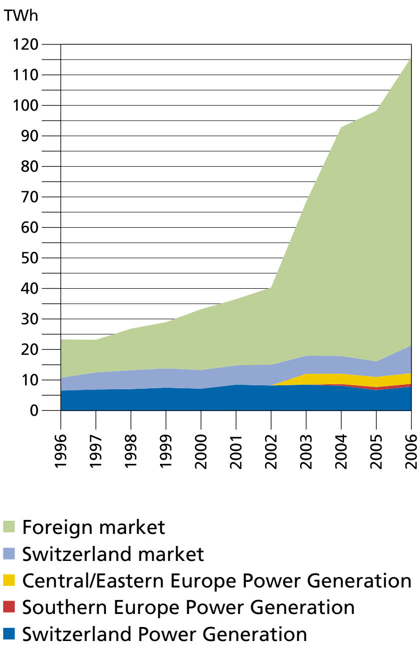
As a production-based energy trader, Atel applies made-to-measure procurement strategies to satisfy the most diverse customer requirements.

Paris

Productive harmony

As an electricity trading specialist with its own power stations in Switzerland and other European countries, Atel offers its customers a comprehensive range of services. The Energy segment includes electricity trading and sales, power generation and transmission.

Energy procurement 1996 – 2006
Not including speculative transactions



For industrial and major customers, the Swiss electricity market in 2006 was again dominated by rising energy prices. The cold winter and various exchange transactions led to higher supply volumes, yet again increasing sales volume and revenue alike. The opening of the Swiss electricity exchange has given Atel an additional trading platform. The launch of the new schedule-balance group system had a positive effect on market momentum during the year under review.

Renewable energies in southern Europe

In Italy the benign economic situation gave Atel an encouraging financial year. Atel Energia S.r.l. bought Italian energy supply company Energ.it in 2006, successfully establishing itself in the growth market of small industrial enterprises. At the same time fuel procurement continues to grow in strategic importance. The acquisition of two wind farms in Sicily and small hydroelectric power stations in Piemont was announced in the autumn.

For the Western Europe region the 2006 financial year was dominated by continuing increases in revenue and market shares in France. Atel Energie SAS is constructing a gas-fired combined cycle power station, which will give it generation capacities of its own within the foreseeable future.

Leading position in Eastern European electricity trading

The integration of trading specialist Entrade into the Central/Eastern Europe market business unit led to a further increase in end-customer business during the year. The positive economic trend throughout the region helped Atel to further strengthen its position as the leading electricity trader from Poland to Greece. In Germany Atel succeeded in increasing both sales volume and revenue,

as well as broadening its customer base. In Scandinavia Energipartner AS in Oslo managed to hold its own against strong competition. The trend towards flexible energy products for companies and urban utilities continued during the year under review.

Atel Trading: a record result

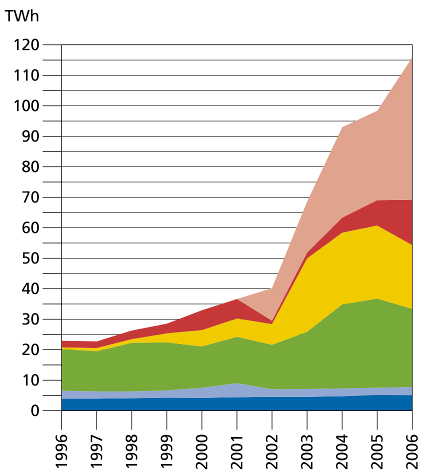
Yet again, the Trading business unit ended 2006 with a record result – substantially exceeding its target for the year. Atel's continued expansion of its coal and gas business took it one step further along the road from electricity trader to energy trader. The main contributors to this success were Power Trading, with option trading in new markets, and the development of new structured products. In parallel to the success of the Trading unit, the Settlement and Systems business unit also posted new record volumes and transaction quantities in 2006 – with an extraordinarily low error rate. Settlement and Systems successfully introduced the schedule-balance group system and cross-border auctions.

Outlook

European energy markets will continue to become more open and integrated in 2007. In Switzerland several impending legal amendments will be significant in terms of energy policy. These affect the Electricity Supply Act, the Water Conservation Act and the Nuclear Energy Liability Act. It is yet to be decided how the networks operated by the major Swiss electricity groups are to become part of the new national grid company, Swissgrid. The impending electricity shortfall will add new urgency to the discussion of new major power stations in future years.

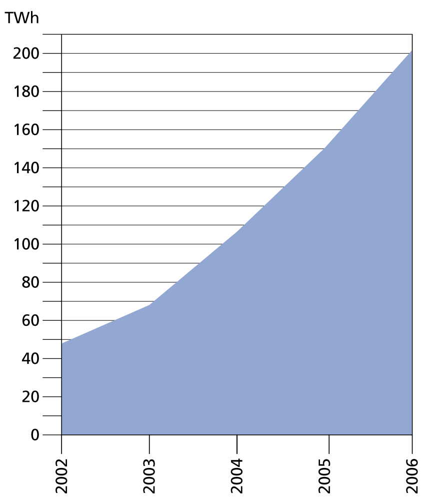
In Central and Eastern Europe, sustained economic growth and the continuing EU integration process offer Atel further attractive opportunities for growth. In France the construction of a new generation facility, scheduled for the end of 2007, will further consolidate Atel's position – while the Italian electricity market will complete its liberalisation process on 1 July 2007, creating new market opportunities for Atel.

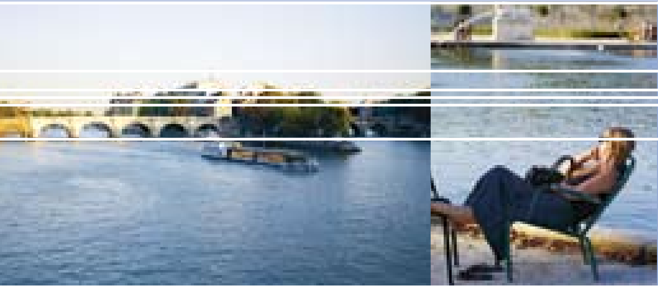
Energy sales 1996–2006
Not including speculative transactions



- Trading
- Northern Europe market
- Central/Eastern Europe market
- Southern Europe market
- Power Exchange Switzerland (wholesale)
- Regional Suppliers Switzerland

Energy sales 2002–2006
Standard transactions completed





Paris

Sustained growth

• Increased electricity sales in Switzerland • Moving into SME business in Italy • Increasing growth opportunities in the Central/Eastern Europe market • Power generation in France within reach • Trading exceeds last year's record result.

Switzerland market

Broader sales base

The development of the Swiss market in 2006 was very encouraging. Once again both sales and margins rose. The economic environment remained positive, and this combined with the long, cold winter of 2005/06 to increase supply volumes by more than three per cent. A number of attractive exchange transactions expanded the segment's sales base in Switzerland. As in the previous year, sharply higher primary energy prices, the growing energy shortage and higher market prices for electricity pushed wholesale prices up in Switzerland as well.

Introduced in December 2005, the schedule-balance group system for the use of the transmission grid triggered increased market momentum in the year under review.

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-energiehandel.de
www.energipartner.no
www.energit.it
www.powernext.fr
www.repower.ch
www.ses.ch

Overview Energy segment

	+/- variance 2005–2006 in % (based on CHF)	2005 CHF mn.	2006 CHF mn.	2005 EUR mn.	2006 EUR mn.
Energy sales (TWh)	17.8	98.166	115.642	98.166	115.642
Net revenue	38.4	7020	9716	4535	6177
Segment profit	138.6	365	871	236	554
as % of net revenue	73.1	5.2	9.0	5.2	9.0
Net investments in tangible fixed and intangible assets	17.0	112	131	72	83
Number of employees as at balance sheet date	6.8	1451	1549	1451	1549
plus trading in standardised products					
in TWh	34.6	149.982	201.892	149.982	201.892
in CHF mn. or EUR mn.	65.4	8289	13708	5355	8715

The opening of the Swiss electricity exchange and the commencement of operations by Swissgrid will also boost momentum in the market. The Swiss electricity exchange provides Atel with an additional platform for trading transactions. And it will increase transparency in market prices. As a result, market signals can be expected to have a greater influence on end-customer prices. Some two years later than planned, Swissgrid – the national grid company established by Atel and six other leading Swiss energy groups back in May 2004 – took over the coordination of the grid, a function that used to be carried out by Etrans. Now it has the responsibility for operating the entire Swiss high-voltage grid.

Setting the political course

At political level, parliament carried out a number of amendments to the Electricity Market Bill during the year under review that will have serious consequences. Though both chambers accepted the step-by-step liberalisation of the electricity market, the upper chamber took a different view from that of the National Council – deciding that as well as major individual customers, SMEs are also to have market access if they form cooperatives drawing at least 100 megawatt-hours.

Contrary to the original intentions, the proposal to open up the market for small customers will now be put to an optional referendum. Parliament has also resolved to introduce a CO_2 tax at the beginning of 2009. In Atel's view, the upper chamber's decision not to exempt power generated by gas-fired power stations from the CO_2 tax will be highly detrimental to investment.

