

Year-end Report 2012



Year-end Report 2012

Events during the fourth quarter

- Net asset value (NAV) per share on 31 December 2012 amounted to EUR 9.10 (EUR 8.69)¹. The total NAV amounted to EUR 301m (EUR 294m), corresponding to a change of -0.1% (-7.4%) during the fourth quarter. During 2012, the NAV increased by 2.4%² (-31.7%)²
- During the fourth quarter, the net result for the Group was EUR 2m (EUR -25m), including EUR 5m (EUR -23m) change in value on investments. Earnings per share amounted to EUR 0.09 (EUR -0.59) during the quarter. For the full year, the net result for the Group was EUR 20m (EUR -153m) and earnings per share amounted to EUR 0.49 (EUR -3.59)
- Cash, cash equivalents and other short term investments on 31 December 2012 amounted to EUR 46m (EUR 39m)
- During October, East Capital Explorer repurchased an additional 132,369 shares at an average price of SEK 50.77 per share. On 10 October the share buy-back program ended and since the repurchases began on 8 August, the Company repurchased a total of 685,111 shares, corresponding to 2.0% of the outstanding shares
- As announced on 23 October, the Board of Directors of East Capital Explorer proposed an annual redemption program for the period 2013-2015 through which 5% of the Company's outstanding shares can be redeemed at NAV each year, if the discount in the share price compared to NAV exceeds 10%
- The redemption program for 2013 was approved by the EGM on 4 December 2012 and the application period was 17 December 2012 - 14 January 2013
- On 27 November, East Capital Explorer divested EUR 4.2m in the East Capital (Lux) Eastern European Fund
- On 30 November, the Company decided to invest an additional EUR 10m into the East Capital Baltic Property Fund II, of which EUR 8.4m was drawn down during December
- East Capital Explorer received a pay-out of EUR 14.2m from the East Capital Power Utilities Fund during December. The Fund Manager has decided to close the Fund earlier than planned, and the remaining proceeds are expected to be distributed during the first quarter of 2013
- As announced on 19 December, East Capital Explorer decided to invest an additional EUR 15m into the East Capital Russia Domestic Growth Fund and the investment took place on 1 January 2013
- During December, an external valuation was made for East Capital Explorer's direct investment in Melon Fashion Group (MFG). As of 31 December 2012, the fair value of the holding in MFG amounted to EUR 44.2m, corresponding to an increase of 27% compared to previous quarter which gave a positive contribution of just over 3% to the NAV
- The closing price of the East Capital Explorer share as of 31 December 2012 was SEK 49.00 (corresponding to EUR 5.70)

Events after the end of the quarter

- The application period for East Capital Explorer's offer to redeem shares ended on 14 January and 1,600,286 shares were tendered for redemption, corresponding to an acceptance level of approximately 97%
- As announced on 22 January, East Capital Explorer decided to invest an additional EUR 10m into the East Capital Russia Domestic Growth Fund and the investment took place on 1 February
- During January, the 685,111 shares that were repurchased by the Company during the fall of 2012 and the 1,600,286 shares that were tendered for redemption during the redemption program were cancelled in accordance with the decision at the EGM on 4 December 2012
- On 13 February, the Company announced that the current CEO, Mia Jurke, will be replaced by an acting CEO, effective from 13 May, due to maternity leave. Catharina Hagberg, with a solid experience from the financial sector and a background as CFO in a number of financial institutions in Sweden, will take on the role as CEO during a year
- As announced on 13 February, current Board Member Lars Emilson has declined nomination for re-election at the 2013 AGM due to health reasons but will continue to serve out the remainder of his term on the Board. East Capital Explorer's Nomination Committee has proposed re-electing the remaining five members to the Board at the upcoming AGM and to initiate a search for a successor for Mr. Emilson in time for the 2014 AGM
- The net asset value per share on 31 January 2013 amounted to EUR 9.31 (EUR 9.14) per share, reflecting an increase of 2.0% during the month
- Cash, cash equivalents and other short term investments on 31 January 2013 amounted to EUR 17m (EUR 38m)
- The closing price of the East Capital Explorer share as of 31 January 2013 was SEK 53.25 (corresponding to EUR 6.16)

Net asset value and share price development

	31 December 2012		31 December 2011	
	EUR	SEK	EUR	SEK
NAV per share	9.10	78	8.69	77
Total NAV	301m	2.6bn	294m	2.6bn
NAV % change Q4 ²	-0.1	1.7	-7.3	-10.2
NAV % change YTD ²	2.4	-1.4	-31.7	-32.2
Closing price per share	5.70	49.00	6.03	53.75
Total MarketCap	188m	1.6bn	209m	1.8bn
Share price % change Q4	-5.6	-3.9	4.6	1.4
Share price % change YTD ²	-5.2	-8.8	-36.1	-36.6

¹ Comparable figures for the corresponding period 2011 are stated in parentheses

² Not adjusted for dividend and buy-backs

Portfolio on 31 December 2012

East Capital Explorer's portfolio comprises investments in East Capital funds, Direct Investments and Short-term Investments. The investment portfolio is actively managed by East Capital and a majority of the investments are done through East Capital's special fund products. The largest geographical exposure, on a see-through basis, is towards Russia with a weight of 46% and 79% of the portfolio is invested in the Company's targeted sectors: Retail and Consumer Goods, Financials and Real Estate.

Portfolio on 31 December 2012	Fair value 31 Dec 2012 mEUR ¹	NAV/ share, EUR	% of NAV	Fair Value 30 Sep 2012 mEUR	Fair Value 31 Dec 2011 mEUR	Value change Jan-Dec 2012, % ²	Value change Oct-Dec 2012, % ²
Fund Investments							
East Capital Bering Balkan Fund	38.9	1.18	13	37.3	38.1	2.1	4.2
East Capital Bering Russia Fund	27.8	0.84	9	28.4	28.1	-0.9	-2.3
East Capital Special Opportunities Fund	21.5	0.65	7	21.7	29.4	9.5	-0.6
East Capital Special Opportunities Fund II	19.3	0.58	6	20.8	24.8	-22.2	-7.4
East Capital Bering Central Asia Fund	18.5	0.56	6	20.8	16.6	11.7	-11.0
East Capital Baltic Property Fund II	17.4	0.53	6	9.0	-	3.0	0.5
East Capital Russia Domestic Growth Fund	14.5	0.44	5	14.4	-	-3.5	0.3
East Capital Bering New Europe Fund	13.1	0.40	4	12.9	12.1	9.1	1.8
East Capital Power Utilities Fund	11.4	0.34	4	27.5	36.5	-10.0	-7.0
East Capital Bering Ukraine Fund R	5.2	0.16	2	5.8	5.5	-5.4	-9.4
East Capital (Lux) Eastern European Fund	4.4	0.13	1	8.6	7.4	16.0	0.7
East Capital Bering Ukraine Fund A	3.9	0.12	1	4.4	5.6	-30.9	-11.3
Total Fund Investments	196.0	5.94	65	211.6	204.1	-1.6	-2.5
Melon Fashion Group	44.2	1.34	15	34.9	19.5	73.8	26.8
Komercijalna Banka Skopje	8.7	0.26	3	9.6	9.7	-3.8	-9.1
Trev-2 Group	7.4	0.22	2	7.5	4.0	31.9	-1.4
East European Debt Finance	1.3	0.04	0	1.3	1.1	12.3	1.5
Populi	-	-	-	-	0.1	-	-
TEO LT	-	-	-	-	15.9	13.9	-
Total Direct Investments	61.6	1.86	20	53.2	50.4	41.0	15.7
Short-term Investments							
Short-term Investments	0.0	0.00	0	8.5	22.8		
Cash and cash equivalents	46.4	1.41	15	29.4	16.6		
Total Short-term Investments	46.4	1.41	15	37.9	39.4		
Total Portfolio	304.0	9.21	101	302.7	294.0		
Other assets and liabilities net	-3.5	-0.11	-1	-2.0	-0.4		
Net Asset Value (NAV)	300.5	9.10	100	300.7	293.6	2.3	-0.1

¹ 1 EUR = 8.59 SEK on 31 December 2012. Source: Bloomberg

² The value change calculation is adjusted for investments and distributions during the relevant 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

Note that certain numerical information may not sum due to rounding

CEO Comment

The fourth quarter started off weak but improved during December. The total Net Asset Value (NAV) was almost unchanged (-0.1%) during the quarter and the NAV per share increased by 0.3%, the difference being explained by the repurchases of own shares made during October before the share buy-back program ended on 10 October. The share price decreased with 5.6% during the quarter, ending the year at EUR 5.70 (SEK 49).

“We have seen a very positive development in both turnover as well as the number of shareholders during the latter part of the year”

The proposed redemption program for 2013, where 1 out of 20 shares could be redeemed at SEK 77 (NAV per share as of 31 October) was approved by the EGM held on 4 December in Stockholm. The program, which was launched in December and later completed in January, resulted in an acceptance level of the offer of 97%. This is the first of three redemption programs that will be proposed in the coming years if the discount to NAV continues to exceed 10%. We believe that the possibility to redeem almost 15% of the shares during the period 2013-2015 at NAV is a significant benefit for our shareholders if the share continues to trade at a high discount to NAV. It seems that many agree; we have seen a very positive development in both turnover as well as the number of shareholders during the latter part of the year. The number of investors has increased by 35% since the beginning of 2012, a trend we are pleased to see.

Portfolio development and activity

The strongest performance in the portfolio during the quarter came from our largest direct investment, Melon Fashion Group (MFG), the Russian fashion retailer. The company had an impressive performance during 2012 where the efforts to focus on profitability and consolidation paid off. The external valuation, performed by Ernst & Young in December, increased the value with additionally 27% compared to the previous quarter. The holding in MFG has from the initial investment in 2008 shown an annualized performance of 20%, and we believe that the company is on the right track for continued strengthening of its profitability.

Otherwise, the development in the portfolio during the quarter was mixed with continued weak performance in the East Capital Bering Ukraine Fund A, as well as in the East Capital Special Opportunities Fund II. However, the East Capital Bering Balkan Fund, the largest fund investment in the portfolio, showed a positive development in line with renewed interest amongst investors for this region, which has been out of focus for a long time. We believe that the Balkan region, where we currently have about 25% of the exposure in the portfolio on a see-through basis, has a strong recovery potential.

In line with our aim, the exposure towards Baltic Real Estate and Russian companies benefitting from domestic growth was further increased during the fourth quarter. An investment of EUR 10m was made into the East Capital Baltic Property Fund II in November, and in December we announced an additional investment of EUR 15m into the East Capital Russia Domestic Growth Fund, which was executed on 1 January 2013.

“The exposure towards Baltic Real Estate and Russian companies benefitting from domestic growth was further increased during the fourth quarter”

In December, the Fund Manager of the East Capital Power Utilities Fund decided to close the Fund earlier than planned due to the increased level of risk in the sector during 2012. The Fund, as well as the sector, have seen a negative development during the year and we agree with our Investment Manager that there are other, more attractive investment opportunities available at this point in time. As a consequence of the decision to terminate the Fund, East Capital Explorer received a pay-out of EUR 14.2m in December, and the final proceeds are expected during the first quarter of 2013.

Outlook and events after the quarter

2013 has started on a strong note, most markets showed a positive performance in January with the Balkan countries leading the way. The NAV per share during January increased with 2.0%. One of the largest positive contributors was the East Capital Special Opportunities Fund, where both Fondul Proprietatea and Sollers, also two of the top ten holdings on a see-through level, had another good month. The East Capital Bering Balkan Fund continued to develop positively and so did the East Capital Russia Domestic Growth Fund, mainly as a result of the strong performance in Sberbank and LSR Group. In January, we announced the third investment into the East Capital Russia Domestic Growth Fund, which was made on 1 February. In total, we have now invested EUR 40m into this fund.

