Interim Report
1 January – 30 September 2011

EAST CAPITAL
EXPLORER

Interim Report 1 January – 30 September 2011

- Net asset value per share on 30 September 2011 amounted to EUR 9.14 (EUR 11.42 on 30 September 2010[1]). The total net asset value amounted to EUR 317m (EUR 398m), corresponding to a change of -17.1% (3.8%) during the third quarter and a change of -26.2% (16.6%) during the first nine months of the year. Since 30 September 2010 the net asset value changed -20.3% (22.6%)

- For the first nine months 2011, the net result for the Group was EUR -128m (EUR 77m). For the shareholders of the Parent Company the net result was EUR -107m (EUR 59m) and earnings per share amounted to EUR -3.07 (EUR 1.70)

- Cash, cash equivalents and other short-term investments on 30 September 2011 amounted to EUR 46m (EUR 89m), corresponding to EUR 1.32 (EUR 2.55) per share

- In August, East Capital Explorer made a direct investment of EUR 4m into Estonian infrastructure construction company, Trev-2 Group

- In September, East Capital Explorer undertook to invest EUR 13m in Melon Fashion Group as part of the previously announced deal with Swedfund that was agreed in July. The deal is expected to be completed during the fourth quarter

- In September, the Board of East Capital Explorer decided to utilize its authorization to buy-back shares, and the Company repurchased 138,504 of its own shares at an average price of SEK 55.72 per share, which corresponded to 0.4 percent of the Company's outstanding number of shares

- Following the portfolio companies' failure to meet previously set expectations, East Capital Explorer decided to write down the value of the shares in Melon Fashion Group by 30 percent and the shares in Populi by 35 percent at the end of the quarter. The above mentioned transaction in Melon Fashion Group was agreed before the revaluation and subsequently is taking place at the valuation level prevalent before this write down

- East Capital Explorer has continued to buy shares and add to its holding in TEO LT. At the end of September the additional investment made during 2011 amounted to EUR 2.0m, of which EUR 0.9m was invested during the quarter

EVENTS AFTER THE END OF THE PERIOD

- In October, the Board decided to prolong the share buy-back program until 30 March 2012, and the Company repurchased an additional 263,846 of its own shares at an average price of SEK 52.71 per share, which corresponded to 0.8 percent of the company's outstanding number of shares

- On 15 October, Mia Jurke succeeded Gert Tiivas as CEO of East Capital Explorer

- Since the end of the third quarter, East Capital Explorer has continued to buy shares in TEO LT for an additional EUR 0.8m bringing the total investment during 2011 to EUR 2.8m. East Capital Explorer currently holds 3.3% of the company's shares

- The total net asset value on 31 October 2011 amounted to EUR 317m (EUR 398m), corresponding to EUR 9.20 (EUR 11.40) per share. Cash, cash equivalents and other short-term investments per the same date amounted to EUR 44m (EUR 89m) corresponding to EUR 1.27 (EUR 2.55) per share. EUR 40m (EUR 49m) of those were available for future investments

[1] Comparable figures for the corresponding period 2010 are stated in parentheses.

Portfolio on 30 September 2011

	Fair Value 30 Sep 2011, mEUR	NAV/ Share, EUR	% of NAV	Fair Value 30 Jun 2011 mEUR	Fair Value 31 Dec 2010, mEUR	Value change Jan-Sep 2011, %[1)]	Value change Jul-Sep 2011, %[1)]
Fund Investments							
East Capital Bering Russia Fund	30.2	0.87	10	37.2	42.8	-29.5	-18.9
East Capital Bering Ukraine Fund Class A	5.8	0.17	2	7.2	7.9	-26.5	-19.9
East Capital Bering Ukraine Fund Class R	6.4	0.18	2	5.9	6.4	1.0	9.1
East Capital Bering Balkan Fund	39.4	1.14	12	47.9	42.0	-16.1	-17.6
East Capital Bering Central Asia Fund	18.0	0.52	6	21.2	25.4	-28.8	-14.9
East Capital Bering New Europe Fund	13.5	0.39	4	18.3	19.1	-29.4	-26.4
East Capital Power Utilities Fund	40.0	1.15	13	49.3	93.4	-35.5	-18.9
East Capital Special Opportunities Fund	31.0	0.89	10	41.1	58.6	-25.7	-24.6
East Capital Special Opportunities Fund II	27.9	0.80	9	35.2	37.1	-24.6	-20.6
East Capital (Lux) Eastern European Fund	7.4	0.21	2	9.8	15.4	-19.1	-23.9
Total Fund Investments	**219.8**	**6.33**	**69**	**273.1**	**347.9**	**-27.0**	**-19.5**
Direct Investments							
Melon Fashion Group	19.3	0.55	6	13.8	13.8	-28.1	-28.1
TEO LT	14.7	0.42	5	14.9	15.2	-7.6	-7.0
East European Debt Finance[2]	1.1	0.03	0	0.3	0.3	-3.2	-4.6
Populi	1.7	0.05	1	2.7	3.6	-58.2	-34.9
Wimm-Bill-Dann	-	-	-	-	7.1	-	-
Komercijalna Banka Skopje	11.1	0.32	3	14.0	-	-9.7	-21.1
Trev-2 Group	4.0	0.12	1	-	-	0.0	0.0
Total Direct Investments	**51.8**	**1.49**	**16**	**45.7**	**40.0**	**-16.7**	**-18.9**
Short-term Investments							
Short-term Investments	20.1	0.58	6	26.4	26.5		
Cash and cash equivalents	25.7	0.74	8	39.4	17.8		
Total Short-term Investments	**45.8**	**1.32**	**14**	**65.7**	**44.3**		
Total Portfolio	**317.4**	**9.14**	**100**	**384.6**	**432.3**		
Other assets and liabilities net	-0.2	-0.01	0	-2.2	-2.4		
Net Asset Value (NAV)	**317.1**	**9.14**	**100**	**382.4**	**429.9**	**-26.2**	**-17.1**

1) The value change calculation is adjusted for investments and distributions during the relevant period, i.e. it is the percentage change between the starting fair value plus any added investment during the period and the ending fair value plus any proceeds from divestments or dividends received during the period. It includes additional investments in East Capital Bering Balkan Fund of EUR 5.0m, in TEO of EUR 2.0m, in Populi of EUR 0.5m, in Komercijalna Banka Skopje of EUR 13.0m, in Trev-2 Group of EUR 4.0m, in MFG of EUR 13.0m and in EEDF of EUR 0.8m as well as divestments of EUR 5.0m from East Capital (Lux) Eastern European Fund, EUR 12.5m from East Capital Special Opportunities Fund, EUR 20.3m from East Capital Power Utilities Fund and EUR 7.4m from Wimm-Bill-Dann. It is also adjusted for pre-tax dividends of EUR 1.2m and EUR 0.7m received from TEO LT and Komercijalna Banka Skopje respectively.

2) In January 2010, the company announced an investment of EUR 5m in East European Debt Finance together with Intrum Justitia and East Capital Financials Fund. So far EUR 1.1m has been drawn down. The remaining commitment is still held in short term investments.

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

CEO COMMENTS ON THE THIRD QUARTER

It is with great pleasure that I now tackle the composition of my first CEO commentary after joining East Capital Explorer as its new CEO on 15 October. Even so, the investment environment about which I am writing is, needless to say, very challenging and the volatile markets have continued downward during the third quarter, impacted by the US and Eurozone imbalances. East Capital Explorer's markets have also been negatively affected, however, not primarily due to US or Eurozone types of imbalance, but largely due to investor risk aversion. The East Capital Explorer NAV decreased to EUR 9.14 per share as of 30 September, corresponding to a negative performance of 17.0% during the third quarter.

"Our markets have also been negatively affected and the NAV decreased by 17% during the third quarter"

Except for East Capital Bering Ukraine Fund Class R, that showed a positive performance mainly due to exchange rate gains as the EUR strengthened against the USD, all other funds decreased in value. Populi, the Georgian food retailer, showed the least favorable performance and we decided to write down its value by 35% in September due to the failure of the company to meet performance expectations, as well as, due to general market conditions. We also wrote down the value of Melon Fashion Group by 30% for the same reasons. This is less than satisfying in view of the increased stake that is being acquired from Swedfund at a price negotiated earlier this summer. However, the management of Melon Fashion Group is taking measures to address the situation and the assessment shared by ourselves and the Investment Manager confirms our previous view of the long-term business case of the company. The Investment Manager monitors the portfolio companies closely, and we believe that East Capital's long experience in these markets is essential in these situations.

"Our direct investment into Trev-2, the Estonian infrastructure construction company, provides an attractive exposure to the Baltic States"

During the third quarter a new direct investment in Trev-2, one of the largest Estonian infrastructure construction companies, was undertaken. The investment was EUR 4m and the Investment Manager has identified a number of factors indicating that this is an attractive investment for East Capital Explorer. It also gives an exposure to the Baltics that is currently showing a very strong GDP-growth compared to other markets.

This autumn, the board decided to utilize the share buy-back mandate given by the AGM in April. During the period 15 September until 12 October, a total of 402,350 shares were repurchased, which represents 1.2% of total outstanding shares. The board has also decided to continue to utilize the AGM´s authorization until 30 March. With the current discount on the share, the repurchases are a means of ensuring immediate performance for the shareholders, and we consequently see this as a complementary tool to create shareholder value. Our long term strategy for creation of shareholder value will continue to focus on identifying interesting investments in the region.

"The board decided to utilize the share buy-back mandate given by the AGM in April"

Our NAV on 31 October amounted to EUR 317m, which gives an unchanged value compared to the 30 September. However, the NAV per share as of 31 October was up slightly to 9.20 EUR, mainly as a result of the above mentioned share buy-backs made in October.

Finally, I would like to express my appreciation to Gert Tiivas, who served as CEO since the listing. He has been instrumental in the creation of East Capital Explorer, a public listed company providing access to its shareholders to a wide range of East Capital fund products and direct investments in Eastern Europe otherwise not easily available to investors.

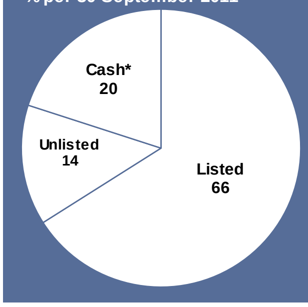
Mia Jurke, CEO

Top 10 in East Capital Explorer on a see-through basis[1)]

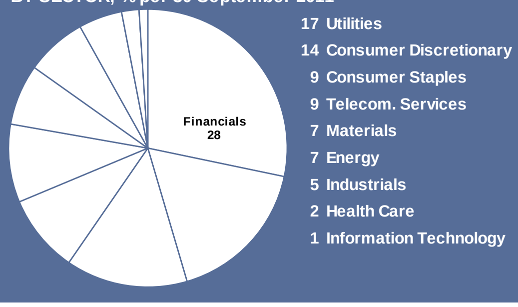
Company	% of NAV	Value in portfolio 30 Sep, EURm	Country	Sector	East Capital Explorer's Investment Vehicles
Melon Fashion Group	6.1	19.3	Russia	Consumer Discretionary	Direct Investment
TEO LT	6.0	19.0	Lithuania	Telecommunication Services	Direct Investment East Capital Special Opportunities Fund East Capital (Lux) Eastern European Fund
Komercijalna Banka Skopje	4.1	13.1	Macedonia	Financials	Direct Investment East Capital Bering Balkan Fund
Fondul Proprietatea	2.9	9.1	Romania	Financials	East Capital Bering Balkan Fund East Capital Special Opportunities Fund East Capital (Lux) Eastern European Fund
Verofarm	1.5	4.8	Russia	Health Care	East Capital Bering Russia Fund East Capital Special Opportunities Fund East Capital Special Opportunities Fund II
Zavarovalnica Triglav	1.4	4.6	Slovenia	Financials	East Capital Bering Balkan Fund East Capital Special Opportunities Fund II East Capital (Lux) Eastern European Fund
Bank of Georgia	1.4	4.3	Georgia	Financials	East Capital Bering Central Asia Fund East Capital (Lux) Eastern European Fund
Trev-2 Grupp	1.3	4.1	Estonia	Industrials	Direct Investment East Capital Bering Russia Fund East Capital Bering Ukraine Fund R
Nova Liniya	1.2	3.9	Ukraine	Consumer Discretionary	East Capital Bering Russia Fund East Capital Bering Ukraine Fund R
TGK-5	1.2	3.7	Russia	Utilities	East Capital Power Utilities Fund
Total Top 10	27.1	85.9			

1) As if East Capital Explorer AB had owned its pro-rata share of all the underlying securities in the different funds it had invested in.

