



## Half year report

### 1 January – 30 June 2019

- IFRS NAV at the end of the period was SEK 1,030 million (1,079) and SEK 27.74 per share (26.78).
- Profit for the period amounted to SEK 166 million (30) and SEK 4.14 per share (0.74).



## **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**

For the latest development, please visit the company website, [www.eos-russia.com](http://www.eos-russia.com). The next investment case will be published on the same day as this report.

## Operational and financial results

### Group

EOS recorded a net profit from investing activities of SEK 172 million (35).

Operating expenses amounted to SEK -5.5 million (-4.9). Net financial items for the period amounted to SEK -0.5 million (0.0).

The profit for EOS during the period was SEK 166 million (30). Profit per share was SEK 4.14 (0.74). Total comprehensive income for the period was SEK 193 million (116).

EOS' net asset value at June 30, 2019 was SEK 1,030 million (1,079). The accumulated effect from exchange rate differences in the translation reserve is SEK -164 million (-186).

### Parent Company

The parent company's income for the period amounted to SEK 4.9 million (4.8). Operating expenses amounted to SEK -3.5 (-2.9) million for the period. Net financial items amounted to SEK 191.5 million (114.4) for the period of which SEK 192.0 (114.4) million is a write-up of shares in subsidiaries. The profit for the period was SEK 192.9 million (116.4).

The total number of shares outstanding at June 30, 2019 was 37,106,719 (40,307,484).

## 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	June 30, 2019	December 31, 2018
Distribution	98,6%	100,0%
Transmission	0,2%	-
Other	1,2%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

As per June 30, 2019, EOS' portfolio consisted of the investment securities listed in the table below:

Investment securities June 30, 2019	Market value	
	MSEK	MUSD
Distribution	878,4	94,7
Transmission	2,1	0,2
Other	10,7	1,2
<b>Total</b>	<b>891,3</b>	<b>96,1</b>

\* SEK/USD 9.2713

The fair value of the portfolio of shares is based on bid-prices quoted on the Moscow Exchange (MOEX).

## EOS Russia's share price development

The closing price of EOS share at August 19, 2019 was SEK 21.00 corresponding to an increase during the year of 20.7% (the OMX Stockholm 30 index increased 9.2% during the same period).

EOS share price decreased by 80.3% between June 25, 2007 and August 19, 2019 in comparison to the OMX Stockholm 30 Index that gained 23.1% during the same period.

## Other information

### Organization

The average number of employees in the group as of June 30, 2019 were two (2), of which one (1) was employed by the parent company.

### Related party transactions

#### Group

With regards to the management fee under the management advisory agreement with the two founders remaining with EOS Russia, covering the years 2017-2019, the group and the group company EOS Russia (Cyprus) Ltd has as of June 30 a net liability of SEK 0.0 million (1.4) and has during the period recognised expense of SEK 0.6 million (0.7).

#### 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, contingent assets/liabilities or pledged assets have been accounted for.

## 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 2018 Annual Report.

## Significant events during H1

At the EOS AB annual general meeting on May 21 2019 the following board proposal was adopted:

- 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.
- To redeem 3,200,765 shares from the synthetic buyback program.

## 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 2018 – 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 2018. 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 2018 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	2019-06-30		Total
	Level 1	Other	
<b>Assets</b>			
Other receivables	-	351	351
Shares and participations	891 328	-	891 328
Cash and cash equivalents	-	93 518	93 518
<b>Balance at December 31</b>	<b>891 328</b>	<b>93 868</b>	<b>985 196</b>

In thousands of SEK	2019-06-30		Total
	Level 1	Other	
<b>Liabilities</b>			
Lease agreements	-	1 030	1 030
Trade and other payables	-	127	127
Accrued expenses	-	3 193	3 193
Other payables	-	903	903
<b>Balance at December 31</b>	<b>0</b>	<b>5 254</b>	<b>5 254</b>

Stockholm August 22, 2019  
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

