

East Capital Explorer Annual Report 2010

**EAST CAPITAL
EXPLORER**

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Your opinion is very welcome

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

Change of address

Changes of address of physical persons who are registered as Swedish residents are made automatically by Euroclear Sweden AB. 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, phone: +46 8 402 90 00, e-mail: info@euroclear.eu.

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 12 April 2011
- Interim report 1 January - 31 March 2011 on 6 May 2011
- Interim report 1 January - 30 June 2011 on 5 Aug 2011
- Interim report 1 January - 30 Sept 2011 on 11 Nov 2011

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.

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 2011

The Annual General Meeting of East Capital Explorer AB (publ) will be held at 3.00 p.m. CET on Tuesday, 12 April 2011 at Nalen in Stockholm, Sweden.

Programme

12:15 Registration opens

1:00 Seminar on development in Eastern Europe with representatives from the Company's Investment Manager, East Capital

2:00 Guest presentation by explorer Mikael Strandberg who will present his Siberian Expedition: 3,500 km by canoe and by skis in temperatures below -58 degrees Celsius

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 on Wednesday, 6 April 2011 and have notified the company of their attendance no later than 4:00 p.m. CET on Wednesday, 6 April 2011.

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 regarding 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 no later than Wednesday, 6 April 2011. Shareholders are requested to inform their nominees well in advance of this date.

About East Capital Explorer

This is East Capital Explorer	4
Comment from the CEO	6

About Eastern Europe

Developments in Eastern Europe	9
Comment from the Investment Manager	10
About the Investment Manager: East Capital	11

Our Portfolio

Portfolio Overview	13
East Capital Bering Russia Fund	14
East Capital Bering Ukraine Fund A	16
East Capital Bering Ukraine Fund R	18
East Capital Bering Balkan Fund	20
East Capital Bering Central Asia Fund	22
East Capital Bering New Europe Fund	24
East Capital Power Utilities Fund	26
East Capital Special Opportunities Fund	28
East Capital Special Opportunities Fund II	30
East Capital (Lux) Eastern European Fund	32
Melon Fashion Group	34
TEO LT	36
East European Debt Finance (EEDF)	37
Populi	38
Wimm-Bill-Dann	39

Corporate Governance

A word from our Chairman	41
Corporate Governance at East Capital Explorer	42
Management	47
Board of Directors	48
Managing our risks	50
The Environmental, Social and Governance perspective in our investments	52
Fees	54
The East Capital Explorer share	56
Report on Internal Control	58

Financial Statements

Administration Report	61
Financial Statements	64
Notes to the Financial Statements	72
Consolidated Key Figures	92
Audit Report	94

This is East Capital Explorer

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 Eastern European markets through investing in East Capital's special fund products. These include the East Capital Bering funds, alternative investment funds and 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.

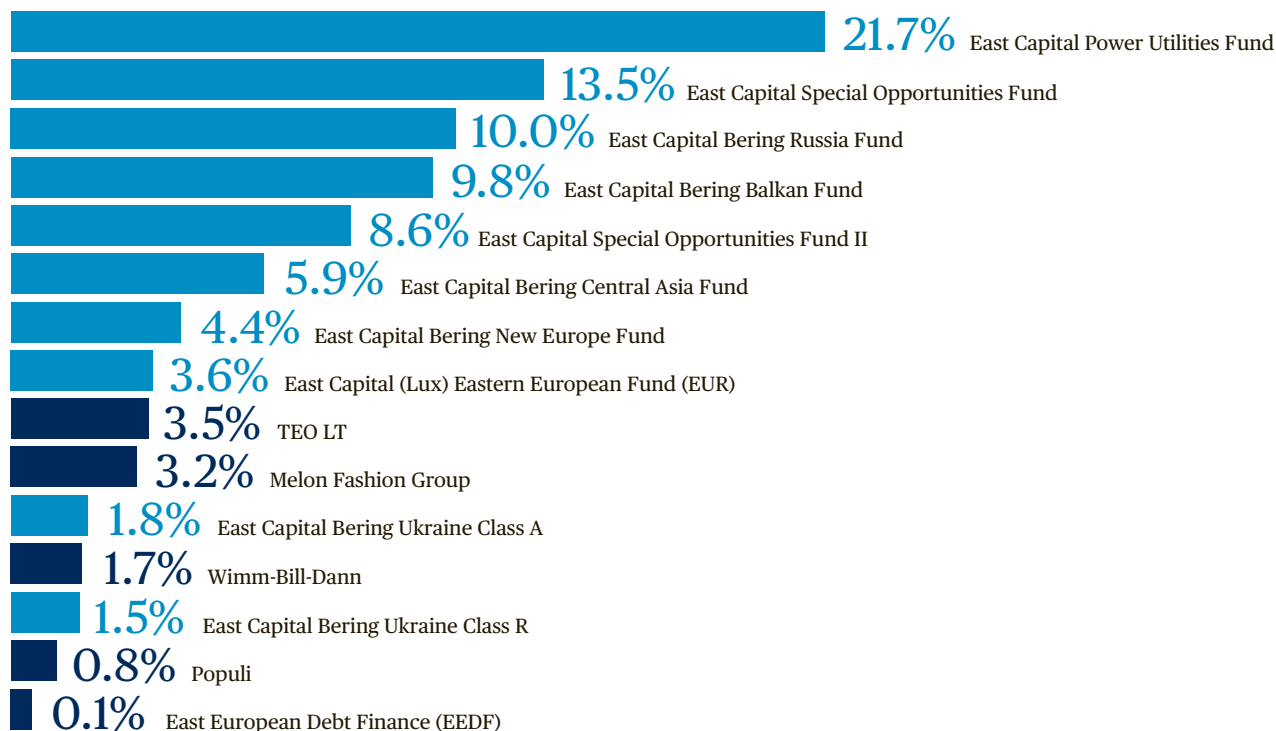
Our Dividend Policy

As East Capital Explorer is now fully invested, the Board of Directors has decided to change the dividend policy to start paying dividends, and to propose to the Annual General Meeting a dividend of SEK 0.80 per share for the fiscal year 2010.

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 14-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 11 for further information regarding our Investment Manager.
- A well-diversified portfolio: We primarily invest in East Capital's alternative investment funds as well as direct investments into private and public companies. At the end of 2010, our portfolio included exposure to approximately 400 companies within numerous sectors. See page 13 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.

East Capital Explorer's portfolio at the end of 2010 (%)



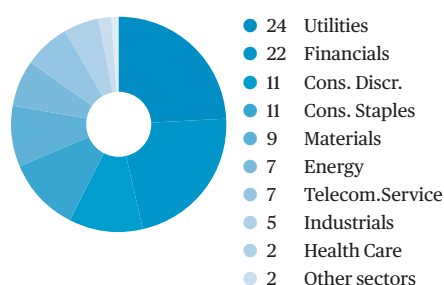
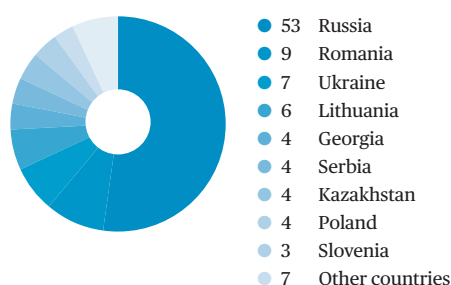
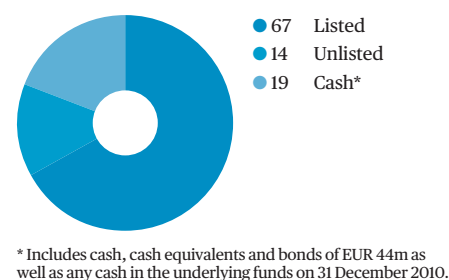
● East Capital fund investments ● Direct investments

Top 10 companies in East Capital Explorer's portfolio on a see-through basis¹

On 31 December 2010 Company	% of NAV	Value in portfolio, EURm	Country	Sector	Market Cap, EURm ²	East Capital Explorer's investment vehicle
Fondul Proprietatea	5.7	24.5	Romania	Financials	1,641	East Capital Special Opportunities Fund East Capital Bering Balkan Fund
TEO LT	4.8	20.8	Lithuania	Telecommunication Services	557	East Capital Special Opportunities Fund, East Capital (Lux) Eastern European Fund, Direct investment
Melon Fashion Group	3.2	13.8	Russia	Consumer Discretionary	86	Direct investment
Wimm-Bill-Dann	2.6	11.3	Russia	Consumer Staples	4,116	East Capital Special Opportunities Fund II, East Capital (Lux) Eastern European Fund, East Capital Bering Russia, Direct Investment
Sibirskiy Cement	2.5	10.9	Russia	Materials	530	East Capital Special Opportunities Fund
MRSK Holding	2.2	9.3	Russia	Utilities	5,391	East Capital Power Utilities Fund, East Capital (Lux) Eastern European Fund
Sollers	1.9	8.3	Russia	Consumer Discretionary	542	East Capital Special Opportunities Fund, East Capital (Lux) Eastern European Fund
OGK-6	1.7	7.4	Russia	Utilities	1,139	East Capital Power Utilities Fund
OGK-4	1.7	7.2	Russia	Utilities	4,551	East Capital Power Utilities Fund
MRSK Centre Volga	1.6	7.0	Russia	Utilities	837	East Capital Power Utilities Fund, East Capital (Lux) Eastern European Fund
Total top 10	28.0	120.5				

¹ As if East Capital Explorer AB had owned its pro-rata share of all the underlying securities in the different funds it had invested in.

² Listed company values based on prices from Bloomberg. Fondul Proprietatea value is based on OTC market quotes. Melon Fashion Group market cap is implied by the value of East Capital Explorer's share of the company.

Sector breakdown, %
per 31 December 2010Country breakdown, %
per den 31 December 2010Asset class, %
per 31 December 2010

2010 in Figures

Per 31 December (EUR)

Total

Net Asset Value

430m
(SEK 3.9bn)

Market capitalization

329m
(SEK 3.0bn)

Cash, cash equivalents
and other short-term
investments

44m
(SEK 396m)

• Available capital for
investment 28m
(SEK 252m)

Per share

12.33
(SEK 111)

9.43
(SEK 84.75)

1.27
(SEK 11)

• Available capital for
investment 0.79
(SEK 7m)

Main events during 2010

First Quarter

- Direct investment of EUR 5m in a new venture, EEDF, which together with Intrum Justitia and the East Capital Financials Fund aims to invest in portfolios of non-performing consumer loans in Russia
- Additional investment of EUR 5m in the East Capital Bering Ukraine Fund Class A
- The Board utilised its share buy-back mandate. After the close of the quarter, additional shares were repurchased, bringing the total number of shares repurchased to 647,485 for a total value of EUR 5.2m

Second Quarter

- Additional investment of EUR 5m in the East Capital Bering Balkan Fund
- First partial exit, receiving EUR 20m from the East Capital Power Utilities Fund
- The East Capital Russian Property Fund was closed and investment into the Fund repaid

Third Quarter

- Direct investment of EUR 3.7m in a Georgian food retailer, Populi

Fourth Quarter

- Additional investment of EUR 35m in the newly launched East Capital Special Opportunities Fund II
- Direct investment of EUR 6.8m in Wimm-Bill-Dann, a leading dairy and juice company in Russia
- Joint venture between EEDF AG and EBRD, aiming to expand the financial capabilities of EEDF to acquire bigger non-performing loan portfolios

Comment from the CEO



Gert Tiivas, CEO

“Since the lows reached in the beginning of 2009, the East Capital Explorer share is up by 126%, whereas in 2010 the share was up by 26%”

“Going forward, more capital reallocations, exits and divestments will be done as we constantly seek to maximize shareholder value”

2010 was another good year for East Capital Explorer: both our NAV and our share have delivered strong performance. We are especially proud that our NAV development was not only strong, but also very stable: since its low point in February 2009, our NAV has been growing in all but three months, and has increased by a total of 73%.

Behind such strong and stable NAV growth is the excellent work of the close to 40 investment professionals in East Capital we rely on. A big contribution to the strong NAV performance is due to the fact that two of our largest fund investments, East Capital Power Utilities Fund and East Capital Special Opportunities Fund, have been the best performing funds. Our direct investments have also performed very well.

We are glad that the share has developed strongly, meaning that the shareholders have directly benefited from the NAV growth. Since the lows reached in the beginning of 2009, the East Capital Explorer share is up by 126%, whereas in 2010 the share was up by 26%. The share outperformed the main Stockholm index as well as the Russian index and broader Emerging Europe benchmarks.

Most of our markets have recovered well from the financial crisis. Our portfolio companies posted good results in 2010, and the second half of the year was particularly strong. Economic recovery across the region is firmly under way and most of our countries were growing once again in 2010. Some of the larger countries, such as Russia and Turkey, have performed better than the consensus forecast. They are now in a historic position of having single digit inflation and interest rates.

Some smaller countries, like the hard-hit Baltic States, are also growing again. Estonia has surprised most observers by its tough reforms and budgetary consolidation, enabling it to meet the

Maastricht criteria and enter the eurozone in January of 2011.

Estonia's impressive turnaround allows us to draw a larger generalization about our region. In general, Eastern European countries have managed the crisis well. Their political systems were quite mature and stable: governments have been able to implement unpopular reforms and cutbacks without seeing mass protests or outbreaks of violence. Their fiscal health is generally good and, with a few exceptions, they are not facing questions about the sustainability of their public finances. Thus, most of our countries are quite resilient and competitive, enabling them to return to growth once the global situation has stabilized.

As a strong vote of confidence by the markets, the risk spreads on government debt are now higher for several “old” European Union member states than those for Eastern European countries, even the most vulnerable ones. We are seeing the old East-West delineation being replaced by a more rational approach, where investors evaluate countries based on their actual strengths and performance. This should be beneficial for our region going forward, as there are still significant valuation differences between Eastern European and mature markets.

We reached several important milestones in the company's development in 2010.

First, we are now fully invested. We had over 70% of our NAV in cash at the bottom of the market cycle; this money has now been deployed. This was a good buying opportunity and we are happy we had cash at hand, a strong pipeline of investment ideas and were able to make the most of this opportunity together with the Investment Manager.

Now that we are fully invested, there will be an even greater focus on working with our existing portfolio of investments. This means two things: together with the Investment Manager, we will focus on being an active investor with holdings where value can be released and constantly evaluating where capital reallocations can lead to better overall performance.

As a second milestone, we made our first partial exit from the East Capital Power Utilities Fund in June 2010. Recently, we announced a partial exit from East Capital (Lux) Eastern European Fund. Going forward, more capital reallocations, exits and divestments will be done as we constantly seek to maximize shareholder value.

A third important milestone was the decision by the Board that the company is now ready to start paying a dividend and making a corresponding proposal to the Annual General Meeting. When the company was launched, no dividend was foreseen during the investment period. Now that we are fully invested and do receive income from some of our investments, we find it natural to distribute part of that income to our shareholders. We continue to see plenty of investment opportunities with significant growth potential and we will not change our investment focus to only look at companies that pay high or stable dividends. So the primary reason for investing in East Capital Explorer is still to benefit from the growth of companies in Eastern Europe. The dividend provides an income angle, thus adding another reason to own the share. And last but not least, investing in East Capital Explorer is still the best way in terms of liquidity and ease of access to take part in the best ideas of East Capital.

Last year we promised greater focus on private equity, real estate and direct investments. With the exception of real estate, where we are still underweight, we have delivered. We have executed four new direct investments in consumer finance, retail, banking, and consumer goods sectors, all in our favorite sectors list. We are hopeful that we can soon finalize some attractive real estate investments.

Let me tell you about the developments in two companies we own in our portfolio that are good examples of the unique access we provide both through our direct as well as fund investments.

Melon Fashion Group, our first direct investment, is a great example of a company that has been able to turn the crisis into a major growth opportunity. They had about 170 retail shops when we made our investment, slightly more than two years ago in November 2008. They now have over 500 shops. This amazing growth has come both from organic store rollout as well as acquisitions. The previous two years were a good time to expand: rents were lower and quality retail space was available for those who had the capacity and courage to expand. There were

also good opportunities for acquisitions, as some players had to exit the market. Melon's management has been very good at seizing those opportunities, so it is no surprise that the company is now the largest privately held fashion retailer in Russia and Ukraine, and the CEO was recently given the distinction of the Best CEO of the year - 2010 Breakthrough by the Russian "CEO" Magazine.

Another great success story has been Fondul Proprietatea, the Romanian privatization fund with energy and utilities assets. This is a holding we have had in our portfolio since the very beginning through the East Capital Bering Balkan Fund, and the Investment Manager has continued to increase that position during the years, so it was our single largest holding during 2010. During the last year a number of positive developments took place in the company. The company, now managed by Franklin Templeton, paid a large extraordinary dividend and listed its shares in Bucharest in January 2011. After the successful IPO, our Investment Manager decided to reduce our position by about one third. With the extraordinary dividend and the sales of shares, our original investment has been recovered in full, and our remaining shares, still, of course, provide a further upside.

2011 has so far been quite good for our investment universe and our companies. Russia particularly has performed well on the back of strong commodities prices and capital inflows, substantially outperforming other emerging markets. However, now the turbulence in the Middle East has again impacted risk appetite, meaning more volatility also for our markets. Our focus in 2011 will be on completing investments in our pipeline and working to maximize value in the existing portfolio together with the Investment Manager. We are an active investor and believe that this approach allows for significant further value growth potential from our existing holdings. Also, as markets continue to strengthen, exits will be more in focus. Together with reallocations, this will enable us to have the resources required to take advantage of new exciting opportunities in our universe.

Stockholm, March 2011



Gert Tiivas
CEO

"The Company is now ready to start paying a dividend"

"The primary reason for investing in East Capital Explorer is still to benefit from the growth of companies in Eastern Europe"

"We are an active investor and believe that this approach allows for significant further value growth potential from our existing holdings"

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About Eastern Europe

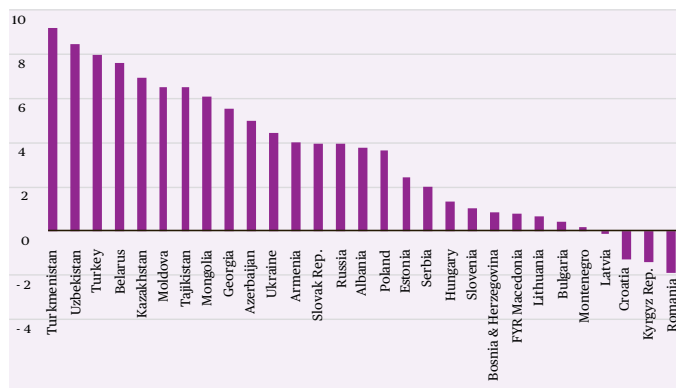
Developments in Eastern Europe	9
Comment from the Investment Manager	10
About the Investment Manager: East Capital	11

Developments in Eastern Europe

The common theme in Eastern Europe in 2010 was recovery. Economies started to grow again and company earnings were expanding again after a tough period. However, the recovery has been quite heterogeneous as there are important differences across countries, sectors and companies.

Some countries, like Ukraine that saw its economy drop in double digits last year, were recovering from a low base whereas others, such as Poland and Kazakhstan, were among a select group of European countries not in recession in 2009 and are thus growing from a higher base. Others - most notably Turkey, which turned out to be one of the fastest growing countries in the world - are recovering very rapidly whereas a series of economies in the Baltics and Balkans experienced a slower recovery. In most economies, growth was primarily driven by exports, but domestic demand has become a more important driver in a number of the large economies, most notably Russia, Poland and Turkey. Corporate earnings growth was among the fastest in the world in Russia while being much more modest in Poland and Turkey.

GDP growth in Eastern Europe in 2010 (%-change)

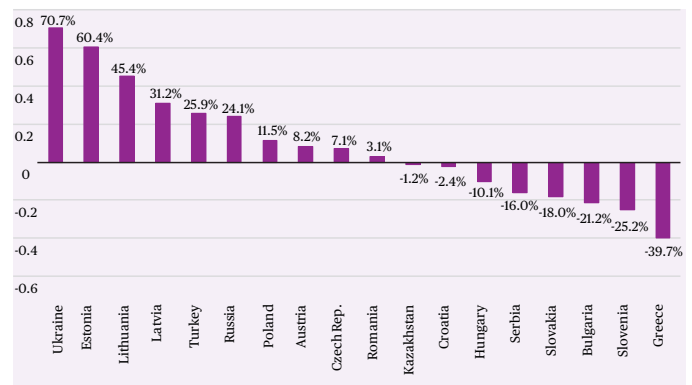


Source: EBRD

Russian revival

The Russian market, which gained more than 111% in 2009, stayed strong in 2010 and gained 24.1% and has thus made a convincing revival from the deep contraction in 2008. The performance was driven by a number of different factors. First of all, the market recovery during the past two years should be analyzed with the 67% fall in 2008 in mind, implying that the market is still down considerably from its pre-crisis peak. Secondly, the oil price, which remains an important factor for the market and the currency, rose from around USD 80 per barrel to over USD 90. Thirdly, and perhaps most importantly, Russian companies have recovered strongly and have reported very strong earnings growth. Fourth, the Russian economy has recovered with growth resuming to around 5% while inflation and interest rates were reaching all time lows, deep in single digits. Finally, 2010 saw the return of global equity flows to Russia. The market was very much out of favor in 2009, despite the strong performance, but international investors returned to the market on the back of low valuations and the factors mentioned above.

Performance of Eastern Europe equity markets in 2010 (USD)



Source: Bloomberg

Turkish tiger

Turkey developed into a tiger economy in 2010 with growth rates among the highest in the world. The market, which gained more than 82% in 2009, stayed strong in 2010 and gained 25.9%. The performance was driven by a number of different factors. First and foremost, the economy rebounded strongly with growth close to 8% while inflation and interest rates fell to historically low levels deep in single digits. Second, and related, the Turkish banks that make up more than half of the index were very strong during the year on the back of the economic recovery. The banks, which were among the most prudent in Europe before the crisis, enjoyed very rapid credit growth in 2010. Thirdly, 2010 was the year when global investors rediscovered the Turkish markets and equity flows picked up considerably over the year. The activity was particularly strong during the third quarter when the flows, the volume and the index reached historically high levels.

Frontier fascination

The development on the frontier markets in Eastern Europe continues to fascinate. While Poland and the other index markets in Central Europe did not stand out in either way - the Polish market gained 11.5%, Czech market 7.1% and Hungarian market dropped 10.1% primarily due to currency depreciation - the excitement was to be found in Ukraine and the Baltics. The stock exchange in Ukraine was the best in the region gaining 70.7% followed by the markets in Estonia, Lithuania and Latvia gaining 60.4%, 45.4% and 31.2% respectively. Other frontier markets, most notably Kazakhstan and the Balkans - underperformed and fell over the year as foreign investors have not yet returned even though the economic recovery gained momentum over the year.

Marcus Svedberg
Chief economist, East Capital



Comment from the Investment Manager

2010 saw a continuation in the recovery from the financial crisis for the whole world. From a European or American perspective, this was not obvious, as growth was modest or even non-existent. But emerging markets more than made up for this. In fact, for the financial year 2010, world-wide growth is expected to have come in over 4.5 percent (source: IMF).

East Capital's markets, with a few exceptions, posted good results, though with a wide performance spectrum. Ukraine posted the best gains, up 68.7 percent, while Slovakia performed the worst, with a loss of 19.5 percent. The Baltic countries posted the best performance as a group. The Baltic region has recovered quickly from the crisis, and the fact that Estonia introduced the euro on 1 January 2011 is only further proof of this.

Turkey was also very much in focus with a strong stock market during the year as the interest rates fell sharply and created the backdrop for a strong recovery. In fact Turkey was showing growth figures in line with China. During the first two quarters the GDP was increasing more than 10 percent. The first quarter 11.8 percent and the second quarter 10.2 percent. The last two quarters both grew at 5.5 percent which made an estimated figure for 8 percent for the whole year.

The Balkans as a group posted the worst performance. The crisis in Greece negatively impacted sentiment on neighbouring markets, despite the economic fundamentals in these countries being much better. In fact most of the stock markets in this region are still down between 50-70 percent from their respective peak. To this can be added some of the lowest valuations in our investment universe. This has led us to deploy even more investments in this region as we think fundamentals combined with low valuations are strong.

The investments

Our investments did well over the year and the NAV of East Capital Explorer performed nicely. The largest investment in East Capital Explorer is still East Capital Power Utilities Fund. The fund had another strong year of

performance. It was up 55 percent, outperforming its benchmark index, the RTS Utilities index, that was up 43 percent, with 12 percentage points. The performance of both the sector and the fund has been very nice and we are very happy that the investment strategy taken during the fall 2007 has played out so well. As the fund increased in size we also made the decision to return some of the money to the investors in order to be able to maximize returns for the fund going forward.

Another big part of the portfolio is invested in the Bering funds. They all performed very nicely during the year. Not surprisingly the East Capital Bering Ukraine Fund Class A was the best performer of the group with a performance of 84 percent and the East Capital Bering Balkan Fund was the weakest with a performance of 11 percent. However as the Ukrainian stock market is very much focused on some few heavyweight companies in itself the performance of the East Capital Bering Ukraine Fund Class A focusing on smaller ones was an achievement. The East Capital Bering funds are not yet in their ideal situation for performance as the recovery in the stockmarkets is still not broad enough. As the recovery continues we believe we will see even more performance from this group of investments.

Last year we said that we were content that we could take the opportunities that presented through the launch of the Special Opportunities Fund in mid 2009. The strategy of that very opportunistic Fund played out very well and the fund performed well during 2010 with a 49 percent increase. In fact since the launch in May 2009 the fund is up an amazing 62 percent.

The investment period of this fund is now over and still we see many interesting opportunities that the financial crisis has presented. Therefore we decided to launch East Capital Special Opportunities Fund II. The strategy is slightly different but based on the same type of thinking, that is maximize the returns in 2-3 years and then start paying back the money to the investors. East Capital Explorer is a major investor in this fund.

Overall the largest exposure in East Capital Explorer remains Russia which had a decent year and continued the recovery. On the back of strong demand for natural resources commodity prices continued to be strong, which is ideal for Russia. The domestic economy has also recovered well and we think the outlook looks good.