Yes to renewable energies

Atel EcoPower AG was established during the year under review to promote renewable energies. The company has already taken a stake in Entegra Wasserkraft AG, which commissioned a new small hydroelectric power station in eastern Switzerland at the end of October 2006. In Ticino Atel holds a stake in Senco Holding SA through its subsidiary Sopracenerina SA. Senco currently has three facilities in Ticino with a total output of 3.6 megawatts. Six more facilities are planned in various valleys in Ticino, each with an output of 1 megawatt. Atel has made 50 million francs available for renewable energies in Switzerland.

2007 will be dominated by the impending opening-up of the market. With its activities in open markets throughout Europe, Atel is ideally prepared – and much in demand as a partner in Switzerland.

Stable regional development

Even though its supply volumes are virtually unchanged from the previous year, Società Elettrica Sopracenerina (SES), Locarno, achieved a slightly higher operating result 2006. This positive development can be attributed to better margins and rigorous cost management. Major developments last year included the acquisition of distribution networks in the upper Blenio valley (Campo Blenio and Ghirone) and the increase in its stake in Senco Holding SA.

The closure of the Tenero paper mill will reduce supply volumes by some 20 GWh next year, but improved margins will minimise the impact on the operating result. Supply volumes are expected to rise in consequence of revived interest in the old Monteforno site, and this will partly make up for the loss of the paper mill. The central objectives of SES for next year will again be negotiating with local authorities on the renewal of licences and the acquisition of more small distribution networks. The projected local authority mergers in the Leventina valley will occupy significant management time.

Paris

Atel Versorgungs AG (AVAG) posted slightly higher sales. 2006 was the first full year in which the general reduction in the electricity price implemented on 1 October 2005 was reflected in the income statement. In addition to the eleven licensing authorities with interests in AVAG, a new business model based on a network lease has been developed with four authorities. 2006 was the fifth year in which the operational management of AVAG, together with Städtische Betriebe Olten (sbo), was provided by Aare Energie AG (a.en).

AEK Energie AG can look back on a successful 2006 financial year. In contracting operations, a number of attractive projects were realised last year, mostly using wood pellets as fuel. Production and sales of the wood pellets provided by subsidiary AEK Pellet AG were encouraging.

Southern Europe market

A successful year

Atel can look back on a successful year in Italy, even though higher fuel prices increased power generation costs. Significant contracts were signed with major customers and consortia, and the customer portfolio was selectively expanded. Imports of electricity into Italy were also conducted successfully. The healthy economic climate in Italy had an extremely positive impact on the volume of transactions. Energy consumption was accordingly high, both in the hot summer of 2006 and during the winter.

Moving into SME business in Italy

Atel Energia's expanded organisation and the optimisation of its various structures and processes enabled the company to react appropriately to altered needs in the Italian electricity market. A new building in Milan was acquired to accommodate its growing staff. In certain market situations during the year under review, Atel was able to export electricity from Italy. This trend is likely to continue. Italy is gradually transforming itself from a classic energy-importing country to a partial exporter. Price differences between Italy and its neighbours are still high.

Atel Energia's acquisition of Italian multi-utility company Energ.it during the year under review brought the company into the fast-growing SMALL market segment (small industrial enterprises). Atel Energia's customers were formerly major individual companies and syndicates, but its portfolio now includes SMEs. Atel has also moved into renewable energies, acquiring interests in two small hydroelectric power stations in Piemont and two wind farms in Sicily.

Building up a gas procurement organisation is another promising development in gas business. In future Atel Energia will consolidate its positioning throughout the value chain, from gas purchasing to energy generation and sales. The Italian electricity market will be 100 per cent liberalised from 1 July 2007, making it possible to supply individual households. Atel Energia is ready to exploit these market opportunities and to take advantage of increasing electricity consumption.

Central/Eastern Europe market

Leading electricity trader

The positive economic trend throughout Central and Eastern Europe continued in the year under review. In parallel, the region moved closer to Western European energy markets – a positive factor for Atel's growth in those markets. Active in all energy markets from Poland to Greece, Atel further consolidated its position as a leading electricity trader in this market. The integration of Entrade, a trading specialist and subsidiary, into the Central/Eastern Europe market business unit high-

lighted perceptible synergy effects in the expansion of end-customer business and short-term portfolio optimisation business. End-customer business in the Czech Republic and Hungary was further expanded. Both Atel Energia Kereskedő Kft. in Hungary and Atel Ceská republika, s.r.o. in the Czech Republic have established themselves among the largest retailers to end-customers in their respective markets. In Slovakia and Greece end-customers were supplied for the first time. Atel Hellas took on extra staff in 2006, and developments in the end-customer and electricity trading segments enabled it to make a significant contribution to the bottom line.

Atel Polska succeeded in repeating its outstanding 2005 result, confirming its position as one of the leading trading organisations in the Polish market. Subsidiary companies were established in Serbia, Romania, Bulgaria and Macedonia to meet local legal requirements. As business expanded, the number of employees increased.

Atel expects the continued integration of the new EU members to generate sustained economic growth. At the same time, energy consumption – especially in the southern areas of Central and Eastern Europe – is likely to grow at an above-average rate. In the years to come there will be a pronounced energy shortage in the south of the region.

Progressive liberalisation and the extension of trading opportunities throughout the region provide Atel with the perfect environment for growth. The Central/Eastern Europe business unit expects its business opportunities to continue to expand.

Western Europe market

Power generation in France within reach

Atel's Western Europe business unit commenced activities in France in January 2002 and in Spain in January 2006. Since then Atel Energie SAS has expanded its sales business, and it is now the largest independent energy supplier in France – second only to the sector giant Eléctricité de France (EDF). Revenue showed a sustained increase in the 2006 financial year, and additional market shares were gained in France. Atel established a foothold on the Iberian peninsula when it opened its Atel Energia SA subsidiary in Barcelona. This soon concluded its first contracts. The focus was on industrial customers. Atel Energie SAS has filed a proposal for the construction of a 400 MW gas-fired combined cycle power station at any of three possible locations, taking an important step towards its objective of generating its own power in France. Planning permission could be granted during 2007. The electricity generated will be marketed by Atel's subsidiary in Paris. The investment requirement is put at EUR 240 million.

Given that energy consumption is forecast to rise in both France and Spain, the Western Europe business unit expects to increase both revenue and profitability in 2007. The deregulation of the Spanish energy market is expected to continue and France is to see complete market liberalisation from July 2007.

Northern Europe market

Customer base further expanded

In Germany, the largest and most competitive energy market in continental Europe, Atel's business performance remains positive. Atel Energie AG increased both sales volume and revenue during the year under review, as well as further expanding its customer base. New delivery contracts were concluded, and major contracts with existing customers were extended.

Paris

The performance of Atel's partner companies is also most encouraging. In the teeth of intense competition they succeeded in improving their market positions, increasing their contributions to overall profits. As in the previous year, 2006 was dominated by electricity price rises. However, prices were volatile. All the European markets, including Germany, are currently debating the need to reduce CO_2 emissions. Regulations to achieve this are pending, which makes improving planning reliability one of the principal challenges. Falls in the price of crude oil, and subsequently of gas, were not fully reflected in electricity prices.

The market for structured energy procurement also continued to grow. Atel was able to sign its first long-term coal-linked supply contracts, thus implementing structured procurement concepts where the electricity price depends in part on coal.

Easier grid access

As a result of the political discussion surrounding the strong market position of established supply companies in Germany, network operators have become less reluctant to give new generation facilities access to the grid. The major national network operators have announced that they will connect any new power station and will no longer cite grid bottlenecks as a reason for refusing to do so.

Scandinavia market

Integration continues apace

Energipartner AS Oslo continued the process of integrating with the Atel Group. This generated historically significant earnings, and Energipartner more than held its own in a dynamic market environment. Energipartner's financial products are enjoying increasing market popularity. The trend away from conventional full supply contracts towards flexible, market-dependent energy products and services for companies and urban utilities continued. The Scandinavian energy market in 2006 was characterised by a period of extreme drought. Prices in the Nordic region rose, sometimes exceeding German levels. Beginning in September, prices fell back to levels significantly below German energy prices, mainly because the autumn was very mild and wet.

Trading

Another record result

Trading can look back on an extremely successful financial year. It ended 2006 with another record result, significantly exceeding its targets. Coal and gas trading both expanded. Trading is transforming more and more from an electricity trader into an energy trader.

Power Trading continued to make progress, with option trading in new markets, the development of new structured products, the introduction of intra-day trading, the expansion of capacity trading and the introduction of implicit auctions at a high level. Commodity Trading also expanded. Continued growth in trading of CO_2 certificates, expansion of gas trading in the United Kingdom and on the continent and the expansion of coal trading are particularly worthy of note.

