



Eastern Energy & Infrastructure Invest

Annual Report 2020

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Dear Shareholders

2020 has been a disruptive year for many and certainly a transformative one for EEII AG. As reported earlier last year, the Company's main shareholder, Gehold SA, Zug, entered into an agreement to sell its entire 92.41 % holding in EEII to NACALA WORLDWIDE AG, Luzern. Due to the complex nature of the transaction and other factors attributable to the pandemic, the closing of the deal has been delayed. Closing is now expected to occur by September 2021.

For the year 2020, EEII reported a loss of CHF 2,909,222 (2019: profit 2,763,927). The Company's net asset value (NAV) as of December 31, 2020, amounted to CHF 3.06 per share compared to CHF 4.96 at the end of 2019. The main driver for the loss is the drop in the value of EEII's Gazprom holding which ended the year down 38 % or CHF 2,256 mln. The exit from EEII's Ukrainian investments and KAZ Minerals PLC following the takeover of EEII by its new anchor investor was responsible for the additional loss.

The Covid-19 pandemic continues to haunt the world and is far from over. The impact of the pandemic on the Company's 2020 financial results has been appropriately recorded and recognized in its financial statements. The effect of the ongoing pandemic on EEII's current business year could not be assessed with any reliability at the time when this report was prepared.

With the closing of the Ukraine chapter, EEII is now ready to embark on a new strategic journey with attractive investment opportunities under the leadership of the new main shareholder.

On behalf of the Company, I thank you for your trust and support in the past years.

Sincerely,



Victor Lorenz Gnehm
Chairman of the Board of Directors

Portfolio Description

In anticipation of the planned change in ownership of EEII, significant changes have been implemented in the company's portfolio during the 2nd half of 2020. In particular, the Ukrainian market has been completely exited and the stake in KAZ Minerals was sold as well.

As per December 31st, 2020, the Gazprom ADRs were the only remaining position in the portfolio.

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 capacity, while it has a monopoly right to export pipeline gas from Russia. The Russian government owns 50.2 % in the company. Gazprom, like the entire energy sector, have been hit hard by the collapse in demand and prices of fossil fuels during the pandemic. During the final months of 2020 the outlook improved slightly, as the energy markets started to recover based on expectations for a rapid post Covid-19 recovery for the global economy. Management confirmed that it remains committed to its all important dividend policy based on the positive long-term outlook for the gas market, supported by policy-driven shift towards cleaner fuels.

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. (see also Note 1 to the IFRS financial statements). As of December 31st, 2020 the only investment of the Company was 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, 2020.

The shares of the Company are listed on the SIX Swiss Exchange. As of December 31st, 2020 the total market capitalization, based on the share price last paid, amounted to CHF 3.6 mln.

Significant shareholders

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

As of December 31st, 2020 Gehold SA owned 92.41 % of the outstanding shares of the 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, 2020 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 2020 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 June 23rd, 2020 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, 2020, 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 June 23rd, 2020. 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 June 23rd, 2020 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 2020).

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"), MSZ Group 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 52,116 (2019: CHF 53,478). 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 13 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 34,799 (2019: CHF 34,691).

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 2020 the Company compensated the Management with a fixed amount of CHF 12,000 (2019: 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 2,523 (2019: CHF 2,471)] 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 2020, 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 9,000 plus VAT, for services provided in 2020.

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 2019 nor in 2020.

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 2020, BDO Ltd has charged the Company an audit fee of CHF 47,400 (2019 CHF 64,000).

Additional fees

In 2020 BDO Ltd has performed other (other than auditing the annual accounts) services for the Company in the amount of CHF 3,090 (2019: CHF 2,100).

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 (MSZ Group AG, 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, 2020 the shareholders' economic interest in EEII AG ("EEII") amounted to CHF 4,671,934 (2019: CHF 7,581,156) which, based on the 1,527,510 shares issued, results in a Net Asset Value per share of CHF 3.06 (2019: CHF 4.96).

In 2020, EEII recorded a net loss of CHF 2,909,222 (2019: net profit of CHF 2,763,927). 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 3,661,583 (2019: CHF 8,281,629). The total assets as of December 31st, 2020 amounted to CHF 5,817,686 (2019: CHF 8,469,900).

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, 2020 EEII AG registered in Zug, Switzerland, recorded shareholders' equity of CHF 4,671,934 (2019: CHF 7,581,156).

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

in CHF	2020	2019
Accumulated deficit at the beginning of the year	(3,264,165)	(6,028,092)
Net (loss)/profit for the year	(2,909,222)	2,763,927
Accumulated deficit carried forward	(6,173,387)	(3,264,165)
Dividend per share	–	–

Determination of the Net Asset Value

as of December 31st

in CHF	2020 Following IFRS presentation	2019 Following IFRS presentation
Cash and other assets	2,156,103	188,271
Financial assets at fair value through profit or loss	3,661,583	8,281,629
Total assets	5,817,686	8,469,900
Total liabilities	1,145,752	888,744
Share capital	10,845,321	10,845,321
Accumulated deficit	(6,173,387)	(3,264,165)
Total shareholders' equity	4,671,934	7,581,156
Total liabilities and shareholders' equity	5,817,686	8,469,900
Total shares outstanding	1,527,510	1,527,510
Net asset value per share	3.06	4.96

