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# CEO Speech East Capital Explorer Annual General Meeting 2016

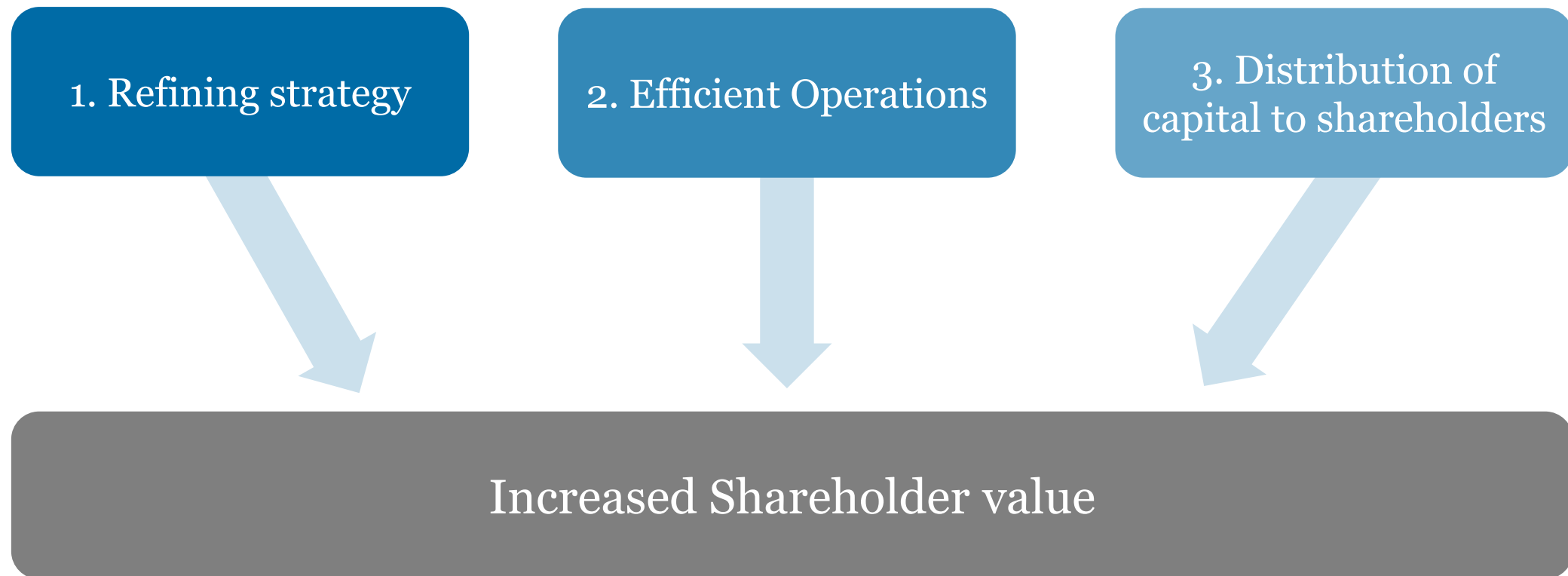
9 June 2016



East Capital Explorer  
- A company in transformation

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# Strategy, efficiency and capital allocation for increased shareholder value



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1. Stronger yield with a more streamlined portfolio

1. Refining strategy

2. Efficient Operations

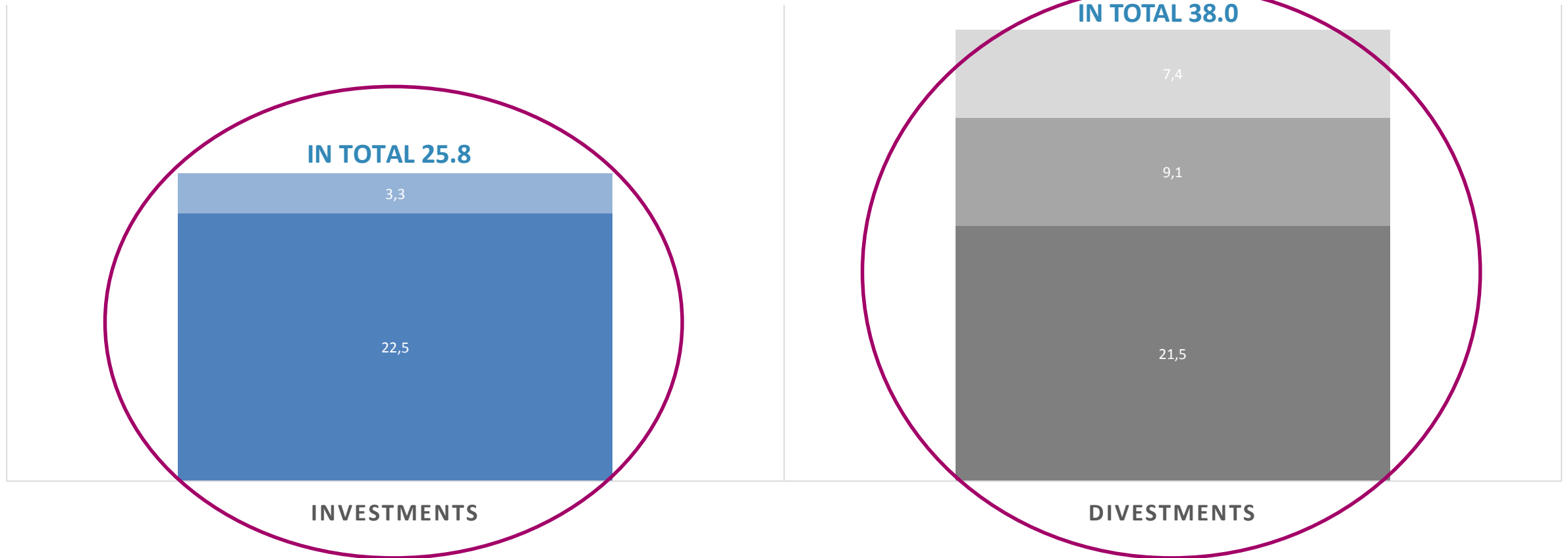
3. Distribution of capital to shareholders

Increased Shareholder value

# Divestments and investments in line with the refinement

## PORTFOLIO ACTIVITY 2015, EURM

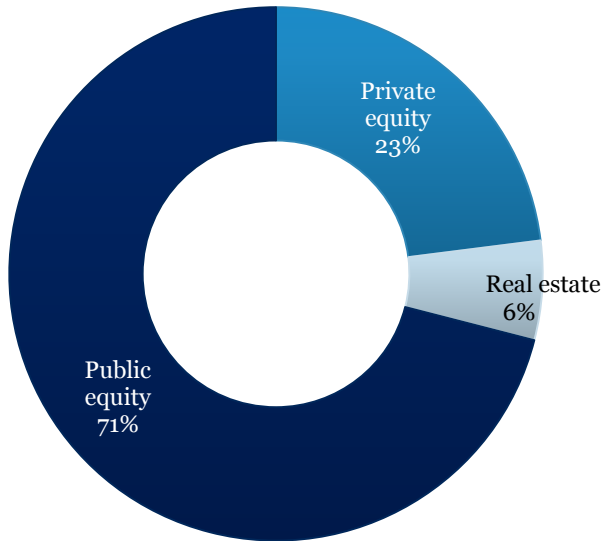
■ 3 Burès ■ East Capital Baltic Property Fund III ■ East Capital Russia Domestic Fund ■ East Capital Frontier Markets Fund ■ East Capital Deep Value Fund



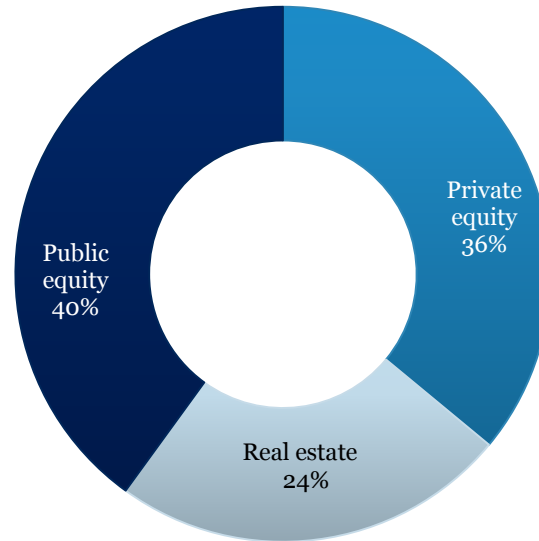
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# From public equity to private equity and real estate

