



Year-end report

1 January – 31 December 2015

- IFRS NAV at the end of the period was SEK 247 million (312) and SEK 5.82 per share (7.35).
- Loss for the period amounted to SEK -86 million (-155) and SEK -2.02 per share (-3.64).



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

The decline in oil related tax receipts has increased pressure from the government for higher dividend pay-outs from government controlled enterprises, as well as for a renewed push for privatisations.

In the beginning of February, the State Property Fund proposed to increase the dividend payouts of Russian state-owned companies to 50% from the current 25%. While it is still unclear, whether this proposal will be approved, the trend is clear.

On Feb 1, President Putin summoned, among others, the heads of several state-owned companies to launch a new wave of privatization. The companies present were Rosneft, Alrosa, Sovcomflot, VTB Bank, Aeroflot, Russian Railways and Bashneft.

We believe that MRSKs will also be included in the privatization wave, although their privatization is likely to take place only after the European sanctions have been withdrawn.

The operational and the financial performance of MRSKs continues to be stable in ruble terms.

According to Bloomberg, five Russian distribution companies are currently traded at 58-85% discounts to Emerging Market peers on 2014-16 EV/EBITDA and P/E multiples (valuations as of February 18, see MRSK Newsletter to be published February 29, 2016).

Operational and financial results

Group

EOS recorded a net loss from investing activities of SEK -73 million (-135).

Operating expenses amounted to SEK -12.9 million (-19.5).

Net financial items for the period amounted to SEK -0.0 million (-0.5).

The loss for EOS during the period was SEK -86 million (-155). Loss per share was SEK -2.02 (-3.64). Total comprehensive income for the period was SEK -65 million (-97).

EOS' net asset value at December 31 2015 was SEK 247 million (312). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -239 million (-260).

Parent Company

The parent company's income for the period amounted to SEK 9.6 million (9.6). Operating expenses amounted to SEK -9.2 million (-11.9) for the period. Net financial items amounted to SEK -53.5 million (-80.7) for the period of which SEK -54.8 (-81.9) million is a write-down of shares in subsidiaries. The profit for the period was SEK -53.1 million (-82.9).

The total number of shares outstanding at December 31, 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 second half of the year are shown in the table below:

Share of EOS portfolio	June 30, 2015	December 31, 2015	Change
Thermal generation	0,1%	0,1%	-
Distribution	99,8%	99,8%	-
Transmission	0,1%	0,1%	-
Integrated	-	-	-
Total	100%	100%	

As per December 31, 2015, EOS' portfolio consisted of the assets listed in the table below:

Assets December 31, 2015	Market value	
	MSEK	MUSD
Thermal generation	0,2	0,0
Distribution	218,3	26,1
Transmission	0,1	0,0
Integrated	0,0	0,0
Total	218,7	26,2

* SEK/USD 8.3524

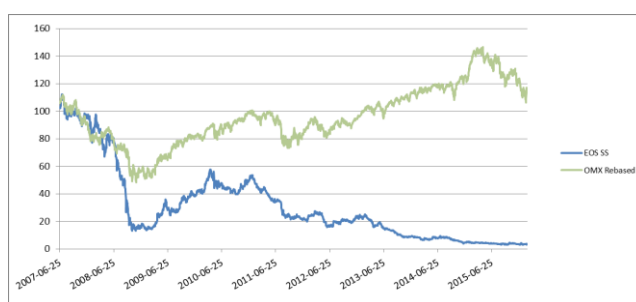
The fair value of the portfolio of shares is based on quoted Micex bid-prices.

EOS Russia's share price development

The closing price of EOS share at December 30, 2015 was SEK 3.20 corresponding to a decrease during the year of 31.9% (the OMX Stockholm 30 index decreased 1.2% during the same period).

EOS share price decreased by 96.9% between June 25, 2007 and February 19, 2016 in comparison to the OMX Stockholm 30 Index that gained 8.5% during the same period.

Share price development June 25, 2007 – February 19, 2016 EOS Russia AB (EOS SS) vs. OMX S30 index



Source: Bloomberg

Other information

Organization

The average number of employees in the Group as of December 31, 2015 was two (2), of which one (1) 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 December 31 a liability of SEK 0.4 million (1.5) and has during the period recognised expense of SEK 2.8 million (3.6). With regard to the performance fee, the Group and the Group company EOS Russia (Cyprus) Ltd has as of December 31 accrued a provision of SEK 0.0 million (0.2) and has during the period recognised income of SEK 0.2 million (0.3). The income 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*", the Group has recognized a contingent liability for social security claims amounting to SEK 7.4 (7.4) million pertaining to charges against EOS group for which provisions are not considered necessary.

