



Half year report

1 January – 30 June 2017

- IFRS NAV at the end of the period was SEK 667 million (388) and SEK 16.54 per share (9.21).
- Profit for the period amounted to SEK 62 million (144) and SEK 1.48 per share (3.42).



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

Over the last two and half years there has been a general improvement in results every quarter. There has been a further outstanding leap this year.

One trigger was the oil price collapse in 2014 that resulted in the government demanding bigger dividends and better operational management to help to balance the state budget.

Further, the tariff regime has been predictable and unchanged since 2014 with clearly smaller tariff increases than before. All MRSKs have received a tariff increase slightly below inflation every July. This has forced the companies to cut costs and investments to safeguard government dividend demands.

There has been a much more hands-on approach to management by the Ministry of Energy since 2014. After the creation of Rosseti in 2013, the management and the government became more focused on operational issues rather than corporate structure changes.

There is also a very clear positive impact from the work of minority shareholders. Minority shareholder pressure is helping to bring about substantial improvements and this is showing up particularly in a number of our holdings.

Despite the improvements, it is clear that the companies are still very inefficient, and continue to have large potential in cost management and in improving corporate governance.

Operational and financial results

Group

EOS recorded a net profit from investing activities of SEK 73 million (152).

Operating expenses amounted to SEK -11.5 million (-7.4). Net financial items for the period amounted to SEK 0.0 million (0.0).

The profit for EOS during the period was SEK 62 million (144). Profit per share was SEK 1.48 (3.42). Total comprehensive income for the period was SEK 14 million (148).

EOS' net asset value at June 30 2017 was SEK 667 million (388). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -245 million (-235).

Parent Company

The parent company's income for the period amounted to SEK 4.8 million (4.8). Operating expenses amounted to SEK -2.0 (-5.8) million for the period. Net financial items amounted to SEK 19.6 million (140.0) for the period of which SEK 19.6 (139.2) million is a write-up of shares in subsidiaries. The profit for the period was SEK 22.3 million (138.9).

The total number of shares outstanding at June 30, 2017 was 40,307,484 (42,148,137).

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, 2016	June 30, 2017	Change
Thermal generation	-	-	-
Distribution	99,9%	99,9%	-
Transmission	0,1%	0,1%	-
Integrated	-	-	-
Total	100%	100%	

As per June 30, 2017, EOS' portfolio consisted of the assets listed in the table below:

Assets June 30, 2017	Market value	
	MSEK	MUSD
Thermal generation	0,0	0,0
Distribution	615,8	72,7
Transmission	0,5	0,1
Integrated	0,0	0,0
Total	616,3	72,8

* SEK/USD 8.4690

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 August 18, 2017 was SEK 13.30 corresponding to an increase during the year of 29.8% (the OMX Stockholm 30 index increased 1.0% during the same period).

EOS share price decreased by 87.5% between June 25, 2007 and August 18, 2017 in comparison to the OMX Stockholm 30 Index that gained 22.6% during the same period.

Other information

Organization

The average number of employees in the group as of June 30, 2017 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 2017-2019, described below under accounting principles, the group and the group company EOS Russia (Cyprus) Ltd has as of June 30 a liability of SEK 0.8 million (0.3) and has during the period recognised expense of SEK 0.8 million (1.6).

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

The Group has recognized a provision for social security claims amounting to SEK 7.0 (1.0) million pertaining to charges against EOS group.

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 2016 Annual Report.

