



## Half Year report

### 1 January – 30 June 2010

- IFRS NAV at the end of the period was SEK 3,191 million (1,952) and SEK 56.30 per share (34.45)
- Profit for the period amounted to SEK 22 million (674) and SEK 0.40 per share (11.89). Profit for the second quarter amounted to MSEK -996 (884).
- Total number of shares outstanding at the end of the period was 56,673,177 (56,673,177)



## **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, 2007.

## **Russian electricity industry reform**

A comprehensive reform program is gradually being implemented in the Russian electricity sector.

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 future need for power generation, as well as associated distribution and transmission grids.

## Operational and financial results

### Group

EOS recorded a net profit from investing activities of SEK 77 million (735). Operating expenses amounted to SEK -54.4 million (-61.4). Net financial items for the period amounted to SEK 0.0 million (0.3). Net financial items include interest income of SEK 0.1 million (0.5) and interest expenses totaling SEK -0.1 million (-0.2).

The profit for EOS during the period was SEK 22 million (674). Profit per share was SEK 0.40 (11.89). Total comprehensive income for the period was SEK 251 million (623).

EOS' net asset value at June 30th was SEK 3,191 million (1,952). The net asset value was positively impacted by exchange rate differences in the translation reserve of SEK 273 million (189).

## Parent Company

The parent company's income for the period amounted to SEK 6.2 million (9.0). Operating expenses amounted to SEK -21.4 (-23.2) million for the period. Net financial items amounted to SEK 266.2 million (636.8) for the period of which 266.0 (636.5) million is a reversal of prior periods write-downs of shares in subsidiaries. The profit for the period was SEK 251.1 million (622.5).

The total number of shares outstanding at June 30, 2010 was 56,673,177 (56,673,177).

## EOS Russia's portfolio

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

Changes in the portfolio composition during the second quarter are shown in the table below:

Share of EOS portfolio	March 31st 2010	June 30th 2010	Change
Distribution	66,6%	57,0%	- 9,6
Thermal generation	25,1%	28,5%	3,4
Transmission	0,7%	1,7%	1,0
Integrated	5,7%	8,0%	2,3
Hydro generation	1,9%	4,8%	2,9
<b>Total</b>	<b>100%</b>	<b>100%</b>	

As per June 30, 2010, EOS' portfolio consisted of the assets listed in the table below:

Assets June 30, 2010	Portfolio value	
	MSEK	MUSD
Distribution	1 775	228
Thermal Generation	889	114
Transmission	54	7
Integrated	249	32
Hydro generation	150	19
<b>Total</b>	<b>3117</b>	<b>401</b>

\* SEK/USD 7.7725

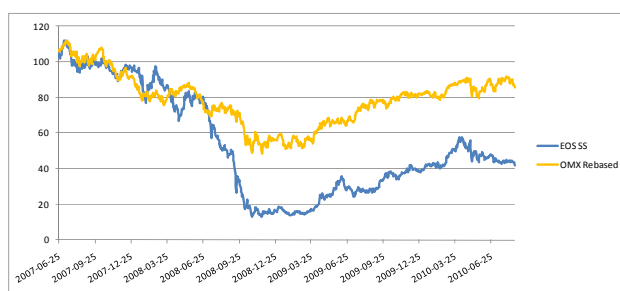
The fair value of the portfolio of shares is estimated with a model based on quoted mid-prices, because the market (RTS) has been assessed not to be active in the sense that the quoted prices represent actual transactions.

## EOS Russia's share price development

The closing price of EOS share at June 30, 2010 was SEK 46.5 corresponding to a gain during the year of 18.6% (the OMX Stockholm 30 index gained 5.7% during the same period).

EOS share decreased 60.8% from June 25, 2007 until August 24, 2010 compared to the OMX Stockholm 30 Index that decreased 19.6% during the same period.

**Share price development June 25, 2007 – August 24, 2010  
EOS Russia AB (EOS SS) vs. OMX index**



Source: Bloomberg

## Other information

### Organization

The average number of employees in the group as of June 30, 2010 was four (5), of which two (3) were employed by the parent company.

### Related party transactions

#### Group

The group company EOS Russia (Cyprus) Ltd has as of June 30 accrued a cost of SEK 47.5 million (49.9) and a debt of SEK 70.2 million (58.9), of which SEK 12.7 million (6.8) is accounted for as a liability and SEK 57.5 million (52.1) 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 to 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.

Sven Thorngren act as chairman of the board of directors in EOS Russia (Cyprus) Ltd.. Mr Thorngren has a consultancy agreement with EOS Russia (Cyprus) Ltd., whereby he continuously provides advice on matters related to trading and shareholder relations.