EXPOSURE BY TYPE OF INVESTMENT
% per 30 September 2011



EXPOSURE OF INVESTED PORTFOLIO
BY SECTOR, % per 30 September 2011



EXPOSURE OF INVESTED PORTFOLIO
BY COUNTRY, % per 30 September 2011

* Includes cash, cash equivalents and other short-term investments of EUR 46m in addition to any cash in the underlying funds per 30 September 2011

NET ASSET VALUE

The net asset value on 30 September 2011 amounted to EUR 317m (EUR 398m), corresponding to EUR 9.14 (EUR 11.42) per share. This corresponds to a change of -26.2% compared to the net asset value on 31 December 2010 which was EUR 430m and a decrease of 20.3% compared to the net asset value on 30 September 2010.

On 30 September 2011, cash, cash equivalents and other short-term investments amounted to EUR 46m (EUR 89m) corresponding to EUR 1.32 (EUR 2.55) per share, which was 14% (22%) of the total net asset value per share. The closing price per share on 30 September 2011 was SEK 53 (corresponding to EUR 5.76).

Net asset value, share price and index development

(% change in EUR)	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010
Net asset value	-26.2	16.6
East Capital Explorer share	-37.5	7.1
SAX[1)]	-24.9	27.7
RTS Index[2)]	-24.3	9.6
RTS 2 Index[3)]	-30.2	43.7
MSCI EM Europe[4)]	-25.6	11.0

1) SAX Index includes all equities listed on NASDAQ OMX Stockholm.
2) RTS Index includes the 50 largest companies traded on the Russian Trading System.
3) RTS 2 Index includes 78 companies on the RTS that have limited trading volumes.
4) MSCI EM Europe Index includes Russian, Polish, Hungarian, Czech and Turkish equities.

Portfolio overview

Per 30 September 2011, East Capital Explorer had fund and direct investments totaling EUR 272m compared to EUR 310m on 30 September 2010.

EAST CAPITAL BERING RUSSIA FUND

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

At the end of the reporting period East Capital Explorer´s share of the fund was 34%.

Fund Performance

	Q3 2011	9m 2011	Since Dec 07
East Capital Bering Russia Fund, EUR[1)]	-19%	-29%	-57%
RTS-2 Index, EUR[2)]	-23%	-30%	-29%

Source: Bloomberg
1) Data representing the fund's master series.
2) The Russian Trading System Second-tier Stock Index is the Russian mid-cap stock market index composed of 78 companies on the RTS that have limited trading volumes.

Sector weighting

Sector	% of fund
Industrials	22.5
Materials	19.3
Energy	18.5
Financials	15.4
Consumer Discretionary	12.2
Health Care	5.9
Information Technology	2.7
Utilities	1.5
Consumer Staples	1.3
Telecom. Services	0.8

Country weighting

Country	% of fund
Russia	82.3
Ukraine	9.5
Kazakhstan	5.4
Baltics	2.7

10 largest holdings

	Weight % of fund				
Company	Q3 2011	Q2 2011	% Perf.[1]	Country	Sector
FESCO	8.5	10.5	-44.0	Russia	Industrials
Kuzbassrazrezugol	7.1	7.3	-28.5	Russia	Energy
Nova Liniya	5.9	4.3	0.0	Ukraine	Cons. Discr.
Neftekamsky Avto	5.5	5.3	-22.2	Russia	Industrials
Korshunovsky GOK	5.0	5.6	-33.9	Russia	Materials
Bank Tsentrkredit	5.0	5.4	-31.3	Kazakhstan	Financials
Verofarm	5.0	5.3	-38.6	Russia	Health Care
Ufimsky NPZ	4.8	3.6	-2.1	Russia	Energy
Highland Gold Mining	4.6	3.9	-12.5	Russia	Materials
Kantik	2.9	2.1	8.1	Ukraine	Financials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
54	14	97

1) Share price development in USD during the third quarter 2011.

Portfolio comment third quarter

Jacob Grapengiesser, Partner and member of the Portfolio Management team, East Capital

Most of our top holdings were down during the quarter. However, Ufimsky NPZ was down only 2%, as the market now anticipates a consolidation of Bashneft subsidiaries by the first quarter of 2012 relying on comments from top management. Ufimsky NPZ, a Bashneft subsidiary, traded at a deep discount to its sister companies on asset multiples.

Our largest holding, FESCO, was down 44% during the third quarter on the back of small cap and cyclical share plunges and uncertainty over the privatization of Transcontainer. FESCO heavily underperformed all its peers; Globalports, Globaltrans, Novorosport, Transcontainer. Down by more than 60% from its 2011 peak, FESCO is in our opinion again trading at an unjustified discount to its peers on multiples, i.e. at an enterprise value 5 times Ebitda compared to an enterprise value of 5-7 times Ebitda range for peers. We know that several international and local funds have been selling down FESCO shares, and this share overhang, coupled with uncertainty over the Transcontainer privatization price, was the main driver behind the poor share price performance. Going forward, we expect that imports in Russia will continue to grow at slow double digit rates and GDP growth in the country in 2012 is expected to remain around 2-3%. That should support FESCO's Ebitda reaching over USD 200m in 2012. We believe that the company acts rationally and will not participate in the Transcontainer auction at any price, as this could substantially increase the company's debts to disappointing levels.

Another of the worst contributors for the quarter was restaurant operator Rosinter. The stock continued to fall, declining another 55% during the quarter and over 75% year-to-date. Unfortunately, after a very impressive 2010, food price inflation and social tax hikes have negatively affected operating earnings in 2011. The first quarter 2011 financial results were unexpectedly weak, with operating earnings contracting by 99% year-on-year, and with the subsequent management change. Second quarter 2011 results were not very encouraging either, but we expect improvements during the fourth quarter of 2011 and in 2012, as inflation has been going down recently, and is targeted at the 5%-6% level next year compared to the current rate of 8%. Furthermore, social taxes have been reduced.

Gold mining company, Highland Gold, was very volatile following gold price swings. The gold price surpassed the USD 1900 level, but declined by almost 25% on the back of the stronger dollar and commodities sell-offs. Over the quarter, Highland Gold was down 13%, outperforming broader mining peers, such as coal and iron ore and steel companies. The stock remains the cheapest in the domestic gold universe, despite the complete operational and financial turnaround that took place under the Millhouse ownership. Highland Gold is on track to reach 20% production growth in 2011 and trades at 5 times Ebitda, whereas its mid cap peer, Polyus Gold, trades at above 10 times Ebitda. We also anticipate that control in the company could be sold for political reasons, or that special dividends could be paid.

EAST CAPITAL BERING UKRAINE FUND CLASS A

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities. Since 1 January 2010, the East Capital Bering Ukraine Fund is split into two classes: East Capital Bering Ukraine Fund Class A, comprising listed holdings; and East Capital Bering Ukraine Fund Class R that comprises the illiquid private equity assets.

At the end of the reporting period East Capital Explorer´s share of the Class A shares of the fund was 31%.

Fund Performance

	Q3 2011	9m 2011	Since Jan 2008
East Capital Bering Ukraine Fund Class A, EUR[1)]	-20%	-26%	-60%
PFTS Index, EUR[2)]	-32%	-44%	-67%

Source: Bloomberg
1) Data representing the fund's master series.
2) The PFTS Index is the Ukraine stock market index composed of the twenty largest shares on the stock exchange in Kiev.

Sector weighting

Sector	% of fund
Consumer Staples	55.2
Utilities	11.9
Telecom. Services	8.9
Financials	7.8
Materials	7.4
Consumer Discretionary	3.7
Health Care	2.4
Energy	1.2
Information Technology	0.8
Industrials	0.7

Country weighting

Country	% of fund
Ukraine	96.5
Russia	2.8
Baltics	0.8

10 largest holdings

Company	Weight % of fund Q3 2011	Q2 2011	% Perf.[1]	Country	Sector
Retail Group (Velikaya Kishenya)	11.1	8.8	-9.1	Ukraine	Cons. Staples
Slavutich	11.1	9.3	-14.1	Ukraine	Cons. Staples
Creativ Industrial Group	9.3	10.3	-34.4	Ukraine	Cons. Staples
Tsentr Energo	9.0	10.1	-36.1	Ukraine	Utilities
Anthousa	7.8	9.5	-40.4	Ukraine	Cons. Staples
Ukrtelecom	7.5	4.9	-31.0	Ukraine	Telecom. Services
Chumak Loan	4.0	3.8	0.0	Ukraine	Cons. Staples
Bogdan Motors	2.8	2.8	-29.3	Ukraine	Cons. Discr.
Koryukivska Fabryka Tekhnichnyh Paperiv	2.6	2.4	-19.6	Ukraine	Materials
Russkoe Zerno	2.5	2.7	-32.8	Russia	Cons. Staples

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
68	15	36

1) Share price development in USD during the third quarter 2011

Portfolio comment third quarter

Aivaras Abromavicius, Partner and member of the Portfolio Management team, East Capital

Almost all of our ten largest holdings, which make up almost 68% of the fund, saw their value eroded, largely due to general market weakness rather than company or sector-specific news. One of the few index-constituencies that remained on the radars of investors was Ukrtelecom. Even if it lost 31% during the quarter, the company substantially outperformed the benchmark index by 12%. The market has namely been awaiting the announcement of the long-term business strategy from the new owners as a sign of the improved transparency of the company. At least as important is the fact that Ukrtelecom has decided to auction off its mobile assets, the attraction of which being that it holds the country's only 3G network license which it acquired at a mere USD 28m back in 2005. The management's decision looks rational, as Ukrtelecom lacks a descent foothold in the mobile segment in Ukraine and has therefore been unable to compete with more cost efficient GSM operators on the country's saturated mobile market. At the current market capitalization of USD 955m, which is 33% below its privatization price, mobile assets at balance sheet value make up 8.8% of enterprise value. We anticipate that Ukrtelecom will book a substantial cash gain from the sale of its mobile assets, as the selling price may reach up to USD 500m, or 40% of enterprise value. We also expect that a considerable part of the gain will be paid out as dividends. According to the company's CEO, at least six companies have expressed an interest in participating in the auction by signing a NDA. We have been accumulating the stock, and Ukrtelecom is now the sixth largest holding in the fund. Ukrtelecom is trading at an enterprise value of 4.8 times estimated 2012 Ebitda and 25.3 times estimated earnings.

