Annual Report 2009

EAST CAPITAL EXPLORER

Contact

Investor relations and media contact:
Mathias Pedersen
Chief Financial Officer
+46 8 505 977 48
mathias.pedersen@eastcapitalexplorer.com

Visiting address:
Kungsgatan 30, Stockholm

Postal address:
P.O. Box 7214
SE-103 88 Stockholm
Sweden

www.eastcapitalexplorer.com

Your opinion is very welcome

Let us know how we can we improve our financial reports, investor service and website. Please email your suggestions or ideas to us at ir@eastcapitalexplorer.com.

Financial information and calendar

- Indicative monthly Net Asset Value report on the fifth working day after the end of each month
- Annual General Meeting in Stockholm on 28 April 2010
- Interim report 1 January – 31 March 2010 on 11 May 2010
- Interim report 1 January – 30 June 2010 on 20 Aug 2010
- Interim report 1 January – 30 Sept 2010 on 11 Nov 2010

The annual report, other financial reports and information as well as press releases, are available on www.eastcapitalexplorer.com. Shareholders and other interested persons may sign-up on the website for a subscription to East Capital Explorer's reports and press releases to be sent directly to their e-mail address.

The printed annual report is sent to shareholders who have notified East Capital Explorer that they wish to receive printed financial information from the Company.

Change of address

Changes of address of physical persons who are registered as Swedish residents are made automatically by Euroclear Sweden AB (formerly VPC). Please note that shareholders who have chosen not to have their addresses updated automatically must, themselves, notify their account-operating institute.

Shareholders whose holdings are registered in the name of a trustee, should notify the trustee as soon as possible of any changes in their name, address or account number. Other shareholders must notify changes of address and changes of account number to Euroclear Sweden AB (formerly VPC), phone: +46 8 402 90 00, e-mail: info@euroclear.eu.

More information about our investment region

Do you want to know more about what happens in our investment region? Please visit our Investment Manager East Capital's website www.eastcapital.com for news, analyses and market comments.

AGM 2010

The Annual General Meeting of East Capital Explorer AB (publ) will be held at 3.00 p.m. CET on Wednesday 28 April 2010 in Grünewaldsalen at Konserthuset in Stockholm, Sweden. Entrance from Kungsgatan 43.

Programme

12:30	Registration opens
1:00	Seminar on development in Eastern Europe with representatives from the company's Investment Manager, East Capital
2:00	Guest presentation with explorer Ola Skinnarmo about his experiences from the adventure through the North East Passage summer 2009, sponsored by East Capital
2:30	Coffee break
3:00	Annual General Meeting begins

Participation

To be entitled to participate in the Annual General Meeting, shareholders must: Be recorded in the register of shareholders maintained by Euroclear Sweden AB (formerly VPC) as per Thursday, 22 April 2010 and have notified the company of their attendance no later than 4:00 p.m. CET on Thursday, 22 April 2010.

Notification of attendance may be made:

On the web: www.eastcapitalexplorer.com/agm

In writing to:
East Capital Explorer
"Annual General Meeting"
P.O. Box 7839
103 98 Stockholm
Sweden

By telephone to: +46 8 402 90 46

When notifying attendance please state name, personal/company registration number, address, daytime telephone number, e-mail, number of shares as well as any assistants attending (maximum two).

Please note that shareholders whose shares are not registered in the name of a nominee, must temporarily re-register their shares in their own name. Such registration must be in effect with Euroclear Sweden AB (formerly VPC) no later than Thursday, 22 April 2010. Shareholders are requested to inform their nominees well in advance of this date.

This Annual Report is available in Swedish and English. In the case of any discrepancies between the two language versions, the Swedish version shall govern.

This is East Capital Explorer

In November 2007, East Capital Explorer was listed on NASDAQ OMX Stockholm, making a unique portfolio of hard-to-reach investments in our investment region easily accessible to all investors.

Our Business Concept and Objective:
Our business concept is to offer our shareholders investment exposure to a unique portfolio of unlisted and listed companies in otherwise hard-to-reach parts of the Eastern European markets through investing in East Capital's special fund products. These include the East Capital Bering funds and East Capital's private equity funds. We also make direct investments in specific companies.

The objective of this business concept is to achieve long-term capital appreciation for our shareholders. As investments in emerging markets often entail significant risks, they should be made with a long-term perspective.

Our Strategy:
Our strategy is to invest in sectors having the most to gain from the long-term development trends of the region which include, but are not limited to, the catch-up process and EU convergence. The power utilities, retail and consumer goods, real estate and finance sectors are examples of our key sectors providing interesting opportunities over the long-term.

Our Dividend Policy:
Returns on East Capital Explorer's investments will not be paid as dividends to shareholders but are to be reinvested in accordance with the Investment Policy. Still, the Board of Directors has the right to propose dividends should they feel that such deviation is motivated. The Dividend Policy is based on the belief that continuous reinvestment of capital is the best means of establishing a strong investment base in the regions in which we operate and to generate long-term value for our shareholders.

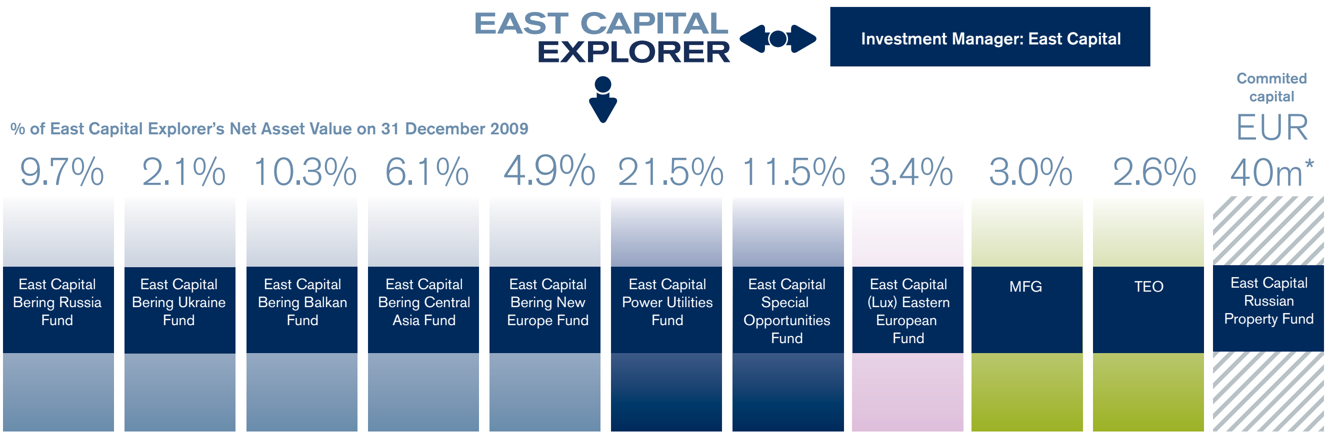
East Capital Explorer offers access to:

- An economically dynamic region: including almost 29 countries and 450 million inhabitants across 12 time zones.

- An experienced Investment Manager: The investment activities of East Capital Explorer are managed by East Capital which has a 13-year track-record and is one of the largest investors in the region with a physical presence and an extensive network in these countries. See page 15 for further information regarding our Investment Manager.

- A well-diversified portfolio: We primarily invest in East Capital's private equity and semi-public equity funds and at the end of 2009, our portfolio included exposure to approximately 400 companies within numerous sectors. See page 17 for further information regarding our portfolio.

- Attractive sectors: East Capital Explorer concentrates on those sectors assessed to provide the optimum long-term growth prospects and development in the region.



* On 31 December, cash, cash equivalents and bonds amounted to EUR 88m, corresponding to 26% of Net Asset Value. Of these, EUR 38.5m have been committed to the East Capital Russian Property Fund. At year-end 2009, no investments had been made in the fund, however, EUR 1.5m had been drawn down, of which EUR 0.4m had been used to cover costs.

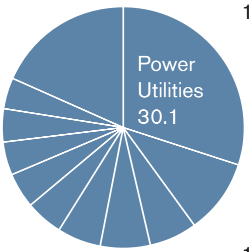
Top 10 companies in East Capital Explorer's portfolio on a see-through basis*

On 31 December 2009

Company	% of NAV	Value of our holding, EURm	Country	Type of company	Company's market capitalisation, EUR m	East Capital Explorer's investment vehicle
TEO	3.8	12.8	Lithuania	Telecom company	568	Direct investment East Capital Special Opportunities Fund East Capital (Lux) Eastern European Fund
Fondul Proprietatea	3.3	11.2	Romania	Investment company	999	East Capital Special Opportunities Fund East Capital Bering Balkan Fund
Melon Fashion Group	3.0	10.4	Russia	Fashion retailer	Unlisted	Direct investment
TGK-7	1.8	5.9	Russia	Power generator	952	East Capital Power Utilities Fund East Capital Bering Russia Fund
Bank CenterCredit	1.7	5.7	Kazakhstan	Bank	565	East Capital Bering Central Asia Fund East Capital Bering Russia Fund East Capital (Lux) Eastern European Fund
Sollers	1.7	5.6	Russia	Automotive manufacturer	344	East Capital Special Opportunities Fund East Capital (Lux) Eastern European Fund
MRSK Holding	1.6	5.6	Russia	Power utility	4,000	East Capital Power Utilities Fund East Capital Bering Russia Fund East Capital (Lux) Eastern European Fund
RusHydro	1.4	4.6	Russia	Hydro power generator	8,220	East Capital Power Utilities Fund East Capital (Lux) Eastern European Fund
MRSK Center Volga Region	1.3	4.3	Russia	Power distributor	617	East Capital Power Utilities Fund East Capital (Lux) Eastern European Fund
MRSK Center	1.3	4.3	Russia	Power distributor	838	East Capital Power Utilities Fund East Capital (Lux) Eastern European Fund
Total top 10	**21.0**	**71**				

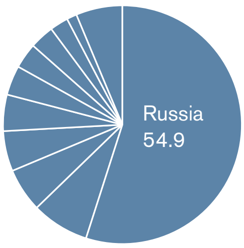
* As if East Capital Explorer AB had owned its pro-rata share of all the underlying securities in the different funds it has invested in.

Sector breakdown, %



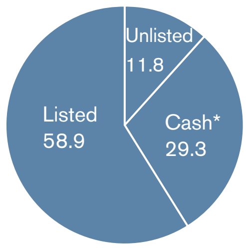
10.0 Banking & Finance
6.5 Retail
6.5 Investment Companies
6.0 Telecom
4.9 Metals & Mining
4.6 Engineering
4.6 Constr. & Constr. Mtrl.
4.3 Oil & Gas
4.3 Consumer Goods
18.1 Other sectors

Country breakdown, %



7.8 Romania
5.9 Ukraine
5.5 Lithuania
4.9 Kazakhstan
4.0 Poland
3.4 Serbia
3.3 Georgia
2.5 Turkey
1.4 Slovenia
6.3 Other countries

Asset class, %



* Includes cash, cash equivalents and bonds of EUR 88m as well as any cash in the underlying funds on 31 December 2009.

2009 IN FIGURES
per 31 December (EUR)

Total

Net Asset Value

341m
(SEK 3,499m)

Market capitalisation

232m
(SEK 2,378m)

Total cash, cash equivalents and bonds

88m
- Commited capital 39m
- Available capital 49m

Per share

9.61
(SEK 98.60)

6.53
(SEK 67)

2.47
- Commited capital 1.09
- Available capital 1.39

Main events during 2009

March
EUR 35m invested in newly launched East Capital Special Opportunities Fund

March–April
Utilisation of share repurchase mandate. Total of 771,000 own shares repurchased for a total amount of EUR 3.3m

May
Additional investments of EUR 10m in East Capital Bering Central Asia Fund and EUR 5m in East Capital Bering New Europe Fund. EUR 15m is allocated to a new bond mandate to create greater returns on cash. Additional allocations of EUR 21m was made in 2009

September
Additional investments of EUR 20m in East Capital Bering Russia Fund and EUR 10m in East Capital Bering Balkan Fund

October
Direct investment in TEO

Comment from the CEO

Gert Tiivas CEO

"The best way for East Capital Explorer to add value is to deliver what our shareholders cannot do themselves that easily, that is, to make investments in private equity, property and other unique, direct investments. These are areas where the skills and network of our Investment Manager are true competitive advantages."

2009 turned into a good year for our company. After a year focused on preserving our liquidity when the financial markets were under a lot of stress, we were, again, investing at full speed. We started the year with almost 71% of our NAV in cash and ended with the opposite proportions: with 71% being invested, and 29% in cash. In 2009, we were able to add many solid companies to our portfolio at crisis-like valuations, which leaves a lot of value growth potential from the 2009 vintage.

The majority of our investments made in 2007 and 2008 have also performed well. It is quite an amazing achievement that during such a serious crisis only one of the approximately 400 portfolio holdings in the funds in which we have invested has failed completely, and this did not contribute significantly to East Capital Explorer's NAV, and only a handful of companies in the funds have required additional equity injections.

"As CEO and a fellow shareholder, I am pleased that the East Capital Explorer share recovered well from the post-crisis lows and ended the year up 67%. The discount to NAV also narrowed from the widest of 55% to approximately 30%"

Our NAV in 2009 performed quite nicely, up 29%, and by the end of January 2010 we crossed the 100 SEK line, the level at which this company started. The NAV growth was slower than the growth of the market indices, but that should not be surprising, as we had a lot of cash. So, in a way, we were penalized for having cash. Still, this is much better than the alternative of not having sufficient cash to invest when the valuations were very attractive. We also know that the valuation cycle of private equity investments moves with a certain lag.

As CEO and a fellow shareholder, I am pleased that the East Capital Explorer share recovered well from the post-crisis lows and ended the year up 67%. The discount to NAV also narrowed from the widest of 55% to approximately 30%. This is still not a satisfactory level and its reduction remains one of our key targets. To show that we really mean it, the Board has again decided to utilise the share buy-back mandate. At the time of writing this, the share price is up more than 100% from the lows, and the discount has narrow to 20%.

In terms of the performance of our investments, there were both stars and laggards. The East Capital Power Utilities Fund had a very good year, both in absolute and relative performance. As this is by far our largest fund investment, we are very pleased that the investment management team delivered good performance and proved their stock-picking skills. As of the end of January 2010, the fund's NAV has grown back to where we started two years ago and we still see potential for further value growth as reforms and restructuring continue in the sector.

The East Capital Special Opportunities Fund, launched before the summer, got off to a good start. The investment team has created an exciting portfolio with significant further potential, as those investments were made at very attractive valuation levels. Launching a fund in early 2009 was not an easy task, so we commend the Investment Manager for being brave when many were still fearful and stayed on the sidelines.

TEO, our second direct investment, has performed well, as we invested in the company at an attractive valuation, when most investors still had a gloomy view of the Baltics. So far, TEO has withstood the economic turbulence quite well, and the Baltic markets have seen a strong recovery recently, as fears of collapse have been replaced by newfound optimism.

Certain of the East Capital Bering funds did not perform so well in 2009. As the rally in Eastern European markets started from bluechips and only gradually spread to less liquid names, the performance of funds, whose investment strategy is focused on small and micro-caps, as well as frontier markets, lags behind. We are confident that they will catch up, as we consider the underlying portfolios to be made up of strong companies. This is not to say that we are satisfied with the situation: performance has to improve in the next years in order for those investment strategies to justify themselves.

The East Capital Russian Property Fund has not started investing, to date, causing some to query whether we still believe in this sector and whether we intend to keep our commitment to the fund. The answer to both questions is: Yes! The Russian property market has been effectively closed for over a year. Sellers' and buyers' price expectations were wildly divergent and financing was unavailable. Recently the expectations gap has been narrowing, as sellers have accepted the new market reality. Also, banks are back in the market, at least for high quality borrowers. Now that rent declines have slowed markedly and it is easier to evaluate the income potential of properties, the investment team is more comfortable to step in. We expect to see some action in this fund shortly.

Looking at our portfolio composition at year-end, one notes that a larger than expected portion has been deployed in listed equities. This was the result of market reality: when in early 2009 we decided to begin investing again, going through funds that primarily invested in listed stocks was the quickest means by which to increase our market exposure, as private equity and property markets were not functioning. The focus of the Bering funds, which form a large part of our portfolio, is on small and micro-caps. So even if, formally speaking, many of those companies are listed, in reality they are illiquid and difficult to access for the majority of investors. Going forward, we would like to have an even higher proportion in unique investments, and our goal is to put the majority of the remaining cash to work in private equity, property and direct investments. Our primary route to those investments is, still, by investing through funds, as they offer diversification and other benefits. By the time we are fully invested, which will happen during 2010, we expect the portfolio to include many more truly unique investments.

> "Going forward, we would like to have an even higher proportion in unique investments, and our goal is to put the majority of the remaining cash to work in private equity, property and direct investments."

Our strategy remains the same: provide access to unique investments in Eastern Europe. Even more than thus far, we must focus on how we add value for our shareholders and how we clearly communicate this. The best way to add value is to deliver what our shareholders cannot do themselves that easily, that is, to make investments in private equity, property and other unique, direct investments. These are areas where the skills and network of our Investment Manager are true competitive advantages, so we must jointly make the most of it.

A good example here is a project that we have worked on a lot during the last six months and which we announced in January 2010. The joint venture with Intrum Justitia and the East Capital Financials Fund will purchase portfolios of non-performing consumer loans in Russia. This is a very exciting new venture, as we will establish a position in a market segment which barely exists today. The market for consumer loans have been relatively small and the non-performing portfolios have, thus far, primarily been handled in-house and not always using methods considered best practice in more developed markets. We expect this market to grow substantially, as more lenders will seek to outsource this business. We also expect the complementary strengths in the partnership to be a great value added, which will enable us to be the first Western player to build a strong franchise.

This renewed focus on truly unique investments is also the best medicine against the discount to NAV, which is the common plague of many investment companies. Only when we have consistently and clearly demonstrated that we add value, exceeding our operating expenses, including fees paid to the Investment Manager, can we deserve to be trading at a premium. In addition to making more truly unique investments, we also have to deliver strong performance over time. It gives us confidence that our Investment Manager has a solid reputation in performance with the funds having a long track record. Now we must jointly demonstrate that we can deliver the same for East Capital Explorer's portfolio.

Working in ways that enhance market confidence in what we do has been an important focus during 2009. We have taken steps to increase the level of transparency in our quarterly reports, in line with what investors had been expecting. We are aware of the perceived and real conflicts of interests between East Capital Explorer and East Capital and we have paid great attention to handling these properly. The Board and the Nomination Committee have taken other steps to increase trust and to communicate clearly to the market that this company is run in the interest of the shareholders.

Finally, we must be humble and patient. Just as the transition process in Eastern Europe will take time, so will it take time to prove that East Capital Explorer is producing superior returns. After all, our company is less than three years old and in its short lifetime has already successfully navigated one of the greatest financial crises in history. So we will continue patiently doing our work: investing the remaining capital, following up on our existing investments and having an open dialogue with our shareholders. We remain confident in our business model and in our value proposition. Eastern Europe will continue to grow and surprise us positively. We at East Capital Explorer, in cooperation with our Investment Manager, are very well positioned to deliver some of the fruits of that growth to our shareholders.

Stockholm, March 2010

Gert Tiivas
CEO

02

About Eastern Europe

Developments in Eastern Europe

"Growth rates in Eastern Europe fell more during 2009 and will be below the historical trend and more moderate than in other emerging regions in 2010 but should, nevertheless, surprise on the upside given the low level of expectations."

Marcus Svedberg, Chief Economist, East Capital

About Eastern Europe

New period of normality expected

In 2009, the majority of countries in Eastern Europe recorded almost unprecedented economic contractions and, at the same time, very strong recoveries on the equity markets. Consequently, it may seem a little far-fetched to argue that Eastern Europe is normalising at the end of one of the most extraordinary years since the start of the transition process.

One of the most important developments in the region in 2009 was the reversal of macro economic imbalances, most notably high inflation with corresponding high interest rates, as well as wide current account deficits. The recovery, which generally started in the second half of 2009, took off from a low starting point after the sharp contraction in the first half of 2009 and was driven by restocking and economic stimulus. But there are also reasons to believe that the region has laid the foundation for a period of more normal development, to take place after the recovery period. This new 'normal' will not be based on a low base effect or cheap credit, but rather on low inflation, low positive real interest rates and a combination of increasing domestic demand and exports. Most countries in the region are still in recovery mode and will remain so during the first half of 2010, before entering this new period in the second half of the year. For some of the worst-hit economies, such as Latvia, Ukraine and other countries with international assistance, the recovery period will be longer and could last well into 2011.

External factors

The risks facing Eastern Europe have become more external in nature over the year. Once the internal refinancing problems were eased and the most threatening structural risks avoided, the focus moved to external factors. The main risk to the recovery in the region is a disruption of the global economic recovery, which surprised on the upside during the second half of the year, as the crisis has clearly shown that Eastern Europe is not decoupled from the rest of the world. More specifically, there are still a number of uncertainties in the global financial system that could delay or even put the recovery off track, even though the global system has proved able to absorb shocks such as Dubai and Greece relatively well. Other external factors with high degrees of uncertainties that could affect Eastern Europe are related to commodity prices and inflation. China has served as a growth engine during the past year and there is a small risk that it may run out of steam, which would have an adverse effect on global growth.

Commodity prices

The baseline scenario for commodity prices, in general, and for oil in particular, is that they will stay quite strong and stable over the next 12 months. An oil price in the USD 60-80/barrel range would imply that other factors become more important, but major deviations on either side of this range would translate into a more commodity price driven development. Regarding inflation, economists are divided into fear-of-inflation and fear-of-deflation camps. The inflationists are concerned that stimulus programs and cheap credit will be maintained for too long a time, creating new bubbles during the recovery, whereas the deflationists are concerned that the remaining large spare capacity will slow down the recovery. Our baseline scenario is that inflation will pick up considerably during the second half of 2010 but neither more, nor faster, than the market already expects. There is also a small possibility that the inflationary and deflationary pressures will balance against each other, thus creating a very favorable environment with low inflation and interest rates, while the economic recovery gains momentum.

Economic recovery in Eastern Europe

Growth rates in Eastern Europe fell more during 2009 and will be below the historical trend and more moderate than in other emerging regions in 2010 but should, nevertheless, surprise on the upside given the low level of expectations. The spread within the region is, however, substantial. The two largest countries in Eastern Europe, Russia and Turkey, have managed to bail out their respective economies on their own and, thus, do not have any major limitations on domestic demand going forward. Russia is perhaps the most striking example, as it could use its vast reserves to set up one of the largest stimulus packages in the world, in relative terms. We believe Russian growth will surprise on the upside and growth forecasts started to be revised upwards towards the end of 2009 on the back of restocking, low base effect, the large stimulus program, as well as a supportive high and stable oil price. Turkey managed to cope with the recession on its own, despite frequent rumours and negotiations with the IMF. Growth contracted sharply in 2009, but is expected to recover quickly in 2010.

Inflation

Turkey and Russia have previously been plagued by high inflation and abnormal interest rates. In the Turkish case, the rates were among the highest in the world, whereas Russia has had high nominal but negative real interest rates. Both countries have seen inflation come down significantly in 2009, Turkey primarily in the first half and Russia in the second half of the year, and the interest rates followed suit. Inflation is still falling and rates should be cut a few more times in Russia before the trend is reversed sometime in 2010. It is therefore quite likely that both countries will have an inflation rate around 5% towards the end of 2010, with a policy rate at around 7%, which would give them a more normal emerging market position.

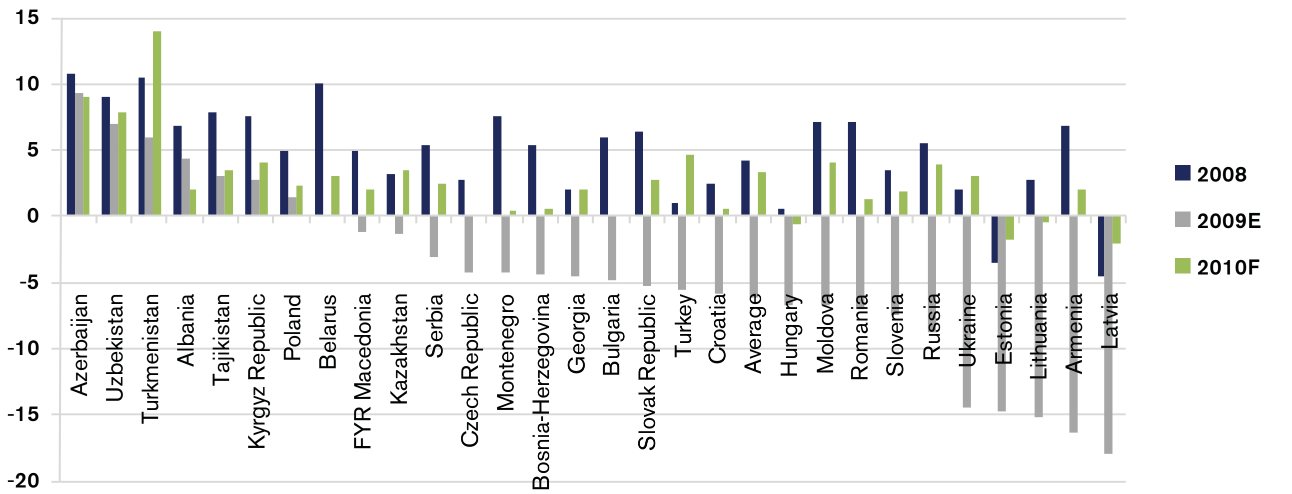
Varied starting points

A large number of the smaller economies in the region have been bailed out by the IMF, and they will not be able to stimulate domestic demand to the same extent, given the conditionality in the IMF programs requiring fiscal consolidation. Some of the most battered economies in the region, such as Latvia and Ukraine, saw their economies contract in double digits in 2009 and have only recently bottomed out. The recovery is both more fragile and slower than in the rest of the region. Still, countries like Estonia, Lithuania and Ukraine may be able to record some growth in 2010.

Some of the economies in Central Europe, such as Poland and the Czech Republic, benefited early from the faster than expected recovery in Germany and Western Europe in general, combined with not having very large imbalances at the start of the crisis. Poland was the only country in the EU not to move into a formal recession in 2009, and is emerging as a model going forward. Hungary and Slovakia have been hit harder by the crisis but all four economies in Central Europe should be able to record some modest growth rates in 2010, with Hungary as a possible exception. However, these economies are unlikely to offer any major surprises.

Little attention has been paid to the economies in Southeastern Europe, Central Asia and the Caucasus in 2009 and they are likely to stay out of the limelight during the first half of 2010. Although quite a few of these economies have been bailed out by the IMF, the situation is somewhat better than commonly perceived, and there should be at least some degree of modest growth throughout the region in 2010. Certain of the more resource dependent economies – such as Azerbaijan, Kazakhstan and Turkmenistan – should be able to bounce back faster given the expected high and stable commodity prices, whereas some of the poorest economies dependent on remittances – most notably Moldova, Armenia, Kirgizstan and Tajikistan – should experience a slower recovery.

GDP growth, %



Source: Bloomberg

Surprisingly little political tension

2009 was very likely a truly stressful period for policy makers in Eastern Europe. They have seen growth collapse and unemployment surge, while currencies have been under a lot of pressure, which could have led to widespread public dissatisfaction. But there have been very little public protests in the region and the majority of the governments have stayed in office. Few new reforms have been implemented lately but policymakers have, at the same time, resisted the temptation to reverse previous reforms. All in all, there has been remarkably little political volatility in the region during the past 1.5 years, suggesting that the system is surprisingly resilient.

This is, of course, no guarantee that the political landscape will remain calm. The presidential elections in Romania and Ukraine at the end of the year led to temporary freezes in the IMF/EU financing programs. That is problematic but not critical as the new presidents are expected to consolidate power in the respective parliaments and resume cooperation with the international financial institutions. The challenges are arguably the largest in Ukraine, but the situation may improve as the number of top positions in the government might be reduced from three to two, thus decreasing the potential for political infighting and tension. A number of smaller countries are led by large, and quite fragile, coalition governments which may come under pressure as the fiscal tightening starts to bite.

The largest economies are, interestingly enough, the most stable in political terms. Russia, Turkey and Poland have strong and quite popular governments that do not face re-election in 2010. The balance could, of course, be broken by a series of potential external or domestic shocks, for instance if the underlying political battle in Turkey gets out of control, but that is rather unlikely, and the baseline scenario is that the current leadership stays in power throughout 2010.

Improving markets

Valuations in Eastern Europe remained significantly lower than in both developed markets and the main global emerging markets despite strong performance throughout 2009. At the same time, we expect earnings forecasts to be upgraded following substantial cost cutting and underlying growth revisions. Investors are expected to stay focused on the largest and most liquid markets, i.e. Russia, Turkey and Poland, but the smaller markets may see some attention during the second half of 2010. Towards the end of 2009, companies in the region started to raise money through IPOs and the local and international debt markets. This trend is expected to gain momentum throughout 2010.

Russia and CIS

In general, markets in the region are expected to do well in 2010 as growth and convergence come back on track again, but they also remain vulnerable to any major external shock in the global financial system. The banking system in the region had a tough year with increasing credit losses and substantial provisions. The negative trend has been halted and banks have benefited from the large rate cuts even though lending has not yet resumed on a wider scale. In light of the anticipated stable commodity prices, Russia is expected to do very well, both in terms of economic and earnings recovery. Russia might also surprise on rapidly decreasing inflation, which could be as low as 5-6% in 2010, coupled with further interest rate cuts. In such an environment, domestically oriented industries and their stocks should perform well. Russia is expected to have the highest earnings growth among the BRICs in 2010.

Turkey

Turkey managed to weather the crisis very well due to their experience in the previous crisis; banks were highly capitalized and did not provide large loans in foreign currencies as in many other Eastern European countries. The market, which is dominated by financials, started to recover early in 2009 on the back of rapid and comprehensive rate cuts, exceeding 1,000 basis points. Although the banks moved somewhat ahead of themselves in the first half of 2009, there is still upside potential for the market in 2010 after a correction in late 2009 and due to the fact that industrial companies were very quick to adapt to the new reality.

Balkans

The Balkan markets suffered the most during the crisis, in terms of performance, due to an exodus of foreign investors and partially leveraged local investors. On the economic front performance was mixed, but not worse than in other parts of Eastern Europe. At the end of the year, certain markets were still down more than 80% since the peak. We believe the correction has been unfairly large, but it may take time until investors return to these markets.

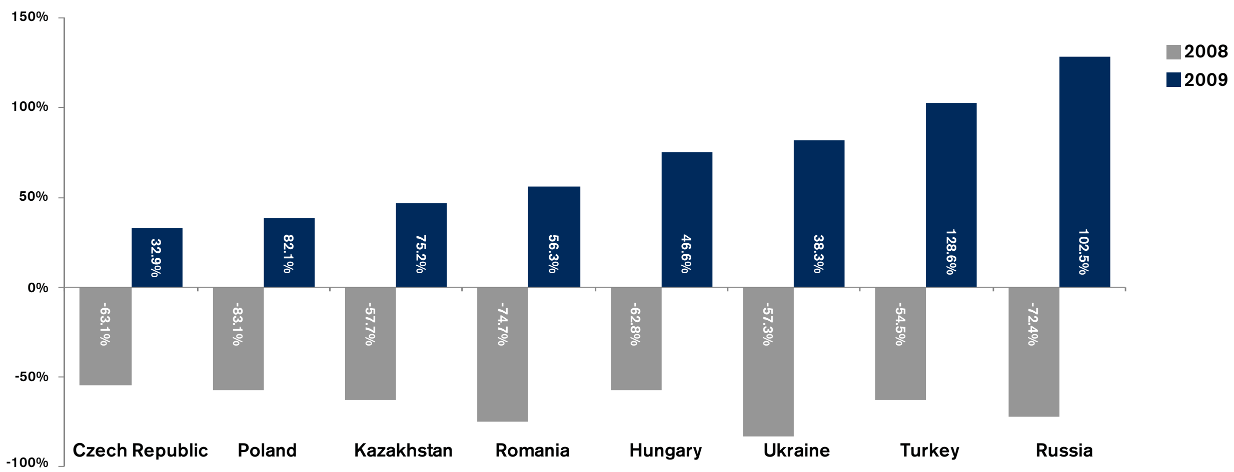
Baltic

The Baltic markets are somewhat different as the underlying economies are more troubled. At the same time investors showed, at least a temporary, renewed interest in during the second half of 2009 after TeliaSonera made a bid for the remaining shares in the local telecom operators. A more sustainable interest for the Baltics should emerge once investors are convinced that the economic recovery stands on solid ground.

