

## Interim Report January – June 2016

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*The transformation into an independent investment company continues*

(Mia Jurke, CEO)

### Key figures

	30 Jun 2016	31 Dec 2015
NAV per share	EUR <b>8.74</b>	EUR <b>9.00</b>
	SEK <b>82</b>	SEK <b>82</b>
Closing price per share	EUR <b>6.29</b>	EUR <b>5.54</b>
	SEK <b>59.25</b>	SEK <b>50.75</b>
Total NAV	EUR <b>236m</b>	EUR <b>254m</b>
Market cap	EUR <b>170m</b>	EUR <b>156m</b>

		2016	2015
Net result	Apr-Jun	EUR <b>-7.3m</b>	EUR <b>0.9m</b>
	Jan-Jun	EUR <b>-7.5m</b>	EUR <b>16.8m</b>
Earnings per share	Apr-Jun	EUR <b>-0.26</b>	EUR <b>0.03</b>
	Jan-Jun	EUR <b>-0.27</b>	EUR <b>0.55</b>

<sup>1</sup> EUR = 9.41 SEK on 30 June 2016. Source: Reuters

### Key events during the quarter

- » Net Asset Value (NAV) per share was EUR 8.74, -2.9% during the quarter, or -1.9% adj. for dividend. Total NAV was EUR 236m. Excluding items affecting comparability, adj. NAV per share increased by 2.1% during the quarter
- » Real Estate increased by 2.3% and Public Equity by 4.1% in Q2. Private Equity decreased by 2.7%
- » The sale of Starman to Providence Equity is expected to close during the third quarter
- » 1,204,686 shares, corresponding to 4.3% of outstanding shares, were repurchased between 20 May and 30 June. 315,229 shares were cancelled on 30 June
- » EUR 7.0m of the holding in Frontier Markets Fund was sold during Q2
- » Dividends totalling EUR 1.3m were received from Baltic Property Fund II and Komercijalna Banka Skopje
- » The AGM resolved on a dividend of SEK 0.80 /share and to re-elect Board members Lars O Grönstedt (Chair), Peter Elam Håkansson and Liselotte Hjorth, with Nadya Wells as a new Board member. The Nomination Committee replaced Kestutis Sasnauskas (prev. East Capital) with Mathias Svensson (Keel Capital) and continues its search for a fifth Board member
- » An EGM approved to terminate the Investment Agreement with East Capital. As a result, the Q2 results include items affecting comparability of EUR -9.7m

### Key events after the quarter

- » During 1 July - 26 August the Company repurchased 0.9m own shares, and thereby holds 7.4% of all shares
- » Fund holdings totalling EUR 19.7m were sold after the end of Q2. A dividend of EUR 0.5m has been received from MFG and EUR 0.3m is expected from Trev-2 by year-end
- » In August, the remaining shares in the holding company ECEI SA, previously co-owned with East Capital, were acquired for EUR -2.0m which will be included in the Q3 2016 results

# The transformation into an independent investment company continues

*We leave behind us an eventful period marked by the final steps in our transformation; a terminated investment agreement and taking full control of our investments and structure*



Mia Jurke, CEO

The second quarter was an eventful quarter for East Capital Explorer and on many other fronts. In May, an Extraordinary General Meeting approved the proposed termination of the investment agreement with East Capital. As of August, a new investment organisation has taken form and we have moved into new offices. Further, the repurchase program that was initiated in May, and that is linked to the NAV discount, has been broad; until 26 August our share repurchases correspond to 7.4 percent of the outstanding shares.

One of the purposes with terminating the agreement was to reduce operating costs. Even though the termination has implied items affecting comparability of EUR -9,7m in the second quarter results, we can see that the underlying cost level has decreased clearly and that it will decrease further. Our objective remains to halve our overall operating costs. In terms of the underlying operations, we are well on our way.

On other fronts, we saw the Brexit side win the British EU referendum. The result initially sparked widespread worries and market volatility, but in most countries the effects were short-lived. The consequence however, was that the expected US interest rate hike was postponed. The persisting low interest rate environment nonetheless benefits our real estate investments. This segment is also where we expect to increase our exposure going forward.

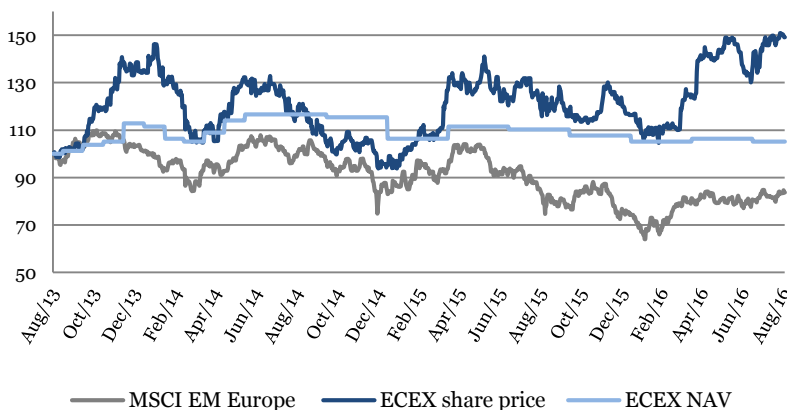
## NAV and share development

NAV per share at the end of the quarter was EUR 8.74 (SEK 82), which corresponds to a performance in EUR of -2.9 percent (-1.9 percent adjusted for dividend) during the period. In SEK, NAV per share declined by 1.0 percent (+0.1 percent dividend adjusted) during the period. However, adjusted for items affecting comparability, related to the termination of the investment agreement, and for dividend, NAV per share in EUR increased by 2.1 percent thanks to a continued good development in the Real Estate segment and value increases in the Public Equity segment, while the Private Equity segment was slightly down. Our share continued to develop strongly during the quarter, rising 8.7 percent in EUR (10.7 percent in SEK), adjusted for the dividend paid. Until yesterday, the share price has increased by 21.0 percent (25.2 percent in SEK) since the beginning of the year.

