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Corporate Governance

East Capital Explorer AB (publ) (“the Company”) sees corporate governance as the manner in which the Company operates and is organised for the purpose of safeguarding the shareholders’ interests and achieving the Company’s goal of providing a good return in the long term.

Corporate governance

Framework for Corporate Governance

Corporate governance within East Capital Explorer is based on both external regulations and internal rules. The external regulations are the Swedish Companies Act, the Nasdaq Stockholm Rule Book for Issuers, the Swedish Corporate Governance Code (“the Code”) as well as other applicable Swedish and foreign legislation and provisions. The Company’s internal frameworks consist of its articles of association, rules and guidelines on corporate governance, the rules of procedure for the Board of Directors, the instructions for the CEO and the policy documents adopted by the Company.

The Company complies with the Code. In 2016 the Company deviated from rule 2.6 of the Code, which states that the Nomination Committee’s proposals are to be presented

in the notice of the Annual General meeting. The notice was published on 5 May 2016 and the Nomination Committee’s proposal on the Board composition were presented in a separate press release on 2 June, since at the time the notice was issued, the Company had not received any proposal on Board members from the Nomination Committee. The Company also deviated from rule 7.3, that the Board on a yearly basis shall make an assessment on whether the Company is in need of an internal audit function. The Board chose to postpone the discussion until 2017, as a consequence of the termination of the investment agreement with East Capital, and the internal restructuring.

Purpose and nature of the Company

East Capital Explorer is a public limited company established in 2007 that invests primarily in unlisted companies and real estate located mainly in the Baltic states, Russia and the Balkans. The purpose of the Company is to create the highest possible, risk-adjusted return for the Company’s shareholders. Value is added through active ownership and the unique exposure in the Company’s investment regions.

The nature of the Company’s investment portfolio is in transition from historically largely consisting of investments made through an indirect investment structure in a selection of funds managed by East Capital, to direct investments focused on properties in the Baltics with the investments managed by the Company’s in-house investment team.

The Board of East Capital Explorer

Composition of the Board

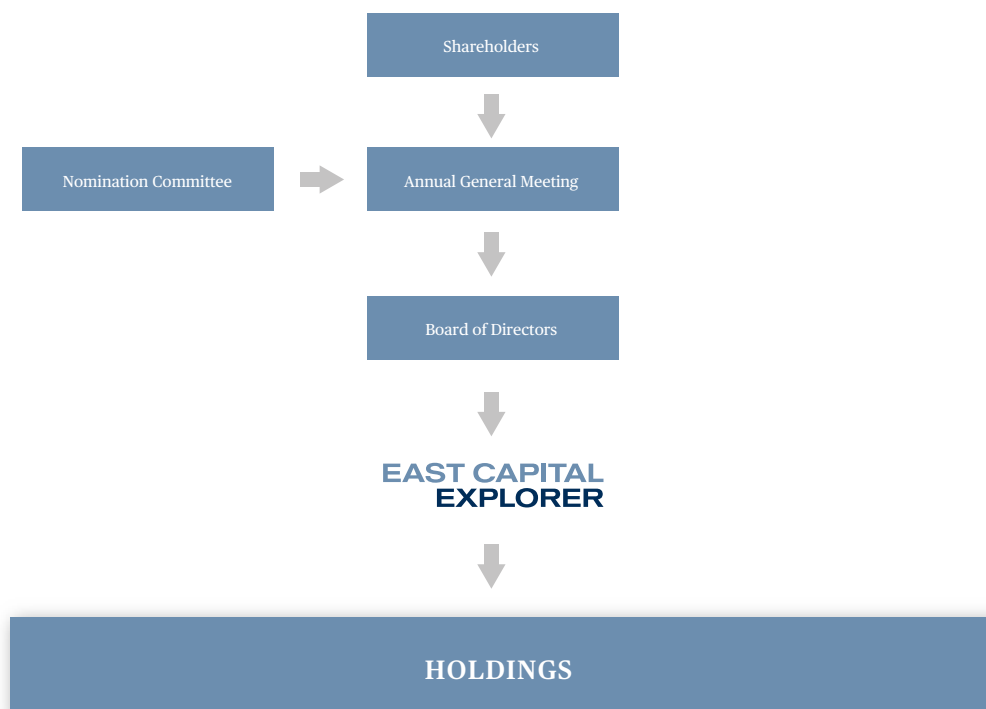
According to the Company’s articles of association, the Board is to consist of three to six members without deputies. The Board members are elected by the Annual General Meeting for a one-year term. The 2016 Annual General Meeting re-elected Lars O Grönstedt, Peter Elam Håkansson and Liselotte Hjorth to the Board. Lars O Grönstedt was re-elected as Chairman of the Board. Nadja Wells was elected as a new Board member. At an Extraordinary General meeting in January 2017, Göran Bronner was elected as a member of the Board.