Looking beyond 2009

If 2009 was a year of contraction, then 2010 will be a recovery year in Eastern Europe. The recovery will primarily be export driven, but domestic demand will gradually become a more important growth driver, particularly in the larger economies. Financial markets, especially in the largest countries, started to rebound already in the first half of 2009 in anticipation of the economic recovery. The largest markets in the region should be able to continue to outperform on the back of stronger than expected economic growth, very significant earnings growth, attractive valuations and a lower inflation and interest rate environment. The interest for the smaller and less liquid markets in the region where the economic recovery is taking longer should gradually come back in the second half of 2010. The main risks to recovery are increasingly external, but these should not be neglected as they could affect the region through financial or trade links. The global recovery is still fragile and a number of things can still go wrong, making any forecast rather uncertain. But regardless of how the short term develops, the medium term outlook appears increasingly attractive in emerging regions such Eastern Europe, as refinancing problems have eased and these countries do not suffer from the structural debt problems evident in many developed economies.

Performance financial markets, %



Source: Bloomberg

Eglé Fredriksson, member of the portfolio management team at East Capital, visits one of BMB Munai's oil wells, located close to the Caspian coast town of Aktau. The well is 4,300 m deep and produces 600 barrels per day under natural flow of oil. In total, the company produces 3,000 bpd and has reserves of 83,000 barrels of oil equivalent. BMB Munai is a holding in the East Capital Bering Central Asia Fund.

Comment from the Investment Manager

> "We are sometimes asked what we regret most during our years as investors. The obvious answer is that we regret not having any cash during the Russian crisis of 1998. A decade later, following the 2008 crisis, we have a similar market situation, and this time East Capital Explorer had lots of cash when the crisis hit."

Peter Elam Håkansson Chairman of the Investment Manager, East Capital

2009 was an extraordinary year in Eastern Europe. The sentiment towards the region at the outstart was perhaps worse than at any point in time since the beginning of the transition process. But then sentiment changed during the spring. Some of the underlying risks were addressed domestically, regionally and globally, which resulted in currencies, equities and commodities starting to climb. Sentiment towards the region remained gloomy but as the focus gradually shifted towards fundamentals, investors and analysts became more optimistic. This positive momentum was reinforced during the second half of the year by a stronger than expected economic recovery. As a result, stock markets in the region rebounded and recorded very strong gains from low levels. Developments in Russia in 2009 are perhaps the best illustration of how the sentiment has changed over the year. In January, the Russian market was priced as if it was on the verge of collapse. By the end of December, the RTS index was up by 113%.

Limited debt problem in Eastern Europe

We never lost our conviction that Eastern Europe is an attractive long term convergence case. We appreciated the difficult situation in many economies, but did not subscribe to the popular view that the region was structurally impaired. The most common misperception plaguing Eastern Europe during 2009 was that the region is structurally indebted, whilst all objective indicators (sovereign, corporate and household debt) clearly indicate that the majority of the economies in Eastern Europe actually show rather low leverage.

Company visits are key to good performance

More than ever, 2009 was a year when it was important to stay close to the companies and visit them on a regular basis. The East Capital portfolio management and analyst teams increased the number of company visits significantly and during 2009, we met with as many as 1,000 companies! Seeing these Eastern European companies constitutes the backbone of our way of working and in 2009 this approach truly paid off. In our broad Eastern European fund we outperformed the MSCI Emerging Europe index with a record 32 percentage points. This benefited the shareholders of East Capital Explorer as this fund is part of the investment portfolio.

50 percentage points better than index

The largest investment in East Capital Explorer's portfolio is the investment in the East Capital Power Utilities Fund. This fund invests in all sub-sectors of the fast changing Power Utilities sector namely; generation, transmission, distribution, sales and maintenance. 2009 was a good year for the sector as the reform process in Russia continued and the sector index was up 127%. The investment team had a very active year with a large number of company visits and excelled with a performance of 177%, which translates to an outperformance of 50 percentage points compared to index.

A special fund to realize opportunities

We are sometimes asked what we regret most during our years as investors. The obvious answer is that we regret not having any cash during the Russian crisis of 1998. The investment opportunities we saw during the years after the 1998 crises were tremendous. Sadly, the amount of cash we had to invest in our funds at that time was rather limited. A decade later, following the 2008 crisis, we have a similar market situation, and this time East Capital Explorer had lots of cash when the crisis hit.

In order to seize the unique opportunities presented in this context, we launched the East Capital Special Opportunities Fund in May. The investment team had the opportunity to do precisely what we had not been able to do back in 1998, namely invest in good companies at distressed valuations. After intense work during the second part of the year, this fund is now fully invested and we are very proud of the portfolio. East Capital Explorer is the largest investor in this fund, and we believe this investment will prove to be good for the shareholders.

EU continues to enlarge

By the end of the year we also had the opportunity to revisit one of the most important themes of our investments, namely EU enlargement. The majority of the countries in the Western Balkans made progress in their respective ways in moving closer to the EU, and it was most rewarding to end the year with Serbia handing in their EU entry application in Stockholm on 22 December. Balkan markets did not react to the good news during the autumn as much as we thought they would react. Consequently, we increased East Capital Explorer's exposure in the region through additional investments in the East Capital Bering Balkan Fund. Also, the East Capital Special Opportunities Fund increased investments in this region.

The forthcoming year

Looking at 2010, we see a year in which we expect the economies in our region to continue their recovery. We believe that this will continue to be reflected in positive market performance. Most markets are cheap, in an international perspective, and remain well away from their pre-crisis levels. Politically, we believe the year will be stable with the exception of Turkey and Ukraine, who both entail relatively high political risk. The overall risks for our markets continue to be comprised of external factors. The debt situation in some eurozone countries and a possible cooling down of the Chinese economy are two factors that will be closely followed by investors in our region.

We are convinced that the long term performance of our markets will continue to be high in absolute terms, but also in relative terms, as they will continue to outperform more developed markets.

Being long term investors, we are also very proud of the fact that we in December 2009 could note that our Russia Fund was the best performing global onshore regulated fund of the decade. This is almost unbelievable as the competition is very tough with almost 100,000 funds! The fund has shown some degree of volatility during its life, but the long term performance is solid. This is additional positive evidence of that it pays off to be a long term investor in the East Capital Universe!

Peter Elam Håkansson

East Capital partners visiting Riga, Latvia, from left: Albin Rosengren, Aivaras Abromavicius, Peter Elam Håkansson, Jacob Grapengiesser, Justas Pipinis, Karine Hirn and Kestutis Sasnauskas.

About the Investment Manager: East Capital

East Capital was founded in 1997 by individuals with a common interest in the Eastern European markets, convinced of the investment opportunities made possible by the transition of this region into more functional and stable markets.

By combining macroeconomic, market and political knowledge with the input of personal visits and meetings in the region, East Capital's managers continuously review and analyse the most important development trends. The investment teams spend a great deal of time travelling in the region, in validating the investment themes, in selecting the companies with the greatest potential for value growth and, as a final step, in determining the most appropriate financial instruments for the investment in question.

As per 31 December 2009, East Capital had EUR 3.3bn in assets under management and is, thereby, one of the largest independent asset managers in the world specialising in Eastern Europe. East Capital manages eight public equity funds, seven semi-public equity funds, and three private equity funds. A number of the funds have received numerous awards, including Lipper Fund Awards and Golden Star Awards from Dagens Industri and Morningstar.

The members of East Capital's investment teams (many of whom are nationals of the countries in which they invest) have the regional experience and the network which is key to identifying investment opportunities, especially companies that are located in less developed areas in the region. East Capital's investment teams are known for their focus, local presence and extensive travelling, which helps retain and create new contacts, providing an important competitive advantage.

East Capital has 150 employees, with 28 different nationalities, working in a variety of investment teams with a total of 39 investment professionals. There are eight offices worldwide.

For further information regarding East Capital please refer to www.eastcapital.com.

About Eastern Europe

03

Our portfolio

Portfolio on 31 December 2009

East Capital Explorer's portfolio comprises investments in East Capital funds, Direct Investments and Short-term investments. On 31 December 2009, total Net Asset Value amounted to EUR 341m, corresponding to EUR 9.61 per share.

The fair value change of the total portfolio was +29 percent during 2009. The fair value change of East Capital Explorer's investments was approximately 50 percent during the year. Short-term investment constituted a large part of the portfolio and amounted to EUR 88m, corresponding to EUR 2.47 per share, on 31 December 2009.

	Number of units	Acquisition value tEUR	Fair value 31 Dec 2008 tEUR	Fair value 31Dec 2009 tEUR	Fair value change 2009, %[1]	NAV/ share EUR	% of NAV
Fund Investments							
East Capital Bering Russia Fund [2]	1,660,805	43,590	7,377	33,130	21.0	0.93	9.7
East Capital Bering Ukraine Fund	1,212,296	24,411	7,630	7,053	-7.6	0.20	2.1
East Capital Bering Balkan Fund [3]	6,220,853	44,938	17,631	35,262	27.6	0.99	10.3
East Capital Bering Central Asia Fund [4]	5,933,960	29,478	7,389	20,989	21.1	0.59	6.1
East Capital Bering New Europe Fund [5]	2,516,097	14,972	6,842	16,767	41.9	0.47	4.9
East Capital Power Utilities Fund	162,000	81,000	26,515	73,394	176.8	2.07	21.5
East Capital Special Opportunities Fund [6]	4,897,249	35,000	-	39,293	12.3	1.11	11.5
East Capital Russian Property Fund [7]	400	1,425	513	991	n/a	0.03	0.3
East Capital (Lux) Eastern European Fund (EUR)	182,500	18,250	5,814	11,467	97.2	0.32	3.4
Total Fund Investments		**293,064**	**79,710**	**238,346**	**49.3**	**6.71**	**69.9**
Direct investments							
MFG (OAO Melon Fashion Group)	4,996	9,941	9,941	10,402	4.6	0.29	3.0
TEO LT, AB	16,722,875	8,964	-	8,860	-1.2	0.25	2.6
Total Direct Investments		**18,905**	**9,941**	**19,262**	**1.9**	**0.54**	**5.6**
Short-term Investments							
Short-term investments		36,000		37,406		1.05	11.0
Cash and cash equivalents			175,789	50,314		1.42	14.7
Total Short-Term Investments			**175,789**	**87,720**		**2.47**	**25.7**
Total Portfolio			**265,440**	**345,328**		**9.73**	**101.2**
Other assets and liabilities net			-415	-3,958		-0.11	-1.2
Net Asset Value (NAV)			**265,025**	**341,369**	**28.8**	**9.61**	**100.0**

1 The fair value change measures the return on the actual invested amount during each respective period.
2 An additional investment of EUR 20m, corresponding to an additional 1,122,961 newly issued shares, was made into the fund in October 2009.
3 An additional investment of EUR 10m, corresponding to an additional 1,682,166 newly issued shares, was made into the fund in October 2009.
4 An additional investment of EUR 10m, corresponding to an additional 3,447,506 newly issued shares, was made into the fund in June 2009.
5 An additional investment of EUR 5m, corresponding to an additional 956,097 newly issued shares, was made into the fund in June 2009.
6 The East Capital Special Opportunities Fund was launched during the second quarter of 2009. The full committed amount of EUR 35m had been drawn-down per 1 July 2009.
7 EUR 40m has been committed to the East Capital Russian Property Fund. To date, no investments have been made in the fund. Total draw-downs of EUR 1.5m have been made to cover costs in the fund, amounting to EUR 0.4m. The remaining committed EUR 38.5m is still placed in short-term investments.

East Capital Bering Russia Fund

Jacob Grapengiesser
Partner and member of the Portfolio Management team, East Capital

The East Capital Bering Russia Fund returned 44% in EUR terms during 2009, significantly less than the indices representing the large- or medium-sized companies on the Russian markets. The reason for this was that the fund mainly comprises smaller Russian companies. These were not revalued during 2009 and continued at depressed levels with certain stocks continuing to fall even further during 2009.

The largest contributor to performance was Kuzbassrazrezugol which gained 309%. The company has previously applied transfer pricing to reduce profits, effectively transferring the major portion of profit to offshore companies controlled by parties related to the main shareholder. It had been expected that the company would discontinue this practice and retain the profits in the listed entity. This also became clearer after a meeting between the company's chairman and the Investment Manager where the company stated that it had terminated this practice in the third quarter, leading to a significant increase in net profits.

Another large contributor was Verofarm, a generic pharmaceutical producer which gained 179%. The company benefitted from the higher price of imported pharmaceuticals and was able to increase its market share. At the time of writing, the troubled majority owner, Pharmacy Chain 36.6, had secured an increase in capital which should resolve the company's heavy debt load. Certain investors were worried that Verofarm would take over some of the debt obligations of Pharmacy Chain 36.6, something which now seems much less likely to happen. This might be a positive trigger for the stock in 2010. (Read more about Verofarm on page 31.)

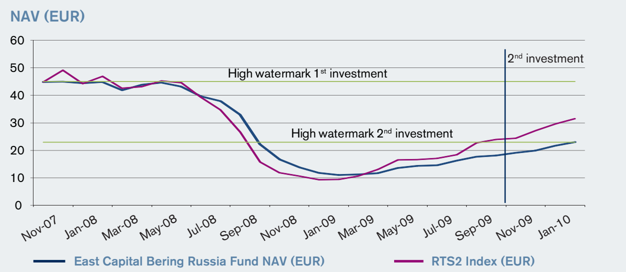
The largest negative contribution came from three private equity holdings; Nova Liniya, a Ukrainian DIY chain that decreased 3 % during the year, Ukrainian real estate company Cantik that decreased 40%, Elko, a Latvian electronics wholesale group that declined 60% during the year. In total, these three holdings shaved off 15 percentage points from the 2009 performance. None of the 120 companies in the portfolio have gone into bankruptcy during the year, whilst the possibly most problematic holding, Russian Cinema Holdings, lost 78% of its value. This company experienced significant working capital problems, which have been resolved with a rights issue.

Fund facts

Aim of the Fund
The aim of the Fund is to achieve long term capital appreciation from investments in listed and unlisted equities in Russia and the former Soviet Union. The Fund may also invest in companies having significant trade with, or active investments in, Russia or the countries of the former Soviet Union.

Launch date: 1 June 2004
Risk: High
Volatility: 37%
Alpha: 85%
Fees: 2% management fee, 20% performance fee
ISIN code: KYG290611014
Bloomberg: BERINGF KY
Benchmark index: RTS2 Index

Fund perfomance since East Capital Explorers first investment



	2009	Since inception of the fund in June 2004
East Capital Bering Russia Fund, EUR	+44%	+143%
RTS2 Index, EUR[1]	+154%	+71%
East Capital Explorer's share of the fund on 31 December 2009:		34%

[1] The Russian Trading System Second-tier Stock Index is the Russian mid-cap stock market index composed of 78 companies on the RTS that have limited trading volumes.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
1 Dec 2007	537,844	23.6	7.4	10.7	44%	-55%
1 Oct 2009	1,122,961	20.0	-	22.4	12%	12%
Total investment	1,660,805	43.6	7.4	33.1	21%*	-24%

*Fair value at year-end compared to fair value at the beginning of the year adjusted for acquisitions during the year

Belon

Example of a company in the East Capital Bering Russia Fund

Belon is a producer of coking coal which, together with iron ore, is one of the components for producing steel. The company currently produces 5.1 million metric tonnes per year, but production will be expanded to 7.2 million metric tonnes in 2012, according to the company. This makes it the seventh largest producer of coking coal in Russia. The price for coking coal has risen sharply due to increased demand from China, and international prices are currently at approximately USD 200 per metric tonne, with analysts predicting the price to rise to around USD 250 per tonne. Belon cannot charge the international price level due to high transportation costs to ports, but should be able to receive around USD 120 per metric tonne. There is a limited supply of coking coal globally, as well as limited reserves, which, in theory, should keep prices relatively high if China continues to increase steel production.

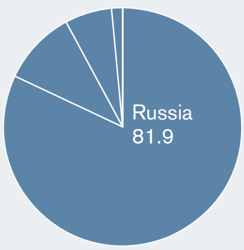
The company is controlled to 83% by Magnitogorsk Steel, which has confirmed that any purchase of coal from Belon would be undertaken on market terms. In terms of valuation, the company is estimated to be trading at enterprise value 2.3 times Ebitda 2010 and 1.6 times Ebitda 2011 or in terms of price-earnings-ratio, 2.8 and 1.7, respectively for 2010 and 2011. Global peers are estimated to be trading at enterprise values 7.8 times Ebitda and price-earnings-ratios of 17.1 for 2010.

Investment facts:

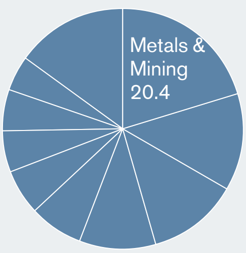
East Capital invested since: 2009
East Capital Bering Russia Fund's holding in the company: 0.7% (additional 0.4% held through East Capital Special Opportunities Fund)

Learn more about Belon on:
http://belon.ru

COUNTRY EXPOSURE, %



SECTOR WEIGHTING, %



Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	Portfolio weight 31 Dec, % 2008	Performance, %*	Country	Sector
Bank CenterCredit	9.7	12.1	43	Kazakhstan	Banking and Finance
Fesco	9.2	12.0	21	Russia	Transportation
Kuzbassrazrezugol	8.7	3.5	309	Russia	Metals and Mining
Neftekamsk Auto Plant	5.3	-	7	Russia	Engineering
Nova Liniya	4.5	9.6	-33	Ukraine	Retail
Korshunovsky GOK	4.4	3.8	84	Russia	Metals and Mining
Ostankinsky Molochny	3.5	2.2	95	Russia	Consumer Goods
Bamtonnelstroy	3.5	1.3	227	Russia	Constr and Constr Mtrl
Belon	3.4	-	-5	Russia	Metals and Mining
Veropharm	3.3	-	179	Russia	Pharmaceuticals

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
55.5	8.2	120

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Bering Ukraine Fund

Aivaras Abromavicius
Partner and member of the Portfolio Management team, East Capital

The past year was an extremely challenging year for Ukraine where economic troubles were aggravated by the political chaos. During the first quarter of the year, the fund lost a quarter of its value but still managed to outperform the PFTS benchmark index. All liquid names in our portfolio posted losses, with the power supplier, Centerenergo, dropping 38%, the Dragon-Ukrainian Properties & Development (DUPD) loosing 25%, and the steel producer Zaporizhstal declining 50%. In order to reflect economic reality, the non-listed holdings were subject to valuation impairments. Over the period, the fund also exited its positions in Ukrsotsbank and Rodovid Bank, which lost more than fifty percent of their respective value over the period.

The stock market rebounded during the second quarter which did not, however, translate into significant gains for the fund, due to the size of the non-listed and illiquid portion of the portfolio. Among the publically listed holdings, the energy and agro sectors delivered good performance with Centrenergo, gaining 100% and the agricultural producer, Creative Group, increasing 150%. During the quarter, we took profits in the Ukrainian agro-industrial holding company Astarta, and reduced exposure to DUPD and XXI Century Investment, two real estate companies, following their short rally on the back of positive market sentiment.

The third quarter 2009 was also marked by rally on the Ukrainian stock market, on the back of receding global fears and recovering commodities. During the quarter, the listed securities in the fund posted strong gains. However, with the market moving ahead of the real economy, the performance of our private equity investments, valued on fundamentals rather than on market sentiment, was lagging.

The last quarter of the year was rather volatile in anticipation of the presidential election in the beginning of 2010, though we still saw a weak upward trend on the stock market. Over the quarter, the biggest private equity holding, the Nova Liniya DIY chain, was revalued externally at 16% higher, as the outlook for the company had improved in line with the stabilization of the economy. In Cantik, the real estate development company controlled by East Capital funds, an external valuation led to a 26% increase in value of the company. The underlying reasons for the value increase were the better than expected lease-out of the shopping center under development and the rental income from the existing retail properties. Among new names added to our portfolio were Stirol, a fertilizer producer, and Darnitsa, the largest Ukrainian pharmaceutical producer by volume. The fund also added more Ukranian large caps, such as Ukrnafta and Ukrtelecom, which the Investment Manager expected to outperform during the election rally.

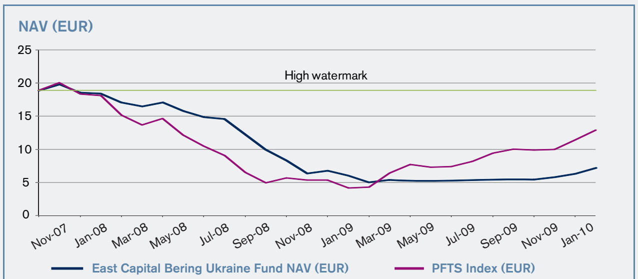
Fund facts

Aim of the Fund

The aim of the Fund is to achieve long term capital appreciation from investments in Ukrainian equities, both listed and unlisted. The Fund may also invest in companies that have significant trade with, or exposure to, the Ukraine and other countries of the former Soviet Union.

Launch date: 1 August 2005
Risk: High
Volatility: 29%
Alpha: -29%
Fees: 2% management fee, 20% performance fee
ISIN code: KYG290651028
Bloomberg: BERINGU KY
Benchmark index: PFTS Index

Fund perfomance since East Capital Explorers first investment



	2009	Since inception May 2004
East Capital Bering Ukraine Fund, EUR	-8.3%	-29%
PFTS Index, EUR[1]	+78%	-4.7%
East Capital Explorer's share of the fund on 31 December 2009:		12%

[1] The PFTS Index is the Ukraine stock market index composed of the twenty largest shares on the stock exchange in Kiev.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
1 January 2007	1,212,296	24.4	7.7	7.1	-8.3%	-71%

Nova Liniya

Example of a company in the East Capital Bering Ukraine Fund

Nova Liniya is Ukraine's second largest Do-It-Yourself (DIY) chain and its principal activity is retail trade in construction and home improvement materials, as well as associated services, such as product delivery, garden design, etc. The company was initially incorporated in the city of Kyiv in 2000 and the first store was opened in June 2001. The company currently operates a total of 16 stores in Kyiv, Lviv, Dnipropetrovsk, Boryspil, Odessa, Simferopol, Lutsk, Zaporizhya, Uzhgorod, Kharkiv, Bucha, Sevastopol and Kremenchug with a total selling space of 175,000 m^2 and approximately 6,000 employees.

In 2000-2007, Ukraine posted among the highest GDP growth rates in the world, with an annual average real GDP growth of 7.5%. This contributed to growth in consumer incomes which, in turn, spurred the development of the country's consumer sector. Nova Liniya's revenues saw unprecedented growth, increasing from USD 40m in 2005 to USD 425m in 2008. This revenue growth came from its rapid expansion: in 2006, the company opened two new stores, while in 2007 four new hypermarkets were opened. Additionally, eight new stores were opened between mid 2007 and the end of 2008.

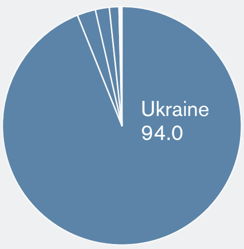
Unfortunately, the economic crisis, exacerbated by the lack of political stability and the anticipation of further currency devaluation, led to a slowdown in retail growth rates in Ukraine. However, as the retail industry has been one of the fastest growing Ukranian sectors in 2006-2008, it was also hit the hardest during the crisis. Growth recovery rates in this sector will be above average again, once the economy starts growing. Analysts project 8%-10% retail growth in 2012 and 14%-17% in 2013. The Investment Manager believes that Nova Liniya, with its market position, is set to benefit from this growth in the medium and long term. At the same time, the company is potentially a very attractive acquisition target once international retail chains put Ukraine back on their expansion maps.

Investment facts:

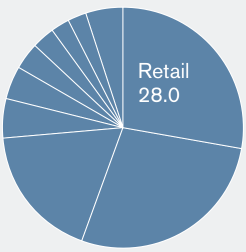
East Capital invested since: 2007
East Capital Bering Ukraine Fund's holding in the company: 24%

Our portfolio

COUNTRY EXPOSURE, %



SECTOR WEIGHTING, %



Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2009	2008			
Nova Liniya	26.4	23.9	-33	Ukraine	Retail
Chumak	15.5	9.1	24	Ukraine	Consumer Goods
Henryland	13.0	12.9	-30	Ukraine	Real Estate
Cantik	12.7	14.9	-40	Ukraine	Real Estate
Galnaftogaz	4.3	1.1	172	Ukraine	Oil and Gas
Centrenergo	3.2	0.7	74	Ukraine	Power Utilities
ELKO	2.4	4.6	-60	Baltics	Electronics
Creativ Group	2.3	0.2	552	Ukraine	Agriculture
Bank Forum	2.1	1.3	-3	Ukraine	Banking and Finance
Trev-2	1.8	1.4	-9	Estonia	Constr and Constr Mtrl

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
83.7	71.1	45

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Bering Balkan Fund

Jacob Grapengiesser
Partner and member of the Portfolio Management team, East Capital

The East Capital Bering Balkan Fund returned 44% in EUR terms during 2009 as the Balkan markets recovered a portion of the previously incurred losses. It should be noted that the Balkan markets were amongst the worst hit during the crisis, with many markets recording losses of 80% from peak to trough. From a macroeconomic point of view, however, the countries have suffered significantly less than many of their Eastern European peers.

The Investment Manager has utilised the very sharp fall in the markets to acquire or increase positions in selected companies. Impact, a Romanian developer of apartments and town houses, gained 469%. Certain investors believed that this company would go bankrupt due to its debt load and, consequently, sold their shares. However, the Investment Manager's conclusion, after meeting the company, was that it would manage its debt successively. The company also had a large stock of finished, but unsold, apartments at attractive prices in a good area in Bucharest. Finally, the company has a large pool of land, which could prove to be of significant value.

Pinar Et, a Turkey-based producer of packaged meat, and Pinar Sut, a Turkey-based dairy producer, were the second and third largest contributors to performance and gained 126% and 92%, respectively. Another large contributor, and currently the largest holding in the fund, is Fondul Proprietatea. The extensive process of changing the management of the fund was delayed. However, at the time of writing, the contract had been signed, which has led to a significant revaluation of Fondul Proprietatea of +60% so far in 2010.

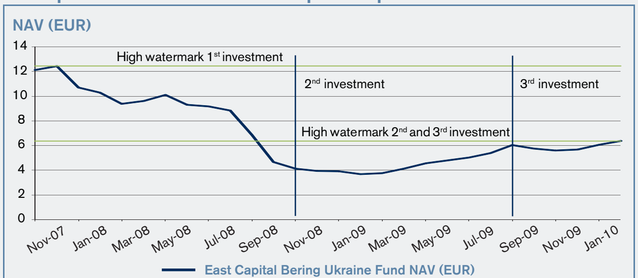
On the negative side, the two largest contributors were Abanka and the preferred shares of AIK Banka, which lost 10% and 13%, respectively. A number of Serbian shares recorded losses of more than 50% as the market continued to fall in 2009.

Fund facts

Aim of the Fund
The aim of the Fund is to achieve long term capital appreciation from investments in Balkan equities, both listed and unlisted. The Fund's investment focus is centred on the Balkan economy and geographically comprises Albania, Austria, Bosnia-Herzegovina, Bulgaria, Croatia, Greece, Macedonia, Montenegro, Romania, Serbia, Slovenia and Turkey.

Launch date: 31 July 2006
Risk: High
Volatility: 39%
Fees: 2% management fee, 20% performance fee
ISIN code: KYG290601031
Bloomberg: BERINGB KY
Benchmark index: The fund currently has no relevant benchmark index

Fund perfomance since East Capital Explorers first investment



	FY 2009	Since inception July 2006
East Capital Bering Balkan Fund, EUR	+44%	-28%
East Capital Explorer's share of the fund on 31 December 2009:		47%

There is currently no relevant benchmark available for the fund.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
1 Dec 2007	2 089 038	24.9	8.2	11.8	44%	-53%
1 Dec 2008	2 449 648	10.0	9.6	13.9	44%	39%
1 Oct 2009	1 682 166	10.0	-	9.5	-5%	-5%
Total investment	6 220 853	44.9	17.6	35.3	27%*	-22%

* Fair value at year-end compared to fair value at the beginning of the year adjusted for acquisitions during the year

Fondul Proprietatea

Example of a company in the East Capital Bering Balkan Fund

FONDUL PROPRIETATEA

Fondul Proprietatea is the largest privatisation fund in Southeastern Europe. The fund was set up at the end of 2005, and shares in the fund were distributed as compensation for assets confiscated during the communist regime. The fund is not publicly listed, but shares are traded on the OTC market. From the start of the fund until 18 January 2010, approximately 40% of the fund has been distributed by the Romanian state to private shareholders. The distribution process is ongoing and the Romanian state's stake in the fund should continue to decrease over time. The fund comprises stakes in 86 different companies. Its main exposure is towards the oil, gas and power utilities sectors, with important holdings including a 20% stake in Petrom, the largest integrated oil & gas company in South Eastern Europe, a 15% stake in Romgaz, Romania's state owned gas producer, a 20% stake in Hidroelectrica, Romania's hydro producer and a 17 stake in Nuclearelectrica, Romania's only nuclear production company. The reported net asset value of Fondul Proprietatea's portfolio was RON 9.55bn (EUR 2.3bn) by the end of 2009. In addition, the fund had cash and cash equivalents of RON 2.15bn (EUR 0.5bn) at the end of 2009.

After several years of postponement, the asset manager selection process was initiated in late December 2008 and was finalised by mid 2009, with the selection of Franklin Templeton Investment Management. However, several delays in the effective closing of the management contract led to fluctuations in the OTC share price. Nevertheless, on 25 February 2010, the management contract was signed, resulting in an appreciation of the share price. Franklin Templeton Investment Management has stated that the listing of the fund on the Romanian stock exchange (and possibly also abroad) is one of its priorities. The expected listing of the fund is an important milestone for the Romanian equity market and the listings of the underlying large state-owned companies would further benefit to the Bucharest stock exchange.

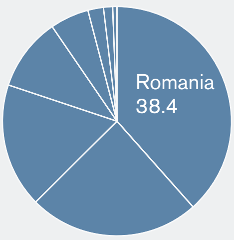
The fund is currently trading at approximately 70% discount to its real NAV. Based on the latest transaction price, the fund is valued at approximately RON 5.7bn (EUR 1.4bn), while cash and cash equivalents in the fund are RON 2.15bn (EUR 0.5bn). The 20% stake in the listed Petrom, alone, is currently worth RON 3.13bn (EUR 0.8bn).

Investment facts:
East Capital invested since: 2008
East Capital Bering Balkan Fund's holding in the company: 1.1% (additional 1.0% held through East Capital Special Opportunities Fund funds)

Learn more about Fondul Proprietatea on: www.fondulproprietatea.ro

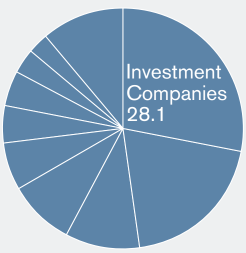
Our portfolio

COUNTRY EXPOSURE, %



24.2 Serbia
17.5 Turkey
10.3 Slovenia
5.5 Bosnia
2.2 Montenegro
1.3 Croatia
0.6 Macedonia

SECTOR WEIGHTING, %



19.9 Banking & Finance
9.8 Consumer Goods
9.0 Media
6.4 Real Estate
5.1 Constr. & Constr. Mtrl.
4.5 Oil & Gas
3.5 Telecom
2.8 Insurance
10.9 Other

Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	Portfolio weight 31 Dec, % 2008	Performance, %*	Country	Sector
Fondul Proprietatea	12.7	0.2	40	Romania	Investment Companies
B92	8.1	7.4	71	Serbia	Media
Abanka	6.7	12.6	-10	Slovenia	Banking and Finance
Pinar Et Ve Un	4.7	2.8	126	Turkey	Consumer Goods
Impact	4.1	-	469	Romania	Real Estate
Rompetrol Rafinare	3.5	1.6	222	Romania	Oil and Gas
Finans Leasing	3.4	2.9	74	Turkey	Banking and Finance
Agrobanka	3.3	0.4	90	Serbia	Banking and Finance
Zavarovalnica Triglav	2.5	2.3	68	Slovenia	Insurance
AIK Banka	2.4	3.1	-13	Serbia	Banking and Finance

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
51.4	23.4	62

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Bering Central Asia Fund

Aivaras Abromavicius
Partner and member of the Portfolio Management team, East Capital

2009 started with Kazakhstan as one of the cheapest markets amongst the emerging markets. The first quarter performance was significantly affected by the Kazakh banking sector collapse following the global credit crunch. Credit troubles and currency devaluation hit all of the Kazakh banks, which had a negative effect on the fund where financials accounted for nearly 42%. The worst performer in the portfolio was Bank TuranAlem (BTA), which at the beginning of the year, accounted for almost 11% of the fund and which lost 93% of its value over the quarter. As a result, the fund registered a substantial loss. During the first quarter, the fund's exposure to Kazakh banks decreased, while additional shares in Bank of Georgia were acquired since the share was trading at the lowest multiples in the region, despite its improved financial condition.

In the second quarter, rising oil prices drove up Kazakh share prices. KazMunaiGas Exploration Production and Dragon Oil from Turkmenistan, which accounted for 20% and 8% of the fund at the beginning of the second quarter, gained 28% and 117%, respectively, during the quarter. Hence, the fund recouped all of the losses registered in the first quarter, although it still underperformed relative to its benchmark, the KASE index. This underperformance can be attributed to the significant size of the private equity portion of the fund's portfolio in markets outside Kazakhstan, such as Georgia. The value increase of these holdings could not match the performance of the liquid Kazakh stocks. The fund increased its stakes in much beaten-down, but well-run local companies, such as Chagala Group, catering to the oil & gas sector, and Steppe Cement, the only traded cement producer.

