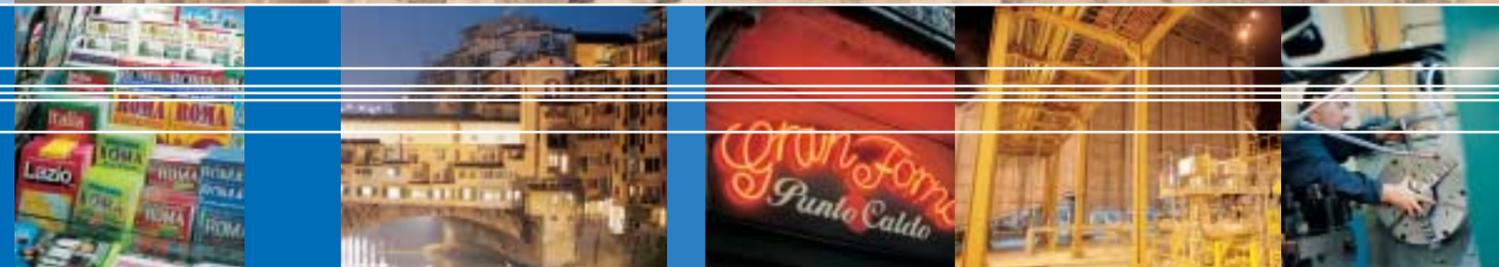


atel

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The energy business

110th Annual Report 2004



“The energy business” is the title of Aare-Tessin Ltd. for Electricity’s 110th annual report. The term “business” is represented in various ways. On the one hand, as enterprise, entrepreneurial spirit and adventure, daily challenges, carefully weighing up risks and opportunities, planning for the future based on the present, realising innovation and vision – characteristics and qualities that Atel has successfully demonstrated since its inception.

On the other hand, it is represented as organisations that design, produce and sell services and products. A series of photographs following the route from Rome in the heart of Italy – a key market for Atel – to Olten shows the most diverse industrial and commercial uses of electricity. Whether electricity is used for tourist attractions or to manufacture regional specialities, to transport goods and products in Italy, Switzerland or anywhere else in the world – we cannot imagine any aspect of our modern daily life without it. “The energy business” does not just track the route from the Apennine peninsula over the Alps to Atel’s headquarters. The concept principally documents electricity as a source of financial productivity, social prosperity and development. In brief, entrepreneurial activity. And this completes the “Atel business” circle.



Energy is fundamental to social and economic development. In this respect, Atel is making its contribution to continuous and sustained progress. Our position as a major player in the European electricity industry is a responsibility we acknowledge by using our experience, know-how and commitment for the common interest of our customers, shareholders, employees and the general public. Atel is a Swiss-based pan-European company, offering its customers tailor-made solutions and products.

Electricity trading and supply

Atel is Switzerland’s leading electricity company, with a sales volume of around 93 TWh from the traditional physical electricity business and around 109 TWh from trading in standard products. It operates on a pan-European basis, with wholly-owned subsidiaries and business partnerships in a number of countries. Atel supplies power exchange companies, sales partners, urban utilities, industrial and service companies throughout Europe. As a production-supported specialist trader, Atel also offers derivative instruments for customers’ individual risk hedging and manages complex energy portfolios.

Power generation

Atel is one of Switzerland’s largest power generators with its own production capacities in Italy, Hungary and the Czech Republic. Every year the company produces approx. 13 TWh from these large power stations. Atel’s market-oriented production portfolio comprising of storage and run-of-river power stations as well as thermal facilities gives customers continued, dependable peak and band energy supplies and plays a significant part in providing secure supplies.

Electricity transmission

Atel transports a significant portion of the electricity to customers via its own grid. The strategic position of our high-voltage grid is important for European electricity trading. Atel controls close to 17% of the Swiss transmission grid and over 42% of transmission line capacity from Switzerland to Italy.

Energy services delivery

Atel addresses a full range of customer needs in the areas of electricity, power, lighting, cooling and heating, communications and security. The Atel Installationstechnik Group (AIT) and GAH Group jointly operate a dense branch network, particularly in Switzerland, Germany and Italy. Energy Services offers Energy Supply Technology, Communications Technology, Industrial/Plant Technology and Building Services/Technical Facilities Management. Our services range from project planning, through construction, to operation and maintenance.

An energy power-house

Atel aims to continue extending its position as a leading independent electricity trader and major energy services provider based at the heart of Europe. The energy markets offer new opportunities all the time – we are exploiting them together with our customers.

Atel Group

	+/- variance 2003-2004 in % (based on CHF)	2003 CHF mn.	2004 CHF mn.	2003 EUR mn.	2004 EUR mn.
Energy sales (GWh)	36,3	68 476	93 306	68 476	93 306
Net turnover	31,6	5 285	6 955	3 477	4 516
Energy	44,3	3 839	5 540	2 526	3 597
Energy Services	-7,6	1 535	1 418	1 010	921
Earnings before interest, tax, depreciation and amortisation (EBITDA)	9,3	616	673	405	437
in % of net turnover	-17,1	11,7	9,7	11,7	9,7
Group profit	24,6	272	339	179	220
in % of net turnover	-3,9	5,1	4,9	5,1	4,9
Net investments*	-84,8	605	92	398	60
Free cash flow	-59,7	481	194	316	126
Shareholders' equity	10,9	1 811	2 009	1 161	1 305
in % of total assets	3,5	28,7	29,7	28,7	29,7
Total assets	7,2	6 315	6 768	4 048	4 395
Employees**	-2,9	8 105	7 872	8 105	7 872
plus trading in standardised products					
in GWh	63,2	66 627	108 761	66 627	108 761
in CHF mn. or EUR mn.	85,5	2 714	5 035	1 786	3 269

* Excluding variance in time deposits and securities
 ** Average number of full-time equivalent employees

Per share information

	+/- variance 2003-2004 in %	2003 CHF	2004 CHF
Nominal value	-	100	100
Share price at 31.12.	68,4	980	1 650
Highest	69,4	980	1 660
Lowest	34,2	730	980
Group profit	26,5	83	105
Shareholders' equity	10,9	597	662
Dividend	9,1	22	24
Average trading volume/day		94	478

January: Generating power in Italy

The tolling agreement signed in autumn 2003 came into force at the beginning of the year. Under the agreement, Edipower runs technical operations, while as a partner, Atel is responsible for fuel procurement and management as well as selling the generated power based on its share in Edipower.

April: Integration of Navisence with new concession

Following intensive negotiations, Kraftwerke Gougra AG was granted a new concession for the lowest level in Val d'Anniviers, as a result of which the Navisence power station was integrated into Kraftwerke Gougra AG's facilities. Water supplies for the whole valley will now be provided from one source. In addition to financial compensation, the concession-granting communities receive a 10% stake in Kraftwerke Gougra AG while Atel retains its 54% holding. Over the long term, Atel may also exploit 65% of the related power.

April: Shareholding increased

UBS acquired RWE's 20% holding in Motor-Columbus as well as its 1.23% share in Atel, making the bank Motor-Columbus's majority shareholder and indirectly that of Atel. This has created the right conditions to sell the shareholding in an effort to find a long-term industrially viable solution.

April to December: Capacities increased

In Italy, Atel generates another 100 MW of its own power now that the two gas-combi power stations in Novara and Vercelli have started operating commercially. Existing facilities were also repowered quicker than planned, becoming modern, highly efficient power stations under Edipower's scheduled repowering

programme. As a result, new 1900 MW gas blocks came into service in Chivasso and Sermide.

May: Management structure streamlined

The management of the Energy Services Northern/Eastern Europe and Southern/Western Europe divisions merged. Giovanni Leonardi became Atel's new CEO on 29 April, succeeding Alessandro Sala who had successfully run the company since 1999. More changes to the organisational structure were approved in August and these came into force on 1 January 2005. Atel now has a market-oriented structure that strengthens the Group's Finance and Management Services.

June: Revision required

Along with other energy providers, Atel is in favour of orderly market opening for all electricity consumers and is keen to see a lean legal framework without excessive regulatory intervention. The Federal Law on Power Supply (StromVG) and Electricity Law (EleG) did not fulfil these requirements, so Atel rejected the drafts under the review procedure and demanded their revision.

November: Excellence on several fronts

Atel Csepel Business was the recipient of three awards. Firstly, it received the Healthy Workplace Amcham Award, then it was voted the second-best place to work in Hungary. The subsidiary's third accolade was for its exceptional communication of its environmental activities, thereby completing an encouraging all-round picture.

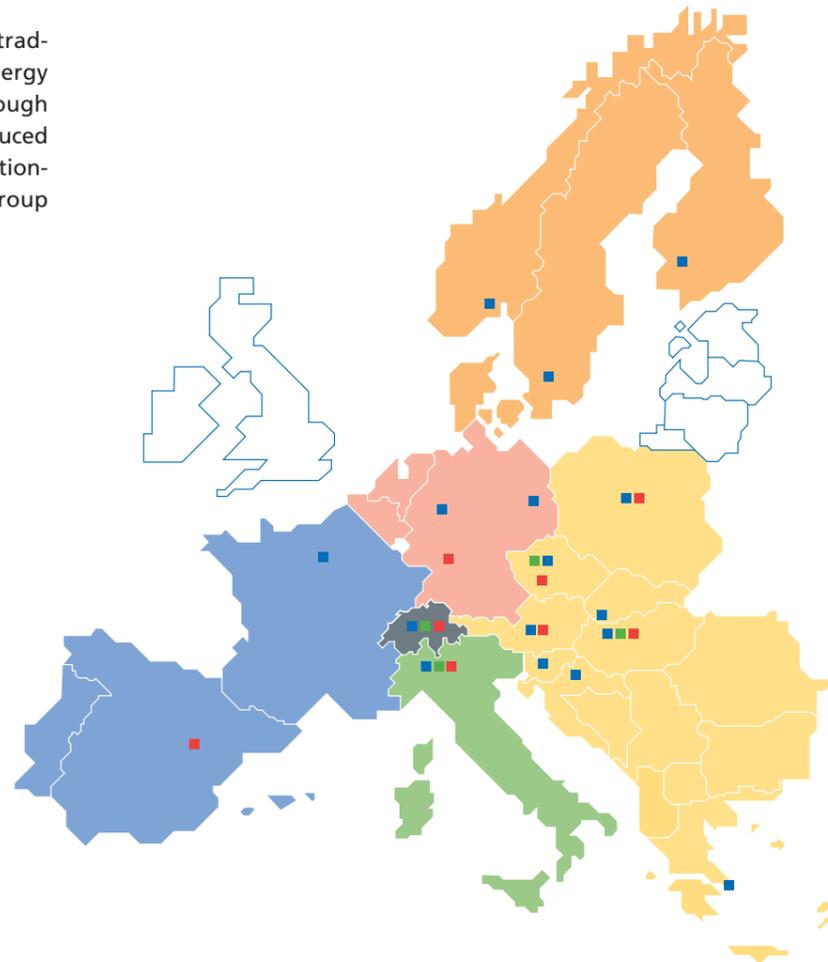
Atel operates in electricity trading, power generation and energy services throughout Europe through subsidiaries and offices. It introduced a new market-oriented organisational structure throughout the Group on 1 January 2005.

