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Dedicated to Experimentation

Michael Faraday and the discovery of electrodynamics

Hunger for Knowledge

From his earliest childhood, Michael Faraday had a burning curiosity and interest. He was born the son of a blacksmith in the London suburb of Newington Butts in 1791. Raised in poverty at the close of the 18th century, he did not have an easy start to life. Faraday received only a very rudimentary education, learning to read and write in a church Sunday school. This provided him with a gateway to books and, through them, knowledge. At the age of 14, he was apprenticed, not by chance to a bookbinder. Seizing the opportunity offered him, he read the books he was binding. In an edition of the «Encyclopaedia Britannica», Faraday came across an article on electricity. Fascinated, he began experimenting himself, using the simplest of devices. Self-taught, he acquired a grounding in science and soon attended lectures at the Royal Institution.



Thirst for Science and Research

Faraday was enthralled by the lectures delivered by chemist Sir Humphrey Davy and applied to him for a job as an assistant. Davy, for his part, was impressed by the notes and writings of the young man who wanted above all else to become a scientist. Davy nurtured Faraday's talent and trained him as a chemist. Over this period, Faraday never forgot his experiments with electricity. From 1813 to 1815, he accompanied Davy, as his assistant, on a study trip across Europe. During these travels, he met Gay-Lussac, Ampère, Volta and Alexander Humboldt, precious encounters with scientists who encouraged and assisted Faraday in his thirst for research. In the class-ridden society of the day, Faraday was not considered to be a gentleman because of his background, a barrier he overcame through diligence and tireless work.

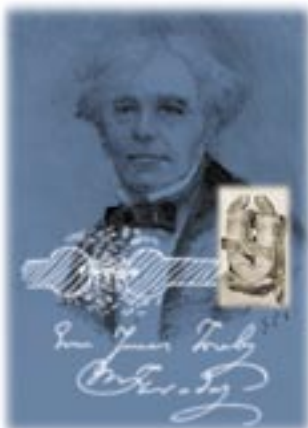


Career and Social Advancement

Faraday's social standing also changed with his scientific achievements. The Royal Institution promoted Michael Faraday to Superintendent in 1821 and to Director of the Laboratory in 1825, appointing him to succeed Davy as Professor of Chemistry in 1833. Over the years, as a Fellow of the Royal Society, he also came to be elected an honorary member of altogether 92 scientific societies and academies. But when offered a knighthood, Faraday declined out of humility. His multifaceted network of social and scientific contacts led to lively correspondence with colleagues throughout Europe and to mutual enrichment in his favored discipline, electricity.

The Power of Experiments

Michael Faraday did not have any mathematical knowledge enabling him to use abstract reasoning in addressing phenomena. For him, experiments were the most reliable means to confirm or refute hypotheses. He meticulously recorded all his observations, illustrating them with sketches. From 1831 to 1855, Faraday published the results of his research in the «Philosophical Transactions» and numerous books translated into several languages. Throughout his lifetime as a scientist, Faraday was driven by



curiosity and the will to explore phenomena and unsolved mysteries through practical experiments and tests. And so it comes as no surprise that not a single mathematical formula can be found in Faraday's extensive writings.



Milestones of a Fulfilled Life...

A compass needle is deflected when placed near a current-carrying conductor. Oersted's groundbreaking discovery fascinated Faraday. He systematically studied the interactions between electricity and magnetism. In 1831, his researches led him to experiment with two independent coils of wire wrapped around one iron core. During these tests, Faraday discovered that connecting and disconnecting the current in one coil induced a current in the second coil: the phenomenon of electromagnetic induction. Faraday thus laid the groundwork for electrodynamics and found the key to build electric generators, motors and transformers. Before his discovery, the only means to produce electric currents had been by friction or with electrochemical batteries. Now the foundation was in place for generating large quantities of electricity, powering our world to this day. Decades later, Faraday's electromagnetic field theory was confirmed and mathematically modeled by the Scotsman James Clerk Maxwell.

...and Trailblazing Discoveries

Michael Faraday investigated a large number of phenomena, providing logical explanations based on his experiments. In one such study, he found that the charge on an electrically charged hollow conductor resides only on its exterior. There is no charge on the inside. Even today, it is thanks to the discovery of the Faraday cage effect that every motorist knows he is safe from lightning strikes when sitting inside his closed vehicle. The classic experiment used in schools to demonstrate magnetic fields is also derived from Faraday: iron filings are sprinkled on a piece of drawing paper placed over the poles of a horseshoe magnet. This makes the magnetic lines of force visible. Faraday discovered the influence of magnetic fields on polarized light and also conjectured that they affected the spectral lines. Not having any sensitive measuring instruments, he could not reach conclusive results. His speculations were only substantiated decades later when the necessary precision apparatus became available to science.



Life Comes Full Circle

Faraday's writings indicate he had found semiconductive material. However, he was not yet able to offer a general interpretation of this property. Back in 1833, he observed: «The substance presenting this effect is sulphuret of silver. When a piece of this sulphuret was put between surfaces of platina, terminating the poles of a voltaic battery, a galvanometer being also included in the circuit, the needle was slightly deflected, indicating a feeble conducting power. There is no other body with which I am acquainted, that, like sulphuret of silver, can compare. Probably, however, many others may, when sought for, be found.» Michael Faraday was very close to the mark. It was only in the twentieth century that semiconductor technology gave birth to modern microelectronics. All his life long, Faraday was an ardent researcher, a scientist driven by curiosity. His innumerable experiments helped to advance science, promoting industry as we know it today. In 1861, Faraday resigned his professorship. He retired to a house at Hampton Court given to him by Queen Victoria. Michael Faraday died on August 25, 1867 after a fulfilled life he had passionately devoted to science and research.



Motor-Columbus Group	2002	2003
CHF in millions, except per share and employee data		
Net sales	3 701	5 285
Depreciation and amortization	308	256
Consolidated income	159	272
Consolidated income after minority interest	84	143
Earnings per share	314	537
Earnings per share excl. minority interest	166	283
Cash flow	480	517
Capital expenditures	455	647
Shareholders' equity	666	812
Minority interest	744	848
Net assets per share	1 316	1 605
Total assets	5 136	6 392
Employees ¹⁾	7 899	8 114

Motor-Columbus Group	2002	2003
CHF in millions, except per share and ratio data		
Dividend income	34	34
Net income	24	26
Capital stock	253	253
Shareholders' equity	312	318
Total assets	606	677
Equity ratio (%)	51	47
Dividend per share	40	45 ²⁾
Total dividends	20	23 ²⁾

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

²⁾ Proposed by the Directors



Name	Position on the Board	First elected to the Board	Term expires
Dr. h.c. Heinrich Steinmann	Chairman and Chief Executive Officer	1986	2004
Dr. Klaus Bussfeld	Vice Chairman of the Board	2001	2004
Dr. Walter Bürgi	Director	1999	2005
Ulrich Fischer	Director	1997	2006
Urs B. Rinderknecht	Director	1995	2004
Jean-Philippe Rochon	Director	2003	2006



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 Ltd., Zurich

The Motor-Columbus Group posted very satisfactory results for the past fiscal year 2003. Our one operating company serving the electricity market, Aare-Tessin Ltd. for Electricity (Atel), achieved new sales and earnings records, positively impacting the overall Group result and warranting the payment of a higher dividend.

These results were generated in an ever more difficult environment. The effects of liberalization can be felt in the electricity market: heightened pressure on margins, coupled with uncertainty about developments in the political and economic climate, is compelling us to take aggressive action on the cost side, while rapidly and consistently implementing the phased growth and consolidation strategy to which we have committed ourselves.

Growth is synonymous with enlarging the Group's generation capabilities by acquiring power plants or building energy production facilities. In our domestic market, opportunities of this kind are very limited. Atel recognized this early on and sought to purchase modern generating plants in other countries. In Italy, the repowering of the Edipower facilities is progressing faster than expected. Technologically outdated facilities are being modernized or replaced to increase plant capacity to 8,000 MW by 2008, making 1,600 MW available to Atel. In addition, the company largely completed the work on its two combined heat and power plants in Northern Italy.

In Eastern Europe, the year saw the successful integration of the Hungarian generating stations, Csepel I and II. Based in the Czech Republic, the ECKG power plant complex now meets 3% of the country's energy requirements.

Switzerland only offers isolated opportunities for expanding our power generation resources. Last year's integration of the Navisence facilities into Kraftwerke Gougra AG is one such instance which will allow us to step up hydroelectric generation.

The exceptional weather conditions experienced last year brought it home once again that a stable supply situation must be assured to meet the constantly growing base demand for electricity. This can only be achieved by keeping reserve generating capacity ready to go on-line fast to balance fluctuations in supply and demand. The blackout in Italy clearly demonstrated that sections of the European extra-high voltage grid reach their load limits in critical situations, potentially leading to dramatic system collapses. This means that maintenance and upgrading of the supply systems are just as important as expanding base and peak load generation capacities.

Alas, energy policy is still imbued with dogmas such as «nuclear energy is bad, renewables are good». End users are well and truly indoctrinated with such beliefs. Unfortunately, the supply industry blithely plays along with this and sells so-called «good electricity» at higher prices.

Electric power consumption will continue to rise notwithstanding all the saving measures and regulatory restrictions. Not only must we keep nuclear plants in operation, we will have no choice but to plan and commission new facilities. The misconception that decommissioned nuclear stations can be replaced with solar and wind power plants will evaporate. Such facilities generate electricity when the sun shines or the wind blows strongly enough. Besides being uneconomical, these systems are not

technically capable of producing continuously available power. To make up for the production fluctuations inherent in such facilities, capacity has to be boosted by gas-fired combined cycle plants that emit CO₂. Unless the balancing energy can be provided in the region where it is needed, the heavily loaded extra-high voltage networks will not be able to carry the additional transmission of balancing energy without being reinforced and upgraded. A view widely held by green politicians that Switzerland should shut down its nuclear plants and satisfy its requirements by drawing electricity from the close on 16,000 wind parks in Northern Germany over long-distance lines is nothing short of an engineering and economic illusion. But what is not fiction, but fact, is that, in one to two decades, Switzerland will be dependent on additional resources of its own to produce continuously available base load power. We have to set about planning either a new nuclear power facility or gas-fired plants with suitable capacity.

In the wake of the European Union's drive to progressively open up the market and remove national competition restrictions, Europe's energy landscape will be dominated by just a few very big companies. In other words, small players will see their market opportunities dwindle.

Switzerland's energy policy will continue to come under pressure. Our country plays a prominent role in the European electricity landscape: our border-to-border transit networks, coupled with our ability to supply peak power to the European grid as and when needed, are of significant importance for the stability and reliability of Europe's interconnected system.

Against this background, Switzerland obviously cannot afford to contend with the European Union without an electricity market regime of its own. A bill is being crafted to provide a legal framework for this. However, this must not curb the competitiveness of our electric power suppliers, and it must absolutely guarantee a rapid opening of the market through to end users. The owners of high voltage networks are largely in agreement that a national grid operating company and a regulator having internal and external powers are inevitable. What cannot be accepted, though, is nationalization of the physical networks.

Furthermore, the fragmented community of generators and suppliers in our country has little time left to combine their operations. Only economically large and strong entities will be able to withstand the pressure of the European market.

I hope that the recent changes in our shareholder structure will have a favorable impact in tightening cooperation with other Swiss central power stations and foreign partners so that we can seize the long-desired opportunity to concentrate our forces.

To conclude, I would like to thank all of our staff, management, Executive Committee members and my fellow directors for their outstanding achievements that led to the excellent results posted this past year.

Baden, April 15, 2004



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

Aug 29th 1851.

