

A N N U A L R E P O R T

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Note:

"EOS AB" or "the Company" refers to EnergyO Solutions Russia AB, the parent company. "EOS Ltd" refers to EnergyO Solutions Russia (Cyprus) Limited, the subsidiary of EOS AB. "EOS Russia" or "the Group" refers to EOS AB and EOS Ltd.

All photos in this publication are for decorative purposes only.

Board of Directors' report

The board of directors and CEO hereby submit this annual report and consolidated annual accounts for the financial year 2016 for EnergyO Solutions Russia AB (publ), corporate identity number 556694-7684.

"EOS AB" or "the Company" refers to EnergyO Solutions Russia AB, the parent company. "EOS Ltd" refers to EnergyO Solutions Russia (Cyprus) Limited, the subsidiary of EOS AB. "EOS Russia" or "the Group" refers to all companies to which EOS AB is parent company.

EOS Russia

EOS Russia was founded in April 2007 in order to capitalize on investment opportunities arising as a result of the deregulation, restructuring and privatization of the Russian electricity industry. A comprehensive reform program is gradually being implemented, affecting all elements of the sector: structure, ownership and electricity pricing. The reason for the reform is the considerable investment need that has emerged as a result of rapidly increasing electricity demand. EOS Russia utilises the expertise, experience and network that the founders possess to identify investment opportunities within the power sector.

Group structure

EOS AB is the Group's parent company and is headquartered in Stockholm, Sweden. The board of EOS AB consists of four members. The CEO is based at the headquarters of EOS Russia. The CEO is also the acting CFO of the Group as of November 25th 2009 and also serves as Head of Risk and Compliance since January 1st 2014. The CEO contract was cancelled in 2015 as part of an extensive cost cutting program rolled out during 2015. A new and more cost efficient contract was agreed in 2016.

EOS Ltd is a subsidiary of EOS AB and is located in Limassol, Cyprus. The Board of Directors of EOS Ltd consists of four members. EOS Russia's trader is based on Cyprus.

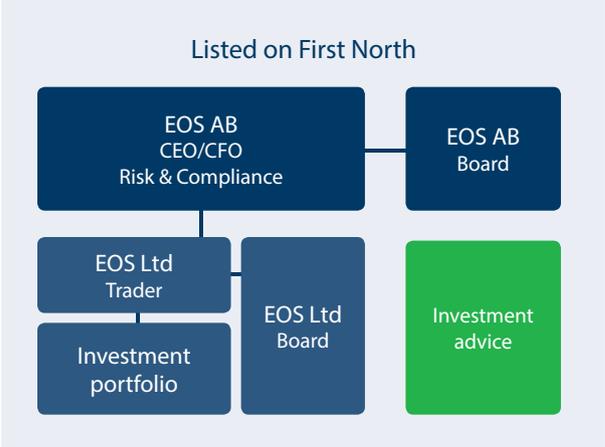
EOS Russia has now cancelled the outstanding preference shares that were previously owned by the founders and the CEO.

EOS Ltd has entered into a management advisory agreement with Pareto Mgmt. Ltd according to which Pareto will provide advice and analysis on matters related to the Russian electricity sector. The agreement also stipulates that Pareto reports to the Board of Directors of EOS AB. Pareto is owned by two of the founders of EOS. The agreement with Pareto expired in 2016

Operations began on April 17, 2007 and EOS AB was

listed on the First North marketplace, part of NasdaqOMX Nordic Exchange Stockholm (NasdaqOMX) on June 25, 2007.

The shares in the company are issued and traded in SEK and the Group investments are in USD.



Operational structure and management

The board of EOS AB is responsible for the group's overall guidelines, strategies and operational policies and the management team of EOS Russia has overall responsibility for ongoing operations, financial control, performance, monitoring and information issues. As of 2014, the management team consists of the CEO only.

EOS AB raises capital for EOS Russia and also provides the Group with corporate and administrative functions such as financial reporting, marketing and investor relations. The Board of EOS AB sets the scope for investments and leveraging for EOS Russia.

EOS Ltd makes all investment decisions within the framework set by the parent company. All investments are conducted entirely by the subsidiary, which holds the complete investment portfolio of EOS Russia.

With a view to enhancing the coordination of these strategic, supervisory and operational functions carried out by EOS AB and EOS Ltd, the group plans to modify the structure and membership of the respective Boards of Directors. By means of amendments to relevant by-laws, the number of independent directors on the Board of Directors of EOS AB will be reduced from three (as at present) to two, while an extra board seat will be created on the Board of Directors of EOS Ltd.

EOS Russia's financial performance

EOS Russia recorded a net gain from investing activities of SEK 400 million (-73) for the full year. Operating expenses amounted to SEK -15.4 million (-12.9) for the full year.

Net financial items amounted to SEK -0.4 million (-0.0) for the full year.

The net profit for EOS was SEK 384 million (-86) for the full year. Net loss per share was SEK 9.09 (-2.02).

EOS Russia's net asset value at December 31, 2016 was SEK 666 million (247). The net asset value was negatively impacted by exchange rate translation differences of SEK -197 (-239).

EOS AB

The parent company's income for the period amounted to SEK 9.6 million (9.6). Operating expenses amounted to SEK -11.6 million (-9.2) for the period. Net financial items amounted to SEK 412 million (-53) for the period of which 410 (-55) is a reversal of a writedown of shares in group companies. The net profit for the period was SEK 410 million (-55).

The total number of shares outstanding at December 31st, 2016 was 42,148,137 (42,360,290).

Significant events during 2016 and after the reporting period

April 2016

At the 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 and at the same time 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 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.

June 2016

A new employment agreement with the CEO, Ulf-Henrik Svensson, was signed.

December 2016

The chairman of the board, Seppo Remes, was granted entry into Russia.

Shareholder structure

At the end of 2016, EOS AB had 42,148,137 shares outstanding. The majority of EOS AB's shares are held by institutional investors and a large proportion of the shares are owned by individuals or legal entities domiciled outside of Sweden.

Certain conditions relating to the Management agreement with Pareto Mgmt. Ltd

Effective from January 1st 2013, EOS Ltd has entered into a management advisory agreement with Pareto Mgmt. Ltd according to which Pareto will provide advice and analysis on matters related to the Russian electricity sector. The remuneration to Pareto Mgmt. Ltd according to the agreement consists of:

a. Management fee: 1/12 of 1 percent of EOS Russia's Net Asset Value per month.

b. Performance fee: If a positive number, 5 percent of EOS AB's annual share price appreciation with an high watermark adjustment and taking potential dividends and share repurchases into consideration.

The agreement was in effect until the end of 2016.

Risk and risk management

The Board of Directors of EOS AB is ultimately responsible for the management of risks to which EOS Russia is exposed. EOS Russia's investment strategy is implemented by EOS Ltd, based on Cyprus, through which our investments are made and owned. EOS Ltd makes all investment decisions within the framework set by the parent company. This means that the board of EOS Ltd, based on recommendations from Pareto Mgmt. Ltd makes decisions about the sale and purchase of Russian shares within the electricity sector. The execution of decisions made by the board of EOS Ltd will be carried out by the trader or either a director or employee, on the mandate of the board of EOS Ltd.

EOS Russia has assessed its risk exposure with the objective to identify key risks.

The major risks were defined to be financial risk and country and sector-specific risk. The financial risk includes price risks, interest rate risk, liquidity risk and credit risk.

Through the chosen investment strategy, EOS Russia has a high exposure to country-specific risk factors for Russia, such as political, economic and legal risks. In addition, EOS Russia is highly exposed to risks associated with investing in the Russian electricity sector. While these risks are high for EOS Russia, they are also part of its business concept.

EOS Russia depends on the continued services and performance of our founders, management and key personnel, either through employment or the management contract.

Through its operations, the Group is exposed to various types of financial risks, which are assessed and monitored by EOS Russia on a daily basis, see Note 18. Price risk is the

risk that the fair value of or future cash flow from a financial instrument will vary due to changes in market prices. In EOS Russia's operations, share price risk (other price risk) and exchange rate risk are the most important price risks.

Share price risk is the risk that the fair value of our future cash flows from a share will vary due to changes in market prices. Share price risk is a central risk in the Group's operations, since these consist of making investments in various forms of shares and share-based derivatives in the Russian stock market, with a specific focus on the Russian electricity sector. Share prices of shares held in the portfolio will fluctuate. This risk is part of EOS Russia's business concept and will generally not be hedged.

Exchange rate risk is the risk that exchange rate fluctuations may have a negative impact on our statement of comprehensive income, statement of financial position and/or cash-flow.

EOS Russia's exchange rate risks largely derive from translation exposure that arises from recalculation of a foreign subsidiary's assets and liabilities (USD) to EOS AB's functional currency (SEK), known as recalculation exposure. EOS Russia also has certain exposure to the Russian ruble (RUB), in respect of those shares whose underlying price is RUB but are priced and traded in USD. Translation-related exposure is not hedged.

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will vary due to changes in market interest rates, and for EOS Russia's operations, the interest rate risk arises when surplus liquidity is invested temporarily in interest-bearing securities. Interest rate risk also arises when EOS Russia finances operations by leveraging the stock portfolio. These interest rate risks have generally been low, because the holding period has generally been short in respect of investments in interest-bearing securities and has been very short in respect of temporary leveraging of the stock portfolio.

Liquidity risk is the risk that EOS Russia will be affected negatively by inefficient handling and control of cash and payment flows, in part because investments can only be converted to liquid funds with a certain loss of value or time. Group management's view is that EOS Russia has sufficient liquidity for current requirements.

Credit risk is the risk that a party to a financial instrument cannot fulfill an obligation and thereby causes a financial loss for the counterparty. Credit risk can arise if EOS Russia enters into derivative agreements, and in certain cases, if EOS Russia invests temporary liquidity surpluses in interest-bearing securities. In EOS AB, credit risks mainly arise in connection with short-term lending to the subsidiary and with other current receivables from subsidiaries.

Investment portfolio in securities

During 2007 and 2008, EOS Russia raised a total of SEK 4,841 million in several placements in kind and cash. Almost all investments were placed in UES (Unified Energy Systems) ahead of the company's break-up on July 1st 2008.

In July and August 2008, EOS received its pro-rata stakes in the by then liquidated UES. The portfolio divided by sub-sector consisted of approx. 65% in generating assets (OGKs, TGKs and hydro), 14% in distribution assets (MRSKs), 16% in transmission (FGC) assets and 5% in intergrated (IRAO) and other.

The portfolio has since been gradually reweighted towards the sector that, according to the view of EOS Russia, for the moment is offering the most attractive relative value within the sector. As of December 31st 2016 the portfolio consisted of approx. 99.9% distribution and 0.1% transmission, see note 19.

