



Year-end report

1 January – 31 December 2014

- IFRS NAV at the end of the period was SEK 312 million (413) and SEK 7.35 per share (9.64).
- Loss for the period amounted to SEK -155 million (-816) and SEK -3.64 per share (-18.17).



EOS Russia

EOS Russia was founded in the spring of 2007 in order to capitalize on investment opportunities arising as a result of the deregulation, restructuring and privatization of the Russian electricity sector.

EOS Russia AB is the Group's parent company and is headquartered in Stockholm, Sweden. EOS Russia Ltd is a subsidiary of EOS Russia AB and is located in Limassol, Cyprus. All investment activity is conducted by the subsidiary, which holds the complete investment portfolio of EOS Russia. EOS Russia was founded in its present form in May 2007 when the company decided to carry out a directed share issue to a number of institutional investors, paid for in kind or in cash. The company listed on First North on June 25, 2007.

Recent Developments

Despite the Russian President Vladimir Putin's confirmation on 2nd October that Russia is planning to privatize MRSKs, the Ukraine crisis has dragged on further and not much has happened on the MRSK privatization front since then.

As long as the European sanctions are in place, we do not expect Russia to move forward with the MRSK privatizations, as Western European companies have so far proved to be the most efficient managers in the Russian power generation sector, and they are also the most likely to pay the highest prices for the Russian distribution assets.

For now, Russian government policymakers are keeping MRSK privatization plans on hold.

If the international situation precluded the involvement of European strategic investors in any such privatizations in the longer term, we believe that Russia might then explore the possibility of attracting domestic, Asian and Middle East investments into the power distribution sector.

Despite the ruble devaluation, the operational and the financial performance of MRSKs continues to be stable in ruble terms.

The valuations of the MRSKs remain very low. According to Bloomberg, five Russian distribution companies are currently traded at 57-75% discounts to Emerging Market peers on 2013-15 EV/EBITDA and P/E multiples (valuations as of February 25, see MRSK Newsletter to be published March 6, 2015).

Operational and financial results

Group

EOS recorded a net loss from investing activities of SEK -135 million (-786).

Operating expenses amounted to SEK -19.5 million (-29.0). One-time items affecting the operating expenses amounted to SEK -2.6 million related to a non-cash depreciation of property amounting to SEK -2.1 million and a provision for social security costs amounting to SEK -0.5 million.

Net financial items for the period amounted to SEK -0.5 million (-0.7).

The loss for EOS during the period was SEK -155 million (-816). Loss per share was SEK -3.64 (-18.17). Total comprehensive income for the period was SEK -97 million (-817).

EOS' net asset value at December 31 2014 was SEK 312 million (413). The net asset value was impacted by exchange rate differences in the translation reserve of SEK -260 million (-317).

Parent Company

The parent company's income for the period amounted to SEK 9.6 million (14.4). Operating expenses amounted to SEK -11.9 million (-19.9) for the period of which SEK 0.5 million is a provision for social security costs. Net financial items amounted to SEK -80.7 million (-776.5) for the period of which SEK -81.9 (-780.2) million is a write-down of shares in subsidiaries. The profit for the period was SEK -82.9 million (-782.0).

The total number of shares outstanding at December 31, 2014 was 42,467,362 (42,805,556).

EOS Russia's portfolio

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EOS' investment strategy is to focus on companies within the power utilities sector in Russia with the best relative value as perceived by the Group.