Apple - the production of Pillsbury from Wagon wheel
there had in use my mode (with iron), was used and worked
4 ring 6 inches in external diameter. Wood arranged
of upper wire rings one half the coils being independent
to have fabric - there were 3 lengths of wire each about 24
feet long and they were to be connected as one length in use
as separate lengths by being with a trough each wire
inserted from the other side with the side of the ring
A on the other side had separated by an
interval was wound wire in two pieces
together in order to about 6 feet in
length the division being with the former
into this side call B.



Charged a battery of 16 ft plates 6 inches square made
the end on B side was used and connected its other end by
a upper wire going to distance and got over a magnetic

Electricity Business

Operations

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

Atel, based in Olten (Switzerland), is a pan-European energy group with core competencies in electricity trading and marketing, power generation, power transmission and energy services. With a sales volume of approximately 70 TWh, it is Switzerland's leading electricity provider. Last year, Atel additionally traded 67 TWh of electricity valued at CHF 2.7 billion in the form of standard products. As in the past, only the net gains on these trading contracts are recognized in net sales. The Atel Group is also an electricity trader, operating throughout Europe with subsidiaries and affiliates, generating facilities and partners located in various countries. It supplies electric power to interconnected companies, marketing partners, public utilities, industrial plants and service businesses across Europe.

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

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

Much of the electricity Atel delivers to customers is transported over its own net-

work. Strategically located, its extra-high voltage system forms part of the backbone of European electricity trading.

The Energy Services Segment addresses a full spectrum of customer needs encompassing current, power, light, refrigeration, heat, communications and security. Atel Installationstechnik (AIT), an installation engineering group, and the GAH Group together maintain a close-knit network of operations in Europe, concentrated mainly in Switzerland, Germany and Italy.

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

During 2003, the Atel Group's sales grew 43 percent to CHF 5.3 billion from CHF 3.7 billion in 2002. Income before interest and taxes (EBIT) climbed 40 percent to CHF 360 million. Atel generated consolidated net income of CHF 272 million for the year, compared to CHF 170 million in 2002. This increase is due to a marked improvement in operating income, the first-time consolidation of companies acquired in late 2002 and one-time special items. Consolidated cash flow was up 6 percent year over year at CHF 520 million. Capital expenditures totaled approximately CHF 600 million versus CHF 455 million in 2002, and the average number of employees rose by 200 to some 8,100.

Highlights in 2003

In January, Atel closed on the purchase of a 44.5% interest in the ECKG power plant in Kladno near Prague after gaining approval from authorities and lenders. This complex encompasses three power and steam generating units. By doubling its stake in

Electricity Business

the Kladno-based ECKG power complex in March, Atel now owns an 89% majority of the shares. ECKG employs 300 people and operates generating facilities with an electrical capacity of 343 MW and a thermal output of 173 MW.

For Atel, the Swiss electorate's May rejection of two initiatives up for referendum, «MoratoriumPlus» and «Strom ohne Atom» (nuclear-free power), was a vote for a reliable, environmentally friendly and competitive Swiss power supply.

In June, the local licensing authorities decided to continue operating the Navisence power plant in the Val d'Anniviers as a joint venture with Kraftwerke Gougria AG. Atel acquired more water rights and holds a 54% stake.

Going ahead with the refinancing program already planned at the time of last year's acquisition, Italy's second largest power generator, Edipower, restructured the original financing arrangement for the long term. To this end, Edipower raised its capital stock in September and renegotiated its debt financing. Atel now has a 16% financial stake in Edipower and a 20% share of energy output.

A blackout hit Italy. Initiated by a flash-over to a tree, the transmission line over the Lukmanier Pass tripped automatically at 03:01 a.m. in the wee hours of Sunday, September 28 as provided for such contingencies. Atel took action immediately and notified the competent authorities and partners. However, the delay in ramping up output in Italy triggered a cascade of power outages in Italy and on the borders with neighboring countries. This incident is likely to heighten the pressure on Swiss network operators to

cooperate in controlling and opening up their power systems.

Energy Segment

Improvement Over Prior Year

Posting CHF 3.8 billion in sales, the Energy Segment generated CHF 327 million in income for fiscal 2003. Year over year, sales volume climbed 76% to approximately 70 TWh, sales revenue advanced CHF 1.576 billion and segment income was up 55%. This growth was substantially fueled by the first-time consolidation of the Eastern European companies. Together Entrade (energy trading), ECKG and Csepel (both generation and marketing companies) contributed CHF 1.020 billion to revenue and approximately 19 TWh to sales volume. Beside physical transactions, this segment traded standard products with a value of some CHF 2.7 billion and a volume of approximately 63 TWh. As in prior periods, net gains on trading contracts are included in net sales.

During 2003, business in Italy flourished once again. Successful participation in tenders for north-south transmission capacities brought a further increase in sales to customers. As part of the refinancing deal for Edipower, Italy's second largest electricity generator, Atel raised its ownership stake, gaining access to 20% of total capacity. At the same time, Atel largely completed the construction of two gas-fired combined heat and power plants in Northern Italy.

The Energy Segment continued to step up its marketing activities in France, winning major contracts to supply French industrial plants and public utilities.

Electricity Business

The Swiss businesses strengthened their partnerships with retailers in Northwestern Switzerland. However, following the rejection of the Electricity Market Act in the fall of 2002, they are still not generally able to deliver directly to customers outside their own service areas. Even though the Federal Supreme Court issued a decision on a specific case, affirming a network operator's obligation to allow third-party access, antitrust law cannot be applied as the basis for opening the market across the board. A new electricity industry structure (ELWO) is scheduled to be put in place in 2007, but an earlier interim solution is under discussion.

Operations in Northern Europe were strategically realigned and gained various short and medium term energy supply contracts.

In the Central/Eastern European region, market share and profit contribution increased as a result of the above acquisitions and expanded marketing efforts. Through this, Atel has successfully diversified its risks geographically. In trading business, Atel Trading was able to capitalize on the available generating capacities and exceptional price movements.

Electricity Trading and Marketing

Low precipitation, high summer temperatures and rising coal prices led to distinctly higher electricity prices in the European wholesale markets. Prices may continue to go up in the medium to long term with the decommissioning of old plants and consequential reduction in capacities, coupled with slight but steady growth in demand.

In Italy, Atel raised its stake in Edipower and established further cooperation agree-

ments. The latter also applied to France where performance was underpinned by the continued opening of the market. The group reinforced its commitment in Central/Eastern Europe. This business unit accounted for one third of aggregate marketing business. Atel Trading took advantage of the opportunities offered by price fluctuations in the market and posted a very good result in 2003 by comparison with the year before.

Operating in a challenging environment, Atel beat the goals set for the year. The results achieved in energy trading are especially notable. Depending on the country, Atel not only maintained but further enlarged its market share, while successfully initiating business with local marketing partners.

Power Generation and Grid

Power generation was impacted by the unusually hot and dry summer. Following the rejection of the antinuclear initiatives in spring 2003, nuclear electricity remains an important mainstay of Swiss power supply. The nuclear power plants also made a vital contribution to assuring uninterrupted service under last year's exceptional weather conditions. Atel's activities in Italy revolved around repowering Edipower and building two gas-fired combined heat and power plants of its own. Furthermore, the group continued to extend its network selectively.

Energy Services Segment

Sustainable Measures in Place

The Energy Services Segment posted sales of CHF 1.5 billion, matching the prior year level. Performance reflected the adverse

Electricity Business

economic climate generally prevailing in Germany and Switzerland. In addition, the German GAH Group incurred extraordinary costs for restructuring programs. As a result, consolidated segment income came in at CHF 9 million, a year-over-year decline of CHF 17 million.

During 2003, the Swiss installation engineering group, Atel Installationstechnik (AIT), had to contend with severe price erosion, primarily in Building Services and Facility Management. At the same time, major construction project activity slowed down due to the lack of economic stimulus. Dragged down by weak demand, margins and prices fell below the anticipated level. The business unit for Energy Transmission Technology offset the reduced capacity utilization in overhead power line construction by securing large-scale contracts for national rail projects.

In 2003, the German GAH Group was still faced with stagnant capital spending by the public, industrial and communications sectors, coupled with sluggish construction activity. The waning demand weighed especially on Communication Technology, Building Services and Facility Management. The business unit specializing in Energy Transmission Technology was exposed to unrelenting predatory competition, bringing heavy pressure to bear on prices. All in all, a favorable trend was seen in Industrial Plant and Engineering which enjoyed a sharp rise in demand for power engineering systems. In response to the negative business development, the group initiated and successfully implemented sustainable measures in criti-

cal areas. Positive effects of these programs are expected to take hold in the years ahead by enhancing efficiency and easing the cost burden, for instance.

Outlook

On balance, Atel anticipates a further increase in sales volume and revenue in the Energy Segment, with segment operating income coming in at about the same level as in the past fiscal year. 2004 sales in the Energy Services Segment should be in the region of last year. Construction-related business units offering Building Services and Facility Management will still face heavy competitive and pricing pressure, however. Atel-Installationstechnik (AIT) is strengthening its key account management to capture more market share, focusing attention on the public, service and industrial sectors. Bolstered by simplified structures, cost-reduction programs and a streamlined product portfolio, the Energy Services Segment is expected to post higher income.

Motor-Columbus Group Financial Review

Consolidated Results of Operations

Fiscal 2003 was a successful year for the Motor-Columbus Group in financial terms. Sales and earnings in the Energy Segment grew to new record levels, driven by the consistent expansion of trading and marketing activities in the Atel Group, Motor-Columbus' principal subsidiary. The Energy Services Segment had to contend with a difficult economic environment. Consolidated sales rose 43% to CHF 5.3 billion, while consolidated income climbed 71% to CHF 272 million. After deducting minority interest, consolidated net income was CHF 143 million versus CHF 84 million a year earlier.

In the Energy Segment, both existing operations and acquisitions beat sales expectations. In particular, sales performance was boosted by the inclusion of new activities in Eastern Europe, contributing CHF 1 billion. This positive trend was also the result of strong organic growth fueled by a further increase in trading and marketing activities in Italy, Germany and France. The Energy Services Segment, weighed down by continued weakness in the German and Swiss economies, grew 3% despite the poor conditions and reached sales of CHF 1.5 billion.

Consolidated income before interest and taxes (EBIT) was up 43% at CHF 362 million. This strong increase is primarily due to the significant contributions to earnings made by Eastern European companies consolidated for the first time. Established operations in the Energy Segment also posted a year-over-year increase in operating income thanks to optimal positioning and management of the portfolio. The share of income generated by the Energy Services Segment

was about 25% lower than a year earlier.

Year over year, net financial items and dividend income also improved (CHF 41 million). While net interest expense was up due to funds to finance acquisitions and power generation projects, foreign exchange gains resulting from the strong euro and mark-to-market gains on financial investments led to the better result.

Internally generated cash flow reached CHF 517 million, topping the year-earlier level by CHF 37 million. The result was favorably impacted by operating performance in the Energy Segment and contributions made by newly acquired companies. Acquisitions and other capital expenditures were funded almost entirely from existing cash resources and internally generated cash flow.

Consolidated Financial Position

The growth of CHF 1.3 billion in total consolidated assets to CHF 6.4 billion is largely due to the acquisition and inclusion of Kladno's balance sheet of approximately CHF 600 million, CHF 300 million raised by Atel in a bond issue and higher accounts receivable. Cash and equivalents, including time deposits, totaled CHF 864 million at year end compared to CHF 741 million a year earlier. Primarily in the Atel Group, these funds provide the necessary cash resources to support operations and repay a CHF 200 million bond maturing in February 2004.

The Group's net debt increased during the year. At year end, shareholders' equity stood at CHF 812 million, versus CHF 666 million a year earlier, and represented 13% of total assets as in the year before. These figures do not include minority interest of CHF 848 million.

