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Financial Report 2004

Key figures for 2004

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

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Review of the years 2000–2004 for the Atel Group

Income statement

CHF mn.	2000	2001	2002	2003	2004
Net turnover*	3 320	3 620	3 700	5 285	6 955
Variance in % over prior year	72,7	9,0	2,2	42,8	31,6
Variance in % in same scope of consolidation	6,8	10,2	0,8	14,1	32,4
Other operating income	78	90	91	135	151
Total operating result	3 398	3 710	3 791	5 420	7 106
Operating expenses before depreciation	–2 960	–3 185	–3 229	–4 804	–6 433
Earnings before interest, tax, depreciation and amortisation (EBITDA)	438	525	562	616	673
Depreciation	–267	–303	–307	–256	–242
Earnings before interest and tax (EBIT)	171	222	255	360	431
Financial income/expenses	16	9	–24	10	11
Income taxes	–52	–66	–61	–98	–103
Group profit including minority interests	135	165	170	272	339
Variance in % over prior year	26,2	22,2	3,0	60,0	24,6
in % of net turnover	4,1	4,6	4,6	5,1	4,9
Minority interests	–10	–9	–5	–20	–24
Net profit	125	156	165	252	315
Employees**	7 765	7 823	7 890	8 105	7 872

* Excluding trading in standardised products; for definition of turnover see page 17
** Average number of full-time equivalent employees

Balance sheet

CHF mn.	2000	2001	2002	2003	2004
Total assets	4 232	4 575	5 070	6 315	6 768
Assets					
Fixed assets	2 819	2 590	3 022	3 895	3 821
Current assets	1 413	1 985	2 048	2 420	2 947
Liabilities					
Shareholders' equity	1 364	1 468	1 555	1 811	2 009
in % of total assets	32,2	32,1	30,7	28,7	29,7
Minority interests	66	65	83	97	107
Liabilities	2 802	3 042	3 432	4 407	4 652

Per share information

CHF	2000	2001	2002	2003	2004
Nominal value	100	100	100	100	100
Share price at 31.12.	890	850	805	980	1 650
Highest	930	1 000	915	980	1 660
Lowest	750	735	775	730	980
Group profit	41	52	55	83	105
Shareholders' equity	449	484	512	597	662
Dividend	20	20	20	22	24
Average trading volume/day	160	190	85	94	478

Atel Group Financial Commentary

Record results

2004 was an excellent year for the Atel Group. Its Energy segment posted record results thanks to dynamic expansion of its trading and sales operations and optimal positioning in the market place. Energy Services also performed much better operationally despite tough market conditions. Consolidated turnover rose 32 % to some CHF 7 billion and consolidated earnings 25 % to CHF 339 million. The Atel Group also processed 109 TWh (+63 %) valued at CHF 5 billion (+85 %) in the form of standard products. The company's value increased again, as reflected in the higher share price.

Following major expansion through a series of acquisitions in previous years, 2004 was a year in which the Group made significant headway in terms of financial and organisational consolidation. It also strengthened its equity capital base and reduced borrowings.

It was integrated into the UBS Group for accounting purposes from 1 July 2004.

In 2005, we intend to consolidate the strong external and internal growth of the past few years both financially and organisationally. Targeted acquisitions in key markets should also strengthen the Atel Group's position. The expansion of sales and trading activities together with the impact of restructuring measures in the Energy Services segment should mean that energy sales, consolidated turnover and earnings are in line with 2004 levels.

Positive earnings contributions from all markets

Southern/Western Europe: above-average growth

The Italy region made significant advances in 2004 in terms of turnover and earnings. The Edipower power station complex acquired in 2002 has been supplying the industrial shareholders with power since the beginning of 2004. Atel owns a 20 % share of Edipower's energy which it sells on the open market through its local sales company Atel Energia. In addition to Edipower, Atel's two gas-combi power stations in Northern Italy (Novel and Vercelli) were successfully commissioned in the second half of the year. The electricity market in Italy was also energised by additional business transacted through IPEX, the electricity exchange in Milan which began trading in April 2004.

Northern/Eastern Europe: high level maintained

Following acquisitions in 2003, the Central/Eastern Europe region reported high consolidated earnings. Higher sales compensated for the general trend of falling prices. Northern Europe ended the year on target by making a greater contribution to turnover.

Entrade performed better than expected in 2004, but not as well as in 2003 when its turnover was exceptional. Margins came under pressure through increased competition, particularly at border capacity auctions, but this was partly offset by short-term additional business. The Csepel and Kladno power stations benefited from high availability levels and an optimised cost structure which had a positive effect on results. Overall, the strength of business operations in Central/Eastern Europe helped further diversify the Atel Group's portfolio.

Switzerland and trading: success in the marketplace

Supply volumes in Switzerland were high, particularly in the first half of the year, due to adverse weather conditions. This trend continued in the second half but to a lesser extent. Trading was highly successful in 2004 due mainly to excellent positioning on the spot market. Available opportunities were exploited flexibly and profitably. Energy business also benefited from the high availability of power station output which was coordinated through cross-regional trading.

Improved productivity in the Energy Services segment

The Energy Services segment's year was again marked by economic weakness in Germany and Switzerland. Measures introduced in 2003 continued to stabilise costs. Productivity improved considerably, particularly in the GAH Group. The cost of GAH's strategic restructuring and AIT integration projects was charged to the current period.

Atel Group: high growth in turnover

The Atel Group's consolidated net turnover increased year-on-year by 30.7% in local currencies, rising by 31.6% in Swiss francs to around CHF 7 billion, or 32.4% when adjusted for the effect of the changed scope of consolidation. Atel processed 108.8 billion kWh (+63%) valued at CHF 5.0 billion (+85%) in the form of standard products during the reporting period. As in prior years, income from trading standard products in 2004 of around CHF 15 million was reported net under turnover.

The high growth in turnover was marked by dynamic trends in the Energy segment. A significant proportion of this income was generated in the Southern region where Edipower was marketed for the first time and through participation on the Milan electricity exchange. But all other energy markets also contributed to these positive results by maintaining stable high turnover.

The weak economy continued to affect turnover in the Energy Services segment. Market and competition conditions were also unsatisfactory. On a comparable basis, i.e. based on the same scope of consolidation, turnover for the segment was unchanged on the prior year.

Sharp rise in EBIT

Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) increased in 2004 from CHF 616 million to CHF 673 million. Earnings (EBIT) rose to CHF 431 million which is around 20% higher than in 2003. The main reason for this strong rise was the massive jump in turnover, with margins only narrowing slightly on average. Furthermore, Atel profitably exploited exceptional price movements on the spot market using its own available generation output. This had a positive impact on the EBIT figure. Provisions and value adjustments of CHF 51 million (prior year: CHF 36 million) that were no longer required were released to earnings.

Planned goodwill depreciation of CHF 69 million (prior year: CHF 81 million) was reported under consolidated operating expenses. Goodwill stemmed from the acquisition of urban utilities, purchase of production facilities and trading business in Eastern Europe in previous years. From 2005 onwards, goodwill will no longer be depreciated under IFRS, but individual positions will be subject to a periodic impairment test instead.

Stable financial and investment earnings

Net interest expenses were very high due to capital requirements for acquisitions in previous years. Good liquidity levels reduced the need for interest-bearing debt, therefore external interest charges were lower. The market valuation of financial holdings also had a positive impact on earnings. However, as a weaker euro affected financial earnings, realised and unrealised losses on financial assets had to be disclosed. Investment income remained stable compared to 2003. These factors cumulatively improved financial earnings by CHF 2 million.

The consolidated tax charge was disproportionately low compared to the rise in earnings, with the weighted actual tax rate at 23.3% (2003: 26.5%). This lower rate was mainly due to the optimised group structure as well as official tax credits for investment projects in Italy.

Group profit at another record high

Reported group profit of CHF 339 million, equivalent to a rise of CHF 67 million or 25%, reflects successful operations, including special effects.

Consolidation in balance sheet

Investment in tangible and intangible assets totalling CHF 130 million (prior year: CHF 207 million) was used mainly for replacing existing facilities (CHF 81 million) and commitments to growth investments from previous years. Investments and the increase in net current assets were funded in full by internally-generated inflow of funds.

The strong growth in turnover led to a tangible increase in receivables or current assets, while tangible assets remained stable. Total assets at 31.12.2004 increased by 7.2% to CHF 6768 million.

The reduction in financial liabilities is a noteworthy positive feature on the liabilities side. Other borrowings rose in the wake of turnover growth and the increase in the amount of receivables. Restrained investment activity and excellent annual results led to an increase in shareholders' equity. This effect was materially reduced by the purchase of Treasury shares totalling CHF 45 million. The ratio of shareholders' equity to total assets increased from 28.7% to 29.7%. The ratio of net indebtedness to equity, including minority interests, fell to 48.5% (prior year: 57.8%) at year-end. Overall, financial consolidation was able to continue.