That is also reflected in the East Capital (Lux) Eastern European Fund, one of the first investments of East Capital Explorer, which has increased its holding in Russia to an all time high for the fund, which is 65 percent of the investments. The fund itself did well over the year and outperformed its benchmark with almost 10 percentage points. This brings the total outperformance for the fund over the last two years to 40 percentage points over index.

The forthcoming year

2011 started well for investments in Russia and Eastern Europe. On the back of the low valuations we saw very strong demand for our markets from investors all over the world. A global outlook from many investment banks and IMF of GDP growth for the coming years of close to 5 percent means continued strong demand for commodities.

The events in the Middle East have however damped the enthusiasm a bit since global appetite for risk has come down. At present the situation is very unclear and the strong oil price threatens a continued strong world economy. It is the recovery in the OECD countries that is most at risk.

If things in the Middle East do not go very wrong from here we are still firm believers that 2011 will be another good year for investors in our markets. We also think that times of unrest are good times to add on to positions in quality companies already identified by our close to 40 investment professionals. We are intent to focus on these opportunities and continue to meet more than 1,000 companies in our efforts to maximize returns for all our investors including the shareholders of East Capital Explorer.

Peter Elam Håkansson
Chairman, East Capital



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.

East Capital is a leading independent asset manager specialising in the financial markets in Eastern Europe and China, with around EUR 5.5bn in assets under management. East Capital manages ten equity

funds and ten special fund products. 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 160 employees, with 28 different nationalities, working in a variety of investment teams with a total of 40 investment professionals. There are nine offices worldwide. For further information regarding East Capital please refer to www.eastcapital.com.



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



Our Portfolio

Portfolio Overview	13
East Capital Bering Russia Fund	14
East Capital Bering Ukraine Fund A	16
East Capital Bering Ukraine Fund R	18
East Capital Bering Balkan Fund	20
East Capital Bering Central Asia Fund	22
East Capital Bering New Europe Fund	24
East Capital Power Utilities Fund	26
East Capital Special Opportunities Fund	28
East Capital Special Opportunities Fund II	30
East Capital (Lux) Eastern European Fund	32
Melon Fashion Group	34
TEO LT	36
East European Debt Finance (EEDF)	37
Populi	38
Wimm-Bill-Dann	39

Portfolio Overview

East Capital Explorer's portfolio comprises investments in East Capital funds, Direct Investments and Short-term investments. On 31 December 2010, total Net Asset Value amounted to EUR 430m, corresponding to EUR 12.33 per share. The fair value change of the total portfolio was 26 percent during 2010. Cash, cash equivalents and other short-term investments constituted approximately ten percent of the portfolio and amounted to EUR 44m, corresponding to EUR 1.27 per share, on 31 December 2010.

Portfolio on 31 December 2010	Acquisition value tEUR	Fair value 31 Dec 2010 tEUR	NAV/Share, EUR	% of NAV	Fair Value 31 Dec 2009, tEUR	Value in- crease 2010, % ¹
Fund Investments						
East Capital Bering Russia Fund	43,590	42,802	1.23	10	33,130	29.2
East Capital Bering Ukraine Fund Class A	11,039	7,881	0.23	2	1,745	16.8
East Capital Bering Ukraine Fund Class R	18,372	6,360	0.18	1	5,308	19.8
East Capital Bering Balkan Fund	49,938	42,007	1.21	10	35,262	4.3
East Capital Bering Central Asia Fund	29,478	25,361	0.73	6	20,989	20.8
East Capital Bering New Europe Fund	14,972	19,066	0.55	4	16,767	13.7
East Capital Power Utilities Fund	81,000	93,417	2.68	22	73,394	54.9
East Capital Special Opportunities Fund	35,000	58,581	1.68	14	39,293	49.1
East Capital Special Opportunities Fund II	35,000	37,065	1.06	9	0	5.9
East Capital (Lux) Eastern European Fund	18,250	15,391	0.44	4	11,467	34.2
Total Fund Investments		347,932	9.98	81	237,355	30.4
Direct investments						
Melon Fashion Group	9,941	13,800	0.4	3	10,402	32.7
TEO LT	11,963	15,177	0.44	4	8,860	34.3
East European Debt Finance (EEDF)	346	320	0.01	0	0	-7.6
Populi	3,604	3,604	0.1	1	0	-1.9
Wimm-Bill-Dann	6,835	7,137	0.2	2	0	4.4
Total Direct Investments		40,038	1.15	9	19,262	23.2
Short-term Investments						
Short-term investments		26,494	0.76	6	38,397	
Cash and cash equivalents		17,833	0.51	4	50,314	
Total Short-Term Investments		44,327	1.27	10	88,711	
Total Portfolio		432,297	12.4	101	345,328	
Other assets and liabilities net		-2,444	-0.07	-1	-3,958	
Net Asset Value (NAV)		429,853	12.33	100	341,369	25.9

¹ The value increase calculation is adjusted for investments and distributions during the period, i.e. it is the percentage change between the starting fair value plus any added investment during the period and the ending fair value plus any proceeds from divestments or dividends received during the period. It includes additional investments of EUR 5m into East Capital Bering Ukraine A and East Capital Bering Balkan, an investment of EUR 0.3m into East European Debt Finance, as well as the receipt of EUR 0.7m after tax as dividend from TEO LT, and the receipt of EUR 20.3m as dividend from East Capital Power Utilities Fund; and additional investments into TEO LT of EUR 3.0m and the new investments of EUR 35m into East Capital Special Opportunity Fund II, EUR 3.7m into Populi and EUR 6.8m into Wimm-Bill-Dann.

East Capital Bering Russia Fund

The East Capital Bering Russia Fund shares advanced 35% in 2010 and the net asset value of the fund reached EUR 127m of which East Capital Explorer holds 34%. RTS-2 index, which includes 78 companies on the Russian Trading System with limited trading volumes, outperformed the fund and was up by 68% in 2010. More than 40% of the RTS-2 index is comprised of large companies with EUR 5-8bn market capitalization in retail, energy and precious metals, while the fund invests only in companies with approximately EUR 1bn market capitalization. The smaller companies did not post as strong a recovery as their medium-sized peers over the course of the year.

Sector-wise, transportation and heavy machinery (FESCO, Nefaz) were best performers followed by consumer and retail (Rosinter, Verofarm, Novaya Liniya), materials (Korshunovsky GOK, Belon) and energy (Ufa NPZ, Halcyon). The worst performing sectors were construction (Bamtonnelstroy, Transsignalstroy, Centrenergogas) and banks (Bank CenterCredit, Bank Saint Petersburg).

FESCO was the top contributor to the fund performance. FESCO shares advanced 53% in 2010. FESCO was hit by large EUR 650m debt during the crisis (40 times debt to Ebitda in 2009), but during 2010 it managed to sell its 50% stake in National Container Company at 15 times 2010 Ebitda successfully turning into a net cash company. FESCO also participated in the Transcontainer IPO and purchased a 12% stake at 0.3 times its replacement value with the intention to buy a controlling stake. Fast recovery of imports helped the company to finish the 2010 year with around EUR 110m in Ebitda compared to EUR 15m in 2009. At the time of writing, the shares traded at roughly 7 times Ebitda 2011 and the East Capital board representative is taking an active role in shaping the new strategy of the company.

Rosinter shares were up 198% in 2010 and it was the next best contributor to the fund's performance. It successfully placed equity

during the first quarter of 2010 to deleverage and through the year has been publishing strong recovery in traffic in restaurants with sales growing at 20% year-on-year. Now Rosinter is in a growth stage and plans to grow by 15%-20% during the next three years. Management has indicated it will soon discuss a dividend policy, as well as mergers and acquisitions. It is trading at 9 times Ebitda 2011, which is almost in line with emerging market peers. This represents, however, a 50% discount on recent transaction multiples. For instance, PepsiCo recently acquired Wimm-Bill-Dann at 18 times Ebitda 2011.

Unfortunately, fund performance was negatively affected by construction companies Bamtonnelstroy and Transsignalstroy which were down 64% and 62% respectively.

Bamtonnelstroy revenues during the first nine months of 2010 contracted by 61% year-on-year, as the major shareholder decided to transfer its construction business out. 2010 revenues could be 75% below the levels expected at the beginning of the year. We believe deals were approved in violation of corporate law, and together with a pool of other minorities are taking measures to help solve the corporate governance case. The best exit would be to swap shares for the top holding company, SK Most.

The Transsignalstroy share price was weak after the second and third quarter results, which were far below our forecasts. Post-crisis funding of railroad construction projects is delayed, and revenues were not collected in full. The company told us that in 2011, railroad capital expenditures should return to normal levels at Russian Railroads, and Transsignalstroy revenues from that segment should recover. Transsignalstroy is trading 75% below peak levels in 2008, at EUR 40m market capitalization, compared to estimated EUR 150m revenues in 2011 and EUR 15-30m Ebitda.

Rosinter

Example of a company in the East Capital Bering Russia Fund

Rosinter Restaurants is Russia's leading casual dining restaurant chain, the first and only restaurant company to be listed on the Russian Trading System since 2007. The company operates over 360 outlets, of which more than 100 are franchised. Rosinter restaurants are widely presented in 41 big Russian cities, as well as in the CIS, Central Europe and Baltic markets. In Moscow it holds the biggest casual dining segment with 19% market share. Focus on key and faster developing cities allows the company to benefit from steadily growing demand and pick-up in discretionary spending. In terms of the company's operations, its primary cuisines include: Italian, Japanese, American and Russian. The company is also developing a joint venture with Costa Coffee, a chain with 32 coffee shops.

With the help of a strong management team, the company has successfully endured a couple tough years facing significant debt restructuring during the financial crisis, while simultaneously facing rapidly declining same store sales growth as Russian consumers went into defensive mode. With the duration of the balance sheet extended and USD 40m cash from the company's recent secondary public offering, the company is well-positioned to speed up development and expansion. In 2010, the company has continued its vigorous growth with Ebitda increasing 59% during nine months of the year. The Ebitda margin has substantially recovered and reached 10.5%, compared to 7.7% a year ago. Despite the crisis the company managed to open 137 restaurants during 2008-2010. In next two years the company's target is to reach above 450 restaurants in total, adding more than 100 restaurants over the period.

The company is 47% controlled by entrepreneur Rostislav Orlovsky-

Tanaevsky Blanco, who has played an active role in creating a modern restaurant market in Russia. In terms of valuation, Rosinter is trading at enterprise value 7.2 times Ebitda 2011 or in terms of price to earnings ratio 15.4 for 2011. Global peers are trading at enterprise value 8.5 times Ebitda and price to earnings ratio of 17.

Investment Facts:

The fund's first investment in the company: 2009

East Capital Bering Russia Fund's holding in the company: 3.3%

Learn more about the company at: www.rosinter.com

Recipient of the East Capital 2010 "Best Growth" Award.



Jacob Grapengiesser

Partner and member of the Portfolio Management team, East Capital



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 since inception: 33%

Management fee: 2%

Performance fee: 20% above high water mark

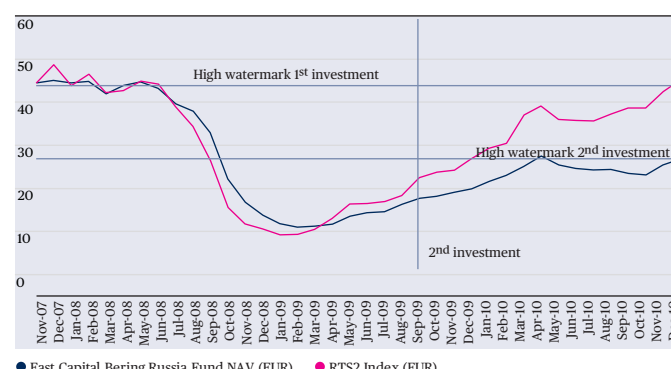
ISIN code: KYG290611014

Bloomberg: BERINGF KY

Benchmark index: RTS2 Index

East Capital Explorer's share of the fund on 31 December 2010: 34%

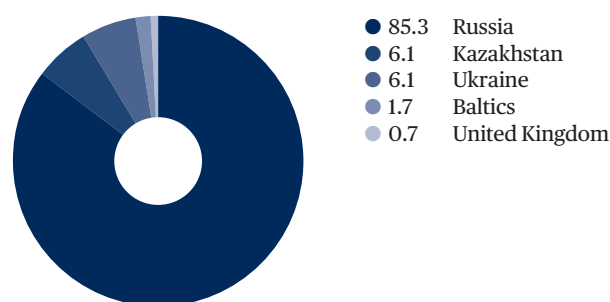
Fund performance since East Capital Explorer's first investment



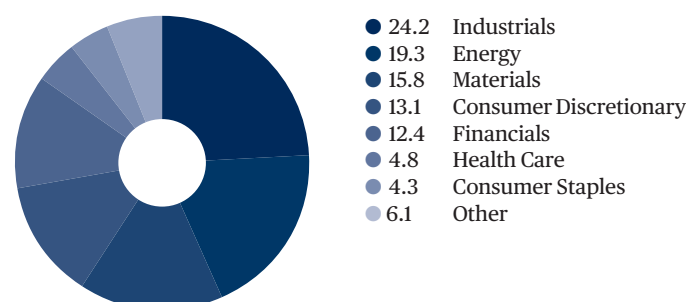
	2010	Since inception of the fund in June 2004
East Capital Bering Russia Fund, EUR	35%	230%
RTS2 Index, EUR ¹	68%	189%

¹The 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.

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
FESCO	11.5	9.2	53.4	Russia	Industrials
Rosinter	7.4	1.2	198.4	Russia	Consumer Discretionary
Kuzbassrazrezugol	7.4	8.7	4.3	Russia	Energy
Bank Tsentrkredit	5.9	9.7	-21.8	Kazakhstan	Financials
Korshunovsky GOK	5.5	4.4	53.4	Russia	Materials
Verofarm	4.4	3.3	77.7	Russia	Health Care
Neftekamsky Avto	4.2	5.3	-1.3	Russia	Industrials
Nova Liniya	4.0	4.5	9.8	Ukraine	Consumer Discretionary
Ufimsky NPZ	3.4	2.8	53.7	Russia	Energy
Wimm-Bill-Dann	3.2	0.0	204.0	Russia	Consumer Staples

10 largest holdings (% of portfolio)

56.9

Unlisted holdings (% of portfolio)

8.6

Total number of holdings

105

*Change in share price during 2010 in EUR.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost (MEUR)	Fair value 31 Dec 2009 (MEUR)	Fair value 31 Dec 2010 (MEUR)	Value change 2010	Value change since investment
1 December 2007	537,844	23.6	10.7	14.5	35%	-39%
1 October 2009	1,122,961	20.0	22.4	28.4	27%	42%
Total investment	1,660,805	43.6	33.1	42.8	29%	-2%

East Capital Bering Ukraine Fund A

2010 was an exceptionally good year for the East Capital Bering Ukraine Fund A. The combination of affirmative sentiment, rebounding global markets, improving company fundamentals, as well as some specific domestic peculiarities (e.g. privatization story of Gencos, merger and acquisition activity, etc.) rewarded 76% of the fund's holdings with double digit growth during the year. The fund as a whole grew 84% in 2010 becoming the best performing fund in East Capital's fund universe. As of 8 February 2010, the decision was taken to facilitate the management of the fund by spinning-off the private equity holdings into Bering Ukraine Fund R.

We started off 2010 having positioned ourselves for a post-presidential election rally in Ukraine. Our bet that the most liquid large capitalization companies would be the ones riding the bull in the aftermath of a new government formation and resumption of International Monetary Fund assistance played out well. Notably, in the first quarter the fund delivered the single largest quarterly performance of the year returning 94%. In fact, the Bering Ukraine Fund outperformed the PFTS Stock Exchange index in the first, second and third quarters of 2010. The fund lagged the index only in fourth quarter when a handful of large-index constituencies rallied on what appeared to be largely speculative stories. For the whole year, our over-performance landed at 0.3 percentage points above the index. Even though comparing the Bering Ukraine fund with the benchmark index became more reasonable after the fund-split, it remains far from straightforward as our fund is significantly more diversified compared to the PFTS index, which is primarily weighted on oil and gas, engineering, metals and mining and telecommunications sectors.

The single largest contribution to the fund's performance was deliv-

ered by the largest holding Gal Naftogaz, retailer of fuel and consumer goods with a domestic market share of 12%. As a well-managed company, it continuously delivered strong operational and financial results in 2010 and fueled investor interest having announced its ambitious expansion plans. As a result, the stock soared 130% in 2010. We met Gal Naftogaz several times during 2010 and believe, however, that the stock is approaching its fair value. Therefore, we have been reducing our position in the company and taking some profits.

Like Gal Naftogaz, Slavutich, the Ukrainian subsidiary of the world's fourth largest brewery, Carlsberg Group, grew on improving fundamentals. In 2010, the stock, which suffers from poor liquidity, added 81%. Another rather illiquid holding, Retail Group, which operates 47 stores in Ukraine and 10 in Moldova under the brand name Velykaya Keshenya, increased 470% in 2010. We believe that the share will continue receiving support as Ukraine posts encouraging growth figures in retail sales, consumer confidence and purchasing power.

Tsentr Energo, the second largest public electricity generating company in Ukraine in terms of installed capacity, rallied throughout the year on sector and company specific news. The share added 59% in 2010 on awaited electricity tariff increase for households as well as expectations on resumed privatization of the sector.

In April 2010 East Capital participated in the first Ukrainian IPO since May 2008 when Avangard, the largest egg producer in the CIS, placed 20% of its share capital and became the second Ukrainian company to offer global depositary receipts (GDRs) on the London Stock Exchange. Since the initial public offering, the stock decreased 1.9%.

Kreativ Gruppa

Example of a company in the East Capital Bering Ukraine Fund A

Kreativ Gruppa is Ukraine's largest domestic producer of vegetable fats and margarines with a market share of 39%. It is also the sixth largest exporter of sunflower oil from Ukraine - a country that in 2009 and 2010 was the largest sunflower oil producer in the world. The company has a crushing capacity of 400,000 tons per year and operates at full capacity. Sunflower seeds are processed in-house at a brand-new oil extraction plant. Sunflower oil obtained during the crushing process is used in production of confectionary and modified fats (58% of revenues) as well as in production of sunflower oil and bottled oil (30% of revenues). Kreativ further operates a soybean processing plant that produces high-protein products for the food processing industry, fodder meal and soybean oil. In April 2011, the company plans to more than double its soya processing activities by launching a second line at the plant.

Kreativ started operations as a small grain trader in 1991, and has ever since been in the process of expansion. To be able to finance the construction of aforementioned plants, it placed 23% of its shares on the Frankfurt Stock Exchange in 2007. A total of EUR 23m was raised. East Capital participated in the placement seeing an attractive opportunity to be part of a growth story. In August 2010, the CEO revealed that Kreativ is planning to build a second oil extraction plant with a total annual capacity of 500,000 tons of seeds by mid-2012. Moreover, the company aims to launch a new complex that will focus on a new segment - pork production.

During 2010, the share of Kreativ Gruppa went up by 99% reaching a market capitalization of EUR 115m. The liquidity of the stock

is however low. In order to improve it, Kreativ in the second half of 2010 completed a stock split and performed a dual listing whereby its shares were admitted to trading on the Ukrainian Exchange. The long-term ambition of the company, following the example of a handful of Ukrainian agro companies such as Kernel, Astarta and Agroton, is to carry out a listing on the more attractive Warsaw Stock Exchange.

Due to the strong operational outlook coupled with attractive valuations at an enterprise value of 4.7 times estimated 2011 Ebitda and price-earnings ratio of 3.4, we have been increasing our position in Kreativ Gruppa. As of the end of December 2010, it was the third largest holding representing 9.2% of the fund's holdings.

Investment facts:

The funds first investment in the company: 2007
East Capital Bering Ukraine Fund A's holding in the company: 2.34%

Learn more about Kreativ Gruppa at: www.kreativ-group.com.ua/en/

Aivaras Abromavicius

Partner and member of the Portfolio Management team, East Capital



Fund facts

Aim of the fund

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities. Since 1 January 2010, the East Capital Bering Ukraine fund is split into two classes: East Capital Bering Ukraine Fund Class A, comprising listed holdings; and East Capital Bering Ukraine Fund Class R that comprises the illiquid private equity assets. Investments in the Fund are closed for four years. During this period redemptions can be associated with certain fees payable to the Fund.

Launch date: 29 July 2005

Risk: High

Volatility since inceptions: 37%

Management fee: 2%

Performance fee: 20% above high water mark

Redemption fee: Investor's first year 20%, second year 15%, third year 10%; fourth year 5%.

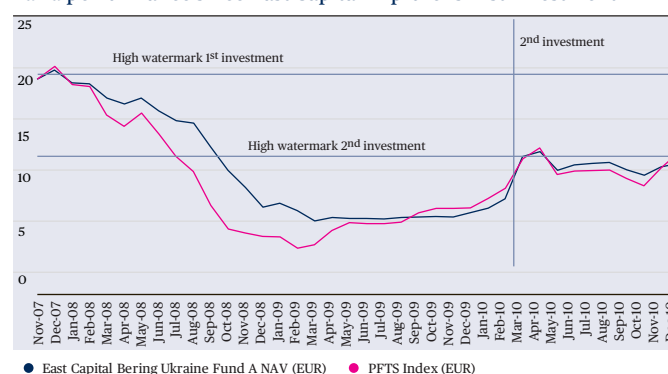
ISIN code (master series): KYG290651028

Bloomberg: BERINGU KY

Benchmark index: PFTS Index

East Capital Explore's share of the fund on 31 December 2010: 29%

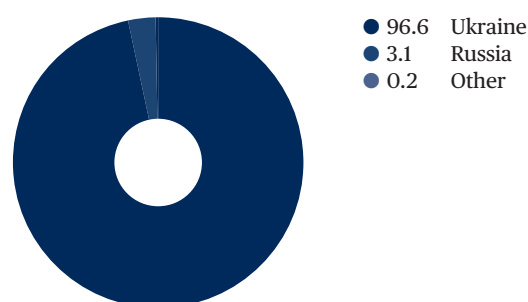
Fund performance since East Capital Explorer's first investment



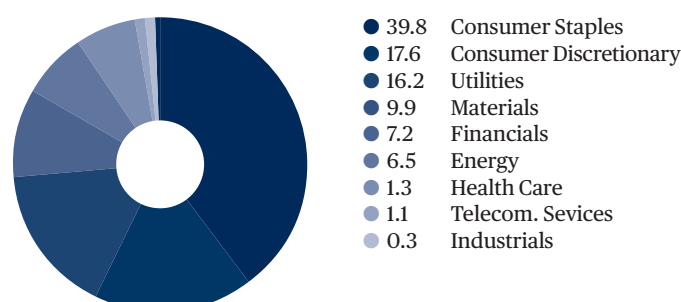
	2010	Since inception of the fund in July 2005
East Capital Bering Ukraine Fund A, EUR	84%	30%
PFTS Index, EUR ¹	87%	81%

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

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Gal Naftogaz	14.3	4.3	129.6	Kazakhstan	Consumer Discretionary
Tsentr Energo	12.6	3.2	58.7	Ukraine	Utilities
Kreativ Gruppa	9.2	2.3	98.9	Ukraine	Consumer Staples
Retail Group	8.5	0.5	469.6	Ukraine	Consumer Staples
Slavutich	8.1	1.3	80.7	Ukraine	Consumer Staples
Avangard	5.4	0.0	-1.9	Ukraine	Consumer Staples
Ukr Nafta	5.2	0.6	295.6	Ukraine	Energy
Bank Forum	4.4	2.1	9.7	Ukraine	Financials
Poltavsky GOK	3.8	1.0	63.2	Ukraine	Materials
Russkoe Zerno	2.9	1.2	3.6	Russia	Consumer Staples

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
74.4	0.5	34

* Change in share price during 2010.

East Capital Explorer's Investment						
Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010*	Value change since investment
1 January 2008	299,901	6.0	1.7	3.2	83%	-47%
1 April 2010	438,740	5.0	-	4.7	-6%	-6%
Total investment	738,641	11.0	1.7	7.9	17%	-29%

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

East Capital Bering Ukraine Fund R

The East Capital Bering Ukraine Fund Class R is a spin-off from the East Capital Bering Ukraine Fund that prior to the split consisted of over 70% private equity holdings. On 8 February 2010 the unlisted holdings were spun-off, and a separate class of non-redeemable Class R Shares with respect to the Fund's less liquid assets was created. East Capital carried out the restructuring to achieve superior management of the listed holdings and meet quarterly liquidity demands. The aim of achieving long-term capital appreciation of the private equity holdings remains unchanged.

The fund kept the same composition of holdings throughout the year. Real Estate is the largest sector allocation in the Bering Ukraine R Fund representing a share of 41% invested in two real-estate vehicles - Kantik and Henryland. Both of them are developing shopping malls for Nova Liniya, the do-it-yourself chain, which is the single largest holding in the fund.

Since the spin-off in February 2010, the value of the fund increased by 20%, which is a reflection of the improving fundamentals of the unlisted holdings. We made upwards-revisions of Kantik and Henryland in the second and third quarters to account for the strong operating cash flows generated by the portfolio properties. The year-end valuation by an independent appraisal evaluated the slight yield compression, escalation of rental rates, and decrease in net debt, which also resulted

in a conclusion to appreciate the value of Kantik. In 2010 Kantik's value increased by 54%. Settlement of some of the outstanding construction cost payables at one of the properties in addition to the abovementioned factors, were the underlying reasons behind revaluation of Henryland. In 2010, Henryland increased by 41%.

The value of Nova Liniya grew 18% in 2010. Major appraisal was done at the end of the year when an external valuator took the decision to decrease the weighted average cost of capital by 3 percentage points. Going forward, we believe that Nova Liniya, normally a latecomer in the business cycle, could see stronger revenue growth in 2011 compared to 2010.

The Chumak holding underwent an external valuation performed by Ernst & Young, which resulted in a decision to write down the value of Chumak by 10% on 31 January 2011. The formal valuation followed a preliminary finding by the valuer, which resulted in writing down the value of Chumak by 5% at the end of the reporting period. This producer of ketchup, mayonnaise and pasta achieved a satisfactory boost in sales volumes during 2010 relying on aggressive marketing campaigns. However, price deflation of tomato paste, higher input prices for mayonnaise and also worse than expected performance of the pasta segment impacted the margins.