- 2020-03-12 Year end report 1 January – 31 December 2020

Reports and Press Releases in English are available on EOS' web site:  
**[www.eos-russia.com](http://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	
	2019	2018
Net change in fair value of securities	89 340	-48 364
Dividends	82 643	83 228
<b>Net profit/loss - Investing activities</b>	<b>171 983</b>	<b>34 864</b>
Operating expenses*	-5 540	-4 931
<b>Result from operating activities</b>	<b>166 442</b>	<b>29 934</b>
Finance income	9	0
Finance expenses	-487	-14
<b>Profit/loss before income tax</b>	<b>165 965</b>	<b>29 920</b>
Income tax expense	-	-
<b>Profit/loss for the period</b>	<b>165 965</b>	<b>29 920</b>
<b>Other Comprehensive Income for the period</b>		
<i>Items that have been or may be recycled to profit/loss for the period</i>		
Translation differences	26 906	86 480
<b>Total other Comprehensive Income for the period</b>	<b>26 906</b>	<b>86 480</b>
<b>Total Comprehensive Income for the period</b>	<b>192 871</b>	<b>116 400</b>
<b>Attributable to equity holders of the Company</b>		
Profit/loss for the period	165 965	29 920
Total Comprehensive Income for the period	192 871	116 400
<b>Earnings per share</b>		
basic (SEK)	4,14	0,74
diluted (SEK)	4,14	0,74

\* see note 1 for detailed information



## Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Jun 30	Dec 31
	2019	2018
<b>Assets</b>		
Property, plant and equipment	4 481	3 475
<b>Total non-current assets</b>	<b>4 481</b>	<b>3 475</b>
Income tax receivables	200	230
Prepaid expenses and accrued income	44 759	330
Other receivables	645	25 818
Shares and participations	891 328	759 016
Cash and cash equivalents	93 518	140 577
<b>Total current assets</b>	<b>1 030 449</b>	<b>925 971</b>
<b>TOTAL ASSETS</b>	<b>1 034 929</b>	<b>929 446</b>
<b>Equity and liabilities</b>		
<b>EQUITY</b>		
Share capital	42 363	42 363
Other contributed equity	4 404 565	4 467 261
Reserves	-164 406	-191 312
Retained earnings, including profit/loss for the period	-3 253 018	-3 418 983
<b>Equity attributable to equity holders of EOS AB</b>	<b>1 029 504</b>	<b>899 329</b>
<b>Total Equity</b>	<b>1 029 504</b>	<b>899 329</b>
<b>LIABILITIES</b>		
Lease agreements	1 030	-
Trade and other payables	127	70
Other liabilities	903	27 231
Accrued expenses and deferred income	3 365	2 815
<b>Total current liabilities</b>	<b>5 425</b>	<b>30 117</b>
<b>Total liabilities</b>	<b>5 425</b>	<b>30 117</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 034 929</b>	<b>929 446</b>

## Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2019	2018
<b>Opening balance</b>	<b>899 329</b>	<b>962 867</b>
Total Comprehensive Income	192 871	116 400
Share redemption	-62 695	-
Liquidation of group company	-	-
<b>Closing balance</b>	<b>1 029 504</b>	<b>1 079 267</b>

## Consolidated Statement of Cash Flows

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2019	2018
<b>Cash flows from operating activities</b>		
Profit/loss before income tax	165 965	29 920
Adjustment for non-cash items		
Change in fair value of securities	-88 588	47 117
Depreciation	142	64
Other	2 576	1 376
Income tax paid	0	0
<b>Net cash used in operating activities before changes in working capital</b>	<b>80 094</b>	<b>78 477</b>
<b>Cash flows from changes in working capital</b>		
Increase (-)/Decrease (+) in operating receivables	-19 482	-111 792
Increase (+)/Decrease (-) in operating liabilities	-25 796	1 181
<b>Net cash used in operating activities</b>	<b>34 815</b>	<b>-32 135</b>
<b>Cash flows from investing activities</b>		
Acquisition of shares and participations	-19 180	-
Proceeds from sale of shares and participations	-	29 648
<b>Net cash used in investing activities</b>	<b>-19 180</b>	<b>29 648</b>
<b>Cash flows from financing activities</b>		
Share redemption	-62 695	-
<b>Net cash from financing activities</b>	<b>-62 695</b>	<b>0</b>
Net increase in cash and cash equivalents	-47 060	-2 487
Cash and cash equivalents at January 1	140 577	28 231
<b>Cash and cash equivalents at the end of the period</b>	<b>93 518</b>	<b>25 744</b>

