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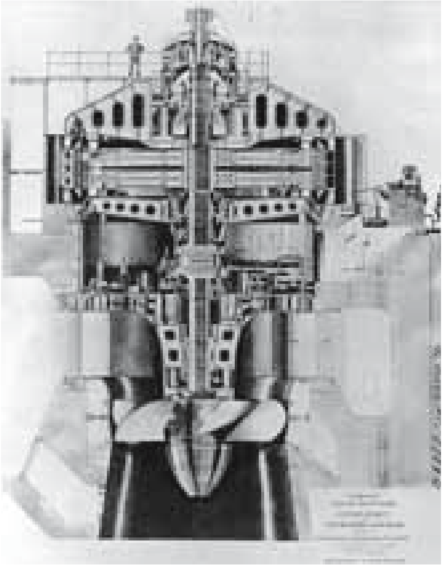
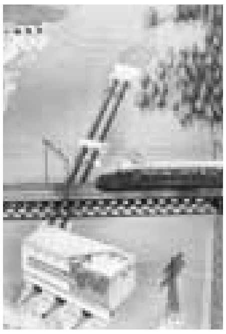


Ryburg-Schwörstadt power plant: vertical section through one of the four generators with a Kaplan turbine, 1927–1931



School mural of a high-head power plant painted by Hans Erni, entitled «Hochdruck-kraftwerk», 1936

Motor-Columbus from 1895 to 2006

Motor-Columbus has enjoyed a history spanning 111 years. In its early days, the Swiss banks stood aloof: they were reluctant to grant loans to power utilities. This wariness weighed on the emerging electricity industry. Walter Boveri, who had co-founded Brown Boveri & Cie. (BBC) in 1891 with Charles Brown, reached the conviction that a separate vehicle was needed to finance, plan, design and construct generation facilities. When Boveri established Motor AG in 1895, two-thirds of its capital stock was subscribed by German financial institutions and close on one-third by BBC itself. Then in 1896, when the capital was increased for the first time, the shareholders were also joined by Bank in Winterthur, a predecessor of UBS.

First Projects in Switzerland and Italy

Motor AG investigated potential sites for power plants, obtained licensing, provided funding and oversaw construction work. Its parent company, BBC, made the machinery and equipment for the facilities. While its competitors, Elektrobank (later Elektrowatt) and Indelec, invested almost exclusively in other countries, Motor focused its energies on developing the power supply systems in Switzerland and Italy. It operated some of the facilities itself, but sold off others, sowing the seed for Bernische Kraftwerke and Nordostschweizerische Kraftwerke.

Franco-Swiss Emosson storage power plant in the Valais.

Merger to Form Motor-Columbus

To build up the power supply for the Argentine metropolis of Buenos Aires, Motor joined forces with partners to establish Columbus AG für elektrische Unternehmungen in 1913. This opened up new markets for BBC overseas. In the post-World War I period when Motor suffered heavy foreign exchange losses in Italy, Columbus was its savior: Motor was absorbed into its prospering younger sister company, giving birth to Motor-Columbus AG für elektrische Unternehmungen.

The St. Gotthard Connection

During the world depression after 1930, Motor-Columbus had too much generating capacity south of the Alps. To sell the electricity generated there, it constructed a high-voltage transmission line over the St. Gotthard in 1932. This pioneering achievement not only earned Motor-Columbus international renown as a line construction specialist, but also brought two companies together to form Aare-Tessin Ltd. for Electricity (Atel) in 1936.

Viewing the model of the Kaiseraugst nuclear plant

From Large Alpine Power Plants to Nuclear Energy

The large dams in the Alps were built between 1945 and 1975. Motor-Columbus played a leading role in constructing the Maggia, Gougra, Zervreila, Hinterrhein, Engadiner and Emosson plants. With an


Construction of the El Cajon dam in Honduras, 1979–1985. Project planned by Motor-Columbus Ingenieurunternehmung.

impending dearth of hydroelectric facilities «worth upgrading», plans for thermal power plants were crafted, but they met with opposition. This coincided exactly with a breakthrough that came in the USA in the commercial operation of nuclear power plants. Shortly after, in 1966, Motor-Columbus unveiled its plans for a nuclear plant in Kaiseraugst. However, it was never built: conflicts of interest and a wrestle to obtain regulatory licenses were exacerbated by a dramatic shift in public opinion. The venture was abandoned in 1989. In the meantime, the expertise acquired for Kaiseraugst stood Motor-Columbus in good stead elsewhere, including the construction of the Gösgen nuclear power plant.

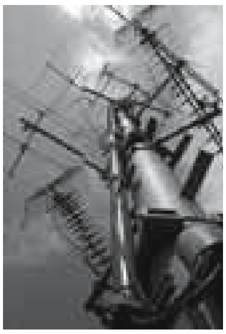
Transformation into a «Technology-Oriented Group»

Having improved the large hydroelectric facilities in Switzerland, Motor-Columbus went in search of new activities. In 1969, it spun off its engineering departments into Motor-Columbus Ingenieurunternehmung and, in 1974, acquired a majority stake in Mobag, then one of the largest general contractors in Switzerland. But it was during the 1980s that the company embarked on a major diversification program: now its strategy was to move away from the one-sided dependence on energy business and grow into a diversified technology group, with telecommunications being one of its strong pillars.


Construction of the new rail line from Zurich to Kloten. Motor-Columbus planned, designed and managed the underground works for the Oerlikon-Glattbrugg section.

Motor-Columbus Becomes a Financial Holding Company

The new strategy failed to take hold, though. The divisions branched out in too many different directions. Between 1992 and 1994, Motor-Columbus was downsized to concentrate on the still profitable and strongly growing Energy Division. During this period, Union Bank of Switzerland (UBS since 1998) acquired a majority shareholding. In 1996, the bank entered into cooperation agreements with Electricité de France and Rheinisch-Westfälisches Elektrizitätswerk (RWE) to build up Motor-Columbus into a European electricity holding company. However, as the electricity markets opened to competition, the two power giants became rivals, thwarting the planned expansion. In 2004, UBS was able to reacquire RWE's stake in the company, paving the way to create a new Swiss power consortium. Under the project, known for the time being as «Energy West», Atel and EOS (Energie Ouest Suisse) are going to gradually join forces and, if possible, also combine with the EDF Group's Swiss operations. The merger of Atel and Motor-Columbus will be the first step. As a result, the name of Motor-Columbus will now disappear in 2006, after 111 years.


Telecommunications was a new business focus for Motor-Columbus during the 1980s.

Motor-Columbus' history is portrayed in the separate publication entitled «Motor-Columbus from 1895 to 2006».

Motor-Columbus Group CHF in millions, except per share and employee data	2004	2005
Net sales	6 867	8 580
Depreciation and amortization (2004 incl. goodwill amortization)	249	196
Consolidated net income	328	401
Consolidated net income per share	648	792
Net income attributable to Motor-Columbus shareholders	175	228
Net income per share attributable to Motor-Columbus shareholders	346	451
Net capital expenditures	324	104
Shareholders' equity attributable to Motor-Columbus shareholders	962	1 171
Shareholders' equity attributable to minority interest	937	1 076
Total shareholders' equity	1 899	2 247
Shareholders' equity per share (attributable to Motor-Columbus shareholders)	1 901	2 314
Total assets	6 284	7 404
Number of employees [1]	7 881	8 377

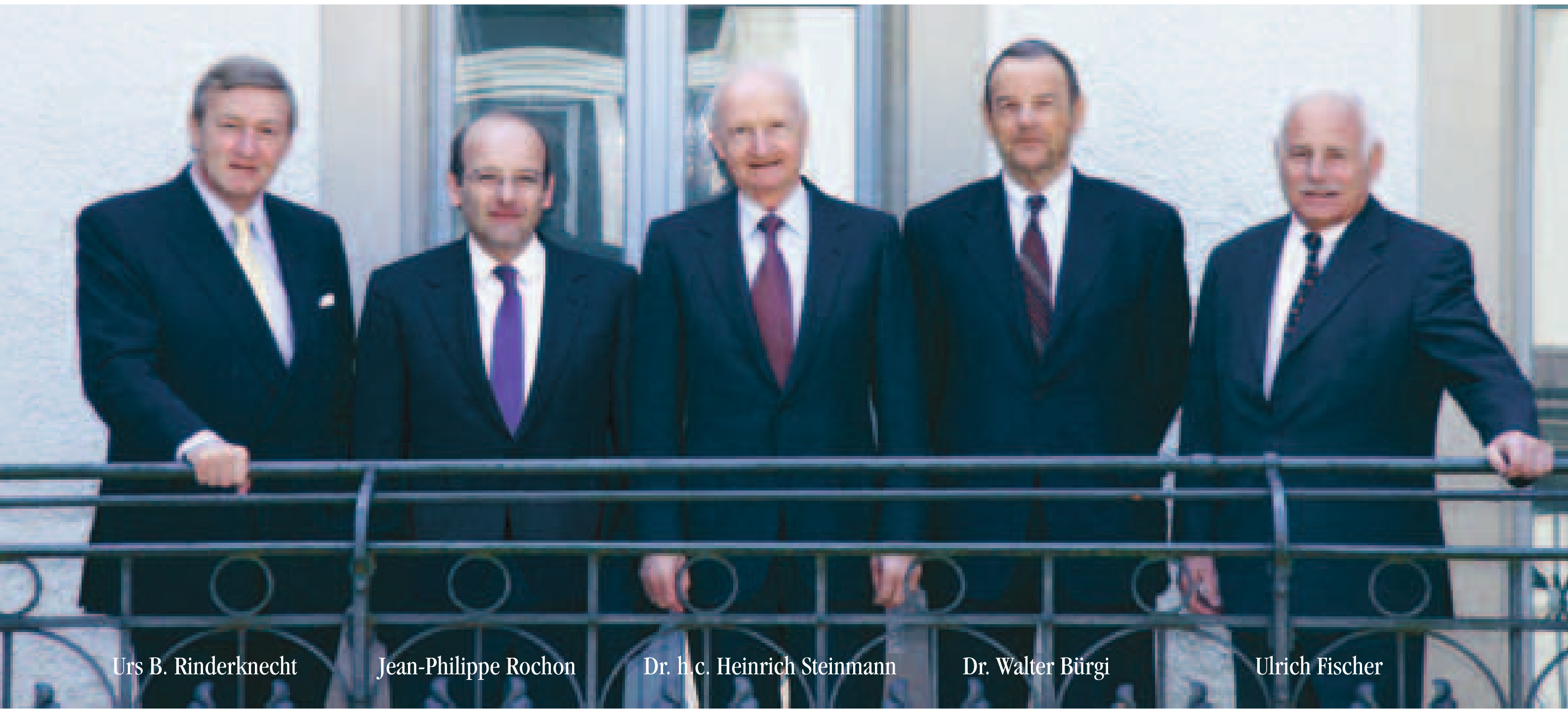
Motor-Columbus Ltd. CHF in millions, except per share and ratio data	2004	2005
Dividend income	39	43
Net income	28	44
Capital stock	253	253
Shareholders' equity	323	342
Total assets	677	675
Equity ratio (%)	48	51
Dividend per share	50	80 [2]
Total dividends	25	40 [2]

[1] Average number of employees, expressed as full-time equivalents

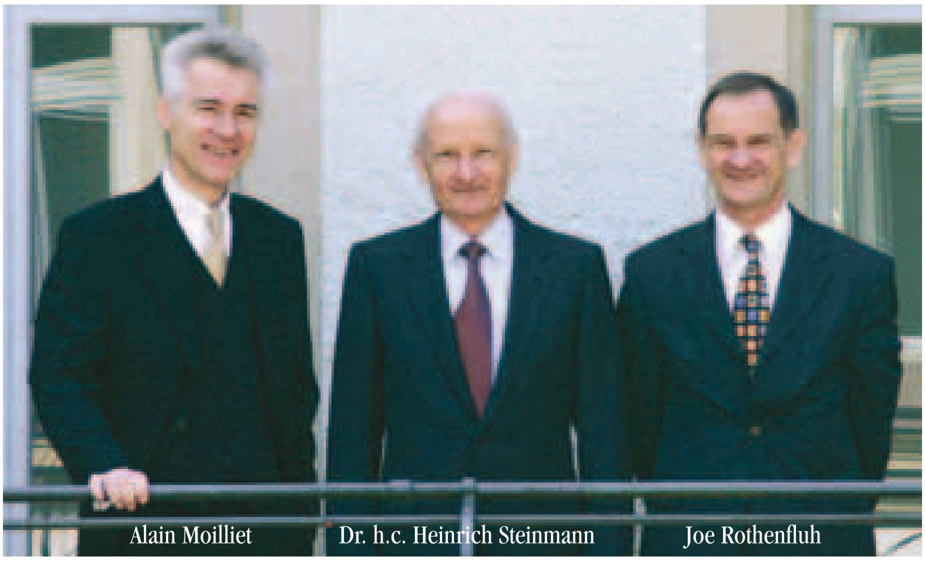
[2] Proposed by the Board of Directors

Changes in International Financial Reporting Standards (IFRS)

A number of changes in IFRS accounting standards came into effect on January 1, 2005 and were adopted by Motor-Columbus last year. Some of the changes had a retrospective impact on the prior year results, ratios and earnings per share. Notes outlining the changes and other adjustments made in the balance sheet and income statement are presented on pages 35 to 37.



Name	Position on the Board	First elected to the Board	Term expires
Dr. h.c. Heinrich Steinmann	Chairman and Chief Executive Officer	1986	2007
Jean-Philippe Rochon	Vice Chairman of the Board	2003	2006
Dr. Walter Bürgi	Director	1999	2008
Ulrich Fischer	Director	1997	2006
Urs B. Rinderknecht	Director	1995	2007



Executive Committee

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

Alain Moilliet, Administration and Corporate Communications

Joe Rothenfluh, Human Resources and Finance

Statutory and Group Auditors

Ernst & Young AG, Zurich

In 2005, the Motor-Columbus Group continued the positive track record it has now enjoyed for more than a decade. Sales grew 25% to CHF 8.6 billion and net income rose 22% to CHF 401 million, warranting another dividend increase. Our share price reflected the good performance, also buoyed by the decision of our majority shareholder, UBS, to sell its stake to a consortium of buyers consisting of a group of Swiss electricity providers, EOS-Holding and the EDF Group. The sale will close in the first quarter of 2006. The new partners have agreed to merge Motor-Columbus Ltd. and Atel Ltd. in the second half of 2006, paving the way to integrate the assets of EOS-Holding and EDF's interests in Swiss generation facilities. In the years thereafter, this would create not only a new electricity group, but also the largest in Switzerland.

All this is taking place in an era when the issue of supplying electricity to power the economy is significantly gaining attention and importance. For many years, it was taken for granted that electricity utilities would regulate their supply and invest in appropriate facilities to generate and distribute sufficient energy to meet demand at all times. This ensured security of supply, making it a matter of course.

