Financial Report 2006

Key figures for 2006

Atel Group

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

* Average number of full-time equivalent employees

Per share information

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

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Review of the years 2002–2006 for the Atel Group

Income statement

CHF mn.	2002	2003	2004	2005	2006
Net revenue	3 700	5 285	6 867	8 580	11 334
Variance in % over prior year	2.2	42.8	29.9	24.9	32.1
Variance in % in same scope of consolidation	0.8	14.1	31.2	24.4	31.2
Other operating income	124	196	211	216	254
Total operating result	3 824	5 481	7 078	8 796	11 588
Operating expenses before depreciation	–3 229	–4 804	–6 343	–8 059	–10 537
Earnings before interest, tax, depreciation and amortisation (EBITDA)	595	677	735	737	1 051
Depreciations	–307	–256	–242	–196	–202
Release of value adjustments on assets	–	–	–	–	257
Earnings before interest and tax (EBIT)	288	421	493	541	1 106
Finance income	–57	–51	–49	–33	5
Income taxes	–61	–98	–103	–95	–212
Net profit Atel Group	170	272	341	413	899
Variance in % over prior year	3.0	60.0	25.4	21.1	117.7
as % of net revenue	4.6	5.1	5.0	4.8	7.9
Minority interests in net profit	–5	–20	–24	–8	–13
Net profit attributable to Atel shareholders	165	252	317	405	886
Employees*	7 890	8 105	7 872	8 368	8 461

* Average number of full-time equivalent employees

Balance sheet

CHF mn.	2002	2003	2004	2005	2006
Total assets	5 070	6 315	6 186	7 317	9 288
Assets					
Fixed assets	3 022	3 895	3 868	4 074	4 791
Current assets	2 048	2 420	2 318	3 243	4 497
Equity and liabilities					
Total equity	1 638	1 908	2 123	2 464	3 506
as % of total assets	32.3	30.2	34.3	33.7	37.7
Liabilities	3 432	4 407	4 063	4 853	5 782

Per share information

CHF	2002	2003	2004	2005	2006
Nominal value	100	100	100	100	100
Share price at 31.12.	805	980	1 650	1 895	3 100
High	915	980	1 660	2 270	3 150
Low	775	730	980	1 650	1 859
Group profit	55	83	106	135	296
Equity (Atel shareholder's part)	512	597	664	777	1 115
Dividend	20	22	24	28	40
Average trading volume/day	85	94	478	137	157

Atel Group Financial Commentary

Revenue and results on record level

Atel Group has closed 2006 with outstanding revenue and results on record level. Thanks to the important increase in physical energy sales, consistently high energy market prices, stable production costs and skilful exploitation of market opportunities, revenue and results significantly over expectations were generated in the Energy segment. The Energy Services segment also reports an improvement in revenue and results, thanks to successful restructurings but also to the favourable economic climate. In addition to the very successful operational performance, sizeable special income was generated, primarily from participations in associated companies as well as from the release of value adjustments not required any more on the Swiss production portfolio.

Electricity sales across the Atel Group climbed by 18% to 116 TWh compared to prior year. The corresponding consolidated revenues increased by 32% to around CHF 11.3 billion. The consolidated earnings before interest and tax (EBIT) rose by 104% to CHF 1 106 million and Group profit by 118% to CHF 899 million. Excluding the special income mentioned, operating profit increased by 43% and Group profit by 53%. In addition to physical energy trading, Atel Group has handled futures contracts in standard products with third parties of 202 TWh (+35%) with a value of CHF 13.7 billion (+65%) in the reporting period, aiming to generate a profit from short-term market price fluctuations. In the reporting period, the profit included in the result from these transactions, including open trading positions at balance sheet date valued at market price, is CHF 59 million (+44%).

The successful operating activities as well as the valuation of financial instruments recorded directly in equity have improved the balance structure. On the other side, the continuous rise in replacement values of derivative financial instruments and the increased liquidity have charged the balance sheet ratios presented.

In 2007 the Atel Group is aiming for sustained growth through expansion of its European trading and sales activities as well as through targeted acquisition in production capacities. Atel is also planning to continue improving profitability in the Energy Services segment. Atel Group is expecting for 2007 an increase of revenues as well as earnings below the very high operating values of 2006.

European trading and sales expanded

Southern/Western Europe: margin-oriented consolidation

As a consequence of an intended concentration on high-margin businesses, mainly on imports, as well as a targeted displacement towards trading, sales in the Italian market region have slightly decreased. Higher prices have compensated the lower volumes. Encumbering were the higher purchase and transport costs, an increased competition and the need for provisions for expected subsequent charges related to regulatory changes. Encouraging contributions to results were generated by the successful optimisation of the own portfolio. The own production in Italy recorded a stable year, with the exception of a short outage at the power plant in Vercelli. With the acquisition of participations in the area of renewable energy at the end of 2006, the production capacity will be reinforced. In general, the revenue in the market region Italy was stable, whereas the result of the unit decreased as expected.

The France region recorded again a significant increase in sales compared to prior year and an improved result of the unit, based on the expansion of sales activities with mainly industrial clients as well as the increased market prices. The market unit Spain has successfully signed first contracts.

Northern/Eastern Europe: successful expansion of production and sales

The Central/Eastern Europe region recorded a significant rise in sales, which is reflected in the encouraging increased results. A further rise in volumes in the sales activities in all market segments, generally increasing prices, the skilful exploitation of short-term opportunities as well as the successful assurance of cross-border capacities have positively influenced the operating business. The re-organisation and re-positioning of former Entrade under the name Atel Energy was achieved very successfully. With the foundation of sales companies in Bulgaria, Serbia, Macedonia and Romania further growth potential for the coming years was opened.

The power plants Csepel and Kladno reached again high availability and thus encouraging results. In addition to this came the results of the newly acquired power plant Zlin as well as from the sale of excessive CO_2-certificates. The own production capacity was further reinforced with the construction of a gas turbine in Kladno and the increase of the participation in Kladno from 89% to 100% as of 1.1.2007. The unit was able to encouragingly improve its overall result.

The Northern Europe region expanded its customer base and accordingly its sales and revenues. In addition to this came a significant expansion of the short-term sales and trading activities. The temporarily very volatile price movements have however destroyed a part of the progress reached in results. The re-alignment of the business of Energipartner, operating in Scandinavia, showed encouraging outcomes. Revenues and results were improved significantly.

Switzerland: situation-related growth

In first half 2006, supply and sales took advantage from low temperatures and achieved volumes in sales and revenues above-average. However, this trend slightly weakened in second half of the year. Because as a consequence of the rising market prices the market-oriented purchase prices also increased significantly, the results of the market region Switzerland decreased.

The production was marked by stable conditions. Although the hydroelectric power generation remained below average due to the weakened water inflow, the nuclear power plants, which had suffered from the stoppage of several months of KKL last year, reached high values. The rise of single cost factors was compensated by far with the significant, market price supported higher valuation of free available capacities.

The grid business closed with improved results, thanks to lower costs resulting from the displacement of projects.

The annual test for impairment of the production facilities in Switzerland has lead to a reversal of previously recorded impairment losses thanks to the sustainable increased prices for electricity. The impairment loss on the facilities recorded in 1999/2000 and dissolved on a pro-rata basis in the following years was completely reversed as of balance sheet date 31. 12. 2006 and recorded through profit and loss.

Trading: successful in trading with electricity and commodities

In 2006 the European oriented trading realised again better results and was able to significantly exceed the high level of previous year once more. Primarily responsible for the improvement in results was the spot-trading including cross-border activities. The changed situation in cross-border trading was well used thanks to the skilful creation of necessary positions and the targeted usage of own flexible production capacity. Additionally, the asset trading took profit from extraordinary price situations with an optimal usage of power plants. Encouragingly is also the substantial contribution to results from the newly established derivative gas and coal trading. Significantly improved have also the volumes, revenues and results from the existing trading business with futures contracts on electricity. On the other hand, increasing constraints in cross-border capacities have lead to significantly higher transmission costs. With the constraints of the grids comes an increasing influence of the grid operators on the forward, day ahead and intra day trading, which will inevitably lead to higher costs.

Energy Services: positive development

The Energy Services segment is looking back to an overall successful business year. Based on the improved economic environment, a distress of the market situation was observed during the year both in Germany and Switzerland. This lead – considering the changed scope of consolidation – to a significantly higher order entry and growth in sales. However, the competition and market pressure remained intense. The sale of the German GA-tec, building and technical facilities services, as well as the one-off charges for the integration of the newly acquired LUWA in Switzerland, heating/air-conditioning, and Indumo, engineering, had a negative impact on the results. Despite these negative effects, a better result than in prior year was recorded thanks to the good operational performance.

Atel Group: high organic growth

Atel's consolidated net revenue of CHF 11.3 billion increased by 32% compared to prior year. Adjusted for the changed scope of consolidation[1] and in local currencies the growth was 31%. The Energy segment contributed significantly to this growth. The sales volume rose by 18% to 116 TWh compared to prior year and the revenue from energy by 38.4% to CHF 9716 million. The revenue with third parties from forward contracts with standard products reached CHF 13.7 billion (+65%) at a volume sold of 202 TWh (+35%). The result from these traded products amounts to around CHF 59 million (prior year: CHF 41 million), including the open positions as of balance sheet date valued at market price, and is shown in revenues as in prior years. This result comprises own trading with electricity, gas and coal. Revenues from asset trading as well as from other physical trading are not included in this result from purely financial trading transactions.

The Energy Services segment increased its revenues by 4% to a total amount of CHF 1626 million. Mainly the German GAH Group recorded a significant boost in revenues thanks to the acquisition of large orders. The growth recorded by AIT Group was mainly achieved through first consolidations. On a comparable basis, i.e. with an unchanged scope of consolidation in local currency, the segment recorded a growth in revenues of around 8%.

EBIT: increase through operational performance and special influences

The consolidated operational profit (EBIT) rose by CHF 565 million or 104% to CHF 1106 million. Excluding the effects of foreign currency translation and the changed scope of consolidation, the rise is 99%. The significant increase is based on the operational success in the Energy and Energy Services segments and on significant one-off special income. The EBIT generated on an operational basis, i.e. excluding the special influences amounts to around CHF 774 million, which represents a growth of 43%.

1 Compare page 36

As opposed to prior year, when special charges mainly decreased the results, various special influences in the reporting year had a positive impact on the results. Special income before taxes of CHF 75 million was recorded from partial disposals and valuation adjustments of associated companies. Even more important was the effect from the reversal of impairment losses recorded in the years 1999 and 2000 on Atel's Swiss power plant portfolio. Thanks to the sustainable increased price level, the impairment losses recorded showed not to be necessary any more. The reversal of impairment losses including the annual costs obligations included in the provisions amounted to a total of around CHF 450 million (before taxes). On the other side, based on the direct relation between these value adjustments and existing energy delivery contracts, a provision had to be charged to the accounts, resulting in a net effect on EBIT from addition and release of provisions of around CHF 260 million.

Once more improved financial and investment earnings

The net finance income of CHF 5 million is significantly above prior year values (CHF –33 million). Despite the issuance of a new bond, the interest expense on short- and long-term financial liabilities remained stable, mainly through cost-effective renewal of existing project financings. Based on the high level of liquidity, the interest income was increased significantly. The main reason for the encouraging financial result however was the extraordinarily high income from the market valuation of financial holdings of CHF 47 million.

The improved result of operation leads to a significantly higher tax charge. The income taxes rose by CHF 117 million to CHF 212 million compared to prior year. The weighted, effective income tax rate of 19.1% is on the same level as in prior year (18.7%).

Group profit on record level

The Group profit of CHF 899 million reflects with an increase of CHF 486 million or 118% on one hand the successful operating and financial business activity and on the other hand the included one-off special influences. Excluding the special influences, the Group profit rose by 53% to CHF 630 million.

Consolidated balance sheet: financial situation further improved

With an equity ratio of 38% as of 31. 12. 2006 (prior year: 34%) Atel has further consolidated the quality of the balance sheet, despite the strong expansion of the business volume. Approximately 71% (68%) of total assets are financed on long-term through long-term liabilities and equity. The average weighted interest rate on long-term financial liabilities is 4.0% (4.1%). Based on the generated cash flows and the increased value of the securities under current assets, the ratio of net debt[2] as a percentage of total equity reduced above average from 32% to 8%.

Total assets increased by around CHF 2 billion to CHF 9.3 billion. On the asset side CHF 0.7 billion thereof are related to fixed assets and around CHF 1.3 billion to current assets.

The growth of the fixed assets includes the reversal of impairment losses on power plants and participations in power plants of around CHF 330 million. The acquisitions executed in renewable energies in Italy as well as the valuation adjustment on associated companies caused a further increase of around CHF 300 million. The remaining increase is due to the renewal and expansion of existing facilities.

