

## Interim Report January – March 2016

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*A new  
chapter  
begins*

(Mia Jurke, CEO)

### Key figures

	31 Mar 2016	31 Dec 2015
NAV per share	EUR <b>9.00</b>	EUR <b>9.00</b>
	SEK <b>83</b>	SEK <b>82</b>
Closing price per share	EUR <b>5.87</b>	EUR <b>5.54</b>
	SEK <b>54.25</b>	SEK <b>50.75</b>
Total NAV	EUR <b>253m</b>	EUR <b>254m</b>
Market cap	EUR <b>165m</b>	EUR <b>156m</b>

		2016	2015
Net result	Jan-Mar	EUR <b>-0.2m</b>	EUR <b>15.9m</b>
Earnings per share	Jan-Mar	EUR <b>-0.01</b>	EUR <b>0.52</b>

<sup>1</sup> EUR = 9.24 SEK on 31 March 2016. Source: Reuters

### Key events during the period

- » Net Asset Value (NAV) per share was EUR 9.00, unchanged since December 2015. Total NAV was EUR 253m
- » An agreement was reached to sell the holding in Starman to Providence Equity for approx. EUR 81m, corresponding to a net IRR of 24-27%, with additional earn-out potential payable in 2017 of up to EUR 5m. The transaction, expected to close in Q2, entails a carried interest liability to East Capital of EUR 6.5m, included in the Q1 NAV
- » The Real Estate segment increased in value by 2.3%, and Private Equity by 3.3%, while Public Equity decreased by 4.7% during Q1
- » A dividend for 2015 of SEK 0.80, or EUR 0.09, per share will be proposed to the AGM on 9 June

### Key events after the period

- » An EGM on 9 May approved the termination of the Investment Agreement with East Capital. Consequently, the results for Q2 will be affected by EUR -8.6m relating to compensation to East Capital for services according to a transition agreement, and accrued profit sharing related to 3 Burès. Another total of EUR -2.0m will be included in the results for Q3 2016 for the purchase of voting shares in the jointly owned Luxembourg based company
- » As announced, a buyback program will be launched on 20 May, whereby share buybacks will be carried out as long as the NAV discount exceeds 20%
- » In Q2, dividends totaling EUR 1.2m will be received; EUR 0.4m from Komercijalna Banka Skopje and EUR 0.8m from East Capital Baltic Property Fund II that intends to pay semi-annual dividends as of Q2

# A new chapter begins

*Eventful start of the year with a successful exit in Starman, a decision to terminate the agreement with East Capital, and a buyback program linked to the discount*



Mia Jurke, CEO

In May, the Extraordinary General Meeting approved the Board’s proposal to terminate the Investment Agreement with East Capital. This means that we have taken a crucial step towards becoming an independent investment company. It also means that the buyback program linked to the discount, which was subject to the termination of the agreement, will now be launched as of tomorrow. During the first quarter we also announced that we will sell our holding in Starman, an investment made in 2013 within the framework of our strategic focus on Private Equity and Real Estate, primarily in the Baltic countries. The sale, which means that we after three years realize 1.8 times the invested capital, also proves that we can create value within our new focus.

per share. Although both our Private Equity and Real Estate segments made positive contributions during the quarter, the Public Equity segment weighed down our total performance. The NAV development was also affected by a liability of EUR 6.5m to East Capital regarding carried interest for the exit gain in the Starman sale. The share, however, performed strongly with an increase of 6.0 percent (EUR) during the quarter and the share price has been further strengthened after the announcement of the proposed termination of the Investment Agreement and the launch of a buyback program.

## NAV and share development

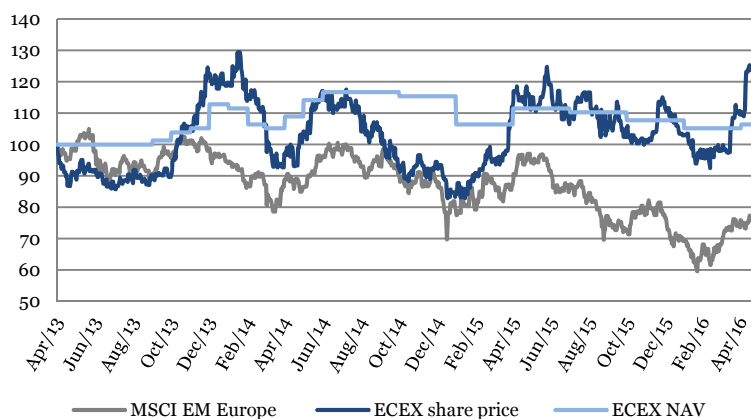
Despite the company’s eventful start to the year, the NAV ended unchanged at EUR 9.00 (SEK 82)

## Portfolio development and activity

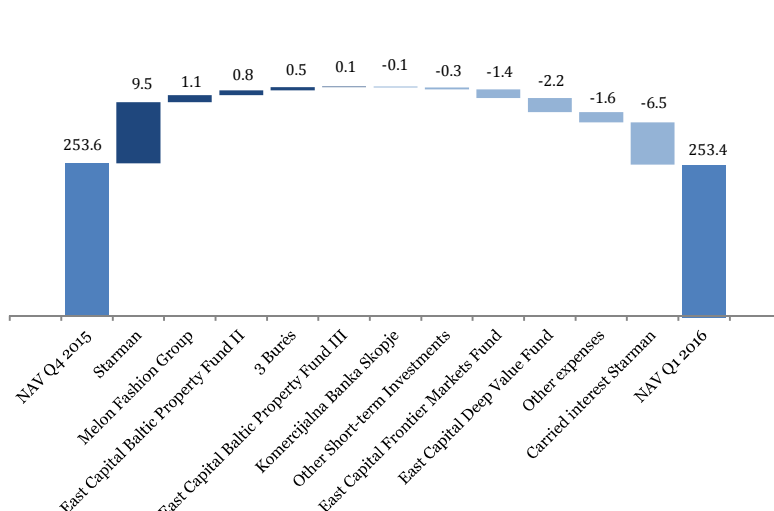
The most significant event in the portfolio during the quarter was the sale of Starman, announced in mid-March. Starman, which we had invested in just three years ago, has under our ownership transformed from a local provider of broadband and cable TV services in Estonia into a pan-Baltic operator with operations and a strong position in both Estonia and Lithuania. The company has during these three years reversed the customer intake trend, and has since our investment showed positive net customer intake in each quarter, with a good growth of over 10 percent per year both in revenue and EBITDA. The reason for the sale was that we stood at a crossroad where we either should invest additionally in the company to enable its further development and further consolidation, or consider a good exit. Considering Starman’s already significant weight in the portfolio, almost 30 percent at year-end, we chose the latter and were able to realize an average annual return of 24-27 percent after fees, where the final outcome is dependent on an additional earn-out which falls out in 2017 if certain conditions linked to the company’s EBITDA and strategic development in 2016 are met.

Melon Fashion Group (MFG) showed slightly weaker figures for the first quarter, both due to the seasonal effect where the first quarter is always the weakest, but also due to the further weakening in consumer demand. Meanwhile, there was an improvement in gross margins and the cost efficiency program launched last year continues to show significant results both in rental and staff costs.

## ECEX NAV and share price vs. MSCI Emerging Markets Europe, 3 years



## Change in NAV during the first quarter 2016, EURm



**24-27%**

**IRR on our investment in Starman (net of all fees)**

*“The share performed strongly, up 6% (EUR) during the quarter with a further strengthening since then”*

*“We see good opportunities to address the high discount to NAV that has burdened the share for many years”*

The Real Estate segment continues its stable, healthy growth. For 3 Burès, a construction permit for a third office building was received, a project that we will consider going forward. We can however note that the demand remains high for offices in prime locations in Vilnius. East Capital Baltic Property Fund III, in which we have made a commitment to invest EUR 20m, made its first transaction with the acquisition of Vesce Retail Park in Tallinn. The fund is expected to make further investments during the year, which will increase East Capital Explorer’s exposure to the Baltic property market further. East Capital Baltic Property Fund II, which is fully invested, made its first dividend payment in May at the equivalent of four percent of invested capital, which for East Capital Explorer corresponds to EUR 0.8m. Starting with this first dividend, the fund intends to pay semi-annual dividends, which we welcome.

The Public Equity segment was however weaker. Komercijalna Banka Skopje reported solid and positive numbers for the first quarter but fell back slightly after a strong recovery in the latter part of last year. The bank paid a dividend and we thereby received a EUR 0.4m in April.

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## Outlook

As the EGM on 9 May approved the proposal to terminate the Investment Agreement with East Capital, we have started to work on building up our own investment management organization led by Kestutis Sasnauskas, former Head of Private Equity and Real Estate within East Capital and today East Capital Explorer’s new Chief Investment Officer. Starting tomorrow, buybacks will commence and continue for as long as the discount to NAV is 20 percent or above.