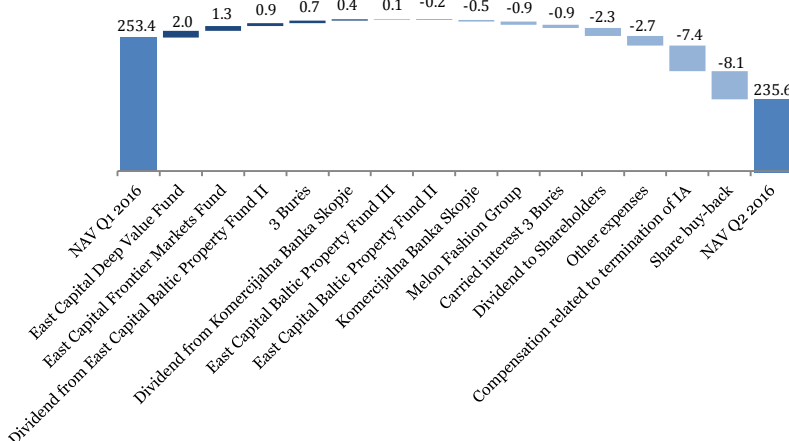
## Portfolio development and -activity

The Real Estate segment increased in value during the quarter, thanks to continued solid operating results in the properties. In our direct investment 3 Burès, the preparations to facilitate the development of a third sky scraper continued. We can note that there is still a strong demand for good office spaces in Vilnius, which not least is reflected in the continued low vacancy rate in the two present buildings. After the quarter, East Capital Baltic Property Fund III acquired the property that houses the Hilton Tallinn Park Hotel, the fund's second investment. We invested a further EUR 4.8m in the fund in conjunction with the Hilton

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



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



**23.6%**

share price increase  
(SEK) year-to-date

*“Our objective remains to halve our overall operating costs. In terms of the underlying operations, we are already well on our way”*

*“Up until August, we have repurchased 7.4 percent of the company’s total outstanding shares, corresponding to a total of EUR 14.1m”*

acquisition, which means that EUR 8.1m of our total EUR 20m commitment is invested.

Melon Fashion Group (MFG) had a somewhat weaker development during the quarter, with the cold spring affecting sales negatively. Despite weaker traffic we see improvements in both margins and sales per customer, which means that profitability is sustained. The weaker sales figures, however, have implied an impairment of the fair value. MFG has per July paid a dividend for 2015, resulting in EUR 0.5m to ECEX. Trev-2 has also decided to pay a dividend corresponding to EUR 0.3m for ECEX’ stake, expected to be paid later this year.

We have continued to divest fund holdings with public equity exposure. Around 60 percent, or EUR 19.6m, of our holding in East Capital Frontier Markets Fund has been sold since the end of the first quarter until now. In addition, we sold holdings corresponding to EUR 7.2m in East Capital Deep Value Fund shortly after the quarter. This means that the combined portfolio weight of the public equity segment has fallen further, in line with our long-term goal of transforming our portfolio into a purely unlisted portfolio.

The sale of Starman was originally expected to be completed by the end of the quarter, but has been delayed. The reason for the delay is an ongoing discussion with one of Starman’s minority shareholders regarding its right of first refusal. ECEX has received two positive rulings from the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) in this matter. However, due to a pending appeal we expect to complete the transaction during the third quarter instead of the second quarter.

Going forward, the portfolio shift towards private equity and real estate will continue, with a main focus on the Baltic region. During the fall, the development of a third sky scraper in 3 Burés will be on the table, and further investments in Baltic Property Fund III are expected. In MFG, focus is on profitability and on rolling out the new successful store concepts. Meanwhile at East Capital Explorer, we are analysing new investment opportunities. When the Starman transaction closes, we expect to have a strong cash position that opens up good possibilities for new investments.

Mia Jurke  
CEO, East Capital Explorer

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## Outlook

In August, ECEX acquired all outstanding control shares in the holding company that we previously co-owned with East Capital. This means that we now have full control of the structure, and that we have taken the final step in becoming an independent investment company. We are now reviewing the company structure with the purpose to increase both transparency and cost efficiency further.

In May, we initiated a share repurchase program linked to our NAV discount, whereby repurchases will be made as long as the NAV discount is higher than 20 percent. Up until August, we have repurchased 7.4 percent of the company’s total outstanding shares, corresponding to a total of EUR 14.1m.

# 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 30 Jun 2016 EURm	NAV/share EUR	% of NAV	Value 31 Mar 2016 mEUR	Value 31 Dec 2015 EURm	Value change Jan-Jun 2016 % <sup>1</sup>	Value change Apr-Jun 2016 % <sup>1</sup>
<b>Private Equity</b>							
Melon Fashion Group	26.7	0.99	11.3	27.6	26.5	0.6	-3.4
Trev-2 Group	6.2	0.23	2.6	6.2	6.2	0.0	0.0
<b>Total Private Equity</b>	<b>32.9</b>	<b>1.22</b>	<b>14.0</b>	<b>33.8</b>	<b>32.7</b>	<b>0.5</b>	<b>-2.7</b>
<b>Real Estate</b>							
3 Burès	29.1	1.08	12.4	28.4	27.6	4.3	2.5
East Capital Baltic Property Fund II	27.3	1.01	11.6	27.5	26.8	5.2	2.2
East Capital Baltic Property Fund III	3.4	0.13	1.5	3.4	3.3	4.0	1.5
<b>Total Real Estate</b>	<b>59.8</b>	<b>2.22</b>	<b>25.4</b>	<b>59.3</b>	<b>57.7</b>	<b>4.7</b>	<b>2.3</b>
<b>Public Equity</b>							
East Capital Deep Value Fund	40.1	1.49	17.0	38.2	40.3	-0.5	5.2
Komercijalna Banka Skopje	8.0	0.30	3.4	8.4	8.6	-2.0	-0.6
<b>Total Public Equity</b>	<b>48.1</b>	<b>1.78</b>	<b>20.4</b>	<b>46.6</b>	<b>48.9</b>	<b>-0.8</b>	<b>4.1</b>
<b>Short-term Investments</b>							
Starman <sup>3</sup>	81.3	3.02	34.5	81.3	71.8	13.2	0.0
East Capital Frontier Markets Fund	24.0	0.89	10.2	29.7	31.1	-0.1	4.5
Other short-term Investments <sup>4</sup>	1.1	0.04	0.5	1.1	1.4	-21.0	1.3
Short-term Investments	106.4	3.95	45.2	112.1	104.3	8.8	1.2
Cash and cash equivalents	4.0	0.15	1.7	9.0	10.5		
<b>Total Short-term Investments</b>	<b>110.4</b>	<b>4.10</b>	<b>46.9</b>	<b>121.1</b>	<b>114.8</b>		
<b>Total Portfolio</b>	<b>251.2</b>	<b>9.32</b>	<b>106.6</b>	<b>260.8</b>	<b>254.2</b>		
Other assets and liabilities net	-15.7	-0.6	-6.6	-7.5	-0.6		
<b>Net Asset Value (NAV)</b>	<b>235.6</b>	<b>8.74</b>	<b>100.0</b>	<b>253.4</b>	<b>253.6</b>	<b>-2.9</b>	<b>-2.9</b> <sup>2</sup>

<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 = 9.41 SEK on 30 Jun 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>