**2012**

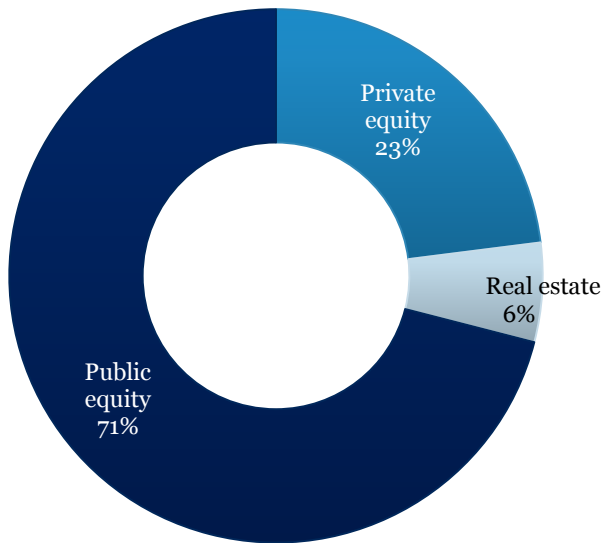


**2014**

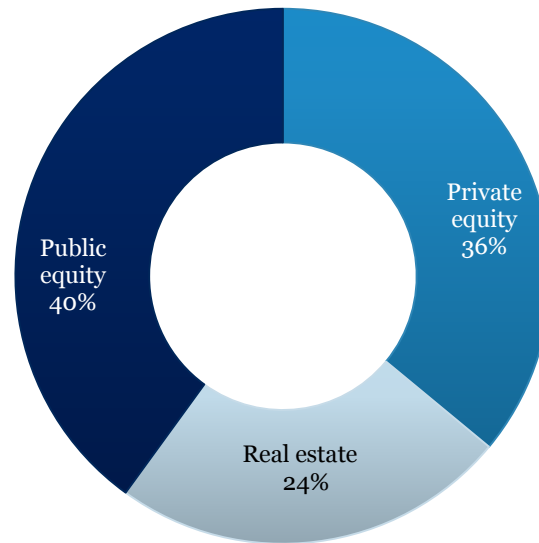


# From public equity to private equity and real estate

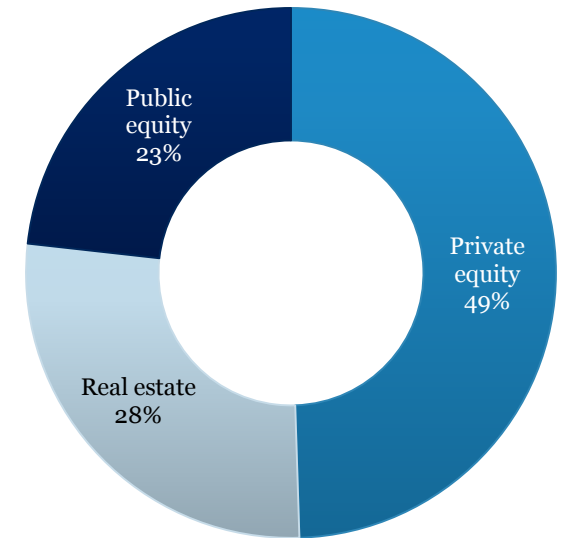
**2012**



**2014**

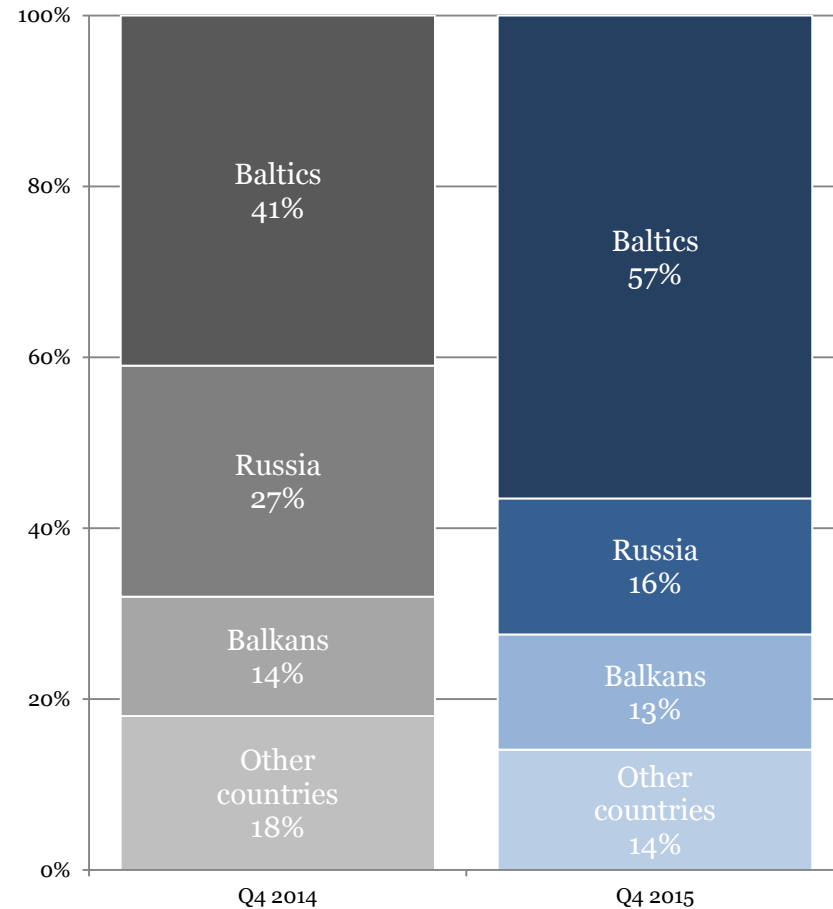


**2015**



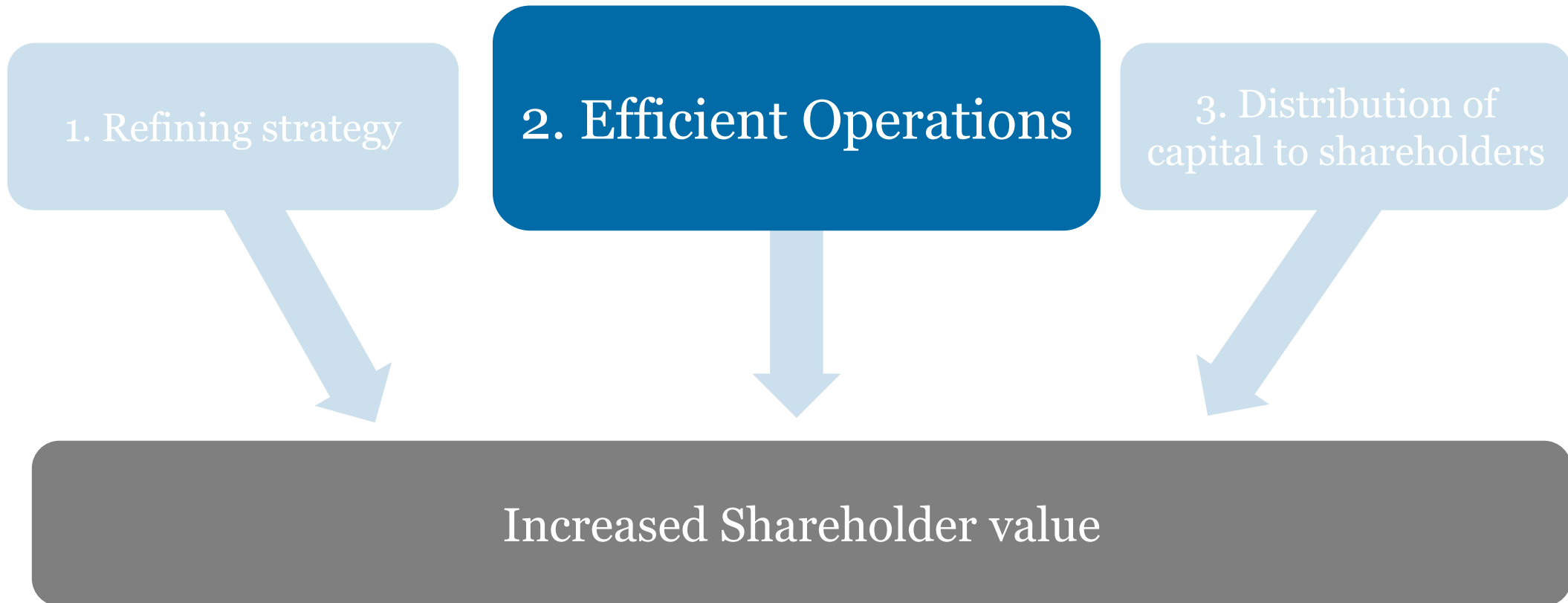
- Combining growth of Eastern Europe with stability of Western Europe
- Growth driven both by domestic and foreign demand
- Low political and economic risk
- No currency risk