IFRS Financial Statements

IFRS Statement of Financial Position

as of December 31st

in CHF	Notes	2020	2019
Assets			
Cash and cash equivalents		244,619	181,966
Short term receivables from shareholder	11	1,905,179	–
Other assets		6,305	6,305
Total current assets		2,156,103	188,271
Financial assets at fair value through profit or loss	5	3,661,583	8,281,629
Total non current assets		3,661,583	8,281,629
Total assets		5,817,686	8,469,900
Liabilities and shareholders' equity			
Accounts payable		7,598	11,837
Shareholder loan	9	1,075,654	811,407
Accrued expenses and other liabilities		62,500	65,500
Total current liabilities		1,145,752	888,744
Share capital	4	10,845,321	10,845,321
Accumulated deficit		(6,173,387)	(3,264,165)
Shareholders' equity		4,671,934	7,581,156
Total liabilities and shareholders' equity		5,817,686	8,469,900

IFRS Statement of Income

for the year ended December 31st

in CHF	Notes	2020	2019
Operating income			
Interest income		27,547	–
Dividends		235,493	312,441
Unrealised gain on financial assets at fair value through profit or loss	5	–	2,877,334
Unrealised (loss) on financial assets at fair value through profit or loss	5	(2,256,433)	(17,391)
Realised (loss) on financial assets at fair value through profit or loss	5	(485,981)	–
Foreign exchange gain		–	19,460
Foreign exchange (loss)		(34,301)	(5,024)
Other income		24	58
Net operating (loss)/profit		(2,513,651)	3,186,878
Operating expenses			
Management & Advisory fees	10	108,000	120,000
Administrative fees		52,116	53,478
Directors fees	13	34,799	34,691
Personnel cost	13	14,523	14,471
Professional fees	10	87,816	111,536
Other expenses		59,720	54,339
Bank charges and interest expenses		35,238	34,067
Capital tax expense	7	3,359	369
Total operating expenses		395,571	422,951
(Loss)/profit before tax		(2,909,222)	2,763,927
Income taxes	7	–	–
Net (loss)/profit after tax / Total comprehensive (loss)/income		(2,909,222)	2,763,927
Net earnings per share			
Net (loss)/profit		(2,909,222)	2,763,927
Weighted Average Number of shares (basic and diluted)		1,527,510	1,527,510
Net (loss)/profit per share – (basic and diluted)		(1.90)	1.81

IFRS Statement of Comprehensive Income

Net (loss)/profit for the year	(2,909,222)	2,763,927
Other comprehensive income	–	–
Total comprehensive (deficit)/income for the year	(2,909,222)	2,763,927

› see accompanying notes to the IFRS financial statements on pages 18 to 33

IFRS Cash Flow Statement

for the year ended December 31st

in CHF	Notes	2020	2019
Operating activities			
(Loss)/profit before tax		(2,909,222)	2,763,927
Adjustments to reconcile loss before tax to net cash flows			
Interest income	9	(27,547)	–
Dividend income		(235,493)	(312,441)
Foreign exchange (gain) on cash and cash equivalents		–	(19,460)
Foreign exchange loss on cash and cash equivalents		34,301	5,024
Interest expense		24,247	21,157
Unrealized (gain) on financial assets at fair value through profit or loss	5	–	(2,877,334)
Unrealized loss on financial assets at fair value through profit or loss	5	2,256,433	17,391
Realized losses on financial assets at fair value through profit or loss		485,981	–
Other income		(24)	(58)
Working capital adjustments			
Dividend income		235,493	312,441
(Increase) in short term receivables from shareholder		–	–
Decrease in other assets		–	69,108
(Decrease)/increase in accounts payable		(4,239)	6,248
(Decrease)/increase in accrued expenses and other liabilities		(3,000)	15,000
Other income		24	58
Net cash flows (used in)/from operating activities		(143,046)	1,061
Investing activities			
Disposal of Financial Assets at FVTPL		–	–
Net cash flows from investing activities		–	–
Financing activities			
Short term loan received from shareholder		240,000	60,960
Net cash flows from financing activities		240,000	60,960
Increase in cash and cash equivalents			
		96,954	62,021
Cash and cash equivalents at the beginning of the year		181,966	105,509
Foreign exchange gain on cash and cash equivalents		–	19,460
Foreign exchange (loss) on cash and cash equivalents		(34,301)	(5,024)
Cash and cash equivalents at the end of the year		244,619	181,966

The financing cash flow of CHF 240,000 relates to the increased shareholder loan. The balance sheet amount of CHF 1,075,654 includes accrued interest. The payment of the sale of all Ukrainian shares and KAZ to Gehold SA (see note 11) was deferred and had no cash flow impact on 2020.

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, 2019	10,845,321	(6,028,092)	4,817,229
Net profit 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
Net (loss) for the period	–	(2,909,222)	(2,909,222)
Other comprehensive income (OCI)	–	–	–
Total comprehensive (loss) for the year	–	(2,909,222)	(2,909,222)
Balance as of December 31st, 2020	10,845,321	(6,173,387)	4,671,934

Notes to the IFRS Financial Statements

as of December 31st, 2020

// 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 one investment in Russian gas and oil producer Gazprom.