Kantik Enterprises Ltd and Henryland Group Ltd

Example of companies in the East Capital Bering Ukraine Fund R

Kantik and Henryland are two private real estate companies in Ukraine which together comprise the largest holding of Bering Ukraine R. Both companies pursue a similar strategy, which is to develop shopping centers in Ukraine. The combined portfolio now consists of seven income producing assets with a total area over 105,000 square meters and four development projects. All properties are either fully occupied or anchored by stores of Ukraine's second largest do-it-yourself operator, Nova Liniya, which is also the single largest holding of Bering Ukraine R.

The investment rationale behind this investment is to capitalize on a promising retail market and take advantage of severe structural undersupply of retail space in the country, an investment thesis which is still valid after the financial crisis. In addition, the two companies gave a unique opportunity to capture high return on the invested equity typical for development projects in Ukraine.

2010 was an important milestone year for the both companies. In Kantik the single most important event was opening of the Modulj shopping center in a Kiev-satellite town of Bucha in March of 2010. The construction of Bucha was suspended during the crisis and so its completion was a first step back to the company's initial strategy. Bucha was a test of new and more profitable shopping center concept by the company and as it proved to be a success, the concepts of other properties will be adjusted accordingly and all properties will be re-branded under a common name "Modulj". On the back of the Bucha roll-out and decrease in net debt through operating cash flow resulting from the performance of Kantik, the company grew by 54% based on net asset value.

In Henryland this year's most important event was the opening of a new Odessa property in September of 2010. Unlike Bucha of Kantik, the construction of Odessa started and was fully completed in the course of 2010 and so the company was able to take full advantage of the current distressed construction costs. During the year Henryland's performance was 41%.

We anticipate that NAV growth in both Kantik and Henryland will

continue next year driven by revaluation of properties as both companies are well positioned to benefit from property yield compression in Ukraine.

Investment facts:

The fund's first investment in Kantik Enterprises Ltd: 2006

The fund's first investment in Henryland Group Ltd: 2007

East Capital Bering Ukraine Fund R's holding in Kantik Enterprises is 41.9% (an additional 8.2% is held through East Capital Bering Russia Fund).

East Capital Bering Ukraine Fund R's holding in Henryland Group is 42.4% (an additional 8.1% is held through East Capital Bering Central Asia Fund).

Aivaras Abromavicius

*Partner and member of the Portfolio
Management team, East Capital*



Fund facts

Aim of the fund

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities. Since 1 January 2010, the East Capital Bering Ukraine fund is split into two classes: East Capital Bering Ukraine Fund Class A, comprising listed holdings; and East Capital Bering Ukraine Fund Class R that comprises the illiquid private equity assets. The East Capital Bering Ukraine Fund Class R currently comprises seven unlisted companies in Ukraine.

Launch date: 31 July 2005

Risk: High

Volatility since inception: 15%

Management fee: 2%

Performance fee: 20% above high water mark

Redemption fee: 0%

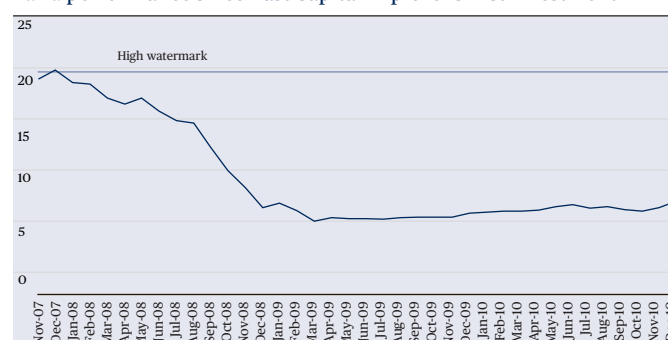
ISIN code: KYG290651028

Bloomberg: BERINGU KY

Benchmark index: n/a

East Capital Explore's share of the fund on 31 December 2010: 12%

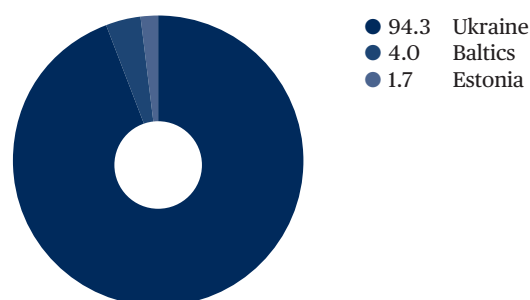
Fund performance since East Capital Explorer's first investment



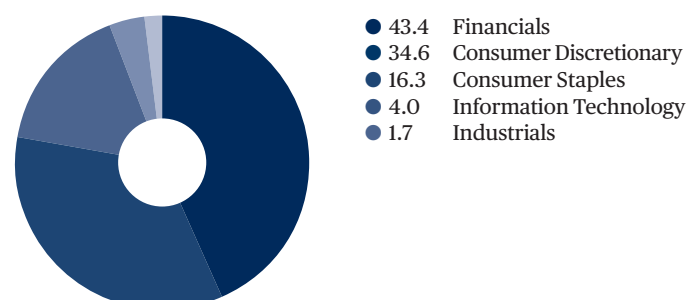
● East Capital Bering Ukraine Fund R NAV (EUR)

	2010	Since inception of the fund in July 2010
East Capital Bering Ukraine Fund R, EUR	20%	-15%

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Largest holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Nova Liniya	33.9	36.1	17.5	Ukraine	Consumer Discretionary
Kantik	21.5	19.9	54.4	Ukraine	Financials
Henryland	19.9	17.6	41.1	Ukraine	Financials
Chumak	16.0	17.0	-5.4	Ukraine	Consumer Staples
Elko	3.9	3.3	46.6	Baltics	Information Technology
Trev-2 Grupp	1.7	2.1	-20.4	Estonia	Industrials
Sablink	1.1	1.3	-4.1	Ukraine	Financials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
100	100	7

* Change in share price during 2010.

East Capital Explorer's Investment

Date of investment*	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010	Value change since investment
1 January 2008	912,395	18.4	5.3	6.4	20%	-65%

* Date of investment refers to the original investment in East Capital Bering Ukraine Fund that was made before the fund was split into two.

East Capital Bering Balkan Fund

The East Capital Bering Balkan Fund gained 11% in EUR terms in 2010.

Romanian investment fund Fondul Proprietatea, the largest holding in the fund with a 24% weighting, gained 123% during 2010. During the fourth quarter, Fondul Proprietatea paid dividends yielding 31% after tax, based on the average acquisition price of the shares in the fund. See the portfolio comment regarding East Capital Special Opportunities Fund below for details regarding recent performance and events in the portfolio company including its initial public offering.

In Turkey, the two consumer goods companies in the East Capital Bering Balkan Fund, Pinar Sut and Pinar Et had a strong performance, gaining 115% and 69%, respectively in 2010. The companies grew their revenues by around 20% year-on-year during the first nine months of 2010. Both companies are known to investors as high dividend payers, with a dividend yield of close to 10%.

The performance of the fund was negatively impacted by B92, the Serbian media company. Throughout 2010, we were actively trying to convince the management to accept that a strategic owner should buy a majority stake of the company. This has not been an easy task, as the management owned close to a majority, and together with a management-friendly shareholder, a majority. The reason for allowing a strategic owner to get a majority stake is threefold: 1) To better control costs, 2) To work to increase viewer ratings, and 3) To achieve a potential trade sale, which could entail a very good return on the invest-

ment. During the summer, we found our preferred partner in terms of a strategic owner that could achieve the above three goals. Together with this strategic partner, we entered into a complicated deal whereby the strategic owner and East Capital were the only buyers of newly-issued shares, at a very low price, and two other shareholders were bought out. The transaction price was very favorable, however as a result the existing shares have been significantly revalued downwards (by 84% in 2010) to the average price for the transaction, which we believe is very low. At the current price and taking into account the financial expectations after restructuring, B92 is valued at an enterprise value of 3.3 times Ebitda for 2012, a 60-70% discount on peer valuations. Therefore, based on a successful turnaround, which has become far more likely with the new ownership structure and management, B92 shares should offer significant upside in the mid-term.

Montenegro Telekom

Example of a company in the East Capital Bering Balkan Fund

Montenegro Telekom is the leader in the telecommunications sector in Montenegro. The company's current market capitalization is EUR 190m and Montenegro Telekom's market share is around 40% in the mobile segment and around 90% in the fixed line business. In addition, the company is a leader in broadband. Although mobile penetration in Montenegro is high, the sector still offers potential as Montenegro is developing itself as an attractive touristic destination. The company has successfully rolled out a 3G network across Montenegro's territory and is thus ready for higher data traffic in the future.

Montenegro Telekom has a strong foreign owner in the form of Magyar Telekom of Hungary (part of Deutsche Telekom) which owns 77% of the company. In 2009, Montenegro Telekom merged three business units in order to increase efficiency, but this also made room to pay out a large portion of its significant net cash position to shareholders, as the company avoided multiple taxation levels which would have applied in a former, vertical structure. The strong cash flow generation of the company, coupled with its large cash position (which we expected to be paid out during the year) was the main reason for us holding the stock in our fund. In addition, the very attractive valuation (price-earnings ratio of 6 times and an enterprise value of 3 times estimated 2010 Ebita results), a good corporate governance that was confirmed during our meetings with the company, and a EUR denominated economy lead us to increase our position in Montenegro Telekom in the second part of 2010.

The stock gained 58% during 2010. On the back of improving domestic economy, good operational results and maintenance of high dividend payout ratio of close to 100%, which should result in an expected dividend yield of 13%, we remain positive regarding our investment in the company.

Investment facts:

The fund's first investment in the company: 2009

East Capital Bering Balkan Fund's holding in the company: 1.26% (an additional 0.11% held through East Capital directly)

Learn more about Montenegro Telekom at: www.telekom.me

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Jacob Grapengiesser

Partner and member of the Portfolio Management team, East Capital



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 since inception: 36%

Management fee: 2%

Performance fee: 20% above high water mark

Redemption fee: Investor's first year 20%, second year 15%, third year 10%; fourth year 5%.

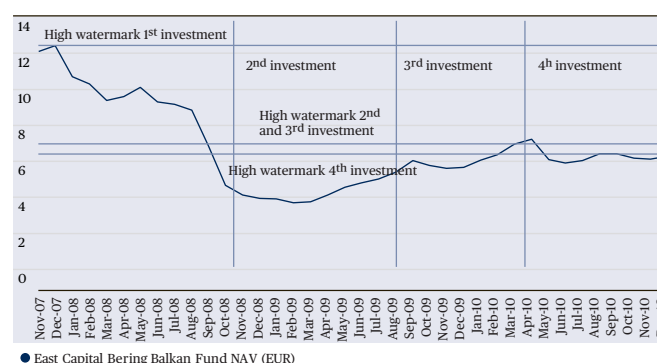
ISIN code: KYG290601031

Bloomberg: BERINGB KY

Benchmark index: The fund currently has no relevant benchmark index

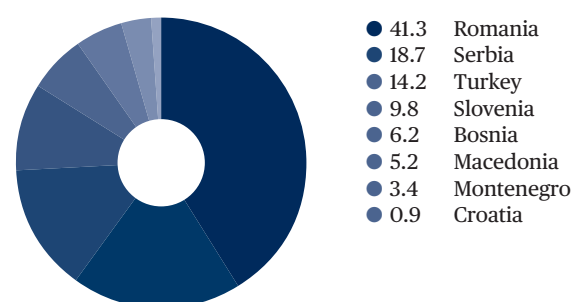
East Capital Explore's share of the fund on 31 December 2010: 52%

Fund performance since East Capital Explorer's first investment

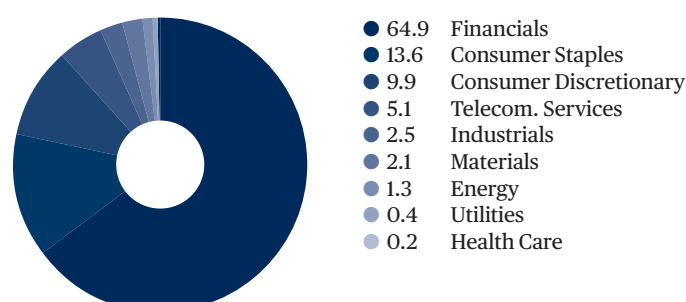


	Since inception of 2010 the fund in July 2006
East Capital Bering Balkan Fund, EUR	11% -19%

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Fondul Proprietatea	23.5	12.7	122.7	Romania	Financials
Pinar Et Ve Un	7.3	4.7	68.7	Turkey	Consumer Staples
Abanka	6.0	6.7	-8.1	Slovenia	Financials
B92	5.2	8.1	-84.0	Serbia	Consumer Discretionary
Komercijalna Banka Skopje	4.5	0.0	19.5	Macedonia	Financials
Aik Banka	2.9	2.4	-0.7	Serbia	Financials
Pinar Sut	2.7	1.9	114.9	Turkey	Consumer Staples
Montenegro Telekom	2.6	1.1	57.7	Montenegro	Telecommunication Services
Impact	2.5	4.1	-37.4	Romania	Financials
Agrobanka	2.4	3.3	-26.2	Serbia	Financials

10 largest holdings (% of portfolio)

59.6

Unlisted holdings (% of portfolio)

31.1

Total number of holdings

67

*Change in share price during 2010.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010*	Value change since investment
1 December 2007	2,089,038	24.9	11.8	13.0	11%	-48%
1 December 2008	2,449,648	10.0	13.9	13.8	-1%	38%
1 October 2009	1,682,166	10.0	9.5	10.2	7%	2%
1 June 2010	815,353	5.0	-	5.0	-1%	-1%
Total investment	7,036,206	49.9	35.3	42.0	4%	-16%

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

East Capital Bering Central Asia Fund

In 2010 the East Capital Bering Central Asia Fund fund grew 26% compared to a 4.9% gain of the KASE index, our benchmark. Looking back at the fund performance over the year, we note that most of our calls made at the end of 2009 and early 2010 played out well. We were bullish on Bank of Georgia, the largest holding at the start of the year, and the stock surged 144% in EUR terms over the period allowing the fund to overperform the KASE index by a wide margin. The bank remains well capitalized, has a liquid balance sheet, a good quality loan book, and trades at 1.5 times book value for 2011, or a 23% discount to Russian peers. As we wrote in the 2009 year-end report, during the fourth quarter of 2009 we sold our entire position in Kazkommerzbank concerned with the bank's asset quality issues and added shares in Halyk bank, which stood out due to better quality of its assets. To our satisfaction Halyk closed the year posting a gain of 15%, while Kazkommerzbank shed almost one third of its value over the period. Bank CenterCredit, which lost 22% in 2010, has not yet fulfilled our expectations, but, with the expectations of broader recovery in the Kazakh banking sector pushed towards second half of 2011, we believe that we would see a stronger performance from the bank this year. However, it could take another one or two years for the Kazakh banks to return to the normalized level of earnings.

Our feature company from 2009 year-end report, Dragon Oil, an oil and gas producer with assets in Turkmenistan, and third largest holding in our fund, was another outperformer gaining 34%. The stock declined in the first half of 2010 due to issues related to the change of company's transportation route from Iran to Azerbaijan, but was lifted in late 2010 on the back of robust production results. With plenty of cash on its balance sheet the company is now reviewing opportunities for new acquisitions in the region and is well on track to generate from 10% to 15% production growth up to 2015 organically. As we increased exposure to Dragon Oil in early 2010, it had a positive impact on overall fund performance. On the negative side, Kazmunai Gas EP, our second largest holding, lost 11% over the year pressured by a strike in early 2010, uncertainty over the oil tax regime, and rumors of the mother company's initial public offering. Currently we see upside in the name and therefore increased its weighting throughout 2010.

Among small caps, Chagala Group, provider of hotel and serviced apartments to oil companies operating in the Caspian, increased by 17% on improved sentiment in the region.

KazmunaiGaz EP

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

KazmunaiGaz Exploration Production (KMG EP) is the largest listed Kazakh oil producer with a market capitalization of USD 9bn. The company was formed in 2004 by spinning off and merging two on-shore assets from the mother state-owned company National Company KazmunaiGas. KMG EP was listed in London in 2006. The company's 2P reserves are approximately 234 million tons (1,725m barrels). In 2010 KMG EP's share in Kazakhstan's total oil production of 80m tons was 20% with daily production averaging 270k barrels of oil per day. KMG EP benefits from very close relationship with its mother company and enjoys a unique advantage of the right of first refusal whenever on-shore oil or gas assets are on sale. Recent acquisitions account for the fact that the share of dividends from subsidiaries is about one third of the company's net income and cash position of KMG EP exceeds the book value of any stand-alone Kazakh bank. Declining production at KMG EP's mature core assets has been one of the key concerns for the past couple of years, but the company is working on a plan to bring production back to its peak. Next year KMG EP plans to increase capital expenditures by 15% as it will be drilling more wells and expanding exploration. In 2010 KMG EP's stock price was affected by the strike at its core production unit, rumors of the possible initial public offering of its mother company, purchase of a USD 1.5m bond from the latter and reintroduction of oil export duty raised from USD 20 to USD 40 by end of 2010. Despite those concerns, we see value in this company because of its unique position as industry consolidator, excellent cash generating capacity and reasonable valuation. KMG EP is currently trading at an enterprise value of 5.3 times 2011 estimated Ebitda, 6.3 times 2011 estimated price-earnings ratio and a 25% discount to its Russian peers. KMG EP is currently the second largest holding in our portfolio.



Investment facts:

The fund's first investment in the company: 2007
East Capital Bering Central Asia Fund's holding in KazmunaiGaz EP: 0.13% (an additional 0.58% held by other East Capital Funds)

Learn more about KazmunaiGaz EP at: www.kmg.kz

Aivaras Abromavicius

Partner and member of the Portfolio Management team, East Capital



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 since inception: 30%

Management fee: 2%

Performance fee: 20% above high water mark

Redemption fee: Investor's first year 20%, second year 15%, third year 10%; fourth year 5%.

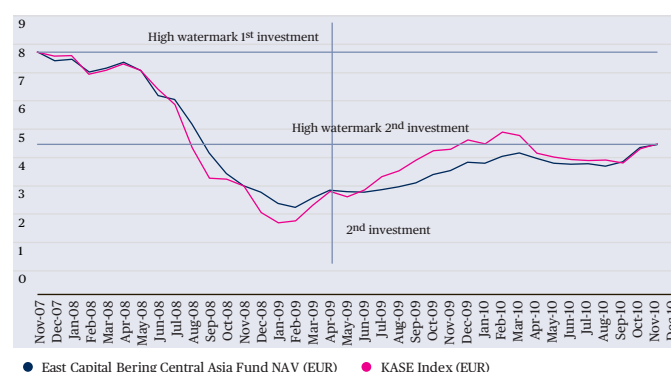
ISIN code: KYG2906R1048

Bloomberg: BERINGC KY

Benchmark index: KASE Index

East Capital Explore's share of the fund on 31 December 2010: 41%

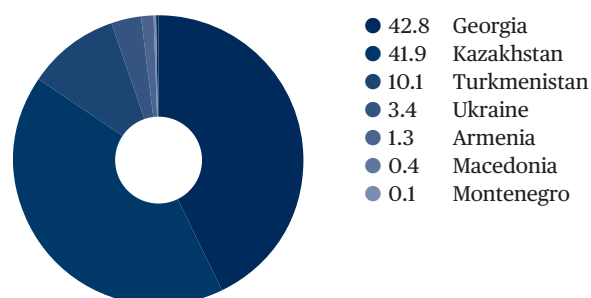
Fund performance since East Capital Explorer's first investment



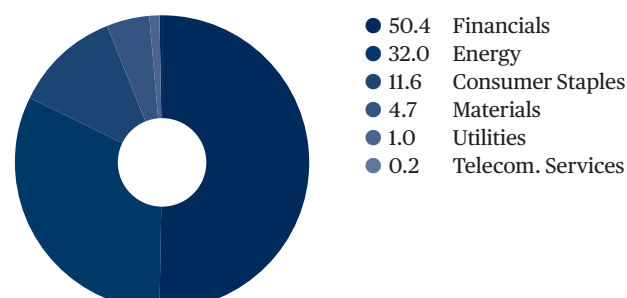
	2010	Since inception of the fund in February 2007
East Capital Bering Central Asia Fund, EUR	26%	-41%
KASE Index, EUR ¹	4.9%	-44%

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

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Bank of Georgia	28.3	16.1	143.6	Georgia	Financials
Kazmunai Gas EP	12.8	13.8	-10.6	Kazakhstan	Energy
Dragon Oil	9.5	10.2	33.7	Turkmenistan	Energy
Bank CenterCredit	7.5	11.1	-21.8	Kazakhstan	Financials
Caucasus Agro Development	6.0	6.9	-4.2	Georgia	Consumer Staples
Chagala Group	5.3	4.7	16.7	Kazakhstan	Energy
Halyk Bank	4.6	4.2	14.6	Kazakhstan	Financials
Populi	3.7	4.1	-22.9	Georgia	Consumer Staples
Henryland	3.3	2.7	31.9	Ukraine	Financials
Steppe Cement	2.0	1.7	-19.9	Kazakhstan	Materials

10 largest holdings (% of portfolio)

83.0

Unlisted holdings (% of portfolio)

13.9

Total number of holdings

109

* Change in share price during 2010.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010	Value change since investment
1 January 2008	2,486,454	19.5	8.8	11.1	26%	-43%
1 June 2009	3,447,506	9.9	12.2	14.3	17%	44%
Total investment	5,933,960	29.5	21.0	25.4	21%	-14%

East Capital Bering New Europe Fund

The East Capital Bering New Europe Fund fund had a 16% performance in 2010. The fund has no relevant benchmark but in its universe was very mixed: the Polish middle capitalization company index gained 24%, BUMIX the Hungarian index lost 6.5%, the Czech PXGLOB index gained 18%, the Slovak SAX index lost 14% and finally the OMX Baltic index gained 53%. So since inception the fund returned 21%, while the largest universe Polish middle capitalization company index lost 24%.

The year started positively for the fund however the largest universe the Polish small caps reached challenging valuations like 15-16 times price-earnings ratio. The strategy focused on participating in initial and secondary public offerings in Poland rather than on listed stocks and also looked outside Poland. During the year we participated in eight selected initial and secondary public offerings in total. One of the fund's large transactions included participation in the secondary public offering of Mennica, a Polish coin producer with a lot of non-core assets. The company is currently positioned number three in the fund, but it underperformed in 2010 as it had a performance of -8%. During the spring there was a bigger correction in the market due to the eurozone debt problems which also influenced the stocks in our universe. Our small cap holding in Polish Bank BPH was hit as well, which actually recovered but still finished 2010 20% down.

During the summer the fund participated in the initial public offering of Morpol, Europe's largest salmon processing company. The company is Polish but listed in Norway and currently holds the top position in

the fund. The valuation looked very attractive with a perspective price-earnings ratio of 6-7 times, as compared to the Polish market. We still see a potential upside and revaluation with this company, however as it has made several acquisitions, the market has been cautious. The stock lost 1% during the year, also making the position a relative negative contributor for the fund. On the positive side, however, we find RFV, a Hungarian energy saving company, is now number two position in the fund. The company won big projects making the stock one of the best performing asset in the fund. The stock finished the year up 59%, but it was up 100% until September as the Hungarian government announced its pension system changes which caused a large drop in Hungarian small caps. Similar story with the fund's number four position, the Hungarian geothermal company Pannergy gained only 3% during 2010 as it was also hit during the fourth quarter. Actually we see both cases are very strong fundamentally.

The fund held nearly 10% of its holdings in the Baltics, where we made good returns such as Eesti Ekspress which was acquired in a secondary public offering had 65% performance and ELKO which is a non-listed Latvian IT wholesaler that was revalued by 37%. We made good returns on some of our bigger Polish positions like thermal coal miner Bogdanka gaining 51% and construction company Budimex gained 45%. For 2011 we still see selected potential in Poland, with good rebound possibilities in Hungary, Slovakia and Czech small capitalization companies.

Pannergy

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



As the legal successor of the Hungarian plastic processing company Pannonplast with a past of nearly a hundred years, PannErgy has been founded to implement a strategy concerning the utilization of renewable energy resources. The company has EUR 69m market capitalization. Pannergy would like to use Hungary's exceptionally favorable position regarding geothermal energy, as geothermal resources are easily available compared to other areas and there is an abundance of underground waters to supply the heat. In 2007, PannErgy set an objective to heat at least 70,000 flats (3.5m gigajoules) with geothermal energy using

the district heating systems in Hungary and to produce a minimum 60-70 megawatts net built-in capacity by building several geothermal plants. Geothermal energy is one of the most environment-friendly and cleanest energies. Using geothermal energy leads to reduced carbon dioxide emissions and may ease Hungary's dependence on gas supplies.

During the spring of 2009, the company achieved its first successful drilling in Szentlőrinc in South West of Hungary. After this step and also attractive share prices, we invested into the company with Bering New Europe Fund. In June 2010, Pannergy signed an agreement with the Szentlőrinc municipality to supply geothermal heat for approximately 900 flats and the service started by the end of 2010.

Another breakthrough in the company's history was the successful drilling in Miskolc, Hungary's second largest city in October 2010. The heating service is planned to be started by the end of 2011 and 3 megawatt electricity production is also possible. Pannergy continues with other projects and already is in a drilling phase in Gödöllő, a city nearby Budapest. It has another 14 projects in Hungary, where they are mostly in the area selection phase. The company is also negotiating and exploring opportunities in 15 cities in the neighboring countries such as Serbia, Slovakia, Croatia, Slovenia, Romania and Bosnia.

Investment facts:

The fund first investment in the company: 2009

East Capital Bering New Europe Fund's holding in the company: 1.84% (an additional 2.64% held through East Capital Eastern European funds)

Learn more about Pannergy at: www.pannergy.hu

Andras Szalkai

Member of the Portfolio

Management team, East Capital



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: 1 May 2008

Risk: High

Volatility since inception: 30%

Management fee: 2%

Performance fee: 20% above high water mark

Redemption fee: Investor's first year 20%, second year 15%, third year 10%; fourth year 5%.