## Good conditions in the Baltics



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## 2. Increased profitability with efficient operations



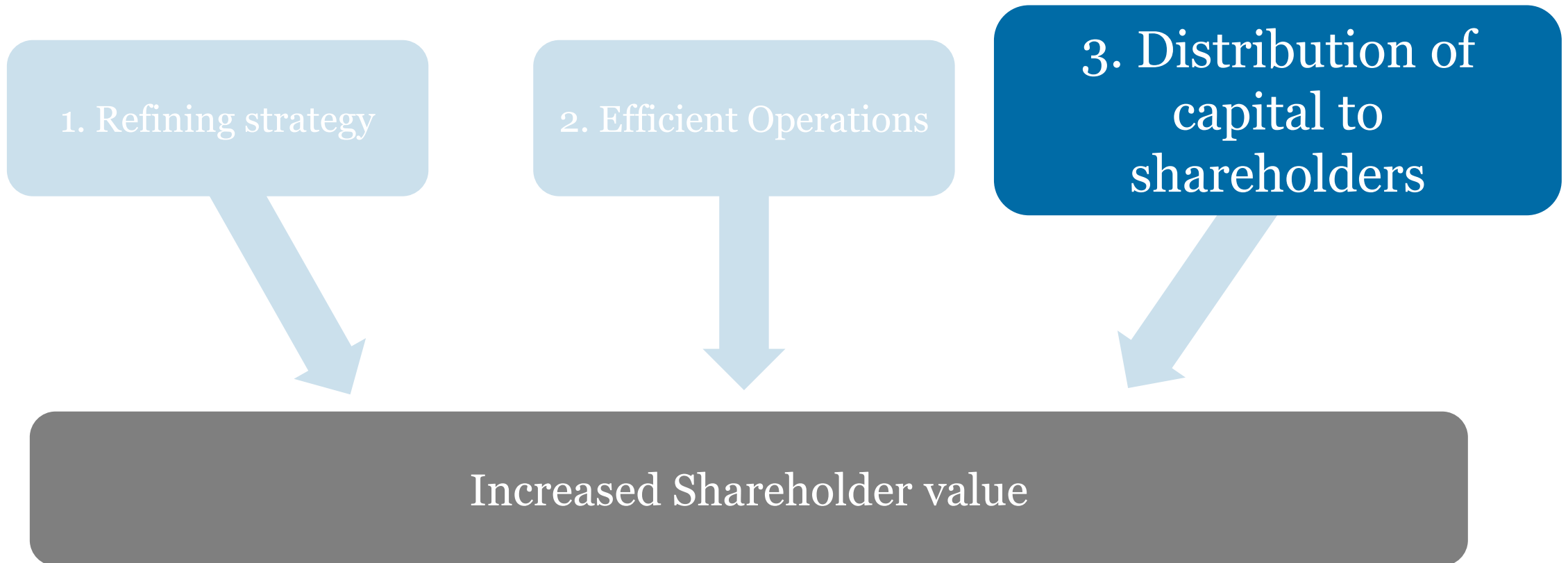
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# Significantly lower costs with internal investment organization

- Termination of Investment Agreement with East Capital at the Extraordinary General Meeting on 9 May 2016
  - In-house investment organization
  - Increased cost efficiency
  - Increased transparency

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### 3. Attractive returns as shareholders receive part of value



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# Dividend policy which reflects our underlying cash flow



New dividend policy 2015:

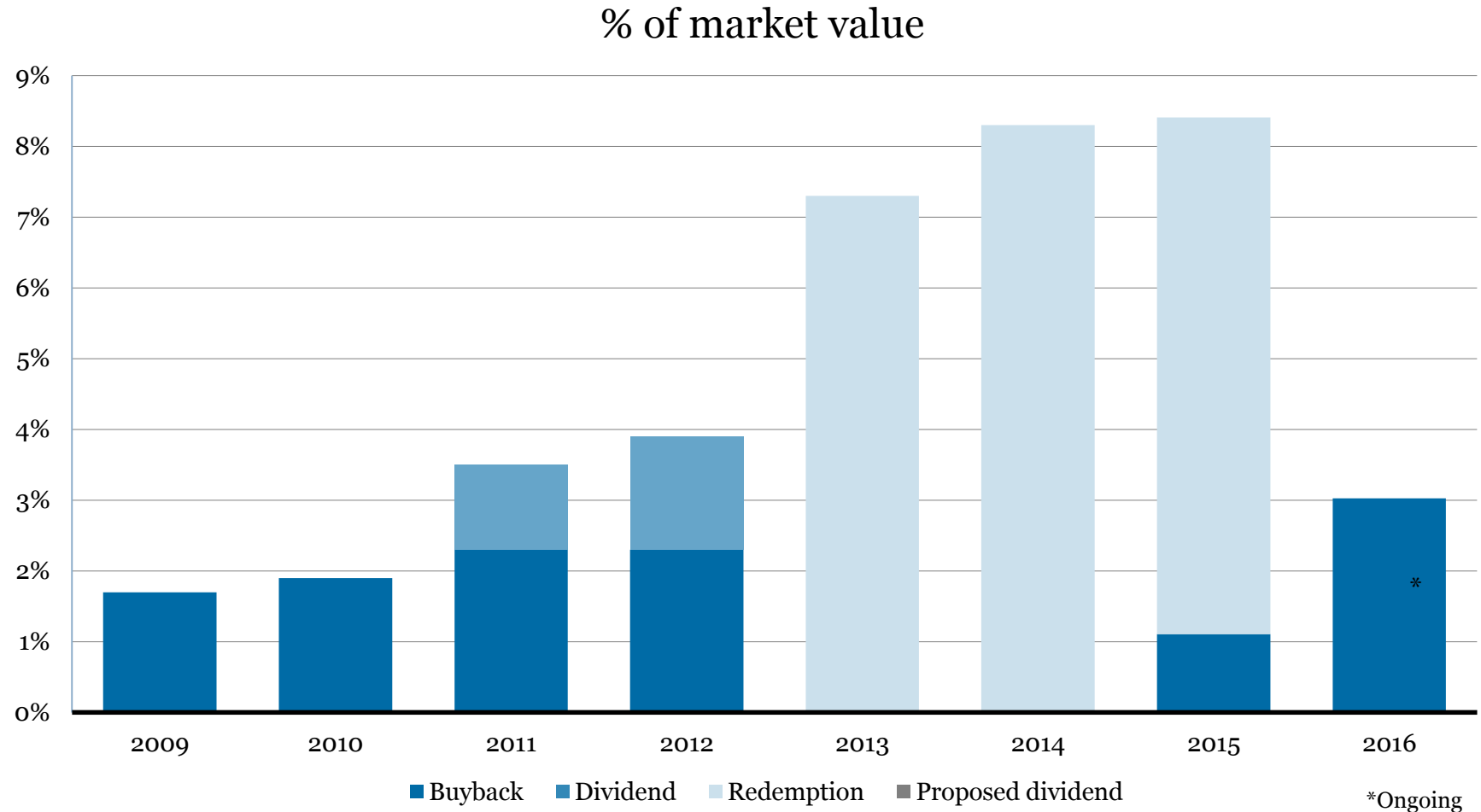
"Dividends equivalent to at least 50% of received dividends from the Company's holdings and, in addition, redemption and repurchase may be used"



# EUR 76m distributed to shareholders since 2009

Dividend proposal  
2016: 0,80 SEK per  
share...

