



Eastern Energy & Infrastructure Invest

Interim Report as at June 30, 2020

Dear Shareholders

EEII (the “Company”) is reporting a loss of CHF 2.6 mln for the period January – June 2020 (H1 2019: profit of CHF 2.2 mln). The impact of the Covid-19 pandemic has been weighing heavily on the valuation of EEII’s assets. While the second quarter brought some relief following a stunning turnaround in parts of the financial markets, the market prices of the major investments in our portfolio remained depressed. Most notably, the value of the Gazprom holding dropped by CHF 2.1 mln compared to the beginning of the year. Operating expenses normalized again after certain one-off costs in 2019: CHF 198k vs. CHF 217k in 2018 (–9.1 %). Overall, EEII’s net asset value (“NAV”) dropped by 34.1 % from CHF 4.96 as per December 31st, 2019 to CHF 3.26 per share as per June 30th, 2020.

As we had emphasized in the last Annual Report, the outlook for EEII’s investments remains uncertain, and a significant and sustainable recovery of EEII’s Ukrainian investments in particular appears unlikely. Therefore, the

Board of Directors had increased its efforts in the past few months to find a strategic alternative for the company in the best interest of the Company and its shareholders. By the end of July (after the reporting period), Gehold SA, Zug, the Company’s main shareholder, entered into an agreement to sell its entire 92.41 % holding in EEII to NACALA WORLDWIDE AG, Luzern. We believe that the new business case as proposed by the new anchor shareholder fits the Company very well and is likely to open new doors to an attractive investment universe for our investors. The press release concerning the transaction can be found [here](#).

The closing of the transaction is pending at the time that this report went to print. We will keep you updated on the progress of this new chapter for EEII AG. On behalf of the Company, I thank you for your continued trust and support.

Yours sincerely,



Victor L. Gnehm

Chairman of the Board of Directors

Determination of the Net Asset Value

as of June 30

in CHF

| | 2020 | 2020 | 2019 | 2019 |
|---|--------------------------------|--|--------------------------------|--|
| | Following IFRS presentation | Representing the shareholders, economic interest | Following IFRS presentation | Representing the shareholders, economic interest |
| Cash and other assets | 140,487 | 140,487 | 163,683 | 163,683 |
| Financial assets at fair value through profit or loss | 5,885,933 | 5,885,933 | 7,846,488 | 7,846,488 |
| Total assets | 6,026,420 | 6,026,420 | 8,010,171 | 8,010,171 |
| Total current liabilities | 1,052,540 | 1,052,540 | 974,289 | 974,289 |
| Share capital | 10,845,321 | 10,845,321 | 10,845,321 | 10,845,321 |
| (Accumulated deficit) | (5,871,441) | (5,871,441) | (3,809,439) | (3,809,439) |
| Total shareholders' equity | 4,973,880 | 4,973,880 | 7,035,882 | 7,035,882 |
| Total liabilities and shareholders' equity | 6,026,420 | 6,026,420 | 8,010,171 | 8,010,171 |
| Total shares outstanding | – | 1,527,510 | – | 1,527,510 |
| Number of treasury shares | – | – | – | – |
| Net Asset Value per share | | CHF 3.26 | | CHF 4.62 |

Interim IFRS Financial Statements

IFRS Statement of Financial Positions

as of June 30

| in CHF (unaudited) | Notes | 30.06.2020 | 31.12.2019 |
|---|-------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | | 140,229 | 181,966 |
| Other assets | | 258 | 6,305 |
| Total current assets | | 140,487 | 188,271 |
| Financial Assets at fair value through profit or loss | 7 | 5,885,933 | 8,281,629 |
| Total non current assets | | 5,885,933 | 8,281,629 |
| Total assets | | 6,026,420 | 8,469,900 |
| Liabilities and shareholders, equity | | | |
| Accounts payable | | 13,294 | 11,837 |
| Accrued expenses and other liabilities | | 56,838 | 65,500 |
| Shareholder Loan | 6 | 982,408 | 811,407 |
| Total current liabilities | | 1,052,540 | 888,744 |
| Provision for employee benefits | | – | – |
| Total non current liabilities | | – | – |
| Share capital | | 10,845,321 | 10,845,321 |
| (Accumulated deficit) | | (5,871,441) | (3,264,165) |
| Shareholders, equity | | 4,973,880 | 7,581,156 |
| Total liabilities and shareholders, equity | | 6,026,420 | 8,469,900 |