“The investor sentiment has started to change during the last months, and the interest for investing in equities has increased”

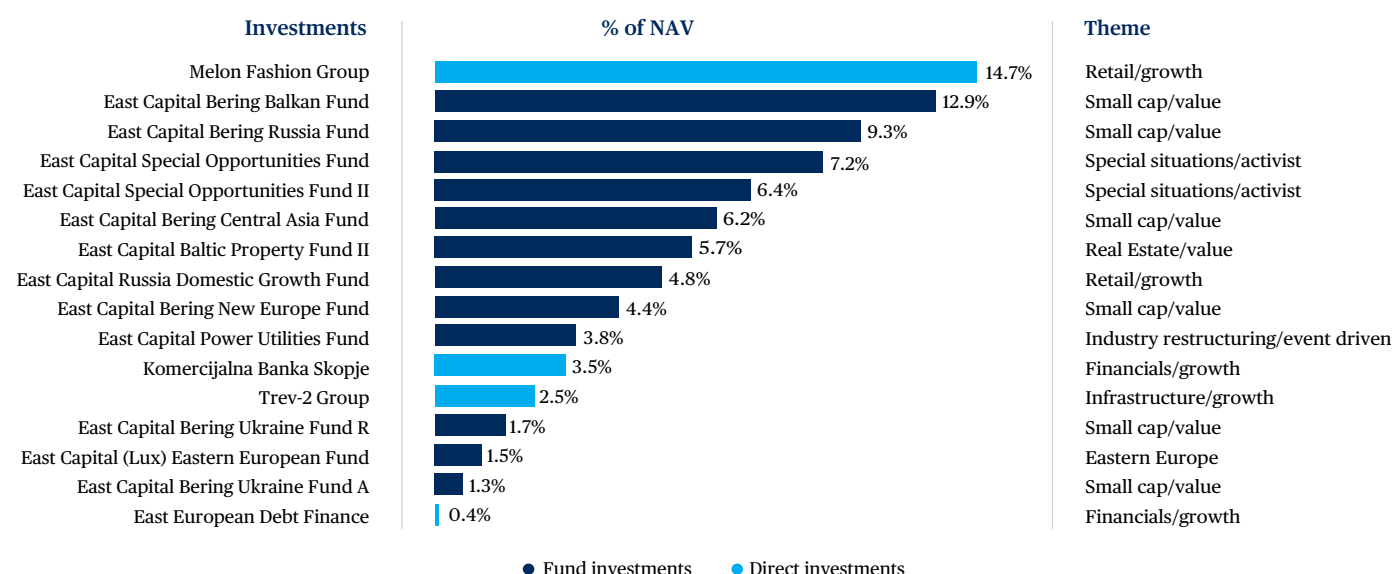
The investor sentiment has started to change during the past months, and the interest for investing in equities has increased. We continue to see interesting opportunities for positive returns in our markets which remain attractively valued. Despite a strong stock market in general during 2012, Russia in particular underperformed due to high perceived risks after a somewhat one-sided news flow mainly focusing on negative news. This, together with historically low valuations, should give good grounds for a strong development in 2013.

In mid-May, I will be replaced by an acting CEO since I plan to go on maternity leave. Catharina Hagberg, with a long experience from the financial sector and background as CFO in a number of financial institutions (recently as interim CFO in the East Capital Group), will assume the role as CEO during one year. She will together with the rest of the team continue focusing on strengthening the shareholder value and other areas that I have worked with during the last 1.5 years.

Mia Jurke
CEO



Portfolio on 31 December 2012 (%)

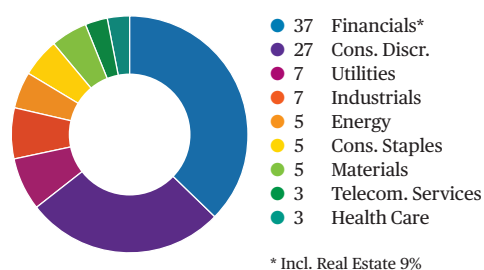
Top 10 Holdings in East Capital Explorer's portfolio on a see-through basis¹

On 31 December 2012						
Company	% of NAV	Value in portfolio, EURm	Country	Sector	East Capital Explorer's investment vehicle	
Melon Fashion Group	14.7	44.2	Russia	Consumer Discretionary	Direct Investment	
Fondul Proprietatea	3.9	11.8	Romania	Financials	East Capital Bering Balkan Fund East Capital Special Opportunities Fund East Capital (Lux) Eastern European Fund	
Komercijalna Banka Skopje	3.5	10.5	Macedonia	Financials	Direct Investment East Capital Bering Balkan Fund	
Tănassilma Logistics	3.0	8.9	Estonia	Real Estate	East Capital Baltic Property Fund II	
Gedimino 9	2.7	8.2	Lithuania	Real Estate	East Capital Baltic Property Fund II	
Trev-2 Group	2.5	7.5	Estonia	Industrials	Direct Investment East Capital Bering Russia Fund East Capital Bering Ukraine Fund R	
Zavarovalnica Triglav	2.2	6.5	Slovenia	Financials	East Capital Bering Balkan Fund East Capital (Lux) Eastern European Fund East Capital Special Opportunities Fund II	
Verofarm	2.0	5.9	Russia	Health Care	East Capital Bering Russia Fund East Capital Special Opportunities Fund East Capital Special Opportunities Fund II	
Sollers	1.8	5.4	Russia	Consumer Discretionary	East Capital Special Opportunities Fund East Capital Russia Domestic Growth Fund East Capital (Lux) Eastern European Fund	
Bank of Georgia	1.5	4.5	Georgia	Financials	East Capital Bering Central Asia Fund East Capital (Lux) Eastern European Fund	
Total Top 10	37.7	113.3				

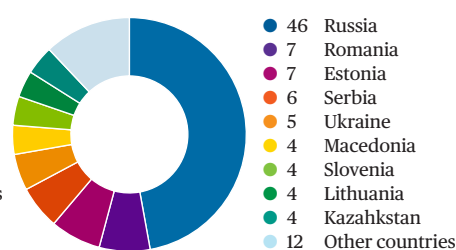
¹ As if East Capital Explorer AB had owned its pro-rata share of all the underlying securities in the different funds and direct investments it has invested in

Portfolio breakdown, % per 31 December 2012

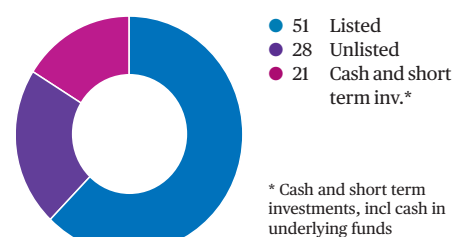
Sector breakdown



Country breakdown



Asset class



Investment Manager Comment

Market comment

2012 was a turbulent year for equities, but ended on a rather positive note. Most of the equity markets in Eastern Europe extended the gains from the third quarter into the last quarter of the year, albeit, the enthusiasm surrounding the third round of economic stimulus globally somewhat faded towards the end of the year. Worries about the fiscal cliff in the United States put a damper on the otherwise positive sentiment fueled mostly by better-than-expected macro data from the United States and China, but also Europe.

The Balkan markets lead the table of top performers in our region, with gains of up to 20-25% during the last quarter. Investors have started to pay more attention to South Eastern Europe again. Even Serbia, which had been neglected since the financial crisis, could see renewed interest from investors looking for opportunities. Turkey ended 2012 as the second best equity market in the world with a 62% gain. The reason behind the strong markets in Turkey was in part that the country managed to make a soft landing of its economy. Another factor that helped the market a lot was the ample supply of liquidity. It is still important to keep in mind that Turkey is a high beta market and quick to react on changed sentiment among investors.

Even though the large Russian market rallied towards the end of the year, the gains for the period and also for the full year were relatively modest, 3.5% and 10.5% respectively. Behind the modest gains are several factors. One is that investors clearly preferred Turkey instead of Russia and during last year, the news flow about Russia was more negative than usual. However, despite the rather negative picture of Russia, Russian companies are continuing to show outstanding results.

Ukraine and Kazakhstan were once again the exceptions, with further declining markets. The Ukrainian market was down due to the problematic political situation and continued devaluation fears, and ended the year as the second worst market in the world behind Cyprus. With Ukrainian stocks also down 45% in 2011, we have a good chance for a recovery in 2013, despite the gloomy outlook for the economy and disappointing politics. In Kazakhstan, corporate governance concerns were the main reason for the decline.

Portfolio comment

Despite strong underlying markets in general, the East Capital Explorer portfolio did not see a strong development during the quarter. The total NAV decreased with 0.1%. Due to the Company's focus on smaller companies and also significant investments in real estate, the portfolio is not always that correlated with the broader market in the shorter term, which was part of the reason for the weak development of the total NAV.

It was a relatively active quarter, both in terms of changes in the East Capital Explorer portfolio but also in the underlying funds where a number of transactions were made. One successful exit which took place during the fourth quarter was the divestment in Elko, the unlisted Latvian IT-distributor, held in three funds; East Capital Bering New Europe Fund, East Capital Bering Russia Fund and East Capital Bering Ukraine Fund A. A total return of 107% and an annualized return of 11% was achieved on the total investment. Considering the modest development in the market since the initial investment, the divestment was made at an 80% alpha (excl. dividends).

Net asset value, share price and index development

(% change in EUR)	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
Net asset value	2.4	-31.7
East Capital Explorer share	-5.2	-36.1
SAX Index ¹	16.5	-16.0
RTS Index ²	8.4	-19.4
RTS 2 Index ³	1.3	-29.5
MSCI EM Europe ⁴	17.5	-22.9

¹ SAX Index includes all equities listed on NASDAQ OMX Stockholm

² RTS Index includes the 50 largest companies traded on the Russian Trading System

³ RTS 2 Index includes 78 companies on the RTS that have limited trading volumes

⁴ MSCI EM Europe Index includes Russian, Polish, Hungarian, Czech and Turkish equities

Fund Investments

The East Capital Bering Balkan Fund, the largest fund investment in the portfolio, was the strongest positive contributor among the funds during the fourth quarter. The Fund saw positive development in some of its key holdings, of which one is Fondul Proprietatea (FP), which is also one of East Capital Explorer's top ten holdings on a see-through basis. The company has been hit by a number of technical law suits blocking it from among other things paying out dividends, but we believe these problems will be resolved during 2013. The value of the company was significantly revalued upwards during the quarter. The total performance in the East Capital Bering Balkan Fund was held down mainly as a result of the negative development in the unlisted Serbian media company B92, which following an external valuation was written down with 15%. The company has not been able to deliver according to plan during 2012 due to a difficult media market in Serbia.

Bank of Georgia, the East Capital Bering Central Asia Fund's largest holding and also one of East Capital Explorer's top 10 holdings on a see through basis, saw a sharp decline in the share price during the quarter. The share has previously during 2012 shown a strong performance, but unexpected political changes have brought uncertainty to Georgia's economic course that also affected its largest bank. The stock still had a good year, up 19%, and is expected to recoup the last quarter losses in early 2013, as the new Prime Minister has signalled that political persecutions will be stopped. He also reiterated Georgia's EU and Nato aspirations, simultaneously hinting that relations with Russia should be improved in the near future.

Integra, one of the largest holdings in both the East Capital Special Opportunities Fund and the East Capital Special Opportunities Fund II had another weak quarter and was one of the most negative contributors to the East Capital Explorer portfolio. The company has been struggling in terms of profitability and the board has called on one of the founders to serve as CEO. We have not yet seen any improvement in profitability, but are positive about the prospects of this materialising during 2013.

During the last quarter, we further increased East Capital Explorer's holding in the East Capital Baltic Property Fund II in line with the Company's aim to increase the exposure to the real estate sector. The investment was made at the same time as the Fund successfully closed its second acquisition in December. The well-known high street shopping centre "Gedimino 9" in the heart of Vilnius was acquired. The shopping centre was opened in 2008 after a total redevelopment of the premises, a historical building that had previously housed the Vilnius Municipality. However, the timing of the reopening in 2008 was not optimal nor was the layout of the building. Therefore, the

Fund will invest additional capital into commercial improvements and reshaping of the Gedimino 9 shopping centre.

During December we also decided to further increase the exposure to the East Capital Russia Domestic Growth Fund, since we believe that both the region and the domestically oriented companies currently offer one of the most attractive investment opportunities. Sberbank, the Fund's largest holding with nearly 20% weight, was the main reason for a somewhat slow start as the share price was weak following the USD 5.2bn share placement in September. The stock climbed above the placement price only at the year-end but momentum is good to carry the gains into the early part of 2013. Sollers, the Russian car producer, also a holding in the East Capital Russia Domestic Growth Fund as well as in East Capital Special Opportunities Fund, had a good quarter and was one of the strongest contributors on see-through basis in the East Capital Explorer portfolio. The stock performed on the back of strong data for the automotive market and the fact that investors have this medium-sized company on their radar screen.

In December, a distribution amounting to EUR 14.2m was received from the East Capital Power Utilities Fund. At the same time it was announced that the Fund will be closed earlier than originally planned. This Fund was East Capital Explorer's first fund investment in 2007 and the Power Utilities sector has been a key sector in the strategy from the start as the restructuring and liberalization of the sector would offer high potential for a strong development. The sector was also expected to benefit from the growth of the Russian economy. Since then, the exposure towards the sector has gradually been reduced as the liquidity in the market has not been as good as initially expected. During 2012, the risk level also increased due to political interference. Since the future reforms and how the deregulation will continue are uncertain, we no longer consider the Russian Power Utilities sector among the most attractive sectors and hence it is no longer one of East Capital Explorer's main investment themes. We see more potential in other sectors benefitting from the growing domestic demand and the catch-up with Western Europe.