Today and in the immediate future, the security of supply can no longer be guaranteed without commissioning additional generation capacities and upgrading wide-area distribution networks. Unless countermeasures are taken, we run the risk of supply deficits. Throughout Europe, we can see an increase in takeover activities in the industry. Acquisitions of companies and their generation facilities and networks by Europe's big players will not solve the problem, but is already stirring nationalistic emotions in the European Union. The long-term supply contracts that used to have a stabilizing effect are expiring and will presumably be replaced by short- to medium-term arrangements, which will not foster security of supply. At present, electricity generators are tending to focus their capital spending on gas-fired power plants. These use time-tested technology and are able to bridge impending supply gaps in the short to medium term. While the frequent oil and gas supply shortages are driving up prices, they simultaneously increase the prospects for alternative energy production. However, it is clear that not even a mix of conventional energy generation, utilizing combined cycle gas plants, and wind, solar and biogas facilities or the use of geothermal energy will be able to solve Europe's electricity problems. The unpopular topic of nuclear power must be broached again anew in the interests of our population and economy. A promising development is the new European EPR reactor model that has already been chosen by Finnish TVO, EDF and the US-based Constellation Energy Group.

If we do not wish to be at the mercy of foreign power giants who need not overcome any qualms about employing new nuclear reactors, we have to give serious thought to the option of nuclear energy. In addressing this issue, the new energy group combining Atel and EOS must take initiatives together with Axpo and BKW. They are the ones primarily responsible for supplying our country with electricity and for turning Switzerland into an energy hub. It would be a serious mistake to wait for the politicians. Time wasted can never be regained.

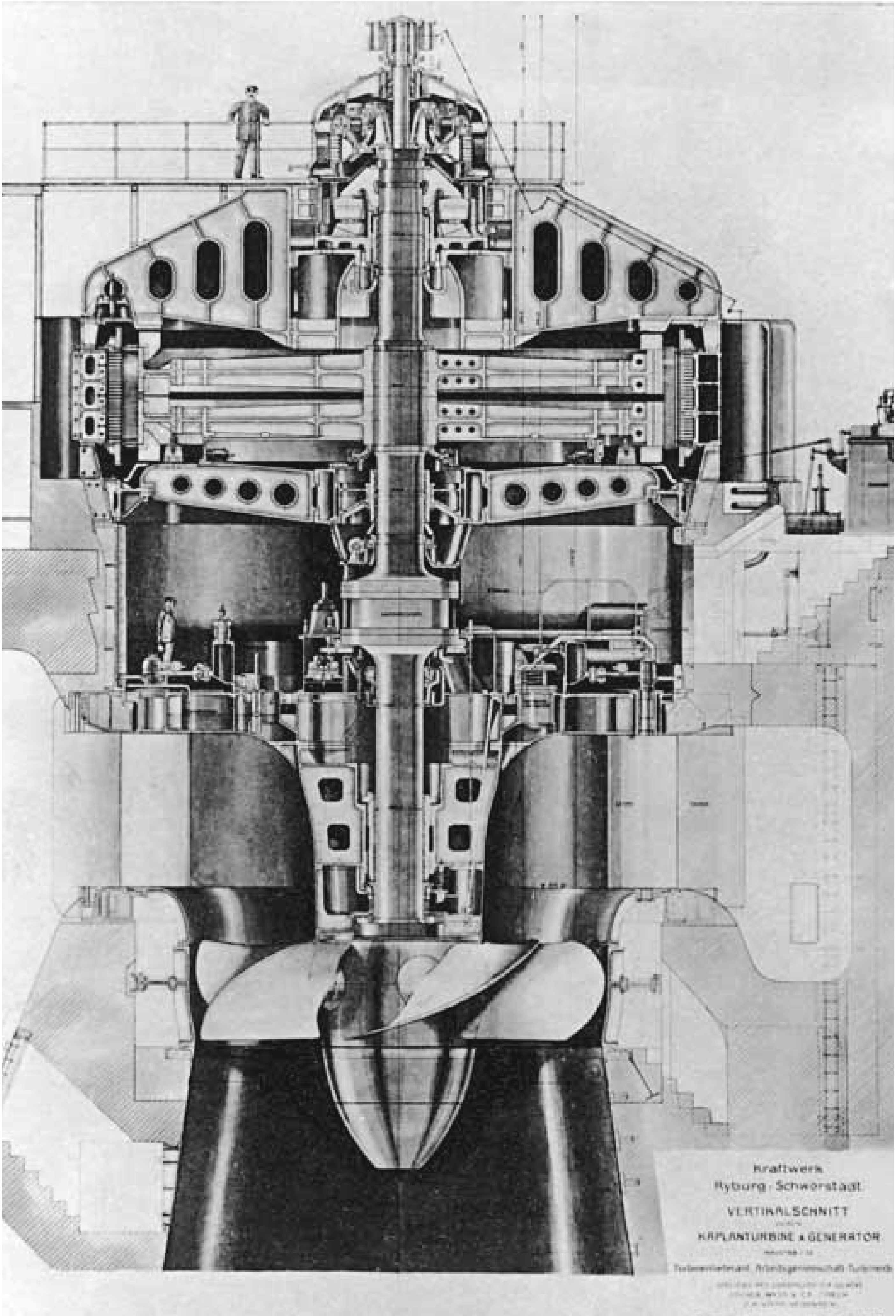
This year's Annual Meeting of Shareholders marks the end of Motor-Columbus' history for the time being, after 111 years of operations. Our company has shaped the development of Switzerland's electric power industry like none other and played its part in fueling the economic upswing in our country.

My thanks today go to all my predecessors and to all employees who have ventured into new territory and created eternal values with such exemplary courage and perseverance.

The present directors, with the exception of EDF's representative, are retiring at the forthcoming Annual Meeting of Shareholders. I thank them all for the many years of seasoned and successful collaboration. Walter Bürgi has been the real driving force behind the success of our subsidiary, Atel, Ulrich Fischer has secured political support for our efforts and Urs Rinderknecht has given us the security and goodwill of UBS.

Baden, March 9, 2006

Dr. h.c. Heinrich Steinmann
Chairman and Chief Executive Officer
Motor-Columbus Ltd.


Kraftwerk
Ryburg - Schwörstadt
VERTIKALSCHNITT
KAPLANTURBINE & GENERATOR

Electricity Business

Operations

The Motor-Columbus Group's operations are concentrated exclusively in the energy sector and bracketed together in the Atel Group.
Atel, headquartered 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 98 TWh, it is Switzerland's leading electricity provider. Last year, Atel additionally traded 148 TWh of electricity valued at CHF 8.2 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, affiliates, generating facilities and partners located in various countries. Atel supplies electric power to interconnected companies, marketing partners, public utilities, industrial plants and service businesses across Europe.

The Energy Services Segment addresses a full spectrum of customer needs in the areas of electricity, power, light, cooling and heating, communications and security. The Atel Installationstechnik Group and GAH Group together maintain a dense European network of operations, concentrated mainly in Switzerland, Germany and Italy.

Energy Segment

The Energy Segment encompasses electricity trading and marketing, power generation and the business unit for grid operations.

Continued Success in Southern Europe

Last year, the price industrial and large end-use customers in Switzerland paid for electricity was heavily influenced by the ever rising energy costs. Low reservoir levels prevented the Swiss hydroelectric plants from meeting the generation targets set for the year, and a generator failure at the Leibstadt nuclear power plant caused a five-month shutdown, meaning that Atel had to buy electricity in the open market to make up for the shortfall. Highlights of the year included the commissioning of the 14 kilometer long Nufenen transmission line. Completed after about ten years of construction, this power line plays an important role in ensuring the security of Switzerland's electricity supply.

Operations in the growing Italian market performed solidly despite a few outages. Benefiting from the tolling agreement signed in 2003 with Edipower, Atel Energia continued to increase its electricity sales. Having entered the gas business, Atel obtained competitive gas supply prices. At the same time, the Novel and ACTV gas-fired combined cycle plants came on line during 2005 and already met all their generation targets in their first year of operation. Furthermore, Atel Energia renewed existing supply contracts with large users and gained major new customers.

Entry into the Spanish Market

The new business unit set up last year to cover Western Europe got off to a successful start by expanding marketing business in France and opening a subsidiary, Atel Energia SA, in Barcelona. In Germany, Atel improved its sales volume, revenues and

Electricity Business

earnings, also supported by the optimal marketing partnerships put in place. Even though electricity prices were considerably higher, Atel successfully responded to the growing need for long-term supply schemes by offering flexible solutions.

The trading business clearly beat its profit targets. This good result was driven equally by trading in standard and structured products and by the new CO^2 certificate trading.

Last year, Atel further strengthened its leading position in Central and Eastern Europe with its 100 percent acquisition of the Moravske Teplarny thermal power plant and the expansion of the Kladno power plant. Its position was also reinforced by the ongoing strong performance of the Csepel generation facilities in Hungary.

Outlook for 2006

As the energy markets continue to open to competition, activities during 2006 will revolve around various political issues. These include a number of open questions of grid usage as well as the setup of swissgrid, the grid company. In view of the looming power supply shortage predicted for 2020, Atel is increasingly addressing the issue of building a new nuclear power plant in Switzerland.

While placing emphasis on continuously expanding its marketing and trading activities across Western Europe, Atel is concentrating on further enlarging its generating capacities in Italy, traditionally a power-importing country. In particular, the development of renewable energy projects will play a more significant role in the attractive Italian market in the future. Performance in the North European market should be fueled by the healthy growth prospects and good order books.

Overall, Atel expects prices to remain elevated during the current year, accompanied by increasing volatility in the electricity market with high utilization of transmission capacities.

Energy Services Segment

The Energy Services Segment comprises a wide range of services related to energy and its applications. The Atel Installationstechnik Group (AIT) covers the markets for energy supply technology, communication technology and building services across Switzerland, Northern Italy and France. Owned by Atel, the GAH Group is one of the leading service providers to the energy, communications and industrial sectors in Northern and Eastern Europe where it operates more than 30 companies and over 170 offices and support centers.

Acquisitions Drive Growth

Once again, the Atel Installationstechnik Group (AIT) suffered price erosion during 2005 because the anticipated consolidation of the ancillary building trade failed to materialize. Nevertheless, the adverse price trend in building services was offset by a higher sales volume. Very strong demand was seen for energy supply technology.

During 2005, the AIT Group made a series of targeted acquisitions to strengthen its expertise in electrical installations, automation technology and overhead contact line systems. Particularly notable is the takeover of Elektroline, a Prague-based company that has provided the AIT Group with a platform to develop the promising East European market and compensate for the lack of capital spending in its domestic Swiss market. The Energy Services business unit operating in Southern/Western Europe generated a satisfactory overall result, with energy supply technology contributing a good 40% and building services and facility management about 60%.

Positive Signals in Germany

Despite the continued weakness in economic growth during 2005, the relevant markets shaped up well for the German GAH Group. The slowest market was for building services. However, successful operations in other countries made up for the lackluster performance in Germany. Furthermore, the group sold off less profitable and non-core businesses at the end of 2005. Capital spending on energy transmission technology was well up on the year before, and long overdue projects to modernize networks and power generation facilities are now getting underway. The good performance in energy transmission technology also benefited the communication technology business

The energy and plant engineering operations maintained the satisfactory year-earlier level. A significant contribution came from business outside Germany which was spurred by an increase in new orders for nuclear engineering.

Outlook for 2006

For 2006, the Atel Installationstechnik Group sees development potential throughout its marketplace. Capital spending looks set to gather momentum in the promising Italian market. While the Swiss market will be characterized by a decline in residential construction, expenditure on other building construction should provide stimulus. Several interesting projects for energy supply technology are being implemented during 2006. Interest rates will be a key factor for the development of the market as a whole because they have a decisive impact on construction activity and capital spending.
Throughout 2006, the AIT Group will focus on more initiatives to round off its activities. To gain more market share, it plans to expand through organic growth and new acquisitions in particular regions and segments. Efforts will also be directed at strengthening the Atel brand in the eyes of customers and partners.

The GAH Group likewise anticipates good growth opportunities. With energy consumption rising and surplus capacities being reduced, the energy and plant engineering business is looking forward to strong demand in power plant construction. Various business units also expect to see growing demand in their foreign operations, especially coming from the Gulf States and Northeastern Europe. In the domestic German market, capital spending should be boosted by the awaited improvement in economic conditions.

Motor-Columbus Group Financial Review

Consolidated Results of Operations

The Motor-Columbus Group ended fiscal 2005 with successful results once again. After a lackluster start to the year, Motor-Columbus Ltd.'s principal subsidiary, the Atel Group, performed solidly, fueled especially by the European energy trading and marketing activities and its optimal positioning in the trading market. The increase in results was also supported by the change in accounting principles (elimination of goodwill amortization) and favorable financial and tax effects. The result generated is particularly impressive considering the prolonged outages in Switzerland and Italy, difficult situations on the northern border, slumps in the trading business of energy trading subsidiary Entrade and unscheduled reorganization costs incurred. The Energy Services Segment also improved its operating performance distinctly in a difficult market environment. Consolidated sales climbed 25% to approximately CHF 8.6 billion, and consolidated net income grew 22% to CHF 401 million. After deduction of minority interest, Group net income came in at CHF 228 million compared to CHF 175 million a year earlier.

Sales revenues again rose significantly, due in particular to the higher market prices. Compared to revenues, the volume of sales was only slightly up by 5%. The Energy Services Segment increased its sales distinctly despite continued weakness in economic conditions. On a like-for-like basis, in local currency and excluding acquisitions and divestitures, this segment grew sales by approximately 9%.

Consolidated income before interest, taxes, depreciation and amortization (EBITDA) remained stable year over year. In contrast, operating income (EBIT) rose 11% to CHF 534 million. The negative impact of generation outages (Leibstadt, Novel, Brindisi) on operating results and the poor trend in the results of subsidiary Entrade were partially offset by the good operating performance of the market units and trading operations. As opposed to 2005, the year-earlier figures had been boosted by the release of substantial provisions. Conversely, operating income for 2005 was positively impacted by the elimination of CHF 69 million in goodwill amortization following the change in accounting principles.

The good level of liquidity allowed interest-bearing liabilities to be reduced, which translated into lower interest charges. Net financial items were also positively impacted by higher income from investments and favorable movements in foreign currencies.

Consolidated Financial Position

Net capital spending on non-current assets totaled approximately CHF 104 million last year, and current assets rose CHF 910 million. The strong growth in sales led to a marked rise in accounts receivable and therefore current assets.

Liabilities mainly reflect the effects of changes in current assets. Trade accounts payable, like accounts receivable, increased as a result of the sales growth. The restrained capital spending and good results for the year allowed the Group to reduce debt by CHF 156 million and strengthen the equity base.

The Group's net debt decreased again during 2005. Shareholders' equity was CHF 1,171 million at year end, compared

Motor-Columbus Group

to CHF 962 million a year earlier, and the ratio of equity to total assets improved 2% year over year to 16%. These figures do not include minority interest of CHF 1,076 million.

Change in International Financial Reporting Standards (IFRS)

In the year under review, Motor-Columbus adopted various changes in IFRS accounting standards that came into effect on January 1, 2005. The impact of these changes and other adjustments in the Motor-Columbus Group's financial statements for 2004 and 2005 are presented in detail on pages 35 to 37.