First-time consolidation into the UBS Group

The Atel Group's results were included in UBS's consolidated accounts from 1 July 2004. Atel's accounting principles and reporting have not changed as a consequence, therefore its 2004 figures are comparable with those of previous years. However, UBS's published figures on Motor-Columbus Ltd. reflect its revaluation of MC/Atel Group under the first-time consolidation procedure and only relate to the second half of 2004. As part of the consolidation into UBS, reporting has been accelerated and external reporting changed to a quarterly basis.

Consolidated Income Statement

Outlook

Turnover growth and stable earnings

The financial and organisational consolidation required following recent strong growth progressed well in the 2004 business year. We are looking to continue efforts along the lines of our corporate strategy in 2005. The new organisational structures should be stronger and become well-established, processes will be simplified and the equity base strengthened in line with strategic objectives.

In our Energy segment, we are looking to expand our sales and trading operations in all markets again and secure current market positions. We therefore expect sales volumes and turnover to grow in 2005, primarily in Italy and Eastern Europe against the background of stable prices, limited volatility and a trend towards lower margins. At the same time, we are also looking for opportunities to strengthen our generation capacities that are strategically appropriate and financially interesting. In our Energy Services business, we are keen to make the segment more profitable, supported by GAH's new strategic structure and AIT's solid contribution. Our healthy order book at the beginning of the year and recently introduced measures that have largely taken effect and been accounted for, will help us reach our objective.

Barring any exceptional events, we expect 2005 to show increased sales and turnover, unchanged earnings levels, higher investment expenditure and further strengthening of balance sheet structures for the Atel Group as a whole.

CHF mn.	Notes	2003	2004
Net turnover*	26	**5 285**	**6 955**
Capitalised cost		17	11
Other operating income	2	118	140
Total operating result		**5 420**	**7 106**
Energy and goods purchased	3	−3 839	−5 428
Materials and external services		−88	−85
Personnel expenses	4	−624	−639
Other operating expenses		−253	−281
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**616**	**673**
Depreciation	5	−256	−242
Earnings before interest and tax (EBIT)		**360**	**431**
Proportionate earnings of associated companies		61	60
Financial income/expenses	6	−51	−49
Earnings before income tax		**370**	**442**
Income tax	7	−98	−103
Group profit including minority interests		**272**	**339**
Minority interests		−20	−24
Net profit	8	**252**	**315**
Earnings per share in CHF	8	**83**	**105**

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

Consolidated Balance Sheet

Assets

CHF mn.	Notes	31.12.2003	31.12.2004
Tangible fixed assets	9	1 929	1 917
Intangible assets	10	650	560
Investments in associated companies	11	661	633
Long-term financial assets	12	588	634
Deferred income taxes	7	67	77
Fixed assets		**3 895**	**3 821**
Inventory		38	72
Debtors	13	1 498	1 996
Time deposits		2	169
Cash	14	821	590
Securities under current assets	15	6	52
Accrued assets		55	68
Current assets		**2 420**	**2 947**
Total assets		**6 315**	**6 768**

Liabilities

CHF mn.	Notes	31.12.2003	31.12.2004
Share capital		304	304
Share premium		14	14
Treasury shares		–1	–46
Retained earnings		1 494	1 737
Shareholders' equity	16*	**1 811**	**2 009**
Minority interests		**97**	**107**
Provisions	17	733	638
Deferred income taxes	7	228	262
Long-term financial liabilities	18	1 599	1 655
Other long-term liabilities	19	6	15
Long-term liabilities		**2 566**	**2 570**
Liabilities from current income taxes		29	46
Short-term financial liabilities		333	183
Other short-term liabilities	20	1 220	1 558
Accrued liabilities		259	295
Short-term liabilities		**1 841**	**2 082**
Liabilities		**4 407**	**4 652**
Total liabilities and shareholders' equity		**6 315**	**6 768**

* As well as page 13

Statement of Changes in Equity

CHF mn.	Share capital	Share premium	Treasury shares	Translation differences	Retained earnings	Total
Shareholders' equity 31.12.2002	**304**	**14**	**–35**	**–15**	**1 287**	**1 555**
Dividend payment					–60	–60
Net profit					252	252
Purchase/sale of Treasury shares			34			34
Earnings from the purchase/sale of Treasury shares (after tax)					–1	–1
Changes in currency translation				31		31
Shareholders' equity 31.12.2003	**304**	**14**	**–1**	**16**	**1 478**	**1 811**
Dividend payment					–67	–67
Net profit					315	315
Purchase/sale of Treasury shares			–45			–45
Earnings from the purchase/sale of Treasury shares (after tax)						–
Changes in currency translation				–5		–5
Shareholders' equity 31.12.2004	**304**	**14**	**–46**	**11**	**1 726**	**2 009**

Atel's Board of Directors is proposing to the 2005 Annual General Meeting for the 2004 financial year a dividend of CHF 24 per registered share on the shares in circulation, totalling CHF 72 million. For further details, please refer to page 58 of the Financial Report.

Consolidated cash flow statement

CHF mn.	2003	2004
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**616**	**673**
Adjustments for:		
Capitalised cost	–17	–11
Addition, appropriation and release of provisions	18	–94
Profit/loss from sale of fixed assets	–9	–14
Other income/expenses not affecting payments	–1	6
Dividend yield from associated companies and financial holdings	26	37
Interest payments	–75	–79
Interest receipts	14	16
Other financial expenses	–23	–20
Other financial income	4	3
Income tax paid	–33	–39
Change in net current assets (excluding short-term financial claims/liabilities)	3	–235
Cash flow from operating activities	**523**	**243**
Tangible fixed and intangible assets		
Investments	–207	–130
Disposals	31	32
Subsidiaries		
Acquisitions	–95	–
Disposals	–	–
Change in shareholding proportions	–14	–
Associated companies		
Investments	–5	–2
Disposals	–	34
Long-term financial assets		
Investments	–322	–32
Disposals/repayments	7	6
Change in time deposits	25	–168
Acquisition/disposal of securities under current assets	32	–20
Cash flow from investment activities	**–548**	**–280**
Dividend payments	–60	–67
Dividends paid to minority interests	–7	–12
Purchase/sale of Treasury shares	33	–45
Increase in financial liabilities	571	323
Repayment of financial liabilities	–359	–394
Cash flow from financing activities	**178**	**–195**
Change resulting from currency translation	**21**	**1**
Change in cash and cash equivalents	**174**	**–231**
Statement:		
Cash and cash equivalents on 1.1.	647	821
Cash equivalents on 31.12.	821	590
Change	**174**	**–231**

Free cash flow

CHF mn.	2003	2004
Cash flow from operating activities	523	243
Capital expenditure	–73	–81
Sale of tangible fixed and intangible assets	31	32
Free cash flow	**481**	**194**

Group Accounting Policies

General principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements give a true and fair view of the Atel Group's financial position, result of operations and cash flows. The Board of Directors authorised the consolidated financial statements on 24 February 2005 for presentation to the Annual General Meeting on 28 April 2005.

The basis of consolidation was unchanged on the prior year. The consolidated statement of cash flows (page 14) has been changed to reflect current IFRS requirements. Prior year figures have been adjusted to match the new presentation so that comparisons can be made. Where changes have been made in presentation for current reporting, comparative data taken over from the prior year have been reclassified where necessary in the consolidated income statement, balance sheet and notes to the consolidated financial statements.

In the third quarter of 2004, the supervisory board of GAH adopted a strategic restructuring project for the GAH Group. Known as "GAH 2005", the project entails a refocusing from four to two areas of business operations. In the 2004 business year, the business areas targeted for disposal had a combined turnover of CHF 223 million and pre-tax earnings from normal operations of CHF 7 million; tax amounted to CHF 3 million. Net cash flow in the same period was CHF 7 million.

Basis of consolidation

Scope of consolidation

The consolidated financial statements are based on the individual financial statements of all Atel Group companies consolidated as at 31 December. Group companies are included in the scope of consolidation from the date of acquisition. Companies are deconsolidated or reported under financial assets if the Group no longer controls the business or disposes of it.

The scope of consolidation includes, apart from Aare-Tessin Ltd. for Electricity, Group companies in which Atel directly or indirectly holds more than 50 % of the voting rights and thus exercises control.

Investments in associated companies in which Atel exercises a significant interest but does not control the company, are included in the consolidation using the equity method. Joint ventures in the Energy segment, operated under common control with partner companies, are included in the consolidated financial statements on the same basis. The financial statements of associated companies have been prepared on the basis of local accounting principles which may partly differ from those of the Atel Group.

Atel's share in the assets, liabilities, income and expenses of these companies is shown under explanatory note 11 on pages 32/33.

Under accounting standard IAS 39, other investments are presented under assets in the "Financial holdings"caption at fair value (see notes "Fair value" on page 22).

All significant investments, including details of the consolidation method applied and further information, are listed from page 46.

Method of consolidation

Consolidation and the recording of goodwill are performed using the purchase method (re-evaluation method). On this basis, the costs of acquisition of a consolidated Group company are offset against re-evaluated equity at the time of acquisition. Any surplus is capitalised as goodwill and charged to the income statement as depreciation over the estimated useful life of the asset. Goodwill in a foreign currency is translated at historical rates.