Subsidiaries and offices

- Electricity trading
- Power generation
- Energy Services

Sales regions

- Energy Switzerland
 - Switzerland market
- Energy Southern/Western Europe
 - Southern Europe market
 - Western Europe market
- Energy Northern/Eastern Europe
 - Central/Eastern Europe market
 - Northern Europe market
 - Scandinavia market



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Monuments in focus



A few hours ago, pilgrims, believers and tourists from all over the world were thronging through security controls. Now St. Peter's Square is calm and dark. Occasionally the screen of a mobile phone lights up, a fire engine races past, there is brief laughter, whispering. This contrasts starkly with the illuminated, majestic dome of the basilica, the colonnade and fountain in the middle of the square. There seems to be a calm over this little state until the hubbub begins again the following day.

But on the other side of the Tiber, the masses are making their way through broad, well-lit streets and dark, narrow alleys, passing alongside testimonies to past eras – the Colosseum, the Trevi Fountain, the Spanish Steps or the Forum, dazzling headlights perfectly illuminating these glories of human creation. Shops and restaurants with all their wares are also competing for attention, trying to attract customers with flashy, lurid neon lights in all different languages. Light is used as a navigational aid through the myriad of shop windows and window displays. Light is a guide and pacemaker through the traffic – it is almost impossible to imagine Rome without electricity.

Editorial by the Chairman of the Board of Directors



Rome



The worldwide demand for energy is growing by more than 1.5% annually and this trend continued in 2004. Energy prices around the world rose at the same time. Higher energy prices hold back economic growth and dampen economic expectations, all of which thrusts the energy sector back onto centre-stage in terms of the economy, politics and public awareness. Investment in adequate, secure energy supplies, either in power stations or grids, are long-term projects and must therefore be addressed in good time.

From this perspective, last year's rather tentative discussions on the possibility of building new power stations should be welcomed. The choice of future generation technologies is at the heart of this debate on energy policy and the solution demands realism and farsight-

edness. A political wish-list is not appropriate, but technical feasibility, security of supply and cost-efficiency would be useful tangible criteria to consider.

It is vitally important that a practical political solution to the CO₂ problem be found following the current discussions. Atel is in favour of a swift political decision, as this will strengthen the market opportunities for CO₂-free energy sources such as hydro energy, nuclear energy, solar and wind power. In Atel's view, nuclear energy will be particularly important for securing future electricity supplies, as reflected by recent decisions taken in several European countries. In France and Finland, the way now seems clear for building pressurised water reactors. A new nuclear power law (KEG) came into force in Switzerland on 1 February 2005, bringing new restrictions but still supporting nuclear power. Politicians and the public alike increasingly recognise the importance of nuclear energy, but even after extensive investigations, the issue of disposal still has to be resolved. Apart from the challenges of nuclear energy, the parameters for hydroenergy must be optimised. Tax levies and environmental provisions

place a burden on its operation and expansion. If suitable changes are made, such as revising water protection legislation, hydroenergy could play a greater role in our electricity supplies.

The European electricity market is also changing on the demand side, with all commercial electricity customers in the EU having had free market access since mid-2004. In Switzerland, the Federal Supreme Court confirmed that cartel law applied to the electricity market which was tantamount to opening it up. Also, the Federal Council approved a draft law on power supply (StromVG) which is designed to liberalise the Swiss electricity market in two stages, i.e. from 2007 for industrial and commercial customers, then 5 years later for household customers. Atel still advocates quicker and full market opening without an optional referendum on the basis of strong European integration.

Alongside the StromVG, the Federal Council also published the revised Electricity Law (EleG) which regulates cross-border electricity trading and advocates the introduction of a Swiss grid company and market opening regulator. In Atel's view,

Switzerland should enter into negotiations with the European Union soon so that it can reach a long overdue agreement about mutual free grid access on a level playing field.

The seven Swiss transmission grid operators have already taken the matter in hand by setting up swissgrid, an independent national transmission grid company to run the Swiss grid from the beginning of 2005. An in-depth investigation by the Competition Commission means that it will be several months before swissgrid can begin operating.

The Atel Group performed well in this dynamic environment in 2004, posting more strong growth and reporting record earnings. The Annual General Meeting will therefore be asked to increase the dividend again from CHF 22 to CHF 24 per registered share.

Our energy business was the main driver of this success, with significant rises in both turnover and electricity sales. An advantageous combination of European-wide sales and trading activities with our own power stations in various countries and a significant electricity grid in Switzer-

land allowed Atel to operate appropriately in all European markets and offer its customers tailored products. And although the state of the construction industry was still depressed, our Energy Services division still increased its turnover. The results reflect how we have carefully continued to follow our adopted corporate strategy. We also underwent internal restructuring and reorganisation on 1 January 2005 so that we are now systematically market-oriented.

Atel's business operations have made the company more attractive over the past few months. Since UBS became the majority shareholder in Motor-Colombus and indirectly that of Atel in April 2004, UBS has reinforced its objective of disposing of the share package. UBS intends to find a solution that makes sense from an industrial point of view and is examining various models. The ultimate aim is to keep on developing the company and increase its value.

Atel's business was extremely well run in all respects in 2004. I would like to thank all employees for their hard work as well as the Executive Board, headed by Giovanni Leonardi. He took over responsibility from

Alessandro Sala, who had run Atel successfully and enthusiastically since 1999, at the end of April 2004. But I would also like to thank our customers and business partners, my colleagues on the Board of Directors, and all of our shareholders for their trust and excellent level of co-operation. Their support is a major factor in Atel's success.

Walter Bürgi
Chairman of the Board of Directors

“New rules always mean new opportunities”



Rome



Mr Leonardi, what are your personal conclusions after 9 months in charge of the Atel Group?

Let me first give you my conclusions from a business point of view. Atel was quick to identify the market potential of liberalisation in Europe and has exploited it through a series of targeted investments. The company is extremely well-positioned today and is ready for the next phases of development, armed with its new, market-oriented organisational structure.

Personally, I feel comfortable in my new position. I am keen and motivated to lead Atel into a successful future with the help of a strong team.

The top priorities for the Atel Group in 2004 were to increase earnings power and strengthen the balance sheet. Were these objectives achieved?

2004 was a very good year for Atel, with turnover, sales and income rising to record levels. Despite the related consequences, such as the increase in receivables as a result of higher turnover, we also increased shareholders' equity.

What were the key moments of 2004 for you?

We were able to set our plans in motion swiftly and systematically from a position of strength. For example, under the tolling agreement with Edipower, we were able to directly market our energy portion from the power stations in Italy for the first time, thus significantly boosting energy sales. This was supported by generation optimisation steps there (repowering programme) and the high availability of all power stations.

It was also a very good year for our trading companies which responded swiftly to changing market conditions.

The Energy Services division revised its service portfolio. Its companies operated well in a difficult economic environment, with the construction sector recovering only slowly.

Finally, we managed to change our internal organisational and management structure which required a monumental effort from all participants.

Atel generates around 8 TWh in Switzerland and approx. 6 TWh in Italy. Eastern Europe should reach these levels in the future. What steps did Atel take to achieve this objective?

We are fulfilling our expectations on expansion in Central and Eastern Europe. We decided to increase the size of our power station in Kladno near Prague (Czech Republic) by adding a 50 megawatt gas turbine. Numerous other projects are under way at the moment, but not yet ready for implementation.

New power stations came into service in Italy and the competition is increasing. How do you assess our southern neighbour's situation?

Italy continues to be an attractive market and we expect energy consumption to keep on rising at above-average rates.

There will be more bottlenecks in the Italian grid, but we have numerous projects in hand for new and existing power stations all over Italy to overcome them. We are in the analysis stage, after which we will decide which region to focus on.

Last year there were fresh discussions about building nuclear power stations. Where do you stand on this issue?

We have to face the full reality of this issue. The alternatives to the current electricity mix are limited and there is only restricted scope for expanding hydroenergy, for political and technical reasons. Some of the expectations of alternative energies have been grossly exaggerated. It is hard to imagine a coal-fired power station as a real alternative to a new nuclear one. From today's perspective, the only option would be a gas-combi power station – with all its advantages and disadvantages. At the end of the day, politics and the people will lay down the parameters for us. We are trying to engage constructively in the initial discussions and will operate as best we can within the prescribed guidelines.

The electricity market in the EU area has opened up. Switzerland is creating its own island. How do you view the situation?

There is no way that we can avoid an adjustment to the EU's liberalisation programme. Greater isolation could have tangible consequences.

We will prepare early for the new rules, as new rules also mean new opportunities.

What do you expect from swissgrid, the new Swiss grid transmission company?

swissgrid will gradually assume responsibility for operating the Swiss transmission grid. This is an important function which we believe should not be the government's direct responsibility. We think that the right conditions are now in place for very important cross-border electricity trading to flourish.

The investigation by WEKO, the competition commission, is a standard process that came as no surprise to us. We only regret that one of the electricity industry's initiatives has been delayed. Ultimately, swissgrid will benefit everyone.

Atel reported excellent trading results in 2004. How do you see this area performing in 2005?

By its very nature, trading centres on selective business that arises according to season, weather conditions and availability of power stations. These conditions are therefore dy-



Annual General Meeting



Perugia

dynamic and were positive for our trading activities in 2004. I believe that our trading operations will professionally exploit also the opportunities that arise in 2005.

The Energy Services segment has been badly hit by tough conditions, primarily in the construction sector. How has it been performing now that the economy is strengthening?

The consolidation at the Atel Installationstechnik Group in Switzerland has been paying off. We did our homework and are now on course. Consolidation is still the top priority at our GAH subsidiary in Germany. Earnings for the whole division are good and have exceeded our expectations. Given the high order intakes and large work backlogs, we expect this segment to turn in another satisfactory performance in 2005.

Atel reorganised its management structure in the reporting year. What were the aims of this move and how have you found it so far?

We know that we earn money in markets and regions, so we made systematic changes to our structure to make it more market-oriented. The

initial results have been positive. We have now created the right conditions to help us make further progress. Our two central providers, Financial Services and Management Services, were also part of the restructuring. They support the business as a whole and also the decision-making processes.

What are Atel's objectives for 2005 and what are your priorities?

We will carry on implementing our Group strategy which is aimed at maximising our ability to meet customers' requirements all over Europe. This applies to both business segments. We will also aim to ensure that our organisational and management structure becomes well established, particularly by simplifying processes. Our objective is to keep on improving earnings and strengthening our equity capital ratio.

How do you rate Atel's outstanding annual results?

Atel had a very successful year despite the enormous challenges of consolidation. This success was down to the outstanding performance of our employees and of course good teamwork – that is not always a fore-

gone conclusion. I would primarily like to thank our customers and all our employees, but also the Board of Directors, with whom I have enjoyed working, and our shareholders for their confidence.

The 109th Annual General Meeting was held on 29 April 2004. Marc Boudier, Ulrich Fischer and Urs B. Rinderknecht were re-elected to the Board of Directors for a further three-year term. Rolf Büttiker, Urs Steiner and Heinz-Werner Ufer were elected as new members. Mr Ufer resigned his position on 1 July 2004, as RWE sold its share package in MC to UBS. Ernst & Young Ltd. were re-appointed as Auditors and Group Auditors for a one-year statutory period. In addition, the Annual General Meeting approved the 2003 annual report, annual financial statements and consolidated financial statements, discharged the members of the Board of Directors and agreed to the Board of Directors' proposed appropriation of retained earnings.