Georgia has continued to be in the periphery of investor interest and, as a result, the less liquid holdings in this region held back fund performance relative to the benchmark. Additionally, the fund marked down the valuation of its holding in Populi, the largest food retailer in Georgia, by almost 42%. Suffering from tight liquidity, Populi raised new capital at a fraction of the price of the previous capital increase. The fund used this opportunity to raise its stake from 14% to 24%, which allowed it to increase its influence over the company's daily management and strategic decisions.

During the fourth quarter, most stocks posted positive performance and there were, finally, certain upward movements in less liquid second-tier shares, e.g. Caspian Services and Chagala Group which gained 71% and 55%, respectively. The fund continued to add to its holding in Bank of Georgia as the bank is expected to start delivering credit growth in the medium term. To capitalize on the Kazakh bank rally over the quarter, the fund accumulated additional Halyk Bank and Kazkommertsbank shares, and subsequently sold the latter shares before year-end at a substantial gain.

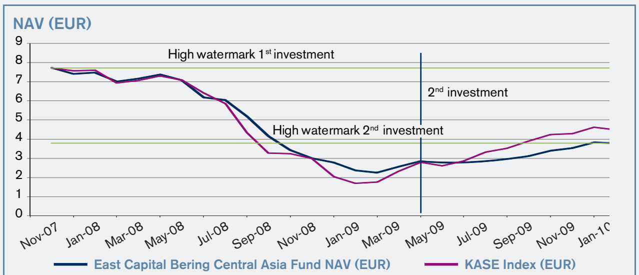
Fund facts

Aim of the fund

The aim of the Fund is to achieve long term capital appreciation from investments in Central Asian equities, both listed and unlisted. The Fund can invest in Armenia, Azerbaijan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan, Russia, Ukraine, Kazakhstan and Georgia.

Launch date: 28 February 2007
Risk: High
Volatility: 34%
Alpha: -7.3
Fees: 2% management fee, 20% performance fee
ISIN code: KYG2906R1048
Bloomberg: BERINGC KY
Benchmark index: KASE Index

Fund perfomance since East Capital Explorers first investment



	2009	Since inception July 2005
East Capital Bering Central Asia Fund, EUR	+18.0%	-28%
KASE Index, EUR[1]	+43%	-47%
East Capital Explorer's share of the fund on 31 December 2009:		39%

[1] The Kazakhstan Stock Exchange index is composed of the seven most traded companies on the exchange.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
2 January 2008	2,486,454	19.5	7.4	8.8	19%	-55%
1 June 2009	3,447,506	9.9	-	12.2	23%	23%
Total investment	5,933,960	29.5	7.4	21.0	21%*	-29%

* Fair value at year-end compared to fair value at the beginning of the year adjusted for acquisitions during the year

Dragon Oil

Example of a company in the East Capital Bering Central Asia Fund

Dragon Oil is a mid -sized, Dubai based oil company with production assets in Turkmenistan. Dragon Oil produces oil, gas, and gas-condensate from two fields off the Cheleken coast in Turkmenistan within the framework of a power supply agreement with the Turkmenistan government. The agreement provides a production license for the Cheleken Contract Area for a term of 25 years, with the exclusive right to negotiate an extension of the base term for a period of not less than 10 years. As of 31 July 2009, the Cheleken Contract Area held an estimated 625 million barrels of oil, along with contingent gas resources of 3.2 trillion cubic feet (TCF).

Dragon Oil was incorporated as a private company in 1971 and was listed in 1985. The share is currently traded under a dual primary listing on the Irish and London stock exchanges, but the company plans to make London its primary listing in the very near future.

Unlike many smaller producers struggling to find financing, Dragon's focus on cash-generative core assets in offshore Turkmenistan has provided it with good liquidity and has enabled it to consider new acquisitions. Currently, the company can use its USD 1.1bn cash position to expand its asset base. This year, Dragon plans to drill 11 new wells and to invest as much as USD 870m in oil and gas projects in the next 24 months. The company is committed to production growth, delivering 9% in 2009 and projecting a 10-15% production expansion during 2010 and 2011. Sales volumes increased 40% to 10.5m barrels of crude oil compared to 7.5m barrels in 2008.

Dragon Oil currently does not export gas, and burns all current production. Given the significant amount of the Company's gas resources (3.2 TCF), the company has been considering various alternatives for the commercialization of the gas resources, and after the Turkmen government expressed interest, negotiations regarding the sale of gas to the Turkmen government were initiated. The infrastructure is already in place and the gas project is expected to be launched this year.

The analyst community considers this company somewhat unique as it delivers both a growth story in terms of oil production ramping up and the upcoming commercialization of gas, and considerable inherent value in terms of sufficient capital to pursue diversification and propose a dividend. The company stock gained over 130% in 2009, reflecting increasing investor interest towards this growth story.

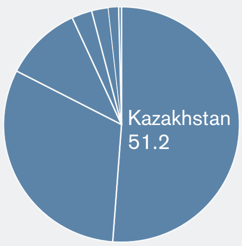
Investment facts:

East Capital invested since: 2007

East Capital Bering Central Asia Fund's holding in the company: 10%

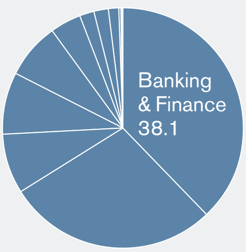
Learn more about Dragon Oil on:
www.dragonoil.com

COUNTRY EXPOSURE, %



31.3 Georgia
10.6 Turkmenistan
2.8 Ukraine
2.3 Russia
1.4 Armenia
0.4 Uzbekistan

SECTOR WEIGHTING, %



28.4 Oil & Gas
8.1 Metals & Mining
8.1 Agriculture
7.7 Real Estate
4.2 Retail
1.9 Transportation
1.8 Constr. & Constr. Mtrl.
1.4 Power Utilities
0.3 Other

Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	2008	Performance, %*	Country	Sector
Bank of Georgia	16.1	3.2	84	Georgia	Banking and Finance
Kazmunaigas EP	13.8	13.4	103	Kazakhstan	Oil and Gas
Bank Center Credit	11.1	9.0	43	Kazakhstan	Banking and Finance
Dragon Oil	10.2	4.6	163	Turkmenistan	Oil and Gas
Caucasus Agro Development	6.9	7.6	20	Georgia	Agriculture
Chagala Group	4.7	1.5	96	Kazakhstan	Real Estate
Halyk Bank	4.2	0.1	230	Kazakhstan	Banking and Finance
Populi	4.1	3.9	-32	Georgia	Retail
Kazakhmys	3.5	-	83	Kazakhstan	Metals and Mining
Bmb Munai	3.2	3.6	-2	Kazakhstan	Oil and Gas

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
77.8	14.9	34

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Bering New Europe Fund

Andras Szalkai
Member of the Portfolio Management team, East Capital

The East Capital Bering New Europe Fund gained 51% in 2009 in EUR. After a disastrous 2008 and a weak start in early 2009, markets rebounded sharply all around the region. The fund outperformed all of the regional small and mid cap indices except for the Polish index which performed slightly better. The fund incurred a substantial performance loss on a sizeable non-listed holding in ELKO, which is a Baltic based electronic goods wholesaler. The company value was reduced by 59% due to poor fundamentals in 2009.

The fund began 2009 with a cash position as there was still pressure on equity markets following the financial crisis in 2008. The bottom of the market was reached in the beginning of March when the valuations became extremely attractive, sometimes with price-earnings ratios of 3-4. Step by step, we started to invest and the fund was nearly fully invested by April. The market turn was very sharp and quick, followed by a continuous strong movement.

In June, East Capital Explorer decided to invest another EUR 5m into the fund which were deployed quite quickly before the market rally started again in July, to later reach its top in November. The largest, positive contributor to the fund's performance was Pegas, a Czech non-woven fabric manufacturer, which gained 109% during 2009. The company was initially undervalued and went through a drastic revaluation during the year. The fund also received a dividend of CZK 22 per share which corresponded to more than a 10% yield on the acquisition cost. A good return was made on Asseco Slovakia, an IT company acquired in a secondary public offering during 2008. The stock rebounded sharply and returned 105%. The largest holding RFV Nyrt gained 76%. Polish small and mid-sized banks and companies were especially strong performers during the year. ING Bank Slaski gained 230%, Vistula retailer gained 159%, ACE automotive component manufacturer gained 183% and KOPEX mining equipment manufacturer increased 153%. The position in ELKO decreased from 22% at the beginning of 2009 to 3.9% of the fund at year-end due to revaluation. However, the fund sees turnaround opportunities in the company's business and expects improved future performance. The fund also made a loss on Zoltek, a Hungarian carbon fibre supplier to wind mills, incorporated in the US. This industry has yet to rebound from its lack of financing. A negative contribution also came from Slovak Tatra Banka, which dropped 3.6% during 2009.

We expect to be more active in the Baltic markets in 2010, which was not the case at the start of the fund in 2008. After the strong performance in Poland, the idea is to shift some of the activity to the Baltics and Hungary, although Poland remains, by far, the largest market in the fund's investment universe. We intend to be selective and concentrate on upcoming IPOs in the active micro and small cap market.

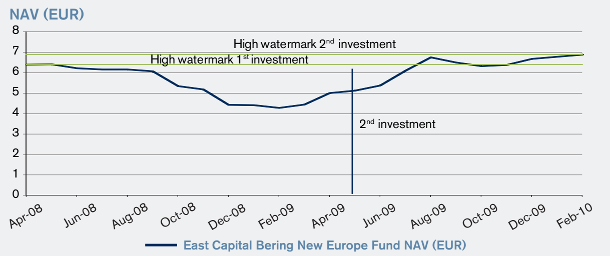
Fund facts

Aim of the Fund

The aim of the Fund is to achieve long term capital appreciation from investments in Central European and Baltic equities, both listed and unlisted. The Fund's investment focus geographically comprises the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Poland.

Launch date: 30 April 2008
Risk: High
Volatility: 72%
Fees: 2% management fee, 20% performance fee
ISIN code: KYG2906N1034
Bloomberg: BERINGN KY
Benchmark index: The fund currently has no relevant benchmark index

Fund perfomance since East Capital Explorers first investment



	2009	Since inception July 2005
East Capital Bering New Europe Fund, EUR	+51%	+4.2%
East Capital Explorer's share of the fund on 31 December 2009:		86%

East Capital Explorer's Investment						
Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
1 May 2008	1,560,000	10.0	6.8	10.4	51%	4%
1 June 2009	956,098	5.0	4.2	-6.4	28%	28%
Total investment	2,516,097	15.0	11.1	16.8	42%*	12%

* Fair value at year-end compared to fair value at the beginning of the year adjusted for acquisitions during the year

RVF Nyrt

Example of a company in the East Capital Bering New Europe Fund

Hungarian RFV Nyrt provides energy services, such as heat supply, public lighting and electrical power conservation. Moreover, it operates in the field of the energy saving services by restructuring energy-use systems. The company was established in 2000 with HUF 4m capital. At the end of 2009, the company's market capitalization exceeded HUF 10bn (EUR 37m).

RFV Nyrt has purchased a technology license in the US and, based on this know-how, examines the customer's potential energy efficiencies and thereafter provides recommendations for investments. The investments are prefinanced and carried out by the company. The new energy systems are then run by RFV based on long term service contracts, normally of 8-12 years. The major customers are public institutions, mainly municipalities. The company's revenues have grown from HUF 130m in 2003 to an expected HUF 4.1bn in 2009, corresponding to an average growth rate of 77% per year during the period.

The company went public in 2007. During the summer of 2009, the company suffered from the lack of financing for its potential projects and, consequently, undertook a secondary offering. East Capital purchased a 3.6% stake in the company. After the successful rights issue, the company won two major projects in Hungary and its first project in Romania. According to the company, there is still sufficient demand in Hungary for its services, but it has started to expand into neighboring countries, especially in Romania and Slovakia.

From an investment perspective, the company is interesting as it is growing rapidly and on a non-cyclical basis. There is a major demand for energy saving investments, not only in Hungary but in Eastern Europe in general. The entire market remains underdeveloped, as cheap energy imports in the communist era involved no form of focus or attention on energy efficiencies. When energy is priced on market terms, the situation becomes completely different. The company is trading 10.8 times expected 2010 earnings, which is still attractive, due to its long-term high growth potential.

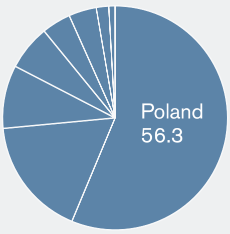
Investment facts:

East Capital invested since: 2009
East Capital Bering New Europe Fund's holding in the company: 3.6%

Learn more about RFV Nyrt:
www.rfv.hu

Our portfolio

COUNTRY EXPOSURE, %



17.2	Hungary
9.1	Czech republic
6.5	Slovakia
4.2	Austria
4.0	Baltics
1.8	Lithuania
0.9	Estonia

SECTOR WEIGHTING, %

16.0	Banking & Finance
15.7	Constr. & Constr. Mtrl.
8.5	Utilities
6.4	Metals & Mining
6.2	Holding Companies
4.6	Information Technology
4.2	Hotels
4.0	Electronics
13.3	Other

Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	Portfolio weight 31 Dec, % 2008	Performance, %*	Country	Sector
RFV Nyrt	7.9	-	74	Hungary	Utilities
Pegas Nonwovens	7.6	12.0	108	Czech republic	Consumer Goods
Pannenergy	6.2	2.1	12	Hungary	Holding Companies
CEDC	5.5	-	52	Poland	Consumer Goods
Bogdanka	5.1	-	63	Poland	Metals and Mining
Bank BPH	5.0	-	31	Poland	Banking and Finance
Asseco Slovakia	4.5	5.1	102	Slovakia	Information Technology
Budimex	4.4	-	54	Poland	Constr and Constr Mtrl
Warimpex Finanz	4.2	0.6	83	Austria	Hotels
ELKO	3.9	21.7	-60	Baltics	Electronics

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
54.3	7.4	68

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Power Utilities Fund

Aivaras Abromavicius
Partner and member of the Portfolio Management team, East Capital

In 2009, power utilities companies found themselves operating in a very different world compared with just a year after the break-up of Russian power utilities monopoly, RAO UES (Unified Energy System of Russia). After the initial break-up, strategic investors eagerly acquired generation assets on this promising market. Since then, investor focus has gradually turned to the overburdening investment obligations required by the companies in the sector and that significantly exceed previous expectations. Furthermore, earlier estimates of sustainable electricity consumption growth became obsolete. Additionally, the financial crisis tightened the availability of capital, putting more pressure on the sector. Regardless of the challenging business environment last year the Russian power utilities index posted a strong return of 127% year-on-year. After being hit prior to the broad market sell-off in the fall of 2008, which came on the back of the massive share overhang after the RAO UES unbundling, power utilities stocks were the first to recover in the beginning of 2009. The East Capital Power Utilities Fund outperformed the strong market and was able to deliver an exceptional annual return of 177% during 2009, ending the year just 10% below the fund inception level of December 2007.

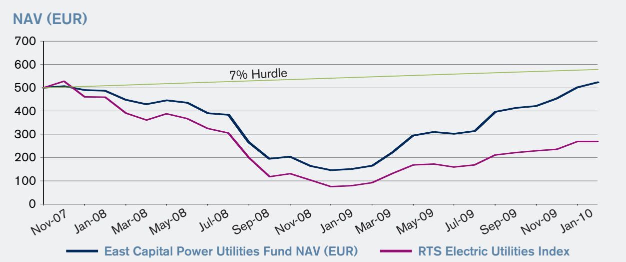
In the beginning of 2009, the fund was well-positioned for proactive investments, with cash comprising 20% of the fund. Firstly, the most interesting stories appeared among highly liquid companies, whose shares had seen the greatest decline in 2008 and which were trading at below their cash level, including companies such as OGK-3 (Third Generation Company of the Wholesale Electricity Market) and the Federal Grid Company. For the full year, these stocks posted triple-digit returns and contributed 22.5% and 12.9% to the fund's performance, respectively. Secondly, the quality of assets began to be increasingly important. Reduced demand for power in the economic downturn reinforced the importance of utility companies maximizing their operational performance. Better management of fuel costs and utilization of assets were seen as areas in which high, or very high performance improvement, could be achieved. OGK-4 (The Fourth Generation Company of the Wholesale Electricity Market), one of few highly efficient generators, was the second best contributing stock in the portfolio. Also, a substantial portion of the fund's performance came from distribution companies as implementation of the new return on Regulatory Asset Base (RAB) methodology for setting tariffs has progressed in the sector, even though the full transition will not be completed until 1 January 2011. Investments into MRSK Holding and MRSK Center contributed 8.9% and 5.1%, respectively. Among the suffering stocks in 2009 were illiquid names, such as Novosibirskenergo and power construction companies. However, the negative performance of these companies did not materially impact the fund due to the small size of the investments.

Fund facts

Aim of the fund
The aim of the Fund is to target the many investment opportunities arising from the ongoing power sector reform in Russia. The Fund invests in both listed and unlisted companies across subsectors of the industry, including electricity generation, distribution and services.

Launch date: 5 December 2007
Risk: High
Volatility: 59%
Alpha: 42.3%
Fees: 2% management fee, 15% performance fee and 5% profit share after 7% hurdle and a 50/50 catch-up
Benchmark index: RTSEU

Fund perfomance since East Capital Explorers first investment



	2009	Since inception Dec 2007
East Capital Power Utilities Fund, EUR	+177%	-9.7%
RTS Utilities Index, EUR[1]	+127%	-53%
East Capital Explorer's share of the fund on 31 December 2009:		72%

[1] The Russian Trading System Utilities index is a sector index comprising 14 utility equities listed on RTS.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
5 Dec 2007	162,000	81.0	26.5	73.4	177%	-9%

MRSK-Holding

Example of a company in the East Capital Power Utilities Fund

MRSK-Holding (or Interregional Distribution Grid Companies Holding) was formed on 1 July 2008 from the UES Russia (Unified Energy System of Russia) restructuring. Prior to that, the company's subsidiaries (individual MRSK's) were controlled by UES Russia. MRSK Holding owns controlling stakes in 11 mega-regional electric grid companies (11 MRSKs), which makes the company a quasi-monopolist in Russia as regards the medium- and low- voltage electricity grids. The Russian government owns 55% of the voting shares in MRSK-Holding (53% of equity) and Gazprom (11% of votes or 10% of equity) is the second largest shareholder.

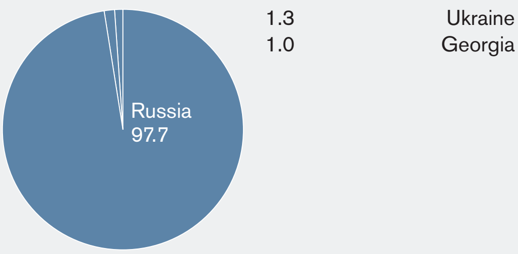
In 2009, the Russian government started to change the approach for setting tariffs in the underlying regional grids from a very basic cost-plus approach to an internationally accepted return on RAB (Regulatory Asset Base) method. This transition should be completed by 2011 and it is expected to increase the profits in the regional grid companies.

In 2007-2008, the government appeared to share the view of UES (represented by the Federal Grid Company) that individual MRSK's could be sold to strategic investors shortly after the planned roll-out of the new regulatory regime in 2010. Currently the prospects of privatization are more uncertain. The government is, instead, reportedly considering the possibility of merging MRSK-Holding with the underlying companies. Valuation-wise, the company currently trades at an enterprise value of 0.5 times the initial RAB, which is still rather low compared to international market peers. The discount to a sum-of-the-parts valuation of MRSK Holding is approximately 10%. The rationale for the discount would be eliminated should the companies be consolidated.

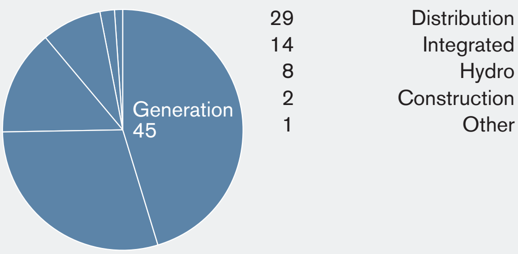
Investment facts:
East Capital invested since: 2008
East Capital Power Utilities Fund's holding in company: 0.2%

Learn more about MRSK-Holding on:
http://www.holding-mrsk.ru/

COUNTRY EXPOSURE, %



SUB-SECTOR WEIGHTING, %



Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	Portfolio weight 31 Dec, % 2008	Performance, %*	Country	Sector
MRSK Holding	7.4	2.0	259	Russia	Distribution
TGK-7	7.3	4.2	441	Russia	Generation
Rus Hydro	6.1	17.6	174	Russia	Generation
MRSK Center	6.0	6.4	90	Russia	Distribution
MRSK Center Volga	5.9	2.6	66	Russia	Distribution
OGK-4	5.3	6.7	267	Russia	Generation
Bashkir Energo	5.1	3.1	399	Russia	Integrated
OGK-6	4.9	5.9	152	Russia	Generation
TGK-5	4.2	2.3	234	Russia	Generation
TGK-1	4.2	1.8	246	Russia	Generation

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
56.4	3.3	59

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Special Opportunities Fund

Jacob Grapengiesser
Partner and member of the Portfolio Management team, East Capital

The East Capital Special Opportunities Fund was launched in May 2009 in order to acquire shares whose prices had declined significantly, and for the wrong reasons, i.e. their decline reflected more than just the changes in economic fundamentals. The decreased prices could also be a result of technical selling, i.e. shares that have been held as collateral. The fund was fully invested by the end of 2009 with a total of 18 holdings. One holding, Rushydro, was divested almost immediately after acquisition when the fund managed to achieve an arbitrage of 10%.

All but one holding has shown positive performance since acquisition. In general, the market segments targeted by the fund, medium-sized companies in Russia, the Balkans and, to some extent, Ukraine and the Baltic States, recovered somewhat during the period. In terms of the special buying opportunities which the fund was established to target, there are now significantly less of these opportunities, as liquidity conditions have improved on most markets. The majority of the companies in the fund, however, remain cheap in terms of valuation metrics.

The largest positive contributor to performance was Sollers, a Russian automotive manufacturer which gained 63% compared to average acquisition price. This company produces cars under the Fiat and SsangYoung brands. The company's concept of producing cars and light commercial vehicles, with foreign brands but using up to 80% of Russian components, is a key success factor in the troubled Russian automotive industry.

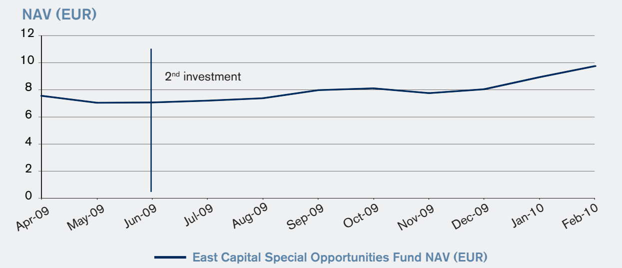
Sintal, a Ukrainian agricultural producer, was acquired from a bank holding the shares as collateral for a defaulted loan. The position was the second largest positive contributor to performance, with a 141% gain since acquisition. The only holding with negative performance was Vino Zupa, a Serbian beverage producer. The position recorded a 23% loss since acquisition and thus remains significantly undervalued.

Fund facts

Aim of the fund
The aim of the Fund is to achieve long term capital appreciation from investments in Eastern Europe.

Launch date: 8 May 2009
Fees: 2% management fee and 20% profit share on realized gains after 7% hurdle and a 50/50 catch-up
ISIN code: KYG2906U1076
Bloomberg: EACASPU KY $
Benchmark index: The fund currently has no relevant bench-mark index

Fund perfomance since East Capital Explorers first investment



	2009	Since inception June 2009
East Capital Special Opportunities Fund, EUR	n/a	+13.7%
East Capital Explorer's share of the fund on 31 December 2009:		82%

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change
8 May 2009	1,342,002	10.0	10.8	8%
1 July 2009	3,555,247	25.0	28.5	14%
Total investment	4,897,249	35.0	39.3	12%

Veropharm

Example of a company in the East Capital Special Opportunities Fund

veropharm

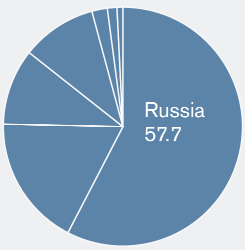
Veropharm is a Russian generic pharmaceutical company ranking number five among domestic players in terms of revenue, with a 6% market share. The company's portfolio includes prescription drugs (70% of nine month revenue in 2009), adhesive bandages (16%), OTC drugs (11%) and traditional drugs (2%). One of Veropharm's main focuses is oncology, a high margin business where the company is the number one producer in Russia in terms of volume. The company is continuously upgrading its productions facilities to comply with good manufacturing principles (GMP) and is considered one of the most modern producers in Russia.

In the beginning of 2009, the company benefited from rouble devaluation, as well as increased demand as the crisis forced consumers to shift to local substitutes. Also, the company enjoyed further margin expansion, supported by the increase in prescription drugs within the product mix and by participation in the federal reimbursement program. However, Veropharm was under pressure due to existing cross-subsidization with its owner, Pharmacy Chain 36.6, and by the fact that the latter entered into a distressed position at the end of 2009. The ownership risk diminished only after the long-awaited recapitalization of Pharmacy Chain 36.6 through a rights issue that was conducted on New Year's Eve. Whilst this was a positive development for Veropharm, this is yet to be priced by the market. As regards valuation, the company is assessed to be greatly undervalued, with an enterprise value trading at 4.5 times Ebitda 2010, or at more than 50% discount to Russian and international peers.

Investment facts:
East Capital invested since: 2009
East Capital Special Opportunities Fund's holding in company: 1.6% (additional 1.6% held through East Capital Bering Russia Fund)

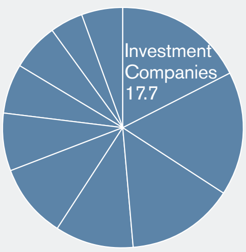
Learn more about Veropharm on:
www.veropharm.ru/eng/

COUNTRY EXPOSURE, %



17.7	Romania
10.3	Ukraine
10.2	Lithuania
2.1	Serbia
1.3	Germany
0.8	Croatia

SECTOR WEIGHTING, %



16.6	Services
14.4	Engineering
10.5	Constr. & Constr. Mtrl.
10.2	Telecom
7.7	Pharmaceuticals
6.6	Chemicals
6.4	Agriculture
4.5	Metals & Mining
5.4	Other

Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	2008	Performance, %*	Country	Sector
Fondul Proprietatea	17.1	-	24	Romania	Investment Companies
Sollers	14.0	-	64	Russia	Engineering
TEO	9.9	-	0	Lithuania	Telecom
Integra Group	9.6	-	26	Russia	Services
Sibirskiy Cement	8.1	-	33	Russia	Constr & Constr Mtrl
Centrenergogaz	6.6	-	43	Russia	Services
Veropharm	6.2	-	18	Russia	Pharmaceuticals
Sintal	6.2	-	141	Ukraine	Agriculture
Belon	4.3	-	6	Russia	Metals & Mining
Stirol	3.8	-	71	Ukraine	Chemicals

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
85.8	17.1	18

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital (Lux) Eastern European Fund

Market update

The year was characterised by an extraordinary recovery on the equity markets in Eastern Europe; most markets have recorded triple-digit gains since their respective lows. The recovery should, however, be viewed with the dramatic correction in 2008 in mind. So the recovery came from a low base, and most markets in the region are still not back to pre-crisis levels, and a handful are still more than 50% down from their respective peaks.

The MSCI EM Europe Index gained 81.1% in USD. The Russian and Turkish markets are not only the largest and most liquid markets in the region, but were also the best performers in 2009. The RTS Index in Moscow gained 128.2%, whereas the ISI 100 Index in Istanbul noted a 96.7% gain. The Russian market was very much driven by the strong recovery for energy companies on the back of rising commodity prices and financials, whereas the Turkish banks outperformed due to sharply falling interest rates. The Central European markets performed well, but less impressively, with the large Polish market gaining 36.6%, whereas the performances on the smaller Baltic and Balkan markets were more modest. The small Slovak market was the only one in negative territory.

The fund's development

The fund gained 94.3% in EUR during 2009, outperforming the MSCI EM Europe index by almost 20 percentage points.

The main reasons behind the outperformance are related to active and successful country allocations in combination with non-index allocation in individual markets. A handful of sectors recorded triple-digit gains; consumer staples, materials, energy, utilities and telecom services gained 154.9%, 125.5%, 122.3%,126.2% and 117.4% respectively. Financials were relatively weaker, but nevertheless gained 90%.

Changes during the period

On a market level, the exposure to Russia was increased substantially over the year, from 46.8% to an unusually high 63.5%, reflecting the strong performance and positive outlook for that market. The exposure to Turkey varied a lot during the year, but was cut from the unusually high 19.7% to less than 4% in late summer before it was increased sharply towards the end of the year, making up up 8.7% of the fund. Poland remains the third largest market in the fund at 5.5%, slightly less than at the beginning of the year although the exposure was increased during the second half of the year before being reduced again towards the end of the year.

Oil and gas and banking and finance remain the two largest sectors with exposure at similar l evels at 30.6%, and 18.5% respectively. The single biggest increase was in metals and mining, primarily in Russia, which has become the third largest sector in the fund at 6.6%. All performance figures in the management report are in USD unless otherwise stated.

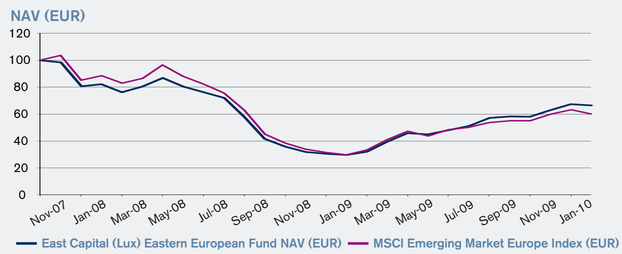
Fund facts

Aim of the fund

East Capital's investment philosophy is based on a long-term perspective, fundamental analysis and active stock-picking, combining growth with value.

Risk: Medium
Volatility: 41%
Alpha: 8.2%
Fees: 2% management fee
ISIN code: LU0332315398
Bloomberg: ECESTCE LX
Benchmark index: MSCI EM Europe Index

Fund perfomance since East Capital Explorers first investment



	2009	Since inception Dec 2007
East Capital (Lux) Eastern European Fund, EUR	+97%	-35%
MSCI EM Europe Index, EUR[1]	+65%	-38%
East Capital Explorer's share of the fund on 31 December 2009:		13%

[1] MSCI EM Europe Index includes Russian, Polish, Hungarian, Czech and Turkish equities.

East Capital Explorer's Investment

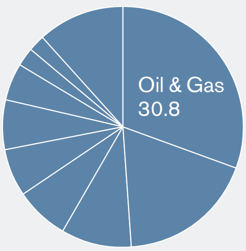
Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2008 (MEUR)	Fair value 31 Dec 2009 (MEUR)	Value change 2009	Value change since investment
12 Dec 2007	182,500	18.3	5.8	11.5	97%	-37%

Part of the portfolio management team for East Capital (Lux) Eastern European Fund: Peter Elam Håkansson, Aivaras Abromavicius, Jacob Grapengiesser and Andras Szalkai. Eglé Fredriksson and Adrian Pop are missing in the photo.

COUNTRY EXPOSURE, %

8.6	Turkey
5.7	Eastern Europe
5.6	Poland
2.3	Romania
2.1	Kazakhstan
2.1	Hungary
1.9	Czech Republic
1.5	Estonia
1.3	Lithuania
4.6	Other countries

SECTOR WEIGHTING, %



18.2	Banking & Finance
9.6	Telecom
7.0	Power Utilities
6.6	Metals & Mining
6.5	Investment Companies
5.1	Retail
2.5	Transportation
2.3	Consumer Goods
11.4	Other

Top ten holdings in the Fund on 31 December 2009

Company	Portfolio weight 31 Dec, % 2009	Portfolio weight 31 Dec, % 2008	Performance, %*	Country	Sector
Sberbank	6.9	1.2	274	Russia	Banking and Finance
Lukoil	5.2	4.7	80	Russia	Oil and Gas
Gazprom	5.2	4.4	82	Russia	Oil and Gas
Ros Neft	3.5	4.2	119	Russia	Oil and Gas
Vtb Bank	3.0	0.0	57	Russia	Banking and Finance
Sistema	2.8	0.6	313	Russia	Telecom
Trans Neft	2.7	2.6	214	Russia	Oil and Gas
Surgut Ng	2.7	0.0	162	Russia	Oil and Gas
East Capital Explorer	2.6	1.6	77	Eastern Europe	Investment Companies
Gmk Norilsky Nikel	2.6	1.0	120	Russia	Metals and Mining

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
37	0	174

* Return on the fund's investment in the company during 2009, taking all sales and purchases into account

East Capital Russian Property Fund

Biljana Bozic
Head of the Real Estate team, East Capital

Market comment

2009 was a very difficult year for the real estate markets globally, but even more so for the Russian and Ukrainian markets. With neither debt nor equity available in the property markets, the majority of the development projects were either temporarily put on hold or delayed. This lack of capital, as well as a wide gap between sellers' and buyers' expectations, resulted in a transaction-less environment in 2009.