#### 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 Russia 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 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 less developed and 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 the subsidiary. The shares in the parent company are issued and traded in SEK and the group investments are held in USD or Russian Rubles, hence the parent company is subject to currency exchange risks. EOS policy is to not hedge such currency exposure.

EOS Russia is also exposed to other risks such as legal and political. For more information about EOS' risk exposure, please see the risk section of the 2009 annual report.

## Compliance with rules and regulations

EOS Russia reports its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS). This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and relevant parts of the Annual Accounts Act. Application of revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements from 1 January 2010 gives a minor change to the accounting principles of the 2009 annual report. The changes of IFRS 3 and IAS 27 have, however, had no effect on this interim report and are not expected to affect EOS Russia's financial statements in the future.

The parent company applies the same accounting principles as the group, but taking into consideration RFR 2.3 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. In the Company's interim reporting the Annual Accounts Act chapter 9 is applied. Apart from changes disclosed above, the same accounting principles have been applied as in the Annual Report for 2009 – in the accounts of both the Group and the Company.

For more detailed information about the principles used for the Group and the Company, please refer to the Annual Report 2009. Unless otherwise indicated, all amounts are rounded off to the nearest thousand SEK. By rounding the numbers in tables,

Stockholm August 27, 2010  
EOS Russia AB (publ)  
Reg nr 556694-7684

Ulf-Henrik Svensson  
CEO

totals may not always equal the sum of the included rounded numbers.

## Financial calendar

- 2010-11-26 Interim report 1 January – 30 September 2010

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

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

## Contact information:

Ulf-Henrik Svensson, CEO  
+46-8-407 31 50

[ir@eos-russia.com](mailto:ir@eos-russia.com)

# Report on Review of Interim Financial Information

## Introduction

We have reviewed the condensed interim financial information (the interim report) of EnergyO Solutions AB (publ) as of 30 June 2010 and for the 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 27, 2010

KPMG AB

Anders Tagde  
Authorized public accountant

## Consolidated Statement of Comprehensive Income in Summary

<i>In thousands of SEK</i>	Apr 1 - Jun 30		Jan 1 - Jun 30	
	2010	2009	2010	2009
Net change in fair value of securities	-981 132	933 896	76 701	734 708
Dividends	2	358	73	358
<b>Net profit/loss - Investing activities</b>	<b>-981 130</b>	<b>934 254</b>	<b>76 774</b>	<b>735 066</b>
Operating expenses*	-14 594	-50 652	-54 394	-61 359
<b>Result from operating activities</b>	<b>-995 725</b>	<b>883 602</b>	<b>22 380</b>	<b>673 707</b>
Finance income	108	114	124	492
Finance expenses	-15	-12	-100	-202
<b>Profit/loss before income tax</b>	<b>-995 632</b>	<b>883 704</b>	<b>22 404</b>	<b>673 997</b>
Income tax expense	0	-54	-11	-54
<b>Profit/loss for the period</b>	<b>-995 632</b>	<b>883 650</b>	<b>22 393</b>	<b>673 943</b>
<b>Other Comprehensive Income for the period</b>				
Translation differences	201 055	-144 395	228 684	-51 394
<b>Total Comprehensive Income for the period</b>	<b>-794 578</b>	<b>739 255</b>	<b>251 077</b>	<b>622 549</b>
<b>Attributable to equity holders of the Company</b>				
Profit/loss for the period	-995 632	883 650	22 393	673 943
Total Comprehensive Income for the period	-794 578	739 255	251 077	622 549
<b>Earnings per share</b>				
basic (SEK)	-17,57	15,59	0,40	11,89
diluted (SEK)	-17,57	15,59	0,40	11,89

\* see note 1 for detailed information



## Consolidated Balance Sheet

<i>In thousands of SEK</i>	Jun 30	Dec 31
	2010	2009
<b>Assets</b>		
Property, plant and equipment	7 530	7 297
<b>Total non-current assets</b>	<b>7 530</b>	<b>7 297</b>
Income tax receivables	40	26
Prepaid expenses and accrued income	4 139	1 072
Other receivables	36 196	70 881
Shares and participations	3 114 049	2 948 419
Cash and cash equivalents	147 499	113 765
<b>Total current assets</b>	<b>3 301 924</b>	<b>3 134 163</b>
<b>TOTAL ASSETS</b>	<b>3 309 454</b>	<b>3 141 460</b>
<b>Equity and liabilities</b>		
<b>EQUITY</b>		
Share capital	291 706	291 706
Other contributed equity	4 549 549	4 549 549
Reserves	272 948	44 264
Retained earnings, including profit/loss for the period	-1 923 495	-1 945 888
<b>Equity attributable to equity holders of EOS AB</b>	<b>3 190 708</b>	<b>2 939 632</b>
<b>Total Equity</b>	<b>3 190 708</b>	<b>2 939 632</b>
<b>LIABILITIES</b>		
Provisions	57 537	39 521
<b>Total non-current liabilities</b>	<b>57 537</b>	<b>39 521</b>
Trade and other payables	838	672
Other liabilities	13 222	88 927
Accrued expenses and deferred income	47 148	72 708
<b>Total current liabilities</b>	<b>61 208</b>	<b>162 307</b>
<b>Total liabilities</b>	<b>118 745</b>	<b>201 828</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 309 454</b>	<b>3 141 460</b>