The next ordinary General Meeting marks the end of the statutory terms of office on the Board of Directors for Dr. Hans Büttiker, Dr. Rainer Schaub and Christian Wanner. The Board of Directors proposes that the General Meeting re-elect Messrs. Dr. Hans Büttiker, Dr. Rainer Schaub and Christian Wanner for a further term of office.

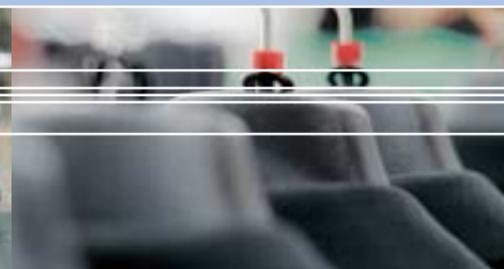
Atel and its dialogue groups



Montepulciano



Badia al Pino



Atel and its customers

Atel regards electricity supplies and energy services as anything but standardised, which is why we gear our products and services towards our customers' needs, irrespective of whether the customer wants us to supply a schedule, derivatives, contact lines for transport or house installation. We develop tailored solutions for our customers and expanded our product range in 2004. Our customers are just as diverse as our products. We supply electricity to urban and regional utilities, traders and industrial companies, but apart from utility companies, our energy services customers also include industry, commerce and private individuals.

We are committed to building long-term partnerships with our customers based on mutual trust. Geographic and cultural proximity to our customers is therefore very important to us. We have a close network of sales companies that help us understand and service our customers better. This is how we guarantee top-quality services as a professional, experienced and pan-European Swiss-based energy trader and service provider.

Atel and the financial community

Atel's share price continued rising last year, closing at CHF 1650 at year-end which is an annual performance of almost 70%.

Atel was written about very favourably in various studies by eminent financial analysts. Several banks improved their rating of us last year which helps support our efforts to secure cost-effective capital. Our constant dialogue with players on financial markets promotes their understanding of Atel and the energy sector in general. We also set out our strategy and the Group's prospects to interested parties at various events. We believe that carefully nurturing capital providers is crucial for a company the size of Atel. We will continue to increase the confidence shown in us by fostering reliable communication with the capital markets.

Our activities on those markets centred on consolidation last year. We reviewed and optimised existing funding concepts and are now ready to meet the increasing requirements of capital providers.

Atel and its employees

The markets and political environment are changing all the time. This poses enormous challenges for Atel and its employees, in that tasks and work processes, organisation and clarity of roles have to be examined and adapted more and more frequently.

Guidance in this permanent change process comes from the values that give Atel its unmistakable identity. Atel also practices these values internally in its day-to-day dealings with its employees.

Our management culture works on the basis that new ways must always be found to achieve the right balance between the interests of employees and those of the company. This is why our personnel management systems are flexible and offer room for manoeuvre for individual solutions.

Our personnel policy is not based on short-term trends but on tried and trusted principles, such as making time for employees, agreeing challenging goals, paying fair salary levels and promoting professional development.

We see the working relationship as give-and-take based on reliability and mutual trust.

Atel and the public

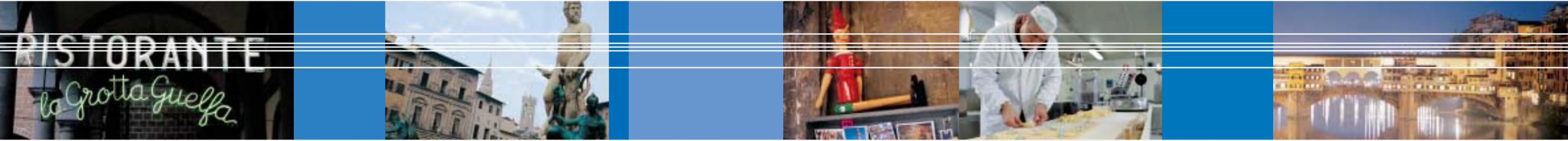
Atel is a pan-European energy company that can claim to be present on all relevant regional electricity markets, especially at the locations of our own power stations, lines and trading and sales companies. We hope that the public has a positive view of Atel there. Contact with the media and politics is therefore important for Atel. The principle of an open and continuous information policy has paid off. Atel's business performance over the past few years has raised our profile and, as a result, we have had to intensify our PR work. Especially as a listed company, Atel is committed to first-class communication with the public.

Last year, discussions focused heavily on the future of power generation and electricity market liberalisation, two topics that are of interest to a broad public. This made Atel a popular point of contact again for politics and the media. Atel adopts a clear position on energy policy issues and is involved in shaping fair

and transparent operating conditions. When asked, Atel specialists also support politicians and the administration with their specific expert knowledge or appear as speakers at conferences.

We feel committed to society. Tours of our power plants are popular with school classes, associations and other groups. Visitors to our website www.atel.ch can access a wide range of information about the Atel Group as well as the electricity sector in general. Atel also supported numerous cultural, sporting and charitable activities in 2004 through sponsorship.

Kneading, shaping, drying



The battle for the best position with the shortest waiting time begins just a few hundred metres from the payment point. Digital figures show the distance covered. Payment is made and change given automatically. There are very few friendly faces, if any, just the same old tinny sound of “arrivederci”. Travelling on the periphery. Like in the capital city, industry and commerce in Florence are being increasingly pushed towards the outskirts until work disappears into cheaper areas. The centre belongs to tourists in their shorts and trainers as well as office workers in dark suits, elegant ties and light leather shoes.

Only a few metres from the dusty, loud and congested arterial road to Prato, there is almost clinical cleanliness and the rhythmical noise of machinery. Machines do all the kneading, rolling out, shaping, drying and cooling, human involvement is limited to quality control and moving the pasta from one machine to another. It is only for special orders that the owner reaches for his knife and bag of filling to fill and shape tortelloni, albeit with minimum effort. There is just one secret that he does not share with even his most expensive machines and employees: the recipe for his pasta fillings.

Corporate governance



Florence

The principles and rules on corporate governance of the Atel Group are laid down in the company's Articles of Association, Organisational Regulations, Executive Board Regulations, Group guidelines and the organisational chart with the allocation of subsidiaries. The Board of Directors and Executive Board regularly review and adapt them to meet requirements.

Capital structure and shareholders' rights

Capital structure

Unchanged since 1992, the share capital of Aare-Tessin Ltd. for Electricity is CHF 303,600,000 divided into 3,036,000 registered shares at CHF 100 nominal value each. The shares are fully paid in. At the Annual General Meeting, every share represented is entitled to one vote. There are no restrictions on transferability or voting rights. The Statement of Changes in Equity can be found in the Financial Report on page 13 for the Atel Group's consolidated financial statements and for those of Aare-Tessin Ltd. for Electricity on page 56.

Under the Articles of Association, the Board of Directors is authorised to increase share capital up to a maximum of CHF 30,360,000 by issuing up to 303,600 registered shares, at CHF 100 nominal value each, to be paid up in full. This authorisation expires on 23 April 2005.

Shareholders' rights

Shareholders' financial and co-determination rights are regulated by law and the Company's Articles of Association, which stipulate a 50-day time limit for submitting motions for agenda items at the General Meeting.

The major shareholders as entered in the Share Register are given on page 35 of the Financial Report.

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

Stock exchange listing

Shares in Aare-Tessin Ltd. for Electricity are listed on the SWX Swiss Exchange under international securities identification number ISIN CH0001363305. Market capitalisa-

tion at the end of 2004 was CHF 5 billion.

Società Elettrica Sopracenerina SA, Locarno, of which Atel owns 59.5%, is also listed on the SWX Swiss Exchange (ISIN CH0004699440). Market capitalisation at the end of 2004 was CHF 275 million.

Information policy

Atel keeps its shareholders, potential investors and other stakeholder groups fully, promptly and regularly informed through its annual, interim and quarterly reports, at conferences for balance sheet media and financial analysts and at the General Meeting. Atel published quarterly results for the first time in conjunction with Motor-Columbus Ltd.'s consolidation into UBS and UBS's announcement of MC's/Atel Group's quarterly results. Our communication channels are completed by our constantly updated website www.atel.ch and by press releases which detail important events. Key dates for the current financial year are listed on page 54.

Board of Directors and Executive Board

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

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

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

The major consolidated Group companies are listed in the Financial Report on pages 46 to 50.



* Member of the Executive Board

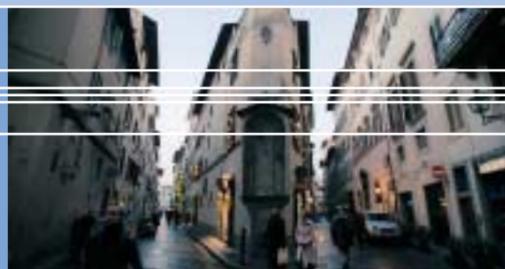
** Corporate Accounting + Reporting, Corporate Taxes, Corporate Treasury + Insurance, Corporate Planning + Controlling, Corporate Risk Management, Corporate IT, Internal Audit

*** Corporate Public Affairs, Corporate Communications, Corporate Legal, Corporate HR, Corporate Development + Organisation

Position as of 1 January 2005



Florence



Organisation

The Board of Directors appointed Giovanni Leonardi as the Atel Group's new CEO at the 2004 Annual General Meeting. He assumed this function on 29 April 2004.

The Board of Directors made the following changes to the organisational and management structure.

At the end of April 2004, the former Energy Services Southern/Western Europe and Energy Services Northern/Eastern Europe business divisions were merged as business units in one joint Energy Services business division which was headed as a dual function by the CEO. Stefan Hatt will run this division and join the Executive Board from 1 January 2005.

On 1 November 2004, the former Legal Services and Communication and Energy Policy staff units plus the Corporate Development and HR Segment Energy functional units allocated to the Finance and Services functional division, were merged into the new Management Services functional division and are now structured under Corporate Legal, Corporate Public Affairs, Corporate Communications, Corporate HR and Cor-

porate Development + Organisation. This division is headed by Heinz Saner who is on the Executive Board. The Financial Services functional division managed by CFO Kurt Baumgartner, was also restructured and now incorporates the Corporate Accounting + Reporting, Corporate Taxes, Corporate Treasury + Insurance, Corporate Risk Management, Corporate Planning + Controlling, Corporate IT and Internal Audit function units. Group-wide management, coordination and support of the business units are thus strengthened by these functional divisions.

Board of Directors

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

Board of Directors

	Initially elected in	End of term of office
Dr. Walter Bürgi, CH-Grenchen, Chairman	1981	2006
Christian Wanner, CH-Messen, Vice-Chairman	1996	2005
Marc Boudier, FR-Sèvres	2001	2007
Dr. Hans Büttiker, CH-Dornach	1988	2005
Rolf Büttiker, CH-Wolfwil	2004	2007
Ulrich Fischer, CH-Seengen	1986	2007
Dr. Marcel Guignard, CH-Aarau	1988	2006
Urs B. Rinderknecht, CH-Ennetbaden	1995	2007
Dr. Rainer Schaub, CH-Binningen	1996	2005
Urs Steiner, CH-Laufen	2004	2007
Dr. h.c. Heinrich Steinmann, CH-Uitikon	1994	2006
Dr. Giuliano Zuccoli, IT-Sesto San Giovanni	2003	2006

All energy areas were adapted on 1 January 2005 to become systematically market-oriented. The Energy Switzerland, Southern/Western Europe and Northern/Eastern Europe business divisions were divided on a more regional basis and include Production, Market (sales, trading, supply), Trading, Grids and Settlement and Systems. Herbert Niklaus has been in charge of Energy Switzerland since 1 January 2005, replacing Stefan Breu on the Executive Board.

