



Half year report

1 January – 30 June 2014

- IFRS NAV at the end of the period was SEK 416 million (834) and SEK 9.79 per share (19.49).
- Loss for the period amounted to SEK -7 million (-445) and SEK -0.17 per share (-9.46).



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.

Investment case

The Board of EOS Russia will present an updated investment case to be published August 22, 2014 on the company web site. The Russian government has started work on a privatization program for MRSKs with a pilot MRSK privatization planned for 2014.

While continuing tariff controls have had a negative impact on the share prices of MRSKs, this market reaction appears exaggerated because the tariff controls have prompted the MRSKs to initiate corresponding cost-cutting programs and the RAB values seem to be staying largely intact (an updated MRSK newsletter will be published August 22, 2014, on the company web site).

EOS Russia has a considerable track record of selling stakes directly to strategic investors, in several cases at a significant premium to the market. In general, the Board considers that there is an opportunity to capture larger premiums and higher valuations, once the MRSK privatization program becomes clearer to strategic investors.

Nevertheless, the liquidity needs and preferences among the company's shareholders vary, and the company is making best efforts to consider and to accommodate these aspirations. The company is currently running a synthetic share buyback program and is well positioned to take advantage of the best opportunities for further divestments which are likely to materialize as further progress is made on the privatization program.

The company has no history of selling its assets below market values, and has no intention of changing this policy.

The intention of EOS Russia is to return the asset sale proceeds to its shareholders mainly via synthetic share buybacks after the divestments have taken place. Ultimately, the company will be wound down, and the Board has started to study the wind-down process.

Operational and financial results

Group

EOS recorded a net profit from investing activities of SEK 1 million (-396).

Operating expenses amounted to SEK -8.3 million (-16.8). Net financial items for the period amounted to SEK 0.0 million (-32.6).

The loss for EOS during the period was SEK -7 million (-445). Loss per share was SEK -0.17 (-9.46). Total comprehensive income for the period was SEK 6 million (-422).

EOS' net asset value at June 30 2014 was SEK 416 million (834). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -303 million (-294).

Parent Company

The parent company's income for the period amounted to SEK 7.2 million (7.2). Operating expenses amounted to SEK -5.8 (-10.9) million for the period. Net financial items amounted to SEK 22.3 million (-440.1) for the period of which SEK 17.2 (-411.1) million is a write-up of shares in subsidiaries. The profit for the period was SEK 23.7 million (-443.8).

The total number of shares outstanding at June 30, 2014 was 42,467,362 (42,805,556).

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, 2013	June 30, 2014	Change
Thermal generation	0,1%	0,1%	- 0,0
Distribution	99,2%	99,4%	0,2
Transmission	0,1%	0,1%	- 0,0
Integrated	0,6%	0,5%	- 0,1
Total	100%	100%	

As per June 30, 2014, EOS' portfolio consisted of the assets listed in the table below:

Assets June 30, 2014	Market value	
	MSEK	MUSD
Thermal generation	0,3	0,1
Distribution	385,0	57,1
Transmission	0,2	0,0
Integrated	1,9	0,3
Total	387,5	57,5

* SEK/USD 6.7406

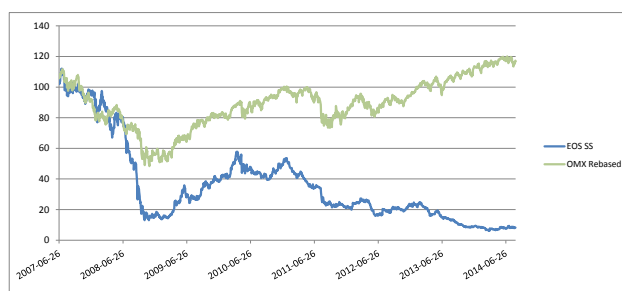
The fair value of the portfolio of shares is estimated based on quoted bid-prices.

EOS Russia's share price development

The closing price of EOS share at June 30, 2014 was SEK 7.75 corresponding to a decrease during the year of 16.7% (the OMX Stockholm 30 index gained 3.3% during the same period).