For the majority of the year, the economic fundamentals impacting the real estate market were negative. For example, retail sales were down by 5.5% and disposable income increased only 1.9% in real terms in 2009. Also, the labor market, while slightly better compared to the end of 2008 and the beginning of 2009, has yet to demonstrate any major improvement.

In 2009, the Moscow shopping center completion volume reached 494,000 square meters, nearly double the rate of 2008. This was largely due to the completion of several large-scale schemes, such as Zolotoi Vavilon Rostokino, with 170,000 square meters of gross leasable area (GLA), Gorod II (110,000 square meters GLA), Filion (55,000 square meter GLA). With a significant difference compared to the pre-crisis years, when the majority of the shopping centres had been 100% pre-let already during the construction phase, the shopping centres opening in 2009 had high vacancy rates of up to 60%.

As a result of this crisis, the Russian real estate market has transformed from a landlord market to a tenant market. Landlords have been forced to provide rental discounts for 6-12 months and to apply turnover-based rents (with a certain minimum rent level) for some of the tenants. The Moscow shopping centre vacancy rate was close to 10% at the end of 2009, mainly due to high vacancies in the new large shopping centres. Currently there is a major difference in terms of vacancies and performance between good and poor-quality shopping centres, with some well-located and successful shopping centers still fully occupied and not experiencing major reductions in traffic.

Portfolio management activities

The management team of the East Capital Russian Property continued to be active during 2009. Over 100 properties and investment opportunities have been analyzed and assessed since the fund inception in June 2008, but the fund has not made any investments to date.

During 2009, the fund issued approximately 25 bids. Several of these targets were, instead, taken over by banks as the properties, in these cases, were not in a position to service their debts following significantly deteriorated rental conditions. The experience of 2009 did not, however, change the Investments Manager's view regarding the attractive long term fundamentals of the Russian real estate market. Current markets continue to present a unique opportunity to buy quality assets at historically low valuations in the down phase of the real estate cycle. This window of opportunity is expected to remain open for another 9-12 months, as a large supply of both retail and office products faces rather weak demand, resulting in relatively low rents. Vacancy rates are expected to increase further in 2010 due to the large expected completion during the year. However, significant increases in rental rates are expected in 2012-2013 when the existing supply will have been absorbed, and no new deliveries will reach the market, as no new major developments started in 2009. Also, yields are expected to decrease in the long-run, from the current levels of 13-14%, as the capital returns to this market.

Fund facts

Aim of the Fund

The aim of the fund is to invest in shopping centres and other types of cash flow generating retail real estate in Moscow, Saint Petersburg, as well as other selected 1m+ cities with diversified economies, primarily in Russia, but also in Ukraine.

Launch date: 2 July 2008
Risk: High
Fees: 1% gross asset value at year-end. Profit-sharing arrangement (investors 80% and East Capital 20%) above a hurdle rate of 10% and following a so-called 50-50 catch-up.
ISIN code: SE0002577445

Our investment

Commited amount: EUR 40m
Date of commitment: 27 May 2008
Amount drawn-down: EUR 1.5m
Number of fund units: 400

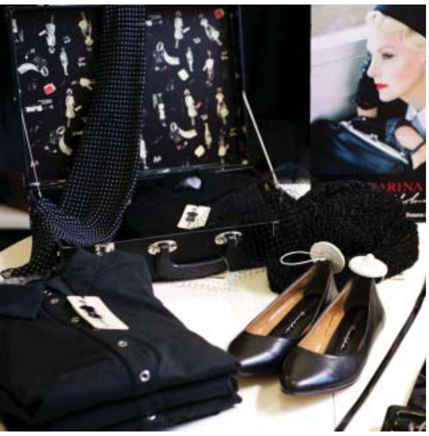
Fund performance during 2009

Per 31 December 2009, no investments had been made in the fund. Initial capital draw-down of EUR 1.5m had been made, of which 0.4m had been used to cover costs in the fund. The remaining EUR 38.5m of East Capital Explorer's commitment was still placed in short-term investments.

As a result of the crisis, the Russian real estate market has transformed from a landlord market to a tenant market. At the end of 2009, the Moscow shopping centre vacancy rate was close to 10%, which has enabled well capitalized retail concepts like MFG's befree, to continue expanding at significantly more favorable terms.

Melon Fashion Group

In the autumn of 2008, East Capital Explorer invested EUR 10m in Melon Fashion Group, the unlisted Russian fashion retailer. East Capital Explorer and the East Capital group together hold two seats on the Board of Directors. As of 31 December 2009, an independent appraisal by Ernst&Young, valued East Capital Explorer's holding at EUR 10.4m; an increase by 4.6% over the previous year.



MFG's first concept was Zarina, launched in 1994. Today, Zarina has a strong position with the middle aged, professional woman with classic and conservative taste.

Read more on:
www.melonfashion.ru/eng/
www.zarina.ru/eng/
www.befree.ru/en/
www.eng.love-republic.ru/

Melon Fashion Group (MFG) operates its own retail stores and franchise stores under three own monobrand concepts. The three concepts target different groups of women in the middle income segment. Zarina, the company's first concept from 1994, appeals to the middle-aged, classic, professional woman with rather conservative taste. The second concept, befree, launched in 2002, targets a young, urban woman with an active, extrovert life-style. Love Republic is a new concept launched in 2009. This is a brand aimed at young women with glamorous lifestyles and romantic dreams. All three concepts have a store format of 150–200 m^2 and are primarily located in prime shopping centers with high volumes of visitors.

MFG's overall strategy is expansion, both of existing and new concepts. The organization is designed for the addition of new concepts, as was the case with the acquisition of the TAXI chain in 2008, which was rebranded into Love Republic during 2009.

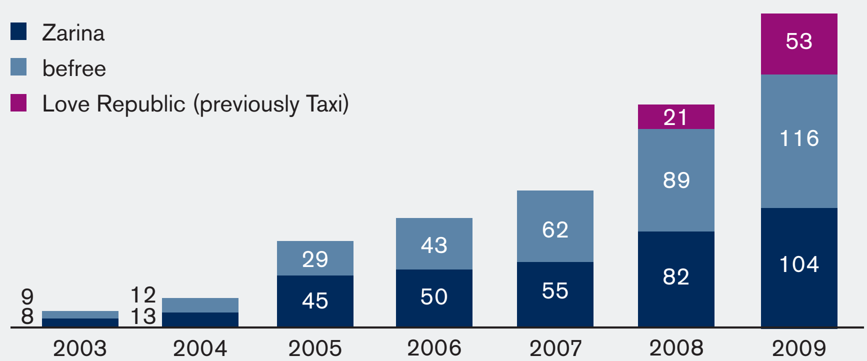
Overall developments during 2009

In the beginning of 2009, the effect of the financial crisis was hitting Russia with full force, and it became clear that the original expansion plan for 2009 could not be fulfilled since the number of new shopping centers decreased when construction projects could no longer obtain financing. In February, the company adopted a revised "crisis budget", with less aggressive expansion plans and a more conservative view on sales in existing shops. Furthermore, the purchasing budget was reduced in order to avoid the build up of excessively large inventories which would increase the business risk.

Surprising turn of events

In fact, the market conditions in 2009 turned out slightly less gloomy than forecasted, and for the full year, MFG's expansion exceeded expectations. During the year, a net total of 81 new shops were actually opened, considerably more than the 50 shops planned for in the revised budget. Of these 81 new shops, 71 are own shops and 10 are franchise shops. As of 31 December, MFG had total of 273 shops, of which 206 own shops and 67 franchise shops.

MFG number of shops



befree, launched in 2002, targets a young, urban woman with an active, extrovert life-style.

Demand exceeds supply

The faster than expected expansion meant that MFG ran out of stock earlier than expected. New, supplementary orders were made, but due to a very slow customs process, the goods reached stores late. In November, December 2009 and January 2010, the inventory levels in the stores was excessively low, which had a negative effect on sales.

For the full year, the company's expansion exceeded the revised plan, but sales per square meter were lower than expected. All in all, total revenues reached RUB 3.1bn, a 43% increase compared to 2008.

Improved rental terms and conditions

One effect of the difficult macro-economic conditions in 2009 was that expansion was cheaper than in previous years, mainly as MFG's bargaining power vis-à-vis suppliers and property owners improved. Payment terms were considerably improved in MFG's favour, most notably versus the property owners, who pre-crisis had often demanded payment of several months rent as a deposit before the shop could open. As a result, MFG had more than RUB 500m (EUR 11.5m) in cash on its balance sheet on 31 December 2009; RUB 200m (EUR 4.7m) more than a year earlier.

Market success factors and examples

There is a lack of official reliable market data for the Russian apparel market, but according to the company's own estimates, MFG has gained significant market shares during 2009, in particular with respect to footprint. Among the closest competitors, MFG's opening of 81 new shops is exceptional – a majority of the competitors has closed more shops than they have opened.

The first Love Republic store was opened in spring 2009, and the concept was formally launched in August, when all the former TAXI stores had been re-branded into Love Republic. During the year, another 32 Love Republic stores were opened, reaching a total of 53 stores by the end of the year. The concept has been well received on the market – in the fourth quarter, the sales per square meter of Love Republic was higher than the company's other two concepts.

In February 2010, MFG opened an office in Shanghai in order to have a closer physical presence to their suppliers. This office will be staffed by a combination of Russian and local employees.

MFG's market communication is based on surprise and humour, with PR and events playing an important role. In 2008, befree launched its first nation-wide advertising campaign, using Russia's best known football player, Andrey Arshavin, as its advertising face. This campaign was successful and nearly doubled the awareness rate of the befree brand in a couple of weeks. Arshavin also designed his own collection for befree.

In 2009, this successful marketing method was also used in Zarina and Love Republic. The celebrity, as a rule, designs his or her own collection for MFG in a limited edition, which creates a strong pull effect. In 2009, befree contracted Gosha Kutsenko, internationally known male actor who starred in "Hardball" while Zarina worked with director/actress Renata Litvinova. Love Republic was launched via a campaign including two of the girls from the Ukrainan pop group Via Gra.

IFRS transition

During 2009, the company implemented full IFRS (International Financial Reporting Standards) accounting. During 2009, MFG also changed auditor from a local auditing firm to BDO, a global auditing firm. For 2009, the ebitda-margin amounted to 7% and the net margin amounted to 4% (un-audited numbers).

An exciting future

Throughout 2009, the company and its board of directors have been investigating a number of expansion alternatives – how to use the very strong balance sheet to further grow the business. The options being considered include geographical expansion, acquisitions and the launch of new concepts. Some of these alternatives are expected to be realized during 2010, and this will take place in addition to the continued expansion of existing

The Love Republic concept was formally launched in August 2009, when all the former TAXI stores had been re-branded into Love Republic.

MFG in figures 2009*

	RUB	EUR
Sales	3.1bn	48m
EBITDA	7%	
Net profit	120m	2.7m
Number of stores	273	

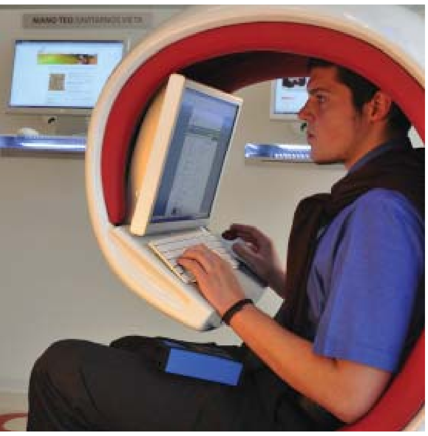
* Preliminary figures as final report was not available at the time of printing

Shareholders

March 2009	Holding, %	Since
SMApS Group/ Kellerman family	36.3	1996
East Capital Explorer	16.0	2008
Swedfund	14.8	2002
East Capital Holding	11.6	2002
Management and other private investors	21.3	

TEO

In October 2009, East Capital Explorer made a direct investment in TEO, a leading fixed line operator and Internet access and TV services provider in Lithuania. On 31 December 2009, TEO was East Capital Explorer's largest holding on a see-through basis.



During the year, TEO has been aggressively expanding within broadband. At the end of 2009, TEO's market share had increased to 50%.

Read more about TEO on www.teo.lt

History

TEO started its operations as a state company, Lietuvos Telekomas, back in 1992 and was later privatized by the, at that time, Swedish/Finnish/Norwegian consortium of Telia AB, Sonera Oy and Amber Teleholding A/S, which acquired 60% of the company's shares. After a successful Intital Public Offering in 2000, Lietuvos Telekomas was listed on Vilnius Stock Exchange. In addition, TEO is the only Baltic company traded as a Global Depository Receipts on the London Stock Exchange. Furthermore, the company, although listed, is a subsidiary to TeliaSonera, which holds 65% of its shares.

Operations

TEO reported very solid full year 2009 results, confirming that it had weathered the recession standing firmly on both feet. Revenues inched down only 1.3%, operating cash flow declined a marginal 3.1%, while the bottom line increased 5.7%. The 2009 ebitda-margin stands firmly at 41.5%. Even though the company lost its exclusive right to install and provide fixed voice telephony services in Lithuania in 2003, it maintained its dominating position within the segment, holding more than 90% of the market in terms of customers, despite the fact that TEO now competes with 48 other companies. The segment generates 57% of total revenues. In line with the general trend in telecommunication sector in many countries during the last few years, TEO has, however, seen decreasing revenues and a decreasing number of clients within the fixed line segment. In 2009, TEO lost 6% of its fixed line clients and 9.9% of its fixed line revenues.

On the other hand, in order to adapt to the changing environment and diversify the revenue base, the company has been aggressively expanding within broadband and paid TV segments. For example, 2009 capital investments,

TEO in figures

Key Numbers (LTLm)	2006	2007	2008	2009
Sales	734.8	793.5	826.3	815.6
Sales growth, y-o-y	0.7%	9.4%	3.8%	-1.3%
EBITDA	350.0	352.2	349.1	338.1
EBITDA growth, y-o-y	-0.4%	0.1%	-0.9%	-3.1%
Net profit	130.1	162.8	159.9	169.1
Net profit growth, y-o-y	56.9%	24.8%	-1.8%	5.7%
EBITDA margin	47.7%	44.4%	42.2%	41.5%
NET margin	17.7%	20.3%	19.2%	20.5%
ROA (average)	10.4%	13.3%	13.4%	14.5%
ROE (average)	11.8%	14.9%	15.2%	16.4%
Earnings per share	0.17	0.21	0.21	0.21*
Payout ratio	155%	119%	112%	100%*
Dividend yield (hist)	14.2%	13.7%	12.6%	9.3%*

* Expected

mainly aimed to support the development of new generation FFTH network, amounted to EUR 34m, or 10% of total assets. As a result, revenues from Internet & data communications services grew 7.3%, while income from TV services increased 68% year on year. Also, TEO has 50% of the market for broadband Internet using fixed connection and 15.8% of pay TV market, with the long-term ambition to acquire 50% of the market within this segment, as well. As fourth quarter results indicate, campaigns aimed to lock new clients and gain market share did impact margins, but increasing revenues in the expanding sectors were insufficient to compensate the loss of clients within the fixed-voice segment.

As a dividend paying company, which historically has had a payout ratio of well above 100%, resulting in double digit dividend yield, TEO has become one of the most attractive Baltic stocks.

The Management has already established a policy indicating that they intend to maintain the payout ratio at no more than 100% this year which, nevertheless, implies a dividend yield of 9%. The company's extremely strong balance sheet with its cash position accounting for 30% of total assets, there is no need for debt financing. The negative gearing and stable free cash flow will continue to support the generous dividend policy for several years to come.

Share price development

As the financial crisis drained liquidity from all the three Baltic equity markets, investors were hand-picking largely liquid stocks, the short list of which is topped by TEO. Performance-wise, the share gained an impressing 89.6% in 2009. Despite the rally, however, the stock remained attractively valued compared to its peers. TEO closed 2009 trading at a price-earnings ration of 8.5x, or at a 24% discount to its peers, and an enterprise value at 3.2 times ebitda, corresponding to a 33% discount.

TEO, together with its closest peer, Eesti Telekom, was the subject of both investors' and the media's undivided interest when main shareholder in both of these telecom companies, TeliaSonera, launched a bid for the remaining shares of the subsidiaries on 23 August 2009. Even if tender offers were at premiums to the closing prices, it was still widely questioned by market participants, including East Capital, whether the levels reflected the fair value of the two companies.

In the end of September, East Capital Explorer started acquiring shares in TEO LT. In the beginning of October, East Capital Explorer, together with

some East Capital Funds, made a joint offer to the Board of TEO to acquire the shares held in treasury by the company, corresponding to 4.67% of the total number of shares. As the Board of TEO did not respond to this offer, East Capital Explorer, together with East Capital funds, acquired shares in the market. On 12 October 2009, East Capital Explorer announced the direct investment of approximately 2% of the shares in TEO, corresponding to an investment of approximately EUR 8.5m. Following this investment, East Capital Explorer, together with East Capital funds, control a total of 5.1% of the shares in TEO. Meanwhile, as expected by the market, TeliaSonera's offer to TEO turned out to be unsuccessful.

Recently, the Board of TEO determined to present a proposal to the forthcoming Annual General Meeting of Shareholders to consider two alternative methods of dealing with treasury stocks: sale or cancellation. We view this decision as a positive development for the minority shareholders, and expect that the treasury stocks will be cancelled.

Investment rationale for East Capital Explorer

- Strong operational performance
- Solid and defensive industry
- Market leader in all of its core sectors
- Good corporate governance track record
- Attractively valued compared to peers
- Extremely strong balance sheet
- Historically high dividend pay
- Double-digit dividend yield

Market

	TEO share	
	Q3 2009	Q3 2008
Fixed voice	94.6%	95.5%
Leased lines	62.4%	53.7%
Internet access	40.8%	41.7%
Data communication	69.0%	61.9%
Network communication	20.3%	15.6%
Pay TV	15.8%	-

04

Corporate Governance

The Company's Corporate Governance Report has not been reviewed by the Company's auditors

Comment from the Chairman

> "We see good corporate governance as a basic prerequisite in ensuring the best interests of all shareholders in East Capital Explorer. Given our special structure, we have, since our launch in 2007, continuously worked to strengthen our tools and measures that ensure good corporate governance."

Paul Bergqvist Chairman of the Board

2009 was an extreme year in many ways, and we are pleased that we decided to adjust our investment pace until the markets really started to stabilize during the second quarter. We are satisfied with the fact that our net asset value (NAV) increased 29% during the year, and we feel confident that the unlisted holdings within our fund investments still offer significant upside potential.

Although the discount to NAV decreased from 50% to 33% during 2009, we are not satisfied with the current discount level and, consequently, continue to have discount control on our agenda. In March 2009, we decided to utilize our mandate to buy back shares and repurchased a total of 771,000 shares at a total investment of EUR 3.3m in order to manifest our confidence in the existing portfolio and its potential for value growth. Although our main strategy is to invest in the region, we see share buy-backs as a means of creating immediate value for our shareholders as long as we are trading at a significant discount to NAV. As a result, the Board in March 2010 resolved to utilize the mandate from the 2009 AGM to, again, repurchase shares.

We see good corporate governance as a basic prerequisite in ensuring the best interests of all shareholders in East Capital Explorer. Given our special structure, we have, since our launch in 2007, continuously worked to strengthen our tools and measures that ensure good corporate governance.

During 2009, we further developed the internal control routines that were put in place in 2008, together with our supplier of internal audit services. I am also pleased that we have strengthened our management team with our own CFO who joined the Company in January 2010. In addition, the result of the efforts of the Nomination Committee and its proposals for the AGM 2010, will complement the current Board in relevant areas. As we have said before, it is important that skills and competencies in East Capital Explorer complement, rather than duplicate, those of our Investment Manager.

We continuously monitor and evaluate the work and performance of the Investment Manager. We have a strong belief and full confidence in its team and the valuable knowledge base established by its members. As of 31 January 2010, our NAV per share was back above the starting point at SEK 100 in November 2007, which is commendable given the extreme market developments that have characterized our short history as a listed company.

Although certain of our investments have not performed according to our expectations, we deem that these funds have been able to capitalize on some of the unique opportunities that emerged in 2009 in the wake of the the financial crisis. We are pleased with the developments in our direct investments and the prospects they hold. We are also excited about our latest direct investment in consumer loans in Russia which was announced in early 2010 together with Intrum Justitia and the East Capital Financials Fund. This is an excellent example of the type of unique investments that East Capital Explorer can offer its shareholders.

During 2010, we will continue our work to seize unique opportunities in our markets. We expect our portfolio to be fully invested before the end of the year, and I am confident that this portfolio will be well-positioned to generate attractive long-term returns for our shareholders.

Paul Bergqvist, Chairman of the Board

Governance structure

For East Capital Explorer, corporate governance refers to the manner in which we operate and are organized in our assurance of the interests of all shareholders in the context of achieving our goal of delivering long-term, attractive returns.

Purpose and nature of the Company

East Capital Explorer is a public limited liability company investing in Russia, Ukraine, countries in the Caucasus and Central Asia, the Balkans, the Baltic States and Central Europe. The Company mainly invests indirectly through a selection of East Capital's funds and may, in addition, invest directly in companies in this region.

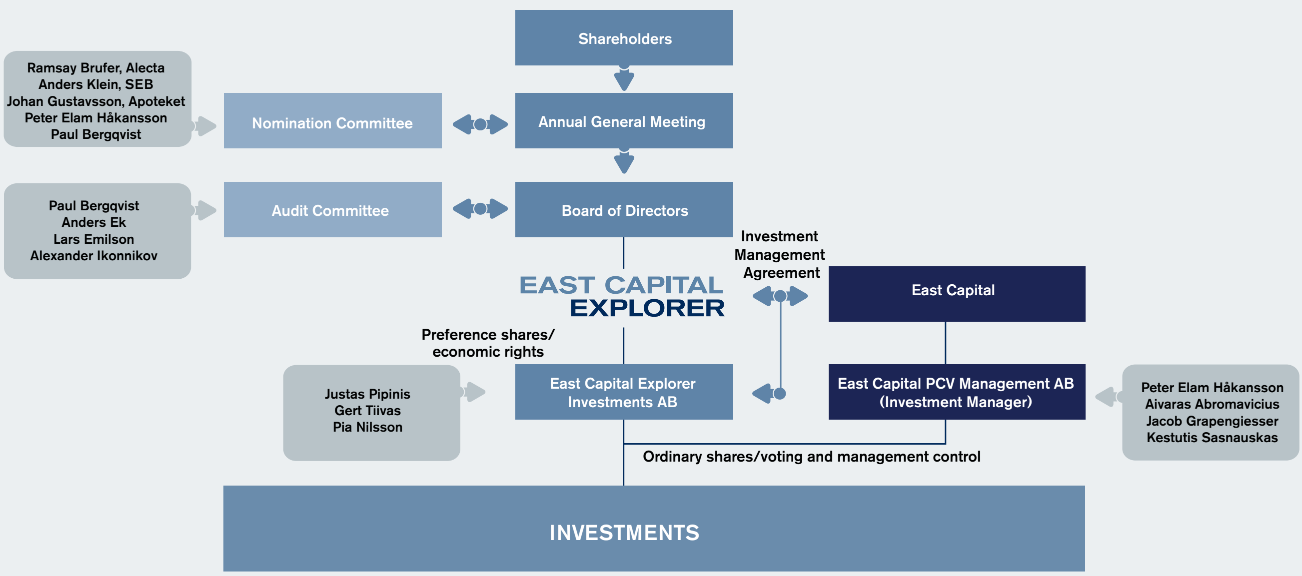
East Capital Explorer is closely associated with the Investment Manager, East Capital. The governance structure – in which the Investment Manager has significant control over the investment activities of East Capital Explorer – is tailor-made to ensure that our Board and our Audit Committee are granted independence and control tools to fully and completely monitor the investment activities of the Investment Manager. These important monitoring duties comprise both evaluating the Investment Manager's performance as well as ensuring that the investment activities are in compliance with the Investment Policy.

The structure also results in operational competitive advantages, for example, allowing for an efficient decision-making process within the framework of the Investment Policy. The structure also creates stability and a clear division of responsibilities between the Investment Manager and the Company's Board. This structure was established in 2007 and was initially described in East Capital Explorer's prospectus to list on the NASDAQ OMX Exchange from November 2007.

Framework for corporate governance

Corporate governance at East Capital Explorer is based on both external and internal frameworks. External frameworks comprise the Swedish Companies Act, the rules of NASDAQ OMX Nordic Exchange including the Swedish Code of Corporate Governance, as well as other applicable Swedish and foreign laws and rules. The Company's internal framework includes the Articles of Association, the Investment Management Agreement with East Capital, the rules and procedures of the Board of Directors, the charter of the Audit Committee, the instructions to the CEO and the policies adopted by the Company.

Governance structure



How we invest

INVESTMENT MANAGEMENT AGREEMENT

The Investment Management Agreement stipulates the duties and responsibilities of the Investment Manager including the identification, evaluation and negotiating of potential investments. The Agreement specifically defines the division of responsibilities between the Investment Manager and East Capital Explorer, and ensures East Capital Explorer preferential access to new semi-public, private equity and real estate funds launched by East Capital.

INVESTMENT POLICY

The Investment Policy stipulates East Capital Explorer's key geographical segments and investment themes and the types of investments which may be undertaken. It also stipulates certain limitations to ensure diversification and an appropriate risk level. The Policy may be revised from time to time, as the investing environment is changing. Any change in the Policy would require approval of both the Company and the Investment Manager. The key elements of our Investment Policy can be summarised in the following points:

Countries

East Capital Explorer may invest in Russia and the CIS countries, the Balkans, the Baltics, Central Asia and Central Europe.

Asset types

East Capital Explorer invests primarily in East Capital's existing and future semi-public equity funds (with both listed and unlisted investments), as well as East Capital's future private equity (unlisted investments) and real estate funds.

East Capital Explorer also has the possibility to make direct investments in selected companies, as well as smaller investments in East Capital's open-ended daily-traded funds.

More specifically, investments can be made in several asset types, including fund units, shares, options, convertibles, derivative instruments and other equity-related instruments. Debt investments are also permitted if related to an equity investment. In conjunction with investments in the real estate sector, investments can also be made in land, real estate and other property.

In 2009, the Board decided to initiate a bond mandate in which cash can be allocated to a portfolio of USD or EUR denominated liquid bonds of issuers in our investment region. The bond mandate is a short term cash management tool to create more attractive returns on East Capital Explorer's cash while remaining liquid for future investments.

The Investment Manager and investment structure

The day-to-day investment activities of East Capital Explorer are managed by East Capital PCV Management AB (the Investment Manager), a subsidiary within the East Capital group. These activities include sourcing new investment ideas and planning the deployment of the remaining capital in accordance with the established strategy. Another important function is to manage the cash of East Capital Explorer, pending investments. In order to perform these duties, the Investment Manager utilizes other functions and resources within the East Capital organization.

The Board of the Investment Manager, consisting of East Capital partners Peter Elam Håkansson, Kestutis Sasnausakas, Jacob Grapengiesser and Aivaras Abromavicius, meets on a frequent basis in order to discuss East Capital Explorer's investment portfolio and to plan for the deployment of the remaining capital of East Capital Explorer. Recommendations for fund or direct investments are subsequently presented for consideration by the Board of East Capital Explorer Investments AB, which holds the investment portfolio. East Capital Explorer Investments AB is owned by the Company and the Investment Manager. The Company holds all financial rights to East Capital Explorer Investments AB, while the Investment Manager controls and manages the company. Currently, the CEO of the Company, Gert Tiivas and the Board member, Justas Pipinis, are members of the Board of East Capital Explorer Investments AB, together with Pia Nilsson, Legal Counsel at East Capital.

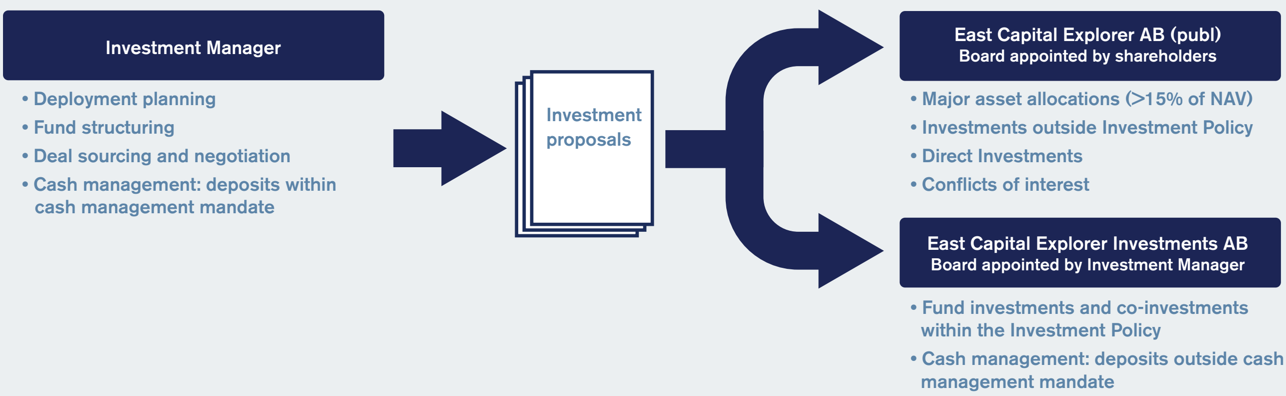
Functions of the Board of the Company

Although the ordinary investment management activities are assigned to the Investment Manager, the Board of East Capital Explorer always determines the following, more significant matters:

- Decisions on investments constituting more than 15% of NAV at the time of the investment.
- Direct investments (with no co-investment).
- Deviations to the Investment Policy.
- Investments implying a conflict of interest between East Capital Explorer and East Capital

The Board of East Capital Explorer also continuously monitors

Investment desision process



the Investment Policy and evaluates whether the Policy is, in terms of current conditions and developments, in the best interest of the shareholders of the Company. Should the Board determine that an update or revision is required; the Board would initiate the necessary changes. The Board also monitors management performance and decides on remuneration of the employees.
Another function of the Board is to monitor the operations of the Investment Manager, for example by ensuring that the investment activities are carried out in accordance with the Investment Policy and the Investment Management Agreement. This task is primarily executed by the Company's Audit Committee, which consists of the Company's Board members, who are independent from East Capital and from the executive management of the Company. The Board members also have the right to attend the Board meetings of East Capital Explorer Investments AB and have access to the Board minutes and all supporting material for the investment decisions carried out. The Company also has the right to appoint the auditor for East Capital Explorer Investments AB.

Termination of the Investment Management Agreement

Under certain circumstances, the Company has the right to terminate the Investment Management Agreement, for example if the Investment Manager does not act in accordance with the Investment Policy or the Investment Management Agreement.

The Company also has the right, at its total discretion and without any breach of the Agreement, to give notice to terminate the Investment Management Agreement with the approval of a majority of at least 75% of votes cast, as well as shares represented, at a general meeting of shareholders of the Company. If the Investment Management Agreement is terminated within five years from listing on the NASDAQ OMX Exchange, the Investment Manager shall be reimbursed for the offering costs incurred in the listing.

Board of directors

Composition of the Board

According to the articles of association of the Company, the Board shall consist of three to six members without deputies. Further, the Investment Manager always has the right to appoint one Board member. Board members are elected for a one-year term. The 2009 AGM re-elected all Board members to serve until the 2010 shareholders' meeting: Paul Bergqvist (Chairman), Anders Ek, Alexander V. Ikonnikov, Lars Emilson, Justas Pipinis and Kestutis Sasnauskas.

Independence of the Board

Under applicable regulations, Paul Bergqvist, Anders Ek, Lars Emilson and Alexander V. Ikonnikov are regarded as independent in relation to the Company. The independent members of the Board have been proposed based on their significant experience from international management and business, specifically Eastern Europe and Russia, as well as their board work in various listed companies.

Justas Pipinis and Kestutis Sasnauskas are not defined as independent in relation to the Company as they are affiliated with East Capital that, due to the Investment Management Agreement and other relationships, must be regarded as having extensive business ties with the Company and affiliated enterprises. Regarding the Board members' independence in relation to major shareholders, it can be noted that as of 31 December 2009 there are no major shareholders of the Company as the term is defined in the stock exchange rules and the Swedish Code of Corporate Governance.

For more information about each Board member please see pages 48-49.

The Board and its work

The work of the Board is governed by the rules of procedure adopted by the Board. The Chairman of the Board, Paul Bergqvist, directs the work conducted by the Board and maintains continuous contact with the CEO and the Company's other management functions, in order to monitor the Company's operations. The Board has also prepared and approved a Charter for the Audit Committee, a work instruction for the CEO as well as a number of policy documents.

