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## André-Marie Ampère, Exponent of Electromagnetism

### A Polymath Born of Curiosity

André-Marie Ampère was born in Poleymieux near Lyon on January 22, 1775 to the family of a wealthy silk merchant. Being a follower of Rousseau, his father wanted his son to grow up as close to nature and free of constraint as possible so André-Marie was not sent to school. Under his father's tutelage, he learned to read very early. No matter what the subject, he soon devoured every book that fell into his hands. When just ten years old, he worked through a ten-volume encyclopedia on his own. Natural sciences held a particular fascination for young Ampère. On finding that many scientific works were written in Latin, he taught himself enough of the language to understand the books. Without enrolling for a regular course of study, he attended lectures in botany, mathematics and physics at the University of Lyon. This unorthodox education gave Ampère a wide store of knowledge and a quick perception but also made him somewhat absent-minded and usually chaotic in his work.

### Struck by Tragedy

In 1793, Ampère was overtaken by a tragic yet common fate for many families in those days: his father was arrested by revolutionaries and executed by guillotine. This sent Ampère into a deep depression that lasted for more than a year. Marrying in 1799, he saw the birth of his son, Jean-Jacques, the following year. To support his family, Ampère finally had to earn a regular living. In 1801, he took a position as a physics and chemistry professor at the Ecole Centrale in Bourg-en-Bresse. His first scientific paper was a treatise on probability, entitled *The Mathematical Theory of Games*. Then in 1803, Ampère's wife died.

### Among the Parisian Erudite

In 1804, Ampère started teaching mathematics and astronomy at the lycée in Lyon, moving on a year later to tutor mathematics at the Ecole Polytechnique in Paris. At this famous college founded during the French Revolution, he was among other savants including Lagrange, Monge and Gay-Lussac. In 1808, Napoleon appointed Ampère as inspector general of France's university system, and the next year he was promoted to Professor of Mathematics and Mechanics at the Ecole Polytechnique. Then in 1819, he was awarded a Professorship in Philosophy at the University of Paris, and the following year another in Astronomy at the same institution. While his eclectic knowledge made him equally capable of lecturing on languages, literature, poetry, biology, chemistry and psychology, Ampère would always be an absent-minded, quixotic scholar in many ways. Given his pursuit of such diverse interests, the only surprise really is that his achievements in a variety of fields were so outstanding.



### Scientific Breakthrough

In 1820, news spread that Danish physicist Hans Christian Oersted had noticed how a compass needle deflected away from a north-south orientation when held near a wire carrying an electric current. Shortly after, Dominique-François Arago repeated this experiment before the Academy in Paris. Among the audience was Ampère. Before the year was out, he was investigating the interactions between electric currents and magnetic forces experimentally to derive a combined theory of electricity and magnetism. Ampère discovered that parallel wires carrying electric currents also act on each other when placed close enough. If the currents in both wires flow in the same direction, they attract each other and, if they flow in opposite directions, they repel each other. Ampère published this work in 1822. In recognition, he was appointed to the Chair of Experimental Physics at the Collège de France in 1823. Ampère's chief work in physics, entitled «Mathematical Theory of Electrodynamical Phenomena», appeared in 1826. In this, Ampère demonstrated that freely suspended wire loops and solenoids (helical coils) carrying an electric current behave like bar magnets, swinging in a north-south direction under the influence of the Earth's magnetic field.



### Honors to the Last

Ampère was admitted to the French Legion of Honor and elected as a member of the Cambridge, London, Edinburgh and Geneva scientific societies. He was also appointed to the Academies of Berlin, Stockholm, Brussels and Lisbon. On June 10, 1836, the 61-year-old Ampère died in Marseille while on an inspection trip. After the death of his son, Jean-Jacques, in 1864, Ampère's mortal remains were transferred to Paris and buried together with his son's body in a family grave in Montmartre Cemetery. In 1881, the International Congress of Electricians held in Paris honored the memory of André-Marie Ampère, immortalizing his name by adopting the «ampere» as the unit for measuring electric current.



<b>Motor-Columbus Group</b>	<b>2003</b>	<b>2004</b>
CHF in millions, except per share and employee data		
Net sales	5 285	6 955
Depreciation and amortization	256	249
Consolidated income	272	326
Consolidated income after minority interest	143	174
Earnings per share	537	644
Earnings per share excl. minority interest	283	343
Net capital expenditures	558	324
Shareholders' equity	812	958
Minority interest	848	934
Net assets per share	1 605	1 893
Total assets	6 392	6 866
Employees <sup>1)</sup>	8 114	7 881

<b>Motor-Columbus Ltd.</b>	<b>2003</b>	<b>2004</b>
CHF in millions, except per share and ratio data		
Dividend income	34	39
Net income	26	28
Capital stock	253	253
Shareholders' equity	318	323
Total assets	677	677
Equity ratio (%)	47	48
Dividend per share	45	50 <sup>2)</sup>
Total dividends	23	25 <sup>2)</sup>

<sup>1)</sup> Average number of employees, expressed as full-time equivalents

<sup>2)</sup> Proposed by the Directors



Name	Position on the Board	First elected to the Board	Term expires
<b>Dr. h.c. Heinrich Steinmann</b>	Chairman and Chief Executive Officer	1986	2007
<b>Jean-Philippe Rochon</b>	Vice Chairman of the Board	2003	2006
<b>Dr. Walter Bürgi</b>	Director	1999	2005
<b>Ulrich Fischer</b>	Director	1997	2006
<b>Urs B. Rinderknecht</b>	Director	1995	2007



**Executive Committee**

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Dr. h.c. Heinrich Steinmann, Chief Executive Officer

Alain Moilliet, Administration and Corporate Communications

Joe Rothenfluh, Human Resources and Finance

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**Statutory and Group Auditors**

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Ernst & Young AG, Zurich

The Motor-Columbus Group is reporting record sales and earnings for another year in succession. This solid business performance is also reflected in the buoyant share prices of Atel Ltd. and our holding company, Motor-Columbus Ltd., and has allowed us to raise the dividend once again. Looking forward to fiscal 2005, we should be able to at least match the good results achieved in 2004.

In general terms, we can say the electric power business is still expanding, but the market is being weighed down more and more by elements of uncertainty. Electricity consumption in Switzerland reached an all-time high in 2004, while power generation declined and the excess of exports over imports narrowed to close to zero. Our economy's reliance on electricity is growing year by year. No wonder energy consumption is outstripping all forecasts. Rising 7% since 2000, it has already outpaced the 5% increase projected for the period 2000 through 2010 under the Swiss Energy Program. Switzerland's generation capacity will have to be stepped up before long. For one, we need to ramp up production of base load power, nowadays generated largely by nuclear power plants. And for another, there is a shortage of fast-response balancing energy, produced almost exclusively by pumped storage power plants. Last year, bottlenecks in the high voltage grid kept causing problems on the northern border and in transit to the south.

The scenario we are facing in Switzerland is also mirrored across Europe. In the next 10–15 years, the European energy landscape will change dramatically. With consumers availing themselves of the opportunity to

choose their suppliers, an ever larger share of total output will have to be traded on the power exchanges. It is not hard to foresee that this will amplify the volatility of electricity prices. At the same time, prices will tend to rise generally. Europe does not have a homogeneous power generation structure. In Germany, Italy, the UK and Spain, electricity is primarily generated from fossil fuels, while northern and alpine countries rely on hydroelectric power and France's marketplace is dominated by nuclear power. The overcapacities still existing in the central regions of Europe are dwindling, and swift action has to be taken to remedy the generation shortfall in Northern and Southern Europe.

While the EU is trying to homogenize the market through maximum possible deregulation, bottlenecks in the transmission system and a lack of incentives to get more generating facilities up and running are fostering a progressive regionalization of generation, transmission and consumption. To avoid destabilizing the European supply network, it is essential to balance production and consumption in large regions.

The economy needs a reasonably priced and, above all, stable supply of electric power. Intermittent output not driven by consumption, such as the wind energy generated on a large scale in Germany, calls for measures to ensure stability. Additional balancing energy, to be increasingly sourced from gas-fired power plants in the future, must be made available as soon as possible. In the long term, ever more gas will have to be used to generate electric power. Gas and electricity prices will move in unison as the gas and electricity businesses rapidly converge.

Our subsidiary, Atel Ltd., has geared its strategy to accommodate future trends. It has invested heavily in building up regional generating capacity in Italy and Eastern Europe and extended its trading operations to span the whole of Europe. In future, the company will increasingly move into gas business as well. All this has significantly reduced its dependence on Swiss business alone.

Atel Ltd. is well poised to meet the challenges when the Swiss Federal Electricity Supply Act comes into force, probably in 2008, to provide a definitive regulatory framework. The company is no longer burdened by so-called stranded investments, its transmission operations have been spun off into «swissgrid», a company established by the major transmission system operators, and availability is being increased by more generating units in other countries. As a result, its European trading activities will keep growing and be the prime contributor to total revenue.

One question mark still remains: the Atel Group's overall prospects for the future are excellent, but its fortunes will hinge on its ownership structure. UBS AG has announced its intention to sell its majority stake in the holding company, Motor-Columbus Ltd., which in turn controls Atel Ltd.

Atel Ltd.'s future control structure is uncertain. UBS AG has all the cards in its hands to create certainty and make sure that the company can continue its very successful track record in the years ahead.

I would like to thank all of our employees, management, Executive Committee members and my fellow directors for their sustained efforts and commitment that really made it possible for us to complete another highly successful year.

Baden, April 18, 2005



Dr. h. c. Heinrich Steinmann  
Chairman and Chief Executive Officer





$$= \left[ -\frac{1}{\gamma_0} \oint_C \vec{A}(t) \cdot d\vec{s} \right]_0^T$$

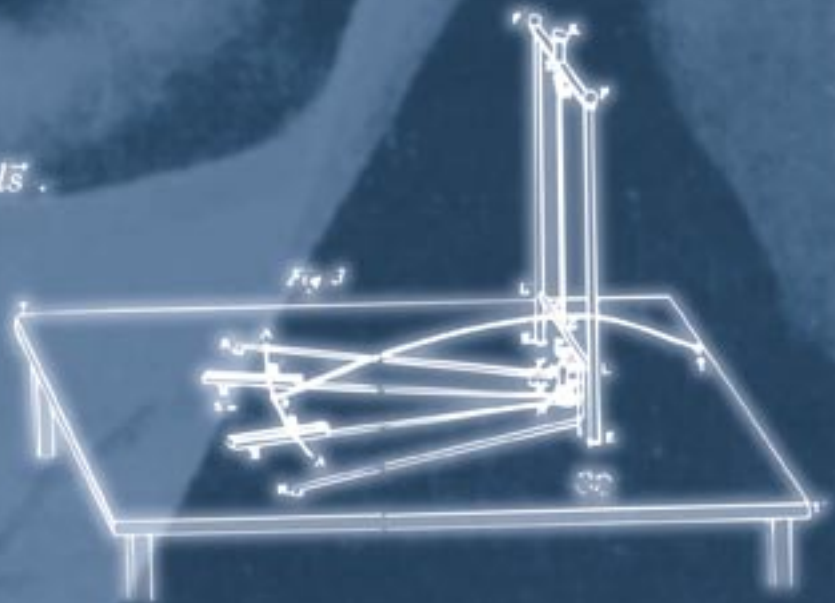
$$\frac{1}{\gamma_0} \iint_{\Lambda} \frac{\partial \vec{B}}{\partial t} \cdot d\vec{A} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$

$$d\vec{A} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$

$$\frac{\Delta \Phi}{\Delta A} = \lim_{\Delta A \rightarrow 0} \frac{1}{\Delta A} \oint_{C(\Delta A)} \vec{A} \cdot d\vec{s}$$

$$\iint_{\Lambda} \vec{J} \cdot d\vec{A} = \oint_C \vec{H} \cdot d\vec{s}$$

$$\Phi = \iint_{\Lambda} \vec{B} \cdot d\vec{A} = \oint_C \vec{A} \cdot d\vec{s}$$



## Electricity Business

### Operations

The Motor-Columbus Group's operations are concentrated exclusively in the energy sector and bracketed together in the Atel Group.

Atel, based in Olten (Switzerland), is a pan-European energy group with core competencies in electricity trading and marketing, power generation, power transmission and energy services. With a sales volume of approximately 93 TWh, it is Switzerland's leading electricity provider. Last year, Atel additionally traded 108 TWh of electricity valued at CHF 5.0 billion in the form of standard products. As in the past, only the net gains on these trading contracts are recognized in net sales. Trading electricity, the Atel Group operates throughout Europe with a network of subsidiaries and affiliates, generating facilities and partners located in various countries. It supplies electric power to interconnected companies, marketing partners, public utilities, industrial plants and service businesses across Europe.

As a trading specialist, Atel also manages complex energy portfolios and offers its customers derivative instruments for individual risk management.

Atel is one of Switzerland's largest electricity producers, also owning generation capabilities in Italy, Hungary and the Czech Republic. These power plants provide the group with more than 15 TWh of electricity every year. A market-responsive portfolio of pumped storage, run-of-river, nuclear and fossil-fueled thermal generating facilities allows Atel to supply its customers with sufficient peak and base load power at any time.

Much of the electricity Atel delivers to customers is transported over its own network. Strategically located, its extra-high voltage system forms part of the backbone of European electricity trading. The Energy Services Segment addresses a full spectrum of customer needs encompassing current, power, light, refrigeration, heat, communications and security. Atel Installationstechnik (AIT), an installation engineering group, and the GAH Group together maintain a close-knit network of operations in Europe, concentrated mainly in Switzerland, Germany and Italy.

Atel is seeking to consolidate its leadership position as an independent electricity trader and prominent energy services provider in Europe.

During 2004, the Atel Group's sales grew 31.6% to CHF 6.95 billion from CHF 5.3 billion in 2003. Income before interest, taxes, depreciation and amortization (EBITDA) rose 9.3% to CHF 673 million, while consolidated net income reached CHF 339 million for the year, compared to CHF 272 million in 2003.

### Energy Segment

#### Successful Performance Across the Board

With sales of electricity rising 36% to approximately 93 TWh, the Energy Segment generated CHF 5.54 billion in revenue, a year-over-year increase of 44% or CHF 1.701 billion. At the same time, operating income before interest and taxes (EBIT) grew 18% to CHF 433 million. This increase was fueled especially by the new marketing activities for

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 Electricity Business

electricity supplied by Edipower. In 2004, Atel's share of the power generated by Edipower was 4.3 TWh, representing marketing revenue of approximately CHF 400 million. The solid performance was also driven by dynamic growth in European trading and the sales contributions of all other regions.

Beside physical transactions, this segment traded standard products with a value of some CHF 5.035 billion and a volume of approximately 109 TWh, compared to CHF 2.714 billion and approximately 67 TWh in 2003. As in prior periods, net gains on trading contracts are included in net sales.

During 2004, business in Italy flourished once again. Boosted by the targeted reinforcement of marketing activities, sales volume and revenue in the Italian market surged when the tolling agreement with Edipower took effect. In addition, the two gas-fired combined heat and power plants in Northern Italy (Novel, Vercelli) were successfully commissioned during the second half of the year.