The change in current assets was influenced by the development of the liquidity and the securities as well as the capitalised derivative financial instruments. The liquidity including time deposits reached an amount of around CHF 1 250 million as of 31. 12. 2006 (CHF 880 million in prior year). The securities amounting to CHF 415 million include the block of Motor-Columbus shares purchased in the first quarter of 2006 at market price. The value of the block of shares, which were purchased at a price of around CHF 170 million, has more than doubled in the reporting period and reached CHF 346 million as of 31. 12. 2006.

2 Cash including securities under current assets

The replacement values of derivative financial instruments stated on the balance sheet increased once more, as well on the asset side as on the liability side. The positions mainly include the energy contracts open as of the balance sheet date at market value. Atel is currently examining measures to reduce the volume in future periods. On the other side, in relation with the development of revenues, the level of receivables increased only moderately, thanks to an active management of the receivables.

The equity including minorities rose by over CHF 1 billion. Besides the development of the result, the effects from foreign currency translation recorded in equity (mainly because of the strong Euro) of CHF 70 million as well as the valuation adjustment on the block of shares of Motor-Columbus of CHF 178 million have contributed to the rise. The increase of long-term financial liabilities of CHF 251 million mainly includes the bond issued by Atel in first quarter 2006. The other variances in balance sheet positions are within the range expected, based on the operating activities.

Outlook

In the Energy segment, we will further expand our trading and sales activities on all markets. For 2007, we therefore expect once again rising sales volumes, mostly in Trading, in Germany, France and Eastern Europe. In addition to this, the acquired respectively established additional production capacities at the end of 2006 in Italy and the Czech Republic will have a positive impact. On the other side, we assume competition will get even more intensive, market prices will show a sideways movement and thus a tendency towards sinking margins. In addition to this, we are expecting a further increase of the transmission costs due to auctions of cross-border capacities as a consequence of additional restrictions and bottlenecks in the grids. Also for the production costs, especially in Switzerland, we see a tendency towards higher levels. On an overall basis from today's perspective, the results of the Energy segment will hardly achieve the exceptionally good operating values of the year 2006.

In the Energy Services segment, after the encouraging operating results in 2006, we want to use the opportunities for a targeted and profitable development of the segment. The good order basis at beginning of the year and the realised re-organisations will serve as a solid basis for the achievement of the goals.

In the current year we will again search and realise economically interesting possibilities that fit our strategy to reinforce our business activity. Most of all, we want to further reinforce our production capacity. By targeted, meaningful investments the trading and sales activities as well as the Energy Services segment shall also be expanded and the quality of the grid and the infrastructure kept on a high level.

For financial year 2007, Atel Group is expecting on an overall level to increase both sales volumes and revenues as well as an important volume of investments. The operating results are expected, except for extraordinary events, to show values below the exceptionally good operating results of the year 2006.

Consolidated Income Statement

CHF mn.	Note	2005	2006
Net revenue	30	**8 580**	**11 334**
Proportionate earnings of associated companies		74	149
Capitalised cost		11	14
Other operating income	1	131	91
Total operating result		**8 796**	**11 588**
Energy and goods purchased	2	–7 002	–9 443
Materials and external services		–98	–81
Personnel expenses	3	–673	–701
Other operating expenses		–286	–312
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**737**	**1 051**
Depreciation	4	–196	–202
Release of value adjustments on assets*	5	–	257
Earnings before interest and tax (EBIT)		**541**	**1 106**
Finance income	6	–33	5
Earnings before income tax		**508**	**1 111**
Income tax	7	–95	–212
Net profit Atel Group	8	**413**	**899**
Minority interests in net profit		–8	–13
Net profit attributable to Atel shareholders		**405**	**886**
Earnings per share in CHF	8	**135**	**296**

* Net, including requirement for increase provisions on energy delivery obligations

Consolidated Balance Sheet

Assets

CHF mn.	Note	31.12.2005	31.12.2006
Tangible fixed assets	9	2 077	2 349
Intangible assets	10, 11	490	557
Investments in associated companies	12	1 201	1 529
Long-term financial assets	13, 23	199	237
Deferred income tax assets	7	107	119
Fixed assets		**4 074**	**4 791**
Inventory	15	102	109
Trade and other receivables	14	1 721	1 860
Time deposits	23	24	270
Cash	16, 23	852	983
Securities under current assets	17, 23	37	415
Derivative financial instruments	23	423	823
Assets of disposal group classified as held for sale	24	58	4
Accrued assets		26	33
Current assets		**3 243**	**4 497**
Total assets		**7 317**	**9 288**

Equity and Liabilities

CHF mn.	Note	31.12.2005	31.12.2006
Issued capital	18	304	304
Share premium		14	14
Treasury shares		–46	–46
Retained earnings		2 086	3 113
Equity attributable to Atel shareholders		**2 358**	**3 385**
Equity attributable to minority interests		106	121
Total equity		**2 464**	**3 506**
Provisions	19	570	654
Deferred income tax liabilities	7	303	389
Long-term financial liabilities	20	1 592	1 843
Other long-term liabilities	21	11	171
Non-current liabilities		**2 476**	**3 057**
Current income tax liabilities		49	111
Short-term financial liabilities		111	109
Other short-term liabilities	22	1 437	1 364
Derivative financial instruments	23	414	769
Liabilities directly associated with the assets classified as held for sale	24	60	0
Accrued liabilities		306	372
Current liabilities		**2 377**	**2 725**
Total liabilities		**4 853**	**5 782**
Total equity and liabilities		**7 317**	**9 288**

Statement of Changes in Equity

CHF mn.	Issued capital	Share premium	Unrealised gains and losses from IAS 39	Treasury shares	Translation differences	Retained earnings	Equity attributable to Atel shareholders	Equity attributable to minority interests	Total equity
Equity 31.12.2004	**304**	**14**		**–46**	**11**	**1 733**	**2 016**	**107**	**2 123**
Change in currency translation					9		9		9
Total recorded earnings and expenses within equity					**9**		**9**		**9**
Profit for the year						405	405	8	413
Total profit					**9**	**405**	**414**	**8**	**422**
Dividend payment						–72	–72	–3	–75
Change in minority interests							0	–6	–6
Equity 31.12.2005	**304**	**14**	**0**	**–46**	**20**	**2 066**	**2 358**	**106**	**2 464**
Change in currency translation					67		67	3	70
Change in market value*			178				178		178
Total recorded earnings and expenses within equity			**178**		**67**		**245**	**3**	**248**
Profit for the year						886	886	13	899
Total profit			**178**		**67**	**886**	**1 131**	**16**	**1 147**
Dividend payment						–84	–84	–7	–91
Change in minority interests						–2	–2	6	4
Reclassification of the obligations on put options to long-term liabilities						–18	–18		–18
Equity 31.12.2006	**304**	**14**	**178**	**–46**	**87**	**2 848**	**3 385**	**121**	**3 506**

* Note 17

Atel's Board of Directors is proposing to the 2007 Annual General Meeting for the 2006 financial year a dividend of CHF 40 per registered share (for financial year 2005 a dividend of CHF 28 per registered share was paid) on the shares in circulation, totalling CHF 120 million (prior year: CHF 84 million). For further details, please refer to page 81 "Appropriation of Retained Earnings".

Consolidated Cash Flow Statement

CHF mn.	Note	2005	2006
Earnings before interest, tax and depreciation (EBIT)		**541**	**1 106**
Adjustments for:			
Capitalised costs	9	– 11	– 14
Depreciation	4	196	202
Addition, appropriation and release of provisions	19	– 46	55
Profit/loss from sale of fixed assets		– 1	4
Reversing of impairment loss on power plants and participations in power plants	9, 12	–	– 329
Other positions not affecting payments		– 2	0
Proportionate earnings of associated companies	12	– 74	– 149
Dividend yield from associated companies and financial holdings		29	35
Interest payments		– 65	– 65
Interest receipts		15	20
Other finance expense		– 9	– 3
Other finance income		3	19
Income tax paid		– 86	– 84
Change in net current assets (excluding short-term financial claims/liabilities)		128	– 84
Cash flow from operating activities		**618**	**713**
Tangible fixed and intangible assets			
Investments	9, 10	– 167	– 194
Disposals		5	12
Subsidiaries			
Acquisitions	31	– 110	– 93
Disposals	32	– 2	– 26
Change in shareholding proportions		– 17	– 5
Associated companies			
Investments	12	–	– 61
Disposals	12	–	113
Long-term financial assets			
Investments	13	– 10	– 18
Disposals/repayments	13	2	27
Change in time deposits		144	– 248
Acquisition/disposal of securities		22	– 197
Cash flow from investment activities		**– 133**	**– 690**
Dividend payments		– 72	– 84
Dividends paid to minority interests		– 3	– 7
Increase in financial liabilities		81	325
Repayment of financial liabilities		– 236	– 141
Cash flow from financing activities		**– 230**	**93**
Change resulting from currency translation		**7**	**15**
Change in cash and cash equivalents		**262**	**131**
Statement:			
Cash and cash equivalents on 1.1.		590	852
Cash and cash equivalents on 31.12.		852	983
Change		**262**	**131**

Free cash flow

CHF mn.	2005	2006
Cash flow from operating activities	618	713
Replacement investments in fixed assets	– 89	– 135
Sales of tangible and intangible assets	5	12
Free cash flow	**534**	**590**

Atel accounting principles

Atel accounting principles

Accounting principles for the consolidated financial statements

The consolidated financial statements of Atel Group were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards Board (IASB) guidelines as well as the applicable Swiss statutory regulations. The financial statements give a true and fair view of the Atel Group's financial position, results of operation and cash flows. The financial statements are based on historic costs, except for specific items such as financial instruments, as well as financial assets that are eligible for disposal. These items are reported at their market value. The Board of Directors approved the consolidated financial statements on 8 February 2007 for presentation to the Annual General Meeting on 26 April 2007.

New and revised accounting and valuation policies

Group accounting and valuation policies are essentially the same as those applied in the prior year. As of 1 January 2006, the following revised Financial Reporting Standards (IFRS) respectively interpretation guidelines (IFRIC) became effective and were applied by Atel:

- IFRIC 4: Determining whether an Arrangement contains a Lease (1.1.2006),
- IFRIC 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (1.12.2005)
- IFRIC 9: Reassessment of Embedded Derivatives (1.6.2006)

The application of these new rules did not have a significant impact on the results or presentation of the published financial statement 2006.

For the prior year published financial statement 2005, IAS 1 – Presentation of Financial Statements (revised), IAS 19 – Employee Benefits (revised), IAS 21 – The Effects of Changes in Foreign Exchange Rates (revised) and IAS 39 – Financial Instruments: Recognition and Measurement (revised) were early adopted.

Future IFRS and IFRIC

The following new and revised standards and interpretations were published by the IASB respectively by the IFRIC, which are applicable for future financial statements:

- IAS 1: Presentation of Financial Statements: Capital Disclosures (effective for the financial year beginning on 1. 1. 2007)
- IFRS 7: Financial Instruments: Disclosures (1. 1. 2007)
- IFRS 8: Operating Segments (1. 1. 2009)
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions (1. 3. 2007)
- IFRIC 12: Service Concession Arrangements (1. 1. 2008)

The Group is currently examining the possible consequences from the application of these new guidelines. From today's perspective, no significant consequences on future results and the financial situation of the Group are expected, although for specific areas an extended disclosure in the published consolidated financial statements will be necessary. This is especially applicable for IFRS 7 – Financial Instruments: Disclosures, which will be applied by the Group in financial year 2007 and for IFRS 8 – Operating Segments, which is to be introduced as of 1 January 2009.

Where changes have been made in the presentation of the current reporting, comparative data taken over from prior year has been reclassified or completed as required in the consolidated income statement, balance sheet and notes to the consolidated financial statements.

Basis of consolidation

The Atel Group's consolidated financial statements include the consolidated financial statements of Aare-Tessin Ltd. for Electricity, based in Switzerland, and its subsidiaries. The financial statements of the subsidiaries were prepared for the same reporting year using the same uniform accounting standards as those applied by the parent company. Group internal balances, transactions, profits and expenses are fully eliminated.

Subsidiaries are companies in which Atel directly or indirectly holds more than 50% of the voting rights and thus exercises control. Group companies are included in the scope of consolidation from the date of acquisition. Companies are deconsolidated respectively reported under financial assets if the Group no longer controls the business or disposes of it.

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. Atel's share in the assets, liabilities, income and expenses of these companies is shown under note 12 of the consolidated financial statements.

Under accounting standard IAS 39, all other investments are presented under assets in the "Financial holdings" caption at fair value.

The scope of consolidation and all significant investments, including details of the consolidation method applied and further information, are listed from page 68.

Foreign currencies

The consolidated financial statements are prepared in Swiss francs, which is the Group's functional and presentation currency. The functional currency for each Group company is defined in accordance with the company's activities. Transactions in foreign currencies are accounted for at the current exchange rate of the transaction date in the company's functional currency. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the year-end rate. The resulting exchange differences are recorded in the income statement.