30 June 2016

Company	Value in portfolio, mEUR	% of NAV	Perf. Q2, %	Country	Sector	East Capital Explorer’s investment vehicle
Starman	81.3	34.5	0.0	Estonia	Telecom	Direct Investment (held for sale)
3 Bure	29.1	12.4	2.5	Lithuania	Real Estate	Direct Investment
Melon Fashion Group	26.7	11.3	-3.4	Russia	Consumer Discretionary	Direct Investment
Komercijalna Banka Skopje	9.9	4.2	-0.6	Macedonia	Financials	Direct Investment East Capital Deep Value Fund
Trev-2 Group	6.2	2.6	0.0	Estonia	Industrials	Direct Investment
Tänassilma Logistics	5.9	2.5	3.4	Estonia	Real Estate	East Capital Baltic Property Fund II
Mustamäe Keskus	4.9	2.1	2.0	Estonia	Real Estate	East Capital Baltic Property Fund II
B92	4.8	2.0	5.7	Serbia	Consumer Discretionary	East Capital Deep Value Fund
Metro Plaza	4.4	1.8	2.2	Estonia	Real Estate	East Capital Baltic Property Fund II
Bank Sankt-Peterburg	4.3	1.8	21.4	Russia	Financials	East Capital Deep Value Fund
<b>Total</b>	<b>177.4</b>	<b>75.3</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

Sector breakdown, %



A	Telecom	35 (27)
B	Real Estate	25 (22)
C	Consumer Discretionary	15 (22)
D	Financials	16 (14)
E	Industrials	3 (4)
F	Utilities	2 (2)
G	Consumer Staples	2 (3)
H	Energy	1 (3)
I	Materials	1 (2)
J	Health Care	0 (0)
K	Information Technology	0 (0)

Comparative numbers in parentheses refer to the corresponding period 2015

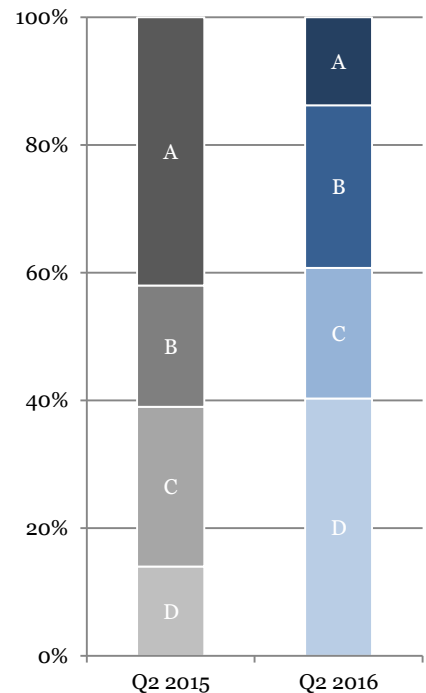
Geographic breakdown, %



A	Baltics	61 (46)
B	Russia	15 (25)
C	Balkans	11 (11)
D	Other countries	13 (18)

Comparative numbers in parentheses refer to the corresponding period 2015

Segment breakdown, %



A	Private Equity	14 (42)
B	Real Estate	25 (19)
C	Public Equity	20 (25)
D	Short-term investments, cash, other assets and liabilities	40 (14)

Comparative numbers in parentheses refer to the corresponding period 2015

# Private Equity

The Private Equity segment represents 14 (42) 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

Russian fashion retailer Melon Fashion Group (MFG) is well positioned with a broad target group under three strong brands: Zarina, befree 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-Jun	2015 Jan-Jun	2016 Apr-Jun	2015 Apr-Jun
Sales	5,940	5,922	3,101	3,051
Gross profit	2,631	2,494	1,484	1,426
EBITDA	-97	67	136	76
Net profit	-238	-148	31	-21
Sales growth (%)	0.3	22.7	1.6	10.5
Gross margin (%)	44.3	42.1	47.9	46.7
EBITDA margin (%)	-1.6	1.1	4.4	2.5
Net debt (neg = net cash)	-355	83	-355	83
Balance sheet total	4,860	4,235	4,860	4,235
Number of stores (end-quarter)	591	644	591	644
Like-for-like sales growth (%)	-1.0	7.8	-0.1	2.3

- Despite persisting external pressures in terms of decreasing traffic and high rouble volatility, MFG delivered satisfactory second quarter results indicating improvements in operating performance compared to last year. Despite double digit drop in store traffic and less aggressive discounting compared to last year, comparable sales remained practically unchanged, declining only by 0.1%. Total sales remained on the level of last year, growing 1.6% year-on-year in Q2 and 0.3% for the first six months of the year
- Gross profit margin has strengthened to 47.9% (46.7%) in Q2 and 44.3% (42.1%) for the first six months following the company's strategy of preserving margins and moving away from discount-driven sales
- On a six months' basis MFG posted an EBITDA loss driven by the significant negative currency impact and revaluation of forward contracts in Q1 2016. Adjusted for the effect of non-cash items, the underlying profitability improved compared to last year. Q2 2016 EBITDA margin reached 4.4% compared to 2.5% in Q2 2015
- Recent investments into upgrade of IT infrastructure include the rollout of a new cashier system that brought noticeable improvements into store operations and client service
- During the period the number of stores dropped to 591. However, given larger selling area of newly opened stores substituting old format stores, the average selling area increased marginally by 0.3%
- East Capital Explorer received dividends from MFG in July corresponding to EUR 0.5m
- The fair value of MFG was impaired by 3.4% to EUR 26.7m. The underlying rouble based valuation was revised by -10%, mainly as a result of the lower sales growth in 2016, while there was a positive (+7.4%) translation effect from RUB to EUR

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	3%

EURm	2016 Jan-Jun	2015 Jan-Jun	2016 Apr-Jun	2015 Apr-Jun
Sales	17.5	17.1	14.5	13.3
EBITDA	0.1	-0.5	1.3	0.9
Operating profit	-1.0	-1.9	0.9	0.2
Net profit	-1.2	-2.1	0.7	0.0
Sales growth (%)	2.4	-24.5	8.6	-19.3
EBITDA margin (%)	0.5	-2.9	9.1	6.6
Operating margin (%)	-5.7	-11.1	6.2	1.5
Net debt	5.3	7.6	5.3	7.6
Balance sheet total	35.6	40.0	35.6	40.0

- In the second quarter, the construction season started in Estonia and for Trev-2 Group. Revenues for Q2 amounted to EUR 14.5m (EUR 13.3m), an increase of 8.6% compared to the previous year. EBITDA amounted to EUR 1.3m (EUR 0.9m), an increase of 50.7% compared to the previous year. An early start of the season positively contributed to the year-on-year outperformance. The company is now focused on filling the project portfolio for the second part of the season to extend it and reduce downtime costs
- As a result of the company's recent efficiency measures, overhead costs were more than 30% lower in both the second quarter and for the first six months compared to the previous year
- On 30 June, net debt amounted to EUR 5.3m, corresponding to 2.2x EBITDA for the last twelve months
- At the AGM in June, a dividend of EUR 0.8m, corresponding to EUR 0.3m for East Capital Explorer's stake, was approved and Emil Holmström was elected to the Board, replacing Gert Tiivas
- 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 25 (19) 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	12%