The influence of banks and hedge funds trading for their own account was much more noticeable than in past years. It also became clear during the year under review that electricity trading and sales are going to be increasingly difficult for resellers in future. There are two reasons: the sideways movement of electricity prices in the forward market, and increased volatility in the spot market. Heavy demands are being made on technical specialists and systems as they have to react ever faster to ex-

ternal events. The market can therefore be expected to consolidate, so there is likely to be a slight fall in the number of Atel's direct counterparts. Conversely, the number of customers seeking Atel's advice should rise.

The strong price correlation between the primary energy markets for coal, gas and oil in combination with trading in CO_2 certificates was confirmed during the year under review, as was the price trend in electricity trading. Atel Trading benefited during the year under review from the fact that the availability of Atel's own power stations was far greater than it had been in the previous year. However, there were unmistakable capacity bottlenecks at national borders. Grid bottlenecks are increasing the influence of independent transmission system operators on forward, day-ahead and intra-day trading.

Outlook

The sideways movement of electricity prices in the forward market looks set to end in 2007. Price fluctuations in the spot market will continue to increase, and accordingly the need for hedging products can be expected to rise. Atel Trading must continue to develop, adapting itself to the complex, changing environment. Generation facilities, transmission capacities and electricity exchanges – not to speak of the political and legal framework – are all in a state of flux.

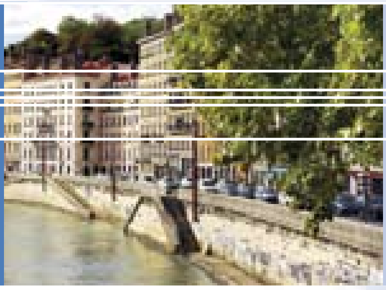
Settlement and Systems

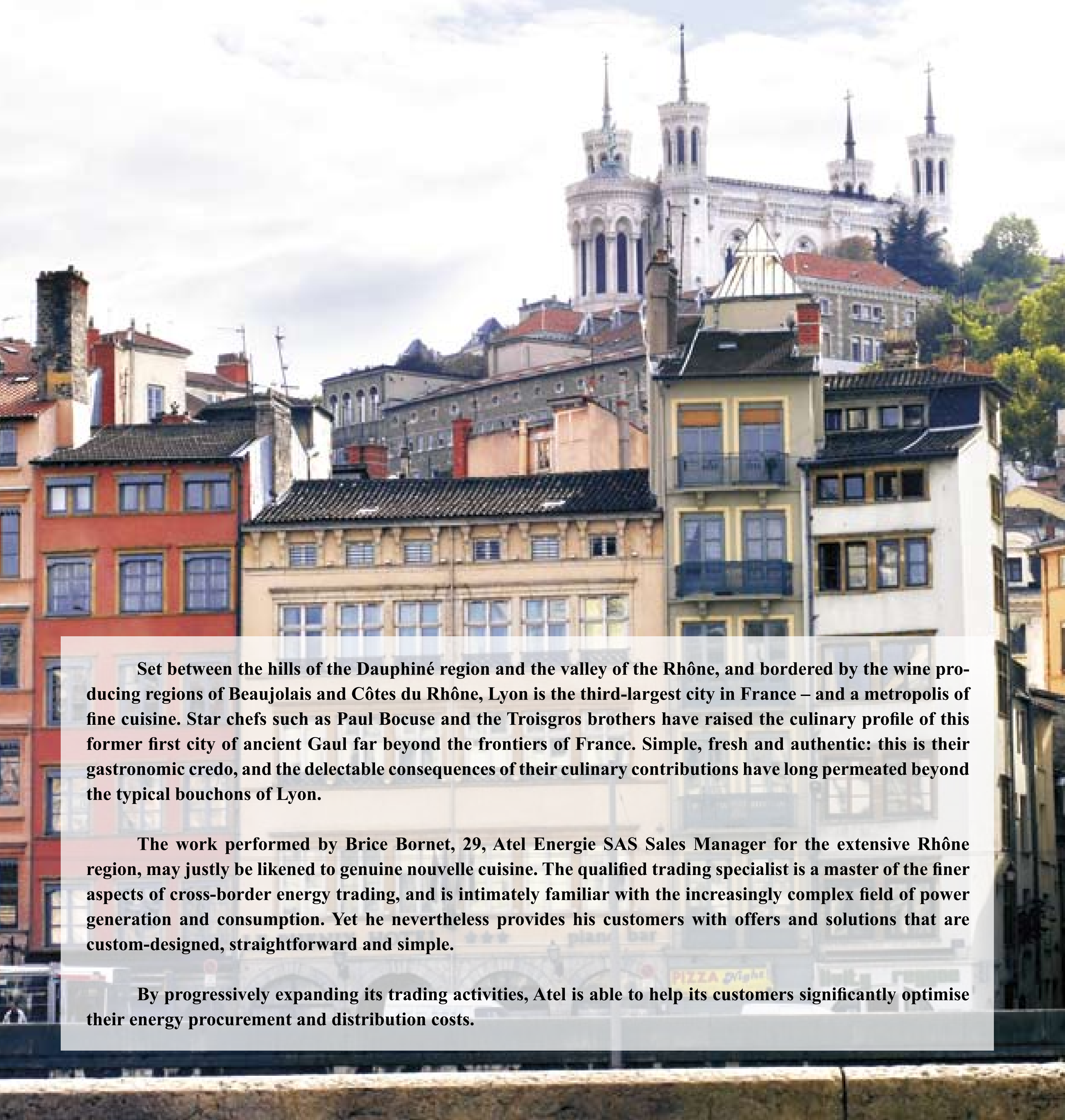
Auctions increase in importance

The Settlement and Systems business unit is handling new record volumes and transaction quantities. Power settlement is supported by the introduction of the new Energy Settlement and Statistics System. The integration of the trading system scenarios of Atel Energia in Milan and Atel Energy GmbH in Niedergösgen/Prague made further progress, and the contract for the new trading system (EIP project) was signed. With the introduction of schedule-balance groups in Switzerland and of cross-border auctions, the trading business has changed for good.

2007 is expected to bring further strong growth in power settlement business.

Lyon





Set between the hills of the Dauphiné region and the valley of the Rhône, and bordered by the wine producing regions of Beaujolais and Côtes du Rhône, Lyon is the third-largest city in France – and a metropolis of fine cuisine. Star chefs such as Paul Bocuse and the Troisgros brothers have raised the culinary profile of this former first city of ancient Gaul far beyond the frontiers of France. Simple, fresh and authentic: this is their gastronomic credo, and the delectable consequences of their culinary contributions have long permeated beyond the typical bouchons of Lyon.

The work performed by Brice Bornet, 29, Atel Energie SAS Sales Manager for the extensive Rhône region, may justly be likened to genuine nouvelle cuisine. The qualified trading specialist is a master of the finer aspects of cross-border energy trading, and is intimately familiar with the increasingly complex field of power generation and consumption. Yet he nevertheless provides his customers with offers and solutions that are custom-designed, straightforward and simple.

By progressively expanding its trading activities, Atel is able to help its customers significantly optimise their energy procurement and distribution costs.

Lyon

Well-placed to face the future

• Renovation and expansion projects in pumped storage • Preliminary project for a gas-fired combined cycle power station in the Valais • New gas-fired power station commissioned in the Czech Republic • Capital investment in wind farms and small hydroelectric power stations

Power generation Switzerland

Rising demand for hydroelectric power

Once again, flexible hydroelectric power was in great demand in 2006. The reasons for this were the increasing requirements throughout Europe for peak and balancing energy, together with the growing importance of the debate about climate change in connection with power generation. Hydroelectric power as renewable energy is thus an important trump card in Atel's generation portfolio.

Affiliated companies' hydroelectric power stations suffered no significant technical problems in 2006 – but low river flows and reservoir levels meant that despite this, power generation at the beginning of the hydrological year was below average. Several generating companies saw the lowest production figures since their commissioning. Overall, maintenance and repair costs in hydroelectric power stations will rise in the years to come, thus increasing generation costs. Renewal costs during the year under review also reflect steep rises in steel prices. However, higher generation costs were covered by higher market prices. Customers are exhibiting an increasing readiness to pay more for environmentally harmless hydroelectric power.

"Nant de Drance" – pumped storage

The project for the "Nant de Drance" underground pumped storage power station in the Lower Valais made further progress towards the point at which an application for planning permission will be filed. A joint development with the Federal Swiss Railways (SBB), this project would involve the construction of a pumped storage power station in a cavern between the two existing reservoirs, Emosson and Vieux Emosson. With turbine and pump output of

Further information:

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

600 megawatts, the power station would generate around 1 500 million kWh of peak energy annually. Other renewal and expansion projects that made further progress in 2006 include the modernisation of the Flumenthal power station, the rebuilding of the control room at the Navizence power station (Kraftwerke Gougra AG), the rebuilding of the Inn communal power station and the diversion of water from the Lugnez into the facility belonging to Kraftwerke Zervreila AG. Small power stations all over Switzerland are also being purchased and developed.

During the year under review the upper chamber of Parliament continued its consideration of amendments to the Swiss Water Conservation Act. These would improve the framework for hydroelectric generation. The proposal is to replace the current rigid regulations governing residual water by a flexible system, enabling better use to be made of water power. If, however, the "Living Water" popular initiative submitted in the summer of 2006 were to be accepted, it would lead to a marked reduction in usable hydropower potential and to noticeable operating restrictions.