Motor-Columbus Ltd. Financial Review

Group Holding Company

Motor-Columbus Ltd., the Group holding company, ended 2003 with net income of CHF 26.3 million, a year-over-year improvement of CHF 2.2 million. As in previous years, the main source of income was the dividend received on the investment in Atel Ltd. Total dividends remained at the year-earlier level of CHF 34.4 million.

The stake in Atel Ltd. was increased by 1.8% during the year. Most of the purchase price of this block of shares was financed with debt. Otherwise the investment portfolio held by Motor-Columbus Ltd. did not change significantly during the year. Citinvest AG, a wholly owned subsidiary of Motor-Columbus Ltd., sold its 80% interest in Parkhaus Stadtcasino AG.

After the balance sheet date, Lausanne-based EOS Holding filed notification in March 2004 that it had purchased 10.01% of the shares in Motor-Columbus Ltd. At the same time, Deutsche Bank reported that its stake had been reduced from 9.88% to below the 5% limit requiring notification.

On April 5, 2004, UBS AG announced that it had acquired RWE's 20% stake, raising its interest in Motor-Columbus to 55.6%. This transaction is still subject to the approval of the competent authorities.

Board of Directors

The Annual Meeting of Shareholders on June 12, 2003 re-elected Mr. Ulrich Fischer to the Board for another term of three years. Mr. Robert Diethrich did not seek re-election as he was leaving EDF on reaching retirement age. Mr. Jean-Philippe Rochon was elected

to the Board as a new Director to replace him. The Board appointed the following officers: Dr. h.c. Heinrich Steinmann to continue as Chairman and Chief Executive Officer and Dr. Klaus Bussfeld to serve as Vice Chairman, by rotation, for a period of one year.

The prescribed terms of office of Dr. h.c. Heinrich Steinmann, Dr. Klaus Bussfeld and Mr. Urs B. Rinderknecht are expiring at the forthcoming Annual Meeting of Shareholders on June 3, 2004. Having left RWE, Dr. Klaus Bussfeld is not seeking re-election. The Board is therefore recommending shareholders to re-elect Dr. h.c. Heinrich Steinmann and Mr. Urs B. Rinderknecht for another term and to elect Mr. Heinz-Werner Ufer to replace Dr. Klaus Bussfeld.

Baden, April 1, 2004

On behalf of the Board of Directors and Executive Committee



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



was
 from the two concentrated poles
 will amalgamate if their con-
 tact is in different planes by
 means of thick copper plates of
 the same form; an amalgam
 contact with the side of
 one attached to a piece
 is at such distances that
 contact with two or more parts of the
 three conductors
 the whole



Corporate Governance

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

In view of the Motor-Columbus Group's structure, this statement is largely confined to a disclosure of the structures and corporate bodies of Motor-Columbus Ltd. except where otherwise required. For pertinent information about the Atel Group, please refer to Atel's annual report (page 14 ff.) and website (www.atel.ch/about_us/corporate_governance/index.jsp).

Group Structure

Motor-Columbus Ltd. is purely a holding company. The finance and property companies on page 72 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 1,468 million at December 31, 2003;

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

(ISIN CH0001363305), 58.4%-owned by Motor-Columbus Ltd., with a market capitalization of CHF 2,975 million at December 31, 2003;

Società Elettrica Sopracenerina SA, Locarno

(ISIN CH0004699440), 59.5%-owned by Atel, with a market capitalization of CHF 187 million at December 31, 2003.

The principal consolidated companies are listed on pages 72 to 76 of this annual report.

Shareholders

Based on the filing requirements prescribed by the Federal Stock Exchange and Securities Trading Act (Securities Act), the company is aware of the following shareholders at December 31, 2003, the only reports filed last year being in respect of shifts within the RWE Group and Deutsche Bank:

UBS AG, Zurich	35.60%
Electricité de France, Paris	20.00%
RWE Energy AG, Essen	20.00%
Deutsche Bank, Frankfurt/Main	9.88%
Kreissparkasse Biberach, Biberach	5.20%

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

Changes in shareholder structure since the balance sheet date are outlined in the Group Holding Company section on page 15 above.

Capital Structure

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

There are no restrictions on transferability or voting rights.

The company has no contingent or authorized capital.

No convertible bonds or warrants are outstanding.

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

consolidated financial statements of the Motor-Columbus Group and on page 64 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/articles_of_incorporation). There are no rules that are at variance with the law.

Changes in Control and Defensive Measures

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

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

Board of Directors

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

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



The Board of Directors currently comprises six 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. His other appointments include Directorships of B&T LIFE AG, St. Gallen, and BT&T TIME AG, St. Gallen.

Dr. Klaus Bussfeld (German),
Vice Chairman

Dr. Klaus Bussfeld was elected as a Director in 2001. He serves as Vice Chairman of the Board for a one-year period, alternating with the EDF representative. Qualified as a Doctor of Laws, he was a member of the Executive Board of RWE Plus AG, the sales company for the RWE Group's electricity and energy-related services, until September 30, 2003. There he was in charge of law, foreign interests and international activities. Earlier in his career, he held various executive positions in ministries of the State of North

Rhine-Westphalia, later assuming the post of chief official of Gelsenkirchen city administration.

Within the Motor-Columbus Group, he is a Director of Aare-Tessin Ltd., Olten. In his capacity as an Executive Board member of RWE Plus AG, he held appointments in various European energy and electricity companies. Following his retirement from the Executive Board, he still holds the following positions: Chairman of the Supervisory Boards of EWR Aktiengesellschaft, D-Worms, Budapesti Elektromos Művek Rt., H-Budapest, Észak-magyarországi Áramszolgáltató Rt., H-Miskolc; First Vice Chairman of the Supervisory Board of KELAG - Kärntner Elektrizitäts-AG, A-Klagenfurt; Vice Chairman of Luxempart-Energie S.A., Luxembourg. Dr. Klaus Bussfeld is a Supervisory Board member/Director of the following companies: Compagnie Grand-Ducale d'Electricité du Luxembourg S.A., Luxembourg, Société Electrique de l'Our S.A., Luxembourg, and MATRA Kraftwerk AG, H-Visonta.

Dr. Walter Bürgi (Swiss), Director

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

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

appointments include: Chairman of RUAG Holding, Bern, Director of Siemens Schweiz AG, Zurich, and Chairman of the Board of Trustees of the Gottlieb und Hans Vogt-Stiftung, Solothurn.

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.

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

Jean-Philippe Rochon (French), Director

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

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), Dr. K. Bussfeld (Director), U. Fischer (Director), U. Rinderknecht (Director) and Dr. h.c. H. Steinmann (Director). Until the 2003 Annual Meeting of Shareholders, Dr. W. Bürgi also served as Chairman of the Board of Società Elettrica Sopracenerina SA. Otherwise, the directors do not have significant business relationships with the company or any Group Company.

Board Procedures

The Board of Directors appoints its officers, electing a Chairman and Vice Chairman annually from among its members. The office of Vice Chairman is held alternately by the representatives of EDF and RWE Energy. 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 2003.

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 propos-

als for decision by the Board of Directors.

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

Executive Committee

The Executive Committee comprises the following three members:

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

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

Alain Moilliet (Swiss),
Administration and Corporate
Communications

Alain Moilliet joined Motor-Columbus Ltd. on April 1, 1999 and has since been in charge of Administration and Corporate Communications. Prior to that, he was Company Secretary and an Executive Committee member of Galenica Holding AG. Having read 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 72.

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

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

Compensation and Incentive Plans

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

Last year, the Chairman of the Board received a fee of CHF 95,800 and an expense

allowance of CHF 10,000 for his services as Chairman. Under a share purchase plan, he had the opportunity to buy 50 shares in Motor-Columbus Ltd. at a reduced price, subject to a three-year restriction period, and was granted 10 shares in Atel Ltd. by Atel for his services as a director of the company. Including his salary as Chief Executive Officer, shares purchased and his fee as a director of Atel, his total compensation was CHF 886,051. The five non-executive directors together received a fee of CHF 219,300 plus expenses of CHF 25,000 for their services on the Board of Motor-Columbus Ltd. Together with their compensation for serving as directors of other – also listed - Group Companies, non-executive directors received total compensation (fees and expenses) of CHF 801,800. In addition, under a share purchase plan, they together bought 100 shares in Motor-Columbus Ltd., subject to a three-year restriction period, and were granted 30 shares in Atel Ltd. by Atel as a special bonus for their services as directors of the company.

The sum of all compensation paid to directors by the company and Group Companies last year was CHF 1,633,075. In addition, a fee of CHF 17,700 and expenses of CHF 2,500 were paid to one director who retired from the Board on the date of the 2003 Annual Meeting of Shareholders.

Compensation paid to Executive Committee members comprises a fixed base salary, an expense allowance and a bonus, the level of which is linked to the achievement of corporate and personal performance goals. The level of compensation for Executive Committee members is determined each

year by the Chairman of the Board and another director. Total compensation paid to Executive Committee members for their services last year was CHF 1,481,200. Under a share purchase plan, they together bought 100 shares in Motor-Columbus Ltd., subject to a three-year restriction period.

According to our information, non-executive directors together hold 129 bearer shares in Motor-Columbus Ltd. while the Chairman and Executive Committee members together hold 171.

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 Ltd., 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 Ltd. has served as auditor of Motor-Columbus since 1999.

Last year, Ernst & Young Ltd. received fees (incl. expenses) of approximately CHF 79,580 for services rendered as statutory and Group auditors. Fees of approximately CHF 41,430 were paid for audit-related services and tax advice.

Ernst & Young Ltd. also acts as Group and statutory auditors of the Atel Group. Atel paid fees (incl. expenses) of approximately

CHF 2 million for these services plus additional fees of approximately CHF 1 million for other audit-related services, tax advice and general consulting services.

Information Policy

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

The most important dates this year are:

Annual Meeting of Shareholders:

Thursday, June 3, 2004 in Baden

First-half 2004 report:

mid-September 2004

Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They present fairly the financial position, results of operations and cash flows of the Motor-Columbus Group. The Board of Directors approved the con-

solidated financial statements on April 1, 2004 for presentation to the Annual Meeting of Shareholders on June 3, 2004.

The same principles of consolidation and accounting policies have been applied as in the previous year.

Basis of consolidation

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

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

Minority interests in affiliated companies where Motor-Columbus exercises significant influence but has no control are accounted for in the Motor-Columbus Group's consolidated financial statements using the equity method. The same method

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

Motor-Columbus' share of these companies' assets, liabilities, expenses and income is disclosed in note 12 on page 45.

Applying IAS 39, investments in other companies are recorded at fair value (for explanatory notes, see page 32) and reported as «financial investments» in non-current assets.

All significant companies are shown on pages 72 to 76, with an indication of the consolidation method applied and other information.

Consolidation method

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

Any excess of cost over acquired net assets is capitalized as goodwill and amortized through the statement of income over the periods of expected benefit.

Intercompany transactions

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

Contractually agreed transfer or market prices are applied to charge other goods and services supplied between Group

Companies. All intercompany balances, transactions and resulting unrealized profits are eliminated on consolidation.