Interim IFRS Statement of Income

for the period from January 1st to June 30

| in CHF (unaudited) | Notes | 2020 | 2019 |
|---|-------|--------------------|------------------|
| Operating income | | | |
| Interest income | | – | – |
| Dividends | | 6,401 | 4,947 |
| Unrealised (loss)/gain on financial assets at fair value through profit or loss | 8 | (2,395,696) | 2,424,803 |
| Foreign exchange (loss)/gain | | (20,086) | 5,438 |
| Net operating (loss)/gain | | (2,409,381) | 2,435,188 |
| Operating expenses | | | |
| Management & Advisory fees | | (57,840) | (57,947) |
| Administrative fees | | (26,778) | (26,778) |
| Directors fees | | (17,305) | (18,357) |
| Personnel cost | | (7,295) | (7,301) |
| Professional fees | | (44,583) | (32,784) |
| Other expenses | | (29,589) | (57,983) |
| Bank charges and interest expenses | | (14,505) | (15,200) |
| Capital tax expense | | – | (185) |
| Total operating expenses | | (197,895) | (216,535) |
| (Loss)/gain before tax | | (2,607,276) | 2,218,653 |
| Income taxes | | – | – |
| Net (loss)/gain after tax | | (2,607,276) | 2,218,653 |
| Net earnings per share | | | |
| Net (loss)/gain | | (2,607,276) | 2,218,653 |
| Weighted Average Number of shares (basic and diluted) | | 1,527,510 | 1,527,510 |
| Net (loss)/gain per share – (basic and diluted) | | (1.71) | 1.45 |

Interim IFRS Statement of Comprehensive Income

| in CHF (unaudited) | 2020 | 2019 |
|---|-----------------------|---------------------|
| Net (loss)/gain for the year | (2,607,276.00) | 2,218,653.00 |
| Other comprehensive income | – | – |
| Total comprehensive (loss)/gain for the year | (2,607,276.00) | 2,218,653.00 |

Interim IFRS Cash Flow Statement

for the period from January 1st to June 30

| in CHF | 2020 | 2019 |
|---|------------------|------------------|
| Operating activities | | |
| (Loss)/gain before tax | (2,607,276) | 2,218,653 |
| Adjustments to reconcile loss before tax to net cash flows | | |
| Interest income | – | – |
| Dividends | (6,401) | (4,947) |
| Foreign exchange loss/(gain) on cash and cash equivalents | 20,086 | (5,438) |
| Loan interest expenses | 11,001 | 10,229 |
| Unrealized loss/(gain) on financial assets at fair value through profit or loss | 2,395,696 | (2,424,803) |
| Working capital adjustments | | |
| Dividends received | 6,401 | 4,947 |
| Decrease in other assets | 6,047 | 75,413 |
| Increase in accounts payable | 1,457 | 2,051 |
| (Decrease)/increase in accrued expenses and other liabilities | (8,662) | 16,631 |
| Net cash flows used in operating activities | (181,651) | (107,264) |
| Investing activities | | |
| Interest received | – | – |
| Net cash flows from investing activities | – | – |
| Financing activities | | |
| Increase Shareholder loan | 160,000 | 160,000 |
| Net cash flows from financing activities | 160,000 | 160,000 |
| (Decrease)/increase in cash and cash equivalents | (21,651) | 52,736 |
| Cash and cash equivalents at the beginning of the year | 181,966 | 105,509 |
| Foreign exchange (loss)/gain on cash and cash equivalents | (20,086) | 5,438 |
| Cash and cash equivalents at the end of the period | 140,229 | 163,683 |
| Cash and cash equivalents consist of: | | |
| Cash at banks | 140,229 | 163,683 |
| Short-term deposits | – | – |
| Cash and cash equivalents as defined for the cash flow statement | 140,229 | 163,683 |

The financing cash flow of CHF 160,000 relates to the increased shareholder loan. The balance sheet amount of CHF 982,408 includes accrued interest.