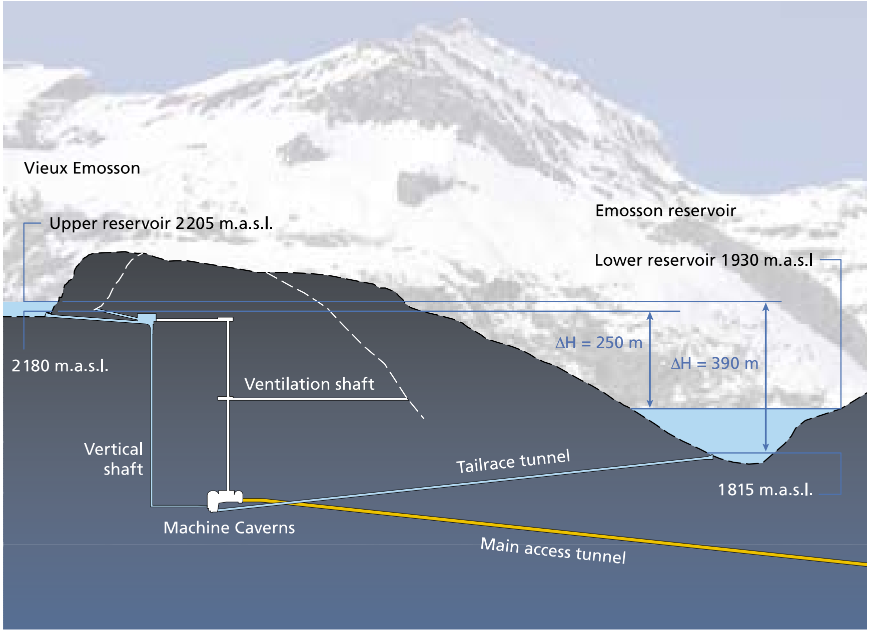
Expanding nuclear power remains an option

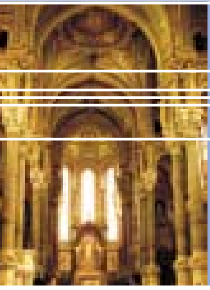
The two nuclear power stations at Gösgen and Leibstadt reached their 2006 generation targets. Each of them underwent an inspection and a fuel change. Now that the Federal Council has approved the disposal-certification system for high-level radioactive waste, the system now covers all waste.

The impending shortfall in Swiss electricity supply will make the construction of new nuclear power stations in Switzerland a serious option in the coming years. Existing power stations are already barely able to meet demand at peak times. But the current political and legal frameworks are a disincentive to capital spending on major power stations. The upcoming handling of the Federal Nuclear Safety Inspectorate Bill is also an important issue.

During 2006 Atel and Cimo SA jointly conducted the preliminary

"Nant de Drance" project diagram

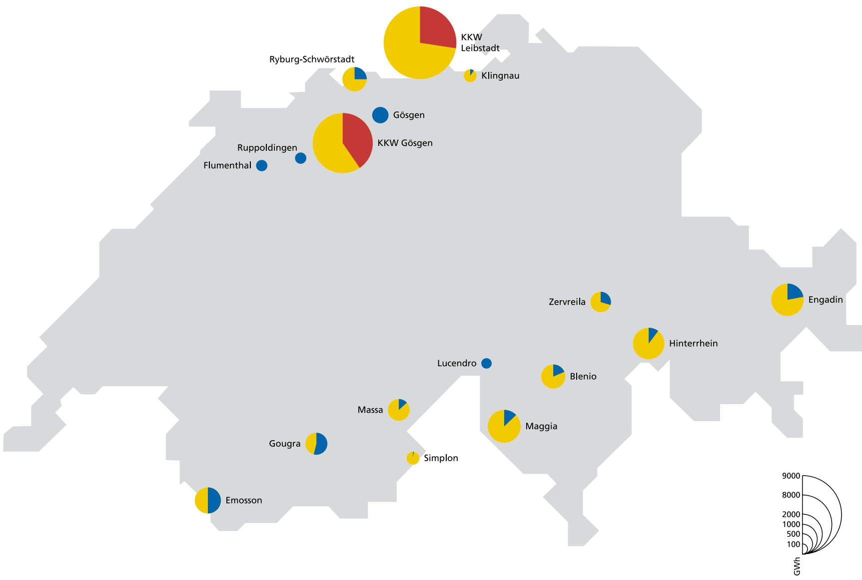




Paris

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 2005/2006	Variance in %	Atel share GWh 2005/2006
Atel Hydro AG*	100,0	92	500	507	1,4	507
Atel Hydro Ticino SA	100,0	60	100	83	–17,0	83
Aarewerke AG	10,0	43	230	204	–11,3	21
Blenio Kraftwerke AG	17,0	391	882	467	–47,1	79
Electra-Massa AG	11,5	340	543	550	1,3	63
Electricité d'Emosson SA	50,0	360	860	643	–25,2	322
Energie Electrique du Simplon SA	1,7	42	234	211	–9,8	18
Engadiner Kraftwerke AG	22,0	410	1 377	1 088	–21,0	239
Kraftwerke Ryburg-Schwörstadt AG	25,0	110	761	703	–7,6	176
Kraftwerke Gougra AG**	54,0	159	639	596	–6,7	388
Kraftwerke Hinterrhein AG	9,3	651	1 397	832	–40,4	77
Kraftwerke Zervreila AG	30,0	250	554	367	–33,8	110
Maggia Kraftwerke AG	12,5	626	1 350	785	–41,9	98
Total Atel share 2005/2006				(prior year 2 483)		**2 181**

* Exkluding BKW share KW Flumenthal

** Energy purchase right of 65%

Thermal power stations Switzerland

Company	Atel holding in %	Capacity MW	Power generation GWH average	Power generation GWH 2006	Variance in %	Atel share GWh 2006
Kernkraftwerk Gösgen-Däniken AG	40,0	970	7 383	8 099	9,7	3 240
Kernkrafwerk Leibstadt AG	27,4	1 165	7 913	9 367	18,4	2 567
Total 2006			**15 296**	**17 466**		**5 807**

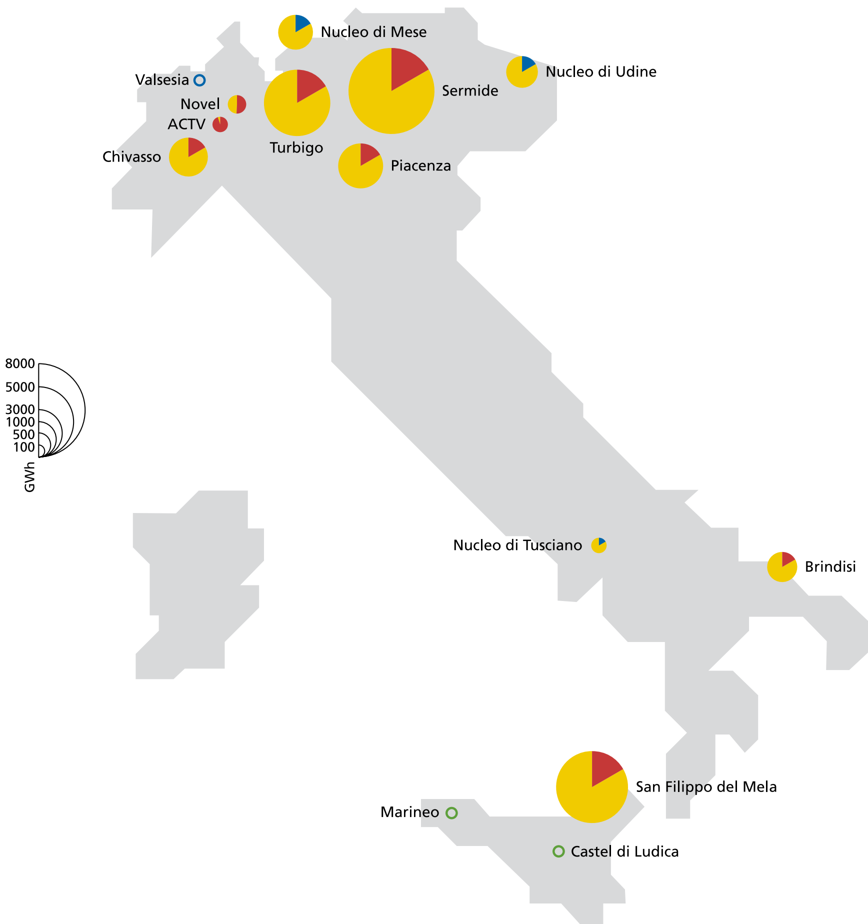
project and the invitation to tender for the construction of a 55 MW gas-fired combined cycle power station at Monthey in the Valais. Costing 90 million francs, it will supply three chemical companies with electricity and steam.

