



Interim report

1 January – 31 March 2013

- IFRS NAV at the end of the period was SEK 1,167 million (2,263) and SEK 27.01 per share (39.93).
- Loss for the period amounted to SEK -97 million (547) and SEK -1.89 per share (9.66).



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 increased electricity demand, wear-out of the assets and the need to increase efficiency. One of the key goals 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 loss from investing activities of SEK -71 million (569).

Operating expenses amounted to SEK -11.5 million (-21.7). Net financial items for the period amounted to SEK -14.5 million (0.0). Net financial items include interest income of SEK 0.0 million (0.0) and interest expenses totaling SEK -0.1 million (0.0). SEK -14.4 million are costs related to the synthetic share repurchase program.

The loss for EOS during the period was SEK -97 million (547). Loss per share was SEK -1.89 (9.66). Total comprehensive income for the period was SEK -99 million (459).

EOS' net asset value at March 31st 2013 was SEK 1,167 million (2,263). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -318 million (-318).

Parent Company

The parent company's income for the period amounted to SEK 3.6 million (3.1). Operating expenses amounted to SEK -5.3 (-8.8) million for the period. Net financial items amounted to SEK -102 million (459) for the period of which SEK -87 (453) million is a write-down of shares in subsidiaries. The loss for the period was SEK -104 million (453).

The total number of shares outstanding at March 31, 2013 was 43,218,519 (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 first quarter are shown in the table below:

Share of EOS portfolio	December 31st 2012	March 31st 2013	Change
Thermal generation	0,3%	0,1%	- 0,2
Distribution	97,3%	99,0%	1,7
Transmission	1,1%	0,6%	- 0,5
Integrated	0,9%	0,3%	- 0,6
Hydro generation	0,4%	0,0%	- 0,4
Total	100%	100%	

In line with the management's strategy, the portfolio has become more heavily weighted in the distribution segment.

As per March 31, 2013, EOS' portfolio consisted of the assets listed in the table below:

Assets March 31st, 2013	Market value	
	MSEK	MUSD
Thermal Generation	1	0
Distribution	1 102	169
Transmission	7	1
Integrated	4	1
Total	1113	171

* SEK/USD 6.5162

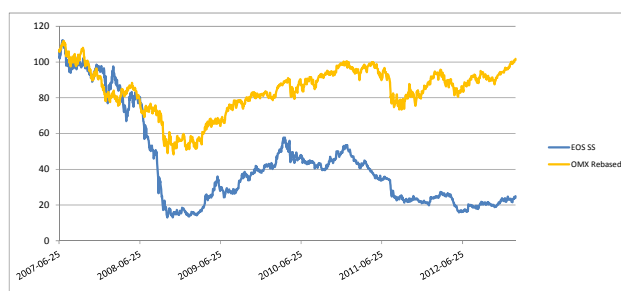
The fair value of the portfolio of shares is estimated with a model based on quoted mid-prices, because the official markets have been assessed not to be active in the sense that the quoted prices represent actual transactions.

EOS Russia's share price development

The closing price of EOS share at March 28, 2013 was SEK 20.3 corresponding to a decrease during the year of 11.7% (the OMX Stockholm 30 index gained 8.7% during the same period).

EOS share price decreased by 84.0% between June 25, 2007 and May 13 2013 in comparison to the OMX Stockholm 30 Index that decreased by 2.1% during the same period.

**Share price development June 25, 2007 – May 13, 2013
EOS Russia AB (EOS SS) vs. OMX S30 index**



Source: Bloomberg

Other information

Organization

The average number of employees in the group as of March 31, 2013 was three (4), 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 March 31 a liability of SEK 1.0 million (0) and has during the quarter recognised expense of SEK 3.3 million (0). With regard to the performance fee the group and the group company EOS Russia (Cyprus) Ltd has as of March 31 accrued a provision of SEK 2.0 million (0) and has during the quarter recognised expense of SEK 2.0 million (0). The expense 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 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.

Provisions, contingent assets/liabilities and pledged assets

Apart from what has already been explained under "*Related party transactions*", no provisions have been accounted for. No contingent assets/liabilities or pledged assets exists for the Group or Parent company as of 31 March 2013.

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 2012 annual report.

Significant events during Q1

EOS AB (publ) has previously given authorization to the board 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 annual general meeting 2013.

As of 31 March 2013, the Counterparty has repurchased 1,350,500 EOS shares which amounts to 3.1% of the share capital and votes of the Parent company before the reduction. The average acquisition price, excluding fees, is SEK 22.85 per share. The swap agreement is accounted for as other receivables and finance expense of SEK -14.4 million as of 31 March 2013.

Significant events after the reporting period

At the EOS AB annual general meeting on April 10 2013 the following board proposals were adopted:

- To reduce the share capital by SEK 2,789,678 by redemption of 412,963 shares repurchased under the synthetic buyback program.
- To increase the company's share capital by SEK 2,790,000 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.