The Company has sold all equity positions related to the Ukrainian power producers and distributors as well as the holding in KAZ Minerals in anticipation of the expected change in EEII’s ownership. 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.

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, 2020 the Company had one-part time employee (2019: one-part time employee).

The IFRS financial statements as of December 31st, 2020 were approved by the Board of Directors on April 27th, 2021. 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 following relevant standards and interpretations were newly published, revised or supplemented and came into effect for the annual accounting period beginning January 1st, 2020:

- › IFRS 3 (revised) Mergers – changes to clarify the definition of a business operation from 1.1.2020
- › IAS 1 (revised) Presentation of financial statements – Change in relation to the definition of «material» form 1.1.2020
- › IAS 8 (revised) Accounting policies, changes in estimates and errors – changes in relation to the definition of «material» from 1.1.2020

Changes to the references to the framework concept in IFRS standards from 1.1.2020

The provisions listed have no effect on the annual financial statements of EEII and do not affect any asset, financial or earnings position.

The following relevant standards and interpretations have been newly published, revised or supplemented, but are not applicable to the 2020 financial year and are not prematurely applied by EEII:

- › IFRS 7/9(revised) Financial instruments: disclosures – changes in connection with the IBOR reform and questions arising from the replacement of the reference interest rate from 1.1.2021
- › IFRS 9 (revised) Financial instruments: changes as a result of the 2018-2020 annual improvements cycle (Fees in the “10 % test” in relation to the derecognition of financial liabilities) from 1.1.2022
- › IAS 1 (revised) Presentation of financial statements: Change with regard to the classification of liabilities from 1.1.2023

Changes to the references to the framework in IFRS standards from 1.1.2021

The management currently assumes that apart from additional disclosures or changes in the presentation of the annual financial statements, the new provisions will not affect net assets, financial position and results of operations of EEII. The aforementioned Standards and interpretations are not applied early.

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.

As per December 31st, 2019 and as long as the Company held the investments, the following financial instruments were not considered to be traded in active markets: Cherkasyoblenergo, Volynoblenergo, Kievenergo, Krim-energo, DTEK Dniiprooblenergo 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, 2020.

Level 2

There are no Level 2 assets to be reported by December 31st, 2020 and 2019, respectively.

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.

All Level 3 investments were sold in the reporting period, hence there are no such assets to be reported by December 31st, 2020.

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 13.52 % (2019: 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 21,330 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, 2020 amounted in total to CHF 4,67 mln (2019: CHF 7,58 mln) respectively to CHF 3.06 (2019: CHF 4.96) per share.

// Note 4 – Share capital

Share capital

On December 31st, 2020, the Company had 1,527,510 ordinary bearer shares outstanding of par value of CHF 7.10. On December 31st, 2019, the Company had 1,527,510 ordinary bearer shares outstanding of par value of CHF 7.10.

Significant shareholders:

	2020	2019
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

There were no unrealized gains or losses of level 3 financial instruments during 2020.

Movements in the financial assets at fair value through profit or loss for the period from January 1st to December 31st, 2020 are as follows:

in CHF	2020	2019
Financial assets at fair value through profit or loss brought forward	8,281,629	5,421,685
Purchase	–	–
Sale	(1,877,632)	–
Unrealised (loss)/gain on financial assets at fair value	(2,256,433)	2,877,334
Unrealised loss on financial assets at fair value	–	(17,390)
Realised loss on financial assets at fair value	(485,981)	–
Financial assets at fair value through profit or loss	3,661,583	8,281,629

Listed shares	2020		2019	
	CHF	%	CHF	%
Liquid shares (Level 1 in fair value hierarchy IFRS 13)	3,661,583	100	8,220,381	99
Shares with limited liquidity (Level 3 in fair value hierarchy IFRS 13)	–	0	61,248	1
Total	3,661,583	100	8,281,629	100
Ukraine	–	0	1,811,783	22
Russia	3,661,583	100	5,918,016	71
Kazakhstan	–	0	551,830	7
Total	3,661,583	100	8,281,629	100

Amounts of transfers into Level 3 (IFRS 13.93 e iv)	2020	2019
Amounts of transfers into Level 3	–	–
Total	–	–

Shares with limited liquidity (Level 3 in fair value hierarchy IFRS 13)

in CHF	2020	2019
Financial assets at fair value through profit or loss		
At fair value		
as of January 1 st	61,248	52,625
Reclassification Level 1	–	–
Reclassification Level 2	–	–
Sale (see Note 11)	(49,315)	–
(Loss)/gain in profit or loss	(11,933)	8,623
as of December 31 st	–	61,248
Total loss in other comprehensive income	–	–
Other changes	–	–