Significant events during H1

At the EOS AB annual general meeting on May 17 2017 the following board proposals were adopted:

- To reduce the share capital by SEK 1,850,042 by redemption of 1,840,653 shares repurchased under the synthetic buyback program.
- To increase the company's share capital by SEK 1,840,042 through a bonus issue by transferring funds from the company's unrestricted equity without issuing new shares.
- To renew the board's 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 August 25, 2017, 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 2016 – 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 2016. 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 2016 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	2017-06-30		
	Level 1	Other	Total
Assets			
Other receivables	-	1 024	1 024
Shares and participations	616 296	-	616 296
Cash and cash equivalents	-	19 452	19 452
Balance at June 30	616 296	20 476	636 773

In thousands of SEK	2017-06-30		
	Level 1	Other	Total
Liabilities			
Trade and other payables	-	30	30
Accrued expenses	-	1 303	1 303
Other payables	-	118	118
Balance at June 30	0	1 451	1 451

Stockholm August 25, 2017
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

- 2018-03-23 Year end report 1 January – 31 December 2017

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

www.eos-russia.com

Contact information:

Ulf-Henrik Svensson, CEO

ir@eos-russia.com

Consolidated Income Statement and Statement of Comprehensive Income, in Summary

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2017	2016
Net change in fair value of securities	35 682	126 634
Dividends	37 730	25 071
Net profit/loss - Investing activities	73 412	151 705
Operating expenses*	-11 494	-7 446
Result from operating activities	61 917	144 259
Finance income	15	1
Finance expenses	-54	-10
Profit/loss before income tax	61 878	144 249
Income tax expense	-	-
Profit/loss for the period	61 878	144 249
Other Comprehensive Income for the period		
<i>Items that have been or may be recycled to profit/loss for the period</i>		
Translation differences	-47 821	3 534
Total other Comprehensive Income for the period	-47 821	3 534
Total Comprehensive Income for the period	14 057	147 782
Attributable to equity holders of the Company		
Profit/loss for the period	61 878	144 249
Total Comprehensive Income for the period	14 057	147 782
Earnings per share		
basic (SEK)	1,48	3,42
diluted (SEK)	1,48	3,42

* see note 1 for detailed information

Consolidated Statement of Financial Position

	Jun 30	Dec 31
<i>In thousands of SEK</i>	2017	2016
Assets		
Property, plant and equipment	3 474	3 800
Total non-current assets	3 474	3 800
Income tax receivables	200	200
Prepaid expenses and accrued income	36 321	221
Other receivables	1 145	14 654
Shares and participations	616 296	625 772
Cash and cash equivalents	19 452	24 885
Total current assets	673 414	665 732
TOTAL ASSETS	676 888	669 532
Equity and liabilities		
EQUITY		
Share capital	42 353	42 363
Other contributed equity	4 467 271	4 481 090
Reserves	-244 763	-196 941
Retained earnings, including profit/loss for the period	-3 597 989	-3 660 225
Equity attributable to equity holders of EOS AB	666 873	666 288
Total Equity	666 873	666 288
LIABILITIES		
Trade and other payables	30	569
Other liabilities	118	851
Accrued expenses and deferred income	9 867	1 824
Total current liabilities	10 015	3 244
Total liabilities	10 015	3 244
TOTAL EQUITY AND LIABILITIES	676 888	669 532
ASSETS PLEDGED	-	-
CONTINGENT LIABILITIES	-	7 387

Consolidated Statement of Changes in Equity in Summary

	Jan 1 - Jun 30	
<i>In thousands of SEK</i>	2017	2016
Opening balance	666 288	246 572
Total Comprehensive Income	14 057	147 782
Share redemption	-13 830	-6 038
Liquidation of group company	358	-
Closing balance	666 873	388 316

Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2017	2016
Cash flows from operating activities		
Profit/loss before income tax	61 878	144 249
Adjustment for non-cash items		
Change in fair value of securities	-34 559	-125 029
Depreciation	67	70
Other	-1 979	0
Income tax paid	-14	0
Net cash used in operating activities before changes in working capital	25 393	19 290
Cash flows from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-24 361	-23 051
Increase (+)/Decrease (-) in operating liabilities	7 364	-3 342
Net cash used in operating activities	8 397	-7 104
Cash flows from investing activities		
Proceeds from sale of shares and participations	0	5 600
Net cash used in investing activities	0	5 600
Cash flows from financing activities		
Share redemption	-13 830	-2 911
Net cash from financing activities	-13 830	-2 911
Net increase in cash and cash equivalents	-5 433	-4 415
Cash and cash equivalents at January 1	24 885	20 501
Cash and cash equivalents at the end of the period	19 452	16 265