“Since the future reforms and how the deregulation will continue are uncertain, we no longer consider the Russian Power Utilities sector among the most attractive sectors”

Direct Investments

During December an external valuation was performed for East Capital Explorer's direct investment in Melon Fashion Group (MFG), which represented a 27% increase to the previous value of the holding and an 86% increase per share compared to year-end 2011 (74% increase in the value of the holding if adjusted for new share acquisitions during the year). MFG currently represents 15% of the portfolio and was by far the strongest contributor to the Company's NAV both during the quarter as well as the full year. The key drivers behind the growth are the restored profitability of MFG and updated growth strategy. In 2012, the company not only returned into positive income territory, but also was able to reach financial results significantly exceeding our expectations and the company's own financial plan for 2012. Despite a rather strong value increase during 2012, we believe that MFG remains an attractive investment for East Capital Explorer and offers value growth in the future as the company still has room for both further expansion as well as increase in profitability.

“MFG currently represents 15% of the portfolio and was by far the strongest contributor to the East Capital Explorer's NAV both during the quarter as well as the full year”

Komercijalna Banka Skopje (KBS), the Macedonian Bank, was on the other hand one of the worst contributors during the quarter after a drop in share price of about 15%. The market was aware of a transac-

tion in progress between KBS and the Government relating to some property on KBS' balance sheet, and due to the long and complicated negotiations, investors tended to stay away from the stock. After the transaction was announced at the year-end at favorable terms, the stock has picked up again.

Outlook

There seems to be signs of hope for a good performance in equities in 2013. Europe does not look as bad as a year ago, the United States economic data is encouraging and Chinese growth is accelerating again. Better than expected growth forecasts, reduction in tail risks, fresh rounds of stimulus and investors' search for yield is obviously beneficial for emerging economies and markets. We have also seen record inflows into Emerging Market equity funds during January 2013.

The Russian stock market, which is the Company's largest geographical exposure, should finally be one of the main beneficiaries as it normally does well when the world economy is stimulated and the risk appetite among investors is coming back. During the first and second rounds of quantitative easing in 2009 and 2010, Russian stocks went up 77% on average to be compared to a decrease of 0.6% when the stimulus programs had ended, the largest difference among 46 developed and emerging markets. So far, during this third round of stimulus, we do not seem to have seen the full effect yet. In addition, the market still trades at just above 5 times earnings, which is historically low meaning that the upside potential in the market is high.

The Balkans have seen renewed interest among investors lately and together with higher risk willingness, there is a good chance that more investors will start looking for opportunities in this region. East Capital Explorer is well positioned for a recovery in this region with an exposure of around 25% towards the Balkan countries.

Many things are looking positive for equities in general and emerging markets in particular. However, despite generally positive outlook, there are as always risks for global or regional developments which might affect the sentiment negatively. Still, we believe that these risks have declined.

Going forward, in addition to existing investments we will focus on further increasing the Company's exposure to domestic growth as well as look for investment opportunities in the Baltic countries. In the Baltics, it is both the real estate market as well as investment opportunities within the Private Equity segment that we look especially closely at. In the Private Equity area we can see that many companies have used the crisis years as an opportunity to become more efficient and are now back on the growth path, exporting more than ever or satisfying domestic demand which is rising due to strong consumer confidence. The M&A-activity levels are also starting to pick up, since some investors finally have turned their interest towards this segment again after years of close to no activity.

Peter Elam Håkansson
Chairman, East Capital



Portfolio Investments

On 31 December 2012, East Capital Explorer had fund and direct investments totalling EUR 258m compared to EUR 255m on 31 December 2011. The majority of the portfolio consists of East Capital's special funds products which represent 65% of the portfolio. Excluding East Capital (Lux) Eastern European Fund, the funds East Capital Explorer invests in have a less restrictive investment mandate compared to UCITS-funds which means that these funds have a higher flexibility in choice of investments and allocations.

Investment Management team at East Capital

Peter Elam Håkansson, Founding Partner and Chairman, heads the Public Equity investment team. Kestutis Sasnauskas, Founding Partner, heads the Private Equity investment team and Biljana Pehrsson heads the Real Estate investment team. The Eastern European Public Equity team consists of senior advisors Aivaras Abromavicius, based in Kyiv, Jacob Grapengiesser and Tim Umberger, based in Moscow, as well as regional portfolio managers Adrian Pop, Eglé Fredriksson and Emre Akcakmak. The investment team is supported by a team of traders, analysts, macroeconomists, and a corporate governance function.



Peter Elam Håkansson
Head of Public Equity



Kestutis Sasnauskas
Head of Private Equity



Biljana Pehrsson
Head of Real Estate



Aivaras Abromavicius
Senior Advisor



Jacob Grapengiesser
Senior Advisor



Tim Umberger
Senior Advisor



Adrian Pop
Portfolio Manager



Eglé Fredriksson
Portfolio Manager



Emre Akcakmak
Portfolio Manager

Fund Investments

If you wish to receive more comprehensive quarterly updates from the Investment Manager regarding the East Capital Bering Funds, East Capital Special Opportunities Fund, East Capital Special Opportunities Fund II and East Capital Baltic Property Fund II in our portfolio, please send an email to: ir@eastcapitalexplorer.com. Please note that the quarterly reports are not prepared or approved by East Capital Explorer or its Board of Directors. They are provided quarterly by the Investment Manager to investors in these funds.

East Capital Baltic Property Fund II

The aim of the Fund is to invest in commercial properties in the Baltic region, primarily in shopping centres and retail properties, as well as logistics and office properties. The goal is to acquire properties in prime locations with stable income and enhancement potential.

The main focus is properties with well-established tenants and sustainable rental terms in and around Tallinn and also Vilnius. Value is added through improvements in tenant mix, refurbishment, extension or redevelopment.

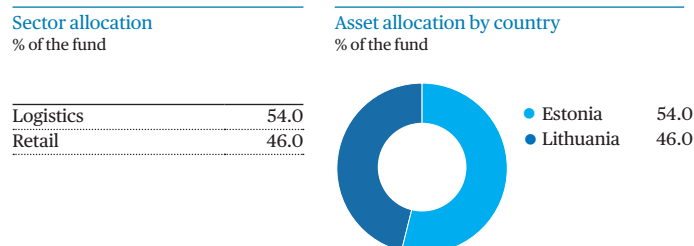
At the end of the period East Capital Explorer's share of the Fund was 91%.

Fund performance	Q4 2012	12m 2012	Since May 12
East Capital Baltic Property Fund II	2%	6%	6%

Portfolio highlights during the quarter

- An external valuation of Tännisilma Logistics was carried out in December 2012 in connection with the second closing of the Fund and the value remained unchanged at EUR 24.5m. The property has full occupancy and is generating a strong positive cash flow
- The Fund successfully closed its second acquisition in December. The well-known high street shopping centre "Gedimino 9" (G9), in the heart of Vilnius, was acquired. The G9 redevelopment planning has started and negotiations with potential anchor and other tenants are underway
- The Fund showed an increase of 2% during the fourth quarter and the Fund has a strong pipeline of new investments

Portfolio breakdown, % per 31 December 2012



Shopping centre G9 in Vilnius

East Capital Bering Balkan Fund

The aim of the Fund is to achieve long term capital appreciation from investments in Balkan equities, both listed and unlisted. The Fund may also invest in companies that have significant trade with, or active investments in, the Balkans countries.

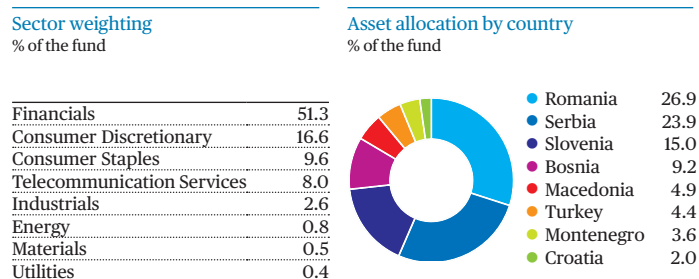
At the end of the period East Capital Explorer's share of the Fund was 66%.

Fund performance	Q4 2012	12m 2012	Since Dec 07
East Capital Bering Balkan Fund, EUR	4%	2%	-56%

Portfolio highlights during the quarter

- Fondul Proprietatea (FP), the Romanian restitution fund, gained 6% during the quarter and was the second largest contributor. As a result of changes in regulations, FP was able to include back its stake held in Hidroelectrica into its NAV. Also, the litigation initiated by a small private shareholder is expected to come to an end this year and this would enable FP to start its 8% share buyback program already approved, and to cancel the existing treasury shares. In addition, a 48% discount to NAV, expected listings of state-owned companies in the portfolio and the long-awaited listing of the company in Warsaw mean that the Fund Manager is very positive about FP
- Zavarovalnica Triglav, the largest insurance company in Slovenia and the third largest holding in the Fund gained an additional 15% on the back of strong results. We also saw a strong performance of 25% from Sava Reinsurance Company after the announcement to acquire a controlling stake in the second largest Slovenian insurer, Zavarovalnica Maribor
- On the negative side, the value of B92, the unlisted Serbian media company, decreased by 15%. The company has successfully continued its turnaround, but unfortunately the macro environment and the consequent declining TV advertising market presented a very challenging environment, whereby B92 did not fully reach 2012 targets

Portfolio breakdown, % per 31 December 2012



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Fondul Proprietatea	12.7	6.3	0.7	Romania	Financials
B92	11.5	-14.9	-2.2	Serbia	Cons. Discr.
Zavarovalnica Triglav	6.3	14.9	0.8	Slovenia	Financials
Komercijalna Banka Skopje	4.6	-9.0	-0.5	Macedonia	Financials
Pinar Et Ve Un	3.6	23.7	0.7	Turkey	Cons. Staples
SIF4 (Muntentia)	3.4	9.5	0.3	Romania	Financials
Telekom Srpske	3.3	-3.7	-0.2	Bosnia	Telecom.Services
Montenegro Telekom	3.3	23.3	0.6	Montenegro	Telecom.Services
Pif Big	3.1	6.7	0.2	Bosnia	Financials
Sava Reinsurance Company	2.9	24.9	0.6	Slovenia	Financials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
55	15	60

East Capital Bering Central Asia 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 may also invest in companies that have significant trade with, or active investments in, the Central Asian countries.

At the end of the period East Capital Explorer's share of the Fund was 56%.

Fund performance			
	Q4 2012	12m 2012	Since Jan 08
East Capital Bering Central Asia Fund, EUR	-11%	12%	-58%
KASE Index, EUR	-4%	-15%	-67%

Portfolio highlights during the quarter

- After large gains posted by Bank of Georgia in the third quarter, the 21% drop in share value over the last quarter had to do with the unexpected political developments in Georgia leading to greater political uncertainty in the near term

- The largest positive contribution came from a new addition to the Fund, Kcell, the largest mobile operator in Kazakhstan which was listed (IPO) by its major shareholder TeliaSonera. This agreement was a part of TeliaSonera's acquisition deal for a 49% stake in Kcell from Kazakh Telecom in 2012 and is part of the efforts of the Kazakh government to expand and develop the stock market in the country. The USD 525m placement was oversubscribed, and since the IPO, the stock has developed positively

- During the third quarter, the Fund Manager started to accumulate shares in the natural resources company ENRC to the portfolio and continued to increase its exposure during the fourth quarter, expecting a forthcoming recovery in commodity markets and an improvement in sentiment towards this beaten-down stock. By the end of the year, ENRC had become the fourth-largest position in the Fund

- The second largest negative contribution came from Chagala Group, the service and facility provider to the oil and gas industry, which lost 43% on no current news and small trading volumes in the share during the quarter

East Capital Bering New Europe 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 may also invest in companies that have significant trade with, or active investments in, the Central European or the Baltic countries.

At the end of the period East Capital Explorer's share of the Fund was 93%.

Fund performance			
	Q4 2012	12m 2012	Since May 08
East Capital Bering New Europe Fund, EUR	2%	9%	-17%

Portfolio highlights during the quarter

- The Fund exited its holding in Elko, the unlisted Latvian IT distributor, by selling it to the existing shareholders at a valuation 36% higher than the value it was held to in the portfolio. Before the divestment, Elko had around an 8% weight in the Fund, and the divestment contributed almost 3% to the fund's performance

- The Fund Manager bought into the IPO of the largest Baltic electricity trading company, INTER RAO Lietuva, now the second largest holding of the Fund. The company was listed on the Warsaw stock exchange with plans to expand its energy trading to Poland. The Fund Manager found the offering very attractive, with a price earnings ratio of 6.7 times and a sustainable dividend yield of around 15%. The placement was one of the most successful IPO's for a Baltic company during the last few years and INTER RAO Lietuva was among the best contributors to the fund performance in December

- The worst contributor was the Polish broadband telecom operator Netia, after it announced disappointing 2013 guidance due to the decreasing number of fixed voice customers and price pressure. The stock tumbled 30%, erasing 2.0% from the Fund's NAV. The Fund Manager believes that investors have overreacted and that Netia's price recovery going forward should be supported by the ongoing buy-back program as well as the indicated dividend payment

Portfolio breakdown, % per 31 December 2012

Sector weighting

% of the fund

Financials	37.3
Energy	21.7
Materials	15.9
Telecom. Services	11.9
Consumer Staples	6.1
Consumer Discretionary	3.3
Utilities	1.1

Asset allocation by country

% of the fund



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Bank of Georgia	24.5	-20.9	-7.0	Georgia	Financials
Kcell	11.9	10.9	1.0	Kazakhstan	Telecom.Serv.
Dragon Oil	11.3	-9.7	-1.3	Turkmenistan	Energy
ENRC	10.6	-9.1	-0.8	Kazakhstan	Materials
KazMunayGaz	8.8	-4.3	-0.4	Kazakhstan	Energy
Henryland	6.2	-0.2	-0.0	Ukraine	Financials
Steppe Cement	4.2	-1.3	0.0	Kazakhstan	Materials
Caucasus Agro Development	3.5	-3.6	-0.1	Georgia	Cons.Staples
Halyk Bank	3.5	16.6	0.8	Kazakhstan	Financials
Chagala Group	3.3	-42.8	-2.2	Kazakhstan	Cons. Discr.