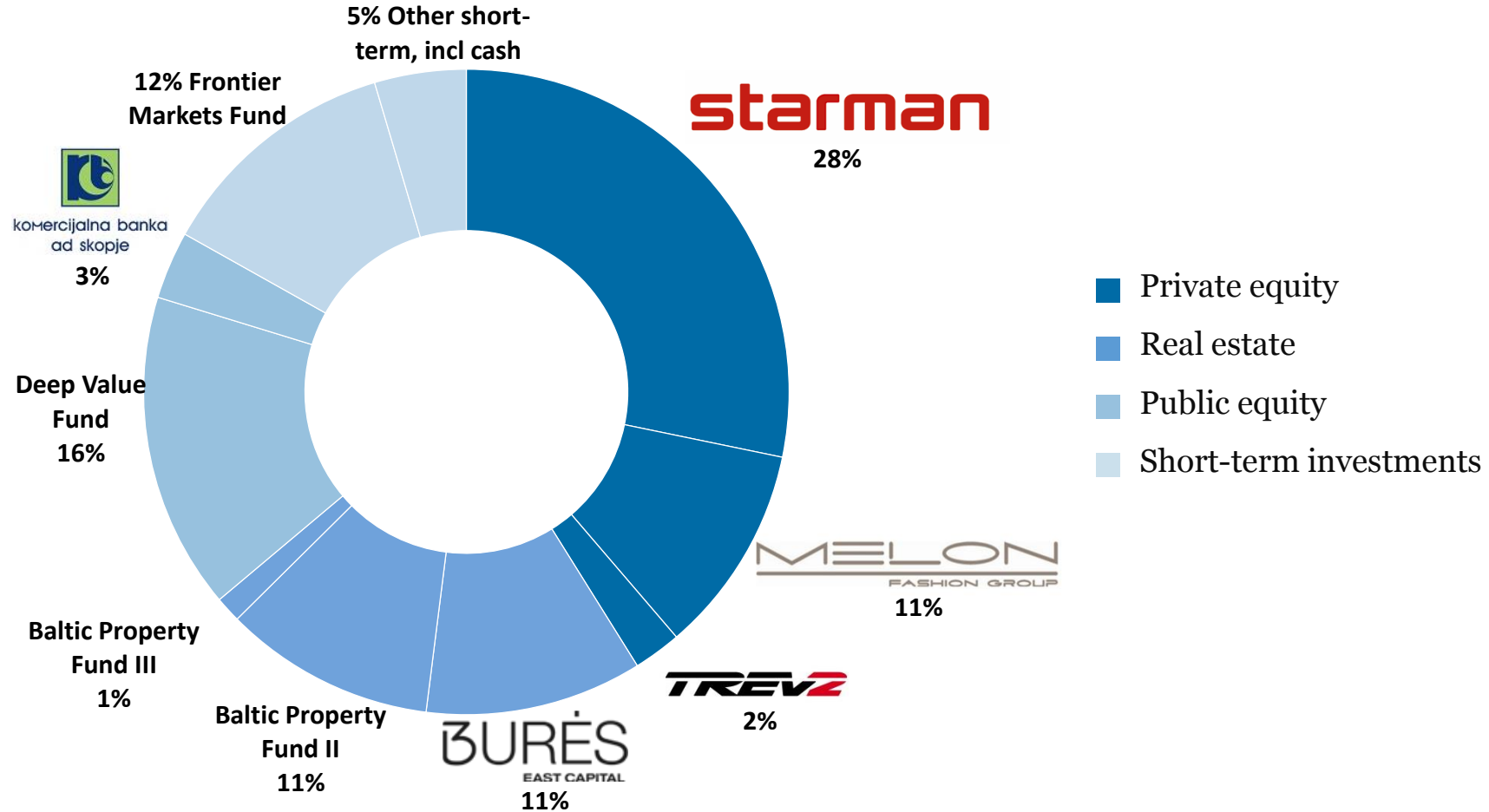
... in combination  
with repurchase  
program linked to the  
NAV discount



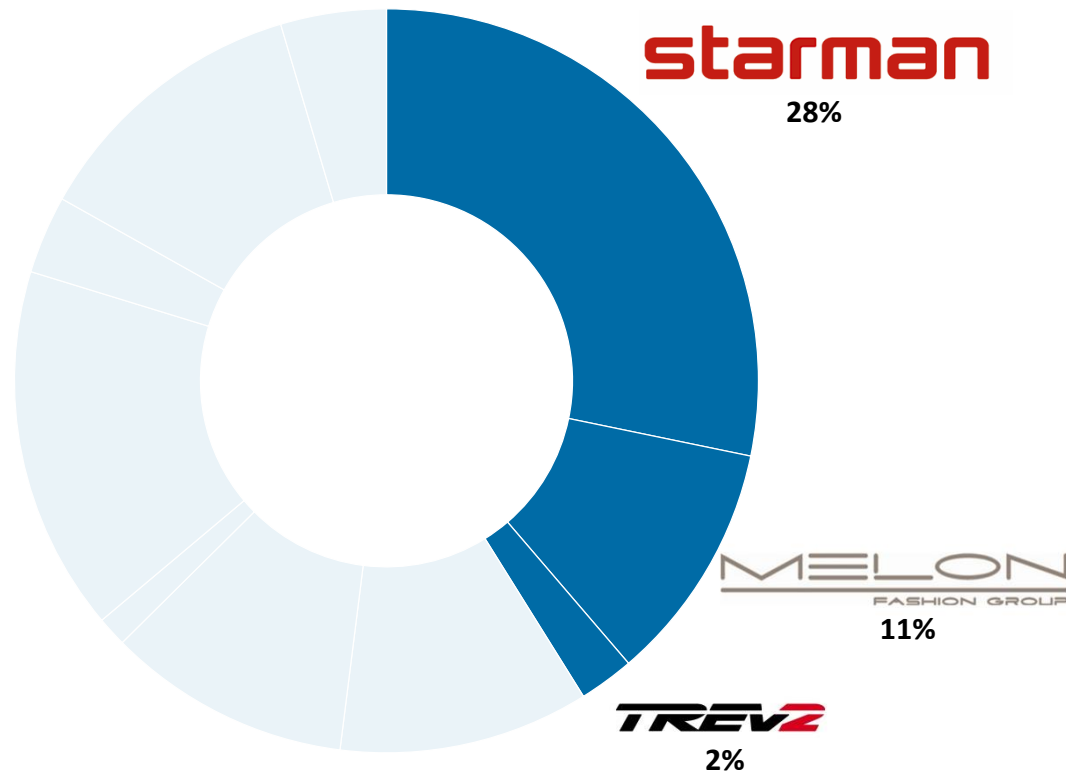
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# Portfolio development 2015