Brewery Slavutich weathered the sour market fairly well, losing 14% during the quarter, largely due to its low liquidity and thanks to its sound fundamentals. Mother company Carlsberg group has merged Slavutich with its other Ukrainian subsidiary, Lviv Brewery, which, together with an active marketing strategy, has helped Slavutich to enhance its position in the market from the third to the second largest player, with a market share of almost 29%. The merger has been value creative for Slavutich, as Lviv Brewery was acquired at Ukrainian currency (UAH) 0.3 per liter, while at the acquisition date, Slavutich was valued at UAH 2.6 per liter. We do not exclude the possibility, however, that the company may face some drops in profitability going forward, due to increases in input prices and possible hikes in excise taxes, now that there is a limited possibility of passing the increased cost burden on to consumers that remain very price sensitive. Slavutich is trading at an undemanding valuation of enterprise value 2.4 times estimated 2012 Ebitda and 4.3 times estimated earnings.

During the quarter, we successfully sold out the remaining holding of fuel retailer Galnaftogaz with an approximate return of 50% during the holding period, and also pharmaceutical company Nord Star Pharmashare, with a return of 145%.

EAST CAPITAL BERING UKRAINE FUND CLASS R

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities. Since 1 January 2010, the East Capital Bering Ukraine fund is split into two classes: East Capital Bering Ukraine Fund Class A, comprising listed holdings; and East Capital Bering Ukraine Fund Class R that comprises the illiquid private equity assets. The East Capital Bering Ukraine Fund Class R currently comprises eight unlisted companies.

At the end of the reporting period East Capital Explorer´s share of the Class R shares of the fund was 12%.

Fund Performance

	Q3 2011	9m 2011	Since Dec 2009
East Capital Bering Ukraine Fund Class R, EUR[1)]	9%	1%	-64%
PFTS Index, EUR[2)]	-32%	-44%	-67%

Source: Bloomberg

1) Data representing the fund's master series.
2) The PFTS Index is the Ukraine stock market index composed of the twenty largest shares on the stock exchange in Kiev.

Sector weighting

Sector	% of fund
Financials	46.7
Consumer Discretionary	33.6
Consumer Staples	14.2
Information Technology	3.9
Industrials	1.7

Country weighting

Country	% of fund
Ukraine	94.4
Baltics	7.3

Largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
Nova Liniya	33.1	33.7	0.0	Ukraine	Cons. Discr.
Kantik	23.9	23.4	8.1	Ukraine	Financials
Henryland	20.1	20.6	-1.0	Ukraine	Financials
Chumak	14.0	14.2	0.0	Ukraine	Cons. Staples
ELKO	3.8	3.9	0.0	Baltics	IT
Trev-2 Group	1.7	1.8	-7.5	Baltics	Industrials
Sablink	1.1	1.2	-1.1	Ukraine	Financials
RTC Irpin	1.0	1.9	0.0	Ukraine	Financials

Largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
100	100	8

1) Share price development in USD during the third quarter 2011.

Portfolio comment third quarter

Aivaras Abromavicius, Partner and member of the Portfolio Management team, East Capital

Renewed turbulence on global financial markets caused new fears of a devaluation of the Ukrainian currency Hryvnia. Therefore, the efforts of real estate developers Kantik and Henryland during the quarter were focused on decreasing vulnerability to a potential devaluation. Although the financial liabilities of both companies are denominated in USD, the currency risk has been largely eliminated by the signing of rental agreements in USD with the vast majority of the tenants. Additionally, as both companies possessed sizable cash balances, which under current Ukrainian currency regulations can only be held in Hryvnia, Kantik's management decided to repay part of the debt, and both companies paid dividends to shareholders reducing the share of Hryvnia-denominated assets. On the operational side, Kantik and Henryland continued to enjoy stable rental income from Nova Liniya, a leading do-it-yourself hardware chain. This addition to cash had a positive effect on their NAVs. The combined effect of the operational and financing activities resulted in an NAV increase for Kantik and an NAV decrease for Henryland. Including dividends, the performance during the quarter was 8.1% and -1% respectively.

Nova Liniya's revenue during the first eight months of the year came in at USD 199m, which is 3% lower year-on-year. But gross margin improved to 24.4% versus 22.2% the year before, and EBITDA margin increased to 1.3% from -0.2% last year. As part of the restructuring, Nova Liniya's management is continuing to recruit new people for senior positions. During recent months, a new marketing director has been employed, and the category management department has also been strengthened with new positions. Additionally, the company is preparing to change the layout of its shops. As a trial, one of the shops will be redesigned in January 2012, with the remainder to follow. The valuation of Nova Liniya has remained unchanged in the third quarter.

Sales in Chumak, a leading ketchup and sauce producer, during the third quarter amounted to USD 15.4m, an increase by 26% year-on-year, supported by sound growth in the pasta and condiment sauce segments. Ebitda margin came in at 7.3%, up from 3.1% a year earlier. This is an encouraging margin development compared to the first six months of this year, when the Ebitda margin reached only 1%. The company has been raising prices during the year to keep up with the increasing raw material prices, but it was not until the third quarter that it was able to pass the increase on to consumers to a larger extent. Exports to Belarus, which were hit severely by a sharp devaluation of the Belorussian Rouble in the spring, have started to recover, although they remain at a considerably lower level than before. The valuation of Chumak has been kept unchanged since last quarter.

At the end of the quarter, we participated in the board meeting of Trev-2 Group, an Estonian infrastructure construction and maintenance company. The company is ahead of its budgeted revenue target. However, significant rises in material and labor costs are undermining profitability. Going forward, Trev-2 Group plans to focus on enhancing profitability, strengthening the management and possibly growing through acquisitions. In August, East Capital Explorer invested EUR 4m directly into the company, which it will use for its working capital and expansion. The company's value in USD during the quarter dropped 7.5% as a result of the USD weakening against the EUR while the holding in its base currency remained unchanged in our portfolio. Trev-2 Group is trading at an enterprise value of 4.9 times 2012 estimated Ebitda and 6.8 times earnings.

EAST CAPITAL BERING BALKAN FUND

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

At the end of the reporting period East Capital Explorer´s share of the fund was 58%.

Fund Performance

	Q3 2011	9m 2011	Since Dec 07
East Capital Bering Balkan Fund, EUR[1]	-18%	-15%	-56%

1) Data representing the fund's master series.

Sector weighting

Sector	% of fund
Financials	57.2
Consumer Discretionary	15.3
Consumer Staples	11.8
Telecom. Services	6.2
Energy	3.7
Industrials	3.2
Materials	1.8
Utilities	0.5
Health Care	0.4

Country weighting

Country	% of fund
Romania	26.0
Serbia	22.7
Turkey	12.9
Slovenia	12.9
Bosnia	9.6
Macedonia	5.9
Croatia	4.7
Montenegro	3.6
Bulgaria	1.8

10 largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
Fondul Proprietatea	9.0	9.0	-26.4	Romania	Financials
Pinar Et Ve Un	6.5	6.5	-26.5	Turkey	Cons.Staples
B92	6.2	4.9	-7.8	Serbia	Cons.Discr.
Komercijalna Banka Skopje	5.0	5.1	-27.2	Macedonia	Financials
NKBM	3.7	4.0	-41.8	Slovenia	Financials
Zavarovalnica Triglav	3.6	3.2	-19.0	Slovenia	Financials
Telekom Srpske	2.9	2.3	-6.4	Bosnia	Telecom. Services
Aik Banka	2.9	3.2	-34.7	Serbia	Financials
Montenegro Telekom	2.9	2.4	-11.7	Montenegro	Telecom. Services
PIF BIG	2.8	3.1	-33.9	Bosnia	Financials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
45	11	75

1) Share price development in USD during the third quarter 2011.

Portfolio comment third quarter

Jacob Grapengiesser, Partner and member of the Portfolio Management team, East Capital

The Romanian restitution fund, Fondul Proprietatea remained the largest holding in the East Capital Bering Balkan Fund by the end of the third quarter 2011, with a 9% weight. The stock lost 26% during the third quarter. In addition to weak performance in general for equity markets during the last quarter, the failure of the Romanian government to privatize an additional 9.8% stake in Petrom put pressure on the performance of Fondul Proprietatea's shares. Some of the largest holdings in Fondul Proprietatea are still not listed, and given the failure of a secondary public offering in Petrom's case, future privatizations scheduled by the Romanian government might take slightly longer than initially expected. On the other hand, during our recent meeting with Fondul Proprietatea, the management confirmed that they are continuously pushing for the listing of companies in the underlying portfolio. During the last quarter, the company continued its share buyback program and currently holds 1.8% of its own shares. The cash proceeds received as dividends from portfolio companies will enable Fondul Proprietatea to pay out good dividends to its shareholders in 2012. During the last quarter, the Romanian state's stake in the company decreased further, to 5% by the end of September. The company is in our view very attractively valued, trading at a 60% discount on reported NAV.

Agrobanka, a medium sized Serbian bank, lost 40% during the quarter. The bank's second quarter 2011 results were mixed as the bank showed above-sector growth, with loans increasing by 9.3% in the first 6 months of 2011. Pre-provision profit was up by 23%, but net profit decreased by 34%, as provisions were higher than a year ago. Part of the decline can be explained by investors' concerns about potential further impairment of the loan book if corporate defaults in Serbia will continue. However, Agrobanka is now trading at only 0.2 times book value. Together with other shareholders, we delayed the extraordinary shareholders meeting and added the decision on a share buyback to the agenda. If voted for, it should provide support for the share's price and benefit existing shareholders.

B92, a non-listed Serbian media company, lost 7.8% because of the local currency weakness versus the USD while valuation in the base currency remained unchanged in our portfolio. The company held a board meeting where promising results from the new management were presented. Prime time rating (which is what matters for advertisers) was up 80% year-on-year in August, to 10.8% from 6%. As the sales for 2012 advertising space will begin in the autumn, we are very likely to see financials following operational results, which could substantially increase the value of the company.

In Slovenia, Zavarovalnica Triglav, the largest domestic insurance company with the leading position in the Balkans, lost 19% despite posting very strong half-year 2011 results, with a net profit increase of 80%. The stock is now trading at 4 times estimated 2011 unadjusted earnings.

The focus in the upcoming period will be parliamentary elections in Croatia and Slovenia. Especially in Slovenia, we could see a government that will be friendlier towards a sale of strategic companies, with a couple of large deals already in the pipeline for some time. Also, we will try to push further for share buybacks in some of the banks, which in our view makes a lot of sense as their shares are trading deeply below book values.

EAST CAPITAL BERING CENTRAL ASIA FUND

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

At the end of the reporting period East Capital Explorer´s share of the fund was 46%.

Fund Performance

	Q3 2011	9m 2011	Since Jan 2008
East Capital Bering Central Asia Fund, EUR[1]	-15%	-29%	-59%
KASE Index, EUR[2]	-23%	-35%	-62%

Source: Bloomberg

1) Data representing the fund's master series.
2) The Kazakhstan Stock Exchange index is composed of the seven most traded companies on the exchange.