Electricity generated in Italy is marketed there by Atel's local organization, which also participates in IPEX, the Italian Power Exchange. Marketing activities in France continued to be consolidated by a growing customer base, while the Swiss businesses renewed their longstanding partnerships with retailers in Northwestern Switzerland. Operations in Northern Europe were strategically repositioned, considerably expanding the customer base. Following the acquisitions during 2002/03, sales and earnings in Central/Eastern Europe consolidated at a high level. While prices tended to fall, sales volumes and revenues rose. By

establishing itself in Central/Eastern Europe, Atel has successfully diversified its risks geographically. Atel Trading operated profitably in the European spot market, also capitalizing on both the availability of group-owned generating capacities and exceptional price movements.

#### Outlook for 2005

Following the strong growth in energy business, 2005 is revolving around financial and organizational consolidation. Energy sales and revenue will be continuously increased, primarily by strengthening trading and marketing activities in all relevant markets. In the Italian marketplace, focus will be on further reinforcing local marketing, taking advantage of the local generation and procurement platforms in place. At the same time, Atel is going to expand its trading operations in Central and Eastern Europe by establishing another marketing company in Hungary.

Atel expects prices to stabilize somewhat in 2005. However, the relatively low liquidity in the energy markets and numerous bottlenecks in the European network may again lead to sharp short-term price fluctuations. Exports to Italy may be affected by a potential capacity restriction, albeit, it would seem, not significantly and probably for a limited period.

Overall, Atel expects the Energy Segment to generate sales volume, revenue and segment operating income at about the same level as last year.

## Energy Services Segment

### Marked Improvement in Operating Income

Excluding acquisitions, divestitures and currency translation effects, sales in the Energy Services Segment matched the prior year level at CHF 1.418 billion. Performance was impacted by stagnating economic activity in the construction sector throughout Germany and Switzerland. The results were additionally weighed down by restructuring and integration costs. Nevertheless, consolidated operating income (EBIT) improved by CHF 5 million year over year to CHF 21 million, boosted by efficiency gains.

During 2004, the Swiss installation engineering group, Atel Installationstechnik (AIT), again had to contend with severe price pressure. Conditions were slow to improve, especially in Building Services and Facility Management. In the large urban centers, office and industrial vacancies decreased only slightly. Construction activity in this segment remained at a low level, while residential construction showed clear signs of recovery. The Energy Transmission Technology business continued to perform well, acquiring and carrying out large-volume infrastructure projects. Given the more difficult business environment overall, AIT achieved a positive result beating expectations.

The German GAH Group benefited only to a limited extent from the growth in real gross domestic product. Customers in the industrial, service and public sectors continued to hold back on capital spending. Nevertheless, new orders and sales were up year over year. On balance, performance

improved as a result of the systematic reorganization and restructuring program. The energy industry's restrictive capital spending and maintenance policies exacerbated the situation in the Energy Transmission Technology Division. Even though conditions in networking and transmission technology remained tight, the GAH Group significantly enhanced the profitability of its Communication Technology operations. In the Industrial Plant and Engineering business, sales were well ahead of the high prior year thanks to the good order books. And by consistently implementing the restructuring program launched a year earlier, the Building Services and Facility Management Division achieved the turnaround.

### Outlook for 2005

After the first few months of 2005, it seems that the situation in Switzerland is easing slightly for Building Services and Facility Management. Better overall capacity utilization early in the year suggests that this division will be able to position itself successfully in the market in 2005 amid an improved climate. Energy Transmission Technology business should be stable given the high volume of orders related to large-scale projects. On the cost side, the AIT Group again expects to benefit from synergies that will positively impact results.

Operations in Germany still anticipate rather weak construction activity coupled with restrained capital spending by the industrial, service and public sectors during 2005. To counter these market conditions, the GAH Group is implementing a targeted strategic realignment program, building on the solid platform provided by the favorable

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## Electricity Business

order situation. The market environment for Energy Transmission Technology is likely to remain tight with subdued demand from energy providers. Communication Technology expects to see a modest decline in capital spending. As part of the strategic realignment, this business segment will be managed as a unit of Energy Transmission Technology in future. Industrial Plant and Engineering should enjoy a stable trend in 2005. At the same time, the newly integrated business unit for Building Services and Facility Management will continue to face challenges posed by weak construction activity. Throughout the GAH Group, the efforts to optimize and streamline the organization will be steadily pursued during 2005.

## Motor-Columbus Group Financial Review

### Consolidated Results of Operations

The Motor-Columbus Group ended fiscal 2004 with very successful results. Motor-Columbus' principal subsidiary, the Atel Group, achieved a new record level of sales and earnings in the Energy Segment, driven by dynamic expansion of trading and marketing activities coupled with optimal positioning in the trading market. The Energy Services Segment also saw a marked improvement even though the market environment remained very difficult. Consolidated sales climbed 32% to approximately CHF 7 billion, while consolidated income grew 20% to CHF 326 million. After deducting minority interest, consolidated net income came in at CHF 174 million compared to CHF 143 million a year earlier.

Sales in the Energy Segment were fueled by the new marketing activities for Edipower and by participation in the Milan power exchange in Southern Europe. All the other energy markets also contributed to the solid performance, with sales stabilizing at a high level. In the Energy Services Segment, sales reflected the continued weakness in business activity. There the market and competitive conditions did not shape up satisfactorily. On a comparable basis of consolidation, the segment's sales matched the prior year level.

Consolidated income before interest and taxes (EBIT) rose 16% to CHF 420 million. This further sharp increase is due mainly to the surge in sales coupled with only a slight average fall in margins. In addition, the available generating capacity allowed the Group to capitalize on exceptional price movements in the spot market, positively impacting EBIT performance. In the En-

ergy Services Segment, operating results improved noticeably, especially in the GAH Group. Once again, the reporting period was weighed down by special charges for additional restructuring and integration programs.

Net financial items and dividend income were slightly up on the prior year, rising by CHF 1 million. The good liquidity allowed a reduction in interest-bearing liabilities, which translated into lower interest charges. Mark-to-market valuation of financial investments had a positive impact on the result. However, the weaker euro compared with a year earlier resulted in foreign exchange losses on the financial asset base. Dividend income remained stable year over year.

### Consolidated Financial Position

Additions to property, plant, equipment and intangible assets consisted mainly of replacements of existing facilities and growth capital expenditures already committed to in previous years. Capital expenditures and the increase in working capital were funded entirely from cash generated by operations.

The strong growth in sales led to a marked increase in accounts receivable and therefore current assets, while non-current assets remained stable. Total assets increased 7.4% to CHF 6.866 billion at year end.

On the liabilities side, debt and provisions were reduced slightly, while other liabilities remained constant. Restrained capital spending and the excellent results for the year strengthened the equity base.

The Group's net debt decreased during 2004. Shareholders' equity was CHF 958 million at year end compared to CHF 812 million a year earlier, and the ratio of equity

**Motor-Columbus Group**

to total assets improved 1% year over year to 14%. These figures do not include minority interest of CHF 934 million.

**First-time consolidation in the UBS Group**

Since July 1, 2004, the Motor-Columbus Group's results have been included in UBS' consolidated financial statements. This has not led to any change in Motor-Columbus' accounting policies and reporting practices; the figures for the current reporting year are therefore comparable with prior years' statements of earnings. However, the figures UBS has published for Motor-Columbus Ltd. include the effect of UBS' revaluation of the MC/Atel Group for the first-time consolidation and show only the results for the second half of the year.

**Motor-Columbus Ltd.****Group Holding Company**

Motor-Columbus Ltd., the Group holding company, ended 2004 with net income of CHF 28.1 million, a year-over-year improvement of CHF 1.8 million. As in prior years, the main source of income was the dividend received on the investment in Atel Ltd. Total dividends increased during the year to CHF 39.1 million.

Total assets of Motor-Columbus Ltd. remained almost level with the prior year. A transfer of Atel shares from the trading portfolio (marketable securities) to the investment portfolio merely resulted in a shift from current to non-current assets.

**Board of Directors**

The Annual Meeting of Shareholders on June 3, 2004 re-elected Dr. h.c. Heinrich Steinmann and Mr. Urs B. Rinderknecht as Directors for another three-year term. Mr. Heinz-Werner Ufer was elected to the Board as a representative of RWE to replace Dr. Klaus Bussfeld, who retired. Mr. Ufer resigned from office when RWE sold its 20% stake on July 1, 2004. The Board appointed the following officers: Dr. h.c. Heinrich Steinmann to continue as Chairman and Chief Executive Officer and Mr. Jean-Philippe Rochon to serve as Vice Chairman.

The prescribed term of office of Dr. Walter Bürgi is expiring at the forthcoming Annual Meeting of Shareholders on June 2, 2005. The Board is recommending shareholders to re-elect Dr. Walter Bürgi for another term.

Baden, March 31, 2005

On behalf of the Board of Directors and Executive Committee



Dr. h.c. Heinrich Steinmann  
Chairman and Chief Executive Officer



$$\left[ -\frac{1}{\gamma_0} \iint_{\mathbf{A}} \vec{B}(t) \cdot d\vec{A} \right]_0^T = \int_0^T U_{ind} dt = \oint_C \left( \int_C \vec{A} \cdot d\vec{s} \right)$$

$$\frac{1}{\gamma_0} \iint_{\mathbf{A}} \frac{\partial \vec{B}}{\partial t} \cdot d\vec{A}$$

$$U_{ind} = \oint_C \vec{E}_{ind} \cdot d\vec{s}$$

$$|\vec{B}| = \lim_{\Delta A \rightarrow 0} \frac{\Delta \Phi}{\Delta A} =$$

$$\frac{I}{\gamma_0} = \frac{1}{\gamma_0} \iint_{\mathbf{A}} \vec{J} \cdot d\vec{A}$$

$$\Phi = \iint_{\mathbf{A}} \vec{B} \cdot d\vec{A} = \oint_C$$



$$\frac{I}{\gamma_0} = \frac{1}{\gamma_0} \iint_{\mathbf{A}} \vec{J} \cdot d\vec{A} = \oint_C \vec{H} \cdot d\vec{s}$$



## Corporate Governance

The Group's corporate governance principles, policies and rules are documented in the Articles of Incorporation and Rules of Procedure of Motor-Columbus Ltd. and in the Articles of Incorporation, Organizational Rules, Executive Board Regulations, Group Guidelines and Organization Chart of the Atel Group (Aare-Tessin Ltd. for Electricity and its subsidiaries and affiliates). They are regularly reviewed by the respective Boards of Directors and Executive Committee/Board and revised to meet needs.

In view of the Motor-Columbus Group's structure, this statement is largely confined to a disclosure of the structures and corporate bodies of Motor-Columbus Ltd. except where otherwise required. For pertinent information about the Atel Group, please refer to Atel's annual report (page 14 ff.) and website ([www.atel.ch/en/about\\_us/Corporate\\_Governance](http://www.atel.ch/en/about_us/Corporate_Governance)).

### Group Structure

Motor-Columbus Ltd. is purely a holding company. The finance and property companies on page 57 are managed directly by Motor-Columbus, through its Executive Committee, while the operating companies bracketed together in the Atel Group are managed by Atel's Board of Directors and Group Management.

Through its representatives, the Board of Directors of Motor-Columbus Ltd. exercises a decisive influence on the Board of Directors of Aare-Tessin Ltd. for Electricity (Atel). Atel's Board of Directors is responsible for the ultimate direction and strategic focus of the Atel Group and for supervising the Ex-

ecutive Board. The management of the Atel Group's operations and affairs has been delegated to its Chief Executive Officer. He presides over the Executive Board and has delegated some of the management responsibilities assigned to him to the members of the Executive Board.

The following companies included in the consolidation of Motor-Columbus Ltd. are listed on SWX Swiss Exchange:

#### **Motor-Columbus Ltd., Baden,**

(ISIN CH0002124276) with a market capitalization of CHF 2,464 million at December 31, 2004;

#### **Aare-Tessin Ltd. for Electricity (Atel), Olten,**

(ISIN CH0001363305), 58.4%-owned by Motor-Columbus Ltd., with a market capitalization of CHF 5,000 million at December 31, 2004;

#### **Società Elettrica Sopracenerina SA, Locarno**

(ISIN CH0004699440), 59.5%-owned by Atel, with a market capitalization of CHF 275 million at December 31, 2004.

The principal consolidated companies are listed on pages 57 to 61 of this annual report.

### Shareholders

Under the filing requirements prescribed by the Federal Stock Exchange and Securities Trading Act (Securities Act), the company received the following notifications last year:

- EOS Holding, Lausanne, acquired 10.01% of the shares in Motor-Columbus Ltd. in March;
- at the same time, Deutsche Bank reduced its 9.88% stake to below the 5% limit requiring notification;
- as of July 1, UBS AG acquired the 20% stake previously held by RWE Energy AG, Essen.

The company is therefore aware of the following shareholders at December 31, 2004:

UBS AG, Zurich	55.60%
Electricité de France, Paris	20.00%
EOS Holding, Lausanne	10.01%
Kreissparkasse Biberach, Biberach	5.20%

UBS AG and Electricité de France have signed a consortium agreement setting out the terms of cooperation and granting reciprocal rights of first refusal to the signatories.

### Capital Structure

The capital stock of Motor-Columbus Ltd. is CHF 253 million, divided into 506,000 (fully paid) bearer shares with a par value of CHF 500 each. Each share entitles the holder to one vote. All shares rank for dividend.

There are no restrictions on transferability or voting rights.

The company has no contingent or authorized capital.

No convertible bonds or warrants are outstanding.

Statements of changes in shareholders' equity are set out on page 38 of the consoli-

dated financial statements of the Motor-Columbus Group and on page 70 of the notes to the financial statements of Motor-Columbus Ltd.

### Shareholders' Rights

Shareholders' property and participation rights are laid down by law and in the Articles of Incorporation ([www.motor-columbus.ch](http://www.motor-columbus.ch), see «Investor Relations – Articles of Incorporation»). There are no rules that are at variance with the law.