Rubm	2016 Jan-Jun	2015 Jan-Jun	2016 Apr-Jun	2015 Apr-Jun
Net rental revenue*	2.3	2.2	1.1	1.1
Net operating income	2.0	2.0	1.0	1.0
Vacancy rate (% end-quarter)	1.5	0.6	1.5	0.6
Avg. rent (€/sqm, end-quarter)	12.7	12.7	12.7	12.7

\* Rental income only, excluding income from communal services

- During the second quarter, the equity value of 3 Burès increased by 2.5% as a result of positive operating result
- The current tenant mix in the business centre is stable and vacancy in the office complex at the end of second quarter remains at 1.5%, similar to the first quarter
- A lease representing 4.6% of total area was prolonged for 3.5 years during the second quarter
- The preparatory construction works for the third office tower development have been initiated. Negotiations are being held with two potential tenants to sign pre-leases that would cover the bulk of the leasable area in the new tower

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	12%

	Q2 2016	YTD 2016	Since May 12
Performance of the holding, EUR	2.2%	5.2%	40.7%

Properties in the portfolio	Weight of mkt value, %	Contr, %*	Location	Type
Mustamäe Keskus	21	19	Tallinn	Retail
GO9	21	16	Vilnius	Retail
Tänassilma Logistics	20	30	Tallinn	Logistics
Metro Plaza	16	16	Tallinn	Office
Deglava Prisma	11	8	Riga	Retail
Rimi Logistics	10	12	Tallinn	Logistics

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

- The fair value of East Capital Explorer's holding in East Capital Baltic Property Fund II increased by 2.2% during the second quarter, adjusted for dividend pay-out of EUR 0.8m
- Most of the properties in the fund continued to perform in line with expectations with operating profit from Tänassilma Logistics contributing the most to the quarterly increase in net asset value
- Deglava Prisma property has been temporarily closed down, after a deformation was detected in the construction elements at the beginning of June. Repair works are ongoing and the store is expected to be opened as soon as possible after ensuring the visitors' safety. Rent income for the property is stopped from June until the operations are restored which will affect NAV negatively in the coming quarters
- In Mustamäe Keskus a shopping center manager was hired instead of part time consultants. Close relationship with tenants and co-ordinated marketing activities are key focus areas

### East Capital Baltic Property Fund III

The fund was launched in 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%

	Q2 2016	YTD 2016	Since Aug 15
Performance of the holding, EUR	1.5%	4.0%	3.5%

- The net asset value of East Capital Explorer's holding in the fund increased by 1.5% during the second quarter. Q2 performance was affected by a negative market value of Vesse Retail Park's interest rate swap; quarterly NAV increase excluding the swap valuation would be 4.3%
- Vesse Retail Park, the first acquisition in the fund, is operating as planned with full occupancy and average rent of EUR 9.4 per sqm
- Planning and design works are ongoing to renovate the facade and simultaneously the Maksimarket grocery store is planning an upgrade and refreshment of the concept
- After the quarter end, in July, the fund announced its second investment as the agreement to acquire Hilton Tallinn Park Hotel property was signed. The hotel, with 202 rooms, is the first Hilton hotel in the Baltics. The property also includes the Olympic flagship casino. The total acquisition value is EUR 48.0m
- East Capital Explorer has committed to invest a total of EUR 20m in the fund. EUR 3.3m was drawn down for the Vesse investment in December 2015. In July, EUR 4.8m was drawn down for the Hilton Tallinn Park acquisition



# Public Equity

The Public Equity segment represents 20 (25) 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 comprises 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 inv. and through EC Deep Value Fund)	4%

MKDm	2016 Jan-Jun	2015 Jan-Jun	2016 Apr-Jun	2015 Apr-Jun
Net interest income	1,478	1,413	736	735
Net interest margin (%)	3.8	3.7	3.8	3.7
Total operating income	2,130	2,026	1,094	1,033
Operating expenses	845	868	436	452
Cost Income ratio (%) *	37.2	41.0	37.0	40.0
Profit before tax and provisions	1,286	1,158	659	581
Net profit	201	-181	31	345

\* Excluding one-offs

- KBS reported a net profit of MKD 201m (EUR 3.3m) for the first six months of 2016, compared to a loss for the same period in 2015. The bank's operating income before provisions and taxes continued to grow steadily year-on-year, thanks to good core business results and cost control
- Annualised net interest margin increased to 3.8% and the cost/income ratio was a healthy 37%
- KBS' balance sheet contracted by 3.7% in the first half-year for the first time in several years, on the back of deposit withdrawals in the spring which was due to some temporary speculation in the press about currency stability. The situation has calmed down, and deposit levels have more or less stabilized. As KBS has excess liquidity, the bank had no problems handling the withdrawals and sees no need to raise rates to attract new deposits
- The retail loan portfolio continued to grow at a conservative pace, with good quality indicators. Gross loans as a whole contracted slightly over the period
- East Capital Explorer received dividends from KBS corresponding to EUR 0.4m. Adjusted for the dividend, the share was down by -0.6% during the 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	79%
% of NAV	17%

	Q2 2016	YTD 2016	Since Dec 14
Performance of the holding, EUR	5.2%	-0.5%	3.0%

### Largest holdings in the Fund on 30 June 2016

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
B92	13.7	5.6	0.7	Serbia	Cons. Disc.
Bank Saint-Petersburg	10.6	21.1	2.0	Russia	Financials
Caucasus Energy & Infrastructure	7.7	1.5	0.1	Georgia	Utilities
Chagala Group	5.6	127.5	3.3	Kazakhstan	Cons. Disc.
Reinsurance Co Sava	5.2	4.7	0.2	Slovenia	Financials
Komercijalna Banka Skopje	4.8	-5.7	-0.3	Macedonia	Financials
Impact	4.7	-11.6	-0.7	Romania	Financials
Telekom Srpske	3.0	-18.8	-0.7	Bosnia	Telecom
Mrsk Tsentra I Privolzhya	2.3	-7.4	-0.2	Russia	Utilities
Pif Big	2.3	31.9	0.6	Bosnia	Financials

All figures in performance during the second quarter 2016

\* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
60	17	102

- The value of East Capital Explorer's holding in the fund rose by 5.2% in the second quarter. While the fund has no official benchmarks, this was significantly above MSCI Emerging Markets Europe which declined by -1.4%, but slightly below MSCI Russia which gained 6.7%
- Among the largest contributors were Kazakh facilities provider Chagala Group, which rallied by 127.5% on the news that a significant stake in the company had been acquired at a 72% premium to the market price, and Bank Saint-Petersburg which gained 21.1% on the back of improving interest in high quality second tier Russian shares, in part thanks to the strengthening of the rouble and oil price
- Among the negative attributors were Telekom Srpske that was down by 18.8% primarily driven by general market fears related to Brexit and Impact that despite posting solid Q1 results, lost 11.6% due to the introduction of a "mortgage walkaway law" which led to fears that banks will reduce new mortgages. As of today, it is now clear that the impact of this law will be marginal
- Recent European events are expected to lead to low activity in the near term. The Russian economy (21.0% of the fund) is beginning to show improvements while growth in the core Balkan markets is picking up, most notably in Romania (6.3% of the fund)

# 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 35 percent of NAV. East Capital Frontier Markets Fund corresponds to 10 percent of NAV. East Capital Bering Ukraine Fund Class R, which increased by 1 percent in the second quarter, corresponds to 0.5 percent of East Capital Explorer's NAV and is not specified below.