Investments as of December 31st, 2020

Financial assets at fair value through profit or loss	Balance as of January 1 st 2020		Additions
	Quantity	CHF	CHF
Ukrainian Energos/Power Generation Companies			
Centrenergó	141,000	55,189	–
Donbasenergó	11,400	11,673	–
Kievenergó	13,400	4,969	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,683,675	–
Ukrainian Oblenergós/Power Distribution Companies			
Cherkasyoblenergó	1,139,044	17,599	–
Dniprooblenergó	1,250	3,373	–
Krimenergó	155,000	1,086	–
Volynobelenergó	2,085,000	13,745	–
Zhytomyroblenergó	552,204	20,476	–
Total Ukrainian Investments		1,811,785	–
Other Investments			
Gazprom ADR	742,800	5,918,015	–
KAZ Minerals PLC (former Kazakhmys)	81,517	551,829	–
Total Other Investments		6,469,844	–
Total financial assets at fair value through profit or loss		8,281,629	–

Investments as of December 31st, 2019

Financial assets at fair value through profit or loss	Balance as of January 1 st 2019		Additions
	Quantity	CHF	CHF
Ukrainian Energos/Power Generation Companies			
Centrenergó	141,000	71,433	–
Donbasenergó	11,400	12,874	–
Kievenergó	13,400	4,269	–
DTEK Kyivski Electromerezhi	13,400	–	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,500,212	–
Ukrainian Oblenergós/Power Distribution Companies			
Cherkasyoblenergó	1,139,044	15,121	–
Dniprooblenergó	1,250	2,898	–
Krimenergó	155,000	933	–
Volynobelenergó	2,085,000	11,810	–
Zhytomyroblenergó	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	–

Withdrawals*	Gain in CHF		Loss in CHF		Balance as of December 31 st 2020		
	CHF	Realised	Unrealised	Realised	Unrealised	Quantity	CHF
(28,066)	–	–	(27,123)	–	–	–	–
(6,509)	–	–	(5,164)	–	–	–	–
(4,001)	–	–	(968)	–	–	–	–
					–	–	–
(1,254,250)	–	–	(429,425)	–	–	–	–
(14,170)	–	–	(3,429)	–	–	–	–
(2,716)	–	–	(657)	–	–	–	–
(874)	–	–	(212)	–	–	–	–
(11,067)	–	–	(2,678)	–	–	–	–
(16,487)	–	–	(3,989)	–	–	–	–
(1,338,140)	–	–	(473,645)	–	–	–	–
–	–	–	–	(2,256,432)	742,800	3,661,583	
(539,492)	–	–	(12,337)	–	–	–	–
(539,492)	–	–	(12,337)	(2,256,432)		3,661,583	
(1,877,632)	–	–	(485,982)	(2,256,432)		3,661,583	

*(see Note 11)

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31 st 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

// 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, 2020 the Company's exposure to market risk arises from uncertainties about future prices of the Company's listed equity investment. The Company's overall market positions and its different risk exposures are monitored on a weekly basis.

On December 31st, 2020 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, 2020 had increased by 20 %, with all other variables held constant, this would have increased net assets by approximately CHF 0,7 mln. Conversely, if the portfolio had decreased by 20 %, this would have decreased net assets by approximately CHF 0,7 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

		2020			2019
		% of			% of
Fair value		total assets	Fair value		total assets
CHF		valued at bid	CHF		valued at bid
		market price			market price
3,661,583		63 %	8,281,629		98 %

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, 2020 consisted of cash and cash equivalents, as well as the assets and liabilities of the shareholder loans. Therefore the Company's exposure to fair value interest rate risk due to fluctuation in the prevailing market interest rates is limited.

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.

in CHF On December 31 st , 2020	Less than 1 month	1–3 months	3–12 months	1–5 years	Non interest bearing	Total
Assets						
Cash and cash equivalents	244,619	–	–	–	–	244,619
Financial assets at fair value through profit or loss	–	–	–	–	3,661,583	3,661,583
Short term receivables from shareholder	–	–	1,905,179	–	–	1,905,179
Other assets	–	–	–	–	6,305	6,305
Total assets	244,619	–	1,905,179	–	3,667,888	5,817,686
Liabilities						
Accrued expenses and accounts payable	–	–	–	–	70,098	70,098
Shareholder loan	–	–	1,075,654	–	–	1,075,654
Total liabilities	–	–	1,075,654	–	70,098	1,145,752
Total net assets by time	244,842	–	(829,525)	–	3,597,790	4,671,934

in CHF On December 31 st , 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

On December 31st, 2020 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 UBS AG, Switzerland – an

international bank with an investment grade rating as rated by a well-known rating agency.

Due to the exit from the Ukrainian market, there is no relevant exposure to counterparties in this country to report as of December 31st, 2020.

In connection with the sale and transfer of its Ukrainian assets and the pending change in ownership, EEII holds short term receivables of CHF 1,905 mln from its majority shareholder Gehold AG on the balance sheet. The receivable is expected to be partly offset with the shareholder loan of CHF 1,075 mln based on an agreement dated

April 14th, 2021. No credit losses are expected on these positions as they are either with an investment-grade bank or because the outstanding balance is secured. Details regarding the Gehold loan are provided in Note 11.

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

in CHF	2020	2019
Cash and cash equivalents	244,619	181,966
Credit exposure split by rating category	2020	2019
Rating		
AAA/Aaa	–	–
AA/Aa	–	–
A/A	–	–
A+	100 %	23 %
A	–	–
BBB/Baa	–	–
B	–	77 %
CCC	–	–
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, 2020 are deposited with UBS AG, Switzerland.

e) Liquidity risk

The Company has no commitments that could give rise to short term liquidity calls.

