



## Half year report

### 1 January – 30 June 2015

- IFRS NAV at the end of the period was SEK 332 million (416) and SEK 7.83 per share (9.79).
- Profit for the period amounted to SEK 3 million (-7) and SEK 0.06 per share (-0.17).



## 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 Ltd is a subsidiary of EOS Russia AB and is located in Limassol, Cyprus. All investment activity is conducted by the subsidiary, which holds the complete investment portfolio of EOS Russia. EOS Russia 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.

## Recent Developments

Despite the Russian President Vladimir Putin's confirmation that Russia is planning to privatize MRSKs, the Ukraine crisis has dragged on further and not much has happened on the MRSK privatization front since then.

As long as the European sanctions are in place, we do not expect Russia to move forward with the MRSK privatizations, as Western European companies have so far proved to be the most efficient managers in the Russian power generation sector, and they are also the most likely to pay the highest prices for the Russian distribution assets.

For now, Russian government policymakers are keeping MRSK privatization plans on hold.

If the international situation precluded the involvement of European strategic investors in any such privatizations in the longer term, we believe that Russia might then explore the possibility of attracting domestic, Asian and Middle East investments into the power distribution sector.

Despite the ruble devaluation, the operational and the financial performance of MRSKs continues to be stable in ruble terms.

The valuations of the MRSKs remain very low. According to Bloomberg, five Russian distribution companies are currently traded at 58-82% discounts to Emerging Market peers on 2013-15 EV/EBITDA and P/E multiples (valuations as of August 17, see EOS Russia's investment case to be published on August 27, 2015).

## Operational and financial results

### Group

EOS recorded a net profit from investing activities of SEK 9 million (1).

Operating expenses amounted to SEK -6.2 million (-8.3). Net financial items for the period amounted to SEK 0.0 million (0.0).

The profit for EOS during the period was SEK 3 million (-7). Profit per share was SEK 0.06 (-0.17). Total comprehensive income for the period was SEK 20 million (6).

EOS' net asset value at June 30 2015 was SEK 332 million (416). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -242 million (-303).

### Parent Company

The parent company's income for the period amounted to SEK 4.8 million (7.2). Operating expenses amounted to SEK -4.6 (-5.8) million for the period. Net financial items amounted to SEK 24.9 million (22.3) for the period of which SEK 24.1 million (21.5) is a write-up of shares in subsidiaries. The profit for the period was SEK 25.0 million (23.7).

The total number of shares outstanding at June 30, 2015 was 42,360,290 (42,467,362).

## 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 third quarter are shown in the table below:

Share of EOS portfolio	December 31, 2014	June 30, 2015
Thermal generation	0,1%	0,1%
Distribution	99,5%	99,8%
Transmission	0,0%	0,1%
Integrated	0,4%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

As per June 30, 2015, EOS' portfolio consisted of the assets listed in the table below:

Assets June 30, 2015	Market value	
	MSEK	MUSD
Thermal generation	0,3	0,0
Distribution	305,5	37,1
Transmission	0,2	0,0
<b>Total</b>	<b>306,1</b>	<b>37,1</b>

\* SEK/USD 8.2389

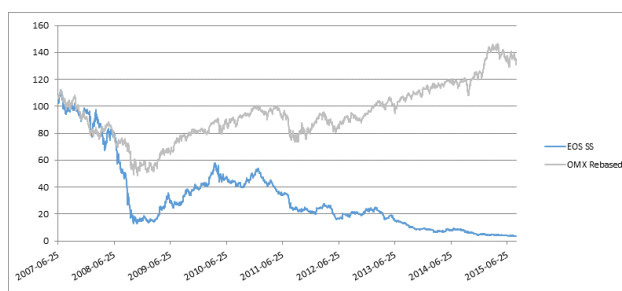
The fair value of the portfolio of shares is estimated based on quoted bid-prices.

## EOS Russia's share price development

The closing price of EOS share at June 30, 2015 was SEK 3.71 corresponding to a decrease during the year of 21.1% (the OMX Stockholm 30 index gained 5.3% during the same period).

EOS share price decreased by 96.8% between June 25, 2007 and August 20, 2015 in comparison to the OMX Stockholm 30 Index that gained 22.7% during the same period.

