



Half year report

1 January – 30 June 2016

- IFRS NAV at the end of the period was SEK 388 million (332) and SEK 9.21 per share (7.83).
- Profit for the period amounted to SEK 144 million (3) and SEK 3.42 per share (0.06).



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

MRSKs reported strong first-half RAS (Russian Accounting Standards) results. The profit margins and revenues were mostly up quite significantly.

The increasing profits bode well for the expected dividends for this year, as the companies are now following the government's new dividend rule: to pay out 50% of the higher of the RAS or IFRS net profits.

EOS has received dividends from 2015 that amounted to yields significantly higher than the previous years. The first half a year results point to a further significant growth in dividends.

In our view, the improvement in the financials is driven by two main factors: somewhat improved cost management at the companies, and the stabilizing macroeconomic environment in Russia after the significant oil and ruble declines over the past two years.

Operational and financial results

Group

EOS recorded a net profit from investing activities of SEK 152 million (9).

Operating expenses amounted to SEK -7.4 million (-6.2). Net financial items for the period amounted to SEK 0.0 million (0.0).

The profit for EOS during the period was SEK 144 million (3). Profit per share was SEK 3.42 (0.06). Total comprehensive income for the period was SEK 148 million (20).

EOS' net asset value at June 30 2016 was SEK 388 million (332). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -235 million (-242).

Parent Company

The parent company's income for the period amounted to SEK 4.8 million (4.8). Operating expenses amounted to SEK -5.8 (-4.6) million for the period. Net financial items amounted to SEK 140,0 million (24.9) for the period of which SEK 139.2 (24.1) million is a write-up of shares in subsidiaries. The profit for the period was SEK 138.9 million (25.0).

The total number of shares outstanding at June 30, 2016 was 42,148,137 (42,360,290).

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 half year are shown in the table below:

Share of EOS portfolio	December 31, 2015	June 30, 2016	Change
Thermal generation	0,1%	0,1%	-
Distribution	99,8%	99,8%	-
Transmission	0,1%	0,1%	-
Integrated	-	-	-
Total	100%	100%	

As per June 30, 2016, EOS' portfolio consisted of the assets listed in the table below:

Assets June 30, 2016	Market value	
	MSEK	MUSD
Thermal generation	0,3	0,0
Distribution	340,9	40,2
Transmission	0,4	0,0
Integrated	0,0	0,0
Total	341,6	40,3

* SEK/USD 8.4813

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

EOS Russia's share price development

The closing price of EOS share at June 30, 2016 was SEK 6.30 corresponding to an increase during the year of 96.9% (the OMX Stockholm 30 index decreased 2.3% during the same period).

EOS share price decreased by 92.7% between June 25, 2007 and August 24, 2016 in comparison to the OMX Stockholm 30 Index that gained 13.0% during the same period.

Other information

Organization

The average number of employees in the group as of June 30, 2016 were 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 June 30 a liability of SEK 0.3 million (0.3) and has during the period recognised expense of SEK 1.6 million (1.5). With regard to the performance fee, the group and the group company EOS Russia (Cyprus) Ltd has as of June 30 accrued no provision (0.2) and has during the period recognised no expense (0.0). 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. 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. Pledged assets related to the synthetic buyback program amounted to SEK 1.9 (0.0) million.

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 2015 Annual Report.

Significant events during H1

At the EOS AB annual general meeting on April 28 2016 the following board proposals were adopted:

- To reduce the share capital by SEK 212,153 by redemption of 212,153 shares repurchased under the synthetic buyback program.
- To increase the company's share capital by SEK 215,000 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, 2016, the Counterparty has repurchased 350,653 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 2015 – 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 2015. 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 2015 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	2016-06-30		Total
	Level 1	Other	
Assets			
Other receivables	-	2 498	2 498
Shares and participations	341 623	-	341 623
Cash and cash equivalents	-	16 265	16 265
Balance at June 30	341 623	18 763	360 387

In thousands of SEK	2016-06-30		Total
	Level 1	Other	
Liabilities			
Trade and other payables	-	29	29
Accrued expenses	-	2 007	2 007
Other payables	-	482	482
Balance at June 30	0	2 518	2 518

Stockholm August 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

- 2017-03-17 Year end report 1 January – 31 December 2016

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	
	2016	2015
Net change in fair value of securities	126 634	8 842
Dividends	25 071	-
Net profit/loss - Investing activities	151 705	8 842
Operating expenses*	-7 446	-6 193
Result from operating activities	144 259	2 649
Finance income	1	5
Finance expenses	-10	-26
Profit/loss before income tax	144 249	2 628
Income tax expense	-	-
Profit/loss for the period	144 249	2 628
Other Comprehensive Income for the period		
<i>Items that have been or may be recycled to profit/loss for the period</i>		
Translation differences	3 534	17 790
Total other Comprehensive Income for the period	3 534	17 790
Total Comprehensive Income for the period	147 782	20 418
Attributable to equity holders of the Company		
Profit/loss for the period	144 249	2 628
Total Comprehensive Income for the period	147 782	20 418
Earnings per share		
basic (SEK)	3,42	0,06
diluted (SEK)	3,42	0,06