Dividends

According to EOS AB's Balance Sheet, the following amount is available for distribution (TSEK):

Share premium reserve	4,482,132
Retained earnings	-4,246,721
Net profit for the year	410,097
Total	591,392

The Board of Directors of EOS AB propose that these earnings be distributed as follows (TSEK):

Dividends paid to shareholders	0
To be carried forward	591,392
Total	591,392

Consolidated Income Statement and Statement of Comprehensive Income

January 1 - December 31

<i>In thousands of SEK</i>	Note	2016	2015
Net change in fair value of securities		373,849	-80,177
Dividends		25,801	7,278
Net profit/loss – Investing activities	2	399,650	-72,898
Employee benefit expenses	4	-7,722	-6,061
Depreciation of property, plant and equipment	11	-141	-145
Other expenses	5,6,7	-7,541	-6,677
Result from operating activities		384,246	-85,781
Finance income	8	14	6
Finance expenses	8	-458	-39
Profit or loss before income tax		383,802	-85,814
Income tax expense	9	-	-
Profit or loss		383,802	-85,814
Other comprehensive income			
<i>Items that have been or may be recycled to profit/loss</i>			
Translation differences		41,952	20,759
Total other comprehensive income		41,952	20,759
Total comprehensive income		425,754	-65,055
Attributable to equity holders of the company			
Profit or loss		383,802	-85,814
Total comprehensive income		425,754	-65,055
Earnings per share			
	10		
basic (SEK)		9.09	-2.02
diluted (SEK)		9.09	-2.02

Consolidated Statement of Financial Position

As at December 31

<i>In thousands of SEK</i>	Note	2016	2015
Assets			
Property, plant and equipment	11	3,800	3,626
Total non-current assets		3,800	3,626
Income tax receivables		200	254
Prepaid expenses and accrued income	12	221	598
Other receivables	13	14,654	4,868
Shares and participations	14	625,772	223,703
Cash and cash equivalents		24,885	20,501
Total current assets		665,732	249,924
Total assets		669,532	253,551
Equity			
	15		
Share capital		42,363	42,360
Other contributed equity		4,481,090	4,482,131
Translation reserve		-196,941	-238,893
Retained earnings		-3,660,225	-4,039,026
Equity attributable to equity holders of EOS AB		666,288	246,572
Total equity		666,288	246,572
Liabilities			
Trade and other payables		569	214
Other liabilities	17	851	2,273
Accrued expenses and deferred income	18	1,824	4,492
Total current liabilities		3,244	6,979
Total liabilities		3,244	6,979
Total equity and liabilities		669,532	253,551

See note 16 for information about contingent liabilities.

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company

<i>In thousands of SEK</i>	Note	Share capital	Other contributed equity	Translation reserve	Retained earnings	Total equity
Balance January 1 2016	15	42,360	4,482,131	-238,893	-4,039,026	246,572
Profit or loss		-	-	-	383,802	383,802
Other comprehensive income		-	-	41,952	-	41,952
Total comprehensive income		-	-	41,952	383,802	425,754
Share redemption		-212	-826	-	-5,000	-6,038
Bonus issue		215	-215	-	-	0
Balance at December 31 2016		42,363	4,481,090	-196,941	-3,660,225	666,288

Attributable to equity holders of the Company

<i>In thousands of SEK</i>	Note	Share capital	Other contributed equity	Translation reserve	Retained earnings	Total equity
Balance January 1 2015	15	291,957	4,233,036	-259,653	-3,953,212	312,129
Profit or loss		-	-	-	-85,814	-85,814
Other comprehensive income		-	-	20,759	-	20,759
Total comprehensive income		-	-	20,759	-85,814	-65,055
Share redemption		-736	-30	-	-	-766
Reversal of result from synthetic share buybacks		-	265	-	-	265
Bonus issue		740	-740	-	-	0
Reduction of share capital		-249,600	249,600	-	-	0
Balance at December 31 2015		42,360	4,482,131	-238,893	-4,039,026	246,572

Consolidated Statement of Cash Flows

January 1 - December 31

<i>In thousands of SEK</i>	Note	2016	2015
	22		
Cash flows from operating activities			
Profit or loss before income tax		383,802	-85,814
Adjustments for:			
Net change in fair value of securities		-370,666	81,234
Depreciation		141	145
Other		-1,588	1,027
Income tax paid		-	-
Net cash from operating activities before changes in working capital		11,688	-4,690
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-9,731	-2,998
Increase (+)/Decrease (-) in operating liabilities		-4,107	421
Net cash from operating activities		-2,150	-7,266
Cash flows from investing activities			
Proceeds from sale of investments		7,572	1,808
Net cash from investing activities		7,572	1,808
Cash flows from financing activities			
Share redemption		-1,038	-766
Net cash from financing activities		-1,038	-766
Net increase in cash and cash equivalents		4,384	-6,224
Cash and cash equivalents at January 1		20,501	25,444
Cash and cash equivalent at December 31		24,885	20,501

Company Income Statement

January 1 - December 31

<i>In thousands of SEK</i>	Note	2016	2015
Other income	3	9,600	9,600
Other external expenses	5, 6, 7	-1,966	-2,537
Employee benefit expenses	4	-6,994	-5,309
Depreciation of property, plant and equipment	11	-	-
Other expenses	5	-2,596	-1,339
Results from operating activities		-1,955	415
Results from financial items			
Result from participations in Group companies	8	412,476	-53,490
Other interest income and similar income	8	14	6
Interest expense and similar charges	8	-438	-4
Profit/loss before income tax		410,097	-53,073
Income tax expense	9	-	-
Profit or loss		410,097	-53,073

Company Statement of Comprehensive Income

January 1 - December 31

<i>In thousands of SEK</i>	Note	2016	2015
Profit or loss		410,097	-53,073
Other comprehensive income		-	-
Total comprehensive income		410,097	-53,073

Company Balance Sheet

As at December 31

<i>In thousands of SEK</i>	Note	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	11	-	-
Financial assets			
Participation in Group companies	21	623,201	212,828
Total non-current assets		623,201	212,828
Current assets			
Short-term receivables			
Receivables from Group companies		-2,400	4,800
Income tax receivables		200	254
Other receivables	13	13,957	3,838
Prepaid expenses and accrued income	12	74	147
Total short-term receivables		11,831	9,039
Cash and bank		842	8,566
Total current assets		12,673	17,605
Total assets		635,874	230,433

Company Balance Sheet

As at December 31

<i>In thousands of SEK</i>	Note	2016	2015
Equity and liabilities			
Equity			
Restricted equity	15		
Share capital, 42,148,137 (42,360,290) shares at SEK 1.01 (1.00)		42,363	42,360
Unrestricted equity			
Share premium reserve		4,480,578	4,482,132
Retained earnings		-4,299,283	-4,246,721
Profit or loss		410,097	-53,073
Total equity		633,756	224,697
Current liabilities			
Accounts payable		102	214
Other tax liabilities		468	-
Other liabilities	17	300	1,851
Accrued expenses and prepaid income	18	1,249	3,670
Total current liabilities		2,119	5,736
Total equity and liabilities		635,874	230,433

Statement of Changes in Company Equity

In thousands of SEK	Restricted equity	Unrestricted equity		Total equity
	Share Capital	Share premium reserve	Retained earnings	
Equity at January 1, 2016	42,360	4,481,619	-4,299,283	224,697
Profit or loss	-	-	410,097	410,097
Other comprehensive income	-	-	-	0
Total comprehensive income	-	-	410,097	410,097
Share redemption	-212	-826	-	-1,038
Bonus issue	215	-215	-	0
Equity at December 31, 2016	42,363	4,480,578	-3,889,186	633,756

In thousands of SEK	Restricted equity	Unrestricted equity		Total equity
	Share Capital	Share premium reserve	Retained earnings	
Equity at January 1, 2015	291,957	4,232,789	-4,246,473	278,273
Profit or loss	-	-	-53,073	-53,073
Other comprehensive income	-	-	-	0
Total comprehensive income	-	-	-53,073	-53,073
Share redemption	-736	-30	-	-766
Reversal of result from synthetic share buybacks	-	-	263	263
Bonus issue	740	-740	-	0
Reduction of share capital	-249,600	249,600	-	0
Equity at December 31, 2015	42,360	4,481,619	-4,299,283	224,697

Company Statement of Cash Flows

January 1 - December 31

<i>In thousands of SEK</i>	Note	2016	2015
	22		
Cash flows from operating activities			
Profit/loss before income tax		410,097	-53,073
Adjustments for:			
Depreciation		-	-
Write down/reverse of write-down of shares in group companies		-410,374	54,829
Income tax paid		-	-
Net cash from operating activities before changes in working capital		-277	1,756
Cash flows from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-2,792	-1,392
Increase (+)/Decrease (-) in operating liabilities		-3,618	2,360
Net cash from operating activities		-6,686	2,724
Cash flows from investing activities			
Net cash used in investing activities		0	0
Cash from financing activities			
Share redemption		-1,038	-766
Net cash from financing activities		-1,038	-766
Net increase in cash and bank		-7,724	1,958
Cash and bank at January 1		8,566	6,608
Cash and bank at December 31		842	8,566

Notes to the financial statements

Note 1 Accounting policies

Compliance with accounting standards and legal requirements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations announced by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the EC Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups is applied.

The Company applies the same accounting principles as the Group, except in the cases stated below in the section "Company accounting principles". The deviations that occur between the accounting policies of the Company and the Group is attributable to limitations to apply IFRS in EOS AB due to the Annual Accounts Act and in certain cases for tax reasons. The Annual Report and consolidated accounts were approved for publication by the Board of Directors on May 1, 2017. The Group's statement of comprehensive income and statement of financial position and EOS AB's income statement and balance sheet are subject to approval by the Annual General Meeting on May 23, 2017.

The basis of measurement for establishing the financial reports of the Company and the Group

Assets and liabilities are measured at historical cost, except for certain financial assets and liabilities measured at fair value.

Functional and reporting currency

The Company's functional and reporting currency is Swedish kronor, which is also the reporting currency of the Group. This means that the financial statements are presented in Swedish kronor. 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.

Assessments and estimates in the financial statements

Preparation of the financial statements in accordance with IFRS requires that the Group management makes assessments and estimates and also makes assumptions that affect the application of the accounting policies and the recognised amounts of assets, liabilities, revenue and expenses.

The actual outcome may deviate from these assessments and estimates.

The assessments and assumptions are reviewed regularly. Changes in estimates are reported in the period when the change is made if the change only affects this period, or in the period when the change is made and future periods if the change affects the period in question and future periods.