### Changes in Control and Defensive Measures

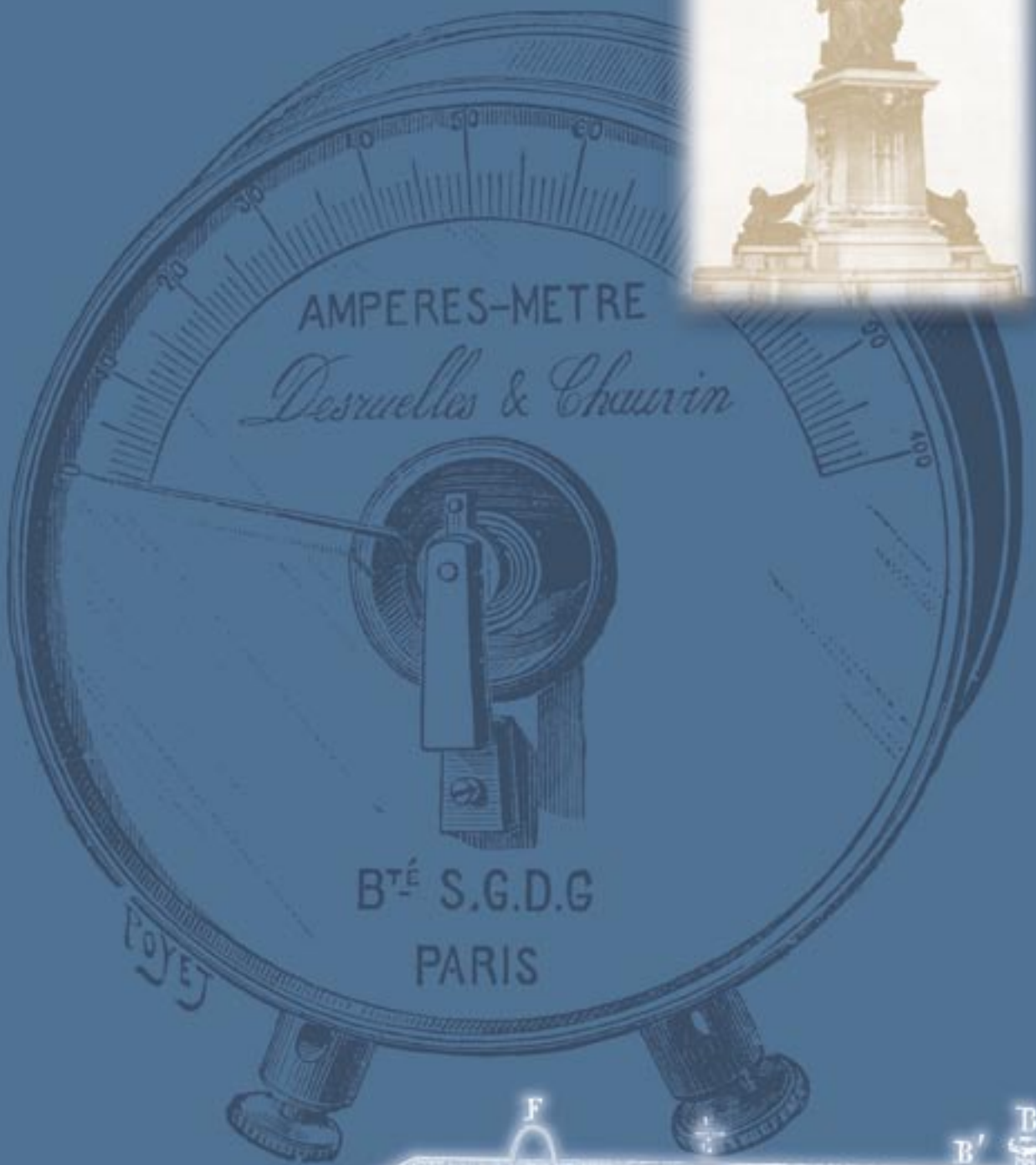
Persons acquiring shares in Motor-Columbus Ltd. are not obliged to make a public purchase offer as prescribed in the Federal Stock Exchange and Securities Trading Act («opting out»).

In the event of a change in control, the usual notice periods and severance benefits prevailing in the market are applicable to members of the Executive Committee.

### Board of Directors

The Board of Directors is responsible for the ultimate direction and strategic focus of the Motor-Columbus Group and for supervising the Executive Committee of Motor-Columbus Ltd.

The Articles of Incorporation prescribe that the number of directors will be no less than five. Directors hold office for three years and are subject to re-election on a staggered basis. The years when they were first elected to the Board and when their terms expire are indicated on page 5. There are no age or term limits.



$$\frac{I}{\gamma_0} = \frac{1}{\gamma_0} \iint_{\Lambda} \vec{J} \cdot d\vec{A} = \oint_C \vec{H} \cdot d\vec{s} \quad \Phi = \iint_{\Lambda} \vec{B} \cdot d\vec{A} = \oint_C \vec{A} \cdot d\vec{s}.$$

The Board of Directors currently comprises five people:

**Dr. h.c. Heinrich Steinmann** (Swiss),  
Chairman and Chief Executive Officer

Dr. h.c. Heinrich Steinmann was first elected to the Board in 1986, serving as its Chairman since 1993, and was additionally appointed Executive Director in 1995. In this latter capacity, he is Chief Executive Officer of Motor-Columbus Ltd. He holds an Electrical Engineering degree from the Federal Institute of Technology in Zurich and last served as Executive Vice President and a member of the Group Executive Board of former Union Bank of Switzerland (UBS). He does not hold any other executive management or consulting positions in companies beside Motor-Columbus Ltd.

Within the Motor-Columbus Group, he is a Director of Aare-Tessin Ltd., Olten. He also serves on the Board of BT&T Timelife Ltd., St. Gallen, an office that he will resign on April 21, 2005.

**Jean-Philippe Rochon** (French),  
Vice Chairman

Jean-Philippe Rochon was elected as a Director at the 2003 Annual Meeting of Shareholders. He graduated as an Electrical Engineer from the Ecole Nationale Supérieure de Grenoble. After holding various executive positions with EDF (Électricité de France), he became First Vice President of its Continental Europe Branch, heading the Benelux-Austria, Switzerland-Hungary Division. In this function, he holds the following appointments: Director of EDF Benelux, Executive Committee Chairman of SIA, Super-

visory Board member of Steweag, Austria, and Chairman of the Management Board of Demasz and Bert in Hungary.

**Dr. Walter Bürgi** (Swiss), Director

Dr. Walter Bürgi was elected to the Board in 1999. He no longer has any executive management functions.

He graduated as a Doctor of Business Administration (Dr. rer. pol.). Within the Motor-Columbus Group, he has served since 1999 as Chairman of Aare-Tessin Ltd., Olten, for which he previously held operational responsibility as Chief Executive Officer. Until the 2003 Annual Meeting of Shareholders, he was also Chairman of Società Elettrica Sopracenerina, Locarno.

**Ulrich Fischer** (Swiss), Director

Ulrich Fischer has been a Director since 1997. Licensed as an Attorney at Law in the Canton of Aargau, he heads his own law firm and was a member of the Swiss parliament, serving as National Councillor from 1987 to 2003. Within the Motor-Columbus Group, he is a Director of Aare-Tessin Ltd., Olten. He is also Vice Chairman of Gebrüder Meier AG in Brugg and of Refuna AG in Böttstein.

**Urs B. Rinderknecht** (Swiss), Director

Urs B. Rinderknecht has sat on the Board since 1995. He is in charge of corporate services and mandates in UBS AG, holding the position of Executive Vice President.

Within the Motor-Columbus Group, he is a Director of Aare-Tessin Ltd., Olten. His appointments include: Chairman of Scintilla AG, Solothurn, and Widder Hotel AG, Zurich; Vice Chairman of Robert Bosch AG,

Zurich, Robert Bosch Internationale Beteiligungen AG, Zurich, and Grand-Hotel Victoria-Jungfrau AG, Interlaken; Supervisory Board member of Metalor Technologies International SA, Neuchâtel, Sika AG, Baar, and Robert Bosch GmbH, D-Stuttgart; Chairman of the Boards of Trustees of the UBS-Stiftung für Soziales und Ausbildung, Zurich, and UBS-Kulturstiftung, Zurich; and Board member of economiesuisse, Zurich.

None of the directors except the Chairman and Chief Executive Officer participates in the management of the company's affairs. None of the non-executive directors served on the Executive Committee of Motor-Columbus or Executive Board of a Group Company in the past three fiscal years. The following gentlemen are also directors of Atel: Dr. W. Bürgi (Chairman of the Board), U. Fischer (Director), U. Rinderknecht (Director) and Dr. h.c. H. Steinmann (Director). Until the 2003 Annual Meeting of Shareholders, Dr. W. Bürgi also served as Chairman of the Board of Società Elettrica Sopracenerina SA. Otherwise, the directors do not have significant business relationships with the company or any Group Company.

#### **Board Procedures**

The Board of Directors appoints its officers, electing a Chairman and Vice Chairman annually from among its members. The office of Vice Chairman is held by the representative of EDF. Due to the Group structure outlined above and the small number of directors, the company believes it is not expedient to establish committees.

The Chairman sets the agenda for Board meetings after consultation with the Executive Committee. Any director may request in writing that an item be included on the agenda. Information materials are generally distributed to Board members about two weeks prior to the meetings to allow the directors to prepare for discussion of the agenda items. The Board met five times in 2004.

Board resolutions are passed by a majority of the votes cast. In the event of equality of votes, the Chairman has the casting vote. Resolutions in writing signed by the directors are permitted unless a director requests an oral discussion.

Executive Committee members generally attend Board meetings in an advisory capacity, but leave a meeting if asked to do so by the Chairman.

The Board keeps minutes of its proceedings and resolutions. The minutes of each meeting are sent to the directors and approved at the next meeting.

At every Board meeting, the Executive Committee members inform the directors of current business performance and important events. The Board receives quarterly interim reports. When important items of business arise, the Executive Committee submits written reports, setting out proposals for decision by the Board of Directors.

Outside meetings, any director may request the Chairman to provide information about business performance and specific items of business. If necessary to carry out a duty, any director may ask the Chairman to have books and records produced for inspection.

### Executive Committee

The Executive Committee comprises the following three members:

**Dr. h.c. Heinrich Steinmann** (Swiss),  
Chairman and Chief Executive Officer,  
Committee Chairman

Dr. h.c. Heinrich Steinmann has been Chairman of the Board since 1993 and Executive Director since 1995, serving in this capacity as Chief Executive Officer of Motor-Columbus Ltd. Prior to that, he was Executive Vice President and a member of the Group Executive Board of former Union Bank of Switzerland (UBS). He studied electrical engineering at the Federal Institute of Technology in Zurich.

**Alain Moilliet** (Swiss),  
Administration and Corporate Communications

Alain Moilliet joined Motor-Columbus Ltd. on April 1, 1999 and has since been in charge of Administration and Corporate Communications. Prior to that, he held various positions with Nestlé and former UBS, last serving as Company Secretary and an Executive Committee member of Galenica Holding AG. After reading law at the University of Bern, he qualified as an Attorney at Law.

**Joe Rothenfluh** (Swiss),  
Human Resources and Finance

Joining Motor-Columbus Ltd. on June 1, 1987, Joe Rothenfluh has been responsible for Human Resources and Finance since July 1, 1995. He previously held a finance,

controlling and internal audit position with IBM. He qualified as a Swiss Certified Accountant/Controller.

The division of powers and responsibilities between the Board of Directors and Executive Committee is documented in Rules of Procedure. The Chairman and Chief Executive Officer presides over the Executive Committee of Motor-Columbus Ltd. He is responsible for managing operations and for supervising and monitoring the «Administration and Corporate Communications» and «Human Resources and Finance» functions of Motor-Columbus Ltd. together with the property and finance companies listed on page 57.

The powers of Motor-Columbus' Executive Committee depend on the nature of business and are documented in the Rules of Procedure.

The company has not entered into management contracts with people outside the Group.

### Compensation and Incentive Plans

Directors receive a fixed fee and an expense allowance based on the work involved and their responsibility. The level of compensation is determined by the Board as a whole.

Last year, the Chairman of the Board received a fee of CHF 95,798 and an expense allowance of CHF 10,000 for his services as Chairman. Under a share purchase plan, he had the opportunity to buy 50 shares in Motor-Columbus Ltd. at a reduced price, subject to a three-year

restriction period. Including his salary as Chief Executive Officer, shares purchased and his fee as a director of Atel, his total compensation was CHF 992,934. The four non-executive directors together received a fee of CHF 184,573 plus expenses of CHF 20,000 for their services on the Board of Motor-Columbus Ltd. Together with their compensation for serving as directors of other – also listed – Group Companies, non-executive directors received total compensation (fees and expenses) of CHF 906,073. In addition, under a share purchase plan, they together bought 75 shares in Motor-Columbus Ltd., subject to a three-year restriction period.

The sum of all compensation paid to directors by the company and other Group Companies last year was CHF 1,858,994. In addition, a fee of CHF 19,250 and expenses of CHF 2,500 were paid to one director who retired from the Board on the date of the 2004 Annual Meeting of Shareholders.

Compensation paid to Executive Committee members comprises a fixed base salary, an expense allowance and a bonus, the level of which is linked to the achievement of corporate and personal performance goals. The level of compensation for Executive Committee members is determined each year by the Chairman of the Board and another director. Total compensation paid to Executive Committee members for their services last year was CHF 1,623,089.

Under a share purchase plan, they together bought 100 shares in Motor-Colum-

bus Ltd., subject to a three-year restriction period.

According to our information, non-executive directors together hold 179 bearer shares in Motor-Columbus Ltd. while the Chairman and Executive Committee members together hold 270.

No other fees or compensation for additional services were paid to directors or Executive Committee members.

No loans have been granted to directors or officers.

#### **External Audit**

Ernst & Young AG, Zurich, has acted as statutory auditors of Motor-Columbus Ltd. and as Group auditors since 2002. The statutory and Group auditors are appointed each year at the Annual Meeting of Shareholders to hold office for one year. The scope of their services and fees are reviewed once a year. The chief auditor of Ernst & Young AG has served as auditor of Motor-Columbus since 1999.

Last year, Ernst & Young AG received fees (incl. expenses) of approximately CHF 114,400 for services rendered as statutory and Group auditors. Fees of approximately CHF 17,300 were paid for audit-related services and tax advice.

Ernst & Young AG also acts as Group and statutory auditors of the Atel Group. Atel paid fees (incl. expenses) of approximately CHF 2.3 million for these services plus additional fees of approximately CHF 1.1 million for other audit-related services, tax advice and general consulting services.

**Information Policy**

Motor-Columbus communicates regularly with shareholders, potential investors and other stakeholders in its first-half and annual reports and at meetings of shareholders. Atel continually publishes information about events relating to its operations through media releases and on its website ([www.atel.ch/en/medien](http://www.atel.ch/en/medien)).

**The most important dates  
this year are:**

**Annual Meeting of Shareholders:**

Thursday, June 2, 2005 in Baden

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**First-half 2005 report:**

September 8, 2005

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Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They present fairly the financial position, results of operations and cash flows of the Motor-Columbus Group. The Board of Directors approved the consolidated financial statements on March 31, 2005 for presentation to the Annual Meeting of Shareholders on June 2, 2005.

The same principles of consolidation and accounting policies have been applied as in the previous year. The presentation of the consolidated statement of cash flows (page 39) has been changed to comply with current IFRS requirements. Prior year figures have been restated to reflect the new structure for comparative purposes. In addition,

prior year comparative figures in the consolidated statement of income, consolidated balance sheet and notes to the consolidated financial statements have been reclassified, where necessary, to conform with changes in presentation in the current reporting year.

In the third quarter of 2004, GAH's Supervisory Board decided to strategically realign the GAH Group. Implementing the «GAH 2005» project, the group will be focused on two business segments rather than the previous four. In fiscal 2004, the business segments intended for sale generated CHF 223 million in operating revenues and CHF 7 million in income from ordinary activities before income taxes; income tax expense was CHF 3 million. Net cash flow amounted to CHF 7 million in the same period.

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Basis of consolidation

The consolidated financial statements include the accounts of all subsidiaries of Motor-Columbus for the fiscal year ending on December 31. Subsidiaries are included in the consolidated financial statements from the date of acquisition and excluded at the date of divestiture or reported as investments and other assets when the Group ceases to control them.

The consolidation comprises Motor-Columbus Ltd. and its subsidiaries, i.e. all Group Companies in which it, directly or indirectly, holds more than 50% of the shareholders' voting rights and over which it exercises control.

Minority interests in affiliated companies over which Motor-Columbus exercises significant influence but not control are accounted for in the Motor-Columbus Group's consolidated financial statements using the

equity method. The same method is used to account for joint ventures in the Energy Segment. Net assets and net income for the year are recognized on the basis of local accounting principles applied by the affiliated companies, which may differ somewhat from the principles applied in the Motor-Columbus Group reporting.

Motor-Columbus' share of these companies' assets, liabilities, expenses and income is disclosed in Note 11 on pages 45 and 46.

Applying IAS 39, investments in other companies are recorded at fair value (see page 31 for explanatory notes) and reported as «financial investments» in non-current assets.