## Consolidated Key Figures \*

	Jan 1 - Jun 30	
	2019	2018
Number of shares outstanding, end of period	37 106 719	40 307 484
Average number of shares outstanding	40 095 279	40 307 484
Net asset value, end of period, TSEK	1 029 504	1 097 267
Net Income per average number of shares outstanding, SEK	4,14	0,74
Net asset value per share, end of period, SEK	27,74	26,78
<i>* before and after dilution</i>		

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## Company Income Statement

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	2019	2018
Other income	4 860	4 830
Other external expenses	-1 180	-1 063
Employee benefit expenses	-2 040	-1 810
Depreciation of property, plant and equipment	-128	-
Other expenses	-181	0
<b>Result from operating activities</b>	<b>1 332</b>	<b>1 957</b>
<b>Result from financial items</b>		
Result from participations in Group companies	191 998	114 445
Other interest income and similar income	9	0
Interest expense and similar charges	-468	-2
<b>Profit/loss before income tax</b>	<b>192 871</b>	<b>116 400</b>
Income tax expense	-	-
<b>Profit/loss for the period</b>	<b>192 871</b>	<b>116 400</b>

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## Company Balance Sheet

	Jun 30	Dec 31	Jun 30
<i>In thousands of SEK</i>	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1 030	-	-
Financial assets			
Participations in group companies	1 025 104	838 106	1 070 956
<b>Total fixed assets</b>	<b>1 026 134</b>	<b>838 106</b>	<b>1 070 956</b>
<b>Current assets</b>			
Current receivables			
Receivables from Group companies	0	0	0
Income tax receivables	200	230	208
Other receivables	387	25 568	1 923
Prepaid expenses and accrued income	138	170	151
<i>Total current receivables</i>	<i>725</i>	<i>25 968</i>	<i>2 281</i>
Cash and bank	6 683	62 698	10 033
<b>Total current assets</b>	<b>7 409</b>	<b>88 666</b>	<b>12 314</b>
<b>TOTAL ASSETS</b>	<b>1 033 543</b>	<b>926 773</b>	<b>1 083 270</b>
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital, 37,106,719 (40,307,484) shares at 1.14 (1.05)	42 363	42 363	42 363
<i>Unrestricted equity</i>			
Share premium reserve	4 404 054	4 466 749	4 466 749
Retained earnings	-3 609 783	-3 546 245	-3 546 245
Profit/loss for the period	192 871	-63 538	116 400
<b>TOTAL EQUITY</b>	<b>1 029 504</b>	<b>899 329</b>	<b>1 079 267</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease agreements	1 030	-	-
<i>Total non-current liabilities</i>	<i>1 030</i>	<i>0</i>	<i>0</i>
<b>Current liabilities</b>			
Accounts payable	127	70	81
Current tax liabilities	-58	-40	-213
Other liabilities	842	25 241	2 511
Accrued expenses and prepaid income	2 096	2 172	1 624
<i>Total current liabilities</i>	<i>3 008</i>	<i>27 444</i>	<i>4 003</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 033 543</b>	<b>926 773</b>	<b>1 083 270</b>

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## Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Jan 1 - Jun 30	
	<b>2019</b>	<b>2018</b>
Employee remuneration expenses	-2 491	-2 101
Depreciation of property, plant and equipment	-270	-64
Other	-2 165	-2 101
Consultancy agreements	-615	-665
<b>Total</b>	<b>-5 540</b>	<b>-4 931</b>

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