Foreign currency translation

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

Foreign-currency-denominated transactions in the financial statements of Group

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

<p>Revenue recognition</p>	<p>Revenue from the sale of goods and services is recognized in the statement of income when the goods are delivered or services are rendered. Sales relating to construction contracts are recorded using the percentage of completion method under which revenue is recognized as the work is performed,</p>	<p>based upon the proportion of contract work completed. Energy trading activities with standard products are included in sales on a net basis (reporting the net trading result).</p>
<p>Income taxes</p>	<p>Income taxes on net income reported in the statement of income for the year are calculated at the current tax rates applied in the financial statements of Group Companies. 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</p>	<p>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. The effect of providing for temporary differences is disclosed in note 8 on page 43.</p>
<p>Interest on borrowings</p>	<p>Interest on borrowings is generally expensed in the period for which it is owed. Interest costs incurred directly in the acquisition or construction of an asset with a long period of development are capitalized. The capitalized interest is calculated at the actual amount</p>	<p>paid in the period from the commencement of acquisition or construction activity to the use of the asset.</p>
<p>Impairment of assets</p>	<p>Property, plant, equipment and other long-term assets, including goodwill, intangibles and financial instruments, are periodically reviewed for impairment, especially when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying value of an asset exceeds its estimated realizable value, it is written down to</p>	<p>fair value determined on the basis of the expected future discounted cash flows. An impairment loss recognized for an asset in a prior period is reversed if there is an indication that the impairment loss may no longer exist or may have decreased. A reversal of an impairment loss is recognized as income. Reversals of impairment losses for goodwill are not allowed.</p>

Property, plant and equipment

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

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

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

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

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

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

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

Power purchase rights

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

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

Intangible assets

Intangible assets essentially include intangibles acquired for valuable consideration, such as goodwill and rights to use third parties' facilities. They are

amortized over the periods of expected benefit, with goodwill being amortized over periods ranging from 3 to 10 years.

Leases

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

Property, plant and equipment held under capital leases are capitalized at fair value or,

if lower, at the present value of the lease payments. They are amortized on a straight-line basis over their expected useful lives.

Construction contracts	<p>Work performed for customers under construction contracts in the Energy Services Segment is recorded using the percentage of completion method and the amount to be recognized as an asset is included in accounts receivable and net sales. The degree of completion is determined by the progress, i.e. according to the costs incurred. Contract costs are expensed in the period in which they are incurred.</p> <p>Contracts or groups of contracts where the degree of completion or outcome</p>	<p>cannot be estimated reliably are recognized as an asset at the amount of contract costs that will probably be recoverable.</p> <p>Provisions are made for any losses expected to be incurred on the construction contracts.</p> <p>In reporting uncompleted contracts, the revenue agreed in the contract and any subsequent variations confirmed by the customer in writing are recognized as contract revenue.</p>
Inventories	<p>Inventories are stated at the lower of cost (determined by the average cost method) or market.</p>	
Accounts receivable	<p>Trade and other accounts receivable are stated at nominal value less allowances for bad and doubtful debts.</p>	
Cash and equivalents	<p>Cash and equivalents comprise cash on hand, in postal and bank accounts, demand and time deposits maturing within 90 days,</p>	<p>together with marketable securities.</p>
Liabilities	<p>Liabilities comprise amounts payable within one year and those payable in excess of one year, which are stated at the amount repayable, plus accrued expenses. The</p>	<p>reported liabilities do not differ significantly from the values determined using the amortized cost method.</p>

Provisions

Provisions cover all liabilities arising from past transactions or events that are identifiable at the balance sheet date and that are 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 every year at the balance sheet date and adjusted to reflect current developments. Exceptions are provisions for benefit plans, to which IAS 19 is applied.

Employee benefit plans

Motor-Columbus Ltd., its management companies and Group Companies in the Energy Segment have legally independent Swiss pension plans of the defined benefit type. Benefit obligations are valued applying the projected unit credit method. This accrued benefit method prorated on service recognizes not only the known benefits and benefits accrued at the reporting date but also expected future compensation and benefit increases. Foreign subsidiaries in the Energy Segment are generally covered under state social security plans or independent defined contribution plans.

Swiss Group Companies in the Energy Services Segment participate in independent employee benefit plans that are fully reinsured. This means that the companies have neither contractual nor moral obligations related to employees' future benefit entitlements. For this reason, no actuarial valuations have been made for

these companies. Italian Group Companies 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 provisions in the balance sheet.

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

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

Financial instruments	Financial instruments comprise cash and equivalents, marketable securities, derivative financial instruments, financial	investments, accounts receivable and short-term and long-term debt.
Fair value measurement	<p>The carrying amounts of cash and equivalents, accounts receivable and current liabilities represent fair values due to their short-term nature.</p> <p>Loans receivable and financial investments that are listed on a stock exchange or readily marketable are stated at market value at the</p>	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	<p>In accordance with the applicable standards under IAS 39, financial assets are classified as follows and measured uniformly according to the category:</p> <ul style="list-style-type: none"> - financial assets or liabilities held for trading, - investments held to maturity, - loans and receivables originated by the Group and - financial assets available for sale. <p>Financial assets held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Investments held to maturity are fixed maturity financial assets that the Motor-Columbus Group intends to hold to maturity. Loans and receivables originated by the Group are financial assets created by the Group by providing money, goods or services to third parties. All other investments are classified as financial assets available for sale.</p>	<p>All financial assets are initially recognized at cost, including transaction costs. The purchase or sale of a financial asset is recognized on the settlement date.</p> <p>After initial recognition, financial assets held for trading are stated at fair value, with changes in asset value reported in the statement of income for the period concerned.</p> <p>Investments held to maturity and assets originated by the Group are stated at amortized cost using the effective interest rate method, less impairment losses.</p> <p>After initial recognition, financial assets available for sale are stated at fair value, with changes in asset value reported in the statement of income for the current period.</p>

Derivative financial instruments

All derivative financial instruments are initially recognized at cost, including transaction costs, on the settlement date.

After initial recognition, derivative financial instruments held for trading in the course of energy business are subsequently recognized at fair value, with changes in

value reported in operating income or expenses in the period to which they relate.

Other derivative financial instruments held for trading are subsequently reported at fair value, with changes in value recognized in financial income or expense.

Hedge accounting

In the reporting period, the Motor-Columbus Group did not enter into any

hedging transactions to which hedge accounting is applied.

General policies

In the course of its operations, the Motor-Columbus Group is exposed to energy price, interest rate, credit and foreign exchange risks. Exposure limits are set for the various risk categories and their compliance is monitored continuously; these limits are adjusted in the context of the company's overall risk capacity.

Risk management policies for the Motor-Columbus Group's energy business are set out in its energy risk management program. They comprise guidelines on the incurrance, 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 framework for risk management within the Motor-Columbus Group in terms of substance, organization and system. The units responsible manage their financial risks within the framework of the risk management policy and limits defined for their operations. The goal is to reduce financial risks, bearing in mind the hedging costs and risks being incurred.

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 statement of income as financial income or expense.

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, it is policy to enter into commitments only with counterparties meeting 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.

Foreign exchange risk

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

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

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

	Note	2002	2003
Year ended December 31, CHF in millions			
Net sales		3 701	5 285
Capitalized costs		15	17
Other operating income	2	77	123
Operating income		3 793	5 425
Power and inventory costs	3	-2 380	-3839
Materials and services purchased		-36	-88
Personnel expenses	4	-599	-626
Depreciation and amortization	5	-308	-256
Other operating expenses		-217	-254
Operating expenses		-3 540	-5 063
Income before interest and taxes		253	362
Dividend income	6	41	62
Financial expense, net	7	-73	-53
Income before taxes		221	371
Income taxes	8	-62	-99
Consolidated income before minority interest		159	272
Minority interest in income		-75	-129
Net income	9	84	143



In your truly
M. Faraday

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

	Note	2002	2003
December 31, CHF in millions			
Assets			
Property, plant and equipment	10	1 362	1 951
Intangible assets	11	750	664
Investments in affiliates	12	641	661
Investments and other assets	13	245	594
Deferred tax assets		60	67
Non-current assets		3 058	3 937
Inventories		41	38
Accounts receivable	14	1 255	1 499
Time deposits		28	2
Cash and equivalents	15	713	862
Prepaid expenses		41	54
Current assets		2 078	2 455
Total assets		5 136	6 392
Shareholders' equity and liabilities			
Capital stock		253	253
Retained earnings		413	559
Shareholders' equity	16	666	812
Minority interest		744	848
Provisions	17	754	733
Deferred taxes	8	188	230
Long-term debt	18	1 359	1 912
Other long-term liabilities	19	6	6
Current income tax liabilities		28	29
Short-term debt		257	340
Other current liabilities	20	906	1 220
Accrued expenses		228	262
Liabilities		3 726	4 732
Total shareholders' equity and liabilities		5 136	6 392

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

	Capital stock	Retained earnings	Total
CHF in millions			
Shareholders' equity at January 1, 2002	253	355	608
Dividends		-20	-20
Net income		84	84
Purchase/sale of treasury stock (Atel Ltd.)		-8	-8
Net after-tax gain on sale of treasury stock (Atel Ltd.)		1	1
Translation adjustments		1	1
Shareholders' equity at December 31, 2002	253	413	666
Dividends		-20	-20
Net income		143	143
Net after-tax gain on sale of treasury stock (Atel Ltd.)		6	6
Translation adjustments		17	17
Shareholders' equity at December 31, 2003	253	559	812

**Consolidated Statement of Cash Flows
of the Motor-Columbus Group ¹⁾**

	2002	2003
Year ended December 31, CHF in millions		
Net income after taxes	159	272
Adjustments for:		
Depreciation and amortization	308	256
Change in deferred income taxes charged to income	20	47
Change in other provisions	12	17
Other non-cash items	-19	-75
Cash flow	480	517
Change in working capital ²⁾	-50	2
Reclassification due to change in ownership interests	-27	0
Net cash provided by operating activities	403	519
Property, plant, equipment and intangible assets:		
Purchases	-101	-207
Proceeds from sales, purchase price adjustments on acquisitions	7	33
Acquisition of subsidiaries	-161	-156
Proceeds from sale of subsidiaries		
Affiliates:		
Purchases	-5	-5
Proceeds from sales	4	
Change in long-term financial assets:		
Purchases	-199	-324
Proceeds from sales		7
Net cash used in investing activities	-455	-647
Change in minority interest	-19	39
Dividends paid	-20	-20
Dividends paid to minority shareholders	-32	-32
Purchase/sale of treasury stock	-7	6
Proceeds from issuance of debt	29	611
Repayments of debt	-80	-365
Change in time deposits	156	26
Translation adjustments	1	12
Net cash provided by financing activities	28	277
Change in cash and marketable securities	-24	149
Analysis		
Cash and marketable securities at January 1	737	713
Cash and marketable securities at December 31	713	862
Change	-24	149
¹⁾ Excl. current financial assets and liabilities		
²⁾ Net cash provided by operating activities includes: CHF 19 million in interest income (2002: CHF 18 million) and CHF 66 million in interest expense (2002: CHF 36 million); CHF 1 million in dividend income from financial investments (2002: CHF 8 million); CHF 23 million in income taxes paid (2002: 19 million)		
Free cash flow		
Net cash provided by operating activities	403	519
Capital expenditures on plant replacements	-101	-73
Proceeds from sales, purchase price adjustments on acquisitions	7	33
Free cash flow	309	479

Note 1

Currency translation rates

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

Unit	Year end		Average	
	12/31/02	12/31/03	2002	2003
1 USD	1.39	1.24	1.56	1.34
1 EUR	1.45	1.56	1.47	1.52
100 HUF	0.62	0.60	0.60	0.60
100 CZK	4.61	4.81	4.75	4.77

Note 2

Other operating income

This item includes CHF 36 million released from redundant provisions.