Chairman of the Investment Manager, Peter Elam Håkansson, the Company's CEO, Gert Tiivas, CFO Pia Tell Svensson and Head of Communications/IR, Louise Hedberg also participated in the Board meetings during 2009 to report on their respective areas. Other representatives from the Investment Manager are invited, from time to time, to participate in Board meetings to make presentations on particular investment proposals or other matters.

The Board holds at least seven ordinary Board meetings per year. Additional meetings may be held to discuss and decide on investment proposals. One meeting per year is typically held in conjunction with an East Capital Investor Summit or investor trip which East Capital organises in different parts of our investment region. Participation at these conferences provides the members of the Board with new insights into the investment region and an update on current financial and political events, and always include company visits. During 2009, the Board participated in the East Capital Summit in Belgrade, Serbia in May as well as in an investor trip to Moscow, Russia in December.

Board meetings and main discussions

During 2009, a total of 12 Board meetings were held. The main discussions held during the meetings were:

Meeting	Main discussion
1/2009	Discussion on investment proposal
2/2009	Approval of Year-end report 2008
3/2009	Telephone meeting to resolve to utilize of authorization to repurchase the Company's own shares
4/2009	Telephone meeting to approve Annual report 2008
5/2009	Approval of mechanics for cancellation of the Company´s own shares
6/2009	Board meeting held in conjunction with Annual General Meeting
7/2009	Approval of the Interim Report 1January - 31 march 2009. Participation in East Capital Investor Summit in Belgrade, Serbia
8/2009	Approval of the Interim Report 1 January – 30 June 2009
9/2009	Telephone meeting to discuss new investment proposals
10/2009	Telephone meeting to approve investment proposal
11/2009	Approval of the Interim Report 1 January – 30 September 2009
12/2009	Board meeting in conjunction with investor trip to Moscow, Russia

At the Board meeting 3/2009 board members Justas Pipinis and Kestutis Sasnauskas abstained from voting on the issue of repurchase of own shares.

In addition, Gert Tiivas, in the capacity of Board member of East Capital Explorer Investments AB, participated at 15 meetings for East Capital Explorer Investments AB (of which 8 were per capsulam) during 2009. Paul Bergqvist, Anders Ek and Lars Emilson were present as non-member attendees at respectively 3, 2 and 1 of these meetings.

Evaluation of the Board

During 2009, the work of the Board was not formally evaluated by an external consultant as was the case in 2008. The Board has internally evaluated its work in order to continue to develop the processes in the Board and provide input to the Nomination Committee's work to prepare proposals to the Annual General Meeting 2010. As a basis for the Nomination Committee's work to evaluate the Board's composition and prepare these proposals, the committee also met and interviewed selected members of the Board during the autumn of 2009.

AUDIT COMMITEE

The Audit Committee is appointed annually by the Board, to serve in an advisory function to the Board with respect to financial reporting, valuation and auditing matters. Given East Capital Explorer's investment structure, the Audit Committee has extended responsibilities, compared to many other companies, and also monitors the economic relationship with East Capital Explorer Investments and its investments, as well as the Company's cooperation and contractual relationship with the Investment Manager. The Charter of the Audit Committee governs the work of the Committee.

The Audit Committee shall consist of at least three members appointed by the Board from among the independent members of the Board. The Audit Committee comprises Paul Bergqvist (Chairman), Anders Ek, Alexander V. Ikonnikov and Lars Emilson.

The Audit Committee may invite, as it sees fit, representatives from the Company, East Capital Explorer Investments or the Investment Manager as non-member attendees and may appoint appropriate legal counsel, audit expertise and independent valuation expertise for consultation in the performance of its duties.

Carl Lindgren, the Company's authorized auditor representing KPMG, participates in all meetings at which financial reports are approved, in order to present his findings to the Committee prior to approval of these reports in the Board.

Audit Committee meetings and main discussions

During 2009, a total of 5 Audit Committee meetings were held. Examples of the main discussions held during the meetings were:

Meeting	Main discussion
1/2009	Discussion on the Year-end report 2008
2/2009	Discussion on the Annual Report 2008
3/2009	Discussion on the Interim Report 1 January – 31 March 2009
4/2009	Discussion on the Interim Report 1 January – 30 June 2009
5/2009	Discussion on the Interim Report 1 January – 30 September 2009. Review of compliance with Investment Management Agreement, investment policy, cash management policy, service agreement and information policy

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

On 27 April 2009, the Annual General Meeting resolved that Directors' fees in the Company remain unchanged and that the Chairman of the Board will receive annual compensation of SEK 700,000 for the period until the 2010 AGM. Each member of the Board, other than the Chairman, will receive annual compensation of SEK 300,000 for the same period. Board members, Justas Pipinis and Kestutis Sasnauskas, waived their directors' fees.

Remuneration for work of the Audit Committee also remained unchanged and totalled SEK 50,000 for the Chairman of the Audit Committee, and SEK 30,000 per year to other members of that Committee.

Remuneration Committee

In light of the Company's limited number of employees, the Board has concluded that no Remuneration Committee should be established. The duties that would have been assigned a Remuneration Committee are, instead, performed by the Board as a whole.

CEO

The CEO, Gert Tiivas, is responsible for the day-to-day administration of the Company in line with the instructions from the Board, other guidelines and policies. Together with the Chairman of the Board, the CEO prepares the agenda for Board meetings and prepares the requisite materials and information to allow for decision-making at Board meetings. In addition, the CEO ensures that the Board continually receives information on East Capital Explorer's development and market information from the Investment Manager in order to be able to make valid decisions.

The Board has approved the CEO's significant assignments outside the Company and regards these assignments as compatible with the position of CEO of East Capital Explorer. For more information about the CEO, see page 47.

Remuneration to the CEO consists of fixed salary, variable salary and pension and insurance benefits. The Board determines, at its own discretion, and according to certain key performance indicators, whether the CEO should be paid any variable salary. A maximum variable salary corresponding to 50% of fixed salary, can be granted to the CEO. During 2009, no variable salary for 2008 was paid to the CEO. For 2009, the Board

The composition of the Board

Name	Position	Citizenship	Dependence	Shareholdings	Elected	Board meeting attendance 2009	Audit Committee	Audit Committee attendance 2009
Paul Bergqvist	Chairman	Swedish	No	7,500 shares	2007	12/12	Yes	5/5
Anders Ek	Board member	Swedish	No	3,000 shares	2008	12/12	Yes	5/5
Lars Emilson	Board member	Swedish	No	5,500 shares	2007	11/12	Yes	5/5
Alexander Ikonnikov	Board member	Russian	No	6,000 shares	2007	11/12	Yes	4/5
Justas Pipinis	Board member	Swedish	Yes	14,100 shares	2007	12/12	No	n/a
Kestutis Sasnauskas	Board member	Lithuanian	Yes	103,597 shares	2007	12/12	No	n/a

has decided to grant the CEO a variable salary corresponding to 25% of the fixed salary.

The CEO has an individual premium-based pension plan, pursuant to which the Company pays premiums corresponding to 10% of the fixed salary, up to 10 Swedish income base amounts and premiums corresponding to 20% of the fixed salary for that portion of the fixed salary exceeding 10 Swedish income base amounts.

For detailed information on the remuneration to the CEO, see Note 4 on page 75.

Share-related incentive programme

East Capital Explorer does not have a share-related incentive programme.

THE ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders (AGM) is the Company's highest decision-making body and it is where shareholders exercise their influence. The AGM must be held within six months from the end of the financial year. All shareholders who are registered in the register of shareholders and who notify the Company in time are entitled to take part at the meeting. Shareholders may vote for the full number of shares they own and may be accompanied by a maximum of two assistants. Shareholders who cannot attend may be represented by proxy.

The AGM considers, among other things, matters relating to election of the Board, when applicable the appointment of auditors, dividend distribution, adoption of the income statement and balance sheet, and the discharge from liability of the members of the Board and CEO. Shareholders are entitled to have a matter considered at the meeting provided a legitimate request has been submitted to the Company well in advance to publication of the notice of the AGM.

The AGM is an important channel in communicating with shareholders. Shareholders are encouraged to participate at the AGM and all shareholders receive a printed invitation and notice to attend the meeting. The full Board and Company management attend the meeting and are available to answer questions from the shareholders.

Annual General Meeting 2009

The 2009 AGM was held at 4:00 p.m. on 27 April 2009 at Konserthuset in Stockholm. The full documents from the 2009 AGM including notice, documents were presented at the AGM. Full minutes from the meeting are available on www.eastcapitalexplorer.com.

The 2009 AGM was attended by approximately 200 persons, including shareholders representing a total of 29% of the shares in the Company, all the members of the Board, all employees as well as a number of invited guests.

NOMINATION COMMITEE

The role of the Nomination Committee includes evaluating the Board and its work prior to the AGM, and to prepare and present proposals to the AGM on issues, such as the Chairman of the meeting, members of the Board, Chairman of the Board, as well as appointment of auditors, when appropriate. The Nomination Committee also proposes remuneration to the members of the Board, remuneration (if any) for Committee work and fees to be paid to the Company's auditors, as well as proposing the process for electing a Nomination Committee prior to the next AGM. All shareholders have had the opportunity to submit proposals to the Nomination Committee.

The work of the Nomination Committee 2010

In accordance with a resolution by the 2009 AGM, the Nomination Committee for the 2010 AGM comprises five members; three members appointed by each of the three largest shareholders in the Company on 30 June 2009, East Capital Explorer's Chairman of the Board and the Investment Manager's Chairman of the Board:

- Ramsay Brufer, Alecta (Chairman)
- Anders Klein, SEB
- Johan Gustavsson, Apoteket ABs Pensionsstiftelse
- Paul Bergqvist, as Chairman of the Board of East Capital Explorer
- Peter Elam Håkansson, as chairman of the board of the Investment Manager

The composition of the Nomination Committee was published through a press release and posted on the website on 2 October 2009. Jessica Veraeus, Legal Counsel at East Capital, was co-opted to the Nomination Committee's meetings as secretary.

No fees were paid to the members of the Nomination Committee for their work.

Shareholders have been invited to submit their own proposals to the Nomination Committee. The Nomination Committee's proposals prior to the 2010 AGM are specified in the notice of the meeting and are also available on www.eastcapitalexplorer.com.

Annual General Meeting 2010

The 2010 shareholders' meeting will be held at 3:00 p.m. on 28 April 2010 at Konserthuset (Grünewaldsalen) in Stockholm. For more information please visit: www.eastcapitalexplorer.com.

AUDIT

External auditors

The extraordinary general shareholders' meeting on 25 May 2007 elected registered auditing company KPMG as auditors for East Capital Explorer AB for a four-year term until the 2011 AGM, with authorised auditor Carl Lindgren as auditor in charge.

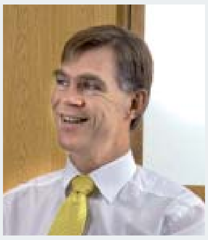
Compensation to auditors

The Company's auditors received compensation for audits and other requisite reviews, as well as for advisory services occasioned by observations made in the course of such reviews. During financial year 2009, the total compensation paid to the auditors was SEK 702,000 (corresponding to EUR 66,000), the entire amount referring to auditing services.

Communication with the Company's auditors

The Audit Committee maintains regular contact with the auditors. In addition, the auditors participate in the Audit Committee meetings at which the interim reports and full year report are addressed. At that time, the auditors report their observations from the audit and assessment of the Company's internal controls.

Auditors: KPMG AB
Auditor in charge: Carl Lindgren



Born 1958
Authorized public accountant at KPMG AB. Chairman of the Board of KPMG AB. Auditor in charge for East Capital Explorer since 2007.

Other auditing assignments: Intrum Justitia AB, Investor AB, Modern Times Group MTG AB and Nordea. Carl Lindgren is also auditor in charge for the East Capital Group.

Shareholding in East Capital Explorer AB: 0 shares

Management

Gert Tiivas
CEO

CEO since September 2007
Born 1973

Education
Bachelor of Arts from Bentley College and a Master of International Affairs from George Washington University.

Work experience
2006–2007 Head of East Capital's Tallinn office, 2004–2006 President of Growth Markets for OMX Group, 1998 – 2004 CEO of the Tallinn Stock Exchange.

Other board assignments
Board member in East Capital Baltic Property Fund AB and East Capital Real Estate AS. Board member in East Capital Power Utilities Fund AB and East Capital Explorer Investments AB.

Shareholding in East Capital Explorer AB
10,000 shares.

Mathias Pedersen
CFO

CFO since January 2010
Born 1971

Education
Master of Science in Economics and Finance from the Stockholm School of Economics. Graduated from Harvard Business School's Program for Management Development.

Work experience
2007-2009 CFO at ETAC AB, 2001-2007 Vice President at Foundation Asset Management AB (formerly W Capital Management AB), 1998-2001 Analyst at Investor AB

Shareholding in East Capital Explorer AB
1,300 shares

Board of Directors

Paul Bergqvist
Chairman of the Board since 2007

Independent of the Company, Company management and the Company's major shareholders.
Born 1946.

Education
Engineering and business studies at Linköping University.

Work experience
2000–2006 Deputy CEO of Carlsberg A/S, 1995–2000 CEO Pripps-Ringnes AB, 1992–1995 CEO Procordia Beverage AB, 1988–1992 Deputy CEO PLM AB.

Other board assignments
Board member and chairman of Sveriges Bryggerier AB, AB Svenska Returpack, HTC Sweden AB and AB Pieno Zvaigzdes. Board member of TrygVesta AS, Svenska Lantmännen Ek För and Björk Eklund Group AB.

Shareholding in East Capital Explorer AB
7,500 shares.

Anders Ek
Board member since 2008

Independent of the Company, Company management and the Company's major shareholders.
Born 1948.

Education
Bachelor's degree from Stockholm University.

Work experience
2004–2008 Executive vice president and head Strategic and International Banking at Swedbank, 2000–2004 CEO of Robur, 1994–2000 Chief Investment Officer and deputy CEO of SPP (currently named Alecta), 1991–1994 Senior Portfolio Manager and member of Group Executive Management Trygg Hansa, 1985–1991 Executive vice president and Chief Investment Officer of the Swedish National Pension Fund.

Other board assignments
Board member and chairman of Sparinstitutens Pensionskassa and Banque Invik SA. Board member of Catella KAG, Hemfosa Fastigheter AB and CA Fastigheter AB.

Shareholding in East Capital Explorer AB
3,000 shares.

Lars Emilson
Board member since 2007

Independent of the Company, Company management and the Company's major shareholders.
Born 1941.

Education
Bachelor's degree from Lund University.

Work experience
2004–2007 CEO Rexam PLC, 2000–2004 Group Director Rexam Beverage Global can operations, 1999–2000 Managing Director PLM AB, 1970–1999 Various positions within PLM AB's packaging operations in Sweden and the US.

Other board assignments
Chairman of Charter PLC and non-executive director of Filtrona PLC and Luvata OY.

Shareholding in East Capital Explorer AB
5,500 shares.

Alexander V. Ikonnikov
Board member since 2007

Independent of the Company, Company management and the Company's major shareholders.
Born 1971.

Education
PhD in Economics, Moscow State University of Oil and Gas. Certified and Diploma Director by IoD, UK.

Work experience
Since 2005 Senior partner of Board Solutions, 2001–2004 Co-founder of the Investor Protection Association in Russia, 1998-2001 Deputy CEO, NAVFOR, 1996-1998 Head of the Department of External Economic Affairs and Investments at the Ministry of Fuel and Energy, Russia.

Other board assignments
Chairman of the Russian Independent Directors Association, Independent director and head of the nomination and remuneration committees in the National Depository Center, Russia, Non-executive director of National Clearing Center Bank, Russia.

Shareholding in East Capital Explorer AB
6,000 shares.

Justas Pipinis
Board member since 2007

Not independent with regard to affiliation with the Investment Manager.
Born 1973.

Education
Bachelor of Science from Stockholm University, studies at Vilnius University and Gotland University.

Work experience
Partner of East Capital since 2004, CEO of East Capital Holding AB (since 2005) and CEO of East Capital International AB (since 2007), 2002–2005 CEO of East Capital Asset Management AB, 2000 joined East Capital and established the Private Equity fund East Capital Amber Fund, 1997–2000 Siemens Business Services AB.

Other board assignments
Board member and owner of Stingray Holding AB. Also holds a number of board and other assignments within East Capital.

Shareholding in East Capital Explorer AB
14,100 shares.

Kestutis Sasnauskas
Board member since 2007

Not independent with regard to affiliation with the Investment Manager.
Born 1973.

Education
Studies at Vilnius University, Gotland University and the Stockholm School of Economics.

Work experience
Since 1997 Co-founder and partner of East Capital, CEO of East Capital Private Equity AB since 2005. Previously responsible for Baltic Research at Enskilda Securities.

Other board assignments
Board member and partner of Rytu Invest AB. Board member of the Investment Manager, East Capital PCV Management AB, East Capital Holding AB, East Capital International AB and the East Capital Baltic Real Estate Fund.

Shareholding in East Capital Explorer AB
103,597 shares.

Managing our risks

East Capital Explorer's business involves different types of risk. In addition to the risks that we take in our investments with the intent to create value for our shareholders, there are also a number of business risks and financial risks with possible impact on our business. Risk management deals with risks and opportunities affecting value creation or value preservation.

Managing risks is an important part of achieving our objectives as an investment company. Upon launching East Capital Explorer in November 2007, we made significant efforts in designing our structure to ensure our ability to do so. Our main business risks and how we manage them in our day-to-day business are outlined below. Our financial risks are presented in Note 16 on page 82.

POLITICAL RISKS

Political systems are generally less stable in emerging markets than in developed economies and the legal systems are often less mature. This may imply certain specific investment and ownership risks. For example, amendments to the regulatory framework for the financial markets including changes on the protection of minority shareholders' rights, could adversely impact our business. Political risks also include the capacity of a country's leadership to govern, and its ability to decide on and implement reforms which are well-needed for the transition phase the whole region is going through. In the aftermath of the credit crisis all the countries of our investment universe face various challenges and not all of them have the same readiness to tackle those.

Managing these risks:

- Political risks vary between countries and sectors, and our access to the local presence, experience, know-how and to the network our Investment Manager East Capital has established during more than 10 years of operations, implies that we are able to integrate a well-grounded analysis of the political risks in the investment decisions and in the management of the portfolio in a long-term perspective.

- Our access to East Capital's network in the region, and their relations with other foreign investors that are active in these countries, is also valuable when jointly applied measures are made in order to make regulatory progress on issues which are important to us as foreign investors. For example, promotion of good corporate governance, independent regulatory regimes and authorities and anti-corruption measures, to limit the political interventions and assure the integrity in local business life.

- East Capital avoids association with any political group and strives to keep neutral in its investment activities, thus reducing the likelihood of being a direct target of political intervention.

COUNTRY RISKS

Investing in emerging markets may generally mean a higher level of risk in the business environment than when investing in more developed countries. These markets are less mature and, thereby, also more volatile and more vulnerable to external shocks, as experienced during 2008 and 2009. This is common to all the countries in our investment region and not just associated with exposure to one specific company or investment in a fund.

Country risks also include instability in financial, legal and political systems and other country specific aspects, such as quality of corporate governance, reliability of settlement and clearing systems, lack of appropriate custody services, level of financial reporting and general availability to other reliable corporate information. If any of these country specific aspects should not develop as anticipated in any of the countries in our investment region, we are at risk of being less successful in our investments.

Managing these risks:

- Our access to East Capital's investment teams, with local presence and both personal and professional experience of living and working in our investment region, provides East Capital Explorer with the capability to analyze, integrate and, to the extent possible, mitigate or even avoid certain country specific risks. Through the knowledge and experience of the advisory committees associated with East Capital, the investment team has access to sophisticated analysis and expertise in order to better evaluate any country specific political or macro-economic risk.

- Our investment policy assumes that the vast majority of the assets are invested in East Capital funds, which in turn are diversified into 5 – 100+ holdings, depending on the strategy of the fund. No single fund investment made may exceed 40 percent of East Capital Explorer's total net asset value at the time of the investment, and no direct investment made by East Capital Explorer may exceed 15 percent of the total net asset value at the time of the investment. This effectively diversifies our portfolio across both sectors and the different geographic areas within our investment region.

- Both East Capital Explorer and East Capital each have a Code of Conduct which clearly stipulate that corruption will not be tolerated in any manner or form. East Capital has, through its long term presence in the region, established a network of contacts and relationships which contribute to stay clear of counterparties, projects and situations in which corruption and other inappropriate business practices might be known.

INVESTMENT STRATEGY RISK

Our business plan and objectives are dependent on the availability of interesting investments. This includes timing the market to enter, and exit, at the most beneficial moment. There is a risk that we are neither efficient in choosing or developing our investments, nor successful in timing the market conditions at the most profitable moment.

Managing this risk:

- Our access to the experienced investment teams at East Capital provides us with a structure to make well-grounded investment decisions and to effectively follow-up on the companies to which we have investment exposure.

- The members of our Board have been selected on the basis of their respective experience of doing business in our investment region and their own merits relevant to the Board composition, as a whole. This provides the Board with the right background to evaluate the investment activities of the Investment Manager, and also contributes to the continuous discussions with the Investment Manager on the investment opportunities in our region.

- The independent members of the Board also continuously review the Investment Policy to asses whether revisions may be justified as the investment environment changes. Any possible changes will be addressed by the Board, together with the Investment Manager in order to make the investment strategy most suitable over time.

- The Investment Manager continuously reports on the latest developments in the investment region and follows up on the current pipeline of investment proposals as a standing item at all Board meetings. This provides the Board with updated information on which to base its evaluation of the Investment Manager's activities and the suitability of the Investment Policy.

COMPANY SPECIFIC RISK

Our success depends on our ability to provide our shareholders with a portfolio of interesting and profitable investments. This also includes being able to manage our investments effectively during our ownership and to create progress on investor friendly issues, such as corporate governance. There is a risk that certain companies, from time to time, may be adversely affected by internal and external factors and that they will, thereby, have a negative impact on the value of our investments.

Managing this risk:

- Diversification is key to managing company specific risk. Our preferred route to gaining investment exposure is, therefore, through investments in East Capital's semi-public equity funds and private equity funds, effectively diversifying our portfolio across approximately 400 companies in our investment region on 31 December 2009, and thereby limiting the specific risk of any one company.

- Our Investment Policy ensures that the focus is kept on the agreed countries and sectors, and that the mode for gaining investment exposure is in agreement with our view on risk-return. It is the responsibility of our Board to review and ensure that our Investment Policy suits our objectives.

- Our access to the experienced investment teams at East Capital provides us with a structure to make well-grounded investment decisions and to effectively follow-up on the companies to which we have investment exposure.

- When managing the unlisted portfolio companies to which we are exposed through our fund investments, our Investment Manager aligns interest with both the local management, as well as with other major shareholders, in order to set a common agenda for the investment period and preferred exit strategy. One important aspect in managing investments includes introducing and following up on improvements in corporate governance issues which we, as investors, firmly believe help to strengthen the operations of any company.

OPERATIONAL RISK

Well-structured and relevant internal administrative processes and systems are important in any corporate structure to minimise the operational risks related to the business operations. Lack of internal control, inadequate administrative systems and processes, infrastructure or technology failures, risk of theft or fraud or risks that East Capital Explorer's or East Capital's reputation in the marketplace is damaged could lead to unexpected economic losses or loss in confidence in us. As almost all operative functions are in-sourced from East Capital, East Capital Explorer is highly dependent on the successful ongoing operations of East Capital.

Managing this risk:

- Operational risks are managed on the basis of our structure for internal control, including adequate routines and instructions, a clearly defined division of responsibility, IT-based support and reporting systems with relevant authorizations, our internal structure for information and reporting, as well as both information and physical security.

- Through East Capital, we also have access to risk management functions adapted to the investment activities and operations of East Capital, which should also reduce the overall operative risks related to our business.

- Through a service agreement with East Capital we are able to cost-efficiently source general office and administrative resources from East Capital including office premises, reception, HR, IT and legal services. The costs for the service agreement are continuously evaluated by the Board and are estimated to be significantly more cost-efficient than if we were to source these services on our own.

- As a part of our ongoing monitoring of the Investment Manager, when needed, we also engage external advisors to audit certain functions or processes of East Capital, in order to identify and address any risks related to the operative functions that are administrated by East Capital.

RELATED PARTY RISK

With East Capital as our Investment Manager, we have ensured our shareholders access to one of the most capable and merited investment teams active in the region. We rely on the team's capacity to manage our investment activities rather than having our own in-house investment teams. This could imply a risk that the investments undertaken are not in accordance with the best interest of the Company, or could imply a breach of limits and authority, unfair valuations or unauthorised risk exposure.

Managing this risk:

- Considering our close relationship with East Capital, we have paid specific attention to ensuring the best interests of our shareholders. This includes a detailed Investment Management Agreement between our two companies that effectively stipulates the manner in which the investment activities should be undertaken, and assures that conflicts of interest between ourselves and East Capital can be appropriately handled.

■ In particular, in order to avoid any concerns related to the merits of a direct investment presented by East Capital where no other East Capital fund or other co-investors simultaneously participate, such direct investment is within the exclusive decision making powers of our Board. This way, the investment can be evaluated on its own merits by the members of the Board who are independent from East Capital.

■ Similarily, investments may not be made in any new funds launched by East Capital with terms which materially adversely deviate from the terms of any prior fund managed by East Capital without the consent of our Board. This prevents East Capital from introducing new terms which could be unfavourable to us.

■ Managing this risk also means avoiding investment situations in which the fairness or suitability of a transaction, or its valuation, could be questioned. For this reason, our Investment Policy clearly stipulates that we shall only invest in East Capital's new private equity funds, to avoid valuation issues or a discussion concerning the terms or timing at which we invest. In existing semi-public equity funds, we only invest in newly issued shares, providing new capital for new investments in the funds, thereby avoiding a situation in which East Capital Explorer could be seen as buyer of last resort.

■ The Audit Committee of East Capital Explorer, comprising all four independent Board members, has extended responsibilities compared to many other companies' audit committees. The Audit Committee is responsible for initiating review of our Investment Policy and monitors the Investment Manager's compliance with the Investment Policy and our Investment Management Agreement. In practice, this means reviewing all investment proposals and decisions made on East Capital Explorer's behalf.

■ Our independent Board members have important duties in this regard in order to safeguard the interests of our shareholders, as they resolve conflicts of interest (which are not already contemplated by the Investment Policy), for example, in relation to direct investments in which there is no other East Capital entity involved in the investment, or when assets are acquired from any other East Capital fund.

■ In order to ensure full transparency in the day-to-day investment activities and to enable the Audit Committee to fulfil these responsibilities, all members of the Board also receive materials, investment proposals and invitations to participate in the meetings and discussions of East Capital Explorer Investments AB. Our CEO is also a member of the Board of East Capital Explorer Investments AB.

The East Capital Power Utilities Fund, East Capital Explorer's largest investment, succeeded in achieving an exception performance of 177% during 2009. The fund outperformed both the strong Russian market as well as the sector index. A significant contributor to the performance were the investments in power distribution companies.

Corporate responsibility

Corporate Responsibility (CR) is about acknowledging and addressing a company's obligations as regards environmental, social and governance issues. For East Capital Explorer this refers both to what we ourselves do in our operations, and also to our responsibility in cooperation with our Investment Manager and with our portfolio companies in Eastern Europe.

The policies can be found on www.eastcapitalexplorer.com

Managing CR at East Capital Explorer

During East Capital Explorer's first, relatively, short history, priority has been placed on defining CR guidelines and principles. This process has resulted in, amongst other things, both documents and ongoing work in defining our view on environmental, social and governance issues, so called ESG issues.

Two documents – stipulating the policies mirroring our position on these issues – have been adopted by the Board; the Code of Business Conduct and the Principles of Responsible Investment. The Code comprises the ultimate governing tool as regards principles of conduct and guidance for the Company's Board Members and for its employees. Respect is the core principle of this Code.

The second document is the Principles of Responsible Investment. It specifies the manner in which our Investment Manager is to undertake investment decisions on the basis of an in-depth analysis of factoring impacting future return of sectors, individual stocks and future financial results. It also includes the risks and opportunities related to the environment, social circumstances and governance.

CR in Eastern Europe

There are many reasons to have a positive view towards current and future developments in corporate responsibility in Eastern Europe, as these countries now both react to international sustainability trends and look for their own solutions. They are carefully studying forerunners in this field and assessing the experience of other cultures, economies and countries. Improved communication and connections with international markets confirm that being a "responsible company" can result in new business opportunities and strengthen the existing customer base.

CR during 2009

In cooperation with our Investment Manager, the next phase is now underway in our CR process; to prioritise activities in this area, define targets and further develop our plans to report on stated goals. These areas can come to include, for example, further refined systems to ensure, monitor and enforce compliance with the established principles, including the adoption of business principles that can be verified.

Although we would have liked to have advanced further in the CR area during the year, ESG issues were unfortunately generally less prioritised on corporate agendas during 2009 as the main theme in many companies was focused on passing the tests of the financial crisis. During 2010 we intend to further advance on ESG issues in terms of targets and tools as we strive to have a positive impact on our portfolio companies in these areas in the future.

In June 2009, Ola Skinnarmo, the famous Swedish adventurer, set sail on a new expedition, sponsored by our Investment Manager, East Capital. The goal of Skinnarmo and his crew was to replicate Adolf Erik Nordenskiöld's Vega expedition of 1878 and sail through the icy and dangerous North East Passage, the seaway between Europe and Asia along the Russian coast of the Arctic Sea .

During the successful expedition on board "Explorer of Sweden", Skinnarmo and his team explored inaccessible geographic areas to learn more about Russia, its unique culture and nature. Together with experts from the WWF, the crew visualised the recent rapid changes in the sensitive environment. Read more about the expedition on www.eastcapital.com or www.skinnarmo.com.

Fees

East Capital Explorer's investment structure has been designed so that fees are paid only on the underlying fund level at the same terms as other fund investors. Total fund fees paid during 2009 amounted to EUR 6.5m of this, EUR 2.8m was management fees, and EUR 3.7m performance fees

Fee structure for East Capital Explorer's investments

Investment	Subscription Fee	Annual Mgmt. Fee[1]	Base amount[3]	Performance Fee	Period[4]	High Water Mark[5]	Hurdle Rate	Catch-Up	Profit share	Redemption Fees
Fee for managing East Capital Explorer's investment portfolio	0%	0%		0%						
East Capital Bering Russia Fund	0%	2.0%	NAV	20%	Mnth/Qtr	Yes				Yes
East Capital Bering Ukraine Fund	0%	2.0%	NAV	20%	Mnth/Qtr	Yes				Yes
East Capital Bering Balkan Fund	0%	2.0%	NAV	20%	Mnth/Qtr	Yes				Yes
East Capital Bering Central Asia Fund	0%	2.0%	NAV	20%	Mnth/Qtr	Yes				Yes
East Capital Bering New Europe Fund	0%	2.0%	NAV	20%	Mnth/Qtr	Yes				Yes
East Capital Power Utilities Fund	0%	1.9%	NAV	15%	Yearly		7%	50/50	95/5	
East Capital Special Opportunities Fund	0%	2.0%	NAV	20%	Monthly		7%	50/50		
East Capital Russian Property Fund	0%	1.0%	GAV	0%	Yearly		10%	50/50	80/20	
Direct investments [1, 2]		2.0%	NAV	20%	Yearly		8%	0/100		
East Capital (Lux) Eastern European Fund (EUR)	0%	2.0%	NAV	0%	Daily					Yes
Bond mandate [1]		1.0%	NAV	0%						
Cash and cash equivalent		0%		0%						
Committed capital		0%		0%						

[1] The fees charged by East Capital for managing direct investments and the bond portfolio is subject to Swedish VAT which make the actual cost for East Capital Explorer AB higher
[2] A separate agreement regarding the Investment i TEO was made, reducing the management fee to 1.0% per annum based on the daily share price
[3] The management fee is calulated in % of opening NAV for all investments except the Property fund, whose fee is based on closing GAV
[4] The Bering funds managment fees are based on monthly NAV, while performances fee are based on quarterly NAV figures
[5] High Water Marks are set individually for each installment into the funds

FEE GLOSSARY

Allocation target = Level of net proceeds of the fund whereafter the net proceeds are paid according to set profit sharing arrangement. This level is typically set to 80–20 meaning that 80% of the net proceeds are paid to investors and 20% are paid to East Capital.

Base amount = the basis for the calculation of management fee.

Catch-up = Allocation of the net proceeds of the fund, once hurdle has been reached. May be set to 50/50 meaning that 50% of the net proceeds are paid to investors and 50% to East Capital up to a given allocation target of the total net proceeds of the fund. Purpose is to incentivize the manager to create good returns (above hurdle).