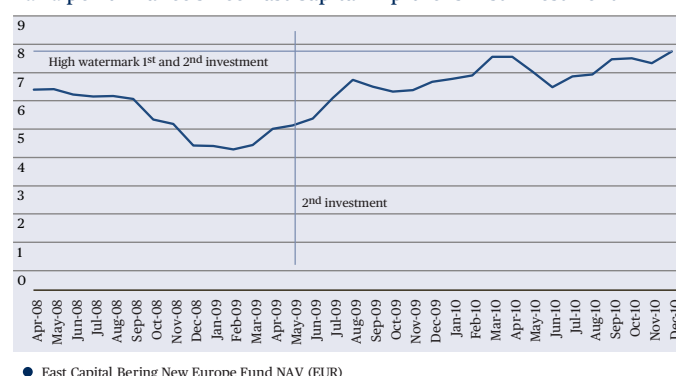
ISIN code: KYG2906N1034

Bloomberg: BERINGN KY

Benchmark index: The fund does not have a relevant benchmark index

East Capital Explorer's share of the fund on 31 December 2010: 86%

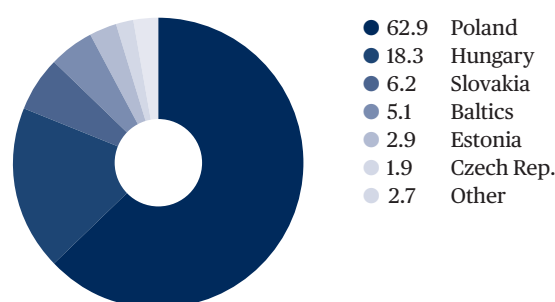
Fund performance since East Capital Explorer's first investment



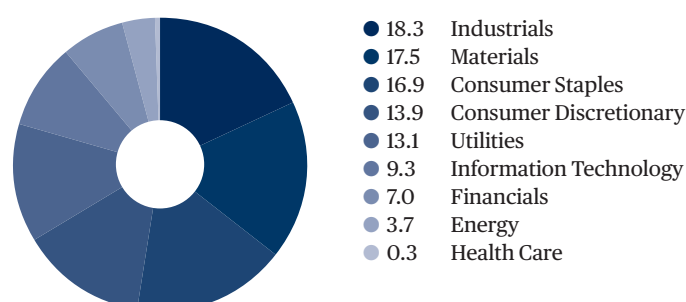
● East Capital Bering New Europe Fund NAV (EUR)

	2010	Since inception of the fund in May 2008
East Capital Bering New Europe Fund, EUR	16%	21%

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Morpol	13.2	0.0	-1.0	Poland	Consumer Staples
RFV Nyrt	10.3	7.9	58.5	Hungary	Utilities
Mennica Polska	8.0	0.0	-7.9	Poland	Materials
Pannenergy	5.8	6.2	2.7	Hungary	Materials
ELKO	4.9	3.9	37.0	Baltics	Information Technology
Budimex	4.8	4.4	44.5	Poland	Industrials
Warimpex Finanz	4.3	4.2	11.8	Poland	Consumer Discretionary
Asseco Slovakia	4.0	4.5	0.4	Slovakia	Information Technology
Bank BPH	3.7	5.0	-19.7	Poland	Financials
Bogdanka	3.3	5.1	50.5	Poland	Energy

10 largest holdings (% of portfolio)

62.3

Unlisted holdings (% of portfolio)

7

Total number of holdings

60

* Change in share price during 2010.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010	Value change since investment
1 May 2008	1,560,000	10.0	10.4	12.1	16%	21%
1 June 2008	956,098	5.0	6.4	7.0	9%	40%
Total investment	2,516,097	15.0	16.8	19.1	14%	27%

East Capital Power Utilities Fund

In 2010 utilities had another year of strong performance. The East Capital Power Utilities Fund has continued its solid outperformance of the benchmark RTS Utilities index (RTSeu) with 55% increase compared to 43% for the index. What is even more remarkable, since inception the fund is up 40% and the RTSeu index is still in negative territory, with a decline of 33%.

In regards to the sector, 2010 marked the final year of Russian electricity sector restructuring. A key determinant for success is clearly the extent to which the reform program has created market structures, market rules and a regulatory framework that will support the emergence of efficient electricity markets. Not everything went smoothly over the years of restructuring, but clearly the Russian government has proved its commitment to the sector reform. By the end of 2010 gradual liberalization of the power and capacity markets was completed. Despite increased concerns about delay in the transition of grid sector to Regulatory Asset Base (RAB) methodology, which allows companies to get economically justified returns on new investments, the review of the first regulatory period was done as well. The long-term capacity market is also in place.

During the year we have actively reshuffled our portfolio to capture arising opportunities within still changing regulatory environment. The portion of distribution companies was increased to 36% of the

fund at the expense of generators. After the strong performance of 61% MRSK Holding became the biggest position in the fund with a weight of 9.6% and added 5.3% to the fund's performance. We have succeeded to accumulate solid positions in both MRSK Tsentra i Privolzhya and MRSK Tsentra, these grids also delivered great returns of 63% and 60% respectively. In the generation universe the quality has started to show, OGC-4 substantially outperformed peer generators on the back of continued increase in operational efficiency. During a period of six months in 2010 OGC-4 reached a 26% Ebitda margin on par with its global peers, compared to the 15% average Ebitda margin for Russian peers. The stock has jumped 81% adding 4.9% to the fund's overall performance. Among poor performers was Russian Maintenance Corporation with minus 83% revaluation, as the electricity service and maintenance segment is still suffering. During 2010 we sold down two of our biggest positions in TGC-7 and Bashkirenergo to strategic investors at about 30% and 15% premium on the market price accordingly, as we viewed those companies as fully valued. We made the first distribution of dividends to our investors in the amount of EUR 28.3m during the second quarter of 2010, as the fund became too large to deploy it effectively with still quite limited liquidity in the sector.

OGK-4

Example of a company in the East Capital Power Utilities Fund

OGK-4 is the most efficient generation company among Russian utilities with stations Surgutskaya GRES-2 (55% of total capacity) and Berezovskaya GRES located in European and Siberia price zones respectively with a total installed capacity 8,630 megawatts. The company has the highest load factor of 72% as compared to the Russian peer average of 55%, and therefore is set to benefit the most from market liberalization. The company is almost done with ambitious large-scale investment program of 2,525 megawatts of new capacity.

In the autumn of 2007, international energy company E.ON Group (E.ON) was declared the winning bidder for the acquisition of the governmental stake held by RAO UES of Russia and the additional issue of shares of OGK-4. Currently the Group controls 78.3% in OGK-4.

Since it started investing into the Russian utilities sector, E.ON has proven its long-term commitment to the development of OGK-4 aimed at increasing efficiency and reliability of its existing generation facilities and bringing additional capacity online. Apart from operational excellence, E.ON has implemented impressive corporate governance standards and a high level of disclosure in the company.

In terms of operational efficiency, OGK-4 has already shown strong performance in 2008 and 2009. In the latest six months of 2010 financial results OGK-4 saw its milestone when it set a record Ebitda margin of 26%, on par with its global peers as compared to the 15% average Ebitda margin for Russian peers. OGK-4 delivers the highest profits with steadily increasing Ebitda per unit of electricity production, which in the first half of 2010 reached USD 7.9 per megawatt hour which is 46% above OGKs average. On the valuation side, the company appears to be one of the most expensive in the sector at USD 604 per kilowatt (compared to USD 309 per kilowatt average for Russian peers) after an impressive increase of the share price by 81% in 2010, but its valuation is clearly for a reason.

Investment facts:

The fund's first investment in the company: 2008

East Capital Power Utilities Fund's holding in the company: 0.24%

Learn more about OGK-4 at: www.ogk-4.ru/

Aivaras Abromavicius

Partner and member of the Portfolio Management team, East Capital



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 since inception: 46%

Management fee: 1.9%

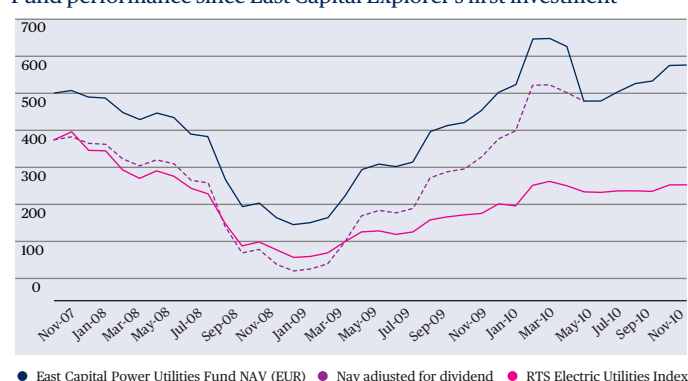
Performance fee: 15% of profits (after a hurdle rate of 7% return has been reached)

Profit sharing: 5% of profits (after a hurdle rate of 7% return has been reached)

Benchmark index: RTS Utilities Index

East Capital Explorer's share of the fund on 31 December 2010: 72%

Fund performance since East Capital Explorer's first investment

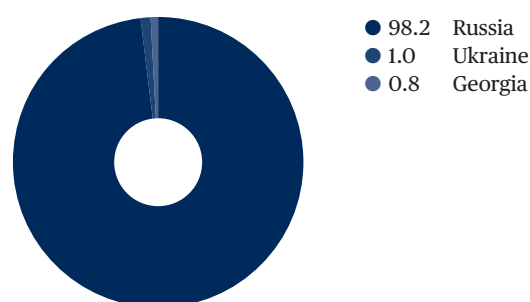


	2010	Since inception of the fund in December 2007
East Capital Power Utilities Fund, EUR ¹	55%	40%
RTS Utilities Index, EUR ²	43%	-33%

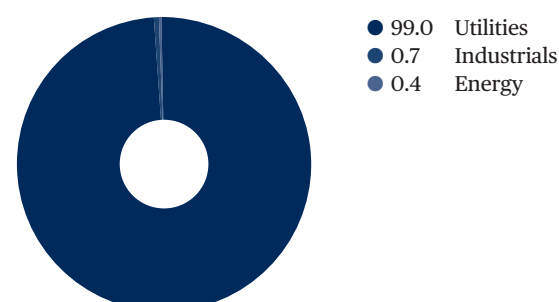
¹The fund performance has been calculated taking into account the dividend of EUR 125 per unit paid in June 2010.

²The Russian Trading System Utilities index is a sector index comprising 14 utility equities listed on RTS.

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
MRSK Holding	9.6	7.4	60.7	Russia	Utilities
OGK-6	7.9	4.9	91.2	Russia	Utilities
OGK-4	7.6	5.3	80.6	Russia	Utilities
MRSK Tsentra I Privolzhya	7.4	5.9	62.9	Russia	Utilities
MRSK Tsentra	6.7	6.0	59.6	Russia	Utilities
TGK-5	5.8	4.2	52.7	Russia	Utilities
Rushydro	5.6	6.1	52.6	Russia	Utilities
OGK-2	5.0	3.2	94.5	Russia	Utilities
MRSK Volgi	3.1	2.9	37.8	Russia	Utilities
TGK-13	3.1	2.7	44.9	Russia	Utilities

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
61.8	0.8	51

* Change in share price during 2010.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010*	Value change since investment
5 December 2007	162,000	81.0	73.4	93.4	55%	40%

* Calculation adjusted for the dividend of EUR 20.3m received in June 2010

East Capital Special Opportunities Fund

The East Capital Special Opportunities Fund gained 49% in EUR terms in 2010.

The Romanian investment fund, Fondul Proprietatea, remained the largest holding of the East Capital Special Opportunities Fund, with a 23% weighting by end of 2010. The company gained 123% in 2010. There were several positive developments that contributed to the strong price appreciation, such as the approval of Franklin Templeton Investments as the asset manager of the company, the approval of the listing of the company at the Bucharest Stock Exchange, a dividend distribution corresponding to one third of the acquisition price, as well as the approval of a share buyback program of up to 10% of the outstanding shares. The shares started trading on 25 January 2011 and the stock closed the first trading day with a 27% gain in local currency terms. As of end January, Fondul Proprietatea trades at a 45% discount to NAV (end 2010). After the initial public offering, we have disposed of half of the position after a total gain in excess of 200%.

The second largest holding in the fund, Sollers, a modern Russian automotive company, gained 51% during 2010. The company has not been passive during the crisis, but actually opened new production facilities in the far east of Russia. In January, it produced the first crossover vehicle, the SsangYong Actyon, in a new factory. The company has also launched leasing operations together with a Russian bank; with interest rates rapidly declining, leasing is becoming an affordable option for many in the car market. In February, 2011 the company announced a strategic cooperation with Ford. Management believes the profitability

of the company will significantly increase due to this, albeit it will take a couple of years to realize.

In addition, the following companies did very well during the year; leading Russian pharmaceutical producer Verofarm was up 78%, the Ukrainian fertilizer plant Stirol was up 70%, Sintal, a Ukrainian agricultural company, was up 52%, and Lithuanian telecom TEO was up 30%.

Integra, an oil field services provider, gained 17% during 2010. The company is still trading at very low multiples and is likely to benefit from the current high oil price. A longer term positive for the company could be a change in the Russian tax system for oil companies. More and more information has become available on this topic, although few changes are de facto implemented. In short the Russian government wants to stimulate the creation of new oil fields with various tax incentives. This means more business for companies like Integra.

Korshunovsky GOK gained 67% during 2010. The company is part of the Mechel group, and more specifically is an iron ore mine under the umbrella of Mechel Mining (one of the divisions within the company). It is expected that Mechel Mining will have an IPO during the second half of 2011. We are now working actively to get Mechel Mining to consolidate the stakes it has in daughter companies ahead of the IPO.

The worst-performing holding during the year was also the smallest, Transsignalstroy, a construction company which lost 62%. The company has failed to communicate with the market and it also seems the company's growth plans were on the optimistic side.

Fondul Proprietatea

Example of a company in the East Capital Special Opportunities Fund

Fondul Proprietatea is a Romanian restitution fund, which was set up by the Romanian Government by the end of 2005. The main purpose of setting up Fondul Proprietatea is to use the shares of the company as a means of compensation to persons whose assets were abusively expropriated by the communist regime. Fondul Proprietatea currently has stakes in more than 80 companies, in both listed and unlisted companies. The portfolio is mainly geared towards the oil and gas and power utilities sectors.

In 2010 there were several major positive developments for the company. Franklin Templeton Investments started its work as the asset manager of the portfolio. Until September last year, the assets were managed by individuals appointed by the Romanian government. We believe that Franklin Templeton Investments will manage the assets in a more active way, compared to the passive management employed in the past. A second important development was the decision to list the company on the Bucharest Stock Exchange. The technical listing took place in January 2011. Fondul Proprietatea is now the third largest company listed on the Bucharest Stock Exchange, and is the most liquid company due to its large free float. During its first trading day, the price appreciated by 27.3% compared to the last price in the OTC market. In addition, during the shareholders meeting held in September of 2010, the company's shareholders approved the distribution of a large dividend from the previous two year's profits, as well as a share buyback program of up to 10% of the outstanding shares.

All the positive developments mentioned above led to a substantial increase in the stock price in 2010. The stock gained 123% in 2010 and another 27% year to date, based on the stock price at the time of writing.

Investment facts:

The fund's first investment in the company: 2008

East Capital Special Opportunities Fund's holding in the company: 0.9% (an additional 2.5% held by other East Capital Funds)

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



**FONDUL
PROPRIETATEA**

Jacob Grapengiesser

Partner and member of the Portfolio Management team, East Capital



Fund facts

Aim of the fund

The aim of the Fund is to achieve long term capital appreciation from investments in Eastern Europe. The fund targets investments in companies with a solid business model and outlook which for market or owner specific reasons can be acquired at low valuation levels. The fund targets investments with both a clear trigger for revaluation and an exit opportunity within four years. The strategy implies that the fund manager will, when appropriate, take a more active role in the company through board representation or other means.

Launch date: 8 May 2009

Risk: High

Volatility since inception: 23%

Management fee: 2%

Performance fee: 20% on realized profits

Redemption fee: 1% (Max 10% redemptions per quarter)

ISIN code: KYG2906U1076

Bloomberg: EACASPU KY

Benchmark index: No relevant index available

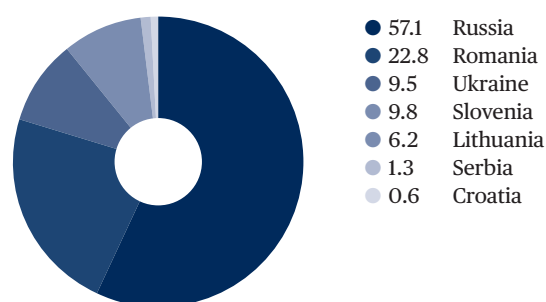
East Capital Explorer's share of the fund on 31 December 2010: 82%

Fund performance since East Capital Explorer's first investment

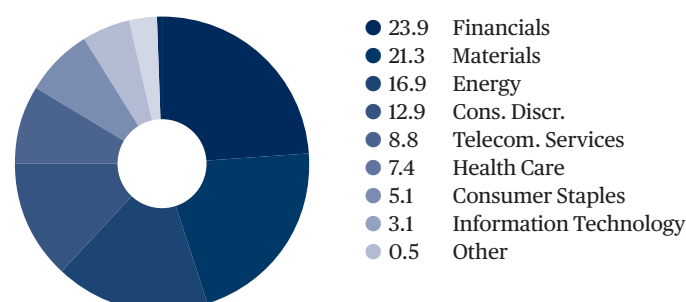


	2010	Since inception of the fund in May 2009
East Capital Special Opportunities Fund, EUR	49%	61%

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Fondul Proprietatea	22.5	17.1	122.7	Romania	Financials
Sollers	12.7	14.0	51.2	Russia	Consumer Discretionary
Sibirskiy Cement	11.3	8.1	21.4	Russia	Materials
Integra	10.7	9.6	17.2	Russia	Energy
TEO	8.7	9.9	30.3	Lithuania	Telecommunication Services
Verofarm	5.7	6.2	77.7	Russia	Health Care
Korshunovsky GOK	5.4	0.0	66.5	Russia	Materials
Sintal	4.3	6.2	51.8	Ukraine	Consumer Staples
Mashstroy	3.8	2.6	37.6	Russia	Energy
Stirol	3.4	3.8	69.7	Ukraine	Materials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
83.0	13.9	109

* Change in share price during 2010.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010	Value change since investment
8 May 2009	1,342,002	10.0	10.8	16.1	49%	61%
1 July 2009	3,555,247	25.0	28.5	42.5	49%	70%
Total investment	4,897,249	35.0	39.3	58.6	49%	67%

East Capital Special Opportunities Fund II

The East Capital Special Opportunities Fund II gained 5.9% in EUR terms since inception on 1 October 2010. During the fourth quarter of 2010 and the fund's first quarter, more than 60% of its assets were invested. The East Capital Special Opportunities Fund II is by the time of writing still in its investment phase, and therefore we have not included a list of the fund's ten largest holdings in this report. The aim is to undertake investments in low-valued sound assets, with an expected trigger for re-rating. Among the strategies that are most commonly used in the investment process are: investing into neglected markets and/or companies, sourcing of shares from distressed sellers, as well as buying into companies through share capital increases. By the end of 2010 there were 9 investments in the fund. In terms of geography, Russia, Ukraine and the Balkan region are the main targets for investments.

One of the investments undertaken by the fund during the fourth quarter was the acquisition of shares in the Russian automotive company Neftekamsky Avto. Around 3.6% of the fund's assets by the end of 2010 were invested into the company. Neftekamsky Avto is a producer of commercial and transportation busses, trolley buses, motor vehicle chassis, dumper trucks, truck tractors, as well as other products in the automotive sector. The shares in the company were acquired in

the over-the-counter market, at a substantial discount to the by then prevailing market price. The acquisition price implied a very attractive valuation at an enterprise value of 0.3 times estimated 2011 sales and 5 times estimated 2011 Ebitda. During the fourth quarter, the stock gained 48%. The revenues of Neftekamsky Avto are still below pre-crisis levels, however public orders for busses and a strong recovery in general in the automotive sector in Russia are expected to continue enhancing the sales and profitability of the company. The company has very little debt, with a net debt position of USD 40m by the end of last year. In addition, the stock is still down 77% from peak levels.

Jacob Grapengiesser

Partner and member of the Portfolio Management team, East Capital



Fund facts

Aim of the fund

The aim of the fund is to invest in companies with a positive outlook but which, due to market or owner-specific reasons, can be acquired at valuations much lower than those suggested by the companies' fundamentals. The target is to achieve a 30% IRR from a concentrated portfolio of our top picks selected on return potential. Proceeds will be distributed as investments are realized but no later than within 4 years.

Launch date: 30 September 2010

Risk: High

Management fee: 2%

Performance fee: 20% on realized returns, Hurdle rate of 7%

Redemption fee: 1% (Max 10% of NAV per quarter)

ISIN code: LU0536056483

Bloomberg: ECSIIAE LX

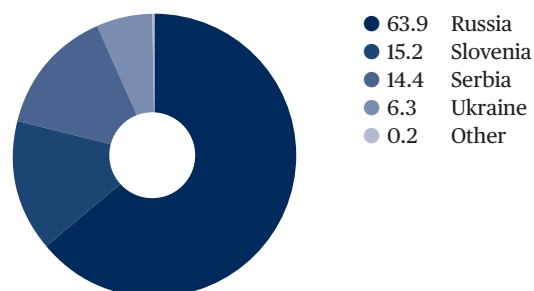
Benchmark index: No relevant index available

East Capital Explorer's share of the fund on 31 December 2010: 95%

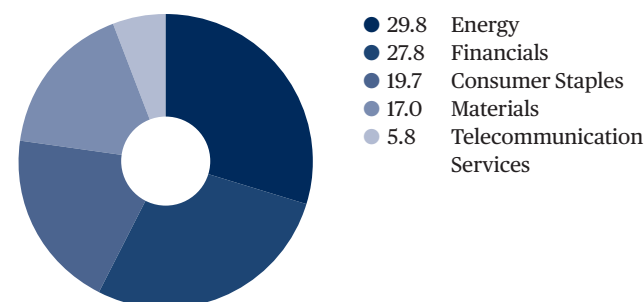
Fund performance

	Since inception of the 2010	fund in October 2009
East Capital Special Opportunities Fund II, EUR	5.9%	5.9%

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



East Capital Explorer's Investment						
Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010	Value change since investment
1 October 2010	3,500,000	35.0	0.0	37.1	5.9%	5.9%
Total investment	3,500,000	35.0	0.0	37.1	5.9%	5.9%



East Capital (Lux) Eastern European Fund

Management report

The East Capital (Lux) Eastern European Fund gained 34% in EUR during the year, while the MSCI Emerging Market Europe index gained 25%. The net asset value was EUR 75m as of 31 December 2010, to be compared to EUR 35m on 31 December 2009. Net inflows during the year amounted to EUR 28m.

Market update

The performance on the Eastern European equity markets was overall strong in 2010. There were, however, important differences across markets. Among the larger markets, Russia and Turkey performed strongly, gaining 24% and 26% respectively. The former was driven by economic recovery, commodity prices and strong corporate earnings growth, while Turkey performed on the back of a strong economic recovery, booming banks, and substantial equity flows. The performance on the Polish market was more modest, but it nevertheless gained 12%. The Polish economy remained strong and the market successfully absorbed a large number of IPOs. The other markets in Central Europe moved in varying directions, with the Czech market gaining 7.1% and the Hungarian dropping 10%, mostly due to currency depreciation. The Ukrainian market was the best in the region, gaining 71%, followed by the markets in Estonia, Lithuania and Latvia, which gained 60%, 45% and 31% respectively. The Balkan markets and Kazakhstan underperformed and fell over the year as foreign investors were yet to return, even though the economic recovery gained momentum.

The fund's development

The fund outperformed the benchmark index due to successful allocation across markets and sectors, as well as stock picking. The domestic-orientated sectors consumer discretionary, consumer staples and utilities, outperformed, returning 56%, 51% and 48% respectively. Materials and industrials were also strong, gaining 48% and 47% respectively. The large energy and financial sectors performed more modestly, but nevertheless gained 22% and 21% respectively. Russian bluechips Norilsky Nickel, MRSK and Transneft gained 43%, 15% and 14% respectively. Lukoil and Gazprom returned 5% and 22% respectively. Outside Russia, Erste Bank gained 16%, while Raiffeisen International gained 15%.

Changes during the period

The exposure to the largest markets was almost the same at the start and the end of the year. Elsewhere, exposure to frontier markets in the Balkans and Baltics was increased, at the expense of Central Europe and Kazakhstan. In terms of sectors, the exposure to financials was increased through large purchases of Raiffeisen International, Sberbank and Erste Bank, making it the largest sector after the exposure to energy was reduced through sales of Rosneft and Kazmunai Gaz among others.



Fund facts

Aim of the fund

The East Capital (Lux) Eastern European Fund invests in shares of companies in the whole of Eastern Europe. In order to capture the growth and the lowest valuations, the fund seeks investments in a very wide spectrum of countries, sectors and companies without country or sector limits. Two thirds of the portfolio consists of large or medium sized companies. The fund can have up to 10% of its net asset value invested in a single issuer, with most holdings being under 5%. The fund has a low turnover rate.

