

# 1st quarter 2016 report

## // Overview

› During the first quarter of 2016, EEII's net asset value per share ("NAV") decreased 20%, from CHF 3.48, to CHF 2.77. During the same period, the fair value of the equity holdings decreased 18.3%, or CHF 0.95 mln.

› The primary cause of this negative NAV development during Q1 2016 was the negative share price development of one of the company's main holdings, Ukrnafta. Ukrnafta share prices decreased 62% or almost CHF 1.4 mln. during the reporting quarter. This large decrease could not be entirely eliminated by the positive developments in the share prices of other key holdings, such as Gazprom and KAZ Minerals, which gained 13% and 57% respectively, in Q1 2016.

› The value of the Company's Ukrainian electricity company shares lost overall 17% 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 Company's NAV is limited.

› The CHF strengthened against the relevant investment portfolio currencies in the reporting quarter. The British £ and the US\$ weakened 6% and 3% respectively, while the Ukrainian currency Hryvna lost 11% against the CHF in Q1 2016.

### › Corporate affairs:

› The Annual General Assembly took place on April 23th, 2016, in Zug. The annual report 2015 and the financial statements were approved. EEII's shareholders further reelected until the next Annual General Meeting, BDO AG as auditors of the company, as well as, the current board members. Mr. Beat Imwinkelried did not stand for re-election. Heinz Dieter Waffel was elected as member of the Company's Remuneration Committee for a one year period and replaces Mr. Beat Imwinkelried.

## // Investments

### Portfolio Composition and News:

› The portfolio of EEII remained unchanged during the first quarter. Gazprom, Ukrnafta and KAZ Minerals remain the largest positions in the portfolio. They together make up 97% of the value of EEII's portfolio as of March 31<sup>st</sup>, 2016.

› Gazprom has recently published its 2015 IFRS results. The company reported an increase in its revenues of 9% to RUB 6.1 tln (RUB 5.6 tln for 2014), a decrease in its operating profit of 6% to RUB 1.23 tln (RUB 1.31 tln for 2014), and an increase of 411% of its net profit to RUB 0.81 tln (RUB 0.157 tln for 2014).

› KAZ Minerals published its 2015 IFRS results and reported a decrease in its revenues (continuous operations only) of 21% to US\$ 665 mln. (US\$ 846 mln. for 2014), a decrease in its operating profit of 43% to US\$ 202 mln. (US\$ 355 mln for 2014), and a net loss US\$ 10 mln. (2014 net profit of US\$ 86 mln.). Its net debt position increased to 2.25 bln. during the reporting period (US\$ 962 mln for 2014).

› Ukrnafta announced to initiate a restructuring process that aims to improve the company's operational efficiency and optimization of its organizational processes. Ukrnafta will focus on the creation of a modern management system, which is supposed to correspond to European standards.

## › Economic and political environment

› UkrStat reported that in 2015 Ukraine's GDP decreased by 9.9%: Private consumption fell by 20.2%, investment in fixed assets decreased by 9.3%, real exports fell by 16.9% yoy, while imports decreased by 22.0% in 2015. However, the GDP decline slowed towards the end of 2015 (.i. 1.4% yoy in Q4 2015).

› According to a recently published World Bank report, the bank estimates the Russian economy to contract by an additional 1.9% in 2016. The World Bank's pessimistic outlook for this scenario is based on an average oil price of 30 US\$ per barrel in 2016.

### › 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 (until 23.4.16)   |      |
| Advisory fee                     | Flat fee, payable quarterly   |      |
| Share identification             | › Valor 716 295   |      |
|                                  | › ISIN CH0007162958   |      |
| Bloomberg                        | EEII SW Equity  |      |
| Registered office                | EEII AG<br>Alpenstrasse 15<br>P.O. Box 4853, 6304 Zug   |      |
| CEO                              | › Andres Heusser  |      |
| Advisor                          | AIL Structured Finance AG,<br>Zurich  |      |
| Administrator                    | MOORE STEPHENS ZUG AG,<br>Zug   |      |
| Custodians                       | › UBS AG, Zug<br>› PrivatBank, Dnipropetrovsk   |      |
| Auditor                          | BDO Ltd, Zurich   |      |
| Independent Rep. of Shareholders | Philipp Andermatt, Zwicky Windlin & Partner   |      |

|                               | per share | MCHF       | %           |
|-------------------------------|-----------|------------|-------------|
| Net current assets            |           | 0.2        | 5%          |
| Investments                   |           | 4.25       | 95%         |
| <b>Total assets</b>           |           | <b>4.4</b> | <b>100%</b> |
| NAV (31/03/16)                |           | 2.77       | 4.2         |
| NAV (31/12/15) <b>audited</b> |           | 3.48       | 5.3         |
| NAV (30/09/15)                |           | 4.46       | 6.8         |
| NAV (30/06/15)                |           | 5.39       | 8.2         |
| NAV (31/03/15)                |           | 5.23       | 8.0         |

| › Investments (in 1,000 CHF) | at cost       | fair value *) | ownership |
|------------------------------|---------------|---------------|-----------|
| Donbasenergo                 | 456           | 6             | 0.05%     |
| DTEK Dniπροenergo            | 491           | 11            | 0.03%     |
| Centrenergo                  | 627           | 27            | 0.04%     |
| DTEK Zakhidenergo            | 849           | 21            | 0.08%     |
| Kievenenergo                 | 119           | 4             | 0.01%     |
| Ukrnafta                     | 6,068         | 845           | 0.85%     |
| Cherkasyoblenergo            | 728           | 30            | 0.77%     |
| Dniπροoblenergo              | 255           | 2             | 0.02%     |
| DTEK Krimenergo              | 245           | 1             | 0.09%     |
| Volynoblenergo               | 295           | 8             | 0.44%     |
| Zhytomyoblenergo             | 589           | 23            | 0.45%     |
| Gazprom                      | 8,143         | 3,083         | 0.00%     |
| KAZ Minerals                 | 288           | 192           | 0.02%     |
| <b>Total</b>                 | <b>19,153</b> | <b>4,253</b>  |           |

\*) As of December 31, 2015 (audited). 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.