Rätia Energie

Interim report
1 January - 30 June 2007

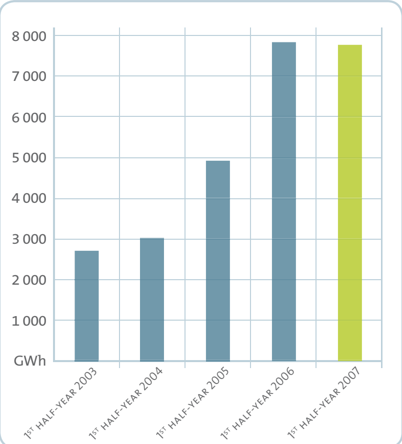
First half-year 2007 at a glance

- Total operating revenue for the Group in the first half of 2007 amounted to CHF 831 million (previous half-year CHF 850 million). Operating income stands at CHF 20 million (previous half-year CHF 59 million). In the first six months of 2007 Rätia Energie recorded Group profit of CHF 52 million (previous half-year CHF 48 million). Group profit was affected by a reversal of deferred taxes: of 2008, the canton of Grisons will lower income tax rates.
- Several factors are contributing to make 2007 a challenging year: a mild winter, low energy consumption accompanied by a Europe-wide surplus and a high volume of wind power production, lower prices and harsher competition for sales in Italy.
- At 7 832 GWh, the volume of energy sold is on a par with the previous year.
- The Teverola gas-fired combined-cycle power plant has been on the grid for the past six months. Experience to date has been positive, and the plant has met its high expectations.
- Rätia Energie has started preparations to build the Taschina power plant in Prättigau.
- Market penetration in Eastern and Central Europe is on schedule. Trading will start up in Prague in the autumn.
- A new corporate structure has resulted in new country organisations which are now responsible for the operating business in the regional markets.

Power is driving the economy

Close to the customer – for example in a high-tech Grisons company. Rätia Energie ensures a reliable supply of electricity. And discusses ways of optimising operations with the customer.

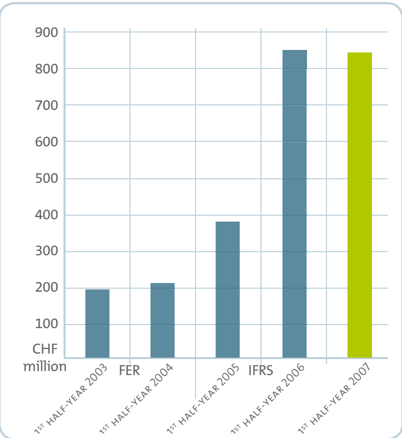
Key Figures



Energy sales

Energy balance sheet

GWh	1st half-year 2006	1st half-year 2007	Change
Contracts > 1 year	479	606	+ 27 %
Contracts ≥ 1 month ≤ 1 year	6 116	3 003	- 51 %
Spot < 1 month	761	2 293	+ 201 %
Total trading	7 356	5 902	- 20 %
Sales	416	1 762	+ 324 %
Pumps, own use, losses	87	168	+ 93 %
Energy sales	**7 859**	**7 832**	**0 %**
Contracts > 1 year	659	687	+ 4 %
Contracts ≥ 1 month ≤ 1 year	5 193	3 725	- 28 %
Spot < 1 month	1 291	1 680	+ 30 %
Total trading	7 143	6 092	- 15 %
Own production	256	1 261	+ 393 %
Energy from participations	460	479	+ 4 %
Energy procurement	**7 859**	**7 832**	**0 %**



Total operating revenue

Financial highlights

CHF m	1st half-year 2006	1st half-year 2007	Change
Total operating revenue	850	831	- 2 %
Operating income before interest and income taxes	59	20	- 66 %
Group profit including minority interests	**48**	**52**	**+ 8 %**
Balance sheet total	1 591	1 738	+ 9 %
Equity	**662**	**744**	**+ 12 %**

Share information

Share capital	2 783 115	bearer shares	at CHF 1.00	CHF 2.8 m
	625 000	participation certificates (PC)	at CHF 1.00	CHF 0.6 m

Share price		1st half-year 2006	1st half-year 2007
CHF			
Bearer Share	High	535	769
	Low	374	605
PC	High	420	560
	Low	344	450

Dividend	2003	2004	2005	2006
CHF				
Bearer shares	1.50 + 1.50	4.00	4.50	4.50
PC	1.50 + 1.50	4.00	4.50	4.50

Well-positioned for a successful future

First half-year 2007

Total operating revenue dropped by 2 % to CHF 831 million, while energy sales remained virtually on a par with the previous-year level at 7 832 GWh. Operating income before interest and income taxes stood at CHF 20 million (- 66 %). Group profit for the first half-year was up 8 % at CHF 52 million, although a key contributor to this result was the adjustment of deferred tax obligations in line with the lower income tax rates due to come into force in the canton of Grisons from 2008.

