



## Interim report

### 1 January – 31 March 2008

- IFRS net asset value at the end of the period was SEK 2,057 million (SEK 73.04 per share)
- Loss for the period amounted to SEK -556 million (SEK -19.74 per share). Main contributor to the loss was the decline in share price of UES, EOS' main investment
- Total number of shares outstanding at the end of the period was 28,162,734 (average for the period was 28,162,734)

#### Significant events after the end of the reporting period

- Several directed share issues completed in April and May, totaling SEK 2,118 million
- The total amount of outstanding shares after the issues have been registered will be 56,673,177
- EOS announced on April 29<sup>th</sup> that it will continue to trade on First North as it has not been given an exemption from the rule of three years of published annual accounts in the listing requirements for trading on the OMX Nordic list



## EOS Russia

EOS was founded in the spring of 2007 in order to capitalize on investment opportunities arising as a result of the deregulation, restructuring and privatization of the Russian electricity sector.

EOS Russia AB is the Group's parent company and is headquartered in Stockholm, Sweden. EOS Russia (Cyprus) Ltd is a subsidiary of EOS AB and is located in Limassol, Cyprus. All investments are conducted by the subsidiary, which holds the complete investment portfolio of EOS. EOS was founded in its present form in May 2007 when the company decided to carry out a directed share issue to a number of institutional investors, paid for in kind or in cash. The company listed on First North on June 25<sup>th</sup>, 2007. The financial year is 1 January – 31 December.

The founders of EOS believe that the assets in the Russian electricity industry are currently undervalued due to the complex restructuring that is underway, as well as the still relatively underdeveloped equity market in Russia.

A comprehensive reform program is gradually being implemented in the Russian electricity sector until 2011<sup>1</sup>. The reason for the reform is the considerable investment need that has emerged as a result of rapidly increasing electricity demand. The goal of the reform is to ensure an attractive climate in order to facilitate for the major new investments required to satisfy the need for power generation, as well as associated distribution and transmission grids.

UES, the Russian state-controlled electricity holding company has majority shareholdings in regional utilities, such as electricity producers and distributors.

The restructuring of UES was initiated as a reaction to the low level of investments seen in the Russian electricity sector over recent years. In order to create an attractive climate for private investments the government initiated the restructuring which will be finalized with the break-up of UES into different companies in July 2008, in which UES shareholders will receive a proportional shareholding<sup>1</sup>.

## Russian electricity industry reform

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<sup>1</sup> Source: <http://www.rao-ees.ru>

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## **Operational and financial results**

### **Group**

EOS recorded a net loss from investing activities of SEK -523 million, whereof unrealized losses amounted to SEK -497 million, during the first quarter. Net financial items for the period amounted to SEK -5.2 million. Net financial items include interest income of SEK 0.0 million and interest expenses totaling SEK -1.5 million. The remaining part is made up of results from hedging activities. The net loss for EOS during the period was SEK -556 million (SEK -19.74 per average number of shares outstanding).

EOS net asset value at March 31<sup>st</sup> was SEK 2,057 million. The net asset value was negatively impacted by exchange rate translation differences of SEK -308 million.

### **Parent Company**

The parent company's operating result was SEK -5.8 million for the period. Operating costs amounted to SEK -10.1 million for the period. Net financial items amounted to SEK 4.2 million for the period. The net income for the period was SEK -1.6 million.

The total number of shares outstanding at March 31<sup>st</sup>, 2008 was 28,162,734.

## EOS Russia's portfolio

EOS considers UES to be the most attractively valued entry into the energy sector. Therefore EOS' investment strategy is such that the Group initially has a substantial exposure to UES. Following the break-up of UES EOS will focus on companies within the energy/power industry with the best relative value as perceived by the Group.

As per March 31<sup>st</sup>, 2008, EOS' portfolio consisted of the assets listed in the table below. In line with its investment strategy EOS plans to be heavily invested in UES at the time of the break-up in July 2008.