Intercompany transactions

Shareholders are invoiced at full cost for the power produced by the joint ventures, on the basis of existing joint venture contracts.

Other goods and services are invoiced between Group companies at the contractually agreed transfer or market prices. All positions and transactions and unrealised gains and losses arising from intercompany transactions are eliminated in consolidation.

Foreign currencies

Group companies which do not report in Swiss francs are converted into Swiss francs namely balance sheets at year-end exchange rates and income statements at average rates for the year. Any resulting differences are charged to shareholders' equity.

In the individual company accounts, foreign-currency transactions are converted at the current exchange rate, and at the hedging rate where covered by forward foreign exchange contracts. Gains and losses realised and unrealised, arising up to the balance sheet date from the valuation of assets and liabilities in foreign currencies, are recorded in the income statement.

Valuation and accounting policies

Sales revenue

Sales revenue from goods and services is reported in the income statement upon performance. Turnover from construction contracts is accounted for using the percentage-of-completion method, where income is accounted for based on the stage of completion.

Trading in standardised products is reported under net turnover using the net method (reporting of net trading profit).

Income taxes

Income taxes are calculated on the annual profits contained in the income statement at the current tax rates applicable to the individual companies.

Deferred income taxes are calculated on temporary differences arising between the tax basis of assets and liabilities and their carrying value in the consolidated financial statements. The resulting deferred tax is provided for using the balance sheet liability method. Deferred tax is only reported on valuation differences in holdings in Group companies if it is likely to be reversed in the foreseeable future.

Deferred tax assets are reported if their realisation is probable.

The effects of timing differences are shown in note 7 on page 30.

Borrowing costs

Interest is charged in principle as expenditure in the period for which it is due. Interest directly related to the long-term acquisition or construction of a plant is capitalised. The capitalised interest is calculated on the basis of the amount actually paid in the period from the beginning of the acquisition or construction operation up to commissioning of the plant.

Impairment of tangible assets

The value of tangible fixed assets and other assets, including goodwill, other intangible assets and financial instruments, is periodically reassessed. This is done in particular where, as a result of changed circumstances or of events, it becomes likely that the book values are over-valued. If the carrying value exceeds the estimated realisable value, it is written off to the value which appears realisable on the basis of discounted, expected future earnings. A value impairment charge from a prior period is reversed if the value is no longer impaired or if the impairment is reduced. Reversals are taken to the income statement. The only item not reversed is goodwill.

Tangible fixed assets

Tangible assets are recorded at cost, less planned depreciation using the straight-line method over the estimated useful life of the assets for each category of plant, or to the end of the operating life of a power plant. Estimated useful life periods for the individual categories of property, plant and equipment are within the following ranges:

Buildings	30–50 years
Land	only in case of loss of value
Power stations	25–80 years
Transmission plants	15–40 years
Plant equipment, machinery and vehicles	3–20 years
Plants under construction	as soon as loss of value is apparent

Interest for long-term investment projects is capitalised during the construction phase.

The obligation to restore land and sites once a licence has expired or a facility is no longer in use, is included on an individual basis in accordance with contractual provisions.

Repairs, maintenance and ordinary upkeep of buildings and operating plants are recognised as an expense.

Investments in the renovation or improvement of plants are capitalised if they significantly extend their useful life, increase capacity or substantially improve the quality of production performance.

Gains or losses from the disposal of property, plant and equipment are recorded in the income statement.

Power subscription rights

Power subscription rights include prepayment for rights to long-term power purchases including capitalised interest. Depreciation is charged from the beginning of power subscription on a straight-line basis over the term of the contract.

Intangible assets

Intangible assets essentially include purchased intangible assets such as goodwill and third-party plant usage rights. Depreciation is charged over the estimated economic lifetime; for goodwill, however, over a period of 3 to 10 years.

Leasing

Costs incurred in connection with operating leasing are charged to the income statement as incurred.

Tangible fixed assets leased under financial leasing are capitalised at the lower of the market value or the estimated present value of the underlying lease payments. Depreciation is charged on a straight-line basis over the expected useful life of the asset.

Construction contracts

Customer-specific construction contracts in the Energy Services segment have been accounted for using the percentage-of-completion method and classified as receivables and reported under sales revenue. The stage of completion is determined by the amount of expenses already incurred. Construction costs are recognised as expenses in the period in which they are incurred.

If the stage of completion or the result cannot be reliably estimated on particular contracts or contract groups, revenue is only recognised to the extent of contract costs incurred.

Provisions cover any expected losses from construction contracts.

Revenues from contracts in progress are accounted for based on written confirmations from the customers.

Inventory

Material inventory required for operating activities is stated at the lower of acquisition or manufacturing costs or net realisable value.

Debtors

Receivables from goods and services plus other receivables are recorded at nominal value minus any required provisions.

Cash and cash equivalents

Cash and cash equivalents contains cash, post and bank accounts, on call deposits and other deposits maturing in a maximum of 90 days, plus marketable securities.

Securities

Securities principally include marketable securities and most are classified as available for disposal. They are valued at market value, with fluctuations in value charged to the income statement of the period in question.

Liabilities

Liabilities include short and long-term debts recorded in the balance sheet at the repayable amount and the allocation of accrued expenses. Reported liabilities do not vary significantly from the amortised cost method.

Provisions

Provisions cover all liabilities apparent at the balance sheet date which are based on past transactions or events and which are probable but where the payment date and amount are uncertain. The amount is determined using the best estimate of the expected value outflow.

Provisions are recorded at the balance sheet date on the basis of the probable present value outflow at the balance sheet date. Provisions are reassessed annually at the balance sheet date and adjusted taking into account current developments. The pension provisions for which accounting standard IAS 19 is applied form an exception.

Pension funds

Aare-Tessin Ltd. for Electricity and the Group companies in the Energy segment in Switzerland are members of a legally independent collective industry welfare scheme which is based on the Swiss defined benefit plan. Pension liabilities are calculated using the projected unit credit method. This system takes into account not only the pensions and accrued assets on the set date, but also expected future increases in salary and pension. Foreign subsidiaries in the Energy segment are essentially covered by state social welfare schemes or independent defined contribution pension plans in line with the relevant country's common practice.

In the Energy Services segment, Group companies within the Atel Installationstechnik Group in Switzerland are attached to multi-employer pension schemes which are fully reinsured. The companies have neither moral nor legal obligations arising from future pension entitlements of employees. For this reason no actuarial calculations have been carried out for these companies. Companies within the Installationstechnik Group in Italy are insured through state social welfare schemes.

The pension scheme of the German GAH Group only uses the so-called implementation method of direct commitment, i.e. there is no legally independent pension plan. Therefore, provisions have been set up in the company's balance sheet. These provisions are based on actuarial calculations of existing pension commitments which are reviewed annually. Pension benefits are paid directly by the company. Under accounting standard IAS 19, a direct pension commitment under German law is a so-called "unfunded plan" and reported as a net liability. As there are no separately held assets with which to meet the liabilities, the actual payments are charged against the provisions.

Contingent liabilities

Potential or existing liabilities where a cash outflow is not regarded as probable, are not recorded in the balance sheet. Contingent liabilities existing at balance sheet date are shown in the notes to the consolidated financial statements.

Financial instruments

Financial instruments are cash and cash equivalents, derivative financial instruments, financial holdings, receivables as well as short and long-term financial liabilities.

Fair value measurement

The carrying amount of cash, receivables and short-term liabilities corresponds to their fair value as a result of their short maturity.

Loans and financial investments that are quoted at a stock exchange or wherever an active market exists, are valued at the market value applicable at balance sheet date. Other positions where no active market exists or where the cost of determining the fair value is disproportionate, are reported at the cost of acquisition.

Financial assets

Under accounting standard IAS 39, financial assets are classified as follows and measured uniformly per category:
– Financial assets or debts held for trading,
– financial assets held-to-maturity,
– originated loans and receivables and
– financial assets available for sale.

Financial assets "held for trading" are usually acquired in order to make a profit from short-term fluctuations in price or dealer's margin. Financial investments "held-to-maturity" are financial assets with fixed maturities that Atel intends to hold to maturity. Originated loans and receivables are created by the Group by providing loans, goods or services to third parties. All other financial investments are classified as financial assets available for sale.

At inception, all financial assets are measured at cost, including transaction costs. The buying or selling of a financial asset is reported on the settlement date.

Financial assets "held for trading" are remeasured at fair value and any gains or losses are included in the income statement of the period in which they arise.

Financial assets "held-to-maturity" and "originated loans and receivables" are remeasured at cost or amortised cost using the effective interest rate method, less any impairment losses.

Financial assets "available for sale" are remeasured at fair value and any gains or losses are included in the income statement of the period in which they arise.

Derivative financial instruments

At inception, all derivative financial instruments are measured at cost, including transaction costs.

Derivative financial assets of the Energy business are remeasured at fair value and any gains or losses are included in the operating result in the income statement of the period in which they arise.

Other derivative financial instruments are remeasured at fair value and any gains or losses are included in the financial result in the income statement of the period in which they arise.