While Group profit has met the expectations already announced, the operating result is lower than anticipated. Various factors are responsible for this result. The exceptionally mild winter experienced throughout Europe in 2006/2007 resulted in lower energy consumption and significantly lower prices. The situation was exacerbated by the high volume of available electricity due to above-average production of wind power in Germany and hydroelectric power in Scandinavia. In addition, the period under review saw a decline in prices for CO_2 certificates, a key aspect of the electricity business, while the costs of auctions for cross-border electricity exchanges increased year-on-year. In Italy, however, political recognition of Swiss hydroelectric power as a renewable energy was achieved, leading to a reversal of CHF 6 million in provisions no longer required. Sales margins also came under pressure in Italy due to harsh competition.

Consistent implementation of our growth strategy resulted in the expected increase in expenses: the recruitment of additional specialists, largely in Switzerland, coupled with the commissioning of the gas-fired combined-cycle power plant in Teverola and the requisite infrastructures led, as planned, to an increase in expenses for personnel, materials and third-party services as well as other operating expenses. This has laid additional important foundations for the Group's profitable growth. Operation of the new power plant in Italy also entailed an increase of CHF 9 million in depreciation for the first half of 2007.

The 2007 interim results include for the first time the Teverola gas-fired combined-cycle power plant in Naples, which was connected to the grid in December 2006. The plant is operating reliably and successfully. Work on the grid performed by the plant's operating company necessitated brief scheduled shutdowns.

The balance sheet total rose to CHF 1.75 billion. With an equity ratio of 43 %, Rätia Energie enjoys a solid financial basis. The Group has at its disposal more than CHF 200 million in cash and cash equivalents and securities, which it can draw on in order to capitalise on opportunities quickly and flexibly.

Strategy aimed at balanced growth

Rätia Energie's strategy remains unchanged. International electricity trading offers the most interesting opportunities for growth. To exploit this potential, the Group's trading operations are being systematically expanded in key markets. Preparations have also been made in 2007 for our drive to capture new markets in Eastern and Central Europe; Rätia Energie will commence phased expansion of trading activities in these regions in autumn 2007.

Rätia Energie is committed to pursuing selective, targeted growth in sales and supplies across all markets. Alongside expansion of trading activities, penetration of new markets and growth in existing markets, the business model also covers additional investments in proprietary production facilities. Rätia Energie is looking to construct new power plants as well as participate in third-party projects, with the focus on thermal and hydroelectric plants. Production of new renewable energies is also to be stepped up. Switzerland's new Electricity Supply Act provides for market liberalisation from 2008. Rätia Energie is systematically preparing for this and believes that the opportunities far outweigh the risks.

Outlook

While the full-year operating result for 2007 will be lower than in 2006, Rätia Energy expects to see an improvement in the second half-year. Thanks to the highly positive impact of tax law reforms in the canton of Grisons on the interim results, we expect the group result to be as favourable as the 2006 figure. In view of the investments made, projects launched and the Group's strong financial footing, Rätia Energie is convinced that the right conditions exist for the Group's successful mid- and long-term development.

Poschiavo, 29 August 2007

Luzi Bärtsch
Chairman of the Board of Directors

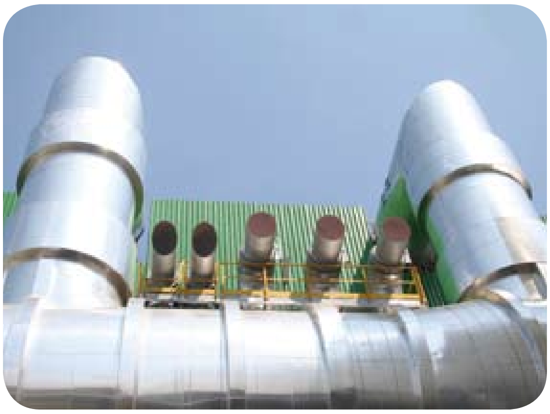
Karl Heiz
CEO

The way forward

In 2007 Rätia Energie launched a series of measures which are laying the foundations for the Group's sustained growth over the next few years.