Power generation Italy

Moving into renewable energies

A substantial rise in domestic power generation capacity reduced the capacity utilisation of Atel's Italian generation portfolio in 2006. But the Italian market remains attractive, because there is still strong demand for flexible energy generation. Technical problems at the Sermide and Vercelli facilities caused a number of outages.

The main event during the year under review was the move into power generation with renewable energies. Atel secured a majority interest in two small hydroelectric power stations in Piemont, while in Sicily it has a stake in the construction and operation of two wind farms. This commitment is a contribution by Atel to climate protection and the achievement of the Kyoto targets. At the same time it means that Atel has gone some way towards meeting the legal requirement to generate some



Power generation in Italiy

- Atel's own thermal power stations
- Holdings in thermal power stations
- Holdings in hydroelectric power stations
- Wind power generator (under construction)
- Small hydroelectric power stations

Paris

Hydroelectric power stations Italy

Company	Atel holding in %	Capacity MW	Power generation GWh average	Power generation GWh 2006*	Variance in %
Edipower S.p.A., Nucleo di Mese	16	377	1 030	709	–31,0
Edipower S.p.A., Nucleo di Tusciano	16	96	198	218	10,0
Edipower S.p.A., Nucleo di Udine	16	309	689	609	–12,0
Total 2006				**1 536**	

* 100%, excluding production of CIP 6 and mini-hydro facilities

Thermal power stations in Italy

Company	Atel holding in %	Capacity MW*	Power generation GWh 2006*
Edipower S.p.A., Brindisi	16	640	2 633
Edipower S.p.A., Chivasso	16	1 140	5 563
Edipower S.p.A., Piacenza	16	860	3 222
Edipower S.p.A., S. Filippo	16	1 280	3 919
Edipower S.p.A., Sermide	16	1 140	6 022
Edipower S.p.A., Turbigo	16	1 230	1 752
Novel S.p.A.	51	100	639
Atel Centrale Termica Vercelli S.r.l. (ACTV)	95	50	305
Total 2006			**24 055**

* 100%, including "Emergenza gas" generation

of its electricity from renewable sources (Certificati verdi).

Consolidating these acquisitions in the southern region will make heavy organisational demands on the company during 2007. The quest for additional generation capacities in Italy to support the sales organisations will be systematically continued in 2007.

Power generation Central/Eastern Europe

New gas-fired power station commissioned in the Czech Republic

The new gas-fired power station at the Kladno power station complex was completed and commissioned in 2006. With an output of 43 megawatts, this modern facility mainly provides peak-load capacities and energy for the Czech Republic's national grid. This expansion at Kladno consolidates Atel's position as one of the Czech Republic's largest independent producers of electricity and heat. Atel has acquired a further eleven per cent stake in both the ECK Generating s.r.o. (ECKG) power station complex and Energetické centrum Kladno s.r.o., which are now wholly-owned subsidiaries.

Performance in 2005 was already excellent, and during the year under review the three Eastern European generation facilities again exceeded their target results. Output at Csepel and Kladno was excellent once more, and Atel also benefited from the sharp increase in electricity prices in the Czech Republic. Furthermore, 2006 was the first year in which the Zlin Energy Business was part of Atel's Central and Eastern Europe portfolio, and this also contributed to the good result.

Markets in the countries of Central and Eastern Europe can be expected to continue to be liberalised and opened up. Atel expects to face tough competition from major European energy supply companies and established national players. There will also be challenges from authorities and political forces in the EU and Hungary in connection with the status of Atel's long-term supply contracts. The overall outlook for these markets remains good, and Atel will continue in 2007 to pursue every opportunity presented to it in the Eastern European market for growth, expansion and acquisitions, in both generation and capacity.

Thermal power stations Central/Eastern Europe

Company	Atel holding in %	Capacity electric MWe	Capacity thermal MWth	Power generation electricity 2006 GWh	Power generation heating 2006 TJ*
Csepel I + II, Budapest	100,0	389	162	1 661	1 266
Kladno Energy Businesses (ECKG)	100,0	385	272	1 485	1 259
Zlín Energy Businesses**	100,0	50	320	176	1 548
Total 2006				**3 322**	**4 073**

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

Power generation in Hungary and the Czech Republic

● Atel's own thermal power stations

Geneva

Grid

Several new lines completed

Atel Transmission Ltd. can look back on an extremely successful 2006. One highlight was the replacement of the pylon on Mittelplatten, the highest point of the 380 KV Lavorgo-Mettlen transmission line. 17 supporting structures on the same line were also replaced. Located in the vicinity of Morschach on Lake Lucerne, they dated back to 1948/1949 and were heavily corroded.

The Bickigen-Wangen section of the new 220 KV Bickigen–Flumenthal line was completed. The construction of the second section of this line, from Wangen to Flumenthal, is scheduled for 2007 – so that from the end of 2007 the Solothurn region will be supplied by two independent 220 KV links, one from Gösgen and the other from Bickigen.

During the year under review the new 50 KV substation at Lachmatt near Pratteln was completed for Atel Versorgungs AG (AVAG).

Sundry planning and coordination work

Preparations for the application for planning permission for the network link from the proposed "Nant de Drance" pumped storage power station in the Lower Valais were also made in 2006. A feasibility study for the renewal of the Airolo-Lavorgo line in the Upper Ticino was completed.

Atel Transmission Ltd. led working groups concerned with planning the medium-term expansion of transregional networks in the northern and southern Jura, and with the Swiss national grid as a whole. During the year under review Atel Transmission Ltd. was also involved in a working group established by the owners of the interconnected systems to design a model for calculating grid costs in accordance with the future Electricity Supply Act.

Preparatory work for the national grid company, Swissgrid, which started operating at the end of 2006, was most demanding in terms of time and effort. It required the parties to participate in drafting a voluminous set of agreements and to cooperate in the preparation of the Swissgrid management manual. These documents govern collaboration between Swissgrid and the owners of the transmission systems.

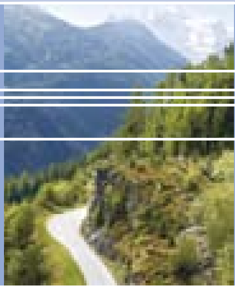
Outlook

Construction of the new 50 KV Klus substation for AVAG, Onyx and AEK Energie AG is scheduled for 2007. Atel Transmission Ltd. will add a 132 kV/16.7 Hz branch to the existing line between All'Acqua and Airolo for the Federal Swiss Railways (SBB) in 2007. In Arbedo the 220 KV line will be moved out of the construction area.

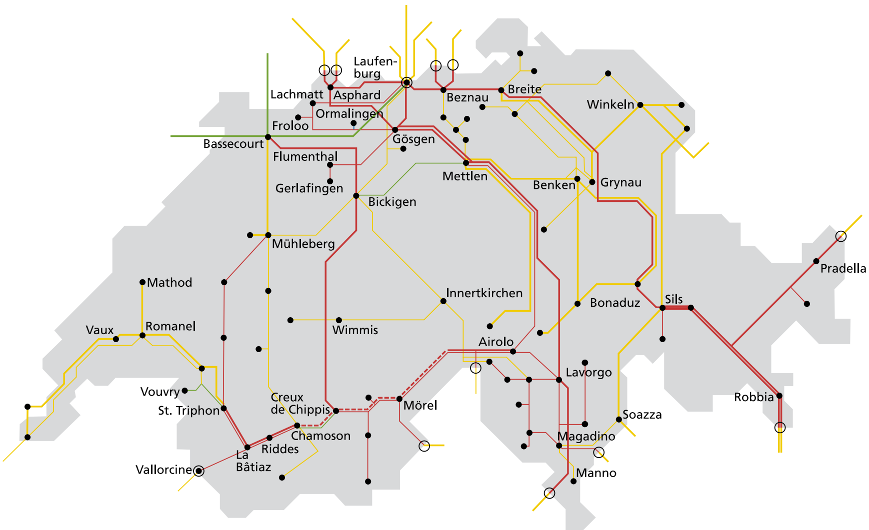
All the partners involved are highly interested in constructing a 380 KV transmission line stretching from Chamoson to Lavorgo. Atel Transmission Ltd. has already completed the Nufenen line, an important section of this link. Work on planning the Mörel-Ulrichen and Airolo-Lavorgo sections will speed up in 2007.

The further renovation of the 380 KV Lavorgo-Mettlen line is still blocked by objections. The next steps in the process have been initiated, but when a construction permit will be issued is anybody's guess.

High levels of capital investment throughout the world – and particularly steep rises in the prices of steel and copper – have led to significant price increases for electrical plants. This trend can also be expected to continue in the years to come.