On the balance sheet date, assets and liabilities of the subsidiaries are translated into Swiss francs using the year-end exchange rates. Income statement items are translated using the weighted average exchange rate for the reporting period. The foreign exchange differences are shown as a separate position in the equity. In a disposal situation of a subsidiary, the related accumulated foreign exchange differences are recognised in the income statement of the relevant period.

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

Unit	Conversion date 31.12.2005	Conversion date 31.12.2006	Average 2005	Average 2006
1 USD	1.31	1.22	1.25	1.25
1 EUR	1.555	1.607	1.548	1.573
100 HUF	0.62	0.64	0.63	0.60
100 CZK	5.36	5.85	5.20	5.56
100 PLN	40.35	41.94	38.56	40.45
100 NOK	19.42	19.51	19.33	19.57

Intercompany transactions

Goods and services are invoiced between Group companies at the contractually agreed transfer or market prices. Shareholders are invoiced at full cost for power produced by joint ventures, on the basis of existing joint venture contracts.

Sales revenue

Sales revenue from goods and services is reported in the income statement upon performance. Energy transactions realised for purposes of trading (generally forward transactions with standard products), aiming to generate a profit from short-term market price volatility, are reported by the Group in revenue using the net method (recording of net trading result). Revenue from construction contracts is accounted for using the percentage-of-completion method, where income is accounted for based on the stage of completion.

Income taxes

Income taxes are calculated on the annual profits contained in the income statement at the current or soon to be announced current tax that is applicable to the individual companies. Income tax expenses constitute the amount of current and deferred income tax.

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 income tax is only reported on valuation differences on holdings in Group companies if such differences are likely to be reversed in the near future.

Deferred tax assets are reported if their realisation is probable. Tax assets not capitalised are disclosed.

The effects of timing differences are shown in note 7 of the consolidated financial statements.

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. 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.

Discontinued operations and disposal groups

An asset is held for disposal if the balance sheet value is achieved via disposal of the asset rather than through continued use thereof. The asset must be available for disposal, and it must be likely that the disposal will be realised within the coming 12 months. The same applies for a group of assets (disposal group) and the related liabilities, if they are to be disposed in a single transaction.

Atel recognises long-term assets held for disposal and disposal groups with the lower of book value or fair value, less the cost of disposal. These assets or group of assets are not depreciated any more as long as they are recognised for disposal. These assets and liabilities are presented in the balance sheet separately from the other assets and liabilities of the Group.

A component of the Group, that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale is classified as discontinued operation. The net result from the discontinued operations is reported separately in the consolidated income statement.

Tangible fixed assets

Tangible assets are recorded at cost, less planned depreciation and impairment losses 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 impairment
Power plants	25 – 80 years
Transmission facilities	15 – 40 years
Plant equipment, machinery and vehicles	3 – 20 years
Facilities under construction	only if impairment already identifiable

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. 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.

The costs of regular and major overhauls are recorded in the book value of the fixed assets as replacements, if the relevant criteria for capitalisation are met. Repairs, maintenance and ordinary upkeep of buildings and operational plants are recognised as expenses.

The book value of a fixed asset is written off at its disposal or if no further economic benefit is expected. Profit or loss from asset disposals is recorded in the income statement.

The residual value and the useful life of an asset is reviewed at a minimum at the end of each financial year and is adapted if necessary.

Business combinations and goodwill

Business combinations are recorded using the purchase method. Acquisition costs include the indemnification that is paid at the acquisition of assets, liabilities, or contingent liabilities of a company acquired. Such indemnification includes cash payments, the market value of assets disposed of, as well as any incurred or assumed obligation on the transaction date. Acquisition costs also include any expenses that are directly attributable to the acquisition. The acquired net asset comprises identifiable assets, obligations and contingent liability and is recorded at its market value.

Where the Group does not acquire a participation of 100%, the corresponding minority interests are stated as a part of the equity. Minority interests, on which Atel owns options (call options) respectively granted options (written put options) are only recorded as minority interests if the strike price is based on fair value. The corresponding call options are stated at fair value. Written put options on minority interests are recorded as liabilities at the present value of the expected cash outflows.

The acquisition of minority interests is considered by the Group as pure equity transaction. A possible difference between purchase price and net assets acquired is charged to retained earnings.

Goodwill is the difference between acquisition costs and the market value of the Group's interest in the acquired net asset. Goodwill and fair value adjustments for net assets are recorded in the assets and liabilities of the acquired company in its local currency. Goodwill is not depreciated, but is reviewed for impairment on each balance sheet date. Goodwill can also result from interests in associated companies and represents the difference between the acquisition cost of the investment and the share of the market value of the identifiable net asset. This goodwill is capitalised in the investments in associates.

Intangible assets

Intangible assets are recorded on initial recognition at acquisition and production cost, less any accumulated amortisation and impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. The useful life of the intangible assets currently accounts for ranges from 3 to 15 years.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually, either individually or at the cash-generating unit level. An intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Power subscription rights

Power subscription rights are recorded under intangible assets and are tested for impairment like all other intangible assets. They include prepayments 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.

Impairment of tangible and intangible assets

Tangible and intangible assets are reviewed at least annually for evidence of impairment. 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. Intangible assets with infinite useful life are tested for impairment on an annual basis.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The value in use is calculated based on the estimated future cash flows (discounted cash flow method). If the asset does not generate cash inflows that are independent of those from other assets, the estimation of the recoverable amount for the single asset is made at level of the cash-generating unit, to which the asset can be assigned.

A value impairment charge from a prior period is reversed through profit and loss if the value is no longer impaired or if the impairment is reduced. Reversals are recorded only at the value which would have been realised on the basis of ordinary amortisation, without impairment.

The annual review of impairment is overseen centrally by the Group's head office.

Impairment of goodwill

Goodwill is assigned to the relevant cash generating units, which constitute the Group's identifiable regional sales, service and production activities. Goodwill is reviewed annually for impairment. Where the recoverable amount of the cash-generating unit, which is the higher of the two amounts fair value less costs to sell and value in use, is less than the carrying amount, an impairment loss is recognised. The impairment review method for cash generating units is described in note 11. Previously recorded impairment losses are not reversed if the recoverable value of goodwill recovers.

Investments in associates and joint ventures

An associate is an entity in which Atel has significant influence in its financial and business related decision-making process and which is neither a subsidiary nor a joint venture. In similar circumstances, companies in which Atel holds an investment of less than 20% are also recognised as associate using the equity method. This is particularly relevant in cases where Atel is represented in the decision-making bodies, e.g. board of directors, and participates in the definition of business and financial policies or if there is an exchange of market related information.

A joint venture is a jointly controlled entity, whereby Atel and one or several partners undertake an economic activity that is subject to joint control through a contractual arrangement. Based on this definition, joint ventures are recognised in the consolidation using the equity method regardless their investment quota. Atel currently holds investments between 9 to 54 percent in joint ventures.

The financial statements of the associates and joint ventures are prepared using consistent accounting policies. Where the local financial statements are based on dissimilar accounting principles, the companies establish a reconciliation to IFRS.

Inventory

Inventories consist of fuel for power generation and material inventory required for operating activities. The inventory of fuel (oil, gas and coal) includes all direct purchasing costs. They are accounted for using the weighted average cost method, or net realisable value. Acquisition costs include all expenses incurred for purchase and transport to the warehouse.

The material inventory is stated at the lower cost of acquisition or production costs using the average method or net realisable value. Production costs include all direct material and manufacturing costs, as well as overhead costs incurred in transporting inventories to their current location and converting them to their current state.

Leasing

The Group's current leasing transactions are of negligible importance.

Construction contracts

Customer-specific construction contracts in the Energy Services segment are accounted for using the percentage-of-completion method, and the amount to capitalise is recorded in sales revenue and accounts receivable. 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 for particular contracts or contract groups, revenue is only recognised to the extent that contract costs incurred are probably recoverable. Provisions cover any expected losses from construction contracts. Revenues from contracts in progress are accounted for based on written confirmations from the customers.

Provisions

Provisions cover all liabilities (legal or factual) 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 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 discount rates are pre-tax interest rates that reflect current market expectations in regard to the interest effect and the risks specific to the liability.

Treatment of CO_2-emission rights

For the accounting of emission rights the IASB had issued the interpretation IFRIC 3, which should have been effective for financial years beginning on or after 1 March 2005. In the meantime the IASB has decided to withdraw IFRIC 3. On the basis of applicable IFRS guidelines Atel has chosen an accounting method which truly reflects the economic circumstance.

The CO_2-emission rights allocated are recorded at nominal value (zero) on initial recognition. CO_2-emission rights purchased for own production are recorded at acquisition costs in intangible assets on initial recognition. A liability is accounted for, if the CO_2-output exceeds the originally allocated emission rights. Such a liability is stated up to the level of purchased emission rights at the corresponding costs. The part exceeding the amount of CO_2-emission rights is recorded at fair value at balance sheet date. Variances in the liabilities are recorded in Energy purchased.

If emission rights are used for trading purposes, e.g. for the optimisation of the energy portfolio, the amount is valued at market value as of balance sheet date and recorded in inventory.

Pension funds

The Atel Group operates various statutory pension funds in line with legal requirements.

In the Energy segment, the consolidated Group companies in Switzerland are members of a legally independent collective industry welfare scheme which is based on the Swiss defined benefit plan and fulfils the characteristics of a defined benefit plan according to IAS 19.

Employees of foreign subsidiaries in the Energy segment are essentially covered by state social welfare schemes or independently 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. Consequently, these pension plans were classified in the past as defined contribution pension plans in accordance with IAS 19.

A review of the contracts governing these pension plans in 2005 revealed that Atel is subject to factual obligations under the amended Swiss Federal Occupational Retirement, Survivors' and Disability Pensions Act (BVG). These contracts did thus qualify as defined benefit plans. Consequently, Atel Installationstechnik calculated in 2005 for the first time its pension obligations in accordance with IAS 19, except for small business units which were not included in the IAS 19-based evaluation for lack of significance. Their integration in the calculations in accordance with IAS 19 was reviewed and executed in 2006.

The first time consideration of these pension plans as defined benefit plans under IAS 19 in 2005 is indicated in the overview in the notes as a pension plan modification.

Employees of foreign subsidiaries in the Energy Services segment of Atel Installationstechnik are covered by 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.

Pension plan obligations for defined benefit plans are calculated using the projected unit credit method. This actuarial valuation method takes into account not only currently identifiable pension benefits but also anticipated future salary increases and increased retirement benefits. Actuarial gain and loss calculations resulting from periodic recalculations are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised on a straight line basis over the expected average remaining working lives of the employees participating in the plans. This method is known as the "corridor method".

All plans are financed by employee and employer contributions. Past and future employer contributions to defined contribution plans are recognised directly in the income statement.

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.

Segment related information

The Energy segment includes the generation, transfer, distribution and sale of energy. The Energy Services segment includes technical and facilities construction services. Segments such as real estate and financing that do not fall within the scope of the other segments are presented under "Others". Segmentation is based on Group internal reporting.

Income, expenses and net earnings for individual segments arising from intra-segment transactions include transactions between divisions and regions that were realised and recorded under market conditions. All transactions and inventories were eliminated in the consolidation.

Energy segment sales mainly consist of energy sales from trade and distribution transactions. Sales also include the net result from energy trading. Sales in the Energy Services segment are recognised as revenue from construction contracts.

Financial instruments

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

Financial assets and liabilities

Under accounting standard IAS 39, financial assets are classified as follows and are valuated uniformly in the following categories:

- Assets or liabilities measured at fair value through profit and loss
- financial assets held-to-maturity
- originated loans and receivables and
- financial assets available for sale.

At inception, all financial assets and liabilities are measured at fair value. The buying or selling of a financial asset is reported on the settlement date.

Assets or liabilities measured at fair value through profit and loss

Financial assets held for trading are primarily acquired for the purposes of earning a profit from short-term fluctuations in value. Derivatives are classified as financial assets or liabilities held for trading. Furthermore, financial assets or liabilities can be allocated to this category.

At inception, energy related financial instruments held for trading are accounted for at fair value, and any change in the value is reported in the net revenue of the relevant reporting period. Other derivative financial instruments held for trading and those allocated to this category are reported at fair value, and any change in the value is recorded in the finance income or expense.

Financial investments, for which decisions on investments and de-investments are executed on the basis of the development of fair value, are classified in the valuation category "At Fair Value through Profit or Loss". Such a classification is in line with Atel's financial risk policy.

Cash and cash equivalents contains cash, post and bank accounts, on call deposits and other deposits maturing in a maximum of 90 days. They are generally classified as held for trading. They are measured at market value, and value fluctuations are recorded in the income statement of the relevant period.

The securities include positions that are held for trading as well as available for sale. All securities are stated at their market value. Value fluctuations of securities held for trading are recorded through profit or loss in the corresponding period. In case of positions available for sale, the value adjustments are recorded directly in equity till their date of sale.

Equity instruments acquired by Atel Group (treasury shares) are deducted from the equity. The purchase or sale of such instruments is not recorded in the income statement.