Teverola goes on stream

The new Teverola gas-fired combined-cycle power plant was connected to the grid on schedule at the end of December 2006. Its successful operation during the first six months of 2007 confirmed our expectations. Thanks to Teverola's production, the Group now has a greater volume of its own energy available in Italy. The plant is extremely flexible in terms of production and is therefore highly competitive. As such, it is an ideal addition to the Rätia Group's production portfolio. During the first half of 2007 the operating hours were changed and adapted to the market situation.



Targeting new markets

In addition to trading operations in Switzerland and Italy, Rätia Energie is currently building up trading activities in the highly dynamic economies of Eastern and Central Europe. Measures have been initiated or already implemented in several countries with a view to obtaining trading licences and founding new companies. To this end, staff have been engaged and office premises rented. Rätia Energie's team in Prague will begin trading in electricity as early as autumn 2007, and branches are now being set up in Slovenia and Romania.

Corporate reorganisation

Corporate growth, increasing involvement in international activities and expansion of business operations have necessitated internal reorganisational measures. Accordingly, a new company organisation came into force in early April 2007: country organisations have been formed in a conscious bid to get closer to the market and strengthen management capacities. In addition, an ERP (Enterprise Resource Planning) system was evaluated. The system is now being implemented and will go into operation in 2008, providing an enhanced platform for planning and monitoring many business processes. The IT outsourcing strategy now in place will increase the Group's flexibility and efficiency even further.

New power plant in Prättigau

Rätia Energie is also committed to hydro power from domestic resources. We are pleased to report that all the requirements for construction of the 1-MW Taschinas power plant in Prättigau were in place at the beginning of 2007. The detailed project is now being drawn up. Construction will begin in 2008, and the plant is scheduled to go live in 2010, producing an annual electricity volume of around 40 GWh.

Electricity à la carte

Close to the customer – for example in a restaurant in Milan. Dynameeting delivers the energy. So that the kitchen staff can concentrate on catering to the customer's wishes.

Consolidated Interim Financial Statements

Consolidated income statement

CHF thousands	1.1 – 30.6.2006	1.1 – 30.6.2007
Net sales	827 033	812 258
Own work capitalised	3 380	3 673
Other operating income	19 709	14 884
Total operating revenue	**850 122**	**830 815**
Energy procurement	- 724 333	- 715 725
Concession fees	- 6 105	- 7 264
Personnel expenses	- 25 038	- 31 550
Material and third-party services	- 8 280	- 13 224
Other operating expenses	- 13 670	- 18 347
Income before interest, income taxes, depreciation and amortisation	**72 696**	**44 705**
Depreciation and impairment	- 14 165	- 24 775
Income before interest and income taxes	**58 531**	**19 930**
Financial income	15 156	20 620
Financial expense	- 3 303	- 11 376
Share of results attributable to associates and partner plants	66	324
Income before income taxes	**70 450**	**29 498**
Income taxes	- 22 002	22 907
Group profit including minority interests	**48 448**	**52 405**
Share of Group profit attributable to Rätia Energie shareholders and participants	48 419	51 231
Share of Group profit attributable to minority interests	29	1 174
Earnings per share (undiluted)	CHF 14.26	CHF 15.09

There are no factors resulting in a dilution of earnings per share.

Consolidated balance sheet

CHF thousands	31.12.2006	30.6.2007
Assets		
Property, plant and equipment	1 067 748	1 084 559
Intangible assets	32 924	32 867
Holdings in associates and partner plants	28 372	28 172
Other financial assets	18 236	23 027
Deferred tax assets	4 297	5 047
Non-current assets	**1 151 577**	**1 173 672**
Inventories	15 186	14 072
Receivables	447 045	339 623
Prepaid expenses and accrued income	2 246	3 356
Securities and other financial instruments	71 460	103 202
Cash and cash equivalents	135 418	104 364
Current assets	**671 355**	**564 617**
Total assets	**1 822 932**	**1 738 289**
Liabilities and shareholders' equity		
Share capital	2 783	2 783
Participation capital	625	625
Treasury shares	- 13	- 12
Capital reserves	17 732	17 732
Retained earnings (including Group profit)	622 851	659 235
Accumulated translation adjustments	3 516	7 105
Equity excluding minority interests	**647 494**	**687 468**
Minority interests	52 885	56 980
Equity	**700 379**	**744 448**
Non-current provisions	79 711	76 036
Deferred tax liabilities	115 190	83 825
Non-current financial liabilities	356 135	370 863
Other non-current liabilities	59 891	59 190
Non-current liabilities	**610 927**	**589 914**
Current income tax liabilities	67 963	24 464
Current financial liabilities	14 929	66 354
Current provisions	30 767	28 274
Other liabilities	384 669	265 195
Deferred income and accrued expenses	13 298	19 640
Current liabilities	**511 626**	**403 927**
Borrowings	**1 122 553**	**993 841**
Total liabilities and shareholders' equity	**1 822 932**	**1 738 289**