The curricula vitae, details on the professional backgrounds and other activities of the individual members of the Board of Directors can be found on the Atel website: www.atel.ch/en/about_us/Corporate_Governance/index.jsp.

Shareholders have the right of nomination for the election of new members. The crucial criteria in elections are particularly general and specific professional knowledge of Atel's business areas, a wealth of experience and business foresight. Particular emphasis is placed on achieving a balanced composition on the Board of Directors.

The term of office for members is three years. Resigning members may be re-elected. Members elected as replacements during a term of office take over the replaced member's term of office.

How the Board of Directors works

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

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

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

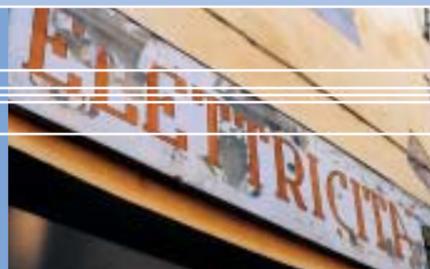
Members of the Executive Board normally attend Board of Directors' meetings in an advisory capacity. They leave the meeting if the Chairman so orders.

The Board of Directors' proposals are passed based on a majority of voting members present, with the Chairman having the casting vote. Should conflicts of interest arise, the relevant member(s) shall leave the meeting.

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

The CEO updates the Board of Directors at every meeting on current business performance, variations from targets, important transactions and key development projects.

The CEO also gives the members quarterly interim reports. Extraordinary incidents are immediately brought to the attention of members. If a major transaction is involved, the CEO produces a written report that contains a proposal requiring the Board of Directors' approval. He informs members on the progress of these transactions verbally, but produces a written final report on major projects.



Lucca



Outside of these meetings, any member may request information from the CEO on business performance and, with the Chairman's authorisation, on individual transactions. Any member may ask the Chairman for access to accounts and files should these be required to complete a task.

The auditors compile annual notes to the consolidated financial statements, detailing their most important findings. From 2005, the newly created Internal Audit functional unit will report the findings of its activities to the Board of Directors.

Executive Board

The Executive Board comprises seven members.

The curricula vitae and details on other activities of the individual members of the Executive Board can be found on the Atel website: www.atel.ch/en/about_us/Corporate_Governance/index.jsp.



Kurt Baumgartner (front row left)

Head of Financial Services, CFO
Lic. rer. pol.,
Swiss citizen,
born 1949;
Joined Atel in 1975, member of Executive Board since 1992

Herbert Niklaus (rear row left)

Head of Energy Switzerland
Dipl. El.-Ing. ETHZ,
Swiss citizen,
born 1955;
Joined Atel in 1996, member of Executive Board since 2005.

Nico Dostert (rear row right)

Head of Energy Northern/Eastern Europe
Dipl. El.-Ing.,
Luxembourg citizen,
born 1942;
Joined Atel in 1992, member of Executive Board since 1999

Heinz Saner (rear row, 2nd from right)

Head of Management Services,
lic. jur., solicitor and notary,
Swiss citizen,
born 1957;
Joined Atel in 1988, member of the Executive Board since 2004.

Stefan Hatt (rear row, 2nd from left)

Head of Energy Services
Dipl. Ing. ETHZ; lic. oec. HSG
Swiss citizen,
born 1964;
Joined Atel in 2005 as member of Executive Board.

Antonio Matteo Taormina (front row right)

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

Giovanni Leonardi (front row centre)

CEO
Dipl. El.-Ing. ETHZ,
Swiss citizen,
born 1960;
Joined Atel in 1991, CEO since 2004;
Member of the Board of Directors of Società Elettrica Sopracenerina SA, Locarno.



Lucca



Carrara



Sarzana

Remuneration and shareholdings

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

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

Board of Directors

In 2004, the overall remuneration for members of the Board of Directors totalled approx. CHF 1,6 million. This also includes remuneration to those members who stood down during the year.

Based on the information available to us, members of the Board of Directors held a total of 633 Aare-Tessin Ltd. for Electricity registered shares as at 31 December 2004.

The member of the Board of Directors with the highest overall remuneration received remuneration of CHF 0,5 million.

Executive Board

The total remuneration paid to members of the Executive Board was CHF 5,3 million in 2004. This also includes remuneration for those members who stood down during the year.

Based on the information available to us, members of the Executive Board held a total of 116 Aare-Tessin Ltd. for Electricity registered shares as at 31 December 2004.

External auditors

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

In the financial year, Ernst & Young Ltd. as auditors and Group auditors received remuneration for this service of approx. CHF 2,3 million. Fees paid for additional audit-related work, tax advice and general advice totalled approx. CHF 1,1 million.

Bright memory, dark night



Ferries lie in the harbour like giant, stranded fish. Piers that stretch out into the sea like artificial tongues of land are shaking from the vibrations of the diesel engines of steel monsters below. Once the passengers have left the decks, cleaning equipment is brought out to clear up, as the return crossing will be in just a few hours. The ferry lies tied up, exhausted from its tiring journey. All the hustle and bustle around the open, brightly lit hull is reminiscent of the activity of a beehive. In apparent chaos, towing vehicles pour onto the ship only to emerge into the limelight moments later attached to a trailer.

Every few seconds, the lighthouse beam flits over the water. A brief reminder of a time when there was no sonar or satellite navigation, a time when seafarers set sail to explore unknown lands and far-off continents. The humming of a plane landing drowns out the thought, position lights divide the dark blue sky – modern-day explorers will soon be on terra firma again.

Energy segment



Alessandria

	+/- variance 2003-2004 in % (based on CHF)	2003 CHF mn.	2004 CHF mn.	2003 EUR mn.	2004 EUR mn.
Energy sales (GWh)*	36,3	68 476	93 306	68 476	93 306
Net turnover*	44,3	3 839	5 540	2 526	3 597
Earnings before interest and tax (EBIT)	17,7	368	433	242	281
in % of net turnover	-18,8	9,6	7,8	9,6	7,8
Net investment in tangible fixed and intangible assets	-48,4	161	83	106	54
Number of employees as at balance sheet date	5,5	1 092	1 152	1 092	1 152
plus trading in standardised products					
in GWh	63,2	66 627	108 761	66 627	108 761
in CHF mn. or EUR mn.	85,5	2 714	5 035	1 786	3 269

* Excluding trading in standardised products; for definition of turnover see page 17 of the Financial Report

Successful performance in all areas

With sales of around 93 TWh (increase of 36%), the Energy segment reported a record turnover of CHF 5540 million. Compared to 2003, this represents a CHF 1701 million rise or 44%. Earnings (EBIT) in the same period grew 18% to CHF 433 million. One of the main reasons for this increase was the fact that we were able to market Edipower's power output for the first time. Edipower generated 4,3 TWh in 2004 which is equivalent to a sales turnover of around CHF 0,4 billion. Other reasons for these good results were the dynamic growth in European trading and excellent turnover in all other areas.

In addition to the physical business, trading in standard products amounted to some CHF 5035 million or approx. 109 TWh (2003: CHF 2714 million and around 67 TWh). As in prior periods, trading profit is accounted for under net turnover.

Business was again extremely buoyant in Italy in 2004. Firstly, the targeted increase in marketing activities in the first year of the tolling agreement with Edipower helped boost sales and turnover there. And secondly, the two gas-combi power stations in Northern Italy (Novel and Vercelli) successfully came into service during the second half of the year. Production output is now sold on the Italian market by Atel's local organisation which is also active on IPEX, the Italian electricity exchange. In France, marketing activities were consolidated by increasing the customer base. The Switzerland region renewed its long-established partnerships with retailers in north-west

Switzerland, while the Northern Europe region repositioned itself strategically and substantially expanded its customer base. Following acquisitions in 2002/03, the Central/Eastern Europe region reported consolidation at high turnover/income levels. Higher sales/turnover contrasted with a trend towards lower prices. Overall, Atel achieved successful regional risk diversification by setting up in Central/Eastern Europe. Atel Trading fared extremely well on the European spot market by profitably exploiting its own available production capacities and exceptional price movements.

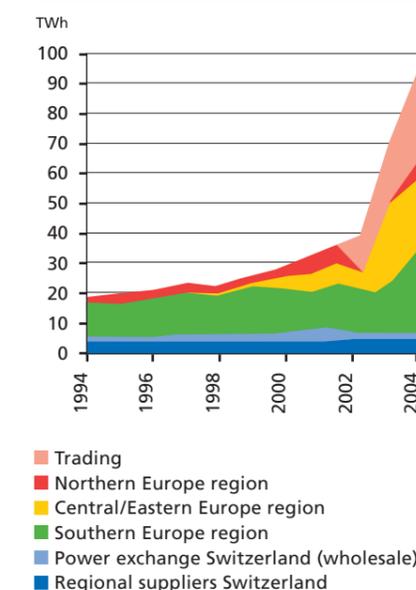
Atel expects prices to stabilise to a certain degree in 2005. However, the relatively poor liquidity of energy markets and numerous bottlenecks in the European grid may lead to strong, short-term price fluctuations. Export business to Italy may be affected by possible capacity restrictions, but at present we do not expect these to be significant or long-lasting.

Overall, we expect the Energy segment to perform at 2004 levels in terms of sales, turnover and earnings.

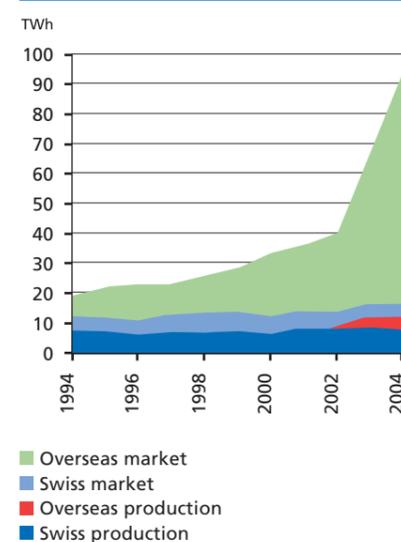
Outlook 2005

The main focus of 2005 will be to consolidate the strong growth in the energy business both financially and organisationally. Stronger trading and sales activities on all relevant markets should primarily result in higher energy sales and turnover. In Italy, we will concentrate on intensifying local marketing activities through the generation and procurement channels we have established there. Atel will also increase trading activities in Central and Eastern Europe by setting up another sales company in Hungary.