## Consolidated Statement of Changes in Equity

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2010	2009
<b>Opening balance</b>	<b>2 939 632</b>	<b>1 329 789</b>
Total Comprehensive Income	251 077	622 549
<b>Closing balance</b>	<b>3 190 708</b>	<b>1 952 338</b>

## Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2010	2009
<b>Cash flows from operating activities</b>		
Profit/loss before income tax	22 404	673 997
Adjustment for non-cash items		
Net change in fair value of securities	-75 203	-734 708
Depreciation	264	270
Other	129	-12
Income tax paid	-27	-66
<b>Net cash used in operating activities before changes in working capital</b>	<b>-52 433</b>	<b>-60 520</b>
<b>Cash flows from changes in working capital</b>		
Increase (-)/Decrease (+) in operating receivables	35 078	-7 202
Increase (+)/Decrease (-) in operating liabilities	-92 262	40 183
<b>Net cash used in operating activities</b>	<b>-109 616</b>	<b>-27 539</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-11	-
Acquisition of shares and participations	-935 044	-214 947
Proceeds from sale of shares and participations	1 071 019	236 030
<b>Net cash used in investing activities</b>	<b>135 964</b>	<b>21 083</b>
<b>Cash flows from financing activities</b>		
	-	-
Net increase in cash and cash equivalents	26 348	-6 455
Cash and cash equivalents at January 1	113 765	45 427
Effect of exchange rate fluctuations on cash held	7 386	-182
<b>Cash and cash equivalents at the end of the period</b>	<b>147 499</b>	<b>38 790</b>

## Consolidated Key Figures \*

	Jan 1 - Jun 30	
	2010	2009
Number of shares outstanding, end of period	56 673 177	56 673 177
Average number of shares outstanding	56 673 177	56 673 177
Net asset value, end of period, TSEK	3 190 708	1 952 338
Net Income per average number of shares outstanding, SEK	0,40	11,89
Net asset value per share, end of period, SEK	56,30	34,45
<i>* before and after dilution</i>		

## Company Income Statement

<i>In thousands of SEK</i>	Apr 1 - Jun 30		Jan 1 - Jun 30	
	2010	2009	2010	2009
Other income	3 120	4 320	6 240	8 963
Other external expenses	-1 831	-1 800	-3 316	-3 788
Employee benefit expenses	-1 132	-1 402	-2 417	-2 654
Depreciation of property, plant and equipment	-76	-79	-151	-158
Other expenses	-3 510	-14 279	-15 511	-16 630
<b>Result from operating activities</b>	<b>-3 429</b>	<b>-13 239</b>	<b>-15 156</b>	<b>-14 265</b>
<b>Result from financial items</b>				
Result from participations in Group companies	-791 210	752 382	266 172	636 494
Other interest income and similar income	60	114	63	492
Interest expense and similar charges	0	-2	-2	-171
<b>Profit/loss before income tax</b>	<b>-794 578</b>	<b>739 258</b>	<b>251 077</b>	<b>622 549</b>
Income tax expense	-	-	-	-
<b>Profit/loss for the period</b>	<b>-794 578</b>	<b>739 255</b>	<b>251 077</b>	<b>622 549</b>