Interim IFRS Statement of Changes in Equity

| in CHF (unaudited) | Share capital | Share premium | Accumulated deficit | Total equity |
|---|-------------------|---------------|---------------------|------------------|
| Balance as of January 1st, 2019 | 10,845,321 | – | (6,028,092) | 4,817,229 |
| Net loss for the period (January – June 2019) | – | – | 2,218,653 | 2,218,653 |
| Balance as of June 30th, 2019 | 10,845,321 | – | (3,809,439) | 7,035,882 |
| Balance as of December 31st, 2019 | 10,845,321 | – | (3,264,165) | 7,581,156 |
| Net (loss) for the period (January – June 2020) | – | – | (2,607,276) | (2,607,276) |
| Balance as of June 30th, 2020 | 10,845,321 | – | (5,871,441) | 4,973,880 |

Notes to the IFRS Financial Statements

as of June 30, 2020

// Note 1 – Changes in accounting principles

In accordance with International Financial Reporting Standards, the interim financial statements have been prepared using the same accounting policies and methods of computation and valuation as used in the 2019 financial statements and are in compliance with IAS 34 interim financial reporting.

// Note 2 – Fair value of the investment portfolio

The fair value measurement of the Company utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into three different levels (the “fair value hierarchy”) based on how observable the inputs used and reflect the methods of computation and valuation as used in the 2019 financial statements.

// Note 3 – Exchange Rate

The Company holds assets denominated in currencies other than Swiss Francs, its 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 | 0.95180 | 0.97400 |
| UAH | 0.03550 | 0.03738 |
| GBP | 1.16840 | 1.23490 |

// Note 4 – Events after the reporting date

As outlined in the Shareholder Letter on page 2, EEII’s main shareholder Gehold SA signed an agreement with NACALA WORLDWIDE AG, Luzern to sell its 92.41 % holding in the company. At the time this half-year report went to print, the closing of the transaction is still pending.

// Note 5 – Retirement benefit plan

No retirement benefit plan is in place as the current salary structure of the Company is not subject to pension obligations.

// Note 6 – Shareholder Loan

During the reporting period, in order to strengthen the working capital of the Company, the Company increased the subordinated shareholder loan of its main shareholder by an amount of CHF 160,000. 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.

// Note 7 – Investments

as of June 30, 2020

| Financial assets at fair value through profit or loss | Balance as of January 1 st , 2020 | | Balance as of June 30, 2020 | |
|--|--|------------------|-----------------------------|------------------|
| | Quantity | CHF | Quantity | CHF |
| Ukrainian Energos/Power Generation Companies | | | | |
| Centrenergo | 141,000 | 55,189 | 141,000 | 30,029 |
| Donbasenergo | 11,400 | 11,673 | 11,400 | 8,902 |
| Kievenenergo | 13,400 | 4,969 | 13,400 | 4,281 |
| DTEK Kyivski Electromerezhi | 13,400 | – | 13,400 | – |
| Ukrainian Oil & Gas Companies | | | | |
| Ukrnafta | 302,701 | 1,683,675 | 302,701 | 1,503,153 |
| Ukrainian Oblenergos/Power Distribution Companies | | | | |
| Cherkasyoblenergo | 1,139,044 | 17,599 | 1,139,044 | 15,162 |
| DTEK Dnipro Grids | 1,250 | 3,373 | 1,250 | 2,906 |
| DTEK Krimenergo | 155,000 | 1,086 | 155,000 | 935 |
| Volynobelenergo | 2,085,000 | 13,745 | 2,085,000 | 11,841 |
| Zhytomyroblenergo | 552,204 | 20,476 | 552,204 | 17,641 |
| Total Ukrainian Investments | | 1,811,785 | | 1,594,850 |
| Other Investments | | | | |
| Gazprom OAO ADR | 742,800 | 5,918,015 | 742,800 | 3,814,956 |
| KAZ Minerals PLC | 81,517 | 551,829 | 81,517 | 476,127 |
| Total Other Investments | | 6,469,844 | | 4,291,083 |
| Total financial assets at fair value through profit or loss | | 8,281,629 | | 5,885,933 |