Motor-Columbus Ltd.

Group Holding Company

Motor-Columbus Ltd., the Group holding company, ended 2005 with net income of CHF 43.7 million, a year-over-year improvement of approximately CHF 15.6 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 42.7 million.
Total assets of Motor-Columbus Ltd. remained almost level with the prior year. Assets showed a shift within current assets while liabilities shifted between current and non-current items.

Board of Directors

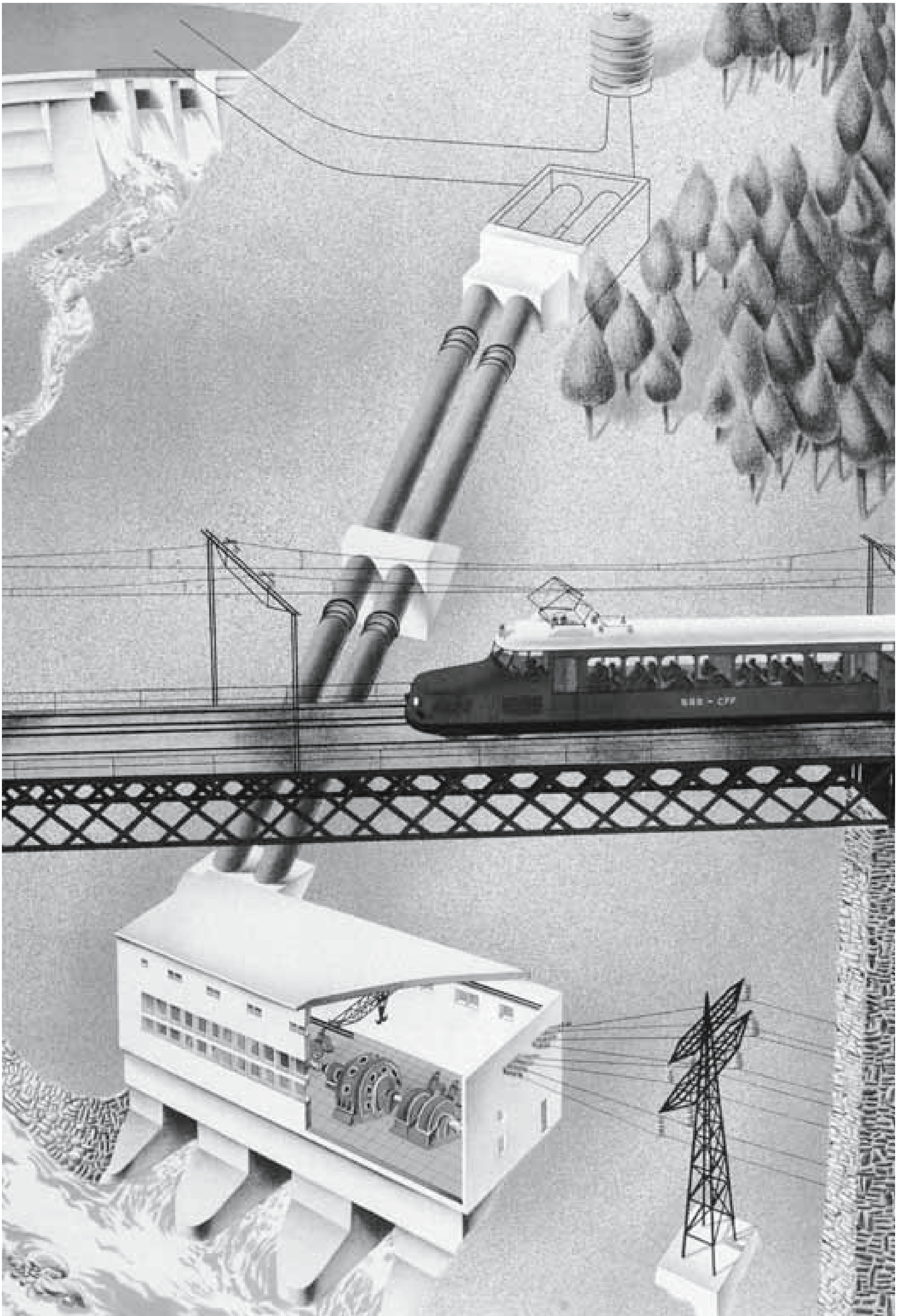
The Annual Meeting of Shareholders on June 2, 2005 re-elected Dr. Walter Bürgi for another three-year term. The Board appointed the following officers: Dr. h.c. Heinrich Steinmann to continue as Chairman and Chief Executive Officer and Mr. Jean-Philippe Rochon to serve as Vice Chairman.

In connection with the sale of UBS AG's 55.6% stake in Motor-Columbus, the whole Board will be replaced at the forthcoming Annual Meeting of Shareholders to be held on April 28, 2006.

Baden, March 9, 2006

On behalf of the Board of Directors and Executive Committee

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



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 16 ff.) and website (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 67 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 Executive 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 3,033 million at December 31, 2005;

Aare-Tessin Ltd. for Electricity (Atel), Olten,
(ISIN CH0001363305), 58.5%-owned by Motor-Columbus Ltd., with a market capitalization of CHF 5,753 million at December 31, 2005;

Società Elettrica Sopracenerina SA, Locarno
(ISIN CH0004699440), 59.5%-owned by Atel, with a market capitalization of CHF 253 million at December 31, 2005.

The principal consolidated companies are listed on pages 67 to 71 of this annual report.

Shareholders

On September 29, 2005, a consortium consisting of EDF International, Paris, EOS Holding, Lausanne, Azienda Industriale di Lugano SA, Lugano, Elektra Baselland, Liestal, Elektra Birseck Münchenstein, Münchenstein, IBAarau, Aarau, the Canton of Solothurn and

Corporate Governance

Aare-Tessin Ltd., Olten, signed share purchase agreements with UBS AG to acquire its 55.6% stake in Motor-Columbus Ltd. On execution of these acquisition agreements, this consortium would together hold 91.07% of the capital stock of Motor-Columbus Ltd., including the shares already owned by EDF International and EOS Holding. Subject to fulfillment of certain conditions, execution of these share purchase agreements is scheduled for spring 2006.

Furthermore, under the filing requirements of the Federal Stock Exchange and Securities Trading Act, the company received notification from Kreissparkasse Biberach, Germany, that its shareholding had fallen below the 5% threshold (having been 5.20%). At the same time, Lausanne-based EOS Holding announced in an April press release that it had acquired the 5.2% stake previously held by Kreissparkasse Biberach.

The company is therefore aware of the following shareholders at December 31, 2005:

UBS AG, Zurich	55.60%
EDF International, F-Paris	20.00%
EOS Holding, Lausanne	15.50%

UBS AG and EDF International have entered into a consortium agreement governing cooperation and existing preemptive rights.

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 43 of the consolidated financial statements of the Motor-Columbus Group and on page 79 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, 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 tender 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.


EMOSSON

Corporate Governance

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.

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.

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 d'Ingénieurs Electriciens de Grenoble. After holding various executive positions with EDF (Eléctricité de France), he became First Vice President of «EDF International et Gaz», heading the Strategy Division. In this function, he holds the following appointments: Director of EDF Benelux and of EDF Energia Italia.

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.

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 Sika AG, Baar, and Robert Bosch GmbH, Stuttgart (Germany); 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). 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 2005.

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:

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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 71.

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 124,283 and an expense allowance of CHF 10,000 for his services as Chairman. Under a share purchase plan, he had the opportunity to buy 28 shares in Motor-Columbus Ltd. at a reduced price, subject to a three-year vesting period. Including his salary as Chief Executive Officer, shares purchased and his fee as a director of Atel, his total compensation was CHF 1,260,481. The four non-executive directors together received a fee of CHF 380,371 plus expenses of

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CHF 20,000 for their services on the Board of Motor-Columbus Ltd. Together with their compensation for serving as directors of Atel, non-executive directors received total compensation (fees and expenses) of CHF 1,056,871. In addition, under a share purchase plan, they together bought 42 shares in Motor-Columbus Ltd., subject to a three-year vesting period.

The sum of all compensation paid to directors by the company and other Group companies last year was CHF 2,249,797.

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 2,086,380. In addition, a pension plan contribution of CHF 300,000 was made for one member in excess of the mandatory requirement.

Under a share purchase plan, they together bought 56 shares in Motor-Columbus Ltd., subject to a three-year vesting period.

According to our information, non-executive directors together hold 221 bearer shares in Motor-Columbus Ltd. while the Chairman and Executive Committee members together hold 316.

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 118,600 for services rendered as statutory and Group auditors. Fees of approximately CHF 32,300 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 2.8 million for these services plus additional fees of approximately CHF 1.9 million for other audit-related services, e.g. tax advice.

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).

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The most important dates this year are:

Annual Meeting of Shareholders:
Friday, April 28, 2006 in Baden

First-half 2006 report:
September 2006

Basis of presentation

The consolidated financial statements of the Motor-Columbus Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB) and comply with Swiss law. They present fairly the financial position, results of operations and cash flows of the Motor-Columbus Group. They have been prepared under the historical cost convention, except for certain items such as financial instruments and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements were approved by the Board of Directors of Motor-Columbus on February 9, 2006 and are subject to the approval of the Annual Meeting of Shareholders to be held on April 28, 2006.

Adoption of new and revised accounting standards

The accounting policies adopted are essentially consistent with those of the previous year. In fiscal 2005, the following IFRS and revised IAS that are relevant to the 2005 consolidated financial statements of Motor-Columbus were adopted for the first time in accordance with the requirements.

New standards adopted: IFRS 3 Business Combinations, IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, and Interpretation IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Revised IAS standards: IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 16 Property, Plant and Equipment, IAS 19 Employee Benefits, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement.

Furthermore, prior year comparative information in the consolidated income statement, balance sheet and notes to the consolidated financial statements has been reclassified, where necessary, to reflect changes in presentation for the current reporting period. The significant effects of the changes in accounting standards on the consolidated financial statements for 2005 and the prior year are discussed on pages 37 to 39.

IFRS 2 Share-based Payment has not been adopted because such payments are not significant.

Basis of consolidation

The consolidated financial statements of the Motor-Columbus Group comprise the consolidated financial statements of Swiss-based Aare-Tessin Ltd. for Electricity and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances, transactions, income and expenses are eliminated in full.

Subsidiaries are companies controlled directly or indirectly by Motor-Columbus (generally by holding more than 50% of the voting rights). These companies are consolidated from the date of acquisition and excluded from the consolidation at the date they are divested or that Motor-Columbus ceases to control them, in which case they are reported as investments and other assets.

Minority interests in affiliates 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. Motor-Columbus' share of these companies' assets, liabilities, expenses and income is disclosed in Note 12 on pages 51 to 52.

Applying IAS 39, all other investments are recorded at fair value and reported as «investments and other assets» in non-current assets.

All significant companies included in the consolidation are shown on pages 67 to 71, with an indication of the consolidation method applied and other information.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs, which is the Group's functional and presentation currency. The functional currency of each Group company is determined by the economic environment in which it operates. Transactions in foreign currencies are initially recorded in the Group company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date. The resulting exchange differences are recognized in the income statement.

Assets and liabilities of the subsidiaries are translated into Swiss francs at the rate of exchange ruling at the balance sheet date, while income and expense items are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized as a separate component of shareholders' equity. On the sale of a subsidiary, the deferred cumulative amount relating to that subsidiary is recognized in the income statement in the period in which the subsidiary is divested.

Intercompany transactions

Contractually agreed transfer or market prices are applied to charge goods and services supplied between Group companies. Electric power generated by joint ventures is invoiced to the shareholders at full cost under joint venture agreements in force.

Revenue recognition

Revenue from the sale of goods and services is recognized in the income statement when the goods are delivered or the services are performed. Energy contracts for trading purposes are included in sales on a net basis (recognizing gains less losses on trading contracts). Sales relating to construction contracts are recorded using the percentage of completion method under which revenue is recognized as the work is performed, based upon the proportion of contract work completed.

Income taxes

Income taxes are calculated on net income for the year, as reported in the income statement, using tax rates enacted or substantially enacted at the balance sheet date as applicable in the individual companies' financial statements. Income tax expense represents the sum of income taxes currently payable and those deferred.

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 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.

Deferred tax assets are recognized when it is more likely than not that they will be realized. Unrecognized tax assets are disclosed.

The effect of recognizing temporary differences is presented in Note 7 on pages 46 to 49.

Interest on borrowings

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 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.

Discontinued operations and non-current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale and the sale must be highly probable within the next 12 months. The same applies to a group (disposal group) of assets and related liabilities if they are to be sold together in one transaction.

Motor-Columbus recognizes non-current assets or disposal groups held for sale at the lower of carrying amount and fair value less costs to sell. These assets and/or disposal groups cease to be depreciated or amortized while they are held for sale. These assets and liabilities are presented separately from other Group assets and liabilities in the balance sheet.

A component of the business that represents a separate major line of business or geographical area of operations that has been divested or is a subsidiary acquired exclusively with a view to resale is classified as a discontinued operation. Net income of discontinued operations is reported separately in the consolidated income statement.

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

Commitments to clean up land and sites after license expiry or decommissioning are accounted for individually in accordance with the terms of contract. Replacements, renovations and improvements that substantially extend the useful life, increase the capacity or substantially improve the quality of output of assets are capitalized.

The costs of regular and major maintenance are included in the asset's carrying amount if the decisive criteria for capitalization are met. Otherwise the costs of repairs and maintenance, including regular maintenance, of buildings and operating facilities are expensed as incurred.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected. Gains or losses on fixed asset disposals are recognized in income.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at each fiscal year end, or more frequently if necessary.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition represents the consideration paid to acquire the acquiree's assets, liabilities and contingent liabilities. The consideration comprises cash payments and the fair value of the assets given and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes transaction costs directly attributable to the acquisition. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognized at their fair values.

Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the net identifiable assets acquired. Goodwill and fair value adjustments to net assets are recognized in the acquiree's assets and liabilities in that company's local currency. Goodwill is not amortized but tested for possible impairment at each balance sheet date. Goodwill may also arise on investments in affiliates and represents the difference between the costs of acquiring the affiliate and the Group's share of the fair value of its identifiable net assets. Such goodwill is recognized in investments in affiliates.

Intangible assets

Intangible assets are initially recognized at cost when they are acquired. Internally generated intangible assets are not capitalized; the costs are charged to the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and reviewed for impairment whenever there is an indication that they may be impaired. The amortization period and the amortization method are reviewed at each fiscal year end, or more frequently if necessary. At present, the useful lives of intangible assets currently recognized range from 3 to 15 years.

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

Power purchase rights

Power purchase rights are included in intangible assets in the balance sheet and are subject to impairment testing like other intangible assets. They 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.