(i) Significant assessments in applying the Group's accounting principles

The assessments made by Group management in applying the Group's accounting principles that have the most significant influence on the financial statements are as follows:

- The performance fee of a management advisory agreement effective from the beginning of 2013 consists of four separate parts, all with vesting periods starting 1 January 2013. The parts are subject to 'graded vesting', with vesting by the end of each of the four years 2013-2016. A consequence of this IFRS 2 (share-based payment) treatment is that a large share of the total expense over the four years is allocated to 2013, with a gradual decrease in each of the following years.
- EOS Russia's investment portfolio comprises shares that, according to the assessment of Group management, do have prices quoted on an active market.
- EOS AB does not meet the definition of an investment company according to IFRS 10

(ii) Important sources of uncertainty in estimates

The important sources of uncertainty in estimates made that carry a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

- The calculation of the provision for the performance fee, see note 4. This uncertainty is primarily related to uncertainty in the assumption on volatility of EOS Russia's share price.

New and changed IFRSs applicable from 1 January 2016

Changes in IFRSs applicable from 2016 have not had any material effect on the group's accounting policies.

New and changed IFRSs not yet applied

New and changed IFRSs with initial application in future periods have not been applied early and are not planned to

be applied early in future periods.

Segment reporting

A segment is component of the Group that provides goods or services (business activities) from which it may earn revenues and incur expenses and for which discrete financial information is available. The operating results are reviewed regularly by the entity's chief operating decision maker to assess the performance and make decisions about resources to be allocated to the segments. EOS Russia does not review its operating results divided by different segments and does not therefore consist of more than one segment. Furthermore the Group does not have any revenues from external clients that may be divided between different products and services or different countries. In addition the Groups non-current assets are immaterial. Hence it follows that EOS Russia does not provide segment reporting.

Basis of consolidation

The consolidated financial statements comprise EOS AB, and its subsidiaries. A subsidiary is a company which EOS AB controls. Control gives an indirect or direct right to shape a company's financial and operational strategies with the purpose of obtaining economic benefits.

Subsidiaries are included in the consolidated financial statements using the purchase method. According to the purchase method, the acquisition is considered a transaction by which the group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. An acquisition analysis in connection with the acquisition establishes both the cost of acquisition and the fair value of acquired identifiable assets and liabilities and contingent liabilities assumed. The cost of acquisition consists of the fair value of assets transferred, liabilities incurred or assumed and for equity instruments issued as consideration for acquired net assets directly attributable to the acquisition.

Where the cost exceeds the net fair value of acquired identifiable assets and liabilities, the difference is accounted for as goodwill. When the difference is negative, it is directly recognised in profit or loss. A subsidiary is included in the consolidated financial statements from the time of acquisition until the date on which control ceases.

Intragroup assets, liabilities, income, expenses and unrealised profits and losses arising from intragroup transactions between group companies are eliminated in their entirety.

EOS Russia is not involved in any entities that are to be classified as associated companies, joint ventures or special purpose entities.

Foreign currency transactions

Transactions in foreign currency are translated to the functional currency at the rate of exchange on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate at the end of the reporting period. Foreign currency differences that arise from translations are recognised in profit or loss. Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities reported at fair value are translated to the functional currency at the rate prevailing on the date of the determination of fair value. Foreign exchange rate gains and losses on investments in equity instruments that are traded in Ruble are presented in the profit or loss for the period as net profit from investing activities. All other foreign exchange rate gains and losses are presented as finance income or finance expenses.

Foreign operations

Assets and liabilities in foreign operations are translated from their functional currency to the reporting currency of the Group (Swedish krona), at the exchange rate at the end of the reporting period. Income and expenses of foreign operations are translated to Swedish kronor at an average exchange rate comprising an approximation of exchange rates prevailing at each transaction date. Translation differences that arise from currency translation of foreign operations are recognised in other comprehensive income and is accumulated in the translation reserve in equity.

Change in value of securities

Changes in value of securities, which are reported as revenue in operating income, consist of both realised and unrealised changes in value of securities in the portfolio management. Realised changes in value refer to the difference between settlement received and the value at the beginning of the period. Unrealised changes refer to the changes in the value of the securities reported in EOS Russia's consolidated statement of financial position at the end of the reporting period. This item also includes the changes in value of equity options.

Operating leases

The Group has only one operating lease agreement. Costs regarding operating lease agreements are recognised straight-line in the profit or loss over the leasing period.

Finance income and expenses

Finance income can comprise interest income on temporary excess liquidity that is invested in fixed-income securities

and that in the accounts is classified as financial assets available for sale. Finance income also includes gains from the divestment of such items and gains in the change in value of currency futures used for financial hedging of the price of shares. For more information, see the “Financial instruments” section of the accounting principles.

Finance expenses comprise interest expenses on loans, losses in the change in value of currency futures used for financial hedging of the price of shares and impairment of financial assets.

Exchange rate gains and losses are reported at net amount.

Taxes

Income tax expense comprise current and deferred taxes. Income tax is recognised in profit or loss for the period except to the extent that the underlying transaction is recognised in other comprehensive income or directly in equity in which case the tax is recognised in other comprehensive income or in equity.

Current tax is tax that is to be paid or received for the current year by applying the tax rates enacted or substantively enacted at the end of the reporting period. Current tax also includes adjustments to current tax attributable to previous periods.

Deferred tax is recognised providing for temporary differences between amounts used in financial reporting and taxation. The valuation of deferred tax is based on how underlying assets or liabilities are estimated to be accounted for or regulated. Deferred tax is measured by applying tax rates or tax regulations enacted at the end of the reporting period. Deferred tax assets related to deductible temporary differences and loss carry-forwards are only reported to the extent that it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilised.

Financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when the company becomes party to the instrument’s contractual terms. A financial asset is derecognised in the statement of financial position when the rights in the agreement have been realised, become due or when the company loses control over them. This applies also for part of a financial asset. A financial liability is derecognised in the statement of financial position when the obligations in the contract are fulfilled or extinguished in some other way. This applies also for part of a financial liability.

Acquisitions and divestments of financial assets are recognised on the transaction date, which is the date when the company commits to acquire or divest the asset.

When a financial asset or financial liability is recognised

initially, EOS Russia measures it at its fair value plus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. For financial instruments measured at fair value through profit or loss, transaction costs are recognised directly as expenses when they are incurred.

Financial instruments recognised in the statement of financial position on the asset side include cash and cash equivalents, trade receivables, shares and participations in investing activities and derivatives. On the liabilities side, financial instruments include trade payables, loans and derivatives.

A financial asset and a financial liability are offset and recognised as a net amount in the statement of financial position only if there is a legal right to offset the amount and there is an intention to settle the items as a net amount or to realise the asset and settle the liability at the same time.

Categories of financial instruments and measurements

(i) Financial instruments held for trading

Investments in equity instruments are classified as held for trading and are measured at fair value (without any deductions for future transaction costs) with changes in fair values recognised in the profit or loss. Being the main activity of EOS Russia, the change in value of and dividends received from these securities are recognised as revenue in operating income.

Stand-alone and any potential embedded derivatives that are not closely related to the host contract also belong to the category financial instruments held for trading and are measured at fair value through the profit or loss.

Derivatives utilised for financial hedging may be used in the form of equity options and currency futures. The change in value of equity options is reported in “Net change in value of securities.” Changes in the value of currency futures are reported in “Finance income” and “Finance expenses”, since these futures are utilised to hedge financing.

(ii) Loans and receivables

Loans and receivables in the statement of financial position consist of cash equivalents and receivables. Loans and receivables are measured at amortized cost less charges for impairment. A loan and receivable is regarded by the company as impaired and impairment losses are incurred and recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the net present value of the expected cash flows of the financial asset including the fair value of any

collateral. An impairment is recognised and accounted for with an amount corresponding to the best estimate considering all available information prior to the release of the financial statements, with the conditions prevailing at the end of the reporting period. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company e.g.

- Significant financial difficulty of the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the obligor will enter bankruptcy or other financial reorganisation

(iii) Financial assets available for sale

In cases when the Group is temporarily over-funded awaiting the appropriate opportunity for additional investments, the liquidity surplus is invested in interest rate bearing financial instruments and the investments for measurement and recognition purposes, belong to the category financial assets available for sale, since the Group has no intention to hold the securities to maturity. The instruments are accordingly measured at fair value with changes in fair values recognised in other comprehensive income and accumulated in the fair value reserve in equity.

(iv) Other financial liabilities

Financial liabilities in the statement of financial position are measured at amortised cost.

Valuation at fair value

Financial instruments that are measured at fair value are, when possible, measured at fair value based on prices that are quoted on active markets. Potential transaction costs arising in conjunction with the divestment of assets are not taken into account.

Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and any expenditure directly attributable to bringing the asset to a working condition for its intended use.

Impairment

The carrying amounts of the Company's and Group's assets are reviewed at each reporting date to determine whether there is an indication of impairment. IAS 36 is applicable for all other assets than financial assets which are in the scope of IAS 39.

If an indication exists, the recoverable amount of the asset is estimated (see below). When the asset does not generate

cash flows that are largely independent from other assets and its fair value less costs to sell could not be estimated the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (group of units) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss within the scope of IAS 36 is reversed if there has been a change in the estimates used to determine the recoverable amount and the indication of impairment no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Depreciation

Depreciation is made on a straight-line basis over the estimated useful life. The estimated useful life is assessed annually.

Property	40 years
Plant and equipment	5-10 years
Computers	3 years

Equity

Financial liabilities and issued equity instruments are classified and presented in accordance with the substance of the transactions rather than the legal form, in cases where substance and form diverge. Also payments from these instruments are classified in accordance with the financial substance of the contract.

Dividends

Dividends are reported as liabilities in the consolidated accounts after the Annual General Meeting has approved the dividend proposal.

Earnings per share

Earnings per share comprise profit or loss attributable to the Company's shareholders divided by the weighted average number of outstanding shares during the year.

Share-based payments

The performance fee of a management advisory agreement effective from 2013 constitutes a cash-settled share-based payment. A provision is accrued over the vesting period of the payments. The provision is measured at the vested portion of the fair value at each reporting date and effects of both accrual and remeasurements are recognised in profit or loss for the period. A final measurement is made on the settlement date. See note 4 for further information.

Short-term benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term variable cash remunerations if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. See note 4 for further information.

Provisions

A provision is reported in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of resources will be required to settle the commitment and a reliable estimate of the amount can be made. The amount recognised as a provision is the best estimate of the amounts required to settle the existing commitment at the end of the reporting period. Where the value effect of time is material, the provision comprises the present value of the payments expected to be required to settle the commitment. The discount rate (or rates) is the interest rate before tax that reflects current market assessments of the time value of money and the risks associated with the liability.