The table below 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.

in CHF On December 31 st , 2020	Less than 1 month	1–3 months	3–12 months	1–5 years
Accounts payable (at amortized costs)	7,598	–	–	–
Accrued expenses and other liabilities	62,500	–	–	–
Shareholder loan (at amortized costs)	–	–	1,075,654	–
Total financial liabilities	70,098	–	1,075,654	–

in CHF On December 31 st , 2019	Less than 1 month	1–3 months	3–12 months	1–5 years
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	–	–

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:

	2020	2019
USD	0.8812	0.9683
UAH	0.0312	0.0412
GBP	1.2036	1.2739

Concentration of assets and liabilities under Ukrainian Hryvna

in CHF	2020	2019
Assets		
Cash at bank	32	139,873
Financial assets at fair value through profit or loss	–	1,811,783
Other financial assets	–	–
Total Assets	32	1,951,656
Liabilities	–	–

On December 31st, 2020 there was no relevant exposure in Ukrainian Hryvna to report.

Concentration of assets and liabilities under US Dollar

in CHF	2020	2019
Assets		
Cash at bank	117,722	30,883
Financial assets at fair value through profit or loss	3,661,583	5,918,016
Total Assets	3,779,305	5,948,899
Liabilities	–	–

On December 31st, 2020 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 0,38 mln (2019: CHF 0,59 mln).

Concentration of assets and liabilities under GB Pound

in CHF	2020	2019
Assets		
Cash at bank	306	415
Financial assets at fair value through profit or loss	–	551,830
Total Assets	306	552,245
Liabilities	–	–

On December 31st, 2020 there was no relevant exposure in GBP to report.

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 currently holds only one investment, Gazprom in its portfolio.

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 2020 level of USD 5.60 the value of the company's assets would be reduced or lifted by CHF 1.3 mln, i.e. CHF 0.84 per share.

h) Repatriation risk

On December 31st, 2020, the Company was not exposed to any material repatriation risk.

6.2 Capital management

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

in CHF	2020	2019
Assets		
Cash at bank equivalents	244,619	181,966
Financial assets at fair value through profit or loss	3,661,583	8,281,629
Short term receivables from shareholder	1,905,179	–
Other assets	6,305	6,305
Total assets	5,817,686	8,469,900
Liabilities	(1,145,752)	(888,744)
Total net assets (capital)	4,671,934	7,581,156

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

By December 31st, 2020, the Company was not exposed to any significant counterparty risk.

The maximum exposure to credit risk regarding the loan to Gehold SA amounts to CHF 1,905,179. However, such receivable may be netted against a loan from Gehold SA amounting to CHF 1,079,654. Such net amount is further secured by pledged assets (see note 11).

// Note 7 – Taxes

Income is taxable at the effective ordinary rate of 13.52 % (2019: 8 %), except for dividend and capital gain income derived from qualifying investments, which are exempt from income taxes. The tax rate has changed due to a change in the tax law. The Company pays Swiss taxes on capital of 0.072 % for the year 2020 (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	2020	2019
Statutory (loss)/gain	(2,909,222)	2,763,927
Statutory tax rate	13.52%	8%
Expected income tax (gain)/expense	(393,327)	221,114
Deferred tax assets not recognised	393,327	–
Impact of tax (gain)/loss carried forward (statutory level)	–	(221,114)
Total income tax expense	–	–

in CHF	2020	2019
(Loss)/profit before tax (IFRS)	(2,909,222)	2,763,927
Deferred tax (los)/income	–	–
Net (loss)/gain after tax / Total comprehensive (loss)/gain	(2,909,222)	(2,763,927)

Analysis on income tax expense

Expected current income taxes for 2020 are zero (2019: zero). The Swiss tax on capital (0.072 %) is posted as an operating expense.

As of December 31st, 2020 the tax losses carried forward by EEII amount to CHF 8.6 mln (2019: CHF 8.5 mln). The unrecognized tax losses have the following expiry dates:

Year	in CHF
2021	1,873,688
2022	3,248,901
2025	593,829
2027	2,909,222
Total tax losses carried forward	8,625,640
Not capitalised maximum positive tax effect (with 13.52 %)	1,166,187

// 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, 2020 (2019: CHF 0).

// Note 9 – Shareholder loan

As of December 31st 2020, the Company had a shareholder loan of CHF 1,075 mln outstanding, which was drawn in order to strengthen the working capital (2019: CHF 0.81 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 2020 the Company accrued interest of CHF 24,247 (2019: CHF 21,157).

// 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, for which he received CHF 23,207 (2019: 15,000) of which CHF 9,000 are provisioned.

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 – Related party transactions

Following the sale of EEII's shares from its anchor investor Gehold SA to NACALA WORLDWIDE AG, EEII and Gehold SA signed an agreement on July 31st, 2020, under which all of its Ukrainian shares and all of its shares in KAZ Minerals PLC were sold by EEII to Gehold SA either at the officially quoted market prices in active markets, if available, or according, if no such level 1 information was available, to the fair value estimation model as already applied for level 2 and 3 financial assets outlined in Note 3.4. The total consideration amounted to CHF 1,877,632. The payment of the purchase price for these shares from Gehold to EEII was deferred. The interest rate on the deferred payment amounts to 3.5 % p.a.

