



RĂTIA ENERGIE

SEMI-ANNUAL REPORT
1 January - 30 June 2008



First half-year 2008 at a glance

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- Total operating revenue increases 10 % to CHF 916 million during the first six months of 2008.
- Operating income (EBIT) improves considerably to close at CHF 38.4 million (+93 %).
- Group profit is CHF 17 million compared to CHF 20 million (after adjustment for a tax effect) in the previous year.
- Rätia Energie is involved in the planning of coal-fired power plants in Brunsbüttel (D) and Saline Joniche (I).
- In Switzerland, construction can begin on the Taschinas power plant in Prättigau and other projects have been initiated.
- Construction work for a new 150 kV merchant line between Campocologno (CH) and Tirano (I) has been in full swing since February 2008.
- Preparations for market liberalisation in Switzerland are proceeding according to schedule: the necessary systems and processes are ready on time.

SHARE INFORMATION

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

CHF

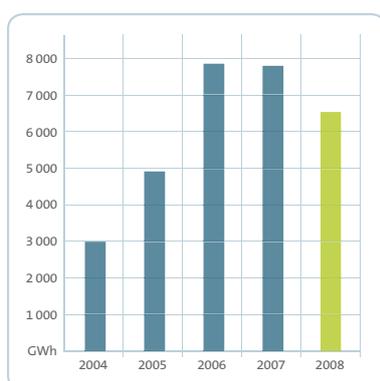
Share price		1 st half-year 2007	1 st half-year 2008
Bearer shares	High	769	691
	Low	605	545
Participation certificates (PC)	High	560	519
	Low	450	440

Dividend	2004	2005	2006	2007
Bearer shares	4.00	4.50	4.50	5.50
Participation certificates (PC)	4.00	4.50	4.50	5.50



SYMBIOSIS IS THE KEY

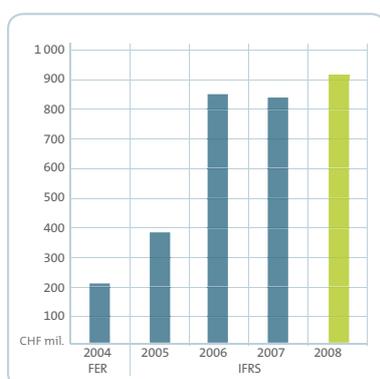
The pictures in this semi-annual report symbolise the need for symbiosis both among people as well as between these people and the tools they use. Rätia Energie is committed to both these areas, employing competent staff and using state-of-the-art equipment in every aspect of its work.



Energy sales first half-year

ENERGY BALANCE SHEET

GWh	1 st half-year 2007	1 st half-year 2008	Change
Contracts > 1 year	606	563	- 7 %
Contracts ≥ 1 month ≤ 1 year	3 003	1 681	- 44 %
Spot < 1 month	2 293	2 158	- 6 %
Total trading	5 902	4 402	- 25 %
Supply or sales	1 762	1 956	+ 11 %
Pumps, own use, losses	168	172	+ 2 %
Energy sales	7 832	6 530	- 17 %
Contracts > 1 year	687	904	+ 32 %
Contracts ≥ 1 month ≤ 1 year	3 725	1 597	- 57 %
Spot < 1 month	1 680	2 313	+ 38 %
Total trading	6 092	4 814	- 21 %
Own production	1 261	1 205	- 4 %
Energy from participations	479	511	+ 7 %
Energy procurement	7 832	6 530	- 17 %
Trading in energy derivatives (Held for Trading)	3 014	6 131	+ 103 %



Total operating revenue first half-year

FINANCIAL HIGHLIGHTS

CHF mil.	1 st half-year 2007	1 st half-year 2008	Change
Total operating revenue	831	916	+ 10 %
EBIT	20	38	+ 90 %
Group profit including minority interests	52	17	- 206 %
Balance sheet total	1 738	2 131	+ 22 %
Equity	744	762	+ 2 %

Considerable operational improvement during the first half of 2008

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Rätia Energie generated total operating revenue of CHF 916 million during the first half of the year, 10 % more than the previous year. This increase can be attributed in part to the higher price level on energy markets. Earnings before interest and income taxes (EBIT) reached CHF 38.4 million during the first six months of the year. The 93 % increase over the previous year represents a considerable operational improvement. A weaker euro and book losses on securities combined with higher interest expenses had a negative impact on the financial result. The first half of 2008 produced an after-tax profit of CHF 17 million; in 2007 this figure was positively impacted by a one-off special item and closed at CHF 20 million (after adjustment for the tax effect).