Independence of the Board

Under the applicable regulations, Board members Lars O Grönstedt, Liselotte Hjorth, Nadja Wells and Göran Bronner are regarded as independent in relation to the company and its management and also in relation to the Company’s major shareholders. The independent Board members have been appointed based on their significant experience of international corporate management and business, particularly within the investment region, as well as their executive positions and board work for various listed companies.

Peter Elam Håkansson is not regarded as independent in relation to the major shareholders as he is a related party to East Capital which, in 2016 together with related parties, was a major shareholder in the Company as the

Governance structure



term is defined in the Code. As of 31 December 2016 there were no other major shareholders of the Company as defined by the Nasdaq Stockholm Rule Book for Issuers and the Code. More information on each Board member can be found on page 41.

The Board's responsibilities and duties

The Board of Directors has the overall responsibility for the Company's organisational structure and management. The Board is thus also responsible for evaluating and taking decisions on all investments and divestments which the CEO and management execute together with the Company's investment team. The Board is also responsible for matters related to its own capital structure, such as initiating distribution to shareholders or increasing of the capital available for investments by, for example, issuing new shares or taking out loans.

The Board examines the investment strategy on a regular basis and evaluates whether or not it is in the best interests of the Company's shareholders. The Board also evaluates existing investments, governs how executive management is performing its duties and decides on remuneration for senior executives.

The board is also responsible for managing any potential conflicts of interests in the Company. The number of conflicts of interest have been reduced substantially as a result of the former Investment Agreement with East Capital, who is also a main owner, was terminated in May 2016. However, a few connections to East Capital remain, primarily through the Transition and Termination Agreement that ends on 31 December 2017, and via the investments in funds managed by East Capital and that the Company is still invested in.

The work of the Board is governed by the rules of procedure adopted by the Board. Chairman of the Board Lars O Grönstedt leads the work of the Board and maintains continuous contact with the CEO and the Company's other management functions in order to monitor the Company's operations. The Board has also drawn up and approved work instructions for the CEO and a number of policy documents.

The Company's CEO Mia Jurke and CFO Lena Krauss also participated in Board meetings in 2016 to report on their respective areas of responsibility. Kestutis Sasnauskas took part in the Board meetings as a representa-

tive of the investment manager until he was employed as the Company's Chief Investment Officer, after which he attended meetings to report on his area of responsibility.

Board meetings and main topics

In 2016 a total of 24 Board meetings were held. The main topics dealt with at the meetings were:

Meeting	Main topic
1/2016	Board meeting on termination of investment agreement with East Capital
2/2016	Board meeting on divestment proposal
3/2016	Board meeting on termination of investment agreement with East Capital
4/2016	Phone meeting on termination of investment agreement with East Capital
5/2016	Board meeting on termination of investment agreement with East Capital
6/2016	Board meeting on approval of the interim report for the fourth quarter 2015
7/2016	Phone meeting on termination of investment agreement with East Capital
8/2016	Phone meeting on divestment proposal
9/2016	Phone meeting on termination of investment agreement with East Capital
10/2016	Phone meeting on divestment proposal
11/2016	Phone meeting on termination of investment agreement with East Capital
12/2016	Phone meeting on termination of investment agreement with East Capital
13/2016	Phone meeting to approve notice to Extraordinary General meeting
14/2016	Per capsulam meeting to approve statements to be made in connection with the Extraordinary General meeting
15/2016	Board meeting to approve the 2015 Annual Report as well as notice and statements to be made in connection with the Annual General meeting
16/2016	Board meeting to approve the interim report for the first quarter of 2016
17/2016	Statutory Board meeting
18/2016	Per capsulam meeting to approve statements to be made in connection with the Annual General meeting
19/2016	Board meeting to approve the interim report for the second quarter of 2016
20/2016	Strategy meeting
21/2016	Phone meeting on investment proposal
22/2016	Board meeting for approval of the interim report for the third quarter of 2016
23/2016	Phone meeting on divestment proposal
24/2016	Per capsulam meeting to approve notice and statements to be made in connection with the Extraordinary General meeting

Evaluation of the Board

The work of the Board is regularly evaluated and the evaluation is used to develop the Board's procedures, and as a basis for the Nomination Committee's evaluation of the composition of the Board. In 2016 the Board was evaluated by an external consultant with extensive experience in board evaluations, as well as by the independent members of the Nomination Committee, in order to gather information for the Nomination Committee's task of preparing proposals for the 2016 Annual General Meeting.

Audit Committee

Until June 2016 there was an Audit Committee tasked with providing the Board with advice on financial reporting and on valuation and auditing matters. The Audit Committee's work was governed by a charter established by the Board of Directors and the Committee consisted of three members appointed by the Board from among the independent Board members. Up until 9 June 2016 the Audit Committee consisted of Lars O Grönstedt (Chairman), Mikael Nachemson and Liselotte Hjorth. At the statutory Board meeting on 9 June no new audit committee was formed. Instead the Committee's duties were taken over and performed by the Board as a whole.

The Company's CEO Mia Jurke and CFO Lena Krauss as well as Financial Controller Farzad Bahador participated in the Audit Committee's meetings in 2016 to report on their respective areas of responsibility.

Audit Committee meetings and main topics

The Audit Committee held a total of two meetings in 2016. The Company's authorised auditors from KPMG participated in all meetings to report the results of their review of the interim financial reports. The main topics of discussion at the meetings included the following:

Meeting	Main topic
1/2016	Valuations and internal audit matters
2/2016	Valuations and audit matters

Directors' fees and executive compensation

On 9 June 2016 the Annual General Meeting resolved on compensation for the Chairman of the Board in the amount of SEK 1,200,000 as an annual fee for the period until the 2017 AGM. Other Board members were to receive an annual fee of SEK 400,000 each for the

The composition of the Board

Name	Position	Citizenship	Independent	Own and related persons shareholdings as of 1 March 2017	Elected	Audit Committee attendance 2016
Lars O Grönstedt	Chairman	Sweden	Yes	3,082	2012	24/24
Peter Elam Håkansson	Board member	Sweden	No	5,647,753	2014	16/24
Liselotte Hjorth	Board member	Sweden	Yes	2,000	2014	24/24
Nadya Wells	Board member	Switzerland/ United Kingdom	Yes	0	2016	6/8
Göran Bronner	Board member	Sweden	Yes	150,000	2017	n/a

The Board holds at least five ordinary Board meetings a year. Additional meetings may be held; for example, to discuss and decide on investment proposals and other strategic matters.

same period. As proposed by the Nomination Committee, the AGM resolved that by special agreement with the Company, directors' fees may be invoiced through a company or business. If this is the case, the fee invoiced is to be adjusted for social security contributions and value added tax in order to achieve cost neutrality for the Company. No more compensation for work on the Audit Committee was paid following the Annual General Meeting from 9 June 2016 the full Board will be performing the Audit Committee's duties and no separate Committee was formed.