On April 7th, 2021, EEII and Gehold SA agreed to net the shareholder's loan (CHF 1,075 mln) granted from Gehold SA to EEII (carrying an interest rate of 0.25 % p.a.) against the loan granted from EEII to Gehold as a result of the deferred payment, correspondingly resulting in a partial repayment of the loan granted from EEII to Gehold SA. On April 8th, 2021, Gehold SA effected a further partial repayment of the loan granted from EEII to Gehold SA as a result of the deferred payment, amounting to CHF 200,000. Furthermore, Gehold SA has pledged 81,517 shares KAZ Minerals and 302,701 shares of Ukrnafta as a security for the outstanding and remaining debt resulting from the deferred payment.

As of the date of this report, the loan granted from EEII to Gehold SA as a result of the deferred payment for the assets sold to Gehold SA as of July 31st, 2020, amounts to CHF 1,905,179, incl. accrued interest.

// Note 12 – 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 Russia. All other assets and liabilities of the Company are in Switzerland. In 2020 no external revenues with customers are booked and no major customers according to IFRS 8.34 do exist.

in CHF	2020	2019
Income		
Switzerland	(17,864)	(4,951)
Ukraine	(494,296)	197,691
Russia (Gazprom)	(2,031,283)	2,978,114
Kazakhstan (KAZ Minerals)	(5,936)	16,024
Total income	(2,513,651)	3,186,878
Assets		
Switzerland	2,156,071	48,398
Ukraine	32	1,951,656
Russia (Gazprom)	3,661,583	5,918,016
Kazakhstan (KAZ Minerals)	–	551,830
Total assets	5,817,686	8,469,900

// Note 13 – 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 June 23rd, 2020, 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 June 23rd, 2020, approved a remuneration package for the business year 2020 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 34,799 (2019: CHF 34,691).

Compensation for Management

For the business year 2020 the Company compensated the Management with a fixed amount of CHF 12,000 (2019: 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 2,523 (2019: CHF 2,471)) and any other taxes].

// Note 14 – Leasing activities

The company has not entered any leasing arrangements.

// Note 15 – Events after the balance sheet date

For various reasons, but mainly due to delays caused by the Covid-19 pandemic, Gehold SA, Zug and NACALA WORLDWIDE AG, Luzern agreed as reported on April 6th, 2021 to a further postponement of the closing of the sale of Gehold's shares to NACALA. Accordingly, the transaction is expected by the Board of Directors to close on or before September 17th, 2021.

The latest annual balance sheet shows a capital loss and that half of the share capital and the legal reserves are no longer covered by net assets. As a consequence and according to Article 725 para 1 of the Swiss Code of Obligations the Board of Directors is aware of this situation at the end of the balance sheet date, which has to be seen in the context of the capital transactions that are under way once the ownership transfer has closed.



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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 14 to 33), which comprise the statement of financial position as at 31 December 2020 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 2020, 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. 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 2020, CHF 3.6 Mio. or 63% of total assets are at fair value and were classified in accordance with IFRS 13 *Fair Value Measurement*.

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.

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.



Key Audit Matter

How our audit addressed the key audit matter

Significant Related Party Transaction

As disclosed in note 11, EEII AG sold all of its Ukrainian shares and all of its shares in KAZ Minerals PLC to its shareholder Gehold SA. The shares were sold at market prices as of then. The settlement was deferred. As a result, EEII AG had a receivable of CHF 1.9 Mio. towards Gehold SA as per year end. This amounts to 32% of the balance sheet of EEII AG.

We focused on this transaction as this was the single most significant transaction that EEII AG has effected in 2020 and because it was with a related party.

We obtained the purchase agreement for the sale of the shares and compared the sales prices agreed to publicly available sales prices or, in case of shares not actively traded, whether the valuation model used as per 31 December 2019 has been applied for the transaction during 2020.

As regards existence and valuation of the receivable, we have obtained a balance confirmation of Gehold SA, verified repayments after the balance sheet date, assessed whether the receivable from the related party constituted a violation of article 680 para 2 CO as well as the agreement pledging the shares sold as security.

We have furthermore ascertained that the disclosures made under *IAS 24 Related Party Disclosures* are consistent with documents received and our understanding of the transaction.

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, 27 April 2021

BDO Ltd

René Krügel

Auditor in Charge
Licensed Audit Expert

Andrea Spichtig

Licensed Audit Expert

Statutory Management Report

Full-time equivalents

The annual average number of full-time equivalent for the reporting year was 0.25 (2019: 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

EEII AG disposed of all its Ukrainian assets as well as its holding in KAZ Minerals in 2020 as the Company prepared its structure for the pending transfer of the 92.41 % stake from Gehold AG, Zug to NACALA WORLDWIDE AG, Luzern.

Future prospects

The pending change in EEII's ownership opens fresh opportunities for the Company and its shareholders. After the closing of the transaction between Gehold AG, Luzern und NACALA WORLDWIDE AG, Luzern, a new investment focus will be implemented with assets in infrastructure as well as related construction businesses in emerging markets (mainly in Africa), that offer broader and more diversified growth potential.