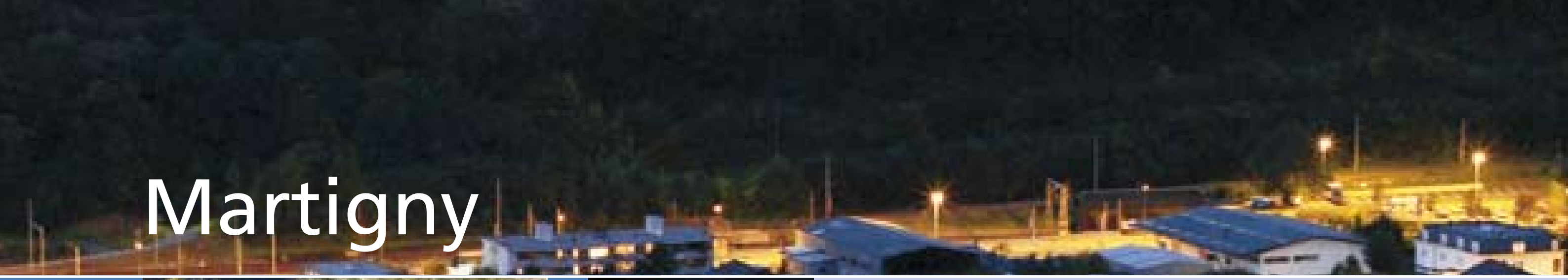
Atel Transmission Ltd. has followed government and parliamentary debates on the Electricity Supply Act and the ownership of the transmission grid with interest, and will make arrangements to prepare for the foreseeable changes.



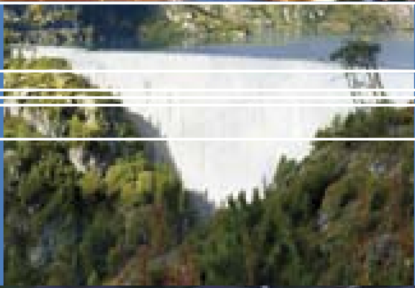
Atel lines in the high-voltage grid

380 kV 220 kV

——— ———	Atel's own power lines, holdings, long-term rights
——— ———	Limited-duration transport right
——— ———	Third parites
-------	Upgrading
•	Substations
○	International connections of Atel and partners



Martigny

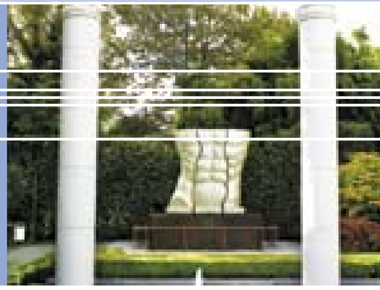


Far above the regional centre of Martigny in the Swiss Canton of Valais, there stands an arch dam, 180 metres high and 555 metres long, which retains some of the water from the nearby Mont Blanc range in an artificial lake – the Lac d'Emosson. Surrounded by snow-covered Alps, this is Switzerland's second largest storage reservoir. It provides enough electric current to satisfy the lighting needs of a town with a population of 100 000. Completed more than 30 years ago, the impressive structure is a must-see for tourists from all over the world.

Samuel Berger, 29, is the master of this huge body of water. He is in charge of the sluice gates of the reservoir operated by Electricité d'Emosson, an Atel company. It goes without saying that Berger – a trained electrician from Collonges – no longer opens and closes the sluice gates by hand as in days gone by. The water that enters and exits the storage power station is controlled by means of sophisticated software directly from the control centre in La Bâtiaz. Environmental aspects – the safety of people and nature – are afforded special consideration: the Lac d'Emosson plays a crucial role in protecting the Rhône valley from flooding.

With its portfolio of major hydroelectric power stations in Europe's Alpine water reservoir, Atel helps to ensure stable prices and reduce risk potential in the electricity market.


Levi's



Martigny

Every aspect of energy

Atel's Energy Services segment is a well-established, experienced service partner. The Atel Installationstechnik Group, Zurich, and the GAH Group, Heidelberg, cover Switzerland, Northern Italy, Northern and Eastern Europe, meeting all customer needs in the areas of energy supply, communications technology, industrial plant engineering, building services and technical facilities management.

Good capacity utilisation thanks to the economic recovery

The increasing pace of the recovery in the Swiss economy during the year under review led to good capacity utilisation in the field of building services. There was more investment, especially in housing construction, the retail sector and public transport. Despite this encouraging upturn in capital spending by institutions and the public sector, the long-awaited price recovery failed to materialise in 2006. As in the year before, the Atel Installationstechnik Group (AIT) completed a number of notable acquisitions, further consolidating its position as the leading provider in the Swiss energy services sector. The purchase of Indumo AG makes Atel the largest industrial automation provider. The takeover of Luwa Schweiz AG, a ventilation and air-conditioning specialist, is another ideal addition, complementing the existing activities of the AIT Group.

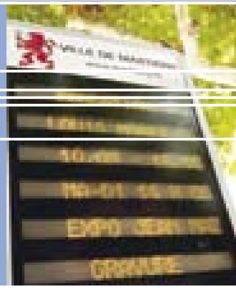
Trend reversal in Germany

With economic growth significantly stronger than in the previous year, both the GAH Group's business fields turned in a positive overall performance in 2006. The Energy Transmission and Communications Technology Division also benefited from rising capital investment in electricity networks and from maintenance contracts for the electricity distribution network.

There was increased demand for high-voltage overhead lines, transformer stations and services for distribution networks. The Industrial and Power Plant Engineering Division performed well, particularly helped by demand from abroad for nuclear engineering.

Further Information:

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



Outlook

The AIT Group currently sees potential for development in 2007 in building services and energy supply technology. Growth opportunities in energy supply technology are heavily dependent on the level of capital spending in the public sector.

The GAH Group also expects 2007 to deliver further growth impetus. A crucial factor here is likely to be the potential demand arising from capital investment in new power stations by energy suppliers.

Overview Energy Services segment

	+/- variance 2005–2006 in % (based on CHF)	2005 CHF mn.	2006 CHF mn.	2005 EUR mn.	2006 EUR mn.
Order intakes	15.0	1 595	1 834	1 030	1 166
Net revenue	4.0	1 564	1 626	1 010	1 034
Segment profit	16.0	25	29	16	18
as % of net revenue	12.5	1.6	1.8	1.6	1.8
Net investments in tangible fixed and intangible assets	10.3	39	43	25	27
Number of employees as at balance sheet date	–1.1	7 198	7 119	7 198	7 119

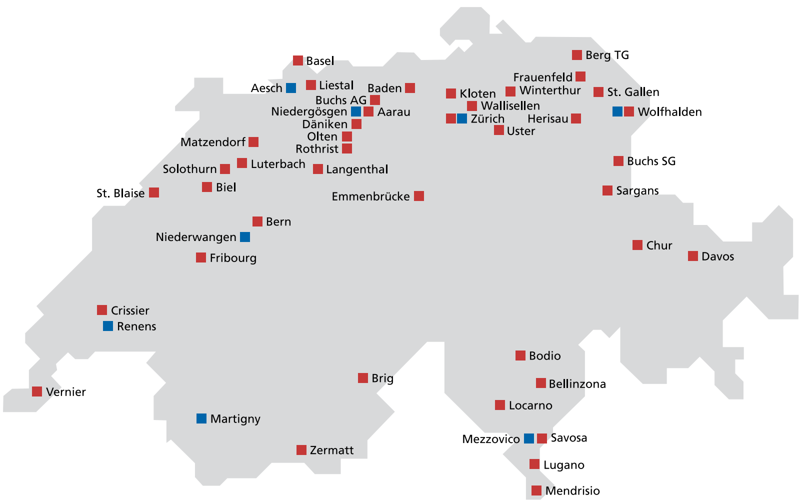
Martigny

Continued growth

• Full capacity utilisation in energy supply fuelled by the Lötschberg Alpine transit project • Brisk construction and investment activity by institutions and the public sector in Switzerland and Italy

Atel Installationstechnik Ltd.

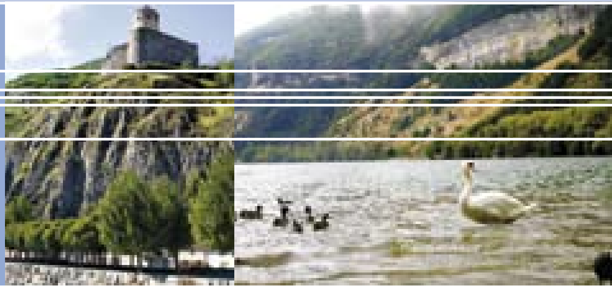
BulidingServices/ Technical Facilities Management	Energy Supply Technology	Major projects
Atel TB Romandie Ltd.	Kummler + Matter Ltd.	
Vernier	Zurich	
Atel impianti Ltd.	Mauerhofer + Zuber Ltd.	
Savosa	Renens	
Atel Building Technology Ltd.	Elektroline a.s.	
Zurich	CZ-Prague	
Atel Building Technology West Ltd.		
Olten		
Indumo Ltd.		
Buchs (AG)		
Atel Sesti S.p.A.		
IT-Milan		



AIT Group business fields

- Bulding Services and Management
- Energy Supply Technology

Other foreign facilities: Milan (IT), Vaduz (FL), Prague (CZ)



Increasing market momentum in Switzerland and Italy towards the close of 2005 largely continued into 2006, leading to encouragingly high capacity utilisation in building services over the year as a whole. In Italy the major projects secured in 2005 gave the segment an excellent activity level, and order books were boosted by a number of new contracts. The installation of the contact line for the major Lötschberg Alpine transit project, on which the energy supply division had been working to capacity from the beginning of 2006, was completed. Performance was also encouraging in the other areas of energy supply technology, including Eastern Europe.