Hedge accounting

In the reporting period, the Atel Group did not enter into any hedging transactions for which hedge accounting was applied.

Risk management

General principles

The Atel Group is exposed in its operations to electricity price risk, interest rate, credit and currency risk as well as other risks. Risk limits are attributed to individual risk categories and compliance with these limits is constantly monitored and adjusted in the broad context of the company's overall risk capacity.

The energy risk policy sets out the principles of risk policy for the Atel Group's energy business. It contains guidelines on entering into, measuring, managing and limiting business risk in energy business and lays down the organisation and responsibilities of risk management. The policy is aimed at providing a reasonable balance between the business risks entered into, earnings and risk-bearing shareholders' equity.

Financial risk policy sets out the context of financial risk management within the Atel Group in terms of content, organisation and systems. The responsible units manage their financial risks within the framework of the risk policy and limits defined for their area. The policy is aimed at reducing financial risk in relation to the hedging costs and risks being accepted.

Energy price risk

Price risk in the energy business arises among others from price volatility, changing market prices or changing correlations between markets and products.

Derivative financial instruments are used in accordance with the risk policy as a means of hedging physical underlying transactions.

Interest rate risk

As the Atel Group is exposed to the risk of fluctuating interest rates on capital markets, it uses interest rate swaps as a hedging mechanism. The differences arising from these transactions are continuously reported in the income statement under financial income and expenses.

Notes to the Consolidated Financial Statements

Credit risk

The Atel Group's credit risk management centres on constantly monitoring outstandings due from counterparties and carrying out creditworthiness analyses of new contracting parties. In energy business, the Atel Group only assumes liabilities with counterparties that fulfil the criteria laid out in its energy risk policy. The danger of concentration risk for the Atel Group is minimised by the number of customers, their geographical distribution and consolidation of positions.

Financial assets reported in the balance sheet represent the maximum default risk to which the Atel Group was exposed at balance sheet date.

Currency risk

In order to minimise currency risk, the Atel Group tries to offset operating income and expenses in foreign currencies. Any surplus is hedged through currency contracts (forward transactions, options) within the framework of financial risk policy.

Net investment in foreign subsidiaries is also subject to exchange rate changes, but the difference in inflation rate should cancel out these changes over the longer term. For this reason, Atel does not hedge investment in foreign subsidiaries.

Other business risks

In relation to other business risks, annual Group-wide reporting and assessment was carried out and reported to the Executive Board and Board of Directors. Where necessary, measures were determined and their implementation monitored.

1 Exchange rates

The consolidated financial statements are presented in Swiss francs. For currency conversions the following exchange rates were applied:

Unit	Conversion date 31.12.2003	Conversion date 31.12.2004	Average 2003	Average 2004
1 USD	1,24	1,13	1,34	1,24
1 EUR	1,56	1,54	1,52	1,54
100 HUF	0,60	0,63	0,60	0,61
100 CZK	4,81	5,07	4,77	4,85

2 Other operating income

The position includes the release of provisions totalling CHF 51 million (prior year: CHF 36 million).

3 Energy and goods purchased

CHF mn.	2003	2004
Electricity purchased from third parties	2 512	3 857
Electricity purchased from associated companies (joint ventures)	365	356
Electricity purchased from associated companies (other companies)	39	29
Other power purchase	149	445
Expenditure on goods	774	741
Total	**3 839**	**5 428**

4 Personnel expenses

CHF mn.	2003	2004
Wages and salaries	512	505
Cost of staff pensions for final salary plans	20	29
Cost of staff pensions for defined contribution pension plans	10	9
Other staff expenses	82	96
Total	**624**	**639**

Average head count

	2003	2004
Number of equivalent full-time employees	7 436	7 263
Apprentices	669	609
Total	**8 105**	**7 872**

Head count at balance sheet date

	31.12.2003	31.12.2004
Number of equivalent full-time employees	7 455	7 411
Apprentices	675	599
Total	**8 130**	**8 010**

5 Depreciation

CHF mn.	2003	2004
Tangible fixed assets	109	118
Power subscription rights	51	51
Goodwill	81	69
Other intangible assets	4	4
Financial assets	11	–
Total	**256**	**242**

6 Financial income/expenses

CHF mn.	2003	2004
Interest income	12	17
Interest expenses (including interest on provisions; note 17)	–85	–91
Dividend income from financial holdings	1	3
Exchange rate profits (losses) net	13	–6
Other financial income (expenses) net	8	28
Total	**–51**	**–49**
of which in respect of affiliated and associated companies		
Interest income	–	1

7 Income taxes

Income taxes charged to the financial statements

CHF mn.	2003	2004
Current income taxes	52	81
Deferred income taxes	46	22
Total	**98**	**103**

Reconciliation

CHF mn.	2003	2004
Earnings before income taxes	370	442
Expected income tax rate (weighted average)	25,7%	24,7%
Income taxes at the expected rate	95	109
Effects of non-tax-deductible expenses	2	5
Effect of investment deduction	–12	–19
Tax credits due to official compensation measures	–	–16
Effect of prior periods	12	23
Other influences	1	1
Total income taxes	**98**	**103**
Actual income tax rate (weighted average)	26,5%	23,3%

Deferred tax credits and liabilities in accordance with the origin of the temporary differences

CHF mn.	31.12.2003	31.12.2004
Unused tax losses	–44	–37
Tangible fixed assets	17	34
Other fixed assets	130	155
Current assets	53	38
Provisions and liabilities	5	–5
Total deferred tax assets/liabilities	**161**	**185**
of which taxes disclosed in the balance sheet:		
deferred tax liabilities	228	262
deferred tax assets, including unused tax losses	–67	–77
Net liability deferred taxes	**161**	**185**

Under credits from deferred taxes, tax loss carry-forwards are only accounted for where it is probable that the associated tax credits can be realised. The Group has not reported tax credits of CHF 40 million (31.12.2003: CHF 30 million).

8 Earnings per share

	2003	2004
Total shares issued at a nominal value of CHF 100	3036000	3036000
Less Treasury shares	–	–37855
Shares in circulation	3036000	2998145
Net profit Atel Group in CHF mn.	252	315
Earnings per share in CHF	**83.00**	**105.06**
Dividend per share or proposed dividend in CHF	22.00	24.00

There are no circumstances which could lead to a dilution of earnings per share.

9 Tangible fixed assets

CHF mn.	Properties	Power stations	Trans-mission plants	Other tangible fixed assets	Plants under construc-tion	Total
Gross value as at 31.12.2003	**217**	**1 467**	**1 165**	**252**	**175**	**3 276**
Investments	5	5	21	31	34	96
Capitalised income from work performed in-house			5		6	11
Reclassifications	2	175	8	–5	–181	–1
Disposals	–1	–14	–2	–24	–6	–47
Difference from currency translation	–1	24		–2	–2	19
Gross value as at 31.12.2004	**222**	**1 657**	**1 197**	**252**	**26**	**3 354**
Accumulated depreciation as at 31.12.2003	**62**	**500**	**593**	**192**	**0**	**1 347**
Depreciation	4	43	44	23	4	118
Reclassifications	–1	–1	–2	–22	–4	–30
Difference from currency translation		4		–2		2
Accumulated depreciation as at 31.12.2004	**65**	**546**	**635**	**191**	**0**	**1 437**
Net value as at 31.12.2003	155	967	572	60	175	1 929
Net value as at 31.12.2004	**157**	**1 111**	**562**	**61**	**26**	**1 917**

10 Power subscription rights and intangible assets

CHF mn.	Power subscription rights	Goodwill	Other intangible assets	Total
Gross value as at 31.12.2003	**626**	**545**	**108**	**1 279**
Investments			34	34
Reclassifications			3	3
Disposals		−5	−1	−6
Gross value as at 31.12.2004	**626**	**540**	**144**	**1 310**
Accumulated depreciation as at 31.12.2003	**216**	**338**	**75**	**629**
Depreciation	51	69	4	124
Reclassifications			2	2
Disposals		−5		−5
Accumulated depreciation as at 31.12.2004	**267**	**402**	**81**	**750**
Net value as at 31.12.2003	410	207	33	650
Net value as at 31.12.2004	**359**	**138**	**63**	**560**

11 Investments in associated companies

CHF mn.	Joint ventures*	Other companies	Total
Book value as at 31.12.2003	**382**	**279**	**661**
Investments		2	2
Reclassification on securities under current assets		−16	−16
Disposals	−3	−22	−25
Dividend	−18	−16	−34
Proportion of profits	6	41	47
Difference from currency translation		−2	−2
Book value as at 31.12.2004	**367**	**266**	**633**

* In its 1999 annual report, Atel revalued its power station holdings (joint ventures) using the discounted cash flow method, under which every plant was valued separately from 1.1.1999 until the end of the concession. The valuation resulted in an extraordinary value adjustment of CHF 600 million. The value of power station holdings is reviewed periodically and any significant changes in value accounted for in the income statement of the relevant period.