# Portfolio December 2015



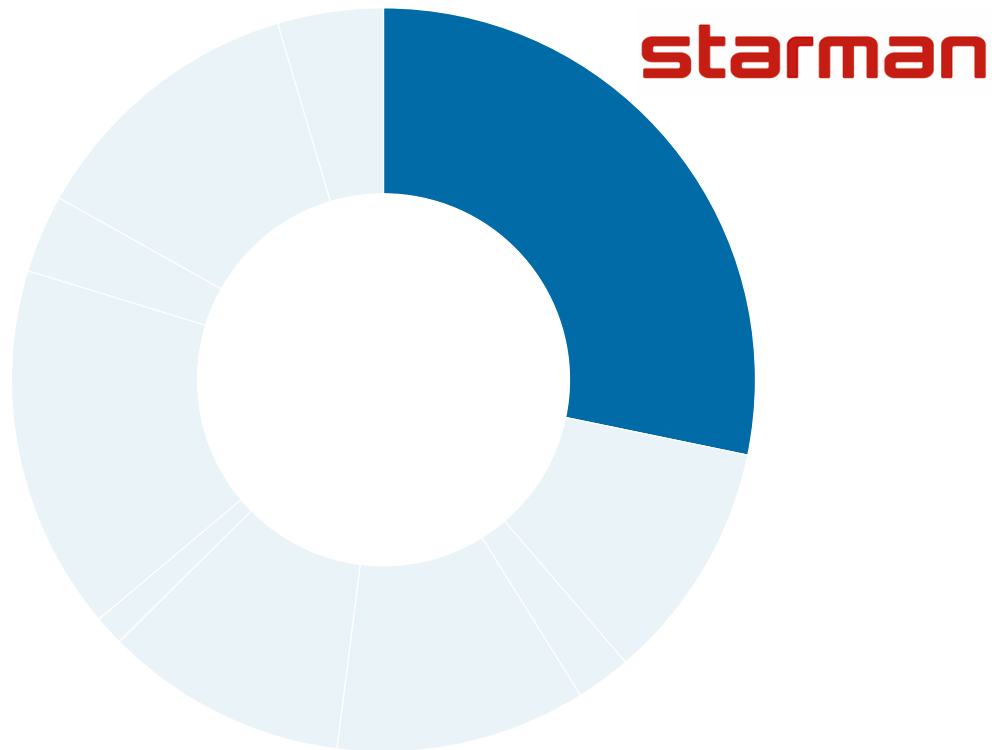
# Private equity



**Private equity -0,1% during 2015**

- Average IRR 7,1%

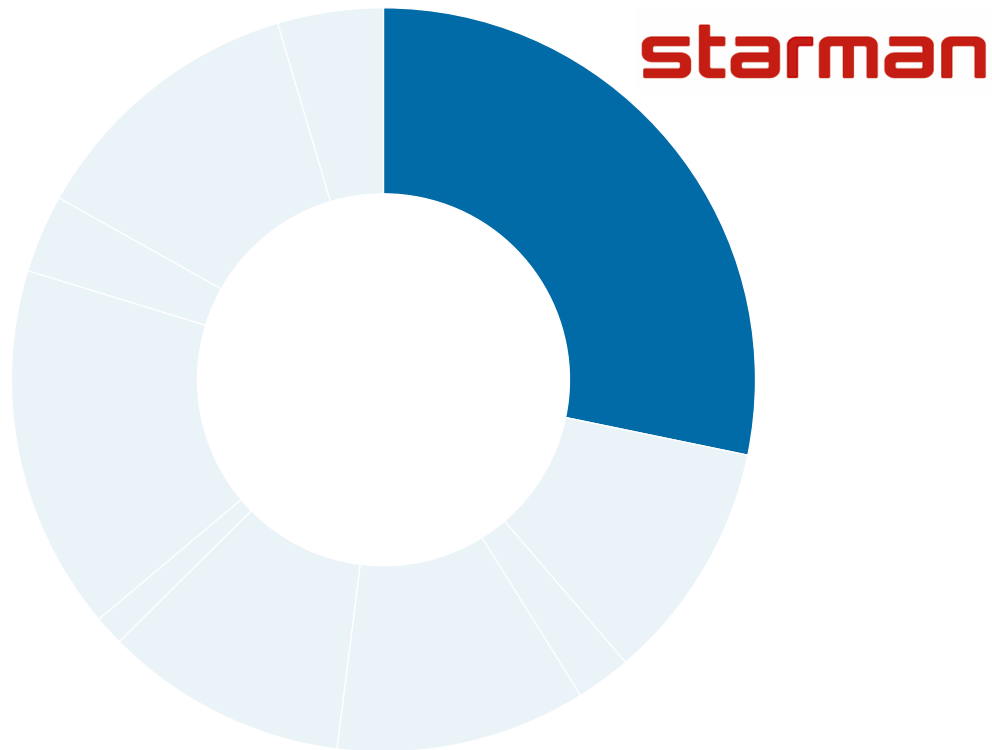
# Starman



- Starman +15,8 % during 2015**
- From Estonian operator to pan-Baltic market leader
  - Acquisition of Cgates financed by ECEX
  - Strong organic growth and the highest profitability in the market



# Starman



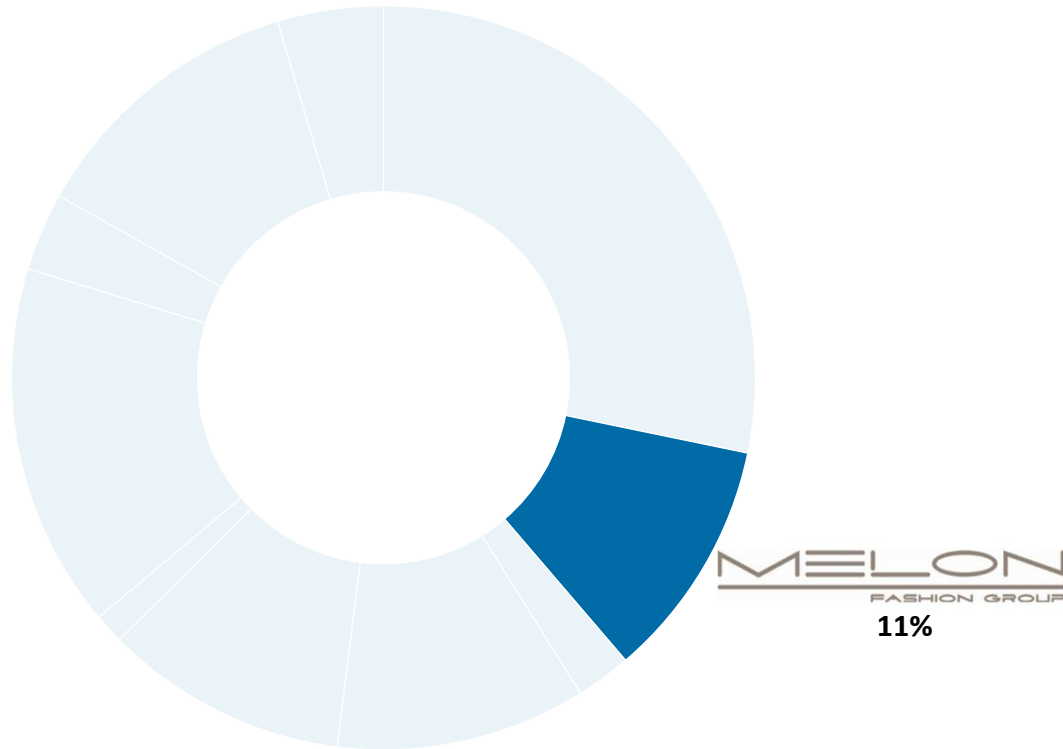
## Starman +15,8 % during 2015

- From Estonian operator to pan-Baltic market leader
- Acquisition of Cgates financed by ECEX
- Strong organic growth and the best profitability in the market

## Exit 2016

- Realized profit at least EUR 35m
- IRR 24-27% net

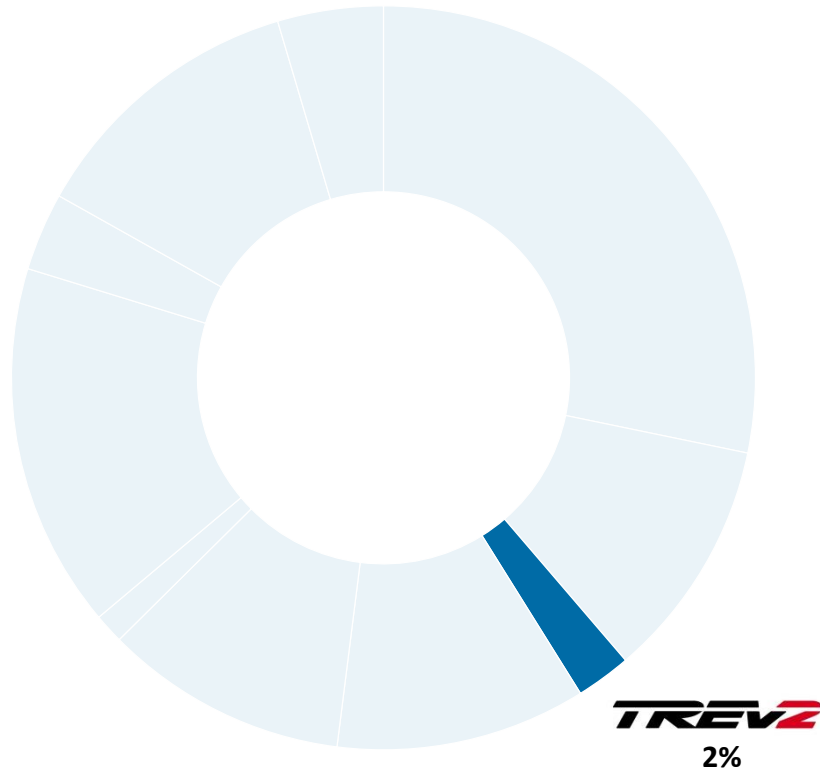
# Melon Fashion Group



## Melon Fashion Group -24,3% during 2015

- Valuation in RUB -17%
- Successful focus shift from growth to profitability
- 12% growth and 6% margin despite a weakened market