Sector weighting

Sector	% of fund
Financials	52.4
Energy	25.9
Consumer Staples	13.8
Materials	5.7
Utilities	1.7
Telecommunication Services	0.3
Industrials	0.2

Country weighting

Country	% of fund
Kazakhstan	43.0
Georgia	40.8
Turkmenistan	8.7
Ukraine	5.5
Armenia	0.9
Russia	0.7
Uzbekistan	0.3

10 largest holdings

	Weight % of fund				
Company	Q3 2011	Q2 2011	% Perf.[1]	Country	Sector
Bank of Georgia	23.9	23.1	-24.3	Georgia	Financials
Kazmunai Gas	12.0	10.0	-26.4	Kazakhstan	Energy
Dragon Oil	8.5	8.8	-10.9	Turkmenistan	Energy
Caucasus Agro Development	7.9	7.4	-21.2	Georgia	Consumer Staples
Bank Tsentrkredit	7.1	7.6	-31.3	Kazakhstan	Financials
Chagala Group	6.6	6.1	-17.1	Kazakhstan	Financials
Henryland	5.4	4.0	-1.0	Ukraine	Financials
Halyk Bank	4.6	4.7	-29.1	Kazakhstan	Financials
BMB Munai	3.2	2.1	12.0	Kazakhstan	Energy
Eksimbank	3.0	2.2	-2.9	Kazakhstan	Financials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
82	18	28

1) Share price development in USD during the third quarter 2011.

Portfolio comment third quarter

Aivaras Abromavicius, Partner and member of the Portfolio Management team, East Capital

The uncertainty that plagued the markets in the second quarter intensified further, as growing contingency risks in Europe aggravated the lack of encouraging data from the United States. The Kazakh market was not spared in this environment, falling together with the rest of the equity markets. Out of 31 markets in our universe, Kazakhstan had nearly the worst year-to-date performance ahead of only Ukraine and Greece.

As for our biggest liquid holdings, few were spared in these markets, regardless of the fundamentals. One exception was BMB Munai, up 12%, on anticipation of the completion of the company sale to a Chinese buyer.

Our largest holding, Bank of Georgia, lost 24% as financials were beaten down. The outlook for the bank has not changed, with operational performance well in line with management targets of 20% return on equity and over 20% loan growth. The bank has also initiated a process of obtaining a premium listing on the London Stock Exchange, aiming for inclusion in the FTSE-250. Of course, given the small scale of the Georgian economy it is only prudent to look at macro risks. However, on closer examination the story remains appealing, given the local currency's 7% year-to-date appreciation and the National Bank's switch from monetary tightening to easing in second half of 2011. This year, the economy is expected to grow at around 6%, and the downside for next year's figures is rather limited given that there are no incentives to cut state spending in a pre-election year. The bank is currently trading at 0.7 times estimated 2012 book value.

Bank of Georgia's peers from Kazakhstan, namely Halyk Bank and Bank Tsenterkredit, lost 29% and 31% respectively. Both banks showed modest performance in the first half of 2011, with no loan growth for Halyk and single-digit loan growth for Bank Tsenterkredit. Provisioning and non-performing loans remain high. Recovery in the real estate sector is mostly based on anecdotal evidence, rather than on solid statistics. Having been hit hard in 2008-2009, Kazakhs stick to cautious strategies, accumulating excess liquidity and showing subdued loan growth. The long-term-debt ratio has declined from over 200% pre-crisis to under 100% at present, which hurts profitability but serves as insurance against a potential liquidity squeeze. All in all, we remain bearish on these stocks in the short term. Halyk and Tsentrkredit are trading at 0.8 and 0.7 times estimated 2012 book values.

Oil stocks Kazmunai Gas (KMG) and Dragon Oil were equally under pressure and ended the quarter losing 26% and 11%. Apart from global worries, KMG was pressured by a continuing strike at its production units. The labor issues were resolved by the end of September, but the final impact on total production exceeded initial expectations, hurting the share price. KMG remains the cheapest oil major in the CIS region, trading at 4 times estimated 2012 earnings and an enterprise value of 1 times Ebitda.

In terms of portfolio changes, we participated in the capital decrease for Armenbrok, an Armenian brokerage, closed the position in Kazkommertsbank preference shares on outperformance compared to ordinary shares, and made a partial switch from Dragon Oil to KMG. The latter was done in the last days of the quarter on the expectations that KMG would be more resilient to market volatility supported by the start of a share buyback program.

EAST CAPITAL BERING NEW EUROPE FUND

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

At the end of the reporting period East Capital Explorer´s share of the fund was 86%.

Fund Performance

	Q3 2011	9m 2011	Since May 2008
East Capital Bering New Europe Fund, EUR[1)]	-26%	-29%	-15%

1) Data representing the fund's master series.

Sector weighting

Sector	% of fund
Financials	20.8
Industrials	17.3
Materials	15.6
Information Technology	11.5
Consumer Staples	11.1
Utilities	10.7
Consumer Discretionary	9.0
Energy	3.7
Health Care	0.2

Country weighting

Country	% of fund
Poland	54.7
Hungary	26.0
Baltics	9.7
Slovakia	6.5
Czech Rep.	3.1

10 largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
Ablon Group	9.0	8.2	-25.4	Hungary	Financials
Morpol	8.8	10.9	-45.1	Poland	Consumer Staples
E-Star	7.6	11.0	-44.3	Hungary	Utilities
ELKO	7.0	4.8	0.0	Baltics	IT
PannErgy	5.8	5.9	-32.3	Hungary	Materials
Mennica Polska	5.5	6.2	-18.6	Poland	Materials
Budimex	3.9	4.0	-33.7	Poland	Industrials
Koelner	3.7	2.7	-6.9	Poland	Industrials
Bogdanka	3.2	2.9	-24.5	Poland	Energy
Asseco Slovakia	3.2	2.7	-20.4	Slovakia	IT

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
58	11	64

1) Share price development in USD during the third quarter 2011.

Portfolio comment third quarter

Eglé Fredriksson, Member of the Portfolio Management team, East Capital

Looking at the midcap universe in Poland, we have often mentioned that valuations there have been rather demanding compared to the rest of Eastern Europe. However, after the recent sell off, we are seeing valuations coming down from the historic average of 15 times, to 11.7 times expected 2011 earnings. And despite the recent earnings per share growth downgrades, which we saw throughout the region, we could still see a healthy earnings growth in 2012. Top 10 Polish holdings in the fund are also trading at around 12 times trailing earnings which have potential to provide continued earnings per share growth in 2011 and 2012.

Several Hungarian companies in the Bering New Europe portfolio have been suffering after sell offs following the state's decision to nationalise private pension funds. Two of the larger Hungarian holdings, E-star and PannErgy, lost 44% and 32% respectively over the quarter. Moreover, energy solutions provider E-star lost investors' confidence that they will be able to deliver on all of their projects due to a lack of financing. As the exacerbating debt crisis in Europe tightened the debt access even more, we substantially reduced our holding in E-star, more than doubling our return for the fund.

Morpol, a Norwegian listed and Polish based salmon processing plant selling to the German market, negatively surprised the market during the quarter declining 45% from the highs of June 2011. Its share price has also been depressed by the conflict between the founder and the CEO of the company and its supervisory board. However we believe that the recent changes in the board will help to end this conflict. Operationally, Morpol has a sound industrial production model supported by sharply reduced salmon raw material price which has fallen roughly 25% since the start of the third quarter 2011. We believe this drop will positively reflect on the processing margins during the second half of 2011 and especially Christmas sales, leaving room for an earnings surprise as well as multiple expansions. Presently Morpol stock looks oversold as it is trading at a very low multiple of 6 times estimated 2011 earnings.

The Polish construction sector saw one of the most significant across-the-sector sell offs during the last few quarters. Many of the construction companies in the fund fell by more than 40%, including Mostostal Warsawa, Pozbud, Elektrobudowa and Trakcja Polska. However, the fund's largest construction holding, Budimex, did not perform as badly as its construction peers, which fell 34%, as the company has been enjoying higher-margin projects and more flexibility provided by its hefty cash position. We have used the market weakness to accumulate positions in a few oversold construction companies having the most conservative reporting approaches and are expected to improve results in the coming quarters, while at the same time reducing Budimex, where the actual results deterioration might still be ahead.

EAST CAPITAL POWER UTILITIES FUND

The aim of the fund is to target the many investment opportunities arising from the ongoing power sector reform in Russia. The fund invests in both listed and unlisted companies across sub-sectors of the industry including electricity generation, distribution and services.

At the end of the reporting period East Capital Explorer´s share of the fund was 73%.

Fund Performance

	Q3 2011	9m 2011	Since Dec 2007
East Capital Power Utilities Fund, EUR	-19%	-43%	6%
RTS Electric Utilities Index[1)]	-29%	-41%	-44%

Source: Bloomberg
1) The RTS Electric Utilities index is a sector index comprising 15 utility equities listed on RTS.

Sector weighting

Sector	% of fund
Utilities	97.6
Industrials	1.8
Energy	0.7

Country weighting

Country	% of fund
Russia	98.2
Georgia	1.7
Ukraine	0.1

10 largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
TGK-5	9.7	8.4	8.3	Russia	Utilities
OGK-4	8.8	9.1	-22.3	Russia	Utilities
MRSK Tsentra	8.4	8.5	-20.1	Russia	Utilities
MRSK Tsentra i Privolzhya	7.8	8.1	-22.1	Russia	Utilities
TGK-6	9.2	4.9	8.3	Russia	Utilities
OGK-6	6.0	9.8	-38.9	Russia	Utilities
OGK-2	4.7	6.8	-37.7	Russia	Utilities
OGK-5	4.7	5.0	-25.7	Russia	Utilities
MRSK Holding	4.0	5.3	-44.9	Russia	Utilities
TGK-13	3.6	3.4	-17.3	Russia	Utilities

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
67	1	42

1) Share price development in EUR during the third quarter 2011.

Portfolio comment third quarter

Aivaras Abromavicius, Partner and member of the Portfolio Management team, East Capital

East Capital Power Utilities Fund did significantly better than the benchmark index, as it was well supported by the performance of IES System's power generation companies, TGK-5 and TGK-6, representing in total 19% of the fund's NAV, on the expectation of IES System's consolidation with GazpromEnergoHolding. Each of these two stocks were up 8.3%. Lower exposure to the largest stocks in the sector also helped. MRSK Holding was hit particularly badly and corrected by 45%. MRSK Holding and RusHydro together account for just 7.4% of our portfolio as compared to a 33% weight in the benchmark index. Another positive development was with our small position in Trest Gidromontazh, which was only 0.3% of the fund at the start of the quarter. Trest Gidromontazh shares will be accepted as a payment for RusHydro shares under a pre-emptive right execution. The stock was up 194% during the reporting period.

As we wrote in our previous quarterly report, we abstained from voting for OGK-2/OGK-6 consolidation back in June 2011 and were partially bought out pro-rata in OGK-2 and OGK-6 at 51% and 87% premiums on the market price accordingly. The proceeds were received at the beginning of September 2011, which has positively affected quarterly performance. Consolidation of the OGK-2/OGK-6 companies was completed on 1 November 2011, and the merged company will start trading under the OGK-2 name in the coming weeks.

Poor performance came from the power generation sector; OGK-2, OGK-4, OGK-5 and OGK-6 all strongly underperformed the market. These stocks are fairly liquid in the utilities universe, and as a result were affected by a sell-off driven by redemptions on the market. OGK-2, OGK-4, OGK-5 and OGK-6 were down 38%, 22%, 26% and 39% respectively. East Capital Power Utilities Fund's portfolio has a 24% weight in these companies, which added a negative contribution of -9.7% over the reporting period.