Note 3

Power and inventory costs

CHF in millions	2002	2003
Power purchased from third parties	1 252	2 551
Power purchased from affiliates (joint ventures)	351	365
Other energy purchases		149
Impairment of financial assets (financial investments held in energy business)	23	–
Inventory costs	754	774
Total	2 380	3 839

Note 4

Personnel expenses

CHF in millions	2002	2003
Wages and salaries	502	514
Pension expense for defined benefit plans	12	20
Pension expense for defined contribution plans	11	10
Other personnel expenses	74	82
Total	599	626

Average number of employees	2002	2003
Employees (full-time equivalents)	7 217	7 445
Apprentices	682	669
Total	7 899	8 114

Number of employees at year end	12/31/02	12/31/03
Employees (full-time equivalents)	7 172	7 464
Apprentices	707	675
Total	7 879	8 139

Note 5

Depreciation and amortization

CHF in millions	2002	2003
Property, plant and equipment	75	109
Power purchase rights	113	51
Goodwill	109	81
Other intangible assets	4	4
Investments and other assets	7	11
Total	308	256

Note 6

Dividend income

CHF in millions	2002	2003
Dividend income from affiliates	33	61
Dividend income from other investments	8	1
Total	41	62

Note 7

Financial expense, net

CHF in millions	2002	2003
Interest income	21	14
Interest expense	-59	-97
Foreign exchange gains (losses), net	-12	13
Other financial income (expense), net	-23	17
Total financial expense, net	-73	-53

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Note 8

Income taxes

CHF in millions

	2002	2003
<i>Income taxes charged to income</i>		
Current income taxes	42	52
Deferred income taxes	20	47
Total	62	99

Reconciliation

CHF in millions

	2002	2003
Income before income taxes	221	371
Income taxes at expected income tax rate	77	95
Effects of non-tax-deductible expenses	0	2
Effect of investment deduction	-13	-11
Other effects	-2	13
Total income tax expense	62	99

In 2003, the item «Other effects» essentially comprised prior period adjustments to the expected tax rate.

Deferred tax assets and liabilities by nature of temporary differences

Deferred tax assets

CHF in millions	12/31/02	12/31/03
Tax losses not yet utilized	-37	-44
Property, plant and equipment	15	17
Other non-current assets	94	132
Current assets	47	53
Provisions and liabilities	9	5
Total deferred tax assets/liabilities	128	163
Recorded in the balance sheet as:		
Deferred tax liabilities	188	230
Deferred tax assets, including tax losses not yet utilized	-60	-67
Net deferred tax liability	128	163

At the balance sheet date, the Group assessed the recoverability of tax losses recognized as assets. This resulted in a write-down of CHF 12 million (2002: CHF 0 million) charged to expense for 2003. The rest of the reported tax losses not yet utilized are not subject to expiry.

Note 9

Earnings per share

Total outstanding shares of CHF 500 par value	506 000	506 000
Net income of Motor-Columbus Group (CHF in millions)	84	143
Earnings per share (CHF)	165.14	281.53
Dividend/proposed dividend per share (CHF)	40.00	45.00

There are no circumstances which could dilute earnings per share.

Note 10

Property, plant and equipment

CHF in millions	Land and buildings	Gene-ration plant	Trans-mission systems	Other fixed assets	Constr. in progress	Total
Gross book value at 12/31/02	266	871	1 139	236	67	2 579
Change in consolidated Group	-11	519	0	4	0	512
Additions	3	29	52	27	94	205
Capitalized costs	0	0	0	0	17	17
Reclassifications	3	0	-8	1	-5	-9
Disposals	-13	-2	-18	-26	-9	-68
Translation adjustments	5	50	0	12	11	78
Gross book value at 12/31/03	253	1 467	1 165	254	175	3 314
Accum. depreciation at 12/31/02	73	385	576	183	0	1 217
Change in consolidated Group	-3	75	0	3	0	75
Charge for the year	4	36	43	22	4	109
Reclassifications	1	0	-10	1	0	-8
Disposals	-2	-2	-16	-24	-4	-48
Translation adjustments	3	6	0	9	0	18
Accum. depreciation at 12/31/03	76	500	593	194	0	1 363
Net book value at 12/31/02	193	486	563	53	67	1 362
Net book value at 12/31/03	177	967	572	60	175	1 951

Note 11

Power purchase rights and intangible assets

CHF in millions	Power purchase rights	Good-will	Other intang. assets	Total
Gross book value at 12/31/02	626	525	106	1257
Change in consolidated Group	0	0	1	1
Additions	0	58	2	60
Disposals	0	-21	-1	-22
Translation adjustments	0	0	0	0
Gross book value at 12/31/03	626	562	108	1296
Accumulated amortization at 12/31/02	165	271	71	507
Change in consolidated Group	0	0	0	0
Charge for the year	51	81	4	136
Disposals	0	-11	0	-11
Translation adjustments	0	0	0	0
Accumulated amortization at 12/31/03	216	341	75	632
Net book value at 12/31/02	461	254	35	750
Net book value at 12/31/03	410	221	33	664

Note 12

Investments in affiliates

CHF in millions	Joint ventures	Other companies	Total
Book value at 12/31/02	398	243	641
Change in consolidated Group	0	-3	-3
Additions	0	5	5
Disposals	0	-4	-4
Dividends	-18	-7	-25
Equity in net income	2	37	39
Translation adjustments	0	8	8
Book value at 12/31/03	382	279	661

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

Note 12

Key data of affiliated companies

CHF in millions	Gross value	Gross value	MC Group share	MC Group share
	2002	2003	2002	2003
Joint ventures				
Non-current assets	7 019	6 943	2 062	2 047
Current assets	773	707	247	234
Non-current liabilities	4 875	5 352	1 472	1 614
Current liabilities	1 188	572	331	160
Income	1 326	1 341	391	395
Expenses	-1 257	-1 271	-372	-376
Net income	69	70	19	19

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

CHF in millions	MC Group share	MC Group share
	2002	2003
Other companies		
Non-current assets	381	550
Current assets	144	149
Non-current liabilities	109	196
Current liabilities	173	221
Income	287	307
Expenses	-274	-270
Net income	13	37

Under joint venture agreements in force, the shareholders of joint ventures are obliged to pay the annual costs attributable to their percentage stakes (incl. interest and repayment of liabilities). For the fully consolidated Atel Group, the prorated regular annual costs average approximately CHF 365 million.

Furthermore, all owners and joint operators of a nuclear power plant are jointly and severally liable to pay additional contributions to cover any difference between payments out of the nuclear power plant decommissioning fund and their individual credit balances in the fund.

Note 13

Investments and other assets

CHF in millions	Financial investments	Loans	Total
Gross book value at 12/31/02	262	3	265
Change in consolidated Group	0	0	0
Additions	320	4	324
Change in fair value	26	0	26
Reclassifications	15	0	15
Disposals	-17	-1	-18
Translation adjustments	3	0	3
Gross book value at 12/31/03	609	6	615
Accumulated depreciation at 12/31/02	20	0	20
Change in consolidated Group	0	0	0
Charge for the year	11	0	11
Disposals	-10	0	-10
Translation adjustments	0	0	0
Accumulated depreciation at 12/31/03	21	0	21
Net book value at 12/31/02	242	3	245
Net book value at 12/31/03	588	6	594

Note 14

Accounts receivable

CHF in millions	12/31/02	12/31/03
Trade accounts receivable	950	1 185
Unbilled revenue	120	101
Other accounts receivable	185	213
Total	1255	1499
Of which receivable from related and affiliated companies	19	21

Note 14

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

CHF in millions	12/31/02	12/31/03
Unbilled revenue, gross	540	484
Advance payments received from customers	-420	-383
Unbilled revenue, net	120	101
Amounts retained by customers included in unbilled revenue	0	0

Note 15

Cash and equivalents

CHF in millions	12/31/02	12/31/03
Demand deposits	250	402
Time deposits maturing within 90 days	410	429
Other cash and equivalents	53	31
Total	713	862

«Other cash and equivalents» include marketable securities.

Note 16

Shareholders' equity

Capital stock

The capital stock consists of 506 000 registered shares with a par value of CHF 500 each. There are no restrictions on transfer or voting rights.

By their own accounts, shareholders are:

%	Capital and voting rights
UBS AG	35.6%
EDF Electricité de France	20.0%
RWE Energy AG	20.0%
Deutsche Bank AG	9.9%
Kreissparkasse Biberach	5.2%

Changes in shareholder structure since the balance sheet date are outlined in the Group Holding Company section on page 15.

Note 17

Provisions

CHF in millions	Contract risks	Annual cost liabilities	Provisions for pension plans	Other provisions	Total
Long-term provisions at 12/31/02	235	194	138	187	754
Short-term provisions	0	29	0	7	36
Total provisions at 12/31/02	235	223	138	194	790
Change in consolidated Group	0	0	0	15	15
Charged	30	0	15	83	128
Utilized	0	-27	-10	-38	-75
Unnecessary provisions released	0	0	0	-36	-36
Translation adjustments	0	0	10	5	15
Provisions at 12/31/03	265	196	153	223	837
Less short-term provisions	0	-30	0	-74	-104
Long-term provisions at 12/31/03	265	166	153	149	733

The *provision for contract risks* covers risks and liabilities that existed and were identifiable at the balance sheet date in connection with international energy business. Cash outflows from the balance reported at year end are expected primarily within 5–15 years.

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

Other provisions primarily cover liabilities relating to human resources and restructuring programs, plus general operating liabilities.

Short-term provisions are recorded as accrued expenses.

Note 18

Long-term debt

CHF in millions	12/31/02	12/31/03
Bonds at repayment amount	600	700
Loans	759	1 212
Total	1 359	1 912

Note 18

Bonds outstanding at year end

CHF in millions	Maturity	Not repay- able before	Interest rate %	12/31/02	12/31/03
Fixed-rate bond	96/06	02/16/04	4	200	200 ¹⁾
Fixed-rate bond	97/09	06/03/09	4¼	200	200
Fixed-rate bond	97/09	10/30/07	4	200	200
Fixed-rate bond	03/13	09/16/13	3⅛	0	300

¹⁾ Maturing on February 16, 2004; recorded as short-term debt at December 31, 2003

The market value of fixed-rate bonds outstanding at year end was CHF 934 million.

The weighted interest rate on bonds outstanding at year end, related to face value, was 3.76% (2002: 4.18%).

Loans

CHF in millions	12/31/02	12/31/03
Maturing between 1 and 5 years	309	632
Maturing in more than 5 years	450	580
Total	759	1212
Of which due to related and affiliated companies	5	3

The weighted interest rate on loans at year end, related to nominal value, was 4.20% (2002: 3.88%).
Loans maturing within 360 days are recorded as short-term debt.

Note 19

Other long-term liabilities

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

Note 20

Other current liabilities

CHF in millions	12/31/02	12/31/03
Trade accounts payable	707	974
Other liabilities	176	237
Advances from customers	23	9
Total	906	1220
Of which due to related and affiliated companies	49	36

Note 21

Employee benefit plans

Reconciliation of liabilities recognized in the balance sheet:

CHF in millions	12/31/02	12/31/03
Present value of funded benefit obligations	248	277
Fair value of plan assets	-239	-271
Plan assets less than benefit obligation, not recognized as a liability	9	6
Present value of unfunded benefit obligations	138	153
Unrecognized actuarial gains (losses)	-9	-6
Net defined benefit liability recognized in the balance sheet	138	153

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

Due to these circumstances, the theoretical deficit calculated applying IFRS standards is not recognized in the balance sheet; the same principle is also applied if a surplus is calculated. However, the funds available to the employer at the balance sheet date - such as employer contribution reserves - of CHF 6 million (2002: CHF 6 million) have been capitalized.