Assets March 31, 2008	Market value		Share of EOS portfolio, %
	MSEK	MUSD	
UES	1,947	327	92.7%
Transmission	4	1	0.2%
Distribution	46	8	2.2%
Hydro generation	72	12	3.4%
TGKs	23	4	1.1%
Other	9	1	0.4%
<b>Total</b>	<b>2,100</b>	<b>353</b>	<b>100.0%</b>

92.7% of the shares in the portfolio are traded on an active market and are valued at bid price, the remaining part of the shares in the portfolio are traded on an inactive market and are valued at mid price.

## UES

UES is the major electricity holding company in Russia, and accounted for 70% of Russia's total electricity production and 33% of heat production<sup>2</sup> at the end of 2006. The government currently dominates the electricity sector through its controlling interest in UES. UES has direct and indirect ownership as well as in most cases control of most of the regional and other individual power plants in Russia.

The restructuring of UES will be finalized on July 1<sup>st</sup>, 2008, when UES will be broken into 23 different companies consisting of OGKs, TGKs, MRSKs, federal Grid Company, HydroOGK, InterRAO and RAO Vostok.

<sup>2</sup> Source: <http://www.rao-ees.ru>

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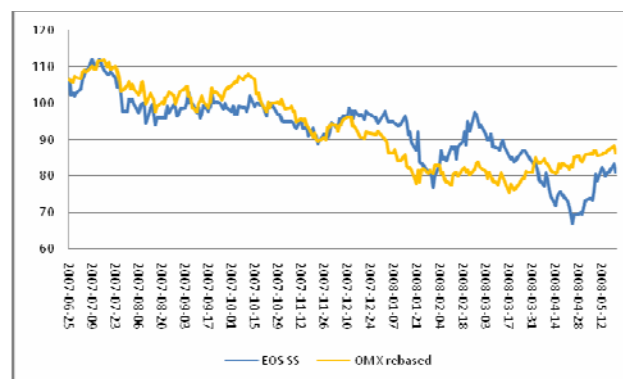
After the completion of the Russian electricity reform, mentioned earlier, power production based on gas, coal and oil will be mainly privately owned.

## EOS Russia's share price development

The closing price of EOS share at March 31<sup>st</sup>, 2007 was SEK 84, corresponding to a decline during the first quarter of 11.1% (the OMX Stockholm 30 index lost 12% during the same period) and of 21.1% since the listing on June 25<sup>th</sup> (OMX Stockholm 30 index was down 23.8% during the same time period).

EOS share declined 23.9% from June 25<sup>th</sup>, 2007 until May 20<sup>th</sup>, 2008 compared to the OMX Stockholm 30 Index that declined 19.1% during the same period.

Share price development June 25<sup>th</sup>, 2007 – May 20<sup>th</sup>, 2008  
EOS Russia AB (EOS SS) vs. OMX index



Source: Bloomberg

## Other information

### Creation of the Group

EOS Russia AB is the parent company of the group and was registered in December 2005. During the first period of business the company was inactive. When the group in its present form was founded on May 8<sup>th</sup>, 2007, the parent company decided to direct a new share issue paid in cash or in kind to institutional investors. The group investments are made by the subsidiary EOS Russia (Cyprus) Ltd.

### Organization

The number of employees (full time) in the group as of March 31<sup>st</sup>, 2008 was five (5), of which three (3) were employed by the parent company.

### Related party transactions

#### Group

The group company EOS Russia (Cyprus) Ltd has as of March 31<sup>st</sup>, 2008 accrued a cost of SEK 15.4 million and a debt of SEK 42.8 million, of which SEK 5.1 million is accounted for as a liability and SEK 37.7 million represents a provision of possible future dividends in accordance with the current agreement with the preference shareholders. The preference shares give no residual right to a part of the group's net assets or profit, but instead guarantee compensation depending on the result of (i) the company's yearly share price development, (ii) the development of the group's net asset value from 2008-2012 and (iii) the difference between a total of 0.5% per quarter of the group's net asset value less actual adjusted operating costs.