Key data on associated companies

Joint ventures

CHF mn.	Gross value 2003	Gross value 2004	Attributable to Atel Group 2003	Attributable to Atel Group 2004
Fixed assets	6 943	6 971	2 047	2 052
Current assets	707	759	234	252
Long-term liabilities	5 352	5 505	1 614	1 677
Short-term liabilities	572	494	160	121
Income	1 341	1 355	395	398
Expenses	−1 271	−1 285	−376	−379
Profit	70	70	19	19

Values are based on local accounting principles (Swiss Gaap ARR) applicable to the joint ventures. The extraordinary provisions applied in the consolidated 1999 annual financial statements to investments in power stations have not been included in this table.

Other companies

CHF mn.	Attributable to Atel Group 2003	Attributable to Atel Group 2004
Fixed assets	550	502
Current assets	149	179
Long-term liabilities	196	235
Short-term liabilities	221	180
Income	307	419
Expenses	−270	−378
Profit	37	41

The shareholders in the joint ventures are obliged on the basis of existing joint venture contracts to pay the annual costs based on their investments (including interest on and repayment of liabilities). For the Atel Group, the proportion of ordinary annual costs amounts on average to approximately CHF 360 million.

In addition, the owners of nuclear power stations are required to make a limited additional payment to the decommission fund account in case one of them is unable to make its payment. Under the new Nuclear Power Act which came into effect on 1 February 2005, this limited additional payment also applies to the disposal fund.

12 Long-term financial investments

CHF mn.	Financial holdings	Loans receivable	Total
Book value as at 31.12.2003	**583**	**5**	**588**
Investments	19	13	32
Changes in market value	20		20
Disposals	–3	–3	–6
Book value as at 31.12.2004	**619**	**15**	**634**

13 Debtors

CHF mn.	31.12.2003	31.12.2004
Trade debtors	1 184	1 624
Turnover prior to invoicing	101	84
Other debtors	213	288
Total	**1 498**	**1 996**
of which accounts receivable in respect of affiliated and associated companies	21	22

Turnover prior to invoicing of construction contracts is reported as follows depending on their level of completion, less advances received:

CHF mn.	31.12.2003	31.12.2004
Turnover prior to invoicing (gross)	484	401
Advances received from customers	–383	–317
Turnover prior to invoicing (net)	**101**	**84**
Amounts retained by customers contained in turnover prior to invoicing	–	–

14 Cash

CHF mn.	31.12.2003	31.12.2004
Cash at hand	401	327
Time deposits with a maturity of under 90 days	420	263
Total	**821**	**590**

15 Securities

This position contains only marketable securities.

16 Shareholders' equity

Share capital

The share register contains the following details of share ownership:

in %	Capital and voting rights
Motor-Columbus AG, Baden	58,5
Elektra Birseck, Münchenstein	14,9
Elektra Baselland, Liestal	7,9
Azienda Energetica Municipale S.p.A., Milan	5,8
Canton of Solothurn, Solothurn	5,0
Public	7,9

Treasury shares

In the financial year 560 registered shares were sold at their market value and 37 323 shares bought. On 31.12.2004 the balance of Treasury shares held was 37 855 registered shares at a nominal value of CHF 4 million.

17 Provisions

CHF mn.	Contractual risks	Annual costs liabilities	Pension provisions	Other provisions	Total
Total long-term provisions as at 31.12.2003	**265**	**166**	**153**	**149**	**733**
Short-term provisions		30		74	104
Provisions as at 31.12.2003	**265**	**196**	**153**	**223**	**837**
Additions	1		24	55	80
Interest	11			1	12
Appropriations	–17	–32	–8	–66	–123
Released provisions not required	–6		–2	–43	–51
Difference from currency translation			–2		–2
Provisions as at 31.12.2004	**254**	**164**	**165**	**170**	**753**
Less short-term provisions	–35	–25	–9	–46	–115
Total long-term provisions as at 31.12.2004	**219**	**139**	**156**	**124**	**638**

The provisions for contractual risks serve to cover the existing and foreseeable risks and liabilities on the balance sheet date in the international energy business. The position serves to cover liabilities for expected compensation payments and onerous contracts relating to the purchase and supply of energy. From today's perspective, the outflow of funds from existing provisions on the balance sheet will take place within the following periods:

within 12 months	CHF 35 million
within 1–5 years	CHF 140 million
after 5 years	CHF 79 million

The provision for annual costs liabilities covers the outflow of funds for energy supplies from power station investments which is above the market norm. The cash outflow ranges until the end of the concession period of each of the power plants.

Other provisions primarily cover liabilities relating to staff, liabilities from restructuring programmes and general operational liabilities like guarantees from service provision or threatened losses from pending contracts. From today's perspective, the outflow of funds from existing provisions on the balance sheet will take place within the following periods:

within 12 months	CHF 46 million
within 1–5 years	CHF 124 million

The short-term provisions are classified as accrued liabilities in the balance sheet.

18 Long-term financial liabilities

CHF mn.	31.12.2003	31.12.2004
Bonds at amount repayable	700	700
Loans payable	899	955
Total	**1 599**	**1 655**

Bonds outstanding on the balance sheet date

	Term	Earliest repayment date	Interest rate %	31.12.2003	31.12.2004
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1996/2006	16.02.04	4	200*	–
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1997/2009	06.03.09	4 1/4	200	200
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1997/2009	30.10.07	4	200	200
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2003/2013	16.09.13	3 1/8	300	300

* Repayment on 16 February 2004; shown in balance sheet as per 31.12.2003 under short-term financial liabilities.

The net market value of fixed-interest bonds outstanding as at the balance sheet date amounted to CHF 742 million.

The weighted interest paid on bonds issued, relating to the nominal value at the balance sheet date, amounted to 3.70 % (2003: 3.76 %).

Loans payable

CHF mn.	31.12.2003	31.12.2004
Maturing within 1 to 5 years	379	256
Maturing later than 5 years	520	699
Total	**899**	**955**
of which long-term liabilities owing to affiliated and associated companies	3	3

The weighted interest paid on loans payable, relating to the nominal value at the balance sheet date, amounted to 4.44 % (2003: 4.45 %). Loans repayable withing 360 days are recorded under short-term liabilities.

19 Other short-term liabilities

This position primarily represents third-party plant utilisation rights.

20 Other short-term liabilities

CHF mn.	31.12.2003	31.12.2004
Trade creditors	974	1 215
Other creditors	237	333
Advances from customers	9	10
Total	**1 220**	**1 558**
of which short-term liabilities owing to affiliated and associated companies	36	13

21 Pension fund liabilities

Reconciliation of liabilities recognised in the balance sheet:

CHF mn.	31.12.2003	31.12.2004
Present value of pension obligations financed through a fund	277	297
Fair value of proportion of plan assets	–271	–275
Surplus/deficit not recognised in balance sheet	**6**	**22**
Present value of unfunded pension obligations	153	165
Unrecognised actuarial gains/(losses)	–6	–22
Net pension liability from defined benefit plans recognised in balance sheet (see note 17)	**153**	**165**

According to the by-laws of the pension fund institution of Aare-Tessin Ltd. for Electricity and the other consolidated group companies in Switzerland of the energy segment, a revision of the by-laws must be undertaken if the actuarial loss calculated on a Swiss static basis exceeds 10 % and there is no prospect of reduction thereof. Resolutions to increase the contributions or to reduce the benefits can only be taken jointly, i.e. jointly by all employers connected to the multi-employer scheme and the employee representatives. In particular, the employer contributions are fixed; the employers are not risk carriers and did not enter into any obligation to make additinal contributions in excess of the fixed contributions.

Due to these facts, the company does not recognise the theoretical pension deficit calculated in accordance with IFRS. The principle of not recognising the difference is also appled in case of a surplus. However, the funds available to the employer as at the balance sheet date – such as employers' contributions reserves – of CHF 6 million (2003: CHF 6 million) have been capitalised.

The plan assets do not include any shares issued by the company or any property occupied by group companies.

The following weighted average assumptions were used as a basis for the actuarial calculations:

in %	Switzerland 2003	Switzerland 2004	Germany 2003	Germany 2004
Discount rate	4,0	3,5	5,5	5,0
Expected return on plan assets	4,0	3,5	5,5	5,0
Expected increase in wages	2,0	2,0	1,0	1,0
Expected increase in pensions	1,0	0,5	1,0	1,0

Composition of net pension expenses

CHF mn.	2003	2004
Personnel welfare entitlements acquired	13	21
Interest on future pension fund entitlements	18	19
Less expected income from plan assets	–9	–8
Cost of plans	**22**	**32**
Employee contributions	–2	–3
Pension expenses (charged to the income statement)	**20**	**29**

The actual return on plan assets amounted to CHF 8 million in 2004 (2003: CHF 27 million).

Movements in the net amount recognised in the balance sheet

CHF mn.	2003	2004
Net liability at 1.1.	138	153
Expense as above	20	29
Contributions paid by employer	–5	–5
Difference from currency translation	10	–2
Termination	–	–2
Benefits paid	–10	–8
Closing net liability at 31.12.	**153**	**165**

22 Related parties

Motor-Columbus Ltd., Baden, is Atel's majority shareholder with a 58.5 % holding. Motor-Columbus itself is 55.6 % owned by UBS Ltd. Transactions with Motor-Columbus or UBS are carried out on market terms.