We met with GazpromEnergoHolding, RusHydro and Quadra management during the beginning of October 2011. GazpromEnergoHolding has reiterated its plan to complete the consolidation of OGK-2/OGK-6 by November 2011, and mentioned a possible merger between GazpromEnergoHolding and IES Systems next year, though currently, merger details are unclear as discussion between the involved parties continues. RusHydro's management indicated a privatisation of the state's stake of 7.8% as a high priority for 2012, and also shared a positive view on consolidated assets of RAO Far East during an ongoing capital increase. The detailed development plan for RAO Far East will be presented in late autumn 2011, according to the management. Quadra's management confirmed that the company's controlling shareholder, Onexim, did not apply to the Federal Antimonopoly Service to get approval for a possible deal with InterRAO, and that the company is not currently in talks with possible strategic buyers. However, they did not exclude such a deal in the future. Overall, the impression from the meetings was positive, though investors' interest in the sector is not there yet.

In terms of trading, we decreased exposure to most liquid names, such as MRSK Holding and Federal Grid Company, by a total of EUR 3m at the beginning of the quarter, but started to buy them back at substantially lower levels at the end of the quarter in anticipation of a general market recovery.

EAST CAPITAL SPECIAL OPPORTUNITIES FUND

The aim of the fund is to invest in companies with a solid business model and outlook which for market or owner specific reasons could be acquired at low valuation levels. The fund has targeted investments with both a clear trigger for revaluation and an exit opportunity within four years from the launch of the fund. The strategy implies that the fund manager will, when appropriate, take a more active role in the company through board representation or other means.

Investment focus is listed, or otherwise traded, equity securities, but other financial instruments can also be utilized. Distributions to investors can be made throughout the lifetime of the fund. All proceeds on divestments after three years will be distributed to the investors.

At the end of the reporting period East Capital Explorer´s share of the fund was 82%.

Fund Performance

	Q3 2011	9m 2011	Since May 09
East Capital Special Opportunities Fund, EUR	-25%	-32%	8%

Sector weighting

Sector	% of fund
Financials	21.6
Materials	19.1
Consumer Discretionary	16.4
Telecommunication Services	15.5
Energy	13.7
Health Care	6.4
Consumer Staples	6.2
Industrials	0.7
Information Technology	0.4

Country weighting

Country	% of fund
Russia	54.1
Romania	19.7
Lithuania	15.5
Ukraine	7.4
Serbia	2.3
Croatia	1.1

10 largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
Fondul Proprietatea	18.5	17.0	-26.4	Romania	Financials
TEO LT	14.6	11.6	-14.5	Lithuania	Telecom. Services
Sollers	12.4	14.6	-42.3	Russia	Cons. Discr.
Integra	9.7	13.3	-50.4	Russia	Energy
Sibirskiy Cement	8.4	8.8	-34.7	Russia	Materials
Korshunovsky GOK	6.2	7.0	-39.5	Russia	Materials
Verofarm	6.0	6.8	-39.9	Russia	Health Care
Sintal	4.4	4.8	-35.7	Ukraine	Consumer Staples
Mashstroy	3.3	2.4	-31.5	Russia	Energy
Centrenergogaz	3.1	2.4	-14.3	Russia	Cons. Discr.

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
87	0	17

1) Share price development in USD during the third quarter 2011.

Portfolio comment third quarter

Jacob Grapengiesser, Partner and member of the Portfolio Management team, East Capital

The Romanian restitution fund, Fondul Proprietatea, remained the largest holding in the East Capital Special Opportunities Fund by the end of the third quarter of 2011, with a 19% weight. The stock lost 26% during the quarter. In addition to weak performance in general for equity markets during the past quarter, the failure of the Romanian government to privatize an additional 9.8% stake in Petrom also put pressure on the performance of Fondul Proprietatea's shares. See portfolio comment regarding the East Capital Bering Balkan Fund above for more information regarding Fondul Proprietatea.

TEO, the incumbent telecom operator in Lithuania, lost 15% in USD terms. The majority owner is TeliaSonera, currently controlling 68.3% and trying to increase its stake by buying shares in the market.

The worst-performing stock in the portfolio was Integra, an oil field service provider now representing 9.7% of the NAV. During the quarter the stock was down 50%. There are a number of reasons for this; the lower oil price, the company not being able to increase prices for its services as much as expected and investors selling off mid-caps. We believe the current share price does not reflect the true value of the company, especially in the light of the new oil price tax legislation recently being passed, something that will stimulate upstream investments for Russian oil companies. Due to this, we have become involved in strategic discussions regarding buybacks and/or selling parts or all of the underlying businesses. By actively getting involved we believe we can achieve more value than the current share price reflects.

Shares of automaker Sollers fell 42% during the month. The company currently represents 12% of the fund's NAV. East Capital supported an independent board member who has been elected to the company's board. The company produces vehicles with brands like Fiat, SsangYong and Isuzu, the largest product being the light commercial vehicle Fiat Ducato. However, recently the company changed Fiat for Ford and created a joint venture with the latter. During our last meeting with the company, we went through the details of the newly-formed joint venture. The immediate impact is the significant reduction of net debt to less than 2 times Ebitda, which is clearly something investors like during current market conditions. We believe Ford is a better brand and long-term partner than Fiat for the company. The current production facilities in Elabuga in Tatarstan can quickly and with little cost be converted from producing the Fiat Ducato to the Ford Transit. In terms of valuation, the company, without the Ford joint venture, is trading at 4 times Ebitda. However, the Ford joint venture is expected to be the largest value driver for the company over time and is expected to already make a profit in 2012.

EAST CAPITAL SPECIAL OPPORTUNITIES FUND II

The fund aims to invest in companies with a positive outlook but which, due to market or owner-specific reasons, can be acquired at valuations much lower than those suggested by the companies' fundamentals. The target is to achieve a 30% IRR from a concentrated portfolio of our top picks selected on return potential. Proceeds will be distributed as investments are realized but no later than within four years from inception.

At the end of the reporting period East Capital Explorer´s share of the fund was 56%.

Fund Performance

	Q3 2011	9m 2011	Since Oct 2010
East Capital Special Opportunities Fund II, EUR	-21%	-25%	1%

Sector weighting

Sector	% of fund
Financials	35.3
Consumer Staples	20.0
Materials	13.0
Energy	12.5
Utilities	10.0
Health Care	6.1
Industrials	3.2

Country weighting

Country	% of fund
Russia	43.5
Slovenia	23.4
Serbia	18.6
Ukraine	8.4
Hungary	4.9
Poland	1.1

10 largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
Integra	9.9	10.8	-44.8	Russia	Energy
Zavarovalnica Triglav	9.8	8.8	-12.3	Slovenia	Financials
Bambi	9.2	6.9	-0.6	Serbia	Cons.Staples
Anthousa	6.7	8.3	-35.5	Ukraine	Cons.Staples
Rusforest AB	6.3	6.3	-32.0	Russia	Materials
AIK Bank	5.5	7.1	-37.3	Serbia	Financials
NFD 1 Delniski Investi	4.8	3.3	16.7	Slovenia	Financials
Verofarm	4.8	0.0	-33.6	Russia	Health Care
Vostok	4.2	0.0	-5.2	Russia	Utilities
Ablon Group	3.9	3.9	-19.2	Hungary	Financials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
65	8	16

1) Share price development in EUR during the third quarter 2011.

Portfolio comment third quarter

Jacob Grapengiesser, Partner and member of the Portfolio Management team, East Capital

The Serbian cookie producer Bambi, representing 9.2% of the NAV, declined 0.6% during the quarter and significantly outperformed the Serbian market. The majority owner is expected to eventually sell the company to a strategic buyer, which would likely trigger a buyout bid for minorities. Currently, the company trades at 3.5 times Ebitda, but the majority shareholders seem to be aiming for a multiple of perhaps double this. It is however unclear if that can be achieved during current market circumstances. Transaction multiples in the neighbouring countries have been 8.5 times Ebitda for Droga Kolinska, which is a rather comparable business producing mainly chocolate and coffee, and similar for Fructal, a juice producer.

In Slovenia, the holding in NFD gained 17% and currently represents 4.8% of NAV. The holding used to be a closed-end fund trading at a 25% discount to NAV. We acquired shares for two reasons; 1. As the fund was turning from closed to open-ended, which would reduce the discount to NAV, and 2. as we believed in the Slovenian market due to some large identified triggers. The first point has turned out to be valid, enabling the stock to substantially outperform the underlying market. However, the second point has not yet materialized. We believe that the likelihood of some large strategic deals taking place is higher than in the past, and if so, this would provide a major trigger for the overall Slovenian market.

Another Slovenian holding, Nova Kreditna Banka Maribor, representing 3.8% of the fund, performed worse and declined 37%. We bought shares in this conservatively managed bank at a 20% discount on the market, at EUR 8m in the April secondary public offering. Since then, the stock is down 50%, in line with European banks. Currently, the bank is trading at 0.35 times book. The difference compared to European banks is that Nova Kreditna has excess equity as it managed to close the secondary public offering during the spring. We are currently conducting talks about a potential buyback of shares with a number of parties. A buyback could provide a significant boost to the share price.

We have been able to increase our position in the Polish coal miner JSW. It is a very tedious and slow process to buy employee shares, but our average price is PLN 63, versus the market price of PLN 100, which makes us believe it is worth it. There are some legal risks associated with these transactions. We have carefully examined those and concluded that part of the shares may not be delivered, but that this should be a negligible amount. Currently JSW represents 2% of the NAV.

The worst-performing stock in the portfolio was Integra, an oil field service provider now representing 9.9% of the NAV. During the quarter, the stock was down 45%. See portfolio comment regarding the East Capital Special Opportunities Fund above for more information regarding Integra.

EAST CAPITAL (LUX) EASTERN EUROPEAN FUND

The East Capital (Lux) Eastern European Fund is a daily traded UCITS fund that invests in shares of companies in the whole of Eastern Europe. More information can be found at the East Capital website (www.eastcapital.com).

At the end of the reporting period East Capital Explorer´s share of the fund was 14%.

Fund Performance

	Q3 2011	9m 2011	Since Dec 07
East Capital (Lux) Eastern European Fund, EUR	-24%	-29%	-40%
MSCI EM Europe Index, EUR[1]	-24%	-26%	-45%

Source: Bloomberg
1) MSCI EM Europe Index includes Russian, Polish, Hungarian, Czech and Turkish equities.

Sector weighting

Sector	% of fund
Financials	36.5
Energy	29.1
Consumer Discretionary	7.5
Telecommunication Services	6.8
Industrials	6.2
Utilities	5.2
Consumer Staples	4.1
Materials	3.3
Health Care	0.8
Information Technology	0.4

Country weighting

Country	% of fund
Russia	49.6
Turkey	18.6
Eastern Europe	8.9
Poland	5.6
Romania	3.7
Czech Rep.	2.4
Lithuania	2.1
Hungary	1.8
Slovenia	1.6
Estonia	1.0

10 largest holdings

Company	Weight % of fund Q3 2011	Weight % of fund Q2 2011	% Perf.[1]	Country	Sector
Lukoil	5.0	5.3	-16.1	Russia	Energy
Gazprom	4.4	5.4	-30.5	Russia	Energy
Surgut NG	4.1	3.0	-7.4	Russia	Energy
Sberbank	2.5	5.9	-34.2	Russia	Financials
M.Video	2.5	1.9	-26.5	Russia	Cons.Discr.
Halkbank	2.4	1.2	-0.4	Turkey	Financials
Transneft	2.4	2.7	-27.3	Russia	Energy
Raiffeisen International	2.3	2.3	-35.2	Eastern Europe	Financials
Vakifbank	2.2	1.0	-7.0	Turkey	Financials
East Capital Explorer	2.2	1.3	-29.2	Eastern Europe	Financials

10 largest holdings (% of portfolio)	Unlisted holdings (% of portfolio)	Total number of holdings
30	0	144

1) Share price development in EUR during the third quarter 2011.