Consolidated Interim Financial Statements

Changes in consolidated equity

CHF thousands	Share capital	Participation capital	Treasury shares	Capital reserves	Retained earnings	Accu-mulated translation adjustments	Total Group equity	Minority interests	Total share-holders' equity
Equity at 1 January 2006	**2 783**	**625**	**- 11**	**17 732**	**556 782**	**316**	**578 227**	**43 442**	**621 669**
Effect of currency translations						- 319	- 319	574	255
Change in consolidation					3 505		3 505		3 505
Total income and expense for the period recognised in equity					**3 505**	**- 319**	**3 186**	**574**	**3 760**
Interim Group profit					48 419		48 419	29	48 448
Total recognised income and expense for the period					**51 924**	**- 319**	**- 51 605**	**603**	**52 208**
Dividends (excl. treasury shares)					- 15 284		- 15 284	- 27	- 15 311
Purchase/sale of treasury shares			- 2		- 771		- 773		- 773
Buyout of minority interests								- 58	- 58
Capital increase through minority interests								4 275	4 275
Equity at 30 June 2006	**2 783**	**625**	**- 13**	**17 732**	**592 651**	**- 3**	**613 775**	**48 235**	**662 010**
Equity at 1 January 2007	**2 783**	**625**	**- 13**	**17 732**	**622 851**	**3 516**	**647 494**	**52 885**	**700 379**
Effect of currency translations						3 589	3 589	1 316	4 905
Total income and expense for the period recognised in equity						**3 589**	**3 589**	**1 316**	**4 905**
Interim Group profit					51 231		51 231	1 174	52 405
Total recognised income and expense for the period					**51 231**	**3 589**	**54 820**	**2 490**	**57 310**
Dividends (excl. treasury shares)					- 15 282		- 15 282	- 27	- 15 309
Purchase/sale of treasury shares			1		435		436		436
Capital increase through minority interests								1 632	1 632
Equity at 30 June 2007	**2 783**	**625**	**- 12**	**17 732**	**659 235**	**7 105**	**687 468**	**56 980**	**744 448**

CONSOLIDATED CASH FLOW STATEMENT

CHF thousands		1.1 – 30.6.2006	1.1 – 30.6.2007
Group profit including minority interests		**48 448**	**52 405**
Depreciation and impairment		14 165	24 775
Own work capitalised		- 3 380	- 3 673
Change in provisions		- 2 970	- 6 985
Change in deferred taxes		- 270	- 32 546
Share of results attributable to associates		- 66	- 324
Dividends from associates and partner plants		337	307
Other income and expenses not affecting liquidity		- 20 253	- 3 662
Change in inventories		3 052	1 420
Change in receivables		- 5 556	122 236
Change in prepaid expenses and accrued income		- 1 575	- 1 074
Change in liabilities		8 015	- 171 612
Change in deferred income and accrued expenses		2 338	6 227
Cash flow from operating activities		**42 285**	**- 12 506**
Property, plant and equipment:	- Investments	- 59 792	- 24 666
	- Disposals	14 278	374
Intangible assets:	- Investments	-	- 67
	- Disposals	-	-
Group companies:	- Acquisitions	- 13 237	-
	- Disposals	21	-
Investments in associates and partner plants:	- Investments	-	-
	- Disposals	-	357
Long-term financial assets:	- Investments	-	- 5 771
	- Disposals	1 745	-
Change in securities		34 434	17 079
Cash flow from investing activities		**- 22 551**	**- 12 694**
Additions to non-current financial liabilities		53 292	5 284
Repayment of financial liabilities		- 6 645	-
Dividend payments		- 15 311	- 15 309
Purchase of treasury shares		- 773	-
Sale of treasury shares		-	436
Capital increase through minority interests		4 275	1 632
Cash flow from financing activities		**34 838**	**- 7 957**
Translation adjustments		**402**	**2 103**
Change in cash and cash equivalents		**54 974**	**- 31 054**
Cash and cash equivalents at 1 January		64 445	135 418
Cash and cash equivalents at 30 June		**119 419**	**104 364**

Notes to the Consolidated Financial Statements

1) Information on the Company

Rätia Energie AG, Poschiavo, is a listed stock corporation with registered office in Switzerland. Rätia Energie is a vertically integrated group active in Switzerland and abroad in the fields of electricity production, management, transmission and distribution.