As at the end of June, energy prices had risen extremely sharply. This resulted in negative ratings for individual trading positions and prevented operating income from improving even further. These prices have since returned to their previous levels yet still remain extremely volatile. In keeping with the energy derivatives trading strategy, it is foreseen a positive result during the second half of the year.

STABLE BALANCE SHEET STRUCTURE

Total assets of CHF 2.131 billion were reported on 30 June 2008, 12 % higher than at the end of 2007. This increase is mainly attributable to two positions: advance payments for a new 20-year energy purchase contract were entered on the asset side of the balance sheet. Additionally, the expansion of energy derivative trading activities led to growth in "Securities and other financial instruments" and "Current financial liabilities". CHF 75 million in new loan capital combined with other growth in the total assets caused the equity ratio to drop to 36 %. In view of the risks and the capital intensity of these assets, Rätia Energie remains on a solid financial footing.

SHIFT FROM PHYSICAL BUSINESS TO TRADING IN ENERGY DERIVATIVES

6530 GWh of energy was sold during the first half of 2008. While sales saw an 11 % increase, trading volumes in the physical business fell by 25.4 %. There are two reasons for this. A small staff on the trading floor put a limit on trading volumes and certain markets were characterised by low liquidity. On the other hand, the transaction volume for energy derivative trading – meaning transactions which are purely financial in nature without any physical delivery – grew by more than 3000 GWh to reach 6131 GWh.

ON TRACK BOTH STRATEGICALLY AND OPERATIONALLY

The growth and internationally-focused organisational structure implemented in 2007 is starting to have a positive impact on efficiency and control.

Another supporting factor is the successful introduction of new Group-wide business software. Ongoing efforts to outsource standardised IT have reached an advanced stage, thus freeing up staff and resources to optimise specialised information technology for purposes such as trading activities.

Preparations for Switzerland's liberalised market are proceeding as scheduled at Rätia Energie, both with regard to the Group's own requirements as well as for independent electricity companies via SWIBI AG, the partner company created specifically for this purpose. In Italy, the measures initiated in relation to the sales structure, in combination with the current market situation, are having their first positive effects in the form of improved results. The founding of DEUTO GmbH in Germany represents a milestone in the expansion of sales activities there. In Central/Eastern Europe our activities enabled us

to create the conditions and contact networks needed to further expand sales and production capacities.

A number of power plant projects were pushed forward, in keeping with the strategy of expanding production capacities while achieving diversification both geographically and with regard to primary energy. In addition to large-scale hydropower projects, several other projects are also being pursued in the area of thermal power: the largest of these are the coal-fired power plants in Brunsbüttel (D) and Saline Joniche (I) where Rätia Energie intends to secure larger production capacities and is thus actively involved in their planning. Coal-fired power plants produce baseload energy, which means that the facilities produce power around the clock. Access to baseload energy is strategically important for Rätia Energie and in this context coal will continue to play a central role in Europe too for years to come. Coal supplies are available in large quantities and easily acquired. Rätia Energie will make every effort to ensure that the most state-of-the-art, environmentally-friendly technologies are implemented in the new thermal production facilities.

In the area of projects, the most progress has been made on the merchant line, a 150 kV line between Campocologno in Poschiavo and Tirano (Italy) which is currently under construction and scheduled to go on-line at the end of 2009, as well as on the Taschinas plant project in the lower Prättigau. The licence and permits necessary for construction of the new 10 MW hydropower plant have been obtained. Detailed planning has been completed to a large extent and construction contracts for the main components will be awarded in August of this year.

EXPECTATIONS CONFIRMED

Despite the market environment's continued volatility, Rätia Energie expects its 2008 operating income (EBIT) to be on a par with the good results of 2006. Profit is expected to be similar to that of previous years. Rätia Energie continues to pursue its growth strategy and has a promising portfolio comprising projects in its key markets of Switzerland, Italy, Germany and Central/Eastern Europe.