#### Parent company

EOS Russia AB has not granted any loans, warranties or guarantees to or for the benefit of board members or management. No agreements on benefits to board members or management following the completion of their respective assignment exist. None of the board members or management has any direct or indirect participation in business transactions with the group, which are or were unusual in nature or with regards to terms, and which occurred in the current or previous fiscal year. Seppo Remes has a consultancy agreement with EOS AB, whereby he continuously provides expert

advice on all matters related to the Russian electricity sector.

#### Provisions

Apart from what has already been explained under "*Related party transactions*", no provisions related to uncertainties have been accounted for.

#### Risks

##### Group

Almost all the group's assets are invested in shares of Russian power utility companies with no diversification in country or sector risk. The main part of the group's assets is invested in shares on the Russian market. Russian securities trading legislation is more rudimentary than in many other countries, and there are few effective directives or requirements for disclosures about offers, sales or equity trading. The stock market is less liquid and more volatile in Russia than the United States or Western Europe. As a result, the company's investment portfolio may exhibit greater price volatility and poorer liquidity than one that focuses on securities of listed companies in more highly developed countries.

Besides being smaller, less liquid and more volatile, the Russian market is less developed and more limited in its ability to generate historical data. A large percentage of securities transactions are brokered outside the regulated exchanges. The legislation covering fraud and insider trading is rudimentary and has been only partially accepted by market players. The market's disciplinary board lacks the resources to enforce the legislation that has been passed.

##### Parent Company

The risks associated with the activities for the group may also affect the parent company indirectly via the ownership of a subsidiary. Also, as the shares in the parent company are issued and traded in SEK and the group investments are held in USD or Russian Rubles, the company is subject to currency exchange fluctuations.

For more information about EOS' risk exposure, please see the risk section of the 2007 annual report.

## **Extraordinary shareholders' meeting for EOS on January 24<sup>th</sup>, 2008**

At the extraordinary shareholders' meeting for EOS on January 24<sup>th</sup>, 2008, it was resolved to alter the articles of association, whereby the limitations on share capital and the number of shares in the company changed. It was further resolved to authorize the board, up until the next annual general meeting to make decisions on new share issues.

## **Significant events after the end of the reporting period**

On March 31<sup>st</sup>, 2008, EOS Russia (EOS) announced it intended to offer its shares to institutional investors in directed share issues in kind and cash before the break-up of UES (Unified Energy Systems of Russia). EOS completed several directed share issues in April and May, totaling SEK 2,118 million. The total amount of outstanding shares after the issues have been registered will be 56,673,177.

At the annual general meeting of EOS on April 22<sup>nd</sup>, 2008, the following resolutions were adopted (among others):

- Re-election of the members of the board of directors and the compensation for members of the board of directors and auditors
- Regarding guidelines for remuneration and other terms of employment for the group management
- Regarding rules and procedures for appointing members of the nomination committee and decision regarding its duties together with the compensation for the members of the nomination committee
- Regarding the authorization to decide on new share issues.

EOS announced on April 29<sup>th</sup>, 2008 that it will continue to trade on First North as it has not been given an exemption from the rule of three years of published annual accounts in the listing requirements for trading on the OMX Nordic list.

## **Compliance with rules and regulations**

EOS Russia draws up its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS). This interim report was drawn up in accordance with IAS 34, Interim Financial Reporting. The new and revised standards adopted and interpretive announcements made by IASB/IFRIC and approved by the EU, which came into force on January 1<sup>st</sup>, 2008, have not been deemed to affect EOS Russia's financial reports. New or revised standards that are to be implemented from 2009 or later will not be applied before those dates. The same accounting and valuation principles have been applied as in the Annual Report for 2007.

The parent company applies the same accounting principles as the group, but taking into consideration RFR 2, Accounting for Legal Entities, the recommendations from the Swedish Financial Reporting Board. The same accounting and valuation principles have been applied as in the Annual Report for 2007.

For more detailed information about the principles used for the Group and the Company, please refer to the Annual Report 2007. Unless otherwise indicated, all amounts are rounded off to the nearest thousand SEK. By rounding the numbers in tables, totals may not always equal the sum of the included rounded numbers.