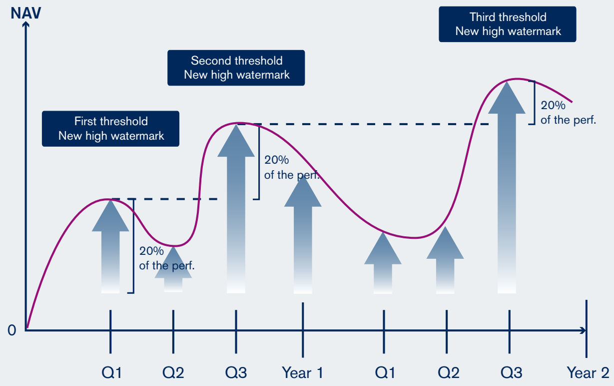
Clawback = Upon termination of the fund, if East Capital has received profit share distribution in excess of 20% of the fund's net profits from all portfolio investments, East Capital will return the excess amount to the fund. This can for example occur if a portfolio investment is sold at a loss at the end of the fund term, and profit share has been paid out to East Capital in prior divestments of the fund.

GAV = The gross asset value (GAV) of a fund at a certain point in time.

High Watermark = Previous highest NAV above which performance fee was paid.

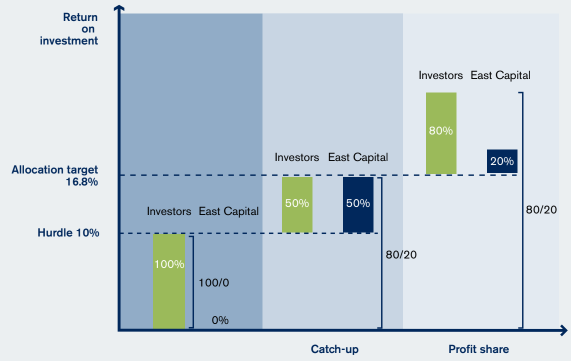
Hurdle = Net return on fund or investment, calculated on a cumulative annual basis, to be paid to investors before catch-up and profit share/performance fee can be paid to East Capital.

Example fee structure in East Capital Bering Funds



Performance fee with high watermark. A performance fee of 20 percent is paid to East Capital quarterly, when the NAV exceeds the previous highest watermark. In the example above, performance fees of 20 percent of the performance above the last high watermark are paid in Q1 and Q3 during the first year and in Q3 in the second year. Performance fees for any performance above the high watermark during a given quarter are not locked in.

Example fee structure in East Capital Private Equity Funds



Profit distribution waterfall with 10 percent hurdle rate, 50/50 catch-up and 80/20 profit share arrangement. In the example above, investors receive the full return on an investment upon exit up to a 10 percent hurdle. After the hurdle, there is a catch-up in which investors and East Capital each receive 50 percent of the return on the investment until the allocation target of 80 percent of the return to investors and 20 percent of the return to East Capital, has been reached (in this case at a 16.8 percent return on investment). Thereafter, all excess returns are allocated 80 percent to investors and 20 percent to East Capital. A so called claw back protects investors against over-distribution of profits to East Capital.

Fees to East Capital accrued 2009

Investment	Management fees accrued 2009 (EUR thousands)	Performance fees accrued 2009 (EUR thousands)	Total fees accrued 2009 (EUR thousands)
Fee for managing East Capital Explorer's investment portfolio	-	-	-
East Capital Bering Russia Fund	264	433	697
East Capital Bering Ukraine Fund	132	-	132
East Capital Bering Balkan Fund	471	1,125	1,596
East Capital Bering Central Asia Fund	261	511	772
East Capital Bering New Europe Fund	239	312	552
East Capital Power Utilities Fund	495	-	495
East Capital Special Opportunities Fund	380	1,287	1,667
East Capital Russian Property Fund	0	-	0
Direct investments	271	-	271
East Capital (Lux) Eastern European Fund (EUR)	167	N/A	167
Bond mandate	136	N/A	136
Cash and cash equivalent	0	N/A	0
Committed capital	0	N/A	0
Total	**2,816**	**3,667**	**6,484**

Management fee = Fee paid to Investment Manager. Calculated periodically and subtracted in the net asset value calculation of each fund, or invoiced East Capital Explorer in the case of Direct investments.

NAV = Net asset value. The value of net assets, i e total assets less net debt.

Performance fee = Fee paid to encourage East Capital to create better returns for the fund investors. A high watermark or hurdle ensures that only performance above the latest previous "highest value" or the predetermined hurdle is remunerated.

Profit share = Arrangement where future proceeds are divided according to pre-agreed level. Typically set to 80–20 meaning that after hurdle has been reached and full catch-up has been paid, East Capital is entitled to a 20% preferred profit share of the returns generated above this and the remaining 80% is distributed among investors.

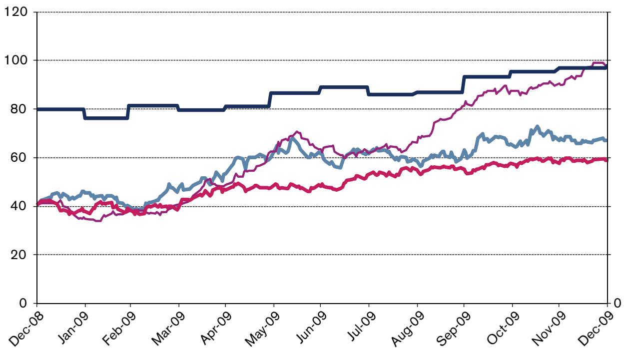
Redemption fee = Fee paid to the fund (not to East Capital) to compensate the fund for redeeming capital which may lead to the fund divesting assets to meet redemption. The redemption fee compensates the other fund investors for the possible loss of returns that the fund makes from divesting the investment.

Subscription fee = Fee paid upon investment in a fund, amounting to a certain percent of invested capital. East Capital Explorer has been waived all subscription fees.

The East Capital Explorer share

The East Capital Explorer share was listed on the Stockholm Stock Exchange on 9 November 2007. The share is traded on NASDAQ OMX Nordic List, Mid Cap. The share price increased 67% during 2009, closing at SEK 67 on 30 December 2009 , which corresponded to a market capitalisation of SEK 2,378m.

East Capital Explorer vs indices during 2009



East Capital Explorer vs indices since the launch date 9 Nov 2007

: The East Capital Explorer Share

: The East Capital Explorer NAV

SAX Index: includes all share on NASDAQ OMX Nordic Exchange Stockholm.

RTS 2 Index: includes 78 companies on the RTS that have limited trading volumes.

Net Asset Value and share price development	2009	2008	2007*
Net Asset Value per share, EUR	9.61	7.31	10.87
Net Asset Value per share, SEK	98.60	79.53	102.61
Net Asset Value development during the year, EUR	29%	-33%	1%
Share price on 31 December, SEK	67.00	40.20	100
Lowest, SEK	38.20	37.30	95.50
Highest, SEK	72.75	102	108
Market capitalisation on 31 December, MSEK	2,378	1,458	3,627
Share price development during the year	67%	-60%	0%
Premium/discount on 31 December	-32%	-50%	-2.6%
Average premium/discount during the year	-34%	-19%	-1.8%
Total turnover, shares	19,010,661	15,696,617	6,157,487
Average daily turnover, shares	75,740	62,288	186,591
Development of relevant indices			
OMXSPI	47%	-42.0%	-5.3%
RTS 2	65%	-75.1%	10.9%
MSCI EM Europe	144%	-61.7%	3.4%
Share capital and number of shares			
Share capital at 31 December, EUR	3,628,014	3,627,016	3,627,016
Number of shares at 31 December	35,499,160	36,270,160	36,270,160
Average number of shares	35,651,491	36,270,160	35,032,755
Ownership structure			
Number of shareholders on 31 December	9,381	9,984	11,648
% shares held outside Sweden	35%	35%	47%

* 9 November – 31 December 2007.

20 largest shareholders and custodians[1] on 31 December 2009

	Number of shares	Holding, %
Alecta Pensionsförsäkring	2,465,000	6.9
Morgan Stanley & Co Intl PLC.	2,117,880	6.0
East Capital Eastern European Fund	2,050,000	5.8
SEB-Stiftelsen	1,500,000	4.2
DNB NOR Bank ASA	1,501,757	4.2
East Capital Partners[2]	1,439,050	4.1
Apoteket AB Pension Foundations	1,431,723	4.0
Foreign Account	1,335,284	3.8
Avanza Pension	1,072,985	3.0
Nordnet Pensionsförsäkring AB	703,367	2.0
Volvo Related Foundations	630,660	1.8
JP Morgan Bank	489,240	1.4
Foreign Account	487,786	1.4
Livförsäkringsaktiebolaget Skandia	476,000	1.3
Foreign account	450,000	1.3
Fjärde AP-fonden	441,000	1.2
Handelsbanken fonder incl XACT	430,091	1.2
Veritas Eläkevakuutusosakeyhtiö	375,000	1.1
Danske Capital Sverige AB	329,400	0.9
Svenska Handelsbanken SA	327,650	0.9
Total top 20 shareholders and custodians	**20,053,873**	**56%**
Other 9,361 shareholders and custodians	**15,445,130**	**44%**
Total	**35,499,160**	**100%**

[1] A majority of the shares registered by foreign shareholders are registered through custodians. This implies that the beneficial shareholders are not officially registered.
[2] East Capital's own investment and investments by Partners in East Capital.

Shares and voting rights

East Capital Explorer has one class of shares, in total 35,499,160 shares. One share entitles the holder to one vote and all shares have equal rights in the assets and profits of the Group.

Own shares

The 2008 Annual General Meeting authorized the Board to decide on acquiring the company's own shares. During March and April 2009, 771,000 share was bought back using this mandate. The 2009 Annual General Meeting then cancelled these shares and renewed the buy-back mandate. As of 31 December 2009, no shares had been bought back by the Company. During March 2010 the Board decided to utilise the mandate. On 18 March a total of 363,635 shares had been bought back.

Net asset value

A monthly indicative net asset value (NAV) per share is calculated per the last day of each month. East Capital Explorer's net asset value is calculated as the value of total assets (all investments plus all other assets, such as cash) less all liabilities, divided by the number of issued shares. The value of East Capital Explorer's investments is based on the monthly net asset value reported for each respective East Capital fund in which we have invested plus the value of all our direct investments. For more information on the applied valuation principles, Note 1, page 70. The net asset value reports are not subject to review by the Company's auditors.

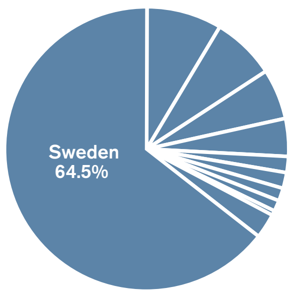
Please note that the base currency for East Capital Explorer's net asset value is EUR, while the base currency for the share price is SEK. Conversions of the net asset value to SEK and the share price to EUR are made only for information purposes. The resulting figure may vary according to the source and point in time of the conversion. East Capital Explorer obtains the applied exchange rates from Reuters at 16.00 GMT +01:00.

The net asset value is published through a press release and on our website five working days after the end of the month. The latest portfolio report and net asset value report are always available on our website: www.eastcapitelexplorer.com.

Distribution of ownership by size of holding

No. of shares per holding	Number of shareholders	% of share-holders	Total number of shares	% of shares and votes
1-500	7,049	75.1	1,508,242	4.2
501-1,000	1,001	10.7	885,428	2.5
1,001-5,000	938	10.0	2,409,624	6.8
5,001-10,000	159	1.7	1,227,038	3.5
10,001-15,000	49	0.5	618,915	1.7
15,001-20,000	28	0.3	515,557	1.5
20,001-	157	1.7	28,334,356	79.8
Total	**9,381**	**100.0**	**35,499,160**	**100.0**

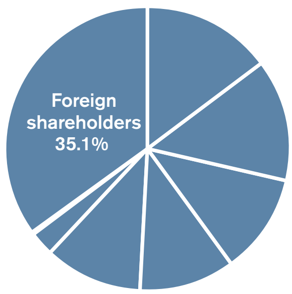
Distribution of ownership by country*



Great Britain	8.6%
Norway	7.2%
USA	5.8%
Luxembourg	4.3%
Switzerland	1.8%
Netherlands	1.8%
Ireland	1.5%
Finland	1.2%
Iceland	0.5%
Other 32 countries	2.8%

* A majority of the shares registered by foreign shareholders are registered through custodians. This means that the beneficial shareholders are not officially registered and the actual domicile of the shareholder cannot be verified and may be different from the domicile of the custodian.

Distribution of ownership by type of shareholder



Banks and insurance companies	15.1%
Other legal entities	13.2%
Mutual funds	12.5%
Pension foundations	11.2%
Private individuals	9.8%
Non-governmental and labour organisations	2.5%
Swedish state and municipalities	0.2%

Source: Euroclear Sweden AB (formerly VPC).

Share facts

Listing:	NASDAQ OMX Nordic, Mid Cap
Listed since:	9 November 2007
ISIN-code:	SE002158568
GICS-code:	40203010
Ticker:	ECEX
Reuters:	ECEX.ST
Bloomberg:	ECEX SS Equity
Latest share price:	See www.eastcapitalexplorer.com

Report on Internal Control

This report regarding the internal control is presented by the Board of East Capital Explorer in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance. The report describes the manner in which the internal control regarding the financial reporting is organised. This report is an independent report, and does not comprise a part of the formal annual financial statements. The Company's auditors have not audited the Board's report on internal control.

The internal control within East Capital Explorer is designed in order to manage the risks within the financial reporting processes and this includes, for example, ensuring an efficient and reliable accounting of buy and sell transactions of securities, and ensuring the valuation of the securities holdings, as well as that the information is efficiently and correctly communicated to the market. To further improve the internal control, East Capital Explorer established, during 2008, an internal control activity. This undertakes ongoing audits of the internal control and presents reports to the Board and management providing recommendations for improvements in the internal governance and control.

The internal control is usually described according to the framework developed by the committee of Sponsoring Organizations of the Treadway Commission (COSO). According to this committee's definition, internal control is comprised of the following components: control environment, risk assessment, control activities, information and communication and monitoring.

Control environment

By control environment is meant the overall structure of the Company ensuring sound internal control as regards financial reporting. The Board is ultimately responsible for the financial reporting. Reflecting the specific nature of the Company's operations, one important function of the Board is to monitor the investment activities carried out by East Capital Explorer Investment AB via East Capital PCV Management AB (the Investment Manager).

The Company's accounting and reporting manual as well as its Information Policy, which are also appendices to the Investment Management Agreement with the Investment Manager, contain detailed provisions regarding the manner in which financial and other information regarding East Capital Explorer Investment's portfolio shall be managed and provided to the company, and stipulate, amongst other things, that the company shall fulfill its obligations pursuant to applicable law, regulations and stock exchange regulations.

Risk assessment

The Company management is responsible for the internal control required in order to manage the significant risks in the ongoing operations. Here is included the identification of possible risks in the portfolio reporting and the financial reporting from East Capital Explorer Investments AB and the Investment Manager, including the reliability of the monthly reporting of the indicative net asset value of East Capital Explorer. The Company management is responsible for designing a control system to prevent and identify these risks. The Company management reports regularly to the Board regarding these issues.

Control activities

East Capital Explorer primarily undertakes monitoring and controls to ensure that the investment activities are executed in accordance with the investment policy and with the Investment Management Agreement established with the Investment Manager.

In addition to the Company's accounting and reporting manual, and the information policy, the Company's Board has the right to attend East Capital Explorer Investments AB's Board meetings and to review the minutes of the Board meetings.

Furthermore, the Company may request that the Investment Manager make presentations to the Company's Board regarding the investment portfolio in order to assist the Board in monitoring the Investment Manager's and East Capital Explorer Investments AB's compliance with the Investment Management Agreement. In addition, currently both the Company's CEO, Gert Tiivas, and the East Capital Explorer Board member, Justas Pipinis, are Board members of East Capital Explorer Investments AB. The majority of this monitoring work is performed by the Audit Committee and the Executive Management of the Company.

East Capital Explorer works continuously with the elimination and reduction of significant risks impacting the internal control regarding financial reporting. Examples of control activities implemented in order to manage these risks are:

- Active participation in the work of the Board of Directors of East Capital Explorer Investments AB.
- On-gonging discussions and contacts with key individuals within East Capital.
- Ongoing review of documentation for decisions and formalia in conjunction with the investment activities.

- On-going review and valuation of internal methods and processes in order to ensure correct reporting of East capital Explorer's indicative net asset value and portfolio.

Information and communication

East Capital Explorer has produced governance documents aimed at ensuring the quality of the internal control regarding financial reporting.

The Information Policy describes the manner in which East Capital is to communicate financial and other information to the market in accordance with stock market regulations. Furthermore, there are policies and instructions for, amongst other things, investing activities, short-term investments, including deposits and cash, accounting and financial reporting.

Monitoring

The monitoring of the internal control of the financial reporting is executed by the Board, the Audit Committee, the CEO and Company management. Monitoring of the effectiveness of the internal control is undertaken at each Board meeting, during which the financial position is reviewed and where other materials in the form of investments are processed. The Audit Committee meets on a regular basis in order to manage and discuss accounting issues, forms of monthly reporting, internal audit, etc. The CEO and Company management, on an ongoing basis, monitor compliance with policies, instructions and administrative agreements.

Internal Audit is the Board of Directors' independent audit function which is assigned with the ongoing audit of the operations within the Company. Internal Audit's work for 2009 is based on a risk analysis undertaken by the Company management within East Capital Explorer AB and representatives from Internal Audit. During the year, the internal audit function has audited a number of areas identified by the risk analysis. The audit plan for 2009 included a more extensive review within the IT area, as well as within the areas of investing and short-term investing processes. The results of these audit activities were reported to the Audit Committee.

Stockholm, March 2010

Board of Directors of East Capital Explorer AB (publ)

05

Financial Statements

Administration Report

The Board of Directors of East Capital Explorer AB ("the Company"), Corporate Registration Number 556693-7404, hereby submits the consolidated financial statements for the period 1 January – 31 December 2009 and the annual report for the Parent Company for the financial year 1 January – 31 December 2009.

Operations

East Capital Explorer AB is a Swedish company whose business concept is to offer all types of investors access to unique investments in Eastern Europe. The listing on NASDAQ OMX Stockholm also entails advantages, such as liquidity and transparency which is a new component in our markets and for our type of investments.

The Group consists of the Parent Company, East Capital Explorer AB and the subsidiaries, East Capital Explorer Investments AB, East Capital Explorer Investments (Cyprus) Ltd, East Capital Power Utilities Fund AB, Consibilink Ltd, East Capital Special Opportunities Fund and the East Capital Bering New Europe Fund. East Capital Explorer currently holds 73% of the share of equity in the East Capital Power Utilities Fund AB and its subsidiary Consibilink Ltd, 82% of the share of equity in the East Capital Special Opportunities Fund and 86% of the share of equity in the East Capital Bering New Europe Fund. These funds are, therefore, regarded as subsidiaries and consolidated with the East Capital Explorer Group. The Investments in the consolidated funds are reported as investments in the portfolio report on page 17 but are consolidated in the financial statements. East Capital Explorer Investments AB manages the Company's investment activities in accordance with the Investment Policy and manages the Company's investment portfolio. In the future the consolidated equity funds may be opened to additional investors, which could change the subsidiaries' status. Consibilink Ltd manages the East Capital Power Utilities Fund AB's investments.

The Company's functional currency and presentation currency is euro.

Key events during the financial year

On 31 December 2009, East Capital Explorer had a total of EUR 258m (EUR 90m) in various Fund Investments and Direct Investments.

EUR 40m (EUR 40m) has been committed to the East Capital Russian Property Fund. To date, no investments have been made in the fund. Total draw-downs of EUR 1.5m (EUR 0.9m) have been made, of which EUR 0.4m (EUR 0.4m) has been used to cover costs in the fund. The remaining committed EUR 38.5m (EUR 39.1m) continues to be held in cash, cash equivalents and bonds.

In May, East Capital Explorer invested EUR 10m in East Capital Special Opportunities Fund and in July an additional EUR 25m was invested in the same fund. In June 2009, East Capital Explorer invested an additional EUR 10m in newly issued shares in East Capital Bering Central Asia Fund and an additional EUR 5m in newly issued shares in East Capital Bering New Europe Fund.

In October 2009, East Capital Explorer made additional investments in two East Capital Bering Funds. EUR 20m was invested in East Capital Bering Russia Fund. EUR 10m was invested in East Capital Bering Balkan Fund. The fund units were received in the beginning of October.

At the end of September, East Capital Explorer commenced the acquisition of shares in TEO LT, a Lithuanian telecom company. On 31 December 2009, a total of EUR 9.0m had been invested in TEO LT.

During 2009, East Capital Explorer allocated a total of EUR 36m to investments in a portfolio of USD or EUR denominated liquid bonds as a short-term cash management tool to create more attractive returns on cash while remaining liquid for future investments. On 31 December 2009, the fair value of the bond portfolio amounted to EUR 37m, corresponding to an increase of 3.9% during May – December 2009.

Net profit for the Group was EUR 99m (EUR -151m), which corresponds to earnings per share of EUR 2.26(EUR -3.56). The most significant profit or loss account items include EUR 109m (EUR -152m) in unrealised change in the value of investments, EUR -6.6m (EUR -3.3m) in realised change in the value of investments, EUR 3.7m (EUR 10.4m) in financial income from short-term deposits and bonds, EUR -5.9m (EUR -3.6m) in operating expenses and EUR -0.5m (-2.3m) in income taxes.

The Parent Company's net profit was EUR 80m (EUR -127m), of which EUR 80m refers to the reversal of write down of shares in Group companies. These shares have been valued at the lower of fair value and acquisition value. Operating expenses amounted to EUR -1.2m (EUR -1.4m). No investment activities are carried out within the Parent Company.

Key events after the end of the financial year

Net asset value

On 31 January 2010, East Capital Explorer's indicative net asset value was EUR 10.20 (EUR 7.19) per share, compared with EUR 9.61 on 31 December 2009. The closing price per share on 31 January 2010 was SEK 69.75 (corresponding to EUR 6.81)[1] .

On 28 February 2010, the indicative net asset value amounted to EUR 10.56 per share while the closing price per share on the same date was SEK 66.50 (corresponding to EUR 6.84)[2].

Investments

In January 2010, East Capital Explorer AB, announced an investment of EUR 5m in a venture with Intrum Justitia and East Capital Financial Fund. These funds are committed but continue to be held in short-term investments.

Share information

The total number of outstanding shares at 31 December 2009 was 35,499,160 (36,270,160). No new shares were issued during the reporting period.

Between 12 March and 9 April 2009 the East Capital Explorer repurchased a total of 771,000 own shares, equivalent to 2.1% of the shares in the company, under the existing repurchase authorization. The purpose of the repurchase was to provide the Board extended freedom of action in its work with the Company's capital structure and, thereby, create additional value for the shareholders. The total investment in own shares amounted to SEK 36m, corresponding to an average price of SEK 46.17 per share (SEK 46.24 including commission). During May, the 771,000 shares were cancelled in accordance with the decision at the Annual General Meeting on April 2009. The average number of shares between 1 January 2009 and 31 December 2009 was therefore 35,651,493. All shares entitle the holder to one vote per share and carry equal rights to the Company's profits and assets, as well as equal rights in terms of dividends. There are no direct or indirect shareholders holding more than 10 percent of the total shares.

The Annual General Meeting 2009 also issued a new repurchase authorization for the Board entitling it with the right to determine acquisition of the company's own shares. This authorization is in effect until the Annual General Meeting 2010. In accordance with the decision of the Board announced on 8 March 2010,

[1] EUR=10.24 SEK on 31 January 2010. Source: Reuters
[2] EUR=9.72 SEK on 28 February 2010. Source: Reuters

a total of 363,635 shares have been repurchased between 8 March and 18 March 2010 at an average price of SEK 74.34 per share. Shares can be purchased up to and including 9 April 2010, observing blackout periods before reports and all other applicable rules. Execution of the resolution to repurchase shares is dependent upon market terms, applicable rules and regulations and the Company's capital position at any point in time.

Board of Directors

The Board shall be comprised of three to six directors without deputies. Board Members are elected annually at the Annual General Meeting for the period up and until the next Annual General Meeting. East Capital PCV Management AB, Corporate Registration Number 556729-6941, has the right to appoint one Board Member for the same period, as long as the Investment Management Agreement to which the Company is a party, (described in §13 of the Articles of Association), is in place. Resolutions to amend these articles are valid only if supported by shareholders with at least 75% of the votes cast and of the shares represented at the meeting of shareholders. The complete Articles of Association can be found on www.eastcapitalexplorer.com.

Net asset value and share price

Net asset value on 31 December 2009 was EUR 341m (EUR 265m) (EUR 9.61 per share).

On 31 December 2009, cash, cash equivalents and bonds amounted to EUR 2.47 (EUR 4.85) per share.

The closing price per share on 30 December, the last trading day of the year, was SEK 67.00 (SEK 40.20) (corresponding to EUR 6.53). East Capital Explorer AB's share price, consequently, increased 67% (–60%) during the period, while the OMXSPI index increased 47% (–42%). By comparison, the RTS Index increased 113% (–67%), the RTS 2 Index increased 143% (–75%) and the MSCI EM Europe Index increased 65% (–62%) during the same period .

Material risks and uncertainties

East Capital Explorer has an investment and finance policy that has the purpose of providing guidelines for managing and controlling the effects of the risks inherent in the investments.

Many risks are also associated with opportunities. The goal is to eliminate the risks that are not associated with opportunities (e.g. inadequate procedures). One material risk in East Capital Explorer's business is the commercial risk associated with exposure to certain industries, geographic regions or individual holdings. Equity price risk is a key risk in the Group´s business activities. The Group's policy is to manage price risk through diversification and selection of investments within specified limits set by the Board. The Group's finance policy for management of financial risk has been prepared by the Board and represents a framework of guidelines and regulations in the form of risk mandates and limits for financial activities. The Parent Company's finance function is responsible for the central management of the Group's financial transactions and risks.

Operational risk is defined as the risk of loss resulting from inadequate internal processes or systems, or from external events. Operational risks occur throughout the business and are managed by constantly improving the management of system-related issues, administrative processes, information security and legal matters. Moreover, the Company monitors obligations arising from external regulations and laws, agreement-related undertakings and the Company's internal rules.

For more information, please see Note 16 on page 82 Financial risks and financing policies for the Group's material risks and uncertainties.

Personnel and remuneration guidelines

On 31 December 2009, the Group had four employees, three of whom were women.

In accordance with current guidelines, the Board proposes the Annual General Meeting 2010 the following with regard to remuneration of senior executives, in this case the CEO, to: Remuneration to the CEO is comprised of fixed salary, variable salary and pension and insurance benefits. The Board determines at its own discretion on the basis of specific key performance indicators whether the CEO should be paid any variable salary. The CEO may receive a maximum variable salary corresponding to 50% of his fixed salary. The CEO has an individual premium-based pension plan, pursuant to which the Company pays premiums corresponding to 10% of his fixed salary up to 10 Swedish income base amounts and premiums corresponding to 20% of his fixed salary on the portion of his fixed salary exceeding 10 Swedish income base amounts. In the event the Company terminates the CEO's employment, the Company is required to observe a six-month period of notice. In addition, the CEO is entitled to a severance payment corresponding to six months' salary.

Information about salaries and current remunerations guidelines, other compensation and social charges for the Board and CEO, as well as other employees, is found in Note 4 on page 75.

Corporate Governance and the work of the Board

For information as to the manner in which the Company is governed and controlled, such as via the Board and committees, and for information on the Board's internal control, please refer to the Corporate Governance section on page 41.

Shareholders' meeting and dividend

East Capital Explorer AB's annual shareholders' meeting will be held on 28 April 2010 in Stockholm.

The Board intends to recommend to the shareholders' meeting that no dividend be paid. The Company's dividend policy is to continually reinvest capital in accordance with the Investment Policy and to promote the strategy of building a strong investment company whose aim is to generate long-term value for its shareholders.

Expectations for future performance

East Capital Explorer's original target was to be fully invested 18 months after its first day of trading on the NASDAQ OMX Stockholm. The Company's priority target, however, is to undertake investments that will generate attractive long-term returns for its shareholders. Market conditions have had an impact of the speed of investments. Although market conditions remain challenging, the Company will become fully invested during 2010. The main investment focus continues to be East Capital's Equity funds. East Capital Explorer also has the possibility of undertaking selected direct investments in specific companies. The Company deems the supply of potential attractive investments in underlying funds to continue to be very significant.

The following funds are at the disposal of the annual general meeting:

Share premium reserve	384,376,483
Retained earnings	-125,413,642
Profit for the year	79,559,520
Total in EUR	338,522,361

The Board recommends that the profits be distributed as follows:

To be carried forward	338,522,361
Total in EUR	338,522,361

Statement of Comprehensive Income

EUR thousands	Note	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Result from financial assets at fair value through profit or loss		108,821	-152,342
Realised losses from financial assets through profit or loss		-6,574	-3,334
Dividends		315	-
Total operating income	2	**102,562**	**-155,676**
Other operating expenses	3,5	-5,384	-2,967
Staff expenses	4	-554	-612
Operating profit/loss		**96,624**	**-159,255**
Financial income	6	3,735	10,438
Financial expense	6	-654	-22
Profit/loss before tax		99,705	-148,838
Income tax	7	-497	-2,287
NET PROFIT/LOSS FOR THE PERIOD		**99,208**	**-151,124**
Other comprehensive income:			
Exchange differences on translating foreign operations		-801	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**98,407**	**-151,124**
Net profit/loss for the period distribution:			
Shareholders of the Parent Company		80,421	-129,236
Minority interest		18,787	-21,888
		99,208	-151,124
Total comprehensive income distribution:			
Shareholders of the Parent Company		79,620	-129,236
Minority interest		18,787	-21,888
		98,407	-151,124
Earnings per share, EUR - shareholders of the Parent Company No dilution effects	8	2.26	-3.56

Statement of Financial position

EUR thousands	Note	31 Dec 2009	31 Dec 2008
Assets			
Financial non-current assets			
Shares and participations in investing activities	10,15,16, 17	292,174	95,092
Total non-current assets		**292,174**	**95,092**
Current receivables			
Other short-term receivables	15	1,286	20
Accrued income and prepaid expenses	11,15	812	2,617
Total current receivables		**2,098**	**2,637**
Short-term investments	15,16	23,145	-
Cash and cash equivalents	15	70,614	183,643
Total current assets		**95,857**	**186,280**
Total assets		**388,031**	**281,372**
Shareholders' equity	12		
Share capital		3,628	3,627
Other contributed capital		384,376	387,652
Reserves		-1,117	-316
Retained earnings including profit for the year		-45,517	-125,938
Equity attributable to shareholders of the Parent Company		341,370	265,025
Minority interest		40,171	10,425
Total shareholders' equity		**381,541**	**275,450**
Liabilities			
Deferred tax liabilities	7	713	589
Total long-term liabilities		**713**	**589**
Tax liabilities		1,950	1,953
Other liabilities	13,15	1,686	2,482
Accrued expenses and prepaid income	14,15	2,141	898
Total current liabilities		**5,777**	**5,333**
Total liabilities		**6,490**	**5,922**
Total equity and liabilities		**388,031**	**281,372**

PLEDGED ASSETS AND CONTINGENT LIABILITIES	19		
Pledged assets			
Contingent liabilities			

Statement of Changes in Equity – Group

EUR thousands 2009	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit for the year	Total equity shareholders in Parent Company	Minority	Total equity
Opening equity 1 Jan 2009	**3,627**	**387,652**	**-316**	**-125,938**	**265,025**	**10,425**	**275,450**
Total comprehensive income	-	-	-801	80,421	79,620	18,787	98,407
Bonus issue	1	-1	-	-	-	-	-
Share buy-back	-	-3,275	-	-	-3,275	-	-3,275
Aquired subsidiaries	-	-	-	-	-	10,959	10,959
Per 31 Dec 2009	**3,628**	**384,376**	**-1,117**	**-45,517**	**341,370**	**40,171**	**381,541**

EUR thousands 2008	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit for the year	Total equity shareholders in Parent Company	Minority	Total equity
Opening equity 1 Jan 2008	**3,627**	**387,652**	**-316**	**3,298**	**394,261**	**32,313**	**426,574**
Total comprehensive income	-	-	-	-129,236	-129,236	-21,888	-151,124
Per 31 Dec 2008	**3,627**	**387,652**	**-316**	**-125,938**	**265,025**	**10,425**	**275,450**

Statement of Cash Flow – Group

EUR thousands	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Operating activities		
Operating profit/loss	96,624	-159,255
Adjusted for unrealised change in value	-108,821	152,342
Capital gain/loss from divestment	6,574	3,334
Interest received	5,306	7,626
Interest paid	-15	-22
Tax paid	-500	-57
Cash flow from current operations before changes in working capital	**-832**	**3,968**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	-1,176	-38
Increase (+)/decrease (-) in other current payables	446	-2,913
Cash flow from operating activities	**-1,562**	**1,017**
Investing activities		
Investment in shares and participations	-154,931	-130,866
Sale of shares and participations	38,838	52,124
Cash flow from investing activities	**-116,093**	**-78,742**
Financing activities		
Share buy-back	-3,275	-
Contributed minority interest	7,606	-
Cash flow from financing activities	4,331	-
Cash flow for the period	-113,324	-77,725
Cash and cash equivalents at beginning of the year[1]	183,643	260,701
Exchange rate differences in cash and cash equivalents	295	667
Cash and cash equivalents at end of the period	**70,614**	**183,643**

[1] Cash equivalents comprise deposits and cash.