As a consequence of the termination, a transition agreement has been entered with East Capital. This ensures that we in an orderly way can take over the management of the portfolio and make other necessary changes that follow the termination in an effective way. The compensation for this and the settlement of accrued carried interest in 3 Burès, a total of EUR 8.6m, will be paid in instalments during the coming 1.5 years. However, these costs will be included in the NAV already in the second quarter. Further, we will acquire the voting shares in the jointly owned holding company for EUR 2.0m, which will be included in the results for the third quarter.

Now that the agreement has been terminated and thus both the cost levels and the previous complexity in corporate governance and structure will be eased, we see good opportunities to address the high discount to NAV that has burdened the share for many years. However, shareholder value is of course ultimately about our ability to generate

return on our investments. We can see that the new strategic direction delivers. We have an annual return of over 10 percent within both Private Equity and Real Estate. With significant cash from the sale of Starman, we will put our energy into identifying new investments and we continue to find the most interesting opportunities in the Baltics. But also at a share discount below 20 percent, the return requirements on new investments will need to be weighed against this. Shareholder value is and will be the focus going forward.

Mia Jurke  
CEO, East Capital Explorer

# Our portfolio

East Capital Explorer's strategy builds on four cornerstones: growth in Eastern Europe, domestic consumption, companies with strong outlook and a long-term active ownership. The preferred way of investing is through direct investments. East Capital Explorer's focus for new investments is within the Private Equity and Real Estate segments, where the company can, in a more direct way, contribute its expertise and create value.

Net Asset Value (NAV)	Value 31 Mar 2016 EURm	NAV/share EUR	% of NAV	Value 31 Dec 2015 EURm	Value change Jan-Mar 2016, % <sup>1</sup>
<b>Private Equity</b>					
Melon Fashion Group	27.6	0.98	10.9	26.5	4.1
Trev-2 Group	6.2	0.22	2.4	6.2	0.0
<b>Total Private Equity</b>	<b>33.8</b>	<b>1.20</b>	<b>13.4</b>	<b>32.7</b>	<b>3.3</b>
<b>Real Estate</b>					
3 Burés	28.4	1.01	11.2	27.6	1.8
East Capital Baltic Property Fund II	27.5	0.98	10.9	26.8	2.8
East Capital Baltic Property Fund III	3.4	0.12	1.3	3.3	2.5
<b>Total Real Estate</b>	<b>59.3</b>	<b>2.11</b>	<b>23.4</b>	<b>57.7</b>	<b>2.3</b>
<b>Public Equity</b>					
East Capital Deep Value Fund	38.2	1.36	15.1	40.3	-5.4
Komercijalna Banka Skopje	8.4	0.30	3.3	8.6	-1.4
<b>Total Public Equity</b>	<b>46.6</b>	<b>1.65</b>	<b>18.4</b>	<b>48.9</b>	<b>-4.7</b>
<b>Short-term Investments</b>					
Starman <sup>3</sup>	81.3	2.89	32.1	71.8	13.2
East Capital Frontier Markets Fund	29.7	1.05	11.7	31.1	-4.4
Other short-term Investments <sup>4</sup>	1.1	0.04	0.4	1.4	-22.1
Short-term Investments	112.1	3.98	44.2	104.3	7.5
Cash and cash equivalents	9.0	0.32	3.6	10.5	
<b>Total Short-term Investments</b>	<b>121.1</b>	<b>4.30</b>	<b>47.8</b>	<b>114.8</b>	
<b>Total Portfolio</b>	<b>260.8</b>	<b>9.26</b>	<b>102.9</b>	<b>254.2</b>	
Other assets and liabilities net	-7.5	-0.26	-2.9	-0.6	
<b>Net Asset Value</b>	<b>253.4</b>	<b>9.00</b>	<b>100.0</b>	<b>253.6</b>	<b>-0.1<sup>2</sup></b>

<sup>1</sup> The value change calculation is adjusted for investments, divestments and distributions during the relevant period. i.e. it is the percentage change between: the fair value plus any proceeds from dividends or divestments during the period, divided by the opening value plus any added investment during the period

<sup>2</sup> NAV per share development

<sup>3</sup> Due to the ongoing sale of Starman, the asset has been reclassified from Private Equity at year-end 2015, to Short-term investments in Q1 2016

<sup>4</sup> Includes East Capital Bering Ukraine Fund Class R

<sup>1</sup> EUR = 9.24 SEK on 31 Mar 2016. Source: Reuters

Note that certain numerical information may not add up due to rounding

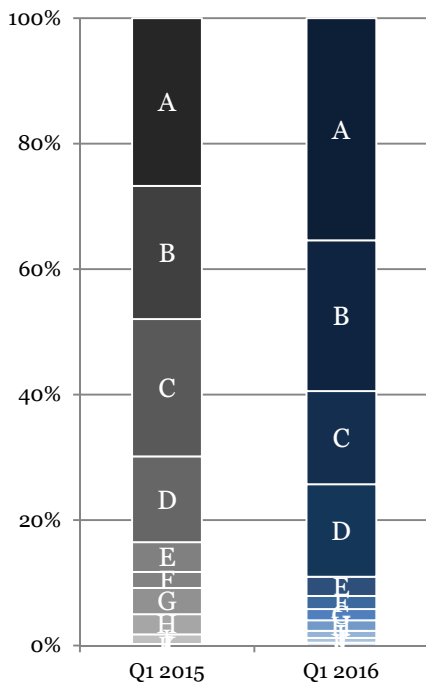
10 largest holdings in East Capital Explorer’s portfolio on a see-through basis (sum of direct and indirect holdings)<sup>1</sup>

31 March 2016						
Company	Value in portfolio, mEUR	% of NAV	Perf. Q1, %	Country	Sector	East Capital Explorer’s investment vehicle
Starman	81.3	32.1	13.2	Estonia	Telecom	Direct Investment (held for sale)
3 Burès	28.4	11.2	1.8	Lithuania	Real Estate	Direct Investment
Melon Fashion Group	27.6	10.9	4.1	Russia	Consumer Discretionary	Direct Investment
Komercijalna Banka Skopje	10.4	4.1	-1.4	Macedonia	Financials	Direct Investment East Capital Deep Value Fund
Trev-2 Group	6.2	2.5	0.0	Estonia	Industrials	Direct Investment
Tänassilma Logistics	6.1	2.4	3.0	Estonia	Real Estate	East Capital Baltic Property Fund II
GO9	6.0	2.4	-1.5	Lithuania	Real Estate	East Capital Baltic Property Fund II
Mustamäe Keskus	4.8	1.9	n/a <sup>2</sup>	Estonia	Real Estate	East Capital Baltic Property Fund II
B92	4.5	1.8	2.6	Serbia	Consumer Discretionary	East Capital Deep Value Fund
Metro Plaza	4.2	1.7	2.3	Estonia	Real Estate	East Capital Baltic Property Fund II
<b>Total</b>	<b>179.6</b>	<b>70.9</b>				

<sup>1</sup>As if East Capital Explorer had owned its pro-rata share of all the underlying securities in the different funds it has invested in

<sup>2</sup>Acquired February 2016

Sector breakdown, %



A	Telecom	35 (27)
B	Real Estate	24 (21)
C	Consumer Discretionary	15 (22)
D	Financials	15 (14)
E	Industrials	3 (5)
F	Utilities	2 (3)
G	Consumer Staples	2 (4)
H	Energy	2 (3)
I	Materials	1 (2)
J	Health Care	1 (0)
K	Information Technology	0 (0)

Comparative numbers in parentheses refer to the corresponding period 2015

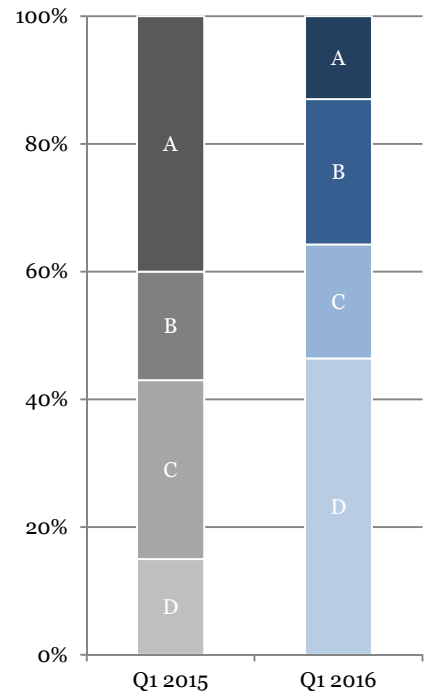
Geographic breakdown, %



A	Baltics	58 (41)
B	Russia	15 (27)
C	Balkans	13 (14)
D	Other countries	14 (18)

Comparative numbers in parentheses refer to the corresponding period 2015

Segment breakdown, %



A	Private Equity	13 (40)
B	Real Estate	23 (17)
C	Public Equity	18 (28)
D	Short-term investments, cash, other assets and liabilities	48 (15)

Comparative numbers in parentheses refer to the corresponding period 2015

# Private Equity

The Private Equity segment represents 13 (40) percent of total Net Asset Value. The change compared to last year relates to the sale of Starman. East Capital Explorer primarily looks for non-cyclical, consumer-oriented companies with high growth and/or cash flow potential. More detailed financial information regarding the Private Equity holdings is available on [www.eastcapitalexplorer.com](http://www.eastcapitalexplorer.com) under Investors/Reports and Presentations.