Impairment of property, plant, equipment and intangible assets

The carrying amounts of property, plant, equipment and intangible assets are reviewed at least annually to determine whether there is any indication of impairment. In particular, this is done when changes in circumstances or events suggest that their value may be less than the carrying amounts. When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to the value deemed to be recoverable based on the discounted expected future cash flows. The recoverable amount of intangible assets with indefinite useful lives is reviewed annually.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated by discounting the estimated future cash flows (discounted cash flow method). If the asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

An impairment loss previously recognized for an asset in prior years is reversed in the income statement if impairment no longer exists or has been reduced. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

The annual impairment review is monitored centrally within the Group.

Impairment of goodwill

Goodwill is allocated to the cash-generating units to which the goodwill relates. These generally represent the identifiable regional marketing, service and production activities. Goodwill is reviewed for impairment annually. If the recoverable amount of the cash-generating unit, i.e. the higher of the unit's fair value less costs to sell and its value in use, is less than its carrying amount, an impairment loss is recognized to reduce the carrying amount. The method used for testing cash-generating units for impairment is disclosed in Note 11. If the value of goodwill increases again, impairment losses previously recognized are not reversed.

Investments in affiliates and joint ventures

An affiliate is a company over which Motor-Columbus has a significant influence by having the power to participate in its financial and operating policy decisions and that is neither a subsidiary nor a joint venture of Motor-Columbus. Where appropriate, companies may likewise be accounted for in the consolidated financial statements as affiliates using the equity method even though Motor-Columbus holds an interest of less than 20%. This applies in particular where Motor-Columbus is represented in the authoritative decision-making bodies – such as the Board of Directors – and is involved in the operating and financial policies or where market-relevant information is exchanged.

A joint venture is an entity that is jointly controlled by Motor-Columbus and one or more other partners under a contractual arrangement. Given this situation, joint ventures are accounted for in the consolidated financial statements using the equity method regardless of the Group's ownership interest in them. At present, Motor-Columbus holds interests of 9% to 54% in joint ventures.

The financial statements of affiliates and joint ventures are generally prepared using uniform accounting policies. Companies that apply different accounting standards for the preparation of their local financial statements also prepare a reconciliation to IFRS.

Inventories

Inventories mainly include fuels to generate electricity and materials to produce goods and services. Fuel inventories (oil, gas and coal) comprise all directly attributable costs of acquisition. They are managed using the weighted average inventory method and stated at the lower of weighted average cost or net realizable value. Cost includes all expenditure incurred in acquiring the inventories and transporting them to the storage location.

Inventories of materials are stated at the lower of cost, determined using the average cost method, or net realizable value. Production cost comprises all direct material and manufacturing costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leases

Overall, the Group's lease transactions are currently insignificant.

Construction contracts

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.

Contracts or groups of contracts where the degree of completion or outcome cannot be estimated reliably are recognized as an asset at the amount of contract costs that will probably be recoverable. Provisions are made for any losses expected to be incurred on the construction contracts. 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.

Provisions

Provisions cover all (legal or constructive) obligations arising from past transactions or events that are known 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.

Provisions are stated at the amount of the expected cash outflows discounted at the balance sheet date. Provisions are reviewed annually at the balance sheet date and adjusted to reflect current developments. The discount rates are pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

Employee benefit plans

The Group operates a number of employee benefit plans as required by law.

Swiss consolidated Group companies in the Energy Segment participate in a legally independent pension scheme of the Swiss defined benefit type that meets the criteria of a defined-benefit plan under IAS 19.

Employees of foreign subsidiaries in the Energy Segment are generally covered under state social security plans or independent defined contribution plans.

Swiss Group companies belonging to Atel Installationstechnik in the Energy Services Segment participate in a legally independent pension scheme that is fully reinsured. In the past, the benefit plans under this scheme were accordingly classified as defined contribution plans under IAS 19. A review of the contracts showed that constructive obligations have arisen under the revised Federal Occupational Retirement, Survivors' and Disability Pensions Act (BVG). These contracts now qualify as defined benefit plans. For this reason, Atel Installationstechnik has also calculated the benefit obligations and pension expense for these plans under IAS 19 for the first time, with the exception of small plans of its own that were not included in the IAS 19 valuation because they were insignificant. Their integration into the pension scheme of Atel Installationstechnik will be considered in 2006.

The first-time recognition of these plans as defined benefit plans under IAS 19 is described as a plan amendment in the tables presented in the notes.

The employees of foreign companies belonging to Atel Installationstechnik in the Energy Services Segment are covered under state social security plans.

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 the provision in the balance sheet.

The defined benefit obligation is calculated using 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. Actuarial gains and losses arising from the periodic revaluations are recognized as income or expense separately for each plan on a straight-line basis over the average remaining service lives of the employees if the actuarial gains and losses at the end of the reporting year exceed 10% of the higher of the fair value of plan assets and the defined benefit obligation at that date. This method is called the «corridor method».

All the plans are generally funded by employer and employee contributions. Employer contributions paid or owed to pension schemes providing defined contribution plans are recognized directly in the income statement.

Contingent liabilities

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 and extent of liabilities existing at the balance sheet date is disclosed as a contingent liability in the notes to the consolidated financial statements.

Segment information

The Energy Segment encompasses the Motor-Columbus 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 in the Energy Segment mainly comprise physical electricity deliveries from trading and marketing activities. Sales also include gains on energy trading contracts.

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

Financial instruments

Financial instruments comprise cash and cash equivalents, marketable securities, derivative financial instruments, financial investments, accounts receivable, and short-term and long-term debt.

Fair value measurement

The carrying amounts of cash and cash equivalents, accounts receivable and current liabilities represent fair values due to their short-term nature.

Loans receivable and financial investments that are listed on a stock exchange or readily marketable are stated at market 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.

Financial assets and liabilities

In accordance with the applicable rules under IAS 39, financial assets are classified as follows and measured uniformly according to the category:

- financial assets or liabilities at fair value through income,
- held-to-maturity investments,
- loans and receivables originated by the Group, and
- available-for-sale financial assets.

When financial assets and liabilities are initially recognized, they are measured at fair value. All regular way purchases and sales of financial assets are recognized on the trade date.

Financial assets or liabilities at fair value through income

Financial assets classified as held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives are also classified as assets or liabilities held for trading. In addition, financial assets or liabilities not held for trading can be designated to this category.

After initial recognition, derivative financial instruments held for trading in the course of energy business are stated at fair value, with changes in asset value recorded in net sales in the period to which they relate. Other derivatives held for trading and other financial instruments included in this category are subsequently stated at fair value, with changes in asset value recognized in financial income or expense.

Cash and cash equivalents consist of cash on hand, postal checking and bank account balances, demand deposits, and time deposits with maturities of 90 days or less. Marketable securities primarily comprise readily tradable securities. They are stated at market value, with fluctuations in value being recognized in the income statement in the period to which they relate.

Own equity instruments reacquired by the Motor-Columbus Group (treasury stock) are deducted from shareholders' equity. Purchases or sales of company equity instruments are not recognized in income.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed maturities that the Motor-Columbus Group has the positive intention to hold to maturity. They are stated at amortized cost. Investments intended to be held for an undefined period are not included in this category.

Loans and receivables

Loans and receivables are financial assets created by the Group by providing money, goods or services to third parties. They are generally stated at amortized cost using the effective interest method. Gains and losses are recognized in income when the financial asset or financial liability is derecognized or impaired, as well as through the amortization process.

Trade and other accounts receivable are stated at nominal value less allowances for doubtful accounts.

Available-for-sale financial assets

All other financial assets are classified as available for sale.

Financial liabilities

Liabilities comprise amounts due within and after more than one year, which are stated at the amount repayable, plus accrued expenses. The reported liabilities do not differ materially from the values determined using the amortized cost method.

Impairment and uncollectibility of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For assets stated at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the asset's original effective interest rate. The amount of any loss is recognized in income. A previously recognized impairment loss is reversed in the income statement if impairment no longer exists or has been reduced. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

For assets stated at cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the current market rate of return for a similar financial asset. Losses are recognized in income. These impairment losses are not reversed if the value increases again.

If a decrease in the fair value of available-for-sale financial assets has been recognized directly in shareholders' equity, a loss (difference between cost and the current fair value) is transferred from shareholders' equity to the income statement when there is objective evidence of impairment. As opposed to debt instruments, any later increase in the fair value of equity instruments is not recognized in income.

Hedge accounting

In the reporting period, the Motor-Columbus Group did not adopt hedge accounting, which could be voluntarily used for hedging transactions.

Sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions – in particular in assessing impairment, measuring provisions and valuing investments and financial assets – that affect the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Any changes in estimates and assumptions will be recognized and disclosed in the period in which they are determined.

Impairment of property, plant, equipment, intangible assets and goodwill

The carrying amount of the Motor-Columbus Group's property, plant, equipment and intangible assets, including goodwill, was approximately CHF 2.6 billion at year end on December 31, 2005. These assets are tested for impairment annually. Determining whether assets are impaired requires estimates of the future cash flows expected to arise from their use and potential sale. Actual cash flows may differ significantly from these estimates. Other factors – such as changes in planned useful lives of assets or technical obsolescence of plant – may shorten the useful lives or result in an impairment loss.

Changes in presentation

Starting in 2005, Motor-Columbus now classifies «equity in income of affiliates» as operating revenue (previously recognized as financial income). In 2005, the change had the effect of increasing operating revenues and operating income (EBIT) by CHF 74 million (2004: CHF 60 million). This reclassification has not impacted the overall result. Prior year statistics and ratios have been restated accordingly.

Significant changes in accounting policies due to new and revised accounting standards

The changes in accounting policies have had the following significant effects on the consolidated financial statements of Motor-Columbus.

IFRS 3 Business Combinations

Recognized goodwill is no longer amortized on a straight-line basis over its estimated useful life but is only written down as and when impairment is determined. In accordance with the accounting standards, this change has been applied prospectively. In fiscal 2004, the carrying amount of regular goodwill amortization was CHF 69 million, which has been eliminated in the 2005 reporting period. Due to the elimination of goodwill amortization, earnings per share increased by CHF 136.36 in 2005.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The standard includes rules for the measurement and disclosure of assets and liabilities of disposal groups. One particular impact on the Motor-Columbus Group was their first-time classification and disclosure as a separate item on both the asset and liability sides of the balance sheet, described as «assets held for sale» and «liabilities held for sale» respectively.

IAS 28 Investments in Associates
IAS 31 Interests in Joint Ventures

The goodwill of CHF 46 million attributable to affiliates at December 31, 2004 was reclassified to investments in affiliates in the balance sheet at January 1, 2005 in accordance with the revised accounting standards.

Furthermore, the revised standards now require all companies accounted for using the equity method – including joint ventures – to be valued and included in the consolidated financial statements using uniform accounting policies complying with IFRS rules. This change must be applied retrospectively. Using these principles, the joint venture plants prepared reconciliations from their local Swiss GAAP (ARR) financial statements to IFRS at January 1, 2004. For the reconciliation, the companies applied all IFRS standards, including Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), retrospectively to January 1, 2004. The adjustments decreased the Motor-Columbus Group's consolidated shareholders' equity by CHF 10 million at January 1, 2004. The changes also affected the reported amounts of investments in affiliates (down CHF 10 million), long-term provisions (up CHF 3 million) and deferred income tax liabilities (down CHF 3 million) in the balance sheet. The application of the revised IAS 28/31 reduced operating expenses (energy costs) by CHF 2 million net in 2004 and by CHF 25 million in 2005. In the cash flow statement for 2004, other non-cash expenses decreased by CHF 2 million due to the effect of the higher EBITDA. Retrospective application of the revised standard increased earnings per share by CHF 3.04 in 2004 (2005: CHF 38.04 per share).

IAS 19 Employee Benefits

The amendments to IAS 19 were published in December 2004 and are effective starting on January 1, 2006. Motor-Columbus has adopted the revised standard early for fiscal 2005. Adoption of the revised IAS 19 has resulted in a considerable number of additional disclosures. While applying the new presentation, Motor-Columbus reclassified some prior year figures. The adjustments have not impacted income or affected total personnel expenses by comparison with the prior year.

IAS 39 Financial Instruments: Recognition and Measurement

Motor-Columbus has applied IAS 39 in full since 2001. The amendments to this standard that took effect on January 1, 2005 must be applied retrospectively. The change in the method for measuring financial assets at fair value increased shareholders' equity by CHF 15 million retrospectively at January 1, 2004. As a result of the adjustments, investments and other assets increased by CHF 20 million and deferred tax liabilities by CHF 5 million in the balance sheet. The revised standard had no impact on income for the full year 2004.

Following the adoption of the revised IAS 39, all financial liabilities that may mature within 12 months are now classified as current liabilities. This also includes liabilities that are payable but have already been refinanced and all mortgages. The figures in the prior year balance sheet at December 31, 2004 have been restated accordingly. In the process, mortgages amounting to CHF 29 million have been reclassified from long-term debt to short-term debt.

In mid-2005, IASB published another amendment to IAS 39 in respect of the fair value option. Motor-Columbus adopted the changes at January 1, 2005 for certain financial assets. In the reporting period, CHF 16 million in income was recognized due to the application of the fair value option. The proposed amendments to IAS 39 effective from 2006 have not been adopted early by Motor-Columbus. The application of the fair value option increased earnings per share by CHF 31.62 in 2005.

IAS 1 Presentation of Financial Statements

IAS 27 Consolidated and Separate Financial Statements

Under the revised standards, minority interest is included in shareholders' equity and no longer presented as a separate item in the balance sheet. Retrospective application increased the Group's shareholders' equity by the amount of minority interest. Consolidated shareholders' equity and the relevant prior year balance sheet ratios have been restated retrospectively.

Effect of changes in estimates

In accordance with IFRS requirements, Motor-Columbus periodically reviews the assumptions and estimates used. The review of assumptions and estimates showed a need to adjust the calculation of deferred taxes. Under a provision of Swiss law, income taxes are imposed on capital gains on investments sold during a transitional period from 1997 to 2006. Management has reassessed the situation and believes it is unlikely that any such investments will be sold during the transitional period, i.e. before December 31, 2006. The revised estimate resulted in the release of provisions for deferred income liabilities and thus a reduction of CHF 24 million in income tax expense for the 2005 reporting period.

Correction of prior year presentation errors

For deliveries and purchases of electricity, Motor-Columbus transacts a significant portion of its trading business based on standard contracts issued by the European Federation of Energy Traders (EFET). The terms of these contracts include a netting agreement between the parties. In particular, this agreement governs clearing arrangements for payments between the contracting parties. If the parties are both customer and supplier within the settlement period, receivables and payables are offset at the specified date and a net payment is made. In-depth clarifications have shown that, under the netting agreement, receivables and payables reported at the balance sheet date should be recorded as net amounts. The net presentation resulted in a retrospective reduction of CHF 629 million in trade accounts receivable and payable at December 31, 2004 (January 1, 2004: CHF 317 million). The corresponding amount was CHF 882 million at December 31, 2005.

A review of the presentation of deferred income taxes (assets and liabilities) has shown that an amount of CHF 35 million was reported net rather than gross. The presentation has been adjusted retrospectively in the balance sheet at December 31, 2004 and, at the same time, the reconciliation of income tax expense has been restructured, as have other disclosures. The net amount at January 1, 2004 was CHF 30 million.