Remuneration committee

In view of the limited number of Company employees, the Board does not consider it necessary to form a remuneration committee. The duties that would have been performed by a remuneration committee are instead performed by the Board as a whole.

Management of East Capital Explorer

The CEO together with management are responsible for ensuring that day-to-day management of the Company is carried out according to the Board's guidelines and instructions. Executive management is also responsible for the internal control procedures that are necessary for the Board's process of reviewing and controlling investment activities. Management reports regularly to the Board on these matters.

Management compensation

Compensation for the CEO, CFO and CIO consists of a fixed salary and variable salary as well as pension and insurance benefits. The Board has discretion to decide whether any variable salary is to be paid to executive management. The decision is based on internal key performance indicators (KPIs). Changes in the share price and the discount to NAV are the two criteria that are given the most weight in this regard. Targets are set and evaluated by the Board annually. The maximum variable salary is 50 percent of fixed salary. The board of directors shall have the right to deviate from the principles adopted by the AGM if special reasons are at hand in an individual case.

In 2016 the Board granted both the CEO and the CFO a variable salary for 2015 amounting to 50 percent of their fixed salary.

In 2017 the CEO and CFO were granted a variable salary for 2016 of 50 percent of their fixed salary, out of a maximum variable salary of 50 percent of fixed salary. The CIO, who was employed by the Company on 9 May 2016, was not covered by East Capital Explorer's remuneration guidelines during 2016.

The CEO, CFO and CIO have individual premium-based pension plans, under which the Company pays premiums corresponding to 10 percent of fixed salary for up to 10 Swedish

income base amounts and premiums corresponding to 20 percent of fixed salary on the portion of fixed salary that exceeds 10 Swedish income base amounts.

Detailed information on remuneration to management can be found in Note 5 on page 52.

Chief Executive Officer

The Chief Executive Officer is responsible for the Company's day-to-day operations in accordance with instructions from the Board as well as other guidelines and policy documents. In consultation with the Chairman of the Board, the CEO prepares the agenda for Board meetings and is responsible for preparing the information required for decision-making. In addition, the CEO ensures that the Board continually receives information concerning East Capital Explorer's performance and market information from the Company's investment team in order to obtain a sound basis on which to make decisions.

The CEO has no significant commitments outside the Company. More information on the CEO can be found on page 40.

Share-based incentives

East Capital Explorer does not have any share-based incentive schemes.

Internal control and risk management

Internal control

Internal control within East Capital Explorer is designed to manage risk relating to financial reporting and investment activities. This includes ensuring that buying and selling of securities is reliably reported, that holdings are accurately valued and that information is communicated to the market effectively and correctly. The Board of Directors is responsible for overseeing investment activity and ensuring that the Board has access to the necessary information through established reporting routines and relevant, established policies. All policies are tried and tested to ensure that they are appropriate and are approved annually by the Board.

The Board is to maintain a sound and effective control environment for investment activities and financial reporting through a clear division of responsibilities and powers among executive management and the employees.

The Audit Committee which, following the Annual General Meeting on 9 June 2016, was replaced by the Board as a whole, addresses and discusses accounting issues, valuations, financial reporting, and the internal audit. The Company's executive management continuously monitors compliance with policies, instructions and administrative agreements.

In order to evaluate and strengthen the internal control, East Capital Explorer has, since

2008, an internal audit function. This function makes assessments and provides the Board and management with reports and recommendations for improvements that can be made in regards to the internal control. The internal audit function is the Board's independent audit function, which works to monitor and review areas within the company's business operations such as outsourced service functions and internal procedures, to maintain good corporate governance and compliance with company policies. What areas to audit are decided in a three-year plan, which is approved by the Board.

During 2016, the Board chose to postpone the discussion regarding internal audit, to reassess the need within the company, post restructuring and simplification of the company structure, and overtaking of the outsourced functions which previously were maintained by East Capital. No decision was made during 2016, and the matter will be handled during 2017.