All significant companies are shown on pages 57 to 61, with an indication of the consolidation method applied and other information.

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Consolidation method

Acquisitions and goodwill have been accounted for using the purchase method. Under this method, the cost of purchasing a subsidiary is compared to the fair value of its net assets at the date of acquisition. Any excess of cost over acquired net assets is capitalized as goodwill.

Motor-Columbus applies IAS 22 to account for goodwill of all companies where control passed to the Group prior to March 31, 2004. These items are amortized through

the statement of income over the periods of expected benefit. Goodwill of companies acquired after March 31, 2004 is accounted for in accordance with IFRS 3. Regardless of the standard used, existing goodwill will no longer be amortized, beginning in the fiscal year starting on January 1, 2005. From then on, all existing goodwill items will be tested for impairment annually in accordance with IAS 36.

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Intercompany transactions

Electric power generated by joint ventures is invoiced to the shareholders at full cost under joint venture agreements in force.

Contractually agreed transfer or market prices are applied to charge other goods

and services supplied between Group Companies. All intercompany balances, transactions and resulting unrealized profits are eliminated on consolidation.

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Foreign currency translation

Assets and liabilities of Group Companies reporting in foreign currencies are translated into Swiss francs at the exchange rates in effect at the balance sheet date. Income and expenses are translated at average exchange rates for the year. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of shareholders' equity and not recognized in income.

Foreign-currency-denominated transactions in the financial statements of Group Companies are translated at the exchange rates in effect at the date of the transactions, unless they are covered by forward exchange contracts when the hedging contract rate is used. Realized and unrealized gains and losses arising up to the balance sheet date from the valuation of receivables and payables denominated in foreign currencies are recognized in income.

Revenue recognition	<p>Revenue from the sale of goods and services is recognized in the statement of income when the goods are delivered or the services are performed. Sales relating to construction contracts are recorded using the percentage of completion method under which revenue is recognized as the work is</p>	<p>performed, based upon the proportion of contract work completed.</p> <p>Energy trading activities with standard products are included in sales on a net basis (recognizing gains less losses on trading contracts).</p>
Income taxes	<p>Income taxes on net income reported in the statement of income for the year are calculated at the current tax rates applied in the financial statements of Group Companies.</p> <p>Deferred taxes are provided for temporary differences between the treatment of certain income and expense items for financial reporting purposes and their treatment for income tax purposes. Deferred taxes arising from temporary differences are calculated</p>	<p>using the balance sheet liability method. Deferred taxes are not provided for differences in the carrying amounts of investments in Group Companies that will not reverse in the foreseeable future.</p> <p>Deferred tax assets are recognized when it is more likely than not that they will be realized.</p> <p>The effect of providing for temporary differences is disclosed in Note 7 on page 43.</p>
Interest on borrowings	<p>Interest on borrowings is generally expensed in the period for which it is owed. Interest costs incurred directly in the acquisition or construction of an asset with a long period of development are capitalized. The capitalized</p>	<p>interest is calculated at the actual amount paid in the period from the commencement of acquisition or construction activity to the use of the asset.</p>
Impairment of assets	<p>Property, plant, equipment and other long-term assets, including goodwill, intangibles and financial instruments, are periodically reviewed for impairment, especially when events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to fair value</p>	<p>determined on the basis of the discounted expected future cash flows. An impairment loss recognized for an asset in a prior period is reversed if there is an indication that the impairment no longer exists or has decreased. A reversal of an impairment loss is recognized as income. Impairment losses recognized for goodwill are not reversed.</p>

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation periods are based on estimated useful lives of the particular classes of assets or the dates when generation plant licenses expire. Depreciation is charged on a straight-line basis. The useful lives of the various classes of assets are within the following ranges:

Buildings	30 – 50 years
Land	on impairment only
Generation plant	25 – 80 years
Transmission systems	15 – 40 years
Plant and equipment / vehicles	3 – 20 years
Construction in progress	if impairment is already evident

Interest on borrowings for long-term capital projects with long periods of development is capitalized during the period of construction.

Commitments to clean up land and sites after license expiry or decommissioning are accounted for individually in accordance with the terms of contract.

Costs of repairs and maintenance, including regular maintenance, of buildings and operating facilities are expensed as incurred.

Replacements, renovations and improvements that substantially extend the useful life, increase the capacity or substantially improve the quality of output of assets are capitalized.

Gains or losses on fixed asset disposals are recognized in income.

Power purchase rights

Power purchase rights comprise prepayments for rights to purchase power in the long term, including capitalized interest.

Amortization is charged on a straight-line basis from the commencement of the power purchases over the term of the contracts.

Intangible assets

Intangible assets essentially include intangibles acquired for valuable consideration, such as goodwill and rights to use third parties' facilities, and are amortized over the estimated period of benefit. In 2004, goodwill on acquisitions prior to March 31, 2004 has

still been amortized over a period of benefit ranging from 3 to 10 years, whereas goodwill on acquisitions since March 31, 2004 is no longer amortized. Starting in fiscal 2005, an annual impairment test will be performed in accordance with IAS 36.

Leases

Costs incurred under operating leases are charged to the statement of income as they are incurred.

Property, plant and equipment held under capital leases are capitalized at the lower of

fair value or present value of the lease payments. They are amortized on a straight-line basis over their expected useful lives.

Construction contracts	<p>Work performed for customers under construction contracts in the Energy Services Segment is recorded using the percentage of completion method and the amount to be recognized as an asset is included in accounts receivable and net sales. The degree of completion is determined by the progress, i.e. according to the costs incurred. Contract costs are expensed in the period in which they are incurred.</p> <p>Contracts or groups of contracts where the degree of completion or outcome can-</p>	<p>not be estimated reliably are recognized as an asset at the amount of contract costs that will probably be recoverable.</p> <p>Provisions are made for any losses expected to be incurred on the construction contracts.</p> <p>In reporting uncompleted contracts, the revenue agreed in the contract and any subsequent variations confirmed by the customer in writing are recognized as contract revenue.</p>
Inventories	<p>Inventories are stated at the lower of cost or market, with cost determined by the average cost method.</p>	
Accounts receivable	<p>Trade and other accounts receivable are stated at nominal value less allowances for bad and doubtful debts.</p>	
Cash and cash equivalents	<p>Cash and cash equivalents consist of cash on hand, postal checking and bank account balances, demand deposits, and time depos-</p>	<p>its with maturities of 90 days or less.</p>
Marketable securities	<p>Marketable securities primarily comprise readily tradable securities, mostly classified as available for sale. They are stated at mar-</p>	<p>ket value, with fluctuations in value being charged to the statement of income in the period to which they relate.</p>

Liabilities	<p>Liabilities comprise amounts due within and after more than one year, which are stated at the amount repayable, plus accrued ex-</p>	<p>penses. The reported liabilities do not differ significantly from the values determined using the amortized cost method.</p>
Provisions	<p>Provisions cover all liabilities arising from past transactions or events that are identifiable at the balance sheet date and likely to be incurred, but uncertain as to timing and amount. Their amount is calculated using the best estimate of expected cash outflows.</p> <p>Provisions are stated at the amount of the expected cash outflows discounted at the</p>	<p>balance sheet date. Provisions are reviewed annually at the balance sheet date and adjusted to reflect current developments. Exceptions are provisions for benefit plans, to which IAS 19 is applied.</p>
Employee benefit plans	<p>Motor-Columbus Ltd., its management companies and Group Companies in the Energy Segment have legally independent Swiss pension plans of the defined benefit type. Benefit obligations are valued applying the projected unit credit method. This accrued benefit method prorated on service recognizes not only the known benefits and benefits accrued at the reporting date but also expected future compensation and benefit increases. Foreign subsidiaries in the Energy Segment are generally covered under state social security plans or independent defined contribution plans.</p> <p>Swiss Group Companies in the Energy Services Segment participate in independent employee benefit plans that are fully reinsured. This means that the companies have neither contractual nor moral obligations related to employees' future benefit entitlements. For this reason, no actuarial valua-</p>	<p>tions have been made for these companies. Italian Group Companies in the Energy Services Segment are covered under state social security plans.</p> <p>The German GAH Group exclusively operates a plan where the employer has a constructive obligation to pay benefits, i.e. there is no legally separate pension plan. For this reason, provisions are made in the company's balance sheet. These provisions are calculated in accordance with annual actuarial valuations of the current benefit obligations. Benefits are paid directly by the company. Under IAS 19, a constructive obligation to pay benefits under German law represents an unfunded plan and is reported as a net liability in the balance sheet. As there are no separate plan assets to meet the obligations, the actual payments are deducted from provisions in the balance sheet.</p>
Contingent liabilities	<p>Potential or existing liabilities where it is not considered probable that cash outflows will be required are not recognized in the balance sheet. However, the nature of liabilities</p>	<p>existing at the balance sheet date is disclosed as a contingent liability in the notes to the consolidated financial statements.</p>

Financial instruments	<p>Financial instruments comprise cash and cash equivalents, marketable securities, derivative financial instruments, financial</p>	<p>investments, accounts receivable, and short-term and long-term debt.</p>
Fair value measurement	<p>The carrying amounts of cash and cash equivalents, accounts receivable and current liabilities represent fair values due to their short-term nature.</p> <p>Loans receivable and financial investments that are listed on a stock exchange or readily marketable are stated at market</p>	<p>value at the balance sheet date. Other items that are not readily marketable or where the cost of determining fair value would be excessive are stated at cost.</p>
Financial assets	<p>In accordance with the applicable standards under IAS 39, financial assets are classified as follows and measured uniformly according to the category:</p> <ul style="list-style-type: none"> <li>- financial assets or liabilities held for trading,</li> <li>- investments held to maturity,</li> <li>- loans and receivables originated by the Group and</li> <li>- financial assets available for sale.</li> </ul> <p>Financial assets held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Investments held to maturity are fixed maturity financial assets that the Motor-Columbus Group intends to hold to maturity. Loans and receivables originated by the Group are financial assets created by the Group by providing money, goods or ser-</p>	<p>vices to third parties. All other investments are classified as financial assets available for sale.</p> <p>All financial assets are initially recognized at cost, including transaction costs. The purchase or sale of a financial asset is recognized on the settlement date.</p> <p>After initial recognition, financial assets held for trading are stated at fair value, with changes in asset value reported in the statement of income for the period concerned.</p> <p>Investments held to maturity and assets originated by the Group are stated at amortized cost using the effective interest rate method, less impairment losses.</p> <p>After initial recognition, financial assets available for sale are stated at fair value, with changes in asset value reported in the statement of income for the current period.</p>

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Derivative financial instruments	<p>All derivative financial instruments are initially recognized at cost, including transaction costs, on the settlement date.</p> <p>After initial recognition, derivative financial instruments held for trading in the course of energy business are subsequently recognized at fair value, with changes in as-</p>	<p>set value reported in operating income or expenses in the period to which they relate.</p> <p>Other derivative financial instruments held for trading are subsequently reported at fair value, with changes in asset value recognized in financial income or expense.</p>
Hedge accounting	<p>In the reporting period, the Motor-Columbus Group did not enter into any hedging</p>	<p>transactions that qualify for hedge accounting.</p>

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<p>General policies</p>	<p>In the course of its operations, the Motor-Columbus Group is exposed to energy price, interest rate, credit and foreign exchange risks. Exposure limits are set for the various risk categories and their compliance is monitored continuously; these limits are adjusted in the context of the company's overall risk capacity.</p> <p>Risk management policies for the Motor-Columbus Group's energy business are set out in its energy risk management program. They comprise guidelines on the incurrence, measurement, management and limitation of exposure to business risks in energy business and lay down the organization and responsibilities for risk management. The</p>	<p>goal is to guarantee a reasonable balance between business risks incurred, earnings and risk equity.</p> <p>The financial risk management program defines the framework for risk management within the Motor-Columbus Group in terms of substance, organization and system. The units responsible manage their financial risks within the framework of the risk management policy and limits defined for their operations. The goal is to reduce financial risks, bearing in mind the hedging costs and risks being incurred.</p>
<p>Energy price risk</p>	<p>Exposure to price risks in energy business arises from factors such as changing price volatility, changing market prices or changing correlations between markets and products.</p>	<p>Derivative financial instruments are used to manage risks inherent in underlying physical transactions in line with the risk management program.</p>
<p>Interest rate risk</p>	<p>The Motor-Columbus Group is exposed to risks associated with movements in capital market interest rates and may enter into interest rate swaps to manage this exposure.</p>	<p>The gains or losses on such transactions are recorded in the statement of income as financial income or expense.</p>
<p>Credit risk</p>	<p>To manage its credit risk exposure, the Motor-Columbus Group continuously monitors receivables from counterparties and performs credit analyses of new counterparties. In energy business, it is policy to enter into commitments only with counterparties meeting the criteria of the Motor-Columbus Group's energy risk management program.</p>	<p>The Motor-Columbus Group's exposure to concentration risk is minimized due to the number and wide geographic spread of customers.</p> <p>The financial assets reported in the balance sheet represent the maximum credit risk to which the Motor-Columbus Group was exposed at the balance sheet date.</p>

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Foreign exchange risk

To minimize foreign exchange risk, the Motor-Columbus Group endeavors to offset foreign-currency-denominated operating income and expenses. Any net position remaining is hedged using foreign exchange (forward and option) contracts in line with the financial risk management program.

Net investments in foreign subsidiaries are also subject to changing foreign exchange rates but the difference in inflation rate should offset the exchange rate changes over the long term. For this reason, Motor-Columbus does not hedge investments in foreign subsidiaries.

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Other business risks

Other business risks are identified and assessed annually throughout the Group, with a report submitted to the Executive Committee and Board. Where necessary, measures are adopted and their implementation monitored.

**Consolidated Statement of Income  
of the Motor-Columbus Group**

Year ended December 31, CHF in millions	Note	2003	2004
<b>Net sales*</b>	26	<b>5 285</b>	<b>6 955</b>
Capitalized costs		17	11
Other operating income	2	123	140
<b>Operating revenues</b>		<b>5 425</b>	<b>7 106</b>
Power and inventory costs	3	-3 839	-5 428
Materials and services purchased		-88	-85
Personnel expenses	4	-626	-642
Other operating expenses		-254	-282
<b>Income before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>618</b>	<b>669</b>
Depreciation and amortization	5	-256	-249
<b>Income before interest and taxes (EBIT)</b>		<b>362</b>	<b>420</b>
Equity in income of affiliated companies		62	60
Financial expense, net	6	-53	-50
<b>Income before income taxes</b>		<b>371</b>	<b>430</b>
Income taxes	7	-99	-104
<b>Consolidated income before minority interest</b>		<b>272</b>	<b>326</b>
Minority interest in income		-129	-152
<b>Net income</b>	8	<b>143</b>	<b>174</b>
<b>Earnings per share (CHF)</b>		<b>282</b>	<b>343</b>

\* Excluding trading with standard products; see page 54 for a definition of sales

$$\vec{A}(t) \cdot d\vec{s} \Big|_0^T$$

$$\oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$



ANDRÉ MARIUS

(Mathématicien et Physicien)

Membre de l'Académie des Sciences,

Professeur au Collège royal de France et à

l'École Polytechnique, des sociétés d'Édimbourg,  
de Cambridge, de Genève, Helvétique, etc.