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

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

	Switzerland 2002	Switzerland 2003	Germany 2002	Germany 2003
Discount rate	4.0%	4.0%	6.0%	5.5%
Expected rate of return on plan assets	4.0%	4.0%	6.0%	5.5%
Expected rate of compensation increase	2.0%	2.0%	2.5%	1.0%
Expected future benefit increase	1.0%	1.0%	1.5%	1.0%

Note 21

Components of net pension cost

CHF in millions	2002	2003
Current service cost	13	13
Interest cost on projected benefit obligation	18	18
Less expected return on plan assets	-11	-9
Unrecognized difference	-1	0
Benefit plan cost	19	22
Participant contributions	-2	-2
Defined benefit pension cost	17	20

In 2003, the actual return on plan assets was +CHF 27 million (2002: -CHF 19 million).

Change in net liability recognized in the balance sheet

CHF in millions	2002	2003
Net liability at beginning of year	141	138
Periodic pension cost	17	20
Employer contributions	-3	-5
Translation adjustments	-3	10
Benefits paid	-14	-10
Net liability at end of year	138	153

Note 22

Contingent liabilities

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

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

At year end, guarantee obligations to third parties totaled CHF 840 million (2002: CHF 690 million), of which CHF 421 million consisted of obligations under outstanding bank guarantees and CHF 375 million related to guarantees in connection with the Edipower acquisition and financing. In addition, there are capital contribution obligations amounting to CHF 370 million, of which CHF 343 million relates to the investment in Edipower.

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

Note 23

Pledged assets

CHF in millions	2002	2003
Mortgaged properties	54	53
Interests in generation plants	167	306
Financial investments	195	481
Total	416	840

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

Note 24

Subsequent events

At the end of January 2004, agreements for financing the Novel S.p.A. gas-fired combined heat and power plant (Italy) were signed with the banks, thus ensuring long-term funding. At the same time, agreements were also signed for the long-term refinancing of the ECKG power plants (Czech Republic).

The changes in the company's shareholder structure in March and April are outlined in the Group Holding Company section on page 15.

Note 25

Segment information

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

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

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

Note 25

2003 Segment information

CHF in millions	Energy	Energy Services	Other	Intersegment revenues/sales	Total
Revenues from energy sales/ construction contracts	3 806	1 535	3	-92	5 252
Gains on trading standard products and financial energy contracts	33	0	0	0	33
Total sales	3 839	1 535	3	-92	5 285
Segment income	327	12	34	-102	271
Cash flow	533	28	-2	-42	517
Total assets	6 246	753	1 240	-1 847	6 392
Book value of affiliates	661	0	0	0	661
Income from affiliates	39	0	0	0	39
Liabilities	4 228	604	400	-500	4 732
Net capital expenditures on property, plant, equipment and intangibles	161	19	38	0	218
Number of employees at year end	1 092	7 038	9	0	8 139

Geographic information

CHF in millions	Switzerland	EU	Other areas	Total
External sales	859	3 579	847	5 285
Gross assets (balance sheet total)	2 830	2 456	1 106	6 392
Net capital expenditures on property, plant, equipment and intangibles	72	116	30	218
Number of employees at year end	2 645	5 034	460	8 139

Note 25

2002
Segment information

CHF in millions	Energy	Energy Services	Other	Intersegment revenues/sales	Total
Revenues from energy sales/ construction contracts	2 258	1 465	4	-31	3 696
Gains on trading standard products and financial energy contracts	5	0	0	0	5
Total sales	2 263	1 465	4	-31	3 701
Segment income	211	26	25	-103	159
Cash flow	475	51	25	-71	480
Total assets	4 655	766	835	-1 120	5 136
Book value of affiliates	641	0	0	0	641
Income from affiliates	33	0	0	0	33
Liabilities	2 941	623	363	-201	3 726
Net capital expenditures on property, plant, equipment and intangibles	71	23	0	0	94
Number of employees at year end	610	7 260	9	0	7 879

Geographic information

CHF in millions	Switzerland	EU	Other areas	Total
External sales	866	2 634	201	3 701
Gross assets (balance sheet total)	2 715	1 887	534	5 136
Net capital expenditures on property, plant, equipment and intangibles	29	65	0	94
Number of employees at year end	2 704	5 159	16	7 879

Gains on trading in the Energy Segment also reflect the change in fair value of financial energy contracts marked to market. In 2003, trading transactions with standard products amounted to CHF 2,714 million (2002: CHF 1,908 million).

Note 26

Cash flows

The Statement of Cash Flows reports cash flows classified by operating, investing and financing activities. Effects of changes in the consolidated Group have been eliminated.

Other non-cash items primarily comprise capitalized costs, non-cash components related to equity accounting, and changes in fair value of financial investments.

Note 27

Change in consolidated Group

The following assets and liabilities were acquired through the acquisition and first-time consolidation of subsidiaries:

CHF in millions	2002	2003
Non-current assets	312	445
Cash and equivalents	62	19
Other current assets	106	26
Short-term and long-term debt	-256	-353
Other liabilities	-120	-44
Minority interest	-11	-10
Net assets acquired	93	83

In fiscal 2003, a total amount of CHF 114 million (2002: CHF 221 million) was paid from existing cash resources to fund acquisitions. The 80% stake in Parkhaus Stadtcasino AG was sold in 2003.

As it is planned to sell the subsidiary STC Atel, Forlì, and liquidate Société Immobilière SA in 2004, those companies were deconsolidated and reclassified as current assets at year end December 31, 2003.

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

As auditors of the group, we have audited the consolidated financial statements (statement of income, balance sheet, statement of shareholders' equity, statement of cash flows and notes on pages 25 to 56) of Motor-Columbus Ltd. for the year ended December 31, 2003.

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.

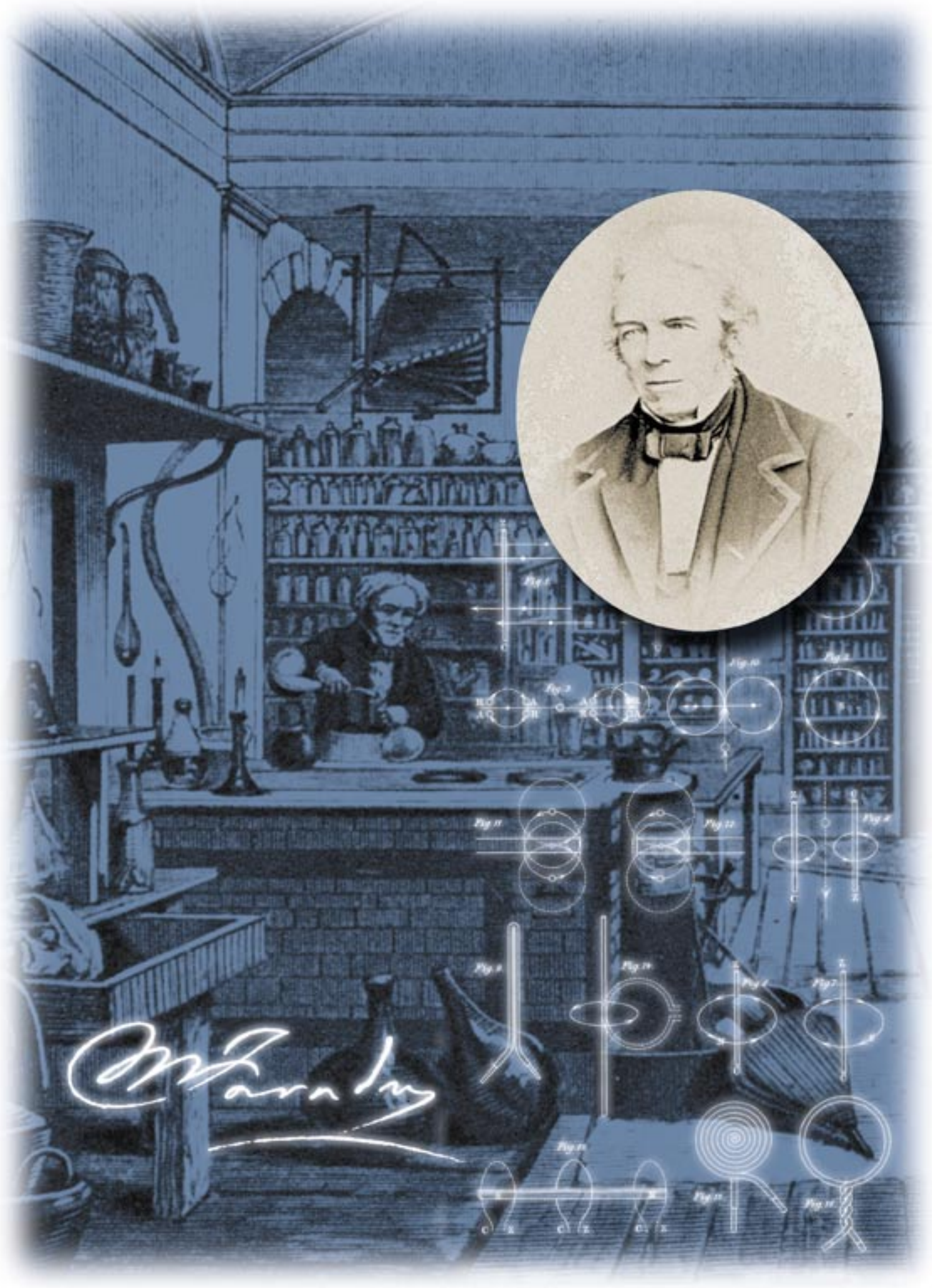
We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd.

Thomas Stenz
(auditor in charge)

Cornelia Hürlimann

Zurich, April 1, 2004



Faraday

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, 2003. The subsidiaries and affiliates listed on pages 72 to 76, together with the companies they control, are understood to be Group Com-

panies for the purposes of Art. 663 of the Swiss Code of Obligations.

The 2003 financial statements show net income of CHF 26.3 million, a year-over-year improvement of CHF 2.2 million. The principal transactions during the year were a 1.8% increase in the investment in Atel and the commencement of the liquidation of subsidiary Société Immobilière Yvonand SA.

Results of Operations

In 2003, dividend income remained at the year-earlier level of CHF 34.5 million. As in the prior year, the dividend of CHF 34 million received on the investment in Atel Ltd. is the main source of income reported in the 2003 financial statements of Motor-Columbus Ltd., the holding company. On balance, financial income improved by CHF 8 million year over year due to a CHF 7 million increase in securities and other financial income and a CHF 1.5 million decline in foreign exchange losses.

Financial expense was up slightly due to borrowings to finance part of the purchase of Atel shares with debt. As provisional taxes collected by the tax authorities a year earlier had been overassessed, this expense item was vastly reduced in 2003. Provisions of CHF 4.2 million, recorded as extraordinary expenses, have been made for investments in subsidiaries that own properties with a potential market value below book value.

Financial Position

Total assets grew by approximately CHF 70 million compared to the year before. Due to the purchase of 54,700 Atel shares and higher valuation of marketable securities, current assets increased by more than CHF 70 million. CHF 20 million has been provided out of unrealized gains on marketable securities to allow for any price fluctuations in subsequent years.

The purchase of Atel shares was largely financed by bank loans, increasing non-current liabilities by approximately CHF

40 million. In addition to the provision for price fluctuations, a total of CHF 4.2 million has been provided for the investments in Roospark AG, Tecenet AG and Société Immobilière Yvonand SA in Liquidation.

The equity ratio at year end was 47% compared to 51% a year earlier.

Statement of Income of Motor-Columbus Ltd.