Launch date: December 12, 2007

Risk: High

Volatility since inception: 33%

Management fee: 2%

Performance fee: n/a

Redemption fee: n/a

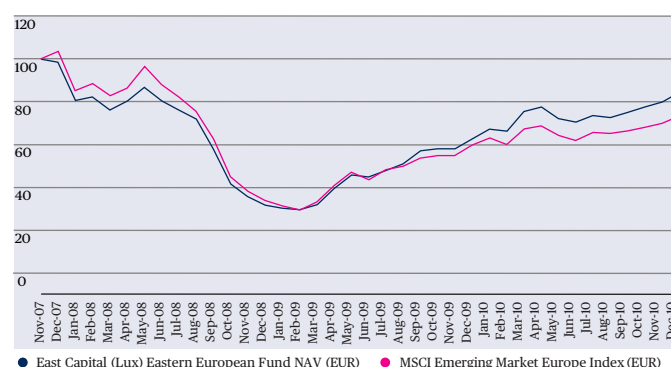
ISIN code: LU0332315398

Bloomberg: ECESTCE LX

Benchmark index: MSCI EM Europe Index

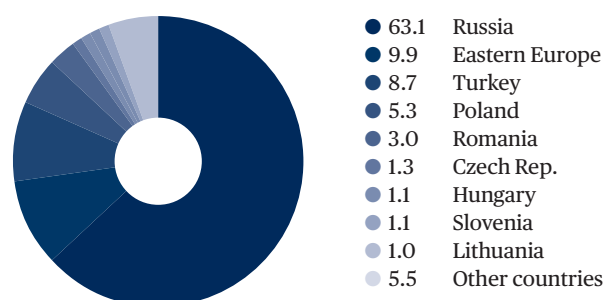
East Capital Explorer's share of the fund on 31 December 2010: 20%

Fund performance since East Capital Explorer's first investment

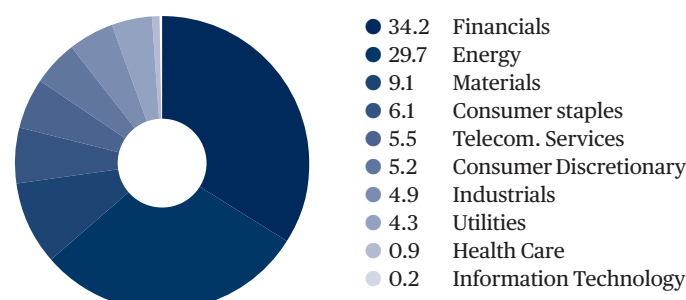


	2010	Since inception of the fund in Dec 2007
East Capital (Lux) Eastern European Fund, EUR	34%	-16%
MSCI Emerging Markets Europe Index	25%	-30%

Country breakdown, % per 31 December 2010



Sector breakdown, % per 31 December 2010



Top ten holdings in the Fund on 31 December 2010

Company	Portfolio weight 31 Dec, %		Performance, %*	Country	Sector
	2010	2009			
Sberbank	7.0	6.3	21.8	Russia	Financials
Gazprom	6.2	3.8	22.0	Russia	Energy
Lukoil	5.3	4.8	4.6	Russia	Energy
Raiffeisen International	3.4	1.0	15.0	Eastern Europe	Financials
Norilsky Nickel	2.6	2.1	42.6	Russia	Materials
Transneft	2.6	3.9	14.3	Russia	Energy
Surgut Ng	2.3	2.4	7.8	Russia	Energy
Erste Bank	2.2	1.8	16.3	Eastern Europe	Financials
MRSK Holding	2.1	1.9	14.7	Russia	Utilities
X5 Retail Group	2.1	0.0	16.0	Russia	Consumer Staples

10 largest holdings (% of portfolio)

35.8

Unlisted holdings (% of portfolio)

0

Total number of holdings

164

* Change in share price during 2010 in EUR.

East Capital Explorer's Investment

Date of investment	No. of units	Acquisition cost EURm	Fair value 31 Dec 2009 EURm	Fair value 31 Dec 2010 EURm	Value change 2010	Value change since investment
12 December 2007	182,500	18.3	11.5	15.4	34%	-16%

Melon Fashion Group

For Melon Fashion Group (MFG), the Russian fashion retailer where East Capital Explorer owns 16%, 2010 was a year of aggressive expansion. In the wake of the 2008-09 financial crisis, the company used its strong cash position to grow while the cost of expansion was lower.

On December 28, 2010, the company opened its 500th store, to compare with a total number of 273 stores on January 1st the same year. The expansion has come in the form of one large acquisition during spring, together with organic opening of more than 140 stores during the year. With the acquisition, MFG entered new territory in several respects: A new country (Ukraine), new product segments (accessories chain CO&Beauty and underwear chain Women'Secret), a new customer group (men's wear in Springfield) and a new business model (master-franchising).

Entering new territories through acquisition

In May 2010, MFG concluded the acquisition of the Russian and Ukrainian store network of three new concepts: Springfield, Women'Secret and CO&Beauty, adding 87 new stores to the group, of which 28 are in Ukraine. Springfield and Women'Secret are international brands, owned by the Spanish Cortefiel Group and operated in Russia and Ukraine by MFG under a master franchise agreement. The co-operation with the Cortefiel Group, a ten times larger company than MFG, gives valuable access to expertise in different aspects of fashion retailing.

Springfield is a young, casual concept for primarily young men, but with a smaller women's collection as well. The store format is similar to MFG's original concepts with approximately 150 square meter stores, primarily located in shopping malls. At the acquisition, the concept had 19 stores in Russia and 7 in Ukraine.

Women'Secret is an underwear concept positioned as good quality at affordable prices. The shops are smaller, round 100 square meters, also located primarily in shopping malls. At the time of acquisition, the concept had 17 stores in Russia and 8 in Ukraine.

CO&Beauty, the third of the acquired concepts, is an accessories

brand with a network of small shops selling bijouteries, bags, hats and other accessories. MFG has taken over the ownership of the whole brand. CO&Beauty had 23 stores in Russia and 13 in Ukraine at the time of the acquisition.

First venture abroad

One of the main attractions of the acquisition was its presence in Ukraine. MFG has now built up an organization in Kiev with capacity to expand all six concepts. Love Republic and before have already been launched in the neighbor country; the concepts had 5 shops each by the end of 2010. Purchasing power is considerably lower in Ukraine than in Russia, but competition is much less fierce, and the cost of expansion is lower.

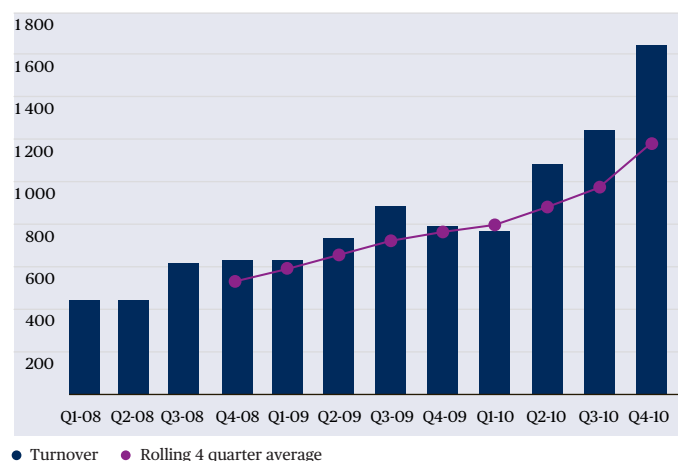
before Man

In August, MFG launched its new before Man concept, targeting the boyfriends of the typical before customer. As a trial, the men's collection was introduced in a limited number of before stores during the autumn, occupying around one third of the floor space of the shop. The collection has sold well, and it has been decided to expand the mixed concept further during 2011. This will allow before to increase the store size from the current 150-200 square meters to 300 square meters.

Operational problems in the wake of the expansion

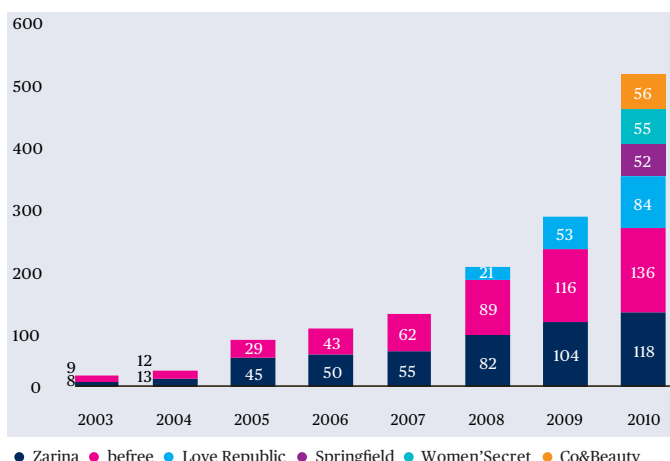
The aggressive expansion and the acquisition have been a very heavy burden on the MFG organization, and brought with it a number of operational problems. During the first three quarters of 2010, MFG experienced significant growth-related problems within supplies and logistics. Adding to this customs delays in the beginning of the year, a weak spring collection in before and the extreme weather with all the fires during the summer, the financial performance of the first nine months was considerably below plan, both in terms of margins and in sales per square meter. However, the main problems were solved during the autumn, and the performance in the fourth quarter was very strong, with a 108% revenue growth and a 41% like-for-like growth over the previous year.

Revenue by Quarter, RUB



● Turnover ● Rolling 4 quarter average

Number of stores by chain over time



● Zarina ● before ● Love Republic ● Springfield ● Women'Secret ● Co&Beauty

Shifting focus

While the main focus for the last two years has been rapid expansion, the company has now taken the strategic decision to slow down the rate of expansion and instead focus more on profitability. The goal is to reach a profitability level in line with European peers within the next two years.

Increased value

By 31 December 2010, the value of East Capital Explorer's holding in MFG amounted to EUR 13.8M, an increase by 33% compared to the previous year. The value increase was based on an external valuation performed by Ernst & Young.

Shareholders, Feb 2010

Owner	Holding, %	Since
SMApS Group / Kellermann 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	

MFG in figures 2010*

	RUB	EUR
Sales	4.7bn	117m
EBITDA margin	4.3%	4.3%
Net result	0.3bn	0.8m
Number of stores		501

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



TEO LT

History

TEO started its operations as a state company, Lietuvos Telekomas, back in 1992 and was later privatized by the, at the 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 initial public offering in 2000, Lietuvos Telekomas was listed on the Vilnius Stock Exchange. In addition, TEO is the only Baltic company traded through global depositary receipts on the London Stock Exchange. Furthermore, the company, although listed, is a subsidiary to TeliaSonera which holds 68% of its shares.

Operations

TEO reported very solid full year 2010 results with improving operating efficiency, stable cash generation and growing segments of the new services and technologies. Revenues inched down only 5.2%, when the whole Lithuanian telecommunications market was declining by 11% year-on-year during the first nine months of 2010. Employee related operating expenses were down 11%, while the bottom line was down 3.6%. The 2010 Ebitda margin stands firmly above 40%. 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 94% of the market in terms of customers, despite the fact that TEO now competes with 50 other companies. The segment generates 54% of total revenues, however this proportion is declining. In line with the general trend in telecommunication sector in many countries during the last few years, TEO has seen declining revenues and a decreasing number of clients within the fixed line segment. In 2010, TEO lost 9.9% of its fixed line revenues and 4.6% of its fixed line clients. However, the overall rate of decline has started to slow down during the last year.

On the other hand, in order to adapt to the changing environment and diversify the revenue base, the company has been aggressively expanding within the fiber optical broadband and paid TV segments. For example, 2010 capital investments, mainly aimed to support the development of a new generation fiber optical FTTH network, amounted to EUR 46m, or 14% of total assets. As a result, the number of internet clients grew by 11%. However, because of the fierce competition in the market, pricing pressure and marketing campaigns revenue from Internet and data communication services declined by 6.7%. On the other hand, revenue from TV services increased by an impressive 37% year-on-year. TEO has a growing 51.3% market share in the broadband Internet sector using fixed connection and 46.8% of all digital TV users and 19.5% of all pay TV users with the long term ambition to acquire 50% of the market within the overall TV segment, as well. As fourth quarter results indicate, campaigns aimed to lock-in 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 up to double digit dividend yields, TEO has become one of the most attractive cash generating stocks on the Baltic market. The Management has already established a policy indicating that they intend to maintain the dividend payout proposal at the maximum distributable earnings of the parent company, which presently implies a dividend yield of around 8%. The company's extremely strong balance sheet with its cash position accounting for 22% of total assets, there is no need for



debt financing. The negative gearing, improved operational efficiency and stable free cash flow will continue to support the generous dividend policy for several years to come.

Share price development

In 2010 Baltic equity market saw another impressive year of recovering stock prices. TEO share gained 35% in price performance and 47% in total return including dividend, outperforming most of the regional telecom peers. Despite the rally, however, the stock remains rather attractively valued compared to the peers. TEO closed 2010 trading at a price-earnings ratio of 11 times, or at a 10% discount to its peers, and an enterprise value at 5 times Ebitda, corresponding to a 5% discount. TEO dividend yield for the last year is expected to be between 7-8%, which is somewhat higher than the average of 6.8% expected for the comparable regional telecoms.

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 the board decision in September 2010, East Capital Explorer continued buying TEO shares throughout 2010 as well, acquiring additional 0.6% of the company. Following this investment, East Capital Explorer, together with East Capital funds control a total of 6.8% of the shares in TEO.

Investment rationale for East Capital Explorer

- Strong operational performance
- Sizable improvements in cost efficiency
- Solid and defensive industry
- Interesting growth opportunities in new services and technologies
- 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

East European Debt Finance (EEDF)

Background

The Russian non-performing retail loans such as consumer loans, vendor loans, credit card debts and car loans, has increased significantly following the recent financial crisis. Banks are outsourcing more collection services to local collection agencies or selling their non-performing consumer loan portfolios on the market to improve cash flow. The Russian purchased debt market is still very young and the practices are not fully formed. However, there are already many regular sellers in the market. As consumer lending is expected to pick up again with faster growth, the purchased debt market is also expected to grow and offers interesting investment opportunities for professional investors.

Seizing the opportunity with the right partners

EEDF is a joint-venture established in February of 2010 together with the leading European debt collection company Intrum Justitia and the East Capital Financials Fund. This special purpose investment company aims to become a significant market player in the Russian purchased debt market. The company focuses on purchasing non-performing retail loan portfolios consisting mainly of unsecured consumer loans, credit cards and car loans. The total commitment from shareholders amounts to EUR 20m, of which East Capital Explorer has committed EUR 5m. The purchased portfolios are serviced by carefully selected local collection companies with Morgan & Stout as the preferred partner for the joint-venture. East Capital Financials Fund is a shareholder with 33% stake in Morgan & Stout.

Morgan & Stout

Morgan & Stout is one of the leading debt collection companies in the Russian market established in 2007. The company offers a full spectrum of debt collections services focusing on early phase soft collection and legal services. Morgan & Stout has a state-of-the-art call center in Moscow with 200+ employees working in two shifts, seven days per week. The Avaya Predictive Dialer system is fully integrated with the debt collection software to secure efficient collection process. The company has tailor-made credit scoring system and a database consisting of more than 1.2m debtor cases.



Investment activity

During its first year of operation, EEDF analyzed, priced and bid for 55 debt portfolios. Morgan & Stout was responsible for the analysis using both scoring and benchmarking methods. These methods were reviewed and further developed in co-operation with Intrum Justitia using their know-how from other European markets. Intrum Justitia has more than 20 years experience in purchasing debt portfolios and they bear the main responsibility for pricing the portfolios in EEDF. All investment decisions are made unanimously by an investment committee consisting of representatives from each shareholder.

In all, four portfolios were purchased in 2010 with total investment values of EUR 1.2m. These portfolios are now being collected by Morgan & Stout and EEDF receives monthly collection report on the collection activity. Towards the year-end, competition increased as more investors entered the market pushing the prices up. As long-term investors, EEDF decided not to decrease its expected return on the investment used in the pricing and as a result of this was not able to win any bids during the fourth quarter.

Outlook 2011

As there was stagnation in the retail lending activity for nearly two years, this will also affect the purchased debt market in Russia. The number of portfolios offered is not expected to significantly increase this year, but due to the increase in price, the market volume will likely be bigger in 2011. EEDF will need to review its pricing strategy to be more competitive and shareholders have also agreed to look at the other Eastern European markets for investment opportunities.



Populi

History

In October 2010, East Capital Explorer invested USD 5m for a 22% stake in the Georgian food retailer Populi. The Georgian food retail market is highly fragmented, dominated by outdoor markets and small corner-shops. Populi is, with its 47 stores and a market share of approximately 4%, the shared market leader. Starting in 2010, the government has started to take action against non-organized retail, which paves the way for Populi's further expansion.

Operations

Populi focuses mainly on the convenience store format, targeting walking traffic in central areas and sleeping neighborhoods. A key distinguishing feature is its large section of fresh, ready-to-eat food, including salads, bakery, hot dishes. These products are produced in Populi's new production centre, inaugurated in 2010. The production center is the largest and most modern of its kind in the Caucasus region, and will allow Populi to further strengthen its position within fresh products. An increasing share of own products will also have a positive impact on margins in the long run.

For the full year 2010, Populi's revenue was GEL 79.8m (EUR 33.8m), an increase by 12.3% (10.9% in EUR terms) compared to 2009. Sales per square meter 22% for the full year 2010 compared to 2009.

In December, it came to the knowledge of the Board of Directors and the shareholders that the company's CEO had incurred a financial liability of approximately USD 2m without prior consultation with the board. As a consequence, the board asked the CEO to resign and appointed the deputy CEO, Mr. Archil Melikadze, as interim CEO. A final settlement with the former CEO is under discussion and should this prove impossible, the company will likely have to pursue legal measures to defend its interests. The current situation has also impacted the cash flow position of the company negatively.

Holding by East Capital Explorer

In February 2011, East Capital Explorer agreed to invest additionally up to USD 770k into Populi in order to increase working capital. This investment is done at a valuation 41% below the initial USD 5m investment, and as a result the whole holding was written down to this new valuation.

East Capital Explorer has an option that can be exercised in 2011, which upon exercise would increase its share in the company by up to 31%. Populi is also held by East Capital Explorer indirectly through the East Capital Bering Central Asia Fund, which holds 21% of the company post the February capital increase. Together East Capital Explorer and East Capital Bering Central Asia Fund are the largest shareholders in Populi and have taken an active role in guiding the company.



Wimm-Bill-Dann

Investment

In December of 2010, East Capital Explorer made a direct investment of EUR 6.8m into Wimm-Bill-Dann Foods, a leading dairy and juice company in Russia listed in Moscow and New York. We see the Wimm-Bill-Dann investment as a good opportunity to maximize returns in the short-term while we have cash waiting for completion of other investments.

PepsiCo Buyout

On 2 December 2010, PepsiCo announced it had agreed to acquire 66% of Wimm-Bill-Dann for USD 3.8 billion at a price of USD 132 per common share. In accordance with Russian Law, PepsiCo is required to purchase the remaining 34% of the company within 35 days after the close of the transaction at buyout price not below the deal price. PepsiCo has a successful track record of completing similar M&A transactions on the Russian market and implementing strong corporate governance standards.

On 27 January 2011, PepsiCo announced it has obtained all necessary regulatory approvals required to close the acquisition. East Capital Explorer expects to realize a premium of approximately 12% from the average price of USD 117.46 paid per share upon completion of the buyout from PepsiCo.

Should the buyout by PepsiCo not be completed, Wimm-Bill-Dann is still considered a sound company with strong fundamentals and a professional management team.



**ВИММ-
БИЛЛЬ-
ДАНН**

4

Corporate Governance

A word from our Chairman	41
Corporate Governance at East Capital Explorer	42
Management	47
Board of Directors	48
Managing our risks	50
The Environmental, Social and Governance perspective in our investments	52
Fees	54
The East Capital Explorer share	56
Report on Internal Control	58

A word from our chairman



Paul Bergqvist
Chairman of the Board

“During 2011, we will continue our work to seize unique opportunities in our markets. We expect to see our portfolio develop to include more new investments while some of the existing ones are reduced”

One of the most important roles of the Board of East Capital Explorer is to ensure sound corporate governance. Since the Company's inception in 2007, the Board has continuously worked to improve its internal control routines, governance measures and oversight of valuations in the Company's portfolio. With the necessary systems in place and working well, the Audit Committee, consisting of the independent members of the Board, is able to effectively achieve proper supervision.

Turning to performance, 2010 was a very good year as we saw the net asset value (NAV) per share increase 29%. We are also satisfied with the fact that the share price of East Capital Explorer outperformed both the Stockholm Stock Exchange main index as well as the broader MSCI European Emerging markets index.

It is now safe to conclude that our previous decision to adjust our investment pace and act cautiously while markets returned to normal and then to start investing again really has paid off. This gave us the ability to invest in undiminished funds when markets were low.

The company is now fully invested and it has therefore entered a new era in its development. Firstly, it means that we together with our Investment Manager actively must prioritize existing investments and evaluate them in comparison to new investment alternatives. Secondly, we have decided upon a new dividend policy where the company starts to pay out dividend to its shareholders. As a result the board proposes that the AGM decides to pay a dividend of SEK 0.80 per share for 2010. Although in a new era of the company's development, our main strategy remains intact. We will continue to invest and to reinvest our funds into growing businesses in Eastern Europe.

The special relationship the company has with its Investment Manager East Capital continues to develop to their mutual benefit. In the board 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. Therefore, as stated before, the skills and competencies in East Capital Explorer are intended to complement, rather than duplicate, those of our Investment Manager.

Although not all of our investments have performed according to our expectations, we deem that the Investment Manager, more than well, has demonstrated its ability to capitalize on several of the unique opportunities that are available in our investment universe, and we expect this to continue. We often highlight our direct investments, but it is well worth noting that the majority of our investments are carried out through East Capital funds and that their performance is key to our success.

We are more than satisfied with the general developments in our direct investments and the prospects they hold. The latest addition, the Macedonian bank Komercijalna Banka Skopje, is very exciting. East Capital Explorer has become one of the bank's largest shareholders with approximately 10 percent of its shares. Although publicly listed, the liquidity in the market is not sufficient for regular investors to acquire such a large stake in a short time, and therefore it is another excellent example of the type of unique investments that East Capital Explorer can offer its shareholders.

During 2011, we will continue our work to seize unique opportunities in our markets. We expect to see our portfolio develop to include more new investments while some of the existing ones are reduced. I am confident that this portfolio will remain well-positioned to generate attractive long-term returns for our shareholders.

Paul Bergqvist, Chairman of the Board

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 alternative investment funds, private equity funds 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 summarized in the following points:

Countries

East Capital Explorer may invest in Russia and the CIS countries, the Balkans, the Baltic States, 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 Sasnauskas, 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, Group Compliance Officer at East Capital.

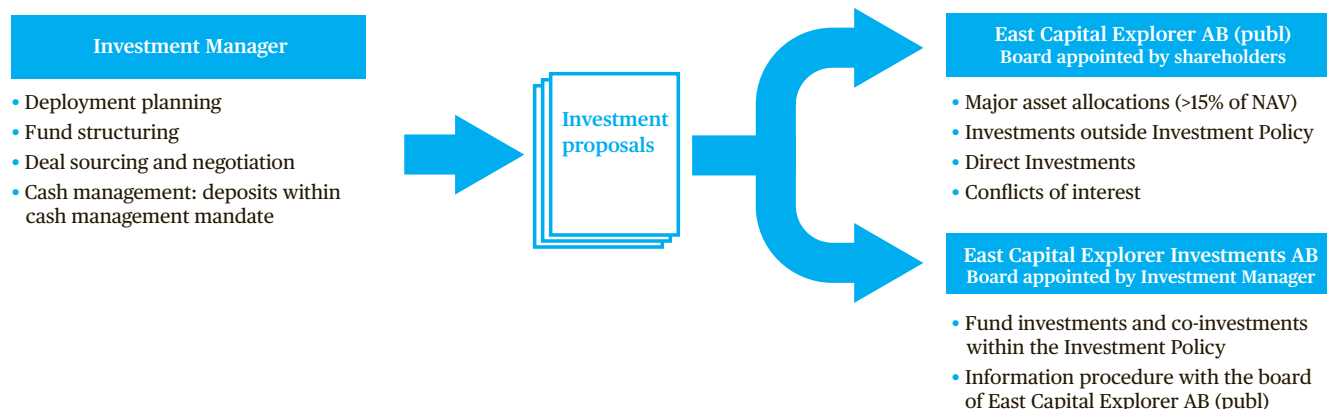
Functions of the Board of the Company

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; and
- Investments implying a conflict of interest between East Capital Explorer and East Capital.

The Board of East Capital Explorer also continuously monitors 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.

Investment decision process



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 Stockholm Exchange, the Investment Manager shall be reimbursed for the offering costs incurred during the initial listing on the exchange.

Board of Directors

Composition of the Board

According to the articles of association of the Company, the Board shall consist of three to seven members without deputies. Further, the Investment Manager always has the right to appoint one Board member. Board members are elected by the Annual General Meeting for a one-year term. The 2010 Annual General Meeting re-elected Paul Bergqvist, Anders Ek, Lars Emilson, Alexander V. Ikonnikov and Justas Pipinis to the Board. The Meeting also elected Monika Elling and Karine Hirn as new members of the Board. Kestutis Sasnauskas had declined to be re-elected. The meeting re-elected Paul Bergqvist as Chairman of the Board.

Independence of the Board

Under applicable regulations, Paul Bergqvist, Anders Ek, Monika Elling, Lars Emilson and Alexander V. Ikonnikov are regarded as independent in relation to the Company and its management, as well as the major shareholders of 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.

Karine Hirn and Justas Pipinis are not defined as independent in relation to the Company and its management as they are affiliated with East Capital and, 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 should be noted that in 2010 East Capital together with its related parties was a major shareholder of the Company, as the term is defined in the Swedish Code of Corporate Governance, and therefore Karine Hirn and Justas Pipinis are not regarded as independent from major shareholders of the Company. As of 31 December 2010 there were no other major shareholders of the Company, as defined in the stock exchange rules and 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.

The Chairman of the Investment Manager, Peter Elam Håkansson, the Company's CEO, Gert Tiivas, CFO, Mathias Pedersen and General Counsel, Stefano Grace also participated in the Board meetings during 2010 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 organizes 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 includes company visits. During 2010, the Board participated in the East Capital Summit in Prague, Czech Republic in September.

