EEII

Eastern Energy & Infrastructure Invest

Annual Report 2019

Contents

Dear Shareholders

2019 has been a very successful year for EEII, with its NAV per share standing at CHF 4.96 at the end of the reporting period vs. CHF 3.15 at its beginning. Despite increased operating costs that were mainly due to administrative inefficiencies in Ukraine, EEII's core market, the Company generated a net profit of CHF 2,763,927 (vs. a loss of CHF 593,829 in 2018).

The principal driver for this excellent result was the equity position held in the Russian oil-and gas behemoth Gazprom, with its absolute performance of 86 % for the year. In contrast to Gazprom, all Ukrainian investments held by EEII, including Ukrnafta, stagnated yet again in local currency, despite a political environment that seemed to have improved by the end of the year. On the other hand, the more positive perception of Ukraine internationally somewhat helped its local currency, the Ukrainian Hryvna, lending support to our Ukrainian assets. The USD and GBP held their ground during 2019, whereas the British Pound was able to recover from its lows, following initial Brexit worries in the mid-year. The price in the shares of another of our key holdings, KAZ Minerals, hardly altered.

Overall, despite all the positive signs in EEII's key market Ukraine, a significant and sustainable performance of its Ukrainian shares did not occur and seems difficult to conceive going forward. Furthermore, the severe crisis in the markets after the end of the reporting period due to the global Covid-19 pandemic has severely impacted our portfolio after the end of the reporting period. We believe this is an ideal time for a fundamental change of our portfolio, and EEII has resolved to significantly change its business model in 2020. Negotiations with potential new anchor investors are under way, but at the time that this report went to print, no final decisions had yet been taken about the future course of our Company. We will keep you updated. On behalf of the Company, I thank you for your continued trust and support.

Sincerely,

Victor Lorenz Gnehm
Chairman of the Board of Directors

Portfolio Description

There are no investment activities to report for 2019. One small transaction involved shares in DTEK Kyivski Electromerezhi, which were added to the portfolio in 2018 as a spin off from Kievenergo. The position was sold in 2019 following a mandatory squeeze-out for UAH 11.50 per share.

The portfolio now consists of three Ukrainian thermal power generation companies and five power distribution companies, one Ukrainian oil company, one Russian energy company, and one Kazakh natural resources/mining company. As per December 31st, 2019, among the Ukrainian companies only Ukrnafta, Centrenergo and Donbasenergo were regularly traded on the PFTS. The ADR's of Gazprom as well as the shares of KAZ Minerals are listed on the London Stock Exchange. Individual company information are listed below:

Centrenergo ("CEEN")

CEEN is a thermal electricity generation company and is Ukraine's second largest power producer in terms of installed capacity. It operates three power stations with an overall installed capacity of 7,690 MW, which is equal to about 14 % of the total capacity of the Ukrainian power plants. CEEN is 78 % owned by the Government. After a failed attempt to privatize Centrenergo, the Ukrainian government launched a new effort in January 2020 to sell stakes in various companies in order to raise $500 mln by outside investors. Among the targeted companies is once again Centrenergo.

Donbasenergo ("DOEN")

DOEN is the smallest Ukrainian thermal electricity generation company operating two coal-fired power plants with overall installed capacity of 2,89 MW. The company is owned by Energoinvest Holding which owns 61 % of the shares of the company.

Kievenergo ("KIEN")

In 2017, KIEN was among the companies in which the Ukrainian government disposed of its minority stake of 25 %. At that time the majority shareholder DTEK offered to buy out the minority holders at a price of UAH 28.04 per share similar to DNEN and ZAEN. Contrary to DNEN and ZAEN, the buyout of KIEN did not close in 2018. The shares are currently not listed, indicative pricing from different financial intermediaries are available. Due to the uncertainties surrounding Kievenergo, the shares remain classified as level 3 asset.

Cherkasyoblenergo ("CHON")

CHON is a power distribution company active in the region of Cherkasy, in the centre of Ukraine, and is 46 % owned by the State (+ 25 % indirectly via its 99.7 % stake in UkrESCo). The government's efforts to privatize the company in 2018 were unsuccessful. Contrary to these plans, the Ukrainian Stock Exchange delisted the shares in December due to bankruptcy proceedings. Whether this new development is part of CHON's restructuring or what the effects on the shareholder value is, remains unclear at this point. EEII is monitoring the situation closely.

Dniprooblenergo ("DNON")

DNON is the largest power distribution company in Ukraine, active in the Dnipropetrovsk region, in the eastern part of the country. The Company operates 49,700 kilometres of transmission lines of all voltage classes. DNON is majority owned by Ukraine's largest energy group DTEK Holding with a stake of 51.5 % of the shares. 25 % of the company's shares are owned by the Ukrainian State. DNON is part of the ongoing restructuring of the country's energy sector. DNON shares are still traded on the stock exchange, albeit on a very infrequent basis. Until further notice regarding ownership change, the shares remain classified to level 3.

Krimenergo ("KREN")

KREN is a level 3 asset, valued according to the accounting policies outlined in Note 3 of this report. The company is operating on the Crimea peninsula with unclear status. Majority owner is DTEK Energy. According to DTEK, it "does temporarily not control the operations of the company."

Volynoblenergo ("VOEN")

VOEN is a power distribution company active in the region of Volyn in the north-west of Ukraine. The company's network consists of 25,611 km of transmission lines. VOEN is majority owned by UkrCitGaz which holds a 75 % stake in the company. No business updates have been reported, furthermore the shares remain unlisted. On the positive side, VOEN distributed again a cash dividend in 2019.

Zhytomyroblenergo ("ZHEN")

ZHEN is 92 % owned by the VS Energy group. At the time of printing of this report no financial statements for ZHEN were available for 2019. During the reporting period, the shares remained delisted, but a cash dividend was distributed.

Ukrnafta ("UNAF")

UNAF is the largest oil company in Ukraine. Ukrnafta's share in the country's oil and gas condensate production in 2017 was 65.7 %, while the share in total gas production was 5.3 %. The company owns one of the largest networks with 537 petrol stations. UNAF is 50 % + 1 share owned by Naftogaz, a fully state owned entreprise. The last reported financial results underline, that UNAF suffered a setback in 2019. Nine month figures per end of September 2019 revealed a drop in revenue of 21 % to UAH 21.3 bln compared to 2018. Profitability deteriorated massively, in fact compared to a 9 month profit of UAH 4.7 bln in 2018, Ukrnafta reported a loss of UAH 0.36 bln. The results were hit by declining prices for the company's products and issues with the auction process at the state stock exchange. Energy production meanwhile expanded by 9 % for gas and 5 % for crude oil.

Gazprom ADR ("OGZD")

Gazprom is the world's largest gas producer with reserves of 173.3 bn boe. It is the monopoly owner of a 171,200 km gas pipeline network and 22 underground storage facilities with 73.6 bcm of capacitiy, while it has a monopoly right to export pipeline gas from Russia. The Russian government owns 50.2 % in the company. Gazprom positively surprised investors in 2019 with a significant increase in its dividend payout. The 2019 gross dividend per share was increased to USD 0.504 per share, compared to a payout of USD 0.24 in the previous year. As a result of this shareholder friendly move, Gazprom shares experienced an immediate rerating. While the trading range was stuck between USD 4 and 6 per share for many years, the market has by the end of 2019 settled in a new range of USD 6 to 8. It remains to be seen, if the company can maintain its generous dividend payout in light of weak energy prices.

KAZ Minerals PLC ("KAZ") (formerly named Kazakhmys PLC)

KAZ Minerals produces copper as well as zinc, silver and gold as by-products. Its operating assets are in eastern Kazakhstan, where it has four underground pits and Bozymchak in Kyrgyzstan (copper/gold). KAZ has two main growth projects, Bozshakol and Aktogay. For the year 2019, the company posted a profit before tax of USD 726 mln, up from USD 642 mln in 2018. Revenue rose 4.8 % to USD 2.27 bln as higher production and sales offset lower copper prices. The share price remained depressed and traded around GBP 5 per share for most of the year. The solid operational performance of the company was not enough to overcome investor concerns related to global growth and the outlook for copper prices.

Corporate Governance

// Group structure and shareholders

Group structure

EEII AG (the "Company") with its registered office in Zug, Switzerland, is a corporation established on August 29th, 1997 under the laws of Switzerland. The investment objective of the Company is to maximize long-term return to shareholders through investments in strategically selected companies in the energy and infrastructure sectors which are primarily active in emerging markets, in particular the former Soviet Union (see also Note 1 to the IFRS financial statements). As of December 31st, 2019 most investments of the Company were listed and tabled in Note 5 to the IFRS financial statements. The Company had one part-time employee and no subsidiaries as of December 31st, 2019.

The shares of the Company are listed on the SIX Swiss Exchange. As of December 31st, 2019 the total market capitalization, based on the share price last paid, amounted to CHF 5.7 mln.

Significant shareholders

The following notifications pertaining to the holdings of a significant shareholder have been disclosed:

As of December 31st, 2019 Gehold SA owned 92.41 % of the outstanding shares oft he Company. The ultimate controlling party of Gehold SA, Zug, is Ms. Larisa Chertok, in Anières, Switzerland.

Cross-shareholdings

There are no cross-shareholdings.

// Capital structure

Capital

As of December 31st, 2019 the Company's share capital consisted of 1,527,510 ordinary bearer shares with a nominal value of CHF 7.10 per share (Security No. 716295/ISIN-Code CHF0007162958). Each share represents one voting right (see also Note 4 to the IFRS financial statements).

Shares and participation certificates

There are no preferential rights or similar rights. Each share carries one vote and has full dividend rights. There are no voting right restrictions and each shareholder can exercise his voting rights at the Company's shareholders meeting. There are no participation certificates.

Profit sharing certificates

There are no profit sharing certificates outstanding.

Limitations on transferability and nominee registrations

There are no limitations on transferability of shares and there is no nominee regulation.

Convertible bonds and warrants / options

There are no convertible bonds or warrants outstanding.

Dividend

In 2019 the Company did not distribute a dividend to its shareholders.

// Independent Proxy

The Independent Proxy ("Unabhängiger Stimmrechtsvertreter") is elected annually by the ordinary General Meeting of shareholders. The tenure ends at the closure of the next ordinary General Meeting. Re-election is permissible.

Philipp Andermatt from Zwicky Windlin and Partner was reelected by the ordinary General Meeting of Shareholders of the Company on May 27th, 2019 for a term of office of one year, ending as of the termination of the next ordinary General Meeting, with substitution power to Mr. Philip Oehen, Zwicky Windlin & Partner, or Ms. Katia Berchier Theiler, Zwicky Windlin & Partner.