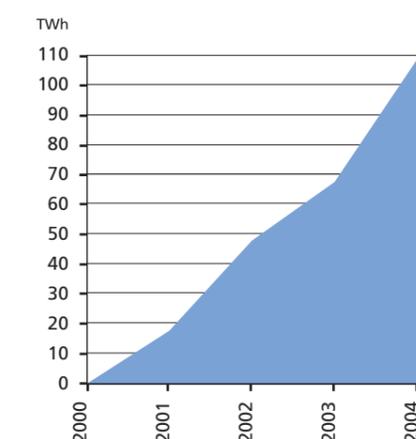
Energy sales 1994-2004
Without standards business



Energy procurement 1994-2004
Without standards business



Energy sales 2000-2004
Transacted standards business





Alessandria

Electricity trading and sales

Atel is in favour of the Swiss market opening up both for cross-border trading (horizontal marketing opening) and through domestic liberalisation (vertical market opening). The tolling agreement signed in the previous year came into force in Italy. Under the agreement, Edipower is responsible for operations and Atel takes over fuel and energy management. Edipower's repowering programme continued as planned. Sales rose sharply in Italy compared to 2003. In Central and Eastern Europe, Atel increased its stake in Entrade and extended its leading position in the region. In Germany, Atel managed to establish a long-term presence in an extremely challenging environment. Atel Trading again exploited market opportunities to the maximum to report excellent results.

Further information:

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

Switzerland region

Relationships intensified

In the reporting year, partnerships in the north-western region of Switzerland were formalised onto a new, stable and contractual basis in view of market opening. Relationships with industrial companies, sales companies and local communities were developed further in terms of energy delivery and supply. Overall, industry and commerce find themselves in a difficult economic environment. There is intense price pressure in Switzerland despite rising prices in the European environment.

The draft Federal Law on Power Supply (StromVG) and Electricity Law (EleG) went out to consultation in 2004. Atel used this process to speak out against the proposals and continues to lobby for full market opening. The company assumes that intense market pressure will persist in the future and political discussions about the StromVG will help shape this notion.

Success in the regions

The economic climate in Ticino in 2004 was slightly worse than the rest of Switzerland, as wages and margins were badly hit by the free movement of people. Given this background, Società Elettrica Sopracenerina SA (SES) posted a small rise in turnover principally due to increases among household customers. This more than cancelled out the falling revenues in the property sector, as nearly all properties were sold. In addition to the increased stake in Metanord and renewal of the power supply contract with Azienda Elettrica Ticinese (AET), SES is preparing to work closer together with Aziende industriali di Lugano (AIL). The former expects the market to stagnate in the secured sales area in 2005. Activities will centre on a modern IT system going live and constructive dialogue with the concession-granting communities.

Atel Versorgungs AG (AVAG) had a successful year. All operating tasks were processed through Aare Energie AG (a.en) which is a subsidiary of AVAG and sbo (Städtische Betriebe Olten). The contracts with 11 of the 14 local communities were renewed and a stake in AVAG offered to the concession holders. The ac-

quisition of Elektrizitätsgesellschaft Schönenwerd (EGS) was pursued at the same time as the negotiations.

AEK Energie AG can look back on a good year. It broke new ground for the long-term, both ecologically and economically, with innovative projects, such as the long-distance steam pipeline from the waste incineration plant in Zuchwil to the M-real paper factory in Biberist.

Southern Europe region

Local energy business expanded

The 2003 tolling agreement governing the management of Edipower's energy output came into force on 1 January 2004. Atel owns a 20% energy portion (around 1,500 MW), for which Atel Energia is responsible for fuel procurement and management (oil, gas, coal) as well as selling the generated power.

In the reporting year, the European market moved closer to full liberalisation, so now all customers except households are free. Atel Energia took the necessary steps to prepare for this move and maximised the opportunities arising from this new segment. Atel also supplied a number of major Italian customers



Montà



with foreign energy, exploiting output capacities as much as possible. Transit increased during the year due to closer collaboration between Italian and Swiss grid operators. The Italian electricity exchange began trading on 1 April 2004, but only on the supply side. The demand side was taken over temporarily by Acquirente Unico which buys the energy for the whole of the tied market. Atel Energia played a successful part on the exchange from the very beginning with its power allocation from Edipower's power stations. The demand side is due to start operating at the beginning of 2005.

Work was completed on the CCGT Novel and ACTV power stations in 2004 and attention turned to the power they would generate. In this regard, Atel Energia signed a tolling agreement for Atel's energy portion, under which gas procurement and sales of the power output are regulated.

Overall, sales of power generated in Italy improved five-fold over 2003, boosting Atel Energia's position and share of the free market. Medium and long-term supply contracts signed with Italian customers also represent another important step in selling power generated in Italy.

Electricity sales doubled

In 2004, the barrier for free customers in France fell to include all non-household customers, providing additional market opportunities of 270 TWh/a. Atel Energie SAS optimised the company's organisational structure so that it could systematically exploit all emerging opportunities. It expanded its position so much on the French market that electricity sales almost doubled compared to 2003. Atel Energie SAS's customers now include medium-sized companies from all over France.

As in previous years, Atel successfully took part in the auction for Electricité de France's (EDF's) virtual power station capacities, while still supplying the French grid operator Réseau de transport d'électricité.

Central/Eastern Europe region

Position expanded

The economic environment in the Central/Eastern Europe region was marked by strong growth. Countries such as Poland, the Czech Republic, Slovakia, Hungary and Slovenia became more attractive to many market participants following their accession to the EU. Atel expanded its position in the region despite more intensive competition and even greater price pressures.

Alongside liberalisation, another significant feature of 2004 was the resynchronisation of the 2nd UCTE zone. It was reunited on 10 October 2004 following division in the Balkans war. Trade with the synchronised second zone began on 1 November, creating new business opportunities.

Volumes markedly increased

2004 saw the market for industrial customers gradually open up in nearly all countries in Central and Eastern Europe. The circle of established trading partners widened and numerous basic agreements were signed.

Together with Entrade, Atel is market leader in electricity trading in Central and Eastern Europe, the Balkans and Greece. 2004 showed that Entrade was an important acquisition in these regions if Atel is to reach strategic goals. Efforts were stepped up to coordinate and integrate Entrade into the Atel Group. Atel increased its stake in Entrade to 100% on 1 January 2005, giving the former an efficient and effective infrastructure for energy trading and risk management in the region.

The market in Hungary took major steps towards liberalisation. Atel Energia Kft. was granted its trading licence and is now steadily expanding its sales activities in Hungary. Like Atel Energia Kft., Atel Polska Sp. z o.o. posted excellent better-than-expected results. Atel Hellas S.A. also significantly expanded its supplies. Overall, Atel exceeded its 2004 targets and increased traded sales volumes by around 20%.

Atel expects a growing number of bottlenecks in border capacities in future. Continued market opening will present additional opportunities for new business. Atel's goal for the coming year is to continue expanding the contract portfolio in

these growth markets, exploit synergies from synchronisation in the Balkans and increase processing efficiency to reach set sales and income targets.

Northern Europe region

Positive trend in Germany

Atel Energie AG continued performing well and won new industrial customers and secondary distributors as customers. This helped it substantially boost business volume in a very challenging environment. At the same time, it successfully marketed newly developed and tailored energy products and services, such as structured procurement. Atel Energie AG also expanded its sales partnerships and bought in surplus volumes of industrial power generation. Overall, it managed to establish a long-term presence in Europe's largest and most complex energy market.

Atel Energie AG's shareholdings performed well in 2004 and achieved their set sales, turnover and earnings targets. Supplies to properties in Baden Württemberg were extended to 2007 with the support of EGT Energiehandel GmbH. It soon emerged that potential customers still had close ties with their previous



Montà



suppliers and this only served to intensify the competition for customers who were willing to change suppliers. At the same time, however, the delay in implementing EU guidelines into national law obviously delayed the start of the regulator's official work.

The German electricity market is the largest in Europe and acts as a barometer for all others there. Energy prices are expected to continue rising in the next few years, particularly due to higher fuel costs. In 2005, Atel Energie AG intends to focus on selling energy to large industrial customers and secondary distributors as well as expanding its range of products. The aim is to help our customers become more competitive by buying energy efficiently. In addition to tailored solutions, another important facet to energy supply is providing efficient support for structured procurement. Atel Energie AG is also looking to continue developing its successful partnerships. Against this background, the company is confident of going from strength to strength.

Scandinavia region

Strong position maintained

Energipartner AS in Oslo manages large energy portfolios for third parties and is therefore geared towards large companies and utilities. Services range from developing and implementing individual procurement strategies, through support for optimising contracts to in-depth market and price analyses. Energipartner AS maintained its strong position in Scandinavia in the reporting year. Business activities there are being substantially expanded under an extended business concept.

Trading

Defined profit targets reached

Excellent earnings from both standard and structured product trading as well as spot trading/optimisation were particular highlights of the year. Atel predicted the major developments on wholesale markets and was always correctly positioned. Thanks to its proximity to all major markets and the flexibility of its own power stations, it was able to fully exploit emerging opportunities on spot and balancing power markets.

Atel Trading's customer base comprises mainly wholesale companies, but increasingly includes major industrial customers and retailers. The company continually developed its personnel resources, processes and systems to meet its customer needs as much as possible.

Its view is that the oligopolisation of European electricity companies will initially increase. As small and medium-sized customers become more professional in their approach, it will be even more important to provide goal-oriented and timely solutions. The company is constantly developing existing business fields, particularly structured electricity trading products. For the future, Atel Trading intends to focus on expanding financial coal trading as well as establishing gas trading for standard products. It will also strengthen electricity trading activities by expanding its knowledge base and identifying new business opportunities. 2005 is expected to see the growing influence of the regulator in European countries. There is likely to be greater transparency, particularly in cross-border business, through auctions.



Montà



Power generation and grid

Below-average water flow resulted in lower hydro Power generation in Switzerland compared to 2003. As the demand for balancing power and low-emission generation technologies continues to grow, Atel is looking at various alternatives for expanding hydroenergy. Leibstadt and Gösgen nuclear power stations helped maintain reliable supplies in their respective anniversary years (20 and 25 years respectively). Two gas-combi power stations came into commercial service in Italy, giving Atel another 100 MW of its own generated power. Power stations in the Czech Republic and Hungary had excellent better-than-expected availability levels. The swissgrid start-up project was Atel Transmission Ltd.'s main focus.

Further information:

www.atel.hu
www.eckg.cz
www.ekwoee.ch
www.etrans.ch
www.khr.ch
www.kkg.ch
www.kkl.ch
www.kwz.ch
www.refuna.ch
www.swissgrid.ch

Power generation Switzerland

Concessions extended

2004 was marked by below-average water flows, with precipitation only reaching high watermark levels on very few days. This resulted in hydro Power generation being around 10% lower than last year.

2004 featured a new concession granted for the lowest level of Kraftwerke Gouggra AG with Navisence power station. The concession-granting communities receive financial compensation as well as a 10% stake in Kraftwerke Gouggra AG. To this end, all shareholders endorsed a proportionate shareholding for the communities. In return, Atel may use the related power, giving it a 54% stake or 65% energy portion. The 80-year concession still needs to be approved by the cantonal authorities.

As UBS sold its 10% stake in Kraftwerke Mattmark AG, Atel's energy purchase right for this facility expired at the end of September 2004.

The question of whether to expand hydroenergy is still an issue. As there are limited locations in the Alps for building new power stations, the main focus is on targeted expansion

and developing existing facilities. Due to the rising need for balancing power in European electricity supplies, the issue of whether to build more pump storage stations is being examined in more detail. Atel is involved in related projects, but realising them depends crucially on what happens to the price of peak energy.