In the cash flow statement, the application of changes to classification policies has resulted in reclassifications within cash flows from operating activities. The adjustments have not impacted items other than cash flows from operating activities.

In 2004, a foreign trading company in the Motor-Columbus Group recognized a portion of its energy trading contracts as a gross amount rather than a net amount in sales. However, these transactions were measured correctly. In the reporting for 2005, sales and energy costs for 2004 have been retrospectively corrected downward by CHF 88 million in the consolidated income statement and in the segment information presented for the Energy Segment.

General policies

In the course of its operations, the Motor-Columbus Group is exposed to strategic and operational risks, and especially energy price, interest rate, credit, foreign exchange and liquidity risks. During the annual business risk assessment process, all the strategic and operational risks are recorded and assessed throughout the Group and then assigned to defined risk management units for control and monitoring. The implementation of decisions taken is reviewed in internal audits. Exposure limits are set for energy price, interest rate, credit, foreign exchange and liquidity risks, and their compliance is monitored on an ongoing basis; these limits are adjusted in the context of the company's overall risk capacity.

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 goal is to guarantee a reasonable balance between business risks incurred, earnings and risk equity.

The financial risk management program defines the substance, organization and system for risk management within the Motor-Columbus Group. 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.

Energy price risk

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.

Derivative financial instruments are used to manage risks inherent in underlying physical transactions in line with the risk management program.

Interest rate risk

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. The gains or losses on such transactions are recorded in the income statement as financial income or expense. The Group minimizes interest rate risks by entering into long-term financing arrangements and using a staggered debt maturity schedule.

Credit risk

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, its policy is to enter into commitments only with counterparties who meet the criteria of the Motor-Columbus Group's energy risk management program. The Motor-Columbus Group's exposure to concentration risk is minimized due to the number and wide geographic spread of customers.

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. Credit risk is restricted by setting exposure limits for each counterparty chosen.

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 currency (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.

Foreign exchange risks arising from energy generation or purchasing are passed on to the counterparty as far as possible by contract. Where this is not possible or only partially possible, forward exchange contracts and currency options with a hedging horizon of up to 24 months are used to manage exposure in line with the financial risk management program. In this case, the exposure to foreign exchange risk is generally centralized in Motor-Columbus Ltd. Foreign exchange risk arising from the Euro is considered acceptable and expected to be offset over the long term by the interest rate differential so this risk is not hedged.

Foreign exchange risks associated with balance sheet items denominated in foreign currencies (translation risk) are not hedged.

Liquidity risk

In European energy trading, many receivables are offset and settled on fixed dates. This reduces peak liquidity requirements. On the energy exchanges and among large energy traders, trading margins are common to reduce the counterparty risk, which can lead to substantial receivables in the short term owing to movements in energy prices. Motor-Columbus responds to these fluctuations in requirements by holding sufficient liquid resources and arranging confirmed credit lines with first-rate banks.

Consolidated Statement of Income of the Motor-Columbus Group

Year ended December 31, CHF in millions	Note	Restated* for 2004	2005
Net sales	30	**6 867**	**8 580**
Equity in income of affiliates		60	74
Capitalized costs		11	11
Other operating income	2	140	135
Operating revenues		**7 078**	**8 800**
Energy and goods purchased	3	-5 338	-7 002
Materials and services purchased		-85	-98
Personnel expenses	4	-642	-679
Other operating expenses		-282	-291
Income before interest, taxes, depreciation and amortization (EBITDA)		**731**	**730**
Goodwill amortization	5	-74	0
Depreciation and amortization	5	-175	-196
Income before interest and taxes (EBIT)		**482**	**534**
Financial expense, net	6	-50	-39
Income before income taxes		**432**	**495**
Income taxes	7	-104	-94
Consolidated net income		**328**	**401**
Net income attributable to minority interest		-153	-173
Net income attributable to Motor-Columbus shareholders	8	**175**	**228**
Earnings per share (CHF)	8	**346**	**451**

* For details of adjustments, see page 35 ff.

Consolidated Balance Sheet of the Motor-Columbus Group

Assets

December 31, CHF in millions	Note	Restated* for 2004	2005
Property, plant and equipment	9	1 937	2 100
Intangible assets	10, 11	591	522
Investments in affiliates	12	625	1 201
Investments and other assets	13	659	204
Deferred income tax assets	7	112	107
Non-current assets		**3 924**	**4 134**
Inventories	15	72	102
Accounts receivable	14	1 367	1 722
Time deposits	23	170	24
Cash and cash equivalents	16, 23	596	872
Marketable securities	17, 23	86	43
Derivative financial instruments	23	32	423
Assets held for sale	24	0	58
Prepaid expenses		37	26
Current assets		**2 360**	**3 270**
Total assets		**6 284**	**7 404**

Shareholders' equity and liabilities

Capital stock	18	253	253
Retained earnings		709	918
Shareholders' equity attributable to Motor-Columbus shareholders		**962**	**1 171**
Shareholders' equity attributable to minority interest		937	1 076
Total shareholders' equity		**1 899**	**2 247**
Provisions	19	643	572
Deferred income tax liabilities	7	300	303
Long-term debt	20	1 919	1 796
Other long-term liabilities	21	15	11
Non-current liabilities		**2 877**	**2 682**
Current income tax liabilities		46	49
Short-term debt		233	200
Other current liabilities	22	929	1 437
Derivative financial instruments	23	32	414
Liabilities held for sale	24	0	60
Accrued expenses		268	315
Current liabilities		**1 508**	**2 475**
Total liabilities		**4 385**	**5 157**
Total shareholders' equity and liabilities		**6 284**	**7 404**

* For details of adjustments, see page 35 ff.

CHF in millions	Capital stock	Treasury stock	Translation adjustments	Retained earnings	Attributable to MC shareholders	Attributable to minority interest	Total shareholders' equity
Balance at December 31, 2003	**253**	**0**	**9**	**550**	**812**	**848**	**1 660**
Effect of first-time adoption of new and revised IAS and IFRS standards (after taxes)				3	3	2	5
Balance at January 1, 2004	**253**	**0**	**9**	**553**	**815**	**850**	**1 665**
Translation adjustments			-5		-5	-2	-7
Total income and expense recognized in equity			**-5**		**-5**	**-2**	**-7**
Net income for the year				175	175	153	328
Total recognized income for the year			**-5**	**175**	**170**	**151**	**321**
Dividends paid				-23	-23	-40	-63
Change in minority interest due to purchase of Atel shares					0	-24	-24
Balance at December 31, 2004	**253**	**0**	**4**	**705**	**962**	**937**	**1 899**
Translation adjustments			6		6	5	6
Total income and expense recognized in equity			**6**		**6**	**5**	**11**
Net income for the year				228	228	173	401
Total recognized income for the year			**6**	**228**	**234**	**178**	**412**
Dividends paid				-25	-25	-33	-58
Change in minority interest					0	-6	-6
Balance at December 31, 2005	**253**	**0**	**10**	**908**	**1 171**	**1 076**	**2 247**

For 2005, the Board of Motor-Columbus is recommending a dividend of CHF 80 per bearer share for approval at the 2006 Annual Meeting of Shareholders; this represents a total distribution of CHF 40 million. See page 83 «Appropriation of Retained Earnings» for more information.

Consolidated Statement of Cash Flows of the Motor-Columbus Group

Year ended December 31, CHF in millions	Restated* for **2004**	**2005**
Income before interest, taxes, depreciation and amortization (EBITDA)	**731**	**730**
Adjustments for:		
Capitalized costs	-11	-11
Provisions charged, utilized and released	-92	-41
(Gains) losses on sales of non-current assets	-14	-1
Other non-cash items	14	-2
Equity in income of affiliates	-60	-74
Dividends received from affiliates and financial investments	37	29
Interest paid	-90	-76
Interest received	16	15
Other financial expense	-21	-9
Other financial income	5	7
Income taxes paid	-65	-87
Change in working capital (excl. current financial assets and liabilities)	-223	127
Net cash provided by operating activities	**227**	**607**
Property, plant, equipment and intangible assets		
Purchases	-152	-167
Proceeds from sales	32	5
Subsidiaries		
Acquisitions	0	-110
Proceeds from sales	0	-2
Change in ownership interests	-23	-17
Affiliates		
Purchases	-2	0
Proceeds from sales	34	0
Investments and other assets		
Purchases	-32	-10
Proceeds from sales/repayments	7	2
Change in time deposits	-168	144
Purchases/proceeds from sales of marketable securities	-20	51
Net cash used in investing activities	**-324**	**-104**
Dividends paid	-23	-25
Dividends paid to minority shareholders	-40	-33
Proceeds from issuance of debt	323	81
Repayments of debt	-399	-257
Net cash used in financing activities	**-139**	**-234**
Effect of exchange rate changes	**1**	**7**
Change in cash and cash equivalents	**-235**	**276**
Analysis:		
Cash and cash equivalents at January 1	831	596
Cash and cash equivalents at December 31	596	872
Change	**-235**	**276**

Free cash flow

Net cash provided by operating activities	227	607
Capital expenditures on plant replacements	-81	-89
Proceeds from sales of property, plant, equipment and intangible assets	32	5
Free cash flow	**178**	**523**

* For details of adjustments, see page 35 ff.

Note 1

Currency translation rates

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

	Year-end		Average	
Unit	12/31/04	12/31/05	2004	2005
1 USD	1.13	1.31	1.24	1.25
1 EUR	1.54	1.555	1.54	1.548
100 HUF	0.63	0.62	0.61	0.63
100 CZK	5.07	5.36	4.85	5.20
100 PLN	37.79	40.35	34.15	38.56
100 NOK	18.72	19.42	18.45	19.33

Note 2

Other operating income

This item includes CHF 25 million (2004: CHF 51 million) released from redundant provisions.

Note 3

Energy and goods purchased

CHF in millions	2004	2005
Power purchased from third parties	3 746	5 277
Power purchased from affiliates (joint ventures)	354	342
Power purchased from affiliates (other companies)	52	14
Other energy purchases	445	556
Goods purchased	741	813
Total	**5 338**	**7 002**

Note 4

Personnel expenses

CHF in millions	2004	2005
Wages and salaries	507	550
Defined benefit pension expense	21	13
Defined contribution pension expense	9	5
Other personnel expenses	105	111
Total	**642**	**679**

Average number of employees	2004	2005
Employees (full-time equivalents)	7 272	7 772
Apprentices	609	605
Total	**7 881**	**8 377**

Number of employees at year end	12/31/04	12/31/05
Employees (full-time equivalents)	7 420	8 021
Apprentices	599	637
Total	**8 019**	**8 658**

Note 5

Depreciation, amortization and impairment

CHF in millions	2004	2005
Depreciation of property, plant and equipment	120	140
Amortization of power purchase rights	51	51
Amortization of goodwill	74	-
Amortization of other intangible assets	4	5
Total	**249**	**196**

No impairment was recognized in 2004/2005. Information about impairment testing of goodwill and intangible assets is disclosed in Note 11.

Note 6

Financial expense, net

CHF in millions	2004	2005
Interest income	17	16
Interest expense (incl. interest on provisions; Note 19)	-102	-93
Dividend income from financial investments	3	-
Foreign exchange gains (losses), net	-6	20
Other financial income (expense), net	38	18
Total	**-50**	**-39**

Note 7

Income taxes

Income tax expense recognized in the income statement

CHF in millions	2004	2005
Current income taxes	82	90
Deferred income taxes	22	4
Total	**104**	**94**

Note 7

Reconciliation

CHF in millions	2004	2005
Income before income taxes	432	495
Expected tax rate (weighted average)	*24.7%*	*26.9%*
Income taxes at expected tax rate	106	133
Reconciliation of differences in tax expense:		
Effect of non-tax-deductible expenses	9	16
Prior period effects	19	-3
Effect of tax-exempt income	-19	-23
Tax credits due to official compensation measures	-16	0
Reversal of deferred tax provision due to changes in estimates	0	-24
Write-downs of tax loss carryforwards	4	15
Effect of tax loss carryforwards utilized	0	-11
Effect of tax rate changes	0	-4
Other effects	1	-5
Total income tax expense	**104**	**94**
Effective tax rate (weighted average)	*24.1%*	*19.0%*

The change in the expected tax rate from 24.7% to 26.9% was mainly caused by a change in the relative shares of total income attributable to the Group's companies in the respective countries.

Deferred tax assets and liabilities by nature of temporary differences

CHF in millions	12/31/04	12/31/05
Tax losses not yet utilized	20	14
Property, plant and equipment	54	49
Other non-current assets	1	1
Current assets	0	5
Provisions and liabilities	37	38
Total deferred tax assets	**112**	**107**
Property, plant and equipment	72	67
Other non-current assets	171	152
Current assets	26	62
Provisions and liabilities	31	22
Total deferred tax liabilities	**300**	**303**
Net deferred tax liability	**188**	**196**

At December 31, 2005, various subsidiaries had tax loss carryforwards totaling CHF 173 million (2004: CHF 196 million) that will be available for offset against taxable income in future periods.

Deferred tax assets are recognized for tax loss carryforwards only to the extent that the realization of the related tax benefits is probable. The Group has not recognized tax loss carryforwards of CHF 121 million (December 31, 2004: CHF 130 million).

Note 7

Tax loss carryforwards are available for offset in the following periods:

CHF in millions	12/31/05
Within 1 year	3
Within 2–4 years	22
After more than 4 years	96
Total	**121**

Note 8

Earnings per share

	2004	2005
Total outstanding shares of CHF 500 par value	506 000	506 000
Less treasury stock	0	0
Shares in circulation	506 000	506 000
Net income attributable to Motor-Columbus shareholders (CHF in millions)	175	228
Earnings per share (CHF)	**345.85**	**450.59**

There are no circumstances that could have a dilutive effect on earnings per share.

Note 9

Property, plant and equipment

CHF in millions	Land and buildings	Generation plant	Transmission systems	Other fixed assets	Constr. in progress	Total
Gross amount at 12/31/04	**258**	**1 657**	**1 197**	**254**	**26**	**3 392**
Acquisitions and divestitures	4	102		-1		105
Additions	5	13	59	38	36	151
Capitalized costs			3		8	11
Reclassifications	5		11		-16	0
Disposals	-4		-18	-31	-1	-54
Translation adjustments	7	37	-1	2		45
Gross amount at 12/31/05	**275**	**1 809**	**1 251**	**262**	**53**	**3 650**
Accum. depreciation at 12/31/04	**81**	**546**	**635**	**193**	**0**	**1 455**
Acquisitions and divestitures				-2		-2
Charge for the year	16	48	49	27		140
Disposals	-3		-18	-29		-50
Translation adjustments	-1	8	-1	1		7
Accum. depreciation at 12/31/05	**93**	**602**	**665**	**190**	**0**	**1 550**
Net carrying amount at 12/31/04	177	1 111	562	61	26	1 937
Net carrying amount at 12/31/05	**182**	**1 207**	**586**	**72**	**53**	**2 100**

At year end, the Group had contractual commitments of CHF 114 million to construct and purchase property, plant and equipment.