Né à Lyon (Dép. du Rhône) le 20 Janvier 1775.

$$ds + r + dr = \vec{r}$$

$$ds = -dr$$

**Consolidated Balance Sheet  
of the Motor-Columbus Group**

	Note	2003	2004
December 31, CHF in millions			
<b>Assets</b>			
Property, plant and equipment	9	1 951	1 937
Intangible assets	10	664	591
Investments in affiliates	11	661	633
Investments and other assets	12	594	639
Deferred tax assets	7	67	77
<b>Non-current assets</b>		<b>3 937</b>	<b>3 877</b>
Inventories		38	72
Accounts receivable	13	1 499	1 996
Time deposits		2	170
Cash and cash equivalents	14	831	596
Marketable securities	15	31	86
Prepaid expenses		54	69
<b>Current assets</b>		<b>2 455</b>	<b>2 989</b>
<b>Total assets</b>		<b>6 392</b>	<b>6 866</b>
<b>Shareholders' equity and liabilities</b>			
Capital stock		253	253
Retained earnings		559	705
<b>Shareholders' equity</b>	16	<b>812</b>	<b>958</b>
<b>Minority interest</b>		<b>848</b>	<b>934</b>
Provisions	17	733	640
Deferred tax liabilities	7	230	263
Long-term debt	18	1 912	1 948
Other long-term liabilities	19	6	15
<b>Non-current liabilities</b>		<b>2 881</b>	<b>2 866</b>
Current income tax liabilities		29	46
Short-term debt		340	204
Other current liabilities	20	1 220	1 558
Accrued expenses		262	300
<b>Current liabilities</b>		<b>1 851</b>	<b>2 108</b>
<b>Liabilities</b>		<b>4 732</b>	<b>4 974</b>
<b>Total shareholders' equity and liabilities</b>		<b>6 392</b>	<b>6 866</b>

**Consolidated Statement of Shareholders' Equity  
of the Motor-Columbus Group**

	Capital stock	Treasury stock	Trans- lation adjust- ments	Retained earnings	Total
CHF in millions					
<b>Shareholders' equity at December 31, 2002</b>	<b>253</b>	<b>0</b>	<b>-8</b>	<b>421</b>	<b>666</b>
Dividends				-20	-20
Net income				143	143
Translation adjustments			17		17
Other effects				6	6
<b>Shareholders' equity at December 31, 2003</b>	<b>253</b>	<b>0</b>	<b>9</b>	<b>550</b>	<b>812</b>
Dividends				-23	-23
Net income				174	174
Translation adjustments			-5		-5
<b>Shareholders' equity at December 31, 2004</b>	<b>253</b>	<b>0</b>	<b>4</b>	<b>701</b>	<b>958</b>

In 2003, «other effects» included CHF 6 million in gains on sales of Atel Ltd.'s treasury stock. Atel Ltd.'s treasury stock used to be accounted for in accordance with IAS 32 in the financial statements of Motor-Columbus as well. These shares have been treated as an investment and consolidated accordingly from January 1, 2004.

The Board of Motor-Columbus Ltd. is recommending a dividend of CHF 50 per registered share for fiscal 2004 for approval at the 2005 Annual Meeting of Shareholders; this represents a total distribution of CHF 25.3 million. See page 75 of the financial report for more information.

**Consolidated Statement of Cash Flows  
of the Motor-Columbus Group**

Year ended December 31, CHF in millions	2003	2004
<b>Income before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>618</b>	<b>669</b>
Adjustments for:		
Capitalized costs	- 17	- 11
Provisions charged, utilized and released	17	- 92
(Gains) losses on sales of non-current assets	- 9	- 14
Other non-cash items	4	6
Dividends received from affiliates and financial investments	26	37
Interest paid	- 85	- 90
Interest received	14	16
Other financial expense	- 23	- 21
Other financial income	4	5
Income taxes paid	- 33	- 40
Change in working capital (excl. current financial assets and liabilities)	3	- 238
<b>Net cash provided by operating activities</b>	<b>519</b>	<b>227</b>
Property, plant, equipment and intangible assets		
Purchases	- 207	- 152
Proceeds from sales	31	32
Subsidiaries		
Acquisitions	- 95	0
Proceeds from sales	5	0
Change in ownership interests	- 28	- 23
Affiliates		
Purchases	- 5	- 2
Proceeds from sales		34
Investments and other assets		
Purchases	- 324	- 32
Proceeds from sales/repayments	7	7
Change in time deposits	26	- 168
Purchases/proceeds from sales of marketable securities	32	- 20
<b>Net cash used in investing activities</b>	<b>- 558</b>	<b>- 324</b>
Dividends paid	- 20	- 23
Dividends paid to minority shareholders	- 32	- 40
Proceeds from issuance of debt	611	323
Repayments of debt	- 365	- 399
<b>Net cash provided by (used in) financing activities</b>	<b>194</b>	<b>- 139</b>
<b>Translation adjustments</b>	<b>15</b>	<b>1</b>
<b>Change in cash and cash equivalents</b>	<b>170</b>	<b>- 235</b>
<b>Analysis:</b>		
Cash and cash equivalents at January 1	661	831
Cash and cash equivalents at December 31	831	596
<b>Change</b>	<b>170</b>	<b>- 235</b>
Net cash provided by operating activities	519	227
Capital expenditures on plant replacements	- 73	- 81
Proceeds from sales of property, plant, equipment and intangible assets	31	32
<b>Free cash flow</b>	<b>477</b>	<b>178</b>

**Free cash flow**

**Note 1**

**Currency translation rates**

The Group reports in Swiss francs. The following exchange rates have been used to translate foreign currencies:

Unit	Year end		Average	
	12/31/03	12/31/04	2003	2004
1 USD	1.24	1.13	1.34	1.24
1 EUR	1.56	1.54	1.52	1.54
100 HUF	0.60	0.63	0.60	0.61
100 CZK	4.81	5.07	4.77	4.85

**Note 2**

**Other operating income**

This item includes CHF 51 million (2003: CHF 36 million) released from redundant provisions.

**Note 3**

**Power and inventory costs**

CHF in millions	2003	2004
Power purchased from third parties	2512	3857
Power purchased from affiliates (joint ventures)	365	356
Power purchased from affiliates (other companies)	39	29
Other energy purchases	149	445
Inventory costs	774	741
<b>Total</b>	<b>3839</b>	<b>5428</b>

**Note 4**

**Personnel expenses**

CHF in millions	2003	2004
Wages and salaries	514	507
Pension expense for defined benefit plans	20	29
Pension expense for defined contribution plans	10	9
Other personnel expenses	82	97
<b>Total</b>	<b>626</b>	<b>642</b>

Average number of employees	2003	2004
Employees (full-time equivalents)	7445	7272
Apprentices	669	609
<b>Total</b>	<b>8114</b>	<b>7881</b>

Number of employees at year end	2003	2004
Employees (full-time equivalents)	7464	7420
Apprentices	675	599
<b>Total</b>	<b>8139</b>	<b>8019</b>



**Note 5**

**Depreciation and amortization**

CHF in millions	2003	2004
Property, plant and equipment	109	120
Power purchase rights	51	51
Goodwill	81	74
Other intangible assets	4	4
Investments and other assets	11	-
<b>Total</b>	<b>256</b>	<b>249</b>

**Note 6**

**Financial expense, net**

CHF in millions	2003	2004
Interest income	14	17
Interest expense (incl. interest on provisions; note 17)	-97	-102
Dividend income from financial investments	1	3
Foreign exchange gains (losses), net	13	-6
Other financial income (expense), net	16	38
<b>Total</b>	<b>-53</b>	<b>-50</b>
Of which in respect of related and affiliated companies		
Interest income	0	1



$$\frac{\partial \vec{B}}{\partial t} \cdot d\vec{A} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}.$$

$$d\vec{A} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}.$$

$$|\vec{B}| = \lim_{\Delta A \rightarrow 0} \frac{\Delta \Phi}{\Delta A} = \lim_{\Delta A \rightarrow 0} \frac{1}{\Delta A} \oint_{C(\Delta A)} \vec{A} \cdot d\vec{s}$$

$$\frac{I}{\gamma_0} = \frac{1}{\gamma_0} \iint_A \vec{J} \cdot d\vec{A} = \oint_C \vec{H} \cdot d\vec{s}$$

$$\Phi = \iint_A \vec{B} \cdot d\vec{A} = \oint_C \vec{A} \cdot d\vec{s}.$$

Note 7

Income taxes

Income taxes charged to income

CHF in millions	2003	2004
Current income taxes	52	82
Deferred income taxes	47	22
<b>Total</b>	<b>99</b>	<b>104</b>

Reconciliation

CHF in millions	2003	2004
Income before income taxes	371	430
<i>Expected tax rate (weighted average)</i>	<i>25.7%</i>	<i>24.7%</i>
Income taxes at expected tax rate	95	106
Effects of non-tax-deductible expenses	2	9
Effect of investment deduction	-11	-19
Tax credits due to official compensation measures	0	-16
Prior period effect	13	23
Other effects		1
<b>Total income taxes</b>	<b>99</b>	<b>104</b>
<i>Effective tax rate (weighted average)</i>	<i>26.7%</i>	<i>24.2%</i>

«Other effects» essentially comprise prior period adjustments to the expected tax rate.

Deferred tax assets and liabilities by  
nature of temporary differences

CHF in millions	12/31/03	12/31/04
Tax losses not yet utilized	-44	-37
Property, plant and equipment	17	35
Other non-current assets	132	155
Current assets	53	38
Provisions and liabilities	5	-5
<b>Total deferred tax assets/liabilities</b>	<b>163</b>	<b>186</b>
Recorded in the balance sheet as:		
Deferred tax liabilities	230	263
Deferred tax assets, including tax losses not yet utilized	-67	-77
<b>Net deferred tax liability</b>	<b>163</b>	<b>186</b>

Deferred tax assets are recognized for tax loss carryforwards only to the extent that it is probable that the related tax benefits will be realized. The Group has not recognized tax losses of CHF 74 million (12/31/2003: CHF 42 million).

**Note 8**

**Earnings per share**

	2003	2004
Total outstanding shares of CHF 500 par value	506 000	506 000
Less treasury stock	-	-
Shares in circulation	506 000	506 000
Motor-Columbus Group net income (CHF in millions)	143	174
<b>Earnings per share (CHF)</b>	<b>281.53</b>	<b>343.31</b>
Dividend/proposed dividend per share (CHF)	45.00	50.00

There are no circumstances which could dilute earnings per share.

**Note 9**

**Property, plant and equipment**

CHF in millions	Land and buildings	Gene-ration plant	Trans-mission systems	Other fixed assets	Constr. in progress	Total
<b>Gross book value at 12/31/03</b>	<b>253</b>	<b>1 467</b>	<b>1 165</b>	<b>254</b>	<b>175</b>	<b>3 314</b>
Acquisitions and divestitures	0	0	0	0	0	0
Additions	5	5	21	31	34	96
Capitalized costs	0	0	5	0	6	11
Reclassifications	2	175	8	-5	-181	-1
Disposals	-1	-14	-2	-24	-6	-47
Translation adjustments	-1	24	0	-2	-2	19
<b>Gross book value at 12/31/04</b>	<b>258</b>	<b>1 657</b>	<b>1 197</b>	<b>254</b>	<b>26</b>	<b>3 392</b>
<b>Accum. depreciation at 12/31/03</b>	<b>76</b>	<b>500</b>	<b>593</b>	<b>194</b>	<b>0</b>	<b>1 363</b>
Acquisitions and divestitures	0	0	0	0	0	0
Charge for the year	6	43	44	23	4	120
Reclassifications	0	0	0	0	0	0
Disposals	-1	-1	-2	-22	-4	-30
Translation adjustments	0	4	0	-2	0	2
<b>Accum. depreciation at 12/31/04</b>	<b>81</b>	<b>546</b>	<b>635</b>	<b>193</b>	<b>0</b>	<b>1 455</b>
Net book value at 12/31/03	177	967	572	60	175	1 951
<b>Net book value at 12/31/04</b>	<b>177</b>	<b>1 111</b>	<b>562</b>	<b>61</b>	<b>26</b>	<b>1 937</b>

Note 10

Power purchase rights and intangible assets

CHF in millions	Power purchase rights	Good-will	Other intang. assets	Total
<b>Gross book value at 12/31/03</b>	<b>626</b>	<b>562</b>	<b>108</b>	<b>1296</b>
Acquisitions and divestitures	0	0	0	0
Additions	0	22	34	56
Reclassifications	0	0	3	3
Disposals	0	-5	-1	-6
<b>Gross book value at 12/31/04</b>	<b>626</b>	<b>579</b>	<b>144</b>	<b>1349</b>
<b>Accumulated amortization at 12/31/03</b>	<b>216</b>	<b>341</b>	<b>75</b>	<b>632</b>
Acquisitions and divestitures	0	0	0	0
Charge for the year	51	74	4	129
Reclassifications	0	0	2	2
Disposals	0	-5	0	-5
<b>Accumulated amortization at 12/31/04</b>	<b>267</b>	<b>410</b>	<b>81</b>	<b>758</b>
Net book value at 12/31/03	410	221	33	664
<b>Net book value at 12/31/04</b>	<b>359</b>	<b>169</b>	<b>63</b>	<b>591</b>

Note 11

Investments in affiliates

CHF in millions	Joint ventures <sup>1)</sup>	Other companies	Total
<b>Book value at 12/31/03</b>	<b>382</b>	<b>279</b>	<b>661</b>
Acquisitions and divestitures	0	0	0
Additions	0	2	2
Reclassification to marketable securities	0	-16	-16
Disposals	-3	-22	-25
Dividends	-18	-16	-34
Equity in net income	6	41	47
Translation adjustments	0	-2	-2
<b>Book value at 12/31/04</b>	<b>367</b>	<b>266</b>	<b>633</b>

<sup>1)</sup> In 1999, Atel revalued its interests in generation plants (joint ventures) using the discounted cash flow method. Each plant was valued separately for the period from January 1, 1999 to expiry of its license. The valuation resulted in an extraordinary write-down of CHF 600 million. Interests in generation plants are periodically reviewed for impairment; any significant changes in value are recognized in the statement of income in the period to which they relate.

Note 11

**Key data of affiliated companies**

	Gross value 2003	Gross value 2004	MC Group share 2003	MC Group share 2004
CHF in millions				
Non-current assets	6943	6971	2047	2052
Current assets	707	759	234	252
Non-current liabilities	5352	5505	1614	1677
Current liabilities	572	494	160	121
Income	1341	1355	395	398
Expenses	-1271	-1285	-376	-379
Net income	70	70	19	19

The figures are based on local accounting principles (Swiss GAAP-ARR) applied by the joint ventures; the extraordinary charges to write down interests in generation plants in the Atel Group's consolidated financial statements for 1999 are not reflected in this table.

**Other companies**

	MC Group share 2003	MC Group share 2004
CHF in millions		
Non-current assets	550	502
Current assets	149	179
Non-current liabilities	196	235
Current liabilities	221	180
Income	307	419
Expenses	-270	-378
Net income	37	41

Under joint venture agreements in force, the shareholders of joint ventures are required to pay the annual costs attributable to their percentage stakes (incl. interest and repayment of liabilities). For the fully consolidated Atel Group, the prorated regular annual costs average approximately CHF 360 million.

In addition, nuclear power plant owners are required to pay limited additional contributions to the decommissioning fund in the event that any one primary contributor is unable to make its payments. After the new Nuclear Energy Act comes into force (on February 1, 2005), owners will also be required to make to limited additional contributions to the waste disposal fund.