Financial assets held-to-maturity

Financial assets held-to-maturity have a fixed maturity that Atel plans to retain until they mature. These assets are valued at cost or amortised cost. Financial investments whose maturity is not determinated are not included in this category.

Originated loans and receivables

Originated loans and receivables are created by the Group by providing loans, goods or services to third parties. These loans and receivables are valued at cost or amortised cost using the effective interest rate method. Gains and losses are recorded in the income statement when the financial asset or liability is disposed, impaired or amortised.

Receivables are recorded at nominal value less any economically necessary provision. Trade receivables from clients which are also suppliers are offset with trade payables, if netting agreements were signed.

Financial assets available for sale

All other financial assets are assigned to the financial assets available for sale.

Financial liabilities

Financial liabilities comprise short- and long-term liabilities that are reported at their amounts at maturity, as well as the attendant time limits.

Impairment and uncollectability of financial assets

On each balance sheet date, a determination is made as to whether there is any evidence of impairment for individual financial assets or any group thereof.

For financial assets that are accounted for at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Any loss is recorded in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement. The reversal is recognised to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

For financial assets that are accounted for at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market yield of a comparable financial asset. Any loss is recorded in the income statement. Decreases in impairment losses are not reversed.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses on equity instruments are not recognised in profit and loss. Reversals of impairment losses on debt instruments are reversed through profit or loss.

Hedge accounting

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

Estimation uncertainty

Important assumptions and sources of uncertainty in estimates

Pursuant to IFRS, in preparing the consolidated financial statements, Group management is required to make estimates and assumptions – particularly relating to the measurement of impairment and the calculation of provisions as well as to the valuation of investments and financial assets – with regard to factors that could potentially have an impact on reported assets, liabilities, income and expenses. These estimates and assumptions are based on historical data, past experience and the best possible assessment of future evolutions. They serve as a basis for reporting assets and liabilities whose measurement does not derive from other sources. The actual values may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis, and any changes in them are adjusted and reported in the period in which they are identified.

Value of fixed assets, intangible assets and goodwill

The book values of fixed assets, intangible assets and goodwill for Atel Group as of the balance sheet date 31 December 2006 was approximately CHF 2.9 billion. The values of these assets are reviewed annually for impairment. This assessment is made on the basis of estimated future cash flows resulting from use and from possible sale of the assets. The actual cash flows may differ significantly from these estimates. Other factors such as changes in the planned useful life or the technical aging of facilities may result in an impairment or a shorter useful life.

Provisions

The balance of the position “provision for contractual risks” as shown in note 19 amounts to CHF 435 million as of balance sheet date 31. 12. 2006. As of the balance sheet date, the position includes the visible risks and obligations from existing national and international long-term energy purchase and delivery contracts. The need for provision was calculated based on a probable outflow of resources in relation with the fulfilment of the contracts. The valuations respectively their reviews are performed periodically using the discounted cash flow method; the period of time extends over the duration of the contractual obligations entered. Important factor for the valuations, which are linked to uncertainties and can therefore lead to significant adjustments in following periods, are mainly the assumptions regarding the development of market prices, the long-term interest rates as well as the effects from currency conversions (EURO in CHF).

Acquisitions and disposals of fully consolidated companies

Due to acquisitions and disposals, the following variances occurred compared to prior year:

Disposals	Proportion of holding	Last date of consolidation:	Segment/Business unit
KEU GmbH, Krefeld/DE	100.0%	31.12.2005	Energy Services North/East
Kalfrisa SA, Zaragoza/ES	53.1%	31.12.2005	Energy Services North/East
Mixaco AG, Heidelberg/DE	100.0%	31.12.2005	Energy Services North/East
GA-tec, Heidelberg/DE	100.0%	21.02.2006	Energy Services North/East

With the disposals, the consolidated revenue of Atel Group reduced by CHF 197 million compared to prior year.

Acquisitions	Proportion of holding	First date of consolidation:	Segment/Business unit
Elektroline a.s, Prague/CZ	100.0%	01.07.2005	Energy North/East
Zlin Energy Business s.r.o, Zlin/CZ	100.0%	12.12.2005	Energy North/East
Indumo AG, Buchs/CH	100.0%	01.01.2006	Energy Services South/West
Mirant Generation S.r.l., Pieve di Soligo/IT	100.0%	31.01.2006	Energy South/West
Luwa Schweiz AG, Uster/CH	100.0%	31.03.2006	Energy Services South/West
Energ.it S.p.A., Cagliari/IT	51.0%	31.08.2006	Energy South/West
Gestimi S.p.A., Alagno/IT	85.0%	14.12.2006	Energy South/West
Idrovalsesia S.r.l., Alagno/IT	85.0%	14.12.2006	Energy South/West
Biellapower S.r.l., Milano/IT	100.0%	19.12.2006	Energy South/West

With the acquisitions, the consolidated revenue of Atel Group increased by CHF 160 million compared to prior year.

Financial risk management

General principles

The Atel Group is exposed in its operations to strategic and operational risks especially energy price, interest rate, credit, currency and liquidity risks. All strategic and operational risks are recorded and assessed during the annual Group-wide business risk assessment process and then allocated to defined risk responsible individuals for management and monitoring. Internal audit reviews the implementation of decisions taken. Risk limits are attributed to energy price risks, interest rate, credit, currency and liquidity risks and compliance with these limits is constantly monitored and adjusted in the broad context of the company's overall risk capacity.

Atel's energy risk policy sets forth the guiding principles for the Atel Group's energy activities. These principles comprise guidelines for entering into, measuring, managing and limiting business risk in energy business and lays down the organisation and responsibilities for risk management. The principles are aimed at providing a reasonable balance between the business risks entered into, earnings and risk-bearing equity.

Atel's 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 policies are aimed at reducing financial risk in relation to the hedging costs and risk 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 consolidated income statement under finance income and expense. The interest rate exposure is minimised via long-term financing as well as by staggering the maturity periods of financial liabilities.

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 its 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 constitute the maximum default risk to which the Atel Group was exposed as at the balance sheet date. This risk is minimised by setting credit limits for specific counterparties.

Currency risk

The Atel Group endeavours to reduce currency risk by offsetting operating income and expenses in foreign currencies. Any surplus is hedged by means of currency contracts (forward transactions, options) in accordance with the Group's financial risk policy.

Net investment in foreign subsidiaries is likewise subject to risk arising from currency fluctuation, although differences in inflation rates tend to cancel out these changes over the long term. For this reason, Atel does not hedge investments in foreign subsidiaries.

Currency risk resulting from the generation or purchase of energy is contractually passed on to the counterparties, wherever possible. If this is not or only partially possible, currency forward contracts and options are used in accordance with Atel's financial risk policy for a maximum hedging period of 24 months. Generally, currency risk is centralised in Atel AG. Euro related currency risk is regarded as acceptable, and is expected to be equalised by interest rate differences, and thus the euro related currency risk is not hedged.

Currency risk associated with balance sheet items in foreign currencies (translation risk) is not hedged.

Liquidity risk

A large number of receivables in the European energy trading are offset and are subject to fixed payment deadlines, thus avoiding peaks in liquidity requirements. Margin agreements are commonly realised on energy commodity exchanges and among large energy traders so as to reduce the counterparty risk. Due to energy price fluctuations substantial outstanding debts can arise short-term. Atel manages these liquidity requirements by maintaining sufficient liquidity and by obtaining guaranteed credit lines from first class banks.

Notes to the Consolidated Financial Statements

1 Other operating income

The position includes the release of provisions totalling CHF 18 million (prior year: CHF 25 million).

2 Energy and goods purchased

CHF mn.	2005	2006
Purchase of electricity from third parties	5 277	7 123
Purchase of electricity from associated companies (joint ventures)	342	349
Purchase of electricity from associated companies (other companies)	14	431
Other power purchase	556	681
Expenditure on goods	813	859
Total	**7 002**	**9 443**

3 Personnel expenses

CHF mn.	2005	2006
Wages and salaries	545	571
Cost of staff pensions for defined benefit pension plans	13	26
Cost of staff pensions for defined contribution pension plans	5	4
Other staff expenses	110	100
Total	**673**	**701**

Average head count

	2005	2006
Number of equivalent full-time employees	7 763	7 912
Apprentices	605	549
Total	**8 368**	**8 461**

Head count at balance sheet date

	31.12.2005	31.12.2006
Number of equivalent full-time employees	8 012	8 113
Apprentices	637	555
Total	**8 649**	**8 668**

4 Depreciation and impairment

CHF mn.	2005	2006
Depreciation on tangible fixed assets	140	148
Depreciation on power subscription rights	51	51
Depreciation/Impairment on other intangible assets	5	3
Total	**196**	**202**

In 2005/2006 no impairments were detected. Additional information on the impairment testing of goodwill and intangible assets can be found in note 11.

5 Valuation recovery of impaired assets and provision for onerous contracts

Based on the sustainably risen level of market prices, the relevant positions for the valuation of the own power plants and participations in power plants in Switzerland was adapted in the reporting period. The test for impairment of these plants and participations performed in the fourth quarter 2006 revealed that the impairment losses recorded in previous reporting periods are to be reversed completely.

Certain energy supply contracts of Atel are directly linked with the production costs of own power plants and participations in power plants in Switzerland. After recording the above mentioned reversal of impairment losses an immediate need for provision on existing long-term supply contracts resulted thereof.

As of 31 December 2006, the reversal of previously recorded impairment losses through profit or loss including the accounting of a provision for onerous contracts is accounted for in the following positions:

CHF mn.	2005	2006
Own power stations		
Decrease of impairment losses - note 9 "tangible assets" (power plants)	–	154
Participations in power stations		
Decrease of impairment losses - note 12 "participations in associated companies and joint ventures" (joint ventures)	–	175
Dissolution - note 19 "provisions" (annual costs liabilities)	–	120
Provision for onerous contracts		
Allocation – note 19 "provisions" (contractual risks)	–	–192
Total effect from valuation recovery and allocation to provision for onerous contracts	**–**	**257**

6 Finance income

CHF mn.	2005	2006
Interest income	15	27
Interest expense (including interest on provisions and other long-term liabilities)	–82	–102
Dividend income from financial holdings	–	3
Exchange rate profits (losses) net	20	14
Other finance income (expense) net	14	63
Total	**–33**	**5**

7 Income taxes

Income taxes charged to the financial statement

CHF mn.	2005	2006
Current income taxes	89	146
Deferred income taxes	6	66
Total	**95**	**212**

Reconciliation

CHF mn.	2005	2006
Earnings before income tax	508	1 111
Expected income tax rate (weighted average)	26.8%	23.0%
Income taxes at the expected rate	136	255
Causes for additional/reduced tax expenses:		
Effect of non-tax-deductible expenses	14	9
Effect of prior years	–3	–1
Effect of tax-exempted earnings	–23	–36
Release of provision concerning deferred taxes due to changes in estimates	–24	0
Impairment on losses carry forward	15	1
Effect of use of losses carry forward	–11	–12
Effect of changes of tax rates	–4	–5
Other influences	–5	1
Total income tax	**95**	**212**
Actual income tax rate (weighted average)	18.7%	19.1%

The change of the expected tax rate from 26.8% to 23.0% (prior year: 24.7% to 26.8%) was mainly due to changes of the quota that the subsidiaries in different countries contribute to the total earnings of the Group.

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

CHF mn.	31.12.2005	31.12.2006
Unused tax loss carry forward	14	23
Tangible fixed assets	49	43
Other fixed assets	1	1
Current assets	5	9
Provisions and liabilities	38	43
Total deferred income tax assets	**107**	**119**
Tangible fixed assets	67	106
Other fixed assets	152	156
Current assets	62	53
Provisions and liabilities	22	74
Total deferred income tax liabilities	**303**	**389**
Net liability deferred income taxes	**196**	**270**

As per 31. 12. 2006, several subsidiaries dispose of carry forward tax deductible losses totalling CHF 186 million (prior year: CHF 138 million), which can be offset against taxable earnings in future years.

Assets from deferred taxes are only included if it is more likely than not to realise the related tax credits. The Group has tax credits of CHF 108 million (prior year: CHF 86 million), which are not accounted for in the balance sheet.