L. Bärtsch

Luzi Bärtsch

Chairman of the Board of Directors



K. Bobst

Kurt Bobst

CEO

Production lays the foundation for continued growth

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Rätia Energie's trading and sales activities are based on the Group's guaranteed long-term production capacities. An element of the Group's strategy is the expansion of these capacities, whether this comes from renewing licences for hydropower usage, participating in production companies or constructing its own power plants within Rätia Energie's key markets. At present, the Group is working on an extensive portfolio of power plant projects. Rätia Energie endeavours to maintain a balanced mix of baseload and peak energy; its diversified portfolio therefore includes projects for hydropower plants, state-of-the-art thermal plants (gas and coal-fired) and wind power plants as well as investments in nuclear power plants and other facilities.

HYDROPOWER TO REMAIN A CORE COMPETENCE

Construction in Prättigau gets the green light! Preliminary work for the Taschinas hydropower plant has been wrapped up and the necessary permits have been obtained. The new facility will use water from the Taschinas stream, which will pass through turbines at an underground control centre in Grünsch. A head of 350 m will be utilised. A 3,200 m penstock will link the water catchment to the power plant's control centre; for the most part this tunnel will have to be drilled through the rock. The power plant will have a capacity of 10 MW. Annual electricity production is expected to be around 40,000,000 kilowatt hours, or enough to supply around 10,000 average households. The plant is scheduled to go on-line in late 2010.

This project is a prime example of how hydropower can still be expanded, despite Switzerland's limited potential. And that is – and will remain – one of Rätia Energie's core competences. Consequently, Rätia Energie



Rätia Energie is a firm believer in the power of water and is working on a number of projects in this area.

is also pursuing additional hydropower projects, a list currently including licensing projects for the 40 MW Chlus power plant in Prättigau and the 6.5 MW Tomül power plant in the Vals Valley.

BASELOAD ENERGY FROM THERMAL PRODUCTION

Hydropower from storage plants is mainly used to produce peak energy. While power of this quality can generally command above-average prices on the market, the cost of producing it is also considerably higher. Consequently, power to satisfy basic needs is produced in coal-fired and nuclear power plants, which are in operation 24 hours a day, 365 days a year. In order to guarantee that it can meet the needs of the market as well as those of its own customers, Rätia Energie is pursuing a variety of power plant projects with the aim of producing baseload energy. This is the idea behind Rätia Energie's cooperation with partners on projects in Saline Joniche (Southern Italy) and Brunsbüttel (Northern Germany) to build the latest generation of coal-fired power plants. Both

locations offer potential sites for the construction of such state-of-the-art power plants. These plants will be equipped with top-notch technology and, as well as currently possible, prepared for CO₂ capture. Since construction of these plants will cost several billion francs and take up to ten years, Rätia Energie places great importance on implementing the projects together with solid, competent partners in order to limit both the financial burden and the operating risks involved. The first key permits have already been obtained for the Brunsbüttel plant, which is in a prime location, particularly from a logistical point of view. The necessary applications for the Saline Joniche project were submitted in June.



An architectural simulation of the Saline Joniche power plant: a pier for coal ships can be seen in the foreground with the covered coal storage facility to the left and the actual power plant on the right.

NEW POWER LINE BETWEEN SWITZERLAND AND ITALY

A new international 150 kV merchant line is being built between Campocologno in Poschiavo and the neighbouring city of Tirano in Italy. Rätia Energie is creating this link in cooperation with Italian part-



Investments in cross-border energy exchange: construction has begun in Tirano.

ners. Construction work began in spring 2008 and the power line is scheduled to be put into operation in late 2009. With the aim of creating an incentive for investment, European legislation has opened up the opportunity for private investors to build merchant lines. During a pre-defined period of time, the investors can then dispose freely of all or a portion of the network's capacity. That means that this capacity is not subject to the cross-border capacity auctions held by national network operators. It will be possible for the merchant line between Campocologno and Tirano to be used in full by Rätia Energie and its partners for a period of ten years, after which management of the line will revert to the national network operators. Rätia Energie has an approximately 50 % stake in the merchant line.