East Capital Explorer acts in accordance with generally accepted practices in the stock market and regularly follows-up to ensure the Company is in compliance with the listing agreement.

Risk management

East Capital Explorer's risk management is aimed at identifying and, if possible, managing the risks that impact or may impact, the Company and its value. A list of the risks identified and an account of how they are being managed is submitted quarterly to the Company's Board of Directors. Risk management is the responsibility of the Company's executive management in accordance with relevant policies established by the Board.

The main risks the Company is exposed to are financial risk, operational risk and business risk. Financial risk relates mainly to changes in value in the investment portfolio as well as risk relating to market interest rates, currencies and liquidity management. Management of financial risk is primary carried out by East Capital Explorer's financial department according to the Company's financial policy. East Capital Explorer's operational risk is managed by the Company's executive management, while operational risk in the investment portfolio is managed by the respective portfolio company and monitored by the Company's investment team. Business risk is monitored on an ongoing basis by the Company's executive management and includes political risk and investment risk.

Risk and risk management are described in more detail in Note 16 on pages 60-61.

Annual General Meeting

The Annual General Meeting (AGM) is the Company's highest decision-making body and is where shareholders can exercise their influ-

ence. The AGM is to be held within six months of the end of the financial year. All shareholders registered in the register of shareholders who have given notice of their attendance on time are entitled to participate in the AGM. Shareholders may vote for the total number of shares that they own and may be accompanied by a maximum of two assistants. Shareholders who cannot attend in person may be represented by proxy.

Among other things, the AGM deals with matters such as the election of the Board, the appointment of auditors where applicable, any dividend, adoption of the income statement and balance sheet, and discharging the members of the Board and the CEO from liability. Shareholders are entitled to have a matter dealt with by the AGM provided that a proper request has been submitted to the Company well in advance of the distribution of the notice of the AGM. The AGM is an important channel for communication with shareholders. In conjunction with the AGM all shareholders are also invited to a seminar on the Company's markets and investments. Shareholders are encouraged to participate in the AGM, and all shareholders receive a written invitation and notice of the meeting. The Board of Directors and executive management attend the AGM in order to answer questions from the shareholders.

Annual General Meeting 2016

The 2016 AGM was held on 9 June 2016 at the IVA Conference Centre in Stockholm. All documents from the AGM - the notice, documents presented at the meeting and the full minutes of the meeting - are available at www.eastcapitalexplorer.com.

The 2016 AGM was attended by 69 people, including shareholders representing a total of 41.8 percent of the shares in the Company, all of the Board members, all of the employees and a number of invited guests.

Among other matters, the 2016 AGM approved adopting the results for the 2015 financial year, discharging management and the Board from responsibility, the dividend proposal, the number of Board members and Board fees, and the election of Nadya Wells as a new Board member. The AGM also approved the Board's proposal to reduce the share capital by withdrawing shares, and to increase the share capital through a bonus issue. The AGM also resolved in favour of a further reduction in the share capital by withdrawing treasury shares held at the time the decision was reported to the Swedish Companies Registration Office. The AGM authorised the Board to decide on acquisitions of treasury shares in accordance with the proposal presented to the AGM.

Nomination Committee

The Nomination Committee is tasked with evaluating the Board and its work prior to the AGM, preparing and presenting proposals to the AGM for a chairman for the meeting, Board members and the Chairman of the Board, and also - where applicable - the appointment of auditors. The Nomination Committee is also to propose directors' fees, any compensation for work on Board committees and the fees to be paid to the Company's auditors, and is to propose the procedure for electing a Nomination Committee for the next AGM. All shareholders have the opportunity to submit proposals to the Nomination Committee.