## Melon Fashion Group

Melon Fashion Group (MFG) is one of the fastest growing fashion retailers in Russia. The company is well positioned for growth with a broad target group under three strong brands: Zarina, befreet and Love Republic. MFG benefits from the consolidation in the fragmented Russian fashion industry and long-term consumption growth.

East Capital Explorer's holding in the company	36%
% of NAV	11%

RUBm	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec
Sales	2,839	2,871	12,569
Gross profit	1,148	1,068	5,775
EBITDA	-233	-10	803
Net profit	-269	-127	279
Sales growth (%)	-1.1	39.1	12.3
Gross margin (%)	40.4	37.2	45.9
EBITDA margin (%)	-8.2	-0.3	6.4
Net debt	-113	-290	-387
Balance sheet total	4,724	5,269	4,946
Number of stores (end-quarter)	614	656	642
Like-for-like sales growth (%)	-1.9	15.5	3.9

- The first quarter was challenging, not only due to its seasonal weakness, but also due to extreme rouble volatility setting pressure on store traffic and consumption. Similar to its peers, MFG faced a traffic drop of nearly 13% over the period
- Due to these pressures and a high last year base, first quarter sales dropped by -1.1% year-on-year driven by a -1.9% drop in like-for-like sales, offsetting a slight increase in average retail space. Just as in the fourth quarter 2015, MFG's three brands demonstrated divergent like-for-like dynamics in Russia, with previous laggards turning into winners; Zarina's like-for-like increased by 14%, Love Republic fell by 11%, while befreet lost 3%
- On the positive side, MFG's first quarter gross margin improved to 40.4% (37.2%) as a result of lower reduction rates. Due to positive impact of hedge revaluation in Q1 2015, and negative in Q1 2016, the EBITDA margin fell to -8.2% (-0.3%). However, adjusted for non-cash revaluation of future hedge positions, the relationship would be reverse with a positive EBITDA of RUB 92m in Q1 2016 vs a negative EBITDA of RUB -224m in Q1 2015, indicating improvements in the underlying profitability
- Compared to last year, MFG has also improved its financial position, decreasing bank borrowing to RUB 2m vs RUB 397m in the first quarter 2015. The company had a net cash position of RUB 113m at the end of the quarter
- Cost efficiencies introduced during 2015 manifested themselves in 5% and 22% lower rent and payroll expenses, respectively, in Q1 2016 compared to Q1 2015
- Total number of stores decreased to 614, as 29 retail stores were closed and 3 new ones opened, whereas franchise network added two new stores
- The underlying rouble-based valuation of MFG was kept unchanged. Due to a stronger rouble, the recorded fair value of the holding in MFG increased by EUR 1.1m, or 4.1% during Q1, to EUR 27.6m

Learn more about Melon Fashion Group on: [www.melonfashion.ru](http://www.melonfashion.ru)

## Trev-2 Group

Trev-2 Group, one of the largest infrastructure construction and maintenance companies in Estonia, was acquired as a restructuring case and has under East Capital Explorer's ownership concentrated its operational focus on two core areas: road construction and road maintenance.

East Capital Explorer's holding in the company	38%
% of NAV	2%

EURm	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec
Sales	3.1	3.8	51.4
EBITDA	-1.2	-1.4	1.8
Operating profit	-1.9	-2.1	-1.0
Net profit	-1.9	-2.1	-1.2
Sales growth (%)	-19.4	-38.5	-22.6
EBITDA margin (%)	-40.5	-36.5	3.6
Operating margin (%)	-61.0	-54.6	-1.9
Net debt	3.3	3.2	1.8
Balance sheet total	30.1	33.6	33.7

- The first quarter is low season for Estonian road builders in terms of project execution, but important in terms of tendering and build-up of the order book. Half-way into the tendering season, Trev-2 Group has won slightly more tenders and has consequently built up a slightly higher order book compared to last year. The outcome of remaining tenders will set the backdrop for 2016 performance as the company's integrated value chain is associated with fixed costs
- Operationally, Trev-2 Group generated Q1 revenues of EUR 3.1m (EUR 3.8m) and EBITDA of EUR -1.2m (EUR -1.4m). The bulk of revenues comes from road maintenance contracts, while no larger construction projects were executed
- The company has undergone a range of efficiency measures in recent months, which has reduced the number of employees and led to divestment of unutilized machinery, with the aim of reducing operating expenses and optimising capital structure
- On 31 March, net debt amounted to EUR 3.3m, corresponding to 1.7x EBITDA for the last twelve months
- The fair value of the holding in Trev-2 Group was kept unchanged at EUR 6.2m

Learn more about Trev-2 Group on: [www.trev2.ee](http://www.trev2.ee)

# Real Estate

The Real Estate segment represents 23 (17) percent of total Net Asset Value. The Real Estate investments in the Baltic capitals have strong cash flows, sustainable rents and low vacancies. Yields are 7-9 percent, 2-3 percentage points higher than in the Nordic capitals, with attractive financing terms. More detailed financial information regarding 3 Burès is available on [www.eastcapitalexplorer.com](http://www.eastcapitalexplorer.com) under Investors/Reports and Presentations, and regarding East Capital Baltic Property Fund II and III, on [www.eastcapital.com](http://www.eastcapital.com).

## 3 Burès

3 Burès is one of Vilnius' most modern and well located A Class office properties. The two buildings, with low vacancy rates and high interest from potential tenants, generate stable cash flows with potential ahead for increasing rents. At the same time, the country's stable and growing economy supports continued low financing costs and the potential for long term value appreciation.

East Capital Explorer's holding in the company	100%
% of NAV	11%

EURm	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec
Net rental revenue*	1.1	1.1	4.4
Net operating income	0.9	1.0	3.6
Vacancy rate (% end-quarter)	1.5	3.5	0.7
Avg. rent (€/sqm, end-quarter)	12.7	12.6	12.7

\* Rental income only, excluding income from communal services

- Vacancy in the office complex increased slightly from 0.7% at the end of 2015 to 1.5% at the end of Q1 2016, due to release of conference centre areas which were under a short-term lease in 2015
- During the first quarter 2016, a lease representing 4.3% of the total leasable area was prolonged for seven years
- Construction permit for the third office building development was received during the quarter and a construction tender has been launched. The new building will aim for LEED Platinum certification (Leadership in Energy and Environmental Design). No decision has yet been made regarding initiating the project
- During the first quarter 2016, the fair value of the holding in 3 Burès increased by 1.8% as a result of positive operating result. Further, East Capital Explorer made a smaller add-on investment in 3 Burès of EUR 0.25m during the quarter

Learn more about 3 Burès on: [www.3bures.lt](http://www.3bures.lt)

## East Capital Baltic Property Fund II

The fund invests in and manages properties with well-established tenants and sustainable rental terms in the Baltic capitals. Focus is primarily on shopping centres and retail properties, as well as logistics and office properties. The goal is to acquire well located properties with stable revenues and potential for improvements.

East Capital Explorer's share of the Fund	48%
% of NAV	11%

	Q1 2016	Since May 12
Performance of the holding, EUR	2.8%	37.7%

Properties in the portfolio	Weight of mkt value, %	Contr, %*	Location	Type
Mustamäe Keskus	21	-2	Tallinn	Retail
GO9	21	-18	Vilnius	Retail
Tänassilma Logistics	20	47	Tallinn	Logistics
Metro Plaza	16	34	Tallinn	Office
Deglava Prisma	11	22	Riga	Retail
Rimi Logistics	10	17	Tallinn	Logistics

\* Contribution; Share of quarterly change in NAV from property operating result

- The net asset value of the holding in East Capital Baltic Property Fund II increased by 2.8% during the first quarter
- The properties in the fund continue to perform in line with expectations with operating profit from Tänassilma Logistics and Metro Plaza contributing the most to the quarterly increase in net asset value. GO9's operating profit decreased due to higher heating costs
- Mustamäe Keskus in Tallinn was successfully opened in February. The centre facilitates a modern cinema, sports club and grocery store as well as several restaurants and shops. The centre was well-received by customers with number of visitors peaking at 20,000 per day during the opening weekend. The centre footfall after opening has been stable at approximately 6,000-7,000 per day
- East Capital Baltic Property Fund II will pay a dividend in May equal to a 4% yield on invested capital, which corresponds to EUR 0.8m for East Capital Explorer's investment. The fund intends to pay semi-annual dividends going forward

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### East Capital Baltic Property Fund III

The fund was launched in the second half of 2015 and will invest in and manage commercial properties with well-established tenants and sustainable rental terms in the Baltic capitals. Focus is primarily on retail, office, logistics and industrial properties in prime locations with stable income and enhancement or value-added potential

East Capital Explorer's share of the Fund	28%
% of NAV	1%

	Q1 2016	Since August 2015
Performance of the holding, EUR	2.5%	1.9%

- The net asset value of East Capital Explorer's holding in the fund increased by 2.5% during the first quarter
- The acquisition of Vesse Retail Park in Tallinn was finalized in January 2016. The centre is fully let with average monthly rent of EUR 9.3 per sqm. Rental revenue for the quarter was EUR 0.5m with a net operating income of EUR 0.46m
- An upgrade is planned of the Maksimarket grocery store to increase attractiveness and sales
- East Capital Explorer has committed to invest EUR 20m in the fund, of which EUR 3.3m was drawn down in Q4 2015 in conjunction with the fund's investment in Vesse Retail Park



# Public Equity

The Public Equity segment represents 18 (28) percent of total Net Asset Value. Investments in this segment offer exposure to companies with a strong outlook, especially in sectors driven by domestic growth such as retail, consumer goods, finance, and real estate. The listed portfolio comprise assets that can be used as a financing source for further investments in the Private Equity and Real Estate segments.