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 H2 and after the reporting period

In December 2015, Förvaltningsrätten (the Administrative court) decided in favour of EOS Russia pertaining to social security claims made by Skatteverket (the tax authorities).

In February 2016, Skatteverket lodged an appeal with Kammarrätten (the Administrative courts of appeal).

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 (as

resolved by shareholders at the last AGM held in April 2015) 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.

<i>In thousands of SEK</i>	2015-12-31		Total
	Level 1	Other	
Assets			
Other receivables	-	4 321	4 321
Shares and participations	223 703	-	223 703
Cash and cash equivalents	-	20 501	20 501
Balance at December 31	223 703	24 822	248 525

<i>In thousands of SEK</i>	2015-12-31		Total
	Level 1	Other	
Liabilities			
Trade and other payables	-	214	214
Accrued expenses	-	2 589	2 589
Other payables	-	2 273	2 273
Balance at December 31	0	5 075	5 075

Annual general meeting

The annual general meeting (AGM) will be held in Stockholm on 28 April 2016. Summons to the AGM will be sent out in March 2016.

Annual report

EOS's annual report will be made available on the company web site at the latest two weeks before the AGM.

Dividend

EOS's main objective is to generate shareholder value by investing in Russian power company shares. The Board of Directors of EOS AB proposes that no dividends be distributed

Stockholm February 26, 2016
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

- 2016-04-28 Annual General Meeting
- 2016-08-26 Half year report 1 January – 30 June

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>	Jul 1 - Dec 31		Jan 1 - Dec 31	
	2015	2014	2015	2014
Net change in fair value of securities	-89 019	-146 863	-80 177	-145 717
Dividends	7 278	10 669	7 278	10 669
Net profit/loss - Investing activities	-81 740	-136 194	-72 898	-135 048
Operating expenses*	-6 690	-11 192	-12 883	-19 485
Result from operating activities	-88 430	-147 386	-85 781	-154 533
Finance income	1	20	6	27
Finance expenses	-13	-489	-39	-517
Profit/loss before income tax	-88 442	-147 855	-85 814	-155 023
Income tax expense	-	-	-	-
Profit/loss for the period	-88 442	-147 855	-85 814	-155 023
Other Comprehensive Income for the period				
<i>Items that have been or may be recycled to profit/loss for the period</i>				
Translation differences	2 969	44 035	20 759	57 696
Total other Comprehensive Income for the period	2 969	44 035	20 759	57 696
Total Comprehensive Income for the period	-85 473	-103 820	-65 055	-97 327
Attributable to equity holders of the Company				
Profit/loss for the period	-88 442	-147 855	-85 814	-155 023
Total Comprehensive Income for the period	-85 473	-103 820	-65 055	-97 327
Earnings per share				
basic (SEK)	-2,09	-3,48	-2,02	-3,64
diluted (SEK)	-2,09	-3,48	-2,02	-3,64

* see note 1 for detailed information

Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Dec 31	Dec 31
	2015	2014
Assets		
Property, plant and equipment	3 626	3 886
Total non-current assets	3 626	3 886
Income tax receivables	254	254
Prepaid expenses and accrued income	598	284
Other receivables	4 868	1 942
Shares and participations	223 703	286 451
Cash and cash equivalents	20 501	25 444
Total current assets	249 924	314 375
TOTAL ASSETS	253 551	318 262
Equity and liabilities		
EQUITY		
Share capital	42 360	291 957
Other contributed equity	4 482 131	4 233 036
Reserves	-238 893	-259 653
Retained earnings, including profit/loss for the period	-4 039 026	-3 953 212
Equity attributable to equity holders of EOS AB	246 572	312 129
Total Equity	246 572	312 129
LIABILITIES		
Provisions	0	150
Total non-current liabilities	0	150
Trade and other payables	214	257
Other liabilities	2 273	1 982
Accrued expenses and deferred income	4 492	3 744
Total current liabilities	6 979	5 983
Total liabilities	6 979	6 133
TOTAL EQUITY AND LIABILITIES	253 551	318 262
ASSETS PLEDGED	-	766
CONTINGENT LIABILITIES	7 387	7 387

Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Dec 31	
	2015	2014
Opening balance	312 129	412 683
Total Comprehensive Income	-65 055	-97 327
Share redemption	-766	-3 228
Reversal of loss in share repurchases	265	-
Closing balance	246 572	312 129

Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Dec 31	
	2015	2014
Cash flows from operating activities		
Profit/loss before income tax	-85 814	-155 023
Adjustment for non-cash items		
Change in fair value of securities	81 234	145 948
Depreciation	145	2 234
Other	-254	498
Income tax paid	0	-
Net cash used in operating activities before changes in working capital	-4 690	-6 342
Cash flows from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-2 998	4 415
Increase (+)/Decrease (-) in operating liabilities	421	-790
Net cash used in operating activities	-7 266	-2 717
Cash flows from investing activities		
Proceeds from sale of shares and participations	1 808	-
Net cash used in investing activities	1 808	0
Cash flows from financing activities		
Share redemption	-766	-3 477
Net cash from financing activities	-766	-3 477
Net increase in cash and cash equivalents	-6 224	-6 194
Cash and cash equivalents at January 1	25 444	27 943
Effect of exchange rate fluctuations on cash held	1 281	3 695
Cash and cash equivalents at the end of the period	20 501	25 444

Consolidated Key Figures *

	Jan 1 - Dec 31	
	2015	2014
Number of shares outstanding, end of period	42 360 290	42 467 362
Average number of shares outstanding	42 403 705	42 572 990
Net asset value, end of period, TSEK	246 572	312 129
Net Income per average number of shares outstanding, SEK	-2,02	-3,64
Net asset value per share, end of period, SEK	5,82	7,35
<i>* before and after dilution</i>		

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Company Income Statement

<i>In thousands of SEK</i>	Jul 1 - Dec 31		Jan 1 - Dec 31	
	2015	2014	2015	2014
Other income	4 800	2 400	9 600	9 600
Other external expenses	-1 076	-2 109	-2 537	-3 879
Employee benefit expenses	-2 881	-3 112	-5 309	-6 337
Depreciation of property, plant and equipment	-	-	-	-
Other expenses	-578	-813	-1 339	-1 647
Result from operating activities	264	-3 633	415	-2 263
Result from financial items				
Result from participations in Group companies	-78 352	-102 572	-53 490	-80 237
Other interest income and similar income	1	18	6	25
Interest expense and similar charges	-3	-467	-4	-470
Profit/loss before income tax	-78 089	-106 656	-53 073	-82 946
Income tax expense	-	-	-	-
Profit/loss for the period	-78 089	-106 656	-53 073	-82 946

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Company Balance Sheet

	Dec 31	Dec 31
<i>In thousands of SEK</i>	2015	2014
ASSETS		
Non-current assets		
Property, plant and equipment	-	-
Financial assets		
Participations in group companies	212 828	267 657
Other deposits	-	-
Total fixed assets	212 828	267 657
Current assets		
Current receivables		
Receivables from Group companies	4 800	6 000
Income tax receivables	254	254
Other receivables	3 838	1 241
Prepaid expenses and accrued income	147	152
<i>Total current receivables</i>	<i>9 039</i>	<i>7 647</i>
Cash and bank	8 566	6 608
Total current assets	17 605	14 255
TOTAL ASSETS	230 433	281 912
EQUITY		
<i>Restricted equity</i>		
Share capital, 42,360,290 (42,467,362) shares at 1.00 (6.87)	42 360	291 957
<i>Unrestricted equity</i>		
Share premium reserve	4 481 619	4 232 789
Retained earnings	-4 246 210	-4 163 527
Profit/loss for the period	-53 073	-82 946
TOTAL EQUITY	224 697	278 273
LIABILITIES		
Current liabilities		
Accounts payable	214	257
Other liabilities	1 851	436
Accrued expenses and prepaid income	3 670	2 946
<i>Total current liabilities</i>	<i>5 736</i>	<i>3 639</i>
TOTAL EQUITY AND LIABILITIES	230 433	281 912
ASSETS PLEDGED	-	766
CONTINGENT LIABILITIES	493	493

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Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Jul 1 - Dec 31		Jan 1 - Dec 31	
	2015	2014	2015	2014
Employee remuneration expenses	-3 277	-3 684	-6 061	-7 490
Depreciation of property, plant and equipment	-68	-2 147	-145	-2 234
Other	-2 188	-3 735	-4 000	-6 466
Management advisory agreement				
EOS AB's yearly share price development	150	266	150	346
Monthly management fee	-1 307	-1 893	-2 827	-3 641
Total	-6 690	-11 192	-12 883	-19 485

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