

East Capital
Explorer AB
Q2
2008

Interim Report 1 January – 30 June 2008

- Net asset value per share on 30 June 2008 amounted to EUR 10.15 (corresponding to SEK 96.02¹) which is a change of -0.5% compared to the net asset value per share on 31 March 2007 which was EUR 10.20 (corresponding to SEK 95.68) and a change of -6.6% compared to the net asset value per share on 31 December 2007 which was EUR 10.87 (corresponding to SEK 102.61)
- For the reporting period 1 January – 30 June, the net loss amounted to EUR -23.3m (corresponding to SEK -220.6m), and earnings per share amounted to EUR -0.572 (corresponding to SEK -5.41). Net loss for the reporting period includes EUR -26.6m (corresponding to SEK -251.6m) in unrealised change in value of investments
- Net loss for the second quarter amounted to EUR -2.5m (corresponding to SEK -23.7m) and earnings per share amounted to EUR -0.046 (corresponding to SEK -0.44). Net loss for the second quarter includes EUR -3m (corresponding to SEK -28m) in unrealised change in value of investments
- On 2 May 2008 East Capital Explorer received the fund units in East Capital Bering New Europe Fund
- A EUR 40m (corresponding to SEK 378.4m) investment in the new East Capital Russian Property Fund was announced on 27 May 2008

PORTFOLIO ON 30 JUNE 2008

	Number of units	Acquisition value tEUR	Fair value 31 Dec 2007 tEUR	Fair value 30 Jun 2008 tEUR	Fair value change, % 1 Jan - 30 Jun	Fair value change, % 31 Mar - 30 Jun	NAV/Share EUR	% of NAV
Semi-public Equity Fund Investments								
East Capital Bering Russia Fund	538,027	23,590	23,981	23,186	-3.3	2.9	0.64	6.3
East Capital Bering Ukraine Fund	1,212,296	24,411	- ²	19,079	-21.8	-7.7	0.53	5.2
East Capital Bering Balkan Fund	2,089,038	24,938	25,684	19,324	-24.8	-1.2	0.53	5.2
East Capital Bering Central Asia Fund	2,486,454	19,528	- ²	17,554	-10.1	0.8	0.48	4.8
East Capital Bering New Europe Fund	1,560,000	9,997	- ³	9,698	-3.0	-3.0	0.27	2.6
East Capital Power Utilities Fund ⁴	162,000	81,000	82,152	70,459	-14.2	-2.9	1.94	19.1
		183,464		159,299	-14.2	-2.1	4.39	43.3
Short-term Investments								
East Capital (Lux) Eastern European Fund (EUR)	182,500	18,250	17,903	14,677	-18.0	5.5	0.40	4.0
Other short-term investments ⁵				194,468			5.36	52.8
				209,145			5.77	56.8
Total Portfolio				368,444			10.16	100.1
Other assets and liabilities net				-209			-0.01	-0.1
Net Asset Value (NAV)				368,235	-6.6	-0.5	10.15	100.0

¹ Some currency translations are made for informational purposes. 1 EUR = 9.46 SEK on 30 June 2008, SEK 9.38 on 31 March 2008 and SEK 9.44 on 31 December 2007. Source: Reuters.

² The fund units were received on 2 January 2008.

³ The fund units were received on 2 May 2008.

⁴ The investment in the East Capital Power Utilities Fund is reported as an investment in the portfolio report above but is consolidated in the financial statements.

⁵ Includes EUR 40m that has been committed to the East Capital Russian Property Fund but that has not yet been drawn-down.

Note that certain numerical information may not sum due to rounding.

East Capital Explorer AB's operations commenced on 19 June 2007. The Company has therefore not published any comparative figures for the interim period 1 January – 30 June 2008.

CEO COMMENTS ON THE SECOND QUARTER

After a quite tough start of the year, many of the markets in Eastern Europe rebounded in May. The positive trend was short-lived, however, and our markets faced increased financial uncertainty on the back of the market turbulence that accelerated in the rest of the world during the quarter. Relative to the weak performance of most public markets, East Capital Explorer's net asset value has remained fairly stable, partly due to our quite substantial cash position. The net asset value per share decreased 0.5% during the second quarter and decreased 6.6% during the first half of the year. Looking at our fund investments, many are USD-denominated meaning that a significant part of the decline in our net asset value is attributable the depreciation of the USD to the EUR of 6.8% during the first half of the year.