Board meetings and main discussions

During 2010, a total of 13 Board meetings were held. The main discussions held during the meetings were:

Meeting	Main discussion
1/2010	Approval of the Year-end report 2009
2/2010	Telephone meeting to approve the Share Buy-back program
3/2010	Meeting to approve the Annual Report 2009
4/2010	<i>Per capsulam</i> meeting to approve the notice to the Annual General Meeting 2010
5/2010	<i>Per capsulam</i> meeting to approve Board's proposal to be presented at the AGM 2010
6/2010	Board meeting held in conjunction with Annual General Meeting
7/2010	Approval of the Interim Report 1 January - 31 March 2010
8/2010	<i>Per capsulam</i> meeting to approve investment proposal
9/2010	Approval of the Interim Report 1 January - 30 June 2010
10/2010	Board meeting in conjunction with East Capital Investor Summit in Prague, Czech Republic
11/2010	Telephone meeting to approve investment proposal
12/2010	Approval of the Interim Report 1 January - 30 September 2010
13/2010	Meeting to approve investment proposal

In addition, Gert Tiivas, in his capacity as Board member of East Capital Explorer Investments AB, participated at ten meetings for East Capital Explorer Investments AB (of which nine were *per capsulam*) during 2010. Paul Bergqvist was present as non-member attendee at one meeting.

Evaluation of the Board

During 2010, the work of the Board was not formally evaluated by an external consultant as was the case in 2008. As in 2009, the Board has once again 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 2011.

Audit Committee

The Audit Committee is appointed annually by the Board, to serve the Board in an advisory function 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, Monika Elling, Lars Emilson and Alexander V. Ikonnikov.

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

The Company's CEO, Gert Tiivas, CFO, Mathias Pedersen and General Counsel, Stefano Grace also participated in the Audit Committee meetings during 2010 to report on their respective areas.

Audit Committee meetings and main discussions

During 2010, a total of six Audit Committee meetings were held. Examples of the main discussions held during the meetings were:

Meeting	Main discussion
1/2010	Telephone meeting to discuss policy review in preparation for the February Audit Committee meeting
2/2010	Discussion regarding the Year-end report 2009 and policy review
3/2010	Telephone meeting to discuss the Annual Report 2009
4/2010	Discussion regarding the Interim Report 1 January - 31 March 2010
5/2010	Discussion regarding the Interim Report 1 January - 30 June 2010
6/2010	Discussion regarding the Interim Report 1 January - 30 September 2010. Review of compliance with Investment Management Agreement

Directors' fees and executive remuneration

On 28 April 2010, the Annual General Meeting resolved that Directors' fees in the Company remain unchanged and that the Chairman of the Board will receive an annual compensation of SEK 700,000 for the period until the 2011 AGM. Each member of the Board, other than the Chairman, will receive an annual compensation of SEK 300,000 for the same period. Board members, Justas Pipinis and Karine Hirn, waived their Directors' fees.

Remuneration for work in the Audit Committee also remained unchanged and totaled SEK 50,000 for the Chairman of the Audit Committee, and SEK 30,000 per year to other members of the 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 of Executive Management

Remuneration to the CEO and the CFO consists of fixed salary, variable salary and pension and insurance benefits. The Board determines, at its own discretion, whether the executive management should be paid any variable salary. The decision is supported by key performance indicators (KPIs), including among others share price performance, defined annually by the Board. Targets are set and evaluated annually. During 2010, a variable salary for 2009 amounting to 25% of the fixed salary was paid to the CEO out of a maximum variable salary corresponding to 50% of the fixed salary. During 2011 the Board has decided to grant the CEO and the CFO* a variable salary for 2010 corresponding to 43% of their fixed salaries, respectively, out of a maximum variable salary corresponding to 50% of the fixed salary.

The CEO and the CFO have individual premium-based pension plans, pursuant to which the Company pays premiums corresponding to 10% of their respective fixed salaries, up to 10 Swedish income base amounts and premiums corresponding to 20% of the

* CFO hired in 2010

The composition of the Board

Name	Position	Citizenship	Dependence	Shareholdings	Elected	Board meeting attendance 2010	Audit Committee	Audit Committee attendance 2011
Paul Bergqvist	Chairman	Swedish	No	11,000 shares	2007	13/13	Yes	6/6
Anders Ek	Board member	Swedish	No	4,000 shares	2008	13/13	Yes	6/6
Monika Elling	Board member	Swedish	No	7,200 shares	2010	8/8	Yes	3/3
Lars Emilson	Board member	Swedish	No	5,500 shares	2007	12/13	Yes	6/6
Karine Hirn	Board member	French	Yes	611,547 shares	2010	7/8*	No	n/a
Alexander Ikonnikov	Board member	Russian	No	8,000 shares	2007	12/13	Yes	6/6
Justas Pipinis	Board member	Swedish	Yes	34,742 shares	2007	11/13*	No	n/a

*Karine Hirn and Justas Pipinis did not participate in the board meeting held by phone on 24 September 2010 due to a potential conflict of interest.

fixed salaries on the portion of the fixed salary exceeding 10 Swedish income base amounts.

For detailed information on the remuneration to executive management, see Note 4 on page 77.

Share-related incentive program

East Capital Explorer does not have any share-related incentive programs.

The Annual General Meeting

The Annual General Meeting of Shareholders (AGM) is the Company's highest decision-making body and 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 of their intention to attend the AGM 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 the AGM in person may be represented by proxy.

The AGM decides on, among other things, matters such as the 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 AGM and are available to answer questions from the shareholders.

Annual General Meeting 2010

The 2010 AGM was held on 28 April 2010 at Konserthuset in Stockholm. All documents from the 2010 AGM including notice, documents presented at the AGM and the full minutes from the meeting are available on www.eastcapitalexplorer.com.

The 2010 AGM was attended by approximately 200 persons, including shareholders representing a total of 32% of the shares in the Company, all the members of the Board, all employees as well as a number of invited guests.

Nomination Committee

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

The work of the Nomination Committee 2011

In accordance with a resolution by the 2010 AGM, the Nomination Committee for the 2011 AGM comprises five members; three members appointed by each of the three largest shareholders in the Company on 30 June 2010, East Capital Explorer's Chairman of the Board and a representative of the Investment Manager:

- Peter Elam Håkansson, East Capital (Chairman)
- Ramsay Brufer, Alecta
- Johan Gustavsson, Apoteket AB:s Pensionsstiftelse
- Paul Bergqvist, as Chairman of the Board in East Capital Explorer
- Louise Hedberg, as representative for the Investment Manager

The composition of the Nomination Committee was published through a press release and posted on the Company's website on 6 October 2010.

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

Shareholders have been invited to submit proposals to the Nomination Committee. The Nomination Committee's proposals prior to the 2011 AGM are specified in the notice of AGM and are also available on www.eastcapitalexplorer.com.

Annual General Meeting 2011

The 2011 AGM will be held at 3:00 p.m. on 12 April 2011, at 3.00 p.m. at Nalen in Stockholm. For more information please visit: www.eastcapitalexplorer.com.

Audit

External auditors

At the extraordinary general shareholders' meeting held on 25 May 2007, the registered auditing company KPMG was appointed auditors of East Capital Explorer for a four-year term until the close of the 2011 AGM, with authorized auditor Carl Lindgren as auditor in charge.

Compensation to auditors

The Company's auditor receives 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 2010, the total compensation paid to the auditors amounted to SEK 804,000 (corresponding to EUR 89,000), the entire amount referring to auditing services.

Communication with the Company's auditors

The Audit Committee maintains regular contact with the auditor. In addition, the auditor participates in the Audit Committee meetings at which the interim reports and full year report are addressed to report his 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 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 of East Capital Explorer Investments AB, East Capital Baltic Property Fund AB, East Capital Baltic Property Fund Investors AB and East Capital Power Utilities Fund AB, Board member of EEDF AG, Board member of JSC Populi, Supervisory Board Member of East Capital Real Estate AS and Branch Managing Director at East Capital International AB Eesti filial.

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

2,500 shares.

Stefano Grace

General Counsel

General Counsel since October 2010.
Born 1977.

Education

Bachelor of Arts from the University of Virginia and Juris Doctor from Florida State University College of Law.



Work Experience

2006-2010 Senior Associate leading the Private Equity Practice in SORAINEN's Tallinn Office,
2004/2005 In-House Legal Counsel NASDAQ OMX Tallinn (Tallinn Stock Exchange),
1999-2003 Paralegal at Pattishall, McAuliffe, Newbury, Hilliard and Geraldson.

Shareholding in East Capital Explorer AB

0 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 and Björk Eklund Group AB.

Shareholding in East Capital Explorer AB

11,000 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

Chairman of Banque Invik SA. Board member of Catella KAG, Hemfosa Fastigheter AB and CA Fastigheter AB.

Shareholding in East Capital Explorer AB

4,000 shares.

Monika Elling

Board member since 2010

Independent of the Company, Company management and the Company's major shareholders. Born 1962.

Education

Degree from the Stockholm School of Economics combined with MBA studies at McGill University in Montreal, Canada.



Work experience

Since 2010 CEO of Poolia, 2009-2010 Regional Managing Director Scandinavia at Intrum Justitia, 2005-2009 CFO at Intrum Justitia, 1999-2005 Financial analyst at Enskilda Securities, 1994-1998 various positions at Securitas, 1992-1994 various positions at Assa Abloy, 1989-1992 Business controller at Industor, 1989-1992 Head of Finance and Administration at Sandvik Öberg.

Other board assignments

Member of the board of Björn Borg, MQ and Poolia.

Shareholding in East Capital Explorer AB

7,200 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.

**Karine Hirn***Board member since 2010*

Dependent in relation to the Company and its Management. Dependent in relation to the Company's major shareholders. Born 1972.

Education

Degree from EM Lyon, France and a post-graduate degree from IEP Paris.

Work experience

1997 Partner and co-founder of East Capital, Numerous positions in the East Capital Group, including CEO of East Capital Asset Management and CEO of East Capital AB, Currently Chief Representative of East Capital in China, 1995-1997 responsible East Bridge Bank in Moscow, 1994-1995 Financial consultant Adex Finance in Nizhny-Novgorod.

Other board assignments

Number of Board assignments in the East Capital Group, including East Capital Holding AB, East Capital AB and East Capital Asia Ltd. French Foreign Trade Advisor (CCE).

Shareholding in East Capital Explorer AB

611,547 shares.

**Justas Pipinis***Board member since 2007*

Dependent in relation to the Company and its Management. Dependent in relation to the Company's major shareholders. Born 1973.

Education

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

Work experience

Since 2004 Partner at East Capital, since 2005 CEO of East Capital Holding AB, since 2007 CEO of East Capital International AB, 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

Number of board and other assignments within East Capital.

Shareholding in East Capital Explorer AB

34,742 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 the IoD, UK. In 2010 Yale School of Management recognizes Alexander Ikonnikov as Rising Star of Corporate Governance for outstanding work in, and contribution to, the field of corporate governance.

Work experience

Since 2005 Senior partner of Board Solutions, 2001-2004 Co-founder/CEO of the Investor Protection Association in Russia, 1998-2001 Deputy CEO, NAUFOR (National Association of Securities Market Participants in Russia), 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.

Shareholding in East Capital Explorer AB

8,000 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 starting on page 85.

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 teams have 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 assess 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 alternative investment funds and private equity funds, effectively diversifying our portfolio across approximately 400 companies in our investment region on 31 December 2010, 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 minimize 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 unauthorized 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 con-

flicts 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.
- Similarly, 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 unfavorable 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 alternative investment 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 five 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 fulfill 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 Environmental, Social and Governance perspective in our investments

East Capital Explorer considers good corporate governance as well as environmentally and socially responsible behavior as essential in managing any company with the aim of maximizing long-term shareholder value. We believe that companies that successfully manage the risks and opportunities related to the material and relevant environmental, social and governance (ESG) issues of their sector are better positioned to enhance long term investor confidence and increase investor interest.

Guiding policy documents

East Capital Explorer has two documents that define and describe the ESG perspective in relation to its investments; its Code of Business Conduct and its Principles of Responsible Investment. Both documents were initially adopted by the Board in 2008 and are reviewed annually.

The Principles of Responsible Investment specifies East Capital Explorer's expectations on the Investment Manager to undertake investment decisions on the basis of an in-depth analysis that includes both the financial outlook as well as an assessment of the risks and opportunities related to relevant environmental, social and governance challenges. This also enables East Capital Explorer, through the Investment Manager to also consider specific ESG factors in conjunction with investments in which none of the East Capital funds have invested. The second document is the Code of Conduct. 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.

Progress during 2010

Given the importance of assessing and managing the impact and materiality of certain ESG-factors in relation to a company's future prospects, East Capital has decided to further integrate these factors into East Capital's investment process. In September, East Capital appointed Louise Hedberg as Head of Corporate Governance at East Capital. This is a newly created specialist function within the investment management teams with responsibility for integrating ESG issues in the investment work of the analysts and portfolio managers. During 2011, East Capital's portfolio managers and analyst will increasingly be requesting transparent disclosure on relevant and material environmental and social risks and opportunities related to the operations of the portfolio companies.

In early 2011, East Capital adopted a revised Ownership policy in which the former Principles of Responsible Investment have been integrated into one document. The policy is applicable to all public equity funds, private equity funds, real estate funds as well as special fund products managed by the East Capital Group. The policy addresses how East Capital should act when exercising the ownership rights in the companies held by these funds on behalf of the investors. Typical ownership issues may include: Equitable treatment of all shareholders; Prohibiting Insider trading; Mandatory disclosure of conflicts of interest; Composition of the Board of Directors; Participation and voting at Shareholders' meetings; Establishing good shareholders' meeting practices; Transparent and equal communication and reporting to all investors; Managing environmental risks and opportunities; Addressing social issues and Abolishing unethical business practices.

Methods of influence

The Investment Manager's strategy is characterised both by a focus on long-term investment value as well as active ownership through face-to-face involvement. This allows East Capital to apply a range of methods to address ESG issues in the portfolio companies:

- Discussions with managements and boards in company visits and meetings

- Annual letter to all portfolio companies highlighting general issues of concern for the coming year
- An introductory letter to new portfolio companies, including East Capital's Ownership policy
- Nomination or endorsement of independent board members
- Voting in shareholders' meetings
- Collaboration with other shareholders
- Dialogue with governments, stock exchanges and financial surveillance authorities to advocate improvements in the institutional framework with the purpose of promoting more well-functioning and transparent capital markets

East Capital will also consider initiating an engagement with portfolio companies that, in East Capital's view, do not satisfactorily manage to meet the specific ESG risks and opportunities related to their company. The aim of the engagement process is to be supportive and constructive in order to ultimately encourage and influence the company to make necessary improvements. East Capital's experience has shown that engaging with a company and the other owners usually generates greater positive effects as opposed to immediately exiting the investment. An exit may, however, be used as a last resort if a company does not respond in an adequate manner or undertake the necessary improvements.

During 2010, East Capital was formally engaged with several companies on various Governance issues and with one company on Environmental issues.

The policies can be found on www.eastcapitalexplorer.com

Louise Hedberg
Head of Corporate
Governance,
East Capital





Fees

East Capital Explorer's investment structure has been designed to avoid duplication of fees, so that fees for fund investments are paid only on the underlying fund level at the same terms as by other fund investors. Total fees accrued for direct investments and through fund investments during 2010 amounted to EUR 22.2m, of which EUR 6.3m was management fees and EUR 15.9m was performance fees.

Fee structure for East Capital Explorer's investments

Investment	Sub-scrip-tion Fee	Annual Mgmt. Fee ¹	Base amount ³	Perfor-mance 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 Class A	0%	2.0%	NAV	20%	Mnth/Qtr	Yes				Yes
East Capital Bering Ukraine Fund Class R	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 ¹	0%	1.9%	NAV	15%	Yearly		7%	50/50	95/5	
East Capital Special Opportunities Fund	0%	2.0%	NAV	20%	Quarterly		7%	50/50		Yes
East Capital Special Opportunities Fund II	0%	2.0%	NAV	20%	Quarterly		7%	50/50		Yes
Direct investments ^{1,2}	0%	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	0%	1.0%	NAV	0%						
Cash and cash equivalent	0%	0%		0%						
Committed capital	0%	0%		0%						

¹ The fees charged by East Capital for managing the Power Utilities fund, the direct investments, and the bond portfolio are subject to VAT which make the actual cost for East Capital Explorer higher

² Separate agreements regarding the investment in TEO LT and Wimm-Bill-Dann have been made, reducing the management fee to 1.0% per annum based on the daily share price and waiving the performance fee

³ The management fee is calculated in % of opening NAV for all investments

⁴ The Bering funds management fees are based on monthly NAV, while performance fees are based on quarterly NAV. Performance fees for other funds are based on realized returns

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 fees.

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).

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

Hurdle rate = 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.

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 water mark 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.

Fees to East Capital 2010¹

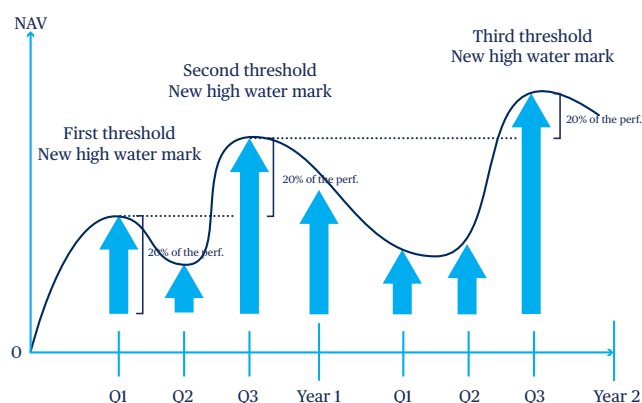
Investment	Management fees accrued 2010 (EUR thousands)	Performance fees accrued 2010 (EUR thousands)	Total fees accrued 2010 (EUR thousands)
Fee for managing East Capital Explorer's investment portfolio	-	-	-
East Capital Bering Russia Fund	774	1,214	1,988
East Capital Bering Ukraine Fund Class A	125	-	125
East Capital Bering Ukraine Fund Class R	113	-	113
East Capital Bering Balkan Fund	802	511	1,313
East Capital Bering Central Asia Fund	445	441	887
East Capital Bering New Europe Fund	350	234	583
East Capital Power Utilities Fund ^{2,3}	1,597	7,817	9,415
East Capital Special Opportunities Fund	734	4,153	4,887
East Capital Special Opportunities Fund II	178	558	736
Direct investments ³	431	965	1,396
East Capital (Lux) Eastern European Fund (EUR)	272	-	272
Bond mandate ³	486	-	486
Cash and cash equivalent	-	-	-
Committed capital	-	-	-
Total	6,308	15,893	22,201

¹These numbers differ from the fees reported as expenses in the Comprehensive Income Statement as they include fees generated in unconsolidated fund investments and exclude fees attributable to non-controlling interests in consolidated funds.

² EUR 1.7m of the performance fee is accrued to the minority shareholding of East Capital in the fund. Hence formally it is not a fee, but profit sharing.

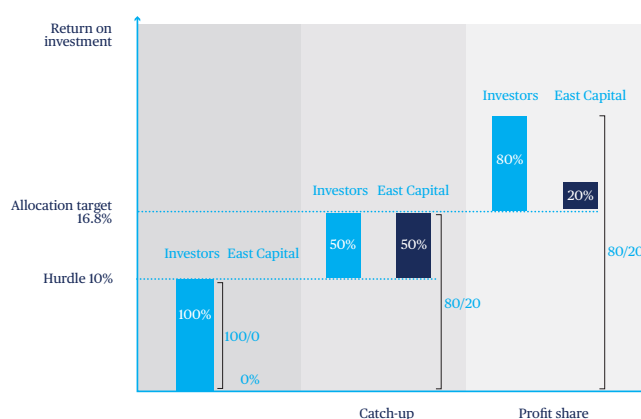
³Fees are stated including applicable VAT.

Example fee structure when using High Water Mark



Performance fee with high water mark. A performance fee of 20 percent is paid to East Capital quarterly, when the NAV exceeds the previous highest water mark. In the example above, performance fees of 20 percent of the performance above the last high water mark 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 water mark during a given quarter are not locked in.

Example fee structure with profit sharing

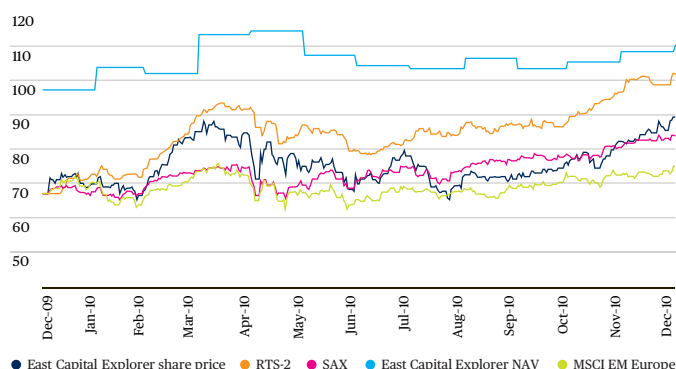


Profit distribution waterfall with 10 percent hurdle rate, 50/50 catch-up and 80/20 profit share arrangement. In the example above, investors receive the full return on an investment upon exit up to a 10 percent hurdle. After the hurdle, there is a catch-up in which investors and East Capital each receive 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.

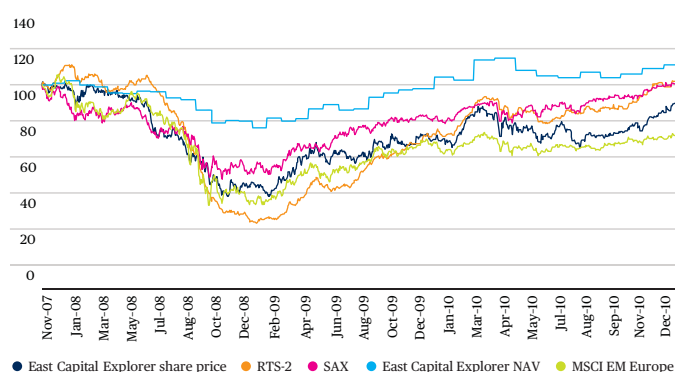
The East Capital Explorer share

East Capital Explorer's portfolio comprises investments in East Capital funds, Direct Investments and Short-term investments. On 31 December 2010, total Net Asset Value amounted to EUR 430m, corresponding to EUR 12.33 per share. The fair value change of the total portfolio was +26 percent during 2010. Cash, cash equivalents and other short-term investments constituted approximately ten percent of the portfolio and amounted to EUR 44m, corresponding to EUR 1.27 per share, on 31 December 2010.

East Capital Explorer vs indices during 2010



East Capital Explorer vs indices since the launch date in November 2007



Net Asset Value and share price development	2010	2009	2008	2007*
Net Asset Value per share, EUR	12.33	9.61	7.31	10.87
Net Asset Value per share, SEK	111	99	80	103
Net Asset Value development during the year, EUR	26%	29%	-33%	1%
Share price on 31 December, SEK	84.75	67.00	40.20	100.00
Lowest, SEK	65.25	38.20	37.30	95.50
Highest, SEK	88.00	72.75	102.00	108.00
Market capitalization on 31 December, MSEK	2,954	2,378	1,458	3,627
Share price development during the year, SEK	26%	67%	-60%	0%
Premium/discount on 31 December	-24%	-32%	-50%	-3%
Average premium/discount during the year	-29%	-34%	-19%	-2%
Total turnover, shares	13,969,467	19,010,661	15,696,617	6,157,487
Average daily turnover, shares	55,215	75,740	62,288	186,591

Development of relevant indices

SAX (OMX Stockholm All Share index), SEK	26%	52%	-40%	-5%
RTS-2 (Russian Trading System 2nd tier index), SEK	48%	143%	-75%	11%
MSCI Emerging Markets Europe, SEK	9%	64%	-62%	3%

Share capital and number of shares

Share capital at 31 December, EUR	3,628,014	3,628,014	3,627,016	3,627,016
Number of shares at 31 December	34,851,675	35,499,160	36,270,160	36,270,160
Average number of shares	34,967,923	35,651,491	36,270,160	35,032,755

Ownership structure

Number of shareholders on 31 December	8,247	9,381	9,984	11,648
% shares held outside Sweden	44%	37%	35%	47%

* 9 November - 31 December 2007.

20 largest shareholders and custodians* on 31 December 2010

Name	Number of shares	Holding %
Alecta Pensionsförsäkring	2,400,000	6.9
Morgan Stanley & CO Intl PLC.	2,117,880	6.1
East Capital Eastern European Fund	2,081,392	6.0
Apoteket AB Pension Foundations	1,420,022	4.1
SSB CL Omnibus AC OM07	1,317,502	3.8
East Capital Partners**	1,218,026	3.5
Avanza Pension	951,069	2.7
Nordnet Pensionsförsäkring AB	686,470	2.0
East Capital AB Clients	613,031	1.8
Volvo Related Foundations	566,373	1.6
JP Morgan Bank	525,590	1.5
Handelsbanken fonder	503,144	1.4
SSB CL Omnibus AC OM03	478,251	1.4
Stena	450,000	1.3
Fjärde AP-fonden	440,000	1.3
SSB CL Omnibus AC OM09	419,210	1.2
Veritas Eläkevatuutusosakeyhtiö	375,000	1.1
Svenska Handelsbanken SA	354,773	1.0
JPM Chase NA	354,688	1.0
JPM Chase NA 2	354,532	1.0
Total top 20 shareholders and custodians	17,626,953	50.6
Other 8,227 shareholders and custodians	17,224,722	49.4
Total	34,851,675	100.0

* A majority of the shares registered by foreign shareholders are registered through custodians. This implies that the beneficial shareholders are not officially registered. Certain shareholders may also register part of their holdings through custodians.

** East Capital's own investment and investments by Partners in East Capital. The figure presented does not reflect all holdings by East Capital, its Partners and related parties which at the end of 2010 represented approximately 12% of the Company's shares.

Shares and voting rights

East Capital Explorer has one class of shares, in total 34,851,675 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 Annual General Meeting 2009 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2010. On 8 March 2010, East Capital Explorer announced that the Company's Board had decided to utilize the authorization for the purpose of giving the Board wider freedom of action in the work with the Company's capital structure and thus creating more value for the shareholders.

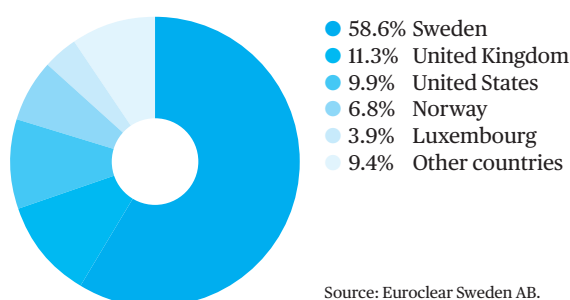
The utilization of the authorization allowed the Company to repurchase own shares from 8 March 2010 up to and including 9 April 2010. During the period, East Capital Explorer repurchased 647,485 own shares, corresponding to 1.8% of the shares in the Company. Average price per share paid was SEK 78.46. At the Annual General Meeting held in Stockholm on 28 April 2010, the 647,485 repurchased shares were resolved to be cancelled. Following the cancellation of shares, the new total number of shares in the Company amounts to 34,851,675.