Income	Note	2002	2003
Year ended December 31, CHF			
Financial income	1	708 651	8 769 043
Dividend income	2	34 484 895	34 486 135
Extraordinary income	3	3 154 274	672 517
Total income		38 347 820	43 927 695
Expenses			
Financial expense	4	10 360 227	10 527 346
Taxes	5	1 068 098	128 212
Other expenses		2 858 469	2 810 500
Extraordinary expenses	6	6 434	4 200 000
Total expenses		14 293 228	17 666 058
Net income for the year		24 054 592	26 261 637

Assets	Note	2002	2003
December 31, CHF			
Investments	7	511 754 562	512 294 542
Loans receivable	8	7 891 805	3 872 670
Total non-current assets		519 646 367	516 167 212
Prepaid expenses		9 645	391 881
Short-term receivables	9	967 217	735 973
Marketable securities	10	73 369 837	149 723 957
Cash and equivalents	11	12 092 827	9 903 576
Total current assets		86 439 526	160 755 387
Total assets		606 085 893	676 922 599
Shareholders' Equity and Liabilities			
Capital stock		253 000 000	253 000 000
Legal reserve		31 032 560	35 032 560
Retained earnings		27 700 387	29 722 024
Total shareholders' equity	12	311 732 947	317 754 584
Provisions	13	11 818 433	36 019 486
Loans payable	14	270 960 000	311 830 000
Total non-current liabilities		270 960 000	311 830 000
Accrued expenses		4 703 533	4 617 303
Other liabilities	15	6 870 980	6 701 226
Total current liabilities		11 574 513	11 318 529
Total shareholders' equity and liabilities		606 085 893	676 922 599
Contingent liabilities	16	74 300	79 700

Note 1

Financial income

CHF in millions	2002	2003
Interest income on loans	0.3	0.1
Interest income on time deposits	0.4	0.2
Securities and other financial income	1.8	28.8
Provision for price fluctuations	0.0	-20.0
Foreign exchange losses	-1.8	-0.3
Total	0.7	8.8

Year over year, interest income decreased again due to low interest rates on Swiss franc deposits.

Securities and other financial income improved by approximately CHF 7 million compared to a year earlier. The rebound in the stock market resulted in substantial price gains totaling CHF 26.7 million on energy shares in Atel (trading portfolio), BKW and SES. Of this amount, CHF 20 million has been provided for price fluctuations on these securities. Price gains on other shares amounted to approximately CHF 0.9 million, while dividends from marketable securities and premiums on option contracts were approximately CHF 1.1 million.

Note 2

Dividend income

CHF in millions	2002	2003
Total	34.5	34.5

Dividend income essentially comprises the dividend paid by Atel Ltd.

Note 3

Extraordinary income

CHF in millions	2002	2003
Total	3.2	0.7

In 2002, this item included CHF 1.6 million written back from provisions no longer required and CHF 1.5 million released from excess reserves. The sum of CHF 0.7 million reported for 2003 represents the refund of overpaid direct federal taxes, including interest, for 2001.

Note 4

Financial expense

CHF in millions	2002	2003
Total	10.4	10.5

Financial expense mainly comprises interest paid on loans and short-term advances granted by banks and other third parties. The slight increase is due to borrowings of CHF 40 million to finance the purchase of more Atel shares in September 2003.

Note 5

Taxes

CHF in millions	2002	2003
Total	1.1	0.1

As a holding company, Motor-Columbus Ltd. is exempt from cantonal and municipal income taxes in the Canton of Aargau. The provisional direct federal tax bill for fiscal 2001 was too high so too much tax was paid in 2002. After final assessment, a direct federal tax refund of CHF 0.7 million was received in 2003, which is reported as extraordinary income. The amount stated above represents taxes paid in 2003.

Note 6

Extraordinary expenses

CHF in millions	2002	2003
Total	0.0	4.2

Extraordinary expenses comprise provisions made for companies held in the investment portfolio: Roospark AG (CHF 2.2 million), Société Immobilière Yvonand SA in Liquidation (CHF 1.3 million) and Tecenet AG (CHF 0.7 million). Property sales that have been completed (Yvonand) or are projected show that the market value of the properties is below book value.

Note 7

Investments

CHF in millions	12/31/02	12/31/03
Total	511.8	512.3

In fiscal 1992, the company revalued the investment in Atel Ltd., writing it up by CHF 133.1 million. The revaluation was made to account for the entire investment portfolio using the cost method. No revaluation reserve was set up. From fiscal 1993 onward, there was a departure from the cost method because the cost values of investments sold or liquidated in the course of the restructuring and of investments held for disposal at year end could no longer be recognized.

In 2003, the company transferred the entire portfolio of investments in Atel to a newly established subsidiary, MC Beteiligungen AG, at book value. This company was then merged into Motor-Columbus Ltd. The transaction has obviated the need for the formal departure from the cost method.

The increase of CHF 0.5 million is due to investments in MC Venture Finance N.V.

Note 8

Loans receivable

CHF in millions	12/31/02	12/31/03
Total	7.9	3.9

Note 8 In 2003, a loan of CHF 0.9 million was granted to the employee benefit plan to fund a deficit in assets available to pay benefits to retired employees. Loans of approximately CHF 5 million were repaid, CHF 3.8 million being in connection with the sale of Parkhaus Stadtcasino AG.

Note 9 **Short-term receivables**

CHF in millions	12/31/02	12/31/03
Group Companies	0.8	0.5
Third parties	0.2	0.2
Total	1.0	0.7

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

Note 10 **Marketable securities**

CHF in millions	12/31/02	12/31/03
Total	73.4	149.7

Marketable securities are stated at market value. A block of 54,700 Atel shares purchased in 2003 has been included in marketable securities as a trading portfolio. In addition, substantial unrealized gains totaling CHF 27.7 million were recorded on the entire securities portfolio.

Note 11 **Cash and equivalents**

CHF in millions	12/31/02	12/31/03
Total	12.1	9.9

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

Note 12 **Changes in shareholders' equity**

CHF in millions	Capital stock ¹⁾	Legal reserve	Retained earnings	Total
Balance at 12/31/01	253.0	27.0	26.1	302.1
- Dividends			-20.2	-20.2
- Transfer to legal reserve		4.0	-4.0	0.0
- Net income for 2002			24.1	24.1
Balance at 12/31/02	253.0	31.0	27.7	311.7
- Dividends			-20.2	-20.2
- Transfer to legal reserve		4.0	-4.0	0.0
- Net income for 2003			26.3	26.3
Balance at 12/31/03	253.0	35.0	29.7	317.8

¹⁾ See note 16 to the consolidated financial statements

Note 13

Provisions

CHF in millions	12/31/02	12/31/03
Total	11.8	36.0

A provision of CHF 20 million has been made for fluctuations in the prices of securities, especially Atel shares held for trading. This has been charged against securities income which is therefore recorded net in financial income (see note 1).

Note 14

Loans payable

CHF in millions	12/31/02	12/31/03
Group Companies	0.5	6.8
Third parties	270.5	305.0
Total	271.0	311.8

A CHF 25 million loan that matured in 2003 was extended for five years. New loans of CHF 40 million with terms of two and three years were raised to finance the purchase of 54,700 Atel shares (increasing the stake by 1.8%).

Loans are repayable within 1 to 5 years. The weighted average interest rate was 3.48%.



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 A. on the other side but separated by an
 interval was wound over in two pieces
 together amounting to about 60 feet in
 length the direction being as with the former
 and this side call B.

changed a battery of 10 plates 6 inches square
 the direction being as with the former

Note 15

Other liabilities

CHF in millions	12/31/02	12/31/03
Total	6.9	6.7

This item includes the annual installments of CHF 5.5 million to repay long-term loans.

Note 16

Contingent liabilities

CHF in millions	12/31/02	12/31/03
Total	0.1	0.1

A letter of comfort has been issued in favor of a subsidiary. In addition, the company has joint and several liability for Swiss value added tax payable for Group taxation purposes.

Appropriation of Retained Earnings of Motor-Columbus Ltd.

Retained earnings brought forward	CHF	3 460 387
Net income for the year	CHF	26 261 637
Retained earnings	CHF	29 722 024

The Directors propose that
retained earnings be appropriated as follows:

Dividend of CHF 45.– per share of CHF 500.– par value	CHF	22 770 000
Transfer to legal reserve	CHF	4 000 000
Balance to be carried forward	CHF	2 952 024
Retained earnings	CHF	29 722 024

Subject to approval of this proposal by the Annual Meeting of Shareholders, coupon no. 2 of the new shares in Motor-Columbus Ltd. (issued in 2003) will be cashed as from June 8, 2004.

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 59 to 68) of Motor-Columbus Ltd. for the year ended December 31, 2003.

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

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

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

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

Ernst & Young Ltd.

Thomas Stenz
(auditor in charge)

Cornelia Hürlimann

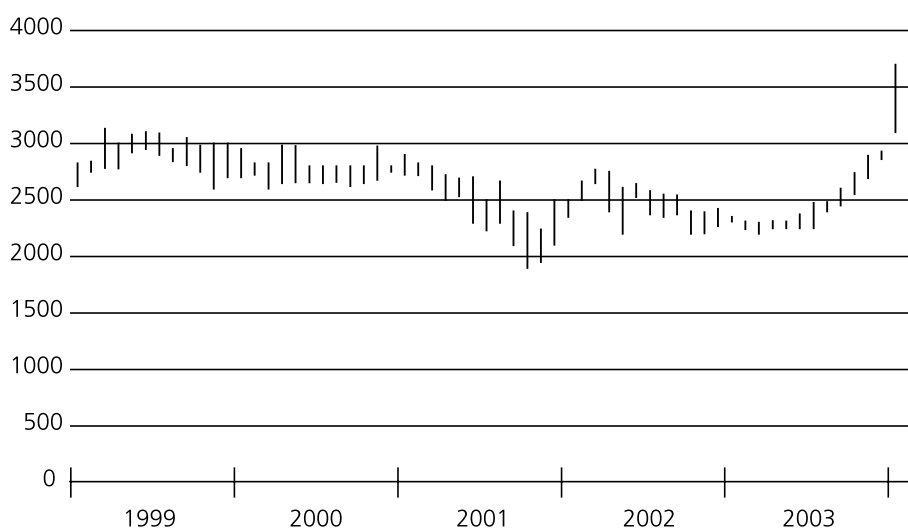
Zurich, April 1, 2004

		1999	2000	2001	2002	2003
Share price (high)	CHF	3130	2980	2900	2770	2930
Share price (low)	CHF	2600	2600	1900	2200	2200
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	194	238	294	314	537
Earnings per share (excl. min. interest)	CHF	96	113	144	166	283
Market capitalization on 12/31	CHFm	1513	1417	1265	1225	1468

		1999	2000	2001	2002	2003
Dividend per share	CHF	35	37.50	40	40	45 ¹⁾

¹⁾ Proposed by the Directors

Motor-Columbus Ltd.'s Share Performance from 1999 to February 2004



Motor-Columbus Group	1999	2000	2001	2002	2003
CHF in millions					
Net sales	1922	3320	3620	3701	5285
Depreciation and amortization	306	269	305	308	256
Consolidated income	98	120	149	159	272
Consolidated income after min. interest	49	57	73	84	143
Cash flow	537	450	528	480	517
Capital expenditures	220	417	110	455	647
Non-current assets	2597	2800	2630	3058	3937
Current assets	1240	1445	2009	2078	2455
Shareholders' equity (after min. interest)	511	548	608	666	812
Minority interest	609	652	694	744	848
Liabilities	2717	3133	3337	3726	4732
Total assets	3837	4333	4639	5136	6392
Employees ¹⁾ (no.)	2326	7773	7832	7899	8114

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

Motor-Columbus Ltd.	1999	2000	2001	2002	2003
CHF in millions					
Dividend income	31	31	34	34	34
Net income	22	23	25	24	26
Total dividends	18	19	20	20	23 ²⁾
Capital stock	253	253	253	253	253
Shareholders' equity	297	302	308	312	318
Total assets	779	632	607	606	677
Equity ratio (%)	38	48	51	51	47

