

1st quarter 2015 report

// Overview

› In the first quarter of 2015, EEII's net asset value per share ("NAV") decreased 6.8% from CHF 5.61 to CHF 5.23. During the same period, the fair value of the equity holdings decreased by 5.5%, or CHF 0.4 mln.

› The primary contributors to this negative NAV development during Q1 2015 were the negative shareprice developments of Ukrnafta, which is one of the company's main holdings, and of Kazakhmys. Ukrnafta's and Kazakhmys's share prices decreased by 8.5% and 22% respectively during the quarter. Ukrnafta's decrease in Q1 2015 was strongly impacted by the weakening currency Hryvna against the CHF.

› The share price of the other main holding Gazprom remained stable and gained 1% of its share value during Q1 2015.

› The value of the Company's Ukrainian electricity company shares also suffered from the weakening Hryvna and lost overall 37% in local currency in the reporting quarter. However, these companies still only represent a minor part of the current portfolio and as a result their overall impact on the development of the Company's NAV is limited.

› While the US\$ remained stable, the £ and the Ukrainian currency Hryvna lost 7% and 34% respectively against the CHF in the quarter. As a result, the strengthening of the CHF against the £ and the Hryvna had a significant impact on the negative performance of the investment portfolio in Q1 2015.

› Corporate affairs:

The Annual General Assembly took place on April 29th, 2015, in Zug. The annual report 2014 and the financial statements were approved, and the current Board of Directors was reelected for one year. The shareholders also approved the total amounts of Remuneration. BDO AG, Zurich was elected as the statutory auditor for another year. Philipp Andermatt of Zwicky Windlin and Partners, was reelected as the Independent Proxy of the Company for a term of office of one year.

// Investments

Portfolio Composition and Performance:

› The stock holdings of EEII remained unchanged during the first quarter. Gazprom, Ukrnafta and KAZ Minerals remain the largest positions in the portfolio. They make up 97% of the value of EEII's portfolio as of March 31st, 2015.

› In February 2015 Gazprom reported its Q3 2014 results. Gazprom reported quarterly revenues of RUB 1,134 bln (./6% from 2013), an operating profit of RUB 475 bln (+10% from 2013) and a net income of RUB 106 bln (./ 62% from 2013).

› Economic and political environment

› According to UkrStat Ukraine's GDP declined by 17.6% yoy in the first quarter 2015. However, Ukraine's upcoming economy development remains a big uncertainty for the rest of the year. The Ukrainian government has initiated talks with its creditors to reach a restructuring of its state debt obligations (aiming at a combination of extended maturity of Ukrainian state bonds, haircut and coupon decrease).

› Based on preliminary data's and statistics on Russia's economic indicators such as industrial production, retail sales and investments, it seems likely that Russia's GDP will further contract and that Russia's economy will fall into a recession in 2015. At the same time inflation rate was increasing up to 16.7% (e.g. due to self imposed ban on food imports from the European Union which pushes food price inflation into double digits).

› Facts and figures

History	› Inception	8/97
	› Public listing (SWX)	1/99
	› Capital reduction	4/03
	› Capital decrease	8/14
Capital structure	› 1,527,510 bearer shares	
	› par value of CHF 7.10	
	› Last payment to the shareholders of CHF 1.12 derived from the capital decrease (ex-date 26/08/2014)	
Board of directors	› Heinz-Dieter Waffel (Chairman)	
	› Victor Gnehm (Vice Chairman)	
	› Beat Imwinkelried (Secretary)	
Advisory fee	Flat fee, payable quarterly	
Share identification	› Valor 716 295	
	› ISIN CH0007162958	
Bloomberg	EEII SW Equity	
Registered office	EEII AG	
	Alpenstrasse 15	
	P.O. Box 4853, 6304 Zug	
CEO	› Andres Heusser	
Advisor	AIL Structured Finance AG, Zurich	
Administrator	MOORE STEPHENS ZUG AG, Zug	
Custodians	› UBS AG, Zug	
	› PrivatBank, Dnipropetrovsk	
Auditor	BDO Ltd, Zurich	
Independent Rep. of Shareholders	Philipp Andermatt, Zwicky Windlin & Partner	

› Portfolio	per share	MCHF	%
Net current assets		0.58	7%
Investments		7.56	93%
Total assets		8.1	100%
NAV (31/03/15)	5.23	8.0	
NAV (31/12/14) audited	5.61	8.6	
NAV (30/09/14)	8.83	13.6	
NAV (30/06/14)	9.55	14.6	
NAV (31/03/14)	8.76	13.4	

› Investments (in 1,000 CHF)	at cost	fair value *)	ownership
Donbasenergo	456	11	0.05%
Dniproenergo	491	31	0.03%
Centrenergo	627	45	0.04%
Zakhidenergo	849	69	0.08%
Kievenenergo	119	10	0.01%
Ukrnafta	6,068	3,607	0.85%
Cherkasyoblenergo	728	25	0.77%
Dniprooblenergo	255	4	0.02%
Krimenergo	245	3	0.09%
Volynoblenergo	295	20	0.44%
Zhytomyoblenergo	589	41	0.45%
Gazprom	8,143	3,438	0.00%
KAZ Minerals	288	252	0.02%
Total	19,153	7,556	

*) As of March 31, 2015 (unaudited). The fair values of two distribution companies (Cherkasyoblenergo and Volynoblenergo) are determined by the average of market prices and three fair value models, to which a liquidity discount is applied. The fair value of all other companies are market prices.