Atel's Board of Directors received remuneration in 2004 of CHF 1.6 million (prior year: CHF 1.1 million). The Executive Board's remuneration in the same period totalled CHF 5.3 million (CHF 5.2 million).

23 Contingent liabilities and guarantee obligations

In connection with its ordinary business operations, the Atel Group is involved in various legal disputes. Management has created what it judges to be the necessary provisions in the annual financial statements on the basis of the information currently available and in consultation with Atel's legal representatives.

The total amount of guarantee obligations in favour of third parties is CHF 958 million as per balance sheet date (2003: CHF 840 million). Of this, CHF 416 million (CHF 421 million) are obligations under outstanding bank L/Cs. and CHF 370 million (CHF 375 million) relates to guarantees in connection with the acquisition and financing of Edipower. Further capital injection obligations amount to CHF 324 million (CHF 370 million), of which CHF 308 million (CHF 343 million) are related to Edipower.

Outstanding option structures oblige to increase certain existing shareholdings. The industrial investors of Edipower (AEM Milano, AEM Torino, Atel and Edison) have committed to take over the Edipower stakes of the financial investors over a mid-term period.

24 Pledged assets

CHF mn.	2003	2004
Properties secured by mortgage	38	20
Power stations	306	443
Financial holdings	481	473
Total	**825**	**936**

The power plants of Csepel, ECKG and Novel are funded by common project financing schemes. The outstanding debt under these project financings is reported in the consolidated balance sheet. The shares in the project companies are pledged in favour of the financing banks. The shares in Edipower are equally pledged as security in favour of the Edipower banks.

25 Post balance sheet date events

Atel increased its shareholding in the energy trading company Entrade from 75 % to 100 % on 1 January 2005.

In February 2005, Atel and the other Edipower shareholders signed contracts for optimising the existing funding. Edipower's positive performance and the favourable funding environment have led to an almost 50 % cut in the interest rate margin and a reduction in the credit support of the industrial shareholders. The proportionate guarantees and capital injection obligations to Edipower are now total CHF 262 million (31.12.2004: CHF 678 million).

26 Segment reporting

The Energy segment covers the operations of the Atel Group involving the production, transmission, trading in and distribution of energy. Operations involving technical and construction services come under the Energy Services segment. The Other column relates to operations not included in the other segments. This relates primarily to real estate and finance companies. The segments are based on internal reporting within the Group.

Transactions between the segments: income, expenditure and profits in the individual segments include transactions between the divisions or regions, carried out and charged at market prices. All transactions and inventory have been eliminated by consolidation.

Turnover reported in the Energy Services segment relates to order income from construction contracts.

2004: Information by business activity

CHF mn.	Energy	Energy Services	Others	Earnings/sales between segments	Total
Income from energy sales/ order completion	5 525	1 418	3	–6	6 940
Trading income standard products and financial energy transactions	15				15
Total turnover	**5 540**	**1 418**	**3**	**–6**	**6 955**
of which with affiliated and associated companies	110				110
EBITDA	652	44	1	–24	673
Depreciation	–219	–23			–242
EBIT	433	21	1	–24	431
Gross assets (total assets)	6 674	790	628	–1 324	6 768
Book value of associated companies	633				633
Profits from associated companies	47				47
Liabilities	4 438	616	43	–445	4 652
Net investment in tangible fixed and intangible assets	83	15			98
Number of employees as at balance sheet date	1 152	6 858			8 010

Information by geographic region

CHF mn.	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External turnover	1 078	2 332	3 541	4	6 955
Gross assets (total assets)	2 703	1 551	2 269	245	6 768
Net investment in tangible fixed and intangible assets	66	19	13		98
Number of employees as at balance sheet date	2 716	362	4 932		8 010

Net income from trading operations in the energy segment includes profits and losses from realized energy trading financial transactions and value adjustments to unrealized energy trading financial transactions valued at market value. Open financial energy trading transactions on the reporting date of December 31, 2004 have a contract volume of 1.240 TWh (31.12.2003: 0.160 TWh). Replacement values are listed in the balance sheet under accrued income and prepaid expenses.

2003: Information by business activity

CHF mn.	Energy	Energy Services	Others	Earnings/sales between segments	Total
Income from energy sales/ order completion	3 806	1 535	3	–92	5 252
Trading income standard products and financial energy transactions	33				33
Total turnover	**3 839**	**1 535**	**3**	**–92**	**5 285**
of which with affiliated and associated companies	65				65
EBITDA	588	41	4	–17	616
Depreciation	–220	–25	–2	–9	–256
EBIT	368	16	2	–26	360
Gross assets (total assets)	6 246	753	673	–1 357	6 315
Book value of associated companies	661				661
Profits from associated companies	39				39
Liabilities	4 228	604	35	–460	4 407
Net investment in tangible fixed and intangible assets	161	19	–4		176
Number of employees as at balance sheet date	1 092	7 038			8 130

Information by geographic region

CHF mn.	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External turnover	859	1 603	2 816	7	5 285
Gross assets (total assets)	2 753	1 273	2 229	60	6 315
Net investment in tangible fixed and intangible assets	30	102	44		176
Number of employees as at balance sheet date	2 636	322	5 172		8 130

27 Change in scope of consolidation

There was no change in the scope of consolidation in the reporting year. In the prior year, the following assets and liabilities were taken over through the first-time consolidation or acquisition of subsidiaries:

CHF mn.	2003	2004
Fixed assets	445	–
Cash and cash equivalents	19	–
Other current assets	26	–
Short and long-term financial liabilities	–353	–
Other liabilities	–44	–
Minority interests	–10	–
Acquired net assets	**83**	**–**

In the prior year, CHF 114 million was paid for acquisitions with existing cash. No subsidiaries were sold in 2003 and 2004.

Holdings

Energy segment

Trading, sales, supply and services

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Aare-Tessin Ltd. for Electricity	Olten	CHF	303,60	100,0	V	Su	31.12.
Atel Energia S.r.l.	Milan/IT	EUR	20,00	98,0	V	Su	31.12.
Atel Energie AG	Düsseldorf/DE	EUR	0,50	100,0	V	Su	31.12.
ecoSWITCH AG	Crailsheim/DE	EUR	0,50	45,0	E	S	31.12.
EGT Energiehandel GmbH	Triberg/DE	EUR	1,00	50,0	E	Su	31.12.
Atel Energie SAS	Paris/FR	EUR	0,50	100,0	V	Su	31.12.
Atel Hellas S.A.	Perissos Athens/GR	EUR	0,15	76,0	V	Su	31.12.
Atel Polska Sp. z o.o.	Warsaw/PL	PLN	4,00	100,0	V	Su	31.12.
Atel Trading	Olten	CHF	5,00	100,0	V	T	31.12.
Atel Versorgungs AG	Olten	CHF	50,00	100,0	V	Su	31.12.
Aare Energie AG (a.en)	Olten	CHF	2,00	50,0	E	S	31.12.
AEK Energie AG	Solothurn	CHF	6,00	38,7	E	Su	31.12.
Azienda Energetica Municipale S.p.A.	Milan/IT	EUR	929,62	5,2	E	Su	31.12.
Energipartner AS	Oslo/NO	NOK	5,00	100,0	V	S	31.12.
Entrade GmbH	Niedergösgen	CHF	0,40	75,0	V	T	31.12.
Entrade s.r.o.	Prague/CZ	CZK	5,42	100,0	V	T	31.12.
Entrade d.o.o.	Zagreb/HR	HRK	0,02	100,0	V	T	31.12.
Entrade d.o.o.	Ljubljana/SI	SIT	8,15	100,0	V	T	31.12.
Entrade Deutschland GmbH	Berlin/DE	EUR	0,10	100,0	V	T	31.12.
Entrade Hungary Kft.	Budapest/HU	HUF	50,00	100,0	V	T	31.12.
Entrade Poland Sp. z o.o.	Warsaw/PL	PLN	0,05	100,0	V	T	31.12.
Entrade Slovakia s.r.o.	Bratislava/SK	SKK	0,20	100,0	V	T	31.12.
Prva regulacna s.r.o., v likvidaci	Kosice/SK	SKK	0,20	100,0	V	T	31.12.
Entrade Romania S.R.L.	Bucuresti/RO	ROL	2,00	100,0	V	T	31.12.
Società Elettrica Sopracenerina SA	Locarno	CHF	27,50	59,5	V	Su	31.12.
Calore SA	Locarno	CHF	2,00	50,0	E	G	31.12.
SAP SA	Locarno	CHF	2,06	99,4	V	S	31.12.
Rätia Energie AG	Poschiavo	CHF	3,41	24,6	E	B	31.12.