## Company Balance Sheet

<i>In thousands of SEK</i>	Jun 30	Dec 31	Jun 30
	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	822	962	1 150
Financial assets			
Participations in group companies	3 170 722	2 920 062	1 930 735
Other deposits	494	494	476
<b>Total fixed assets</b>	<b>3 172 038</b>	<b>2 921 518</b>	<b>1 932 361</b>
<b>Current assets</b>			
Current receivables			
Receivables from Group companies	15 075	8 835	4 320
Income tax receivables	40	26	40
Other receivables	745	365	478
Prepaid expenses and accrued income	927	903	1 038
<i>Total current receivables</i>	<i>16 787</i>	<i>10 129</i>	<i>5 875</i>
Cash and bank	13 359	18 635	24 839
<b>Total current assets</b>	<b>30 146</b>	<b>28 764</b>	<b>30 714</b>
<b>TOTAL ASSETS</b>	<b>3 202 184</b>	<b>2 950 281</b>	<b>1 963 075</b>
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital, 56,673,177 shares at 5.15 (10)*	291 706	291 706	566 732
<i>Unrestricted equity</i>			
Share premium reserve	4 549 551	4 549 551	4 274 526
Retained earnings	-1 901 626	-3 511 469	-3 511 469
Profit/loss for the period	251 077	1 609 843	622 549
<b>TOTAL EQUITY</b>	<b>3 190 708</b>	<b>2 939 632</b>	<b>1 952 338</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	838	672	397
Other liabilities	541	383	666
Accrued expenses and prepaid income	10 096	9 594	9 675
<i>Total current liabilities</i>	<i>11 476</i>	<i>10 649</i>	<i>10 737</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 202 184</b>	<b>2 950 281</b>	<b>1 963 075</b>

\* The Swedish Companies Registration office gave EOS permission on 17 July 2009 to reduce the the share capital by SEK 275,025,494 in accordance with the decision taken on the AGM on 24 April 2009

## Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Apr 1 - Jun 30		Jan 1 - Jun 30	
	2010	2009	2010	2009
Employee remuneration expenses	-1 561	-1 828	-3 284	-3 447
Depreciation of property, plant and equipment	-139	-133	-264	-270
Other	-1 500	-5 855	-3 322	-7 752
Preference share remuneration				
EOS AB's yearly share price development	2 142	-36 050	-17 008	-40 367
Net increase in EOS Russia's net asset value from 2008-2012	-863	-	-990	-
Quarterly dividend on preference shares	-12 673	-6 785	-29 526	-9 522
<b>Total</b>	<b>-14 594</b>	<b>-50 652</b>	<b>-54 394</b>	<b>-61 359</b>

## The Russian power utility sector

### OGKs - The wholesale generation companies

There are 6 thermal OGKs in Russia. Each OGK controls several large power plants throughout the country, specializing primarily in electricity generation. Controlling stakes in 5 OGKs were sold to strategic investors in 2007-08. The strategic investors include Gazprom, Enel, E.On and Norilsk Nickel. The OGKs primarily compete with each other and with the TGKs on the wholesale market. The Russian government is in the process of liberalizing the electricity market. The market is currently already more than 80% free. The Russian government is also in the process of introducing the final model for the capacity payment system for the Russian electricity generators.

### TGKs - The regional generation companies

There are 14 TGKs in Russia. The TGKs hold assets in neighboring regions, and comprise primarily combined regional heat and power plants (CHPs) that generate both electricity and heat. All TGKs were privatized in 2007-08, and their controlling shareholders include Gazprom, IES (Integrated Energy Systems), SUEK, Fortum, and others. Since TGKs hold heat generation capacities, they are both wholesale electricity market participants and the largest players in their respective local heat markets. Most TGKs also own or lease large heat distribution networks. The TGKs should benefit from the electricity market liberalization and the launch of the final capacity payment system alongside with the OGKs. As 40-50% of the revenue of a typical TGK is from heat, this is an important additional revenue source for the companies.

### Hydros

Russia has large hydro power assets of around 45 GW. A large part of these assets are held by RusHydro, which is the world's second largest hydro

generator, with 24 GW of installed capacity. Hydros are the low-cost producers in any electricity system, as the largest part of the economic cost was already incurred when the plants were built. The Russian hydro assets should benefit from the electricity market liberalization and the launch of the final capacity payment system alongside with the other Russian generation assets.

### MRSKs - Distribution

Most of the Russian distribution assets are under the umbrella of MRSK Holding. The Russian government holds a controlling stake in MRSK Holding, which, in turn, holds controlling stakes in 11 inter-regional distribution companies, or MRSKs. The distribution companies operate the medium and low voltage distribution grids of typically 220kv and less in Russia. The MRSKs are also in a transition from "cost plus" pricing into RAB regulation. As opposed to the "cost plus" method in which the returns are based on cost plus a certain markup, the RAB method allows returns on investments in the electricity distribution infrastructure at levels determined by the state regulator. The RAB mechanism also provides incentives to increase operating efficiency and to invest in network expansion.

### Federal Grid Company (FSK) - Transmission

Federal Grid Company (FSK) controls the federal electricity trunk transmission grids within Russia. The Russian government is required by the electricity laws to hold more than 75% of the company, and following the breakup of UES, its holding slightly exceeds this threshold. FSK operates lines that are typically 220kv or more, and its assets are located all over Russia. The FSK is in a gradual transition from the historic "cost plus" regulation into RAB (Regulated Asset Base) regulation, which should enable it to carry out its large investment program from its own revenue.