²⁾ Proposed by the Directors

Subsidiaries and Affiliates of the Motor-Columbus Group

(at 31 December 2003, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation 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/D	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	58.5%	F	M	12/31
Atel Energia S.r.l.	Milan/I	EUR	20.00	98.0%	F	M	12/31
Atel Energie AG	Düsseldorf/D	EUR	0.50	100.0%	F	M	12/31
ecoSWITCH AG	Crailsheim/D	EUR	0.50	45.0%	E	S	12/31
EGT Energiehandel GmbH	Triberg/D	EUR	1.00	50.0%	E	M	12/31
Atel Energie SAS	Paris/F	EUR	0.50	100.0%	F	M	12/31
Atel Hellas S.A.	Athens/GR	EUR	0.15	76.0%	F	M	12/31
Atel Polska Sp. z o.o.	Warsaw/PL	PLN	4.00	100.0%	F	M	12/31
Atel Trading	Olten	CHF	5.00	100.0%	F	T	12/31
Atel Versorgungs AG	Olten	CHF	50.00	100.0%	F	M	12/31
Aare Energie AG (a.en)	Olten	CHF	2.00	50.0%	E	S	12/31
AEK Energie AG	Solothurn	CHF	6.00	38.7%	E	M	12/31
Azienda Energetica Municipale S.p.A.	Milan/I	EUR	929.62	5.2%	E	M	12/31
Azienda Energetica Municipale S.p.A.	Turin/I	EUR	461.74	3.8%	E	M	12/31
Energipartner AS	Oslo/N	NOK	1.50	100.0%	F	S	12/31
Entrade GmbH	Schaffhausen	CHF	0.40	75.0%	F	T	12/31
Entrade s.r.o.	Prague/CZ	CZK	5.418	100.0%	F	T	12/31
Entrade d.o.o.	Zagreb/HR	HRK	0.02	100.0%	F	T	12/31
Entrade d.o.o.	Ljubljana/SI	SIT	8.148	100.0%	F	T	12/31
Entrade Deutschland GmbH	Berlin/D	EUR	0.10	100.0%	F	T	12/31
Entrade Hungary Kft.	Budapest/H	HUF	50.00	100.0%	F	T	12/31
Entrade Poland Sp. z o.o.	Warsaw/PL	PLN	0.05	100.0%	F	T	12/31
Entrade Slovakia s.r.o.	Bratislava/SK	SKK	0.20	100.0%	F	T	12/31
Prva regulacna s.r.o., v likvidaci	Kosice/SK	SKK	0.20	100.0%	E	T	12/31
Entrade Romania S.R.L.	Bucharest/RO	ROL	2.00	100.0%	F	T	12/31
Società Elettrica Sopracenerina SA	Locarno	CHF	27.50	59.5%	F	M	12/31
Calore SA	Locarno	CHF	2.00	50.0%	E	G	12/31
SAP SA	Locarno	CHF	10.32	99.4%	F	S	12/31
Rätia Energie AG	Poschiavo	CHF	6.82	24.6%	E	I	12/31

Subsidiaries and Affiliates of the Motor-Columbus Group

(at 31 December 2003, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
Energy Segment							
Power Generation							
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
Csepel Aramtermelő Kft.	Budapest/HU	HUF	4930.10	100.0%	F	G	12/31
Csepeli Erőmű Kft.	Budapest/HU	HUF	856.00	100.0%	F	G	12/31
Csepel Energia Kft.	Budapest/HU	HUF	20.00	100.0%	F	S	12/31
ECK Generating s.r.o.	Kladno/CZ	CZK	2936.10	89.0%	F	G	12/31
Energeticke Centrum Kladno 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
Atel Centrale Termica Vercelli S.r.l.	Milan/I	EUR	10.33	95.0%	F	G	09/30
Novel S.p.A.	Milan/I	EUR	23.00	51.0%	F	G	09/30
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/I	EUR	1441.30	16.0%	FV	G	12/31
Electra-Massa AG	Naters	CHF	40.00	11.5%	E	G	12/31
Electricité d'Emosson SA	Martigny	CHF	140.00	50.0%	E	G	09/30
Engadiner Kraftwerke AG	Zernez	CHF	140.00	22.0%	E	G	09/30
Energie Biberist AG	Biberist	CHF	5.00	25.0%	E	M	12/31
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350.00*	40.0%	E	G	12/31
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450.00	27.4%	E	G	12/31
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30.00	25.0%	E	G	09/30
Kraftwerke Gougra AG	Siders	CHF	50.00	60.0%	E	G	09/30
Kraftwerke Hinterrhein AG	Thusis	CHF	100.00	9.3%	E	G	09/30
Kraftwerke Zervreila AG	Vals	CHF	50.00	30.0%	E	G	09/30
Maggia Kraftwerke AG	Locarno	CHF	100.00	12.5%	E	G	09/30
Kraftwerk Aegina AG	Ulrichen	CHF	12.00	50.0%	E	G	09/30

* Of which CHF 290.0 million paid in

Energy Segment

Grid

Atel Transmission Ltd.	Olten	CHF	130.00	100.0%	F	S	12/31
Etrans AG	Laufenburg	CHF	7.50	18.8%	E	S	12/31

Subsidiaries and Affiliates of the Motor-Columbus Group

(at 31 December 2003, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
Energy Services Segment							
Energy Services Southern/Western Europe							
<i>Holding Company and Management</i>							
Atel Installationstechnik Ltd.	Olten	CHF	30.00	100.0%	F	H	12/31
Atel Installationstechnik Management Ltd.	Zurich	CHF	0.10	100.0%	F	S	12/31
<i>Energy Transmission Technology</i>							
Kummler+Matter AG ^{a)}	Zurich	CHF	2.50	100.0%	F	S	12/31
Mauerhofer + Zuber SA	Renens	CHF	1.70	100.0%	F	S	12/31
<i>Building Services & Technical Facility Management</i>							
Atel Bornet SA	Vernier	CHF	1.00	100.0%	F	S	12/31
Atel Gebäudetechnik AG ^{b)}	Zurich	CHF	9.95	100.0%	F	S	12/31
Atel Gebäudetechnik AG West ^{c)}	Olten	CHF	6.95	100.0%	F	S	12/31
Atel Elettroimpianti SA	Bellinzona	CHF	2.70	100.0%	F	S	12/31
Atel Sesti S.p.A.	Milan/I	EUR	3.10	100.0%	F	S	12/31
Ecoenergy	Milan/I	EUR	0.10	51.0%	F	S	12/31

^{a)} Merged with HESO Herzog+Sonderegger AG, Aarau, on January 1, 2004

^{b)} Atel Elektroanlagen K+M AG, Zurich, renamed on January 1, 2004 and merged with Atel Com AG, Zurich

Atel Elektrosanitär AG, St. Gallen

BWB Gebäudetechnik Luzern AG, Lucerne

Atel Security + Automation SA, Zurich

^{c)} Atel Elektroanlagen AG, Olten, renamed on January 1, 2004 and merged with

Atel Gebäudetechnik AG, Basel

Albert Amherd AG, Brig-Glis

Subsidiaries and Affiliates of the Motor-Columbus Group

(at 31 December 2003, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
Energy Services Segment							
Energy Services Northern/Eastern Europe							
<i>Holding Company and Management</i>							
GAH Beteiligungs AG	Heidelberg/D	EUR	25.00	100.0%	F	H	12/31
<i>Energy Transmission Technology</i>							
Ges. für elektrische Anlagen Energieanl.bau GmbH	Hohenwarsleben/D	EUR	1.53	100.0%	F	S	12/31
Ges. für elektrische Anlagen Leitungsbau Nord GmbH	Hanover/D	EUR	0.51	100.0%	F	S	12/31
Ges. für elektrische Anlagen Leitungsbau Süd GmbH	Fellbach/D	EUR	2.56	100.0%	F	S	12/31
Elektro Stiller GmbH	Ronnenberg/D	EUR	0.43	100.0%	F	S	12/31
Frankenluk AG	Bamberg/D	EUR	2.81	100.0%	F	S	12/31
Frankenluk Energieanlagenbau GmbH	Bamberg/D	EUR	1.28	100.0%	F	S	12/31
Franz Lohr GmbH	Ravensburg/D	EUR	1.28	90.1%	F	S	12/31
<i>Communication Technology</i>							
GAH-Communications GmbH	Backnang/D	EUR	0.78	100.0%	F	S	12/31
GA-com Telekommunikations und Telematik GmbH	Bietigheim-Bissingen/D	EUR	0.75	100.0%	F	S	12/31
te-com Telekommunikations-Technik GmbH	Backnang/D	EUR	0.51	100.0%	F	S	12/31
Digi Communication Systeme GmbH	Gifhorn/D	EUR	0.77	80.2%	F	S	12/31
<i>Industrial Plant and Engineering</i>							
Kraftanlagen Anlagentechnik München GmbH	Munich/D	EUR	3.58	100.0%	F	S	12/31
ECM Ing.unternehmen für Energie- und Umweltt.GmbH	Munich/D	EUR	0.05	100.0%	F	S	12/31
Kraftanlagen Fertigungsbetrieb GmbH	Lutherstadt Wittenberg/D	EUR	0.03	100.0%	F	S	12/31
Kraftanlagen Nukleartechnik GmbH	Heidelberg/D	EUR	0.41	100.0%	F	S	12/31
KEU GmbH	Krefeld/D	EUR	0.51	100.0%	F	S	12/31
Kalfrisa SA	Zaragoza/E	EUR	0.56	53.1%	F	S	12/31
Kraftszer Kft.	Budapest/H	HUF	198.00	90.0%	F	S	12/31
<i>Building Services & Technical Facility Management</i>							
GA-tec Gebäude- u. Anlagentechnik GmbH	Heidelberg/D	EUR	2.56	100.0%	F	S	12/31
Kraftanlagen Hamburg GmbH	Hamburg/D	EUR	0.77	100.0%	F	S	12/31
Kraftanlagen Heidelberg GmbH	Heidelberg/D	EUR	0.10	100.0%	F	S	12/31
<i>Other</i>							
Dr. Herfeld GmbH	Neuenrade/D	EUR	0.03	100.0%	F	S	12/31
Dr. Herfeld GmbH & Co. KG	Neuenrade/D	EUR	0.51	51.0%	F	S	12/31

Subsidiaries and Affiliates of the Motor-Columbus Group

(at 31 December 2003, as included in consolidation)

	Company headquarters	Currency	Equity capital in millions	% held directly (voting rights)	Consolidation method	Activity	Year end
Holding and Finance Companies							
Atel Holding Deutschland GmbH	Heidelberg/D	EUR	10.00	100.0%	F	H	12/31
Atel Finance Ltd.	St. Helier/Jersey	EUR	1.50	100.0%	F	S	12/31
Atel Energia Kft.	Budapest/H	HUF	80.00	100.0%	F	H	12/31
Atel Csepel Rt.	Budapest/H	HUF	20.00	100.0%	F	H	12/31
Atel Bohemia s.r.o.	Prague/CZ	CZK	0.20	100.0%	F	H	12/31
Multipower Beteiligungs- und Energiemanagement GmbH	Vienna/AT	EUR	0.235	100.0%	F	H	12/31
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/D	EUR	20.00	2.0%	FV	S	12/31
Groupe CVE-Romande Energie	Morges	CHF	28.5	9.2%	FV	S	12/21
Powernext SA	Paris/F	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
Preferential Equity Investors II 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 Interconnector company

P Property

Consolidation method

F Full consolidation

E Equity method

FV Fair value method

The Annual Meeting of Shareholders will be held at 4:30 p.m. on Thursday, June 3, 2004 at the new Trafohalle in Baden.