Losses carry forward can be offset in the following years:

CHF mn.	31.12.2005	31.12.2006
Within 1 year	2	3
Within 2–4 years	21	26
After 4 years	63	79
Total	**86**	**108**

8 Earnings per share

	2005	2006
Total shares issued at a nominal value of CHF 100	3 036 000	3 036 000
Less treasury shares	–37 855	–37 855
Shares in circulation	2 998 145	2 998 145
Net profit of Atel shareholders in CHF mn.	405	886
Earnings per share in CHF	**135.08**	**295.52**

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

9 Tangible fixed assets

CHF mn.	Properties	Power stations	Transmis-sion plants	Other tangible fixed assets	Plants un-der con-struction	Total
Gross value as of 31.12.2004	**222**	**1 657**	**1 197**	**252**	**26**	**3 354**
Change in scope of consolidation	4	102		–1		105
Investments	5	13	59	38	36	151
Capitalised income from work performed in-house			3		8	11
Reclassifications	5		11		–16	0
Disposals	–4		–18	–31	–1	–54
Difference from currency translations	6	37	–1	2		44
Gross value as of 31.12.2005	**238**	**1 809**	**1 251**	**260**	**53**	**3 611**
Change in scope of consolidation	5	8		3		16
Investments	13	55	28	41	49	186
Capitalised income from work performed in-house			3		11	14
Reclassifications	–14	14	11	–1	–21	–11
Disposals	–18	–6	–10	–29	–7	–70
Difference from currency translations	2	88		6	1	97
Gross value as of 31.12.2006	**226**	**1 968**	**1 283**	**280**	**86**	**3 843**
Accumulated depreciation as of 31.12.2004	**65**	**546**	**635**	**191**	**0**	**1 437**
Change in scope of consolidation				–2		–2
Depreciations	16	48	49	27		140
Disposals	–3		–18	–29		–50
Difference from currency translations	1	8	–1	1		9
Accumulated depreciation as of 31.12.2005	**79**	**602**	**665**	**188**	**0**	**1 534**
Change in scope of consolidation						0
Depreciations	8	64	47	27	2	148
Disposals	–11	–6	–8	–27	–2	–54
Decreases in impairment losses (note 5)		–154				–154
Reclassifications	–11	8		–3		–6
Difference from currency translations	1	20		5		26
Accumulated depreciation as of 31.12.2006	**66**	**534**	**704**	**190**	**0**	**1 494**
Net value as of 31.12.2005	159	1 207	586	72	53	2 077
Net value as of 31.12.2006	**160**	**1 434**	**579**	**90**	**86**	**2 349**

On the balance sheet date there were contractual obligations for establishment and purchase of tangible assets amounting to CHF 54 million (prior year: CHF 114 million).

In the years 2005/2006, no borrowing costs were capitalised.

10 Power subscription rights and intangible assets

CHF mn.	Power subscription rights	Goodwill	Other intangible assets	Total
Gross value as of 31.12.2004*	**626**	**92**	**144**	**862**
Change in scope of consolidation		5		5
Investments			16	16
Addition from change in share of holdings		8		8
Disposals			–2	–2
Difference from currency translations		3	1	4
Gross value as of 31.12.2005	**626**	**108**	**159**	**893**
Change in scope of consolidation		41	62	103
Investments			8	8
Difference from currency translations		8	2	10
Gross value as of 31.12.2006	**626**	**157**	**231**	**1014**
Accumulated depreciation as of 31.12.2004*	**267**	**0**	**81**	**348**
Depreciations	51		5	56
Disposals			–2	–2
Difference from currency translations			1	1
Accumulated depreciation 31.12.2005	**318**	**0**	**85**	**403**
Depreciations	51		3	54
Difference from currency translations				0
Accumulated depreciation 31.12.2006	**369**	**0**	**88**	**457**
Net value as of 31.12.2005	308	108	74	490
Net value as of 31.12.2006	**257**	**157**	**143**	**557**

* After restatement; see Financial Report 2005 of Atel

The book value of other intangible assets with an infinite useful life was CHF 45 million on 31 December 2006 (prior year: CHF 45 million). These assets are mainly transmission rights to fixed assets held by third parties whereby Atel enjoys an unlimited period of use according to current assessments. The category of intangible assets with an infinite useful life is allocated to the cash generating unit "Grid Switzerland" in the Energy segment.

In the years 2005/2006, no borrowing costs were capitalised.

11 Reviewing the value of goodwill and intangible assets

For testing the recoverability of goodwill and intangible assets with an infinite useful life, the allocation to cash generating units has been assigned as follows:

CHF mn.	Discount rate 31.12.2005	31.12.2005	Discount rate 31.12.2006	31.12.2006
Energy segment				
Production Central/Eastern Europe	7.2%	92	7.8%	98
Production Southern/Western Europe	–	–	6.1%	24
Distribution Southern/Western Europe	–	–	6.8%	9
Trading Central/Eastern Europe	7.4%	8	8.2%	8
Grid Switzerland	6.7%	45	8.7%	45
Energy Services segment				
Region Southern-/Western-Europe	5.0%	7	6.3%	17
Region Northern-/Eastern-Europe	6.4%	1	8.0%	1
Total		**153**		**202**

The amount attained in reviewing goodwill and intangible assets with an infinite useful life for impairment is based on the value in use in 2005 and 2006 for all positions stated above. This represents the present value of estimated cash flows per cash generating unit. The cash flows and growth rates are based on the current business plans approved by management. The plans were established on the basis of historical values and comprise a planning period of 5 years. From the sixth year the cash flows were extrapolated. No growth rate was assumed for the latter.

12 Investments in associated companies and joint ventures

CHF mn.	Joint ventures**	Other companies	Total
Book value as of 31.12.2004*	**359**	**312**	**671**
Reclassification of financial investments		473	473
Dividend	–18	–11	–29
Proportional earnings	20	54	74
Effect of transition for IFRS group financial statement and other valuation adjustments charged/credited to energy expenses	11		11
Difference from currency translations		1	1
Book value as of 31.12.2005	**372**	**829**	**1201**
Investments***		129	129
Dividend	–18	–14	–32
Proportional earnings including gain on sale recorded	21	128	149
Effect of transition for IFRS group financial statement and other valuation adjustments charged/credited to energy expenses	–4		–4
Decreases in impairment losses (note 5)	175		175
Disposals		–113	–113
Difference from currency translations		24	24
Book value as of 31.12.2006	**546**	**983**	**1529**

* After restatement; see Financial Report 2005 of Atel

** In relation with the testing for impairment losses during fiscal year 1999, Atel had recorded unplanned impairment losses of CHF 600 million on its power stations and participations in power stations. CHF 372 million related to participations in power stations (joint ventures). Based on the annually performed testing of the values for impairment, the residual amount of the impairment losses accounted for (CHF 175 million related to participations in power stations) was to be reversed completely through profit and loss (further details are disclosed in note 5).
The position transition effects and valuation adjustments charged/credited to energy expenses includes the recorded valuation differences between local and IFRS financial statements totalling CHF 10 million (prior year: CHF 25 million). Also included in this position are effects from changes in book values of participations in power stations of CHF –14 million (CHF –14 million). These changes of book values are related to the already mentioned recording of impairment losses on the power plant portfolio of Atel in 1999. The level of changes was depending on the effective and expected cash flows by participation in power stations in the remaining time of operation or concession.

*** Of the CHF 129 million investments stated, CHF 68 million (currency translation at current rate) were not paid yet and recorded as liability (note 21).

The pro-rata market value of listed Other companies at 31 December 2006 was CHF 954 million (31. 12. 2005: CHF 564 million). The book value of these companies on the balance sheet date was CHF 403 million (CHF 294 million).

Key figures for associated companies and joint ventures (shares Atel Group)

	Joint ventures		Other companies	
CHF mn.	2005	2006	2005	2006
Fixed assets	2 899	2 476	2 531	2 523
Current assets	151	154	494	582
Long-term liabilities	2 313	1 869	1 694	1 023
Short-term liabilities	238	215	502	1 099
Income	390	392	842	1 666
Expenses	–370	–371	–788	–1 538
Profit	20	21	54	128

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 to approximately CHF 350 million (prior year: CHF 342 million).

In December 2006 the decision bodies of the two nuclear power plants Gösgen-Däniken AG and Leibstadt AG decided to determine the financial useful lifetime of the plants from 40 to 50 years. Based on this decision the proportion of annual costs respectively the expenses for procurement of energy from associated companies (joint ventures) will reduce by around CHF 20 million for Atel starting financial year 2007.

For the owners of nuclear installations there is also a limited supplementary payment obligation towards the decommissioning fund, to cover the eventuality of an individual primary contributor being unable to make their payment. There is also a limited supplementary payment obligation towards the waste disposal fund.

All significant associated companies and joint ventures are valued according to consistent IFRS standards. Where no IFRS financial statements were available, reconciliation accounts are drawn up.

The gross and proportional book values stated in the table are based on the individual local financial statements considering the mentioned IFRS reconciliation accounts.

The closing date of the accounts for some associated companies differs from that of the Group. Published accounts are available from these companies from 30 September, and these are included in the Atel Group statements. It is not feasible to draw up interim accounts for these companies; these companies (joint ventures) generally produce annual results without significant fluctuation. Significant transactions and events which take place between 30 September and 31 December are considered in the Group financial statements.

13 Long-term financial investments

CHF mn.	Financial investments	Loans receivable	Total
Book value as of 31.12.2004*	**639**	**15**	**654**
Reclassification to investments in associated companies	–473		–473
Investments	2	8	10
Changes to market value	16		16
Reclassification	–5	–1	–6
Disposals	–1	–1	–2
Book value as of 31.12.2005	**178**	**21**	**199**
Investments	10	8	18
Changes to market value	48	–1	47
Disposals	–8	–19	–27
Book value as of 31.12.2006	**228**	**9**	**237**

* After restatement; see Financial Report 2005 of Atel

14 Receivables

CHF mn.	31.12.2005	31.12.2006
Trade receivables	1 346	1 491
Revenue prior to invoicing	111	162
Other receivables	264	207
Total	**1 721**	**1 860**

Trade receivables from clients which are also suppliers are offset with trade payables, if netting agreements were signed. The receivables and liabilities offset based on netting agreements amount to CHF 1375 million (prior year: CHF 882 million).

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

CHF mn.	31.12.2005	31.12.2006
Revenue prior to invoicing (gross)	493	634
Advances received from customers	–382	–472
Revenue prior to invoicing (net)	**111**	**162**

15 Inventory

The inventory on the balance sheet consist mainly of fuels (oil, gas, coal) with a book value of CHF 81 million (prior year: CHF 69 million) and auxiliary and operating materials amounting to CHF 28 million (CHF 33 million).

16 Cash

CHF mn.	31.12.2005	31.12.2006
Cash at hand	553	449
Time deposit with a maturity of under 90 days	120	550
Margining-agreements (securities from counterparts)	179	–16
Total	**852**	**983**

The margining agreements counter-item is recognised under short-term receivables respectively under short-term liabilities in prior year. Cash at hand includes cash of CHF 50 million (prior year: CHF 65 million) bound for planned maintenance work and debt servicing payments in connection with project financing, and CHF 57 million (CHF 98 million) for security payments to energy trading exchanges and network operators.

17 Securities under current assets

CHF mn.	31.12.2005	31.12.2006
Securities available for sale	–	346
Securities held for trading	37	69
Total	**37**	**415**

The securities available for sale relate to the block of shares of Motor-Columbus acquired in 2006. In the course of the sale of the participation of Motor-Columbus from UBS to a consortium, Atel purchased in March 2006 7.2% of the shares of Motor-Columbus (36 420 bearer shares) in the amount of CHF 167 million. These shares were intended to be introduced to the planned merger of Motor-Columbus and Atel. The restructuring was originally planned for mid-year 2006. Due to an intervention of the Swiss Takeover Board of the Swiss Federal Banking Commission (SFBC), the restructuring was postponed by at least six months.

As a consequence of this postponement, the company was holding as of 31 December 2006 the shares of Motor-Columbus purchased in March 2006. According to the rules of International Financial Reporting Standards (IAS 39), such shares as in the presented case are to be recorded in the balance sheet as “available for sale” in the securities under current assets. Additionally, on each balance sheet date, they are to be valued at fair value (market value) and resulting valuation differences are to be recorded in equity as unrealised gains or losses. As of 31 December 2006 the difference between acquisition cost and market value resulted in an income in favour of equity of CHF 178 million.

Regarding the current development concerning the use of the block of shares of Motor-Columbus held by the Group, reference is made to note 29.

18 Equity

Share capital

The share capital of CHF 304 million is fully paid up. The share register contains the following details of share ownership:

in %	Stakes 2005	Stakes 2006
Motor-Columbus AG, Baden	58.5	59.1
Elektra Birseck, Münchenstein	14.9	14.9
Elektra Baselland, Liestal	7.9	7.9
Azienda Energetica Municipale S.p.A., Milano	5.8	5.8
Canton of Solothurn, Solothurn	5.0	5.0
Public	6.7	6.1
Trasury shares	1.2	1.2

Treasury shares

Holdings of treasury shares at 37 855 shares, with a nominal value of around CHF 4 million, were unchanged against prior year.