Direct Investments

Aivaras Abromavicius, Partner and member of the Portfolio Management team, East Capital, comments below on the development of TEO during the third quarter.

TEO LT

TEO LT is a leading telecommunications operator in the Baltic region, providing fixed line, internet and TV services in Lithuania. East Capital Explorer has been investing into the company since the end of the third quarter of 2009. In the third quarter of 2011 East Capital Explorer invested an additional of EUR 0.9m, and as of 30 September 2011 East Capital Explorer held 3.1% of TEO shares, corresponding to a total value of EUR 14.7m. Our holding of TEO shares declined in value by 7.0% during the third quarter. The combined shareholding of East Capital Explorer and East Capital funds is 7.6%.

TEO's revenue for the third quarter of 2011 has been stable at EUR 53.4m, slightly higher than in second quarter of 2011, and 4.8% lower than a year ago. The growth of revenues from IT and TV services looks quite attractive at 26% and 46% respectively and similar trends should continue in the future. The decrease in voice telephony services of 14.5% during the quarter was not a big surprise and voice revenue importance is decreasing for the company as it slips below 50% to 48%. This was driven mainly by a drop in revenues from international call transit.

The Ebitda margin has remained at a very healthy level compared to other telecom peers at 41.6%, up from 40.8% in first half of 2011. Net margin has increased to 22% from 20.7% in the first half of 2011. Margin expansion has been possible due to the lower interconnect and employee expenses as well as overall strict cost control efforts.

TEO is continuing with sizable investment into the fiber optic network and its capital expenditures during the first half of 2011 reached 27% of sales. By the end of the third quarter, 36% of all broadband subscribers were connected through the high speed FTTB and FTTH cables.

To sum up, TEO's third quarter results again confirmed its strong investment case as a cost efficient cash generator yielding an attractive cash flow and making it possible for the company to pay similar dividend yield as for the last year amounting to up to 0.17-0.18 LTL per share with the yield of up to 8.5%.

Jacob Grapengriesser, Partner and member of the Portfolio Management team, East Capital, comments below on the development of Komercijalna Banka Skopje during the third quarter.

KOMERCIJALNA BANKA SKOPJE

At the end of the third quarter of 2011 Komercijalna Banka Skopje (KBS), the largest bank in Macedonia, continued to see gradual growth in total assets year-to-date, driven primarily by growth in client term deposits. This increase in client funding allowed the KBS to grow its net loan portfolio, while maintaining ample liquidity in compliance with the requirements of the National Bank of the Republic of Macedonia.

KBS continues to have negligible exposure to wholesale funding, meaning its funding base is not sensitive to wholesale market turbulence. For the first nine months 2011, KBS posted a net profit of Macedonian Denar (MKD) 750m, which is 4.3% lower than the same period last year due to increased provisioning levels. Encouragingly, the core income numbers were higher. Specifically, net interest income and net fee and commission income is up 7.2% and 9.5% respectively compared to the same period last year, while operating costs were up only 4.7% year-on-year.

KBS' share price has declined 21% during the last 3 months, along with the decline of other European financial sector stocks. However, the Macedonian banking sector appears stable and well capitalized, and its economy has limited exposure to Greece despite its geographic proximity.

Kestutis Sasnauskas, Partner and CEO of East Capital Private Equity AB, comments below on the development of the Group´s unlisted direct investments during the third quarter.

MELON FASHION GROUP

Following the fact that the Melon Fashion Group (MFG) reported an operating loss for the first six months of 2011 below previously set expectations and the severe downturn in equity markets for listed peers to MFG during the third quarter, East Capital Explorer decided to write down the value of the shares in MFG by 30% at the end of September. The decrease was in line with share performance of public retail companies in our region. However, we remain optimistic about the company's operational prospects and strategy and believe that the company will create value for its shareholders going forward.

In September, East Capital Explorer undertook to invest EUR 13m in MFG as part of the deal entered into with Swedfund in July 2011. The deal was agreed at the valuation level prior to the write down, and is expected to be completed during the fourth quarter. As previously announced, the final deal may result in an obligation for East Capital Explorer to make a mandatory offer to buy out the shares of all remaining shareholders of MFG. Based on the shareholder structure of MFG and intentions stated by other shareholders of the company that they do not plan to sell, the proportion of shares tendered is expected to be limited should a mandatory offer be required. To the extent that East Capital Explorer acquires other investors' shares in MFG through a mandatory bid, the bid will most likely take place at the same price level as the Swedfund transaction while the shares acquired will be held at their fair value at the time.

The loss for the first six month period was largely attributable to supply chain disruptions connected to newly acquired franchise concepts and the startup of operations in Ukraine. However, the performance of MFG's core brands, which account for a dominating part of the company's sales, remains solid and broadly in line with targets both in terms of revenue and profitability.

Despite the underperformance of the company, during the third quarter MFG's revenue reached RUR 1,576m (EUR 38.4m), an increase of 27% over the third quarter of 2010 (21% increase in EUR). 81% of the third quarter revenue was generated by MFG's three core concepts – Zarina, befree and Love Republic, up from 77% in first quarter. The Ukrainian business, accounted for only 6% of the Group's consolidated revenue.

Since the beginning of the year sales in comparable stores of core concepts in Russia increased by 11% in RUB terms, while franchised concepts posted a 6% increase bringing the average across the Russian part of the business to 10%. Ukrainian operation recorded a 4% nominal increase in comparable store sales. During the quarter, MFG increased store count by a net of 15 stores, all in Russia, while Ukraine remained net unchanged. As of 30 of September 2011 MFG had 543 stores, of which 442 were managed by the company and 101 were operated by franchisees. The total number of stores in Ukraine remained 54.

POPULI

The Georgian food retailer Populi recorded a turnover of Georgian lari 25.9m (EUR 11m) for the third quarter 2011, an increase of 11% compared to the same period 2010. Like-for-like sales (same store) increased by 6% during the quarter compared to the third quarter of 2010. The revenue growth is lower than budgeted, and as a result, the profitability is also below plan.

The new CEO is continuing to introduce large changes in the organization and the operations. She has replaced the larger part of the previous top- and middle management. Restructuring the business, the new CEO has discovered a number of cases of mismanagement and misrepresentation from the previous management, and the financial results of first half of 2011 has been written down to reflect this. Also, the audit report for 2010 was finalized in August 2011, and showed a larger loss than the previous management had reported.

It was agreed that Populi's previous chairman stepped down from his position in September, and the shareholders appointed Mr. Gert Tiivas, former CEO of East Capital Explorer, as Populi's new chairman as of 30 September 2011.

During the third quarter, East Capital Explorer exercised the free option it had received in 2010, i.e. to receive another 607k shares in the company free of payment. After the transaction, East Capital Explorer's holds 30.7% of Populi directly and an additional 8.9% indirectly through East Capital Bering Central Asia making it the single largest shareholder of the company. East Capital Explorer together with East Capital holds 49.9% of Populi's shares and have taken an active role to strengthen the management team and corporate governance in the company. As a result of the company's performance,East Capital Explorer chose to write down the value of Populi by 35% on September 30, 2011.

TREV-2 GROUP

In August 2011, East Capital Explorer invested EUR 4m into AS Trev-2 Group, a leading Estonian infrastructure construction company. Following the investment, East Capital Explorer owns 18.5 percent of the company's shares and received a seat on its board.

At the end of the quarter, the Investment Manager participated in the board meeting of Trev-2 Group, an Estonian road construction and maintenance company. The company is ahead of its budgeted revenue target. However, significant rises in material and labor costs are undermining profitability. Going forward, Trev-2 Group plans to focus on enhancing profitability, strengthening the management and possibly growing through acquisitions.

East Capital Explorer together with East Capital funds holds approximately 25% of Trev-2 Group.

EAST EUROPEAN DEBT FINANCE (EEDF AG)

EEDF AG, a joint venture between East Capital Explorer, East Capital Financials Fund and the Swedish credit management company Intrum Justitia was established in early 2010, for the purpose of acquiring non-performing loans (NPL) portfolios in Russia. In October 2010, a cooperation agreement was signed between EEDF and the EBRD, culminating on 22 December 2010 with the founding of a new investment company, owned by EBRD and EEDF. The new joint venture is aiming at expanding the financial capabilities of EEDF and making acquisitions of bigger NPL portfolios possible.

After summer the Investment Manager has seen more activity on the private debt market with significantly larger portfolios coming to the market as well. In September, EEDF conducted the first joint purchase with EBRD buying a portfolio with more than 40,000 cases and with total price of EUR 4.7m of which EBRD's stake is 30% and East Capital Explorer's stake is 25% of the remaining 70% (i.e., EUR 0.8m). As the portfolio is rather large it will be serviced by two collection agencies – Morgan & Stout and Pristav.

The current commitment of East Capital Explorer amounts to EUR 5m, of which EUR 1.1m had been drawn down as of the end of the quarter, while the remaining funds were held in short-term investments.

As of the end of the quarter, East Capital Explorer held 25% of the shares of EEDF.

SHORT-TERM INVESTMENTS

East Capital Explorer has investments in a portfolio of USD and EUR denominated liquid bonds as a short-term cash management tool to create more attractive returns on cash while remaining liquid for future investments. On 30 September 2011, the fair value of the bond portfolio amounted to EUR 20.1m (41.5m).

The net result from bond portfolio for the reporting period 2011 was EUR 0.0m. This included EUR 2.7m in interest income, EUR -1.1m in loss from exchange rates changes from forward contract on bonds and fair value change in the bond portfolio of EUR -1.4m and EUR -0.2m in management fees.

Cash and cash equivalents

The EUR 45.8m (EUR 88.8m) that had not yet been invested or drawn-down, were placed in cash and cash equivalents. Interest income from cash and cash equivalents during the first nine months amounted to EUR 0.2m (EUR 0.1m).

Results

The Group consists of the Parent Company East Capital Explorer AB, the subsidiary East Capital Explorer Investments AB as well as the consolidated funds East Capital Power Utilities Fund AB, East Capital Special Opportunities Fund, East Capital Bering Balkan and the East Capital Bering New Europe Fund. East Capital Explorer currently holds 73% of the share of equity in the East Capital Power Utilities Fund AB and its subsidiary Consibilink Ltd, 82% of the share of equity in the East Capital Special Opportunities Fund, 58% of the share of equity in the East Capital Bering Balkan Fund and 86% of the share of equity in the East Capital Bering New Europe Fund. These funds are therefore regarded as subsidiaries and consolidated with the East Capital Explorer Group. The investments in the consolidated funds are reported as investments in the portfolio report on page 3 but are consolidated in the financial statements.

During the first quarter of 2011 new investors entered the East Capital Special Opportunities Fund II. As a result East Capital Explorer, from an accounting perspective, no longer had a controlling influence over the fund and therefore did not need to treat it as a subsidiary. Consequently, the fund was reclassified from a subsidiary to shares and participations in investing activities.

Group

Total comprehensive income for the reporting period 1 January – 30 September 2011 amounted to EUR -130.5m (EUR 79.4m), which included exchange rate differences on translation of foreign operations of EUR -2.2m (EUR 2.9m).