// Board of Directors

Members of the Board of Directors

Members of the Board of Directors

The Board of Directors is responsible for managing the business of the Company in accordance with the Articles of Association. The Board of Directors may delegate certain functions to a third party Manager or other parties, subject to supervision and direction by the Board of Directors. On December 31st, 2019, the Board of Directors consists of two members:

Victor Lorenz Gnehm (Swiss)

1965, since 2005 and until September 30th, 2016, non-executive Vice Chairman. As of April 30th, 2018, Chairman until the next ordinary General Meeting of Shareholders. Victor Gnehm is an attorney and partner of Schnurrenberger Tobler Gnehm & Partner, Alpenstrasse 2 in Zug, Switzerland (www.stgp.ch). He specializes in commercial and financial law. Victor Gnehm began his career as an investment banker and capital markets specialist for emerging markets with Credit Suisse/Credit Suisse First Boston. He held various positions with the bank in Switzerland/Zurich, Russia/Moscow and Ukraine/Kyiv where as a member of the local executive board he built up and headed the Structured Finance and Trade Finance unit. In 1998, Victor Gnehm left the bank in order to join the Zurich office of A.T. Kearney as a Director, and in 2002 he returned to the legal profession as a partner of a Swiss law firm.

He joined Schnurrenberger Tobler Gnehm & Partner in 2013 as a Partner. Victor Gnehm studied at the Bern University and the Institut Universitaire des Hautes Etudes Internationales (IUHEI), Geneva, and finished his studies with a Master's degree equivalent in law. He is admitted to the bars of Switzerland and is a registered member of the Zug and Swiss bar associations.

Christoph Offenhäuser (Swiss)

1969, Board member and Secretary of the Board since April 12th, 2017. Christoph Offenhäuser has a background in financial markets and asset management. Upon completion of a commercial apprenticeship with a Swiss industrial company, he graduated as a Business Economist (FHNW) and Financial Analyst (CIIA). Before co-founding Weissenstein & Partner AG in 2016, he worked at Pictet & Cie as Senior Portfolio Manager (2000-2009). In 2009 he joined Baumann & Cie. to help establish their Zürich branch until 2014. Between 2015 and 2016, Christoph Offenhäuser served at Maerki Baumann & Cie. AG where he was appointed team leader Private Banking.

Victor Lorenz Gnehm and Christoph Offenhäuser were individually elected by the ordinary General Meeting of Shareholders of the Company on May 27th, 2019. All Board members were elected for a one year period. Victor Lorenz Gnehm was elected as Chairman.

Other activities and vested interests

Members of the Board of Directors are not currently involved in permanent management or consultancy functions for important Swiss and foreign interest groups. They are not in charge of any official function or political post. Victor Gnehm has been serving as a Chairman of the Board of Directors at Plenum Investments AG, Zürich since 2010. Plenum is a specialized asset manager for insurance linked securities.

Cross-Involvement

On the Board of the Company, Victor Gnehm represents Gehold SA, the majority owner of the Company.

Christoph Offenhäuser is a founding partner of Weissenstein & Partner AG, the Advisor of the Company since January 1st, 2017.

Elections and terms of office

The Articles of Association provide that the Board of Directors consists of one or more members elected by the Company's General Meeting of Shareholders. Each member of the Board is elected individually for a period of one year, normally from one ordinary General Meeting of Shareholders to the next ordinary General Meeting of Shareholders and can be re-elected thereafter. The Chairperson and the members of the Remuneration Committee, which shall consist of two or more members of the Board of Directors are elected by the General Meeting.

Internal organization structure

The Organizational Regulations which define the working procedures and directives of the Board of Directors can be found on the company's website.

Remuneration Committee

Victor Lorenz Gnehm and Christoph Offenhäuser were individually elected by the ordinary General Meeting of Shareholders of the Company on May 27th, 2019 as members of the Remuneration Committee. The members are elected for a one year period.

The Remuneration Committee drafts and periodically reviews the remuneration policy and principles of the Company and prepares and recommends all decisions of the Board of Directors concerning compensation of the members of the Board of Directors and the Management. It submits proposals regarding type and amount of compensation to the members of the Board of Directors and the Management and prepares the proposal for the total amounts of fixed remuneration to the General Meeting of the Company. The Remuneration Committee is also responsible for the preparation of the Remuneration Report. The Board has not formed any other committees than the Remuneration Committee.

Definition of areas of responsibility

The primary duties of the Board of Directors of the Company are defined in Art. 716 et seq. of the Swiss Code of Obligations, the Articles of Association (dated April 3rd, 2014), the revised Organizational Regulations (dated October 27th, 2015) and the Investment Regulations (dated April 22nd, 2009).

The Board of Directors assumes the responsibilities as stipulated in Art. 716 et seq. of the Swiss Code of Obligations. Furthermore, the Board of Directors establishes the necessary strategic, organizational, accounting and financing policies and defines the Company's Organizational Rules and Investment Guidelines. The Board of Directors may delegate management functions to one or more members of the Board or to third parties.

In general, the Board of Directors is responsible for defining target industries, target regions and for decisions regarding the selection, changes in, and disposal of investments, while the Advisor is responsible for analysing potential investment targets and making recommendations to the Board of Directors. The Advisor is also responsible for monitoring the investments on an on-going basis. For further responsibilities of the Advisor please see the section description for Advisory contracts below. The Management is responsible for public and investor relations as well as general management and the day-to-day activities of the Company.

Information and control instruments vis-à-vis the management

In order to control and review the Company's performance, the Board of Directors is provided with ad-hoc information for major business activities. The Management reports at the Board of Directors' meetings. The Board of Directors assesses the risks and the fair value of the investments of the Company at least on a quarterly basis.

The Management monitors the Company's risk exposure on a weekly basis. Market price, interest rate, credit, liquidity, currency and concentration risks are central to the analysis. Note 6 of the annual report summarizes the exposure of the Company at year-end.

// Management

Employment or mandate agreements between the Company and members of the Board of Directors or the Management may be concluded for a fixed term of one year maximum. Agreements that are unlimited in time must contain a notice period of 12 months maximum. Starting January 1st, 2017 Marcus H. Bühler acted as CEO of the Company. Marcus H. Bühler also serves as Member of the Board of Weissenstein & Partner AG, Zürich. Weissenstein & Partner also acts as EEII's Advisor starting January 1st, 2017.

Members of the management
Marcus H. Bühler (Swiss)
Marcus H. Bühler, has been employed as CEO on a part-time basis since January 1st, 2017. During the reporting period, the Company had no other employees. The Management was also responsible for all other management functions, which are not specifically reserved to the Board of Directors or the Advisor.

Other activities and vested interests
Not applicable.

Advisory contracts / Mandate agreements
Since January 1st, 2017, Weissenstein & Partner AG (Weissenstein) has been acting as EEII's Advisor. Weissenstein provides management support and financial advisory services to EEII on the basis of a Mandate Agreement. Pursuant to a Mandate Agreement dated December 6th, 2016, (the "Mandate Agreement"), and subject to the supervision and the approval of the Board of Directors – conferred on Weissenstein & Partner, Bleicherweg 45, CH-8002 Zürich (the "Advisor"), responsibility in particular for the following tasks:

› Financial advisory;
› Investment advisory;
› Public and investor relations;
› Monitoring and reporting;
› Regulatory / compliance.

Weissenstein is a privately held family office and asset management firm. Marcus H. Bühler (CEO of EEII) acts as a Board member of the company. Weissenstein will be compensated via an annual fixed fee under the terms of the Mandate Agreement with no variable components (Details Remuneration Report 2019).

The Advisors' management team consists of Christoph Offenhäuser and Roland Sager. For details of the Advisor's management team please refer to the company directly: contact@weissenstein-partner.ch or +41 44 552 43 43

Under the Administration Agreement dated March 23rd, 2009 ("the Administration Agreement"), MOORE STEPHENS ZUG AG, Zug ("the Administrator"), provides full accounting and administration services for the Company, in particular for the following tasks:

› Administration and accounting services;
› Support of the Advisor with the quarterly, semi-annual and annual reporting including the weekly NAV-publication;
› Monitoring of tax, compliance and regulatory issues.

During the reporting period, the Administrator received payments totalling CHF 53,478 (2018: CHF 41,131). Either party may terminate the Administration Agreement at the end of a calendar year, by giving prior notice of not less than 6 months.

// Compensation, shareholdings and loans

Content and method of determining the compensation and the share-ownership programs
With the beginning of the year 2015 the General Meeting approves annually and severally for each of the Board of Directors and the Management a total amount as fixed remuneration for the current business year. The Remuneration Committee drafts and periodically reviews the remuneration policy and principles of the Company. It submits proposals regarding type and amount of compensation to the members of the Board of Directors and the Management and prepares the proposal for the total amounts of fixed remuneration to the General Meeting of the Company. The compensation of the Board Members has been determined to appropriately reflect the size of the Company and the responsibility of the Board Members. The General Meeting approves annually and severally for the Board of Directors and the Management a total amount as fixed remuneration for the current business year. The compensation is fixed on an annual basis with no variable components. There were no additional option- or share programs.

For more details regarding the compensation policies see Note 12 to the IFRS financial statements and the separate Remuneration Report of the Company as published on the Company's website.

Compensation for the Board of Directors
The compensation for the Board of Directors was fixed at CHF 30,000 p. a. (including out-of-pocket expenses). The compensation of all Board Members was grossed-up to reflect taxes at source and social charges and amounted in total to CHF 34,691 (2018: CHF 34,981).

Christoph Offenhäuser did not receive a separate compensation as a member of the Board of Directors. His compensation forms part of the management fee paid from the Company to Weissenstein & Partner who paid him directly.

Compensation for the Management
For the business year 2019 the Company compensated the Management with a fixed amount of CHF 12,000 (2018: CHF 12,000) (excluding employer's contributions to social charges (Swiss social security programs providing retirement, disability and unemployment benefits AHV/IV/ALV of totally CHF 2,471 [2018: CHF 2,474]) and any other taxes).

Loans and credits granted by the Company to members of the Board of Directors or the Management and/or guarantees or other sureties by the Company for obligations of a member of the Board of Directors or the Management may not exceed CHF 50,000 per member. In 2019, there were no such loans granted or outstanding.

Victor Lorenz Gnehm, Schnurrenberger Tobler Gnehm & Partner, Alpenstrasse 2 in CH-6300 Zug, Switzerland (www.stgp.ch), provided general legal counsel to the Company. The Company accrued a total of CHF 15'000 plus VAT, for services provided in 2019.

Contributions to pension funds on behalf of members of the Board of Directors or the Management are only made in the framework of Swiss or foreign pension plans or comparable plans of the Company. The Company had no pension scheme in place neither in 2018 nor in 2019.