On 28 April 2010, the Annual General Meeting 2010 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2011. The new authorization has not been utilized.

Distribution of ownership by size of holding

Number of shares per holding	Number of shareholders	% of share-holders	Total number of shares	% of shares and votes
1 - 500	6,081	73.7	1,281,148	3.7
501 - 1,000	883	10.7	772,142	2.2
1,001 - 5,000	858	10.4	2,329,340	6.7
5,001 - 10,000	170	2.1	1,292,112	3.7
10,001 - 15,000	64	0.8	805,511	2.3
15,001 - 20,000	30	0.4	540,559	1.5
20,001 -	161	2.0	27,830,863	79.9
Total	8,247	100.0	34,851,675	100.0

Distribution by ownership by country*



* 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.

Share facts

Listing:	NASDAQ OMX Stockholm, 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

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 72. 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 Bloomberg at the end of the day.

The net asset value is published through a press release and on our website five business days after the end of the month. The latest portfolio report and net asset value report are always available on our website: 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 organized. 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 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 function. 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 moni-

tor 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. Currently, the Company's CEO, Gert Tiivas, and East Capital Explorer Board member, Justas Pipinis, serve as 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-going discussions and contacts with key individuals within East Capital.
- Ongoing review of documentation for decisions and formalities in conjunction with the investment activities.
- On-going review and valuation of internal methods and processes 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 2010 was based on a risk analysis undertaken by the Company management within East Capital Explorer AB together with the outside auditing firm Ernst & Young and their internal audit team. During the year, the internal audit function has audited a number of areas identified by the risk analysis. The audit plan for 2010 included a more extensive review of the implementation aspects of the roles and responsibilities within the core process and activities of the Company taking into account the frameworks and policies in place. The results of these audit activities were reported to the Audit Committee.

Stockholm, March 2011

Board of Directors of East Capital Explorer AB
(publ)

5

Financial Statements

Administration Report	61
Financial Statements	64
Notes to the financial statements	72
Consolidated key figures	92
Audit Report	94

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 year 1 January - 31 December 2010 and the annual report for the Parent Company for the financial year 1 January - 31 December 2010.

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, East Capital Special Opportunities Fund II, East Capital Bering Balkan 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, 95% of the share of equity in the Special Opportunities fund II, 52% of the share of equity in the East Capital Bering Balkan 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 13 but are consolidated in the financial statements.

East Capital Explorer Investments AB holds all of the Company's investments (Consibilink Ltd holds the investments of the East Capital Power Utilities Fund AB). In the future the consolidated equity funds may be opened to additional investors, which could change the subsidiaries' status.

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

Key events during the financial year

On 31 December 2010, East Capital Explorer had a total of EUR 388m (EUR 258m) in various Fund Investments and Direct Investments.

In January 2010, East Capital Explorer announced a EUR 5m direct investment in a new venture which, together with Intrum Justitia and the East Capital Financials Fund, will

seek to invest in portfolios of non-performing consumer loans in Russia. On 31 December 2010 EUR 0.3m was invested.

On 26 March the Board announced an investment of additional EUR 5m in East Capital Ukraine Fund Class A. East Capital Explorer invested in newly issued shares that were received in the beginning of April.

During March and April the Board utilized the buy-back mandate and repurchased 647,485 shares. The total cost for the repurchased shares was EUR 5.2m. These shares were resolved to be cancelled at the Annual Meeting on 28 April 2010.

On 1 June 2010 East Capital Explorer invested an additional EUR 5m in East Capital Bering Balkan. At the time of the investment the Group held a EUR 44.9m stake in the fund and following the investment the Group's stake represented 49% of the fund. As of 1 October 2010, the Group's holdings in the fund increased to above 50% due to other investors' redemptions, and at year end the Group's holdings represented 52% of the fund. In light of the above, the holdings in East Capital Bering Balkan Fund have been reclassified from an investment to a subsidiary and are included in the consolidation of the Group as from October 2010. As at the time the Group acquired controlling influence, the fund's total NAV was EUR 82.5m.

In June East Capital Explorer received a dividend of EUR 20m from the East Capital Power Utilities Fund after the fund had posted a 213% value increase during the preceding twelve months. The annualized return on investment for the fund since the original investment in December 2007 amounted to 9.4%.

In June, the East Capital Russian Property Fund was closed. The capital was returned to the fund's investors, less cost incurred for the fund. There was a loss of EUR 0.9m for accumulated costs incurred during the lifetime of the fund.

In September 2010, East Capital Explorer made a direct investment of EUR 3.7m in a Georgian food retailer, Populi. The initial investment was made as a bridge loan awaiting the issue of new shares that East Capital Explorer received at the end of October.

In October 2010, East Capital Explorer announced a direct investment in newly issued shares in the Macedonian bank, Komercijalna Banka Skopje. The transaction was subject to regulatory approval and it was

not completed until after the end of the year, in February 2011.

In December, East Capital Explorer made a direct investment of EUR 6.8m in the Russian food company Wimm-Bill-Dann.

For short-term cash management purposes East Capital Explorer has invested in a portfolio on bonds. On 31 December 2010, the fair value of the bond portfolio amounted to EUR 26.5m (EUR 36.1m).

Net profit for the Group was EUR 115m (EUR 99m), which corresponds to earnings per share of EUR 2.55 (EUR 2.26). The most significant profit or loss account items include EUR 86m (EUR 109m) in unrealized change in the value of investments, EUR 39m (EUR -6.6m) in realized change in the value of investments, EUR 6.5m (EUR 3.9m) in financial income from short-term deposits and bonds, EUR -25.3m (EUR -5.9m) in operating expenses mainly due to performance fees and EUR -0.9m (-0.5m) in income taxes.

The Parent Company's net profit was EUR 45m (EUR 80m), of which EUR 46m (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 -2.0m (EUR -1.2m). The increased cost stems from increased staff as well as other operating expenses as further described in Note 3 and 4. 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 2011, East Capital Explorer's indicative net asset value was EUR 12.55 (EUR 10.20) per share, compared with EUR 12.33 (EUR 9.43) on 31 December 2010. The closing price per share on 31 January 2011 was SEK 88.75 (corresponding to EUR 10.05).

On 28 February 2010, the indicative net asset value amounted to EUR 12.33 per share while the closing price per share on the same date was SEK 81.50 (corresponding to EUR 9.33).

Investments

Until the end of February 2011, additional investments of EUR 0.9m were made in TEO. During February East Capital Explorer invested EUR 12m through participation in a new share issue by the Macedonian bank Komercijalna Banka AD Skopje. Following the investment, East Capital Explorer directly and indirectly holds 10.9% of the company's share capital. During February East Capital

Explorer redeemed shares in East Capital (Lux) Eastern European Fund for EUR 5m. In March there was an additional investment in East Capital Bering Balkan Fund of EUR 5m. On 28 February 2011, East Capital Explorer invested an additional EUR 0.1m into Populi as part of the company's equity financing and received shares representing approximately 2% of the company.

Share information

The total number of outstanding shares at 31 December 2010 was 34,851,675 (35,499,160). No new shares were issued during the year.

Between 1 April and 9 April 2010 East Capital Explorer repurchased a total of 647,485 own shares, equivalent to 1.8% of the shares in the company, under the existing repurchase authorization. The total investment in own shares amounted to EUR 5.2m, corresponding to an average price of SEK 78.46 per share. At the Annual Meeting on 28 April 2010 the 647,485 shares were resolved to be cancelled. Following the cancellations of shares, the new total number of shares in the Company amounts to 34,851,675. In addition, the Annual General Meeting 2010 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2011. The new authorization has not been utilized. The average number of shares between 1 January 2010 and 31 December 2010 was 34,967,923. 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. It should be noted that in 2010 East Capital together with its related parties was a major shareholder of the Company, as the term is defined in the Swedish Code of Corporate Governance.

The board propose the Annual General Meeting 2011 issues a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2012.

Board of Directors

The Board shall be comprised of seven 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. Certain 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 2010 was EUR 430m (EUR 341m) (EUR 12.33 per share).

On 31 December 2010, cash, cash equivalents and bonds amounted to EUR 1.27 (EUR 2.47) per share.

The closing price per share on 30 December, the last trading day of the year, was SEK 84.75 which was equivalent to EUR 9.43 (SEK 67.00 equivalent to EUR 6.53). East Capital Explorer AB's share price, consequently, increased 26.5% (67%) in SEK during the year and 44.9% (78.1%) in EUR during the year while the SAX index increased 40.4% (56.5%) in EUR. By comparison, the RTS Index increased 31.1% (123%), the RTS 2 Index increased 82.1% (85.4%) and the MSCI EM Europe Index increased 22.5% (76.6%) in EUR.

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 the risk of disruptions of operations through external events. Operational risks occur throughout the business and are managed by constantly improving the management of system-related issues, administrative processes, information technology, security, regulatory 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 85 Financial risks and financing policies for the Group's material risks and uncertainties.

Personnel and remuneration guidelines

On 31 December 2010, the Group had four employees, including one woman and three men. In accordance with current guidelines, the Board proposes the Annual General Meeting 2011 the following with regard to remuneration of senior executives, in this case the CEO and CFO: Remuneration 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 and CFO should be paid any variable salary. The CEO and CFO may receive a maximum variable salary corresponding to 50% of the fixed salary. The CEO and CFO have individual premium-based pension plans, pursuant to which the Company pays premiums corresponding to 10% of their respective fixed salaries up to 10 Swedish income base amounts and premiums corresponding to 20% of the fixed salaries on the portion of the fixed salaries 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. For the CFO there is a three month mutual notice period for termination. The CFO is not entitled to any severance payment. Information about salaries and current remunerations guidelines, other compensation and social charges for the Board and senior executives, as well as other employees, is found in Note 4 on page 77.

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 separate Corporate Governance Report under the Corporate Governance section on page 42. See pages 58-59 regarding internal control and risk management in connection with the preparation of the consolidation.

Shareholders' meeting and dividend

East Capital Explorer AB's annual shareholders' meeting will be held on 12 April 2011 in Stockholm.

As East Capital Explorer is now fully invested, the Board of Directors has decided to change the dividend policy to start paying dividends, and to propose to the Annual General Meeting a dividend of SEK 0.80 per share for the fiscal year 2010.

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 became fully invested during 2010.

Now that the Group is fully invested, the focus continues to be on working actively with the existing investments in the portfolio in order to further increase value for the shareholders.

Proposed Disposition of Earnings

The Board of Directors proposes that the unappropriated earnings in East Capital Explorer AB at the disposal of the Annual General Meeting be allocated as described below:

Total available funds for distribution:		To be allocated as follows:	
Share premium reserve	379,149,459	Dividend to shareholders 0.80 SEK/ share ¹	3,157,856
Retained earnings	-44,360,708	Funds to be carried forward	376,137,875
Profit for the year	44,506,980	(Of which share premium reserve 376,137,875)	
Total EUR	379,295,731	Total EUR	379,295,731

¹ EUR/SEK 8,8292 at 31 January 2011.

Statement of Comprehensive Income

EUR thousands	Note	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009
Result from financial assets at fair value through profit or loss		85,544	108,821
Realized gains/losses from financial assets through profit or loss		39,010	-6,574
Dividends		9,926	315
Total operating income	2	134,480	102,562
Other operating expenses	3,5	-24,250	-5,384
Staff expenses	4	-1,095	-554
Operating profit		109,135	96,624
Financial income	6	6,475	3,899
Financial expense	6	-51	-818
Profit before tax		115,559	99,705
Income tax	7	-903	-497
NET PROFIT FOR THE YEAR		114,656	99,208
Other comprehensive income:			
Exchange differences on translating foreign operations		5,230	-801
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		119,886	98,407
Net profit/loss for the year distribution:			
Shareholders of the Parent Company		89,260	80,421
Non-controlling interest		25,397	18,787
		114,656	99,208
Total comprehensive income distribution:			
Shareholders of the Parent Company		93,710	79,620
Non-controlling interest		26,176	18,787
		119,886	98,407
Earnings per share, EUR	8	2.55	2.26
- shareholders of the Parent Company			
No accumulated dilution effects			
No dilution effects during year			

Statement of Financial position

EUR thousands	Note	31 Dec 2010	31 Dec 2009
Assets			
Financial non-current assets			
Shares and participations in investing activities	10,15,16,17	455,302	292,174
Total non-current assets		455,302	292,174
Current receivables			
Other short-term receivables	15	2,092	1,286
Accrued income and prepaid expenses	11,15	76	388
Total current receivables		2,167	1,674
Short-term Investments ¹	15,16	26,494	36,138
Cash and cash equivalents	15	62,874	57,909
Total current assets		91,536	95,721
Total assets		546,838	387,895
Shareholders' equity			
Share capital	12	3,628	3,628
Other contributed capital		379,149	384,376
Reserves		3,333	-1,117
Retained earnings including profit for the year		43,743	-45,517
Equity attributable to shareholders of the Parent Company		429,853	341,370
Non-controlling interest		95,581	40,171
Total shareholders' equity		525,434	381,541
Liabilities			
Deferred tax liabilities	7	1,182	713
Total long-term liabilities		1,182	713
Tax liabilities		252	1,950
Other liabilities	13,15	8,670	1,686
Accrued expenses and deferred income	14,15	11,300	2,005
Total current liabilities		20,222	5,641
Total liabilities		21,404	6,354
Total equity and liabilities		546,838	387,895

PLEDGED ASSETS AND CONTINGENT LIABILITIES

19

Pledged assets

Contingent liabilities

¹ In the Annual report 2009 the bond portfolio is presented on several rows in the Statement of financial position. In this report all items related to the bond portfolio are accounted for under short-term investments. The figures for 2009 have been adjusted accordingly.

Statement of Changes in Equity - Group

EUR thousands	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit for the year	Total equity shareholders in Parent Company	Non-controlling interest	Total equity
2010							
Opening equity 1 Jan 2010	3,628	384,376	-1,117	-45,517	341,370	40,171	381,541
Net profit for the year	-	-	-	89,260	89,260	25,397	114,656
Other comprehensive income	-	-	4,450	-	4,450	780	5,230
Total comprehensive income	-	-	4,450	89,260	93,710	26,176	119,886
Acquired subsidiaries	-	-	-	-	-	37,268	37,268
Dividend and redemption to/ from non-controlling interest	-	-	-	-	-	-8,034	-8,034
Share buy-back	-	-5,227	-	-	-5,227	-	-5,227
Per 31 December 2010	3,628	379,149	3,333	43,743	429,853	95,581	525,434

EUR thousands	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit for the year	Total equity shareholders in Parent Company	Non-controlling interest	Total equity
2009							
Opening equity 1 Jan 2009	3,627	387,652	-316	-125,938	265,025	10,425	275,450
Net profit for the year	-	-	-	80,421	80,421	18,787	99,208
Other comprehensive income	-	-	-801	-	-801	-	-801
Total comprehensive income	-	-	-801	80,421	79,620	18,787	98,407
Acquired subsidiaries	-	-	-	-	-	10,959	10,959
Share buy-back	-	-3,275	-	-	-3,275	-	-3,275
Bonus issue	1	-1	-	-	0	-	0
Per 31 December 2009	3,628	384,376	-1,117	-45,517	341,370	40,171	381,541

Statement of Cash Flow - Group

EUR thousands	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009
Operating activities		
Operating profit/loss	109,135	96,624
Adjusted for unrealized change in value	-85,544	-108,821
Capital gain/loss from divestment	-39,010	6,574
Interest received	1,830	5,306
Interest paid	-35	-15
Tax paid	-1,715	-500
Cash flow from current operations before changes in working capital	-15,340	-832
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	2,328	-1,176
Increase (+)/decrease (-) in other current payables	15,949	446
Cash flow from operating activities	2,937	-1,562
Investing activities		
Investment in shares and participations ¹	-126,304	-167,636
Sale of shares and participations	136,453	38,838
Cash flow from investing activities	10,150	-128,798
Financing activities		
Contribution from non-controlling interest ³	1,749	7,606
Dividend and redemption to/from non-controlling interest	-8,034	-
Share buy-back	-5,227	-3,275
Cash flow from financing activities	-11,512	4,331
Cash flow for the year	1,574	-126,029
Cash and cash equivalents at beginning of the year ²	57,909	183,643
Exchange rate differences in cash and cash equivalents	3,391	295
Cash and cash equivalents at end of the year	62,874	57,909

¹ Comparatives have been altered as an effect of the reclassification of the bond mandate and therefore items relating to it have been moved to Investment in shares and participations 2009.

² Cash equivalents comprise deposits and cash.

³ Relates to acquisition of East Capital Special Opportunities Fund II

Income statement - Parent Company

EUR thousands	Note	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009
Staff expenses	4	-1,095	-554
Other operating expenses	3,5	-922	-615
Operating loss		-2,017	-1,169
Financial income	6	46,005	80,429
Financial expense	6	-14	-1
Profit before tax		43,973	79,259
Income tax	7	533	300
NET PROFIT FOR THE YEAR		44,507	79,559

Statement of Comprehensive Income - Parent Company

EUR thousands	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009
NET PROFIT FOR THE YEAR	44,507	79,559
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	44,507	79,559

Balance Sheet - Parent Company

EUR thousands	Note	31 Dec 2010	31 Dec 2009
Assets			
Financial non-current assets			
Participations in group companies	9	380,576	339,570
Total non-current assets		380,576	339,570
Current receivables			
Other current receivables		2,566	2,540
Accrued income and prepaid expenses	11	39	59
Total current receivables		2,605	2,599
Cash and cash equivalents			
Cash		272	247
Total current assets		2,878	2,846
Total assets		383,454	342,416
Shareholders' equity			
12			
Restricted equity			
Share capital		3,628	3,628
Total restricted equity		3,628	3,628
Non-restricted equity			
Share premium reserve		379,149	384,376
Retained earnings		-44,361	-125,413
Net profit for the year		44,507	79,559
Total non-restricted equity		379,296	338,522
Total shareholders' equity		382,924	342,150
Liabilities			
Other liabilities	13,15	99	84
Accrued expenses and prepaid income	14	431	182
Total current liabilities		530	266
Total liabilities		530	266
Total equity and liabilities		383,454	342,416
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		-	-
Contingent liabilities		-	-

Statement of changes in Equity - Parent Company

EUR thousands	Restricted equity		Non-restricted equity	
		Share premium reserve	Retained earnings incl. profit for the year	
2010	Share capital			Total equity
Opening equity 1 Jan 2010	3,628	384,376	-45,854	342,150
Net profit for the year	-	-	44,507	44,507
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	44,507	44,507
Group contribution received	-	-	2,027	2,027
Tax effect on Group contribution	-	-	-533	-533
Share buy-back	-	-5,227	-	-5,227
Per 31 December 2010	3,628	379,149	147	382,924

EUR thousands 2009	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings incl. profit for the year	
Opening equity 1 Jan 2009	3,627	387,652	-126,254	265,025
Net profit for the year	-	-	79,559	79,559
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	79,559	79,559
Group contribution received	-	-	1,141	1,141
Tax effect on Group contribution	-	-	-300	-300
Share buy-back	-	-3,275	-	-3,275
Bonus issue	1	-1	-	0
Per 31 December 2009	3,628	384,376	-45,854	342,150

Cash flow statement - Parent Company

EUR thousands	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009
Operating activities		
Operating loss	-2,017	-1,169
Interest received	-14	3
Tax paid	-	259
Cash flow from current operations before changes in working capital	-2,031	-907
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	20	-1,177
Increase (+)/decrease (-) in other current payables	264	-118
Cash flow from operating activities	-1,747	-2,202
Investing activities		
Cash flow from investing activities	-	-
Financing activities		
Repayment of shareholders contribution	5,000	4,597
Share buy-back	-5,227	-3,275
Group contribution received	2,000	841
Cash flow from financing activities	1,773	2,163
Cash flow for the period	25	-39
Cash and cash equivalents at beginning of the year ¹	247	286
Cash and cash equivalents at end of the year	272	247

¹ Cash and 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") as approved by the European Commission for application within the European Union. Furthermore, the Swedish Financial Reporting Board recommendation RFR 1 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 16 March 2011. The statement of comprehensive income and statement of financial position for the Group and the income statement and the balance sheet for the Parent Company will be submitted to the shareholders' meeting for adoption on 12 April 2011.

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.

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 74.

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 assessment has been made whereby the holdings in different funds are consolidated.

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 a correct 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 2010

A revised IFRS 3, Business combinations, and amended IAS 27, Consolidated and Separate Financial Statements, the following implications; transaction expenditure in business combinations should be expensed, conditional purchase prices should be measured at fair value at the acquisition date and effects of restating liabilities related to conditional purchases prices are reported as a revenue or cost in Comprehensive Income. Other new developments include there being two alternative ways to report non-controlling interest and goodwill, either at fair value, i.e. goodwill is included in the non-controlling interest, or alternatively, the non-controlling interest consists of a proportion of net assets.

Choices between these two methods will be made individually for each business combination. The change has not had any impact on the financial statement.

New IFRSs and interpretations not yet adopted

IFRS 9, Financial Instruments, is intended to replace IAS 39, Financial Instruments: Recognition and Measurement by 2013 onwards at the latest. The IASB has published the first of at least three parts which together will constitute IFRS 9. This first part deals with the classification and measurement of financial assets and liabilities. The impact of IFRS 9 has not been evaluated. A number of new standards, amendments to standards and interpretations are effective as of the 2011 financial year or later, and have not been applied in preparing these consolidated financial statements. These are not judged to have any material effect on the consolidated accounts.

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. East Capital Explorer reports the financial information and evaluates the performance based on the nature of its investments. The Group has the following three operating segments: investments in Equity Funds, Direct Investments and Short-term Investments. Equity Funds include all investments made into East Capital funds. Direct Investments include equity investments made directly by the subsidiary East Capital Explorer Investment AB, i.e. not held through East Capital Funds. Short-term Investments include cash, cash-equivalents and other short-term investments, which includes a bond portfolio. Unallocated refers to costs and pre-paid expenses in the Parent Company for 2010.

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. As an effect of the revised IFRS 3, transaction expenditures in business combinations are expensed, conditional purchase prices are measured at fair value, at the acquisition date and effects of restating liabilities related to conditional purchase prices are reported as a revenue or cost in 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 unrealized 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.

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.

Certain calculations are based on the following exchange rates for 2010:
 EUR/USD average 2010 = 1.32
 EUR/SEK average 2010 = 9.55
 EUR/USD closing 2010 = 1.34
 EUR/SEK closing 2010 = 9.00

Income

Income consists primarily of realized and unrealized 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 realized 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. The cost for variable remuneration is estimated and accrued at the end of the year. The difference between the accrued variable remuneration and the actual payment is recognized in the statement of comprehensive income during the following year. 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 the terms and conditions of the agreement are met. 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 realized or expired, 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 realize 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 amortised 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 investments in the bond portfolio 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"). The joint venture between Intrum Justitia and East Capital Explorer was valued at initial recognition at fair value according to IAS 39, and under the exception in IAS 31.1, from using proportionate consolidation or the equity method, the joint venture is recognized at fair value

through profit or loss. 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 well 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, after it was concluded by the Company 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 it is considered 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 Company may conclude that the Fair Value at the previous reporting date remains the best estimate of Fair Value. The Company is required to consider whether events or changes in circumstances indicate that impairment may have occurred.
5. The Company may request, when it considers that there is a requirement to do so, an independent appraiser 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 2009 or 2010.

Dividends

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.

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, Accounting for Legal Entities, as well as the pronouncements of the Swedish Financial Reporting Board for listed companies. Application of RFR 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 from the Swedish Financial Reporting Board, shareholders' contributions are recognised directly against equity by the recipient and are capitalized 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 reports the financial information and evaluates the performance based on the nature of its investments. The Group's operating segments consist of Equity Funds, Direct investments as well as Short-term Investments. Equity Funds include all investments made into East Capital funds. Direct Investments include equity investments made directly by the subsidiary East Capital Explorer Investment AB, i.e. not held through East Capital Funds. Short-term Investments include cash, cash-equivalents and other short-term investments, which among other things include a bond portfolio. Segment results and assets include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

Group		Direct Investments	Short-term Investments	Unallocated	Total consolidated
EUR thousands	Fund Investments 1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010
Result from financial assets at fair value through profit or loss	78,543	6,699	302	-	85,544
Realized gains on financial assets through profit or loss	38,646	-	364	-	39,010
Dividends	8,909	1,017	-	-	9,926
Staff expenses	-	-	-	-1,095	-1,095
Other operating expenses	-21,915	-1,404	-10	-922	-24,250
Operating profit/loss	104,183	6,313	655	-2,017	109,135
Financial income	3,497	-	2,978	-	6,475
Financial expense	-37	-	-	-14	-51
Profit/loss before tax	107,643	6,313	3,634	-2,031	115,559
Assets	417,390	40,041	89,368	39	546,838

Group		Direct Investments	Short-term Investments	Unallocated	Total consolidated
EUR thousands	Fund Investments 1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2009	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
Staff expenses	-	-	-	-554	-554
Other operating expenses	-4,384	-249	-136	-615	-5,384
Operating profit/loss	96,415	108	1,270	-1,169	96,624
Financial income	-	-	3,899	-	3,899
Financial expense	-	-	-818	-	-818
Profit/loss before tax	96,415	108	4,351	-1,169	99,705
Assets	273,222	19,262	93,323	2,088	387,895

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. Unallocated assets consists of prepaid expenses in the parent company in 2010.

NOTE 3 OTHER OPERATING EXPENSES

		Group		Parent Company
EUR thousands	2010	2009	2010	2009
Management and performance fees in consolidated subsidiaries	22,313	3,470	-	-
Custody fees	352	95	-	-
Communication	109	46	109	46
Internal services ¹	271	167	271	167
Rent ²	79	72	79	72
Audit assignments ³	332	262	129	91
Travel	60	59	60	59
Other external costs	733	1,213	274	180
Total	24,250	5,384	922	615

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. See note 5.