Work of the Nomination Committee in 2016/2017

In accordance with a resolution at the AGM held on 9 June 2016, East Capital Explorer is to have a Nomination Committee consisting of a minimum of three and a maximum of four members, up to three of whom are to be appointed by the three largest shareholders (or groups of shareholders) in the Company who wish to appoint a representative. The other member is the Company's Chairman. The Nomination Committee for the 2017 Annual General Meeting consisted of:

- Magnus Lekander, owner representative for East Capital (chairman)
- David Bliss, Lazard Asset Management
- Lars O Grönstedt, in his capacity as Chairman of the Board of East Capital Explorer
- Mathias Svensson, representative for Keel Capital

The composition of the Nomination Committee was announced in a press release and on the Company's website on 7 October 2015.

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

Shareholders have been given an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposals to the 2017 Annual General Meeting are detailed in the notice of the meeting which will be published no later than four weeks prior to the Annual General Meeting, at www.eastcapitalexplorer.com.

Annual General Meeting 2017

The 2017 Annual General Meeting will be held at 3 pm. on 15 May 2017, at the IVA Conference Centre, Grev Turegatan 16, Stockholm. More information can be found at www.eastcapitalexplorer.com.

Auditors

External auditors

On 21 April 2015 the AGM decided to re-elect the registered accountancy firm KPMG AB as auditor for a term until the conclusion of the 2019 AGM. No decisions were taken in this regard at the 2016 AGM. It was also noted that KPMG has informed the Company that Anders Malmeby will act as auditor in charge as long as the Company and the Swedish Companies Act permits.

Fees to the auditors

The Company's auditors have received fees for auditing and other required reviews, and for advice in connection with observations made in the course of audits and reviews. During the 2016 financial year the fees to the auditors totalled EUR 52,000.

Communication with the Company's auditors

The Board of Directors, which in June 2016 assumed the duties of the Audit Committee, is in regular contact with the auditors. The auditors participate in Board meetings when the annual report and the interim reports reviewed by the auditors are being discussed. On such occasions the auditors present their observations from the audit and give an account of their assessment of the Company's internal control. The Board also meets with the auditor once a year, when the auditor reports its observations directly to the Board without the CEO, CFO and CIO being present.

Auditor - KPMG AB

Auditor in charge: Anders Malmeby

Born 1955
Authorised Public Accountant, KPMG AB, Chief Executive Officer of KPMG AB. Auditor in charge for East Capital Explorer since 2013.



Other auditing assignments:

Boule Diagnostics, Concentric, Bankgirocentralen (BGC), Bravida Holding, NASDAQ OMX Stockholm AB, Acer Sweden AB och Swerea AB.

The construction of a third office tower adjacent to 3 Bures was initiated during the fourth quarter of 2016.



Management



Kestutis Sasnasuskas
Chief Investment Officer since 2016.
Born 1973.

Education
Economic studies from the Stockholm School of Economics, Vilnius University and Gotland University.

Work experience
1995 - 1997 Analyst, Enskilda Securities, 1997 and onwards, Co-founder and Partner, East Capital, 2004-2016 Head of private equity and real estate, East Capital

Own and related persons shareholdings in East Capital Explorer AB
409,343 shares as of 1 March 2017.

Mia Jurke
CEO since 2011.
Born 1973.

Education
Master of Science in Business Administration from the University of Uppsala.

Work experience
2008-2011 CEO of East Capital Asset Management AB, 2006-2008 Product Manager for East Capital (Lux), 2005-2007 Head of Portfolio Administration at East Capital, 1998-2005 E. Öhman J: or Asset Management and E. Öhman J: or Funds AB (2000-2005 Head of Administration).

Own and related persons shareholdings in East Capital Explorer AB
5,869 shares as of 1 March 2017.

Lena Krauss
CFO since 2014. Born 1976.

Education
Master of Science in Economics and Finance from the Swedish School of Economics and Business Administration (Hanken) in Helsinki.

Work experience
2008-2013 Senior Vice President, Agency Manager and Senior Consultant at Diplomat Communications AB, Stockholm. 2004-2007 Investor Relations Director at Tele 2 AB, Stockholm. 2004 Partner at Shared Value Ltd, London. 2000-2003 Equity Research Analyst at Alfred Berg ABN AMRO, Stockholm, London and Helsinki.