Organic and acquisition-driven revenue growth

Much of the growth achieved was driven by the acquisitions of Luwa Schweiz AG (ventilation and air conditioning) and Indumo AG (industrial automation). Further growth came from various companies purchased in 2005. In addition, organic growth enabled the group to increase revenue by more than 15 %.

This encouraging performance was assisted by construction and investment activity, both institutional and in the public sector. The increase in capital spending was particularly noticeable in housing construction and retailing. Cantons in western Switzerland, in particular, spurred the upturn in public transport. The long-awaited price recovery failed to materialise, however. But the requirements of numerous professional building owners are clear: first and foremost, they demand quality and adherence to schedules.

Tenders for railway technology in the Gotthard base tunnel

Atel Installationstechnik Ltd. (AIT) successfully completed the installation of the contact line in the major Lötschberg Alpine transit project at the end of October. More than 80% of the low voltage installation work had been completed by the end of the year.

Jointly with its three partners, the AIT Group submitted the Transtec consortium's tender for providing railway technology for the Gotthard base tunnel on 21 August 2006, within the time limit. While leading this consortium, the AIT Group is also bidding for the 16.7 Hz overhead line and the 50 Hz power supply.

Stimulus from the public sector

Atel Installationstechnik will pursue continued growth in 2007, focusing particularly on increasing market share in building services and traffic engineering. Future growth will depend largely on capital spending by the public sector. One of AIT's central objectives is to serve its customers with quality and flexibility.

Emosson

GAH Group

Industrial Plant and Engineering Division

Kraftanlagen München GmbH Munich	ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik Munich
Kraftanlagen Hamburg GmbH Hamburg	Ingenieurbüro Kiefer&Voss GmbH Erlangen
Kraftanlagen Heidelberg GmbH Heidelberg	Kamb Elektrotechnik GmbH Ludwigshafen
Kraftanlagen Nukleartechnik GmbH Heidelberg	Caliqua Gebäudetechnik GmbH AT-Wiener Neudorf
Franz Lohr GmbH Ravensburg	
Kraftszer Kft. HU-Budapest	

Energy Transmisssion/Communication Technology Division

GA Leitungsbau Süd GmbH Fellbach	GA-com Telekommunikation und Telematik GmbH Bietigheim-Bissingen
Frankenluk Energieanlagenbau GmbH Bamberg	Digi Communication Systeme GmbH Gifhorn
GA Energieanlagenbau GmbH Hohenwarsleben	te-com Telekommunikations-Technik GmbH Backnang
GA Leitungsbau Nord GmbH Hannover	DIGICOS Sp. z o. o. PL-Poznan
Elektro Stiller GmbH Ronnenberg	
GA-Magyarország Kft. HU-Törökbálint	
REKS Plzen s.r.o. CZ-Pilsen	
EMS s.r.o. CZ-Ceská Lìpa	
Leitungsbau Ges.m.b.H. AT-Linz	

Improved result

• GAH divisions forge ahead • Demand stimulus in all areas • Further growth opportunities in 2007

Against the backdrop of the strongest economic growth in Germany for six years, the performance of both the GAH business divisions – Energy Transmission and Communications Technology, and Industrial and Power Plant Engineering – was generally positive in 2006. They both improved their operating results. An upturn in capital spending on power supply systems and the maintenance contracts awarded for the electricity distribution network triggered rising demand from energy suppliers. Demand grew for high-voltage overhead lines, transformer stations and services for distribution networks. Energy suppliers in Germany say they intend to invest some 13 billion in the power supply system between now and 2012.

Power stations in demand

There was encouraging demand for both conventional power stations and for those meeting the requirements of the Renewable Energies Act. Demand from other countries continued to grow solidly for nuclear engineering. The GAH Group secured another order for nuclear water circulation piping systems in the new Olkiluoto 3 nuclear power station in Finland.

In acquiring major projects, we saw stronger demand for conventional power plant and chemical/petrochemical plant engineering.

During 2006 demand was also fuelled substantially by industry, where capital investment increased as domestic demand picked up and exports rose.

Simplified structure

In the 2006 financial year the GAH Group successfully completed the process of consolidation that it had begun the year before. During 2005, in order to be able to concentrate on its two future-oriented core business fields, the GAH Group sold one manufacturing company, two process engineering companies, and GA-tec Gebäude- und Anlagentechnik GmbH,

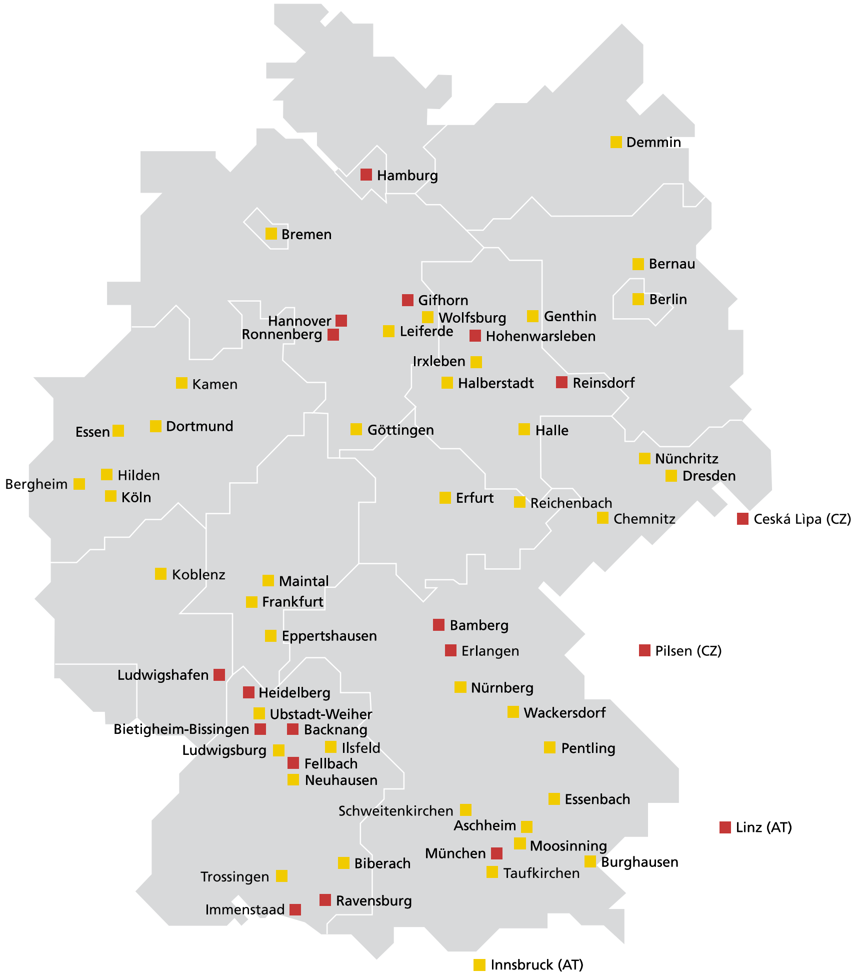
Sion

engaged in technical building facilities. This had the effect of consolidating the group. With its simplified corporate structure, it is now well positioned for the future.

On the political plane, the year under review brought positive signs from the energy summit of the German energy supply companies and from the federal government. Representatives of the electric power industry announced substantial capital investment at the summit, designed to make good the impending electricity shortfall and to secure electricity generation and distribution. In consequence of the recent decision by the Federal Network Agency to reduce charges for grid usage, the energy suppliers' future investments in electricity networks will be lower.

Outlook

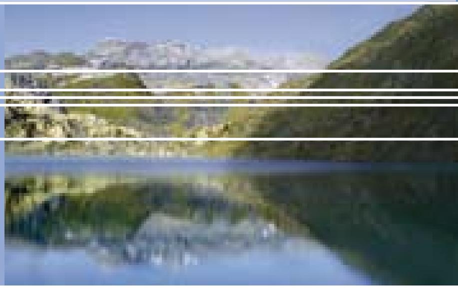
The GAH Group anticipates continued improvement in the economic climate in Germany during 2007. Capital spending in the sectors where the GAH Group operates is expected to gain more momentum. Investments in new generation facilities planned by energy suppliers will increase potential demand in the years ahead. By 2012 energy suppliers will have spent between 33 and 40 billion on renewable energies, and another 17 bil-



GAH Group facilities

- Company head office
- Branches, offices

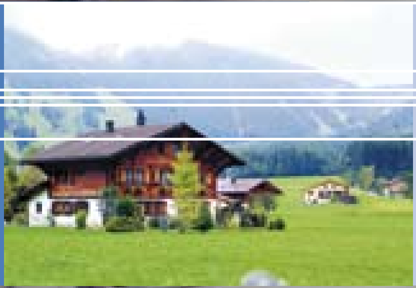
Other foreign facilities:
Brussels (BE), Budapest (HU), Törökbálint (HU),
Wiener Neudorf (AT), Schwechat/Mannswörth (AT)



lion has been earmarked for conventional power stations. The Industrial and Power Plant Engineering Division must seize opportunities that arise elsewhere in Europe and – in conjunction with system suppliers – elsewhere in the world. Energy Transmission and Communications Technology will continue to expand in Eastern Europe (the Czech Republic and Hungary) during 2007.