## Komercijalna Banka Skopje

Komercijalna Banka Skopje (KBS), listed on the Macedonian stock exchange, is Macedonia's largest bank by assets and capital. The low valuation compared to other banks in the region makes it a potential candidate for strategic investors.

East Capital Explorer's holding in the company	10%
% of NAV (direct investment and holding through EC Deep Value Fund)	4%

MKDm	2016	2015	2015
	Jan-Mar	Jan-Mar	Jan-Dec
Net interest income	742	678	2,909
Net interest margin (%)	3.7	3.6	3.7
Total operating income	1,035	993	4,168
Operating expenses	409	416	1,715
Cost Income ratio (%)	39.5	42.0	37.6
Profit before tax and provisions	627	577	2,453
Net profit	170	-527	525

- KBS finished the first quarter with MKD 170m (EUR 2.7m) in net profit, equivalent to almost one-third of the full-year profit for 2015
- The main drivers of the bank's strong performance were: a 9.5% increase in net interest income, a 2% reduction in operating expenses, and a 50% reduction in net provisions, all year-on-year
- The balance sheet growth was almost flat for the quarter, and the net loan portfolio decreased slightly, showing that the bank still has trouble finding good borrowers. The bank's loans/deposits ratio was relatively low at 54%. Net fee and commission income declined to almost 5%, due to higher commission expenses
- KBS's capital adequacy was strong at 14.7% (total CAR) and the bank has ample liquidity. Net interest margin was stable at 3.7%
- KBS had paid a dividend in Q2 2016, corresponding to EUR 0.42m for East Capital Explorer's direct investment and a yield of approximately 5.4%
- The value of East Capital Explorer's holding in KBS decreased by 1.4% during the first quarter

Learn more about Komercijalna Banka Skopje on: [www.kb.com.mk](http://www.kb.com.mk)

## East Capital Deep Value Fund

The fund offers exposure to conservative market valuations of small and mid-cap companies with proven business models, strong revenue generation and high revaluation potential where the fund managers can take an active role in corporate governance of the portfolio companies.

East Capital Explorer's share of the Fund	77%
% of NAV	15%

	Q1 2016	Since Jan 14
Performance of the holding, EUR	-5.4%	-1.2%

### Largest holdings in the Fund on 31 March 2016

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
B92	13.3	2.6	0.3	Serbia	Cons. Disc.
Bank Sankt-Peterburg	9.5	8.5	0.7	Russia	Financials
Caucasus Energy & Infrastructure	7.9	-0.2	-0.1	Georgia	Utilities
Reinsurance Co Sava	5.5	12.0	0.5	Slovenia	Financials
Impact	5.4	-8.7	-0.5	Romania	Financials
Komercijalna Banka Skopje	5.3	-1.4	-0.2	Macedonia	Financials
Telekom Srpske	3.8	-2.8	-0.1	Bosnia	Telecom
IG Seismic Service	3.3	-41.3	-2.2	Russia	Energy
Pif Big	2.6	-10.1	-0.3	Bosnia	Financials
Chagala Group	2.5	22.6	0.4	Kazakhstan	Cons. Disc.

All figures in EUR, performance during the first quarter 2016

\* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
59	17	95

- East Capital Explorers holding in the fund declined by 5.4% in the first quarter. While the fund has no official benchmarks, this was below MSCI Russia which gained 11.2% and MSCI Emerging Markets Europe which gained 10.0%
- All markets fell dramatically in January, though Eastern European markets, in particular more liquid stocks, recovered by the end of the first quarter on the back of strengthening commodity prices and improvement in general risk appetite
- The largest positive contributor to the fund's performance was Bank of St Petersburg that gained 8.5% following strong results with Q4 earnings 18% above consensus, driven by lower loan loss provisions. The management also reiterated their bullish guidance for 2016, with loan growth of 10-15% and a ROE target of 10%
- The worst contributor was Russian oilfield services company IG Seismic Service that fell 41.3% as the company announced a restructuring and prepared to delist from London Stock Exchange and relist on the Moscow Exchange
- Going forward, markets are expected to be somewhat more stable. Further, daily trading volumes in Russia have doubled since the end of 2015. The fund continues to seek exits where fair value can be realized

# Short-term investments

Short-term investments include assets that are expected to be divested. The largest short-term investment is Starman, which is held for sale and corresponds to 32 percent of NAV. East Capital Frontier Markets Fund corresponds to 12 percent of NAV. East Capital Bering Ukraine Fund Class R, which decreased by 22 percent in the first quarter, corresponds to 0.4 percent of East Capital Explorer's NAV and is not specified below.

## Starman

Starman, the only truly pan-Baltic cable TV and broadband provider in Estonia and Lithuania, has a loyal customer base and strong non-cyclical cash flows. With its leading market position and superior product offering, Starman is well positioned to lead the market consolidation and benefit from the increasing broadband penetration.

East Capital Explorer's holding in the company	63%
% of NAV	32%

EURm	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec*
Sales	14.4	11.7	51.9
- of which Cgates	4.8	2.7	15.2
EBITDA	6.4	5.6	24.4
- of which Cgates	1.7	1.1	6.3
Net profit	0.6	1.3	3.1
Sales growth (%)	23.5	41.5	54.6
EBITDA margin (%)	44.4	47.6	47.0
Net debt	73.7	78.3	76.0
Balance sheet total	168.5	108.2	169.2
Number of RGU's ('000)	524	496	527
- of which Cgates	224	204	226
Avg. ARPU, combined (EUR/m)	13.9	12.9	13.1

\* Cgates consolidated as of 1 Feb 2015

RGU: Revenue generating units, ARPU: Average revenue per user

- In March, East Capital Explorer agreed to sell its entire 63% stake in Starman to Providence Equity for approx. EUR 81m at closing (expected Q2 2016) with the potential for an additional earn-out of up to EUR 5m in 2017. The transaction will give an exit gain of at least EUR 35m over East Capital Explorer's total investment of EUR 46m since 2013, corresponding to a net IRR, after fees, of 24-27%. The EV of approximately EUR 210m makes the transaction one of the largest private equity deals in the Baltics to date
- In Q1, Starman generated revenues of EUR 14.4m, a year-on-year comparable growth of 5.7% (as if Cgates and Kava had been fully consolidated in Q1 2015). The combined EBITDA amounted to EUR 6.4m, a comparable year-on-year decline of 3.7%. The decline is largely attributable to increased operating expenses in Lithuania
- In Estonia, Starman reported revenue growth of 5.3% year-on-year on the back of net customer intake and higher ARPU. In Lithuania, increasing broadband uptake and cable TV prices contributed positively to a comparable revenue growth of 6.6% year-on-year for the Lithuanian operations
- The group is actively working on integration of acquired operations and continued in-market consolidation in Lithuania. In January, the company appointed Petras Kirdeika, previously Commercial Director of Tele2 Lithuania, to head its Lithuanian operations
- On 31 March 2016, net debt amounted to EUR 73.7m, corresponding to 2.9x EBITDA for the last twelve months
- The fair value increased by 13.2% to EUR 81.3m, reflecting the cash consideration expected to be received in the second quarter from the sale to Providence Equity

Learn more about Starman on: [www.starman.ee](http://www.starman.ee)

## East Capital Frontier Markets Fund

East Capital Frontier Markets Fund is a daily traded UCITS fund with a global focus on young and growing markets. To combine high growth, attractive valuations and risk-adjusted returns, the fund seeks to invest in a wide spectrum of countries, sectors and companies. A significant share is invested in off-index countries, the "next frontiers".