Income statement – Parent Company

EUR thousands	Note	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Other operating expenses	3,5	-615	-770
Staff expenses	4	-554	-612
Operating profit/loss		-1,169	-1,382
Financial income	6	80,429	36
Financial expense	6	-1	-126,468
Profit/loss before tax		79,259	-127,813
Income tax	7	300	392
NET PROFIT/LOSS FOR THE PERIOD		**79,559**	**-127,422**

Balance Sheet – Parent Company

EUR thousands	Note	31 Dec 2009	31 Dec 2008
Assets			
Financial non-current assets			
Participations in group companies	9	339,570	263,764
Total non-current assets		**339,570**	**263,764**
Current receivables			
Other current receivables		2,540	1,399
Accrued income and prepaid expenses	11	59	23
Total current receivables		**2,599**	**1,422**
Cash and cash equivalents			
Cash		247	286
Total current assets		**2,846**	**1,708**
Total assets		**342,416**	**265,472**
Shareholders' equity	12		
Restricted equity			
Share capital		3,628	3,627
Total restricted equity		**3,628**	**3,627**
Non-restricted equity			
Share premium reserve		384,376	387,652
Retained earnings		-125,413	1,168
Net profit/loss for the year		79,559	-127,422
Total non-restricted equity		**338,522**	**261,398**
Total shareholders' equity		**342,150**	**265,025**
Liabilities			
Tax liabilities		-	63
Other liabilities	13,15	84	128
Accrued expenses and prepaid income	14	182	256
Total current liabilities		**266**	**447**
Total liabilities		**266**	**447**
Total equity and liabilities		**342,416**	**265,472**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		-	-
Contingent liabilities		-	-

Changes in Equity – Parent Company

EUR thousands 2009	Restricted equity Share capital	Share premium reserve	Non-restricted equity Retained earnings incl. profit for the year	Total equity
Opening equity 1 July 2009	**3,627**	**387,652**	**-126,254**	**265,025**
Net profit/loss for the year	-	-	79,559	79,559
Bonus issue	1	-1	-	-
Share buy-back	-	-3,275	-	-3,275
Group contribution received	-	-	1,141	1,141
Tax effect on Group contribution	-	-	-300	-300
Closing equity 31 Dec 2009	**3,628**	**384,376**	**-45,854**	**342,150**

EUR thousands 2008	Share capital	Share premium reserve	Retained earnings incl. profit for the year	Total equity
Opening equity 1 Jan 2009	**3,627**	**387,652**	**160**	**391,439**
Net profit/loss for the year	-	-	-127,422	-127,422
Group contribution received	-	-	1,399	1,399
Tax effect on Group contribution	-	-	-391	-391
Closing equity 31 Dec 2009	**3,627**	**387,652**	**-126,254**	**265,025**

Cash flow statement – Parent Company

EUR thousands	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Operating activities		
Operating profit/loss	-1,169	-1,382
Interest received	3	36
Tax paid	259	335
Cash flow from current operations before changes in working capital	**-907**	**-1,011**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	-1,177	-1,286
Increase (+)/decrease (-) in other current payables	-118	134
Cash flow from operating activities	**-2,202**	**-2,163**
Investing activities		
Cash flow from investing activities	-	-
Financing activities		
Repayment of shareholders contribution	4,597	-
Share buy-back	-3,275	-
Group contribution received	841	1,008
Cash flow from financing activities	**2,163**	**1,008**
Cash flow for the period	**-39**	**-1,155**
Cash and cash equivalents at beginning of the year[1]	286	1,441
Cash and cash equivalents at end of the period	**247**	**286**

[1] Cash equivalents comprise deposits and cash.

Notes to the financial statements

NOTE 1 ACCOUNTING PRINCIPLES

Compliance with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with the interpretive statements from the International Financial Reporting Interpretations Committee ("IFRIC"), as approved by the European Commission for application within the European Union. Furthermore, the Swedish Financial Reporting Board recommendation RFR 1.2 has been applied.

The Parent Company applies the same accounting principles as the East Capital Explorer Group except in the instances presented below in the section "Parent Company's accounting principles."

The annual report and the consolidated financial statements were approved for issue by the Board on 18 March 2010. The statement of comprehensive incomes and statement of financial position of the Group and income statment and balance sheet of the Parent Company will be submitted to the shareholders' meeting for adoption on 28 April 2010.

Measurement basis for preparing the Parent Company and Group's financial reports

Assets and liabilities are recognised at historical cost. Financial assets and liabilities are recognised at amortised cost except for shares and participations in investing activities and short-term investments, which are recognised at fair value through profit or loss.

Functional currency and presentation currency

The Parent Company's functional currency is euro (EUR), which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in EUR. All amounts, unless stated otherwise, are rounded off to the nearest thousand. Note that certain figures may not total exactly due to rounding off.

Estimates and assumptions in the financial statements

Preparing financial statements in accordance with IFRS requires management to make estimates and assumptions affecting the application of the accounting principles and the reported amounts for assets, liabilities, revenue and expenses. Actual outcomes may differ from these estimates and assumptions, and the latter are reviewed regularly. Changes in estimates are recognised in the period in which they arise if the change affects that period alone or, alternatively, in the period in which the changes arise, and during future periods if the change in question affects both the period in question and future periods.

Management has discussed with the Audit Committee the developments, decisions made and information regarding the Group's most important accounting principles and estimates, as well as the application of these principles and estimates.

Significant judgements in the application of the Group's accounting principles

The significant accounting assessments used in applying the Group's accounting policies are described below.

The measurement of financial assets at fair value will mainly be based on price quotes from active markets. In cases where the market for a financial instrument cannot be seen as active, such assets will be measured using market information as much as possible and company specific information as little as possible. Whether a market for a specific financial instrument is considered active is largely a matter of professional judgement. For more information concerning assessments of Financial Instruments please see section Financial Instruments on page 72.

A judgement has been made to consolidate East Capital Explorer Investments AB despite the fact that the share of votes is less than 50%. This assessment was based on the fact that East Capital Explorer AB has all economic rights to East Capital Explorer Investments AB. The majority of the proceeds from the share issue has been transferred to East Capital Investments AB through conditional shareholders' contributions since all investing activities take place in this subsidiary. Another was assessment has been made implying that the holdings in East Capital Power Utilities Fund AB and Consibilink Ltd should be consolidated. Through its ability to terminate the shareholder agreement and, by doing so, place the subsidiaries in liquidation, the Company can exercise a controlling influence over the party comprising the formal holder of voting rights at the annual meeting of shareholders and is, therefore, in effect, the party exercising substantial control over the subsidiaries.

Furthermore East Capital Explorer Investments AB owns 82% of the share of equity in the East Capital Special Opportunities Fund and 86% of the share of equity in the East Capital Bering New Europe Fund. Consequently, these funds are regarded as subsidiaries and are consolidated with the East Capital Explorer Group. Investments in the consolidated funds are reported as investments in the portfolio report on page 17 but are consolidated in the financial statements.

Key sources of uncertainty in the estimates

The sources of uncertainty in the estimates below refer to those sources entailing significant risk of substantial adjustments to reported assets or liabilities for the next financial year.

In those cases where investments are not traded on a market seen as an active market and fair value is not set against the background of actual bid quote, but by means of valuation models (see below financial instruments), there is uncertainty that the holding will be assigned fair value. The Group applies its models consistently between the periods, but the calculation of fair value is characterised by uncertainty. Based on controls and reliability procedures, the Group considers the fair values recognised in the statement of financial position to be carefully calculated and balanced and reflect the underlying economic values.

Significant accounting principles

The accounting principles presented below have been consistently applied to all periods presented in the Group's financial statements, unless otherwise stated below. Furthermore, the Group's accounting policies have been consistently applied by Group companies.

New IFRSs adopted during the year

The revised IAS 1 Financial Statement Presentation and changes in IFRS 7 Financial Instruments disclosures have been adopted during 2009. The revised IAS 1 results in income and expenses previously recognized directly in equity being recognized in other comprehensive income. This also introduces a new financial statement "Statement of Comprehensive Income" in which East Capital Explorer has chosen to present all income and expenses in one single statement. The changes, only impacting the presentation of the financial statements, have been applied retrospectively. IFRS 7 changes refer to improved disclosures concerning Financial Instruments measured at fair value and the manner in which the value change has been measured. For Financial Instruments at level 3, all changes during the year are analysed and reported. The Group has chosen to apply the allowed exception whereby it does not present disclosures for comparative years.

New IFRSs and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective as of the 2010 financial year or later, and have not been applied in preparing these consolidated financial statements. The effects of the new standards IFRS 3 Business acquisitions, IAS 27 Consolidation, will not have any material impact. Other new and revised standards and interpretations that have been published by IASB or IFRIC per February 2010 are not relevant for the business at this point in time.

New accounting principles not yet adopted

From 2010 the Swedish Annual Accounts Act allows valuation of shares in subsidaries to fair value. The Group has not yet decided whether to use this possibility or not.

Classification, etc.

Noncurrent assets and noncurrent liabilities consist predominantly of amounts expected to be used or paid more than 12 months after the statement of financial position date. Current assets and current liabilities consist predominantly of amounts expected to be utilised or paid within 12 months of the date of the statement of financial position.

Segment Reporting

An operating segment is a component of an entity engaging in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed and for which discrete financial information is available. The Group has the following three operating segments: Fund Investments, Direct Investments and Short-term Investments. Compared to last years annual report, all the funds in which the Group invests have been combined into one segment. Segment information is presented in accordance with IFRS 8, that is, only for the Group.

CONSOLIDATED ACCOUNTS

Subsidiary

Subsidiaries are companies under the controlling influence of East Capital Explorer AB. Controlling influence means the direct or indirect right to govern the financial and operating policies of an entity so as to obtain financial benefit. In assessing whether the controlling influence exists, potential shares conveying voting rights, and which can be converted or utilised without delay, will be taken into consideration.

Subsidiaries are accounted for using the purchase method. In accordance with this method, an acquisition is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by an analysis at the time of the business combination. In such an analysis, the cost of the business combination is established, as are the fair values of recognised identifiable assets, liabilities and contingent liabilities. The difference between the cost of the shares of the subsidiary, including transaction costs directly attributable to the acquisition, and the fair value of acquired assets, assumed liabilities and contingent liabilities constitute, if the difference is positive, consolidated goodwill. When the difference is negative it is recognised directly in the statement of comprehensive income.

The financial statements of subsidiaries are consolidated from the date of the acquisition until the date when control ceases.

Transactions eliminated on consolidation

Intra-Group balances and any unrealised income and expenses or gains and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency transactions

Transactions in currencies other than euro are translated into the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environment in which the companies operate. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing rate of exchange. Exchange rate differences arising on currency translations are recognised net as either financial income or financial expense in the statement of comprehensive income.

Translation of foreign entities finanical statements

The assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the exchange rates ruling at the end of the reporting period. The revenues and expenses are translated at average exchange rates, which approximate the exchange rate for the respective transactions. Foreign exchange differences arising on translation are recognized in other comprehensive income and are accumulated in a separate component of equity as a translation reserve. On divestment of foreign entities the accumulated exchange differences are recycled from equity to profit or loss.

Income

Income consists primarily of realised and unrealised value changes regarding securities, and of dividends. Revenue is recognised in the statement of comprehensive income when it is likely that the future economic benefits will accrue to the Company, and when these benefits can be calculated in a reliable manner. Income is reported at the fair value of the amount expected to be received.

For statement of financial position items included at both the beginning and end of the period, changes in value comprise the difference in the values at these times. For statement of financial position items realised during the period, changes in value comprise the difference between the payment received and the value at the beginning of the period. For statement of financial position items acquired during the period, changes in value comprise the difference between the value at the end of the period and the acquisition cost.

Income from dividends is recognised when the right to receive the dividends can be determined.

Expenses

Operating expenses refers to costs of an administrative nature, such as staff costs, management fees, notary fees and bank fees. Costs for operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Obligations related to contributions to defined contribution plans are expensed in the statement of comprehensive income as they arise.

Financial income and expenses

Interest income and interest expenses on financial instruments are recognised in the statement of comprehensive income in the period to which the amounts refer. Financial income consists of interest income from bank balances, receivables, as well as interest-bearing securities and exchange rate differences. Financial expenses consist of interest expenses on borrowings and other interest-bearing liabilities and exchange rate differences. Exchange rate gains and losses are reported net. Moreover, fair value changes in short-term investments classified as financial instruments measured at fair value through profit or loss (fair value option) are reported as financial income or expense.

Interest income on receivables and interest expenses on liabilities are calculated applying the effective interest method. The effective interest is the interest required to be applied in order that the current value of all estimated future receipts and payments during the expected fixed-interest term is equal to the reported value of the receivable or liability.

Interest income includes the allocated amount of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount to be received upon maturity.

Interest expenses include the allocated amount of issue expenses and similar direct transaction costs for loans raised.

Taxes

Income tax comprises current and deferred tax. Income tax is reported in profit or loss except when the underlying transaction is reported in other comprehensive income or directly in equity. In such cases, associated tax effects are reported in other comprehensive income or directly in equity.

Current tax is tax to be paid or received during the current year, using the tax rates that have been enacted or substantively enacted by the statement of financial position date, and adjustments of current taxes attributable to previous periods.

Deferred tax is calculated according to the statement of financial position method on the basis of temporary differences arising between the reported value and tax value of assets and liabilities, applying the tax rates which have been enacted or announced as per the statement of financial position date. Temporary differences are not considered in goodwill arising on consolidation or in differences attributable to subsidiaries and associated companies which are not expected to be taxed within the foreseeable future. Deferred tax assets attributable to deductible temporary differences and loss carry forwards are recognised only to the extent it is likely that they will be utilised and will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets and deferred tax liabilities in the same country are reported net.

Financial Instruments

Financial Instruments recognised in the statement of financial position include short-term investments and shares and participations in investing activities, cash and cash equivalents and other short-term receivables on the asset side and accounts payable and other current liabilities on the liability side.

Recognition and derecognition

A financial asset or liability is recognised in the statement of financial position when the Company becomes party to the terms and conditions of the instrument. Acquisitions and sales of financial assets are recorded on the transaction date, which is the date on which the Company becomes obligated to acquire or sell the asset. Borrowings are recognised on the date on which the transaction is completed, the settlement date.

Accounts receivable are recognised in the statement of financial position when an invoice is sent. Liabilities are recognised when the counterparty has fulfilled its undertaking and a contractual payment obligation exists, regardless of whether or not an invoice has been received. Accounts payable are recognised when the invoice has been received.

A financial asset (or part thereof) is removed from the statement of financial position when the rights in the agreement are realised or expire, or when the Company has transferred substantially all of the risks and benefits associated with ownership. A financial liability (or part thereof) is removed from the statement of financial position when the obligation specified in the agreement is discharged or in any other manner extinguished. A financial asset and financial liability are offset and recognised in the statement of financial position in a net amount only when there is legal right to offset and when it is intended to settle the item with a net amount or to simultaneously realise the asset and settle the liability.

Classification and measurement

Financial instruments are initially recognised at an acquisition cost equivalent to the fair value of the instrument, plus, in the case of receivables and liabilities valued at accrued acquisition cost, the addition of transaction costs. Financial instruments are classified upon first recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued after first recognition, as described below.

Loans and receivables

Loans, receivables and short-term investments comprising deposits in the statement of financial position consist of immediately available balances at banks and equivalent institutions, as well as other accounts receivable. Loans and receivables are recognised at amortised cost.

Financial assets at fair value through profit or loss

Shares and participations in investing activities and short-term investments are recognised in accordance with IAS 39 and the “Fair value option” at fair value, including any change in value in profit or loss. The Group applies the “fair value option” due to the fact that it bases the follow-up of its holdings on fair value. In accordance with IAS 28.1, equity-related investments where the Group has a significant influence, are also recognised according to IAS 39 at fair value, with fair value changes recognised in profit or loss (“fair value option”). Fair value is determined as follows:

Listed holdings on active markets

Financial instruments measured at fair value in the statement of financial position are measured, at fair value based on bid quotes received on active markets.

Bid quotes are deemed representative if criteria such as bid and ask spread is less than 1%, only bid quotes are observed or last traded price is below the bid quote are met. If this is not the case, the following hierarchy is used for valuation:

1. Last traded price
2. Mid price
3. Last available reliable market information (LARMI)

A financial instrument is regarded as listed on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an arm’s length transaction.

Listed holdings on non-active markets

If the conditions for an active market are not met the market is seen as non-active. Listed holdings on a non-active market will be measured according to IPEVC Guidelines as all private equity (unlisted) holdings described below.

Unlisted holdings and holdings where market data is not reliable

All private equity holdings (“unlisted”) shall be initially measured at their acquisition price and shall be measured with the following methodologies, in order of priority depending on availability and relevance:

1. The Price of Recent Investment as set out in the IPEVC Guidelines.

2. The value determined by a independent broker, analyst or other knowledgeable party, which has become known to the Valuation Committee, after it was concluded by the Valuation Committee that (i) there is sufficient documentation available to support the valuation, (ii) such valuation is compliant with valuation methodologies set out in the IPEVC Guidelines, and that (iii) the value can be validated by at least one additional independent broker, analyst or other knowledgeable party.

3. Any other valuation methodology set out in the IPEVC Guidelines if a unanimous Valuation Committee considers that it clearly and indisputably provides a better estimate of the fair value.

4. As set out in the IPEVC Guidelines, in situations where Fair Value cannot be reliably measured the Valuation Committee may conclude that the Fair Value at the previous reporting date remains the best estimate of Fair Value. The Valuation Committee is required to consider whether events or changes in circumstances indicate that impairment may have occurred.

5. The Valuation Committee may request, when it considers that there is a requirement to do so, or in accordance with the instructions of the Board of directors of the fund in question, an independent valuer to perform a valuation of any investment or other holding based on the principles set out in this policy and the IPEVC Guidelines.

Other holdings
Redeemable funds are measured based on official NAV, as soon as such is published.

Other financial liabilities
This category includes loans and other financial liabilities, such as accounts payable. Liabilities are valued at amortised cost.

Classification of the Group's financial assets and liabilities and their carrying amounts can be seen in Note 15. Recognition of financial income and expenses is also addressed under the principle financial income and expenses above.

Impairment of financial assets
The carrying values of the Group's financial assets, excluding financial assets reported at fair value with changes in value reported in profit or loss in accordance with IAS 39, are tested at the end of each reporting date for indications of impairment.

On each reporting date, the Company evaluates whether there is objective evidence that a financial asset or pool of assets is impaired as a consequence of loss events having impact on future cash flow which is significant or extended. Objective evidence comprises observable conditions which have occurred and which have a negative impact on the possibility of recovering the cost of the asset.

The recoverable amount of assets in the category loans and receivables, which are recognised at amortised cost, is determined as the present value of future cash flows discounted at the effective rate at initial recognition of the asset. Assets with short maturities are not discounted. An impairment loss is recognised as an expense in the statement of comprehensive income.

Impairment losses of loans and receivables that are reported at amortised cost are reversed if a later increase in the recoverable amount can objectively be attributed to an event taking place after the impairment loss was made.

Earnings per share
Earnings per share are calculated by dividing the profit or loss in the Group attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. When calculating diluted earnings per share, earnings and the average number of shares are adjusted to take account of the dilutive effects of potential ordinary shares. There were no dilutive effects during the reported periods.

Contingent liabilities
A contingent liability is recognised when there is a possible obligation relating to past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision as it is not probable that an outflow of resources will be required.

Accounting principles of the Parent Company
East Capital Explorer AB applies the same accounting principles as the Group except in the instances specified below. The variances arising between East Capital Explorer AB and the Group's principles result from limitations in the possibility of applying IFRS in East Capital Explorer AB due to the Swedish Annual Accounts Act (1995:1554).

East Capital Explorer AB prepares its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendations RFR 2.2, Accounting for Legal Entities, as well as the pronouncements of the Swedish Financial Reporting Board for listed companies. Application of RFR 2.2 stipulates that, in its preparation of the annual report for the legal entity, East Capital Explorer AB apply all of the IFRS and interpretive statements approved by the European Union to the extent possible within the framework of the Swedish Annual Accounts Act and with consideration for the relationship between reporting and taxation. The recommendation stipulates the exceptions and additions to IFRS which must be undertaken.

The accounting principles specified below for the Parent Company have been consistently applied to all periods presented in the financial statements, unless otherwise specified.

Subsidiary
The Parent Company reports shares in subsidiaries according to the cost method. Dividends received are recorded as revenue.

Shareholders' contributions
In accordance with the pronouncement UFR 2 from the Swedish Financial Reporting Board (RFR), shareholders' contributions are recognised directly against equity by the recipient and are capitalised in shares and participations by the contributing entity, to the extent write-downs are not required.

Group contribution
The Swedish tax code permits Group contributions to be rendered and received by Swedish corporations, subject to special restrictions, with the contribution becoming taxable for the recipient and tax deductible for the rendering entity. In accordance with pronouncement UFR 2 issued by the Swedish Financial Reporting Board (RFR), Group contributions are reported according to their economic significance. This entails that Group contributions rendered and received in order to minimise the Group's total tax are reported directly against retained earnings, less the current tax effect of the transaction.

NOTE 2 SEGMENT REPORTING

East Capital Explorer classifies the segments based on the nature of its investments. The Group's operating segments consist of Fund Investments, Direct investments as well as Short-term Investments. Segment results and assets include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

Group EUR thousands	Fund Investments 1 Jan – 31 Dec 2009	Direct Investments 1 Jan – 31 Dec 2009	Short-term Investments 1 Jan – 31 Dec 2009	Unallocated 1 Jan – 31 Dec 2009	Total consolidated 1 Jan – 31 Dec 2009
Result from financial assets at fair value through profit or loss	107,058	357	1,406	-	108,821
Realized losses on financial assets through profit or loss	-6,574	-	-	-	-6,574
Dividends	315	-	-	-	315
Other operating expenses	-4,384	-249	-136	-615	-5,384
Staff expenses	-	-	-	-554	-554
Operating profit/loss	**96,415**	**108**	**1,270**	**-1,169**	**96,624**
Financial income	-	-	3,735	-	3,735
Financial expense	-	-	-654	-	-654
Profit/loss after financial items	**96,415**	**108**	**4,351**	**-1,169**	**99,705**
Assets	273,222	19,262	93,459	2,088	388,031

Group EUR thousands	Fund Investments 1 Jan – 31 Dec 2008	Direct Investments 1 Jan – 31 Dec 2008	Short-term Investments 1 Jan – 31 Dec 2008	Unallocated 1 Jan – 31 Dec 2008	Total consolidated 1 Jan – 31 Dec 2008
Result from financial assets at fair value through profit or loss	-152,342	-	-	-	-152,342
Realized losses on financial assets through profit or loss	-3,334	-	-	-	-3,334
Other expenses	-2,161	-36	-	-1,382	-3,579
Operating profit/loss	**-157,837**	**-36**	**-**	**-1,382**	**-159,255**
Financial income	-	-	9,502	937	10,438
Financial expense	-	-	-22	-	-22
Profit/loss after financial items	**-157,837**	**-36**	**9,480**	**-445**	**-148,838**
Assets	79,710	9,941	189,457	2,264	281,372

The above tables provide information about allocating revenues to segments for the group. Expenses are allocated to segments, except for expenses in the Parent company.

NOTE 3 OTHER OPERATING EXPENSES

	Group		Parent Company	
EUR thousands	2009	2008	2009	2008
Management fees in consolidated subsidiaries	3,470	1,989	-	-
Custody fees	95	-	-	-
Communication	46	223	46	223
Internal services[1]	167	164	167	164
Rent[2]	72	33	72	33
Audit assignments[3]	342	128	105	106
Travel	59	50	59	50
Other external costs[4]	1,133	380	166	194
Total	5,384	2,967	615	770

[1] Internal services are included in the service agreement with East Capital International AB. Comprise all services except rent charges. See note 18.
[2] Rent is included in the service agreement with East Capital International AB. See note 18.
[3] Audit assignment refers to auditing of the annual report, the accounting records and the administration of the Board of directors and the CEO, other tasks incumbent on the Company's independent auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks. This is the total fee for all audit related assignments including fees for PWC internal control audits.
[4] Includes group adjustment tEUR 657 for costs in EC Power Utilities Fund regarding 2008.

NOTE 4 EMPLOYEES, STAFF EXPENSES AND EXECUTIVE MANAGEMENT COMPENSATION

	Group		Parent Company	
EUR thousands	**2009**	**2008**	**2009**	**2008**
Wages, salaries and remuneration	215	262	215	262
Directors' fees	164	152	164	152
Social charges	171	198	171	198
of which pensions	38	67	38	67
Total	**550**	**612**	**550**	**612**

On 31 December 2009, the Group had four (four) employees, three (three) of whom were women.

Salaries and other remunerations

	Group		Parent Company	
EUR thousands	**2009**	**2008**	**2009**	**2008**
Board and CEO, 7 people	270	303	270	303
Other employees, average 2.2 people	109	111	109	111
Total	**379**	**414**	**379**	**414**

Executive management compensation

Remuneration to the Board

On 27 April 2009, the Company's shareholders' meeting determined that the Chairman of the Board will receive annual compensation of SEK 700,000 for the period until the next shareholders' meeting. Other Board members will receive SEK 300,000 per person in compensation for the time until the next shareholders' meeting. Remuneration for Audit Committee is SEK 50,000 to the chairman of the Audit Committee and SEK 30,000 to each director in the Committee.

Remuneration to senior executives and other terms of employment

Guidelines for salary and other remuneration to the Company's CEO will be resolved on a yearly basis at the shareholders' meeting, based on proposals by the Board. Remuneration to the CEO consists of fixed salary, variable salary and pension, insurance and customary benefits. The Board decides at its own discretion whether the CEO should be paid variable salary. The CEO can receive a maximum variable salary corresponding to 50% of his fixed salary. The CEO has an individual premium-based pension plan, pursuant to which the Company pays premiums corresponding to 10% of his fixed salary up to 10 Swedish income base amounts and premiums corresponding to 20% of his fixed salary on the portion of his fixed salary that exceeds 10 Swedish income base amounts. In the event the Company terminates the CEO's employment, the Company is required to observe a six-month notice period. In addition, the CEO is entitled to a severance payment corresponding to six months' salary. In the event the CEO terminates his employment, he is required to observe a six-month notice period. If the CEO terminates his employment, he is not entitled to any severance payment.

Remuneration and other benefits, Parent Company

	2009				2008			
EUR thousands	**Fixed salary**	**Variable salary**	**Board fee**	**Total**	**Fixed salary**	**Variable salary**	**Board fee**	**Total**
Paul Bergqvist, Chairman	-	-	71	71	-	-	70	70
Anders Ek, Board member	-	-	31	31	-	-	21	21
Lars Emilson, Board member	-	-	31	31	-	-	31	31
Alexander V. Ikonnikov, Board member	-	-	31	31	-	-	31	31
Justas Pipinis, Board member[1]	-	-	-	-	-	-	-	-
Kestutis Sasnauskas, Board member[1]	-	-	-	-	-	-	-	-
Gert Tiivas, CEO	103	3[2]	-	106	105	46[2]	-	151
Total	103	3	164	270	105	46	152	303

[1] Board members Justas Pipinis and Kestutis Sasnauskas waived their directors' fees.

[2] Bonus was reserved 2008 but not paid out and reversed 2009. Bonus reserved for 2009 amounts to 49 of which The Board has resolved that 25 will be paid out to the CEO in 2010.

NOTE 5 FEES AND EXPENSES FOR AUDITORS

	Group		Parent Company	
EUR thousands	2009	2008	2009	2008
KPMG				
Audit assignments	303	83	66	61
Other assignments	24	26	24	26
PWC				
Audit assignments	-	-	-	-
Other assignments	15	19	15	19
Total	**342**	**128**	**105**	**106**

Audit assignment refers to the auditing of the annual report, the accounting records and the administration of the board of directors and the CEO, other tasks incumbent on the Company's independent auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks. All other work constitutes other assignments.

NOTE 6 FINANCIAL INCOME AND EXPENSE

	Group		Parent Company	
EUR thousands	2009	2008	2009	2008
Interest income on financial assets measured at fair value (fair value option)	535	11	-	11
Reversal of write down of shares in Group companies	-	-	80,404	-
Interest income on financial assets not measured at fair value	3,056	10,427	3	25
Other financial income	144[1]	-	-	-
Exchange rate difference	-	-	22	-
Total financial income	**3,735**	**10,438**	**80,429**	**36**
Financial expense	-	-	-	-126,410[2]
Interest expense on financial liabilities measured at amortised cost	-15	-22	-1	-
Exchange rate difference	-639	-	-	-58
Total financial expense	**-654**	**-22**	**-1**	**-126,468**

[1] Other financial income includes gains from sale of assets within the bond mandate.
[2] Financial expense includes write-down of shares in Group companies.

NOTE 7 TAXES

Recognised in the statement of comprehensive income/income statement

	Group		Parent Company	
EUR thousands	2009	2008	2009	2008
Current tax expense (-)/income (+)				
Tax expense/income for the period	-497	-1,671	300	392
Deferred tax expense (-)/income (+)				
Deferred tax on temporary differences	-	-616	-	-
Total recognised tax expense/income	**-497**	**-2,287**	**300**	**392**

Reconciliation of effective tax

	Group				Parent Company			
EUR thousands	2009 (%)	2009	2008 (%)	2008	2009 (%)	2009	2008 (%)	2008
Profit/loss before tax		99,705		-148,838		79,259		-127,813
Tax as per applicable tax rate for the Parent Company	26.3	-26,222	28.0	41,675	26.3	-20,845	28.0	35,788
Difference in tax rate in foreign operations	0.2	-204	0.6	-846	-	-	-	-
Tax effect of non-taxable income	-26.0	25,919	-	-	-26,7	21,146	-	-
Tax effect of non-taxable expense	0.0	-27	28.7	-42,656	0.0	-1	27.7	-35,396
Increase in loss carryforward without equivalent capitalisation of deferred tax	-	-	0.3	-464	-	-	-	-
Effect of changed tax rate	0.0	38	0.0	4	-	-	-	-
Recognised effective tax	**0.5**	**-497**	**1.5**	**-2,287**	**-0.4**	**300**	**-0.3**	**392**

Recognised in the statement of financial position
Recognised deferred tax assets and liabilities

Deferred tax assets and tax liabilities relate to the following:

Group EUR thousands	Deferred tax asset 2009	Deferred tax liability 2009	Net 2009	Deferred tax asset 2008	Deferred tax liability 2008	Net 2008
Tax allocation reserve	-	-713	-713	-	-589	-589
Total	**-**	**-713**	**-713**	**-**	**-589**	**-589**

NOTE 8 EARNINGS PER SHARE

Earnings per share

EUR	2009	2008
Earnings per share, basic and diluted	2.26	-3.56

The origin of the numerator and denominator used in the above calculations of earnings per share is shown below.

Earnings per share, basic and diluted

Profit for the year attributable to the holders of ordinary shares in the Parent Company
EUR thousands

	2009	2008
Profit/loss attributable to the holders of ordinary shares in the Parent Company.	80,421	-129,236

Weighted average number of outstanding ordinary shares In thousands of shares	2009 1 Jan – 31 Dec	2008 1 Jan – 31 Dec
Total number of outstanding shares, 1 January	36,270	36,270
Share buy-back, March and April 2009 Cancelled in May 2009	-771	-
Total number of outstanding shares, 31 December	**35,499**	**36,270**
Weighted average number of ordinary shares, basic and diluted	**35,651**	**36,270**

NOTE 9 GROUP COMPANIES

Holdings in subsidiaries

	Subsidiary's domicile, country	Share of Equity in % 2009	2008
East Capital Explorer Investments AB	Stockholm, Sweden	100	100
East Capital Explorer Investments (Cyprus) Ltd	Nicosia, Cyprus	100	100
East Capital Power Utilities Fund AB	Stockholm, Sweden	73	73
Consibilink Limited	Nicosia, Cyprus	100	100
East Capital Special Opportunities Fund	Grand Cayman, Cayman Islands	82	-
East Capital Bering New Europe Fund	Grand Cayman, Cayman Islands	86	-

Parent Company
EUR thousands

Acquisition value	31 Dec 2009	31 Dec 2008
At 1 January	263,764	390,174
Repayment of shareholder contribution	-4,597	-
Reversal of write downs	80,404	-
Write downs	-	-126,410
At 31 December	339,570	263,764

Specification of the Parent Company's direct holdings of participations in subsidiaries

Subsidiary / Corporate registration number / Domicile	No. of shares	31 Dec 2009 Carrying amount	31 Dec 2008 Carrying amount
East Capital Explorer Investments AB/556693-7370/ Stockholm	3,410	339,570	263,764
Total		**339,570**	**263,764**

East Capital Explorer AB owns all preference shares in the subsidiary. The percentage of votes is 4,3%.