EOS share price decreased by 92.3% between June 25, 2007 and August 20, 2014 in comparison to the OMX Stockholm 30 Index that gained 9.9% during the same period.

**Share price development June 25, 2007 – August 20, 2014
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, 2014 was three (3), of which two (2) were 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 0.6 million (0.7) and has during the period recognised expense of SEK 1.7 million (5.5). 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 0.4 million (1.5) and has during the period recognised income of SEK 0.1 million (1.5). 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 2013 annual report.

Significant events during H1

At the EOS AB annual general meeting on April 8 2014 the following board proposals were adopted:

- To reduce the share capital by SEK 2,306,636 by redemption of 338,194 shares repurchased under the synthetic buyback program.
- To increase the company's share capital by SEK 2,310,000 through a bonus issue by transferring funds from the company's unrestricted equity without issuing new shares.
- 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, 2014, the Counterparty has not repurchased any EOS shares.

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 2013 – 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 2013. 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 2012 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	2014-06-30		
	Level 1	Other	Total
Assets			
Other receivables	-	1 198	1 198
Shares and participations	392 498	-	392 498
Cash and cash equivalents	-	20 346	20 346
Balance at June 30	392 498	21 544	414 042

In thousands of SEK	2014-06-30		
	Level 1	Other	Other
Liabilities			
Trade and other payables	-	14	14
Accrued expenses	-	2 885	2 885
Other payables	-	1 105	1 105
Balance at June 30	0	4 004	4 004

Stockholm August 22, 2014
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

- 2015-03-04 Year year report 1 January – 31 December 2014

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

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	
	2014	2013
Net change in fair value of securities	1 146	-395 580
Dividends	0	0
Net profit/loss - Investing activities	1 146	-395 580
Operating expenses*	-8 293	-16 811
Result from operating activities	-7 147	-412 392
Finance income	7	56
Finance expenses	-28	-32 640
Profit/loss before income tax	-7 168	-444 976
Income tax expense	0	0
Profit/loss for the period	-7 168	-444 976
Other Comprehensive Income for the period		
<i>Items that have been or may be recycled to profit/loss for the period</i>		
Translation differences	13 661	22 694
Total other Comprehensive Income for the period	13 661	22 694
Total Comprehensive Income for the period	6 493	-422 283
Attributable to equity holders of the Company		
Profit/loss for the period	-7 168	-444 976
Total Comprehensive Income for the period	6 493	-422 283
Earnings per share		
basic (SEK)	-0,17	-9,46
diluted (SEK)	-0,17	-9,46

* see note 1 for detailed information

Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Jun 30	Dec 31
	2014	2013
Assets		
Property, plant and equipment	5 460	5 359
Total non-current assets	5 460	5 359
Income tax receivables	240	226
Prepaid expenses and accrued income	505	557
Other receivables	1 690	6 091
Shares and participations	392 498	378 008
Cash and cash equivalents	20 346	27 943
Total current assets	415 279	412 825
TOTAL ASSETS	420 739	418 184
Equity and liabilities		
EQUITY		
Share capital	291 957	291 953
Other contributed equity	4 232 787	4 236 267
Reserves	-303 688	-317 349
Retained earnings, including profit/loss for the period	-3 805 356	-3 798 189
Equity attributable to equity holders of EOS AB	415 700	412 683
Total Equity	415 700	412 683
LIABILITIES		
Provisions	417	497
Total non-current liabilities	417	497
Trade and other payables	14	153
Other liabilities	1 105	761
Accrued expenses and deferred income	3 503	4 090
Total current liabilities	4 622	5 004
Total liabilities	5 039	5 501
TOTAL EQUITY AND LIABILITIES	420 739	418 184
Assets pledged	-	3 477

Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2014	2013
Opening balance	412 683	1 550 613
Total Comprehensive Income	6 493	-422 283
Share redemption	-3 477	-293 842
Closing balance	415 700	834 489

Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2014	2013
Cash flows from operating activities		
Profit/loss before income tax	-7 168	-444 976
Adjustment for non-cash items		
Change in fair value of securities	-1 146	395 336
Depreciation	87	97
Other	2	357
Income tax paid	-14	-14
Net cash used in operating activities before changes in working capital	-8 238	-49 200
Cash flows from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	4 416	286 357
Increase (+)/Decrease (-) in operating liabilities	-862	-7 302
Net cash used in operating activities	-4 684	229 855
Cash flows from investing activities		
Acquisition of property, plant and equipment	-301	-
Acquisition of shares and participations	0	-5 210
Proceeds from sale of shares and participations	76	40 897
Net cash used in investing activities	-225	35 687
Cash flows from financing activities		
Share redemption	-3 477	-288 840
Net cash from financing activities	-3 477	-288 840
Net increase in cash and cash equivalents	-8 386	-23 298
Cash and cash equivalents at January 1	27 943	41 041
Effect of exchange rate fluctuations on cash held	788	361
Cash and cash equivalents at the end of the period	20 346	18 103

Consolidated Key Figures *

	Jan 1 - Jun 30	
	2014	2013
Number of shares outstanding, end of period	42 467 362	42 805 556
Average number of shares outstanding	42 680 368	47 019 105
Net asset value, end of period, TSEK	415 700	834 489
Net Income per average number of shares outstanding, SEK	-0,17	-9,46
Net asset value per share, end of period, SEK	9,79	19,49
<i>* before and after dilution</i>		

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Company Income Statement

Jan 1 - Jun 30

<i>In thousands of SEK</i>	2014	2013
Other income	7 200	7 200
Other external expenses	-1 770	-2 077
Employee benefit expenses	-3 225	-5 286
Depreciation of property, plant and equipment	0	-6
Other expenses	-834	-3 497
Result from operating activities	1 370	-3 665
Result from financial items		
Result from participations in Group companies	22 335	-407 582
Other interest income and similar income	7	56
Interest expense and similar charges	-3	-32 624
Profit/loss before income tax	23 710	-443 815
Income tax expense	-	-
Profit/loss for the period	23 710	-443 815

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Company Balance Sheet

	Jun 30	Dec 31	Jun 30
<i>In thousands of SEK</i>	2014	2013	2013
ASSETS			
Non-current assets			
Property, plant and equipment	0	0	0
Financial assets			
Participations in group companies	371 042	349 541	718 701
Other deposits	0	76	76
Total fixed assets	371 042	349 617	718 777
Current assets			
Current receivables			
Receivables from Group companies	3 600	8 640	5 040
Income tax receivables	240	226	40
Other receivables	634	4 472	2 583
Prepaid expenses and accrued income	391	447	777
<i>Total current receivables</i>	<i>4 865</i>	<i>13 785</i>	<i>8 440</i>
Cash and bank	11 969	4 643	11 447
Total current assets	16 834	18 427	19 886
TOTAL ASSETS	387 876	368 045	738 663
EQUITY			
<i>Restricted equity</i>			
Share capital, 42,467,362 (42,805,556) shares at 6.87 (6.82)	291 957	291 953	291 953
<i>Unrestricted equity</i>			
Share premium reserve	4 232 789	4 236 269	4 268 749
Retained earnings	-4 163 776	-3 381 732	-3 381 732
Profit/loss for the period	23 710	-782 044	-443 815
TOTAL EQUITY	384 680	364 447	735 155
LIABILITIES			
Current liabilities			
Accounts payable	14	153	930
Other liabilities	456	412	315
Accrued expenses and prepaid income	2 727	3 033	2 264
<i>Total current liabilities</i>	<i>3 197</i>	<i>3 598</i>	<i>3 508</i>
TOTAL EQUITY AND LIABILITIES	387 876	368 045	738 663
ASSETS PLEDGED	-	3 477	-

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Note 1 Consolidated operating expenses

Jan 1 - Jun 30

<i>In thousands of SEK</i>	2014	2013
Employee remuneration expenses	-3 806	-11 883
Depreciation of property, plant and equipment	-87	-324
Other	4 339	-12 751
Management advisory agreement		
EOS AB's yearly share price development	-497	3 962
Monthly management fee	-8 243	0
Preference share remuneration	-	-16 669
Total	-8 293	-37 664

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