Changes in the portfolio composition during the second half of the year are shown in the table below:

Share of EOS portfolio	June 30, 2014	December 31, 2014	Change
Thermal generation	0,1%	0,1%	-
Distribution	99,4%	99,5%	0,1
Transmission	0,1%	0,0%	- 0,1
Integrated	0,5%	0,4%	- 0,1
Total	100%	100%	

As per December 31, 2014, EOS' portfolio consisted of the assets listed in the table below:

Assets December 31, 2014	Market value	
	MSEK	MUSD
Thermal generation	0,2	0,0
Distribution	279,9	35,8
Transmission	0,1	0,0
Integrated	1,2	0,2
Total	281,5	36,0

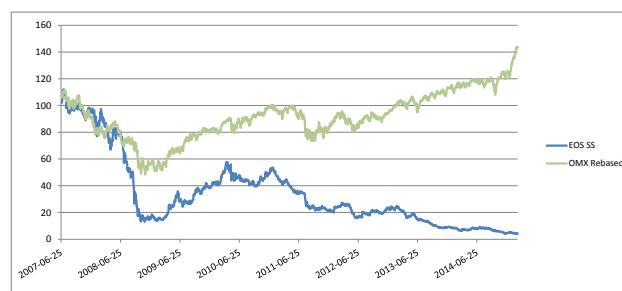
* SEK/USD 7.8117

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

The closing price of EOS share at December 31, 2014 was SEK 4.70 corresponding to a decrease during the year of 50.5% (the OMX Stockholm 30 index gained 9.9% during the same period).

EOS share price decreased by 95.4% between December 31, 2007 and March 2, 2015 in comparison to the OMX Stockholm 30 Index that gained 56.0% during the same period.

**Share price development June 25, 2007 – March 2, 2015
EOS Russia AB (EOS SS) vs. OMX S30 index**



Source: Bloomberg

EOS Russia's share price development

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Other information

Organization

The average number of employees in the group as of December 31, 2014 was two (3), of which one (2) was employed by the parent company.

Related party transactions

Group

With regard to the management fee under the management advisory agreement with the two founders remaining with EOS Russia, covering the years 2013-2016, described below under accounting principles, the group and the group company EOS Russia (Cyprus) Ltd has as of December 31 a liability of SEK 1.5 million (0.3) and has during the period recognised expense of SEK 3.6 million (8.2). With regard to the performance fee, the group and the group company EOS Russia (Cyprus) Ltd has as of December 31 accrued a provision of SEK 0.2 million (0.5) and has during the period recognised income of SEK 0.3 million (-0.5). The expenses recognised for the performance fee is, in accordance with accounting principles in IFRS 2 Share-based payments, front-end loaded, see description below under accounting principles.

Parent company

EOS Russia AB has not granted any loans, warranties or guarantees to or for the benefit of board members or management. No agreements on benefits to board members or management following the completion of their respective assignments exist. None of the board members or management has any direct or indirect participation in business transactions with the group, which are or were unusual in nature or with regards to terms, and which occurred in the current or previous fiscal year.

Provisions, contingent assets/liabilities and pledged assets

Apart from the items already outlined under “*Related party transactions*”, the parent company has recognized a provision of SEK 0.5 million related to historic social security costs. Social security claims amounting to SEK 7.4 million pertain to charges against EOS group for which provisions are not considered necessary. The parent company recognized assets pledged of SEK 0.8 million (3.5) which are entirely made up of financing of the synthetic share repurchase program.

Risks

Group

Almost all the group’s assets are invested in shares of Russian power utility companies with no diversification in country or sector risk. The main part of the group’s assets is invested in shares on the Russian market. Russian securities trading legislation is more rudimentary than in many other countries, and there are few effective directives or requirements for disclosures about offers, sales or equity trading. The stock market is less liquid and more volatile in Russia than the United States or Western Europe. As a result, the company’s investment portfolio may exhibit greater price volatility and poorer liquidity than one that focuses on securities of listed companies in more highly developed countries.

A large percentage of securities transactions are brokered outside the regulated exchanges. The legislation covering fraud and insider trading is less developed and the market’s disciplinary board lacks the resources to enforce the legislation that has been passed.

Parent Company

The risks associated with the activities for the group may also affect the parent company indirectly via the ownership of the subsidiary. The shares in the parent company are issued and traded in SEK and the group investments are held in USD or Russian Rubles, hence the parent company is subject to currency exchange risks. EOS policy is not to hedge such currency exposure.