For more details regarding transactions with related parties see Note 10 to the IFRS financial statements.

// Shareholders' participation

Voting-rights and representation restrictions
There are no limitations of shareholders' voting rights. Each share entitles the holder to participate equally in the profits and assets of the Company and to attend and vote at the General Meeting of Shareholders of the Company. Each shareholder may ask the independent shareholder representative by written proxy to represent

his voting rights at the General Meeting of Shareholders. Each share carries one vote in the Company's General Meeting of Shareholders.

Statutory quorums

The statutory quorums with regard to the General Meeting of Shareholders correspond with the legal regulations as stipulated in the Swiss Code of Obligations. In general, a shareholders' resolution requires an absolute majority of the votes represented at the meeting unless a two-third majority is required by the Swiss Code of Obligations for specific resolutions.

Convocation of the General Meeting of Shareholders

Notice of a General Meeting of Shareholders must be given by the Board of Directors no later than twenty days prior to the meeting date through publication in the Swiss Commercial Gazette ("SHAB") or through a written communication to all shareholders.

Agenda

The meeting notice states the items on the agenda as well as the proposals of the Board and of shareholders who have demanded that an item be included in the agenda. The Board provides an adequate explanation on each agenda item. One or more shareholders who represent at least one-tenth of the share capital may also ask the Board of Directors to convene a General Meeting of Shareholders.

Inscriptions into the share register

The company maintains share registers as required by law.

// Changes of control and defence measure

No duty to make an offer on change of control («Opting Out»)

Art. 135 and Art. 163, resp., of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act) provide for the obligation to make a public takeover offer in respect of all listed shares in a company listed on the SIX Swiss Exchange in case of a shareholder directly, indirectly or acting in concert with third parties, acquiring shares which (added to equity already owned) exceed the threshold of 33.3 % of the Company's voting rights.

At the ordinary General Meeting of April 30th, 2018, the shareholders of the Company validly adopted a so-called «Opting Out» Clause in the Company's Articles of Association (Clause 7a) which eliminates the duty to make a public takeover offer. The text of the clause runs as follows: «The purchaser of shares of the Company shall not be obliged to make a public offer to acquire all listed shares of the Company pursuant to Art. 135 and 163 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act).»

// Auditors

Duration of mandate and term of office of the auditor
BDO Ltd, Zurich, has been serving as the auditor of the Company since May 14th, 2009. The auditor is elected by the annual General Meeting of Shareholders for the term of one year. Since 2018 René Krügel is the auditor in charge. The auditor in charge is rotated at least every seven years in accordance with the maximum term allowed according to Art. 730a of the Swiss Code of Obligations.

Auditing fees
For the audit for the calendar year 2019, BDO Ltd has charged the Company an audit fee of CHF 64,000 (2018 CHF 41,150).

Additional fees
In 2019 BDO Ltd has performed other (other than auditing the annual accounts) services for the Company in the amount of CHF 2,100 (2018: CHF 2,150).

Information instruments pertaining to the external audit
The Board of Directors takes responsibility for assessing the work of the auditor. The Company does not have a formal audit committee. The Board of Directors and the auditors meet at least once a year. At the occasion of such meetings, audit observations, changes in accounting standards and changes in the regulatory environment are reviewed and discussed.

The performance of the auditor is evaluated on an ongoing basis by members of the Board of Directors as well as by the employees of the administrator (Moore Stephens Zug) who are in regular contact with the auditor. The assessment is based on different criteria such as professional expertise and know-how, the understanding of the company and company-specific risks as well as the audit strategy. In addition, the Board of Directors reviews performance as well as the results of the audit. The proposed audit fees are discussed and approved once a year by the Board of Directors. Non-audit work assignments, if any, to the auditors are approved by the Board of Directors before such work is performed. The auditor's independence is also reviewed on an annual basis by the Board of Directors.

// Information policy

EEII publishes the following reports:

- Weekly update of the NAV per share (un-audited): (i) Bloomberg: EEII SW Equity/GR Equity; (ii) http://www.eeii.ch; and (iii) the weekly newspaper "Finanz und Wirtschaft".
- Quarterly fact sheet with a brief description of recent developments and corporate events (un-audited): http://www.eeii.ch/reports.
- Semi-annual reports (un-audited) and annual reports (audited) may be downloaded. Printed reports can be ordered by e-mail at "info@eeii.ch" or by phone at +41-41-729 42 80.
- Mandatory disclosures regarding major shareholders and/or management transactions are available on the SIX Exchange Regulation Website.

In line with the publicity requirements of the SIX, EEII notifies the investor community on an ad-hoc basis when events occur which may potentially have an impact on the stock price of EEII. The ad-hoc service of EEII may be subscribed to.

Annual Report

as of December 31st

// IFRS results

As of December 31st, 2019 the shareholders' economic interest in EEII AG ("EEII") amounted to CHF 7,581,156 (2018: CHF 4,817,229) which, based on the 1,527,510 shares issued, results in a Net Asset Value per share of CHF 4.96 (2018: CHF 3.15).

In 2019, EEII recorded a net profit of CHF 2,763,927 (2018: net loss of CHF 593,829). This amount includes realized gains and losses on investments.

At year-end, the Company's financial assets at fair value through profit or loss are valued at CHF 8,281,629 (2018: CHF 5,421,685). The total assets as of December 31st, 2019 amounted to CHF 8,469,900 (2018: CHF 5,602,607).

The presentation currency of the Financial Statement of the Company is in Swiss Francs (CHF). The level of rounding is one Swiss Franc (CHF).

// Statutory results

As of December 31st, 2019 EEII AG registered in Zug, Switzerland, recorded shareholders' equity of CHF 7,581,156 (2018: CHF 4,817,229).

The Board of Directors proposes the following appropriation of the accumulated deficit:

in CHF	2019	2018
Accumulated deficit at the beginning of the year	(6,028,092)	(5,434,263)
Net profit/(loss) for the year	2,763,927	(593,829)
Accumulated deficit carried forward	**(3,264,165)**	**(6,028,092)**
Dividend per share	–	–

Determination of the Net Asset Value

as of December 31st

in CHF	2019 Following IFRS presentation	2018 Following IFRS presentation
Cash and other assets	188,271	180,922
Financial assets at fair value through profit or loss	8,281,629	5,421,685
Total assets	**8,469,900**	**5,602,607**
Total liabilities	**888,744**	**785,378**
Share capital	10,845,321	10,845,321
Accumulated deficit	(3,264,165)	(6,028,092)
Total shareholders' equity	**7,581,156**	**4,817,229**
Total liabilities and shareholders' equity	**8,469,900**	**5,602,607**
Total shares outstanding	1,527,510	1,527,510
Net asset value per share	4.96	3.15

IFRS Financial Statements
IFRS Statement of Financial Position

as of December 31st

in CHF	Notes	2019	2018
Assets			
Cash and cash equivalents		181,966	105,509
Other assets		6,305	75,413
Total current assets		**188,271**	**180,922**
Financial assets at fair value through profit or loss	5	8,281,629	5,421,685
Total non current assets		**8,281,629**	**5,421,685**
Total assets		**8,469,900**	**5,602,607**
Liabilities and shareholders' equity			
Accounts payable		11,837	5,588
Shareholder loan		811,407	729,290
Accrued expenses and other liabilities		65,500	50,500
Total current liabilities		**888,744**	**785,378**
Share capital	4	10,845,321	10,845,321
Accumulated deficit		(3,264,165)	(6,028,092)
Shareholders' equity		**7,581,156**	**4,817,229**
Total liabilities and shareholders' equity		**8,469,900**	**5,602,607**

› see accompanying notes to the IFRS financial statements on pages 20 to 37

IFRS Statement of Income

for the year ended December 31st

in CHF	Notes	2019	2018
Operating income			
Interest income	9	–	–
Dividends		312,441	275,604
Unrealised gain on financial assets at fair value through profit or loss	5	2,877,334	73,268
Unrealised (loss) on financial assets at fair value through profit or loss	5	(17,391)	(483,619)
Foreign exchange gain		19,460	–
Foreign exchange (loss)		(5,024)	(80,739)
Other income		58	157
Net operating profit/(loss)		**3,186,878**	**(215,329)**
Operating expenses			
Management & Advisory fees	10	120,000	108,000
Administrative fees		53,478	41,131
Directors fees	12	34,691	34,981
Personnel cost	12	14,471	14,474
Professional fees	10	111,536	87,019
Other expenses		54,339	63,095
Bank charges and interest expenses		34,067	29,426
Capital tax expense	7	369	374
Total operating expenses		**422,951**	**378,500**
Profit/(loss) before tax		**2,763,927**	**(593,829)**
Income taxes	7	–	–
Net profit/(loss) after tax		**2,763,927**	**(593,829)**
Net earnings per share			
Net profit/(loss)		2,763,927	(593,829)
Weighted Average Number of shares (basic and diluted)		1,527,510	1,527,510
Net profit/(loss) per share – (basic and diluted)		1.81	(0.39)

IFRS Statement of Comprehensive Income

Net profit/(loss) for the year	**2,763,927**	**(593,829)**
Other comprehensive income	**–**	**–**
Total comprehensive income/(deficit) for the year	**2,763,927**	**(593,829)**

› see accompanying notes to the IFRS financial statements on pages 20 to 37

IFRS Cash Flow Statement

for the year ended December 31st

in CHF	Notes	2019	2018
Operating activities			
Profit/(loss) before tax		2,763,927	(593,829)
Adjustments to reconcile loss before tax to net cash flows			
Dividend income		(312,441)	(275,604)
Foreign exchange (gain) on cash and cash equivalents		(19,460)	–
Foreign exchange loss on cash and cash equivalents		5,024	80,739
Interest expense		21,157	16,170
Unrealized (gain) on financial assets at fair value through profit or loss	5	(2,877,334)	(73,268)
Unrealized loss on financial assets at fair value through profit or loss	5	17,391	483,619
Other income		(58)	(157)
Working capital adjustments			
Dividend income		312,441	275,604
Decrease in other assets		69,108	29,494
Increase/(decrease) in accounts payable		6,248	(10,027)
Increase/(decrease) in accrued expenses and other liabilities		15,000	(15,722)
Other income		58	157
Net cash flows from/(used in) operating activities		**1,061**	**(82,824)**
Investing activities			
Net cash flows from investing activities		–	–
Financing activities			
Short term loan received from shareholder		60,960	225,000
Net cash flows from financing activities		**60,960**	**225,000**
Increase/(decrease) in cash and cash equivalents		**62,021**	**142,176**
Cash and cash equivalents at the beginning of the year		105,509	44,072
Foreign exchange gain on cash and cash equivalents		19,460	–
Foreign exchange (loss) on cash and cash equivalents		(5,024)	(80,739)
Cash and cash equivalents at the end of the year		**181,966**	**105,509**

The financing cash flow of CHF 60,960 relates to the increased shareholder loan. The balance sheet amount of CHF 811,407 includes accrued interest.

