



## Half Year report

### 1 January – 30 June 2008

- IFRS NAV at the end of the period was SEK 5,664 million (SEK 99.94 per share)
- Profit for the period amounted to SEK 1,062 million (SEK 1,618 million for the second quarter)
- Main contributor to the profit was the break-up of UES and subsequent valuation based on the underlying assets
- Several directed share issues completed in April and May, totaling gross SEK 2,118 million out of which SEK 918 million was issues in kind. More than 120 institutions participated
- Total number of shares outstanding after the directed share issues at the end of the period was 56,673,177 (average for the period was 38,047,831)
- EOS has used a USD 165 million leverage facility to further increase its holding in UES pre-breakup
- UES ceased to trade on June 6<sup>th</sup> at which time EOS controlled around 2% of its outstanding shares



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

- The downturn in global stock markets has negatively impacted EOS daily NAV and even more so its share price. On the 27th of August EOS daily NAV was SEK 67.95 and its share price closed at SEK 46.7.

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## EOS Russia

EOS Russia 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.

## Russian electricity industry reform

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 the major new investments required to satisfy the need for power generation, as well as associated distribution and transmission grids.

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

## **Operational and financial results for the first six months**

### **Group**

EOS recorded a net profit from investing activities of SEK 1,139 million (42), whereof unrealized gains amounted to SEK 1,230 million, during the first half year. Operating costs amounted to SEK -62.4 million (-12.4). Net financial items for the period amounted to SEK -14.1 million (-12.9). Net financial items include interest income of SEK 0.2 million (0.6) and interest expenses totaling SEK -14.3 million (-1.6).

The net profit for EOS during the period was SEK 1,062 million (17). Net profit per share was SEK 27.92 (1.54).

EOS net asset value at June 30<sup>th</sup> was SEK 5,664 million (2,081). The net asset value was negatively impacted by exchange rate translation differences of SEK -347 million (0).

### **Parent Company**

The parent company's income for the period amounted to SEK 8.6 million (2.1) Operating costs amounted to SEK -24.4 (-2.2) million for the period. Net financial items amounted to SEK 12.8 million (0.2) for the period. The net income for the period was SEK -2.9 million (0).

The total number of shares outstanding at June 30<sup>th</sup>, 2008 was 56,673,177 (20,361,555).

## EOS Russia's portfolio

EOS' investment strategy is to focus on companies within the energy/power industry in Russia with the best relative value as perceived by the Group.

As per June 30<sup>th</sup>, 2008, EOS' portfolio consisted of the assets listed in the table below.

Assets June 30, 2008	Book value		Share of EOS portfolio, %
	MSEK	MUSD	
Federal generation	1,574	263	23.5%
Regional generation	1,496	250	22.3%
Hydro generation	1,292	216	19.3%
Distribution	927	155	13.9%
Transmission	1,047	175	15.6%
Integrated	359	60	5.4%
<b>Total</b>	<b>6,695</b>	<b>1,119</b>	<b>100%</b>

All shares are regarded as being traded on an inactive market and the portfolio is valued with a model based on mid prices.

## UES

UES was 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. UES had 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 was finalized on July 1<sup>st</sup>, 2008, when UES was liquidated. During July and August 2008 shareholders received shares in 23 different companies consisting of OGKs, TGKs, MRSKs, federal Grid Company, HydroOGK, InterRAO and RAO Vostok.

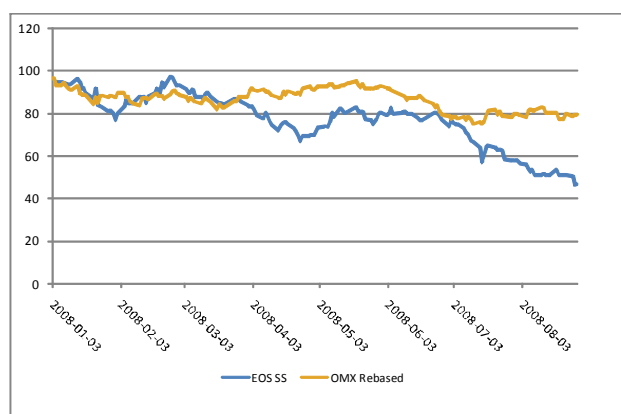
After the completion of the Russian electricity reform, mentioned earlier, power production based on gas, coal and oil will be mainly privately owned.

## EOS Russia's share price development

The closing price of EOS share at June 30<sup>th</sup>, 2008 was SEK 74, corresponding to a decline during the first half year of 24.3% (the OMX Stockholm 30 index lost 19% during the same period).

EOS share declined 52.2% from January 2<sup>nd</sup>, 2008 until August 27<sup>th</sup>, 2008 compared to the OMX Stockholm 30 Index that declined 18.5% during the same period.

**Share price development January 2<sup>nd</sup>, 2008 – August 27<sup>th</sup>, 2008  
EOS Russia AB (EOS SS) vs. OMX index**



Source: Bloomberg

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

## 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 June 30<sup>th</sup>, 2008 was five (5), of which three (3) were employed by the parent company. In July a senior trader was employed by EOS Russia (Cyprus) Ltd.