Consolidated Financial Statements

8 | CONSOLIDATED INCOME STATEMENT

CHF thousands	1.1 – 30.06.2007 unaudited	1.1 – 30.06.2008 unaudited
Net sales	812 258	897 511
Own work capitalised	3 673	6 487
Other operating income	14 884	11 857
Total operating revenue	830 815	915 855
Energy procurement	- 715 725	- 772 627
Concession fees	- 7 264	- 5 021
Personnel expenses	- 31 550	- 36 890
Material and third-party services	- 13 224	- 16 754
Other operating expenses	- 18 347	- 20 399
Income before interest, income taxes, depreciation and amortisation	44 705	64 164
Depreciation and impairment	- 24 775	- 25 747
Income before interest and income taxes	19 930	38 417
Financial income	20 620	25 427
Financial expense	- 11 376	- 39 827
Share of result attributable to associates and partner plants	324	160
Income before income taxes	29 498	24 177
Income taxes	22 907	- 6 835
Group profit including minority interests	52 405	17 342
Share of Group profit attributable to Rätia Energie shareholders and participants	51 231	16 735
Share of Group profit attributable to minority interests	1 174	607
Earnings per share (undiluted)	CHF 15.09	CHF 4.93
There were no factors resulting in a delution of earnings per share.		

Consolidated Financial Statements

9 | CONSOLIDATED BALANCE SHEET

Assets CHF thousands	31.12.2007 audited	30.06.2008 unaudited
Property, plant and equipment	1 091 205	1 079 414
Intangible assets	14 133	13 959
Investments in associates and partner plants	28 756	31 415
Other financial assets	18 379	89 177
Deferred tax assets	3 238	13 077
Non-current assets	1 155 711	1 227 042
Inventories	14 804	18 269
Receivables	471 029	514 862
Prepaid expenses and accrued income	7 539	15 459
Securities and other financial instruments	96 216	198 412
Cash and cash equivalents	152 665	157 169
Current assets	742 253	904 171
Total assets	1 897 964	2 131 213
Liabilities and shareholders' equity		
Share capital	2 783	2 783
Participation capital	625	625
Treasury shares	- 12	- 14
Capital reserves	17 732	17 732
Fair value adjustment of financial instruments	- 113	934
Retained earnings (including Group profit)	682 119	679 267
Accumulated translation adjustments	7 717	3 418
Equity excluding minority interests	710 851	704 745
Minority interests	57 228	57 443
Equity	768 079	762 188
Non-current provisions	72 163	71 596
Deferred tax liabilities	81 363	82 490
Non-current financial liabilities	381 375	426 649
Other non-current liabilities	58 491	57 791
Non-current liabilities	593 392	638 526
Current income tax liabilities	31 458	30 556
Current financial liabilities	81 359	271 913
Current provisions	28 725	28 940
Other current liabilities	374 055	381 538
Deferred income and accrued expenses	20 896	17 552
Current liabilities	536 493	730 499
Borrowings	1 129 885	1 369 025
Total liabilities and shareholders' equity	1 897 964	2 131 213

Consolidated Financial Statements

10 | CHANGES IN CONSOLIDATED EQUITY

CHF thousands	Share capital	Participation capital	Treasury shares	Capital reserves	Market value adj. of the fin. instruments	Retained earnings	Accumulated translation adjustments	Total Group equity	Minority interests	Total shareholders' equity
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 recognised directly 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
Buyout of 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
Equity at 1st January 2008	2 783	625	- 12	17 732	-113	682 119	7 717	710 851	57 228	768 079
Effect of currency translations							- 4 299	- 4 299	- 1 482	- 5 781
Fair value adjustment of financial instruments					1 047			1 047	669	1 716
Total income and expense recognised directly in equity					1 047		- 4 299	- 3 252	-813	- 4 065
Interim Group profit						16 735		16 735	607	17 342
Total recognised income and expense for the period					1 047	16 735	- 4 299	13 483	-206	13 277
Dividends (excl. treasury shares)						- 18 657		- 18 657	- 76	- 18 733
Purchase/sale of treasury shares			- 2			- 930		- 932		- 932
Buyout of minority interests									379	379
Capital increase, minority interests									118	118
Equity at 30 June 2008	2 783	625	- 14	17 732	934	679 267	3 418	704 745	57 443	762 188