Own and related persons shareholdings in East Capital Explorer AB
3,108 shares as of 1 March 2017.

Board of Directors



Lars O Grönstedt
Chairman since 2015,
Board member since 2012

Independent of the Company, Company management and the Company's major shareholders. Born 1954.

Education

BA in languages and literature from Stockholm University and an MBA from Stockholm School of Economics.

Work experience

Currently a senior advisor to Nord Stream, 2001-2006 CEO of Handelsbanken and its Chairman 2006-2008.

Other board assignments

Chairman of Vostok Emerging Finance, Vostok New Ventures and Scypho Group, Chairman of Realcap Ventures AB, Vice Chairman of the Swedish National Debt Office, Speaker of the elected body of representatives of Trygg Foundation.

Own and related persons shareholdings in East Capital Explorer AB

3,082 shares as of 1 March 2017.



Peter Elam Håkansson
Board member
since 2014

Dependent in relation to the Company's major shareholders. Born 1962.

Education

Master of science from the Stockholm School of Economics and has also studied at EDHEC in Lille.

Work experience

Founding partner, Chairman and Chief Investment Officer of East Capital. Experience from emerging and frontier markets since the early nineties and with stock markets since early eighties. Series of senior positions at Enskilda Securities where his last role was Head of Equities and Global Head of Research.

Other board assignments

Chairman of East Capital and a number of the boards within the East Capital group. Member of the board of Bonnier Business Press AB, Atlantic Grupa in Croatia as well as the Advisory Board of Stena Long Term Equity. Chairman of the foundation behind Swedish Music Hall of Fame and board member of the foundation Inter Peace Sweden.

Own and related persons shareholdings in East Capital Explorer AB

Controls 5,647,753 shares directly and indirectly as of 1 March 2017.



Liselotte Hjorth
Board member
since 2014

Independent of the Company, Company management and the Company's major shareholders. Born 1957.

Education

Bachelor of Science in Business Administration and Economics from University of Lund.

Work experience

Over 30 years of experience in the financial industry, most recently as Global Head of Commercial Real Estate and Member of the Management Board of SEB AG in Frankfurt, and as Group Credit Officer and Executive Vice President in the SEB Group.

Other board assignments

Chairman of the Board of White Arkitekter, Board Member of Kungsleden, Rikshem and Hoist Finance.

Own and related persons shareholdings in East Capital Explorer AB

2,000 shares as of 1 March 2017.



Göran Bronner
Board member
since 2017

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

Education

B.Sc. in Business Administration and Economics from Stockholm University.

Work experience

Several leading positions at Swedbank, most recent as the bank's Chief Financial Officer and prior to that Chief Risk officer, with 30 years of experience from the global financial markets. Founder of Tanglin Asset Management, and served as the company's Chief Investment Officer. Several positions at SEB. From 2017 Göran serves as a senior advisor to EQT.

Other board assignments

Board member of CTT Systems AB. Various Board positions in wholly owned private Group Lovima AB.

Own and related persons shareholdings in East Capital Explorer AB

150,000 shares as of 1 March 2017.



Nadya Wells
Board member
since 2016

Independent of the Company, company management and the Company's major shareholders. Born 1970.

Education

MBA from INSEAD, MA in modern history and modern languages from Oxford University.

Work experience

20 years of experience from emerging and frontier markets as a long-term investor and governance specialist. Latterly she spent 13 years with Capital Group, as a portfolio manager and analyst with focus on EMEA markets. Previously worked as portfolio manager at INVESCO Asset Management.

Other board assignments

Board member in Sberbank Russia and Barings Emerging Europe plc.

Own and related persons shareholdings in East Capital Explorer AB

0 shares as of 1 March 2017.

Staff



Top left; Eric Stadler Corporate Secretary & Project Manager, Kestutis Sasnauskas Chief Investment Officer, Farzad Bahador Financial Controller, Emil Holmström Analyst. Sitting left; Lilia Kouzmina Senior Analyst, Greta Dorthé Team Assistant, Mia Jurke CEO, Lena Krauss CFO, Sara Cederquist Executive Assistant.