19 Provisions

CHF mn.	Contractual risks and losses	Annual costs liabilities	Pension provisions	Other provisions	Total
Total long-term provisions as of 31.12.2005	**216**	**120**	**152**	**82**	**570**
Short-term provisions	37	21	9	48	115
Provisions as of 31.12.2005	**253**	**141**	**161**	**130**	**685**
Change in scope of consolidation				1	1
Additions	192		4	67	263
Interest	14		7		21
Appropriations	–24	–21	–9	–16	–70
Released provisions not required		–120		–18	–138
Reclassifications			–7	7	0
Difference from currency translations			5	3	8
Provisions as of 31.12.2006	**435**	**0**	**161**	**174**	**770**
Less short-term provisions	–52	–	–9	–55	–116
Total long-term provisions as of 31.12.2006	**383**	**–**	**152**	**119**	**654**
Expected outflow of resources					
Within 12 months	52	–	9	55	116
Within 1–5 years	339	–	35	57	431
After 5 years	44	–	117	62	223
Total	**435**	**–**	**161**	**174**	**770**

The provision for contractual risks covers liabilities and recognisable risks from the energy business on the balance sheet date. The item covers liabilities for expected compensation payments and for onerous contracts in relation with procurement and supply of energy.

The provision for annual cost liabilities covers excessive outflows of funds – in market comparisons – for energy purchases from participations in power stations. Based on the results of the review performed in the fourth quarter 2006 the provision was released completely (see note 5).

The other provisions mainly include liabilities in relation to personnel, liabilities arising from restructuring programmes and general operational liabilities such as guarantees from service provisions or the threatened losses from pending contracts.

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

20 Long-term financial liabilities

CHF mn.	31.12.2005	31.12.2006
Bonds at amount repayable	700	946
Loans payable	892	897
Total	**1 592**	**1 843**

Bonds, outstanding on the balance sheet date

	Term	Earliest repayment date	Interest rate %	31.12.2005	31.12.2006
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1997/2009	06.03.2009	4 1/4	200	200
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1997/2009	30.10.2007	4	200	200
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2003/2013	16.09.2013	3 1/8	300	300
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2006/2018	01.03.2018	2 5/8	–	246

The bond of CHF 250 million issued on 1 March 2006 is valued using the amortised cost method; the resulting effective interest rate is 2.790%. The related interest expense in the reporting period is CHF 6 million. The other bonds stated in the balance sheet do not differ significantly from amortised cost.

The net market value of the fixed-interest bonds outstanding as of the balance sheet date amounted to CHF 970.7 million (prior year: CHF 737.4 million).

The weighted interest paid on the bonds issued, relating to the nominal value at the balance sheet date, amounted to 3.41% (prior year: 3.70%).

Loans payable

CHF mn.	31.12.2005	31.12.2006
Maturing within 1 to 5 years	236	222
Maturing later than 5 years	656	675
Total	**892**	**897**

The net market value at the balance sheet date of loans payable amounted to CHF 877 million (prior year: CHF 899 million).

The weighted interest paid on loans payable relating to the nominal value at the balance sheet date amounted to 4.48% (prior year: 4.35%). Loans repayable within 360 days amounted to CHF 107 million and are recorded as of balance sheet date 31. 12. 2006 under short-term financial liabilities (31. 12. 2005: CHF 96 million).

21 Other long-term liabilities

CHF mn.	31.12.2005	31.12.2006
Written put options	–	18
Contractually agreed capital contribution liabilities (note 12)	–	70
Other long-term liabilities	11	83
Total	**11**	**171**
Maturities		
Within 1 – 5 years	–	157
After 5 years	11	14
Total	**11**	**171**

22 Other short-term liabilities

CHF mn.	31.12.2005	31.12.2006
Trade liabilities	994	1030
Other liabilities	415	263
Advances from customers	28	71
Total	**1437**	**1364**

Trade payables from suppliers which are also clients are offset with trade receivables, if netting agreements were signed. The liabilities and receivables offset based on netting agreements amount to CHF 1375 million (prior year: CHF 882 million).

23 Financial instruments held at fair value

Book value of financial assets and liabilities:

CHF mn.	31.12.2005	31.12.2006
Financial assets		
Cash at hand including time deposits	876	1 253
Securities under current assets		
Securities available for sale	–	346
Securities held for trading	37	69
Financial investments	178	228
Derivative financial instruments*	422	818
Currency and interest rate derivatives	1	5
Total	**1 514**	**2 719**
Financial liabilities		
Derivative financial instruments*	396	756
Currency and interest rate derivatives	18	13
Total	**414**	**769**

* Contract volumes see note 30

24 Assets and disposal groups classified as held for sale

The GAH subsidiary GA-tec Gebäude- und Anlagentechnik GmbH stated as available for sale in prior year as of 31 December 2005 was sold on 20 February 2006. With the sale of this company, a loss of CHF 8 million was realised. The asset stated as of 31. 12. 2006 is a non-operating property held by the German GAH Group.

Assets

CHF mn.	31.12.2005	31.12.2006
Properties	–	4
Trade accounts receivables	46	–
Other receivables	12	–
Cash at hand	–	–
Total	**58**	**4**

Liabilities

CHF mn.	31.12.2005	31.12.2006
Trade accounts payables	19	–
Provisions	33	–
Other payables	8	–
Total	**60**	**0**

25 Transactions with related parties

Motor-Columbus AG, Baden, is holding with 59.1% (prior year: 58.5%) a majority of Atel. By owning each over 20% of the share capital of Motor-Columbus, EdF International and EOS Holding are keeping a significant influence on Atel Group. Concerning relation to associated companies and joint ventures see the related accounting policies. The transactions between the Group and the pension funds for staff are set out in note 26.

All transactions with related parties are based on market conditions.

2006

Amount of transactions between the Group and related companies

CHF mn.	Parent companies	Associated companies	Joint venture	Other related companies
Total income				
Electricity revenue		275	1	1 531
Other income from services		103	27	1
Operating expenses				
Electricity purchases		–431	–349	–1 884
Other services expenses	–2	–17		–15
Finance income				
Interest income				
Interest expense				

Scope of outstanding positions with related companies on the balance sheet date

CHF mn.	Parent companies	Associated companies	Joint venture	Other related companies
Receivables				
Trade accounts receivables		45	2	136
Long-term financial accounts receivables				
Short-term financial accounts receivables		1		
Other receivables		1		
Liabilities				
Trade accounts payable		13	26	134
Long-term financial liabilities				
Short-term financial liabilities			44	
Other short-term liabilities		5		

Members of the Board of Directors and management in key positions

The Board of Directors of Atel received in financial year 2006 remunerations of CHF 2.3 million (prior year: CHF 2.0 million). Thereof CHF 1.6 million (CHF 2.0 million) related to current remunerations, CHF 0.7 million (CHF 0 million) to termination benefits. The remuneration of the management board in the same period totalled CHF 6.6 million (CHF 6.0 million). Thereof CHF 5.4 million (CHF 4.7 million) related to current remunerations and CHF 1.2 million (CHF 1.3 million) to employee benefits.

2005

Amount of transactions between the Group and related companies

CHF mn.	Parent companies	Associated companies	Joint venture	Other related companies
Total income				
Electricity revenue	30	186		758
Other income from services		2	6	
Operating expenses				
Electricity purchases		–14	–342	–1014
Other services expenses	–2	–12		
Finance income				
Interest income	2			

Scope of outstanding positions with related companies on the balance sheet date

CHF mn.	Parent companies	Associated companies	Joint venture	Other related companies
Receivables				
Trade accounts receivables	3	16	1	88
Short-term financial accounts receivables	264			
Liabilities				
Trade accounts payable		2	21	99
Long-term financial liabilities			4	
Short-term financial liabilities	3			

In financial year 2005 the transactions and receivables/liabilities towards parent companies included besides Motor-Columbus also those with UBS AG. On the other side in 2005 EOS Holding and its subsidiaries were not considered as related companies yet.

26 Pension fund liabilities

The notes "as a result of change in plan" in the tables below are related to the values of the pension fund of the subsidiaries of installation technology companies in Switzerland.

Pension expense recognised in profit and loss

CHF mn.	2005	2006
Current service cost	10	18
Interest expense	22	21
Expected return on plan assets	–16	–19
Actuarial (loss)/gain recognised in current year (§ 92 f)	0	2
Actuarial (loss)/gain recognised in current year (§ 58 A)	15	4
Past service cost	–15	4
Effect of curtailment and settlements in § 58 (b)	–3	–4
Expenses recognised in profit and loss	**13**	**26**

Comparison of estimated and actual return on plan assets

CHF mn.	2005	2006
Expected return on plan assets	16	19
Actuarial gain/(loss) on plan assets	35	18
Actual return on plan assets	**51**	**37**

Information on past three years

CHF mn.	2004	2005	2006
Defined benefit obligation	462	636	748
Fair value of plan assets	282	462	565
Underfund/(Overfund) total obligation	180	174	183
Underfund/(Overfund) funded obligation only	14	–10	9
Experience adjustments on defined benefit obligation	n.a.	1	36
Experience adjustments on fair value of plan assets	n.a.	35	18

Reconciliation of the amount recognised in the balance sheet

CHF mn.	2005	2006
Present value of funded defined benefit obligation	453	574
Fair value of plan assets	463	565
Underfund/(Overfund)	–10	9
Present value of unfunded defined benefit obligations	183	174
Unrecognised actuarial gains/(losses)	–26	–33
Amounts not recognised because of § 58(b)-limitation	4	0
Rounding	1	0
Liability recognised in balance sheet	**152**	**150**
thereof recognised as separate asset	–9	–11
thereof recognised as separate liability	161	161

Reconciliation of defined benefit obligation

CHF mn.	2005	2006
Defined benefit obligation at 1.1.	**462**	**636**
Defined benefit obligation at 1.1. as a result of change in plan	**112**	**0**
Interest expense	22	21
Current service cost	10	18
Contributions by plan participants	8	7
Past service cost	0	4
Benefits paid in (out)	–26	21
Business combination	0	12
Disposal of business	0	–8
Actuarial loss on obligation	47	31
Currency translations adjustment	1	6
Defined benefit obligation at 31.12.	**636**	**748**

Reconciliation of the fair value of plan assets

CHF mn.	2005	2006
Fair value of plan assets at 1.1.	**282**	**462**
Fair value of plan assets at 1.1. as a result of change in plan	**127**	**0**
Expected return on plan assets	16	19
Contributions by the employer	20	25
Contributions by plan participants	8	7
Benefits paid in (out)	–26	21
Business combination	0	12
Actuarial gain/(loss) on plan assets	35	18
Currency translation adjustment	0	1
Fair value of plan assets at 31.12.	**462**	**565**

Plan assets at fair value consist of

CHF mn.	2005	2006
Equity instruments of the company	0	0
Equity instruments - third party	178	200
Debt instruments of the company	0	0
Debt instruments - third party	202	266
Properties used by the company	0	0
Properties not used by the company	52	65
Others	30	34
Total plan assets at fair value	**462**	**565**

Long-term income is shown based on the investment strategy of the pension funds and the expected returns from the individual asset classes over the average remaining service period.

Actuarial assumptions

in %	2005	2006
Discount rate	3.72%	3.37%
Expected rate of return on plan assets	4.00%	3.83%
Future salary increases	1.90%	1.86%
Future pension increases	0.59%	0.54%

Best estimate of contributions

CHF mn.	2006	2007
Contributions by the employer	20	25
Contributions by plan participants	8	7

27 Contingent liabilities and guarantee obligations

The total amount of guarantee obligations in favour of third parties on the balance sheet date is CHF 870 million (prior year: 776 million).

CHF mn.	31.12.2005	31.12.2006
Guarantee obligations in favour of third paries		
Commercial guarantees of banks and insurance companies	643	781
Commercial guarantees	115	73
Financial guarantees (Edipower)	18	16
Total	**776**	**870**
Possible outflow of resources		
Within 12 months	388	460
Within 1–5 years	242	297
After 5 years	146	113
Total	**776**	**870**
Capital contribution liabilities		
For Edipower	249	257
Others	0	0
Total	**249**	**257**

There are also obligations arising from option agreements for increasing existing holdings. As part of the financing of Edipower, the industrial investors (AEM Milano, AEM Torino, Atel and Edison) have jointly agreed to purchase the stakes of the financial investors in the coming months.

For other obligations in connection with stakes in joint ventures, see note 12.

28 Pledged assets

CHF mn.	31.12.2005	31.12.2006
Properties secured by mortgages	15	1
Participations in power stations	943	990
Total	**958**	**991**

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.

29 Post balance sheet date events

Atel has signed on 8 February 2007 a contract with related parties, which foresees under certain conditions the exchange of 36 000 shares of Motor-Columbus in 114 444 treasury shares of Atel till 30 June 2007. The conversion ratio is 3.179 Atel shares for 1 Motor-Columbus share. If these conditions are not fulfilled till 30 June 2007, the contract is irrelevant. The accounting as of 31. 12. 2006 of the block of shares of Motor-Columbus is disclosed in note 17.

In the Energy segment Atel has increased the participation of the production company ECK Generating s.r.o. and Energetické Centrum Kladno, spol. s.r.o. (CZ) from 89% to 100% as of 1 January 2007. The purchase was done using existing liquidity.

At the end of January, Edipower has successfully closed once more a re-financing. An international bank consortium has given to the company a new credit limit of EUR 2 billion with significantly lower credit margins to release the existing project financing. Edipower is now completely financed on a stand alone basis without any regress on the shareholders. All previous guarantees given by the industrial shareholders are eliminated. Only the pledge of the participations of the shareholders is being continued.