Statutory Financial Statements

Statement of Financial Position

as of December 31st

in CHF	Notes	2020	2019
Assets			
Cash and cash equivalents		244,619	181,966
Short term receivables from shareholder		1,905,179	–
Other short-term receivables		6,305	6,305
Total current assets		2,156,103	188,271
Financial assets	2	3,661,583	8,281,629
Total non current assets		3,661,583	8,281,629
Total assets		5,817,686	8,469,900
Liabilities and shareholders' equity			
Trade accounts payable		7,598	11,837
Accrued expenses and deferred income	3.5	62,500	65,500
Interest bearing short term loan shareholder		1,075,654	811,407
Total current liabilities		1,145,752	888,744
Share capital	2	10,845,321	10,845,321
Accumulated deficit		(6,173,387)	(3,264,165)
Shareholders' equity		4,671,934	7,581,156
Total liabilities and shareholders' equity		5,817,686	8,469,900

Statement of Income

for the year ended December 31st

in CHF	Notes	2020	2019
Income			
Interest income		27,547	–
Dividends	1	235,492	312,441
Other income		25	58
Profits on financial assets	2	–	2,877,334
(Loss) on financial assets	2	(2,742,414)	(17,391)
Total income/(expense)		(2,479,350)	3,172,442
Expenses			
Interest expense		24,249	21,157
Foreign exchange (gain)		–	(19,460)
Foreign exchange loss		34,301	5,024
Management fees		108,000	120,000
Administrative fees		52,116	53,478
Directors fees		34,799	34,691
Personnel cost		14,523	14,471
Professional fees		87,816	111,536
Other expenses		59,720	54,339
Bank charges and interest expenses		10,991	12,910
Capital tax expenses		3,359	369
Total expenses		429,872	408,515
Net (loss)/profit for the year		(2,909,222)	2,763,927
Accumulated deficit at the beginning of the year		(3,264,165)	(6,028,092)
Accumulated deficit at the end of the year		(6,173,387)	(3,264,165)
in CHF		2020	2019
Accumulated deficit at the beginning of the year		(3,264,165)	(6,028,092)
Net (loss)/profit for the year		(2,909,222)	2,763,927
Accumulated deficit at the end of the year		(6,173,387)	(3,264,165)

Cash Flow Statement

for the year ended December 31st

in CHF	Notes	2020	2019
Operating activities			
(Loss)/profit before tax		(2,909,222)	2,763,927
Adjustments to reconcile loss before tax to net cash flows			
Interest income	9	(27,547)	–
Dividend income	1	(235,492)	(312,441)
Foreign exchange (gain)/loss on cash and cash equivalents		34,301	(14,436)
Unrealized profits on financial assets at fair value through profit or loss	2	–	(2,877,334)
Unrealized losses on financial assets at fair value through profit or loss	2	2,256,433	17,391
Realized losses on financial assets at fair value through profit or loss		485,981	–
Interest expense		24,247	21,157
Other income		(24)	(58)
Working capital adjustments			
Dividend income	1	235,492	312,441
Increase in short term receivables from shareholder		–	–
Decrease in other assets		–	69,108
Decrease in trade and other receivables		–	–
(Increase)/decrease in accounts payable		(4,239)	6,248
(Increase)/decrease in accrued expenses and other liabilities		(3,000)	15,000
Other income		24	58
Net cash flows (used in)/from operating activities		(143,046)	1,061
Investing activities			
Disposal of Financial Assets at FVTPL		–	–
Net cash flows from investing activities		–	–
Net cash flows from investing activities		–	–
Financing activities			
Short term loan received from shareholder		240,000	60,960
Net cash flows from financing activities		240,000	60,960
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		181,966	105,509
Foreign exchange (loss)/gain on cash and cash equivalents		(34,301)	14,436
Cash and cash equivalents at the end of the year		244,619	181,966

Notes to the Financial Statements

as of December 31st, 2020

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

Investments in shares are valued at their quoted market price in an active market. If such investments were not quoted in an active market, corresponding valuation adjustments would be applied. Loans are stated at their amortized costs.

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 44 and 45.

// 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 (2019: 0.25).

Note 3.2 Significant shareholders:

	2020	2019
Gehold SA	92.41 %	92.41 %

Note 3.3

Shareholdings by member of the board of directors

	2020	2019
Victor Lorenz Gnehm	1 share	1 share

Note 3.4 Accrued expenses and deferred income

	2020	2019
Accrued expenses and deferred income due to third parties	53,500	50,500
Accrued expenses and deferred income due to board of director	9,000	15,000
Total	62,500	65,500

Note 3.5 Audit fees

Auditing fees

For the audit for the calendar year 2020, BDO Ltd has charged the Company an audit fee of CHF 47,400 (2019: CHF 64,000).

Additional fees

In 2020 BDO Ltd has performed other (other than auditing the annual accounts) services for the Company in the amount of CHF 3,090 (2019: CHF 2,100).