EOS Russia is also exposed to other risks such as legal and political. For more information about EOS’ risk exposure, please see the risk section of the 2013 annual report.

Significant events during H2

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EOS AB has previously given authorization to the board 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 annual general meeting 2015.

As of December 31, 2014, the Counterparty has repurchased 107,072 EOS shares which amounts to 0.25% of the share capital and votes of the Parent company before the reduction. The average acquisition price, excluding fees, is SEK 7.16 per share. The swap agreement is accounted for as other liabilities and finance cost of SEK 0.3 million as of December 31, 2014.

Compliance with rules and regulations

EOS Russia reports its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS). This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and relevant parts of the Annual Accounts Act.

The parent company applies the same accounting principles as the group, but taking into consideration RFR 2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. In the Company's interim reporting the Annual Accounts Act chapter 9 is applied.

The same accounting principles have been applied as in the Annual Report for 2013 – in the accounts of both the Group and the Company.

For more detailed information about the principles used for the Group and the Company, please refer to the Annual Report 2013. Unless otherwise indicated, all amounts are rounded off to the nearest thousand SEK. By rounding the numbers in tables, totals may not always equal the sum of the included rounded numbers.

Synthetic repurchases of own shares (swap agreement)

Within the framework of the synthetic repurchase program, EOS enters into a swap agreement with a Counterparty. The swap agreement governs the relationship between EOS and the Counterparty. According to the swap agreement the Counterparty

purchases EOS shares on the market subject to a limit of 29.9% of the currently outstanding number of EOS shares and the swap agreement is subsequently settled at the unilateral choice of EOS either (i) by gross settlement provided that the Annual Meeting confirms that the share capital should be reduced (as resolved by shareholders at the last AGM held in April 2014) or (ii) by settling the net amount between the purchase price paid by the Counterparty and the current market price of the shares. In the net settlement alternative EOS bears the up- and downside risk of the development of the EOS share price. For the performed services the Counterparty receives interest and a fee on EOS shares acquired. The fair value of the swap agreement is accounted for as a current derivative asset or liability in the Company Balance Sheet and the Consolidated Statement of Financial Position and the changes in fair values of the agreement as a finance income or finance expense in the Company Income Statement and the Consolidated Statement of Comprehensive Income.

Fair value measurement of financial instruments

In the table below information is presented regarding the financial instruments that have been accounted for at fair value using the fair value method. The numbers are based on the same accounting and valuation policies as used in the company's 2013 annual report. The company estimates the value of investment in shares based on quoted prices on an active market (level 1). For other assets and liabilities that are not measured at fair value, the carrying amount is considered to reflect the fair value because the remaining maturity is generally short.

<i>In thousands of SEK</i>	2014-12-31		Total
	Level 1	Other	
Assets			
Other receivables	-	636	636
Shares and participations	286 451	-	286 451
Cash and cash equivalents	-	25 444	25 444
Balance at December 31	286 451	26 080	312 531

<i>In thousands of SEK</i>	2014-12-31		Total
	Level 1	Other	
Liabilities			
Trade and other payables	-	257	257
Accrued expenses	-	2 844	2 844
Other payables	-	1 982	1 982
Balance at December 31	0	5 083	5 083

Annual general meeting

The annual general meeting (AGM) will be held in Stockholm on 28 April 2015. Summons to the AGM will be sent out in March 2015.