In specific terms, the objectives that this GAH division has set itself include increasing its shares of the market for domestic power line construction at all voltage levels, and maintaining its share of the market for underground pipeline construction. It also plans to systematically expand power line construction in Eastern European electricity business. Existing partnerships in communications technology will be extended. In Industrial and Power Plant Engineering the GAH Group will redouble its efforts to secure orders for the construction of major power stations in 2007. It will also focus on expansion in nuclear engineering, consolidating its operations in renewable energies, and on exploiting whatever opportunities present themselves: in industrial media supply and in plant engineering for the chemical and petrochemical industries.

Frutigen



Far beneath the Swiss Alps, between tranquil Frutigen in the Bernese Oberland and the small Valais town of Raron with its landmark castle hill, one of the world's longest railway tunnels awaits the passage of the first high-speed trains. Over 34 km long, the Lötschberg base tunnel is close to operational. It is part of the central section of a European north-south traffic artery.

Now that the tunnel cladding and the track system have been completed, the focus is on Jan Villringer, 33, Construction Supervisor with Kummler + Matter, an Atel company. Together with his team, this enthusiastic sportsman is installing the overhead power lines in an around-the-clock process. The team must work to the highest standards of precision: the specially designed catenary system has to withstand extreme pressure waves and an aggressively humid environment. Trains travelling at speeds of up to 250 km/h will eventually thunder through the high-speed tunnel.

With decades of experience in energy supply, traffic engineering and building services, Kummler + Matter appropriately complements Atel's extensive portfolio of energy services.

Base load energy

Base load energy is the basic electricity demand 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 generated in power stations using water power.

Merchant line

A cross-border line that increases the transit capacity between two neighbouring grids. The additional capacity can be used solely by investors in the line, increasing the investment incentive.

Nuclear power station

Nuclear power stations are a type of thermal power station. Nuclear power stations generate heat for the steam circuit 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. Like run-of-river power stations, nuclear power stations generate base load energy.

Peak energy

Peak energy is the proportion of daily electricity needs where demand 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 in the market in order to achive a sustained increase in profits within a predefined risk/reward ratio, taking account of additional boundary conditions.

Repowering

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

Schedule-balance group system (SBG system)

The schedule-balance group system is used to implement energy schedules in Switzerland. Electrical energy is exchanged over the Swiss transmission grid within the Swiss control area, between Swiss balance areas and with control areas outside Switzerland, exclusively via schedule messages to the SBG system. This ensures reliable electricity deliveries, based on European standards, for domestic and foreign electricity traders. ETRANS successfully introduced the SBG system for Swiss power exchange companies on 14 December 2005.

Spot market

The market for electricity transactions that relate to a particular period of time when the electricity is delivered or drawn, with the objective of building up or balancing trading positions.

Storage power station

Storage power stations 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 (a) the difference in altitude between the reservoir and the powerhouse, and (b) the turbine flow rate. Storage power stations meet approximately one third of Switzerland's electricity needs.

Thermal power generation

Electricity generated in thermal power stations (nuclear, coal-fired, gas-fired or oil-fired).

Tolling agreement

The tolling agreement governs the relationship between power station operators and their partners (tollers). The partners provide the fuel, draw the generated power and market it, whereas power station operators are solely responsible for the availability, operation and technical renewal of the facilities, for which they are paid accordingly by the tollers.

UCTE

The Union for the Co-ordination of Transmission of Electricity (UCTE) in Brussels coordinates the interests of transmission system operators in more than 20 European countries. Their common aim is to guarantee the safe operation of the grid. UCTE's members are 35 transmission system operators in 20 European countries. Its Swiss members are Atel, BKW, EGL Grid, EOS, ETRANS and NOK.

The companies working together in UCTE jointly run the world's largest synchronised grid that technically stretches from Jutland to Greece and from Morocco to Poland. They currently supply 400 million people annually with approx. 2 100 TWh.

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Dates

26 April 2007	2007 Annual General Meeting
May 2007	Quarterly Results 1/2007
August 2007	Interim Report 2007
November 2007	Quarterly Results 3/2007
February 2008	Press announcement on 2007 annual results
March 2008	Balance sheet media conference
24 April 2008	2008 Annual General Meeting

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Units

Currency

CHF	Swiss francs
CZK	Czech krone
EUR	Euro
HRK	Croatian krone
HUF	Hungarian forint
NOK	Norwegian krone
PLN	Polish zloty
ROL	Romanian 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 = 1 000 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 = 1 000 watts)
MW	megawatt (1 MW = 1 000 kilowatts)
GW	gigawatt (1 GW = 1 000 000 megawatts)
MWe	electrical megawatts
MWth	thermal megawatts

From Barcelona to Olten

Energy is not just a physical state variable: it is also what drives our entire economic and social development. Atel's founding fathers knew that, and they lived by the guiding principle of this annual report "Energy is our business". They built one of the largest Swiss power stations above Aarburg. In November 1896, when it was commissioned, they brought electric lighting to the town of Olten for the first time.

Today Aare-Tessin Ltd. for Electricity (Atel) is one of Europe's leading energy companies. With over thirty sales companies and subsidiaries, Atel is firmly rooted in all the continent's important energy markets. Geographical and cultural proximity to its various regional markets has been a mainstay of the company's development since time immemorial, creating a constant, fruitful exchange of opinions, ideas and experience that crosses national borders and language barriers alike.

The photographic documentation of a journey from Barcelona via Bordeaux, Paris and Lyon to Olten, portrays Atel employees in various different fields of activity. What links the manager of the Barcelona office to the trading specialist in Lyon and the sluice-keeper in Emosson is their day-to-day commitment and their motivation to do their best for the company. For Atel's success is based on the intelligent, productive harmony of more than 8000 people, working today for the company throughout Europe. They are the key to what we do today and what we shall continue to do in the future: providing a secure, efficient and sustained energy supply.

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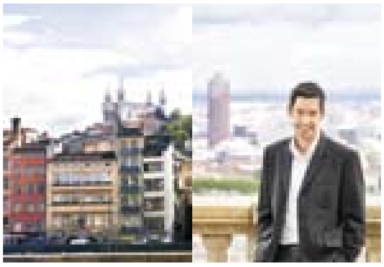

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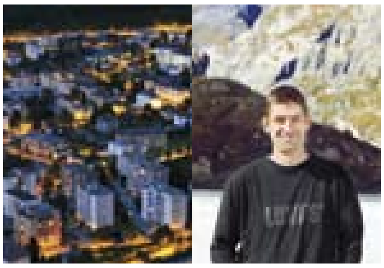

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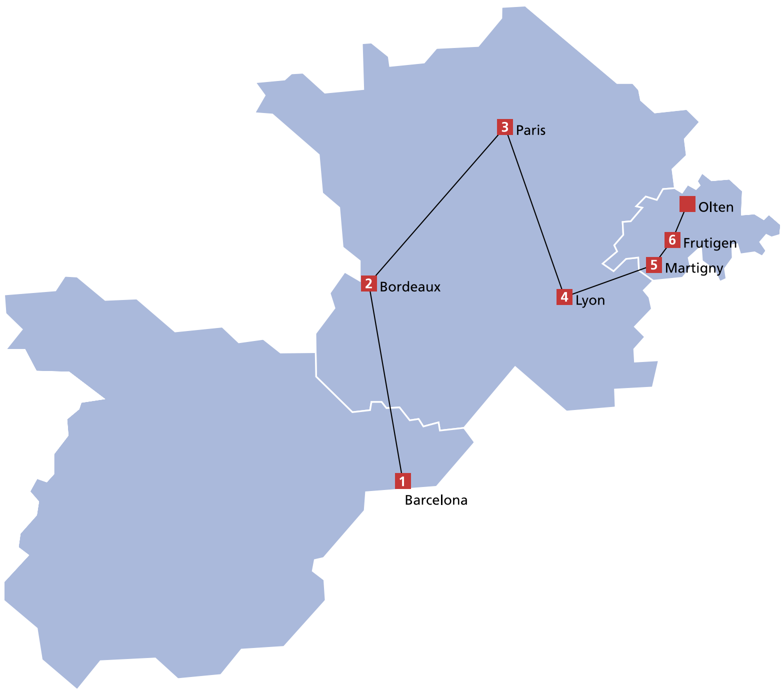
3 Paris
Olten
6 Frutigen
5 Martigny
2 Bordeaux
4 Lyon
1 Barcelona

As a leading energy services provider operating throughout Europe, Atel generates, trades and sells electricity, and also provides a broad range of energy services covering all aspects of energy and its applications.

Subsidiaries and branches

- Energy segment
- Energy Services segment
- Power generation

- Electricity trading (exchange/OTC market)

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