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
88	10	22

Portfolio breakdown, % per 31 December 2012

Sector weighting

% of the fund

Utilities	20.9
Consumer Discretionary	14.8
Financials	13.8
Industrials	8.2
Materials	5.5
Information Technology	5.0
Telecommunication Services	4.6
Energy	3.5
Health Care	3.0

Asset allocation by country

% of the fund



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Tallinna Vesi	6.0	7.7	0.4	Estonia	Utilities
INTER RAO Lietuva	5.2	11.1	0.5	Lithuania	Utilities
Pannenergy	5.2	-7.0	-0.4	Hungary	Utilities
Mennica Polska SA	5.1	23.9	2.0	Poland	Materials
Netia	4.6	-29.8	-2.0	Poland	Telecom. Serv.
Ablon Group	4.3	-8.0	-0.4	Hungary	Financials
Olympic	4.3	19.6	0.7	Estonia	Cons. Discr.
Asseco Poland	3.8	8.7	0.3	Poland	IT
Bank Ochrony Srodowiska	3.7	-11.6	-0.5	Poland	Financials
Bogdanka	3.5	14.1	0.5	Poland	Energy

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
46	1	30

East Capital Bering Russia Fund

The aim of the Fund is to achieve long term capital appreciation from investments in Russian equities, both listed and unlisted. The Fund may also invest in companies that have significant trade with, or active investments in, Russia.

At the end of the period East Capital Explorer's share of the Fund was 46%.

Fund performance	Q4 2012	12m 2012	Since Dec 07
East Capital Bering Russia Fund, EUR	-2%	-1%	-61%
RTS-2 Index, EUR	-1%	1%	-27%

Portfolio highlights during the quarter

- During December, Summa Group completed the acquisition of a controlling stake in Fesco
- Gaz, the auto producer, was the second strongest contributor, up 40% and added 1.3% to fund performance. The company has released strong first half 2012 IFRS financials as a result of the improved profitability. Even after the recent rally, the stock remains to seem undervalued, trading at an enterprise value of 4.3 times estimated 2013 Ebitda
- The worst contributor was Nova Liniya, the do-it-yourself-chain. Total revenue for 2012 was USD 298m, 7% lower than last year and approximately 18% below budget. The poor results had mainly to do with the decline in the underlying construction market. The Fund Manager wrote down the value of Nova Liniya by 45% in December based on an external valuation and the revaluation has negatively impacted fund performance, erasing 3% from the Fund's NAV
- One of the main events in the Fund during the fourth quarter was the divestment in Elko, the unlisted Latvian IT distributor. For further information regarding Elko, please see the East Capital Bering New Europe Fund portfolio comment

East Capital Bering Ukraine Fund A

The aim of the Fund is to achieve long term capital appreciation from investments in Ukrainian equities. The Fund may also invest in companies that have significant trade with, or active investments in, Ukraine.

Since 1 January 2010, the East Capital Bering Ukraine Fund is split into two classes: East Capital Bering Ukraine Fund A, comprising mainly of listed holdings, and East Capital Bering Ukraine Fund R, that comprises assets in unlisted companies.

At the end of the period East Capital Explorer's share of the Fund was 37%.

Fund performance	Q4 2012	12m 2012	Since Jan 08
East Capital Bering Ukraine Fund A, EUR	-11%	-31%	-73%
PFTS Index, EUR	-12%	-40%	-81%

Portfolio highlights during the quarter

- Ferrexpo, the iron ore pellet producer, had a strong quarter, climbing 27% on the back of a very solid 32% iron ore price appreciation after improved demand from China. The company has three promising projects in pipeline and its story remains fundamentally sound. Ferrexpo trades at an enterprise value of 5.7 times estimated 2013 Ebitda, and 8.9 times earnings, which correspond to a 23% and 29% discount to the respective peers multiples
- The Fund Manager wrote down the value of Anthousa, the fourth largest retailer in Ukraine, to zero based on an external valuation, which resulted in a 4.1% negative contribution for the Fund. Pressed by the banks to concentrate on debt redemption rather than chain expansion, Anthousa materially revised the projections of new store openings. In addition, the company was not able to match top line growth with the accelerated cost base. The DCF-based external valuation also deemed that net debt exceeds fair equity value, hence estimated the value of the holding to zero
- The Fund Manager started accumulating the position in Bank Aval, which is considered unjustifiably oversold, trading at a mere 0.3 times estimated 2012 book value and also continued to increase its holding in Myronivsky Hliboproduct

Portfolio breakdown, % per 31 December 2012

Sector weighting
% of the fund

Financials	22.5
Industrials	16.3
Consumer Discretionary	12.7
Health Care	10.0
Energy	9.4
Materials	9.0
Utilities	1.8
Consumer Staples	1.1
Telecommunication Services	0.5

Asset allocation by country
% of the fund



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Nomos Bank	10.2	6.0	0.2	Russia	Financials
Fesco	6.9	Undiscl.	Undiscl.	Russia	Industrials
Veroform	6.6	-3.1	-0.2	Russia	Health Care
GAZ	4.7	39.5	1.3	Russia	Cons. Discr.
Kantik	4.7	0.3	-0.0	Ukraine	Financials
Neftekamsky Avto	3.9	-20.8	-1.0	Russia	Industrials
Nova Liniya	3.7	-45.0	-3.0	Ukraine	Cons. Discr.
Bashneft	3.7	-7.5	-0.3	Russia	Energy
Bank TsentrKredit	2.9	-3.1	-0.1	Kazakhstan	Financials
Protek	2.8	8.0	0.2	Russia	Health Care

All figures in EUR

* Contribution to the portfolio performance

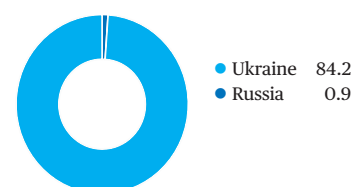
10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
50	11	65

Portfolio breakdown, % per 31 December 2012

Sector weighting
% of the fund

Consumer Staples	25.9
Materials	17.4
Financials	16.5
Utilities	12.7
Telecom. Services	6.3
Consumer Discretionary	3.3
Energy	1.6
Health Care	1.2
Industrials	0.3

Asset allocation by country
% of the fund



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Myronivsky Hliboproduct	18.5	5.8	0.2	Ukraine	Consumer Staples
Tsentr Energo	11.8	-4.8	-0.6	Ukraine	Utilities
Ferrexpo	8.6	26.9	1.6	Ukraine	Materials
Bank Aval	8.2	1.3	0.8	Ukraine	Financials
Ukrtelecom	6.3	-39.9	-3.8	Ukraine	Telecom. Services
Retail Group	4.1	-32.5	-1.8	Ukraine	Consumer Staples
Koryukivska Fabryka Tekhnichnyh Paperiv	3.7	2.6	0.1	Ukraine	Materials
Ukrasotsbank	3.4	-26.2	-1.1	Ukraine	Financials
Advantest	2.9	23.1	0.5	Ukraine	Financials
Stirol	2.3	-23.9	-0.7	Ukraine	Materials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
70	0	27

- Ukrtelecom lost 40%. The stock is extremely illiquid and volatile which resulted in a large change in share price despite small volumes and no specific company news

East Capital Bering Ukraine Fund R

The aim of the Fund is to achieve long term capital appreciation from investments in Ukrainian equities. The Fund may also invest in companies that have significant trade with, or active investments in, Ukraine.

Since 1 January 2010, the East Capital Bering Ukraine Fund is split into two classes: East Capital Bering Ukraine Fund A, comprising listed holdings, and East Capital Bering Ukraine Fund R, that comprises assets in unlisted companies.

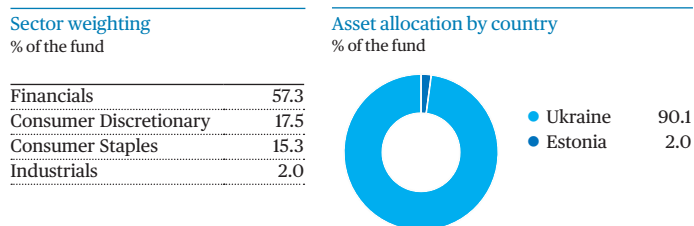
At the end of the period East Capital Explorer's share of the Fund was 11%.

Fund performance	Q4 2012	12m 2012	Since Jan 08
East Capital Bering Ukraine Fund R, EUR	-9%	-5%	-71%
PFTS Index, EUR	-12%	-40%	-81%

Portfolio highlights during the quarter

- The value of Nova Liniya was written down by 45%. For further information regarding Nova Liniya, please see East Capital Bering Russia Fund portfolio comment
- Revenues for the fourth quarter of Chumak, the leading Ukrainian producer of high quality food products, amounted to USD 20.9m, an increase of 16% compared to last year. For the full year 2012, the revenues grew by a total of 17% to a total of USD 71m. The bulk of the growth came from domestic Ukrainian sales, which grew by more than 20% despite a weak Ukrainian economy. As a result of the strong performance, the Fund Manager wrote up the value of Chumak by 24% based on an external valuation
- The year-end valuation resulted in a small adjustment of -1.4% to the value of Trev-2 Group. The fourth quarter was, on a preliminary assessment, a good quarter for the company. For further information regarding Trev-2 Group, see page 15

Portfolio breakdown, % per 31 December 2012



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Kantik	32.0	0.3	-0.1	Ukraine	Financials
Henryland	24.3	-0.2	-0.2	Ukraine	Financials
Nova Liniya	17.5	-45.0	-13.1	Ukraine	Consumer Discretionary
Chumak	15.3	24.2	2.7	Ukraine	Consumer Staples
Trev-2 Group	2.0	-1.5	-0.0	Estonia	Industrials
Rtc Irpin	1.0	-2.6	-0.0	Ukraine	Financials
Elko	0.0	33.6	1.4	Baltics	IT

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
92	100	7

- In December, the fund exited its holding in Elko, the unlisted Latvian IT distributor. For further information regarding Elko, please see East Capital Bering New Europe Fund portfolio comment

East Capital (Lux) Eastern European Fund

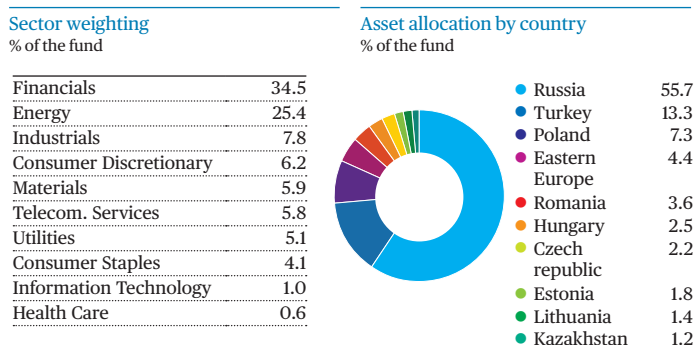
The aim of the Fund is to invest in shares of companies in the whole Eastern Europe. The Fund seeks investments in a broad spectrum of countries, sectors and companies.

The Fund is a daily traded UCITS-fund. More information and daily NAV can be found at the East Capital website www.eastcapital.com.

At the end of the period East Capital Explorer's share of the Fund was 4%.

Fund performance	Q4 2012	12m 2012	Since Dec 07
East Capital (Lux) Eastern European Fund, EUR	3%	15%	-31%
MSCI Emerging Europe Index, EUR	3%	14%	-36%

Portfolio breakdown, % per 31 December 2012



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Sberbank	9.4	1.8	0.2	Russia	Financials
Lukoil	6.0	6.4	0.3	Russia	Energy
Surgut NG	3.5	-4.6	-0.20	Russia	Energy
Gazprom	3.2	-7.8	-0.4	Russia	Energy
Sistema	3.2	2.1	0.0	Russia	Telecom. Services
M.Video	2.7	3.5	0.1	Russia	Consumer Discretionary
Novatek	2.6	-0.6	-0.0	Russia	Energy
PZU	2.4	21.8	0.4	Poland	Financials
Transneft	2.3	20.1	0.4	Russia	Energy
Fondul Proprietatea	1.9	6.4	0.1	Romania	Financials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
37	0	132



East Capital Power Utilities 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 sub-sectors of the industry including electricity generation, distribution and services.