### Related party transactions

#### Group

The group company EOS Russia (Cyprus) Ltd has as of June 30<sup>th</sup>, 2008 accrued a cost of SEK 43.7 million (8.3) and a debt of SEK 71.1 million (8.3), of which SEK 28.2 million is accounted for as a liability and SEK 42.9 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.

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.

### 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.

## Financial calendar

- 2008-11-18, Interim report January 1<sup>st</sup> – September 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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The Board of Directors declares that the undersigned six-month interim report provides a true and fair overview of the parent company's and group's operations and their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the group.

Stockholm August 28, 2008  
EOS Russia AB (publ)

Sven Thorngren  
CEO and Director

Pontus Lesse  
Director

Seppo Remes  
Chairman

Marc Winer  
Director

Morten Ahlström  
Vice chairman

Paul Swigart  
Director

# 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 30 June 2008 and the six-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 August 28, 2008

KPMG Bohlins AB

Anders Tagde  
Authorized public accountant

## Consolidated Income Statement in Summary

	Apr 1 - Jun 30	Apr 17 - Jun 30	Jan 1 - Jun 30	Apr 17 - Jun 30
<i>In thousands of SEK</i>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net change in fair value of securities	1 662 247	42 353	1 138 885	42 353
<b>Net profit - Investing activities</b>	<b>1 662 247</b>	<b>42 353</b>	<b>1 138 885</b>	<b>42 353</b>
Operating expenses*	-35 009	-12 409	-62 435	-12 409
<b>Result from operating activities</b>	<b>1 627 238</b>	<b>29 944</b>	<b>1 076 450</b>	<b>29 944</b>
Finance income	166	569	176	569
Finance expenses	-9 117	-13 502	-14 297	-13 502
<b>Profit before income tax</b>	<b>1 618 287</b>	<b>17 011</b>	<b>1 062 329</b>	<b>17 011</b>
Income tax expense	9	-13	0	-13
<b>Profit for the period</b>	<b>1 618 296</b>	<b>16 998</b>	<b>1 062 329</b>	<b>16 998</b>
<b>Attributable to:</b>				
Equity holders of the Company	<b>1 618 296</b>	<b>16 998</b>	<b>1 062 329</b>	<b>16 998</b>
<b>Earnings per share</b>				
basic (SEK)	<b>33.68</b>	<b>1.54</b>	<b>27.92</b>	<b>1.54</b>
diluted (SEK)	<b>33.68</b>	<b>1.54</b>	<b>27.92</b>	<b>1.54</b>

\* see note 1 for detailed information

## Consolidated Balance Sheet

<i>In thousands of SEK</i>	Jun 30	Dec 31
	2008	2007
<b>Assets</b>		
Property, plant and equipment	4 566	4 665
<b>Total non-current assets</b>	<b>4 566</b>	<b>4 665</b>
Income tax receivables	-	25
Prepaid expenses and accrued income	8 802	2 756
Other receivables	2 446	2 173
Shares and participations	6 694 685	2 967 710
Cash and cash equivalents	25 414	19 376
<b>Total current assets</b>	<b>6 731 346</b>	<b>2 992 040</b>
<b>TOTAL ASSETS</b>	<b>6 735 912</b>	<b>2 996 705</b>
<b>Equity and liabilities</b>		
<b>EQUITY</b>		
Share capital	566 732	281 627
Other contributed equity	4 274 789	2 533 105
Reserves	-346 884	-114 122
Retained earnings, including profit for the period	1 169 006	106 676
<b>Equity attributable to equity holders of EOS AB</b>	<b>5 663 642</b>	<b>2 807 287</b>
<b>Total Equity</b>	<b>5 663 642</b>	<b>2 807 287</b>
<b>LIABILITIES</b>		
Provisions	42 927	27 402
<b>Total non-current liabilities</b>	<b>42 927</b>	<b>27 402</b>
Loans and borrowings	985 895	121 227
Income tax liabilities	62	-
Trade and other payables	891	2 883
Other liabilities	28 477	21 900
Accrued expenses and deferred income	14 017	16 005
<b>Total current liabilities</b>	<b>1 029 342</b>	<b>162 016</b>
<b>Total liabilities</b>	<b>1 072 269</b>	<b>189 418</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 735 912</b>	<b>2 996 705</b>

## Consolidated Statement of Changes in Equity

<i>In thousands of SEK</i>	Jan 1 - Jun 30	Apr 17 - Jun 30
	2008	2007
<b>Opening balance as per balance sheet</b>	<b>2 807 287</b>	<b>100</b>
Translation losses on consolidation	-232 762	9 156
<b>Total change in equity not recognised in the Income Statement, excl. transactions with and distributions to owners</b>	<b>-232 762</b>	<b>9 156</b>
Profit for the period	1 062 329	16 998
<b>Total change in equity, excl. transactions with and distributions to equity owners</b>	<b>829 567</b>	<b>26 154</b>
Issue of shares	2 026 788	2 055 055
<b>Closing balance</b>	<b>5 663 642</b>	<b>2 081 309</b>

## Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	Apr 17 - Jun 30
	2008	2007
<b>Cash flows from operating activities</b>		
Profit before income tax	1 062 329	17 011
Adjustment for non-cash items		
Net change in fair value of securities	-1 138 885	-42 353
Depreciation	155	-
Other	1 735	12 563
<b>Net cash used in operating activities before changes in working capital</b>	<b>-74 666</b>	<b>-12 779</b>
<b>Cash flows from changes in working capital</b>		
Increase (-)/Decrease (+) in operating receivables	2 947	-1 705
Increase (+)/Decrease (-) in operating liabilities	13 210	11 652
<b>Net cash used in operating activities</b>	<b>-58 510</b>	<b>-2 832</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-896	-101
Acquisition of shares and participations	-3 549 525	-2 027 065
Proceeds from sale of shares and participations	1 625 862	-
<b>Net cash used in investing activities</b>	<b>-1 924 560</b>	<b>-2 027 166</b>
<b>Cash flows from financing activities</b>		
Borrowings	880 241	-
Proceeds from issue of new shares	1 108 924	2 058 322
<b>Net cash from financing activities</b>	<b>1 989 165</b>	<b>2 058 322</b>
Net increase in cash and cash equivalents	6 096	28 325
Cash and cash equivalents at January 1	19 376	100
Effect of exchange rate fluctuations on cash held	-59	-7 909
<b>Cash and cash equivalents at the end of the period</b>	<b>25 414</b>	<b>20 516</b>

## Consolidated Key Figures \*

	Jan 1 - Jun 30	Apr 17 - Jun 30
	2008	2007
Number of shares outstanding, end of period	56 673 177	20 361 555
Average number of shares outstanding	38 047 831	11 042 820
Net asset value, end of period, TSEK	5 663 642	2 081 309
Net Income per average number of shares outstanding, SEK	27.92	1.54
Net asset value per share, end of period, SEK	99.94	102.22
* before and after dilution		

## Company Income Statement

In thousands of SEK	Apr 1 - Jun 30		Jan 1 - Jun 30	
	2008	2007	2008	2007
Other income	4 320	2 100	8 640	2 100
Other external expenses	-3 874	-	-7 944	-
Employee benefit expenses	-1 750	-	-3 557	-
Depreciation of property, plant and equipment	-65	-	-108	-
Other expenses	-8 534	-2 209	-12 763	-2 209
<b>Result from operating activities</b>	<b>-9 902</b>	<b>-109</b>	<b>-15 731</b>	<b>-109</b>
<b>Result from financial items</b>				
Result from participations in Group companies	8 534	-	12 763	-
Other interest income and similar income	126	157	132	157
Interest expense and similar charges	-47	-	-48	-
<b>Profit/loss before income tax</b>	<b>-1 290</b>	<b>48</b>	<b>-2 885</b>	<b>48</b>
Income tax expense	9	-13	-	-13
<b>Profit/loss for the period</b>	<b>-1 281</b>	<b>34</b>	<b>-2 885</b>	<b>34</b>

## Company Balance Sheet

<i>In thousands of SEK</i>	<b>Jun 30, 2008</b>	<b>Jun 30, 2007</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 254	101
Financial assets		
Participations in group companies	4 821 126	2 046 610
Other deposits	491	-
<b>Total fixed assets</b>	<b>4 822 871</b>	<b>2 046 711</b>
<b>Current assets</b>		
Current receivables		
Receivables from Group companies	8 640	-
Income tax receivables	2	-
Other receivables	580	1 023
Prepaid expenses and accrued income	1 212	2 352
<i>Total current receivables</i>	<i>10 434</i>	<i>3 375</i>
Cash and bank	20 181	11 138
<b>Total current assets</b>	<b>30 615</b>	<b>14 513</b>
<b>TOTAL ASSETS</b>	<b>4 853 486</b>	<b>2 061 224</b>
<b>EQUITY</b>		
<i>Restricted equity</i>		
Share capital, 56,673,177 shares	566 732	203 615
<i>Unrestricted equity</i>		
Share premium reserve	4 274 790	1 851 540
Retained earnings	68	-
Profit for the period	-2 885	34
<b>TOTAL EQUITY</b>	<b>4 838 705</b>	<b>2 055 190</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	891	-
Other liabilities	249	4 467
Accrued expenses and prepaid income	13 641	1 567
<i>Total current liabilities</i>	<i>14 781</i>	<i>6 034</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 853 486</b>	<b>2 061 224</b>

## Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Apr 1 - Jun 30	Apr 17 - Jun 30	Jan 1 - Jun 30	Apr 17 - Jun 30
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Employee remuneration expenses	-2 187	-665	-4 482	-665
Depreciation of property, plant and equipment	-87	-	-155	-
Other	-4 364	-3 428	-14 047	-3 428
Preference share remuneration				
EOS AB's yearly share price development	-2 434	-4 685	-10 061	-4 685
Net increase in EOS Russia's net asset value from 2008-2012	-2 765	-	-5 464	-
Quarterly dividend on preference shares	-23 173	-3 631	-28 227	-3 631
<b>Total</b>	<b>-35 009</b>	<b>-12 409</b>	<b>-62 435</b>	<b>-12 409</b>