› see accompanying notes to the IFRS financial statements on pages 20 to 37

IFRS Statement of Changes in Equity

for the year ended December 31st

in CHF	Share capital	(Accumulated deficit)/retained earnings	Total equity
Balance as of January 1st, 2018	**10,845,321**	**(5,434,263)**	**5,411,058**
Net loss for the period	–	(593,829)	(593,829)
Other comprehensive income (OCI)	**–**	**–**	**–**
Total comprehensive (loss) for the year	–	(593,829)	(593,829)
Balance as of December 31st, 2018	**10,845,321**	**(6,028,092)**	**4,817,229**
Net gain for the period	–	2,763,927	2,763,927
Other comprehensive income (OCI)	**–**	**–**	**–**
Total comprehensive gain for the year	–	2,763,927	2,763,927
Balance as of December 31st, 2019	**10,845,321**	**(3,264,165)**	**7,581,156**

› see accompanying notes to the IFRS financial statements on pages 20 to 37

Notes to the IFRS Financial Statements

as of December 31st, 2019

// Note 1 – Incorporation and activity

EEII, Alpenstrasse 15, 6302 Zug, Switzerland (hereinafter, the "Company") is an investment holding company which was incorporated as a corporation under the laws of Switzerland on August 29th, 1997 and is traded on the SIX Swiss Stock Exchange.

The investment objective of the Company is to maximize long-term return to shareholders through investments in strategically selected companies in the energy and infrastructure sectors which are primarily active in emerging markets, in particular the former Soviet Union. The Company currently holds eleven investments: eight energy utilities from Ukraine, one Ukrainian oil and gas producer, one Russian gas producer, and one Kazakh natural commodity company.

The Company has held equity positions in a diversified portfolio of eight Ukrainian power producers and distributors since 2007, plus an equity position in Ukrnafta, the largest oil producer and second largest gas producer in Ukraine since 2008, which it increased further in 2010, and partly divested in 2011. Over the past years economic and market conditions have become increasingly difficult. The Ukrainian energy sector has been disrupted by the frozen frontlines in the Donbass area, the loss of the Crimea peninsula and a highly unsuccessful privatization process. Only three local investments can be considered liquid based on regular trading at the PFTS stock market. Furthermore, the Company is invested in Gazprom ADRs, and in KAZ Minerals PLC, both companies listed on the London Stock Exchange ("LSE"). KAZ Minerals is mainly focusing on copper production. Gazprom is the world's largest gas company and is focusing its activities on geological exploration, production, transmission, storage, processing and marketing of gas and other hydrocarbons.

From a long-term investment perspective, Ukrainian power companies are expected to benefit from their attractive strategic position: (i) In an environment (situated between the EU and Russia) in which power tends to become an increasingly scarce commodity, the Ukrainian power sector still has massive over-capacities (originated from its role in the former Soviet Union). Hence, increased utilization of spare power capacities is considered a potential long-term value driver. (ii) The possibility that the Ukrainian regulator improves the regulatory environment of the sector by introducing regulated returns in the medium term. Ukrnafta is Ukraine's leading oil and gas company. Gazprom holds the world's largest natural gas reserves and can operate from of a strong market position. KAZ Minerals is the largest copper producer in Kazakhstan and one of the leading global copper producers.

The risk management of the Company is administered by the Board of Directors. The Board of Directors assesses the risk situation on a quarterly basis and regularly monitors and controls the underlying processes of risk management for the Company. The risk management process includes four steps: risk identification, risk assessment, risk valuation and risk control. Disclosures to the risk assessment procedures are described in note 6 to the Company's IFRS financial statements.

During the year ended December 31st, 2019 the Company had one-part time employee (2018: one-part time employee).

The IFRS financial statements as of December 31st, 2019 were approved by the Board of Directors on April 24th, 2020. The financial statements will be submitted to the General Meeting of Shareholders for approval.

// Note 2 – Basis for the presentation of the IFRS financial statements

The IFRS financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company has not adopted any of the revisions to IFRS prior to these coming into effect. Financial instruments held in the "investment portfolio" are measured at fair value through profit and loss; all other assets/liabilities are measured on an historical cost basis.

The presentation currency of the Financial Statement of the Company is in Swiss Francs (CHF). The level of rounding is one Swiss Franc (CHF).

// Note 3 – Significant accounting policies

3.1 Changes in accounting policy and disclosures
The accounting policies adopted are consistent with those of the previous financial year, but note the following:

There were no new standards or interpretations effective for the first time for periods beginning on or after January 1st, 2019, that had a significant effect on the Company's financial statements.

The following relevant new standard and interpretation effective as from January 1st, 2019 has been adopted by the Company:
› IFRS 16 Leases
› IFRIC 23 Uncertainty over Income Tax Treatments

The Company has assessed the impact of the new standard and the new interpretation and has come to the conclusion that this standard and this interpretation have not resulted in any changes to previous accounting policies. As a consequence, the first time application of IFRS 16 and IFRIC 23 have not resulted in any restatements of prior years.

IFRS 16 Leases
IFRS 16, which replaces IAS 17 Lease has not significantly impacted its financial statements as the Company has no leasing arrangements in place.

IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 has not significantly impacted the financial statements as the Company is generating losses and there are no uncertainties over income tax treatments.

The Company has resolved not to adopt new or revised relevant standards and interpretations issued by the IASB and IFRIC with an effective date after the date of this IFRS financial statement. The Company intends to adopt these standards as soon as they become effective.

› IFRS 3	Business Combinations (amendment – definition of a business)	1. 1. 2020
› IFRS 17	Insurance Contracts	1. 1. 2021

The Company has progressed further its projects dealing with the implementation of these new accounting standards and interpretations since reporting its annual results for the 12 months ending December 31st, 2018. The Company does not expect any of these or other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

3.2 Recognition of revenues and expenses

Revenues and expenses are recognised as they are earned or incurred and recorded in the financial statements of the periods to which they relate.

3.2.1 Interest

Revenues and expenses are recognised as they are earned or incurred and recorded in the financial statements of the periods to which they relate.

3.2.2 Receipt of Dividends

Dividends are recognised when the Company's bank account is credited with the dividend payment as opposed to recognising the expected payout upon the decisions of the shareholder meeting. This procedure is reflecting the general uncertainty about effective dividend payments by Ukrainian companies.

3.3 Foreign currency translations

Transactions in foreign currencies are recorded at the actual exchange rate as of the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Swiss Francs at the exchange rates as of the balance sheet date. Foreign exchange gains and losses are included in the statement of comprehensive income of the year in which they arise. The exchange rate difference resulting from foreign currency positions within cash and cash equivalents is disclosed separately in the cash flow statement.

3.4 Financial assets at fair value through profit or loss

a) Classification

The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. The Company does not classify any derivatives as hedges in a hedging relationship.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Advisor and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

b) Recognition / Derecognition

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are consistently and regularly measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income, when the Company's bank account has been credited.

d) Fair value estimation

The fair value measurement of the Company utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into three different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

› Level 1: Quoted prices in active markets for identical items
› Level 2: Observable direct or indirect inputs other than Level 1 inputs
› Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Level 1

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

Financial instruments are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions.

EEII assesses the liquidity (i.e. if they are traded in an active market or not) of its investments traded at the PFTS on a continuing basis.

Based on its current assessment the Company considers the following investments not to be traded in active markets: Cherkasyoblenergo, Volynoblenergo, Kievenergo, Krimenergo, DTEK Dniprooblenergo and Zhytomyroblenergo.

Shares quoted in an active market: Fair value is determined on the basis of closing prices and, if closing prices are not available, of binding bid prices on the PFTS/UX/London Intl. Exchange/Bloomberg Data System as of December 31st, 2019.

Level 2

For shares that are suspended from trading or that have already been delisted in the context of a squeeze out transaction or other public offering, such observable binding transaction price is deemed to be the best reflection of fair value. As per January 1st, 2018 this was the case for shares of Kievenergo, Zakhidenergo and Dniproenergo.

In 2018 shares of Zakhidenergo and Dniproenergo were sold for the squeeze-out prices (UAH 130.46 and UAH 488.14, respectively). Due to a lack of information regarding buyback and squeeze-out, shares of Kievenergo were reclassified to level 3 during 2018. As a consequence, at the end of the reporting period on December 31st, 2018, no investments were valued on a level 2 basis. During 2019, no changes or reclassifications into Level 2 assets were applied. Hence, there are no Level 2 assets to be reported by December 31st, 2019.

Level 3

For all of the level 3 shares, there were observable non-binding bid price indications available from local financial intermediaries. If deemed necessary, it would be possible to divest Level 3 assets on a negotiation basis. To reflect uncertainties around OTC trades in Ukraine (timing and price), it has been decided to apply a 50 % discount on the non-binding bid prices, which are available on a daily basis on www.kinto.com.

The total fair value of Level 3 investments amounts to CHF 61,248 (2018 CHF 52,625). Given the nature of these investments there are no interrelationships of the above information that could have a material effect on the performance of the Company. Increasing or decreasing all of the used information above significantly would not result in material change on the performance of the entity.

Following a mandatory squeeze out in the final weeks of 2019, the Company was notified by its Ukrainian custodian that the shares of DTEK Kyivski Electromerezhi were sold at a price of UAH 11.50 per share.

31.12.2019	Bid price UAH per share	Balance Sheet valuation UAH per share	Total value in CHF
Kievenergo	18.00	9.00	4,969
Dniprooblenergo	131.00	65.50	3,373
Krimenergo	0.34	0.17	1,086
Cherkasyoblenergo	0.75	0.38	17,599
Volynoblenergo	0.32	0.16	13,745
Zhytomyroblenergo	1.8	0.90	20,476
Kyivski Electromerezhi	0	0	0

3.5 Taxation

The Company provides for taxes when profits are earned. Deferred tax assets resulting from tax loss carry forwards are accounted for only when the realisation is probable. Income is taxed at the effective ordinary rate of 8 %, except for dividend and capital gain income derived from qualifying investments, which are exempt from income taxes.

3.6 Cash and cash equivalents

All cash instruments with a maturity of one month or less are considered to be cash and cash equivalents.

3.7 Accounts payable

Accounts payable are stated at amortised cost.

3.8 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The company has no defined benefit plan in place as the CEO salary of CHF 12,000 p.a. is below the threshold of CHF 21,150 p.a. required to provide a pension scheme.