# Trev-2 Group

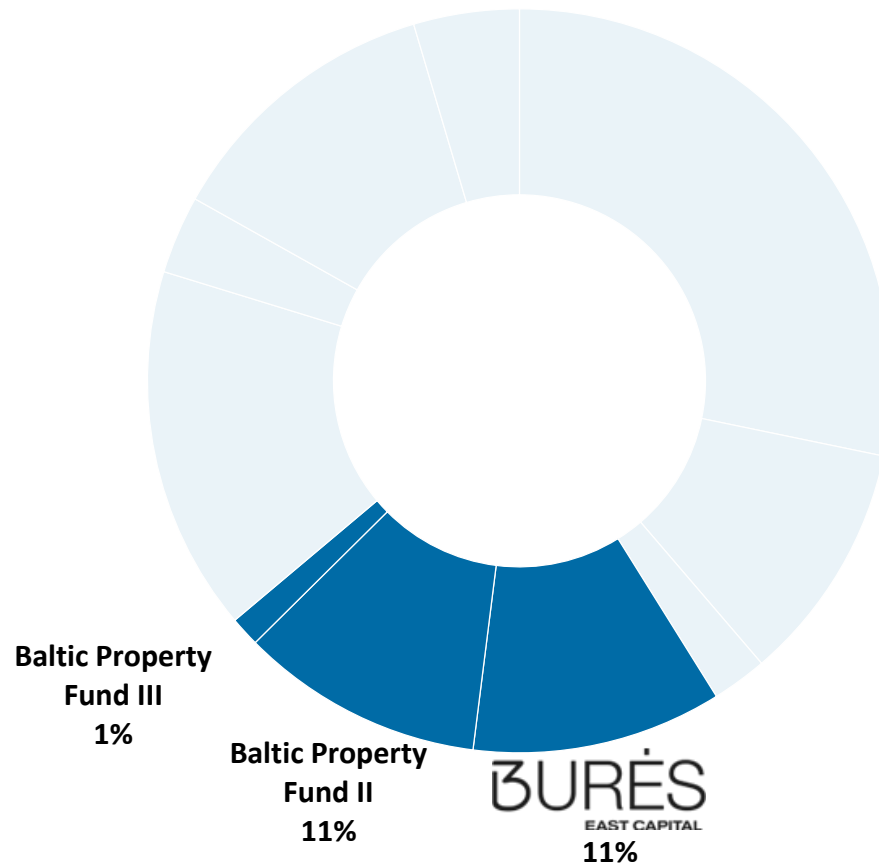


## **Trev-2 -16,9 % during 2015**

- Continued streamlining and disposal of non-core businesses
- Strong dividend equivalent to 11% yield
- Stronger order book for 2016

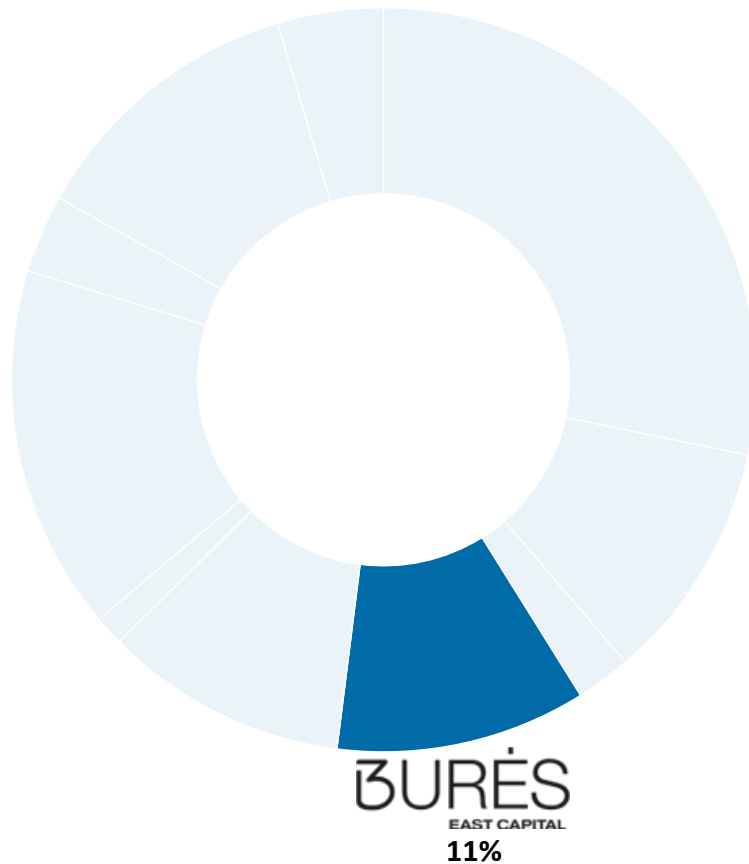
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# Real estate



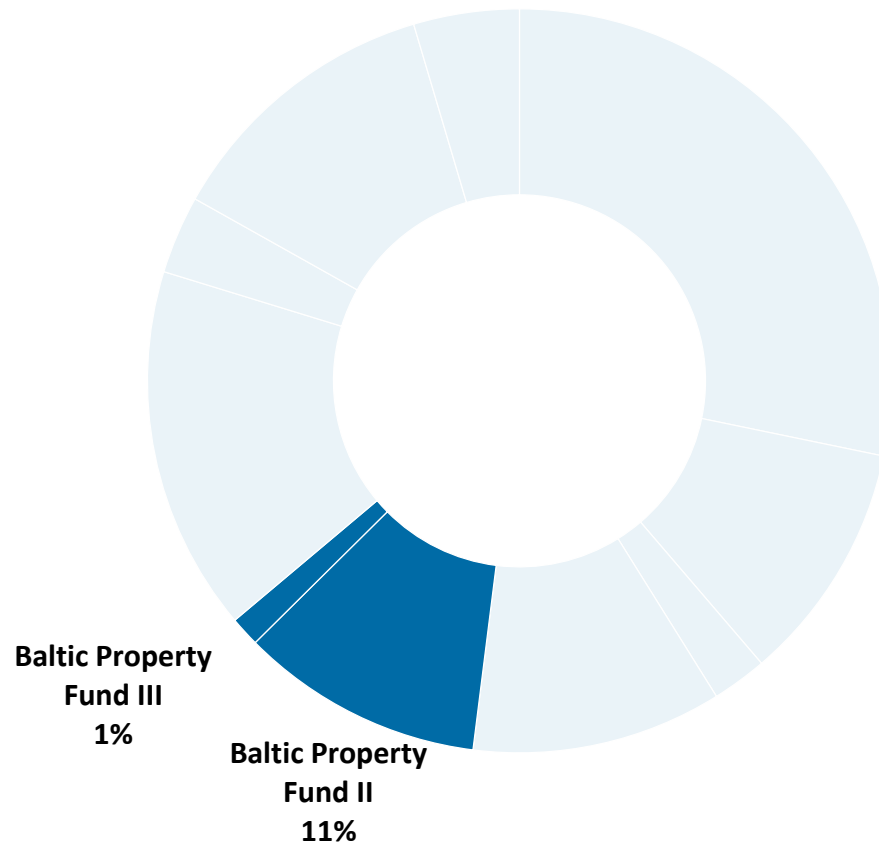
**Real estate +11,1% during 2015**  
• **Average IRR 10,6%**

## 3 Burès



- 3 Burès +14,1 % during 2015**
- Low to zero vacancy
  - Strong cash flow used for amortization of loan
  - Building permit for a third building