Note 10

Power purchase rights and intangible assets

CHF in millions	Power purchase rights	Good-will	Other intang. assets	Total
Gross amount at 12/31/04	**626**	**579**	**144**	**1 349**
Reclassification to investments in affiliates, effect of revised IAS 28		-46		-46
Reclassification of accumulated amortization, effect of new IFRS 3		-410		-410
Gross amount at 01/01/05	**626**	**123**	**144**	**893**
Additions			16	16
Arising on acquisitions		5		5
Arising on change in ownership interests		8		8
Disposals			-2	-2
Translation adjustments		4	1	5
Gross amount at 12/31/05	**626**	**140**	**159**	**925**
Accumulated amortization at 12/31/04	**267**	**410**	**81**	**758**
Reclassification to gross amount, effect of new IFRS 3		-410		-410
Accumulated amortization at 01/01/05	**267**	**0**	**81**	**348**
Charge for the year	51		5	56
Disposals			-2	-2
Translation adjustments			1	1
Accumulated amortization at 12/31/05	**318**	**0**	**85**	**403**
Net carrying amount at 12/31/04	359	169	63	591
Net carrying amount at 12/31/05	**308**	**140**	**74**	**522**

The carrying amount of other intangible assets with indefinite useful lives was CHF 45 million at December 31, 2005. These assets mainly comprise rights to use property, plant and equipment owned by third parties where the useful life for Motor-Columbus is indefinite according to current assessments. The category of intangible assets with indefinite useful lives is allocated to the «Grid» cash-generating unit in the Energy Segment.

Note 11

Impairment testing of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives have been allocated to cash-generating units as follows for the purpose of impairment testing:

CHF in millions	Value in use (VIU)	Dis-count rate	12/31/05
Energy Segment			
Generation Central/Eastern Europe	VIU	7.2%	119
Trading Central/Eastern Europe	VIU	7.4%	11
Grid Switzerland	VIU	6.7%	45
Energy Services Segment			
Southern/Western Europe region	VIU	5.0%	9
Northern/Eastern Europe region	VIU	6.4%	1
Total			**185**

Note 11

The recoverable amount used for impairment testing of goodwill and intangible assets with indefinite useful lives is generally based on value in use. This represents the present value of the estimated future cash flows for each cash-generating unit. The cash flows and growth rates are based on current business plans approved by management. The plans were prepared on the basis of historical experience and cover a 5-year planning period. Cash flows were extrapolated for the 6th plan year and beyond, assuming no growth.

Note 12

Investments in affiliates and joint ventures

CHF in millions	Joint ventures [1]	Other companies	Total
Carrying amount at 12/31/04	**367**	**266**	**633**
Effect of revised IAS 31	-8		-8
Carrying amount at 12/31/04 (restated)	**359**	**266**	**625**
Reclassification of goodwill, effect of revised IAS 28		46	46
Carrying amount at 01/01/05	**359**	**312**	**671**
Reclassification of financial investments		473	473
Additions			
Disposals			
Dividend	-18	-11	-29
Equity in net income reported by the companies	20	54	74
Effect of reconciliation for IFRS consolidation and other adjustments charged/credited to energy costs	11		11
Translation adjustments		1	1
Carrying amount at 12/31/05	**372**	**829**	**1 201**

[1] In 1999, Motor-Columbus 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 impairment charge of CHF 600 million. Interests in joint venture plants are reviewed for impairment annually; any significant changes in value are recognized in the income statement in the period to which they relate. Reconciliation effects and adjustments charged/credited to energy costs include the recognized differences of CHF 25 million in the valuations in the local GAAP and IFRS financial statements. They also include a negative CHF 14 million for the effects of the change in the carrying amounts of interests in joint venture plants. The change in carrying amounts is associated with the above-mentioned 1999 valuation of generation plant. The amount of change depends on the actual and expected cash flows of the interest in each joint venture plant over its remaining service life or license term.

Atel owns a 16% stake in Edipower. Its commercial interest is 20% of generation capacity. In the past, the investment was included in financial investments at fair value. In 2005, the Group increased its influence over the company's operating and financial policy decisions in the authoritative decision-making bodies. To reflect the changed circumstances, the investment was reclassified from financial investments to investments in affiliates in the fourth quarter of 2005.
The market value of the Group's interest in listed companies was CHF 564 million at December 31, 2005 (December 31, 2004: CHF 480 million). The carrying amount of these companies was CHF 294 million at year end (CHF 280 million).

Note 12

Summary financial information of affiliates and joint ventures

CHF in millions	Gross amount 2004	Gross amount 2005	MC Group share 2004	MC Group share 2005
Joint ventures				
Non-current assets	9038	9274	2803	2899
Current assets	455	531	139	151
Non-current liabilities	7350	7327	2351	2313
Current liabilities	496	756	121	238
Income	1348	1331	394	390
Expenses	-1278	-1259	-375	-370
Net income	70	72	19	20
Other companies				
Non-current assets	5361	24009	502	2531
Current assets	1510	4710	179	494
Non-current liabilities	2571	17500	235	1694
Current liabilities	1706	5271	180	502
Income	3054	6204	419	842
Expenses	-2621	-5690	-378	-788
Net income	433	514	41	54

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 Motor-Columbus Group, the prorated regular annual costs average approximately CHF 340 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. They have the same obligation to pay limited additional contributions to the waste disposal fund.

The impairment charges for interests in joint venture plants that were recognized in the Motor-Columbus Group's consolidated financial statements for 1999 are not reflected in the table showing the gross and Group's share of the carrying amounts of joint ventures.

Starting in 2005, all significant companies prepared financial statements in accordance with IFRS principles. Reconciliations were prepared in cases where IFRS financial statements were not available. Prior year figures have been restated accordingly.

A few affiliates and joint ventures make up their financial statements to a different date from the rest of the Group. Those companies publish financial statements for the year ended September 30 which are included in the consolidated financial statements of Motor-Columbus. It is not feasible for those companies to prepare interim financial statements at Motor-Columbus' year end on December 31; those companies' (joint ventures) results for the year usually do not fluctuate appreciably. Any significant transactions and events occurring between September 30 and December 31 are recognized in the consolidated financial statements.

Note 13

Investments and other assets

CHF in millions	Financial investments	Loans receivable	Total
Carrying amount at 12/31/04	**624**	**15**	**639**
Effect of revised IAS 39	20		20
Carrying amount at 01/01/05	**644**	**15**	**659**
Acquisitions and divestitures			
Reclassification to investments in affiliates	-473		-473
Additions	2	8	10
Changes in fair value	16		16
Reclassifications	-5	-1	-6
Disposals	-1	-1	-2
Carrying amount at 12/31/05	**183**	**21**	**204**

The reclassification to investments in affiliates is explained in Note 12.

Note 14

Accounts receivable

CHF in millions	12/31/04	12/31/05
Trade accounts receivable	995	1 346
Unbilled revenue	84	111
Other accounts receivable	288	265
Total	**1 367**	**1 722**

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

CHF in millions	12/31/04	12/31/05
Unbilled revenue, gross	401	493
Advance payments received from customers	-317	-382
Unbilled revenue, net	**84**	**111**

Note 15

Inventories

At year end, inventories primarily included fuels (oil, gas, coal) with a carrying amount of CHF 69 million (2004: CHF 48 million) as well as consumables and supplies valued at CHF 33 million (2004: CHF 24 million).

Note 16

Cash and cash equivalents

CHF in millions	12/31/04	12/31/05
Demand deposits	329	555
Time deposits maturing within 90 days	267	138
Margining agreements (counterparty collateral)	-	179
Total	**596**	**872**

Note 16

A balancing entry for margining agreements is recognized in current liabilities. Demand deposits include CHF 65 million in liquid funds earmarked for scheduled maintenance work and debt services associated with project financing and CHF 98 million for collateral to energy trading exchanges and grid operators.

Note 17

Marketable securities

This item comprises readily marketable securities only.

Note 18

Shareholders' equity

Capital stock

The capital stock of CHF 253 million is fully paid in.

By their own accounts, shareholders are:

%	Interest
UBS AG	55.6
EDF Electricité de France	20.0
EOS Holding	15.5
Public	8.9

Note 19

Provisions

CHF in millions	Contract risks	Annual cost liabilities	Provisions for pensions	Other provisions	Total
Non-current provisions at 12/31/04	**219**	**139**	**156**	**126**	**640**
Effect of revised IAS 31		3			3
Non-current provisions at 01/01/05	**219**	**142**	**156**	**126**	**643**
Current provisions	35	25	9	46	115
Total provisions at 01/01/05	**254**	**167**	**165**	**172**	**758**
Acquisitions and divestitures				-3	-3
Charged			4	59	63
Interest on provisions	9				9
Utilized		-26	-8	-45	-79
Unnecessary provisions released	-10		-1	-14	-25
Translation adjustments			1	1	2
Reclassification to companies held for sale				-33	-33
Total provisions at 12/31/05	**253**	**141**	**161**	**137**	**692**
Less current provisions	-37	-21	-9	-53	-120
Non-current provisions at 12/31/05	**216**	**120**	**152**	**84**	**572**

The provision for contract risks covers existing obligations and identifiable risks arising from international energy business as determined at year end. 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:

Note 19

Within 12 months	CHF	37 million
Within 1–5 years	CHF	140 million
After 5 years	CHF	76 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.

Other provisions primarily cover liabilities relating to personnel and restructuring programs as well as general operating liabilities, such as warranties relating to the provision of services or potential losses from pending transactions. Cash outflows from the balance reported at year end are expected within the following periods:

Within 12 months	CHF	53 million
Within 1–5 years	CHF	84 million

Current provisions are recorded as accrued expenses.

Note 20

Long-term debt

CHF in millions	12/31/04	12/31/05
Bonds at repayment amount	700	700
Loans	1 219	1 096
Total	**1 919**	**1 796**

Bonds outstanding at year end

CHF in millions	Maturity	Not repay-able before	Interest rate %	12/31/04	12/31/05
Fixed-rate bond of Aare-Tessin Ltd. for Electricity	1997/09	03/06/09	4¼	200	200
Fixed-rate bond of Aare-Tessin Ltd. for Electricity	1997/09	10/30/07	4	200	200
Fixed-rate bond of Aare-Tessin Ltd. for Electricity	2003/13	09/16/13	3⅛	300	300

The market value of fixed-rate bonds outstanding at year end was CHF 737.4 million.
The weighted interest rate on bonds outstanding at year end, related to face value, was 3.70% (2004: 3.70%).

Loans

CHF in millions	12/31/04	12/31/05
Maturing between 1 and 5 years	227	440
Maturing in more than 5 years	992	656
Total	**1 219**	**1 096**

Note 20

At year end, the market value of loans was CHF 1,117 million.

The weighted interest rate on loans at year end, related to nominal value, was 4.16% (2004: 4.22%). Loans of CHF 177 million maturing within 360 days are recorded as short-term debt at year end on December 31, 2005 (December 31, 2004: CHF 204 million).

Note 21

Other long-term liabilities

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

Note 22

Other current liabilities

CHF in millions	12/31/04	12/31/05
Trade accounts payable	586	994
Other liabilities	333	415
Advances from customers	10	28
Total	**929**	**1 437**

Note 23

Financial instruments at fair value

Carrying amount of financial assets and liabilities:

CHF in millions	12/31/04	12/31/05
Financial assets		
Cash and cash equivalents, incl. time deposits	766	896
Marketable securities	86	43
Financial investments	644	183
Energy derivatives [1]	32	422
Currency and interest rate derivatives	0	1
Total	**1 528**	**1 545**
Financial liabilities		
Energy derivatives [1]	29	396
Currency and interest rate derivatives	3	18
Total	**32**	**414**

1) For contract volume, see Note 30

Note 24

Assets and disposal groups classified as held for sale

Motor-Columbus adopted IFRS 5 on January 1, 2005. This resulted in a change in accounting policies and a balance sheet reclassification of assets and liabilities held for sale. The major classes of assets and liabilities of GA-tec Gebäude- und Anlagentechnik GmbH, a GAH subsidiary, are as follows at year end:

Note 24

Assets

CHF in millions	12/31/05
Trade accounts receivable	46
Other accounts receivable	12
Cash and cash equivalents	-
Total	**58**

Liabilities

CHF in millions	12/31/05
Trade accounts payable	19
Provisions	33
Other liabilities	8
Total	**60**

Note 25

Related party transactions

UBS AG owns a 55.6% majority stake in Motor-Columbus Ltd. Transactions with UBS are shown below in the column headed «parent company». EDF Eléctricité de France International holds a 20% stake in Motor-Columbus. Transactions with EDF are disclosed below in the column headed «other related companies». For information about the relationship with affiliates and joint ventures, please refer to the accounting policies. Details of transactions between the Group and its employee benefit plans are presented in Note 26.

2005
Transactions between the Group and related companies

CHF in millions	Parent company	Affiliates	Joint ventures	Other related companies
Operating revenues				
Energy sales	30	186	0	758
Other service revenues	0	2	6	0
Operating expenses				
Energy costs	0	-14	-342	-1 014
Other service costs	-2	-12	0	0
Financial items				
Interest income	2	0	0	0
Interest expense	0	0	0	0

Note 25

Outstanding balances with related companies at year end

CHF in millions	Parent company	Affiliates	Joint ventures	Other related companies
Receivables				
Trade accounts receivable	3	16	1	88
Long-term financial receivables	0	0	0	0
Short-term financial receivables	267	0	0	0
Other receivables	0	0	0	0
Payables				
Trade accounts payable	0	2	21	99
Long-term financial payables	0	0	4	0
Short-term financial payables	3	0	0	0
Other current liabilities	0	0	0	0

2004

Transactions between the Group and related companies

CHF in millions	Parent company	Affiliates	Joint ventures	Other related companies
Operating revenues				
Energy sales	35	121	0	654
Other service revenues	0	2	9	0
Operating expenses				
Energy costs	0	-52	-354	-957
Other service costs	-2	-14	0	0
Financial items				
Interest income	0	0	0	0
Interest expense	0	0	0	0

Outstanding balances with related companies at year end

CHF in millions	Parent company	Affiliates	Joint ventures	Other related companies
Receivables				
Trade accounts receivable	3	22	1	66
Long-term financial receivables	0	0	0	0
Short-term financial receivables	22	0	0	0
Other receivables	0	0	0	0
Payables				
Trade accounts payable	0	1	13	79
Long-term financial payables	0	0	4	0
Short-term financial payables	0	0	0	0
Other current liabilities	0	0	0	0

Directors and key management personnel

In 2005, directors of Motor-Columbus received CHF 0.5 million in compensation (2004: CHF 0.3 million). In the same period, compensation paid to the Executive Committee totaled CHF 2.4 million (CHF 1.6 million).

Note 26

Employee benefit plans

The annotation «due to plan amendment» in the tables below relates to the figures for the employee benefit fund of the Swiss companies in the Atel Installationstechnik Group.