3.9 Loans

Loans are stated at amortised cost.

3.10 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Deferred Tax Assets

Deferred tax assets resulting from tax loss carry forwards are recognized as deferred tax assets up to the amount of deferred tax liabilities relating to the same taxation authority and if these deferred tax liabilities either are expected to reverse in the same periods or if the tax loss carry forwards can be carried back or forward into the periods the deferred tax liabilities can be expected to reverse. The Company has currently no deferred tax liabilities and has therefore not capitalised any tax loss carry forwards. The Company cannot reliably assess whether sufficient taxable profits will be available in the future.

Fair value of financial assets through profit or loss

The fair value determination for financial assets at fair value through profit or loss is detailed in note 5.

3.11 Net Asset Value

The Net Asset Value per December 31st, 2019 amounted in total to CHF 7,58 mln (2018 CHF 4,8 mln) respectively to CHF 4.96 (2018 CHF 3.15) per share.

// Note 4 – Share capital

Share capital

On December 31st, 2019, the Company had 1,527,510 ordinary bearer shares outstanding of par value of CHF 7.10. On December 31st, 2018, the Company had 1,527,510 ordinary bearer shares outstanding of par value of CHF 7.10.

Significant shareholders:

	2019	2018
Gehold SA	92.41 %	92.41 %

Gehold SA, Zug, is the controlling party of EEII and does not publish financial statements. The ultimate controlling party of Gehold SA, Zug, is Ms. Larisa Chertok, in Anières, Switzerland.

// Note 5 – Financial assets at fair value through profit or loss

The gain and loss on financial Instruments measured at level 3 of the fair value hierarchy have been included in the line items "Unrealised gain on financial assets at fair value through profit or loss" and "Unrealised (loss) on financial assets at fair value through profit or loss" of the Statement of Comprehensive Income.

Given the total carrying amount of only TCHF 61 of all investments measured with level 3 fair values, changing one or more of the inputs to reasonably possible alternative assumptions would not change fair values significantly as per December 31st, 2019. The fair value model is based on non-binding bid price indications from www.kinto.com adjusted by a 50 % risk discount (See Note 3.4 d, Level 3).

EEII AG reassesses whether the conditions of an active market are met for all its investments annually. In 2017, Dniproenergo (DNEN), Zakhidenergo (ZAEN) and Kievenergo (KIEN) were transferred from Level 1 to Level 2 fair value measurement (See Note 3.4 d, Level 2). Also in 2017, Zhytomyroblenergo (ZHEN) and Krimenergo (KREN) were transferred from Level 1 to Level 3. There were no transfers out of Level 3 in 2017.
In 2018, Dniprooblenergo was reclassified from Level 1 to Level 3. Kievenergo was transferred from Level 2 to Level 3. DTEK Kyivski Electromerezhi, a spin-off from Kievenergo, was added to the Level 3 assets. No reclassifications in any of the different valuation levels were applied during 2019.

Movements in the financial assets at fair value through profit or loss for the period from January 1st to December 31st, 2019 are as follows:

in CHF	2019	2018
Financial assets at fair value through profit or loss brought forward	**5,421,685**	**5,901,144**
Purchase	–	–
Sale	–	(69,108)
Unrealised gain on financial assets at fair value	2,877,334	73,268
Unrealised loss on financial assets at fair value	(17,390)	(483,619)
Realised gain/loss on financial assets at fair value	–	–
Financial assets at fair value through profit or loss	**8,281,629**	**5,421,685**

Listed shares	**2019**		**2018**	
	CHF	**%**	**CHF**	**%**
Liquid shares (Level 1 in fair value hierarchy IFRS 13)	8,220,381	99	5,369,060	99
Shares with limited liquidity (Level 3 in fair value hierarchy IFRS 13)	61,248	1	52,625	1
Total	**8,281,629**	**100**	**5,421,685**	**100**
Ukraine	1,811,783	22	1,637,089	30
Russia	5,918,016	71	3,240,513	60
Kazakhstan	551,830	7	544,083	10
Total	**8,281,629**	**100**	**5,421,685**	**100**

Amounts of transfers into Level 3 (IFRS 13.93 e iv)	**2019**	**2018**
Amounts of transfers into Level 3	–	7,167
Total	**–**	**7,167**

Shares with limited liquidity (Level 3 in fair value hierarchy IFRS 13) **in CHF**	**2019**	**2018**
Financial assets at fair value through profit or loss		
At fair value		
as of January 1st	52,625	96,446
Reclassification Level 1	–	7,080
Reclassification Level 2	–	14,188
Gain/(loss) in profit or loss	**8,623**	**(65,089)**
as of December 31st	61,248	52,625
Total loss in other comprehensive income	**–**	**–**
Other changes	–	–

Investments as of December 31st, 2019

Financial assets at fair value through profit or loss	Balance as of January 1st 2019		Additions
	Quantity	CHF	CHF
Ukrainian Energos / Power Generation Companies			
Centrenergo	141,000	71,433	–
Donbasenergo	11,400	12,874	–
Kievenergo	13,400	4,269	–
DTEK Kyivski Electromerezhi	13,400	–	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,500,212	–
Ukrainian Oblenergos / Power Distribution Companies			
Cherkasyoblenergo	1,139,044	15,121	–
Dniprooblenergo	1,250	2,898	–
Krimenergo	155,000	933	–
Volynobelenergo	2,085,000	11,810	–
Zhytomyroblenergo	552,204	17,594	–
Total Ukrainian Investments		**1,637,089**	**–**
Other Investments			
Gazprom ADR	742,800	3,240,513	–
KAZ Minerals PLC (former Kazakhmys)	81,517	544,083	–
Total Other Investments		**3,784,596**	**–**
Total financial assets at fair value through profit or loss		**5,421,685**	**–**

Investments as of December 31st, 2018

Financial assets at fair value through profit or loss	Balance as of January 1st 2018		Additions
	Quantity	CHF	CHF
Ukrainian Energos / Power Generation Companies			
Centrenergo	141,000	62,433	–
Dniproenergo	1,380	23,538	–
Donbasenergo	11,400	7,270	–
Kievenergo	13,400	13,129	–
Zakhidenergo	9,800	44,674	–
DTEK Kyivski Electromerezhi	–	–	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,491,358	–
Ukrainian Oblenergos / Power Distribution Companies			
Cherkasyoblenergo	1,139,044	57,245	–
Dniprooblenergo	1,250	9,609	–
Krimenergo	155,000	5,674	–
Volynobelenergo	2,085,000	19,226	–
Zhytomyroblenergo	552,204	14,300	–
Total Ukrainian Investments		**1,748,456**	**–**
Other Investments			
Gazprom ADR	742,800	3,194,837	–
KAZ Minerals PLC (former Kazakhmys)	81,517	957,851	–
Total Other Investments		**4,152,688**	**–**
Total financial assets at fair value through profit or loss		**5,901,144**	**–**

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31st 2019	
CHF	Realised	Unrealised	Realised	Unrealised	Quantity	CHF
–	–	–	–	(16,189)	141,000	55,189
–	–	–	–	–	11,400	11,673
–	–	700	–	(1,201)	13,400	4,969
–	–	–	–	–	–	–
					–	–
–	–	183,463	–	–	302,701	1,683,675
–	–	2,478	–	–	1,139,044	17,599
–	–	475	–	–	1,250	3,373
–	–	153	–	–	155,000	1,086
–	–	1,935	–	–	2,085,000	13,745
–	–	2,882	–	–	552,204	20,476
–	**–**	**192,086**	**–**	**(17,390)**		**1,811,785**
–	–	2,677,502	–	–	742,800	5,918,015
–	–	7,746	–	–	81,517	551,829
–	**–**	**2,685,248**	**–**	**–**		**6,469,844**
–	**–**	**2,877,334**	**–**	**(17,390)**		**8,281,629**

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31st 2018	
CHF	Realised	Unrealised	Realised	Unrealised	Quantity	CHF
–	–	8,945	–	–	141,000	71,378
(23,847)	–	309	–	–	–	–
–	–	5,604	–	–	11,400	12,874
–	–	–	–	(8,860)	13,400	4,269
(45,260)	–	586	–	–	–	–
–	–	–	–	–	13,400	–
					–	–
–	–	8,854	–	–	302,701	1,500,212
–	–	–	–	(42,122)	1,139,044	15,121
–	–	–	–	(6,711)	1,250	2,898
–	–	–	–	(4,741)	155,000	933
–	–	–	–	(7,417)	2,085,000	11,810
–	–	3,294	–	–	552,204	17,594
(69,107)	**–**	**27,592**	**–**	**(69,851)**		**1,637,089**
–	–	45,676	–	–	742,800	3,240,513
–	–	–	–	(413,768)	81,517	544,083
–	**–**	**45,676**	**–**	**(413,768)**		**3,784,596**
(69,107)	**–**	**73,268**	**–**	**(483,619)**		**5,421,685**

// Note 6 – Risk Management

6.1 Risk management policies

The risk management of the Company is administered by the Board of Directors. The Board of Directors assesses the risk situation on a quarterly basis and regularly monitors and controls the underlying processes of the risk management of the Company. The risk management process includes four steps: risk identification, risk assessment, risk valuation and risk control.

a) Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, interest rate risk, repatriation risk, concentration risk and liquidity risk. The Company's overall risk management focuses on financial risks and seeks to minimise potential adverse effects on the Company's financial performance. The Company may use derivative financial instruments to moderate certain risk exposures.

b) Market price risk

According to its Investment Regulations, the Company can invest in unlisted equities in the energy and commodity sectors in emerging markets. The Company may also take positions in listed equities within the same industry sector. The Company may from time to time invest in debt and money market instruments issued by public and or private companies for cash management purposes or to enhance the portfolio return. The Company may enter into derivatives with the purpose of moderating certain risk exposures in the portfolio; however these operations do not necessarily qualify for hedge accounting.

All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. On December 31st, 2019 the Company's exposure to market risk arises from uncertainties about future prices of the Company's listed equity investments. As of December 31st, 2019 the Company had six unlisted investments, in effect all Level 3 assets. The Company's overall market positions and its different risk exposures are monitored on a weekly basis.

On December 31st, 2019 the Company's market risk was affected by two main components: changes in actual market prices and foreign currency movements. Foreign currency movements are covered in section f). If the prices of the invested equities on December 31st, 2019 had increased by 20 %, with all other variables held constant, this would have increased net assets by approximately CHF 1.7 mln. Conversely, if the portfolio had decreased by 20 %, this would have decreased net assets by approximately CHF 1.7 mln. Management has internally reviewed the percentage of change and the Board approved the rate as appropriate.