Net loss for the period amounted to EUR 128.3m (profit of EUR 76.5m). Of this a net loss of EUR 107.0m (profit of EUR 59.4m) was attributable to the shareholders of the Parent Company corresponding to earnings per share of EUR -3.07 (EUR 1.70).

For the reporting period, the main items of the net loss include EUR -155.2m (EUR 50.1m) in unrealized change in the value of investments, EUR 27.1m (EUR 30.5m) in realized gains of investments, which relates to sale of shares in direct investments, sale of fund units as well as shares held in consolidated funds, and EUR 6.1m (4.6m) in dividends.

Financial income amounted to EUR 0.9m (EUR 5.8m). The bond portfolio net result included EUR 2.7m (EUR 1.7m) in interest income, result from exchange loss from forward contract on bonds EUR -1.1m (EUR -1.5m) and fair value change in the bond portfolio of EUR -1.4m (EUR 2.6m) and EUR -0.2m in management fees.

Financial expenses amounted to EUR -2.9m (EUR 0.0m) which largely came from exchange rate losses on cash in East Capital Power Utilities Fund.

Other items included EUR -5.1m (EUR -14.4m) in operating expenses (described further below) and EUR 0.9m (EUR -0.1m) in income taxes.

Of the total operating expenses of EUR -5.1m (EUR -14.4m) during the reporting period, EUR -1.5m (EUR -1.4m) relates to ordinary operating expenses within the Parent Company. The remaining EUR -3.6m (EUR -13.0m) relates to operating expenses, mainly fees, in consolidated funds and subsidiaries. For 2011, these costs have been reduced through reversal of performance fees recognized in East Capital Special Opportunities Fund during previous reporting periods.

In order to calculate the fees related only to the shareholders in East Capital Explorer AB, we should exclude the non-controlling interest in the consolidated fund and add back fees generated in non-consolidated funds. Then the total fees accrued to the

Investment Manager generated by the fund investments and direct investments held by East Capital Explorer amounted to EUR 4.4m including VAT. Of this EUR 5.4 was management fees and EUR -1.0m related to reversal of previously recognized performance fees in East Capital Special Opportunities Fund and East Capital Special Opportunities Fund II. Fees and profit sharing in these funds, as opposed to other funds, are based on realized returns on individual holdings in the funds. Prior to realization the recognized fees are based on reported fair values of the holdings in these funds, and these fair values declined during the reporting period. For more details about fees, please see the latest Annual Report available at our website.

Parent Company

The Parent Company's net loss for the reporting period amounted to EUR -61.8m (profit EUR 45.0m) of which EUR -60.8m referred to a write down of shares in Group companies. Such shares are held at the lower of fair value and acquisition value. Operating expenses amounted to EUR -1.5m (EUR -1.4m).

Business Environment and Market

While the global economy has continued its slow and irregular recovery, impacted in part by recent political and natural crises as well as continuing deteriorating creditworthiness of certain states, there are still major and hard to assess risks which remain and could affect our investments. In addition, the global financial markets remain volatile and global imbalances of the world economy uncertain which may increase the level of risk associated with our investments. The volatility in global capital markets also impacts various unlisted holdings, including prospects for new investments and divestments.

Our consolidated funds, fund investments and direct investments are also exposed to commercial risks, financial risks, and market risks. In addition, through the business activities of their holdings, i.e. their offerings of products and services, within the respective sector, the funds and direct investments are also exposed to legal/regulatory risks and political risks, for example political decisions on healthcare budgets and industry regulations.

For the coming months we remain in the same scenario as at the end of 2010 where we anticipate a continued trend of economic growth but at levels below long-term potential. While the current market comes with a high degree of risk, it also provides significant opportunities for positive profitability growth and development in sound portfolio companies.

Tax

East Capital Explorer's consolidated tax of EUR 0.9m (EUR -0.1m) for the reporting period comprises the net effect of deferred income tax within the Parent Company of EUR 0.5m (EUR 0.4m), actual tax related to subsidiaries of EUR -0.7m (EUR -0.5m) and deferred tax related to subsidiaries of EUR 1.1m (EUR 0.0m).

Dividend

The Board of Directors earlier this year decided to change the dividend policy to start paying dividends. On 12 April 2011 the Annual General Meeting decided to pay out SEK 0.80 (-) per share to shareholders for the fiscal year 2010. The dividend was paid out on 20 April 2011 corresponding to an aggregate of EUR 3.1m (-).

Financial position

Cash flow from operating activities during the first nine months was EUR -10.8m (EUR -1.9m).

The Group's cash, cash equivalents and other short-term investments at the end of the period amounted to EUR 60.9m (EUR 96.0m). The Group's cash, cash equivalents and other short-term investments differ from the portfolio on page three since cash and cash equivalents in the consolidated funds attributable to non-controlling interest are included in the Group. Excluding the consolidated funds, cash, cash equivalents and other short-term investments amounted to EUR 45.8m (EUR 88.8m) and interest income from these amounted to EUR 0.2m (EUR 1.5m) during the reporting period.

The reclassification from subsidiary to share and participation of the holdings in East Capital Special Opportunities Fund II has affected the cash flow analysis in the investment activities by EUR 17.2m, of which EUR 16.0m refer to cash and EUR 1.2m to other balance sheet items relating to the fund, included in the closing balance as of 31 December 2010.

The major cash inflows in the investing activities refer to sales of shares held within two of the consolidated funds, East Capital Power Utilities Fund and East Capital Special Opportunities Fund, made to facilitate the redemption of investor units in these funds, as well as the sale of shares in the direct investment Wimm-Bill-Dann and redemption of units in East Capital Eastern European (Lux) Fund.

East Capital Explorer had no financial debt on 30 September 2011.

Commitments and draw-downs

Since 2010, EUR 5.0m had been committed to a direct investment in a joint venture, which together with Intrum Justitia and East Capital Financial Funds, seeks to invest in portfolios of non-performing consumer loans mainly in Russia. On 30 September 2011, total draw-downs of EUR 1.1m had been made.

Other information

Risks and uncertainty factors

The dominant risk in East Capital Explorer's and the Group's operations is commercial risk in the form of exposure to certain 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 and the Group's material risks and uncertainties is provided in the company's 2010 Annual Report. An assessment for the coming months is provided in the Results section above.

Related party transactions

No changes or transactions have occurred during the year other than fee payments according to agreements. For information on these agreements please see the 2010 Annual Report.

Organizational and investment structure

East Capital Explorer is a public limited liability company that indirectly and directly invests in Russia and other countries within the Commonwealth of Independent States (CIS), the Balkans, the Baltic States, Central Asia and Central Eastern Europe. Our indirect investments are made through a selection of East Capital's current and future funds.

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

In addition to the related party transactions referenced above, East Capital Explorer has made direct investments into companies where East Capital Group also invests through one of its controlled companies or products, which during the period included investments in Melon Fashion Group, TEO LT, East European Debt Finance, Populi, Komercijalna Banka Skopje, Wimm-Bill-Dann and Trev-2 Group.

For further information about the organization and investment structure of the Company, please see the corporate governance report for 2010 that has been included in the Annual Report and on our web site www.eastcapitalexplorer.com in the section, 'About East Capital Explorer/Corporate Governance'.

Share buy-back mandate

On 12 April 2011, the Annual General Meeting 2011 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2012.

On 15 September 2011, East Capital Explorer announced that the Company's Board had decided to utilize the repurchase authorization to create more value for the shareholders. The utilization of the authorization allowed the Company to repurchase own shares from 15 September 2011 up to and including 11 October 2011. During September, East Capital Explorer repurchased 138,504 own shares, corresponding to 0.4% of the shares in the Company. Average price per share paid was SEK 53.72.

Before 15 September 2011, the Company did not hold any own shares. The total number of outstanding shares in East Capital Explorer, including the ones held by the company, amount to 34,851,675. Excluding the shares held by the company on 30 September, the number of shares outstanding was 34,713,171. Adjusted for buy-backs the average number of shares outstanding for the nine month period January to September was 34,836,286, and the average number for the third quarter was 34,805,507.

EVENTS OCCURING AFTER THE END OF QUARTER

On 12 October 2011, East Capital Explorer announced that the Company's Board had decided to extend the period for the buy-backs until 30 March 2012 .

During October, East Capital Explorer additionally repurchased 263,846 own shares, corresponding to 0.8% of the shares in the Company. Average price per share paid was SEK 52.71. Since the repurchases began on 15 September 2011, East Capital Explorer has repurchased a total of 402,350 shares at an average price of SEK 53.06 per share. Excluding the shares held by the company, the number of shares outstanding amounted to 34,449,325 at the end of October 2011.

On 15 October Mia Jurke succeeded Gert Tiivas as CEO of East Capital Explorer.

NAV on 31 October 2011

NAV per share on 31 October 2011 amounted to EUR 9.20 (corresponding to SEK 83). The share price on 31 October 2011 was SEK 52.50 (corresponding to EUR 5.83). Cash, cash equivalents and other short-term investments on 31 October 2011 amounted to EUR 44m (SEK 394m) corresponding to EUR 1.27 (SEK 11) per share. Of those, EUR 40m (SEK 360m) were available for future investments.

ACCOUNTING PRINCIPLES

The consolidated interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions in the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with The Swedish Annual Accounts Act Chapter 9, interim report. The accounting principles that have been applied for the Group and Parent Company are in agreement with the accounting principles and the methods of computation used in last year's annual report.

New or revised IFRS principles effective as of 1 January 2011 have not had any material effect on the financial position or results of the Group or Parent Company.

Stockholm, 11 November 2011

Mia Jurke
Chief Executive Officer

CONTACT INFORMATION

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Mathias Pedersen, CFO, +46 8 505 977 48

FINANCIAL CALENDAR

- Monthly net asset value report on the fifth working day after the end of each month
- Year-end Report 2011, 15 February 2012
- Annual Report 2011 available in April 2012
- Annual General Meeting 2012 on 25 April 2012

The information in this interim report is that which East Capital Explorer AB is required to disclose under Sweden's Securities Market Act. It was released for publication at 07:00 a.m. CET on 11 November 2011.