NOTE 4 EMPLOYEES, STAFF EXPENSES AND EXECUTIVE MANAGEMENT COMPENSATION

EUR thousands	Group		Parent Company	
	2010	2009	2010	2009
Wages, salaries and remuneration	565	215	565	215
Directors' fees	210	164	210	164
Social charges	310	171	310	171
of which pensions	70	38	70	38
Total	1,085	550	1,085	550

On December 2010 the Group had four employees, including one woman and three men.

Salaries and other remunerations EUR thousands	Group		Parent Company	
	2010	2009	2010	2009
Board, CEO and CFO, 9 people 2010, 7 people 2009	621	270	650	270
Other employees, average 2.9 people	154	109	125	109
Total	775	379	775	379

Executive management compensation

Remuneration to the Board

On 28 April 2010, 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 and CFO will be resolved on a yearly basis at the shareholders' meeting, based on proposals by the Board. Remuneration to the CEO and CFO consists of fixed salary, variable salary and pension, insurance and customary benefits. The Board decides at its own discretion whether the CEO and CFO should be paid variable salary. For 2010 the CEO and CFO can receive a maximum variable salary corresponding to 50% of their fixed salary. The CEO and CFO 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. For the CFO there is a three month mutual notice period for termination. The CFO is not entitled to any severance payment.

Remuneration and other benefits, Parent Company								
EUR thousands	2010				2009			
	Fixed salary	Variable salary ³	Board fee	Total	Fixed salary	Variable salary ³	Board fee	Total
Paul Bergqvist, Chairman	-	-	81	81	-	-	71	71
Anders Ek, Board member	-	-	36	36	-	-	31	31
Monica Elling, Board member during 2010 ²	-	-	21	21	-	-	-	-
Lars Emilson, Board member	-	-	36	36	-	-	31	31
Karine Hirn, Board member during 2010 ¹	-	-	-	-	-	-	-	-
Alexander V. Ikonnikov, Board member	-	-	36	36	-	-	31	31
Justas Pipinis, Board member ¹	-	-	-	-	-	-	-	-
Kestutis Sasnauskas, Board member ¹	-	-	-	-	-	-	-	-
Gert Tiivas, CEO	160	51	-	211	103	3	-	106
Mathias Pedersen, CFO	141	59	-	200	-	-	-	-
Total	301	110	210	621	103	3	164	270

¹ Board members Karine Hirn, Justas Pipinis and Kestutis Sasnauskas waived their directors' fees.

² Monica Elling was elected at the annual general meeting 2010.

³ Variable salary for senior executives of EURt 133 was reserved for 2010. In 2011 the board has resolved that EUR 141m should be paid out to senior executives for 2010. Variable salary for senior executives reserved for 2009 amounted to EURt 49 of which the Board later resolved that EURt 25 were to be paid out to the CEO in 2010. Variable salary of EURt 46 was reserved for 2008 but not paid out and reversed during 2009.

NOTE 5 FEES AND EXPENSES FOR AUDITORS

EUR thousands	Group		Parent Company	
	2010	2009	2010	2009
KPMG				
Audit fee	293	261	89	91
Audit assignments except audit fees	40	1	40	-
Tax assignments	-	-	-	-
Other assignments	-	-	-	-
Total	332	262	129	91

NOTE 6 FINANCIAL INCOME AND EXPENSE

EUR thousands	Group		Parent Company	
	2010	2009	2010	2009
Interest income on financial assets measured at fair value (fair value option) ¹	3,229	699	-	-
Reversal of write down of shares in Group companies	-	-	46,005	80,404
Interest income on financial assets not measured at fair value	207	3,056	-	3
Other financial income	-	144	-	-
Exchange rate difference	3,039	-	-	22
Total financial income	6,475	3,899	46,005	80,429
Financial expense				
Interest expense on financial liabilities measured at amortised cost	-51	-179	-14	-1
Exchange rate difference	-	-639	-	-
Total financial expense	-51	-818	-14	-1

¹ Includes gains from sale of assets within the bond mandate.

NOTE 7 TAXES

Recognised in the statement of comprehensive income/income statement				
EUR thousands	Group		Parent Company	
	2010	2009	2010	2009
Current tax expense (-)/income (+)				
Tax expense/income for the period	-434	-497	533	300
Deferred tax expense (-)/income (+)				
Deferred tax on temporary differences	-469	-	-	-
Total recognised tax expense/income	-903	-497	533	300

Reconciliation of effective tax								
EUR thousands	Group				Parent Company			
	2010 (%)	2010	2009 (%)	2009	2010 (%)	2010	2009 (%)	2009
Profit before tax		115,559		99,705		43,973		79,259
Tax as per applicable tax rate for the Parent Company	26.3	-30,392	26.3	-26,222	26.3	-11,565	26.3	-20,845
Difference in tax rate in foreign operations	0.3	-360	0.2	-204	-	-	-	-
Tax effect of non-taxable income	-26.1	30,169	-26.0	25,919	-27.5	12,100	-26.7	21,147
Tax effect of non-taxable expense	0.2	-245	-	-27	-	-2	-	-2
Correction of previous years tax	0.1	-75	-	-	-	-	-	-
Effect of changed tax rate	-	-	-	38	-	-	-	-
Recognised effective tax	0.8	-903	0.5	-497	-1.2	533	-0.4	300

Deferred tax assets and tax liabilities relate to the following:

Group EUR thousands	Deferred tax asset 2010	Deferred tax liability 2010	Net 2010	Deferred tax asset 2009	Deferred tax liability 2009	Net 2009
Financial assets	-	1,005	1,005	-	-	-
Tax allocation reserve	-	177	177	-	713	713
Total	-	1,182	1,182	-	713	713

NOTE 8 EARNINGS PER SHARE

Earnings per share

EUR	2010	2009
Earnings per share, basic and diluted	2.55	2.26

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	2010	2009
Profit/loss attributable to the holders of ordinary shares in the Parent Company.	89,260	80,421

Weighted average number of outstanding ordinary shares In thousands of shares	2010 1 Jan - 31 Dec	2009 1 Jan - 31 Dec
Total number of outstanding shares, 1 January	35,499	36,270
Share buy-back during March and April 2010. Cancelled in May 2010	-647	-
Share buy-back during March and April 2009. Cancelled in May 2009	-	-771
Total number of outstanding shares, 31 December	34,852	35,499
Weighted average number of ordinary shares, basic and diluted	34,968	35,651

NOTE 9 GROUP COMPANIES

Holdings in subsidiaries

	Subsidiary's domicile, country	Share of Equity in %	
		2010	2009
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	82
East Capital Special Opportunities Fund II	Luxembourg	95	-
East Capital Bering New Europe Fund	Grand Cayman, Cayman Islands	86	86
East Capital Bering Balkan Fund	Grand Cayman, Cayman Island	52	-

Parent Company EUR thousands	31 Dec 2010	31 Dec 2009
Acquisition value		
At 1 January	339,570	263,764
Repayment of shareholder contribution	-5,000	-4,597
Reversal of write downs	46,006	80,404
At 31 December	380,576	339,570

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

		31 Dec 2009	31 Dec 2008
Subsidiary / Corporate registration number / Domicile	No. of shares	Carrying amount	Carrying amount
East Capital Explorer Investments AB/556693-7370/ Stockholm	3,410	380,576	339,570
Total	3,410	380,576	339,570

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	2010	2009
At 1 January	328,516	248,282
Exchange difference	4,053	-
Reclassification of East Capital Bering Balkan	53,963	-
Acquisitions	125,967	136,047
Disposals	-87,897	-41,212
Redistribution consolidated funds	8,845	-14,601
At 31 December	433,447	328,516
Change in fair value through profit or loss		
At 1 January	-36,342	-153,190
Exchange difference	438	-
Reclassification of East Capital Bering Balkan	-18,940	-
Fair value change in the value through the statement of comprehensive income for the year	85,544	108,821
Realized losses through profit or loss	-	-6,574
Redistribution consolidated funds	-8,845	14,601
At 31 December	21,855	-36,342
Carrying amount 31 December	455,302	292,174

Joint Venture

East Capital Explorer Investments AB holds 25% of the joint venture, EEDF AG, entered into with Intrum Justitia and East Capital Financial Fund. East Capital Explorer Investment AB has made a commitment to invest EUR 5m corresponding to its pro rata share of the joint venture.

The Group has the following holdings:

Holdings 2010	Number of shares/Units	Cost	Value Change	Carrying amount
East Capital Bering Russia Fund	1,660,805	43,590	-787	42,803
East Capital Bering Ukraine Fund Class A	738,641	11,039	-3,159	7,880
East Capital Bering Ukraine Fund Class R	912,395	18,372	-12,014	6,358
East Capital Bering Central Asia Fund	5,933,960	29,478	-4,115	25,363
East Capital Bering New Europe Fund ¹				
Mropol ASA	1,066,500	2,692	249	2,941
RFV Regionalis Fejleszt	75,929	801	1,510	2,311
Mennica Polska SA	57,000	1,798	-13	1,785
Pannenergy	399,320	1,284	12	1,296
Other		13,979	-875	13,104
East Capital Bering Balkan Fund ¹				
Fondul Proprietatea	158,948,200	9,049	9,884	18,933
Pinar Entegre Et Ve Un Sanay	1,780,874	2,975	2,866	5,842
Abanka Vipra DD	95,614	7,410	-2,580	4,830
Astonko Holdings Limited	132	12,329	-8,170	4,158
Other		73,095	-31,321	41,775
East Capital Special Opportunities Fund ¹				
Fondul Proprietatea	143,100,000	8,249	8,989	17,238
Sollers	610,000	3,874	5,756	9,630
Sibirskiy Cement OAO	497,100	5,799	2,771	8,570
Integra Group Holdings	3,125,883	6,177	1,939	8,116
Other		22,802	8,621	31,423
East Capital Special Opportunities Fund II				
Integra Group Holdings	2,691,580	5,976	996	6,972
Sibirskiy Cement OAO	234,500	3,205	828	4,033
Zavarovalnica Triglav dd	210,000	3,615	82	3,697
AIK Banka ad	100,788	3,103	128	3,231
Other		5,291	977	6,269

East Capital Power Utilities Fund

MRSK Holding	102,078,468	8,137	5,265	13,402
OGK-6	314,674,642	5,396	5,656	11,052
OGK-4	148,505,495	2,420	8,259	10,679
MRSK Tsentra i Privolzhnya	1,390,879,788	7,490	2,883	10,373
Other		63,083	12,723	75,806
East Capital (Lux) Eastern European Fund	182,500	18,250	-2,859	15,391
Melon Fashion Group	4,996	9,941	3,859	13,800
EEDF AG	2,500	346	-23	323
TEO LT	21,167	11,962	3,215	15,177
Populi	3,846,154	3,604	-	3,604
Wimm-Bill-Dann	76,982	6,835	302	7,137
Total		433,446	21,855	455,302

¹ The cost amounts include foreign exchange rate changes.

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				
Pannenergy	399,320	1,180	-	1,180
Pegas Nonwovens	86,937	1,457	-	1,457
RFV Nyrt	85,000	1,519	-	1,519
Other		14,799	-	14,799

East Capital Special Opportunities Fund

Fondul Proprietatea	143,100,000	7,703	755	8,458
Sollers	705,000	4,181	2,700	6,881
TEO LT	9,187,878	5,061	-187	4,874
Other	n/a	22,843	4,822	27,665

East Capital Power Utilities Fund

MRSK Holding	96,574,468	6,556	823	7,379
TGK-7	231,069,694	1,852	5,389	7,241
MRSK Tsentra	321,533,866	8,724	-2,782	5,942
MRSK Tsentra i Privolzhnya	1,390,879,787	7,490	-1,566	5,924
OGK-4	141,505,495	1,786	3,493	5,279
Rus Hydro	196,136,649	4,991	139	5,130
Bashkir Energo	6,548,013	9,439	-4,363	5,076
Other		47,939	7,277	55,216
East Capital (Lux) Eastern European Fund (EUR)	182,500	18,250	-6,783	11,467
Melon Fashion Group	4,996	9,941	461	10,402
TEO LT	16,722,875	8,964	-104	8,860
East Capital Russian Property Fund	400	1,425	-434	991
Total		328,516	-36,342	292,174

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

EUR thousands	Group		Parent Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2008
Accrued interest	9	321	-	-
Prepaid expenses	67	67	39	59
Total	76	388	39	59

NOTE 12 SHAREHOLDERS' EQUITY

Share capital and share premium	2010	2009
Issued at January 1	35,499	36,270
Share buy-back, March and April 2010	-647	-
Share buy-back, March and April 2009	-	-771
Issued at 31 December	34,852	35,499

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. This consists of profit/loss for the year and total non-restricted equity, which is the amount available for distribution to the shareholders.

Capital management

Capital is defined as total equity excluding non-controlling interests, and it amounted to EUR 430m (EUR 348m) per 31 December. EUR 388m (EUR 257m) was invested in equity funds and direct investments and additional EUR 4.7m had been committed but were still to be drawn down.

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 year 1 January to 31 December 2010 was 26% (29%). As East Capital Explorer is now fully invested, the Board of Directors has decided to change the dividend policy to start paying dividends, and to propose to the Annual General Meeting a dividend of SEK 0.80 per share for the fiscal year 2010

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 debt, 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

EUR thousands	Group		Parent Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Other current liabilities				
Accounts payable	7,399	131	22	38
Purchase of shares - shares delivered but cash not paid	747	1,441	-	-
Other	524	114	77	46
Total	8,670	1,686	99	84

NOTE 14 ACCRUED EXPENSES AND PREPAID INCOME

EUR thousands	Group		Parent Company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Vacation pay	64	33	64	33
Management fee	751	410	-	-
Performance fee	9,463	1,470	-	-
Other accrued expenses	1,022	92	367	149
Total	11,300	2,005	431	182

NOTE 15 FINANCIAL ASSETS AND LIABILITIES

Group 2010					
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	455,302	-	-	455,302	455,302
Other receivables	-	2,092	-	2,092	2,092
Accrued Interest	-	9	-	9	9
Short-term investments	26,494	-	-	26,494	26,494
Cash and cash equivalents	-	62,874	-	62,874	62,874
Total	481,796	64,975	-	546,771	546,771
Other financial liabilities	-	-	8,670	8,670	8,670
Accrued expenses	-	-	10,214	10,214	10,214
Total	-	-	18,884	18,884	18,884

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	-	321	-	321	321
Short-term investments	36,138	-	-	36,138	36,138
Cash and cash equivalents	-	57,909	-	57,909	57,909
Total	328,312	59,516	-	387,828	387,828
Other financial liabilities	-	-	1,686	1,686	1,686
Accrued expenses	-	-	1,880	1,880	1,880
Total	-	-	3,566	3,566	3,566

2010					2009			
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	2,566	-	2,566	2,566	2,540	-	2,540	2,540
Other financial liabilities	-	99	99	99	-	84	84	84

Calculation of fair value

The following summarizes 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 starting on page 72.

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

The Group applies IFRS 7. 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 I 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, pages 72-75.

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.

The following table analyzes within the fair value hierarchy the Group's financial assets measured at fair value as of 31 December 2010.

Fair value hierarchy for financial assets (amounts in EUR thousands) 2010				
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	333,306	28,901	53,053	415,261
- Direct investments	22,314		17,727	40,041
- Short-term investments	26,494			26,494
Total assets measured at fair value	382,114	28,901	70,780	481,796
2009				
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	36,138			36,138
Total assets measured at fair value	270,096	27,851	30,365	328,312

Investments with values 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 East Capital Equity funds, to the extent they primarily hold unlisted investments.

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

2010	Fund Investments	Direct Investments	Total
Opening balance 2010	19,963	10,402	30,365
Exchange rate differences	703		703
Purchase/addition	26,098	3,950	30,048
Sales/reduction	-625		-625
- Movements to level 3	1,392		1,392
- Movements from level 3	-2,664		-2,664
- Result from financial assets at fair value through profit or loss ¹	8,186	3,375	11,561
Closing balance 2010	53,053	17,727	70,780

2009	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
- Result from financial assets at fair value through profit or loss ¹	1,135	461	1,596
Closing balance 2009	19,963	10,402	30,365

¹ Refers to assets included in closing balance

Movement from or to level 3 during the year depends on changes in trading patterns for the shares.

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, credit risk and business risks.

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 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 (c)(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 will be reviewed on a quarterly basis by the Board.

The Group's portfolio comprises investments in Equity Funds, Direct Investments, as well as cash, cash equivalents and bonds. On 31 December 2010, total net assets value amounted to EUR 430m (EUR 341m). Cash and short-term deposits amounted to EUR 44m (EUR 88m). The fair value change of the total portfolio was 26 percent (29 percent) during 2010.

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

	Fair value at 31 Dec 2010	Fair value at 31 Dec 2009
Shares and participations in investment activities designated at fair value through profit or loss at inception:		
Fund Investments	415,261	272,912
Direct investments:	40,041	19,262
Total Portfolio	455,302	292,174

The table presented in paragraph (iv) "Sensitivity analysis" below summarizes the Group's sensitivity to equity price changes at 31 December.

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 and cash equivalents) 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 the 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 on a daily basis and the Board of Directors review it on a quarterly basis. 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	2010		2009	
	USD	RUB	USD	LTL
Monetary assets	48,212	-	21,091	-
Non-monetary assets	250,081	7,460	163,267	8,860

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 may be carried out for monetary assets to provide protection against the impact of fluctuating exchange rates on the Group's performance and financial position. Spot, forward or option transactions may be used as part of the currency hedging strategy. Hedging transactions entail costs and may result in losses.

The consolidated profit or loss includes exchange differences of tEUR 3,039 (tEUR -639) in net financial items arising from, mainly, exchange gains in cash and cash equivalents in consolidated fund. The table presented in paragraph (iv) Sensitivity analysis below summarizes the sensitivity of the Group's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at 31 December. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to the euro, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

(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 cash and cash equivalents are held awaiting future investments. Changes in the level of interest rates can affect the rate of return on the Group's cash and cash equivalents. 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. 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 year.

Sensitivity analysis for market risks (amounts in euro thousands) At December 31				
Risk factors	2010		2009	
	Change	Effect on net profit/ loss for the period	Change	Effect on net profit/ loss for the period
Currency rate EUR/USD	+/- 5%	12,898	+/- 5%	8,163
Interest rate	+/- 2 percentage points	69	+/- 2 percentage points	78
Equity price	+/- 10%	45,530	+/- 10%	29,217
Value of level 3 holdings	+/- 5%	3,539	+/- 5%	1,518

(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.

The Group's financial liabilities are mainly account payables which are payable within 1-3 months.

(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 and cash equivalents and through investments in bonds. Credit risk also arises from derivative financial instruments with positive fair values. 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). In addition, the bond mandate limits most investments in the portfolio to sovereign or quasi-sovereign debt (where quasi-sovereign means owned, controlled or guaranteed by a state, or explicitly or implicitly supported by a state, as reflected in a borrower's credit rating rationale) and/or investment grade debt (where investment grade is defined as having a credit rating of at least BBB- from Standard & Poor's or Fitch, or Baa3 from Moody's), and sets the lowest credit rating allowed in the portfolio at BB- from Standard & Poor's or Fitch, or Ba3 from Moody's. Investments in deposits in larger Swedish banks and investments in Swedish Treasury bonds without ratings are also accepted.

The Company's risk appetite is determined by the fact it is equity financed with the aim of making investments within its target investment region and with limited leverage.

(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.

(d) Business risk**(i) 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.

(ii) 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.

(iii) 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.

iv) 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.

v) Operational risks

Well-structured and relevant internal administrative processes and systems are important in any corporate structure to minimize 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.

vi) 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 unauthorized risk exposure.

NOTE 17 OPERATIONS ACQUIRED DURING 2010

The Group acquired additional EUR 5.0 m in East Capital Bering Balkan Fund per 1 June 2010. At the time of the investment, the Group already held EUR 44.9 m in the Fund and after the investment the Group owned 49% of the Fund. As from 1 October 2010, the Group acquired controlling influence in East Capital Bering Balkan Fund in connection with redemptions within the Fund, and at year end the Groups holdings were 52%. The holdings in East Capital Bering Balkan Fund has been reclassified from investment to subsidiary. On 1 October 2010, the Group invested EUR 35.0 m in the newly launched East Capital Special Opportunities Fund II, other investors invested 1,749. At that time, there were no net assets in the Fund. The Group owns 95% of the total Fund.

Effects of the acquisitions 2010			
Total net assets acquired	Book value	Fair value adjustment	Recognised values
East Capital Bering Balkan Fund	49,938	-7,012	42,926
East Capital Special Opportunities Fund II	35,000	-	35,000
Total	84,938	-7,012	77,926

Net assets acquired - Bering Balkan	Book value	Fair value adjustment	Recognised values
Investments	36,846	-	36,846
Cash and cash equivalents	4,785	-	4,785
Trade and other receivables	1,295	-	1,295
Total consideration	42,926	-	42,926

Of the consideration, EUR 49m had been paid before the Group acquired controlling influence - only EUR 5 m of the consideration has resulted in a cash outflow from the Group in relation to the investment during the year. Fair value on the investment has been based on the published NAV of the Fund as at 30 September 2010. At that time, the non-controlling interest held 48% of the Fund, equivalent to EUR 40m in fair value.

Fair value relating to the non-controlling interest has been based on the same valuation principles as for all holdings in the Group, see note 16.

Total consideration	East Capital Bering Balkan Fund	East Capital Special Opportunities Fund II
Considerations paid 2007	24,938	-
Considerations paid 2008	10,000	-
Considerations paid 2009	10,000	-
Considerations paid 2010	5,000	35,000
Total cash consideration	49,938	35,000
Fair value adjustment based on NAV 30 September 2010	-7,012	-
Total consideration/Net Asset Value	42,926	35,000

All cash considerations paid to East Capital Bering Balkan Fund are related to share capital and share premium reserves of the fund. The reclassification from non-controlling interest resulted in gain of EUR 1.3m relating to the changes in the exchange rates between the time of the initial cash outflows in 2007 up until 2010, compared to the exchange rate at 1 October 2010. The EUR 1.3m has been included in realized gains/losses from financial assets through profit and loss.

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. Prior to the investment there were 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 the 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 RELATED PARTIES

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, as well as with management and employees.

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 generated fees and profit sharings of tEUR 22,201 (tEUR 6,484) including VAT when applicable. For more details about fees, see page 54.

Fees and profit sharings to the following recipients	2010	2009
East Capital Alternative Investments, Cayman	9,896	5,415
East Capital Asset Management AB	1,036	662
East Capital Private Equity AB	1,396	271
ECPUF AB	1,707	
East Capital AB	8,166	136
Total	22,201	6,484

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 EUR 0.2m (EUR 0.2m), all of it through the Parent Company.

Employees

The CEO is a Board member of the following: East Capital Baltic Property Fund AB, East Capital Baltic Property Fund Investors AB (publ), East Capital Real Estate AS, East Capital Power Utilities Fund AB, East Capital Explorer Investments AB and East Capital International Eesti filial.

Receivables and liabilities

Liabilities to related parties at year end amounted to EUR 18.6m (EUR 1.7m). This mainly comprises management and performance fees.

Transactions with key management personnel and related companies

The Company's management, Board members and their close relatives and related companies control 12% (9.9%) of voting rights in the Company. For information about remuneration of senior executives please refer to Note 4 on page 77.

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 made a commitment to invest EUR 5m in the Eastern European Debt Finance. There has been investment totaling EUR 0.3m and the remaining EUR 4.7m 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 (publ) 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 2010 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 2011, East Capital Explorer’s indicative net asset value amounted to EUR 12.55 per share, compared with EUR 12.33 on 31 December 2010. The closing price per share on 31 January 2010 was SEK 88.75 (corresponding to EUR 10.05) .

On 28 February 2011, the indicative net asset value amounted to EUR 12.33 per share while the closing price per share on the same date was SEK 81.50 (corresponding to EUR 9.33).

Investments

Until the end of February an additional EUR 0.9m was invested into TEO shares. During February East Capital Explorer invested EUR 12m through participation in a new share issue by the Macedonian bank Komercijalna Banka AD Skopje. Following the investment, East Capital Explorer directly and indirectly holds 10.9 % of the company’s share capital. During February East Capital Explorer redeemed shares in East Capital (Lux) Eastern European Fund totaling EUR 5m. On 28 February 2011, East Capital Explorer invested an additional EUR 0.1m into Populi as part of the company’s equity financing and received shares representing approximately 2% of the company. In March there was an additional investment in East Capital Bering Balkan Fund totaling EUR 5m.

Consolidated key figures

	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Equity ratio	96.1%	98.4%	97.9%
Net asset value, EURt	429,853	341,369	265,025
Change in NAV	25.9%	28.8%	-32.8%
Market capitalization, SEKm	2,954	2,378	1,458
Market capitalization, EURt	328,661	231,817	134,013
Number of employees	4	4	4

Key figures/share	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Earnings per share	2.55	2.26	-3.56
NAV. SEK ¹	111	99	79.53
NAV. EUR	12.33	9.61	7.31
Share price. SEK	84.75	67.00	40.20
Share price. EUR	9.43	6.53	3.69

¹ Some currency translations are made for informational purposes. 1 EUR = SEK 8,987 on 31 December 2010, SEK 10.26 on 31 December 2009 and SEK 10.88 on 31 December 2008.

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 have 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, 16 March 2011

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

Karine Hirn
Board member

Monika Elling
Board Member

Our Auditors' Report was submitted on 18 March 2011

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 16 March 2011. The statement of income statement and balance sheet of the Parent Company and the Group will be submitted to the shareholders' meeting for adoption on 12 April 2011.

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 chief executive officer of East Capital Explorer AB (publ) for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 61-93. The board of directors and the chief executive officer 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 board of directors and the chief executive officer and significant estimates made by the board of directors and the chief executive officer 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 chief executive officer. We also examined whether any board member or the chief executive officer 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 board of directors and the chief executive officer be discharged from liability for the financial year.

Stockholm 18 March 2011

KPMG AB

Carl Lindgren
Authorised Public Accountant



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