Employee benefit expense recognized in the income statement

CHF in millions	2004	2005
Current service cost	6	10
Interest cost	19	22
Expected return on plan assets	-11	-17
Actuarial (gains)/losses recognized during the year (§ 92 f.)	9	0
Actuarial (gains)/losses recognized during the year (§ 58A)	0	15
Past service cost	-2	-14
Effects of ceilings in § 58 (b)	0	-3
Employee benefit expense	**21**	**13**

Difference between the expected and actual return on plan assets

CHF in millions	2004	2005
Expected return on plan assets	11	17
Actuarial gains/(losses) on plan assets	-3	36
Actual return on plan assets	**8**	**53**

Experience adjustments

CHF in millions	2005
Present value of defined benefit obligation at 12/31 with assumptions at 01/01	612
Fair value of plan assets at 12/31 with assumptions at 01/01	468
Experience adjustments to present value of defined benefit obligation	1
Experience adjustments to fair value of plan assets	36

Benefit obligations recognized in the balance sheet

CHF in millions	2004	2005
Present value of funded defined benefit obligations	297	459
Fair value of plan assets	283	468
Deficit/(surplus)	14	-9
Present value of unfunded defined benefit obligations	166	183
Unrecognized actuarial gains/(losses)	-22	-26
Amount not recognized as an asset due to the ceiling in § 58(b)	0	3
Rounding difference	0	1
Benefit obligation recognized in the balance sheet	**158**	**152**
Recognized as an asset	-8	-9
Recognized as a liability	166	161

Note 26

Changes in the present value of the defined benefit obligation

CHF in millions	2004	2005
Opening defined benefit obligation	**429**	**462**
Opening defined benefit obligation due to plan amendment	**0**	**117**
Interest cost	19	22
Current service cost	6	10
Contributions by employees	3	9
Past service cost	-2	0
Benefits paid	-8	-27
Business combinations	7	0
Actuarial losses	10	48
Exchange differences	-2	1
Closing defined benefit obligation	**462**	**642**

Changes in the fair value of plan assets

CHF in millions	2004	2005
Opening fair value of plan assets	**271**	**282**
Opening fair value of plan assets due to plan amendment	**8**	**132**
Expected return	11	17
Contributions by employer	14	20
Contributions by employees	2	8
Benefits paid	-8	-27
Actuarial gains/(losses)	-16	36
Closing fair value of plan assets	**282**	**468**

Analysis of the fair value of plan assets

CHF in millions	2004	2005
Equity instruments issued by the company	0	0
Equity instruments issued by third parties	130	181
Debt instruments issued by the company	0	0
Debt instruments issued by third parties	92	204
Real estate used by the company	0	0
Real estate not used by the company	38	53
Other	22	30
Fair value of plan assets	**282**	**468**

The long-term return has been determined based on the pension fund investment strategy and the expected rates of return on the individual categories of assets over the average remaining services lives of employees.

Note 26

Actuarial assumptions used for the calculations

%	2004	2005
Discount rate	4.53	3.71
Expected rate of return on plan assets	4.00	4.00
Expected rate of compensation increases	2.00	1.90
Expected future benefit increases	1.00	0.59

Estimate of employer and employee contributions for the next period

CHF in millions	2005	2006
Contributions by employer	14	20
Contributions by employees	3	8

Note 27

Contingent liabilities and guarantees

At year end, guarantees to third parties totaled CHF 776 million (2004: CHF 958 million).

Guarantees to third parties

CHF in millions	12/31/04	12/31/05
Commercial guarantees given by banks and insurance companies	416	643
Commercial guarantees given by Aare-Tessin Ltd. for Electricity	172	115
Financial guarantees given by Aare-Tessin Ltd. for Electricity (Edipower)	370	18
Total	**958**	**776**
Capital contribution obligations		
For Edipower	308	249
Other	16	0
Total	**324**	**249**

The Group has 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.

For information about other commitments relating to interests in joint ventures, please refer to Note 12.

Note 28

Pledged assets

CHF in millions	12/31/04	12/31/05
Mortgaged real estate	33	24
Interests in generation plants	443	943
Financial investments	473	0
Total	**949**	**967**

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

Note 29

Subsequent events

On January 31, 2006, Atel Ltd. issued CHF 250 million of 2.625% bonds that mature 12 years from the issue date.

Atel Installationstechnik closed on the purchase of Indumo, an engineering firm, on January 6, 2006. Net assets to the tune of CHF 1 million were acquired on the acquisition. Indumo generates approximately CHF 12 million in sales per annum. The purchase was funded with existing cash resources.

The agreement for the sale of Heidelberg-based GA-tec, a GAH subsidiary, was signed by the contracting parties on February 20, 2006. The divestiture will involve a cash outflow of CHF 15 million in 2006.

Note 30

Segment information

2005 – Business segments

CHF in millions	Energy	Energy Services	Other	Intersegment transactions and other effects	Total
External revenues from energy sales/construction contracts	6979	1559	1		8539
External gains on trading standards products and financial energy contracts	41				41
Total external sales	**7020**	**1559**	**1**	**0**	**8580**
Intersegment sales		5	2	-7	0
Total sales	**7020**	**1564**	**3**	**-7**	**8580**
Of which from related and affiliated companies	974				974
EBITDA	629	97	41	-37	730
Significant non-cash expenses	-30	-37	-5		-72
Depreciation and amortization	-163	-32	-1		-196
EBIT	466	65	40	-37	534
Segment income	**365**	**25**	**8**	**3**	**401**
Total assets	7151	805	1187	-1739	7404
Carrying amounts of affiliates	1201				1201
Income from affiliates	74				74
Liabilities	4616	626	356	-441	5157
Net capital expenditures on property, plant, equipment and intangible assets	112	39	11		162
Number of employees at year end	1451	7198	9		8658

Geographic segments

CHF in millions	Switzer-land	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External sales	1195	2911	4460	14	8580
Total assets	2981	1734	2470	219	7404
Net capital expenditures on property, plant, equipment and intangible assets	100	13	49		162
Number of employees at year end	3093	179	5386	0	8658

Note 30

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 trading contracts unsettled at the year end on December 31, 2005 had a contract volume of 4.960 TWh (December 31, 2004: 1.240 TWh). Fair values are recognized separately in the balance sheet.

2004 – Business segments

CHF in millions	Energy	Energy Services	Other	Intersegment transactions and other effects	Total
External revenues from energy sales/construction contracts	5437	1414	1		6852
External gains on trading standards products and financial energy contracts	15				15
Total external sales	**5452**	**1414**	**1**		**6867**
Intersegment sales		4	2	-6	0
Total sales	**5452**	**1418**	**3**	**-6**	**6867**
Of which from related and affiliated companies	810				810
EBITDA	714	44	36	-63	731
Significant non-cash expenses	-22	-70	-2		-94
Depreciation and amortization	-219	-23	-7		-249
EBIT	495	21	29	-63	482
Segment income	**344**	**13**	**5**	**-34**	**328**
Total assets	6092	790	1162	-1760	6284
Carrying amounts of affiliates	625				625
Income from affiliates	60				60
Liabilities	3849	616	365	-445	4385
Net capital expenditures on property, plant, equipment and intangible assets	83	15	22		120
Number of employees at year end	1152	6858	9		8019

Geographic segments

CHF in millions	Switzer-land	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External sales	1078	2332	3453	4	6867
Total assets	2793	1425	1821	245	6284
Net capital expenditures on property, plant, equipment and intangible assets	88	19	13		120
Number of employees at year end	2725	362	4932		8019

Note 31

Business combinations

On December 22, 2005, Atel acquired 100% of Moravske Teplarny, a thermal power plant in the Czech Republic, and, on July 1, 2005, 100% of Elektroline a.s., a Czech company specializing in contact line systems. Moravske's results are reported in the Energy Segment while Elektroline's are included in the Energy Services Segment. A purchase consideration of CHF 116 million was paid. The purchase consideration has been allocated to assets and liabilities as follows:

CHF in millions	Moravske Teplarny	Elektroline
Property, plant and equipment	104	5
Intangible assets	0	0
Deferred income tax assets	5	0
Cash and cash equivalents	6	1
Other current assets	2	5
Short-term and long-term debt	0	-1
Other current and non-current liabilities	-11	-5
Minority interest	0	0
Net assets acquired	**106**	**5**
Fair value of net assets	106	5
Goodwill arising on acquisition	0	5
Net cash outflow on acquisition:		
Cash acquired with the subsidiary	5	1
Cost of acquisition	-106	-10
Net cash outflow	-101	-9

The acquired goodwill is attributable to synergies expected from complementing existing operations and the anticipated additional benefits from expansion into new geographic markets.

Since their integration into the Atel Group, the acquired companies have contributed revenues of CHF 7 million and net income of CHF 1 million to the Group.

If the acquisitions had occurred on January 1, 2005, consolidated sales would have been CHF 49 million higher and the Group's net income CHF 9 million higher. If the companies had been included in 2004, sales would have been CHF 47 million higher and the Group's net income CHF 6 million higher.

Note 32

Divestitures

In the third quarter of 2004, the Supervisory Board of GAH decided to reorient the GAH Group's strategic direction (GAH operates in the Energy Services Segment, in the Northern/Eastern Europe region). The essence of the «GAH 2005» project was to focus on two business segments rather than four. In this connection, it was planned to divest a group of four subsidiaries. In the course of implementation, three of the units were sold on December 31, 2005; the units were excluded from the consolidation at year end.

CHF in millions	2005
Property, plant and equipment	2
Intangible assets	0
Deferred income tax assets	0
Cash and cash equivalents	10
Other current assets	31
Short-term and long-term debt	-6
Other current and non-current liabilities	-21
Minority interest	0
Net assets sold	**16**

The cash flows associated with the divestiture of these subsidiaries were as follows:

Net cash flow on divestiture:	
Cash of the subsidiaries sold	10
Consideration received	8
Net cash outflow	-2

	Company headquarters	Currency	Equity capital in millions	% held	Consoli-dation method	Activity	Year end
Property and Finance Companies							
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

Energy Segment

Trading, Marketing, Supply and Services							
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 [1]	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 Energia SA [2]	Barcelona/ES	EUR	0.10	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. [1]	Warsaw/PL	PLN	4.00	100.0%	F	M	12/31
Atel Energia Kft. [1]	Budapest/HU	HUF	600.00	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	96.7%	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	936.24	5.2%	E	M	12/31
Energipartner AS	Oslo/NO	NOK	5.00	100.0%	F	S	12/31
Atel Austria GmbH [4]	Vienna/AT	EUR	0.235	100.0%	F	M	12/31
Atel Energy GmbH [1][3]	Niedergösgen	CHF	0.40	100.0%	F	T	12/31
Atel Energy s.r.o.	Prague/CZ	CZK	5.42	100.0%	F	T	12/31
Atel Energy d.o.o	Zagreb/HR	HRK	0.02	100.0%	F	T	12/31
Atel Energy d.o.o	Ljubljana/SI	SIT	8.15	100.0%	F	T	12/31
Atel Energy 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
Atel Energy 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

1) Entrade Poland, Hungary and Germany integrated into the respective marketing companies in 2006
2) New company established
3) All Entrade companies renamed Atel Energy
4) Formerly Multipower Beteiligungs- und Energiemanagement GmbH

Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2005, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held	Consolidation method	Activity	Year end
Energy Segment							
Power Generation and Transmission							
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 Aramtermelö Kft.	Budapest/HU	HUF	4930.10	100.0%	F	G	12/31
Csepeli Erömü 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
ECK Generating s.r.o.	Kladno/CZ	CZK	2936.10	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
Moravske Teplarny s.r.o [1]	Zlin/CZ	CZK	1494.50	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	0.25	88.0%	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	1441.30	16.0%	E	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

[1] Acquired on December 12, 2005; consolidated for the first time (balance sheet at December 31, 2005)

	Company headquarters	Currency	Equity capital in millions	% held	Consolidation method	Activity	Year end
Energy Segment							
Grid							
Atel Netz AG	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

	Company headquarters	Currency	Equity capital in millions	% held	Consoli-dation method	Activity	Year end
Energy Services Segment							
Energy Services Southern/Western Europe							
Holding Company and Management							
Atel Installationstechnik AG	Olten	CHF	30.00	100.0%	F	H	12/31
Atel Installationstechnik Management AG	Zurich	CHF	0.10	100.0%	F	S	12/31
Energy Supply Technology							
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
Elektrolines a.s. 1)	Prague/CZ	EUR	0.17	100.0%	F	S	12/31
Building Services & Technical Facility Management							
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	Savosa	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

1) Acquired on July 1, 2005

Subsidiaries and Affiliates of the Motor-Columbus Group

(at December 31, 2005, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held	Consoli-dation method	Activity	Year end
Energy Services Segment							
Energy Services Northern/Eastern Europe							
Holding Company and Management							
GAH Anlagetechnik Heidelberg GmbH	Heidelberg/DE	EUR	25.00	100.0%	F	H	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
Energy Transmission and Communication Technology							
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
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
Energy and Plant Engineering							
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
Kraftszer. Kft.	Budapest/HU	HUF	198.00	90.0%	F	S	12/31
Franz Lohr GmbH	Ravensburg/DE	EUR	1.28	90.1%	F	S	12/31
GA-tec Gebäude- u. Anlagetechnik GmbH [1]	Heidelberg/DE	EUR	2.56	100.0%	F	S	12/31
Other							
Apparatebau Wiesloch GmbH	Wiesloch/DE	EUR	0.26	100.0%	F	S	12/31

[1] Intended for sale

	Company headquarters	Currency	Equity capital in millions	% held	Consoli-dation method	Activity	Year end
Atel Group Holding and Finance Companies							
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 Management Services Ltd.	St. Helier/Jersey	EUR	0.10	100.0%	F	S	12/31
Atel Re, Ltd.	Guernsey/GB	EUR	3.00	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
Atel Hungaria Kft	Budapest/HU	HUF	80.00	100.0%	F	H	12/31
Atel MT s.r.o.	Prague/CZ	CZK	0.20	100.0%	F	H	12/31
Atel Italia Holding s.r.l.	Milan/IT	EUR	0.25	100.0%	C	H	12/31
Atel Group Financial Investments							
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	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 (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes, pages 24 to 71) of Motor-Columbus Ltd for the year ended December 31, 2005.

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.