Low-emission generation technologies such as hydroenergy are taking on increasing significance in the context of climate protection. Given this background, residual water requirements are rightly being examined. Corresponding parliamentary moves are under way as part of the political opinion-forming process.

Secure even in anniversary years

The Thermal Power generation business unit's year was marked by the 20th and 25th anniversaries of Leibstadt (KKL) and Gösgen (KKG) power stations respectively. Another milestone was the granting of planning permission for KKG's fuel element wet store. Investment in this project is around CHF 70 million, while current expenditure for renewal and maintenance per facility is around CHF 20 million p.a.

The two power stations were also able to guarantee secure and reliable operation in 2004, both reaching very high annual generation levels. Higher raw material prices helped make nuclear power much more competitive.

2005 marks the end of KKG's upgrading programme during a planned and prolonged review. Building the wet store and auxiliary facility building are additional projects.

The main concern for both facilities will still be to maintain secure and reliable operations.

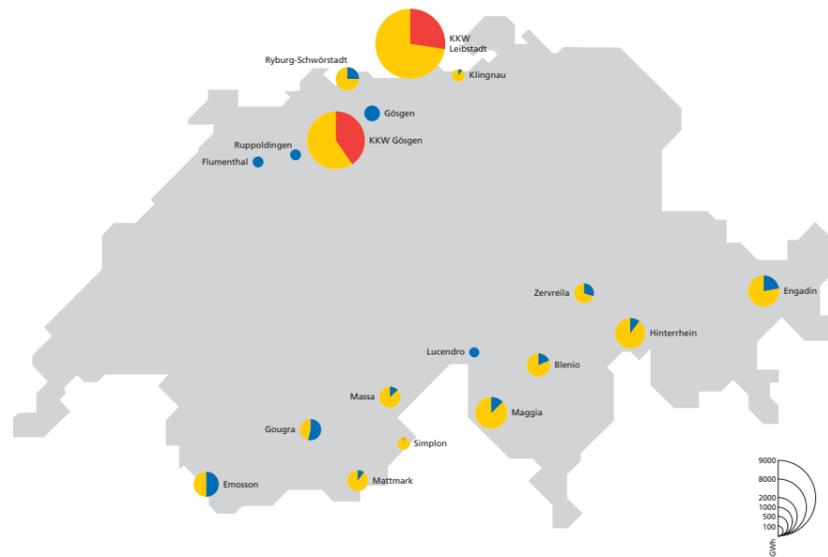


Neive



Power generation in Switzerland

- Own hydroelectric power stations
- Holdings in hydroelectric joint ventures, including subscription rights
- Holdings in thermal joint ventures



Hydroelectric power stations Switzerland

Company	Atel holding in %	Capacity MW	Power generation GWh average	Power generation GWh 2003/2004	Variance in %	Atel share 2003/2004
Atel Hydro AG	100,0	92	554	536	-3,25	490*
Atel Hydro Ticino SA	100,0	60	100	119	19,0	119
Aarewerke AG	10,0	43	230	203	-11,74	20
Blenio Kraftwerke AG	17,0	391	882	692	-21,51	118
Electra-Massa AG	11,5	340	543	548	0,92	63
Electricité d'Emosson SA	50,0	360	860	796	-7,44	398
Energie Electrique du Simplon SA	1,7	42	244	220	-9,73	18
Engadiner Kraftwerke AG	22,0	410	1377	1230	-10,68	271
Kraftwerke Ryburg-Schwörstadt AG	25,0	110	752	719	-4,39	180
Kraftwerke Gouggra AG	54,0	159	575	588	2,26	318**
Kraftwerke Hinterrhein AG	9,3	651	1422	1209	-14,98	112
Kraftwerke Zervreila AG	30,0	250	554	497	-10,29	149
Maggia Kraftwerke AG	12,5	626	1389	1311	-5,6	164
Total Atel share 2003/2004				(prior year 2 534)		2 419

* Excluding BKW share KW Flumenthal
** From 21.4.04 including Navisence level

Thermal power stations Switzerland

Company	Atel holding in %	Capacity MW	Power generation GWh average	Power generation GWh 2004	Variance in %	Atel share 2004
Kernkraftwerk Gösgen-Däniken AG	40,0	970	7 297	8 016	9,9	3 206
Kernkraftwerk Leibstadt AG	27,4	1 165	7 837	8 692	10,9	2 147
Total 2004			15 134	16 708		5 353

Power generation Italy

New facilities come into service

One particular highlight of 2004 was the beginning of commercial operations for both gas-combi power stations Novel S.p.A. and Atel Centrale Termica Vercelli (ACTV) which boosted Atel's own generation capacity in Italy by another 100 MW. Atel Operation & Maintenance (AT O&M) was set up to operate Novel, ACTV and another facility. It is clear that overall, all major players on the energy market are investing a great deal in production facilities in response to increasing energy requirements on the Apennine peninsula.

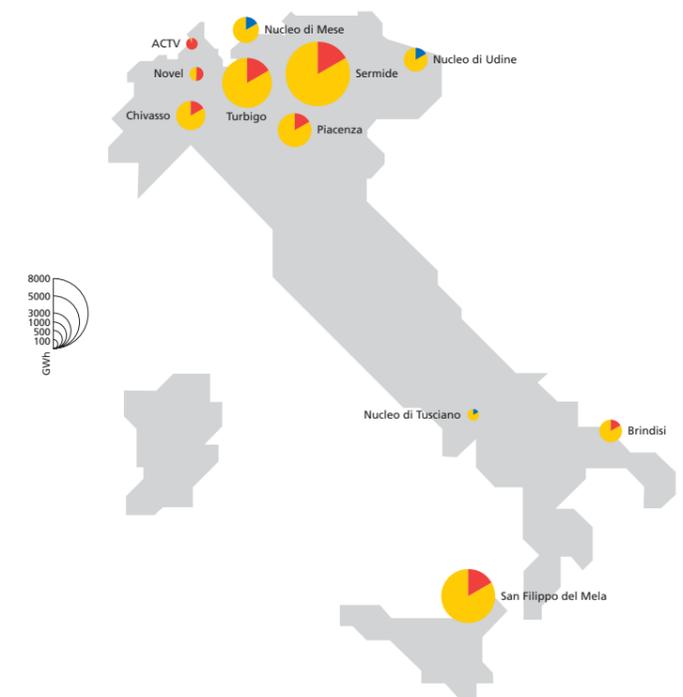
The possibility of new project development is being considered for 2005. All activities are not only evidence of Atel's strong presence in Italy, but its investment and increased production capacities mean that it is also expanding its position against the competition.

We can assume that Italy's energy requirements will remain high in the future, but as production capacities are limited, the market will stay extremely attractive. Apart from operating both state-of-the-art power plants in Northern Italy and plan-

ning a new project, Atel intends to concentrate on developing Atel Operation & Maintenance (AT O&M).

Power generation in Italy

- Own thermal power stations
- Holdings in thermal power stations
- Holdings in hydroelectric power stations





Neive

Hydroelectric power stations Italy

Company	Atel holding in %	Capacity MW	Power generation GWh average	*Power generation GWh 2004	Variance in %
Edipower S.p.A., Nucleo di Mese	16,7	375	1 148	944	-18,0**
Edipower S.p.A., Nucleo di Tusciano	16,7	95	225	215	-4,0
Edipower S.p.A., Nucleo di Udine	16,7	295	768	793	3,0
Total 2004				1 952	

* Excluding production of CIP 6 and mini-hydro facilities
** below-average water flow

Thermal power stations in Italy

Company	Atel holding Atel in %	Capacity MW	Power generation GWh 2004
Edipower S.p.A., Brindisi	16,7	640	1 989
Edipower S.p.A., Chivasso	16,7	1 140	1 709
Edipower S.p.A., Piacenza	16,7	620	2 577
Edipower S.p.A., S. Filippo	16,7	1 280	5 128
Edipower S.p.A., Sermide	16,7	1 140	7 107
Edipower S.p.A., Turbigio	16,7	1 650	4 699
Novel S.p.A.	51,0	100	313
Atel Centrale Termica Vercelli S.r.l. (ACTV)	95,0	50	210
Total 2004			23 732

Power generation Central/Eastern Europe

Outstanding results

The Czech Republic still has the most open and transparent market for selling and placing products from the electricity sector, principally in terms of power generation and grid services. With high prices, this is the second successive year that double-digit percentage increases have been recorded. Under these advantageous operating conditions, Atel successfully supplied the Czech market from its Kladno site near Prague. The 343 MW power station sold a wide range of grid services in addition to generated power, enabling it to reach an unprecedented 97% availability level. Other highlights were the excellent results on security and environment as well as a new contract for comprehensive refinancing.

Atel Csepel in Budapest posted a strong, better-than-expected performance in 2004 and reported high profits. The availability of full capacities was secured for the entire year. The Csepel II power station began operating in 2000 and now has an output of 396 MW based on modern, reliable and flexible gas technology. The liberalisation of energy

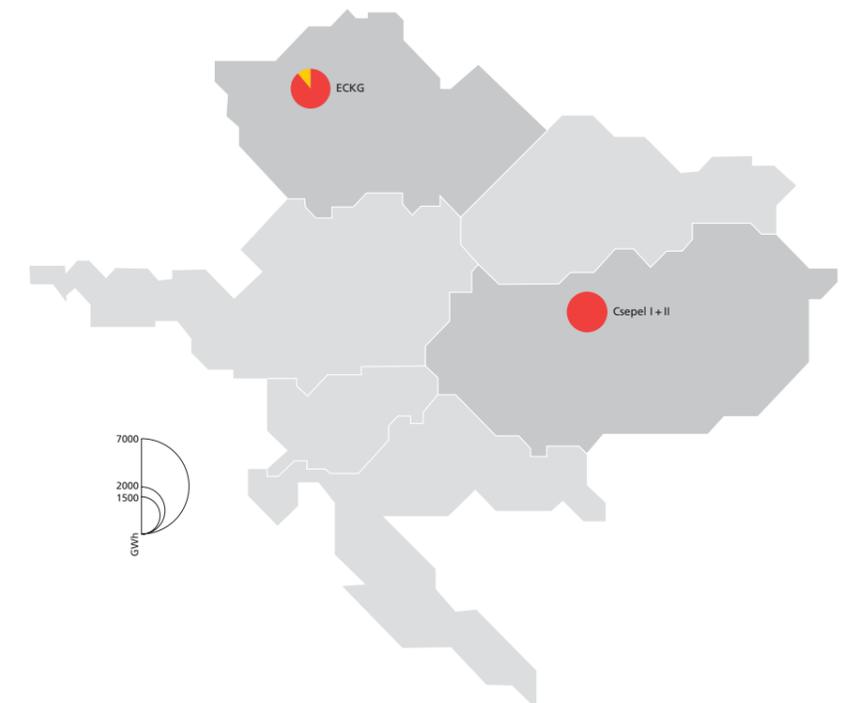
markets continued in Hungary. Long-term supply contracts will give Csepel the necessary stability during the upcoming transition phase. The enormous success of its existing power stations strengthens Atel as it seeks to take advantage of new opportunities and secure more production capacities in the region.