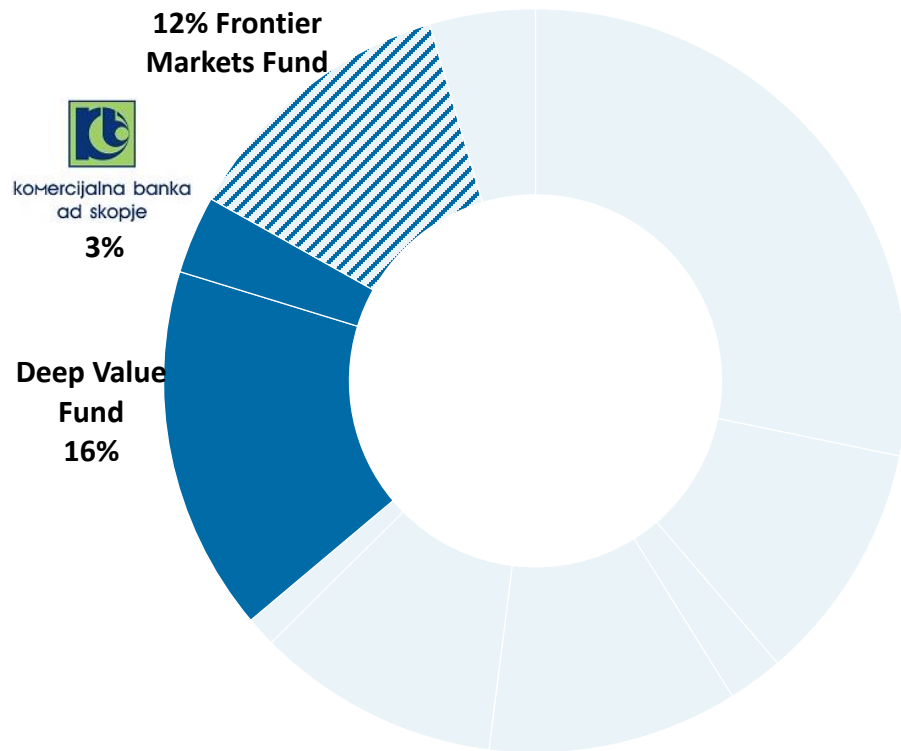
# Baltic Property Fund II & III



## **Baltic Property Fund II +9,8 % during 2015 (III newly launched)**

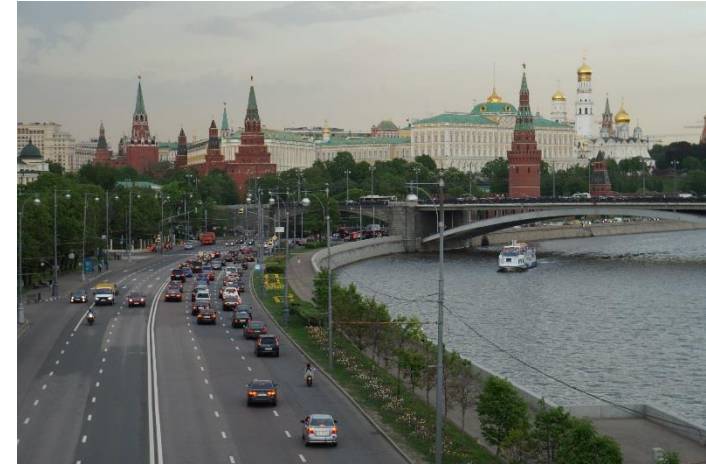
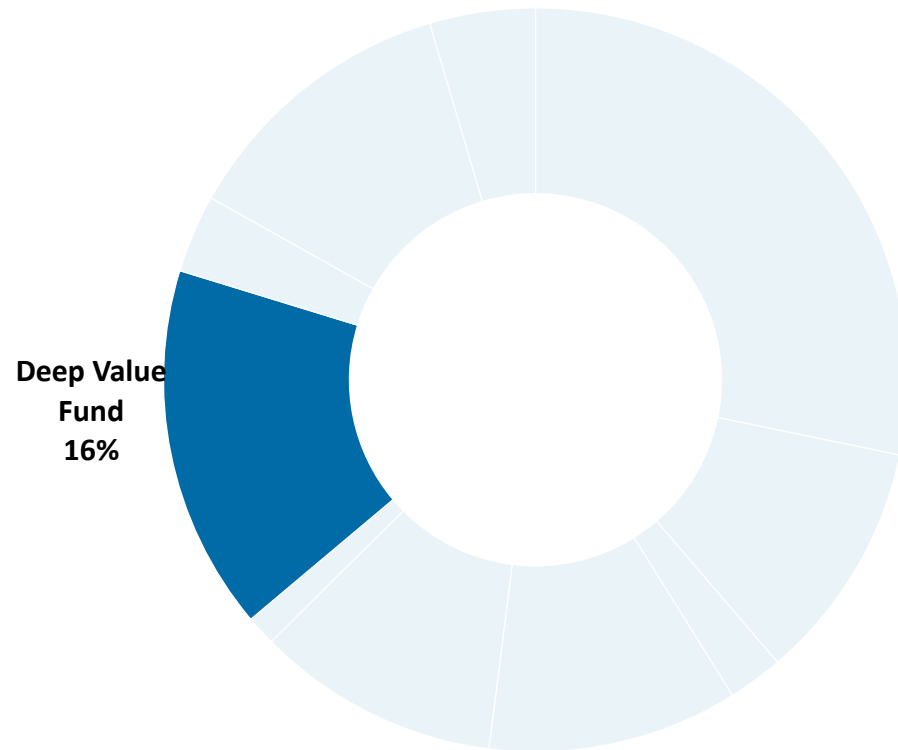
- 6 commercial properties with strong and stable cash flows
- Dividend 4% in May 2016, semi-annual dividends going forward

# Public equity



**Public +1.2% during 2015**  
• **Average IRR -0,5%**

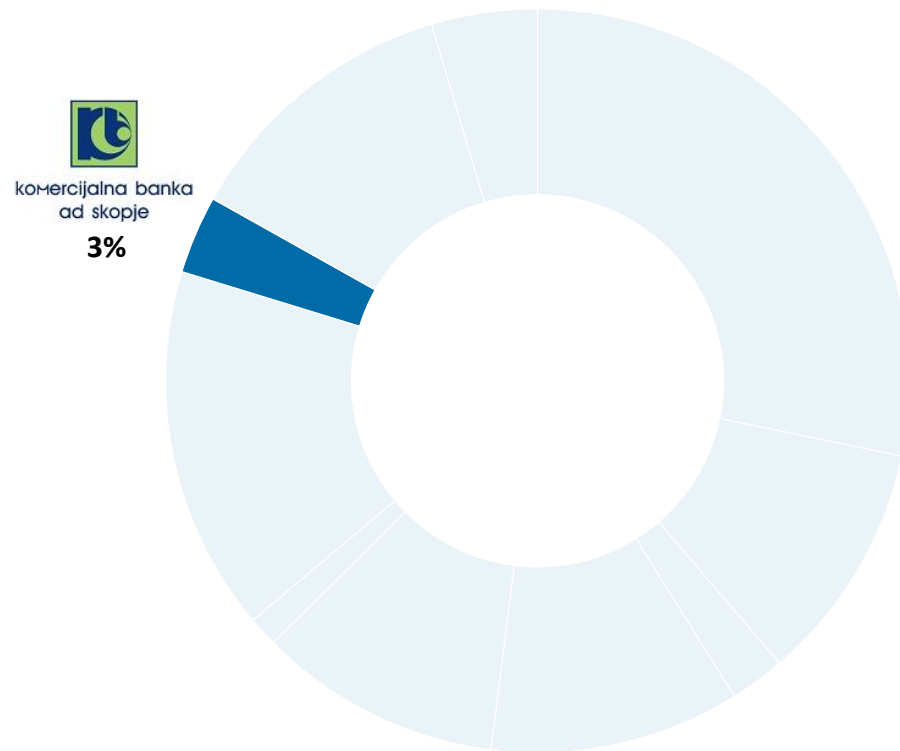
# Deep Value Fund



## **Deep Value Fund +1,6 % during 2015**

- Gives exposure to small and medium sized companies in Eastern Europe with high potential for revaluation
- Strongly affected by the Russian market and the general sentiment