**Note 12**

**Investments and other assets**

CHF in millions	Financial investments	Loans	Total
<b>Book value at 12/31/03</b>	<b>588</b>	<b>6</b>	<b>594</b>
Additions	19	13	32
Change in fair value	20	0	20
Disposals	-3	-4	-7
<b>Book value at 12/31/04</b>	<b>624</b>	<b>15</b>	<b>639</b>

**Note 13**

**Accounts receivable**

CHF in millions	12/31/03	12/31/04
Trade accounts receivable	1 185	1 624
Unbilled revenue	101	84
Other accounts receivable	213	288
<b>Total</b>	<b>1 499</b>	<b>1 996</b>

Of which receivable from related and affiliated companies

21	22
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Unbilled revenue related to construction contracts is reported according to the degree of completion, less advance payments received:

CHF in millions	12/31/03	12/31/04
Unbilled revenue, gross	484	401
Advance payments received from customers	-383	-317
<b>Unbilled revenue, net</b>	<b>101</b>	<b>84</b>

**Note 14**

**Cash and cash equivalents**

CHF in millions	12/31/03	12/31/04
Demand deposits	402	329
Time deposits maturing within 90 days	429	267
<b>Total</b>	<b>831</b>	<b>596</b>

**Note 15**

**Marketable securities**

This item comprises readily tradable securities only.

Note 16

Shareholders' equity

Capital stock

By their own accounts, shareholders are:

%	Capital and voting rights
UBS AG	55.60%
EDF Electricité de France	20.00%
EOS Holding	10.01%
Kreissparkasse Biberach	5.20%
Public	9.19%

EOS Holding acquired a 10.01% stake in March 2004, and UBS AG purchased RWE Energy AG's block (20%) of shares and thus gained a majority stake in Motor-Columbus Ltd. on July 1, 2004.

Note 17

Provisions

CHF in millions	Contract risks	Annual cost lia- bilities	Provisions for pen- sion plans	Other provi- sions	Total
<b>Long-term provisions at 12/31/03</b>	<b>265</b>	<b>166</b>	<b>153</b>	<b>149</b>	<b>733</b>
Short-term provisions	0	30	0	74	104
<b>Total provisions at 12/31/03</b>	<b>265</b>	<b>196</b>	<b>153</b>	<b>223</b>	<b>837</b>
Acquisitions and divestitures	0	0	0	0	0
Charged	1	0	25	56	82
Interest on provisions	11	0	0	1	12
Utilized	-17	-32	-8	-66	-123
Unnecessary provisions released	-6	0	-2	-43	-51
Translation adjustments	0	0	-2	0	-2
<b>Provisions at 12/31/04</b>	<b>254</b>	<b>164</b>	<b>166</b>	<b>171</b>	<b>755</b>
Less short-term provisions	-35	-25	-9	-46	-115
<b>Long-term provisions at 12/31/04</b>	<b>219</b>	<b>139</b>	<b>157</b>	<b>125</b>	<b>640</b>

The *provision for contract risks* covers existing obligations and identifiable risks arising from international energy business as determined at the balance sheet date. This item provides for liabilities in respect of expected compensation payments and for onerous contracts relating to energy purchases and deliveries. Cash outflows from the balance reported at year end are expected within the following periods:

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

The *provision for annual cost liabilities* covers cash outflows relating to purchases of energy from joint venture companies at prices exceeding the market level. Cash outflows will occur over the term of each plant's license.



Note 17

*Other provisions* primarily cover liabilities relating to personnel and restructuring programs as well as general operating liabilities. Cash outflows from the balance reported at year end are expected within the following periods:

- within 12 months CHF 46 million
- within 1–5 years CHF 125 million

Short-term provisions are recorded as accrued expenses.

Note 18

**Long-term debt**

CHF in millions	12/31/03	12/31/04
Bonds at repayment amount	700	700
Loans	1 212	1 248
<b>Total</b>	<b>1 912</b>	<b>1 948</b>

**Bonds outstanding at year end**

CHF in millions	Maturity	Not repay- able before	Interest rate %	12/31/03	12/31/04
Fixed-rate bond	96/06	02/16/04	4	200 <sup>1)</sup>	–
Fixed-rate bond	97/09	03/06/09	4¼	200	200
Fixed-rate bond	97/09	10/30/07	4	200	200
Fixed-rate bond	03/13	09/16/13	3½	300	300

<sup>1)</sup> Matured on February 16, 2004; recorded as short-term debt at December 31, 2003.

The market value of fixed-rate bonds outstanding at year end was CHF 742 million.

The weighted interest rate on bonds outstanding at year end, related to face value, was 3.70% (2003: 3.76%).

**Loans**

CHF in millions	12/31/03	12/31/04
Maturing between 1 and 5 years	632	256
Maturing in more than 5 years	580	992
<b>Total</b>	<b>1 212</b>	<b>1 248</b>

Of which due to related and affiliated companies	3	3
--	---	---

The weighted interest rate on loans at year end, related to nominal value, was 4.22% (2003: 4.20%). Loans maturing within 360 days are recorded as short-term debt.

**Note 19**

**Other long-term liabilities**

This item relates primarily to rights to use third parties' facilities.

**Note 20**

**Other current liabilities**

CHF in millions	12/31/03	12/31/04
Trade accounts payable	974	1 215
Other liabilities	237	333
Advances from customers	9	10
<b>Total</b>	<b>1 220</b>	<b>1 558</b>
Of which due to related and affiliated companies	36	13

**Note 21**

**Employee benefit plans**

Reconciliation of liabilities recognized in the balance sheet:

CHF in millions	12/31/03	12/31/04
Present value of funded benefit obligations	277	297
Fair value of plan assets	-271	-275
<b>Plan assets less than benefit obligation, not recognized as a liability</b>	<b>6</b>	<b>22</b>
Present value of unfunded benefit obligations	153	166
Unrecognized actuarial gains (losses)	-6	-22
<b>Net defined benefit liability recognized in the balance sheet*</b>	<b>153</b>	<b>166</b>

\* see note 17

Under the bylaws of the benefit plan for Motor-Columbus Ltd. and other consolidated Swiss Group Companies in the Energy Segment, the bylaws must be amended if an actuarial deficit of more than 10% is calculated applying Swiss principles and if there is no prospect of it decreasing; decisions on any increases in contributions or reductions in benefits may only be taken by parity resolutions, i.e. passed jointly by all employers and representatives of employees participating in the benefit plan. In particular, employer contributions are fixed; the employers are not risk bearers and have no further payment obligation in excess of the fixed contributions.

Due to these circumstances, the theoretical deficit calculated applying IFRS standards is not recognized in the balance sheet; the same principle is also applied if a surplus is calculated. However, the funds available to the employer at the balance sheet date – such as employer contribution reserves – of CHF 6 million (2003: CHF 6 million) have been capitalized.

Plan assets do not include any company shares or properties used by Group Companies.

Note 21

The actuarial valuations were based on the following weighted average assumptions:

%	Switzerland 2003	Switzerland 2004	Germany 2003	Germany 2004
Discount rate	4.0%	3.5%	5.5%	5.0%
Expected rate of return on plan assets	4.0%	3.5%	5.5%	5.0%
Expected rate of compensation increase	2.0%	2.0%	1.0%	1.0%
Expected future benefit increase	1.0%	0.5%	1.0%	1.0%

**Components of net pension cost**

CHF in millions	2003	2004
Current service cost	13	21
Interest cost on projected benefit obligation	18	19
Less expected return on plan assets	-9	-8
<b>Benefit plan cost</b>	<b>22</b>	<b>32</b>
Participant contributions	-2	-3
<b>Defined benefit pension cost</b>	<b>20</b>	<b>29</b>

In 2004, the actual return on plan assets was CHF 8 million (2003: CHF 27 million).

**Change in net liability recognized in the balance sheet**

CHF in millions	2003	2004
Net liability at beginning of year	138	153
Periodic pension cost	20	29
Employer contributions	-5	-5
Translation adjustments	10	-2
Released	0	-2
Benefits paid	-10	-7
<b>Net liability at end of year</b>	<b>153</b>	<b>166</b>

**Note 22**

**Related party transactions**

UBS AG owns a 55.6% majority stake in Motor-Columbus Ltd. Transactions with UBS are conducted on an arm's length basis.

In 2004, the Board of Motor-Columbus Ltd. received CHF 0.3 million (2003: CHF 0.3 million) in compensation, plus 125 shares (2003: 150 shares) in Motor-Columbus Ltd. on preferential terms. In the same period, compensation paid to the Executive Committee totaled CHF 1.6 million (CHF 1.5 million).

**Note 23**

**Contingent liabilities and guarantees**

Motor-Columbus Ltd. is not a party to any significant legal proceedings.

The Atel Group is involved in various legal proceedings arising in the normal course of business. In the financial statements, management has made the provisions it believes necessary based on information currently available and after consulting legal representatives.

At year end, guarantee obligations to third parties totaled CHF 958 million (2003: CHF 840 million), of which CHF 416 million (CHF 421 million) consisted of obligations under outstanding bank guarantees and CHF 370 million (CHF 375 million) related to guarantees in connection with the acquisition and financing of Edipower. In addition, there are capital contribution obligations amounting to CHF 324 million (CHF 370 million), of which CHF 308 million (CHF 343 million) related to the investment in Edipower.

Furthermore, there are commitments under option agreements to increase existing ownership interests. In connection with the Edipower financing, the industry investors (AEM Milano, AEM Torino, Atel and Edison) have jointly undertaken to acquire the financial investors' interests in the medium term.

**Note 24**

**Pledged assets**

CHF in millions	2003	2004
Mortgaged properties	53	33
Interests in generation plants	306	443
Financial investments	481	473
<b>Total</b>	<b>840</b>	<b>949</b>

The Csepel, ECKG and Novel generation plants are funded through common project financing arrangements with banks. The related liabilities are reported in the consolidated balance sheet. Atel has pledged its interests in these power plants to the financing banks. The equity interest in Edipower has also been pledged to the banks to secure the Edipower credit facilities.

**Note 25**

**Subsequent events**

On January 1, 2005, Atel raised its stake in Entrade, an energy trading company, from 75% to 100%.

In February 2005, Atel and the other Edipower shareholders signed the contracts to optimize the current financing arrangements. Edipower's extremely solid performance and the favorable financing environment allowed them to almost halve the interest margin and significantly reduce the industrial shareholders' credit support. The Group's share of guarantees and capital contribution obligations in respect of Edipower now amount to CHF 262 million (December 31, 2004: CHF 678 million).

**Note 26**

**Segment information**

The Energy Segment encompasses the Atel Group's energy generation, transmission, trading and marketing operations. The Energy Services Segment comprises all activities involving technical and construction services. Other operations represent activities not attributable to the other segments, mainly property and financing companies. The segmentation is based on internal reporting within the Group.

Intersegment transactions: revenues, expenses and net income in the segments include transactions between the segments and geographic areas, conducted and recorded on an arm's length basis. All these transactions and balances have been eliminated on consolidation.

Sales reported in the Energy Services Segment comprise contract revenues under construction contracts.

Note 26

2004 – Segment information

CHF in millions	Energy	Energy Services	Other	Intersegment revenues/sales	Total
Revenues from energy sales/ construction contracts	5 525	1 418	3	-6	6 940
Gains on trading standard products and financial energy contracts	15	0	0	0	15
<b>Total sales</b>	<b>5 540</b>	<b>1 418</b>	<b>3</b>	<b>-6</b>	<b>6 955</b>
Of which with related and affiliated companies	110	0	0	0	110
EBITDA	652	44	36	-63	669
Depreciation and amortization	-219	-23	-7	0	-249
EBIT	433	21	29	-63	420
Total assets	6 674	790	1 162	-1 760	6 866
Book value of affiliates	633	0	0	0	633
Income from affiliates	47	0	0	0	47
Liabilities	4 438	616	365	-445	4 974
Net capital expenditures on property, plant, equipment and intangibles	83	15	22	0	120
Number of employees at year end	1 152	6 858	9	0	8 019

Geographic information

CHF in millions	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other areas	Total
External sales	1 078	2 332	3 541	4	6 955
Total assets	2 801	1 551	2 269	245	6 866
Net capital expenditures on property, plant, equipment and intangibles	88	19	13	0	120
Number of employees at year end	2 725	362	4 932	0	8 019

Gains on trading in the Energy Segment comprise gains and losses on settled financial energy trading contracts and from changes in the fair value of unsettled financial energy trading contracts. Financial energy contracts unsettled at year end on December 31, 2004 had a contract volume of 1.240 TWh (December 31, 2003: 0.160 TWh). Fair values are recorded as prepaid and accrued expenses in the balance sheet.

Note 26

**2003 – Segment information**

CHF in millions	Energy	Energy Services	Other	Intersegment revenues/sales	Total
Revenues from energy sales/ construction contracts	3806	1535	3	-92	5252
Gains on trading standard products and financial energy contracts	33	0	0	0	33
<b>Total sales</b>	<b>3839</b>	<b>1535</b>	<b>3</b>	<b>-92</b>	<b>5285</b>
Of which with related and affiliated companies	65	0	0	0	65
EBITDA	588	41	40	-51	618
Depreciation and amortization	-220	-25	-2	-9	-256
EBIT	368	16	38	-60	362
Total assets	6246	753	1240	-1847	6392
Book value of affiliates	661	0	0	0	661
Income from affiliates	39	0	0	0	39
Liabilities	4228	604	400	-500	4732
Net capital expenditures on property, plant, equipment and intangibles	161	19	38	0	218
Number of employees at year end	1092	7038	9	0	8139

**Geographic information**

CHF in millions	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other areas	Total
External sales	859	1603	2816	7	5285
Total assets	2830	1273	2229	60	6392
Net capital expenditures on property, plant, equipment and intangibles	72	102	44	0	218
Number of employees at year end	2645	322	5172	0	8139

**Note 27**

**Acquisitions and divestitures**

During 2004, there were no acquisitions or divestitures. In the prior year, the following assets and liabilities were acquired on acquisition and first-time consolidation of subsidiaries:

CHF in millions	2003	2004
Non-current assets	445	
Cash and cash equivalents	19	
Other current assets	26	
Short-term and long-term debt	-353	
Other liabilities	-44	
Minority interest	-10	
<b>Net assets acquired</b>	<b>83</b>	

In 2003, a total amount of CHF 114 million was paid from existing cash resources to purchase subsidiaries. No subsidiaries were sold in 2003 and 2004.

Due to the Atel Ltd.'s purchase of Atel shares, the Motor-Columbus Group's stake increased to 59.25%. Goodwill resulting from the purchase has been recorded as an addition to intangible assets.



## Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2004, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
<b>Property and Finance Companies</b>							
Citinvest AG	Baden	CHF	5.00	100.0%	F	P	12/31
MC Management AG	Baden	CHF	10.00	100.0%	F	S	12/31
MC Venture Finance N.V.	Curaçao/NL-Ant.	USD	0.01	100.0%	F	H	12/31
Roospark AG	Wollerau	CHF	0.50	100.0%	F	P	12/31
Friol Immobilien GmbH	Löffingen/DE	EUR	0.20	100.0%	F	P	12/31
Tecenet AG	Baden	CHF	2.00	100.0%	F	P	12/31
<b>Energy Segment</b>							
<b>Trading, Marketing, Supply and Services</b>							
Aare Tessin Ltd. for Electricity	Olten	CHF	303.60	59.3%	F	M	12/31
Atel Energia S.r.l.	Milan/IT	EUR	20.00	98.0%	F	M	12/31
Atel Energie AG	Düsseldorf/DE	EUR	0.50	100.0%	F	M	12/31
ecoSWITCH AG	Crailsheim/DE	EUR	0.50	45.0%	E	S	12/31
EGT Energiehandel GmbH	Triberg/DE	EUR	1.00	50.0%	E	M	12/31
Atel Energie SAS	Paris/FR	EUR	0.50	100.0%	F	M	12/31
Atel Hellas S.A.	Perissos Athens/GR	EUR	0.15	76.0%	F	M	12/31
Atel Polska Sp. z o.o.	Warsaw/PL	PLN	4.00	100.0%	F	M	12/31
Atel Trading	Olten	CHF	5.00	100.0%	F	T	12/31
Atel Versorgungs AG	Olten	CHF	50.00	100.0%	F	M	12/31
Aare Energie AG (a.en)	Olten	CHF	2.00	50.0%	E	S	12/31
AEK Energie AG	Solothurn	CHF	6.00	38.7%	E	M	12/31
Azienda Energetica Municipale S.p.A.	Milan/IT	EUR	929.62	5.2%	E	M	12/31
Energipartner AS	Oslo/NO	NOK	5.00	100.0%	F	S	12/31
Entrade GmbH	Niedergösgen	CHF	0.40	75.0%	F	T	12/31
Entrade s.r.o.	Prague/CZ	CZK	5.42	100.0%	F	T	12/31
Entrade d.o.o.	Zagreb/HR	HRK	0.02	100.0%	F	T	12/31
Entrade d.o.o.	Ljubljana/SI	SIT	8.15	100.0%	F	T	12/31
Entrade Deutschland GmbH	Berlin/DE	EUR	0.10	100.0%	F	T	12/31
Entrade Hungary Kft.	Budapest/HU	HUF	50.00	100.0%	F	T	12/31
Entrade Poland Sp. z o.o.	Warsaw/PL	PLN	0.05	100.0%	F	T	12/31
Entrade Slovakia s.r.o.	Bratislava/SK	SKK	0.20	100.0%	F	T	12/31
Prva regulacna s.r.o., v likvidaci	Kosice/SK	SKK	0.20	100.0%	F	T	12/31
Entrade Romania S.R.L.	Bucharest/RO	ROL	2.00	100.0%	F	T	12/31
Società Elettrica Sopracenerina SA	Locarno	CHF	27.50	59.5%	F	M	12/31
Calore SA	Locarno	CHF	2.00	50.0%	E	G	12/31
SAP SA	Locarno	CHF	2.06	99.4%	F	S	12/31
Rätia Energie AG	Poschiavo	CHF	3.41	24.6%	E	I	12/31

## Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2004, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
<b>Energy Segment</b>							
<b>Power Generation and Transmission</b>							
Atel Hydro AG	Olten	CHF	53.00	100.0%	F	G	12/31
Atel Hydro Ticino SA	Airolo	CHF	3.00	100.0%	F	G	12/31
Csepeli Aramtermelő Kft.	Budapest/HU	HUF	4930.10	100.0%	F	G	12/31
Csepeli Erőmű Kft.	Budapest/HU	HUF	856.00	100.0%	F	G	12/31
Csepel Energia Kft.	Budapest/HU	HUF	20.00	100.0%	F	S	12/31
Atel Energia Kft.	Budapest/HU	HUF	1 030.00	100.0%	F	H	12/31
ECK Generating s.r.o.	Kladno/CZ	CZK	2 936.10	89.0%	F	G	12/31
Energeticke Centrum Kladno, spol. s.r.o.	Kladno/CZ	CZK	238.63	89.0%	F	G	12/31
Energetika Kladno s.r.o.	Kladno/CZ	CZK	0.10	100.0%	F	S	12/31
Kladno GT s.r.o.	Kladno/CZ	CZK	0.20	100.0%	F	G	12/31
Atel Centrale Termica Vercelli S.r.l.	Milan/IT	EUR	10.33	95.0%	F	G	09/30
Novel S.p.A.	Milan/IT	EUR	23.00	51.0%	F	G	09/30
AT O&M S.r.l.	Milan/IT	EUR	0.99	51.0%	F	G	12/31
Aarewerke AG	Klingnau	CHF	16.80	10.0%	E	G	06/30
Blenio Kraftwerke AG	Olivone	CHF	60.00	17.0%	E	G	09/30
Edipower S.p.A.	Milan/IT	EUR	1 441.30	16.0%	FV	G	12/31
Electra-Massa AG	Naters	CHF	40.00	11.5%	E	G	12/31
Electricité d'Emosson SA	Martigny	CHF	140.00	50.0%	E	G	09/30
Engadiner Kraftwerke AG	Zernez	CHF	140.00	22.0%	E	G	09/30
Energie Biberist AG	Biberist	CHF	5.00	25.0%	E	M	12/31
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350.00*	40.0%	E	G	12/31
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450.00	27.4%	E	G	12/31
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30.00	25.0%	E	G	09/30
Kraftwerke Gougra AG	Siders	CHF	50.00	54.0%	E	G	09/30
Kraftwerke Hinterrhein AG	Thusis	CHF	100.00	9.3%	E	G	09/30
Kraftwerke Zervreila AG	Vals	CHF	50.00	30.0%	E	G	09/30
Maggia Kraftwerke AG	Locarno	CHF	100.00	12.5%	E	G	09/30
Kraftwerk Aegina AG	Ulrichen	CHF	12.00	50.0%	E	G	09/30

\* Of which CHF 290.0 million paid in

### Energy Segment

#### Grid

Atel Transmission Ltd.	Olten	CHF	130.00	100.0%	F	S	12/31
ETRANS AG	Laufenburg	CHF	7.50	18.8%	E	S	12/31
swissgrid	Laufenburg	CHF	15.00	22.1%	E	S	12/31

## Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2004, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
<b>Energy Services Segment</b>							
<b>Energy Services Southern/Western Europe</b>							
<i> Holding Company and Management</i>							
Atel Installationstechnik Ltd.	Olten	CHF	30.00	100.0%	F	H	12/31
Atel Installationstechnik Management Ltd.	Zurich	CHF	0.10	100.0%	F	S	12/31
<i>Energy Transmission Technology</i>							
Kummler + Matter AG	Zurich	CHF	2.50	100.0%	F	S	12/31
Mauerhofer + Zuber SA	Renens	CHF	1.70	100.0%	F	S	12/31
<i>Building Services &amp; Technical Facility Management</i>							
Atel Bornet SA	Vernier	CHF	1.00	100.0%	F	S	12/31
Atel Gebäudetechnik AG	Zurich	CHF	7.85	100.0%	F	S	12/31
Atel Gebäudetechnik West AG	Olten	CHF	5.90	100.0%	F	S	12/31
Atel Elettroimpianti SA	Bellinzona	CHF	2.70	100.0%	F	S	12/31
Atel Sesti S.p.A.	Milan/IT	EUR	3.10	100.0%	F	S	12/31
Atel Impianti Mgmt S.p.A.	Milan/IT	EUR	0.10	100.0%	F	S	12/31

## Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2004, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
<b>Energy Services Segment</b>							
<b>Energy Services Northern/Eastern Europe</b>							
<i>Holding Company and Management</i>							
GAH Beteiligungs AG	Heidelberg/DE	EUR	25.00	100.0%	F	H	12/31
<i>Energy Transmission Technology</i>							
Ges. für elektrische Anlagen Energieanl.bau GmbH	Hohenwarsleben/DE	EUR	1.53	100.0%	F	S	12/31
Ges. für elektrische Anlagen Leitungsbau Nord GmbH	Hanover/DE	EUR	0.51	100.0%	F	S	12/31
Ges. für elektrische Anlagen Leitungsbau Süd GmbH	Fellbach/DE	EUR	2.56	100.0%	F	S	12/31
Elektro Stiller GmbH	Ronnenberg/DE	EUR	0.43	100.0%	F	S	12/31
Frankenluk AG	Bamberg/DE	EUR	2.81	100.0%	F	S	12/31
Frankenluk Energieanlagenbau GmbH	Bamberg/DE	EUR	1.28	100.0%	F	S	12/31
Franz Lohr GmbH	Ravensburg/DE	EUR	1.28	90.1%	F	S	12/31
<i>Communication Technology</i>							
GA-com Telekommunikations und Telematik GmbH	Bietigheim-Bissingen/DE	EUR	0.78	100.0%	F	S	12/31
te-com Telekommunikations-Technik GmbH	Backnang/DE	EUR	0.51	100.0%	F	S	12/31
Digi Communication Systeme GmbH	Gifhorn/DE	EUR	0.77	100.0%	F	S	12/31
<i>Industrial Plant and Engineering</i>							
Kraftanlagen Anlagentechnik München GmbH	Munich/DE	EUR	3.58	100.0%	F	S	12/31
ECM Ing.unternehmen für Energie- und Umweltt.GmbH	Munich/DE	EUR	0.05	100.0%	F	S	12/31
Kraftanlagen Fertigungsbetrieb GmbH	Lutherstadt Wittenberg/DE	EUR	0.03	100.0%	F	S	12/31
Kraftanlagen Nukleartechnik GmbH	Heidelberg/DE	EUR	0.50	100.0%	F	S	12/31
KEU GmbH	Krefeld/DE	EUR	0.51	100.0%	F	S	12/31
Kalfrisa SA	Zaragoza/ES	EUR	0.56	53.1%	F	S	12/31
Kraftszer Kft.	Budapest/HU	HUF	198.00	90.0%	F	S	12/31
<i>Building Services &amp; Technical Facility Management</i>							
GA-tec Gebäude- u. Anlagentechnik GmbH	Heidelberg/DE	EUR	2.56	100.0%	F	S	12/31
Kraftanlagen Hamburg GmbH	Hamburg/DE	EUR	0.77	100.0%	F	S	12/31
Kraftanlagen Heidelberg GmbH	Heidelberg/DE	EUR	0.10	100.0%	F	S	12/31
<i>Other</i>							
Dr. Herfeld GmbH	Neuenrade/DE	EUR	0.03	100.0%	F	S	12/31
Dr. Herfeld GmbH & Co. KG	Neuenrade/DE	EUR	0.51	51.0%	F	S	12/31
Apparatebau Wiesloch GmbH	Wiesloch/DE	EUR	0.26	100.0%	F	S	12/31

## Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2004, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
<b>Atel Group Holding and Finance Companies</b>							
Atel Holding Deutschland GmbH	Heidelberg/DE	EUR	10.00	100.0%	F	H	12/31
Atel Finance Ltd.	St. Helier/Jersey	EUR	1.15	100.0%	F	S	12/31
Atel Csepel Rt.	Budapest/HU	HUF	20.00	100.0%	F	H	12/31
Atel Bohemia s.r.o.	Prague/CZ	CZK	0.20	100.0%	F	H	12/31
Multipower Beteiligungs- und Energiemanagement GmbH	Vienna/AT	EUR	0.235	100.0%	F	H	12/31
<b>Atel Group Financial Investments</b>							
Colenco Power Engineering Ltd.	Baden	CHF	6.00	10.0%	FV	S	12/31
Energie électrique du Simplon SA	Simplon Dorf	CHF	8.00	1.7%	FV	G	03/31
European Energy Exchange	Leipzig/DE	EUR	20.00	2.0%	FV	S	12/31
Groupe CVE-Romande Energie	Morges	CHF	28.50	10.0%	FV	S	12/31
Powernext SA	Paris/FR	EUR	10.00	5.0%	FV	S	12/31
Capital Recovery Syndication Trust	Jersey	USD	2.66*	9.8%	FV	S	12/31
MC Partners II C.V.	Curaçao/NL-Ant.	USD	38.40*	15.6%	FV	S	12/31
VenCap9 LLC	Cayman Islands	USD	357.00*	0.9%	FV	S	12/31

\* Fund capital

### Company activity

- T Trading
- M Marketing and supply
- G Generation
- S Service
- H Holding company
- I Interconnected company
- P Property

### Consolidation method

- F Full consolidation
- E Equity method
- FV Fair value method

Report of the group auditors to  
the annual meeting of share-  
holders of Motor-Columbus Ltd.,  
Baden

As auditors of the group, we have audited the consolidated financial statements (statement of income, balance sheet, statement of shareholders' equity, statement of cash flows and notes on pages 25 to 61) of Motor-Columbus Ltd. for the year ended December 31, 2004.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and 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 AG

Thomas Stenz	Christoph Widmer
Swiss Certified Accountant (Auditor in Charge)	Swiss Certified Accountant

Zurich, April 1, 2005



$$\int_0^T U_{ind} dt = \oint_C \left( \int_0^T \vec{E}_{ind} dt \right) \cdot d\vec{s} = \left[ -\frac{1}{\gamma_0} \iint_A \vec{B}(t) \cdot d\vec{A} \right]_0^T$$

$$\frac{1}{\gamma_0} \iint_A \frac{\partial \vec{B}}{\partial t} \cdot d\vec{A} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$

$$\int_A \frac{\partial \vec{B}}{\partial t} \cdot d\vec{A} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$

$$|\vec{B}| = \lim_{\Delta A \rightarrow 0} \frac{\Delta \Phi}{\Delta A} = \lim_{\Delta A \rightarrow 0} \frac{1}{\Delta A} \oint_{C(\Delta A)} \vec{A} \cdot d\vec{s}$$

$$\vec{B} = \nabla \times \vec{A}$$



$$\Phi = \iint_A \vec{B} \cdot d\vec{A} = \oint_C \vec{A} \cdot d\vec{s} \quad \frac{1}{\gamma_0} = \frac{1}{\gamma_0} \iint_A$$

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## Introduction

The financial statements of Motor-Columbus Ltd. have been prepared in accordance with the requirements of Swiss corporation law. Details of the principal items of the balance sheet and statement of income are disclosed in the notes to the financial statements for the year ended December 31, 2004. The subsidiaries and affiliates listed on pages 57–61, together with the companies they

control, are understood to be Group Companies for the purposes of Art. 663a of the Swiss Code of Obligations.

The 2004 financial statements show net income of CHF 28.1 million, up CHF 1.8 million year over year. There were no special transactions or events to be recorded in the financial statements for the year.

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## Results of Operations

In 2004, dividend income rose by CHF 4.6 million compared to a year earlier. The increase resulted from a 2% higher dividend on the investment in Atel Ltd. The dividend of CHF 39 million paid by Atel Ltd. was the main source of income for the holding company, Motor-Columbus Ltd. Financial income improved again by approximately CHF 2 million year over year primarily due to the appreciation of marketable securities.

Expenses were up on the prior year as a result of higher tax charges and additional costs for third-party services. Depreciation charges to write down investments in RooSpark AG and MC Venture Finance N.V. by CHF 4.5 million and almost CHF 1 million respectively have been recorded as extraordinary expenses.

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## Financial Position

Total assets remained virtually unchanged year over year. A transfer of Atel shares from the trading portfolio (marketable securities) to the investment portfolio resulted in a shift from current to non-current assets.

Other liabilities include CHF 15 million in loans maturing in 2005 and CHF 5.5 million

in installments to repay long-term loans, reducing loans payable by CHF 20.5 million.

The equity ratio at year end was 48% compared to 47% a year earlier.