In the reporting year, Kladno and Csepel concentrated mainly on their organisational integration into the Atel Group. Both complexes worked to plan and exceeded expectations, helping Atel strengthen and expand its own electricity trading and selling activities in the region.

Thermal power stations Central/Eastern Europe

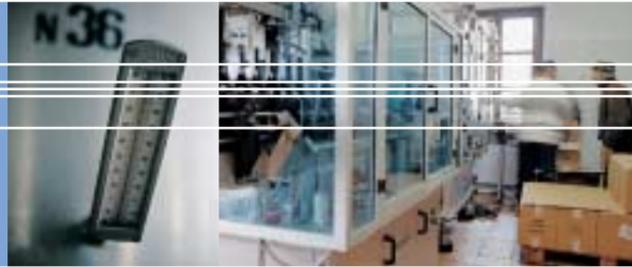
Company	Atel holding in %	Capacity electric MWe	Capacity thermal MWth	Power generation electricity 2004 GWh	Power generation heating 2004 TJ*
Csepel I + II, Budapest	100,0	389	116	1 663	1 300
ECK Generating s.r.o. (ECKG), Kladno	89,0	343	173	1 644	1 422
Total 2004				3 307	2 722

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



Power generation in Hungary and Czech Republic

- Own thermal power stations
- Holdings in thermal power stations



Neive



Grid

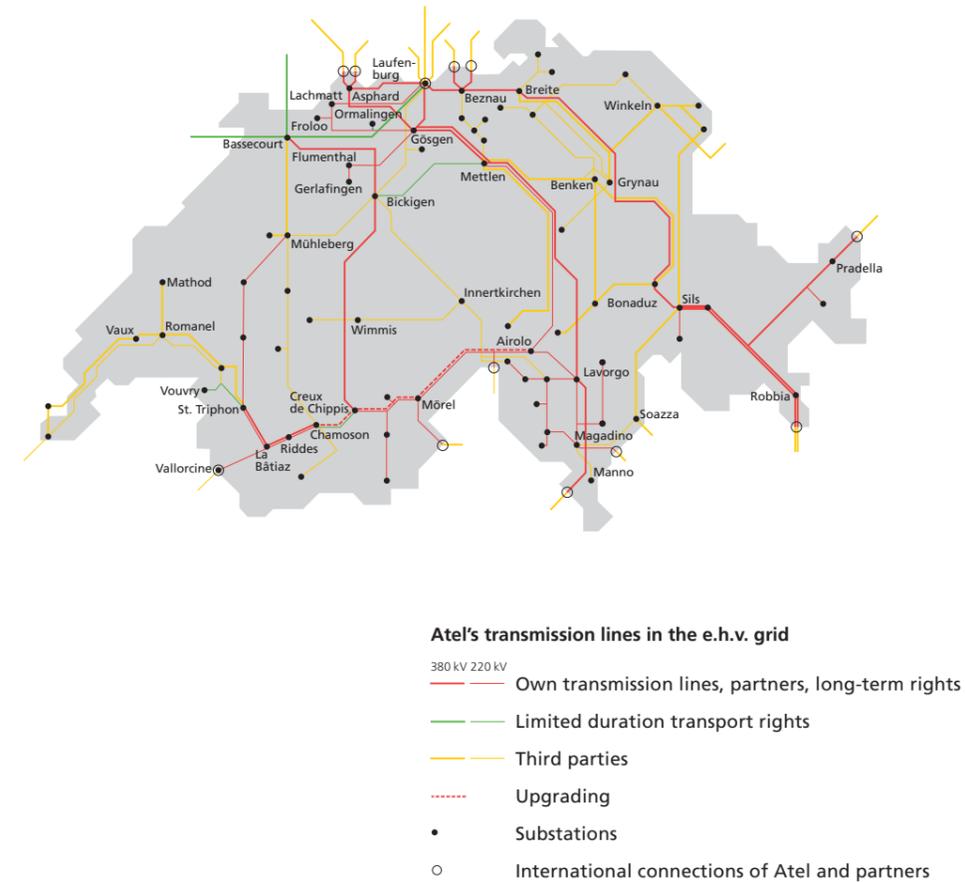
Important stages reached

Atel Transmission Ltd. achieved its set targets for 2004 by completing three projects: civil engineering work for the new 380-kV line over the Nufenen Pass, new schedule processing introduced with all Swiss transmission grid operators under the European ESS standard and the new depot at Niedergösgen. Furthermore, cross-border grid capacity also increased for Atel with the construction of the new 380-kV partner line over the Bernina Pass. Income from the transmission grid, including compensation for exploiting cross-border trading (CBT), was similar to last year.

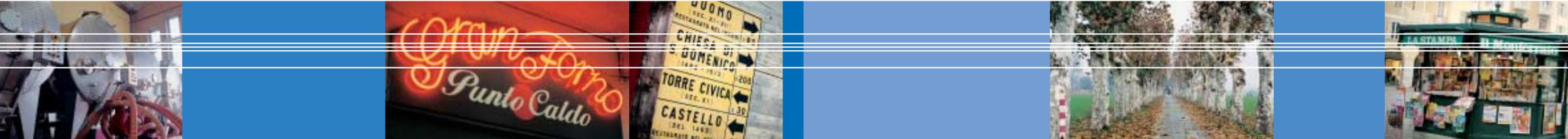
In the reporting year, the partnership for operating a joint schedule and balance sheet management system was extended to include all transmission grid operators. The long-distance operators' decision in August led to the creation of swissgrid which runs the Swiss transmission grid. Involvement in this project created significant expenditure at all levels. The problem of externally created load flows utilising the transmission grid still remains unsolved. At the same time, the rules on grid security are forcing Swiss trading

companies to regularly reduce their international import and export programmes. In mid-2004, the Italian authorities' withdrawal of the Ordinance on the Construction of Merchant Lines resulted in the suspension of a fairly large cross-divisional project.

Atel Transmission Ltd.'s main aim for 2005 will be to complete the Nufenen line, replace pylons on the Lukmanier line and undertake civil engineering work on the Arbedo line. Investment to replace plant and equipment is necessary to maintain value, so preparatory work will begin on projects under long-term grid expansion plans. The company aims primarily to consolidate its position as owner of key grid elements in the transmission grid and secure income from exploiting the grid during the transition period before the market opens up. To safeguard Atel's long-term interests, setting up and expanding swissgrid will take up a great deal of time and require us to exert influence and show commitment.



Bottles in three-four time



By hand out of the box onto the belt, by hand from the belt into the box. The fully automated filling and labelling machine controls everything that happens in between. Bottle after bottle is filled, sealed with a cork and covered, then turned round on its own axis in three-four time to have its identification label stuck on. In the wine cellar, electricity not only provides light but also ensures that temperatures are kept constant to produce perfect wines – green LED displays monitor the processes in metallic vats. It is only in the oak barrels with their precious liquid where time seems to have stood still. Apart from a flickering light bulb, the only requirements are know-how and a long time.

It is a completely different picture only a few kilometres away: time is money. The more units the machine can process in an hour, the better. A robotic arm moves the components onto the conveyor belt for assembly into one unit. Moments later after a few production steps, the process is complete, including quality control. Once fully developed, the machine will manufacture glass stoppers for decanters for expensive wines in China.

Energy Services segment



Novara



Domodossola



	+/- variance 2003-2004 in % (based on CHF)	2003 CHF mn.	2004 CHF mn.	2003 EUR mn.	2004 EUR mn.
Order intakes	-3,8	1 501	1 444	988	938
Net turnover	-7,6	1 535	1 418	1 010	921
Earnings before interest and tax (EBIT)	31,3	16	21	11	14
in % of net turnover	50,0	1,0	1,5	1,0	1,5
Net investment in tangible fixed and intangible assets	-21,1	19	15	13	10
Number of employees as at balance sheet date	-2,6	7 038	6 858	7 038	6 858

Much higher earnings

Given the change in the scope of consolidation and effects of currency translation, the Energy Services segment generated turnover of CHF 1418 million which was similar to last year. Consolidated earnings (EBIT) improved year-on-year by CHF 5 million to CHF 21 million thanks to efficiency savings.

The Swiss Atel Installationstechnik Group (AIT) also came under strong price pressure in 2004. Improvement was slow, particularly in the Building Services/Technical Facilities Management (GT/GM) area. The number of empty offices and commercial premises fell only marginally in large conurbations. Building activity in this area remained weak, but the housing sector enjoyed a tangible and significant recovery. Business was brisk for Energy Supply Technology (EVT) thanks to the acquisition and processing of large-volume infrastruc-

ture projects. Given the generally tougher operating conditions, AIT's earnings were better than expected.

The German GAH Group benefited only marginally from the growth in real gross domestic product. Customers in industry, the service industry and public sector were extremely reluctant to invest, but incoming orders and turnover still rose year-on-year. Systematically implemented restructuring measures helped improve overall results. The energy sector's restrictive investment and maintenance policy characterised the difficult situation for the Energy Supply Technology business unit. The GAH Group substantially boosted its earning power in the Communication Technology (KT) business field despite the tense situation in procurement and transmission technology. The Industrial/Plant Technology business unit (IAT) reported an even higher turnover compared to last year. The Building Services/Tech-

nical Facilities Management (GT/GM) field achieved the turnaround by systematically implementing restructuring measures introduced in 2003.

Outlook 2005

In Switzerland, the situation appears to be easing slightly for the GT/GM area in the first few months of 2005. Generally better capacity utilisation at the beginning of the year offers the prospect that the area will be successfully positioned in 2005 when operating conditions begin to improve. EVT assumes that business will be stable due to its large current order book for major projects.

On the cost side, the AIT Group expects the exploitation of synergies to have another positive effect on results.

In Germany, the construction sector is expected to be rather weak in 2005 and investment activity by industry, service companies and the public sector to be modest. The GAH Group is tackling these market conditions by means of a carefully crafted strategic realignment. Its healthy order book makes a good starting point.

EVT expects the market environment to be tight, with modest demand from energy suppliers. KT expects a slight downturn in investment activity. This business unit will in future be managed by EVT as part of the aforementioned strategic realignment. IAT expects further stability in 2005. At the same time, there will be challenges ahead for the newly integrated GT/GM business unit due to the weak building sector. Group-wide organisational structures will be systematically optimised and simplified.

Further information:

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



Iselle



Simplon

Energy Services Southern/Western Europe

Atel Installationstechnik Group

The Atel Installationstechnik Group (AIT) operates in the transport, energy supply, communications and building technology sectors, focussing geographically on Switzerland and Northern Italy.

After successfully reviewing its structures and processes, AIT was able to tap into other markets in an environment characterised by collapsing prices and pressure on margins.

Atel Installationstechnik Ltd.	
Building Services/ Technical Facilities Management	Energy Supply Technology
Atel Bornet Ltd.	Kummler + Matter Ltd.
Vernier	Zurich
Atel Elettroimpianti SA	Mauerhofer + Zuber Ltd.
Savosa	Renens
Atel Building Technology Ltd.	
Zurich	
Atel Building Technology West Ltd.	
Olten	
Atel Sesti S.p.A.	
IT-Milano	



Locations of the AIT Group

- Building Services/Technical Facilities Management
- Energy Supply Technology

Offer volumes increase

The consolidation of the Energy Services Southern/Western Europe region was concluded in the reporting year, resulting in a new and simplified legal structure introduced on 1 January 2004. This brought very positive feedback from customers and AIT employees and has already started to pay off.