// Note 8 – Financial Assets at fair value through profit or loss

| in CHF | 30.06.2020 | 31.12.2019 |
|--|------------------|------------------|
| Financial Assets at fair value through profit or loss brought forward | 8,281,629 | 5,421,685 |
| Purchase | - | - |
| Sale | - | - |
| Unrealised gain on financial assets at fair value | - | 2,877,334 |
| Unrealised loss on financial assets at fair value | (2,395,696) | (17,390) |
| Realised gain on financial assets at fair value | - | - |
| Financial Assets at fair value through profit or loss | 5,885,933 | 8,281,629 |

| Listed shares | CHF | % | CHF | % |
|---|------------------|------------|------------------|------------|
| Liquid shares (Level 1 in fair value hierarchy IFRS 13) | 5,883,167 | 99 | 8,220,381 | 99 |
| Shares with limited liquidity (Level 3 in fair value hierarchy IFRS 13) | 52,766 | 1 | 61,248 | 1 |
| Total | 5,935,933 | 100 | 8,281,629 | 100 |
| Ukraine | 1,594,850 | 27 | 1,811,783 | 22 |
| Russia | 3,814,956 | 64 | 5,918,016 | 71 |
| Kazakhstan | 476,127 | 8 | 551,830 | 7 |
| Total | 5,885,933 | 99 | 8,281,629 | 100 |

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

| in CHF | 30.06.2020 | 31.12.2019 |
|--|----------------|--------------|
| 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 | - | - |
| Gain/(loss) in profit or loss | (8,482) | 8,623 |
| as of June 30 | 52,766 | 61,248 |

Fees, Securities and Capital Structure

// Advisory Contracts/Mandate agreements

Since the beginning of the year 2017 Weissenstein & Partner AG, Zürich ("W&P") serves as an advisor to EEII on the basis of a mandate agreement. Since then W&P provides services to EEII on the basis of a Mandate Agreement. EEII's Board of Directors conferred on W&P responsibilities for tasks such as financial & investment advisory, monitoring, reporting as well as regulatory and compliance. W&P's compensation is fixed with no variable components. W&P's compensation amounted to CHF 57,840 for the first half of 2020.

// Shares

Listed on Swiss Exchange (SWX) on January 21st, 1999 (Valor 716295). Nominal value: CHF 7.10. In total, 1,527,510 shares have been issued (see capital structure).

// Weekly NAV information

Bloomberg: EEII SW
www.eeii.ch

// Capital structure

As of June 30th, 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. 716 295/ISIN Code CH007162958). Each share represents one voting right. As per June 30th, 2019 Gehold SA, Geneva owned 92.41 % of the outstanding shares of the Company.

Organization, Related Parties, Management, Advisor and Address

Registered office EEII AG

Alpenstrasse 15
P.O. Box 7863
6302 Zug
Switzerland

Management of the Company

Marcus H. Bühler, CEO

Advisor

Weissenstein & Partner AG
Bleicherweg 45
8002 Zürich
Switzerland

Team of the Advisor

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

Custodians

UBS AG
Baarerstrasse 14a
6300 Zug
Switzerland

First Ukrainian International Bank
4, Andriivska Street
04070 Kyiv
Ukraine

LLC Custodian Garant
4/26, Sholom-Aleichem Street
49044 Dnipro
Ukraine

Administrator

Moore Stephens Zug AG
Alpenstrasse 15
P.O. Box 7863
6302 Zug
Switzerland

Auditor

BDO Ltd
Schiffbaustrasse 2
8031 Zurich
Switzerland

For general inquiries

Weissenstein & Partner AG
Bleicherweg 45
8002 Zürich
Switzerland
Phone +41 44 552 43 43
www.weissenstein-partner.ch
contact@weissenstein-partner.ch

EEII AG

Alpenstrasse 15
P.O. Box 7863
6302 Zug
Switzerland
Phone +41 41 729 42 80
Fax +41 41 729 42 29
www.eeii.ch