At the end of the period East Capital Explorer's share of the Fund was 73%.

Fund performance	Q4 2012	12m 2012	Since Dec 07
East Capital Power Utilities Fund, EUR	-6%	-6%	-18%
RTS Electric Utilities Index	-8%	-13%	-64%

Portfolio highlights during the quarter

- During the fourth quarter, the Fund Manager made a third distribution to its investors as a result of the decision to close the fund earlier than originally planned due to increased regulatory risks, governmental intervention and unclear reform direction in the sector
- The best performers were the power distribution companies, Tomskaya RSK and Mrsk Tsentra I Privolzhya which gained 23% and 4% respectively. The resumed privatisation of state-controlled companies spurred market hopes that power grid companies would appear on the privatization agenda for 2013
- The second best contributing stock was Trest Hydromontazh, up 71%. The Company, specialising in the construction of hydropower stations, is the primary contractor for the Russian state-controlled hydro power giant RusHydro. 40% of the company was recently bought by OJSC TEK Mosenergo. Under Russian corporate law, the deal triggered a mandatory buyout offer at the deal price, which was done at a price with a 135% premium to the market price
- The rest of the holdings were in negative territory as investors continued to decrease exposure to this high-risk sector

East Capital Russia Domestic Growth Fund

The aim of the Fund is to exploit the potential of the strong domestic growth in the Russian economy. The target is to create a concentrated portfolio of between 10 and 20 listed companies which generate at least half of their revenue in Russia and have a market capitalization of above USD 500m. The Fund operates across all sectors and invests in securities that are believed to be undervalued and have a significant performance potential.

At the end of the period East Capital Explorer's share of the Fund was 99%.

Fund performance	Q4 2012	12m 2012*	Since Aug 12
East Capital Russia Domestic Growth Fund, EUR	0%	-3%	-3%

* The Fund was launched in September 2012

Portfolio highlights during the quarter

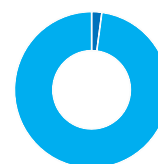
- A majority of the holdings, ended the quarter in positive territory. The best performing company was Dixy Group, the Russian retailer, up 34%. The investment was made during accelerated book building in the company's share in November 2012, which was priced at a 7% discount on the market. The stock added a 1.6% positive contribution to the Fund
- The worst contributing stock, Bank Sankt-Petersburg, with a current portfolio weight of 4.1% corrected 21% as the bank reported weaker-than-expected results, which triggered market concerns that it might not be able to pay dividends for 2012. The Fund Manager believes that the situation has started to normalize in the bank and the bank is expected to benefit from growth in the retail segment

Portfolio breakdown, % per 31 December 2012

Sector weighting
% of the fund

Utilities	90.2
Industrials	0.4

Asset allocation by country
% of the fund



● Russia 86.9
● Georgia 3.7

Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Mrsk Tsentra	13.7	-6.2	0.1	Russia	Utilities
Energy System of Far East	11.4	-10.1	-1.2	Russia	Utilities
OGK-5	10.0	-12.2	-1.0	Russia	Utilities
E.ON Russia	9.7	-4.3	-1.3	Russia	Utilities
Tomskaya RSK	9.4	23.1	0.7	Russia	Utilities
TGK-5	8.8	-10.3	-0.4	Russia	Utilities
TGK-6	7.3	-5.1	-0.1	Russia	Utilities
Mrsk Tsentra I Privolzhya	7.3	3.5	0.0	Russia	Utilities
TGK-4	4.6	-11.7	-0.1	Russia	Utilities
Caucasus Energy & Infrastructure	3.7	-8.1	-0.2	Georgia	Utilities

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
86	0	20

Portfolio breakdown, % per 31 December 2012

Sector weighting
% of the fund

Financials	39.4
Consumer Discretionary	17.7
Utilities	13.2
Consumer Staples	9.7
Telecom. Services	9.5
Industrials	5.4
Energy	4.7

Asset allocation by country
% of the fund



● Russia 99.7

Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Sberbank	19.7	2.1	0.4	Russia	Financials
Nomos Bank	10.8	5.5	0.5	Russia	Financials
Sistema	9.5	4.4	0.3	Russia	Telecom. Services
Sollers	9.3	0.4	0.1	Russia	Consumer Discr.
M.Video	8.4	5.1	0.2	Russia	Consumer Discr.
OGK-5	8.2	-12.9	-0.8	Russia	Utilities
Dixy Group	6.1	33.5	1.5	Russia	Consumer Staples
Aeroflot Russian Airlines	5.4	3.9	0.2	Russia	Industrials
E.ON Russia	5.0	-3.8	-0.3	Russia	Utilities
LSR Group	5.0	0.3	-0.1	Russia	Financials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
87	0	13

East Capital Special Opportunities Fund

The aim of the Fund is to invest in companies with a solid business model and outlook, which for market or owner specific reasons could be acquired at low valuation levels. The Fund has targeted investments in the whole Eastern European region, with both a clear trigger for revaluation and an exit opportunity within four years from the launch of the Fund. The strategy implies, when appropriate, a more active role in the portfolio companies.

The investment focus is listed equity securities, but other financial instruments can also be utilized. Distributions to investors can be made throughout the lifetime of the Fund. All proceeds on divestments after three years from inception of the Fund will be distributed to the investors.

At the end of the period East Capital Explorer's share of the Fund was 83%.

Fund performance	Q4 2012	12m 2012	Since May 09
East Capital Special Opportunities Fund, EUR	-1%	11%	13%

Portfolio highlights during the quarter

- Sollers, the Russian auto producer was up by 10%, adding a 1.7% positive contribution to fund performance. Russia's ability to attract direct investments to the auto sector did wonders for Sollers in 2012, as the company successfully used joint ventures with international auto producers to boost its production, driving its share price up by 143% over the year
- Verofarm, Russia's fifth largest pharmaceutical producer ended the quarter with a limited decline of 3% despite high volatility in the stock. There was a spike in interest in the stock after the Federal Antimonopoly Service granted permission for Sistema to buy 100% of Verofarm
- The worst performing stock, both on performance and contribution level, was Integra, the oil field service provider. Integra was down 59%, adjusted for its spin-off from IG Seismic Service. The poor performance is a result of the company's weak results, which the new management not yet has managed to turn around, but the Fund Manager think they will be improved in the future

East Capital Special Opportunities Fund II

The aim of the Fund is to invest in companies with a solid business model and outlook, which for market or owner specific reasons could be acquired at low valuation levels. The Fund has targeted investments in the whole Eastern European region, with both a clear trigger for revaluation and an exit opportunity within four years from the launch of the Fund.

At the end of the period East Capital Explorer's share of the Fund was 56%.

Fund performance	Q4 2012	12m 2012	Since Oct 10
East Capital Special Opportunities Fund II, EUR	-7%	-22%	-45%

Portfolio highlights during the quarter

- Zavarovalnica Triglav, the Slovenian insurance company and the largest holding in the Fund, continued to perform also during the fourth quarter, up 15%, due to strong results and an attractive valuation
- The Serbian bank, AIK Banka, reported nine-month results for 2012, showing a boost in its pre-tax profit by 47% to EUR 26 m. The stock gained 19% with a contribution of 0.9% to the fund performance
- The worst performing stocks were Integra, which dropped 59%, and Anthousa, that was written down to zero on the bases of an external valuation made in December. For further information regarding Integra and Anthousa, please see the portfolio comments for East Capital Special Opportunities Fund and East Capital Bering Ukraine Fund A
- Sibirskiy Cement returned 11% on low liquidity. The company reported third quarter results which were neutral but the share is still down due to poor corporate governance. Sibirskiy Cement remains cheap at around USD 100/ capacity (ton), indicating a capacity (ton), indicating a 20% and 30% discount to emerging markets and global peers respectively

Portfolio breakdown, % per 31 December 2012

Sector weighting % of the fund	Asset allocation by country % of the fund
Financials 33.3	
Consumer Discretionary 21.1	
Materials 13.7	
Energy 10.0	
Health Care 9.2	
Consumer Staples 3.2	
Industrials 0.7	
Information Technology 0.5	



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Fondul Proprietatea	33.3	6.3	1.8	Romania	Financials
Sollers	19.3	10.2	1.7	Russia	Consumer Discr.
Sibirskiy Cement	11.3	11.4	1.1	Russia	Materials
Verofarm	9.2	-3.1	-0.3	Russia	Health Care
IG Seismic Service GDR	3.5	-10.0	-0.4	Russia	Energy
Mashstroy	3.4	31.2	0.8	Russia	Energy
Integra	3.1	-59.0	-5.1	Russia	Energy
Vino Zupa	2.3	-2.6	-0.1	Serbia	Consumer Staples
Centreneogaz	1.8	112.6	1.0	Russia	Consumer Discr.
Stirol	1.7	-23.8	-0.5	Ukraine	Materials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
89	0	14

- Fondul Proprietatea (FP), the Romanian restitution fund, gained 6% during the quarter and was the largest positive contributor to the fund's performance. For further information regarding FP, please see East Capital Bering Balkan Fund portfolio comment

Portfolio breakdown, % per 31 December 2012

Sector weighting % of the fund	Asset allocation by country % of the fund
Financials 36.8	
Consumer Staples 16.6	
Health Care 10.5	
Utilities 7.3	
Materials 6.9	
Energy 6.6	
Industrials 1.8	



Largest holdings in the Fund on 31 December 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Zavarovalnica Triglav	19.3	14.9	2.2	Slovenia	Financials
Bambi	14.2	4.9	0.6	Serbia	Cons. Staples
Verofarm	10.5	-3.1	-0.4	Russia	Health Care
Nfd i Delniski Investicijski Sklad Dd	6.9	4.6	0.3	Slovenia	Financials
AIK Banka	6.1	19.3	0.9	Serbia	Financials
Energy System of Far East	4.7	-10.8	-0.6	Russia	Utilities
Sibirskiy Cement	4.0	11.4	0.4	Russia	Materials
IG Seismic Service GDR	3.5	-10.0	-0.4	Russia	Energy
Integra	3.1	-59.0	-4.8	Russia	Energy
TGK-4	2.6	-11.7	-0.3	Russia	Utilities

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
75	7	16

- Rusforest is still facing serious liquidity issues, even after the Secondary Public Offering earlier in 2012, and therefore the company initiated a new EGM to approve a debt for equity transaction. The stock was down another 72%

Direct Investments

Melon Fashion Group

- One of the fastest growing Russian fashion retail companies

During the first nine months of 2012, sales from continuing operations of Melon Fashion Group (MFG) reached RUB 6,011m (EUR 150m), an increase of 40% compared to the same period of previous year. Gross margin amounted to 58.3% during the period. Ebitda amounted to RUB 615.6m (EUR 15.3m) to be compared with RUB -193.8m (EUR -4.9m) in 2011 which gives an Ebitda margin of 10.1% (-4.4%).

MFG continued its strong performance into the fourth quarter of 2012 and finished the year on a positive note, strongly outperforming management expectations set in the beginning of the year. The company generated sales of RUB 2,408m (EUR 59.7m) during the last quarter of the year, which represent a 40% (43% in EUR terms) increase compared with the same period of 2011.

The core concepts of MFG (Zarina, befree and Love Republic) were once again the key drivers of strong performance and contributed as much as 82% to the total revenue of the company. The group's Ukrainian business remained insignificant and accounted for roughly 5% of sales, which is in line with previous years.

As of 31 December 2012, MFG operated 552 stores, which is 25 stores more than at the end of previous quarter. The increase in the number of stores reflects the opening of core concepts stores, while a number of master-franchised stores decreased in line with strategy. Some of these inefficient master-franchised stores were converted into stores of better performing core concepts.

At the end of the year, Ernst & Young performed an external valuation of East Capital Explorer's stake in the company. The value of our 36% stake has increased to EUR 44.2m as of 31 December 2012, which represents an increase in value of 27% compared to previous value of the holding and a 86% increase in share price compared to 31 December 2011. Key drivers for the revaluation have been restored profitability and the new, more credible expansion plan presented by the company for the coming years.

Learn more about Melon Fashion Group on: www.melonfashion.ru

Komercijalna Banka Skopje

- The largest bank in Macedonia by assets and capital

Overall it was a difficult year for Komercijalna Banka Skopje (KBS) given the recessionary environment in the second half of the year, which meant that KBS struggled to find creditworthy clients and some existing borrowers faced difficulty in servicing their debts. Nevertheless, the bank's business continued to grow, with both net loans and income for main business ending the year 6% higher than in 2011 while operating expenses declined by almost 3%. The financial results were hurt by provisioning levels however, as net provisions at year end were 28% higher than in 2011. Balance sheet growth was also affected by the poor market conditions, as the bank lowered interest rates on deposits to avoid problems with excess liquidity in the absence of robust demand for loans. Still, total deposits increased by 3.4%, year-on-year. The unaudited 2012 results show KBS finishing the year with MKD 562m (EUR 9.1m) in net profit, a decrease of approximately 48% in comparison to 2011, and representing 6.6% return on equity. Capital adequacy remained good, as did liquidity.