In the Energy Services segment, Atel Installationstechnik Ltd. in Switzerland has acquired as of 1 January 2007 100% of the company Bassi e Scossa SA, Lugano/CH, operating in the area of heating, ventilation, air-conditioning, cooling and sanitary installations. With the acquisition, net assets of around CHF 4 million are taken over. Bassi e Scossa SA is generating annual revenues of approximately CHF 12 million. The acquisition was done using existing liquidity.

30 Segment reporting

2006: Information by business activity

CHF mn.	Energy	Energy Services	Other	Transactions between the segments and other effects	Total
Income from energy sales/order completion	9657	1617	1		11275
Net profit of trading standard products financial energy transactions	59				59
Total revenue third parties	**9716**	**1617**	**1**	**0**	**11334**
Revenue from internal transactions		9		−9	0
Total revenue	**9716**	**1626**	**1**	**−9**	**11334**
Thereof with related and associated companies	1807				1807
EBITDA	960	87	3	1	1051
Significant non-cash expenses	−259	−25			−284
Decreases in impairment losses	257				257
Planned depreciations	−170	−31	−1		−202
EBIT	1047	56	2	1	1106
Segment profit	871	29	20	−21	899
Gross assets (total assets)	8916	891	566	−1085	9288
Book values associated companies	1529				1529
Profit from associated companies	149				149
Liabilities	5424	696	54	−392	5782
Net investments in tangible fixed and intangible assets	131	43	8		182
Number of employees as of balance sheet date	1549	7119			8668

Information by geographic region

CHF mn.	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External revenue	1447	3564	6312	11	11334
Gross assets (total assets)	4753	2047	2424	64	9288
Net investments in tangible fixed and intangible assets	85	6	91		182
Number of employees as of balance sheet date	3279	273	5116	0	8668

The trading result in the Energy segment includes profits and losses of realised and the value adjustments of unrealised energy trading financial transactions valued at market value. Open financial energy trading transactions on the balance sheet date 31. 12. 2006 have a contract volume of 5.003 TWh (31. 12. 2005: 4.960 TWh). Replacement values are listed separately on the balance sheet.

2005: Information by business activity

CHF mn.	Energy	Energy Services	Other	Transactions between the segments and other effects	Total
Income from energy sales/order completion	6979	1559	1		8539
Net profit of trading standard products financial energy transactions	41				41
Total revenue third parties	**7020**	**1559**	**1**	**0**	**8580**
Revenue from internal transactions		5	2	–7	0
Total revenue	**7020**	**1564**	**3**	**–7**	**8580**
Thereof with related and associated companies	974				974
EBITDA	629	97	5	6	737
Significant non-cash expenses	–30	–37			–67
Decreases in impairment losses					0
Planned depreciations	–163	–32	–1		–196
EBIT	466	65	4	6	541
Segment profit	365	25	20	3	413
Gross assets (total assets)	7151	805	663	–1302	7317
Book values associated companies	1201				1201
Profit from associated companies	74				74
Liabilities	4616	626	52	–441	4853
Net investments in tangible fixed and intangible assets	112	39	11		162
Number of employees as of balance sheet date	1451	7198			8649

Information by geographic region

CHF mn.	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External revenue	1195	2911	4460	14	8580
Gross assets (total assets)	2894	1734	2470	219	7317
Net investments in tangible fixed and intangible assets	100	13	49		162
Number of employees as of balance sheet date	3084	179	5386	0	8649

31 Business combinations

In 2006, the following companies were acquired and integrated in the consolidated financial statements:

Energy segment:
31.01.2006: 100% of Mirant Generation San Severo S.r.l., Pieve di Soligo/IT
31.08.2006: 51% of Energ.it S.p.A., Cagliari/IT
14.12.2006: 85% of Gestimi S.p.A., Alagno/IT
14.12.2006: 85% of Idrovalsesia S.r.l., Alagno/IT
19.12.2006: 100% of Biellapower S.r.l., Milano/IT

Energy Services segment:
01.01.2006: 100% of Indumo AG, Buchs/CH
31.03.2006: 100% of Luwa Schweiz AG, Uster/CH

The purchase price paid was CHF 180 million and was allocated to balance sheet items as follows:

	Distribution Italy		Production Italy		Energy Services	
CHF mn.	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values
Tangible fixed assets	1	2	17	12	2	2
Intangible assets	0	7	0	51	0	4
Financial assets	0	0	0	0	0	0
Deferred income tax assets	1	1	0	0	0	0
Cash	9	9	2	2	4	4
Other current assets	50	50	4	4	15	15
Short- and long-term financial liabilities	–15	–15	–3	–4	–1	–1
Other short- and long-term liabilities	–48	–45	–2	–2	–11	–11
Deferred income tax liabilities	0	–3	0	–7	0	–1
Net assets	**–2**	**6**	**18**	**56**	**9**	**12**
Minority interests		–3		–4		0
Net assets acquired		**3**		**52**		**12**
Goodwill purchased through acquisition		9		23		9
Net cash flow from acquisition:						
Acquired cash from subsidiaries		–9		–2		–4
Acquisition costs		12		75		21
Net cash flow		3		73		17

The goodwill acquired corresponds to expected synergies from the addition to existing business activities and the additional benefits from expansion into new market regions.

Since their integration into the Atel Group, the companies acquired have contributed CHF 111 million in revenue and a result of CHF 1 million.

If the companies had been acquired at 1 January 2006, they would have increased consolidated revenue by CHF 119 million and would have increased the net profit for the Group by CHF 3 million. In the 2005 financial year, inclusion of these companies would have raised revenue by CHF 176 million and net profit for the Group by CHF 2 million.

32 Disposal of business units

In the first quarter of 2006, the GAH subsidiary GA-tec Gebäude- und Anlagentechnik GmbH was sold. The assets and liabilities of the company were classified as available for sale in the prior year consolidated balance sheet of Atel as of 31 December 2005 (note 24).

The assets and liabilities at date of the sale amounted to:

CHF mn.	2005	2006
Tangible fixed assets	2	0
Cash	10	26
Other current assets	31	55
Short- and long-term financial liabilities	–6	0
Other short- and long-term liabilities	–21	–73
Minority interests	0	0
Net assets disposed	**16**	**8**

Sale of these subsidiaries involved the following cash flows:

Net cash flow from disposal groups

CHF mn.	2005	2006
Cash of disposed subsidiaries	10	26
Disposal price	8	0
Net cash flow	–2	–26

Scope of Consolidation

Energy segment

Trading, sales, supply and services

	Domicile	Currency	Issued capital mn.	Direct proportion of holdings 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.	Milano/IT	EUR	20.00	98.0	V	SU	31.12.
Energ.it S.p.A.[1]	Cagliari/IT	EUR	1.00	51.0	V	SU	31.12.
Azienda Energetica Municipale S.p.A.	Milano/IT	EUR	936.24	6.0	E	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 Energia SA	Barcelona/ES	EUR	0.10	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 Energia Kft.	Budapest/HU	HUF	600.00	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	96.7	V	SU	31.12.
Aare Energie AG (a.en)	Olten	CHF	2.00	50.0	E	S	31.12.
Atel EcoPower AG[2]	Olten	CHF	5.00	100.0	V	SU	31.12.
Entegra Wasserkraft AG[3]	St. Gallen	CHF	2.01	48.8	E	G	31.12.
AEK Energie AG	Solothurn	CHF	6.00	38.7	E	SU	31.12.
Energipartner AS	Oslo/NO	NOK	5.00	100.0	V	S	31.12.
Atel Austria GmbH	Vienna/AT	EUR	0.235	100.0	V	SU	31.12.
Atel Energy Ltd.	Niedergösgen	CHF	0.40	100.0	V	T	31.12.
Atel Energy s.r.o.	Prague/CZ	CZK	5.42	100.0	V	T	31.12.
Atel Energy d.o.o.	Zagreb/HR	HRK	0.02	100.0	V	T	31.12.
Atel Energy d.o.o.	Ljubljana/SI	SIT	8.15	100.0	V	T	31.12.
Atel Energy 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.
Atel Energy Romania S.R.L.	Bucharest/Ro	ROL	2.00	100.0	V	T	31.12.
Società Elettrica Sopracenerina SA	Locarno	CHF	27.50	60.8	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.

1) Acquired as of 31.8.2006
2) New foundation
3) Acquired as of 31.10.2006

Generation and transmission

	Domicile	Currency	Issued capital mn.	Direct proportion of holdings 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	4930.10	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.
ECK Generating s.r.o.	Kladno/CZ	CZK	2936.10	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.
Zlin Energy Business s.r.o[1)]	Zlin/CZ	CZK	1494.50	100.0	V	G	31.12.
Atel Centrale Termica Vercelli S.r.l.	Milano/IT	EUR	10.33	95.0	V	G	30.09.
Novel S.p.A.	Milano/IT	EUR	23.00	51.0	V	G	30.09.
AT O&M S.r.l.	Milano/IT	EUR	0.25	88.0	V	G	31.12.
Biellapower S.r.l.[2)]	Milano/IT	EUR	1.00	85.0	V	G	31.12.
Gestimi S.p.A.[3)]	Alagno/IT	EUR	0.62	85.0	V	G	31.12.
Idrovalsesia S.r.l.[3)]	Alagno/IT	EUR	0.10	85.0	V	G	31.12.
Eolica Maridiana S.p.A[4)]	Verona/IT	EUR	0.12	49.0	E	G	31.12.
Unoenergia S.p.A[5)]	Biella/IT	EUR	2.00	25.0	E	G	31.12.
En.Plus S.r.l.[6)]	Belluno/IT	EUR	5.50	81.8	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.	Milano/IT	EUR	1441.30	16.0	E	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
1) Former Moravske Teplarny s.r.o
2) Acquired as of 19.12.2006
3) Acquired as of 14.12.2006
4) Acquired as of 16.10.2006
5) New foundation
6) Mirant, acquired as of 31.1.2006, was integrated into En.Plus

Grid

	Domicile	Currency	Issued capital mn.	Direct proportion of holdings 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	Issued capital mn.	Direct proportion of holdings in % (voting rights)	Consolidation method	Nature of business	Year-end date
Holding and Management							
Atel Installationstechnik Ltd.	Olten	CHF	30.00	100.0	V	H	31.12.
Atel Installationstechnik Management Ltd.	Zürich	CHF	0.10	100.0	V	S	31.12.
Energy supply technology							
Kummler+Matter AG	Zürich	CHF	2.50	100.0	V	S	31.12.
Mauerhofer + Zuber SA	Renens	CHF	1.70	100.0	V	S	31.12.
Elektroline a.s.	Prague/CZ	EUR	0.17	100.0	V	S	31.12.
Building services/Technical facilities management							
Atel TB Romandie SA	Geneva	CHF	1.00	100.0	V	S	31.12.
Atel Gebäudetechnik AG	Zürich	CHF	7.85	100.0	V	S	31.12.
Atel Gebäudetechnik West AG	Olten	CHF	5.90	100.0	V	S	31.12.
Indumo AG[1)]	Buchs	CHF	0.20	100.0	V	S	31.12.
Atel Burkhalter Bahntechnik AG	Zürich	CHF	0.25	50.0	E	S	31.12.
Atel Impianti SA	Savosa	CHF	2.70	100.0	V	S	31.12.
Atel Sesti S.p.A.	Milano/IT	EUR	3.10	100.0	V	S	31.12.
Atel Impianti Mgmt S.p.A.	Milano/IT	EUR	0.10	100.0	V	S	31.12.