### Share price development June 25, 2007 – August 20, 2015 EOS Russia AB (EOS SS) vs. OMX S30 index



Source: Bloomberg

## Other information

### Organization

The average number of employees in the group as of June 30, 2015 was two (3), of which one (2) was employed by the parent company.

### Related party transactions

#### Group

With regard to the management fee under the management advisory agreement with the two founders remaining with EOS Russia, covering the years 2013-2016, described below under accounting principles, the group and the group company EOS Russia (Cyprus) Ltd has as of June 30 a liability of SEK 0.3 million (0.6) and has during the period recognised expense of SEK 1.5 million (1.7). With regard to the performance fee, the group and the group company EOS Russia (Cyprus) Ltd has as of June 30 accrued a provision of SEK 0.2 million (0.4) and has during the period recognised expense of SEK 0.0 million (0.1). The expenses recognised for the performance fee is, in accordance with accounting principles in IFRS 2 Share-based payments, front-end loaded, see description below under accounting principles.

#### 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 assignments 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.

### Provisions, contingent assets/liabilities and pledged assets

Apart from the items already outlined under “*Related party transactions*”, no provisions have been accounted for. There are no pledged assets.

## 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 not to 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 2014 Annual Report.

## Significant events during H1

At the EOS AB annual general meeting on April 28 2015 the following board proposals were adopted:

- To reduce the share capital by SEK 736,104 by redemption of 107,072 shares repurchased under the synthetic buyback program.
- To increase the company's share capital by SEK 740,000 through a bonus issue by transferring funds from the company's unrestricted equity without issuing new shares.
- To reduce the share capital by SEK 249,600,204 for allocation of unrestricted equity
- To renew the boards authorization to resolve on synthetic buybacks of own shares to a maximum of 29.9 per cent of all shares in the company prior to the next annual general meeting.

From the annual general meeting and up until June 30, 2015, the Counterparty has not repurchased any EOS shares.

The Chairman of the Board, Seppo Remes, was denied entry into Russia on 22 March when returning to the country after a vacation. The deportation notice served on Mr Remes, who had been permanently resident in the Russian Federation since 1993, was not accompanied by any official explanation of the reasons for this decision.

## 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.

The parent company applies the same accounting principles as the group, but taking into consideration RFR 2 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.

The same accounting principles have been applied as in the Annual Report for 2014 – 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 2014. 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.

## Synthetic repurchases of own shares (swap agreement)

Within the framework of the synthetic repurchase program, EOS enters into a swap agreement with a Counterparty. The swap agreement governs the relationship between EOS and the Counterparty. According to the swap agreement the Counterparty purchases EOS shares on the market subject to a limit of 29.9% of the currently outstanding number of EOS shares and the swap agreement is subsequently settled at the unilateral choice of EOS either (i) by gross settlement provided that the Annual Meeting confirms that the share capital should be reduced or (ii) by settling the net amount between the purchase price paid by the Counterparty and the current market price of the shares. In the net settlement alternative EOS bears the up- and downside risk of the development of the EOS share price. For the performed services the Counterparty receives interest and a fee on EOS shares acquired. The fair value of the swap agreement is accounted for as a current derivative asset or liability in the Company Balance Sheet and the Consolidated Statement of Financial Position and the changes in fair values of the agreement as a finance income or finance expense in the Company Income Statement and the Consolidated Statement of Comprehensive Income.

## Fair value measurement of financial instruments

In the table below information is presented regarding the financial instruments that have been accounted for at fair value using the fair value method. The numbers are based on the same accounting and valuation policies as used in the company's 2014 annual report. The company estimates the value of investment in shares based on quoted prices on an active market (level 1). For other assets and liabilities that are not measured at fair value, the carrying amount is considered to reflect the fair value because the remaining maturity is generally short.