NOTE 10 SHARES AND PARTICIPATIONS

Group EUR thousands	2009	2008
Acquisition		
At 1 January	248,282	106,156
Reclassification of the holding East Capital (Lux) Eastern European Fund (EUR)	-	18,250
Acquisitions	136,047	175,020
Disposals	-41,212	-52,471
Redistribution consolidated funds	-14,601	1,327
At 31 December	**328,516**	**248,282**
Change in fair value through profit or loss		
At 1 January	-153,190	3,813
Fair value change through profit or loss	108,821	-152,342
Realized losses through profit or loss	-6,574	-3,334
Redistribution consolidated funds	14,601	-1,327
At 31 December	**-36,342**	**-153,190**
Carrying amount 31 December	**292,174**	**95,092**

The Group has the following holdings:

Holdings 2009	Number of shares/Units	Cost	Value Change	Carrying amount
East Capital Bering Russia Fund	1,660,805	43,590	-10,460	33,130
East Capital Bering Ukraine Fund	1,212,296	24,411	-17,358	7,053
East Capital Bering Balkan Fund	6,220,853	44,938	-9,676	35,262
East Capital Bering Central Asia Fund	5,933,960	29,477	-8,488	20,989
East Capital Bering New Europe Fund				
RFV Nyrt	85,000	1,519	-	1,519
Pegas Nonwovens	86,937	1,457	-	1,457
Pannenergy	399,320	1,180	-	1,180
Other East Capital Bering New Europe Fund		14,799	-	14,799
East Capital Special Opportunity Fund				
Fondul Proprietatea	143,100,000	7,703	755	8,458
Sollers	705,000	4,181	2,700	6,881
TEO LT, AB	9,187,878	5,061	-187	4,874
Other East Capital Special Opportunities Fund		22,843	4,822	27,665
East Capital Power Utilities Fund				
RusHydro	196,136,649	4,991	139	5,130
OGK-4	141,505,495	1,786	3,493	5,279
MRSK Centre Region	321,533,866	8,724	-2,782	5,942
TGK-7	231,069,694	1,852	5,389	7,241
MRSK Holding	96,574,468	6,556	823	7,379
MRSK Center of Volga Region	1,390,879,787	7,490	-1,566	5,924
Bashkir Energo	6,548,013	9,439	-4,363	5,076
Other East Capital Power Utilities Fund		47,939	7,277	55,216
OAO Melon Fashion Group (MFG)	4,996	9,941	461	10,402
TEO LT, AB	16,722,875	8,964	-104	8,860
East Capital (Lux) Eastern European Fund (EUR)	182,500	18,250	-6,783	11,467
East Capital Russian Property Fund	400	1,425	-434	991
Total		**328,516**	**-36,342**	**292,174**

Holdings 2008	Number of shares/Units	Cost	Value change	Carrying amount
East Capital Bering Russia Fund	537,844	23,590	-16,213	7,377
East Capital Bering Ukraine Fund	1,212,296	24,411	-16,781	7,630
East Capital Bering Balkan Fund	4,538,686	34,938	-17,307	17,631
East Capital Bering Central Asia Fund	2,486,454	19,528	-12,139	7,389
East Capital Bering New Europe Fund	1,560,000	9,997	-3,155	6,842
East Capital Power Utilities Fund				
RusHydro	401,447,850	18,900	-13,176	5,724
OGK-4	221,005,495	2,638	-443	2,195
MRSK Center Region	223,033,866	7,470	-5,366	2,104
OGK-6	287,268,642	3,594	-1,648	1,946
Other		74,170	-54,184	19,986
MFG (OAO Melon Fashion Group)	4,996	9,941	-	9,941
East Capital (Lux) Eastern European Fund (EUR)	182,500	18,250	-12,436	5,814
East Capital Russian Property Fund	400	855	-342	513
Total		**248,282**	**-153,190**	**95,092**

All shares and participations are classified as financial assets carried at fair value through profit or loss in the sub-category fair value option.

NOTE 11 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
EUR thousands				
Accrued interest	745	2,460	-	-
Prepaid expenses	67	157	59	23
Total	**812**	**2,617**	**59**	**23**

NOTE 12 SHAREHOLDERS' EQUITY

Share capital and share premium

	Ordinary shares	
	2009	2008
Issued at January 1	36,270	36,270
Share buy-back, March and April 2009 Cancelled in May 2009	-771	-
Issued at 31 December	35,499	36,270

Holders of common shares are entitled to dividends. The amount and timing is to be proposed and approved at the annual general meeting each year. Additionally, each share entitles the right to one vote at the shareholders' meeting and all shares entitle the same right to the Company's remaining net assets.

Shareholders' equity in the Group

Other contributed capital
Pertains to shareholders' equity contributions. The share premium paid in conjunction with new issues is included here.

Reserves – translation reserve
The translation reserve consists of all exchange differences arising on the translation of the financial statements of foreign operations prepared in a currency other than those currencies used by the Group. The Parent Company and the Group prepare their financial reports in euro.

Retained earnings including profit for the year
Retained earnings including profit/loss for the year include profits earned in the Parent Company and its subsidiaries.

Non-restricted equity – Parent Company

Share premium reserve

When new shares are issued at a premium, implying that the price to be paid for a share is higher than the previous quotient value of the share, an amount corresponding to the amount received in excess of the share's quotient value is transferred to the share premium reserve.

Retained earnings

Retained earnings comprise retained profit from previous years after any provisions to reserves and after payment of any dividends. The amount available for distribution to the shareholders is retained earnings and any other non-restricted equity.

Capital management

Capital is defined as total assets excluding minority interests, and it amounted to EUR 348m per 31 December. EUR 258m was invested and additional investments of EUR 38.5m had been announced but were still to be drawn down. In total, these investments amounted to EUR 296m, corresponding to 85 percent of the capital. The remaining 15 percent comprised cash, cash equivalents and bonds, as well as other net liabilities. Investment activities will continue in accordance with the investment strategy. The main investment focus continues to be East Capital's Equity funds.

The objective is to offer investors long-term capital appreciation of the Net Asset Value (NAV). The risk of short-term fluctuations in capital appreciation is deemed to be high due to the high level of risk in the markets in which the Company invests. The return of the NAV for the period 1 January to 31 December 2009 was 29%.

As stated in the dividend policy, the Board of Directors will not suggest payment of any dividends as long as it deems that continuous reinvestment of capital in accordance with the Investment Policy will best allow the Company to build a strong investment base and generate long-term value for the shareholders.

The future liquidity will depend primarily on (i) the timing and sales of investments, (ii) the Company's management of available cash, (iii) cash distributions from existing investments, (iv) capital contributions that are received in connection with the issuance of additional equity and (v) the issuance of debted, if any.

The Company may enter into a line of credit facility with one or more lenders for the purpose of obtaining an additional source of liquidity to fund short-term liquidity needs and for investments. The Company does not anticipate drawing on a line of credit until the Company has invested a significant portion of its capital. The aggregate amount drawn by the Company under any line of credit facility may not exceed an amount equal to 30% of the Company's net asset value, excluding the debt and net asset value attributable to direct investments in real estate.

There are no externally imposed capital requirements on any of the companies in the Group.

NOTE 13 OTHER LIABILITIES

	Group		Parent Company	
EUR thousands	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Other current liabilities				
Accounts payable	75	155	38	87
Related companies	56	-	-	-
Purchase of shares – shares delivered but cash not paid	1,441	2,253	-	-
Other	114	74	46	41
Total	**1,686**	**2,482**	**84**	**128**

NOTE 14 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
EUR thousands	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Vacation pay	33	21	33	21
Management fee	410	606	-	-
Performance fee	1,470	-	-	-
Other accrued expenses	228	271	149	235
Total	**2,141**	**898**	**182**	**256**

NOTE 15 FINANCIAL ASSETS AND LIABILITIES

Group 2009 EUR thousands	Financial assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Shares and participation in investing activities	292,174	-	-	292,174	292,174
Other receivables	-	1,286	-	1,286	1,286
Accrued Interest	-	745	-	745	745
Short-term investments	23,145	-	-	23,145	23,145
Cash and cash equivalents	-	70,614	-	70,614	70,614
Total	**315,319**	**72,645**	**-**	**387,964**	**387,964**
Other financial liabilities			1,686	1,686	1,686
Accrued expenses	-	-	1,880	1,880	1,880
Total	**-**	**-**	**3,566**	**3,566**	**3,566**

Group 2008 EUR thousands	Financial assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Shares and participation in investing activities	95,092	-	-	95,092	95,092
Other receivables	-	20	-	20	20
Accrued Interest	-	2,460	-	2,460	2,460
Cash and cash equivalents	-	183,643	-	183,643	183,643
Total	**95,092**	**186,123**	**-**	**281,215**	**281,215**
Other financial liabilities	-	-	2,482	2,482	2,482
Total	**-**	**-**	**2,482**	**2,482**	**2,482**

				2009				2008
Parent Company EUR thousands	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Other current receivables	2,540	-	2,540	2,540	1,399	-	1,399	1,399
Total	**2,540**	**-**	**2,540**	**2,540**	**1,399**	**-**	**1,399**	**1,399**
Other financial liabilities	-	84	84	84	-	128	128	128
Total	**-**	**84**	**84**	**84**	**-**	**128**	**128**	**128**

Calculation of fair value

The following summarises the main methods and assumptions applied in determining the fair value of the Group's financial instruments.

Financial instruments measured at fair value through profit or loss
For a description of the method applied to measure financial instruments recognised at fair value through profit or loss, see Note 1 on page 70.

Financial instruments not measured at fair value through profit or loss
For accounts receivable and accounts payable, the carrying amount is deemed to reflect fair value since the remaining maturity is generally short.

Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 in respect of disclosures concerning the degree of reliability of fair value measurements. This requires the Group to classify for disclosure purposes fair value measurements using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

•Level I: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

•Level II: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

•Level III: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the financial asset.

For fair value estimation, see Note 1 Accounting Principles, page 70.

The determination of that which constitutes ‘observable’ requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Classification of equity funds that are consolidated are done in each level according to the underlying equities. The remaining equity funds are classified in the level where underlying equities to a predominant proportion have been classified at.

The following table analyses within the fair value hierarchy the Group’s financial assets measured at fair value at 31 December 2009.

Fair value hierarchy for financial assets (amounts in EUR thousands)

Shares and participations in investment activities designated at fair value through profit or loss at inception:	Level 1	Level 2	Level 3	Total balance
- Fund Investments	225,098	27,851	19,963	272,912
- Direct investments	8,860	-	10,402	19,262
- Short-term investments	23,145	-	-	23,145
Total assets measured at fair value	**257,103**	**27,851**	**30,365**	**315,319**

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include publically listed companies in Equity fund investments and direct investments.

Financial investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include mainly private equity investments. As observable prices are not available for these holdings, the Group has used valuation techniques to derive the fair value. Level 3 instruments also include investments in other private equity funds, as they cannot be redeemed at the year-end date at the underlying fund’s quoted NAV.

The following table presents the movement in level 3 investments for the year ended 31 December 2009 by class of financial instrument:

	Equity Fund Investments	Direct Investments	Total
Opening balance 2009	11,589	9,941	21,530
Purchase/addition	7,758	-	7,758
Sales/reduction	-87	-	-87
- Movements to level 3	857	-	857
- Movements from level 3	-1,289	-	-1,289
Gains/(losses) recognized in consolidated statement of comprehensive income:			
- Result from financial assets at fair value through profit or loss	1,135	461	1,596
Closing balance 2009	**19,963**	**10,402**	**30,365**

Movement from or to level 3 during the year depends on change in trade pattern for the shares.

The direct investment, Melon Fashion Group, has been externally valued by Ernst & Young in December 2009. The valuation indicated a fair value of EUR 10.4m based on a valuation method using discounted free cash flow. The company is all equity financed with and carried a substantial net cash position. The weighted average cost of capital (WACC) used in the valuation was 20.1%. A one percentage point change in the WACC used would lead to change in the value of equity of about 4%. The East Capital Bering Ukraine Fund has made investments in a region with strong volatility due to uncertainty regarding IMF financing, lack of political will and a stand-still in reforms at the moment. The value may change according to these uncertain inputs. Unfortunately, the binary character of these inputs do not make the suitable for a quantitative sensitivity analysis. The other Equity funds sensitivity to unobservable inputs are not significant.

NOTE 16 FINANCIAL RISKS AND FINANCING POLICIES

Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including equity price risk, foreign exchange risk and interest rate risk), liquidity risk and credit risk.

The term “financial risks” refers to fluctuations in the Group’s earnings and cash flow as a result of changes in exchange rates, interest rates, equity prices, credit risks and refinancing. The Group’s financial policy for the management of financial risks has been prepared by the Board and is a framework of guidelines and regulations in the form of risk mandates and limits for financial activities. Compliance with the financial policy is followed up by continuous reporting to the Board.

The responsibility for and the handling of financial risks and treasury management activities within the Group is centralized to the CEO together with the Parent Company’s finance and accounting department. This includes responsibility for raising capital, management of liquid assets, handling of financial risk exposure, cash management and bank relations. The Board makes decisions concerning the investment policy, public financing programs, as well as confirming the financial strategy. The Board also undertakes decisions, upon recommendation from the CEO, concerning the Group's long-term financial strategy.

The Board ensures that the Investment Policy, on which the Investment Managers bases the investment activities, is appropriate for the Group's objectives, decides on more significant investment decisions and monitors the operations of the Investment manager. The Board also controls that the investment activities are in accordance with the Investment Policy and the Investment Management Agreement which sets out the terms and conditions upon which the investment activities are to be performed. The Investment policy prescribes the types of assets, investment themes and key geographical segments in which investments may be made and stipulates certain limitations in order to assure diversification and an appropriate risk level.

a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. Three types of market risks have been identified: equity price risk, interest rate risk and currency risk. Equity price risk and currency risk are the most important market risks in the Group's business activities.

Group's exposure to market risk generally consists of the risk of the value of its investments being affected by the markets in which such investments are located. The Group invests in publically listed and privately held enterprises, either through East Capital Equity funds or on the basis of direct investments in Russia and the other CIS countries, the Balkans, the Baltic States, Central Asia and Central Eastern Europe. Investing in companies based in these emerging markets involves market risks and certain other considerations, such as political risks, that are not typically associated with investments in companies established in other parts of Europe.

The Group limits risk by following the Investment Policy that provides guidelines based on the following factors:

- Industry
- Geography
- Financial instruments
- Reinvestments
- Hedging

(i) Equity price risk

Equity price risk for the Group is the risk that the fair value or cash flows of a financial investment will fluctuate due to changes in market prices. Equity price risk is a key risk in the Group's business activities, which consist of investing in various forms of equities and equity-related derivatives in emerging markets. The Group's policy is to manage price risk through diversification and selection of investments within specified limits set by the Board. Please see paragraph (i) "Concentration of credit risk" below for more information about the Group's specified investment limits. The principal factors that affect the equity price risk are:

- Investments in emerging markets
- Country-specific risks
- Investments in the power utilities sector
- Investments in the financial sector
- Investments in the retail and consumer goods sector
- Investments in the real estate sector

When the Group realize an investment and is seeking an alternative investment in which to re-invest the capital realized, suitable investment opportunities may not always be available. It may take a significant amount of time to re-invest the capital. Although the Group has adopted a policy of active management of cash and liquid investments portfolio to enhance returns, such management may from time to time generate returns that are substantially lower than the returns that the Group anticipates receiving from investments in any East Capital Funds or any direct investments. Board approval is compulsory for investments that exceed 15% of net asset value and direct investments. Investments that differ from the Investment Policy and investments that may imply a conflict of interest between the Group and East Capital PCV Management AB also need approval from the Board. The Group's Investment Policy requires that the overall market position be monitored on a daily basis by the Investment Managers and that it be reviewed on a quarterly basis by the Board. Compliance with the Group's Investment policy is reported to the Board on a quarterly basis.

The Group's portfolio comprises Fund Investments, Direct Investments, Short-term Investments as well as cash and cash equivalents. On 31 December 2009, total net assets value amounted to EUR 341m (EUR 265m). Short-term Investments and cash and cash equivalents amounted to EUR 93m (EUR 189m).

At 31 December, the fair value of the Group's investments exposed to price risk was as follows:

	Fair value at 31 Dec 2009	Fair value at 31 Dec 2008
Shares and participations in investment activities designated at fair value through profit or loss at inception:		
Equity Fund Investments	272,912	85,151
Direct investments:	19,262	9,941
Total Portfolio	**292,174**	**95,092**

Where equity investments are denominated in currencies other than the euro, the price initially expressed in foreign currency and then converted into Euros will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) "Foreign exchange risk" below sets out how this component of price risk is managed and measured.

(ii) Foreign exchange risk

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets (for example equity investments) to comprise a component of market price risk, not foreign currency risk. The Group operates internationally and holds both monetary (investment of excess liquidity classified as cash, cash equivalents, and bonds) and non-monetary financial assets (investments in shares and participations) denominated in currencies other than the euro, the functional currency. The Group's exposure to foreign exchange risk mainly arises through investments in East Capital's funds. These investments are primarily denominated in the functional currency US dollar. However, of the underlying investments may be denominated in currencies other than dollar and euro, primarily the local currencies in the target region. Changes in exchange rates may have an adverse effect on the value, price or income of the Group's investments. In accordance with the Group's policy, the Investment Manager monitors the exposure on all foreign currency denominated financial assets. The table below has been analyzed between the Group's monetary and non-monetary, which are denominated in a currency other than the euro, items to meet the requirements of IFRS 7.

Concentration of foreign currency assets (amounts in euro thousands) At December 31	2009		2008	
	USD	LTL	USD	LTL
Financial assets				
Monetary assets	21,091	-	-	-
Non-monetary assets	163,267	8,860	46,899	-

The Group's policy is not to manage the Group's exposure to foreign exchange movements for non-monetary assets by entering into any foreign exchange hedging transactions. In the future, however, the Group may hedge any dividends and operating expenses, since these will mainly be denominated in Swedish kronor (SEK).

Currency hedging, however, is carried out for monetary assets to provide protection against the impact of fluctuating exchange rates on the Group's performance and financial position. Cash and cash equivalents are primarily held in euro, and for that reason do not need any hedging. In the bond portfolio, forward transactions are always used to hedge the part of the bond portfolio that is denominated in US dollar. These hedging transactions entail costs and may result in losses.

The consolidated income statement includes net financial items of tEUR -639 (tEUR 881), in 2009 mainly arising from, losses on forward contracts used to hedge the bond portfolio.

In accordance with the Group's policy, the Investment Manager monitors the Group's monetary and non-monetary foreign exchange exposure on a daily basis, and the Board of Directors review it on a quarterly basis.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market rates. Interest rate risk arises from the Group's business activities when funds are held in short-term investments, i.e. cash, cash equivalents and bonds, before investment takes place in equity funds or direct investments. Changes in the level of interest rates can affect the rate of return on the Group's cash, cash equivalents and bonds. Changes in the level of interest rates can also affect, among other things: (i) the cost and availability of debt financing and hence the Group's ability to achieve attractive rates of return on its investments, and (ii) the debt financing capability of companies whose capital structures have a significant degree of leverage in which the Group has invested either through fund investments or direct investments.

Hedging transactions are permitted for coverage of interest rate risks arising from investing liquidity according to the Group's financial policy. A review to re-assess and determine the definition of a neutral risk position from an interest perspective should be carried out on a regular basis. The neutral position regarding the interest rate risk for the short-term investment portfolio has been estimated to be an average fixed interest term of three months. The Group does not hold any derivative financial instruments at 31 December 2009 or 2008. In accordance with the Group's policy, the Investment Manager monitors the Group's overall interest sensitivity on a daily basis; the Board reviews it on a quarterly basis.

The table presented in paragraph (iv) "Sensitivity analysis" below summarises the Group's sensitivity to interest rate changes at 31 December.

(iv) Sensitivity analysis

The table below summarises the effect of the most important risk factors (market risks) on the Group's net profit/loss for the period.

Sensitivity analysis for market risks (amounts in euro thousands) At December 31		2009		2008
Risk factors	Change	Effect on net profit/loss for the period	Change	Effect on net profit/loss for the period
Currency rate EUR/USD	+/- 5%	8,163	+/- 5%	2,343
Interest rate	+/- 2 percentage points	75	+/- 2 percentage points	190
Equity price	+/- 10%	29,217	+/- 10%	9,509

(b) Liquidity risk

Liquidity risk for the Group is the risk that financial investments cannot be divested without considerable extra costs, and the risk that liquidity will not be available to meet payment obligations associated with financial liabilities. The Group's activities should, both in short and long term, primarily be financed by available liquid assets and its own profits. Liquidity risk is always considered with respect to investments. The Group's investments in illiquid markets imply that liquidity risk is present in terms of the capacity to quickly divest holdings, but this risk is calculated and offset by the assessed potential for returns. Due to the Group's high equity ratio, the risk of suspension of payments is deemed low. In accordance with the Group's financial policy, liquidity risk will be minimised through continual evaluation of exposure in the portfolio with respect to investments in illiquid markets, taking liquidity risks into account.

In accordance with the Group's policy, the Investment Manager monitors the Group's liquidity position on a daily basis; the Board reviews it on a quarterly basis.

(c) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to credit risk mainly through the investment of excess liquidity in interest-bearing securities classified as cash, cash equivalents, and bonds. Credit risk also arises from derivative financial instruments with positive fair values. The Group does not hold any derivative financial instruments at 31 December 2009 or 2008. The Group has no significant concentrations of credit risk, please see paragraph (i) "Concentration of credit risk" below for more information. The financial policy regulates counterparty exposure to minimise credit risk. According to the Group's policy, credit risk is limited by only granting credit to counterparties with an investment grade by a well-known rating agency and with a rating of the following levels; A1 (Standard & Poor's), K1 (Nordic Rating) and P1 (Moody's Rating). Investments in deposits in larger Swedish banks and investments in Swedish Treasury bonds without ratings are also accepted.

In accordance with the Group's policy, the Investment Manager monitors the Group's credit position on a daily basis; the Board reviews it on a quarterly basis

(i) Concentration of credit risk

The Parent Company and the subsidiaries are not classified as investment funds in accordance with the Swedish Investment Funds Act (lag 2004:46 om investeringsfonder) nor are they subject to the supervision of Finansinspektionen, the Swedish Financial Supervisory Authority. Therefore, the Group is not required to comply with the investment restrictions and requirements for risk diversification applicable for investment funds. Apart from the fact that no investment in any single East Capital Fund may represent more than 40% of the Group's net asset value at the time of the investment, that no single direct investment may exceed 15% of the Group's net asset value at the time of the investment and that total direct investments in real estate may not exceed 30% of the Group's net asset value, the Group's Investment Policy only contains limited diversification requirements for the portfolio. In addition, the Group's Investment Policy does not impose any limitations on the terms of the funds in which the Group may invest, including the fund size, its affiliation with East Capital, geographic focus or other diversification, investment parameters or industry focus. In the event that the portfolio is concentrated on relatively few investments, adverse performance by even just one of these investments could have a material adverse effect on the Group.

NOTE 17 OPERATIONS ACQUIRED DURING 2009

Total net assets acquired	Book value	Fair value adjustment	Recognised values
East Capital Special Opportunities Fund	35,000	-	35,000
East Capital Bering New Europe Fund	4,946	-	4,946
Total	**39,946**	**-**	**39,946**

The Group invested EUR 35m in the newly launched East Capital Special Opportunities Fund per 1 July 2009. At that time there where no net assets in the Fund. The Group owns 82% of the total Fund.

On 30 September 2009 the Group acquired additional EUR 5.0m in East Capital Bering New Europe Fund. At the time of acquisition the Group already held EUR 11m in the Fund. The Group owns 86% of the total Fund.

Net assets acquired	Book value	Fair value adjustment	Recognised values
Investments	4,980		4,980
Cash and cash equivalents	29	-	29
Other receivables	62	-	62
Trade and other payables	-95	-	-95
Total consideration	4,975	-	4,975
Liquid funds in acquired companies	-29	-	-29
Net cash outflow	**4,946**	**-**	**4,946**

Contributions during 2009	Fund investment
From acquisition date	
Operating income	9,543
Net profit	7,068
If the acquisition had occurred on 1 January	
Operating income	16,000
Net profit	12,849

NOTE 18 INFORMATION ABOUT THE PARENT COMPANY

Related party relationships

East Capital Explorer AB has a related party relationship with its subsidiaries, see Note 9, and with other companies in East Capital, see below.

License agreements

The Company and East Capital Explorer Investments AB have a licensing agreement with East Capital Explorer Licensing AB, pursuant to which East Capital Explorer Licensing AB has granted a non-exclusive, royalty-free license to use the trade name and trademark "East Capital Explorer."

Management agreement

East Capital PCV Management AB (the "Investment Manager"), a subsidiary of East Capital Holding AB, that implements investments according to the investment policy and provides investment management services pursuant to the Investment Management Agreement. The Company has an Investment Management Agreement with the Investment Manager and East Capital Explorer Investments AB. During the year the Group has paid fees to a total of tEUR 6,484. For more details about fees, see page 56.

Fees accrued to the following recipients	2009	2008
East Capital Alternative Investments, Cayman	5 415	1 864
East Capital Asset Management AB	662	1 717
East Capital Private Equity AB	271	37
East Capital AB	136	0
Total	**6 484**	**3 618**

Service agreement

The Company has a service agreement with East Capital International AB, a service company in East Capital, pursuant to which the Company buys certain administrative and other services and sublets premises. During the year the Group purchased services for tEUR 215 (tEUR 197), all of it through the Parent Company.

Employees

Two employees in the Group also have a contractual relationship with East Capital International AB where they perform certain tasks and duties.

The CEO is a Board member of the following: East Capital Baltic Property Fund AB, East Capital Real Estate AS, East Capital Power Utilities Fund AB and East Capital Explorer Investments AB.

Transactions with key management personnel and related companies

The Company's management, Board members and their close relatives and related companies control 9.9% (9.8%) of voting rights in the Company. For information about remuneration of senior executives please refer to Note 4 on page 75.

Potential conflicts of interest

The Investment Management Agreement entered into between the Company and the Investment Manager contains provisions and procedures to address potential conflicts of interest between the Company and East Capital. Any conflict of interest which is not contemplated by the investment policy agreed between the Company and the Investment Manager from time to time, shall be referred to the Board of the Company for resolution. Such conflicts include for example any (i) investments in any East Capital fund on terms which are materially adverse compared to existing East Capital funds or any fund of similar type (it being understood that any increase with respect to fees and carried interest shall be deemed as "materially adverse"); and (ii) any co-investments made on terms which adversely deviate from the terms on which other co-investors make their investments. There are also other terms in the agreement designed to assure that fees payable by the Company are always on market terms. The Investment Management Agreement further provides that direct investments offered by the Investment Manager with no co-investment by any other East Capital fund or by East Capital itself, shall be referred to the Board of the Company for resolution. In any such matter referred to the Board, the Board members affiliated with East Capital will not take part, in accordance with the rules of conflict of interest under the Companies Act.

In addition, East Capital has in place a policy for managing conflicts of interests in relation to its investment business, the overriding principle of which is that East Capital will treat its clients fairly and will at all times act in accordance with its position as investment manager of the various East Capital funds. The policy sets out a strategy and provides measures which will enable the Investment Manager's team to actively identify, monitor and address any conflicts of interest that may arise in connection with the allocation of investment opportunities.

NOTE 19 PLEDGED ASSETS AND CONTINGENT LIABILITIES

East Capital Explorer Investments AB made a commitment to invest EUR 38.5m in the East Capital Russian Property Fund. The investment will be made as the Fund calls for the capital, which takes place when the Fund has identified an investment object.

NOTE 20 INFORMATION ABOUT THE PARENT COMPANY

East Capital Explorer AB is a registered Swedish limited liability company domiciled in Stockholm. The Parent Company's shares are registered on the NASDAQ OMX Stockholm. The address to corporate headquarters is Kungsgatan 30, Box 7214, 103 88 Stockholm, Sweden. The consolidated financial statements for 2009 include the Parent Company and its subsidiaries, together comprising the Group.

NOTE 21 EVENTS AFTER THE END OF THE FINANCIAL YEAR

Net asset value

On 31 January 2010, East Capital Explorer's indicative net asset value amounted to EUR 10.20 per share, compared with EUR 9.61 on 31 December 2009. The closing price per share on 31 January 2010 was SEK 69.75 (corresponding to EUR 6.81)[1].

On 28 February 2010, the indicative net asset value amounted to EUR 10.56 per share while the closing price per share on the same date was SEK 66.50 (corresponding to EUR 6.84)[1].

Investments

In January 2010, East Capital Explorer AB, announced an investment of EUR 5m in a venture with Intrum Justitia and East Capital Financial Fund. These funds are committed but continue to be held in short term investments.

Consolidated key figures

	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Equity ratio	98.3%	97.9%
Net asset value, EURt	341,369	265,025
Change in NAV	28.8%	-32.8%
Market capitalisation, SEKm	2,378	1,458
Market capitalisation, EURt[1]	231,817	134,013
Number of employees	4	4

Key figures/share	1 Jan – 31 Dec 2009	1 Jan – 31 Dec 2008
Earnings, EUR, YTD	2.26	-3.56
NAV, SEK[1]	98.60	79.53
NAV, EUR	9.61	7.31
Share price, SEK	67.00	40.20
Share price, EUR[1]	6.53	3.69

[1] Some currency translations are made for informational purposes. 1 EUR = SEK 10.26 on 31 December 2009 and SEK 10.88 on 31 December 2008. 1 EUR=10.24 SEK on 31 January 2010 and SEK 9.72 on 28 February 2010. Source: Reuters

The Board and the CEO assure that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts has been prepared in accordance with the international financial reporting standards referred to in Regulation (EC) no. 1606/2002 of the European Parliament and of the council of 19 July 2002 on the application of international accounting standards. The annual report and the consolidated accounts give a true and fair view of the financial position and results of the Parent Company and the Group. The statutory Administration Report of the Parent Company and the Group provides a fair review of the development of the Parent Company's and the Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 18 March 2010

Paul Bergqvist
Chairman of the Board

Gert Tiivas
Chief Executive Officer

Anders Ek
Board member

Lars Emilson
Board member

Alexander V. Ikonnikov
Board member

Justas Pipinis
Board member

Kestutis Sasnauskas
Board member

Our Auditors' Report was submitted on 18 March 2010

KPMG AB

Carl Lindgren
Authorised Public Accountant

The annual report and consolidated annual report, as indicated above, have been approved by the Board for publication on 18 March 2010. The income statement and the balance sheet of the Parent Company and the statement of comprehensive incomes and statement of financial position of the Group will be submitted to the shareholders' meeting for adoption on 28 April 2010.

Audit Report

To the annual meeting of the shareholders of East Capital Explorer AB (publ)

Corporate identity number 556693-7404

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of East Capital Explorer AB (publ) for the year 2009. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 63-89. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 18 March 2010

KPMG AB

Carl Lindgren
Authorized Public Accountant

Definitions

Se pages 56-57 for definitions related to fees structures

Alpha
The result of active asset management measured in generated return in excess of a relevant benchmark index.

EVCA
The European Private Equity and Venture Capital Association. A member-based, non-profit trade association that represents the interests of the European private equity and venture capital industry. Has published guidelines for valuation of unlisted companies that is widely used as an industry standard.

Market capitalization
Total number of outstanding shares times price per share.

Net asset value (NAV)
Corresponds to the value of East Capital Explorer's net assets, i e total assets less net debt. An indicative NAV is calculated on a monthly basis and is published five working days after the end of the month.

Private Equity
Unlisted companies, meaning companies which shares are not listed on a stock exchange or other market place.

Semi-public Equity
Companies that, despite being listed on a stock exchange or market place, have shares with very limited trading volumes, and therefore are inaccessible for most investors. Trading is done on the so called second and third tier markets.

Short-term investments
Investments that has the potential to generate attractive returns while remaining available for future investments.

MSCI EM Europe Index
Includes Russian, Polish, Hungarian, Czech and Turkish equities.

OMXSPI
Equity index that includes all shares on OMX Nordic Exchange Stockholm.

PFTS Index
Includes equities traded on the largest marketplace in Ukraine.

RTS Index
Includes the 50 largest companies traded on the Russian Trading System (RTS).

RTS 2 Index
Includes 78 companies on the RTS that have limited trading volumes.

Please note that the benchmark indices are provided solely as reference to evaluate fund performance. Although the provided indices may be regarded as the most suitable available benchmarks for the different funds in which we invest, these indices are not fully comparable benchmarks as the sector and country weighting in these indices currently are significantly different from the weighting in the respective funds.

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EAST CAPITAL
EXPLORER

Kungsgatan 30, Box 7214
SE-103 88 Stockholm, Sweden
Tel: +46 8 505 97 700
Coroporate identity no: 556693-7404
www.eastcapitalexplorer.com