Review Report

To the Board of East Capital Explorer AB (publ)

Corporate identity number 556693-7404

Introduction

We have reviewed the interim report for East Capital Explorer AB (publ) as of 30 September 2011, and the nine-month reporting period ending on that date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and Scope of the Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, “Review of Interim Financial Information Performed by the Independent Auditors of the Entity”. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 11 November 2011
KPMG AB

Carl Lindgren
Authorized Public Accountant

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

Statement of Comprehensive Income

EUR thousands	2011 Jan-Sep	2010 Jan-Sep	2011 Jul-Sep	2010 Jul-Sep
Result from financial assets at fair value through profit or loss	-155,188	50,085	-93,997	21,021
Realized gains/losses from financial assets through profit or loss	27,131	30,538	3,264	11,810
Received dividends	6,063	4,579	906	2,774
Total operating income	**-121,995**	**85,202**	**-89,827**	**35,604**
Staff expenses	-880	-550	-269	-170
Other operating expenses	-4,250	-13,855	518	-8,404
Operating profit/loss	**-127,125**	**70,796**	**-89,578**	**27,030**
Financial income	897	5,818	848	856
Financial expense	-2,906	-21	-654	-1
Profit/loss before tax	**-129,134**	**76,594**	**-89,384**	**27,884**
Income tax	857	-57	1 168	-137
NET PROFIT/LOSS FOR THE PERIOD	**-128,277**	**76,537**	**-88,215**	**27,747**
Other comprehensive income:				
Exchange differences on translation of foreign operations	-2,195	2,850	11,685	-8,665
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-130,472**	**79,387**	**-76,531**	**19,082**
Net profit/loss for the period distribution:				
Shareholders of the Parent Company	-107,004	59,474	-72,263	21,635
Non-controlling interest	-21,273	17,063	-15,954	6,112
	-128,277	**76,537**	**-88,216**	**27,747**
Total comprehensive income distribution:				
Shareholders of the Parent Company	-108,789	61,819	-64,476	12,465
Non-controlling interest	-21,683	17,568	-12,055	6,617
	-130,472	**79,387**	**-76,531**	**19,082**
Earnings per share, EUR				
- shareholders of the Parent Company	-3.07	1.70	-2.08	0.62
No dilution effects during the period				

Statement of Financial position

EUR thousands	2011 30 Sep	2010 31 Dec	2010 30 Sep
ASSETS			
Shares and participations in investing activities	314,706	455,302	358,225
Deferred tax assets	347	-	-
Total non-current assets	**315,053**	**455,302**	**358,225**
Other short term receivables	5	2,092	6,440
Tax receivables	52	-	-
Accrued income and prepaid expenses	438	76	72
Short-term Investments	20,079	26,494	41,523
Cash and cash equivalents	40,866	62,874	54,513
Total current assets	**61,439**	**91,536**	**102,549**
TOTAL ASSETS	**376,492**	**546,838**	**460,773**
EQUITY AND LIABILITIES			
Equity			
Share capital	3,628	3,628	3,628
Other contributed capital	375,212	379,149	379,149
Translation reserve	1,548	3,333	1,228
Retained earnings	43,743	-45,517	-45,518
Profit/loss for the period	-107,004	89,260	59,474
Equity attributable to shareholders of the Parent Company	**317,127**	**429,853**	**397,962**
Non-controlling interest	52,867	95,581	49,777
Total Equity	**369,994**	**525,434**	**447,739**
Deferred tax liabilities	-	1,182	713
Total long-term liabilities	**-**	**1,182**	**713**
Current liabilities			
Tax liabilities	-	252	169
Other liabilities	462	8,670	585
Accrued expenses and deferred income	6,036	11,300	11,568
Total current liabilities	**6,498**	**20,222**	**12,321**
TOTAL EQUITY AND LIABILITIES	**376,492**	**546,838**	**460,773**

Statement of Changes in Equity

EUR thousands 2011	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit /loss for the period	Total equity shareholders in Parent Company	Non-controll-ing interest	Total equity
Opening equity 1 Jan 2011	**3,628**	**379,149**	**3,333**	**43,743**	**429,854**	**95,581**	**525,435**
Net loss for the period	-	-	-	-107,004	-107,004	-21,273	-128,277
Other comprehensive income	-	-	-1,785	-	-1,785	-410	-2,195
Total comprehensive income	**-**	**-**	**-1,785**	**-107,004**	**-108,789**	**-21,683**	**-130,472**
Reclassification from subsidiary to investment	-	-	-	-	-	-1,812	-1,812
Paid dividend to shareholders	-	-3,131	-	-	-3,131	-	-3,131
Dividend and redemption to/from non-controlling interest	-	-	-	-	-	-19,219	-19,219
Share buy-back	-	-807	-	-	-807	-	-807
Per 30 September 2011	**3,628**	**375,212**	**1,548**	**-63,261**	**317,127**	**52,867**	**369,994**

EUR thousands 2010	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. profit /loss for the period	Total equity shareholders in Parent Company	Non-controll-ing interest	Total equity
Opening equity 1 Jan 2010	**3,628**	**384,376**	**-1,117**	**-45,517**	**341,370**	**40,171**	**381,541**
Net profit for the year	-	-	-	59,474	59,474	17,063	76,537
Other comprehensive income	-	-	2,345		2,345	505	2,850
Total comprehensive income	**-**	**-**	**2,345**	**59,474**	**61,819**	**17,568**	**79,387**
Dividend and redemption to/from non-controlling interest	-	-	-	-	-	-7,924	-7,924
Share buy-back	-	-5,227	-	-	-5,227	-39	-5,266
Per 30 September 2010	**3,628**	**379,149**	**1,228**	**13,957**	**397,962**	**49,777**	**447,739**

Statement of Cash Flow

EUR thousands	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010
Operating activities		
Operating profit/loss	**-127,125**	**70,796**
Adjusted for unrealized change in value	158,066	-49,749
Capital gain/loss from divestment	-27,131	-30,538
Interest received	265	1,642
Interest paid	-238	-21
Realised exchange rate gains	-132	0
Tax paid	-1,096	-1,671
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**2,609**	**-9,541**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	1 694	-870
Increase (+)/decrease (-) in other current payables	-12,186	8,464
CASH FLOW FROM OPERATING ACTIVITIES	**-7,883**	**-1,947**
Investing activities		
Investment in shares and participations	-82,141	-84,477
Reclassification from subsidiary to investment[1]	-17,246	-
Sale of shares and participations	110,288	95,890
CASH FLOW FROM INVESTING ACTIVITIES	**10,901**	**11,412**
Financing activities		
Dividend to and redemption from non-controlling interest	-19,219	-7,924
Paid dividend to shareholders	-3,131	-
Share buy-back	-807	-5,266
CASH FLOW FROM FINANCING ACTIVITIES	**-23,156**	**-13,190**
CASH FLOW FOR THE PERIOD	**-20,138**	**-3,725**
Cash and cash equivalents at beginning of the year[2]	62,874	57,909
Exchange rate differences in cash and cash equivalents	-1,871	329
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**40,865**	**54,513**

1) Holdings in East Capital Special Opportunities Fund II have been reclassified from subsidiary to investments, please refer to Financial Position section above for more information.

2) Cash equivalents comprise deposits and cash.

Segment reporting

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

EUR thousands 1 Jan – 30 Sep 2011	Fund Investments	Direct Investments	Short-term Investments	Unallocated	Total consolidated
Result from financial assets at fair value through profit or loss	-147,816	-7,373	-	-	-155,189
Realized gains on financial assets through profit or loss	26,553	577	-	-	27,130
Received dividends	4,178	1,885	-	-	6,063
Staff expenses	-	-	-	-880	-880
Other operating expenses	-2,931	-718	-	-601	-4,250
Operating profit/loss	**-120,015**	**-5,629**	**-**	**-1,482**	**-127,125**
Financial income	897	-	-	-	897
Financial expense	-2,904	-	-2	-	-2,906
Profit/loss before tax	**-122,023**	**-5,629**	**-2**	**-1,483**	**-129,134**
Assets	278,332	51,847	45,834	479	376,492

EUR thousands 1 Jan – 30 Sep 2010	Fund Investments	Direct Investments	Short-term Investments	Unallocated	Total consolidated
Result from financial assets at fair value through profit or loss	48,072	2,013	-	-	50,085
Realized gains on financial assets through profit or loss	30,174	-	364	-	30,538
Received dividends	3,562	1,017	-	-	4,579
Staff expenses	-	-	-	-550	-550
Other operating expenses	-12,697	-316	-5	-837	-13,855
Operating profit/loss	**69,111**	**2,713**	**359**	**-1,387**	**70,796**
Financial income	2,933	-	2,885	-	5,818
Financial expense	-12	-	-	-9	-21
Profit/loss before tax	**72,033**	**2,713**	**3,244**	**-1,396**	**76,594**
Assets	338,919	22,109	99,704	41	460,773

Consolidated key figures

Key figures	9m 2011	6m 2011	3m 2011	12m 2010	9m 2010	6m 2010	3m 2010	12m 2009
Net asset value, EURm	317	382	421	430	398	383	410	341
Change in NAV during the quarter	-17.0%	-9.2%	-2.2%	8.0%	3.8%	-6.5%	20.2%	5.1%
Equity ratio, %	98.3%	98.0%	97.4%	96.1%	97.2%	97.8%	95.8%	98.4%
Market capitalisation, SEKm	1,846	2,562	2,980	2,954	2,501	2,492	2,884	2,378
Market capitalisation, EURm	201	279	333	329	273	261	296	232
Outstanding number of shares, m	34,8	34.9	34.9	34.9	34.9	34.9	35.0	35.5
Weighted average number of shares, m	34,8	34.9	34.9	35.0	35.0	35.1	35.3	35.7
Number of employees	4	4	4	4	4	3	3	4

Key figures per share	9m 2011	6m 2011	3m 2011	12m 2010	9m 2010	6m 2010	3m 2010	12m 2009
Earnings per share, EUR	-3,07	-1.00	-0.05	2.55	1.70	1.08	1.92	2.26
NAV, SEK	84	101	108	111	105	105	114	99
NAV, EUR	9.13	10.97	12.07	12.33	11.42	11.01	11.73	9.61
Share price, SEK	53.00	73.50	85.50	84.75	71.75	71.50	82.5	67
Share price, EUR	5.76	8.01	9.55	9.43	7.84	7.50	8.47	6.53
SEK/EUR	9.20	9.18	8.95	8.99	9.15	9.53	9.74	10.26

Income statement – Parent company

EUR thousands	2011 Jan-Sep	2010 Jan-Sep	2011 Jul-Sep	2010 Jul-Sep
Staff expenses	-880	-550	-269	-170
Other operating expenses	-601	-837	-138	-243
Operating profit/loss	**-1,482**	**-1,387**	**-408**	**-413**
Financial income[1]	0	46,006	-44	-
Financial expense[2]	-60,801	-11	-60,801	-2
Profit/loss before tax	**-62,283**	**44,608**	**-61,253**	**-415**
Income tax	450	368	120	110
NET PROFIT/LOSS FOR THE PERIOD	**-61,833**	**44,976**	**-61,133**	**-306**

1) Financial income in Parent Company comprises reversal of write down of shares in Group companies.
2) Financial expense in Parent Company comprises write down of shares in Group Companies.

Statement of Comprehensive Income – Parent Company

EUR thousands	2011 Jan-Sep	2010 Jan-Sep	2011 Jul-Sep	2010 Jul-Sep
NET PROFIT/LOSS FOR THE PERIOD	**-61,833**	**44,976**	**-61,133**	**-306**
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-61,833**	**44,976**	**-61,133**	**-306**

Balance Sheet – Parent Company

EUR thousands	30 Sep 2011	31 Dec 2010	30 Sep 2010
Participations in group companies	309,775	380,576	380,576
Deferred tax assets	450	-	368
Total non-current assets	**310,225**	**380,576**	**380,944**
Receivables from group companies	2,566	2,566	1,040
Accrued income and prepaid expenses	29	39	19
Cash and cash equivalents	4,751	272	188
Total current assets	**7,347**	**2,878**	**1 248**
Total assets	**317,571**	**383,454**	**382,191**
Share capital	3,628	3,628	3,628
Share premium reserve	375,212	379,149	379,149
Profit/loss brought forward	146	-44,361	-45,854
Net profit/loss for the period	-61,833	44,507	44,976
Total equity	**317,153**	**382,924**	**381,899**
Other liabilities	94	99	32
Accrued expenses and prepaid income	325	431	260
Total current liabilities	**419**	**530**	**292**
Total equity and liabilities	**317,571**	**383,454**	**382,191**

PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	-	-	-
Contingent liabilities	-	-	-

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