Stockholm May 21<sup>st</sup>, 2008  
EOS Russia AB (publ)  
reg nr 556694-7684

Sven Thorngren  
CEO

## Financial calendar

- 2008-08-26, Interim report January 1<sup>st</sup> – June 30<sup>th</sup>, 2008

Reports and Press Releases in Swedish and English are available on the EOS' web site:

**[www.eos-russia.com](http://www.eos-russia.com)**

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# Report on Review of Interim Financial Information

## Introduction

We have reviewed the interim report of EnergyO Solutions AB (publ), reg. no 556694-7684, as of 31 March 2008 and the three-month period then ended. The board of directors and the Chief Executive Officer are responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the group and in accordance with the Annual Accounts Act for the parent company.

Stockholm May 21, 2008  
KPMG Bohlins AB

Anders Tagde  
Authorized public accountant

## Consolidated Income Statement in Summary

<i>In thousands of SEK</i>	<b>2008</b>
	<b>1/1-31/3</b>
Net change in fair value of securities	-523 362
<b>Net loss - Investing activities</b>	<b>-523 362</b>
Operating expenses*	-27 426
<b>Result from operating activities</b>	<b>-550 787</b>
Finance income	10
Finance expenses	-5 180
<b>Loss before income tax</b>	<b>-555 958</b>
Income tax expense	-9
<b>Loss for the period</b>	<b>-555 967</b>
<b>Attributable to:</b>	
Equity holders of the Company	<b>-555 967</b>
<b>Earnings per share</b>	
basic (SEK)	<b>-19.74</b>
diluted (SEK)	<b>-19.74</b>

\* see note 1 for detailed information

## Consolidated Balance Sheet

<i>In thousands of SEK</i>	<b>2008 31/03</b>	<b>2007 31/12</b>
<b>Assets</b>		
Property, plant and equipment	4 630	4 665
<b>Total non-current assets</b>	<b>4 630</b>	<b>4 665</b>
Income tax receivables	-	25
Prepaid expenses and accrued income	598	2 756
Other receivables	1 909	2 173
Shares and participations	2 100 497	2 967 710
Cash and cash equivalents	19 468	19 376
<b>Total current assets</b>	<b>2 122 472</b>	<b>2 992 040</b>
<b>TOTAL ASSETS</b>	<b>2 127 102</b>	<b>2 996 705</b>
<b>Equity and liabilities</b>		
<b>EQUITY</b>		
Share capital	281 627	281 627
Other contributed equity	2 533 105	2 533 105
Reserves	-308 340	-114 122
Retained earnings, including loss for the period	-449 290	106 676
<b>Equity attributable to equity holders of EOS AB</b>	<b>2 057 102</b>	<b>2 807 287</b>
<b>Total Equity</b>	<b>2 057 102</b>	<b>2 807 287</b>
<b>LIABILITIES</b>		
Provisions	37 728	27 402
<b>Total non-current liabilities</b>	<b>37 728</b>	<b>27 402</b>
Loans and borrowings	11 928	121 227
Income tax liabilities	109	-
Trade and other payables	2 166	2 883
Other liabilities	5 516	21 900
Accrued expenses and deferred income	12 552	16 005
<b>Total current liabilities</b>	<b>32 272</b>	<b>162 016</b>
<b>Total liabilities</b>	<b>70 000</b>	<b>189 418</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 127 102</b>	<b>2 996 705</b>

## Consolidated Statement of Changes in Equity

<i>In thousands of SEK</i>	<b>2008</b> <b>1/1-31/3</b>
<b>Opening balance as per balance sheet</b>	<b>2 807 287</b>
Translation losses on consolidation	-194 218
<b>Total change in equity not recognised in the Income Statement, excl. transactions with and distributions to owners</b>	<b>-194 218</b>
Profit for the period	-555 967
<b>Total change in equity, excl. transactions with and distributions to equity owners</b>	<b>-750 185</b>
<b>Closing balance</b>	<b>2 057 102</b>

## Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	<b>2008</b> <b>1/1-31/3</b>
<b>Cash flows from operating activities</b>	
Profit before income tax	-555 958
Adjustment for non-cash items	
Net change in fair value of securities	524 928
Depreciation	68
Other	3 860
Income tax paid	-9
<b>Net cash used in operating activities before changes in working capital</b>	<b>-27 111</b>
<b>Cash flows from changes in working capital</b>	
Increase (-)/Decrease (+) in operating receivables	7 404
Increase (+)/Decrease (-) in operating liabilities	-15 372
<b>Net cash used in operating activities</b>	<b>-35 079</b>
<b>Cash flows from investing activities</b>	
Acquisition of property, plant and equipment	-358
Acquisition of shares and participations	-383 474
Proceeds from sale of share and participations	524 381
<b>Net cash from investing activities</b>	<b>140 549</b>
<b>Cash flows from financing activities</b>	
Borrowings	-105 238
<b>Net cash used in financing activities</b>	<b>-105 238</b>
Net increase in cash and cash equivalents	232
Cash and cash equivalents at January 1	19 376
Effect of exchange rate fluctuations on cash held	-140
<b>Cash and cash equivalents at the end of the period</b>	<b>19 468</b>

## Consolidated Key Figures \*

	<b>2008</b> <b>1/1-31/3</b>
Number of shares outstanding, end of period	28 162 734
Average number of shares outstanding	28 162 734
Net asset value, end of period, TSEK	2 057 102
Net Income per average number of shares outstanding, SEK	-19.74
Net asset value per share, end of period, SEK	73.04

\* before and after dilution

## Company Income Statement

<i>In thousands of SEK</i>	<b>2008</b> <b>1/1-31/3</b>	<b>2007</b> <b>1/1-31/3</b>
Other income	4 320	-
Other external expenses	-4 070	-
Employee benefit expenses	-1 807	-
Depreciation of property, plant and equipment	-43	-
Other expenses	-4 229	-
<b>Result from operating activities</b>	<b>-5 829</b>	<b>0</b>
<b>Result from financial items</b>		
Result from participations in Group companies	4 229	-
Other interest income and similar income	6	-
Interest expense and similar charges	-1	-
<b>Profit before income tax</b>	<b>-1 595</b>	<b>0</b>
Income tax expense	-9	-
<b>Profit for the period</b>	<b>-1 604</b>	<b>0</b>

## Company Balance Sheet

<i>In thousands of SEK</i>	<b>2008 31/03</b>	<b>2007 31/12</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	898	583
Financial assets		
Participations in group companies	2 803 205	2 803 205
Other deposits	491	481
<b>Total fixed assets</b>	<b>2 804 593</b>	<b>2 804 269</b>
<b>Current assets</b>		
Current receivables		
Receivables from Group companies	4 320	9 750
Income tax receivables	95	25
Other receivables	648	911
Prepaid expenses and accrued income	598	351
<i>Total current receivables</i>	<i>5 661</i>	<i>11 037</i>
Cash and bank	16 990	18 026
<b>Total current assets</b>	<b>22 651</b>	<b>29 063</b>
<b>TOTAL ASSETS</b>	<b>2 827 245</b>	<b>2 833 331</b>
<b>EQUITY</b>		
<i>Restricted equity</i>		
Share capital, 28,162,734 shares at SEK 10	281 627	281 627
<i>Unrestricted equity</i>		
Share premium reserve	2 533 107	2 533 107
Retained earnings	68	-
Profit for the period	-1 604	68
<b>TOTAL EQUITY</b>	<b>2 813 198</b>	<b>2 814 802</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	1 623	2 883
Other liabilities	455	562
Accrued expenses and prepaid income	11 969	15 084
<i>Total current liabilities</i>	<i>14 047</i>	<i>18 529</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 827 245</b>	<b>2 833 331</b>

## Note 1 Operating expenses

<i>In thousands of SEK</i>	<b>2008 1/1-31/03</b>
Employee benefit expenses	2 295
Depreciation of property, plant and equipment	68
Other	9 677
Preference share remuneration	
EOS AB's yearly share price development	7 627
Net increase in EOS Russia's net asset value from 2008-20012	2 698
Quarterly dividend on preference shares	5 060
<b>Total</b>	<b>27 426</b>