Contingent liabilities

A contingent liability is reported when there is a possible obligation deriving from a past event and whose existence is confirmed only by the occurrence of one or more uncertain future events or when there is an obligation that is not reported as a liability or provision because it is not probable that an outflow of resources will be required.

Synthetical Repurchases

EOS AB has entered in a swap agreement with a bank to repurchase EOS shares ("synthetic buyback"). The arrangement means that the Bank purchases shares on the market and EOS will have to settle the difference between the Bank's purchase price of the shares and the current market price of the shares unless the EOS AB shareholders meeting decides to reduce the share capital of the company in which case the purchase price of the shares will be paid to

the bank. On a regular basis EOS AB transfers money to an account in the Bank which the Bank then uses to buy EOS shares on the market. The amount on the account is restricted for the outstanding trades that the Bank has carried out but not yet cleared.

EOS Russia recognizes the difference between the current share price at the balance sheet and the price paid by the bank as either an asset (if the current market price is higher than the purchase price) or liability (if the current market price is lower than the purchase price) and changes are recognised in profit or loss under the line item finance income/expense. The amount on the account is presented in the balance sheet line item Cash and cash equivalent/Cash and Bank and the amount used to buy EOS shares as a short term loan (other receivables).

If and when the shareholders meeting decides to redeem the shares to reduce the share capital this transactions is accounted for in the following manner; the share capital is reduced with a nominal amount corresponding to the number of redeemed shares. The residual amount between the fair value of the underlying shares reduced by the nominal amount of the share capital reduces the share premium reserve.

The fixed fee component of the fee expenses is recognized immediately upon signing of the swap agreement. Fee expenses that accrue to the Bank for the services of purchasing EOS shares on the market are recognised when (i) services have been provided and (ii) if it is probable that the amounts have to be paid. One of the components in the fee expense is only payable to the bank if the shareholders meeting decides to reduce share capital and accounted directly as a debit to equity. The agreement with the Bank may be adjusted when new repurchase mandates are given by the Annual General Meeting and hence the different components may change or not be applicable. Such mandate was given by the Annual General Meeting on 28 April 2016, and the agreement was renegotiated.

EOS AB's accounting principles

EOS AB prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial reporting Board's recommendation RFR 2.2 Accounting for Legal Entities. The RFR statements of the Board are also applied. RFR 2.2 entails that EOS AB in the Annual Report for the legal entity shall apply all IFRSs and statements as far as possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. The Recommendation states the exceptions from and additions to IFRS that are to be applied.

Difference between the Group's and EOS AB's accounting principles

The differences between the Group's and EOS AB's accounting principles are stated below. The accounting principles for EOS AB described below were applied consistently to all periods presented in EOS AB's financial statements.

Classification and presentation

In accordance with RFR 2, a Company statement of comprehensive income is presented.

EOS AB's financial statements do not carry the same titles as the Group but, in accordance with RFR 2, still uses the income statement and balance sheet.

These are presented in accordance with the structure stipulated by the Annual Accounts Act. The difference is primarily the reporting of financial income and expenses, non-current assets and shareholders' equity.

Property, plant and equipment and long-term liabilities

consists mainly of amounts that are expected to be paid more than 12 months after the end of the reporting period. Current assets and short-term liabilities consists mainly of amounts that are expected to be paid more than 12 months after the end of the reporting period.

Subsidiaries

Participations in subsidiaries are reported at cost with deductions for any impairment losses. Dividends received are recognised as income in profit or loss.

Note 2 Net Profit – Investing activities

Group		
<i>In thousands of SEK</i>	2016	2015
Fair value gains and losses of shares and participations	371,226	-77,645
Transaction exchange rate effect	2,623	-2,532
Dividends	25,801	7,278
Total	399,650	-72,898

Note 3 Other income

Company		
<i>In thousands of SEK</i>	2016	2015
Advisory services fee to Group companies	9,600	9,600
Total	9,600	9,600

Note 4 Employee benefits, expences and remuneration paid to senior executives

Employee benefits	Group		Company	
	2016	2015	2016	2015
<i>In thousands SEK</i>				
Wages and salaries	5,892	4,732	5,271	4,010
Mandatory social security contributions	1,713	1,416	1,615	1,303
Total	7,605	6,148	6,886	5,313

No pension benefits exist within the Group.

Average number of employees

	2016	2015	2016 Of whom Men, %	2015 Of whom Men, %
Company				
Sweden	1	1	100%	100%
Total Company	1	1	100%	100%
Subsidiaries				
Cyprus	1	1	100%	100%
Total subsidiaries	1	1	100%	100%
Total Group	2	2	100%	100%

Senior management by gender

	2016 At the end of period	2015 At the end of period	2016 Of whom Men, %	2015 Of whom Men, %
Company				
Board of Directors	4	4	100%	100%
Group management	1	1	100%	100%
Group				
Board of Directors	8	8	100%	100%
Group management	1	1	100%	100%

Salary and other remuneration by country and between Board and CEO and other employees

<i>In thousands of SEK</i>	2016	2015	2016	2015
	Senior Executives/ Group Mgt	Senior Executives/ Group Mgt	Other employees	Other employees
Company	5,271	4,010	0	0
Subsidiary in Cyprus	-	-	621	722
Total Group	5,271	4,010	621	722
(of which bonuses etc.)	0	0	0	0

Remuneration and other benefits to Group management

Wages and fees

The employment agreement with the CEO Ulf-Henrik Svensson is terminated and costs related to the 12 months severance payment are accounted for by 11/12 in 2016. As of June 2016, a new agreement with the CEO is in place.

Remuneration and other benefits to Group management 2016

In thousands of SEK	Salary/ board fees		Variable Remuneration		Share-based payments*		Other*		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Chairman of the board, Seppo Remes	-	-	-	-	-	-75	2,102	1,414	2,102	1,339
Board member, Christopher Granville	200	200	-	-	-	-	-	-	200	200
Board member, Peregrine Moncreiffe	200	200	-	-	-	-	-	-	200	200
Board member, Lars Bergström	200	150	-	-	-	-	-	-	200	150
Prior Board members	-	50	-	-	-	-	-	-	-	50
Chief Executive Officer, Ulf-Henrik Svensson**	2,750	3,120	-	-	-	-	2,640	-	5,390	3,120
Former Head of Research, Lauri Sillantaka***	-	-	-	-	-	-75	2,102	1,414	2,102	1,339
Total	3,350	3,720	0	0	0	-150	6,844	2,828	10,194	6,398
Of which is expensed in EOS AB	3,350	3,720	0	0	0	-75	4,742	1,414	8,092	5,059

* Related to management fees and accounted for as other expenses.

** The employment agreement with Ulf-Henrik Svensson was terminated in 2015. Severance payment amounting to SEK 2,640 thousand have been accounted for as salary in 2016. Change in vacation payment is not included in the salary costs. An income of SEK 1,166 thousand (-227) have been accounted for as unused vacation accrued in 2016.

*** Lauri Sillantaka is no longer employed by the company. He offers analysis service via a management agreement.

A 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 a performance fee equal to 5 % of the increase in market capitalisation over and above the highest market capitalisation in any previous year ('high water mark'). The performance fee and high water mark are adjusted for effects of capital distribution and contribution.

Management fee

After the end of each month, EOS Russia shall pay:

Monthly management fee = $1/12 \% \times [\text{NAV at the end of the month}]$

The management fee is recognised as expense in the month when it is earned. During 2016, the consolidated statement of comprehensive income was charged with SEK 4.2 million (2.8) and the Company income statement SEK 2.1 million (1.4) as other expenses. An amount of SEK 0.5 million (0.4) was accounted for as a liability in the consolidated statement of financial position.

Performance fee

After the end of each year EOS Russia shall, if the difference is positive, pay a performance fee based on the change

in market capitalisation of EOS AB's shares relative to a high watermark market capitalisation:

Annual performance fee = 5 % x [market capitalisation at year end - high water mark market capitalisation]

The initial high watermark market capitalisation is set as the 2012 year-ending market capitalisation. If a performance fee is paid after some year, the market capitalisation in the end of such a year becomes the new high watermark market capitalisation. The high watermark is reduced with any paid dividends and cancellation of own shares. In the case of a new issue of shares, the initial high watermark for those shares is the higher of the issue price and the high watermark. As described further below, a cancellation of own shares also leads to the payment of an additional performance fee.

For accounting purposes the performance fee is divided into four separate parts, for each of the payments due after 2013, 2014, 2016, and 2016, respectively. Each part is recognised as an expense over the respective vesting period. All four vesting periods begin on 1 January 2013, while they end at the end of each respective year. This accounting, which follows from IFRS 2 Share-based payment, is called graded vesting and has the consequence that a large portion of the expenses are recognised in the first year, with a decreasing share recognised in each year to follow. 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 2016 and 2016. Differences in the 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.

In the event of cancellation of own shares, EOS Russia shall, if the difference is positive, at the time of cancellation pay:

Additional performance fee = 5 % x [cancellation amount – high watermark value of the shares cancelled]

For the calculation of a provision and expense in accordance with IFRS 2 for the performance fees, future share prices (market capitalisation) and high watermark developments need to be modelled. If the probability of any share cancellations, dividends or new issue of shares would be sufficiently high to have a material effect on the valuation, forecasts of timing and amount for such transactions are also necessary. Monte Carlo simulation is used for the valuation.

The material inputs used in the valuation at the end of the year are: market capitalisation at valuation date SEK 457 million; current high watermark market capitalisation SEK 906 million; the underlying share's expected volatility 24%; no capital transactions. Significant cancellations of own shares in the nearer future are not foreseen. Value effects of possible cancellations in the later part of the four year period are not material and have not been included in the Monte Carlo simulation. If share cancellations would be assumed to take place in a future period the fair value of the provision would be reduced. Expected volatility is based on the historical volatility of EOS's share.

During 2016, the consolidated statement of comprehensive income was charged with SEK 0.0 million (-0.2) and the Company income statement SEK 0.0 million (-0.1) as other expenses. No provision has been accounted for in the consolidated statement of financial position (0.0).

Note 5 Other expenses

<i>In thousands of SEK</i>	Group		Company	
	2016	2015	2016	2015
EOS AB's yearly share price development*	-	-150	-	-75
Management fees*	4,204	2,827	2,102	1,414
Other	3,337	4,000	1,966	2,537
Total	7,541	6,677	4,068	3,876

*See Note 4 for more details.

Note 6 Fees and expenses of auditors

<i>In thousands of SEK</i>	Group		Company	
	2016	2015	2016	2015
PwC				
Audit assignment	343		175	
KPMG				
Audit assignment	-	667	-	496
Audit-related services	-	60	-	60
Total	343	727	175	556

Audit assignment refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO in accordance with agreement or contract.