Consolidated Key Figures *

	Jan 1 - Jun 30	
	2017	2016
Number of shares outstanding, end of period	40 307 484	42 148 137
Average number of shares outstanding	41 914 242	42 224 861
Net asset value, end of period, TSEK	666 873	388 316
Net Income per average number of shares outstanding, SEK	1,48	3,42
Net asset value per share, end of period, SEK	16,54	9,21
<i>* before and after dilution</i>		

EOS Russia AB (publ)

Brahegatan 29, 114 37 Stockholm, Sweden

<http://www.eos-russia.com> | ir@eos-russia.com | Phone +46 (0) 8 407 31 50

Company Income Statement

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2017	2016
Other income	4 800	4 800
Other external expenses	-618	-965
Employee benefit expenses	-1 393	-4 058
Other expenses	0	-787
Result from operating activities	2 789	-1 010
Result from financial items		
Result from participations in Group companies	19 586	139 958
Other interest income and similar income	15	1
Interest expense and similar charges	-44	-1
Profit/loss before income tax	22 346	138 948
Income tax expense	-	-
Profit/loss for the period	22 346	138 948

EOS Russia AB (publ)

Brahegatan 29, 114 37 Stockholm, Sweden

<http://www.eos-russia.com> | ir@eos-russia.com | Phone +46 (0) 8 407 31 50

Company Balance Sheet

<i>In thousands of SEK</i>	Jun 30	Dec 31	Jun 30
	2017	2016	2016
ASSETS			
Non-current assets			
Financial assets			
Participations in group companies	637 493	212 828	351 999
Total fixed assets	637 493	212 828	351 999
Current assets			
Current receivables			
Receivables from Group companies	2 400	4 800	2 400
Income tax receivables	200	254	240
Other receivables	396	3 838	3 949
Prepaid expenses and accrued income	139	147	147
<i>Total current receivables</i>	<i>3 135</i>	<i>9 039</i>	<i>6 736</i>
Cash and bank	3 376	8 566	6 405
Total current assets	6 511	17 605	13 142
TOTAL ASSETS	644 004	230 433	365 141
EQUITY			
<i>Restricted equity</i>			
Share capital, 40,307,484 (42,148,137) shares at 1.05 (1.01)	42 353	42 360	42 363
<i>Unrestricted equity</i>			
Share premium reserve	4 466 759	4 481 619	4 480 578
Retained earnings	-3 889 186	-4 246 210	-4 299 283
Profit/loss for the period	22 346	-53 073	138 948
TOTAL EQUITY	642 272	224 697	362 607
LIABILITIES			
Current liabilities			
Accounts payable	30	214	29
Current tax liabilities	-40	-	-
Other liabilities	118	1 851	165
Accrued expenses and prepaid income	1 623	3 670	2 340
<i>Total current liabilities</i>	<i>1 732</i>	<i>5 736</i>	<i>2 534</i>
TOTAL EQUITY AND LIABILITIES	644 004	230 433	365 141
ASSETS PLEDGED	-	-	-
CONTINGENT LIABILITIES	-	-	493

EOS Russia AB (publ)

Brahegatan 29, 114 37 Stockholm, Sweden

<http://www.eos-russia.com> | ir@eos-russia.com | Phone +46 (0) 8 407 31 50

Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2017	2016
Employee remuneration expenses	-1 630	-4 453
Depreciation of property, plant and equipment	-67	-70
Other	-2 042	-856
Management advisory agreement	-755	-1 574
Provision for social security payment	-7 000	-493
Total	-11 494	-7 446