// Note 4 – Events after the balance sheet date

For various reasons, but mainly due to delays caused by the Covid-19 pandemic, Gehold SA, Zug and NACALA WORLDWIDE AG, Luzern agreed as reported on April 6th, 2021 to a further postponement of the closing of the sale of Gehold's shares to NACALA. Accordingly, the transaction is expected by the Board of Directors to close on or before September 17th, 2021.

The latest annual balance sheet shows a capital loss and that half of the share capital and the legal reserves are no longer covered by net assets. As a consequence and according to Article 725 para 1 of the Swiss Code of Obligations the Board of Directors is aware of this situation at the end of the balance sheet date, which has to be seen in the context of the capital transactions that are under way once the ownership transfer has closed.

Investments as of December 31st, 2020

Financial assets at fair value through profit or loss	Balance as of January 1 st 2020		Additions
	Quantity	CHF	CHF
Ukrainian Energos/Power Generation Companies			
Centrenerg	141,000	55,189	–
Donbasenerg	11,400	11,673	–
Kievenerg	13,400	4,969	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,683,675	–
Ukrainian Oblenerg			
Cherkasyoblenerg	1,139,044	17,599	–
Dnioprooblenerg	1,250	3,373	–
Krimenerg	155,000	1,086	–
Volynobelenerg	2,085,000	13,745	–
Zhytomyroblenerg	552,204	20,476	–
Total Ukrainian Investments		1,811,785	–
Other Investments			
Gazprom ADR	742,800	5,918,015	–
KAZ Minerals PLC (former Kazakhmys)	81,517	551,829	–
Total Other Investments		6,469,844	–
Total financial assets at fair value through profit or loss		8,281,629	–

Investments as of December 31st, 2019

Financial assets at fair value through profit or loss	Balance as of January 1 st 2019		Additions
	Quantity	CHF	CHF
Ukrainian Energos/Power Generation Companies			
Centrenerg	141,000	71,433	–
Donbasenerg	11,400	12,874	–
Kievenerg	13,400	4,269	–
DTEK Kyivski Electromerezhi	13,400	–	–
Ukrainian Oil & Gas Companies			
Ukrnafta	302,701	1,500,212	–
Ukrainian Oblenerg			
Cherkasyoblenerg	1,139,044	15,121	–
Dnioprooblenerg	1,250	2,898	–
Krimenerg	155,000	933	–
Volynobelenerg	2,085,000	11,810	–
Zhytomyroblenerg	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	–

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31 st 2020	
	CHF	Realised	Unrealised	Realised	Unrealised	Quantity
(28,066)	–	–	(27,123)	–	–	–
(6,509)	–	–	(5,164)	–	–	–
(4,001)	–	–	(968)	–	–	–
					–	–
(1,254,250)	–	–	(429,425)	–	–	–
(14,170)	–	–	(3,429)	–	–	–
(2,716)	–	–	(657)	–	–	–
(874)	–	–	(212)	–	–	–
(11,067)	–	–	(2,678)	–	–	–
(16,487)	–	–	(3,989)	–	–	–
(1,338,140)	–	–	(473,645)	–		–
–	–	–	–	(2,256,432)	742,800	3,661,583
(539,492)	–	–	(12,337)	–	–	–
(539,492)	–	–	(12,337)	(2,256,432)		3,661,583
(1,877,632)	–	–	(485,982)	(2,256,432)		3,661,583

Withdrawals	Gain in CHF		Loss in CHF		Balance as of December 31 st 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



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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 2020 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 2020 (page 39-45) 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
<p>Valuation of financial assets at fair value through profit or loss</p> <p>As presented in the statement of financial position and disclosed in note 1.2 and 2 to the financial statements, CHF 3.6 Mio. or 63% of total assets are recorded at quoted market prices in the statement of financial position.</p> <p>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.</p>	<p>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.</p>



Key Audit Matter

How our audit addressed the key audit matter

Significant Related Party Transaction

During the financial year 2020, EEII AG sold all of its Ukrainian shares and all of its shares in KAZ Minerals PLC to its shareholder Gehold SA. The shares were sold at market prices as of then. The settlement was deferred. As a result, EEII AG had a receivable of almost CHF 1.9 Mio. towards Gehold SA as per year end. This amounts to 32% of the balance sheet of EEII AG.

We focused on this transaction as this was the single most significant transaction that EEII AG has effected in 2020 and because it was with a related party.

We obtained the purchase agreement for the sale of the shares and compared the sales prices agreed to publicly available sales prices or, in case of shares not actively traded, whether the valuation model used as per 31 December 2019 has been applied for the transaction during 2020.

As regards existence and valuation of the receivable, we have obtained a balance confirmation of Gehold SA, verified repayments after the balance sheet date, assessed whether the receivable from the related party constituted a violation of article 680 para 2 CO as well as the agreement pledging the shares sold as security.

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.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves are no longer covered (article 725 para. 1 CO).

Zurich, 27 April 2021

BDO Ltd

René Krügel

Auditor in Charge
Licensed Audit Expert

Andrea Spichtig

Licensed Audit Expert

Organization, Related Parties, Management, Advisor and Address

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Team of the Advisor

› Roland Sager, Weissenstein & Partner AG
› Christoph Offenhäuser, Weissenstein & Partner AG

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