LUWA, acquired as per 31.03.2006, was integrated into existing building services engineering companies
1) Acquired as of 1.1.2006

Energy Services Northern/Eastern Europe

	Domicile	Currency	Issued capital mn.	Direct proportion of holdings in % (voting rights)	Consolidation method	Nature of business	Year-end date
Holding and Management							
GAH Anlagentechnik Heidelberg GmbH	Heidelberg/DE	EUR	25.00	100.0	V	H	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.
Kamb Elektrotechnik GmbH	Ludwigshafen/DE	EUR	0.26	74.8	V	S	31.12.
Energy supply and communication technology							
Gesellschaft für elektrische Anlagen Energieanlagenbau GmbH	Hohenwarsleben/DE	EUR	1.53	100.0	V	S	31.12.
Gesellschaft für elektrische Anlagen Leitungsbau Nord GmbH	Hannover/DE	EUR	0.51	100.0	V	S	31.12.
Gesellschaft für elektrische Anlagen Leitungsbau Süd GmbH	Fellbach/DE	EUR	2.56	100.0	V	S	31.12.
GA-Magyarország Kft.	Törökbálint/HU	HUF	102.38	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.
GA-com Telekommunikations und Telematik GmbH	Bietigheim-Bissingen/DE	EUR	0.78	100.0	V	S	31.12.
Eisenbahnsignalbau GmbH	Dornstedt/DE	EUR	0.50	100.0	V	S	31.12.
te-com Telekommunikations-Technik GmbH	Backnang/DE	EUR	0.50	100.0	V	S	31.12.
Digi Communication Systeme GmbH	Gifhorn/DE	EUR	0.77	100.0	V	S	31.12.
REKS Plzen s.r.o.	Pilsen	CZK	8.00	62.5	V	S	31.12.
Energy and technical facilities management							
Kraftanlagen Anlagentechnik München GmbH	München/DE	EUR	5.00	100.0	V	S	31.12.
ECM Ingenieurunternehmen für Energie- und Umwelttechnik GmbH	München/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.
Ingenieurbüro Kiefer & Voss GmbH	Erlangen/DE	EUR	0.08	80.0	V	S	31.12.
Caliqua Gebäudetechnik GmbH	Wiener Neudorf/A	EUR	0.19	100.0	V	S	31.12.
Kraftanlagen Nukleartechnik GmbH	Heidelberg/DE	EUR	0.50	100.0	V	S	31.12.
Kraftszer Kft.	Budapest/HU	HUF	198.00	90.0	V	S	31.12.
Franz Lohr GmbH	Ravensburg/DE	EUR	1.28	90.1	V	S	31.12.
Other holdings							
Apparatebau Wiesloch GmbH	Wiesloch/DE	EUR	0.26	100.0	V	S	31.12.
Lambda-Centaurus-Vermögensverwaltungs GmbH	Hannover/DE	EUR	0.03	100.0	V	S	31.12.
Krösus Sechste Vermögensverwaltungs GmbH	Hannover/DE	EUR	0.25	100.0	V	S	31.12.

Other companies

Holding and finance companies

	Domicile	Currency	Issued capital mn.	Direct proportion of holdings in % (voting rights)	Consolidation method	Nature of business	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 Management Services Ltd.	St. Helier/Jersey	EUR	0.10	100.0	V	S	31.12.
Atel Re, Ltd.	Guernsey/GB	EUR	3.00	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.
Atel Hungaria Kft	Budapest/HU	HUF	80.00	100.0	V	H	31.12.
Atel Italia Holding s.r.l.	Milano/IT	EUR	0.25	100.0	V	H	31.12.

Financial holdings

	Domicile	Currency	Issued capital mn.	Direct proportion of holdings in % (voting rights)	Consolidation method	Nature of business	Year-end date
Energie électrique du Simplon SA	Simplon Dorf	CHF	8.00	1.7	F	P	31.03.
European Energy Exchange	Leipzig/DE	EUR	20.00	2.0	F	S	31.12.
Groupe CVE-Romande Energie	Morges	CHF	28.50	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 Services
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

ERNST & YOUNG

Ernst & Young Ltd
Assurance & Advisory
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To the General Meeting of

Aare-Tessin Ltd for Electricity, Olten

Zurich, 28 February 2007

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes / pages 12 to 72) of Aare-Tessin Ltd for Electricity for the year ended 31 December 2006.

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 Swiss Auditing Standards and with 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 the 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)

Daniel Bernhard
Swiss Certified Accountant

Offices in Aarau, Baden, Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St.Gallen, Zug, Zurich.
Member of the Swiss Institute of Certified Accountants and Tax Consultants

Income Statement

CHF	Note	2005	2006
Energy sales (TWh)		75.868	102.777
Net revenue		**4 942 091 621**	**7 277 014 113**
Capitalised cost		2 193 104	5 191 833
Other operating income		41 830 721	40 718 363
Total operating result		**4 986 115 446**	**7 322 924 309**
Energy purchased*		–4 582 424 330	–6 756 137 963
Materials and external services		–16 300 740	–28 591 196
Personnel expenses		–56 313 640	–65 438 559
Depreciation		–105 331 880	–97 907 238
Other operating expenses		–66 919 061	–86 902 481
Operating expenses		**–4 827 289 651**	**–7 034 977 437**
Earnings before interest and tax		**158 825 795**	**287 946 872**
Finance income		117 004 115	148 516 110
Finance expense		–67 561 193	–75 684 137
Non-operational income		424 993	305 986
Non-operational expenses		–56 687	–39 262
Taxes		–50 436 076	–104 424 286
Profit on ordinary activities		**158 200 947**	**256 621 283**
Extraordinary result	2	1 517 157	118 991 240
Profit of the year		**159 718 104**	**375 612 523**

* 2006: Including dissolution of provisions on assets of CHF 372.9 million

Balance Sheet

Assets

CHF	Note	31.12.2005	31.12.2006
Tangible fixed assets	3		
Operating plants		1 276 167	3 785 531
Plant under construction		11 814 946	13 404 261
Land and buildings		9 461 068	9 415 764
Plant, equipment, machinery and vehicles		1	1
Power subscriptions rights	4	307 487 449	256 239 543
Intangible assets	4	1	1
Financial assets	5		
Investments		914 520 772	1 175 154 386
Loans		649 812 452	777 951 898
Fixed assets		**1 894 372 856**	**2 235 951 385**
Receivables and other current assets	6		
Trade receivables		609 050 648	659 237 811
Other receivables		311 516 346	548 084 907
Accrued assets		8 763 546	14 903 097
Cash and cash equivalents		413 394 793	702 562 942
Treasury shares	7	45 968 370	45 968 370
Current assets		**1 388 693 703**	**1 970 757 127**
Total assets		**3 283 066 559**	**4 206 708 512**

Liabilities

CHF	Note	31.12.2005	31.12.2006
Issued capital		303 600 000	303 600 000
Legal reserves			
General reserves		130 020 000	136 920 000
Reserve for Treasury shares		46 000 000	46 000 000
Equalisation reserve		360 600 000	430 600 000
Retained earnings		181 520 027	396 260 550
Equity	8	**1 021 740 027**	**1 313 380 550**
Provisions		**312 300 719**	**705 211 808**
Bonds	9	700 000 000	950 000 000
Loans payable	10	200 000 000	200 000 000
Other long-term liabilities	11	26 252 670	104 790 670
Long-term liabilities		**926 252 670**	**1 254 790 670**
Short-term liabilities	12		
Trade payables		502 468 946	589 826 549
Other liabilities		281 897 742	113 268 803
Accrued liabilities		238 406 455	230 230 132
Short-term liabilities		**1 022 773 143**	**933 325 484**
Total liabilities		**3 283 066 559**	**4 206 708 512**

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 68 are regarded as Group companies under Art. 663a of the Swiss Code of Obligations.

2 Extraordinary result

Extraordinary result covers a book profit from the disposal of financial assets.

3 Tangible fixed assets

The fire insurance value of operating plants and buildings as at 31.12.2006 amounted to CHF 45 822 thousand (prior year: CHF 38 487 thousand).

4 Power subscriptions 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 contract.

5 Financial assets

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

A list of major investments can be found from page 68.

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 25 066 thousand (31. 12. 2005: CHF 30 967 thousand).

Loans receivable are stated at nominal value. The position contains loans to Group companies of CHF 777 088 thousand (prior year: CHF 648 925 thousand).

6 Trade receivables and other current assets

Trade receivables are stated in the balance sheet at the invoiced amount. To cover the risk of loss on receivables, a provision for bad debt has been created and deducted accordingly. Other receivables comprise mainly VAT-tax credits in Switzerland and abroad as well as time deposits at banks falling due in more than 90 days. Trade receivables (including third parties and Group companies) who act at the same time as suppliers were offset against trade payables, if netting agreements were signed. The receivables and payables offset amounted to CHF 1 392 984 thousand (prior year: CHF 890 573 thousand).

CHF th.	31.12.2005	31.12.2006
Group companies	310 469	459 762
Third parties	610 098	747 561
Total	**920 567**	**1 207 323**

7 Treasury shares

Information on treasury shares is given in note 18 of the consolidated financial statements.

8 Equity

The movements in equity were as follows:

CHF th.	Share capital	General reserve	Reserve for Treasury shares	Equalisation reserve	Retained earnings	Total Equity
Equity 31.12.2004	**303 600**	**124 320**	**46 000**	**297 600**	**162 478**	**933 998**
Allocations		5 700		63 000	–68 700	0
Dividends paid					–71 976	–71 976
Profit for the financial year					159 718	159 718
Equity 31.12.2005	**303 600**	**130 020**	**46 000**	**360 600**	**181 520**	**1 021 740**
Allocations		6 900		70 000	–76 900	0
Dividends paid					–83 972	–83 972
Profit for the financial year					375 613	375 613
Equity 31.12.2006	**303 600**	**136 920**	**46 000**	**430 600**	**396 261**	**1 313 381**

Please refer to note 18 of the consolidated financial statements for details on the shareholder structure and further details on capital.

9 Bonds

Bonds outstanding on the balance sheet date

	Term	Earliest repayment date	Interest rate %	Nominal value 31.12.2005	Nominal value 31.12.2006
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1997/2009	06.03.2009	4 1/4	200	200
Fixed-interest bond Aare-Tessin Ltd. for Electricity	1997/2009	30.10.2007	4	200	200
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2003/2013	16.09.2013	3 1/8	300	300
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2006/2018	01.03.2018	2 5/8	–	250

The weighted interest paid on the bonds issued, relating to the nominal value at the balance sheet date, amounted to 3.41% (prior year: 3.70%).

10 Loans

CHF th. Loans payable maturing within 1 to 5 years	31.12.2005	31.12.2006
Group companies	0	0
Third parties	200 000	200 000
Total	**200 000**	**200 000**

The weighted interest paid relating to the nominal value at the balance sheet date amounted to 3.09% (prior year: 3.09%).

11 Other long-term liabilities

The other long-term liabilities consist of utilisation rights given to third parties and contractual long-term liabilities in relation with the purchase of energy.

12 Short-term liabilities

Trade payables include liabilities in respect of joint undertakings and other power suppliers as well as general creditors. Short-term financial liabilities and VAT-tax debts payable are stated in the balance sheet under other liabilities. Trade payables (including third parties and Group companies) who act at the same time as clients were offset against trade receivables, if netting agreements were signed. The receivables and payables offset amounted to CHF 1392 984 thousand (prior year: CHF 890 573 thousand).

CHF th.	31.12.2005	31.12.2006
Group companies	115 931	131 092
Third parties	668 436	572 003
Total	**784 367**	**703 095**

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

13 Contingent liabilities and guarantee obligations

Guarantee statements in favour of Group companies and third parties amounted to CHF 788980 thousand as at 31.12.2006 (31.12.2005: CHF 628470 thousand).

CHF th.	31.12.2005	31.12.2006
Guarantee obligations		
Bank guarantees	158530	274033
Loan commitment guarantees	290560	254189
Guarantees	160830	244689
Financial guarantees (Edipower)	18550	16069
Total	**628470**	**788980**

14 Pledged Assets

As of 31 December 2006, assets have been pledged as security for the company's own commitments amounting CHF 484297 thousand (prior year: CHF 530256 thousand).

Appropriation of Retained Earnings

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

Profits for the 2006 financial year as per income statement of	375 612 523
Balance carried forward amounting to	20 648 027
Total	**396 260 550**

be appropriated as follows:

Dividend on dividend-bearing share capital of 299 900 000 CHF of 40 CHF per registered share	119 960 000
Allocation to the general reserve (Art. 671 Section 2 point 3 Swiss Code of Obligations)	10 500 000
Allocation to the equalisation reserve	245 000 000
Balance to be brought forward	20 800 550

Distribution of dividend

If this proposal is accepted, the gross dividend for the 2006 financial year, i.e. before the deduction of Swiss federal withholding tax, will amount to CHF 40 per share (prior year: CHF 28).

The dividend will be paid after Swiss federal withholding tax of 35% has been deducted, from 2 May 2007, against presentation of the coupon.

Report of the Statutory Auditors

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To the General Meeting of

Aare-Tessin Ltd for Electricity, Olten

Zurich, 28 February 2007

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 74 to 81) of Aare-Tessin Ltd for Electricity for the year ended 31 December 2006.

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 Swiss Auditing Standards, 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 and 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	Daniel Bernhard
Swiss Certified Accountant	Swiss Certified Accountant
(in charge of the audit)	

Dates

26 April 2007	2007 Annual General Meeting
May 2007	Quarterly results 1/07
August 2007	Interim report 2007
November 2007	Quarterly results 3/07
February 2008	Press announcement on 2007 annual results
March 2008	Balance sheet media conference
24 April 2008	2008 Annual General Meeting

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Units

Currency

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

Energy

kWh	kilowatt hour
MWh	megawatt hour (1 MWh = 1000 kWh)
GWh	gigawatt hour (1 GWh = 1 million kWh)
TWh	terawatt hour (1 TWh = 1 billion kWh)
TJ	terajoule (1 TJ = 0.2778 GWh)

Power

kW	kilowatt (1 kW= 1000 watts)
MW	megawatt (1 MW= 1000 kilowatts)
GW	gigawatt (1 GW = 1000 megawatts)
MWe	electrical megawatts
MWth	thermal megawatts

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