East Capital Explorer's share of the Fund	58%
% of NAV	12%

	Q1 2016	Since Dec 14
Performance of the holding, EUR	-4.4%	-0.5%

### Largest holdings in the Fund on 31 March 2016

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
National Bank Of Kuwait	5.9	-11.2	-0.8	Kuwait	Financials
Banco Macro	4.1	6.8	0.3	Argentina	Financials
United Bank	3.9	-4.1	-0.2	Pakistan	Financials
Banca Transilvania	3.0	12.9	0.4	Romania	Financials
Lucky Cement	3.4	3.5	0.1	Pakistan	Materials
Ypf Sociedad Anonima	3.3	6.8	0.3	Argentina	Energy
Zavarovalnica Triglav	3.2	14.8	0.5	Slovenia	Financials
Montenegro Telekom	3.1	-0.8	-0.0	Montenegro	Telecom
Viet Nam Dairy Products	2.6	2.0	0.1	Vietnam	Cons. Stap.
Mobile Telecom	2.6	3.0	0.1	Kuwait	Telecom

All figures in EUR, performance during the first quarter 2016

\* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
36	0	62

- The fund ended the period with a 4.4% loss, while the MSCI Frontier Markets Index lost 4.7% in the wake of worries over global financial markets
- Oil exporting markets were among the weakest
- Slovenian financial company Triglav gave the highest contribution to the performance after another strong set of results that are expected to help the company pay dividends with a yield of around 10%
- Two new stocks were added in Morocco, in the real estate and food retail sectors, and one new banking company in Mauritius, in order to get exposure to these relatively stable economies with secular growth stories
- Following the removal of nuclear-related sanctions, the Iranian market is being studied in order to be ready for investments when possible

# Results

The investment activities of East Capital Explorer AB (publ) (the Company) are managed in the operating subsidiary East Capital Explorer Investments SA which manages the investment portfolio, in accordance with the Investment Policy. Transactions in the operating subsidiaries East Capital Explorer Investments SA (ECEI SA), East Capital Explorer Investments AB and Humarito Ltd are referred to as the investment activities in this report.

Presentation currency is euro (EUR).

## Results for the first quarter 2016

The net result for the first quarter was EUR -0.2m (EUR 15.9m), including value changes of shares in subsidiaries of EUR 0.5m (EUR 16.3m), corresponding to earnings per share of EUR -0.01 (EUR 0.52).

In Q1 2016, the value of the holding in Starman was appreciated to EUR 81.3m in accordance with the sale purchase agreement, which corresponds to an increase of EUR 9.5m. The exit gain will result in a carried interest of approximately EUR -6.5m, based on the upfront consideration, which is treated as a liability in ECEI SA's balance sheet.

Melon Fashion Group was appreciated by 1.1m due to translation from rouble to euro. Together with fair value adjustments in East Capital Baltic Property Fund II of EUR 0.8m, 3 Burès of EUR 0.5m, East Capital Deep Value Fund of EUR -2.2m and in East Capital Frontier Markets Fund of EUR -1.4m, these were the main contributors to the change in value of shares in subsidiaries in the Income statement for the period.

The result for the period includes expenses of EUR -0.7m (EUR -0.4m), all of which refer to the Parent company.

*Comparative numbers in parenthesis refer to the first quarter of 2015.*

## Financial Position and Cash Flow January-March 2016

The Company's equity ratio was 99.8 percent (99.8 percent).

Cash and cash equivalent at the end of the period amounted to EUR 1.3m (EUR 1.9m), all of which refer to the Parent Company.

At the end of the period, cash, cash equivalents and other short-term investments in the investment activities amounted to EUR 121.1m (EUR 43.0m). Please refer to the breakdown of values in subsidiaries on pages 16-18 for more details regarding the investment activities.

*Comparative numbers in parenthesis refer to 31 December 2015.*

## Commitments

On 10 July 2015, East Capital Explorer announced a commitment to invest EUR 20m in total in East Capital Baltic Property Fund III. In Dec 2015, the first draw down was made for an amount equivalent to EUR 3.3m. No further draw down has been made so far in 2016.

## Business Environment and Market

The Baltic countries, Russia and the Balkans all had a good start to 2016. Stock markets in Eastern Europe as a whole rose by 10 percent (MSCI Emerging Markets Europe). The Baltic countries that represent East Capital Explorer's largest market continued their stable macroeconomic development from last year, which gave the market confidence. Stock markets in the three Baltic countries rose by an average of 5.8 percent, where Estonia was the strongest. Russia showed evidence of economic stabilization, as illustrated by a drop in inflation from 12.9 percent in December 2015 to 7.3 percent in March 2016. The performance of the Russian stock market was the seventh best in the world (of 93 countries) during the first quarter.

MSCI Russia gained 11.2 percent, stronger than the oil price that also ended the quarter with a rebound after high volatility in January and February. East Capital Explorer's third largest market, the Balkan countries, also had a positive performance in the first quarter with a stock market gain of 7 percent.

The Baltic economies have continued to outgrow the euro area, thanks to a broad base of domestic and foreign demand. Economic growth in 2016 is expected to accelerate from 2015 to 3-4 percent backed by strong exports, increasing investments and continued rising domestic demand. Inflation is expected to remain low with limited macroeconomic and political risks.

Russia's economy, on the other hand, decreased in 2015 and is expected to post negative growth numbers also during 2016, but the forecast largely depends on the oil price, which in turn affects currency and inflation as well as the Central Bank's ability to cut interest rates. The stabilization and lower inflation seen in the beginning of 2016, however, increases the chances of a rate cut, which would provide a welcome stimulus to loans and investments in the country.

In the Balkans, several economies are coming out of recession. Generally, the economies are expected to grow by 2-3 in 2016.

The overall economic development in East Capital Explorer's investment region is thereby uneven, and considerable uncertainties remain from a financial perspective. Global monetary policy as well as currencies and commodity prices are likely to continue to affect the company's markets. East Capital Explorer's investments can therefore be associated with increased risks that may affect the possibilities for exits, but on the other hand also create new investment opportunities.

## Other information

### Risks and uncertainties

The dominant risk in East Capital Explorer's operations is commercial risk in the form of exposure to specific 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 material risks and uncertainties is provided in the Company's Annual Report 2015 on pages 44-46. An assessment for the coming months is provided in the Business Environment and Market section above.

In addition, through the business activities of the holdings, i.e. their offerings of products and services, within the respective sectors, the investments are also exposed to legal/regulatory risk and political risk, for example political decisions on public sector expenditures and industry regulations.

### Fees

To calculate all management and performance fees related to East Capital Explorer, fees originated in funds are added to the fees in the investment activities. Total fees to East Capital, generated by the investments held by East Capital Explorer AB, amounted to EUR -7.7m (EUR -1.3m), of which EUR -1.2m (EUR -1.3m) was management fees and EUR -6.5m (EUR 0.0m) was performance fees. The performance fee, which is treated as a liability, is related to the upcoming sale of Starman.

For direct investments, an annual management fee of 2% is charged by the Investment Manager, besides for Real Estate investments, where the management fee is 1.75%. Further, the Investment Manager is entitled to performance fee of 20% of realized profits from the sale of direct investments, provided that a threshold value of 8% annually has been achieved.

For East Capital Deep Value Fund, the management fee is 1.95% (plus additional administrative expenses and charges, among others an AIFMD related charge of 0.1% and custody fees). The

management fee for East Capital Baltic Property Fund II is 1.75% and the rebated management fee for East Capital Baltic Property Fund III is 1.25%. Performance fees for these funds are 20%. For East Capital Frontier Markets Fund, which is a UCITS fund, East Capital Explorer is charged a rebated management fee of 1% (plus an additional "all-in" fee for fund administration, depository and other expenses of 0.65% NAV). The fund does not charge any performance fee.

For more details about fees, please see the latest Annual Report available on the Company's website.

At an Extraordinary General Meeting on 9 May 2016, the shareholders approved the Board's proposal regarding a joint termination of the Investment Agreement between East Capital Explorer and East Capital. Following the EGM decision, all management fee payments to East Capital have been halted. This applies to all direct and fund investments, with the exception of the real estate funds East Capital Baltic Property Fund II and East Capital Baltic Property Fund III. For further information about the joint termination of the Investment Agreement, please see Note 7 Events occurring after the end of the quarter.

### Organisational and investment structure

East Capital Explorer AB (publ) is a Swedish investment company listed on Nasdaq Stockholm. East Capital Explorer's business concept is to maximise risk-adjusted shareholder return by offering shareholders a liquid exposure to a unique investment portfolio of primarily unlisted companies in Eastern Europe.

East Capital Explorer's strategy is to invest in sectors and companies that have the most to gain from the long-term trends in its investment universe. Strong domestic demand is a key driver for growth in Eastern Europe and this is the main investment theme. East Capital Explorer targets fast growing sectors such as retail, consumer goods, financials and real estate. The investment portfolio is actively managed to optimize the long-term value. All investments are considered carefully from a risk-reward perspective. Risks are managed on the basis of a number of methods and tools, among others, through emphasis on corporate governance, including material and relevant environmental and social factors. Active ownership also involves board representation and close relations with the companies in which East Capital Explorer invests.

For further information about the organizational and investment structure of the Company, please see the Corporate Governance Report for 2015, included in the Annual Report and on the Company's web site [www.eastcapitalexplorer.com](http://www.eastcapitalexplorer.com) under the section, 'Corporate Governance'.

The CEO certifies that the interim report presents a true and fair view of the Company's and the Group's operations, financial position and profits and describes the significant risks and uncertainties facing the Company and the Group.