Note 7 Operating leases

Non-cancellable operating lease rentals are payable as follows: <i>In thousands of SEK</i>	Group		Company	
	2016	2015	2016	2015
Less than one year	31	29	31	29
Between one and five years	-	-	-	-
More than five years	-	-	-	-
Total minimum lease payments	31	29	31	29

The Group's leasing expenses for operating lease agreements amounted to SEK 124 thousand (121) in 2016 and was made up entirely of office rent.

Note 8 Finance income and finance expense

<i>In thousands of SEK</i>	Group		Company	
	2016	2015	2016	2015
Interest income on financial assets measured at amortised cost	14	-	14	-
Income from participations in Group companies*	-	-	412,476	1,339
Net foreign exchange gain	-	1	-	1
Other	1	5	1	5
Finance income	15	6	412,491	1,344
Interest expense on financial liabilities measured at amortised cost	-55	-39	-35	-4
Impairment losses of shares in subsidiaries	-	-	-	-54,829
Net foreign exchange loss	-1	0	-1	0
Other	-	-	-	-
Finance expenses	-56	-39	-36	-54,833

*Value of services charged to EOS AB's subsidiary but received by EOS AB, which is equivalent to dividend income amounts to SEK 2,102 thousand (1,339). The remaining part refers to a reversal of impairment losses of shares in subsidiaries.

Note 9 Income tax expense

Reported in the statement of comprehensive income

Group

<i>In thousands of SEK</i>	2016	2015
Current income tax		
Income tax for the period	0	0
Total reported Group taxes	0	0

Reported in the income statement

Company

<i>In thousands of SEK</i>	2016	2015
Current income tax		
Income tax for the period	0	0
Total reported Company taxes	0	0

The main part of the Group's income from investing activities derives from capital gains and is tax exempt.

Reconciliation of effective tax rate

Group

<i>In thousands of SEK</i>	2016 (%)	2016	2015 (%)	2015
Profit/loss before tax	-	383,802	-	-85,814
Income tax using EOS AB's domestic tax rate	22.0%	84,436	22.0%	-18,879
Withholding tax on profit before tax	0.0%	0	0.0%	0
Effect of tax rate in foreign jurisdictions*	-9.6%	-36,687	-9.5%	8,192
Tax exempt profit	-13.2%	-50,536	1.3%	-1,101
Non-deductible expenses and losses	0.7%	2,644	-14.3%	12,275
Increase in tax-losses carried forward without capitalisation of deferred tax	0.0%	143	0.6%	-486
Effective tax rate	0.0%	0	0.0%	0

*The subsidiary acquired in 2007 operates in a tax jurisdiction with lower tax rate.

Reconciliation of effective tax rate

Company

<i>In thousands of SEK</i>	2016 (%)	2016	2015 (%)	2015
Profit/loss before tax		410,097		-53,073
Income tax using EOS AB's domestic tax rate	22.0%	90,221	22.0%	-11,676
Tax exempt profit	-22.0%	-90,282	0.0%	0
Non-deductible expenses and losses	0.0%	16	-22.7%	12,072
Increase in tax-losses carried forward without capitalisation of deferred tax	0,0%	45	0,7%	-396
Effective tax rate	0.0%	0	0.0%	0

Unreported deferred tax asset

Tax-loss carry forwards for which deferred tax assets have not been reported in the statement of comprehensive incomes or statement of financial positions:

<i>In thousands of SEK</i>	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Tax loss carry forward	166,344	165,623	163,497	163,452

An amount of SEK 152,643 thousand (152,643) for tax deductible share issue costs has been recognized directly in equity. Deferred tax asset associated with the share issue cost has not been capitalised in the financial statements because it is not expected that EOS AB will be able to utilise the current period tax losses against future taxable profits.

The tax loss carry forward in Cyprus is usable for five years. Next year a tax loss of approximately SEK 0.8 million regarding 2012 will be lost in case it cannot be used.

Tax losses carried forward, Cyprus - maturity specification

<i>In thousands of SEK</i>	EOS Ltd	
	2016-12-31	2015-12-31
2011	-	132
2012	767	732
2013	661	631
2014	708	676
2015	-	-
2016	712	-
Total tax losses carried forward - Cyprus	2,847	2,171

Note 10 Earnings per share

Earnings per share	Basic		Diluted	
	2016	2015	2016	2015
<i>In SEK</i>				
Earnings per share	9.09	-2.02	9.09	-2.02

The origin of the numerators and denominators used in the calculations of earnings per share above are stated below. Dilution is not reported since EOS Russia has not issued any potential ordinary shares.

Profit/loss attributable to ordinary shareholders, basic and diluted

<i>In thousands of SEK</i>	2016	2015
Profit/loss attributable to ordinary shareholders, basic and diluted	383,802	-85,814

Weighted average number of ordinary shares, basic and diluted

<i>In thousands of shares</i>	2016	2015
Issued ordinary shares at January 1	42,360	42,467
Share redemption	212	107
Weighted average number of ordinary shares, basic and diluted	42,225	42,404

Note 11 Property, plant and equipment

Group	2016			2015		
	Buildings	Equipment	Total	Buildings	Equipment	Total
<i>In thousands of SEK</i>						
Accumulated costs						
Balance at January 1	7,586	470	8,056	7,456	999	8,455
Additions	-	-	0	-	-	0
Scrappings	-	-	0	-	-548	-548
Currency translation effect	677	25	701	130	19	149
Balance at December 31	8,263	495	8,757	7,586	470	8,056
Accumulated depreciation and impairment losses						
Balance at January 1	-3,970	-459	-4,429	-3,594	-974	-4,568
Depreciation for the year	-130	-10	-140	-128	-17	-145
Scrappings	-	-	0	-	548	548
Currency translation effect	-362	-26	-387	-248	-16	-264
Balance at December 31	-4,462	-495	-4,956	-3,970	-459	-4,429
Carrying amounts						
At January 1	3,616	11	3,626	3,862	25	3,887
At December 31	3,800	0	3,800	3,616	11	3,626

Company	2016			2015		
	Buildings	Equipment	Total	Buildings	Equipment	Total
<i>In thousands of SEK</i>						
Accumulated costs						
Balance at January 1	0	186	186	0	734	734
Additions	-	-	0	-	-	0
Scrappings	-	-	0	-	-548	-548
Balance at December 31	0	186	186	0	186	186
Accumulated depreciation and impairment losses						
Balance at January 1	0	-186	-186	0	-734	-734
Depreciation for the year	-	-	0	-	-	0
Scrappings	-	-	0	-	548	548
Balance at December 31	0	-186	-186	0	-186	-186
Carrying amounts						
At January 1	0	0	0	0	0	0
At December 31	0	0	0	0	0	0

Note 12 Prepaid expenses and accrued income

<i>In thousands of SEK</i>	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Insurance fees	-	-	-	-
Other	221	598	74	147
Total	221	598	74	147

Note 13 Other receivables

<i>In thousands of SEK</i>	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Receivable Bank	13,802	-	13,802	-
Other	852	2,228	155	1,198
Severance payment, CEO	-	2,640	-	2,640
Total	14,654	4,868	13,957	3,838

Note 14 Shares and participations

<i>In thousands of SEK</i>	Group	
	2016-12-31	2015-12-31
Short-term investments that are current assets		
Shares and participations	625,772	223,703
Total	625,772	223,703
	Financial instrument	
<i>In thousands of SEK</i>	2016	2015
Balance at January 1	223,702	286,451
Divestments	-7,572	-1,808
Currency translation effect	41,975	20,294
Change in value recognised in the statement of comprehensive income	367,666	-81,234
Balance at December 31	625,772	223,703

Note 15 Equity

Share capital and other contributed equity	Ordinary		Preference	
	2016	2015	2016	2015
<i>In thousands of shares</i>				
Shares issued as per 1 January	42,360	42,467	0	0
Share redemption	212	107	-	-
Shares issued as per 31 December	42,148	42,360	0	0

EOS AB raises capital for EOS Russia via new share issues and EOS AB's board sets the scope for investments and leveraging for EOS Russia. The subsidiary EOS Ltd, located in Cyprus, makes all investment decisions within the framework set by the parent.

In the long term EOS Russia expects to finance its business principally without debt financing. EOS Russia may however in a special situation finance its portfolio with up to 40% debt. EOS plans to reinvest all future profits. In addition, further financing through cash share issues and issues in kind will be a possible way to increase the capital base.

The sources of the increase in equity to SEK 666 million (247) during 2016 consisted of share redemptions of SEK -6 million (-1), a reported profit of SEK 384 million (-86) and a translation profit of SEK 42 million (21).

EOS Ltd has issued 180 preference shares at a nominal value of 180 EUR, which were cancelled during 2016.

EOS AB's share capital on December 31, 2016 consisted of 42,148,137 (42,360,290) ordinary shares with a ratio value of SEK 1.01 (1.00). On July 4, 2016, 212,153 shares in EOS AB were cancelled.

Synthetically repurchased shares, not yet cancelled, amounted to 1,840,653 on December 31, 2016.

Group

Other contributed equity

Pertains to shareholders' equity that has been contributed by the owners. The item includes premiums paid in conjunction with share issues.

Reserves

Translation reserve

The translation reserve includes all exchange-rate differences arising in the translation of financial statements from foreign operations that have prepared their accounts in a different currency to the currency in which the consolidated financial statements are presented. EOS AB and EOS Russia present their financial statements in SEK.

Retained earnings

Profit brought forward includes profit earned in EOS AB and its subsidiaries.

Unrestricted equity – the Company

Share premium reserve

When shares are issued at a premium, that is to say, when an amount higher than the ratio value of the shares is to be paid, an amount corresponding to the received amount that exceeds the ratio value of the shares shall be transferred to the share premium reserve. Amounts transferred to the share premium reserve are included in non-restricted shareholders' equity.

Retained earnings

Comprises non-restricted shareholders' equity for the preceding year after any distribution of profits has been paid. Net profit for the year, retained earnings and the share premium reserve comprises the total amount of non-restricted shareholders' equity, that is to say, the amount available for distribution to the shareholders.

Note 16 Contingent liabilities

<i>In thousands of SEK</i>	Group		Company	
	2016-13-31	2015-13-31	2016-12-31	2015-12-31
Non-current provisions*				
Contingent liabilities	7 357	7 387	493	493
Total	7 357	7 387	493	493

*See Note 4 for details.

Contingent liabilities pertain to social security charges against EOS group for which provisions are not considered necessary.

Note 17 Other liabilities

<i>In thousands of SEK</i>	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Other short-term liabilities				
Monthly management fee*	551	419	-	-
Other	300	1,854	300	1,851
Total	851	2,273	300	1,851

*See Note 4 for details.