## Starman (held for sale)

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	35%

EURm	2016	2015	2016	2015
	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun
Sales	28.6	24.8	14.2	13.1
- of which Cgates	9.3	6.7	4.6	4.0
EBITDA	12.6	11.9	6.2	6.3
- of which Cgates	3.6	2.9	1.9	1.8
Net profit	0.9	2.4	0.3	1.2
Sales growth (%)	15.5	49.5	8.6	57.5
EBITDA margin (%)	44.0	48.0	43.6	48.1
Net debt	73.1	76.4	73.1	76.4
Balance sheet total	168.3	166.2	168.3	166.2
Number of RGU's ('000)	525	501	525	501
- of which Cgates	225	202	225	202
Avg. ARPU, combined (EUR/m)	13.8	13.0	13.8	13.0

\* Cgates consolidated as of 1 Feb 2015

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

- The sale of the stake in Starman to Providence Equity, originally announced in March 2016, was not closed in the second quarter as originally expected. The reason is a pending appeal regarding the right of first refusal of one of Starman's minority shareholders. ECEX has previously received two positive rulings from the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) in this matter, and expects to close the transaction during Q3
- Operationally, the second quarter showed increased competition and Starman lost subscribers, also in Estonia. In Estonia, comparable revenues grew 5.5% while comparable EBITDA before one-off items declined 2.8% y-o-y in the second quarter. In Lithuania, comparable revenues grew 4.3% while comparable EBITDA before one-off items declined by 2.5% y-o-y. Comparable group revenues grew 5.1% in the second quarter and 6.2% in the first six months of the year, while comparable group EBITDA before one-off items declined by 2.7% in the second quarter and by 3.2% in the first six months of the year
- In May, the company made a smaller add-on acquisition of Remo TV in Lithuania as part of its in-market consolidation strategy. Remo TV, providing cable TV and broadband services in the city of Elektrenai, adds around 7,500 homes to the existing network of more than 400,000 connected homes
- On 30 June, net debt amounted to EUR 73.1m, corresponding to 2.9x EBITDA for the last twelve months
- The fair value of the holding in Starman was kept unchanged at EUR 81.3m, which is the estimated cash consideration at closing in the transaction with Providence Equity. The actual consideration is subject to the level of net debt at closing, as well as to possible earn-outs receivable in 2017

## 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	52%
% of NAV	10%

	Q2 2016	YTD 2016	Since Dec 14
Performance of the holding, EUR	4.5%	-0.1%	2.5%

### Largest holdings in the Fund on 30 June 2016

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Banco Macro	5.2	20.2	0.9	Argentina	Financials
National Bank Of Kuwait	5.2	-7.5	-0.4	Kuwait	Financials
United Bank	4.8	21.9	0.9	Pakistan	Financials
Vietnam Dairy Products	3.1	9.4	0.3	Vietnam	Cons. Stap.
Habib Bank	2.8	19.7	0.4	Pakistan	Financials
YPF	2.6	11.6	0.4	Argentina	Energy
Montenegro Telekom	2.5	-26.7	-0.8	Montenegro	Telecom
Sonatel	2.4	-2.4	-0.1	Senegal	Telecom
Engro Foods	2.2	5.2	0.1	Pakistan	Cons. Stap.
Grupo Fin Galicia	2.2	9.3	0.1	Argentina	Financials

All figures in performance during the second quarter 2016

\* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
32	0	62

- The value of the holding in East Capital Frontier Markets Fund gained 4.5% while the MSCI Frontier Markets index gained 3.1% during the second quarter
- A positive key event during the quarter was MSCI deciding to reclassify Pakistan from frontier markets to emerging markets next year. The fund kept its overweight position in Pakistan but took profit in some names which had been tactically increased towards the MSCI announcement
- Argentina continued to gain and was up 8.9% as the recently elected president Macri's reform processes continued to be appreciated by investors. Banking sector was particularly strong with one of the fund's largest holdings Banco Macro gaining 20.2%
- Eastern European frontier markets such as Romania, Slovenia and Montenegro had a volatile period mainly due to Brexit worries. Quality stocks such as Telekom Montenegro ended the period in red at -26.7%

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

# 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 second quarter 2016

The net result for the second quarter was EUR -7.3m (EUR 0.9m), including value changes of shares in subsidiaries of EUR -5.3m (EUR 1.1m), corresponding to earnings per share of EUR -0.26 (EUR 0.03).

In Q2 2016, Melon Fashion Group was impaired by EUR -0.9m in total. The underlying asset in rouble was impaired by EUR -2.8m due to lower sale forecast, while the translation from rouble to euro had a positive effect of EUR 2.0m. Furthermore, the Company received dividend from East Capital Baltic Property Fund II of EUR 0.9m and from Komercijalna Banka Skopje of EUR 0.4m. Together with fair value adjustments in 3 Burès of EUR 0.7m, East Capital Deep Value Fund of EUR 2.0 and in East Capital Frontier Markets Fund of EUR 1.3m, these were the main contributors to the change in value of shares in subsidiaries in the Income statement for the period.

In the investment activities, the Company has sold shares in East Capital Frontier Markets Fund for a total amount equivalent to EUR 7.0m.

The result for the period includes expenses of EUR -2.0m (EUR -0.4m), all of which refer to the Parent company.

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

## Results for the period January-June 2016

The net result for the first six months was EUR -7.5m (EUR 16.8m), including value changes of shares in subsidiaries of EUR -4.8m (EUR 17.5m), corresponding to earnings per share of EUR -0.27 (EUR 0.55).

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 to East Capital 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 EUR 0.2m in total. The underlying asset in rouble was impaired by EUR -2.8m due to lower sale forecast, while the translation from rouble to euro had a positive effect of EUR 3.1m. Furthermore, the Company received dividend from East Capital Baltic Property Fund II of EUR 0.9m and from Komercijalna Banka Skopje of EUR 0.4m. Together with fair value adjustments in 3 Burès of EUR 1.2m and East Capital Baltic Property Fund II of EUR 0.5m these were the main contributors to the change in value of shares in subsidiaries in the Income statement for the period.