Income	Note	2003	2004
Year ended December 31, CHF			
Financial income	1	8 769 043	10 741 537
Dividend income	2	34 486 135	39 132 747
Extraordinary income		672 517	1 572
<b>Total income</b>		<b>43 927 695</b>	<b>49 875 856</b>
Expenses			
Financial expense	3	10 527 346	10 915 316
Taxes	4	128 212	1 433 776
Other expenses	5	2 810 500	3 931 097
Extraordinary expenses	6	4 200 000	5 487 235
<b>Total expenses</b>		<b>17 666 058</b>	<b>21 767 424</b>
<b>Net income for the year</b>		<b>26 261 637</b>	<b>28 108 432</b>

Assets	Note	2003	2004
December 31, CHF			
Investments	7	512 294 542	563 387 746
Loans receivable	8	3 872 670	4 410 570
<b>Total non-current assets</b>		<b>516 167 212</b>	<b>567 798 316</b>
Prepaid expenses		391 881	4 844
Short-term receivables	9	735 973	908 504
Marketable securities	10	149 723 957	104 348 468
Cash and cash equivalents	11	990 3576	4 410 917
<b>Total current assets</b>		<b>160 755 387</b>	<b>109 672 733</b>
<b>Total assets</b>		<b>676 922 599</b>	<b>677 471 049</b>
<b>Shareholders' Equity and Liabilities</b>			
Capital stock		253 000 000	253 000 000
Legal reserve		35 032 560	39 032 560
Retained earnings		29 722 024	31 060 456
<b>Total shareholders' equity</b>	12	<b>317 754 584</b>	<b>323 093 016</b>
<b>Provisions</b>	13	<b>36 019 486</b>	<b>36 625 442</b>
Loans payable	14	311 830 000	291 330 000
<b>Total non-current liabilities</b>		<b>311 830 000</b>	<b>291 330 000</b>
Accrued expenses		4 617 303	4 608 357
Other liabilities	15	6 701 226	21 814 234
<b>Total current liabilities</b>		<b>11 318 529</b>	<b>26 422 591</b>
<b>Total shareholders' equity and liabilities</b>		<b>676 922 599</b>	<b>677 471 049</b>

**Note 1**

**Financial income**

CHF in millions	2003	2004
Interest income on loans and time deposits	0.3	0.2
Securities and other financial income	1.1	1.5
Unrealized gain on marketable securities	7.7	9.5
Foreign exchange losses	- 0.3	- 0.5
Total	8.8	10.7

Securities and other financial income essentially comprise CHF 0.7 million in dividend income and CHF 0.8 million in option premiums on foreign exchange and securities transactions.

The valuation of marketable securities at market value resulted in a net gain of CHF 9.5 million, the main contributors to this performance being energy shares in BKW, SES and Atel (trading portfolio). During the year, 85,200 shares in Atel were transferred from the trading portfolio to investments. The related adjustment of CHF 28 million to write down their value to historical cost was offset against the unrealized gain on marketable securities.

**Note 2**

**Dividend income**

CHF in millions	2003	2004
Total	34.5	39.1

Dividend income essentially comprised the dividend paid by Atel Ltd., which was raised 10% to CHF 22 per share in 2004.

**Note 3**

**Financial expense**

CHF in millions	2003	2004
Total	10.5	10.9

Financial expense mainly comprises interest paid on loans and short-term advances granted by banks and other third parties. CHF 0.2 million related to deposits from subsidiaries.

**Note 4**

**Taxes**

CHF in millions	2003	2004
Total	0.1	1.4

As a holding company, Motor-Columbus Ltd. is exempt from cantonal and municipal income taxes in the Canton of Aargau, but is subject to direct federal income taxes. The increase in 2004 was mainly due to hidden reserves added to income for tax purposes.

**Note 5**

**Other expenses**

CHF in millions	2003	2004
Total	2.8	3.9

The increase in expenses over the prior year is primarily due to third parties' consulting fees. In connection with UBS AG's acquisition of a majority stake in Motor-Columbus Ltd. in mid-2004, various projects were initiated to shape the Motor-Columbus Group's future organizational structure.

**Note 6**

**Extraordinary expenses**

CHF in millions	2003	2004
Total	4.2	5.5

Extraordinary expenses comprise depreciation charges to write down investments. The investment in Roospark AG was written down by CHF 4.5 million to CHF 0.5 million, representing the par value of Roospark AG's capital stock. Investments in MC Venture Finance N.V., which are made in US dollars, were valued at the current market value of the US dollar at year end and written down by CHF 1 million.

**Note 7**

**Investments**

CHF in millions	12/31/03	12/31/04
Total	512.3	563.4

Since Motor-Columbus Ltd. was restructured, some Atel shares (trading portfolio) have been included in current assets as marketable securities, and minor investments in Atel have been recorded as marketable securities ever since. As the holdings classified as marketable securities increased to represent a 4.2% stake due to the prior year purchase of a substantial block of shares, two-thirds were transferred to non-current assets in 2004 and recorded as investments at cost of CHF 55.5 million.

The investments in Roospark AG and MC Venture Finance N.V. were written down by CHF 4.5 million and CHF 1 million respectively at year end (see Note 6). During the year, another CHF 1.1 million was invested in MC Venture Finance N.V.

**Note 8**

**Loans receivable**

CHF in millions	12/31/03	12/31/04
Total	3.9	4.4

The net increase of CHF 0.5 million resulted from a new loan of CHF 1 million granted to MC Management AG and the repayment of the CHF 0.5 million loan by Société Immobilière Yvonand SA, which is being liquidated.

**Note 9**

**Short-term receivables**

CHF in millions	12/31/03	12/31/04
Group Companies	0.5	0.6
Third parties	0.2	0.3
Total	0.7	0.9

Receivables from Group Companies comprise current account balances, while amounts owed by third parties consist mainly of withholding tax credits.

**Note 10**

**Marketable securities**

CHF in millions	12/31/03	12/31/04
Total	149.7	104.3

Marketable securities are stated at market value. In 2004, a block of Atel shares was transferred from the portfolio of marketable securities to the investment portfolio at historical cost of CHF 55.5 million (see Note 7). As a whole, the portfolio of marketable securities showed a net unrealized gain of CHF 9.5 million.

Marketable securities amounting to CHF 91 million are pledged to secure the company's obligations.

**Note 11**

**Cash and cash equivalents**

CHF in millions	12/31/03	12/31/04
Total	9.9	4.4

Cash and cash equivalents are primarily placed in time deposits and current accounts with banks.

**Note 12**

**Changes in shareholders' equity**

CHF in millions	Capital stock <sup>1)</sup>	Legal reserve	Retained earnings	Total
Balance at Dec. 31, 2002	253.0	31.0	27.7	311.7
- Dividends			-20.2	-20.2
- Transfer to legal reserve		4.0	-4.0	0.0
- Net income for 2003			26.3	26.3
Balance at Dec. 31, 2003	253.0	35.0	29.8	317.8
- Dividends			-22.8	-22.8
- Transfer to legal reserve		4.0	-4.0	0.0
- Net income for 2004			28.1	28.1
Balance at Dec. 31, 2004	253.0	39.0	31.1	323.1

<sup>1)</sup> See Note 8 to the consolidated financial statements

**Note 13**

**Provisions**

CHF in millions	12/31/03	12/31/04
Total	36.0	36.6

The provision for taxes was increased by CHF 0.6 million. Otherwise there was no change in provisions in 2004.

**Note 14**

**Loans payable**

CHF in millions	12/31/03	12/31/04
Group Companies	6.8	6.8
Third parties	305.0	284.5
Total	311.8	291.3

Loans of CHF 15.0 million maturing in 2005 and the annual installments of CHF 5.5 million to repay long-term loans are included in current liabilities as other liabilities at the balance sheet date.

Loans are repayable within 1 to 5 years. The weighted average interest rate was 3.5%.

**Note 15**

**Other liabilities**

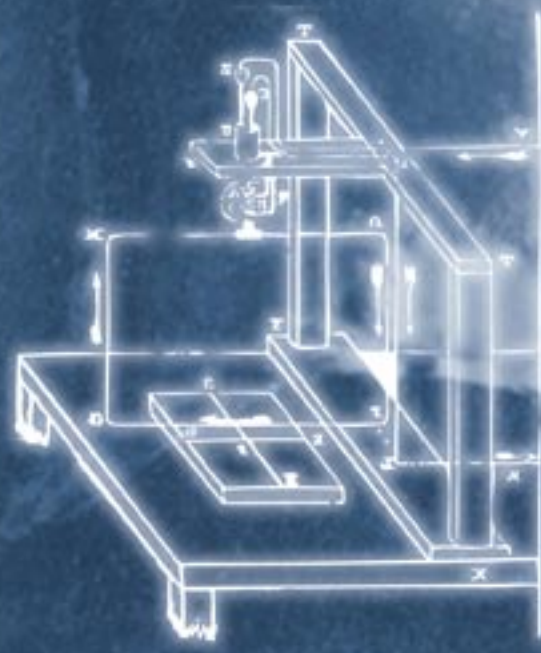
CHF in millions	12/31/03	12/31/04
Total	6.7	21.8

This item includes loans maturing in 2005 and annual installments to repay long-term loans (see Note 14).

**Note 16**

**Contingent liabilities**

At December 31, 2004, contingent liabilities amounted to CHF 0.1 million as in the prior year. In addition, the company has joint and several liability for Swiss value added tax payable for Group taxation purposes.



$$\frac{1}{\gamma_0} \iint_{\Lambda} \frac{\partial \vec{B}}{\partial t} \cdot d\vec{\Lambda} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$

$$\int_{\Lambda} \frac{\partial \vec{B}}{\partial t} \cdot d\vec{\Lambda} = -\frac{1}{\gamma_0} \oint_C \frac{\partial \vec{A}}{\partial t} \cdot d\vec{s}$$

$$|\vec{B}| = \lim_{\Delta\Lambda \rightarrow 0} \frac{\Delta\Phi}{\Delta\Lambda} = \lim_{\Delta\Lambda \rightarrow 0} \frac{1}{\Delta\Lambda} \oint_{C(\Delta\Lambda)} \vec{A} \cdot d\vec{s}$$

$$\frac{I}{\gamma_0} = \frac{1}{\gamma_0} \iint_{\Lambda} \vec{J} \cdot d\vec{\Lambda} = \oint_C \vec{H} \cdot d\vec{s}$$

$$\Phi = \iint_{\Lambda} \vec{B} \cdot d\vec{\Lambda} = \oint_C \vec{A} \cdot d\vec{s}$$



**Appropriation of Retained Earnings  
of Motor-Columbus Ltd.**

Retained earnings brought forward	CHF	2 952 024
Net income for the year	CHF	28 108 432
<b>Retained earnings</b>	<b>CHF</b>	<b>31 060 456</b>

The Directors propose that retained earnings be appropriated as follows:

Dividend of CHF 50.– per share of CHF 500.– par value	CHF	25 300 000
Transfer to legal reserve	CHF	4 000 000
Balance to be carried forward	CHF	1 760 456
<b>Retained earnings</b>	<b>CHF</b>	<b>31 060 456</b>

Subject to approval of this proposal by the Annual Meeting of Shareholders, the dividend will be payable as from June 7, 2005 upon presentation of coupon no. 3 of the new shares in Motor-Columbus Ltd. (2003 issue).

Report of the statutory auditors  
to the annual meeting of share-  
holders of Motor-Columbus Ltd.,  
Baden

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 64 to 73) of Motor-Columbus Ltd. for the year ended December 31, 2004.

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

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

In our opinion, the accounting records, 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 AG

Thomas Stenz	Christoph Widmer
Swiss Certified Accountant (Auditor in Charge)	Swiss Certified Accountant

Zurich, April 1, 2005

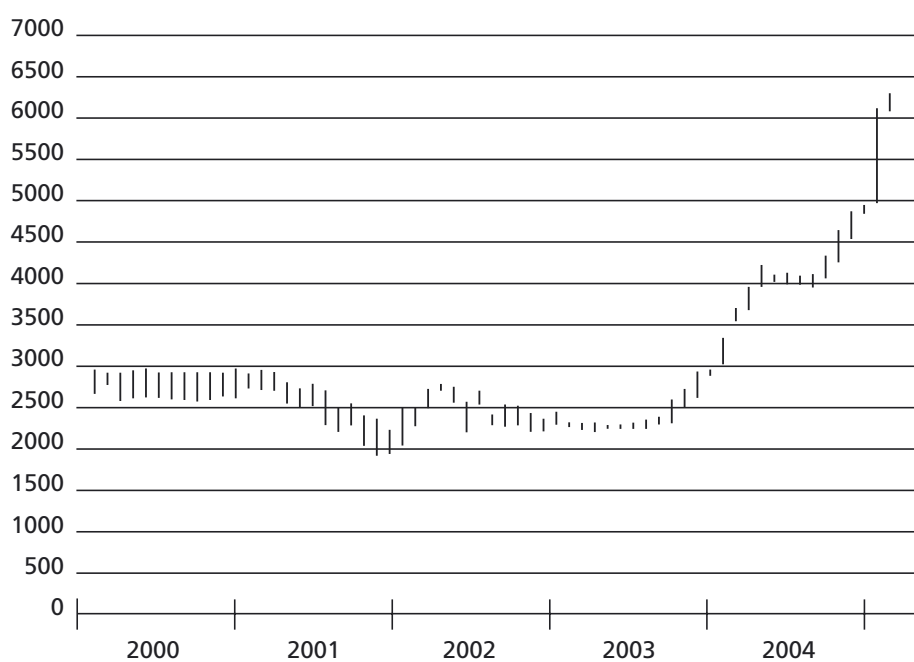
		2000	2001	2002	2003	2004
Share price (high)	CHF	2 980	2 900	2 770	2 930	4 920
Share price (low)	CHF	2 600	1 900	2 200	2 200	2 948
Dividend-bearing shares	No.	506 000	506 000	506 000	506 000	506 000
Reserved shares	No.	0	0	0	0	0
Earnings per share (incl. min. interest)	CHF	238	294	314	537	644
Earnings per share (excl. min. interest)	CHF	113	144	166	283	343
Market capitalization on Dec. 31	CHFm	1 417	1 265	1 225	1 468	2 464

		2000	2001	2002	2003	2004
Dividend per share	CHF	37.50	40	40	45	50 <sup>1)</sup>

<sup>1)</sup> Proposed by the Directors

### Motor-Columbus Ltd.'s Share Performance from 2000 to February 2005



<b>Motor-Columbus Group</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
CHF in millions					
Net sales	3320	3620	3701	5285	6955
Depreciation and amortization	269	305	308	256	249
Consolidated income	120	149	159	272	326
Consolidated income after min. interest	57	73	84	143	174
Net capital expenditures	417	110	455	558	324
Non-current assets	2800	2630	3058	3937	3877
Current assets	1445	2009	2078	2455	2989
Shareholders' equity (after min. interest)	548	608	666	812	958
Minority interest	652	694	744	848	934
Liabilities	3133	3337	3726	4732	4974
Total assets	4333	4639	5136	6392	6866
Employees <sup>1)</sup> (no.)	7773	7832	7899	8114	7881

<sup>1)</sup> Average number of employees, expressed as full-time equivalents

<b>Motor-Columbus Ltd.</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
CHF in millions					
Dividend income	31	34	34	34	39
Net income	23	25	24	26	28
Total dividends	19	20	20	23	25 <sup>2)</sup>
Capital stock	253	253	253	253	253
Shareholders' equity	302	308	312	318	323
Total assets	632	607	606	677	677
Equity ratio (%)	48	51	51	47	48

<sup>2)</sup> Proposed by the Directors

The Annual Meeting of Shareholders will be held at 4:30 p.m. on Thursday, June 2, 2005 at the new Trafohalle in Baden.