Stockholm, 19 May 2016

Mia Jurke  
Chief Executive Officer

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### Contact information

Mia Jurke, CEO, +46 8 505 885 32  
Lena Krauss, CFO and Head of Investor Relations, +46 8 505 885 94

East Capital Explorer AB  
Kungsgatan 33, Box 7214  
SE-103 88 Stockholm, Sweden  
Tel: +46 8 505 977 00  
[www.eastcapitalexplorer.com](http://www.eastcapitalexplorer.com)

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### Financial calendar

- Annual General Meeting 2016 – 9 June 2016
- Interim Report Q2 2016 – 26 August 2016
- Interim Report Q3 2016 – 17 November 2016

Subscribe to financial reports and press releases directly to your e-mail on: [www.eastcapitalexplorer.com](http://www.eastcapitalexplorer.com) or by sending an email to [ir@eastcapitalexplorer.com](mailto:ir@eastcapitalexplorer.com).

*The information in this interim report is the information which East Capital Explorer AB is required to disclose under Sweden's Securities Market Act. It was released for publication at 08:00 a.m. CET on 19 May 2016.*

# Review Report

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

## Introduction

We have reviewed the summary interim financial information (interim report) of East Capital Explorer AB (publ) as of 31 March 2016 and the three-month period then ended except for the portfolio reporting on pages 5-10. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of the Review

We conducted our review in accordance with the Standard on review engagements (ISRE) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. 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. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, 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, 19 May 2016  
KPMG AB

Anders Malmeby  
Authorised Public Accountant

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

## Income Statement

EUR Thousands				
	Note	2016 Jan-Mar	2015 Jan-Mar	
Changes in fair value of subsidiaries	2	485	16,330	
Staff expenses		-284	-215	
Other operating expenses		-377	-207	
<b>Operating profit/loss</b>		<b>-177</b>	<b>15,908</b>	
Financial income		2	-	
Financial expenses		0	-1	
<b>Profit/loss before tax</b>		<b>-175</b>	<b>15,908</b>	
Tax		-	-	
<b>NET PROFIT/LOSS FOR THE PERIOD<sup>1</sup></b>		<b>-175</b>	<b>15,908</b>	
Earnings per share, EUR				
- Attributable to shareholders of the Parent Company		-0.01	0.52	
No dilutive effects during the periods				

<sup>1</sup> Net Profit/Loss for the period corresponds to Total Comprehensive income

## Balance Sheet

EUR Thousands				
	Note	2016 31 Mar	2015 31 Dec	2015 31 Mar
<b>Assets</b>				
Shares in subsidiaries	3, 4	252,624	252,140	276,974
<b>Total non-current assets</b>		<b>252,624</b>	<b>252,140</b>	<b>276,974</b>
Accrued income and prepaid expenses		11	14	11
Cash and cash equivalent		1,309	1,918	2,934
<b>Total current assets</b>		<b>1,320</b>	<b>1,932</b>	<b>2,946</b>
<b>Total assets</b>		<b>253,944</b>	<b>254,071</b>	<b>279,919</b>
<b>Equity</b>				
Share capital <sup>1</sup>		3,654	3,654	3,650
Other contributed capital/Share premium reserve <sup>2</sup>		318,920	318,920	334,169
Retained earnings <sup>2</sup>		-69,014	-76,282	-74,401
Net profit/loss for the period <sup>2</sup>		-175	7,268	15,908
<b>Total equity</b>		<b>253,386</b>	<b>253,561</b>	<b>279,326</b>
<b>Current liabilities</b>				
Other liabilities		166	256	147
Accrued expenses and prepaid income		393	254	446
<b>Total current liabilities</b>		<b>558</b>	<b>510</b>	<b>593</b>
<b>Total equity and liabilities</b>		<b>253,944</b>	<b>254,071</b>	<b>279,919</b>

<sup>1</sup> Restricted capital

<sup>2</sup> Unrestricted capital

## Statement of Changes in Equity

EUR Thousands				
	Share capital	Other contributed capital/Share premium reserve	Retained earnings incl. profit/loss for the year	Total equity shareholders in Parent company
<b>Opening equity 1 January 2016</b>	<b>3,654</b>	<b>318,920</b>	<b>-69,014</b>	<b>253,561</b>
Net profit/loss for the period	-	-	-175	-175
<b>Total comprehensive income</b>	-	-	<b>-175</b>	<b>-175</b>
<b>Closing equity 31 March 2016</b>	<b>3,654</b>	<b>318,920</b>	<b>-69,189</b>	<b>253,386</b>

EUR Thousands				
	Share capital	Other contributed capital/Share premium reserve	Retained earnings incl. profit/loss for the year	Total equity shareholders in Parent company
<b>Opening equity 1 January 2015</b>	<b>3,650</b>	<b>333,945</b>	<b>-76,282</b>	<b>261,313</b>
Net profit/loss for the period	-	-	15,908	15,908
<b>Total comprehensive income</b>	-	-	<b>15,908</b>	<b>15,908</b>
Share buy-back	-	-395	-	-395
Repayment of shareholders contribution	-	-	2,500	2,500
<b>Closing equity 31 March 2015</b>	<b>3,650</b>	<b>333,550</b>	<b>-57,874</b>	<b>279,326</b>

## Statement of Cash Flow

EUR Thousands			
	2016 Jan-Mar	2015 Jan-Mar	
<b>Operating activities</b>			
Operating profit/loss	-177	15,908	
Changes in fair value of subsidiaries	-485	-16,330	
<b>Cash flow from current operations before changes in working capital</b>	<b>-661</b>	<b>-421</b>	
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease(+) in other current receivables	3	6	
Increase (+)/decrease(-) in other current payables	48	189	
<b>Cash flow from operating activities</b>	<b>-610</b>	<b>-226</b>	
<b>Investing activities</b>			
Repayment of shareholder contributions	-	2,500	
<b>Cash flow from investing activities</b>	<b>-</b>	<b>2,500</b>	
<b>Financing activities</b>			
Share buy-back	-	-395	
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-395</b>	
<b>Cash flow for the period</b>	<b>-610</b>	<b>1,877</b>	
Cash and cash equivalent at the beginning of the period	1,918	1,057	
Exchange rate differences in cash and cash equivalents	2	-1	
<b>Cash and cash equivalent/cash and bank at the end of the period</b>	<b>1,309</b>	<b>2,934</b>	

## Note 1 Accounting Principles

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 34 Interim Financial Reporting and applicable provisions in the Swedish Annual Accounts Act (Årsredovisningslagen). The interim report for the Company has been prepared in accordance with the Swedish Financial Reporting Board's standard RFR 2 and the Swedish Annual Accounts Act Chapter 9, Interim report. The parts of IFRSs and RFR 2 that are currently relevant for East Capital Explorer AB lead to the same accounting. The two sets of separate financial statements are therefore presented together as a common single set of accounts.

The accounting policies applied in these interim financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2015.

## Note 2 Segment Reporting

East Capital Explorer AB classifies the Company's various segments based on the nature of the investments. Management monitors the holdings on the basis of fair value, and all holdings are reported at fair value through profit or loss. As the value of the holding in East Capital Explorer Investments SA, where the investment activities are managed, is directly dependable of the investment portfolio, the value change of holdings held by the subsidiary has been allocated to value changes, dividends received and other operating expenses that are directly attributable to the underlying investments in private equity, real estate, public equity and short-term investments. All other revenues and expenses are classified as unallocated in the table below.

EUR thousands						
1 Jan – 31 Mar 2016	Private Equity	Real Estate	Public Equity	Short-term investments	Unallocated	Total
Changes in value of portfolio	1,097	1,338	-2,289	7,791	-	7,936
Other operating expenses (incl. management and performance fees)	-170	-121	-43	-6,931	-187	-7,451
<b>Changes in value of subsidiaries</b>	<b>927</b>	<b>1,217</b>	<b>-2,332</b>	<b>860</b>	<b>-187</b>	<b>485</b>
Staff expenses	-	-	-	-	-284	-284
Other operating expenses	-	-	-	-	-377	-377
<b>Operating profit/loss</b>	<b>927</b>	<b>1,217</b>	<b>-2,332</b>	<b>860</b>	<b>-848</b>	<b>-177</b>
Financial income	-	-	-	-	2	2
Financial expense	-	-	-	-	0	0
<b>Profit/loss before tax</b>	<b>927</b>	<b>1,217</b>	<b>-2,332</b>	<b>860</b>	<b>-847</b>	<b>-175</b>
<b>Assets</b>	<b>33,842</b>	<b>59,306</b>	<b>46,604</b>	<b>121,097</b>	<b>-6,905</b>	<b>253,944</b>

EUR thousands						
1 Jan – 31 Mar 2015	Private Equity	Real Estate	Public Equity	Short-term investments	Unallocated	Total
Changes in value of portfolio	5,718	222	10,695	2,860	-	19,495
Repaid shareholders contribution	-	-	-	-	-2,500	-2,500
Other operating expenses (incl. management and performance fees)	-467	-105	-36	-	-57	-665
<b>Changes in value of subsidiaries</b>	<b>5,250</b>	<b>117</b>	<b>10,659</b>	<b>2,860</b>	<b>-2,557</b>	<b>16,330</b>
Staff expenses	-	-	-	-	-215	-215
Other operating expenses	-	-	-	-	-207	-207
<b>Operating profit/loss</b>	<b>5,250</b>	<b>117</b>	<b>10,659</b>	<b>2,860</b>	<b>-2,978</b>	<b>15,909</b>
Financial income	-	-	-	-	-	0
Financial expense	-	-	-	-	-1	-1
<b>Profit/loss before tax</b>	<b>5,250</b>	<b>117</b>	<b>10,659</b>	<b>2,860</b>	<b>-2,979</b>	<b>15,907</b>
<b>Assets</b>	<b>111,263</b>	<b>48,842</b>	<b>77,137</b>	<b>42,704</b>	<b>-26</b>	<b>279,919</b>



## Note 3 Entities with ownership interests over 50 percent

The following entities, in which the ownership interest is over 50%, are not consolidated due to the consolidation exception for investment entities.