Note 18 Accrued expenses and deferred income

<i>In thousands of SEK</i>	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Wages/salaries	-	1,166	-	1,166
Social security charges	629	1,903	629	1,903
Other	1,195	1,423	620	601
Total	1,824	4,492	1,249	3,670

Note 19 Risk management

Doing business inherently involves taking risks, and EOS Russia' risk management guidelines aim at supporting management in their daily work of decision making and operational activities with an optimal trade-off between risk and opportunity. The policies cover, inter alia, risk management, investments, segregation of duties and routines for financial reporting. It lays out detailed process descriptions for all main processes, such as bookkeeping, transaction management and investments. These will be developed continually over time.

EOS AB raises capital for EOS Russia via new share issues and also provides the group with corporate and administrative functions such as financial reporting, marketing and investor relations.

The board of directors of EOS AB is ultimately responsible for management of risks to which EOS Russia is exposed. EOS Russia's investment strategy is implemented by EOS Ltd, based on Cyprus, through which investments are made and owned. EOS Ltd makes all investment decisions within the framework set by the parent. This means that the board of EOS Ltd, will, based on recommendations from Pareto, make decisions about sale and purchase of Russian shares within the electricity sector. The execution of decisions made by the board of EOS Ltd will be carried out by the trader, or, either a director or employee on the mandate of the board of EOS Ltd.

Risk management during 2016

EOS Russia has assessed its risk exposure with the objective to identify key risks

The major risks were defined to be financial risk, country and sector risks.

Commercial and operational risks

EOS Russia was founded in 2007 in order to capitalise on investment opportunities arising as a result of the deregulation, restructuring and privatisation of the Russian electricity sector. Through the chosen investment strategy EOS Russia has a high exposure to country-specific risk factors for Russia, such as for example political, economic, legal risks. Also, EOS Russia is exposed to risks associated with investing in the Russian electricity sector only. While these risks are high for EOS Russia, they are also part of its business concept. EOS Russia's control policies cover the major internal processes, such as risk management, bookkeeping, routines for external and internal financial report, IT and administration.

The use of derivative instruments is subject to approval by the chief executive officer. The reason for using derivative instruments may be to eliminate a market risk or to obtain a gearing effect in accordance with our board of directors' mandate for leveraging.

EOS Russia depends on the continued services and performance of our founders, management and other key personnel.

Financial risk

Through its operations, the Group is exposed to various types of financial risks.

Financial risks are defined as fluctuations in EOS Russia's earnings and cash flow deriving from changes in exchange rates, interest rates, liquidity risk, credit risks and price risks. EOS Russia's finance policy for the management of financial risks has been formulated by the Board of Directors and forms a framework of guidelines and rules in the form of a risk mandate and limits for financial operations.

The financial risks are assessed and monitored by EOS Russia on a daily basis. The function head of risk and compliance is responsible for ensuring that there is adequate daily reporting of trading, leverage and currency exposure. Our chief financial officer is responsible for ensuring that there is adequate reporting of the group's current accumulated status (statement of financial position reporting) and the effects of changes since the previous reporting period (profit and loss reporting). Our board of directors may temporarily, until the next ordinary board meeting and if deemed to be in the best interests of the group, deviate from the risk management procedure without amending it.

Price risk

Price risk is the risk that the fair value of or future cash flow from a financial instrument will vary due to changes in market prices. There are three types of price risk: currency risk, interest risk and other price risks. In EOS Russia's operations share-price risk (other price risk) and currency risk are the most important price risks.

Share price risk (other price risk)

Share-price risk is the risk that the fair value of or future cash flows from a share will vary due to changes in market prices (regardless of whether the changes are caused by factors related specifically to the share or to its issuer, or to factors that affect all similar financial instruments that are traded in the market).

Share-price risk is a central risk in the group's operations, since these consist of making investments in various forms of shares and share-based derivatives in the Russian stock market with a specific focus on the Russian electricity industry. Share prices of shares held in the portfolio will fluctuate. This risk is part of EOS Russia's business concept and will not be hedged.

EOS Russia's holdings:
31 December 2016

		Number of shares
MRSK Volga	27.0%	20,579,183,742
MRSK Center & Volga	24.4%	7,052,529,106
MRSK Urals	22.5%	5,853,380,557
MRSK North-West	17.8%	13,800,642,893
Lenenergo	4.8%	37,540,905
Russian Grids	0.7%	25,000,000
Lenenergo pref.	0.5%	500,000
FGC	0.1%	20,000,000
Totalt	100%	

A general decline of 1% in the value of EOS Russia's stock portfolio would affect equity by SEK -6,258 thousand (-2,237).

Exchange-rate risk

Exchange-rate risk is the risk that exchange-rate fluctuations may have a negative impact on our statement of comprehensive income, statement of financial position and/or cash-flow.

Exchange-rate risk can be divided into transaction exposure (based on commercial payments) and translation exposure (statement of financial position exposure). Foreign exchange transactions (spot, swap and forward) may only be made with banks approved in advance by the function risk and compliance. Speculation is not allowed and all hedging must be based on underlying exposure.

Translation-related exposure (statement of financial position exposure) relates to the effect of currency fluctuations on the net value of assets and liabilities in the consolidation of the group accounts.

EOS Russia's exchange-rate risks largely derive from translation exposure that arises from recalculation of a foreign subsidiary's assets and liabilities (USD) to EOS AB's functional currency (SEK), known as recalculation exposure. Translation-related exposure is not hedged.

The inflows and outflows in each currency shall be handled separately for the trading business and for the current operations. All borrowing in trading shall be done with the same currency mix as the future share purchase (matching). In order to obtain a full match, it may be necessary to hedge currencies with a financial institution.

Our inflows and outflows in each currency shall be matched by netting the different currencies. If the total remaining net exposure is greater than 10% of our net asset value, hedging shall always be considered and executed according to the decisions made the board of directors of EOS Ltd.

The risk for exchange rate fluctuations and the exposure's value and duration shall be taken into consideration when deciding whether or not to hedge.

It is incumbent upon the trader to continuously ensure that matching of currencies is executed. Though hedging is executed by the trader, it is the function risk and compliance's responsibility to approve each hedging transaction.

The consolidated statement of comprehensive income includes exchange rate differences in an amount of SEK 2,623 thousand (-2,532) in operating profit and SEK -1 thousand (-2) in net financial items.

A 1% strengthening of SEK against USD on December 31, 2016 would imply a change in EOS Russia's equity of SEK -6,504 thousand (-2,295). The sensitivity analysis is based on all other factors (such as the interest rate) remaining unchanged.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will vary due to changes

in market interest rates.

For EOS Russia's operations, the interest rate risk arises when surplus liquidity is invested temporarily in interest-bearing securities. The interest rate risk also arises when EOS Russia finances operations by leveraging the stock portfolio. These interest rate risks are generally low, because the holding period is generally short in respect of investments in interest-bearing securities and is very short in respect of temporary leveraging of the stock portfolio.

When assessing the extent of the interest rate risk that EOS Russia is prepared to take at a specific point in time, an evaluation is made of the expected return on the assets that could be acquired in relation to the estimated financing cost.

At the end of the reporting period, EOS Russia's interest-bearing assets amounted to SEK 24,885 thousand (20,501) and short-term borrowing amounted to SEK 0 thousand (0). EOS AB's interest-bearing assets amounted to SEK 842 thousand (8,566), and SEK 0 (0) liabilities in the statement of financial position on the balance-sheet date.

Assuming a hypothetical one percentage point increase in market interest rates, also assuming a constant cash position, the effect on the EOS Russia's profit is SEK 249 thousand (205).

Liquidity risk

This is the risk that EOS Russia will be affected negatively by inefficient handling and control of cash and payment flows, in part because investments only can be converted to liquid funds with certain loss of value or time.

EOS Russia's future liquidity will depend primarily on timing and sales of investments, our management of available cash, cash distributions from our investments and from EOS Ltd, fees based on an advisory fee agreement with EOS Ltd, the raising of debt and capital contributions that we receive in connection with issuance of additional equity. In our opinion, we have sufficient working capital for our present requirements.

In accordance with the finance policy, there must be sufficient cash funds and committed lines of credit to cover operating costs over the following three months. While we intend to continue to be principally financed by equity, we may increase our leverage. Our financial policy allows a leverage of up to 40% in special situations, such as consolidations, break-ups, strategic sales, initial public offerings and market-moving industry events. The board of directors of EOS Ltd may resolve on leverage limits within the above mentioned framework. If deemed necessary, the function risk and compliance may temporarily restrict the limit of leveraging even further. Certain blocks of shares are used as collateral for leveraging. The function risk and compliance decides which blocks of shares that shall be pledged.

EOS Russia's financial liabilities at the end of the reporting period amounted to SEK 3,244 thousand (5,076), all with a due date within 12 months.

According to EOS Russia's financial policy temporary surplus liquidity shall always be invested to give the best possible return taking into account counterparty and liquidity risk. Surplus arising from our investment operations shall normally be invested in USD.

Credit risk

Credit risk is the risk that a party to a financial instrument cannot fulfill an obligation and thereby causes a financial loss for the counterparty. There are three main types of risk arising from the interaction with financial counterparties; delivery risk (primarily with brokers), credit risk and fraud. In order to minimize the delivery risk with brokers, a maximum of 10% of our net asset value may be used for prepayment (purchase of shares) or pre-delivery (selling of shares). Trades with values above 10% of our net asset value must be

executed according to one of the following prerequisites in order to minimize the delivery risk: (i) use of trading instruments such as Global Depositary Receipts, which constitute no risk for the trading parties involved; (ii) pre-delivery of shares before purchase or prepayment of shares before delivery when selling or (iii) the broker must be a highly respected financial institution. Our counterparties must be approved by the function risk and compliance.

Credit risk can arise in EOS Russia if it enters into derivative agreements and in certain cases if it invests temporary liquidity surpluses in interest-bearing securities. Accordingly, due to the focus of the operations, the credit risk that arises is limited. The credit risk in assets that are not due or written-down is assessed to be low since these assets are mainly held with banks with an AA- credit rating. Since for natural reasons the credit risk is low for operations, EOS Russia does not engage in any active credit risk management.