In the investment activities, the Company has sold shares in East Capital Frontier Markets Fund for a total amount equivalent to EUR 7.0m. Further, the Company made a smaller add-on investment in 3 Bures of EUR 0.25m during the first quarter.

The result for the period includes expenses of EUR -2.7m (EUR -0.8m), all of which refer to the Parent company.

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

## Financial Position and Cash Flow January-June 2016

The Company's equity ratio was 99.7 percent (99.8 percent).

The cash flow presented below only relates to transactions in the Parent Company. During the period January-June 2016, the Company received repayment of shareholder's contributions of EUR 14.0m (EUR 17.5m) from East Capital Explorer Investments SA. In June an ordinary dividend for 2015 of SEK 0.80 per share, corresponding to EUR 0.09 per share, was paid out to the shareholders. The total amount of the dividend was EUR 2.3m. The total During the period 20 May – 30 June 2016, East Capital Explorer repurchased a total of 1,204,686 shares, for an amount equivalent to EUR 8.1m.

Cash and cash equivalent at the end of the period amounted to EUR 2.9m (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 110.4m (EUR 43.0m). Please refer to the breakdown of values in subsidiaries on pages 15-17 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 during the first six months of the year.

## Business Environment and Market

After a good start to 2016 for the Baltic countries, Russia as well as the Balkans, the second quarter was more mixed as Brexit related uncertainties were priced in. Stock markets in Eastern Europe as a whole declined by 1.4 percent (MSCI Emerging Markets Europe). The Baltic countries that represent East Capital Explorer's largest market continued to show a stable macroeconomic development and, despite a generally turbulent market in other regions, stock markets in the Baltic countries ended the quarter more or less unchanged. Russia showed evidence of economic stabilization, as illustrated by the first interest rate cut to 10.5 percent after the inflation fell to 7.3 percent. The recovery of the oil price gave support to the Russian stock market that gained 6.7 percent (MSCI Russia) during the second quarter. East Capital Explorer's third largest market, the Balkan countries, on the other hand had a negative performance in the second quarter with a stock market loss of 5.3 percent.

The Baltic economies have continued to outgrow the euro area, thanks to a broad base of domestic and foreign demand. Economic growth is expected to accelerate from 2-3 percent in 2015 to 3-4 percent in 2016, 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.

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

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 were 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 fees related to the termination of the Investment Agreement, please see Note 5 Related parties.

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. During the first six months of 2016, management fees to East Capital amounted -1.7m (EUR -2.5m). Performance fees amounted to EUR -7.4m (EUR 0.0m). The performance fees, which are treated as a liability, are related to the upcoming sale of Starman, EUR -6.5m, and accrued profit sharing of 3 Burès, EUR -0.9m.

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

### 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'. Please note that as of 19 August 2016, East Capital Explorer Investments SA is a wholly owned subsidiary.

The Board of Directors and the CEO certify 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, 30 August 2016

Lars O Grönstedt  
Chairman of the Board

Mia Jurke  
Chief Executive Officer

Peter Elam Håkansson  
Board Member

Liselotte Hjorth  
Board Member

Nadya Wells  
Board Member

This Interim report has not been subject to specific review by the company's auditors.

## Contact information

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## Financial calendar

- Interim Report Q3 2016 – 17 November 2016
- Year-end Report 2016 – 8 February 2017

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*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 30 August 2016.*

## Income Statement

EUR Thousands					
	Note	2016 Jan-Jun	2015 Jan-Jun	2016 Apr-Jun	2015 Apr-Jun
Changes in fair value of subsidiaries	2	-4,819	17,477	-5,304	1,147
Staff expenses		-639	-415	-355	-200
Other operating expenses		-431	-418	-283	-211
Items affecting comparability <sup>1</sup>		-1,604	-	-1,375	-
<b>Operating profit/loss</b>		<b>-7,494</b>	<b>16,644</b>	<b>-7,317</b>	<b>736</b>
Financial income		0	126	-2	126
Financial expenses		-11	-6	-11	-5
<b>Profit/loss before tax</b>		<b>-7,504</b>	<b>16,764</b>	<b>-7,329</b>	<b>857</b>
Tax		-	-	-	-
<b>NET PROFIT/LOSS FOR THE PERIOD<sup>2</sup></b>		<b>-7,504</b>	<b>16,764</b>	<b>-7,329</b>	<b>857</b>
Earnings per share, EUR					
- Attributable to shareholders of the Parent Company		-0.27	0.55	-0.26	0.03
No dilutive effects during the periods					

<sup>1</sup> Advisory costs related to the termination of the Investment Agreement with East Capital

<sup>2</sup> Net Profit/Loss for the period corresponds to Total Comprehensive income

## Balance Sheet

EUR Thousands				
	Note	2016 30 Jun	2015 31 Dec	2015 30 Jun
<b>Assets</b>				
Shares in subsidiaries	3, 4	233,321	252,140	266,121
<b>Total non-current assets</b>		<b>233,321</b>	<b>252,140</b>	<b>266,121</b>
Accrued income and prepaid expenses		7	14	7
Cash and cash equivalent		2,868	1,918	11,258
<b>Total current assets</b>		<b>2,875</b>	<b>1,932</b>	<b>11,265</b>
<b>Total assets</b>		<b>236,196</b>	<b>254,071</b>	<b>277,386</b>
<b>Equity</b>				
Share capital <sup>1</sup>		3,655	3,654	3,650
Other contributed capital/Share premium reserve <sup>2</sup>		308,458	318,920	320,377
Retained earnings <sup>2</sup>		-69,014	-76,282	-76,901
Net profit/loss for the period <sup>2</sup>		-7,504	7,268	16,764
<b>Total equity</b>		<b>235,596</b>	<b>253,561</b>	<b>263,892</b>
<b>Current liabilities</b>				
Other liabilities		243	256	13,279
Accrued expenses and prepaid income		356	254	215
<b>Total current liabilities</b>		<b>600</b>	<b>510</b>	<b>13,495</b>
<b>Total equity and liabilities</b>		<b>236,196</b>	<b>254,071</b>	<b>277,386</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	-	-	-7,504	-7,504
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-7,504</b>	<b>-7,504</b>
Bonus issue	1	-1	-	-
Dividend to shareholders	-	-2,335	-	-2,335
Share buy-back	-	-8,126	-	-8,126
<b>Closing equity 30 June 2016</b>	<b>3,655</b>	<b>308,458</b>	<b>-76,518</b>	<b>235,596</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>261,314</b>
Net profit/loss for the period	-	-	16,764	16,764
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>16,764</b>	<b>16,764</b>
Redemption program	-	-13,170	-	-13,170
Share buy-back	-	-1,017	-	-1,017
<b>Closing equity 30 June 2015</b>	<b>3,650</b>	<b>319,758</b>	<b>-59,518</b>	<b>263,891</b>