Generation and transmission

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Hydro AG	Olten	CHF	53,00	100,0	V	G	31.12.
Atel Hydro Ticino SA	Airolo	CHF	3,00	100,0	V	G	31.12.
Csepeli Aramtermelö Kft.	Budapest/HU	HUF	4 930,10	100,0	V	G	31.12.
Csepeli Erömü Kft.	Budapest/HU	HUF	856,00	100,0	V	G	31.12.
Csepel Energia Kft.	Budapest/HU	HUF	20,00	100,0	V	S	31.12.
Atel Energia Kft.	Budapest/HU	HUF	1 030,00	100,0	V	H	31.12.
ECK Generating s.r.o.	Kladno/CZ	CZK	2 936,10	89,0	V	G	31.12.
Energeticke Centrum Kladno, spol. s.r.o.	Kladno/CZ	CZK	238,63	89,0	V	G	31.12.
Energetika Kladno s.r.o	Kladno/CZ	CZK	0,10	100,0	V	S	31.12.
Kladno GT s.r.o	Kladno/CZ	CZK	0,20	100,0	V	G	31.12.
Atel Centrale Termica Vercelli S.r.l.	Milan/IT	EUR	10,33	95,0	V	G	30.09.
Novel S.p.A.	Milan/IT	EUR	23,00	51,0	V	G	30.09.
AT O&M S.r.l.	Milan/IT	EUR	0,99	51,0	V	G	31.12.
Aarewerke AG	Klingnau	CHF	16,80	10,0	E	G	30.06.
Blenio Kraftwerke AG	Olivone	CHF	60,00	17,0	E	G	30.09.
Edipower S.p.A.	Milan/IT	EUR	1 441,30	16,0	F	G	31.12.
Electra-Massa AG	Naters	CHF	40,00	11,5	E	G	31.12.
Electricité d'Emosson SA	Martigny	CHF	140,00	50,0	E	G	30.09.
Engadiner Kraftwerke AG	Zernez	CHF	140,00	22,0	E	G	30.09.
Energie Biberist AG	Biberist	CHF	5,00	25,0	E	Su	31.12.
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350,00*	40,0	E	G	31.12.
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450,00	27,4	E	G	31.12.
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30,00	25,0	E	G	30.09.
Kraftwerke Gougra AG	Siders	CHF	50,00	54,0	E	G	30.09.
Kraftwerke Hinterrhein AG	Thusis	CHF	100,00	9,3	E	G	30.09.
Kraftwerke Zervreila AG	Vals	CHF	50,00	30,0	E	G	30.09.
Maggia Kraftwerke AG	Locarno	CHF	100,00	12,5	E	G	30.09.
Kraftwerk Aegina AG	Ulrichen	CHF	12,00	50,0	E	G	30.09.

* of which CHF 290.0 million paid up

Grid

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Transmission Ltd.	Olten	CHF	130,00	100,0	V	S	31.12.
ETRANS AG	Laufenburg	CHF	7,50	18,8	E	S	31.12.
swissgrid	Laufenburg	CHF	15,00	22,1	E	S	31.12.

Energy Services segment

Energy Services Southern/Western Europe

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Holding and Management							
Atel Installationstechnik Ltd.	Olten	CHF	30,00	100,0	V	H	31.12.
Atel Installationstechnik Management Ltd.	Zurich	CHF	0,10	100,0	V	S	31.12.
Energy Supply Technology							
Kummler+Matter AG	Zurich	CHF	2,50	100,0	V	S	31.12.
Mauerhofer+Zuber SA	Renens	CHF	1,70	100,0	V	S	31.12.
Building Services/Technical Facilities Management							
Atel Bornet SA	Vernier	CHF	1,00	100,0	V	S	31.12.
Atel Building Technology Ltd.	Zurich	CHF	7,85	100,0	V	S	31.12.
Atel Building Technology West Ltd.	Olten	CHF	5,90	100,0	V	S	31.12.
Atel Elettroimpianti SA	Bellinzona	CHF	2,70	100,0	V	S	31.12.
Atel Sesti S.p.A.	Milan/IT	EUR	3,10	100,0	V	S	31.12.
Atel Impianti Mgmt S.p.A.	Milan/IT	EUR	0,10	100,0	V	S	31.12.

Energy Services Northern/Eastern Europe

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Holding and Management							
GAH Beteiligungs AG	Heidelberg/DE	EUR	25,00	100,0	V	H	31.12.
Energy Supply Technology							
Ges. für elektrische Anlagen Energieanl.bau GmbH	Hohenwarsleben/DE	EUR	1,53	100,0	V	S	31.12.
Ges. für elektrische Anlagen Leitungsbau Nord GmbH	Hannover/DE	EUR	0,51	100,0	V	S	31.12.
Ges. für elektrische Anlagen Leitungsbau Süd GmbH	Fellbach/DE	EUR	2,56	100,0	V	S	31.12.
Elektro Stiller GmbH	Ronnenberg/DE	EUR	0,43	100,0	V	S	31.12.
Frankenluk AG	Bamberg/DE	EUR	2,81	100,0	V	S	31.12.
Frankenluk Energieanlagenbau GmbH	Bamberg/DE	EUR	1,28	100,0	V	S	31.12.
Franz Lohr GmbH	Ravensburg/DE	EUR	1,28	90,1	V	S	31.12.
Communications Technology							
GA-com Telekommunikations und Telematik GmbH	Bietigheim-Bissingen/DE	EUR	0,78	100,0	V	S	31.12.
te-com Telekommunikations-Technik GmbH	Backnang/DE	EUR	0,51	100,0	V	S	31.12.
Digi Communication Systeme GmbH	Gifhorn/DE	EUR	0,77	100,0	V	S	31.12.
Industrial/Plant Technology							
Kraftanlagen Anlagentechnik München GmbH	Munich/DE	EUR	3,58	100,0	V	S	31.12.
ECM Ing.unternehmen für Energie- und Umweltt. GmbH	Munich/DE	EUR	0,05	100,0	V	S	31.12.
Kraftanlagen Fertigungsbetrieb GmbH	Lutherstadt Wittenberg/DE	EUR	0,03	100,0	V	S	31.12.
Kraftanlagen Nukleartechnik GmbH	Heidelberg/DE	EUR	0,50	100,0	V	S	31.12.
KEU GmbH	Krefeld/DE	EUR	0,51	100,0	V	S	31.12.
Kalfrisa SA	Zaragoza/ES	EUR	0,56	53,12	V	S	31.12.
Kraftszer Kft.	Budapest/HU	HUF	198,00	90,0	V	S	31.12.
Building Services/Technical Facilities Management							
GA-tec Gebäude- u. Anlagentechnik GmbH	Heidelberg/DE	EUR	2,56	100,0	V	S	31.12.
Kraftanlagen Hamburg GmbH	Hamburg/DE	EUR	0,77	100,0	V	S	31.12.
Kraftanlagen Heidelberg GmbH	Heidelberg/DE	EUR	0,10	100,0	V	S	31.12.
Other holdings							
Dr. Herfeld GmbH	Neuenrade/DE	EUR	0,03	100,0	V	S	31.12.
Dr. Herfeld GmbH & Co. KG	Neuenrade/DE	EUR	0,51	51,0	V	S	31.12.
Apparatebau Wiesloch GmbH	Wiesloch/DE	EUR	0,26	100,0	V	S	31.12.

Report of the Group Auditors

Other companies

Holding and finance companies

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Holding Deutschland GmbH	Heidelberg/DE	EUR	10,00	100,0	V	H	31.12.
Atel Finance Ltd.	St. Helier/Jersey	EUR	1,15	100,0	V	S	31.12.
Atel Csepel Rt.	Budapest/HU	HUF	20,00	100,0	V	H	31.12.
Atel Bohemia s.r.o.	Prague/CZ	CZK	0,20	100,0	V	H	31.12.
Multipower Beteiligungs- und Energiemanagement GmbH	Vienna/AT	EUR	0,235	100,0	V	H	31.12.

Financial holdings

	Domicile	Currency	Share capital mn.	Direct proportion of holding in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Colenco Power Engineering AG	Baden	CHF	6,00	10,0	F	S	31.12.
Energie électrique du Simplon SA	Simplon Dorf	CHF	8,00	1,7	F	G	31.03.
European Energy Exchange	Leipzig/DE	EUR	20,00	2,0	F	S	31.12.
Groupe CVE-Romande Energie	Morges	CHF	28,5	10,0	F	S	31.12.
Powernext SA	Paris/FR	EUR	10,00	5,0	F	S	31.12.
Capital Recovery Syndication Trust	Jersey	USD	2,66*	9,8	F	S	31.12.
MC Partners II C.V.	Curaçao	USD	38,40*	15,6	F	S	31.12.
VenCap9 LLC	Cayman Islands	USD	357,00*	0,9	F	S	31.12.

* Fund Capital

Nature of business

T Trading
Su Sales and supply
G Generation
S Service
H Holding
B Power exchange company

Consolidation method

V Fully consolidated
E Equity method
F Fair value (current market value)

Report of the group auditors to the General Meeting of Shareholders of Aare-Tessin Ltd. for Electricity

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes of equity, statement of cash flows and notes/pages 11 to 50) of Aare-Tessin Ltd. for Electricity for the year ended 31 December 2004.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young Ltd.