Although we do not expect the global slowdown to leave our investment region unaffected, our long-term view on the region remains intact. Increasing inflation is a real concern in many of these countries, but inflation is not expected to become a long-term issue and the domestic growth prospects in the region remain robust. Eastern Europe has seen fantastic growth and unprecedented development in the last ten years. The growth has to a large extent been attributable the process to catch-up on Western Europe. Going forward, we firmly believe that this process will continue, creating abundant investment opportunities in these markets, especially on the private equity side.

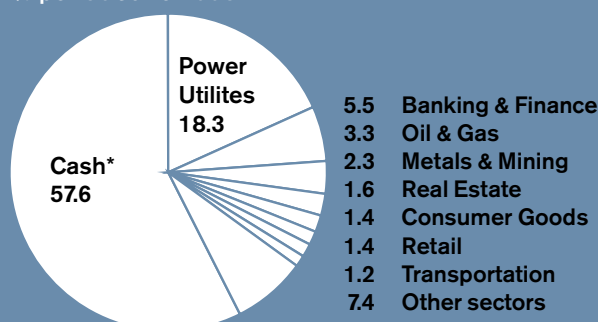
Our most recently announced investment in the new East Capital Russian Property Fund is one example of how we can gain exposure to the strong underlying domestic growth in our region. The fund will invest in retail properties in regional Russian cities where we still meet limited competition from other investors. The lack of attractive retail space in these cities is apparent and demand naturally increases in line with the rapid expansion of both local and international retail concepts across Russia. The fund management will work actively with customer flows and tenant mix to optimize the use of the properties.

On 30 June 2008, approximately 7% of East Capital Explorer's portfolio was exposed to unlisted companies while 35% was exposed to listed companies, a majority of which are very inaccessible to the mainstream investor. Per the same date, cash amounted to 58% of the portfolio also including any cash in the underlying funds. We are starting to see acquisition multiples come down – a trend that we expect will continue, should markets remain challenging and external financing possibilities scarce. Our financial flexibility combined with our Manager's skills and network is a true competitive advantage that will allow us to maintain a selective approach in our continued investment activities.

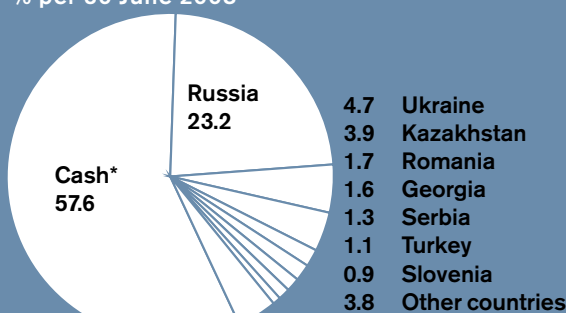
Our first and foremost focus is to make investments that will create attractive returns for our shareholders. While we intend to be fully invested by May 2009, market conditions might have an impact on this. Our strategy remains focused on investments in East Capital's future private equity funds that we expect to be launched within our favorite sectors banking and finance as well as other retail and consumer related areas.

Gert Tiivas, CEO

PORTFOLIO EXPOSURE BY SECTOR,
% per 30 June 2008



PORTFOLIO EXPOSURE BY COUNTRY,
% per 30 June 2008



* Includes deposits, cash and cash equivalents of EUR 194.5m as well as any cash in the underlying funds per 30 June 2008.

NET ASSET VALUE

Net asset value on 30 June 2008 amounted to EUR 368m (EUR 10.15 per share) which corresponds to a change of -0.5% compared to the net asset value per share on 31 March 2007 which was EUR 370m (EUR 10.20 per share) and a change of -6.6% compared to the net asset value per share on 31 December 2007 which was EUR 394m (EUR 10.87 per share).

On 30 June 2008, deposits, cash and cash equivalents amounted to EUR 5.77 per share which corresponds to 56.8% of the total net asset value per share.

The closing price per share on 30 June 2008 was SEK 82 (corresponding to EUR 8.67). The East Capital Explorer share price decreased 18.0% from SEK 100 during the reporting period. During the same period, the OMXSPI¹ decreased 20.8%, the RTS Index² decreased 5.5%, RTS 2 Index³ decreased 7.9% and MSCI EM Europe Index⁴ decreased 14.5%. During the second quarter the East Capital Explorer share decreased 12.8% from SEK 94 while OMXSPI decreased 10.9%, the RTS Index increased 13.9%, RTS 2 Index increased 6.2% and MSCI EM Europe Index increased 7.5% (all in SEK terms).

¹ OMXSPI – Equity index that includes all shares on OMX Nordic Exchange Stockholm.