In thousands of SEK	2015-06-30		Total
	Level 1	Other	
<b>Assets</b>			
Other receivables	-	862	862
Shares and participations	311 067	-	311 067
Cash and cash equivalents	-	18 841	18 841
<b>Balance at June 30</b>	<b>311 067</b>	<b>19 702</b>	<b>330 769</b>

In thousands of SEK	2015-06-30		Total
	Level 1	Other	
<b>Liabilities</b>			
Trade and other payables	-	11	11
Accrued expenses	-	2 470	2 470
Other payables	-	690	690
<b>Balance at June 30</b>	<b>0</b>	<b>3 171</b>	<b>3 171</b>

Stockholm August 26, 2015  
EOS Russia AB (publ)  
Reg nr 556694-7684

Ulf-Henrik Svensson  
CEO

*This Interim report has not been subject to review by the company's auditors*

## Financial calendar

- 2016-02-26 Year end report 1 January – 31 December 2015

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

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

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## Consolidated Income Statement and Statement of Comprehensive Income, in Summary

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2015	2014
Net change in fair value of securities	8 842	1 146
Dividends	-	-
<b>Net profit/loss - Investing activities</b>	<b>8 842</b>	<b>1 146</b>
Operating expenses*	-6 193	-8 293
<b>Result from operating activities</b>	<b>2 649</b>	<b>-7 147</b>
Finance income	5	7
Finance expenses	-26	-28
<b>Profit/loss before income tax</b>	<b>2 628</b>	<b>-7 168</b>
Income tax expense	-	-
<b>Profit/loss for the period</b>	<b>2 628</b>	<b>-7 168</b>
<b>Other Comprehensive Income for the period</b>		
<i>Items that have been or may be recycled to profit/loss for the period</i>		
Translation differences	17 790	13 661
<b>Total other Comprehensive Income for the period</b>	<b>17 790</b>	<b>13 661</b>
<b>Total Comprehensive Income for the period</b>	<b>20 418</b>	<b>6 493</b>
<b>Attributable to equity holders of the Company</b>		
Profit/loss for the period	2 628	-7 168
Total Comprehensive Income for the period	20 418	6 493
<i>In SEK</i>		
<b>Earnings per share</b>		
basic	0,06	-0,17
diluted	0,06	-0,17

\* see note 1 for detailed information



## Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Jun 30	Dec 31
	2015	2014
<b>Assets</b>		
Property, plant and equipment	4 023	3 886
<b>Total non-current assets</b>	<b>4 023</b>	<b>3 886</b>
Income tax receivables	240	254
Prepaid expenses and accrued income	429	284
Other receivables	1 455	1 942
Shares and participations	311 067	286 451
Cash and cash equivalents	18 841	25 444
<b>Total current assets</b>	<b>332 032</b>	<b>314 375</b>
<b>TOTAL ASSETS</b>	<b>336 055</b>	<b>318 262</b>
<b>Equity and liabilities</b>		
<b>EQUITY</b>		
Share capital	291 960	291 957
Other contributed equity	4 232 017	4 233 036
Reserves	-241 862	-259 653
Retained earnings, including profit/loss for the period	-3 950 335	-3 953 212
<b>Equity attributable to equity holders of EOS AB</b>	<b>331 781</b>	<b>312 129</b>
<b>Total Equity</b>	<b>331 781</b>	<b>312 129</b>
<b>LIABILITIES</b>		
Provisions	150	150
<b>Total non-current liabilities</b>	<b>150</b>	<b>150</b>
Trade and other payables	11	257
Other liabilities	690	1 982
Accrued expenses and deferred income	3 423	3 744
<b>Total current liabilities</b>	<b>4 124</b>	<b>5 983</b>
<b>Total liabilities</b>	<b>4 274</b>	<b>6 133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>336 055</b>	<b>318 262</b>
<b>ASSETS PLEDGED</b>	<b>-</b>	<b>766</b>
<b>CONTINGENT LIABILITIES</b>	<b>7 387</b>	<b>7 387</b>

## Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2015	2014
<b>Opening balance</b>	<b>312 129</b>	<b>412 683</b>
Total Comprehensive Income	20 418	6 493
Share redemption	-766	-3 477
<b>Closing balance</b>	<b>331 781</b>	<b>415 700</b>