Alessandro Miolo
Swiss Certified Accountant
(in charge of the audit)

Michael Baeriswyl
Swiss Certified Accountant

Zurich, 18 February 2005

Income Statement

CHF	Notes	2003	2004
Energy sales (GWh)*		51 038	69 401
Net turnover*		**2 770 586 988**	**3 687 904 566**
Capitalised cost		451 846	1 299 758
Other operating income		23 949 036	28 005 673
Total operating result		**2 794 987 870**	**3 717 209 997**
Power expenses		–2 362 913 137	–3 245 853 125
Materials and external services		–14 778 847	–16 998 002
Personnel expenses		–38 637 407	–48 735 711
Depreciation		–244 386 796	–243 960 523
Other operating expenses		–61 408 822	–44 319 243
Operating expenses		**–2 722 125 009**	**–3 599 866 604**
Earnings before interest and tax		**72 862 861**	**117 343 393**
Financial income		185 845 697	180 510 721
Financial expenses		–112 659 820	–112 702 360
Non-operational income		740 798	2 071 624
Non-operational expenses		–220 646	–3 723 425
Taxes		–37 904 677	–45 338 953
Profit on ordinary activities		**108 664 213**	**138 161 000**
Extraordinary income	2	1 419 513	2 417 219
Profit for the year		**110 083 726**	**140 578 219**

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

Balance Sheet

Assets

CHF	Notes	31.12.2003	31.12.2004
Tangible fixed assets	3		
Operating plants		2 014 306	1 626 606
Plants under construction		4 124 665	7 348 653
Land and buildings		10 652 864	10 445 627
Plant, equipment, machinery and vehicles		1	1
Power subscription rights	4	409 983 266	358 735 360
Intangible assets	4	1	1
Financial assets	5		
Investments		1 082 329 032	910 335 848
Loans		504 910 028	489 745 986
Fixed assets		**2 014 014 163**	**1 778 238 082**
Debtors and other current assets	6		
Trade debtors		721 392 630	1 010 982 016
Other debtors		187 852 674	497 249 635
Accrued assets		18 410 992	14 828 858
Cash and cash equivalents		491 033 050	207 961 290
Treasury shares	7	880 893	45 968 370
Current assets		**1 419 570 239**	**1 776 990 169**
Total assets		**3 433 584 402**	**3 555 228 251**

Liabilities

CHF	Notes	31.12.2003	31.12.2004
Share capital		303 600 000	303 600 000
Legal reserves			
General reserves		119 120 000	124 320 000
Reserve for Treasury shares		900 000	46 000 000
Equalisation reserve		304 700 000	297 600 000
Retained earnings		131 891 704	162 477 923
Shareholders' equity	8	**860 211 704**	**933 997 923**
Provisions		**393 533 032**	**359 674 251**
Bonds	9	700 000 000	700 000 000
Loans payable	10	303 500 000	203 500 000
Usage rights of third parties		27 918 170	26 252 670
Long-term liabilities		**1 031 418 170**	**929 752 670**
Short-term liabilities	11		
Debtors and other current assets		659 152 656	883 880 245
Other liabilities		325 985 967	250 221 427
Accrued liabilities		163 282 873	197 701 735
Short-term liabilities		**1 148 421 496**	**1 331 803 407**
Total liabilities		**3 433 584 402**	**3 555 228 251**

Notes to the Financial Statements

1 Introductory remarks

Aare-Tessin Ltd. for Electricity's annual financial statements have been prepared in accordance with the provisions of Swiss law. The following explanatory notes also contain information required under Art. 663b of the Swiss Code of Obligations. Fully consolidated subsidiaries, associate companies as well as other financial investments listed on page 46 are regarded as Group companies under Art. 663a of the Swiss Code of Obligations.

2 Extraordinary income

Extraordinary income covers profits from the sale of properties.

3 Tangible fixed assets

The fire insurance value of operating plants and buildings as at 31.12.2004 amounted to CHF 29673 thousand (2003: CHF 24659 thousand).

4 Power subscription rights and intangible assets

Power subscription rights include the remaining value of prepayments for the rights to long-term power purchases. The interest on the prepayments is capitalised from the due date until the time the power is actually delivered. Depreciation commences from the date of delivery over the remaining term of the contract.

The remaining value of plant usage rights belonging to third parties is stated in the balance sheet under intangible assets; these remaining values are depreciated over their useful life.

5 Financial assets

Investments are stated in the balance sheet at cost, taking into account any value adjustments required.

A list of major investments can be found on page 46.

Shareholders in the joint ventures are obliged to pay annual costs incurred for their proportional interests, including interest on and repayment of liabilities. At year-end, liabilities for capital expenditures amounted to CHF 25848 thousand.

Loans receivable are stated at nominal value. The position contains loans to Group companies of CHF 488832 thousand.

6 Debtors and other current assets

Trade debtors are stated in the balance sheet at the invoiced amount. A corresponding provision has been created to cover the risk and deducted accordingly. Other receivables comprise mainly tax credits in Switzerland and abroad as well as time deposits at banks falling due in more than 90 days.

CHF th.	31.12.2003	31.12.2004
Group companies	129 937	232 718
Third party	779 308	1 275 514
Total	**909 245**	**1 508 232**

7 Treasury shares

Information on movement in the balance of Treasury shares is given in explanatory note 16 to the consolidated annual financial statements on page 35.

8 Shareholders' equity

The movements in shareholders' equity were as follows:

CHF th.	Share capital	General reserve	Reserve for Treasury shares	Equalisation reserve	Retained earnings	Total
Closing balance 31.12.2002	**303 600**	**114 620**	**35 730**	**269 870**	**86 228**	**810 048**
Allocations		4 500			–4 500	0
Dividends paid					–59 920	–59 920
Reclassification			–34 830	34 830		0
Profit for the financial year					110 084	110 084
Closing balance 31.12.2003	**303 600**	**119 120**	**900**	**304 700**	**131 892**	**860 212**
Allocations		5 200		38 000	–43 200	0
Dividends paid					–66 792	–66 792
Reclassification			45 100	–45 100		0
Profit for the financial year					140 578	140 578
Closing balance 31.12.2004	**303 600**	**124 320**	**46 000**	**297 600**	**162 478**	**933 998**

Please refer to note 16 of the consolidated financial statements on page 35 for details on the shareholder structure and further details on capital.

9 Bonds

Information on bonds issued by Aare-Tessin Ltd. for Electricity is shown in note 18 of the consolidated financial statements on page 37.

10 Loans payable

CHF th. Loans payable maturing within 1–5 years	31.12.2003	31.12.2004
Group companies	3 500	3 500
Third party	300 000	200 000
Total	**303 500**	**203 500**

The weighted interest paid which is related to the face value and balance sheet date amounted to 3.59 % (2003: 3.49 %).

11 Short-term liabilities

Trade creditors include liabilities in respect of joint undertakings and other power suppliers as well as general creditors. Short-term financial liabilities and tax debts payable are stated in the balance sheet under other liabilities.

CHF th.	31.12.2003	31.12.2004
Group companies	70 281	36 546
Third party	914 858	1 097 556
Total	**985 139**	**1 134 102**

Accruals consist of accruals and deferrals from interest and tax, and from unpaid trade invoices.

12 Contingent liabilities

Guarantee statements and letters of responsibility in favour of Group companies and third parties amounted to CHF 707 757 thousand as at 31.12.2004 (2003: CHF 595 000 thousand).

Appropriation of Retained Earnings

The Board of Directors proposes to the Annual General Meeting that retained earnings, comprising

profits for the 2004 financial year as per income statement of	140 578 219 CHF
balance carried forward amounting to	21 899 704 CHF
Total	**162 477 923 CHF**

be appropriated as follows:

Dividend on dividend-bearing share capital of 299 900 000 CHF of 24 CHF per registered share	71 976 000 CHF
Allocation to the general reserve (Art. 671 Section 2 point 3 Swiss Code of Obligations)	5 700 000 CHF
Allocation to the equalisation reserve	63 000 000 CHF
Balance to be brought forward	21 801 923 CHF

Distribution of dividend

If this proposal is accepted, the gross dividend for the 2004 financial year, i.e. before the deduction of Swiss federal withholding tax, will amount to CHF 24 per share.

The dividend will be paid after Swiss federal withholding tax of 35 % has been deducted, from 2 May 2005, against presentation of the coupon.

Report of the Statutory Auditors

Report of the statutory auditors to the General Meeting of Shareholders of Aare-Tessin Ltd. for Electricity

As statutory auditors, we have audited the accounting records and financial statements (income statement, balance sheet and notes/pages 52–58) of Aare-Tessin Ltd. for Electricity for the year ended 31 December 2004.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd.

Alessandro Miolo
Swiss Certified Accountant
(in charge of the audit)

Michael Baeriswyl
Swiss Certified Accountant

Zurich, 18 February 2005

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

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Units

Currency

CHF	Swiss francs
CZK	Czech krone
EUR	Euro
HRK	Croatian krone
HUF	Hungarian forint
NOK	Norwegian krone
PLN	Polish zloty
ROL	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