² RTS Index – Includes the 50 largest companies traded on the Russian Trading System (RTS).

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.

Results

Group

Net loss for the reporting period 1 January – 30 June 2008 amounted to EUR -23.3m, corresponding to earnings per share of EUR -0.572. Net loss for the second quarter 2008 amounted to EUR -2.5m, corresponding to earnings per share of EUR -0.046.

For the reporting period, main items include EUR -26.6m in unrealised change in value of investments, EUR 5.1m in interest income from short-term deposits, EUR -1.6m in operating expenses and EUR -0.2m in income taxes. For the second quarter, main items include EUR -3m in unrealised change in value of investments, EUR 2.2m in interest income from short-term deposits, EUR -1m in operating expenses and EUR -0.7m in income taxes.

Of the total operating expenses of EUR -1.6m during the reporting period, EUR -0.6 relate to ordinary operating expenses within the Parent Company. The remaining EUR -1m relate to operating expenses from a consolidated subsidiary¹. The expenses in the subsidiary mainly relate to fees in the East Capital Power Utilities Fund.

Parent Company

The Parent Company's net loss for the reporting period amounted to EUR -23.2m of which EUR -22.8m refers to a write down of shares in group companies. These shares have been valued to the lower of fair value and acquisition value. Operating expenses amounted to EUR -0.6m. No investment activities are carried out within the Parent Company.

The Parent Company's net loss for the second quarter amounted to EUR -1.6m of which EUR -1.4m refers to the write down of shares in group companies. Operating expenses for the second quarter amounted to EUR -0.4m.

Tax

East Capital Explorer's consolidated tax of EUR -0.2m for the reporting period comprises deferred income tax within the Parent Company of EUR 0.2m and income tax related to subsidiaries of EUR -0.4m.

Financial position

Cash flow from operating activities was EUR -6.7m during the reporting period and the Group's cash and cash equivalents at the end of the period amounted to EUR 209m. Cash flow from operating activities during the second quarter was EUR 1.1m.

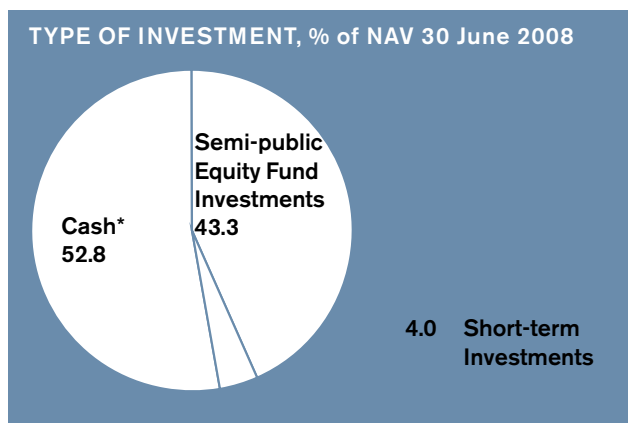
EUR 193.5m in proceeds from the IPO that have not yet been invested, have been placed in deposits in order to receive higher interest rates while remaining liquid for future investments. EUR 15.5m was cash of which EUR 14.5m refers to cash in a consolidated subsidiary.

East Capital Explorer had no net debt on 30 June 2008.

¹ East Capital Explorer currently holds 73% of the share of equity in East Capital Power Utilities Fund AB which therefore is regarded as a subsidiary and consolidated with the East Capital Explorer Group.

Portfolio overview

Per 30 June 2008, East Capital Explorer had Semi-public Equity Fund investments and Short-term investments totaling EUR 187.9m compared to EUR 127.9m on 31 December 2007.



* Refers only to deposits, cash and cash equivalents in the Group of EUR 194.5m and does not include any cash in the underlying funds per 30 June 2008.

Changes in the portfolio during the period

On 2 May 2008 East Capital Explorer invested EUR 10m in the new East Capital Bering New Europe Fund. The investment provides East Capital Explorer's shareholders with exposure to attractive companies in fast growing sectors in the Central European and Baltic markets including the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Poland. The fund will focus on investments in second and third tier stocks but can also invest in pre-IPO situations and unlisted companies.

At the end of May a EUR 40m investment in the new East Capital Russian Property Fund, a closed-end fund for institutional and other qualified investors, was announced. This capital has been committed and will become invested in accordance with a draw-down structure where East Capital Explorer as an investor makes payments of the committed capital corresponding to the actual investment activities of the fund. Per 30 June 2008, no draw-downs had been made and the full committed amount of EUR 40m remained invested in deposits.