11 | CONSOLIDATED CASH FLOW STATEMENT

CHF thousands	1.1 – 30.06.2007	1.1 – 30.06.2008
	unaudited	unaudited
Group profit including minority interests	52 405	17 342
Depreciation and impairment	24 775	25 747
Own work capitalised	- 3 673	- 6 487
Change in provisions	- 6 985	319
Change in deferred taxes	- 32 546	- 8 148
Share of results attributable to associates	- 324	- 160
Dividends from associates and partner plants	307	344
Other income and expenses not affecting liquidity	- 3 662	4 502
Change in inventories	1 420	- 3 733
Change in receivables	122 236	- 51 617
Change in prepaid expenses and accrued income	- 1 074	- 7 945
Change in liabilities	- 171 612	13 377
Change in deferred income and accrued expenses	6 227	- 3 312
Change in replacement values of energy derivatives	-	39 584
Change in securities and other financial instruments	-	30 534
Cash flow from operating activities	- 12 506	50 347
Property, plant and equipment:		
- Investments	- 24 666	- 22 382
- Disposals	374	1 758
Intangible assets		
- Investments	- 67	- 938
- Disposals	-	29
Group companies		
- Akquisitionen	-	-
- Disposals	-	1 223
Investments in associates and partner plants		
- Investments	-	- 2 843
- Disposals	357	-
Other financial assets		
- Investments	- 5 771	- 1 051
- Disposals	-	-
Other non-current assets		
- Investments	-	- 69 336
- Disposals	-	-
Change in securities	17 079	-
Cash flow from investing activities	- 12 694	- 93 540
Additions to non-current financial liabilities	5 284	82 416
Repayment of financial liabilities	-	- 12 044
Dividend payments	- 15 309	- 18 733
Purchase of treasury shares	-	- 932
Sale of treasury shares	436	-
Capital increase through minority interests	1 632	118
Cash flow from financing activities	- 7 957	50 825
Translation adjustments	2 103	- 3 128
Change in cash and cash equivalents	- 31 054	4 504
Cash and cash equivalents at 1 st January	135 418	152 665
Cash and cash equivalents at 30 June	104 364	157 169

Notes to the Consolidated Financial Statements

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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, trading, sales, transmission and distribution.

2) PRINCIPLES OF CONSOLIDATION

Basis

The unaudited interim consolidated financial statements of the Rätia Energie Group at 30 June 2008 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 2007.

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 2007. The new interpretations of IFRIC 11 (Group and Treasury Share Transactions in accordance with IFRS 2), IFRIC 12 (Service Concession Arrangements) and IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) adopted during the first half of 2008 had no significant impact on the Group financial statements.

Foreign currencies were converted at the exchange rate of EUR/CHF 1.6056 on the balance sheet date and an average rate of EUR/CHF 1.6059. Positions in other

currencies are insignificant and were converted using the rates published by the European Central Bank (ECP Fixing).

Seasonal nature of operating activities

The business operations of the Rätia Energie Group are subject to seasonal fluctuations.

Dividends paid

Approved and paid dividends per share

	1.1. – 30.6.2007	1.1. – 30.6.2008
CHF	4.50	5.50

Approved and paid dividends (including dividends on treasury shares)

	1.1. – 30.6.2007	1.1. – 30.6.2008
TCHF	15 337	18 745

The 2008 dividend payment was approved by the Annual General Meeting on 23 May 2008.

3) CHANGES IN CONSOLIDATION

The following Group companies were founded during the first half of 2008: Deuto Energie GmbH (sales, Menden, Germany), REC S.r.l. (project company, Milan, Italy), RE Energy Slovakia s.r.o. (energy trading, Bratislava, Slovakia). Secu AG, Klosters, was sold with retrospective effect from 1 January 2008. These have no material effect on the interim figures.

4) SEGMENT REPORTING

As a vertically integrated company, Rätia Energie is primarily active in the field of electricity production, trading and distribution. These activities are not broken down, as reflected in the internal Group reporting. Since activities outside the energy sector account

for less than 10 % of sales, assets and income, the company does not report by business area. Accordingly, the standardised management information is not broken down by business area.

**5) CONTINGENT LIABILITIES
AND GUARANTEE OBLIGATIONS**

The Rätia Energie Group is involved in various legal disputes arising from day-to-day business operations. However, as things stand at present these are not expected to give rise to any significant risks and costs. 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**

No significant events occurred after 30 June 2008.