The table below summarizes the Company's exposure to market price risk.

Financial assets at fair value through profit or loss on December 31st

2019		2018	
Fair value CHF	% of total assets valued at bid market price	Fair value CHF	% of total assets valued at bid market price
8,281,629	98 %	5,421,685	97 %

c) Interest rate risk

The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company's interest bearing assets as of December 31st, 2019 consisted of cash and cash equivalents, the liabilities of the shareholder loan. Therefore the Company's exposure to fair value interest rate risk due to fluctuation in the prevailing market interest rates is limited.

in CHF On December 31st, 2019	Less than 1 month	1–3 months	3–12 months	1–5 years	Non interest bearing	Total
Assets						
Cash and cash equivalents	181,966	–	–	–	–	181,966
Financial assets at fair value through profit or loss	–	–	–	–	8,281,629	8,281,629
Other assets	–	–	–	–	6,305	6,305
Total assets	**181,966**	**–**	**–**	**–**	**8,287,934**	**8,469,900**
Liabilities						
Accrued expenses and accounts payable	–	–	–	–	77,337	77,337
Shareholder loan	–	811,407	–	–	–	811,407
Total liabilities	**–**	**811,407**	**–**	**–**	**77,337**	**888,744**
Total net assets by time	**181,966**	**(811,407)**	**-**	**-**	**8,210,597**	**7,581,156**

in CHF On December 31st, 2018	Less than 1 month	1–3 months	3–12 months	1–5 years	Non interest bearing	Total
Assets						
Cash and cash equivalents	105,509	–	–	–	–	105,509
Financial assets at fair value through profit or loss	–	–	–	–	5,421,685	5,421,685
Other assets	–	–	–	–	75,413	75,413
Total assets	**105,509**	**–**	**–**	**–**	**5,497,098**	**5,602,607**
Liabilities						
Accrued expenses and accounts payable	–	–	–	–	56,088	56,088
Shareholder loan	–	729,290	–	–	–	729,290
Total liabilities	**–**	**729,290**	**–**	**–**	**56,088**	**785,378**
Total net assets by time	**105,509**	**(729,290)**	**-**	**-**	**5,441,010**	**4,817,229**

The table summarizes the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

On December 31st, 2019 should interest rates have decreased or increased by 50 basis points with all other variables remaining constant, this would have had no material impact on the net assets of the Company.

d) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The Company's main exposure to credit risk consists of the cash deposits held at various bank accounts. The Company has a 23 % concentration of its credit risk with its main custodian; UBS AG, Switzerland – an international bank with an investment grade rating as rated by a well-known rating agency. The remaining 77 % are deposited at the second custodian the Company works with, LLC Custodian Garant, Dnipro. Cash holdings denominated in UAH are kept at FUIB, Kiev. During 2019, the Board of Directors decided to change the Company's banking relationship from Privatbank to First Ukrainian International Bank (FUIB) as the service quality at Privatbank deteriorated progressively since the

nationalization of the bank in recent years. FUIB is the largest privately owned bank in the country. FUIB is rated B with a stable outlook by rating agency Fitch. The latest rating report.

The table below summarizes the Company's exposure to credit risk.

in CHF	2019	2018
Cash and cash equivalents	**181'966**	**105,509**

Credit exposure split by rating category	2019	2018
Rating		
AAA/Aaa	–	–
AA/Aa	–	–
A/A	–	–
A+	23 %	–
A	–	51 %
BBB/Baa	–	–
B	77 %	–
CCC	–	49 %
Total	**100 %**	**100 %**

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been deposited at the Company's custodian account. The trade will fail if either party fails to meet its obligation. All securities held by the Company on December 31st, 2019 are deposited with FUIB, Ukraine or UBS AG, Switzerland.

e) Liquidity risk

The Company has no commitments that could give rise to short term liquidity calls. Some of the Company's investments are considered to have limited liquidity despite being listed in the PFTS/UX system of Ukraine. As a result, the Company may not be able to liquidate its investments in those holdings on short term notice at an amount close to fair value or to respond to specific events such as deterioration of earnings of any particular issuer.

The Company is exposed to liquidity risk in the extreme event of a failure of its custodian, Custodian Garant/FUIB Ukraine. In such situation, the Company may not be able to dispose of its investments for a period of time.

in CHF On December 31st, 2019	Less than 1 month	1–3 months	1–5 years	No stated maturity
Accounts payable (at amortized costs)	11,837	–	–	–
Accrued expenses and other liabilities	65,500	–	–	–
Shareholder loan (at amortized costs)	–	811,407	–	–
Total financial liabilities	**77,337**	**811,407**	**–**	**–**

in CHF On December 31st, 2018	Less than 1 month	1–3 months	1–5 years	No stated maturity
Accounts payable (at amortized costs)	5,588	–	–	–
Accrued expenses and other liabilities	50,500	–	–	–
Shareholder loan (at amortized costs)	–	729,290	–	–
Total financial liabilities	**56,088**	**729,290**	**–**	**–**

The table above analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

f) Currency risk

The Company holds assets denominated in currencies other than Swiss Francs, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates.

The exchange rates used against the CHF were:

	2019	2018
USD	0.9683	0.9850
UAH	0.0412	0.0354
GBP	1.2739	1.2546

Concentration of assets and liabilities under Ukrainian Hryvna

in CHF	2019	2018
Assets		
Cash at bank	139,873	51,404
Financial assets at fair value through profit or loss	1,811,783	1,637,089
Other financial assets	–	69,108
Total Assets	**1,951,656**	**1,757,601**
Liabilities	**–**	**–**

On December 31st, 2019 had the exchange rate between the Ukrainian Hryvna and the Swiss Francs increased or decreased by 30 % with all other variables held constant, the increase or decrease respectively in net assets would amount to approximately CHF 0,59 mln (2018: CHF 0,53 mln).

Concentration of assets and liabilities under US Dollar

in CHF	2019	2018
Assets		
Cash at bank	30,883	34,934
Financial assets at fair value through profit or loss	5,918,016	3,240,513
Total Assets	**5,948,899**	**3,275,447**
Liabilities	**–**	**–**

On December 31st, 2019 had the exchange rate between the US Dollar and the Swiss Francs increased or decreased by 10 % with all other variables held constant, the increase or decrease respectively in net assets would amount to approximately CHF 0,59 mln (2018: CHF 0,33 mln).

Concentration of assets and liabilities under GB Pound

in CHF	2019	2018
Assets		
Cash at bank	415	1,122
Financial assets at fair value through profit or loss	551,830	544,083
Total Assets	**552,245**	**545,205**
Liabilities	**–**	**–**

On December 31st, 2019 had the exchange rate between the GB Pound and the Swiss Francs increased or decreased by 15 % with all other variables held constant, the increase or decrease respectively in net assets would amount to approximately CHF 0,08 mln (2018: CHF 0,08 mln).

The Company's policy is not to enter into any currency hedging transactions and to manage its investments using the US Dollar as base currency.

g) Concentration risk

The investment objective of the Company is to maximize long-term returns to shareholders through investments in strategically selected companies concentrated in the energy and commodity sectors, which are primarily active in emerging markets. The Company holds currently eleven investments: eight energy utilities from Ukraine, one Ukrainian oil company, one Russian gas company and one Kazakh commodity company. 98 % of its net assets are invested in Gazprom ADR (71 %) and Ukrnafta (20 %) and KAZ Minerals (7 %).

The value of EEII's assets is significantly exposed to volatility in the price of Gazprom shares. If the share price were to drop or rise 35 % from the year end 2019 level of USD 8.23 the value of the company's assets would be reduced or lifted by CHF 2.1 mln, i.e. CHF 1.36 per share.

h) Repatriation risk

The Company is exposed to a repatriation risk, which is the risk that a dividend, another cash flow, or a bank deposit from a foreign country like Ukraine, Russia or Kazakhstan cannot be repatriated, or cannot be fully repatriated to Switzerland within a foreseeable time frame. In 2019, Ukraine relaxed some of its foreign exchange regulations. Among the continuing restrictions, that potentially could have a adverse impact on the Company's ability to repatriate funds out of the country are a) limits on dividend repatriation (currently limited to EUR 7 mln per month) and b) limits on repatriation of investment proceeds from sales of corporate rights or securities (currently limited to EUR 5 mln per month).

6.2 Capital management

The Company's capital is represented by the net assets as follows:

in CHF	2019	2018
Assets		
Cash at bank equivalents	181,966	105,509
Financial assets at fair value through profit or loss	8,281,629	5,421,685
Other assets	6,305	75,413
Total assets	**8,469,900**	**5,602,607**
Liabilities	(888,744)	(785,378)
Total net assets (capital)	**7,581,156**	**4,817,230**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The objective is to invest in listed equity in the eastern energy and infrastructure sector. The Company manages its capital structure and makes adjustments if economic conditions change. To maintain or adjust the capital structure the Company issues new shares or returns capital to the shareholders. The Company monitors and reports its net asset value on a weekly basis.

6.3 Counterparty Risk

The Board of Directors decided to change the business relationship from Privatbank to First Ukrainian International Bank (FUIB/LLC Custodian Garant) as noted under Note 6 6.1 d above.

// Note 7 – Taxes

Income is taxable at the effective ordinary rate of 8 %, except for dividend and capital gain income derived from qualifying investments, which are exempt from income taxes. The Company pays Swiss taxes on capital of 0.02 % for the year 2019 (Zug).

The Company has not recognised any deferred or current tax income, liabilities or assets in the current and prior period. This because no temporary differences exist and tax loss carry forwards are not being capitalised (see note 3.10).

Details of the amounts recognised in profit or loss are as follows:

in CHF	2019	2018
Statutory gain/(loss)	2,763,927	(593,829)
Statutory tax rate	8%	8%
Expected income tax expense/(gain)	**221,114**	**(47,506)**
Deferred tax assets not recognised	–	–
Impact of tax (gain)/loss carried forward (statutory level)	(221,114)	47,506
Total income tax expense	**–**	**–**

in CHF	2019	2018
Gain/(loss) before tax (IFRS)	**2,763,927**	**(593,829)**
Deferred tax (income)	–	–
Net gain/(loss) after tax / Total comprehensive gain/(loss)	2,763,927	(593,829)

Analysis on income tax expense

Expected current income taxes for 2019 are zero (2018: zero). Due to the holding privilege combined with the actual results and tax losses carried forward, income of the Company for 2019 is not subject to current tax, so the tax expense for 2019 is zero (2018: zero). The Swiss tax on capital (0.02 %) is posted as an operating expense.