The East Capital Russian Property Fund will invest in shopping centres and other types of cash flow generating retail real estate that will gain from the strong domestic demand and continued growth in the retail market. The geographical focus is regional cities with more than 500,000 inhabitants, primarily in Russia but also in Ukraine and Kazakhstan.

The fund management will seek to actively work to improve the properties' commercial concepts, tenant mix and customer flows. The objective is to develop a well balanced portfolio of quality assets with respect to location, market and tenants, potential as well as risk-return. The fund's financial target is to achieve an unleveraged IRR above 15%.

There is no subscription fee associated with East Capital Explorer's investment in the fund. Other terms are an annual manage-

ment fee of 1% of the gross asset value of the fund and a profit sharing arrangement (investors 80% and East Capital 20%) above a hurdle rate of 10% and following a so called 50/50 catch-up.

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.

Fund performance during the period

The NAV per unit of the East Capital Bering Russia Fund decreased 3.3% in EUR terms during the reporting period. In USD terms, the NAV per unit increased 3.7% during the reporting period outperforming the RTS2 Index which posted a -2.0% change during the same period.

During the second quarter 2008, the NAV per fund unit increased 2.9% in EUR terms. In USD terms, the NAV per unit increased 3% during the quarter, while the RTS2 Index, increased 4.5% during the same period.

On 30 June 2008 the NAV per unit in the fund amounted to USD 68.12.

Market comments on the second quarter

Despite volatile global markets, Russia demonstrated strong performance and RTS 2 gained 4.5% during the second quarter 2008. Year-to-date, May was the strongest month and the Russian market experienced an all-time high on 16 May 2008. Since then, the Russian market failed to withstand the negative trend on the global markets and had declined approximately 10% on 30 June. Overall, the Russian small cap companies have released robust results for 2007 and the first quarter 2008, exhibiting strong earnings growth.

In June Prime Minister Putin signed the transport industry development program, assigning over USD 500bn to be invested during 2010-2015. Increasing investment has a clear stimulating effect on the demand growth; but there is a risk that the companies' capacity will be a constraint. FESCO, one of the most interesting companies in the transport sector, saw its share price advance 14.9% during the quarter on stronger-than-expected results for 2007, with sales volume climbing 91%, coupled with the news of the acquisition of a 50%-stake in the Vladivostok container terminal. On completion of this acquisition, FESCO will own the largest container terminals in the three strategically important regions the Baltic Sea, the Black Sea and the Pacific Ocean.

EAST CAPITAL BERING UKRAINE FUND

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities, both listed and unlisted.

Fund performance during the period

The NAV per unit of the East Capital Bering Ukraine Fund decreased 21.8% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 13.8% during the reporting period, significantly outperforming the Ukrainian stock

exchange index PFTS which declined 27.6% during the same period.

During the second quarter 2008, the NAV per fund unit decreased 7.7% in EUR terms. In USD terms, the NAV per unit decreased 7.6% during the quarter, outperforming the PFTS Index, which declined 12.5% during the same period.

On 30 June 2008 the NAV per unit in the fund amounted to USD 24.89.

Market comments on the second quarter

The Ukrainian stock market ended the first half 2008 with a -27.6% change, making it one of the worst performing markets in the world. Investor confidence declined due to the worsened macroeconomic profile of the country as well as the increasing political turbulence. Low liquidity in the equity market has also contributed to the high price volatility amid the outflows from the open-ended Ukrainian dedicated funds.

During the second quarter, inflation continued to accelerate to 31% annual growth in May, the highest in Europe. However, already in June inflation had edged down to 29.3% and decreased even further in July to 26.8%. Consensus estimate for the full year CPI inflation is forecasted to be around 20%. Real GDP growth during the first half 2008 was 6.3% year-on-year. A positive outlook prevails in the agricultural sector, which is expected to boost real GDP in the second half 2008, and therefore consensus GDP growth forecasts for 2008 remain at 6.5 – 6.9%.

During the second quarter, the National Bank of Ukraine (NBU) announced a number of measures to control inflation and to reduce the increasing imbalances in the economy alerted by Standard & Poor's rating downgrade. In May, NBU made a revision of the official USD/UAH exchange rate, allowing a currency appreciation of roughly 4%. NBU also introduced a series of actions to reduce liquidity in the banking sector, such as reducing foreign exchange interventions and raising the discount rate. Additionally, NBU toughened the capital adequacy requirements and announced plans to raise provisioning rates for consumer loans.

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.