One of the main achievements of 2012 was the completion of a large real estate transaction with the government, in which the bank sold a large property that had been acquired through an earlier foreclosure. One of the other buildings involved in this transaction is the bank's current headquarters, which the government bought due to its prime location. As a result, the bank will move out of its current headquar-

ters this summer after renovations are completed on another building acquired through foreclosures, which is being converted into the new headquarters. The sale of foreclosed assets and the transformation of another into the bank's own office space effectively reduced the amount of foreclosed assets on the bank's balance sheet by some 30%.

Learn more about Komercijalna Banka Skopje on: www.kb.com.mk

Trev-2 Group

- One of the largest infrastructure construction and maintenance companies in Estonia with presence in Latvia

According to preliminary estimates and before year-end write-offs, quarterly turnover was EUR 23.5m (+57% year-on-year), gross profit EUR 0.6m and Ebitda EUR 1.0m, exceeding budget by 4% and 31% respectively. However, management has proposed EUR 0.8m worth of one-off provisions and write-offs in December, which will have a negative effect on operating and net profit margins.

During the quarter, the Latvian court approved the restructuring plan for Water Ser SIA, granting legal protection for two years. After considering various development options of the business, the Supervisory Board of Trev-2 Group decided to gradually close down the company's operations and liquidate the entity. Measures were implemented accordingly. In December, a majority of the employees of Water Ser SIA were made redundant, leaving only project managers for finalising existing projects in Latvia and Russia.

At the end of the year, an external valuation was made. As a consequence of this, the value was written down with 1.4%. In total during 2012, East Capital Explorer's holding in Trev-2 Group increased in value with 32%.

In general, 2012 has been a challenging year for all Estonian infrastructure construction firms and the main focus going forward continues to be on improving profitability and deleveraging the balance sheet. In December, the management presented development scenarios for each business segment. Information will be used as an input for development of a comprehensive strategy paper for the coming three years. The work is expected to be completed and the new strategy approved by end of the first quarter 2013.

Learn more about Trev-2 Group on: www.trev2.ee

East European Debt Finance

- A joint-venture focusing on purchasing non-performing loan portfolios

No significant improvement in collections were visible after the campaigns with slightly discounted payment programs that started during the summer 2012. The collections for the largest portfolio have stabilized and the portfolio manager is considering various measures to boost the collections going forward. First partial repayment of the shareholder loan was received from East European Debt Finance (EEDF) just after the New Year holidays amounting to roughly EUR 0.5m. It has been agreed that from now on, the company will repay the shareholder loan on a quarterly basis based on the accumulated collections.

Even though there was a regular flow of new portfolios on the market, EEDF did not purchase any new portfolios during the fourth quarter. The company is currently not bidding very aggressively for new portfolios as it has decided to focus its resources on improving the current collection.

Short-term investments

On 31 December 2012, East Capital Explorer had no short term investments other than cash and cash equivalents. The bond portfolio was divested and the MFG loan was repaid during the fourth quarter.

Cash and cash equivalents

The EUR 46.4m (EUR 16.6m at year-end 2011) that had not yet been invested or drawn-down, were placed in cash and cash equivalents. Interest income from cash and cash equivalents during the year amounted to EUR 0.4m (EUR 0.3m).

Results

The Group consists of the Parent Company East Capital Explorer AB, the subsidiaries East Capital Explorer Investments AB and Humarito Limited as well as the consolidated funds listed below.

Consolidated funds	Share of Equity
East Capital Bering New Europe Fund	93%
East Capital Special Opportunities Fund	83%
East Capital Power Utilities Fund	73%
East Capital Bering Balkan Fund	66%
East Capital Bering Central Asia Fund	56%

The funds listed above are regarded as subsidiaries and consolidated with the East Capital Explorer Group. Subfunds to a company are not consolidated into the East Capital Explorer Group if the ownership of the company does not exceed the consolidation level where East Capital Explorer has a dominant beneficial ownership. The investments in the consolidated funds are reported as investments in the portfolio report on page 3 but are consolidated in the financial statements.

During the first quarter of 2012 other investors in the fund redeemed shares in the East Capital Bering Central Asia Fund. As a result East Capital Explorer, from an accounting perspective, had a controlling influence over the fund and therefore needed to treat it as a subsidiary. Consequently, the fund was reclassified in the first quarter of 2012 from shares and participations in investing activities to a subsidiary.

Group

Total comprehensive income for 2012 amounted to EUR 16.5m (EUR -152.1m), which included exchange rate differences on translation of foreign operations of EUR -3.0m (EUR 1.1m).

Net profit for the year amounted to EUR 19.6m (EUR -153.2m). Of this a net profit of EUR 16.9m (net loss EUR 127.9m) was attributable to the shareholders of the Parent Company corresponding to earnings per share of EUR 0.50 (EUR -3.69).

For the year 2012, the main items of the net profit in the investment portfolio include value changes of EUR 21.4m (EUR -151.8m) and EUR 9.4m (EUR 6.5m) in dividends.

Financial income amounted to EUR 1.7m (EUR 1.2m) which mainly related to interest income. Financial expenses amounted to EUR -0.1m (EUR -2.1m).

Other items included EUR -12.7m (EUR -7.2m) in operating expenses (described further below) and EUR -0.1m (EUR 0.2m) in income taxes.

Of the total operating expenses of EUR -12.7m (EUR -7.2m) during the year, EUR -1.8m (EUR -1.8m) related to ordinary operating expenses within the Parent Company. The remaining EUR -10.9m (EUR -5.4m) related to operating expenses, mainly fees, in consolidated funds and subsidiaries.

To calculate the fees related only to the shareholders in East Capital Explorer AB, the non-controlling interest in the consolidated fund should be excluded and fees generated in non-consolidated funds should be added back. When calculated according to the procedure above, the total fees accrued to the Investment Manager generated by the fund investments and direct investments held by East Capital Explorer amounted to EUR 9.3m (EUR 6.7m) including VAT. Of this EUR 4.0m (EUR -1.0m) was related to performance fees. For more details about fees, please see the latest Annual Report available on our website.

Parent Company

The Parent Company's net profit for the year amounted to EUR 15.6m (EUR -80.2m). This mainly referred to a reversal of write down of shares in Group companies. Operating expenses amounted to EUR -1.8m (EUR -1.8m). No investment activities were carried out in the Parent Company.

Tax

East Capital Explorer's consolidated tax of EUR -0.1m (EUR 0.2m) for the year comprised the net effect of deferred income tax within the Parent Company of EUR -0.1m (EUR 0.4m), actual tax related to subsidiaries of EUR -0.1m (EUR -1.0m) and deferred tax related to subsidiaries of EUR 0.1m (EUR 0.8m).

Dividend

On 25 April 2012 the Annual General Meeting decided to pay out SEK 0.80 (0.80) per share to shareholders for the fiscal year 2011. The dividend was paid out on 4 May 2012 corresponding to an aggregate of EUR 3.0m (EUR 3.1m).

As announced on 4 December 2012, the Extraordinary General Meeting approved the share redemption program for 2013 to the Company's shareholders. The redemption program has replaced the Company's dividend policy.

Business Environment and Market

The global economic uncertainties relating to imbalances in the Eurozone periphery and continued concerns of recessions in the US as well as the economic development in China are expected to linger into 2013. Many global markets are scrambling to maintain or achieve economic growth, leading to continued irregular recovery. The global uncertainties can have an adverse effect on the markets in our region due to general risk aversion, and may lead to continued volatility in the financial markets. The assets held by the Group, both listed and unlisted, can thereby be associated with increased risks, which also may impact the possibilities for divestments as well as opportunities for new investments.

For the coming months we continue to anticipate economic growth at levels below long-term potential, yet the average growth in our region is expected to be higher than in the developed markets. While the current markets can experience an increased volatility from time to time, the market changes can also provide significant opportunities for positive profitability growth and development in sound portfolio companies.

Financial position

Cash flow from operating activities during 2012 was EUR -6.6m (EUR -11.2m).

The Group's cash, cash equivalents and other short-term investments at the end of the year amounted to EUR 61.2m, compared to EUR 54.9m at year-end 2011. The Group's cash, cash equivalents and other short-term investments differ from the portfolio on page 3 since cash and cash equivalents in the consolidated funds attributable to non-controlling interest are included in the Group. Excluding the consolidated funds, cash and cash equivalents amounted to EUR 46.4m,

compared to EUR 16.6m at year-end 2011 and interest income from these amounted to EUR 0.4m (EUR 0.3m) during the year.

The reclassification from share and participation to subsidiary of the holdings in East Capital Bering Central Asia has affected the cash flow analysis by EUR 2.2m.

The major cash inflows in the investing activities refer to divestment of the bond portfolio, to redemption of shares held in East Capital Power Utilities Fund AB, sales of shares held in TEO LT, Populi, East Capital (Lux) Eastern European Fund and shares held by the subsidiaries. East Capital Explorer had no financial debt on 31 December 2012.

Commitments and draw-downs

East Capital Explorer has committed to invest in total EUR 20m into the new East Capital Baltic Property Fund II. EUR 8.6m was drawn down by the Fund during the second quarter. EUR 8.4m was drawn down by the fund during the fourth quarter.

East Capital Explorer has committed to invest EUR 15 m into the East Capital Russia Domestic Growth Fund in the fund's opening on 1 January 2013. EUR 15 m was invested into the Fund in January 2013.

On 4 December, the EGM approved a share redemption program for 2013 to the Company's shareholders, which was launched during December 2012. Approximately EUR 15 m was committed to be paid out to the shareholders participating in the redemption program, assuming an acceptance level of 100 percent.

Other information

Risks and uncertainty factors

The dominant risk in East Capital Explorer's and the Group's operations is commercial risk in the form of exposure to certain sectors, geographic regions or individual holdings and financial risk in the form of market risk, equity price risk, foreign exchange risk and interest rate risk. A more detailed description of East Capital Explorer's and the Group's material risks and uncertainties is provided in the Company's Annual Report. An assessment for the coming months is provided in the Results section above.

Our consolidated funds, fund investments and direct investments are also exposed to commercial risks, financial risks, and market risks. In addition, through the business activities of their holdings, i.e. their offerings of products and services, within the respective sector, the funds and direct investments are also exposed to legal/regulatory risks and political risks, for example political decisions on healthcare budgets and industry regulations.

Related party transactions

No transactions have occurred during the year other than fee payments according to agreements. East Capital Explorer AB has a related party relationship with its subsidiaries, with other companies in the East Capital Group, as well as with management and employees. The single largest counterparty is the East Capital Group.

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".

East Capital PCV Management AB (the "Investment Manager"), a subsidiary of East Capital Holding AB, 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 2012 the Group generated fees to a total of tEUR 9,255 (tEUR 5,703).

The Company has a service agreement with East Capital International AB, a service company within East Capital, pursuant to which the Company buys certain administrative and other services. The Company has a subrent premises agreement with East Capital Private Equity AB. During the year, the Group purchased services for EUR 0.3m, all of it through the Parent Company.

The CEO is a Board member of East Capital Explorer Investments AB. The Company's management, Board members and their close relatives, and related companies control 15% of voting rights in East Capital Explorer AB.

Organizational and investment structure

East Capital Explorer is a public limited liability company that indirectly and directly invests in Russia and other countries within the Commonwealth of Independent States (CIS), the Balkans, the Baltic States, Central Asia and Central Eastern Europe. Our indirect investments are made through a selection of East Capital's funds.

The investment activities of the company are governed by an investment policy within an Investment Management Agreement between the Company and the Investment Manager.

In addition to the related party transactions referenced above, East Capital Explorer has made direct investments into companies where East Capital Group also invests through one of its controlled companies or products, which during the year included investments and divestments in TEO LT, Melon Fashion Group, Populi and Trev-2 Group.

For further information about the organizational and investment structure of the Company, please see the corporate governance report for 2011 that has been included in the Annual Report and on our web site www.eastcapitalexplorer.com in the section, 'About East Capital Explorer/Corporate Governance'.

Share buy-back mandate

On 12 April 2011, the Annual General Meeting 2011 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2012.

On 15 September 2011, East Capital Explorer announced that the Company's Board had decided to utilize the repurchase authorization to create more value for the shareholders. The utilization of the authorization was prolonged on 12 October and allowed the Company to repurchase own shares from 15 September 2011 up to and including 30 March 2012. During 1 January to 30 March 2012 60,415 shares were repurchased. Average price per share paid was 54.21. From 15 September 2011 until 30 March 2012, East Capital Explorer repurchased 1,141,969 own shares, corresponding to 3.3% of the shares in the Company. Average price per share paid was SEK 51.69. The shares were cancelled in June 2012.