Non consolidated entities 31 March 2016	Country	Number of shares	Book value, EURt	Ownership capital
East Capital Explorer Investments SA	Bertrange, Luxembourg	4,000	252,624	100%
East Capital Explorer Investments AB	Stockholm, Sweden	11,000	8,716	100%
Humarito Limited	Nicosia, Cyprus	2,000	228,339	100%
Baltic Cable Holding OÜ	Tallinn, Estonia	2,502	-	100%
Starman AS	Tallinn, Estonia	10,758	81,300	63%
UAB Portarera <sup>1</sup>	Vilnius, Lithuania	300	28,385	100%
UAB Solverta <sup>1</sup>	Vilnius, Lithuania	100	-	100%
UAB Verslina <sup>1</sup>	Vilnius, Lithuania	100	-	100%
East Capital Deep Value Fund	Bertrange, Luxembourg	54,309	38,171	77%
East Capital Frontier Markets Fund	Bertrange, Luxembourg	384,752	29,709	58%

<sup>1</sup> The operations in UAB Portarera, UAB Solverta and UAB Verslina have been aggregated as they are consolidated as 3 Burès

## Note 4 Financial instruments

For a better understanding of the business, the information regarding financial instruments below is presented on a see-through basis as the fair value of the holding in the subsidiary East Capital Explorer Investments SA is a result of the fair values of the holdings in the investment activities within East Capital Explorer Investments AB and Humarito Ltd. Shares and participations in the investment activities as well as the Company's holdings in subsidiaries are all valued at fair value.

### Financial instruments not measured at fair value through profit and loss

For receivables and payables, the carrying amount is assessed to reflect fair value since the remaining maturity is generally short. This is also the case for cash and cash equivalent.

### Calculation of fair value

The following summarises the main methods and assumptions applied in determining the fair values of the financial instruments in the balance sheet. Please refer to the Annual Report 2015 for more details on valuation policies used by East Capital Explorer AB.

#### Fair value hierarchy

The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

### Shares in subsidiaries/financial instruments

In the Parent company, financial instruments consist of shares in subsidiaries of EUR 252.6m and cash and cash equivalent of EUR 1.3m. The carrying amount of these assets constitutes the fair value on the balance sheet date.

Shares in subsidiaries	Country	Book value, EURt		Share of capital, %	
		31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
East Capital Explorer Investments SA	Bertrange, Luxembourg	252,624	252,140	100	100

East Capital Explorer AB owns 100% of the Class A shares, and 4.0% (4.0%) of the votes, in East Capital Explorer Investments SA and is entitled to all profits, assets and liabilities attributable to that company. East Capital Explorer Investments SA is in turn classified as an investment entity whose total holdings, including its subsidiaries, are measured at fair value through profit and loss.

As the holdings in East Capital Explorer Investments SA and its investing subsidiary Humarito Ltd are presented on a see through basis, the tables below reflect the fair value hierarchy in the investment activities. The value of the shares in subsidiaries is directly and indirectly made up by the following assets:

EUR Thousands							
31 March 2016	Private Equity	Real Estate	Public Equity	Short-term investments	Cash and bank	Other assets and liabilities, net	Total
Breakdown of values in subsidiaries							
<b>Opening balance 1 January 2016</b>	<b>104,584</b>	<b>57,718</b>	<b>48,894</b>	<b>32,450</b>	<b>8,593</b>	<b>-98</b>	<b>252,140</b>
Reclassifications	-71,839	-	-	71,839	-	-	-
Purchases/additions	-	250	-	-	-250	-	-
Other	-	-	-	-	-635	-6,817	-7,452
Changes in fair value recognised net in profit/loss	1,097	1,338	-2,289	7,791	-	-	7,936
<b>Closing balance 31 March 2016</b>	<b>33,842</b>	<b>59,306</b>	<b>46,604</b>	<b>112,080</b>	<b>7,708</b>	<b>-6,915</b>	<b>252,624</b>

EUR Thousands							
31 December 2015	Private Equity	Real Estate	Public Equity	Short-term investments	Cash and bank	Other assets and liabilities, net	Total
Breakdown of values in subsidiaries							
<b>Opening balance 1 January 2015</b>	<b>85,028</b>	<b>48,620</b>	<b>70,442</b>	<b>52,188</b>	<b>4,557</b>	<b>-191</b>	<b>260,644</b>
Reclassifications	-1,997	-	-16,110	18,107	-	-	-
Purchases/additions	22,514	3,325	-	-	-25,839	-	-
Divestments/Reductions	-	-	-7,397	-42,060	49,458	-	-
Other	-	-	-	-	-2,900	93	-2,807
Repaid shareholders contributions	-	-	-	-	-17,500	-	-17,500
Dividend received	-	-	-	-	817	-	817
Changes in fair value recognised net in profit/loss	-961	5,773	1,959	4,215	-	-	10,986
<b>Closing balance 31 December 2015</b>	<b>104,584</b>	<b>57,718</b>	<b>48,894</b>	<b>32,450</b>	<b>8,593</b>	<b>-98</b>	<b>252,140</b>

Private Equity consists of the holdings in Melon Fashion Group (MFG) and Trev-2 Group. Real Estate consists of holdings in 3 Burès, East Capital Baltic Property Fund II and East Capital Baltic Property Fund III. All of these holdings are valued by external appraisers at least once a year, normally at year-end. The fair value of the holdings is assessed on a quarterly basis.

Public Equity consists of funds with a majority of public holdings managed by East Capital. The holding in Komercijalna Banka Skopje, which is publicly traded, is also included in Public Equity. Holdings in Public Equity are valued at fair value according to the valuation principles described on the previous page.

Short-term investments consist of holdings which are expected to be divested within a year. The holding in Starman, East Capital Frontier Markets Fund and East Capital Bering Ukraine Fund R are classified as short-term investments.

Holding	Class	Valuation method	Valuation assumptions
Melon Fashion Group	Private Equity	DCF	Long-term growth 4%, Long term operating margin 8%, WACC 19%
Trev-2 Group	Private Equity	DCF	Long-term growth 2%, Long term operating margin 7%, WACC 7-11%
3 Burès	Real Estate	DCF	WACC 8-11%, Exit yield 7-8%
East Capital Baltic Property Fund II	Real Estate	DCF	WACC 8-9%, Exit yield 7-9%
East Capital Baltic Property Fund III	Real Estate	Acquisition value <sup>1</sup>	

Discounted Cash Flow model (DCF), weighted average cost of capital (WACC)

<sup>1</sup> First investment made in December 2015

For the fair values of Private Equity investments and Real Estate (3 Burès and East Capital Baltic Property Fund II) - reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Effect in EUR thousands	Private Equity Profit or loss	
	Increase	Decrease
31 March 2016		
Sensitivity analysis		
Long term growth rate (0.5% movement)	986	-908
Weighted average cost of capital (WACC) (0.5% movement)	-1,177	1,266
Long term operating margin (0.5% movement)	1,736	-1,736

Effect in EUR thousands	Real Estate Profit or loss	
	Increase	Decrease
31 March 2016		
Sensitivity analysis		
Weighted average cost of capital (WACC) (0.5% movement)	-1,004	1,026
Exit yield (0.5% movement)	-2,447	2,809

The East Capital Explorer portfolio is presented on page 4 in this report, including information on fair value changes during the period. More information on the portfolio holdings can be found on pages 5 to 11 in this report.