Credit risk exposure - Gross and Net

2016-12-31

<i>In thousands of SEK</i>	Credit risk - Gross	Impairment	Carrying value	Fair value of collateral	Credit risk - Net
Cash and cash equivalents	24,885	0	24,885	0	24,885
Other receivables	14,699	0	14,699	0	14,699
Total	39,584	0	39,584	0	39,584

Credit risk exposure - Gross and Net

2015-12-31

<i>In thousands of SEK</i>	Credit risk - Gross	Impairment	Carrying value	Fair value of collateral	Credit risk - Net
Cash and cash equivalents	20,501	0	20,501	0	20,501
Other receivables	827	0	827	0	827
Other deposits with banks	453	0	453	0	453
Total	21,781	0	21,781	0	21,781

Fair value

Recognised amounts per category of financial instruments

Assets		2016-12-31		
<i>In thousands of SEK</i>	Financial assets held for trading	Loans and receivables	Total	Fair value
Accrued income	-	-	0	0
Other receivables	-	14,699	14,699	14,699
Shares and participations	625,772	-	625,772	625,772
Cash and cash equivalents	-	24,885	24,885	24,885
Balance at December 31	625,772	39,584	665,356	665,356

Assets		2015-12-31		
<i>In thousands of SEK</i>	Financial assets held for trading	Loans and receivables	Total	Fair value
Accrued income	-	-	0	0
Other receivables	-	1,280	1,280	1,280
Shares and participations	223,703	-	223,703	223,703
Cash and cash equivalents	-	20,501	20,501	20,501
Balance at December 31	223,703	21,781	245,484	245,484

Liabilities		2016-12-31		
<i>In thousands of SEK</i>	Financial liabilities held for trading	Other financial liabilities	Total	Fair value
Loans and borrowings	-	-	-	-
Trade and other payables	-	569	569	569
Accrued expenses	-	1,195	1,195	1,195
Other payables	-	851	851	851
Balance at December 31	0	2,615	2,615	2,615

Liabilities		2015-12-31		
<i>In thousands of SEK</i>	Financial liabilities held for trading	Other financial liabilities	Total	Fair value
Loans and borrowings	-	-	-	-
Trade and other payables	-	214	214	214
Accrued expenses	-	2,589	2,589	2,589
Other payables	-	2,273	2,273	2,273
Balance at December 31	0	5,076	5,076	5,076

Establishing fair value

The following summarises the methods and assumptions used primarily to establish the fair value of the financial instruments reported in the table above.

(i) Financial instruments measured at fair value in the statement of financial position

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 implementation of IFRS 13 has led the Company to change the manner in which fair values are established for its investments in shares from using mid-prices to using current bid-prices quoted on Micex. For a description of the method applied

for valuation of financial instruments measured at fair value in the statement of financial position, see Note 1 above. In level 1, quotes for an active market, e.g. shares quoted on the Stockholm stock exchange, are applied. In level 3 the fair value is estimated based on a valuation method not founded on observable market data.

(ii) Financial instruments not measured at fair value in the statement of financial position

For accounts receivable and accounts payable, the carrying amount is considered to reflect the fair value because the remaining maturity is generally short.

Shares and participations

<i>In thousands of SEK</i>	Level 1	Level 2	Level 3	Total
2016	625,772	-	-	625,772
2015	218,703	-	5,000	223,703

Note 20 Related parties

Related parties

The subsidiaries are considered related parties to the parent company, see note 21.

Transactions with key persons in senior positions

EOS AB's Board members and their close family members control 5.4% (3.4%) of the voting rights in EOS AB. Seppo Remes and former founder Lauri Sillantaka has a consultancy agreement with EOS Ltd through Pareto Mgmt. In total, SEK 4.2 million (2.7) has been recognized as cost for the management agreement with Pareto Mgmt in 2016.

Transactions with closely related parties are priced on an arm's length basis.

<i>In thousands of SEK</i>	Group		Company	
	2016	2015	2016	2015
Personnel compensation				
Short-term employee benefit	5,990	3,720	5,990	3,720
Compensation through management agreement				
Share-based payment compensation	-	-150	-	-75
Short-term compensation	4,204	2,828	2,102	1,414
Compensation through management agreement				
Short-term compensation	-	-	-	-
Total cost	10,194	6,398	8 092	5,059
Receivables from Group management, Other compensation	-	2,640	-	2,640
Liabilities to Group management and Board members, Other compensation	551*	3,489*	-	1,166

* including liabilities of SEK 551 thousand (491) for the management agreement. For further information about remuneration of senior executives, see Note 4. Transactions with the subsidiary during 2016 is for advisory services fees of SEK 9,600 thousand (9,600) with a receivable of SEK -2 400 thousand (4,800) accounted for, for further information about the subsidiary, see Note 21.

Note 21 Group entities

Company			2016-12-31	2015-12-31
<i>In thousands of SEK</i>				
Acquisition values				
Balance, January			4,535,126	4,535,126
Shareholders contribution received			-	-
Acquisition balance, December 31			4,535,126	4,535,126
Write-downs				
Balance, January			-4,322,298	-4,267,469
Write down/reversal of write-down in Group entities			410,374	-54,829
Write-down balance, December 31			-3,911,924	-4,322,298
Balance, December 31			623,201	212,828
Specification of directly owned shares in subsidiaries				
			2016-12-31	2015-12-31
Subsidiary / domicile	Number of shares	Shares in %	Carrying amount	Carrying amount
EnergyO Solutions Russia (Cyprus) Ltd, Limassol	1,800	100	623,201	207,328

Note 22 Statement of Cash Flows

Cash and cash equivalents - Group

<i>In thousands of SEK</i>	2016-12-31	2015-12-31
Cash and cash equivalents	24,885	20,501
Bank overdraft facilities	-	-
<i>Total according to the Statement of Financial Position</i>	24,885	20,501
<i>Total according to Statement Cash Flows</i>	24,885	20,501

Cash and bank - Company

<i>In thousands of SEK</i>	2016-12-31	2015-12-31
Cash and bank	842	8,566
<i>Total according to the Balance Sheet</i>	842	8,566
<i>Total according to Cash Flow Statement</i>	842	8,566

Interest paid and received and dividend received

<i>In thousands of SEK</i>	Group		Company	
	2016	2015	2016	2015
Dividend received	25,801	7,278	-	-
Interest received	14	0	14	0
Interest paid	-71	-39	-35	-4

Neither the Group nor the Company have any unused credits.

Note 24 Proposed distribution of earnings

According to the balance sheet, the following amount is available for distribution by the Annual General Meeting:

<i>In thousands of SEK</i>	2016
Share premium reserve	4,480,578
Retained earnings	-4,299,283
Net profit for the year	410,097
Total	591,392

The Board of Directors proposes that these earnings are distributed as follows::

<i>In thousands of SEK</i>	2016
Dividends paid to shareholders	0
To be carried forward to:	
- Share premium reserve	4,480,578
- Retained earnings	-3,889,186
Total	591,392

Note 24 Information about EOS Russia

EnergyO Solutions Russia AB (publ) is a limited liability company registered in Sweden, with its registered office in Stockholm. The shares of the Company are registered on the First North exchange. The address of the head office is Brahegatan 29, SE-114 37 Stockholm.

The consolidated accounts for 2016 comprise the Company and its subsidiaries, jointly designated the Group.

Note 25 Subsequent events

There have been no subsequent events.

Signature by the Board of directors

The consolidated accounts and Annual Report were prepared in accordance with international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted financial reporting standards and gives a true and fair view of the position and earnings of the Group and Parent Company.

The Board of Directors' Report for the Group and the Parent Company gives a true and fair view of the operations, position and earnings of the Group and the Parent Company and describes significant risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm, May 1, 2017

Seppo Remes
Chairman of the Board

Christopher Granville
Vice Chairman of the Board

Peregrine Moncreiffe
Board member

Lars Bergström
Board member

Ulf-Henrik Svensson
Chief Executive Officer

Our Auditors' report was submitted on May 2, 2017
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of EnergyO Solutions Russia, corp. id. 556694-7684

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of EnergyO Solutions Russia for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 3-44 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matter

The audit of the annual accounts for 2015 was performed by another auditor who submitted an

auditor's report dated 6 April 2016, with unmodified opinions in the Report on the annual accounts.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated

accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts.

accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of EnergyO Solutions Russia for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a

basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 2 May 2017
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Board of Directors

The board of directors of EOS AB is elected at the annual general meeting. The board of directors is responsible for the administration of EOS Russia on behalf of the company's owners. The Board establishes goals and strategies, and evaluates the operative management. The board of directors is also responsible for ensuring the release of correct information to EOS AB's shareholders, and that laws and regulations are complied with. The articles of association state that EOS AB's board of directors shall consist of not less than four and not more than six members. None of the board members is an employee of the company. The board of EOS AB consists of members with competence and experience, which is of great importance in supporting, following and directing EOS Russia's operations.

Our current board consists of:

Seppo Remes

Co-founder and Chairman of the Board since 2007

Seppo Remes, Co-Founder and Chairman of the Board since 2007 Finnish citizen, born 1955. Mr. Remes is a co-founder of EOS Russia AB and currently serves as the chairman of the board of directors in the company. Mr. Remes also is a board member of the Investor Professional Association (IPA) (Russia). As of 1 April 2017, he was appointed as Professor of Practice at Lappeenranta Technical University, School of Energy Systems.

He holds a licentiate degree in Economics from Turku School of Economics (Finland).

Mr. Remes has 305,000 shares in EOS Russia AB.

Peregrine Moncreiffe

Board member since 2013

British citizen, Jersey resident, born in 1951. Mr Moncreiffe is an international business consultant with many years of experience in **securities trading and investment in New York, London and Asia.** He was a co-founder of Buchanan Partners in 1990 and was responsible for its Russian investments.

He is a director of Metage Funds Limited and Chairman of North Atlantic Smaller Companies Investment Trust plc. He is also a director of Asian Citrus Holdings Limited.

Mr Moncreiffe holds an MA in Modern History from Oxford University.

Mr Moncreiffe holds 1,971,711 shares in EOS Russia AB.

Christopher Granville

Board member since 2011

UK citizen, born 1963. Mr. Granville is a member of the Board of Directors of EOS AB. Mr. Granville is a Board Director and Managing Director of Trusted Sources, an independent investment research firm specializing in emerging market countries. Mr. Granville is also a member of the Investment Committee of Olma Private Equity Fund.

Previously, Mr. Granville was a Partner at United Financial Group (UFG), where he worked as Chief Strategist from 2000 to 2006.

He holds a MA in Modern History & Modern Languages from Oxford University (UK).

Mr. Granville does not own shares in EOS Russia AB.

Lars Bergström

Board Member since 2015

Swedish citizen, born in 1965. Following a short career as a Swedish diplomat, Mr. Bergstrom was recruited by Harvard University in 1993 to join the Privatization Center of the Government of Russia to advise on corporate governance and capital markets.

Thereafter he established the Russian investment banking operations of Alfred Berg/ABN Amro, established and managed SEB Enskilda's Russian operations and more recently worked at Carnegie Investment Bank in Stockholm, and managed its Russia/CIS related business.

Mr Mr. Bergstrom is currently a Carnegie Investment Banking Advisory Board Member and a Board Member of the Swedish Chamber of Commerce for Russia and CIS, actively involved in promoting and facilitating trade and investments between Scandinavia and Russia for more than 20 years.