Overall, the economic environment was dominated by overcapacities in the market which inevitably affected prices. Prices in the Building Services/Technical Facilities Management (GT/GM) area were very low on the Swiss and Italian markets, in some areas even below 2003 levels. The overall sector felt the increased pressure on margins caused by the lack of public sector investment. One badly hit area was Energy Supply Technology (EVT), but it made up for this by systematically tapping into new markets. There was real improvement in investment activity in the services segment where order levels were higher than in 2003. The situation eased slightly in the last quarter of 2004, as illustrated by the tentative increase in offer volumes. In 2004, the GT/GM and EVT business units accounted for

74% and 26% of overall earnings respectively.

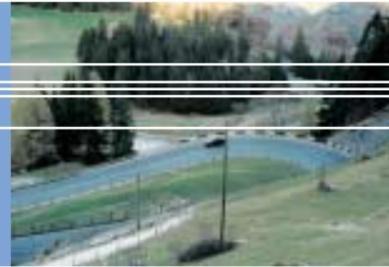
Increase in market shares expected

In Switzerland and Italy, AIT as an overall supplier is getting to grips with expansion in the GT area after a period of consolidation. EVT is expecting demand to remain stable. Here AIT is concentrating on broader support for its services and increased expansion of its export business in contact line technology. However, it is not clear what the public sector's policy will be on outsourcing and project financing. The GT/GM unit expects growth in the building sector to be modest and the pricing situation to be tough.

The Energy Services Southern/Western Europe region is focussing its activities for the coming year. It should secure additional market share by expanding in selected areas and regions, seeking growth primarily in technological areas. Simplified structures at group level and exploitation of the group's uniform image within the GT/GM area will help it reach its specific targets.



Simplon



Kandersteg

Energy Services Northern/Eastern Europe

GAH Group

With 35 companies in 120 offices and branches, the GAH Group is one of Germany's leading service companies for energy business, industry and communications.

Despite German industry's reluctance to invest, the group managed to significantly increase profit from stable turnover in the reporting year.

GAH Beteiligungs AG, Heidelberg

Building Services/ Technical Facilities Management	Energy Supply Technology	Communications Technology	Industrial/ Plant Technology	Other Holdings
GA-tec Gebäude- und Anlagentechnik GmbH Heidelberg	GA Leitungsbau Süd GmbH Fellbach	GA-com Telekommunikation und Telematik GmbH Bietigheim-Bissingen	Kraftanlagen München GmbH Munich	Dr. Herfeld GmbH & Co. KG Neuenrade
Kraftanlagen Hamburg GmbH Hamburg	Frankenluk Energie- anlagenbau GmbH Bamberg	te-com Tele- kommunikations- Technik GmbH Backnang	Kraftanlagen Fertigungs- betrieb GmbH Reinsdorf	
Kraftanlagen Heidelberg GmbH Heidelberg	GA Energie- anlagenbau GmbH Hohenwarsleben	Digi Communication Systeme GmbH Gifhorn	ECM Ingenieur- Unternehmen für Energie- und Um- welttechnik GmbH Munich	
Kamb Elektro- technik GmbH Ludwigshafen	GA Leitungsbau Nord GmbH Hannover	InterServiCom GmbH Backnang	Ingenieurbüro Kiefer & Voß GmbH Erlangen	
Caliqua Gebäude- technik GmbH AT-Wiener Neudorf	Elektro Stiller GmbH Ronnenberg	DIGICOS Sp. z o.o. PL-Poznań	KEU GmbH Krefeld	
	Franz Lohr GmbH Ravensburg		Kraftanlagen Nukleartechnik GmbH Heidelberg	
			Kraftszér Kft. HU-Budapest	
			Kraftszér Bratislava s.r.o. SK-Bratislava	
			KALFRISA S.A. ES-Zaragoza	



Bern



High level maintained

Real GDP grew by 1.7% in Germany in 2004 buoyed by high export demand. The GAH Group benefited only marginally from this, as the largest customers were still very reluctant to invest. Nevertheless, the GAH group's incoming orders and turnover remained at 2003's high level. Systematically implemented restructuring measures helped significantly improve its results.

Critical factors for 2005 will be the weak building industry, the public sector's lack of finance and modest investment activity by industry and the energy sector.

More positive results

For the Energy Supply Technology (EVT) business unit, 2004 was dominated by a more restrictive investment and maintenance policy in the energy sector and weak demand from industry as well as capex cuts by one key customer. Nonetheless, it increased its turnover and posted positive results.

EVT also expects the market environment to be tough again in 2005. It will expand industrial marketing



Locations of the GAH Group

- Head offices
- Branches, offices

Other foreign locations:
Brussels (BE), Budapest (HU), Törökbálint (HU),
Suchy Las/k. (PL), Warsaw (PL), Münchendorf (AT),
Vienna Neudorf (AT), Wolkersdorf (AT), Zaragoza (ES)

and infrastructure project business, capitalise additional cost and productivity reserves, forge strategic partnerships and embark on regional market expansion to strengthen its position.

Sharp rise in earning power

The Communications Technology (KT) business unit significantly boosted its earning power while turnover remained stable. Although it registered significant increases in turnover in the mobile phone sector and maintained high levels in the cable equipment and railway security engineering area, turnover fell again in supply and transmission technology. As a result, more personnel and structural measures had to be implemented in the middle of 2004.

Weak demand in supply and transmission technology is set to continue in 2005. All other areas are expected to see a slight downturn in demand and investment activity. The structural and organisational changes mean that the KT business unit will in future be managed under EVT.

Significantly better than expected

The Industrial/Plant Technology business unit (IAT) improved its turnover by 10% year-on-year which was significantly better than expected. This was due primarily to the improved situation in nuclear technology, but also to major projects in energy technology, the petrochemical sector, power station and supply technology.

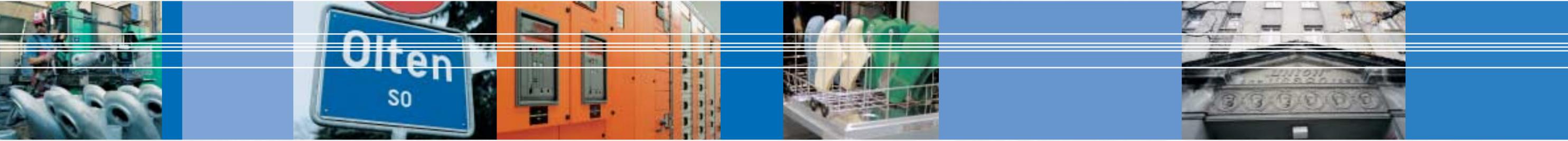
The IAT business unit expects turnover and earnings to be stable in 2005 and it will continue expanding its foreign business.

Turnaround achieved

2004 was the tenth consecutive year in which building investment fell in Germany. This meant that the Building Technology and Management (TGA/TGM) business unit also reported a slight reduction in turnover. The package of measures introduced in 2003 for GA-tec Gebäude- und Anlagentechnik GmbH was successfully implemented, helping TGA/TGM achieve the turnaround and report positive results once more.

The construction industry is not expected to recover in 2005, so measures introduced will be carried forward. Unprofitable areas or any in deficit will be reorganised or sold. The TGA/TGM business unit will in future be managed under IAT.

Olten junction



The roads and rails running alongside the Jura mountains are full of cars and trains moving towards Olten, looking as if they are being pulled along by an invisible cable. All of a sudden the modern features and characteristics of a town come into view: signals and signs regulating the flow of road users, notices about free parking and special offers in supermarkets. Electricity helps provide entertainment and amusing pastimes in sports halls, bars, cinemas and restaurants. It guarantees healthcare provision – and in some cases survival – in the hospital at the edge of the city.

An MRI scanner makes the layers of a human body transparent to reveal diseases. A few floors higher up, modern equipment monitors pulse, blood pressure and other important life functions. The catacombs are the hospital's heart and brain. Kilometres of wires spread out from here like pathways carrying electricity and communication.

All cables and information also converge on the other side of the River Aare. Atel specialists at its headquarters are responsible for providing professional products and services. This know-how and experience are the basis of Olten's position as a junction for a Swiss-based pan-European energy company.

Band energy

The basic demand for electricity that exists every day, around the clock. In Switzerland, band energy is supplied by run-of-river power stations and thermal (nuclear) power stations.

Hydroelectric Power generation

Power generation by water power.

Merchant line

Cross-border line that increases the transit capacity between two neighbouring grids. The additional capacity can be used exclusively by investors in the line, offering an increased investment incentive.

Nuclear power station

Nuclear power stations are a type of thermal power plant. Nuclear power stations generate heat from controlled fission of uranium atomic nuclei, during which radioactive fission products are formed. Nuclear power stations therefore incorporate multiple containment zones to prevent hazards to the surrounding environment. Nuclear power stations, like run-of-river ones, generate band energy.

Peak energy

Peak energy is the proportion of the daily electricity requirement 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

Active management in central location of various products traded on the market in order to gain sustained increase in profits using a predefined risk/return profile, taking account of additional boundary conditions.

Repowering

Replacing old power stations with modern, highly-efficient and more profitable ones.

Storage power station

Storage power stations are hydroelectric power stations fed by at least one mountain reservoir. When required, they can commence operation within a few minutes. Their power is dictated by the difference in height between the reservoir and the generator vault, and the turbine flow rate. Storage power stations meet approximately one third of Switzerland's electricity needs.

Thermal Power generation

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

Tolling agreement

The tolling agreement governs the relationship between power plant operators and their partners (tollers). The partners provide the fuel and draw the generated power, whereas power plant 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. The common aim is to guarantee the safe operation of the grid. UCTE's members are 35 transmission system operators from 20 European countries. Swiss members are Atel, BKW, EGL Grid, EOS, ETRANS and NOK.

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

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Dates

28 April 2005	2005 Annual General Meeting
May 2005	Quarterly results 1/05
August 2005	Interim report 2005
November 2005	Quarterly results 3/05
February 2006	Press announcement on 2005 annual results
April 2006	Balance sheet media conference
27 April 2006	2006 Annual General Meeting

Units

Currency

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

th.	thousand
mn.	million
bn.	billion

Energy

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

Power

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

MWe	electrical megawatts
MWth	thermal megawatts

Publication data

Published by:

Aare-Tessin Ltd. for Electricity, Olten

Concept, design and text:

BrandNew AG, Zurich

Photos:

Matthias Auer, Zurich

Marcel Studer, Zurich

Comet Photoshopping GmbH, Zurich

Lithography:

Hürlimann Medien AG, Zurich

Printing:

Dietschi Print & Medien AG, Olten

The 2004 Annual Report is published in English, French, German and Italian. The 2004 Financial Report is published in English and German. The German original text is authoritative.

Atel would like to thank the following companies that made themselves available for photos:

Vitalfrigo, Rome; Gruppo Cadini S.r.l., Florence; Pastificio La Bolognese, Florence; Traversa Giuseppe Remo azienda Vitivinicola, Neive; C.S.T. Macchine Speciali S.r.l, Alessandria; vonRoll hydro, Oensingen; Kantonsspital, Olten.