Annual report

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

Dividend

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

Stockholm March 4, 2015
EOS Russia AB (publ)
Reg nr 556694-7684

Ulf-Henrik Svensson
CEO

This Interim report has not been subject to review by the company's auditors

Financial calendar

- 2015-04-28 Annual General Meeting
- 2015-08-26 Half year report 1 January – 30 June

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

www.eos-russia.com

Contact information:

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Consolidated Income Statement and Statement of Comprehensive Income, in Summary

<i>In thousands of SEK</i>	Jul 1 - Dec 31		Jan 1 - Dec 31	
	2014	2013	2014	2013
Net change in fair value of securities	-146 863	-404 486	-145 717	-800 066
Dividends	10 669	14 045	10 669	14 045
Net profit/loss - Investing activities	-136 194	-390 441	-135 048	-786 021
Operating expenses*	-11 192	-12 183	-19 485	-28 994
Result from operating activities	-147 386	-402 623	-154 533	-815 015
Finance income	20	45	27	101
Finance expenses	-489	31 857	-517	-783
Profit/loss before income tax	-147 855	-370 721	-155 023	-815 697
Income tax expense	-	-	-	-
Profit/loss for the period	-147 855	-370 721	-155 023	-815 697
Other Comprehensive Income for the period				
<i>Items that have been or may be recycled to profit/loss for the period</i>				
Translation differences	44 035	-23 607	57 696	-913
Total other Comprehensive Income for the period	44 035	-23 607	57 696	-913
Total Comprehensive Income for the period	-103 820	-394 327	-97 327	-816 610
Attributable to equity holders of the Company				
Profit/loss for the period	-147 855	-370 721	-155 023	-815 697
Total Comprehensive Income for the period	-103 820	-394 327	-97 327	-816 610
Earnings per share				
basic (SEK)	-3,48	-8,66	-3,64	-18,17
diluted (SEK)	-3,48	-8,66	-3,64	-18,17

* see note 1 for detailed information

Consolidated Statement of Financial Position

<i>In thousands of SEK</i>	Dec 31	Dec 31
	2014	2013
Assets		
Property, plant and equipment	3 886	5 359
Total non-current assets	3 886	5 359
Income tax receivables	254	226
Prepaid expenses and accrued income	284	557
Other receivables	1 942	6 091
Shares and participations	286 451	378 008
Cash and cash equivalents	25 444	27 943
Total current assets	314 375	412 825
TOTAL ASSETS	318 262	418 184
Equity and liabilities		
EQUITY		
Share capital	291 957	291 953
Other contributed equity	4 233 036	4 236 267
Reserves	-259 653	-317 349
Retained earnings, including profit/loss for the period	-3 953 212	-3 798 189
Equity attributable to equity holders of EOS AB	312 129	412 683
Total Equity	312 129	412 683
LIABILITIES		
Provisions	150	497
Total non-current liabilities	150	497
Trade and other payables	257	153
Other liabilities	1 982	761
Accrued expenses and deferred income	3 744	4 090
Total current liabilities	5 983	5 004
Total liabilities	6 133	5 501
TOTAL EQUITY AND LIABILITIES	318 262	418 184
ASSETS PLEDGED	766	3 477
CONTINGENT LIABILITIES	7 387	-

Consolidated Statement of Changes in Equity in Summary

<i>In thousands of SEK</i>	Jan 1 - Dec 31	
	2014	2013
Opening balance	412 683	1 550 613
Total Comprehensive Income	-97 327	-816 610
Share redemption	-3 228	-321 319
Closing balance	312 129	412 683

Consolidated Statement of Cash Flows

	Jan 1 - Dec 31	
<i>In thousands of SEK</i>	2014	2013
Cash flows from operating activities		
Profit/loss before income tax	-155 023	-815 697
Adjustment for non-cash items		
Change in fair value of securities	145 948	799 905
Depreciation	2 234	173
Other	498	343
Income tax paid	-	-
Net cash used in operating activities before changes in working capital	-6 342	-15 276
Cash flows from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	4 415	252 015
Increase (+)/Decrease (-) in operating liabilities	-790	-7 851
Net cash used in operating activities	-2 717	228 888
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	-301
Acquisition of shares and participations	-	-5 270
Proceeds from sale of shares and participations	-	52 438
Net cash used in investing activities	0	46 867
Cash flows from financing activities		
Share redemption	-3 477	-288 839
Net cash from financing activities	-3 477	-288 839
Net increase in cash and cash equivalents	-6 194	-13 084
Cash and cash equivalents at January 1	27 943	41 041
Effect of exchange rate fluctuations on cash held	3 695	-13
Cash and cash equivalents at the end of the period	25 444	27 943