Mr Bergström does not own shares in EOS Russia AB.

The Board's Rules of Procedure

In addition to laws and recommendations, the work of the board of directors is governed by rules of procedure. According to the rules of procedure for the board of directors, the board members shall attend at least four meetings during the fiscal year in addition to the inaugural board meeting. Furthermore, the board shall also evaluate the work done by the CEO and in some cases approve of the CEO's potential positions outside of EOS Russia. The board's rules of procedure also include instructions for the CEO as to how the financial reports shall be presented to the board. The rules of procedure state that the chairman of the board of directors is responsible for the monitoring of the development of EOS Russia, by maintaining an ongoing dialogue with the CEO, and to ensure that the CEO provides the members of the board with the information that they require.

Board Activities in 2016

EOS Russia's current board of directors was elected at the AGM held on April 28, 2016. During 2016, the board of directors of EOS AB held 6 meetings. The main focus for the board of directors during the year was the company organisational structure, the share repurchase program as well as discussion and approval of financial statements.

The board of directors conducts its work in accordance with its rules of procedure. Every ordinary board meeting has a fixed agenda with items to be resolved upon, which includes an update by the CEO on the performance of the company.

Board Remuneration

On the AGM held on April 28, 2016, it was resolved that the remuneration of the board until the end of the next annual general meeting shall amount to SEK 600,000, pro rata according to the table set out below.

Committees

Audit Committee

In light of the size of the board of directors and as the nature of accounting and audit issues are not more complicated than that the work can be handled directly by the board, the board of directors does not deem it necessary to establish an audit committee. Instead, the duties that would be assigned to such committee will be performed by the board of directors as a whole.

In order to ensure the quality of the financial reports, the chief financial officer is present during the board meetings addressing financial reports. The chairman of the board of directors communicates with the company's auditors, and the auditor shall be present on the board meeting at which the annual accounts shall be addressed.

Remuneration Committee

In light of the size of the board of directors and the limited number of employees in EOS Russia, the board of directors does not deem it necessary to establish a remuneration committee. Instead, the duties that would be assigned to such committee will be performed by the board or directors as a whole.

Overview of Board Member Meeting Attendance and Independence

Board member	Elected	Position	Independent of company	Independent of major shareholders	Board meeting attendance during 2016
Seppo Remes	2007	Chairman	No	Yes	6/6
Christopher Granville	2011	Board member	Yes	Yes	6/6
Peregrine Moncreiffe	2013	Board member	Yes	Yes	6/6
Lars Bergström	2015	Board member	Yes	Yes	6/6

The table sets forth the board members' independence of the company and of major shareholders. Seppo Remes currently has a management agreement via Pareto with EOS Ltd. consequently, he is not deemed to be independent of EOS Russia.

Overview of Board Member

Board member	Elected	Position	Board remuneration (SEK thousand)
Seppo Remes	2007	Chairman	-
Christopher Granville	2011	Board member	200
Peregrine Moncreiffe	2013	Board member	200
Lars Bergström	2015	Board member	200

Nomination Committee

The company shall have a nomination committee consisting of a representative of each of the two largest shareholders or groups of shareholders, based on the number of votes, together with the chairman of the board. If any of the two largest shareholders declines to appoint a member to the nomination committee, additional shareholders are, by order of size, to be offered appointment until two members are appointed. The chairman of the board shall be chairman of the nomination committee. If a shareholder representative no longer represents the shareholder in question or for any other reason leaves the nomination committee before its work is completed, the shareholder in question shall be entitled to appoint a new member to the nomination committee. A shareholder who has appointed a member to the nomination committee has the right to remove such member and appoint a new member to the nomination committee. In the event a shareholder that has appointed a member is no longer one of the two largest shareholders, the appointed member shall resign and be replaced by a new member in accordance with the above procedure.

The appointed Nominating Committee for the AGM for 2017 consists of: Roman Filking (representing Prosperity Capital Management), Simon Westlake (representing City of London Investment Company) and Seppo Remes (Chairman of the Board of EOS Russia AB).

The tasks of the Nomination Committee include providing a proposal for election of the chairman and other members of the board of directors of EOS AB, board remuneration, chairman of the AGM, and, if applicable, election and remuneration for the auditors and the principles for the composition of the Nomination Committee. The Nomination Committee's proposals are presented in the notice to attend the AGM and are simultaneously published on EOS Russia's website. The proposals are also presented to the shareholders on the AGM.

The members of the Nomination Committee for the 2017 AGM have had informal contacts in topics such as, inter alia, the chairman of the AGM, the board of directors, the chairman of the board, board fees and audit fees have been

discussed. The Nomination Committee has discussed the size and composition of the board of directors in terms of industry experience and expertise, among other things.

Management

The CEO of EOS Russia, Ulf-Henrik Svensson, has the responsibility for EOS Russia's day-to-day operations.

Ulf-Henrik Svensson

Chief Executive Officer of EOS AB since 2009

Swedish citizen, born 1970. Before joining EOS Russia, Mr. Svensson held several positions at Swedish Match, including Director of Business Control at North Europe Division in Sweden and Division Controller at Swedish Match Continental Europe Division in the Netherlands.

He holds a BA degree in Business Administration from Stockholm School of Economics and also studied various courses in Law.

Mr. Svensson has 106,973 shares in EOS AB.

Management Remuneration

EOS Russia aims at offering its management team members remuneration that reflects current remuneration levels in the market. Criteria for remuneration are based on the level of experience and competence needed to perform the tasks along with performance and the significance of tasks performed.

Auditors

PricewaterhouseCoopers Aktiebolag

At the AGM held on April 28, 2016, Pricewaterhouse Coopers Aktiebolag was appointed EOS Russia's auditor for the time until the next AGM, with Magnus Svensson Henryson as the auditor in charge.

Magnus Svensson Henryson is a Swedish citizen, born 1969. Mr. Henryson is an Authorized Public Accountant and a member of Far (institute for authorized public accountants, approved public accountants and other highly qualified professionals in the accountancy sector in Sweden).

EOS Share

EOS AB's share has been listed on First North, a market place operated by NasdaqOMX, since June 25, 2007.

Share price development

The closing price of EOS AB's share at December 30, 2016 was SEK 10.25, corresponding to a decline of 90.4 % since the listing on June 25th 2007. (OMX Stockholm 30 increased 21.4% by during the same time period).

EOS share increased by 212.5% from December 30, 2015 until April 20, 2017 compared to the OMX Stockholm 30 Index that increased 8.4% during the same period.

In 2016 the highest price paid for the EOS share was SEK 12.30 on December 13. The lowest price paid, SEK 2.91 was noted on Februari 16.

On December 31, 2016 EOS AB's total market capitalization was SEK 432 million.

Turnover

During 2016 a total of 7,831,073 EOS AB shares were traded, with a cumulative value of SEK 54.8 million. In addition, EOS has knowledge of significant OTC trading through brokerage firms in Moscow and London without being able to quantify the size of these OTC trades as there are no reporting requirements.

Shareholder structure

At the end of 2016, EOS AB had 42,148,137 shares outstanding. The majority of EOS AB' shares are held by institutional investors and a large proportion of the shares are owned by individuals or legal entities domiciled outside of Sweden.

According to the VPC Nominee list of Owners as of December 31, 2016, one custodian exceeded 10% of the shares and the votes in EOS AB: Euroclear with 30.6%.

Dividends

EOS Russia's main objective is to generate shareholder value by investing in Russian electricity sector assets. EOS Russia plans to reinvest capital gains. The board of directors of EOS AB proposes that no dividends be distributed and that all funds available for distribution be carried forward.

Development of share capital

Year	Month	Type of change	Change in number of shares	Change in share capital, SEK	Total number of shares	Total share capital, SEK
2005		Registration	1,000	100,000	1,000	100,000
2007		New issue	4,000	400,000	5,000	500,000
2007		Split (10:1)	45,000		50,000	500,000
2007	May	New issue	12,849,055	128,490,550	12,899,055	128,990,550
2007	June	New issue	7,462,500	74,625,000	20,361,555	203,615,550
2007	July	New issue	2,160,206	21,602,060	22,521,761	225,217,610
2007	July	New issue	582,522	5,825,220	23,104,283	231,042,830
2007	October	New issue	5,058,451	50,584,510	28,162,734	281,627,340
2008	April	New issue	5,341,317	53,413,170	33,504,051	335,040,510
2008	April	New issue	7,469,039	74,690,390	40,973,090	409,730,900
2008	May	New issue	15,700,087	157,000,870	56,673,177	566,731,770
2009	July	Reduction	0	-275,025,494	56,673,177	291,706,277
2013	February	Reduction	-13,454,658	-69,253,358	43,218,519	222,452,919
2013	February	Bonus issue	0	69,500,000	43,218,519	291,952,919
2013	April	Reduction	-412,963	-2,789,678	42,805,556	289,163,240
2013	April	Bonus issue	0	2,790,000	42,805,556	291,953,241
2014	April	Reduction	-338,194	-2,306,636	42,467,362	289,646,604
2014	April	Bonus issue	0	2,310,000	42,467,362	291,956,604
2015	April	Reduction	-107,072	-736,104	42,360,290	291,220,494
2015	April	Bonus issue	0	740,000	42,360,290	291,960,494
2015	April	Reduction	0	-249,600,204	42,360,290	42,360,290
2016	April	Reduction	-212,153	-212,153	42,148,137	42,363,137
2016	April	Bonus issue	0	215,000	42,148,137	42,148,137

Definitions

First North	A marketplace operated by NasdaqOMX Nordic Exchange Stockholm
NAV	Net Asset Value
MRSKs	Inter-regional distribution companies
OGKs	Wholesale generation companies
TGKs	Territorial generation companies
FSK	Transmission company

MRSKs - Distribution

Most of the Russian distribution assets are under the umbrella of Rosseti. The Russian government holds a controlling stake in Rosseti, which, in turn, holds controlling stakes in 11 inter-regional distribution companies, or MRSKs.

The distribution companies operate the medium and low voltage distribution grids of typically 220kv and less in Russia.

Most of the distribution assets were transferred from the historic cost-plus regulation into the RAB (Regulated Asset

Base) regulation from 2011, the idea of which is to gradually enable the companies to carry out their large investment programs largely from their own revenue. The RAB system was re-launched for most MRSK assets from 2013.

As opposed to the current “cost plus” method, the RAB method allows returns on investments in the electricity distribution infrastructure at levels determined by the state regulator. The RAB mechanism also provides incentives to increase operating.

Financial calendar

May 23, 2017 Annual General Meeting
August 25, 2017 Interim report, January 1 - June 30, 2017

Reports and press releases in English are available
on EOS Russia's web site: www.eos-russia.com

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