On 25 April 2012, the Annual General Meeting 2012 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2013. The utilization of the authorization allowed the company to repurchase own shares from 7 August up to and including 10 October 2012. During the year, East Capital Explorer repurchased 685,111 own shares, corresponding to 2.0% of the shares in the Company. Average price per share paid was SEK 49.95.

The total number of shares in East Capital Explorer as of 31 December 2012 amounted to 33,709,706. Excluding the shares held by the Company, the number of outstanding shares was 33,024,595. Adjusted for buy-backs the average number of shares outstanding for the year was 33,474,634. As announced on 4 December, the EGM approved a share redemption program for 2013 to the Company's shareholders, which was launched during December 2012. The Board does not intend to use its authorization for repurchase of shares under the current mandate.

Events occurring after the end of the quarter

East Capital Explorer decided in December 2012 to invest EUR 15m into the East Capital Russia Domestic Growth Fund in the fund's opening on 1 January 2013. In January 2013 it was decided to invest an additional EUR 10m into the Fund at its opening on 1 February 2013. The Company's first investment into the Fund amounted to EUR 15m and was made in the end of August 2012.

In light of the discount to NAV and the high confidence of both the Board and Management in the Company's NAV, the Board decided, as announced on 23 October, to propose a share redemption program to the Company's shareholders. The program was approved by an EGM on 4 December 2012, allowing the shareholders to redeem 1 out of 20 shares at NAV. The Board has committed to making the same proposal to the 2014 and 2015 AGMs in case the share is trading at a discount to NAV exceeding 10%. The redemption program is replacing the Company's dividend policy and the Board does not intend to use its authorization for repurchase of shares during this period.

The application period for East Capital Explorer's offer to redeem shares ended on 14 January 2013. The offer entitled redemption of a maximum of every twentieth share held in the Company, at a redemption price of SEK 77 per share (corresponding to the Net Asset Value per share on 31 October 2012).

1,600,286 shares were tendered for redemption during the redemption program, corresponding to an acceptance level of approximately 97 percent. Consequently, a total of SEK 123,222,022 was paid out to the shareholders participating in the redemption program.

In accordance with the extraordinary general meeting's resolution on 4 December 2012, in the end of January 2013 East Capital Explorer cancelled the redeemed shares as well as the 685,111 shares that were repurchased during the period of 8 August - 5 October 2012 through the share buyback program. The Company does not hold any own shares following the cancellation.

Following completion of the redemption and cancellation, and a bonus issue effected in connection therewith without issuing new shares, East Capital Explorer's share capital amounted to approximately EUR 3.6m by 31,424,309 shares. Payment of the redemption amount was completed at the end of January 2013.

NAV on 31 January 2013

NAV per share on 31 January 2013 amounted to EUR 9.31 (corresponding to SEK 80). The share price on 31 January 2013 was SEK 53.25 (corresponding to EUR 6.16). Cash, cash equivalents and other short-term investments on 31 January 2013 amounted to EUR 17m (SEK 151m).

Accounting principles

The consolidated interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions in the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with The Swedish Annual Accounts Act Chapter 9, interim report. The accounting principles that have been applied for the Group and Parent Company are in agreement with the accounting principles and the methods of computation used in last year's annual report.

New or revised IFRS principles effective as of 1 January 2012 have not had any material effect on the financial position or results of the Group or Parent Company.

A review of potential impacts of amendments to IFRS has been done. IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requirements have changed compared to "IAS 27 Consolidated and Separate Financial Statements" and "SIC-12 Consolidation—Special Purpose Entities" which form the basis for the year-end report 2012.

IFRS 10 requires exposure to variable returns and the ability to affect those returns through power over an investee for the investee to be considered a controlled entity. These changes will particularly benefit East Capital Explorer Group, as the funds that are consolidated in the year-end report no longer will qualify as subsidiaries, and therefore should be deconsolidated and instead held at fair value. IFRS 10 also specifies specific consolidation rules for investment entities. However, the conclusion that East Capital Explorer should no longer consolidate any of its fund investments has not been made based on those rules.

The application of IFRS 10 for annual periods begins on or after 1 January 2014, but earlier application is permitted. After consultation with the Authorized Public Accountant, it has been decided that all the funds and similar entities in East Capital Explorer will be exempted from consolidation and that those holdings will be held at fair value under IFRS 10 starting on 1 January 2013. Hence, East Capital Explorer will only consolidate its subsidiaries East Capital Explorer Investments AB and Humarito Ltd. starting on 1 January 2013.

Stockholm, 14 February 2013

Mia Jurke
Chief Executive Officer

Contact information

Mia Jurke, CEO, +46 8 505 885 32
Mathias Pedersen, CFO, +46 8 505 977 48
Charlotte Åsberg, Investor Relations Manager, +46 8 505 885 94

East Capital Explorer AB
Kungsgatan 30, Box 2714
SE-103 88 Stockholm, Sweden
Tel: +46 8 505 977 00
www.eastcapitalexplorer.com

Financial calendar

- Monthly net asset value report on the fifth working day after the end of each month
- Annual Report 2012 available in April 2013
- Annual General Meeting in Stockholm on 24 April 2013
- Interim Report, 1 January - 31 March 2013 on 8 May 2013
- Interim Report, 1 January - 30 June 2013 on 14 August 2013
- Interim Report, 1 January - 30 September 2013 on 11 November 2013

Subscribe to monthly NAV updates, financial reports and press releases directly to your e-mail on: www.eastcapitalexplorer.com or by sending an email to ir@eastcapitalexplorer.com.

The information in this interim report is that which East Capital Explorer AB is required to disclose under Sweden's Securities Market Act. It was released for publication at 07:00 a.m. CET on 14 February 2013.

Review Report

To the Board of East Capital Explorer AB (publ)
Corporate identity number 556693-7404

Introduction

We have reviewed the interim report for East Capital Explorer AB (publ) as of 31 December 2012, and the twelve-month reporting period ending on that date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and Scope of the Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 14 February 2013
KPMG AB

Carl Lindgren
Authorized Public Accountant

This review report is a translation of the original review report in Swedish.

Statement of Comprehensive Income

EUR thousands	2012 Jan-Dec	2011 Jan-Dec	2012 Oct-Dec	2011 Oct-Dec
Changes in value	21,366	-151,795	5,390	-23,738
Received dividends	9,385	6,470	421	407
Total operating income	30,750	-145,325	5,811	-23,331
Staff expenses	-833	-1,108	-221	-228
Other operating expenses	-11,897	-6,118	-4,465	-1,868
Operating profit/loss	18,020	-152,552	1,125	-25,427
Financial income	1,746	1,211	325	314
Financial expense	-81	-2,071	278	835
Profit/loss before tax	19,685	-153,412	1,728	-24,278
Income tax	-135	210	714	-646
NET PROFIT/LOSS FOR THE YEAR	19,550	-153,201	2,443	-24,924
Other comprehensive income:				
Exchange differences on translating foreign operations	-3,000	1,081	-1,858	3,276
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,550	-152,120	585	-21,649
Net profit/loss for the year distribution:				
Shareholders of the Parent Company	16,878	-127,925	3,134	-20,922
Non-controlling interest	2,673	-25,276	-691	-4,002
	19,550	-153,201	2,443	-24,924
Total comprehensive income distribution:				
Shareholders of the Parent Company	14,424	-127,075	613	-18,287
Non-controlling interest	2,127	-25,045	-28	-3,362
	16,550	-152,120	585	-21,649
Earnings per share, EUR	0.49	-3.59	0.09	-0.59
- shareholders of the Parent Company				
No accumulated dilution effects during the year				

Statement of Financial Position

EUR thousands	2012 31 Dec	2011 31 Dec
Assets		
Shares and participations in investing activities	287,925	293,585
Deferred tax assets	403	70
Total non-current assets	288,328	293,656
Other short-term receivables	3,073	100
Tax receivables	740	103
Accrued income and prepaid expenses	50	125
Short-term investments	1	22,793
Cash and cash equivalents	61,210	32,147
Total current assets	65,075	55,266
Total assets	353,402	348,923
Equity		
Share capital	3,631	3,628
Other contributed capital	362,458	369,924
Translation reserve	1,729	4,183
Retained earnings	-84,182	43,743
Profit/loss for the year	16,878	-127,925
Equity attributable to shareholders of the Parent Company	300,513	293,552
Non-controlling interest	44,120	45,627
Total Equity	344,634	339,179
Liabilities		
Deferred tax liabilities	0	-
Total long-term liabilities	0	-
Other liabilities	2,137	3,609
Accrued expenses and deferred income	6,632	6,136
Total current liabilities	8,768	9,745
Total equity and liabilities	353,402	348,923

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	-	-
Contingent liabilities	-	-

Statement of Changes in Equity

EUR thousands							
2012	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit /loss for the year	Total equity shareholders in Parent Company	Non-controlling interest	Total equity
Opening equity 1 January 2012	3,628	369,923	4,183	-84,182	293,551	45,627	339,178
Net profit for the year	-	-	-	16,878	16,878	2,673	19,550
Other comprehensive income	-	-	-2,454	-	-2,454	-546	-3,000
Total comprehensive income	-	-	-2,454	16,878	14,424	2,127	16,550
Bonus issue	2	-2	-	-	-	-	-
Reclassification from investment to subsidiary ¹	-	-	-	-	-	16,444	16,444
Paid dividend to shareholders	-	-3,033	-	-	-3,033	-	-3,033
Dividend and redemption to/from non-controlling interest ²	-	-	-	-	-	-20,078	-20,078
Share buy-back	-	-4,429	-	-	-4,429	-	-4,429
Per 31 December 2012	3,631	362,458	1,729	-67,304	300,513	44,120	344,634

EUR thousands							
2011	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit /loss for the year	Total equity shareholders in Parent Company	Non-controlling interest	Total equity
Opening equity 1 January 2011	3,628	379,149	3,333	43,743	429,853	95,581	525,434
Net profit/loss for the year	-	-	-	-127,925	-127,925	-25,276	-153,201
Other comprehensive income	-	-	850	-	850	231	1,081
Total comprehensive income	-	-	850	-127,925	-127,075	-25,045	-152,120
Reclassification from subsidiary to investment ¹	-	-	-	-	-	-1,812	-1,812
Paid dividend to shareholders	-	-3,131	-	-	-3,131	-	-3,131
Dividend and redemption to/from non-controlling interest ²	-	-	-	-	-	-23,096	-23,096
Share buy-back	-	-6,096	-	-	-6,096	-	-6,096
Per 30 December 2011	3,628	369,923	4,183	-84,182	293,551	45,627	339,178

¹Holdings in East Capital Bering Central Asia Fund have been reclassified from investment to subsidiary during 2012. Please refer to Financial Position section above for more information. During 2011, the holding in East Capital Special Opportunities Fund II was reclassified from subsidiary to investment

²Dividend and redemption to/from non-controlling interest differs from cash flow due to unsettled amounts at year end

Statement of Cash Flow

EUR thousands	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
Operating activities		
Operating profit/loss	18,020	-152,552
Changes in value	-21,366	151,795
Interest received	-	275
Interest paid	614	0
Other financial income	143	-408
Tax paid	-1,092	-1,397
Cash flow from current operations before changes in working capital	-3,681	-2,287
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	-1,141	118
Increase (+)/decrease (-) in other current payables	-1,783	-9,052
Cash flow from operating activities	-6,604	-11,221
Investing activities		
Investment in shares and participations	-65,840	-95,664
Sale of short-term investments	4,999	9,600
Sale of shares and participations	123,623	115,661
Cash flow from investing activities	62,782	29,597
Financing activities		
Dividend to and redemption from non-controlling interest	-21,306	-22,962
Paid dividend to shareholders	-3,033	-3,131
Share buy-back	-4,429	-6,096
Cash flow from financing activities	-28,768	-32,189
Cash flow for the year	27,410	-13,813
Cash and cash equivalents at beginning of the year ¹	32,147	62,874
Reclassification from subsidiary to investment ²	2,219	-15,960
Exchange rate differences in cash and cash equivalents	-566	-954
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	61,210	32,147

¹ Cash equivalents comprise deposits and cash

² Holdings in East Capital Bering Central Asia Fund have been reclassified from investment to subsidiary during 2012. Please refer to Financial Position section above for more information. During 2011, the holdings in East Capital Special Opportunities Fund II was reclassified from subsidiary to investment

Segment Reporting

East Capital Explorer classifies the Company's segments based on the nature of its investments. Segment results and assets include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

EUR thousands 1 Jan - 31 Dec 2012	Fund Investments	Direct Investments	Short-term Investments	Unallocated	Total consolidated
Changes in value	-1,011	22,041	335	-	21,366
Received dividends	7,012	2,373	-	-	9,385
Staff expenses	-	-	-	-833	-833
Other operating expenses	-10,095	-817	-	-985	-11,897
Operating profit/loss	-4,095	23,598	335	-1,818	18,020
Financial income	1,283	-	463	-	1,746
Financial expense	37	-	-	-118	-81
Profit/loss before tax	-2,775	23,598	798	-1,936	19,685
Assets	244,146	61,586	46,498	1,172	353,402