As of December 31st, 2019 the tax losses carried forward by EEII amount to CHF 8.4 mln (2018: CHF 19.2 mln). The unrecognized tax losses have the following expiry dates:

Year	in CHF
2020	2,365,770
2021	2,271,847
2022	3,248,901
2025	593,829
Total tax losses carried forward	**8,480,347**
Not capitalised maximum positive tax effect (with 8 %)	678,428

// Note 8 – Employee benefits

Defined benefit plan

The Company does not contribute to a defined benefit plan for its one part time employee. It does not operate any other defined benefit plans. The Company expects to pay CHF 0 in contribution to any Swiss defined benefit plan during the financial year ending December 31st, 2019 (2018: CHF 0).

// Note 9 – Shareholder loan

As of December 31st 2019, the Company had a shareholder loan of CHF 0.81 mln outstanding, which was drawn in order to strengthen the working capital (2018 CHF 0.73 mln). The amount of the yearly interest payable by the Company is automatically adjusted every year and equal to the so-called "safe haven" interest rate between related parties as published by the Swiss tax authorities for CHF loans. The lender may demand repayment of the loan by giving at least a three months notice in advance. For the calendar year 2019 the Company accrued interest of CHF 21,157 (2018: CHF 16,170).

// Note 10 – Related parties

Weissenstein & Partner AG (the "Advisor") provided management support and financial advisory services to EEII on the basis of a mandate agreement. Weissenstein & Partner AG is a privately held firm. Marcus H. Bühler (CEO of the Company) acts as a member of the Board of directors at Weissenstein. Christoph Offenhäuser (part of the advisory team of the Company) is a partner of Weissenstein.

The relationship between the Company and Weissenstein during the reporting period was governed by a Mandate Agreement that became effective December 6th, 2016. The annual fixed fee for the services provided by Weissenstein amounts to CHF 108,000.

Victor Lorenz Gnehm, Schnurrenberger Tobler Gnehm & Partner, Alpenstrasse 2 in CH-6300 Zug, Switzerland (www.stgp.ch), provided general legal counsel to the Company. The Company accrued a total of CHF 15'000 plus VAT, for services provided in 2019.

Gehold SA, Zug, is the controlling party of EEII and does not publish financial statements. The ultimate controlling party of Gehold SA, Zug, is Ms. Larisa Chertok, in Anières, Switzerland.

// Note 11 – Segment information

The Company is organized into one main business segment focused on investing in the energy, commodity and infrastructure sectors in emerging markets. Its secondary segment presents geographical regions based on location of the investment. At present investments have been made in Ukraine, Russia & Kazakhstan. All other assets and liabilities of the Company are in Switzerland. In 2019 no external revenues with customers are booked and no major customers according to IFRS 8.34 do exist.

in CHF	2019	2018
Income		
Switzerland	(4,951)	(1,691)
Ukraine	197,691	15,311
Russia (Gazprom)	2,978,114	180,002
Kazakhstan (KAZ Minerals)	16,024	(408,951)
Total income	**3,186,878**	**(215,329)**
Assets		
Switzerland	48,398	60,410
Ukraine	1,951,656	1,757,601
Russia (Gazprom)	5,918,016	3,240,513
Kazakhstan (KAZ Minerals)	551,830	544,083
Total assets	**8,469,900**	**5,602,607**

// Note 12 – Compensation policies

Determination of compensation

The Remuneration Committee, consisting of Mr. Victor Lorenz Gnehm and Christoph Offenhäuser, who both were elected by the ordinary General Meeting of Shareholders of the Company on May 27th, 2019, drafts and periodically reviews the remuneration policy and principles of the Company.

It submits proposals regarding type and amount of compensation to the members of the Board of Directors and the Management and prepares the proposal for the total amounts of fixed remuneration to the General Meeting of the Company. The Remuneration Committee is also responsible for the preparation of the Remuneration Report. The compensation of the Board Members has been determined to appropriately reflect the size of the Company and the responsibility of the Board Members. The General Meeting approves annually and severally for the Board of Directors and the Management a total amount as fixed remuneration for the current business year. More details and information can also be found on the separate Remuneration Report of the Company.

The General Meeting of Shareholders of the Company on May 27th, 2019, approved a remuneration package for the business year 2019 as follows:

- Fixed Remuneration for the Board of Directors of totaling CHF 30,000 [excluding gross-up to reflect taxes at source, social charges (Swiss social security programs providing retirement, disability and unemployment benefits AHV/IV/ALV) and any other taxes]
- Fixed Remuneration for the Management of totaling CHF 12,000 [excluding employer's contributions to social charges (Swiss social security programs providing retirement, disability and unemployment benefits AHV/IV/ALV) and any other taxes].

Compensation for the Board of Directors

The Company compensated the Board Members with a fee of CHF 30,000 p. a. plus out-of the pocket expenses. The compensation of all Board Members was grossed-up to reflect taxes at source and social charges and amounted in total to CHF 34,691 (2018: CHF 34,981).

Compensation for Management

For the business year 2019 the Company compensated the Management with a fixed amount of CHF 12,000 (2018: CHF 12,000) [excluding employer's contributions to social charges (Swiss social security programs providing retirement, disability and unemployment benefits AHV/IV/ALV of totally CHF 2,471 (2018: CHF 2,474)] and any other taxes.

// Note 13 – Leasing activities

The company has not entered any leasing arrangements.

// Note 14 – Events after the balance sheet date

On January 30th, 2020, the World Health Organization (WHO) declared the outbreak of the SARS-CoV-Virus a Public Health Emergency of International Concern. EEII's Board of Directors as well as the Management are monitoring the unfolding events and will implement required steps. At the approval time of this annual report, the interim financial impact originating from the COVID-19 pandemic can be measured quite accurately, as it is mirrored in the weekly NAV of the company.

As a result of suffering financial markets and major concerns with regard to the global economy, commodity prices have been severely impacted, leading to important losses in EEII's most important holdings. EEII's NAV (in CHF) has lost approx. 45 % by the end of March 2020. When this report went to print, it was virtually impossible for EEII's Board and the Management to make any estimations as to when and to which extent a sustainable recovery will take place. Additionally, the extraordinary circumstances could lead the BoD of Gazprom to cut its dividend, further negatively impacting EEII's 2020 annual results.

The damage stemming from the COVID-19 pandemic took place after the closing of the 2019 annual accounts. In accordance with generally accepted accounting principles, its impact is therefore not reflected in the 2019 accounts.

After the balance sheet date and by the approval date of the financial statements by the Board of Directors, no other significant events have ocurred which might affect the validity of the financial statements 2019 and required to be disclosed at this point.

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STATUTORY AUDITOR'S REPORT

To the General Meeting of EEII AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EEII AG (pages 16 to 37), which comprise the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with article 14 of the Directive on Financial Reporting (DFR) of SIX Exchange as well as with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Auditing Standards (SAS). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other 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 opinion.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through profit or loss	
As presented in the statement of financial position and disclosed in note 5 to the financial statements, the financial assets are recorded at fair value. As at 31 December 2019, CHF 8.3 Mio. or 98% of the assets are at fair value and were classified in accordance with IFRS 13 *Fair Value Measurement*.	We identified the market and other relevant data input used by the company to determine fair values and tested it against independent data, using also the work of an internal expert.
We focused our audit on this position because of its significance to the financial statements. The determination of appropriate fair values is key to the valuation of these assets.	

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the financial statements, remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SAS 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Zurich, 24 April 2020

BDO Ltd

René Krügel

Auditor in Charge
Licensed Audit Expert

ppa. Andrea Spichtig

Licensed Audit Expert

Enclosures
Financial statements

Statutory Management Report

Full-time equivalents

The annual average number of full-time equivalent for the reporting year was 0.25 (2018: 0.25).

Conduct of a risk assessment

The risk management of the Company is administered by the Board of Directors. The Board of Directors assesses the risk situation on a quarterly basis and regularly monitors and controls the underlying processes of risk management for the Company. The risk management process includes four steps: risk identification, risk assessment, risk valuation and risk control. On this basis, the current risks are assessed according to their probability of occurrence and impact. Those risks that are assessed as significant are avoided, mitigated or transferred through corresponding measures determined by the Board of Directors. Disclosures to the risk assessment procedures are described in note 6 to the Company's IFRS financial statements.

Extraordinary events

There have been no extraordinary events or transactions during the reporting period.

Future prospects

The macroeconomic indicators for the core investment markets of the Company, in particular for Russia and Ukraine, continued their recovery in 2019. Despite some positive signs of improvement in the economic performance of Ukraine, country risks for both markets (Russia and Ukraine) remain elevated. Renewed weakness in commodity prices, particularly oil (Gazprom) and copper (KAZ Minerals) may have a negative impact on the Company's investment portfolio.

Looking forward, the management of the company expects continued uncertainty about the political prospects particularly in the Ukraine, which are a major driver for stock prices and currency volatility. 2019 brought positive momentum to the country with the election of President Wolodimir Selenski. It remains to be seen though, how sustainable the policy changes are and if decisive reforms are finally passed by the government. While the main assets of the company's investment portfolio are mostly dependent on commodity prices, the Ukrainian holdings will hardly see an improvement in business conditions or valuations without significant progress on the political side.

As outlined in Note 14, the Corona pandemic has had a significant impact on financial markets, which directly hit the value of the Company's assets. The short term outlook for the global economy and EEII's investment markets is unclear at this point in time.