## Statement of Cash Flow

EUR Thousands				
	2016 Jan-Jun	2015 Jan-Jun	2016 Apr-Jun	2015 Apr-Jun
<b>Operating activities</b>				
Operating profit/loss	-7,494	16,644	-7,317	736
Changes in fair value of subsidiaries	4,819	-17,477	5,304	-1,147
<b>Cash flow from current operations before changes in working capital</b>	<b>-2,674</b>	<b>-833</b>	<b>-2,013</b>	<b>-411</b>
<b>Cash flow from changes in working capital</b>				
Increase (-)/decrease(+) in other current receivables	7	10	4	4
Increase (+)/decrease(-) in other current payables	89	-79	41	-268
<b>Cash flow from operating activities</b>	<b>-2,578</b>	<b>-902</b>	<b>-1,968</b>	<b>-675</b>
<b>Investing activities</b>				
Repayment of shareholder contributions	14,000	12,000	14,000	9,500
<b>Cash flow from investing activities</b>	<b>14,000</b>	<b>12,000</b>	<b>14,000</b>	<b>9,500</b>
<b>Financing activities</b>				
Dividend to shareholders	-2,335	-	-2,335	-
Share buy-back	-8,126	-1,017	-8,126	-622
<b>Cash flow from financing activities</b>	<b>-10,461</b>	<b>-1,017</b>	<b>-10,461</b>	<b>-622</b>
<b>Cash flow for the period</b>	<b>961</b>	<b>10,081</b>	<b>1,572</b>	<b>8,203</b>
Cash and cash equivalent at the beginning of the period	1,918	1,057	0	2,934
Exchange rate differences in cash and cash equivalents	-11	120	-12	121
<b>Cash and cash equivalent/cash and bank at the end of the period</b>	<b>2,868</b>	<b>11,258</b>	<b>1,559</b>	<b>11,258</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 – 30 Jun 2016	Private Equity	Real Estate	Public Equity	Short-term investments	Unallocated	Total
Changes in value of portfolio	166	1,871	-787	9,130	-	10,381
Received dividends	-	854	416	-	-	1,270
Other operating expenses (incl. management fees)	-240	-172	-61	-588	-561	-1,622
Items affecting comparability <sup>1</sup>	-	-935	-	-6,513	-7,400	-14,848
<b>Changes in value of subsidiaries</b>	<b>-74</b>	<b>1,618</b>	<b>-432</b>	<b>2,029</b>	<b>-7,961</b>	<b>-4,819</b>
Staff expenses	-	-	-	-	-639	-639
Other operating expenses	-	-	-	-	-431	-431
Items affecting comparability <sup>2</sup>	-	-	-	-	-1,604	-1,604
<b>Operating profit/loss</b>	<b>-74</b>	<b>1,618</b>	<b>-432</b>	<b>2,029</b>	<b>-10,635</b>	<b>-7,493</b>
Financial expense	-	-	-	-	-11	-11
<b>Profit/loss before tax</b>	<b>-74</b>	<b>1,618</b>	<b>-432</b>	<b>2,029</b>	<b>-10,646</b>	<b>-7,504</b>
<b>Assets</b>	<b>32,911</b>	<b>59,839</b>	<b>48,107</b>	<b>110,394</b>	<b>-15,055</b>	<b>236,196</b>

EUR thousands						
1 Jan – 30 Jun 2015	Private Equity	Real Estate	Public Equity	Short-term investments	Unallocated	Total
Changes in value of portfolio	4,516	1,674	10,140	2,651	-	18,982
Other operating expenses (incl. management fees)	-994	-210	-73	-	-228	-1,505
<b>Changes in value of subsidiaries</b>	<b>3,523</b>	<b>1,463</b>	<b>10,068</b>	<b>2,651</b>	<b>-228</b>	<b>17,477</b>
Staff expenses	-	-	-	-	-415	-415
Other operating expenses	-	-	-	-	-418	-418
<b>Operating profit/loss</b>	<b>3,523</b>	<b>1,463</b>	<b>10,068</b>	<b>2,651</b>	<b>-1,061</b>	<b>16,644</b>
Financial income	-	-	-	-	126	126
Financial expense	-	-	-	-	-6	-6
<b>Profit/loss before tax</b>	<b>3,523</b>	<b>1,463</b>	<b>10,068</b>	<b>2,651</b>	<b>-940</b>	<b>16,764</b>
<b>Assets</b>	<b>110,061</b>	<b>50,294</b>	<b>66,152</b>	<b>50,946</b>	<b>-67</b>	<b>277,386</b>

<sup>1</sup> Costs related to the transition and termination agreement with East Capital (Real Estate and Unallocated), and to the upcoming sale of Starman (Short-term investments). Please refer to Note 5 Related parties

<sup>2</sup> Advisory costs related to the termination of the Investment Agreement with East Capital

## 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 30 June 2016	Country	Number of shares	Book value, EURt	Ownership capital
East Capital Explorer Investments SA	Bertrange, Luxembourg	4,000	233,321	100%
East Capital Explorer Investments AB	Stockholm, Sweden	11,000	8,158	100%
Humarito Limited	Nicosia, Cyprus	2,000	217,569	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	29,103	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	40,138	79%
East Capital Frontier Markets Fund	Bertrange, Luxembourg	296,995	24,000	52%

<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 233.3m and cash and cash equivalent of EUR 2.9m. 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, %	
		30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
East Capital Explorer Investments SA	Bertrange, Luxembourg	233,321	252,140	100	100

On 30 June 2016, East Capital Explorer AB owned 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. Please note that, as of 19 August 2016, East Capital Explorer AB owns 100% of the votes in East Capital Explorer Investments SA.

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							
30 June 2016							
Breakdown of values in subsidiaries	Private Equity	Real Estate	Public Equity	Short-term investments	Cash and bank	Other assets and liabilities, net	Total
<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	-	-
Divestments/Reductions	-	-	-	-7,034	7,034	-	-
Other	-	-	-	-	-1,506	-14,964	-16,470
Repaid shareholders contributions	-	-	-	-	-14,000	-	-14,000
Dividend received	-	-	-	-	1,270	-	1,270
Changes in fair value recognised net in profit/loss	166	1,871	-787	9,130	-	-	10,381
<b>Closing balance 30 June 2016</b>	<b>32,911</b>	<b>59,839</b>	<b>48,107</b>	<b>106,385</b>	<b>1,140</b>	<b>-15,062</b>	<b>233,321</b>

EUR Thousands							
31 December 2015							
Breakdown of values in subsidiaries	Private Equity	Real Estate	Public Equity	Short-term investments	Cash and bank	Other assets and liabilities, net	Total
<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. These holdings are valued internally or externally at year-end, and 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
30 June 2016		
Sensitivity analysis		
Long term growth rate (0.5% movement)	963	-887
Weighted average cost of capital (WACC) (0.5% movement)	-1,139	1,224
Long term operating margin (0.5% movement)	1,696	-1,696

Effect in EUR thousands	Real Estate Profit or loss	
	Increase	Decrease
30 June 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 10 in this report.