# Komercijalna Banka Skopje

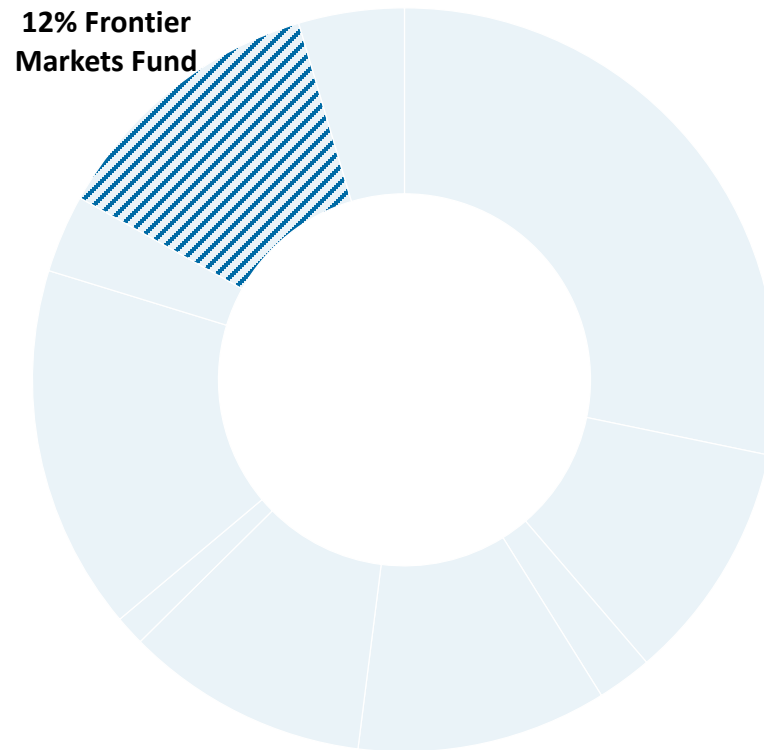


## KBS +16,7 % during 2015

- Continuously improved profitability due to high net interest margins
- Return on equity 5%



# Frontier Markets Fund



## Frontier Markets Fund -1,9% during 2015

- Global exposure to young and growing markets
- Large valuation discount compared to both emerging and developed markets
- Volatile year due to global and regional events

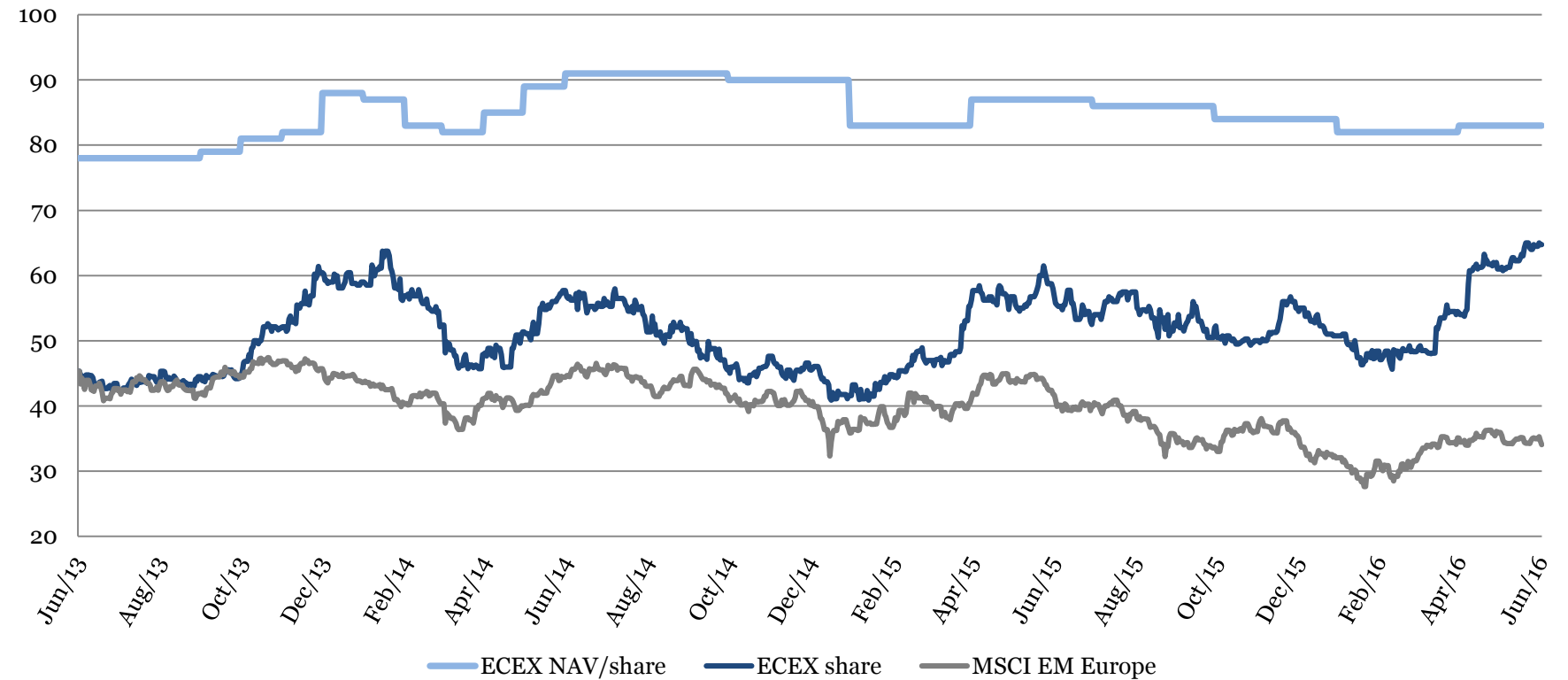
## Full year 2015

- NAV/share: -1,2%
- ECEX: +22,1%
- Index: -10,7%

## Past 3 years

- NAV/share: +6,4%
- ECEX: +42,9%
- Index: -24,8%

**ECEX NAV and share price vs. MSCI Emerging Markets Europe 3 years (SEK)**

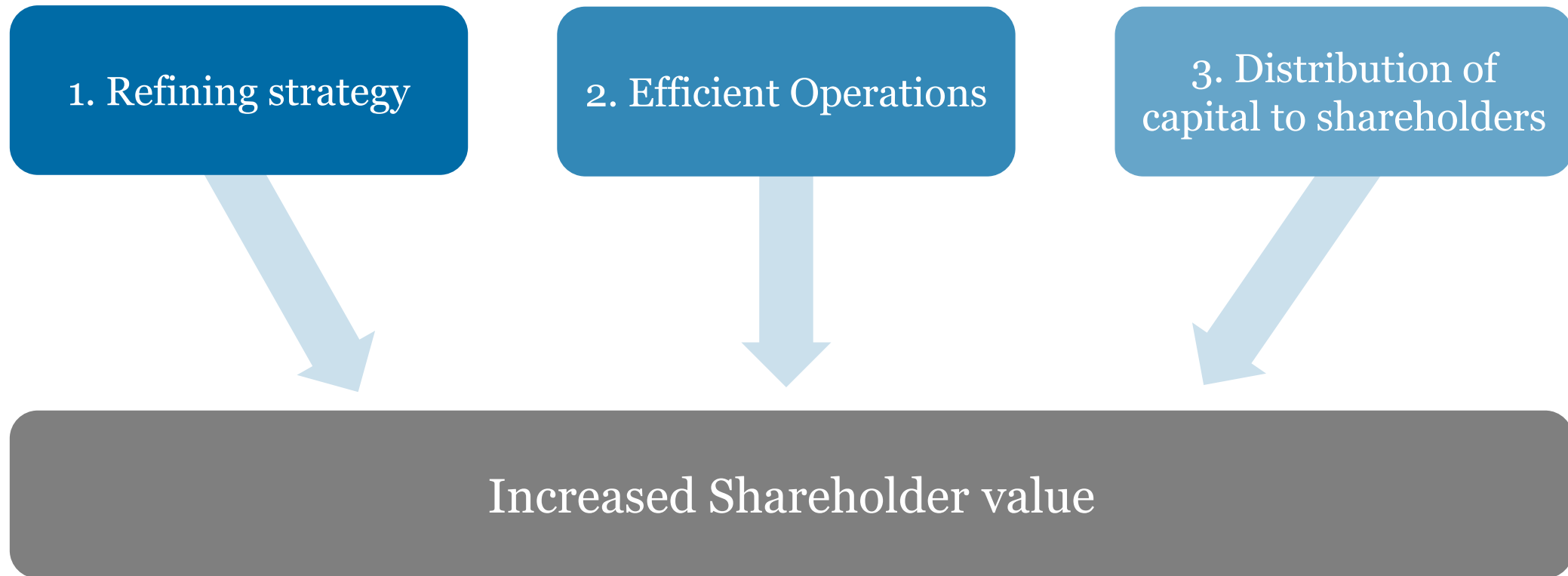


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# The future

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# Much has been done...



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## .. but the journey continues

1. Continued value creation in current investments
2. Further refinement of the portfolio
  - The Baltics still in focus
  - Exit from public equity funds
3. Building of an internal investment organization and review of corporate structure
4. Distribution of capital to shareholders
  - Buyback program continues

