

3rd quarter 2016 report

// Overview

› In the third quarter of 2016, EEII's net asset value per share ("NAV") increased by 7% from CHF 2.86 to CHF 3.05. During the same period, the fair value of the equity holdings increased by 6%, or CHF 0.3 mln.

› The primary contributors to this positive NAV development during Q3 2016 were the continuing share price backswing of one of the company's main holdings, Ukrnafta, as well as the share price recovery of KAZ Minerals. Ukrnafta's share price was again able to compensate its decrease from Q1 2016 and recovered by 24% during the reporting quarter. At the same time KAZ Minerals' share price recovered from its weak second quarter and increased by 58% in the reporting quarter. The other main holding Gazprom slightly decreased by 1.6% or CHF 0.05 mln in Q3 2016.

› The value of the Company's Ukrainian electricity company shares overall further increased and gained 18.5% 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 remains limited.

› While after the Brexit the British £ has continued to weaken and lost an additional 5% against the CHF, the US\$ and the Ukrainian currency Hryvna remained stable against the CHF in the reporting quarter. Overall currency fluctuations had no significant impact on the Company's NAV development in Q3 2016.

Corporate affairs:

› Mr. Heinz-Dieter Waffel, Chairman of the Board EEII AG, resigned from his position as Chairman of the Company by end of September 2016. Heinz-Dieter Waffel has served as the company's Chairman since 2005 and has tendered his resignation since he reached retirement age and consequently reduced his external commitments. Victor Lorenz Gnehm filled in as his successor as of October 1st 2016.

// Investments

Portfolio Composition and News:

› The stock holdings of EEII remained unchanged during Q3 2016. Gazprom, Ukrnafta and KAZ Minerals remain the largest positions in the portfolio. They made up 96% of the value of EEII's portfolio as of September 30th, 2016.

› Gazprom recently published its 2016 IFRS half year results. Gazprom's revenue increased by 5% yoy to 3.06 tln Rubles, its operating profit decreased by 39% yoy to 413 bln Rubles and its net profit decreased by 9.5% to 625 bln Rubles.

› In July 2016 Ukrnafta published its 2016 IFRS half year results and reported a 43% yoy decrease of its revenues to UAH 8.90 bln. Ukrnafta's EBITDA fell to UAH 0.07 bln in 1H2016, compared to UAH 5.25 bln in 1H2015, and its net profit was slightly negative in 1H2016, compared to UAH 3.91 bln in 1H2015.

// Economic and political environment

› According to Ukraine's State Statistics Service, Ukraine's GDP grew 1.3% yoy in Q2 2016 after a 0.1% yoy growth in Q1 2016. For the whole period of 2016 the Cabinet of Ministers projects a 2.0% yoy GDP growth, while the IMF anticipates a 1.5% GDP growth for 2016.

› According to the World Bank, Russia's primary deficit increased to 2% of its GDP during the first eight months of 2016, coming up from 1.1% last year, as shrinking oil revenues outweighed the effect of lower government expenditures. Russia's heavy inflation slightly eased in September, partially because of the base effect, and its consumer price index showed an inflation rate of 6.4% in September, compared to 15.7% in September 2015.

› 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), until 30.09.2016	
	› Victor Lorenz Gnehm	
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		0.2	4%
Investments		4.8	96%
Total assets		5.0	100%
NAV (30/09/16)	3.05	4.7	
NAV (30/06/16)	2.86	4.4	
NAV (31/03/16)	2.77	4.2	
NAV (31/12/15) audited	3.48	5.3	
NAV (30/09/15)	4.46	6.8	

› Investments (in 1,000 CHF)	at cost	fair value *)	ownership
Donbasenergo	456	6	0.05%
DTEK Dniπροenergo	491	12	0.03%
Centrenergo	627	53	0.04%
DTEK Zakhidenergo	849	23	0.08%
Kievenenergo	119	3	0.01%
Ukrnafta	6,068	1,377	0.85%
Cherkasyoblenergo	728	48	0.77%
Dniπροoblenergo	255	2	0.02%
DTEK Krimenergo	245	4	0.09%
Volynoblenergo	295	12	0.44%
Zhytomyoblenergo	589	33	0.45%
Gazprom	8,143	3,028	0.00%
KAZ Minerals	288	226	0.02%
Total	19,153	4,827	

*) 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.