* see note 1 for detailed information

Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Jun 30	Dec 31
	2016	2015
Assets		
Property, plant and equipment	3 611	3 626
Total non-current assets	3 611	3 626
Income tax receivables	240	254
Prepaid expenses and accrued income	25 808	598
Other receivables	4 599	4 868
Shares and participations	341 623	223 703
Cash and cash equivalents	16 265	20 501
Total current assets	388 535	249 924
TOTAL ASSETS	392 146	253 551
Equity and liabilities		
EQUITY		
Share capital	42 363	42 360
Other contributed equity	4 481 090	4 482 131
Reserves	-235 360	-238 893
Retained earnings, including profit/loss for the period	-3 899 778	-4 039 026
Equity attributable to equity holders of EOS AB	388 316	246 572
Total Equity	388 316	246 572
LIABILITIES		
Provisions	315	0
Total non-current liabilities	315	0
Trade and other payables	29	214
Other liabilities	482	2 273
Accrued expenses and deferred income	3 005	4 492
Total current liabilities	3 516	6 979
Total liabilities	3 831	6 979
TOTAL EQUITY AND LIABILITIES	392 146	253 551
ASSETS PLEDGED	1 877	-
CONTINGENT LIABILITIES	7 387	7 387

Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2016	2015
Opening balance	246 572	312 129
Total Comprehensive Income	147 782	20 418
Share redemption	-6 038	-766
Closing balance	388 316	331 781

Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2016	2015
Cash flows from operating activities		
Profit/loss before income tax	144 249	2 628
Adjustment for non-cash items		
Change in fair value of securities	-125 029	-11 201
Depreciation	70	77
Other	0	-135
Income tax paid	0	-14
Net cash used in operating activities before changes in working capital	19 290	-8 645
Cash flows from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-23 051	532
Increase (+)/Decrease (-) in operating liabilities	-3 342	-532
Net cash used in operating activities	-7 104	-8 645
Cash flows from investing activities		
Proceeds from sale of shares and participations	5 600	1 796
Net cash used in investing activities	5 600	1 796
Cash flows from financing activities		
Share buy-backs	-2 911	-766
Net cash from financing activities	-2 911	-766
Net increase in cash and cash equivalents	-4 415	-7 615
Cash and cash equivalents at January 1	20 501	25 444
Effect of exchange rate fluctuations on cash held	179	1 012
Cash and cash equivalents at the end of the period	16 265	18 841

Consolidated Key Figures *

	Jan 1 - Jun 30	
	2016	2015
Number of shares outstanding, end of period	42 148 137	42 360 290
Average number of shares outstanding	42 224 861	42 447 841
Net asset value, end of period, TSEK	388 316	331 781
Net Income per average number of shares outstanding, SEK	3,42	0,06
Net asset value per share, end of period, SEK	9,21	7,83
<i>* before and after dilution</i>		

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Company Income Statement

	Jan 1 - Jun 30	
<i>In thousands of SEK</i>	2016	2015
Other income	4 800	4 800
Other external expenses	-965	-1 461
Employee benefit expenses	-4 058	-2 428
Depreciation of property, plant and equipment	-	-
Other expenses	-787	-760
Result from operating activities	-1 010	151
Result from financial items		
Result from participations in Group companies	139 958	24 862
Other interest income and similar income	1	5
Interest expense and similar charges	-1	-1
Profit/loss before income tax	138 948	25 016
Income tax expense	-	-
Profit/loss for the period	138 948	25 016

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Company Balance Sheet

<i>In thousands of SEK</i>	Jun 30	Dec 31	Jun 30
	2016	2015	2015
ASSETS			
Non-current assets			
Property, plant and equipment	-	-	-
Financial assets			
Participations in group companies	351 999	212 828	291 758
Other deposits	-	-	-
Total fixed assets	351 999	212 828	291 758
Current assets			
Current receivables			
Receivables from Group companies	2 400	4 800	4 800
Income tax receivables	240	254	240
Other receivables	3 949	3 838	555
Prepaid expenses and accrued income	147	147	253
<i>Total current receivables</i>	<i>6 736</i>	<i>9 039</i>	<i>5 848</i>
Cash and bank	6 405	8 566	8 208
Total current assets	13 142	17 605	14 056
TOTAL ASSETS	365 141	230 433	305 814
EQUITY			
<i>Restricted equity</i>			
Share capital, 42,363,137 (42,360,290) shares at 1.01 (1.00)	42 363	42 360	291 960
<i>Unrestricted equity</i>			
Share premium reserve	4 480 578	4 481 619	4 232 019
Retained earnings	-4 299 283	-4 246 210	-4 246 472
Profit/loss for the period	138 948	-53 073	25 016
TOTAL EQUITY	362 607	224 697	302 523
LIABILITIES			
Current liabilities			
Accounts payable	29	214	11
Other liabilities	165	1 851	423
Accrued expenses and prepaid income	2 340	3 670	2 857
<i>Total current liabilities</i>	<i>2 534</i>	<i>5 736</i>	<i>3 291</i>
TOTAL EQUITY AND LIABILITIES	365 141	230 433	305 814
ASSETS PLEDGED	1 877	-	-
CONTINGENT LIABILITIES	493	493	493

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Note 1 Consolidated operating expenses

	Jan 1 - Jun 30	
<i>In thousands of SEK</i>	2016	2015
Employee remuneration expenses	-4 453	-2 783
Depreciation of property, plant and equipment	-70	-77
Other	-1 349	-1 812
Management advisory agreement		
EOS AB's yearly share price development	0	0
Monthly management fee	-1 574	-1 521
Total	-7 446	-6 193

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