EUR thousands 1 Jan - 31 Dec 2011	Fund Investments	Direct Investments	Short-term Investments	Unallocated	Total consolidated
Changes in value	-135,097	-16,699	-	-	-151,795
Dividends	4,585	1,885	-	-	6,470
Staff expenses	-	-	-	-1,108	-1,108
Other operating expenses	-5,353	-75	-	-691	-6,118
Operating profit/loss	-135,864	-14,889	-	-1,799	-152,552
Financial income	294	-	861	57	1,211
Financial expense	-2,071	-	-	-	-2,071
Profit/loss before tax	-137,643	-14,889	861	-1,743	-153,412
Assets	258,887	50,398	39,431	206	348,923

Consolidated Key Figures

Key figures	12m 2012	9m 2012	6m 2012	3m 2012	12m 2011	9m 2011	6m 2011	3m 2011
Net asset value, EURm	301	301	290	321	294	317	382	421
Change in NAV during the quarter, %	-0.1	3.7	-9.7	9.4	-7.3	-17.0	-9.2	-2.2
Equity ratio, %	97.5	97.9	96.1	97.2	97.3	98.3	98.0	97.4
Market capitalisation, SEKm	1.618	1.691	1.601	1.879	1.815	1.846	2.562	2.980
Market capitalisation, EURm	188	200	183	213	209	201	279	333
Outstanding number of shares, m	33.0	33.2	33.7	33.7	33.8	34.7	34.9	34.9
Weighted average number of shares, m	33.5	33.6	33.7	33.7	34.6	34.8	34.9	34.9
Number of employees	4	4	4	4	4	4	4	4

Key figures per share	12m 2012	9m 2012	6m 2012	3m 2012	12m 2011	9m 2011	6m 2011	3m 2011
Earnings per share, EUR	0.50	0.41	-0.04	0.92	-3.69	-3.07	-1.00	-0.05
NAV, SEK	78	77	75	84	77	84	101	108
NAV, EUR	9.1	9.07	8.6	9.52	8.69	9.14	10.97	12.07
Share price, SEK	49.00	51.00	47.50	55.75	53.75	53.00	73.50	85.50
Share price, EUR	5.70	6.04	5.42	6.32	6.03	5.76	8.01	9.55
SEK/EUR	8.59	8.44	8.77	8.83	8.92	9.20	9.18	8.95

Income Statement - Parent Company

EUR thousands	2012 Jan-Dec	2011 Jan-Dec	2012 Oct-Dec	2011 Oct-Dec
Staff expenses	-833	-1,108	-220	-228
Other operating expenses	-985	-691	-264	-90
Operating profit/loss	-1,818	-1,799	-485	-317
Financial income ¹	17,607	260	3,169	260
Financial expense	-124	-79,106	-6	-18,305
Profit/loss before tax	15,664	-80,645	2,678	-18,362
Income tax	-78	402	-69	-48
NET PROFIT/LOSS FOR THE YEAR	15,586	-80,242	2,609	-18,409

¹ Financial income in Parent Company mainly refers to a reversal of write down of shares in Group Companies of EUR 15.6m

Statement of Comprehensive Income - Parent Company

EUR thousands	2012 Jan-Dec	2011 Jan-Dec	2012 Oct-Dec	2011 Oct-Dec
NET PROFIT/LOSS FOR THE YEAR	15,586	-80,242	2,609	-18,409
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,586	-80,242	2,609	-18,409

Balance Sheet - Parent Company

EUR thousands	31 Dec 2012	31 Dec 2011
Participations in group companies	271,272	262,156
Deferred tax	340	402
Total non-current assets	271,612	262,558
Receivables from group companies	30	-
Loan to group companies	29,315	29,315
Accrued income and prepaid expenses	23	236
Cash and cash equivalents	1,131	1,916
Total current assets	30,499	31,466
Total assets	302,111	294,024
Shareholders' equity		
Restricted equity		
Share capital	3,631	3,628
Total restricted equity	3,631	3,628
Non-restricted equity		
Share premium reserve	362,461	369,923
Retained earnings	-80,096	146
Net profit/loss for the year	15,586	-80,242
Total non-restricted equity	297,951	289,827
Total shareholders' equity	301,581	293,455
Other liabilities	198	167
Accrued expenses and prepaid income	332	402
Total current liabilities	530	569
Total equity and liabilities	302,111	294,024
PLEDGED ASSETS AND CONTINGENT LIABILITIES		
Pledged assets	-	-
Contingent liabilities	-	-

This is East Capital Explorer

Our Business Concept and Objective

East Capital Explorer (ECEX) is a Swedish company listed on NASDAQ OMX Stockholm Stock Exchange, created with the specific aim of bringing unique investment opportunities in Eastern Europe to a broader investor base.

Our business concept is to offer our shareholders a liquid investment exposure to a unique portfolio of less liquid or unlisted companies in otherwise hard-to-reach parts of Eastern European markets. The Company primarily invests in East Capital's special fund products, normally only available to larger investors as they require high minimum investments. These funds have a less restrictive investment mandate compared to UCITS-funds which means higher flexibility in the choice of investments and allocations. East Capital Explorer also makes direct investments into private and public companies.

Through our unique connection to East Capital, as Investment Manager for the Company's investments, we benefit from their local presence, extensive network and long experience in the region. It is East Capital's investment expertise that creates the primary value for our shareholders. The objective of this business concept is to achieve long-term capital appreciation. As investments in emerging markets often entail significant risks, they should be made with a long term perspective.

Our Strategy

Our strategy is to capture the growth by investing in sectors and companies having the most to gain from the long-term development trends of the countries in our investment universe* which include, but are not limited to, EU convergence and catch-up process. Strong domestic demand is a key driver for growth in Eastern Europe and this is our key investment theme. In addition to the retail and consumer goods sector, East Capital Explorer targets other fast growing sectors such as Financials and Real Estate, providing interesting opportunities. The Company is primarily focusing on small- and medium-sized companies with high growth potential.

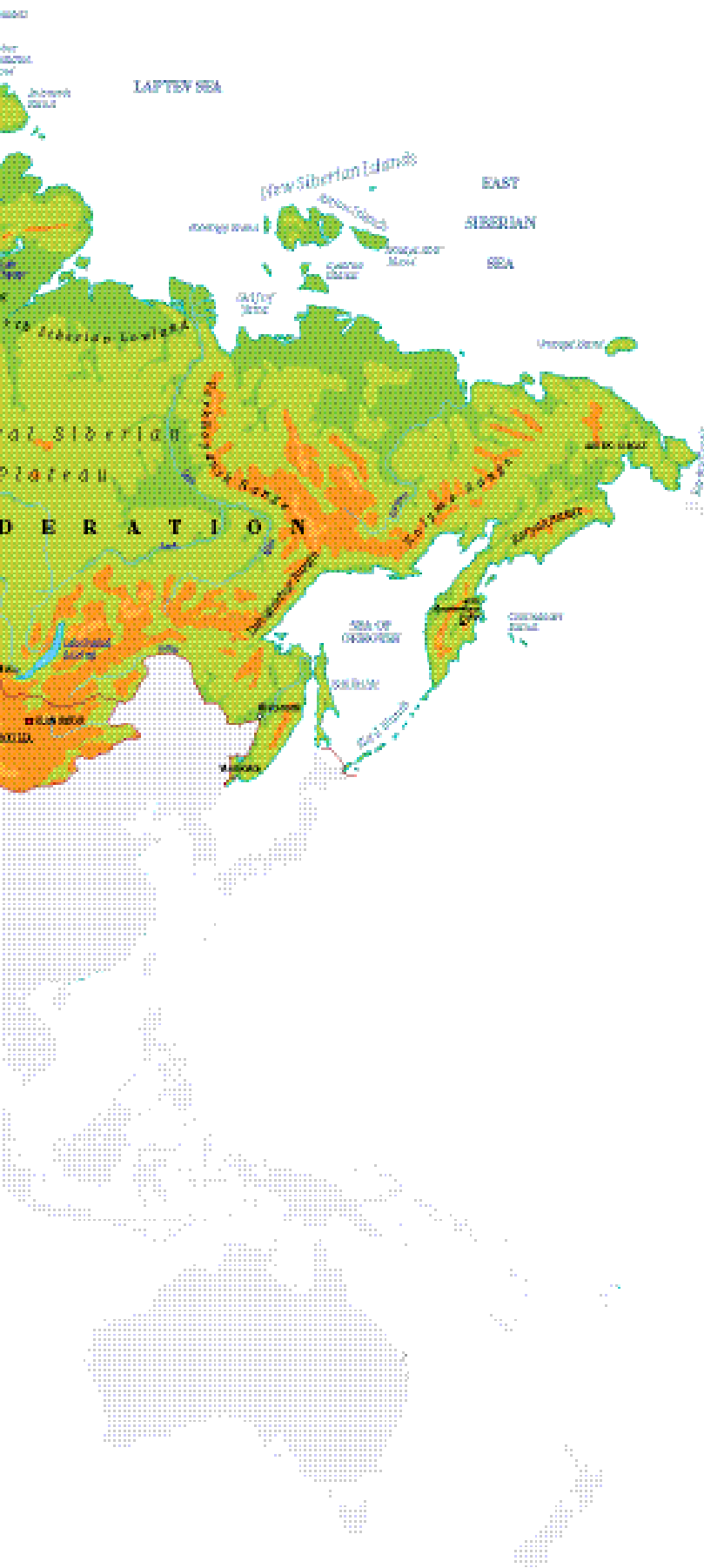
The investment portfolio is actively managed to optimize the long term value for our shareholders. All investments are considered very carefully from a risk and return perspective and the company is managing risk through a diversified portfolio. Long term capital allows investments over the full performance cycle.

* East Capital Explorer invests in Russia and the CIS countries, the Balkans, the Baltic States, Central Asia and Central Europe

East Capital Explorer offers access to

- **An economically dynamic region:** including 30 countries and almost 450 million inhabitants. EU convergence and strong domestic demand are key drivers for growth. Eastern Europe is expected to grow more than three times faster than Western Europe over the next five years, with a third of the debt levels
- **Attractive sectors:** East Capital Explorer concentrates on those sectors assessed to provide the best long-term growth prospects
- **A well-diversified portfolio:** East Capital Explorer primarily provides exposure to small and medium-sized companies, which are not easily accessible in Eastern Europe. This is primarily done through East Capital's special fund products.
- **An experienced Investment Manager:** The investment activities of East Capital Explorer are managed by East Capital, which has a 15-year track-record, and is one of the largest investors in the region with local presence and an extensive network in these countries





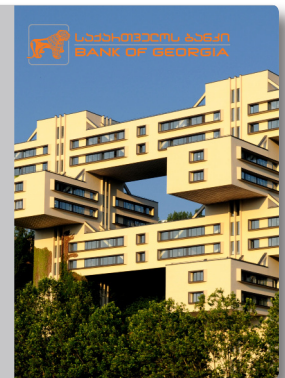
Why the Retail and Consumer Goods sector?

- Strong consumer demand driven by a growing middle class
- Strong purchasing power due to low expenses, increasing wages and flat taxes
- Increasing access to consumer credits



Why the Financial sector?

- Banking is a play on overall economic growth
- Lower penetration of banking services than developed markets (i.e. deposits/GDP, loans/GDP)
- Consolidation may lead to merger and acquisition activity



Why the Real Estate sector?

- Low correlation with equity markets
- Inflation protected through CPI indexation in rental contracts
- Benefit from economic growth, political stability and improved opportunities for financing



Definitions

Average number of shares

Weighted average number of outstanding shares during the period.

Earnings per share

Net profit attributable to the holders of the Parent Company divided by the average number of shares.

EBITDA

Earnings before interest, tax, depreciation and amortization.

Equity ratio

Total equity as a percentage of total assets.

IRR

Internal Rate of Return, i.e. the discount rate at which the net present value of costs (negative cash flows) of an investment equals the net present value of the benefits (positive cash flows) of the same investment.

Net Asset Value (NAV)

The value of a given company's net assets, i.e. total assets less net liabilities. An indicative NAV is calculated on a monthly basis and is published five working days after the end of the month.

Net asset value per share

Net asset value per share divided by the number of outstanding shares on the balance sheet date.

Outstanding number of shares

Registered number of shares less any share held by the company.

Registered number of shares

The number of shares in the company including shares held by the company.

Return on equity

Profit/loss for the year as a percentage of average shareholders' Equity.

Total comprehensive income

Change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with the owners in their capacity as owners.

Volatility

A measure of the variability in the price of an asset. Volatility is usually measured as a standard deviation in the return of an asset during a certain given period of time.

EAST CAPITAL EXPLORER

Kungsgatan 30, Box 7214

SE-103 88 Stockholm, Sweden

Tel: +46 8 505 97 700

Corporate identity no: 556693-7404

www.eastcapitalexplorer.com