2) Principles of consolidation

Basis

The unaudited interim consolidated financial statements of the Rätia Energie Group at 30 June 2007 have been prepared in accordance with International Accounting Standard (IAS) No. 34 «Interim Financial Reporting». The consolidated interim financial statements do not include all the information disclosed in the consolidated annual financial statements, and should therefore be read in conjunction with the consolidated financial statements at 31 December 2006.

Accounting and valuation principles

The accounting and valuation methods used in these consolidated interim financial statements correspond to the methods applied in the consolidated annual financial statements at 31 December 2006, with the exception of the revised IAS 1 «Presentation of Financial Statements» and IFRS 7 «Financial Instruments: Disclosures» Application of these revised standards has had no material effect on the consolidated interim financial statements of the Rätia Energie Group. However, the consolidated annual financial statements at 31 December 2007 will contain additional disclosures.

Foreign currencies were converted at the exchange rate of EUR/CHF 1.6568 on the balance sheet date and an average rate of EUR/CHF 1.6319.

Seasonal nature of operating activities

The business operations of the Rätia Energie Group are subject to seasonal fluctuations. As a rule, total operating revenue and profit are higher in the first half-year due to higher electricity consumption in the winter months.

Dividends paid

Approved and paid dividends per share

	1.1 – 30.6.2006	1.1 – 30.6.2007
CHF	4.50	4.50

Approved and paid dividends (including dividends on treasury shares)

	1.1 – 30.6.2006	1.1 – 30.6.2007
CHF thousands	15 337	15 337

The 2007 dividend payment was approved by the Annual General Meeting on 6 June 2007.

3) Changes in consolidation

In view of the intention to expand business activities in Eastern Europe, several fully consolidated companies have been founded. These have no material effect on the interim figures.

In the case of associates, the remaining 34 % holding in aurax informatica ag was sold. The proceeds from the sale and the effect on the consolidated interim financial statements are immaterial, which came into effect on 1 January 2007.

4) Segment reporting

As a vertically integrated company, Rätia Energie is primarily active in the field of electricity trading, production and distribution. These activities are not broken down, as also reflected in the internal Group reporting. Since activities outside the energy sector account for less than 10 % of sales, income and assets, the company does not report by business area.

5) Contingent liabilities and guarantee obligations

The Rätia Energie Group has issued no guarantees in favour of third parties. The Group is involved in minor legal disputes arising in the course of its day-to-day business. The Executive Board has made the requisite provisions based on currently available information and estimates.

There are no other contingent liabilities or guarantee obligations.

6) Events occurring after the balance sheet date

There are no significant events to report after 30 June 2007.

Electricity is a clean business

Close to the customer – for example on a customer's premises in Germany. ELEMENTERRA promotes the popularity of PurePower St. Moritz, the ecopower from the mountains of the Grisons.

Key dates

9 April 2008	**Publication of 2007 annual results**
23 May 2008	**Annual General Meeting in Poschiavo**

Rätia Energie

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In the event of differing interpretations, the German text is definitive.

Rätia Energie

Rätia Energie
Via da Clalt 307
CH-7742 Poschiavo

Tel +41 81 839 71 11
Fax +41 81 839 72 99

Rätia Energie
Talstrasse 10
CH-7250 Klosters

Tel +41 81 423 77 77
Fax +41 81 423 77 99

Rätia Energie
Quadratscha 36
CH-7503 Samedan

Tel +41 81 839 75 00
Fax +41 81 839 75 99

Rätia Energie
Josefstrasse 225
CH-8005 Zürich

Tel +41 81 839 70 00
Fax +41 81 839 70 99

Rätia Energie
Glennerstrasse 22
CH-7130 Ilanz

Tel +41 81 926 26 26
Fax +41 81 926 26 30

aurax
Glennerstrasse 22
CH-7130 Ilanz

Tel +41 81 926 26 26
Fax +41 81 926 26 30

Swisshydro AG
Via da Clalt 307
CH-7742 Poschiavo

Tel +41 81 839 71 11
Fax +41 81 839 72 99

Rezia Energia Italia S.p.A.
Viale Bianca Maria, 15
IT-20122 Milano

Tel +39 02 764 56 60
Fax +39 02 764 56 630

Dynameeting S.p.A.
Viale Bianca Maria, 15
IT-20122 Milano

Tel +39 02 764 56 60
Fax +39 02 764 56 630

elementerra GmbH
Stefanstrasse 3
DE-58638 Iserlohn

Tel +49 2371 152 554
Fax +49 2371 783 360

info@REpower.ch
www.REpower.ch