Fund performance during the period

The NAV per unit of the East Capital Bering Balkan Fund decreased 24.8% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 19.3% during the reporting period. There is currently no relevant benchmark index available for this fund.

During the second quarter 2008, the NAV per fund unit decreased 1.2% in EUR terms. Also in USD terms, the NAV per unit decreased 1.2% during the quarter.

On 30 June 2008 the NAV per unit in the fund amounted to USD 14.64.

Market comments on the second quarter

With the exception of Serbia, all Southeastern European markets continued to perform weakly during the second quarter. Compared to the first quarter, the declines in Southeastern European were less pronounced and mainly a result of global volatility, rather than region-specific factors.

Following strong growth in the Southeastern European economies during the first quarter, with for example Romania and Turkey growing at 8.2% and 6.6% respectively, economic growth in the region is believed to slow down in the remaining part of the year, as a result of tighter monetary policies. As in many other economies worldwide, inflation in the region has been rising since the beginning of the year. CPI readings in Southeastern Europe are relatively high, mainly due to the larger portion of food and energy related items in the CPI composition of these economies.

With macroeconomic imbalances being the main concerns among equity investors, the Romanian market continued its downward trend, losing 4.2% in the second quarter which brings the decline during the first half 2008 to 30.1%. Inflation has however stabilised at around 8.6%. Continued interest rate hikes by the central bank will curb economic growth, but the Romanian economy should continue to expand at a relatively high rate this year.

The Serbian market recovered part of the first quarter losses, gaining 8.7% during the second quarter. Politics were high on the Serbian agenda during this period. Late April, a first important step in Serbia's path towards Europe was made, as the country signed the Stabilisation and Association Agreement with the EU. In May parliamentary elections were held and later the pro-European coalition succeeded in forming the government together with the Socialist Party of Serbia. The newly-formed government has already pledged to speed up the integration process into the EU.

Turkish equities declined a marginal 1.8% during the second quarter. The political tension in the country remains high. At an estimated 2008 P/E ratio of below 8, valuations are attractive and once the political uncertainty is removed, investors will once again be able to focus on economic fundamentals.

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.

Fund performance during the period

The NAV per unit of the East Capital Bering Central Asia Fund decreased 10.1% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 1.0% during the reporting period, while the KAZE Index increased 0.7% during the same period.

During the second quarter 2008, the NAV per fund unit increased 0.8% in EUR terms. In USD terms, the NAV per unit increased 0.7% during the quarter, while the KAZE Index increased 1.8% during the same period.

On 30 June 2008 the NAV per unit in the fund amounted to USD 11.15.

Market comments on the second quarter

During second quarter 2008, the banking sector in Kazakhstan continued to suffer from the global credit squeeze. There were some positive signs, however, such as local banks successfully repaying debt obligations in the first half of 2008. By many, this has been regarded a "litmus test" of the Kazakh banking sector's survivability. The National Bank of Kazakhstan has also shown support by easing reserve requirements for local banks and proposing a legislative change where the Kazakh government may acquire stakes in troubled banks.

Secondly, current account figures published for the first quarter 2008 record a current account surplus of USD 3.9bn, after six consecutive quarters of deficits. Thirdly, rising oil prices during the first six months of the year makes the risk of recession less likely, even given the slowdown in the nonoil sector of the economy, especially in construction. The Ministry of Economy estimates that each extra dollar per barrel in the price of Brent has translated into an extra 0.13 percentage points of growth in recent years, which is much higher than in Russia. Fourthly, the cooling down of the economy is beneficial for the inflation outlook in the country, where CPI exceeded 20% year-on-year in June, driven by increasing food prices. Although no quick recovery is expected, a scenario where the country slides into recession seems less likely.

In Georgia, President Saakashvili secured a solid majority in the new parliament which allows the government to continue pursuing its economic reform agenda, cut taxes and complete the privatization programme. Growth of the domestic economy reached 9.3% in the first quarter of 2008. On the negative side, the conflict between Georgia, its breakaway region of South Ossetia and Russia, who supports South Ossetia, continued during the quarter and escalated significantly in the first weeks of August. International bodies like NATO, OSCE and the EU Commission as well as a number of Western countries including the US urged both parties to end the conflict immediately. Overall, the situation is very complicated and it is too early to estimate how and when it may end.

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.

Fund performance during the period

The East Capital Bering New Europe Fund was launched on 30 April 2008. The NAV per unit of the fund had decreased 3.0% in EUR terms on 30 June 2008. In USD terms, the NAV per unit had decreased 2.0% during the same period. The fund currently has no relevant benchmark index.