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 2012 – 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 2012. 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.

Accounting principles for new management advisory agreement

After the end of 2012 the preference shares previously held by the founders and CEO were transferred from the holders to EnergyO Solutions Russia AB (publ). Instead, a new management advisory agreement specifies the conditions for compensation, for 2013-2016, to the two founders remaining with EOS Russia. The management advisory agreement consists of two main parts – a management fee equal to a monthly payment of 1/12 % of NAV, and an annual performance fee equal to 5 % of the increase in market capitalisation over and above the highest market capitalisation in the end any previous year ('high water mark'). The initial high watermark is market capitalisation at 2012 year-end. The performance fee and high water mark are adjusted for effects of capital distribution and contribution.

The management fee is recognised as expense in the month when it is earned. The four expected payments of the performance fee, after each of the years 2013-2016, are treated as four different parts, in accordance with IFRS 2 Share-based payments. The vesting period and recognition of expense begins as of the start of the contract period, 1 January 2013, for all four parts. The end of the vesting period and recognition of expense is the end of each of the four years.

This is called 'graded vesting' and it is important to note that an effect is that expenses are front-end loaded over the four-year period; since the payment relating to 2013 is recognised in full as expense in 2013, the payment relating to 2014 is recognised as expense with 50 % in each of the years 2013 and 2014, the payment relating to 2015 is recognised as expense with 33 % in each of the years 2013-2015, the payment relating to 2016 is recognised as expense with 25 % in each of the years 2013-2016. If the total fair value would be stable over time

approximately half of the expenses would be recognised in 2013, a quarter in 2014, and the remainder in 2015 and 2016. Differences between expected and actual and changes in the expected development of market capitalisation may, however, lead to material changes in the total fair value and thereby in the level of expenses recognised over time.

Monte Carlo simulation is used to estimate the fair values of each of the four parts. The fair values are remeasured at each reporting date and effects of changes in fair value are recognised in profit or loss together with the effect of the accrual of the liability over the vesting period. A final remeasurement is made on the settlement date.

Synthetical repurchases of own shares (swap agreement)

Within the framework of the synthetical 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 with a maximum volume 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 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 of the investments in shares

The fair value of the investments in shares is estimated with a model based on quoted mid-prices,

because (i) the main transactions in the shares do not take place on the official markets but OTC and (ii) the market has been assessed not to be active in the sense that the quoted prices represent actual transactions.

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 uses a valuation method exclusively based on observable market data (level 2). 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.

<i>In thousands of SEK</i>	2013-03-31		
	Level 2	Other	Total
Assets			
Other receivables	-	42 755	42 755
Shares and participations	1 113 003	-	1 113 003
Cash and cash equivalents	-	27 999	27 999
Balance at March 31	1 113 003	70 754	1 183 757

<i>In thousands of SEK</i>	2013-03-31		
	Level 2	Other	Total
Liabilities			
Trade and other payables	-	757	757
Accrued expenses	-	4 283	4 283
Other payables	-	15 587	15 587
Balance at March 31	0	20 627	20 627

Stockholm May 16, 2013
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

- 2013-08-23 Half-Year report 1 January – 30 June 2013

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 - Mar 31	
	2013	2012
Net change in fair value of securities	-71 379	569 053
Dividends	0	9
Net profit/loss - Investing activities	-71 379	569 062
Operating expenses*	-11 471	-21 724
Result from operating activities	-82 849	547 338
Finance income	28	25
Finance expenses	-14 542	-14
Profit/loss before income tax	-97 363	547 349
Income tax expense	0	0
Profit/loss for the period	-97 363	547 349
Other Comprehensive Income for the period		
<i>Items that have been or may be recycled to profit/loss for the period</i>		
Translation differences	-1 209	-88 274
Total other Comprehensive Income for the period	-1 209	-88 274
Total Comprehensive Income for the period	-98 572	459 074
Attributable to equity holders of the Company		
Profit/loss for the period	-97 363	547 349
Total Comprehensive Income for the period	-98 572	459 074
Earnings per share		
basic (SEK)	-1,89	9,66
diluted (SEK)	-1,89	9,66

* see note 1 for detailed information

Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Mar 31	Dec 31
	2013	2012
Assets		
Property, plant and equipment	5 185	5 237
Total non-current assets	5 185	5 237
Income tax receivables	33	26
Prepaid expenses and accrued income	848	1 084
Other receivables	43 492	290 605
Shares and participations	1 113 003	1 226 029
Cash and cash equivalents	27 999	41 041
Total current assets	1 185 375	1 558 784
TOTAL ASSETS	1 190 560	1 564 021
Equity and liabilities		
EQUITY		
Share capital	291 953	291 706
Other contributed equity	4 272 894	4 557 834
Reserves	-317 645	-316 436
Retained earnings, including profit/loss for the period	-3 079 855	-2 982 492
Equity attributable to equity holders of EOS AB	1 167 347	1 550 613
Total Equity	1 167 347	1 550 613
LIABILITIES		
Provisions	1 984	-
Total non-current liabilities	1 984	0
Trade and other payables	757	169
Other liabilities	15 587	7 201
Accrued expenses and deferred income	4 885	6 038
Total current liabilities	21 229	13 408
Total liabilities	23 213	13 408
TOTAL EQUITY AND LIABILITIES	1 190 560	1 564 021

Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Mar 31	
	2013	2012
Opening balance	1 550 613	1 803 993
Total Comprehensive Income	-98 572	459 074
Repurchases of own shares	-284 694	-
Closing balance	1 167 347	2 263 067

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Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Mar 31	
	2013	2012
Cash flows from operating activities		
Profit/loss before income tax	-97 363	547 349
Adjustment for non-cash items		
Change in fair value of securities	71 222	-570 167
Depreciation	52	93
Other	360	-3
Income tax paid	-7	-3
Net cash used in operating activities before changes in working capital	-25 736	-22 731
Cash flows from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	246 985	-11 566
Increase (+)/Decrease (-) in operating liabilities	9 865	21 180
Net cash used in operating activities	231 113	-13 117
Cash flows from investing activities		
Acquisition of shares and participations	-284 940	-302 942
Proceeds from sale of shares and participations	40 538	302 868
Net cash used in investing activities	-244 403	-74
Cash flows from financing activities		
Stock dividend	247	-
Net cash from financing activities	247	0
Net increase in cash and cash equivalents	-13 043	-13 190
Cash and cash equivalents at January 1	41 041	24 359
Effect of exchange rate fluctuations on cash held	1	-938
Cash and cash equivalents at the end of the period	27 999	10 231

Consolidated Key Figures *

	Jan 1 - Mar 31	
	2013	2012
Number of shares outstanding, end of period	43 218 519	56 673 177
Average number of shares outstanding	51 590 306	56 673 177
Net asset value, end of period, TSEK	1 167 347	2 263 067
Net Income per average number of shares outstanding, SEK	-1,89	9,66
Net asset value per share, end of period, SEK	27,01	39,93
<i>* before and after dilution</i>		

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Company Income Statement

Jan 1 - Mar 31

<i>In thousands of SEK</i>	2013	2012
Other income	3 600	3 120
Other external expenses	-1 099	-2 324
Employee benefit expenses	-2 767	-1 282
Depreciation of property, plant and equipment	-6	-43
Other expenses	-1 469	-5 192
Result from operating activities	-1 740	-5 721
Result from financial items		
Result from participations in Group companies	-87 359	458 571
Other interest income and similar income	28	25
Interest expense and similar charges	-14 531	-2
Profit/loss before income tax	-103 602	452 873
Income tax expense	-	-
Profit/loss for the period	-103 602	452 873

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Company Balance Sheet

	Mar 31	Dec 31	Mar 31
<i>In thousands of SEK</i>	2013	2012	2012
ASSETS			
Non-current assets			
Property, plant and equipment	0	6	87
Financial assets			
Participations in group companies	1 040 951	1 151 279	2 172 502
Other deposits	76	76	76
Total fixed assets	1 041 027	1 151 361	2 172 665
Current assets			
Current receivables			
Receivables from Group companies	8 640	8 160	24 435
Income tax receivables	33	26	234
Other receivables	42 054	288 796	41
Prepaid expenses and accrued income	712	974	367
<i>Total current receivables</i>	<i>51 440</i>	<i>297 956</i>	<i>25 077</i>
Cash and bank	9 561	23 672	2 266
Total current assets	61 000	321 628	27 343
TOTAL ASSETS	1 102 028	1 472 989	2 200 008
EQUITY			
<i>Restricted equity</i>			
Share capital, 43,218,519 (56,673,177) shares at 6.76 (5.15)	291 953	291 706	291 706
<i>Unrestricted equity</i>			
Share premium reserve	4 277 897	4 557 836	4 557 524
Retained earnings	-3 381 732	-3 107 558	-3 107 558
Profit/loss for the period	-103 602	-274 174	452 873
TOTAL EQUITY	1 084 516	1 467 810	2 194 545
LIABILITIES			
Current liabilities			
Accounts payable	757	169	895
Other liabilities	14 624	271	1 303
Accrued expenses and prepaid income	2 131	4 739	3 264
<i>Total current liabilities</i>	<i>17 512</i>	<i>5 179</i>	<i>5 462</i>
TOTAL EQUITY AND LIABILITIES	1 102 028	1 472 989	2 200 008

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Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Jan 1 - Mar 31	
	2013	2012
Employee remuneration expenses	-3 052	-1 779
Depreciation of property, plant and equipment	-52	-93
Other	-5 430	-4 656
Management advisory agreement		
EOS AB's yearly share price development	-1 984	-
Monthly management fee	-953	-
Preference share remuneration	-	-15 197
Total	-11 471	-21 724

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