Consolidated Key Figures *

	Jan 1 - Dec 31	
	2014	2013
Number of shares outstanding, end of period	42 467 362	42 805 556
Average number of shares outstanding	42 572 990	44 895 015
Net asset value, end of period, TSEK	312 129	412 683
Net Income per average number of shares outstanding, SEK	-3,64	-18,17
Net asset value per share, end of period, SEK	7,35	9,64
<i>* before and after dilution</i>		

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Company Income Statement

<i>In thousands of SEK</i>	Jul 1 - Dec 31		Jan 1 - Dec 31	
	2014	2013	2014	2013
Other income	2 400	7 200	9 600	14 400
Other external expenses	-2 109	-1 761	-3 879	-3 838
Employee benefit expenses	-3 112	-6 425	-6 337	-11 711
Depreciation of property, plant and equipment	-	-	-	-6
Other expenses	-813	-873	-1 647	-4 370
Result from operating activities	-3 634	-1 859	-2 263	-5 524
Result from financial items				
Result from participations in Group companies	-102 572	-368 286	-80 237	-775 868
Other interest income and similar income	18	35	25	91
Interest expense and similar charges	-467	31 882	-470	-742
Profit/loss before income tax	-106 656	-338 229	-82 946	-782 044
Income tax expense	-	-	-	-
Profit/loss for the period	-106 656	-338 229	-82 946	-782 044

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Company Balance Sheet

<i>In thousands of SEK</i>	Dec 31	Dec 31
	2014	2013
ASSETS		
Non-current assets		
Property, plant and equipment	-	-
Financial assets		
Participations in group companies	267 657	349 541
Other deposits	-	76
Total fixed assets	267 657	349 617
Current assets		
Current receivables		
Receivables from Group companies	6 000	8 640
Income tax receivables	254	226
Other receivables	1 241	4 472
Prepaid expenses and accrued income	152	447
<i>Total current receivables</i>	<i>7 647</i>	<i>13 785</i>
Cash and bank	6 608	4 643
Total current assets	14 255	18 427
TOTAL ASSETS	281 912	368 045
EQUITY		
<i>Restricted equity</i>		
Share capital, 42,467,362 (42,805,556) shares at 6.87 (6.82)	291 957	291 953
<i>Unrestricted equity</i>		
Share premium reserve	4 232 789	4 236 269
Retained earnings	-4 163 527	-3 381 732
Profit/loss for the period	-82 946	-782 044
TOTAL EQUITY	278 273	364 447
LIABILITIES		
Current liabilities		
Accounts payable	257	153
Other liabilities	436	412
Accrued expenses and prepaid income	2 946	3 033
<i>Total current liabilities</i>	<i>3 639</i>	<i>3 598</i>
TOTAL EQUITY AND LIABILITIES	281 912	368 045
ASSETS PLEDGED	766	3 477
CONTINGENT LIABILITIES	493	-

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Note 1 Consolidated operating expenses

<i>In thousands of SEK</i>	Jul 1 - Dec 31		Jan 1 - Dec 31	
	2014	2013	2014	2013
Employee remuneration expenses	-3 684	-6 972	-7 490	-12 827
Depreciation of property, plant and equipment	-2 147	-76	-2 234	-173
Other	-3 734	-3 389	-6 466	-7 255
Management advisory agreement				
EOS AB's yearly share price development	266	1 006	346	-497
Monthly management fee	-1 893	-2 753	-3 641	-8 243
Total	-11 192	-12 183	-19 485	-28 994