On 30 June 2008 the NAV per unit in the fund amounted to USD 9.80.

Market comments on the second quarter

During the second quarter the negative global sentiment also weighed on the Central European and Baltic markets. The Polish small cap index WIRR decreased 11% during the second quarter and has decreased 28% since 1 January 2008, making it one of the worst performing indices in Eastern Europe. During the

same period Hungary decreased 11%, the Baltic Composite Index decreased 9% and Czech PXGlobe Index decreased 4%. The only exception in this region was Slovakia, which gained 6% (all in USD terms).

A major event for the region in general and Slovakia in particular was the EU-approval to introduce the euro in Slovakia on 1 January 2009. The Slovak koruna conversion rate was set at 30.1260, which meant an immediate appreciation of 15% from the earlier fluctuation band. This had an effect on all Central European currencies with the Czech koruna appreciating nearly 20%, the Polish zloty appreciating 15.6% and the Hungarian forint appreciating 15.9% year-to-date against USD. The rapid and strong appreciation will help these countries to fight inflation and reduce the cost of energy, while the many export companies that dominate the small and mid cap segments may suffer negatively from the rapid change.

Slovak and Czech small and mid caps developed relatively positively during the period and valuations of Polish mid and small cap now look even more attractive.

In the Baltic region, the macroeconomic problems and the slow-down of the economies seem to persist thereby increasing positive focus on companies with retail exports to Russia and CIS.

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.

Fund performance during the period

The NAV per fund unit in the East Capital Power Utilities fund decreased 14.2% during the reporting period, significantly outperforming the Russian power utilities sector index, RTSu, which decreased 26.8% during the same period.

During the second quarter 2008, the NAV per fund unit decreased 2.9% which was better than the RTSu, which decreased 5.8% during the same period.

On 30 June 2008 the NAV per unit in the fund amounted to EUR 434.93 and 85.4% of the fund was invested.

Market comment on the second quarter

The Russian power utilities sector saw yet another volatile quarter, with performance varying between the different sub-sectors. Most TGKs (territory generation companies), including TGK-4, TGK-8 and TGK-10, remained in positive territory during the second quarter, as the approaching break-up of RAO EES has led to offers from new strategic buyers. OGKs (wholesale generation companies) continued to perform negatively during the second quarter due to expected selloff pressure following the EES unbundling, with OGK-2 posting the most significant decline of 26.2%.

In line with an initial schedule determined by RAO EES, nine of the eleven MRSK (inter-regional distribution companies) con-

solidation processes were completed. The introduction of the RAB (regulated asset base) system, an internationally-accepted principle for tariff calculation, boosted investors' interest for the distribution sub-sector. The transfer to the RAB system indicates the end of an era of cheap energy and industrial cross-subsidisation, providing a much-needed catalyst for the distribution sub-sector in the midterm.

During the quarter, power engineering companies and power equipment producers benefited from the strong order flow following the active realisation of the investment programs and the recent upgrades in the power sector.

On 6 June 2008 the RAO EES shares stopped trading on the local exchanges. Shares of the listed constituent companies of RAO EES were distributed in mid-July and ADRs are expected to be distributed during the autumn.

SHORT-TERM INVESTMENTS

The fair value of East Capital Explorer's investment in the East Capital (Lux) Eastern European Fund decreased EUR 3.2m during the reporting period, corresponding to -18.2% while the MSCI EM Europe Index decreased 14.7%. During the second quarter 2008, the NAV per fund unit increased 5.4% while the MSCI EM Europe Index increased 6.1% in EUR terms.

Proceeds from the IPO amounting to EUR 193.5m that have not yet been invested or drawn-down, are placed in deposits in order to receive higher interest rates while remaining liquid for future investments. Interest income from these deposits during the second quarter amounted to EUR 2.2m which brings the total income from deposits for the reporting period to EUR 5.1m.

In total, short-term investments generated a gain of EUR 3m during the second quarter and a gain for the reporting period of EUR 1.9m.

OTHER INFORMATION

Risks and uncertainty factors

The dominant risk in East Capital Explorer's operations is commercial risk in the form of exposure to certain sectors, geographic regions or individual holdings. A detailed description of the risks associated with East Capital Explorer's operations is presented on page 54 in the 2007 annual report.

Related party transactions

For further information on related party transaction please see note 17, page 55 in the 2007 annual report. No major changes or transactions have occurred during 2008.

Organisational and investment structure

East Capital Explorer is a public limited liability company that invests in Russia and other countries within the Commonwealth of Independent States (CIS), the Balkans, the Baltic States, Central Asia and Central Eastern Europe, mainly indirectly through a selection of East Capital's current and future funds. In addition, the company may also invest directly in unlisted companies in this region.