The following table analyses, within the fair value hierarchy, the investments in the investment activities measured at fair value:

EUR thousands				
31 March 2016				
Shares and participations in investment activities at fair value through profit or loss <sup>1</sup>	Level 1	Level 2	Level 3	Total balance
Private Equity	-	-	33,842	33,842
Real Estate	-	-	59,306	59,306
Public Equity	46,604	-	-	46,604
Short-term investments	29,709	81,300	1,071	112,080
<b>Total</b>	<b>76,313</b>	<b>81,300</b>	<b>94,218</b>	<b>251,831</b>

EUR thousands				
31 December 2015				
Shares and participations in investment activities at fair value through profit or loss	Level 1	Level 2	Level 3	Total balance
Private Equity	-	-	104,584	104,584
Real Estate	-	-	57,718	57,718
Public Equity	48,894	-	-	48,894
Short-term investments	31,077	-	1,373	32,450
<b>Total</b>	<b>79,970</b>	<b>-</b>	<b>163,675</b>	<b>243,645</b>

<sup>1</sup>The following investments are classified in:

Level 1 - East Capital Deep Value Fund, East Capital Frontier Markets Fund and Komercijalna Banka Skopje

Level 2 - Starman

Level 3 - East Capital Baltic Property Fund II, East Capital Baltic Property Fund III, East Capital Bering Ukraine Fund Class R, 3 Burés, MFG and Trev-2 Group

EUR thousands				
31 March 2016				
Changes in financial assets and liabilities in Level 3	Private Equity	Real Estate	Short-term Investments	Total
<b>Opening balance 2016</b>	<b>104,584</b>	<b>57,718</b>	<b>1,373</b>	<b>163,675</b>
Transfers out of level 3 <sup>1</sup>	-71,839	-	-	-71,839
Purchases/additions	-	250	-	250
Changes in fair value recognised net in profit/loss	1,097	1,338	-302	2,133
<b>Closing balance 31 March 2016</b>	<b>33,842</b>	<b>59,306</b>	<b>1,071</b>	<b>94,218</b>

EUR thousands				
31 December 2015				
Changes in financial assets and liabilities in Level 3	Private Equity	Real Estate	Short-term Investments	Total
<b>Opening balance 2015</b>	<b>85,028</b>	<b>48,620</b>	<b>1</b>	<b>133,649</b>
Reclassifications	-1,997	-	1,997	-
Purchase/additions	22,514	3,325	-	25,839
Changes in fair value recognised net in profit/loss	-961	5,773	-625	4,187
<b>Closing balance 31 December 2015</b>	<b>104,584</b>	<b>57,718</b>	<b>1,373</b>	<b>163,675</b>

<sup>1</sup> Starman have been moved from level 3 to level 2 due to the upcoming divestment; the unobservable input is not a significant part of the value of the holding.

EUR 2,133 thousands (EUR 4,187 thousands) of changes in fair value recognised net in profit/loss relate to investments still held at the end of the period.

### Risks and uncertainties

For information about risks, uncertainties and information about the business environments and markets in which East Capital Explorer invests, please see page 11. For a summary of the methods and assumptions used to determine fair value of the portfolio holdings please see Note 4 and in more detail on page 71 in the Annual Report of 2015. The effect of fluctuations in the major parameters on the value of the portfolio holdings is presented in the table below:

#### Sensitivity analysis for market risks (EUR Thousands)

31 March 2016		
Risk factors	Change	Effect on net profit/loss for the period
Fx EUR/RUB	+/- 10%	2,763
Fx EUR/USD	+/- 5%	3,447
Equity price	+/- 10%	25,183

## Note 5 Related parties

There have been no related party transactions during the period, other than fee payments according to agreements in place. East Capital Explorer AB has a related party relationship with its subsidiaries, with companies in the East Capital Group, as well as with management and employees.

East Capital Explorer AB, East Capital Explorer Investments SA (ECEI SA) 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".

During the first quarter of 2016, management fees paid by ECEI SA to East Capital Asset Management SA amounted to EUR -1.2m (EUR -1.3m). Furthermore, ECEI SA has reserved EUR -6.5m in performance fees for the upcoming sale of Starman.

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 sub rent premises agreement with East Capital International AB. During 2016, the Company purchased services for EUR 0.0m (EUR 0.0m), all through the Parent Company.

East Capital Explorer AB's management, Board members and their close relatives and related companies control 23.1 percent of voting rights in the Company.

The CEO of East Capital Explorer AB is a Board member of ECEI SA and a member of the Investment Committee of ECEI SA (the AIFM).

*Comparative numbers in parenthesis refer to January-March 2015.*

## Note 6 Redemption program, repurchase of shares and dividend

The total number of shares outstanding in East Capital Explorer as of 31 March 2016 amounted to 28,476,792. Adjusted for repurchased shares in 2015, the number of shares amounted to 28,161,563. The weighted average number of shares outstanding for the reporting period was 28,161,563, adjusted for the repurchased shares. The Board has proposed to the 2016 Annual General Meeting (AGM) that the share capital in the company be reduced by cancelling the shares repurchased during 2015.

The dividend policy implies that at least 50 percent of the dividends received from portfolio holdings will be distributed to shareholders. With an ordinary dividend as a base, share redemptions and repurchases can also be used from time to time to enhance shareholder value.

East Capital Explorer will propose to the Annual General Meeting 2016 to pay an ordinary dividend for 2015 of SEK 0.80 per share, corresponding to EUR 0.09 per share.

## Note 7 Events occurring after the end of the quarter

At an Extraordinary General Meeting on 9 May 2016, the shareholders approved the Board's proposal regarding a joint termination of the Investment Agreement between East Capital Explorer and East Capital. It is the Company's estimate that terminating the Agreement and building an in-house investment organization will halve its operating and management costs, while removing organizational complexity.

Following the EGM decision, all management fee payments to East Capital have been halted. This applies to all direct and fund investments, with the exception of the real estate funds East Capital Baltic Property Fund II and East Capital Baltic Property Fund III.

East Capital Explorer and East Capital have signed a Transition and Termination Agreement regarding services and other undertakings until 31 December 2017. Consequently, the results for Q2 will be affected by EUR -8.6m relating to compensation to East Capital for services according to a transition agreement, and accrued profit sharing related to 3 Burès. The compensations will be paid in installments, whereof EUR 5.6m in Q2 2016, EUR 1.1m in Q4 2016 and EUR 1.0m in Q4 2017. The accrued profit sharing related to 3 Burès, EUR -0.9m, will be paid in Q3 2016. Another total of EUR -2.0m will be included in the results for Q3 2016 for the purchase of voting shares in the jointly owned Luxemburg based company. The first payment of EUR 1.0m will be made in Q3 2016 and the second, EUR 1.0m, in Q4 2017.

Kestutis Sasnauskas, previously Head of Private Equity and Real Estate within East Capital, joined ECEX as Chief Investment Officer following the EGM, and will have the key responsibility for building ECEX's in-house investment management organization.

For further information about joint the termination of the Investment Agreement, please see the press release on the Company's web site: [www.eastcapitalexplorer.com](http://www.eastcapitalexplorer.com).

Upon the aforesaid approval of the joint termination of the Investment Agreement on 9 May 2016, ECEX will launch a buyback program on 20 May. The buybacks will be carried out for as long as the Company's shares trade at a discount of more than 20 percent to its most recently published NAV.

In April, ECEX received dividend from Komercijalna Banka Skopje amounting to EUR 0.4m. Further, East Capital Baltic Property Fund II will pay a dividend of EUR 0.8m in May, equal to a 4% yield on invested capital. The fund intends to pay semi-annual dividends as of Q2.

## Note 8 Key Figures

Key figures	3m	12m	9m	6m	3m	12m	9m	6m
	2016	2015	2015	2015	2015	2014	2014	2014
Net asset value (NAV), EUR m	253	254	252	264	279	261	297	298
Share redemptions, EURm	-	-	-	13.2	-	-	-	13.6
Equity ratio, %	99.8	99.8	99.9	95.1	99.8	99.8	99.9	99.9
Market capitalisation, SEK m	1,528	1,429	1,464	1,486	1,688	1,273	1,395	1,729
Market capitalisation, EUR m	165	156	156	161	182	134	153	189
Number of outstanding shares, m	28.2	28.2	28.2	28.3	29.9	29.9	29.9	29.9
Number of outstanding shares including repurchased shares, m	28.5	28.5	28.5	28.5	29.9	29.9	29.9	29.9
Weighted average number of shares, m	28.2	29.3	29.7	30.5	30.6	31.8	32.3	33.1
Number of employees	4	4	4	4	4	4	4	3
<b>Key figures per share</b>	<b>3m</b>	<b>12m</b>	<b>9m</b>	<b>6m</b>	<b>3m</b>	<b>12m</b>	<b>9m</b>	<b>6m</b>
	2016	2015	2015	2015	2015	2014	2014	2014
Earnings per share, EUR	-0.01	0.25	0.20	0.55	0.52	-1.06	0.07	0.08
Dividend per share, EUR <sup>2</sup>	-	0.09	-	-	-	-	-	-
NAV, SEK	83	82	84	86	87	83	90	91
NAV, EUR	9.00	9.00	8.96	9.32	9.35	8.73	9.94	9.95
Share price, SEK <sup>1</sup>	54.25	50.75	52.00	52.50	56.50	42.50	46.60	57.75
Share price, EUR <sup>1</sup>	5.87	5.54	5.55	5.68	6.10	4.49	5.12	6.31
<b>SEK/EUR</b>	<b>9.24</b>	<b>9.16</b>	<b>9.36</b>	<b>9.25</b>	<b>9.26</b>	<b>9.47</b>	<b>9.11</b>	<b>9.15</b>

<sup>1</sup> Not adjusted for share redemptions

<sup>2</sup> Proposed dividend for 2015, 0.80 SEK per share corresponding to 0.09 EUR per share