Statutory Financial Statements
Statement of Financial Position

as of December 31st

in CHF	Notes	2019	2018
Assets			
Cash and cash equivalents		181,966	105,509
Other short-term receivables		6,305	75,413
Total current assets		**188,271**	**180,922**
Financial assets	2	8,281,629	5,421,685
Total non current assets		**8,281,629**	**5,421,685**
Total assets		**8,469,900**	**5,602,607**
Liabilities and shareholders' equity			
Trade accounts payable		11,837	5,588
Accrued expenses and deferred income	3.5	65,500	50,500
Interest bearing short term loan shareholder		811,407	729,290
Total current liabilities		**888,744**	**785,378**
Share capital	2	10,845,321	10,845,321
Accumulated deficit		(3,264,165)	(6,028,092)
Shareholders' equity		**7,581,156**	**4,817,229**
Total liabilities and shareholders' equity		**8,469,900**	**5,602,607**

› see accompanying notes to the financial statements on pages 44 to 47

Statement of Income

for the year ended December 31st

in CHF	Notes	2019	2018
Income			
Interest income		–	–
Dividends	1	312,441	275,604
Other income		58	157
Profit on financial assets	2	2,877,334	73,268
(Loss) on financial assets	2	(17,391)	(483,619)
Total income/(expense)		**3,172,442**	**(134,590)**
Expenses			
Interest expense		21,157	16,170
Foreign exchange (gain)		(19,460)	–
Foreign exchange loss		5,024	80,739
Management fees		120,000	108,000
Administrative fees		53,478	41,131
Directors fees		34,691	34,981
Personnel cost		14,471	14,474
Professional fees		111,536	87,019
Other expenses		54,339	63,095
Bank charges and interest expenses		12,910	13,256
Capital tax expenses		369	374
Total expenses		**408,515**	**459,239**
Net profit/(loss) for the year		**2,763,927**	**(593,829)**
Accumulated deficit at the beginning of the year		(6,028,092)	(5,434,263)
Accumulated deficit at the end of the year		**(3,264,165)**	**(6,028,092)**

in CHF	2019	2018
Accumulated deficit at the beginning of the year	(6,028,092)	(5,434,263)
Net profit/(loss) for the year	2,763,927	(593,829)
Accumulated deficit at the end of the year	**(3,264,165)**	**(6,028,092)**

› see accompanying notes to the financial statements on pages 44 to 47

Cash Flow Statement

for the year ended December 31st

in CHF	Notes	2019	2018
Operating activities			
Profit/(loss) before tax		2,763,927	(593,829)
Adjustments to reconcile loss before tax to net cash flows			
Dividend income	1	(312,441)	(275,604)
Foreign exchange (gain)/loss on cash and cash equivalents		(14,436)	80,739
Unrealized profits on financial assets at fair value through profit or loss	2	(2,877,334)	(73,268)
Unrealized losses on financial assets at fair value through profit or loss	2	17,391	483,619
Interest expense		21,157	16,170
Other income		(58)	(157)
Working capital adjustments			
Dividend income	1	312,441	275,604
Decrease in other assets		69,108	29,494
Decrease in trade and other receivables		–	–
Decrease/(increase) in accounts payable		6,248	(10,027)
Decrease/(increase) in accrued expenses and other liabilities		15,000	(15,722)
Other income		58	157
Net cash flows from/(used in) operating activities		**1,061**	**(82,824)**
Investing activities			
Net cash flows from investing activities		–	–
Financing activities			
Short term loan received from shareholder		60,960	225,000
Net cash flows from financing activities		**60,960**	**225,000**
Increase in cash and cash equivalents		**62,021**	**142,176**
Cash and cash equivalents at the beginning of the year		105,509	44,072
Foreign exchange gain/(loss) on cash and cash equivalents		14,436	(80,739)
Cash and cash equivalents at the end of the year		**181,966**	**105,509**

› see accompanying notes to the financial statements on pages 44 to 47

Notes to the Financial Statements

as of December 31st, 2019

These notes are an extract of the notes to the IFRS financial statements and should be read in conjunction with them.

// Note 1 – Principles

Note 1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Note 1.2 Financial assets

The financial assets are valued at their quoted market price in an active market, if available, at the balance sheet date. If financial assets are not quoted in an active market, corresponding valuation adjustments have been applied.

Note 1.3 Dividend incomes

Dividends are recognised when the Company's bank account is credited with the dividend payment as opposed to recognising the expected payout upon the decisions of the shareholder meeting. This procedure is reflecting the general uncertainty about effective dividend payments by Ukrainian companies.

Note 1.4 Profit or loss on Financial Assets

The profit or loss on financial assets is presented in the Statement of Income under the title Income.

// Note 2 – Information on balance sheet and income statement items

Note 2.1 Financial assets

See table attached on page 46 and 47.

// Note 3 – Other information

Note 3.1 Full-time equivalents

The annual average number of full-time equivalent for the reporting year was 0.25 (2018: 0.25).

Note 3.2 Significant shareholders:

	2019	2018
Gehold SA	92.41 %	92.41 %

Note 3.3
Shareholdings by member of the board of directors

	2019	2018
Victor Lorenz Gnehm	1 share	1 share

Note 3.4 Accrued expenses and deferred income

	2019	2018
Accrued expenses and deferred income due to third parties	50,500	50,500
Accrued expenses and deferred income due to board of director	15,000	–
Total	**65,500**	**50,500**

Note 3.5 Audit fees
Auditing fees

For the audit for the calendar year 2019, BDO Ltd has charged the Company an audit fee of CHF 64,000 (2018: CHF 41,150).

Additional fees

In 2019 BDO Ltd has performed other (other than auditing the annual accounts) services for the Company in the amount of CHF 2,100 (2018: CHF 2,150).

// Note 4 – Events after the balance sheet date

On January 30th, 2020, the World Health Organization (WHO) declared the outbreak of the SARS-CoV-Virus a Public Health Emergency of International Concern. EEII's Board of Directors as well as the Management are monitoring the unfolding events and will implement required steps. At the approval time of this annual report, the interim financial impact originating from the COVID-19 pandemic can be measured quite accurately, as it is mirrored in the weekly NAV of the company.

As a result of suffering financial markets and major concerns with regard to the global economy, commodity prices have been severely impacted, leading to important losses in EEII's most important holdings. EEII's NAV (in CHF) has lost approx. 45 % by the end of March 2020. When this report went to print, it was virtually impossible for EEII's Board and the Management to make any estimations as to when and to which extent a sustainable recovery will take place. Additionally, the extraordinary circumstances could lead the BoD of Gazprom to cut its dividend, further negatively impacting EEII's 2020 annual results.

The damage stemming from the COVID-19 pandemic took place after the closing of the 2019 annual accounts. In accordance with generally accepted accounting principles, its impact is therefore not reflected in the 2019 accounts.

After the balance sheet date and by the approval date of the financial statements by the Board of Directors, no other significant events have ocurred which might affect the validity of the financial statements 2019 and required to be disclosed at this point.

Investments as of December 31st, 2019

Financial assets at fair value through profit or loss	Balance as of January 1st 2019		Additions
	Quantity	CHF	CHF
Ukrainian Energos / Power Generation Companies			
Centrenergo	141,000	71,433	–
Donbasenergo	11,400	12,874	–
Kievenergo	13,400	4,269	–
DTEK Kyivski Electromerezhi	13,400	–	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,500,212	–
Ukrainian Oblenergos / Power Distribution Companies			
Cherkasyoblenergo	1,139,044	15,121	–
Dniprooblenergo	1,250	2,898	–
Krimenergo	155,000	933	–
Volynobelenergo	2,085,000	11,810	–
Zhytomyroblenergo	552,204	17,594	–
Total Ukrainian Investments		**1,637,089**	**–**
Other Investments			
Gazprom ADR	742,800	3,240,513	–
KAZ Minerals PLC (former Kazakhmys)	81,517	544,083	–
Total Other Investments		**3,784,596**	**–**
Total financial assets at fair value through profit or loss		**5,421,685**	**–**

Investments as of December 31st, 2018

Financial assets at fair value through profit or loss	Balance as of January 1st 2018		Additions
	Quantity	CHF	CHF
Ukrainian Energos / Power Generation Companies			
Centrenergo	141,000	62,433	–
Dniproenergo	1,380	23,538	–
Donbasenergo	11,400	7,270	–
Kievenergo	13,400	13,129	–
Zakhidenergo	9,800	44,674	–
DTEK Kyivski Electromerezhi	–	–	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,491,358	–
Ukrainian Oblenergos / Power Distribution Companies			
Cherkasyoblenergo	1,139,044	57,245	–
Dniprooblenergo	1,250	9,609	–
Krimenergo	155,000	5,674	–
Volynobelenergo	2,085,000	19,226	–
Zhytomyroblenergo	552,204	14,300	–
Total Ukrainian Investments		**1,748,456**	**–**
Other Investments			
Gazprom ADR	742,800	3,194,837	–
KAZ Minerals PLC (former Kazakhmys)	81,517	957,851	–
Total Other Investments		**4,152,688**	**–**
Total financial assets at fair value through profit or loss		**5,901,144**	**–**

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31st 2019	
CHF	Realised	Unrealised	Realised	Unrealised	Quantity	CHF
–	–	–	–	(16,189)	141,000	55,189
–	–	–	–	–	11,400	11,673
–	–	700	–	(1,201)	13,400	4,969
–	–	–	–	–	–	–
					–	–
–	–	183,463	–	–	302,701	1,683,675
–	–	2,478	–	–	1,139,044	17,599
–	–	475	–	–	1,250	3,373
–	–	153	–	–	155,000	1,086
–	–	1,935	–	–	2,085,000	13,745
–	–	2,882	–	–	552,204	20,476
–	**–**	**192,086**	**–**	**(17,390)**		**1,811,785**
–	–	2,677,502	–	–	742,800	5,918,015
–	–	7,746	–	–	81,517	551,829
–	**–**	**2,685,248**	**–**	**–**		**6,469,844**
–	**–**	**2,877,334**	**–**	**(17,390)**		**8,281,629**

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31st 2018	
CHF	Realised	Unrealised	Realised	Unrealised	Quantity	CHF
–	–	8,945	–	–	141,000	71,378
(23,847)	–	309	–	–	–	–
–	–	5,604	–	–	11,400	12,874
–	–	–	–	(8,860)	13,400	4,269
(45,260)	–	586	–	–	–	–
–	–	–	–	–	13,400	–
					–	–
–	–	8,854	–	–	302,701	1,500,212
–	–	–	–	(42,122)	1,139,044	15,121
–	–	–	–	(6,711)	1,250	2,898
–	–	–	–	(4,741)	155,000	933
–	–	–	–	(7,417)	2,085,000	11,810
–	–	3,294	–	–	552,204	17,594
(69,107)	**–**	**27,592**	**–**	**(69,851)**		**1,637,089**
–	–	45,676	–	–	742,800	3,240,513
–	–	–	–	(413,768)	81,517	544,083
–	**–**	**45,676**	**–**	**(413,768)**		**3,784,596**
(69,107)	**–**	**73,268**	**–**	**(483,619)**		**5,421,685**

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STATUTORY AUDITOR'S REPORT

To the General Meeting of EEII AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EEII AG, which comprise the statement of financial position as at 31 December 2019 and the statement of income, cash flow statement and notes to the financial statement for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements as at 31 December 2019 (page 41-47) comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other 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 opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through profit or loss As presented in the statement of financial position and disclosed in note 1.2 and 2 to the financial statements, CHF 8.3 Mio. or 98% of the financial assets are recorded at quoted market prices in the statement of financial position. We focused our audit on this position because of its significance to the financial statements. The determination of the relevant market prices is key to the valuation of these assets.	We identified the market and other relevant data input used by the company to determine the quoted market prices and tested it against independent data, using also the work of an internal expert.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Zurich, 24 April 2020

BDO Ltd

René Krügel

Auditor in Charge
Licensed Audit Expert

ppa. Andrea Spichtig

Licensed Audit Expert

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