The investment activities of the company are governed by an investment policy agreed between the company and East Capital PCV Management AB, a company within the East Capital group (the "Investment Manager"), under an Investment Management Agreement.

For further information about the organisation and investment structure of the company, please see the corporate governance report for 2007 that has been included in the annual report or our website www.eastcapitalexplorer.com in the section About East Capital Explorer/Corporate Governance.

Share buy-back mandate

The Annual General Meeting 2008 authorized the Board to decide on acquiring the company's own shares. To date, no shares have been bought back by the company.

EVENTS OCCURRING AFTER THE END OF THE QUARTER

NAV on 31 July 2008

NAV per share per 31 July 2008 amounted to EUR 9.81 (corresponding to SEK 92.80¹), compared to EUR 10.15 (corresponding to SEK 96.02) on 30 June 2008. The share price on 31 July 2008 was SEK 70.75 (corresponding to EUR 7.48).

Regarding the conflict in the Caucasus

For a comment on the escalated conflict between Georgia, its break-away region of South Ossetia and Russia after the reporting period, please see the market comment for the East Capital Bering Central Asia Fund on page 6.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and RR31 Consolidated Interim Financial Reporting. The accounting principles that have been applied for the Group and Parent Company are in agreement with the accounting principles used in the 2007 annual report.

The Board of Directors and the CEO declare that the under-signed six-months interim report provides a true and fair overview of the Parent Company's and Group's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 20 August 2008

Paul Bergqvist
Chairman of the Board

Gert Tiivas
Chief Executive Officer

Anders Ek
Board member

Lars Emilson
Board member

Alexander V. Ikonnikov
Board member

Justas Pipinis
Board member

Kestutis Sasnauskas
Board member

¹ 1 EUR = 9.46 SEK on 31 July 2008. Source: Reuters.

CONTACT INFORMATION

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FINANCIAL CALENDAR

- Monthly Net Asset Value report on the fifth working day after the end of each month
- Interim Report 1 January – 30 September 2008 on 13 November 2008
- Year-end Report 2008 on 18 February 2009

This interim report has not been subject to review by the Company's auditors.

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 08:20 a.m. CET on 21 August 2008.

Income statement

EUR thousands

	Group 1 Apr – 30 Jun 2008	Group 1 Jan – 30 Jun 2008	Group 19 Jun – 31 Dec 2007	Parent Company 1 Apr – 30 Jun 2008	Parent Company 1 Jan – 30 Jun 2008	Parent Company 1 Jan – 31 Dec 2007
Result from financial assets at fair value through profit and loss	-2,963	-26,597	3,466	-	-	-
Total operating income	-2,963	-26,597	3,466	-	-	-
Staff expenses	-153	-274	-223	-153	-274	-223
Other operating expenses	-862	-1,303	-782	-241	-355	-219
Operating profit/loss	-3,978	-28,174	2,461	-394	-629	-442
Financial income	2,185	5,054	1,794	11	26	665
Financial expense	-9	-21	-35	-1,365 ¹	-22,770 ¹	-
Profit/loss after financial items	-1,802	-23,141	4,220	-1,748	-23,373	223
Income tax	-706	-182	-255	108	169	-63
NET PROFIT/LOSS FOR THE PERIOD	-2,508	-23,323	3,965	-1,640	-23,204	160
Profit/loss distribution:						
Shareholders of the Parent Company	-1,668	-20,731	3,298			
Minority interest	-840	-2,592	667			
	-2,508	-23,323	3,965			
Earnings per share, EUR – shareholders of the Parent Company. No dilution effects.	-0.046	-0.572	0.094			

Number of shares

Total number of shares	36,270,160	36,270,160	36,270,160
Average number of shares	36,270,160	36,270,160	35,032,755

¹ Financial expense in Parent Company comprises writedown of shares in group companies.

Segment reporting

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

Group EUR thousands	Semi-public Equity-funds 1 Jan-30 Jun 2008	Short-term investments 1 Jan-30 Jun 2008	Unallocated 1 Jan- 30 Jun 2008	Total consolidated 1 Jan- 30 Jun 2008
Result from financial assets at fair value through profit and loss	-23,371	-3,226	-	-26,597
Other expenses	-	-	-1,577	-1,577
Operating profit	-23,371	-3,226	-1,577	-28,174
Financial income	-	5,054	-	5,054
Finance expense	-	-21	-	-21
Profit after financial items	-23,371	1,807	-1,577	-23,141
Tax expense for the period			-182	-182
Net profit for the period				-23,323
Assets	173,182	223,657	1,620	398,459
Liabilities	-	-	2,585	2,585

The above table provides information about allocating revenues to segments for the group. Expenses are not allocated to segments, since a majority of these expenses can not be attributed one certain segment.