Auditor's Report

To the general meeting of the shareholders of East Capital Explorer AB (publ), corp. id 556693-7404

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of East Capital Explorer AB (publ) for the year 2016, except for the corporate governance statement on pages 35-42. The annual accounts and consolidated accounts of the company are included on pages 44-63 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 35-42. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Reorganization of the business

See disclosure 17 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

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.

During a transitional period, East Capital continues to support East Capital Explorer in the management of its portfolio and with the necessary structural changes, ensuring an orderly transition until the new organization is in place. The reorganization affects the operations in the group and how the business is conducted. It also encompasses specific transactions relating to the break-up of the Investment Agreement.

Response in the audit

We have inspected the Board's proposal approved by East Capital Explorer's shareholders at Extraordinary General Meeting on 9 May 2016 including the reorganization plan.

We have reviewed transactions relating to the break-up of the Investment Agreement on a sample basis.

We have also reviewed the cost elements relating to the break-up of the Investment Agreement and considered completeness and accuracy of accrual for those costs in the Financial Statements.

We have considered the completeness and adequacy of the information disclosed relating to the break-up transaction.

Sale of the investment in Starman

See disclosure on page 44 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

On 14 March 2016 East Capital Explorer AB (publ) reached an agreement to purchase a sale of its 63 percent stake in the Starman Group ("Starman"), the pan-Baltic cable TV and broadband provider, to Providence Equity. Although the transaction was originally expected to close during Q2 2016 it was delayed due to legal proceedings with one of Starman's minority shareholders regarding its right of first refusal.

On 13 December 2016 East Capital Explorer AB (publ) completed the sale of Starman, but to OÜ Polaris Invest, a minority shareholder in Starman, that has exercised its pre-emption right. In connection with the closing of the transaction, Polaris and East Capital Explorer agreed to settle the pending arbitration dispute. The book value of investment in Starman amounted to EUR 81.3m or 35,7 percent of the net asset value of East Capital Explorer as at 30 September 2016.

Response in the audit

During the year we have assessed the management's assumptions relating to the accounting treatment of the transaction.

We have reviewed documentation relating to the sale of the investment in Starman including documentation relating to the closure of the transaction and verified that the transaction results are fairly presented in the Financial Statements.

We have considered the completeness and adequacy of the information disclosed in the Financial Statements relating to the sale of investment in Starman.

Valuation of unlisted investments

See disclosure 15 and accounting principles on pages 49-50 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The company has unlisted investments measured at fair value, which is determined with reference to market information as well as significant unobservable input.

Some of the investments constitute illiquid instruments which are valued based on models and assumptions ("level 3" investments in accounting terms). The fact that sales transactions of similar investments are rare, makes it difficult to support the estimated fair values with reference to other transactions. Therefore, valuation of level 3 investments are inherently risky and subsequent transactions in such securities may have significantly different outcomes compared to the previous valuations.

As at 31 December 2016 the company's assets classified as Level 3 amounted to EUR 117m, which corresponds to 47 percent of the company's total assets.

Response in the audit

We have assessed East Capital Explorer valuation approach against the accounting framework (IFRS).

We have also tested the key controls over the valuation process including management's assessment and approval of assumptions and methodologies used in model-based calculations, as well as management's review of valuations provided by external parties.

We have involved our internal valuations specialists to assist us in performing audit procedures to challenge the methodology and assumptions used in the valuation of unlisted investments.

We have assessed the methods of valuation models in comparison with industry practices and valuation guidelines.

We have considered the completeness and adequacy of the information disclosed in the Financial Statements relating to valuation of unlisted investments.



Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-32 and 67. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of East Capital Explorer AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular

importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 35-42 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts are in accordance with the Annual Accounts Act.

Stockholm 10 April 2017

KPMG AB

Anders Malmeby
Authorized Public Accountant