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

EUR thousands				
30 June 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	-	-	32,911	32,911
Real Estate	-	-	59,839	59,839
Public Equity	48,107	-	-	48,107
Short-term investments	24,000	81,300	1,085	106,385
<b>Total</b>	<b>72,107</b>	<b>81,300</b>	<b>93,835</b>	<b>247,242</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				
30 June 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	166	1,871	-288	1,750
<b>Closing balance 30 June 2016</b>	<b>32,911</b>	<b>59,839</b>	<b>1,085</b>	<b>93,835</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 1,750 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)

30 June 2016		
Risk factors	Change	Effect on net profit/loss for the period
Fx EUR/RUB	+/- 10%	2,670
Fx EUR/USD	+/- 5%	3,261
Equity price	+/- 10%	24,724

## Note 5 Related parties

On 30 June 2016, East Capital Explorer AB had a related party relationship with its subsidiaries, with companies in the East Capital Group, as well as with management and employees.

At an Extraordinary General Meeting on 9 May 2016, East Capital Explorer's shareholders approved the Board's proposal to terminate the Investment Agreement between East Capital Explorer and East Capital. Consequently, no management fees to East Capital have been paid following the EGM, with the exception of the real estate funds East Capital Baltic Property Fund II and East Capital Baltic Property Fund III. Management fees paid by ECEI SA to East Capital Asset Management SA for the first six months of 2016 amounted to EUR -1.7m (EUR -2.5m).

Following the decision to terminate the investment agreement, East Capital Explorer and East Capital have signed a Transition and Termination Agreement regarding services and other undertakings until 31 December 2017. According to this agreement, a total of EUR -10.3m will be paid to East Capital as compensation for services, undertakings and shares. The cash payment will be in installments according to the following; EUR 7.5m in Q3 2016, EUR 0.9m in Q4 2016 and EUR 2.0m in Q1 2017. EUR -8.3m of this is included in the Q2 results, and another EUR -2.0m will be included in the Q3 2016 results. Furthermore, a reserve of EUR -6.5m relating to performance fees for the upcoming sale of Starman was booked in Q1 2016 and will be paid upon closing of the transaction. Please see Note 2 Segment reporting and company press releases.

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.

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 22.8 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-June 2015.*

## Note 6 Repurchase of shares and dividend

On 20 May 2016, the Company launched a buyback program. 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. Going forward, the Board has announced its intention to call an EGM in order to cancel the Company's treasury shares if the buyback mandate's 10 percent of outstanding shares threshold is reached, and to ask for a renewed buyback mandate. The Company repurchased a total of 1,204,686 shares during the period 20 May through 30 June 2016, corresponding to 4.28 percent of the Company's outstanding shares, at an average price of SEK 62.56 per share.

The total number of shares outstanding in East Capital Explorer as of 30 June 2016 amounted to 28,161,563. Adjusted for repurchased shares in 2016, the number of shares amounted to 26,956,877. The weighted average number of shares outstanding for the reporting period was 27,972,583, adjusted for the repurchased shares. In June 2016 the Company reduced its share capital by cancelling the 315,229 shares that were repurchased during 2015.

East Capital Explorer's dividend policy states that at least 50 percent of dividends received from portfolio holdings shall 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. At the Annual General Meeting 2016, it was resolved to pay an ordinary dividend for 2015 of SEK 0.80 per share, corresponding to EUR 0.09 per share. Payment to shareholders was made in June 2016.

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

Shares in East Capital Deep Value Fund were sold for an amount equivalent to EUR 7.2m and in East Capital Frontier Markets Fund for an amount equivalent to EUR 12.5m.

In July, the Company received dividend from Melon Fashion Group of EUR 0.5m.

On 27 July 2016, the second drawdown was made in East Capital Baltic Property Fund III for an amount equivalent to EUR 4.8m. In connection with the drawdown, East Capital Baltic Property Fund III acquired Hilton Tallinn Park Hotel in central Tallinn.

On 19 August 2016, the Company purchased the voting shares in the jointly owned Luxemburg based company East Capital Explorer Investments S.A. from East Capital, for an amount equivalent to EUR 2.0m.

It was further announced that East Capital Explorer has hired four new employees to its investment organization and moved to new premises in Stockholm.

The Company repurchased a total of 891,059 shares during the period 1 July through 26 August 2016, corresponding to 3.16 percent of the Company's outstanding shares, at an average price of SEK 63.08 per share.

## Note 8 Key Figures

Key figures	6m 2016	3m 2016	12m 2015	9m 2015	6m 2015	3m 2015	12m 2014	9m 2014
Net asset value (NAV), EUR m	236	253	254	252	264	279	261	297
Equity ratio, %	99.7	99.8	99.8	99.9	95.1	99.8	99.8	99.9
Market capitalisation, SEK m	1,597	1,528	1,429	1,464	1,486	1,688	1,273	1,395
Market capitalisation, EUR m	170	165	156	156	161	182	134	153
Number of outstanding shares, m	27.0	28.2	28.2	28.2	28.3	29.9	29.9	29.9
Number of outstanding shares including repurchased shares, m	28.2	28.5	28.5	28.5	28.5	29.9	29.9	29.9
Weighted average number of shares, m	28.0	28.2	29.3	29.7	30.5	30.6	31.8	32.3
Number of employees	5	4	4	4	4	4	4	4
Key figures per share	6m 2016	3m 2016	12m 2015	9m 2015	6m 2015	3m 2015	12m 2014	9m 2014
Earnings per share, EUR	-0.27	-0.01	0.25	0.20	0.55	0.52	-1.06	0.07
Dividend per share, EUR	-	-	0.09	-	-	-	-	-
NAV, SEK	82	83	82	84	86	87	83	90
NAV, EUR	8.74	9.00	9.00	8.96	9.32	9.35	8.73	9.94
Share price, SEK <sup>1</sup>	59.25	54.25	50.75	52.00	52.50	56.50	42.50	46.60
Share price, EUR <sup>1</sup>	6.29	5.87	5.54	5.55	5.68	6.10	4.49	5.12
SEK/EUR	9.41	9.24	9.16	9.36	9.25	9.26	9.47	9.11

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