Balance sheet

EUR thousands

	Group 30 Jun 2008	Group 31 Dec 2007	Parent Company 30 Jun 2008	Parent Company 31 Dec 2007
Shares and participations in investing activities	173,182	109,969	367,403	390,174
Deferred tax assets	1,169	97	169	-
Total non-current assets	174,351	110,066	367,572	390,174
Other short-term receivables	12	43,941	-	-
Accrued income and prepaid expenses	439	677	18	136
Short-term Investments	14,677	17,903	-	-
Deposits	193,490	198,700	-	-
Cash and cash equivalents	15,490	62,001	892	1,441
Total current assets	224,108	323,222	910	1,577
Total assets	398,459	433,288	368,482	391,751
Share capital	3,627	3,627	3,627	3,627
Other contributed capital	387,652	387,652	387,652	387,652
Reserves	-5,611	-316	-	-
Profit brought forward	3,298	-	160	-
Net profit/loss for the period	-20,731	3,298	-23,204	160
Equity attributable to shareholders of the Parent Company	368,235	394,261	368,235	391,439
Minority interest	27,639	32,313	-	-
Total equity	395,874	426,574	368,235	391,439
Deferred tax liabilities	70	70	-	-
Total long-term liabilities	70	70	-	-
Tax liabilities	1,538	339	65	63
Other liabilities	338	5,585	44	60
Accrued expenses and prepaid income	639	720	138	189
Total current liabilities	2,515	6,644	247	312
Total equity and liabilities	398,459	433,288	368,482	391,751

Changes in equity – Group

EUR thousands

	Share capital	Other contri- buted capital	Non-restricted equity	Total equity shareholders in Parent Company	Minority	Total equity
Opening equity 1 Jan 2008	3,627	387,652	2,982	394,261	32,313	426,574
Exchange rate difference	-	-	-5,295	-5,295	-2,082	-7,377
Net profit/loss for the period	-	-	-20,731	-20,731	-2,592	-23,323
Per 30 Jun 2008	3,627	387,652	-23,044	368,235	27,639	395,874

Cash flow statement

EUR thousands

	Group 1 Jan – 30 Jun 2008	Group 19 Jun – 31 Dec 2007
Operating activities		
Operating profit/loss	-28,174	2,461
Adjusted for unrealised change in value	21,994	-3,435
Interest received	4,744	1,254
Interest paid	-21	-35
Tax paid	-55	57
Cash flow from current operations before changes in working capital	-1,512	302
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	109	-136
Increase (+)/decrease (-) in other current payables	-5,328	6,305
Cash flow from operating activities	-6,731	6,471
Investing activities		
Investments in shares and participations	-42,454	-168,810
Cash flow from investing activities	-42,454	-168,810
Financing activities		
New share issue	-	55
Redemption of shares	-	-55
New share issue incl over-allotment option	-	391,279
Contributed minority interest	-	31,761
Cash flow from financing activities	-	423,040
Cash flow for the period	-49,185	260,701
Cash and cash equivalents at beginning of the year ¹	260,701	-
Exchange rate differences in cash and cash equivalents	-2,536	-
Cash and cash equivalents at end of the period	208,980	260,701

¹ Cash equivalents comprise deposits and cash.

Consolidated key figures

	1 Jan – 30 Jun 2008	19 Jun – 31 Dec 2007	Key figures/share	1 Jan – 30 Jun 2008	19 Jun – 31 Dec 2007
Equity ratio	99.4%	98.5%	Earnings, EUR	-0.572	0.094
Net asset value, EURt	368,235	394,261	NAV, SEK ¹	96.02	102.61
Change in NAV	-6.6%	0.7%	NAV, EUR	10.15	10.87
Market capitalisation, SEKm	2,974	3,627	Price, SEK	82	100
Market capitalisation, EURt ¹	314,393	383,810	Price, EUR ¹	8.67	10.58
Number of employees	4	3			

¹ Some currency translations are made for informational purposes. 1 EUR = 9.46 SEK on 30 June 2008, 9.38 SEK on 31 March 2008, 9.44 SEK on 31 December 2007 and 9.45 SEK on 28 December 2007. Source: Reuters.

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