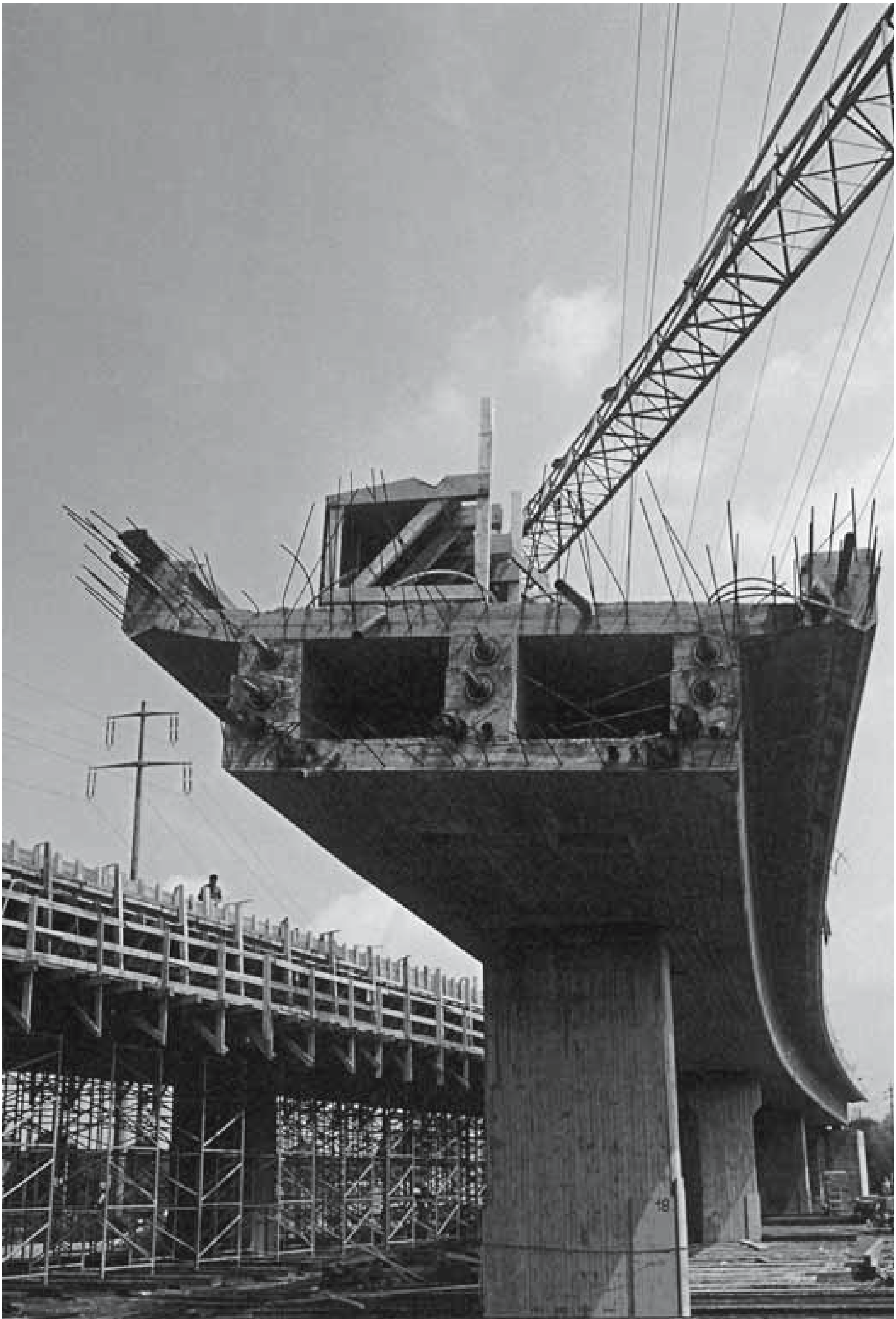
In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young Ltd

Thomas Stenz	Christoph Widmer
Swiss Certified Accountant (in charge of the audit)	Swiss Certified Accountant

Zurich, February 24, 2006



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, 2005. The subsidiaries and affiliates listed on pages 67 to 71, 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 2005 financial statements show net income of CHF 43.7 million, a year-over-year increase of CHF 15.6 million.

Results of Operations

In 2005, dividend income was CHF 3.6 million up on a year earlier as a result of a 2% increase in the dividend on the investment in Aare-Tessin Ltd. for Electricity (Atel). This dividend of CHF 42.7 million paid by Atel was the main source of income for Motor-Columbus Ltd. as the holding company. Financial income improved by approximately CHF 4 million year over year, primarily due to the appreciation of marketable securities and gains on sales of marketable securities. In addition, the reduction in allowances for other assets generated extraordinary income of CHF 4.5 million.

Total expenses were down on the prior year as a result of lower tax charges and other expense reductions. Provisions totaling CHF 3.4 million were recorded as extraordinary expenses to cover various services and other costs related to the organizational measures planned for the MC Group.

Financial Position

Total assets remained virtually unchanged year over year. In particular, marketable securities were reduced by sales, while cash and cash equivalents increased accordingly.

Other liabilities include CHF 75 million in loans maturing in 2006 and CHF 5.5 million in installments to repay long-term loans. This reclassification resulted in a marked shift from non-current to current liabilities.

The equity ratio at year end was nearly 51% compared to 48% a year earlier.

Income

Year ended December 31, CHF	Note	2004	2005
Financial income	1	10 741 537	14 863 237
Dividend income	2	39 132 747	42 703 364
Extraordinary income	3	1 572	4 482 923
Total income		**49 875 856**	**62 049 524**

Expenses

	Note	2004	2005
Financial expense	4	10 915 316	10 632 638
Taxes	5	1 433 776	63 787
Other expenses	6	3 931 097	3 835 162
Extraordinary expenses	7	5 487 235	3 800 000
Total expenses		**21 767 424**	**18 331 587**
Net income for the year		**28 108 432**	**43 717 937**

Assets

December 31, CHF	Note	2004	2005
Investments	8	563 387 746	561 937 746
Loans receivable		4 410 570	4 419 409
Total non-current assets		**567 798 316**	**566 357 155**
Prepaid expenses		4 844	7 775
Short-term receivables	9	908 504	3 776 212
Marketable securities	10	104 348 468	86 119 012
Cash and cash equivalents	11	4 410 917	18 950 750
Total current assets		**109 672 733**	**108 853 749**
Total assets		**677 471 049**	**675 210 904**

Shareholders' Equity and Liabilities

Capital stock		253 000 000	253 000 000
Legal reserve		39 032 560	43 032 560
Retained earnings		31 060 456	45 478 394
Total shareholders' equity	12	**323 093 016**	**341 510 954**
Provisions	13	**36 625 442**	**39 126 397**
Loans payable	14	291 330 000	206 380 000
Total non-current liabilities		**291 330 000**	**206 380 000**
Accrued expenses		4 608 357	4 128 436
Other liabilities	15	21 814 234	84 065 117
Total current liabilities		**26 422 591**	**88 193 553**
Total shareholders' equity and liabilities		**677 471 049**	**675 210 904**

Note 1

Financial income

CHF in millions	2004	2005
Interest income on loans and time deposits	0.2	0.4
Securities and other financial income	1.5	1.7
Net realized/unrealized gain on securities	9.5	12.8
Foreign exchange losses	- 0.5	0.0
Total	10.7	14.9

Securities and other financial income essentially comprises CHF 0.4 million in dividend income and CHF 1.2 million in option premiums on foreign exchange and securities transactions, plus income from interest rate swaps.

In 2005, realized and unrealized gains were recorded on the sale and fair market valuation of marketable securities. Overall, this resulted in a net gain of CHF 12.8 million; Atel shares held in the trading portfolio contributed CHF 10.3 million to this result.

Note 2

Dividend income

CHF in millions	2004	2005
Total	39.1	42.7

Dividend income essentially comprised the dividend paid by Atel Ltd., which was raised from CHF 22 to CHF 24 per share.

Note 3

Extraordinary income

CHF in millions	2004	2005
Total	0.0	4.5

The reversal of high allowances for loans resulted in extraordinary income of CHF 4.5 million.

Note 4

Financial expense

CHF in millions	2004	2005
Total	10.9	10.6

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

Note 5

Taxes

CHF in millions	2004	2005
Total	1.4	0.1

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

Note 6

Other expenses

CHF in millions	2004	2005
Total	3.9	3.8

Other expenses remained virtually unchanged year over year. As in the prior year, additional expenses of approximately CHF 1 million were incurred for the future structural reorganization of the Motor-Columbus Group in connection with UBS AG's sale of its majority stake in Motor-Columbus.

Note 7

Extraordinary expenses

CHF in millions	2004	2005
Total	5.5	3.8

Extraordinary expenses include a provision of CHF 3.4 million made for expenses and compensation related to the Motor-Columbus Group's reorganization. In addition, the provision for the investment in Tecenet AG was increased by CHF 0.4 million.

Note 8

Investments

CHF in millions	12/31/04	12/31/05
Total	563.4	561.9

Société Immobilière Yvonand SA was liquidated in 2005, and the investment carrying value of CHF 1.5 million was eliminated from the accounts. Otherwise there were no changes in investments.

Note 9

Short-term receivables

CHF in millions	12/31/04	12/31/05
Group companies	0.6	3.4
Third parties	0.3	0.4
Total	0.9	3.8

Receivables from Group companies comprise current account balances.

Note 10

Marketable securities

CHF in millions	12/31/04	12/31/05
Total	104.3	86.1

Marketable securities are stated at fair market value. In 2005, the holdings were reduced due to sales. As a whole, the portfolio of marketable securities showed a book gain of CHF 12.8 million.

Marketable securities valued at CHF 104 million are pledged to secure the company's obligations. Of this amount, securities with a value of CHF 24 million are recorded at cost as investments.

Note 11

Cash and cash equivalents

CHF in millions	12/31/04	12/31/05
Total	4.4	19.0

Cash and cash equivalents are primarily placed in time deposits and current accounts with banks. The amount increased, in particular due to the sale of marketable securities.

Note 12

Changes in shareholders' equity

CHF in millions	Capital stock [1)]	Legal reserve	Retained earnings	Total
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
- Dividends			-25.3	-25.3
- Transfer to legal reserve		4.0	-4.0	0.0
- Net income for 2005			43.7	43.7
Balance at Dec. 31, 2005	253.0	43.0	45.5	341.5

Note 13

Provisions

CHF in millions	12/31/04	12/31/05
Total	36.6	39.1

Provisions were increased by CHF 3.4 million in connection with the planned reorganization of the Motor-Columbus Group. In addition, CHF 0.4 million was provided for the investment in Tecenet AG. Provisions of CHF 1.3 million were utilized for the liquidation of Société Immobilière Yvonand SA.

Note 14

Loans payable

CHF in millions	12/31/04	12/31/05
Group companies	6.8	2.4
Third parties	284.5	204.0
Total	291.3	206.4

Loans of CHF 75 million maturing in 2006 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 4 years. The weighted average interest rate was 3.69%.

Note 15

Other liabilities

CHF in millions	12/31/04	12/31/05
Group companies	1.3	3.5
Third parties	20.5	80.6
Total	21.8	84.1

This item includes loans maturing in 2006 and the annual installments to repay long-term loans (see Note 14).

Note 16

At December 31, 2005, 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 under group tax rules.

Retained earnings brought forward	CHF	1 760 457
Net income for the year	CHF	43 717 937
Retained earnings	**CHF**	**45 478 394**

The Directors propose that
retained earnings be appropriated as follows:

Dividend of CHF 80.– per share of CHF 500.– par value	CHF	40 480 000
Transfer to legal reserve	CHF	3 000 000
Balance to be carried forward	CHF	1 998 394
Retained earnings	**CHF**	**45 478 394**

Subject to approval of this proposal by the Annual Meeting of Shareholders, the dividend will be payable as from May 3, 2006 upon presentation of coupon no. 4 of the 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 (balance sheet, income statement and notes, pages 74 to 83) of Motor-Columbus Ltd for the year ended December 31, 2005.

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

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

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

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

Ernst & Young Ltd

Thomas Stenz	Christoph Widmer
Swiss Certified Accountant (in charge of the audit)	Swiss Certified Accountant

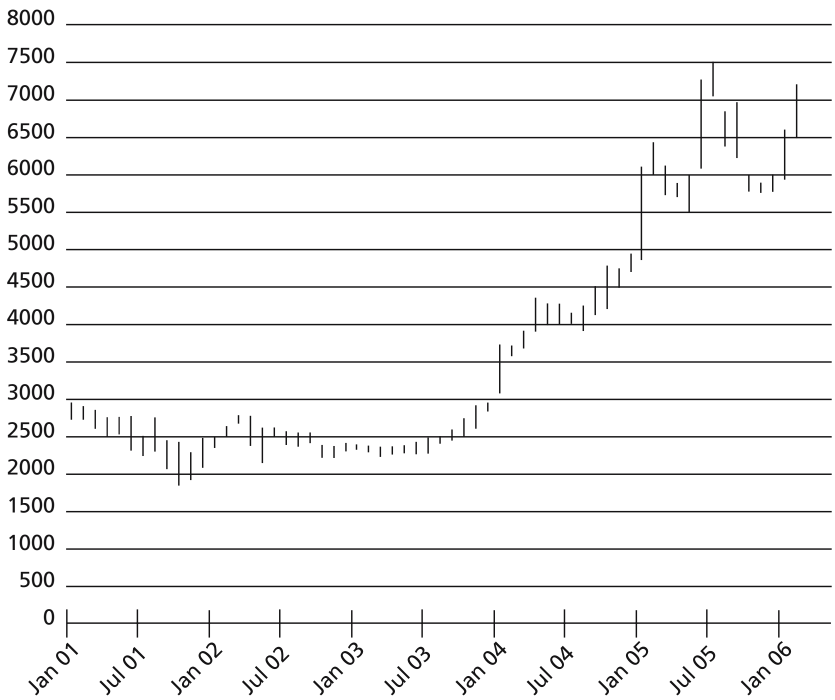
Zurich, February 24, 2006

		2001	2002	2003	2004	2005
Share price (high)	CHF	2 900	2 770	2 930	4 920	7 450
Share price (low)	CHF	1900	2 200	2 200	2 948	4 781
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	294	314	537	644	792
Earnings per share (excl. min. interest)	CHF	144	166	283	343	450
Market capitalization on Dec. 31	CHFm	1 265	1 225	1 468	2 464	3 033

		2001	2002	2003	2004	2005
Dividend per share	CHF	40	40	45	50	80[1]

[1] Proposed by the Directors

Motor-Columbus Ltd.'s Share Performance from 2001 to January 2006



Motor-Columbus Group CHF in millions	2001	2002	2003	2004	2005
Net sales	3620	3701	5285	6867	8580
Depreciation and amortization	305	308	256	249	196
Consolidated income	149	159	272	328	401
Consolidated income after min. interest	73	84	143	175	228
Net capital expenditures	110	455	558	324	104
Non-current assets	2630	3058	3937	3924	4134
Current assets	2009	2078	2455	2360	3270
Shareholders' equity (after min. interest)	608	666	812	962	1171
Minority interest	694	744	848	937	1076
Liabilities	3337	3726	4732	4385	5157
Total assets	4639	5136	6392	6284	7404
Employees [1] (no.)	7832	7899	8114	7881	8377

[1] Average number of employees, expressed as full-time equivalents

Motor-Columbus Ltd. CHF in millions	2001	2002	2003	2004	2005
Dividend income	34	34	34	39	43
Net income	25	24	26	28	44
Total dividends	20	20	23	25	40 [2]
Capital stock	253	253	253	253	253
Shareholders' equity	308	312	318	323	342
Total assets	607	606	677	677	675
Equity ratio (%)	51	51	47	48	51

[2] Proposed by the Directors

The Annual Meeting of Shareholders will be held at 4:30 p.m. on Friday, April 28, 2006 at the new Trafohalle in Baden.