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## Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2015	2014
<b>Cash flows from operating activities</b>		
Profit/loss before income tax	2 628	-7 168
Adjustment for non-cash items		
Change in fair value of securities	-11 201	-1 146
Depreciation	77	87
Other	-135	2
Income tax paid	-14	-14
<b>Net cash used in operating activities before changes in working capital</b>	<b>-8 645</b>	<b>-8 238</b>
<b>Cash flows from changes in working capital</b>		
Increase (-)/Decrease (+) in operating receivables	532	4 416
Increase (+)/Decrease (-) in operating liabilities	-532	-862
<b>Net cash used in operating activities</b>	<b>-8 645</b>	<b>-4 684</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-	-301
Proceeds from sale of shares and participations	1 796	76
<b>Net cash used in investing activities</b>	<b>1 796</b>	<b>-225</b>
<b>Cash flows from financing activities</b>		
Share redemption	-766	-3 477
<b>Net cash from financing activities</b>	<b>-766</b>	<b>-3 477</b>
Net increase in cash and cash equivalents	-7 615	-8 386
Cash and cash equivalents at January 1	25 444	27 943
Effect of exchange rate fluctuations on cash held	1 012	788
<b>Cash and cash equivalents at the end of the period</b>	<b>18 841</b>	<b>20 346</b>

## Consolidated Key Figures \*

	Jan 1 - Jun 30	
	2015	2014
Number of shares outstanding, end of period	42 360 290	42 467 362
Average number of shares outstanding	42 447 841	42 680 368
Net asset value, end of period, TSEK	331 781	415 700
Net Income per average number of shares outstanding, SEK	0,06	-0,17
Net asset value per share, end of period, SEK	7,83	9,79
<i>* before and after dilution</i>		

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## Company Income Statement

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2015	2014
Other income	4 800	7 200
Other external expenses	-1 461	-1 770
Employee benefit expenses	-2 428	-3 225
Depreciation of property, plant and equipment	-	-
Other expenses	-760	-834
<b>Result from operating activities</b>	<b>151</b>	<b>1 370</b>
<b>Result from financial items</b>		
Result from participations in Group companies	24 862	22 335
Other interest income and similar income	5	7
Interest expense and similar charges	-1	-3
<b>Profit/loss before income tax</b>	<b>25 016</b>	<b>23 710</b>
Income tax expense	-	-
<b>Profit/loss for the period</b>	<b>25 016</b>	<b>23 710</b>

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## Company Balance Sheet

	Jun 30	Dec 31	Jun 30
<i>In thousands of SEK</i>	<b>2015</b>	<b>2014</b>	<b>2014</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	-	-
Financial assets			
Participations in group companies	291 758	267 657	371 042
Other deposits	-	-	-
<b>Total fixed assets</b>	<b>291 758</b>	<b>267 657</b>	<b>371 042</b>
<b>Current assets</b>			
Current receivables			
Receivables from Group companies	4 800	6 000	3 600
Income tax receivables	240	254	240
Other receivables	555	1 241	634
Prepaid expenses and accrued income	253	152	391
<i>Total current receivables</i>	<i>5 848</i>	<i>7 647</i>	<i>4 865</i>
Cash and bank	8 208	6 608	11 969
<b>Total current assets</b>	<b>14 056</b>	<b>14 255</b>	<b>16 834</b>
<b>TOTAL ASSETS</b>	<b>305 814</b>	<b>281 912</b>	<b>387 876</b>
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital, 42,360,290 (42,467,362) shares at 6.89 (6.87)	291 960	291 957	291 957
<i>Unrestricted equity</i>			
Share premium reserve	4 232 019	4 232 789	4 232 789
Retained earnings	-4 246 472	-4 163 527	-4 163 776
Profit/loss for the period	25 016	-82 946	23 710
<b>TOTAL EQUITY</b>	<b>302 523</b>	<b>278 273</b>	<b>384 680</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	11	257	14
Other liabilities	423	436	456
Accrued expenses and prepaid income	2 857	2 946	2 727
<i>Total current liabilities</i>	<i>3 291</i>	<i>3 639</i>	<i>3 197</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>305 814</b>	<b>281 912</b>	<b>387 876</b>
<b>ASSETS PLEDGED</b>	<b>-</b>	<b>766</b>	<b>-</b>
<b>CONTINGENT LIABILITIES</b>	<b>493</b>	<b>493</b>	<b>-</b>

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## Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2015	2014
Employee remuneration expenses	-2 783	-3 806
Depreciation of property, plant and equipment	-77	-87
Other	-1 812	-2 731
Management advisory agreement		
EOS AB's yearly share price development	0	80
Management fee	-1 521	-1 748
<b>Total</b>	<b>-6 193</b>	<b>-8 293</b>

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