# Year-end Report 2011


EAST CAPITAL
EXPLORER

# Year-end Report 2011

- Net asset value per share on 31 December 2011 amounted to EUR 8.69 (EUR 12.33[1]). The total net asset value amounted to EUR 294m (EUR 430m), corresponding to a change of -7.4% (8.0%) during the fourth quarter (quarter-on-quarter) and a change of -31.7% (25.9%) since 31 December 2010

- During the fourth quarter, the net result was EUR -25m (profit of EUR 38m), including EUR -23m (EUR 44m) changes in value on investments. Earnings per share amounted to EUR -0.61 (EUR 0.85) during the quarter. For the full year, the net result amounted to EUR -153m (profit of EUR 115m) and earnings per share amounted to EUR -3.69 (EUR 2.55)

- Cash, cash equivalents and other short term investments on 31 December 2011 amounted to EUR 39m (EUR 44m)

- During the quarter, East Capital Explorer has continued to buy shares in TEO LT for an additional EUR 1.3m bringing the total investment during 2011 to EUR 3.3m. East Capital Explorer currently holds 3.4% of the company's shares. No further investment was made during the fourth quarter. During 2011, East Capital Explorer made new fund and direct investments amounting EUR 39.7m. Proceeds from divestments amounted to EUR 45.2m which resulted in profits of EUR 4.5m over the full investment period

- In September, the board of East Capital Explorer decided to utilize its authorization to buy-back shares and in October, the board decided to prolong the share buy-back program until 30 March 2012. During the period 15 September until 31 December, East Capital Explorer repurchased 1,081,554 of its own shares at an average price of SEK 51.54 per share, which corresponded to 3.1% of the Company's outstanding number of shares

- During December, external valuations were performed for East Capital Explorer's investments in Melon Fashion Group, Populi, and Trev-2 Group. As a result, on 31 December 2011 the fair value of the holding in Melon Fashion Group increased 1.4%, the fair value of Populi was reduced by 94%, and the fair value of the holding in Trev-2 Group remained unchanged. The significant reduced value of Populi is due to the lacking improvement of the earlier announced problems in the company

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

## EVENTS AFTER THE END OF THE PERIOD

- On 1 February, East Capital Explorer announced an investment of EUR 10m into the newly launched East Capital Baltic Property Fund II

- As a result of the previously announced deal with Swedfund International AB, and as announced in a separate press release of today's date, a subsidiary of East Capital Explorer intends to make a mandatory offer to buy out the remaining Melon Fashion Group shares from its non-affiliates. Based on the shareholders structure of Melon Fashion Group, and stated intentions of other shareholders of the company, the number of shares tendered during the offer is expected to be limited

- The Company repurchased an additional 42,815 of its own shares during January at an average price of SEK 53.62 per share, which corresponded to 0.1% of the Company's outstanding shares

- The total net asset value on 31 January 2012 amounted to EUR 308m (EUR 438m), corresponding to EUR 9.14 (EUR 12.55) per share, reflecting an increase during the month of 5.1%. Cash, cash equivalents and other short term investments amounted to EUR 38m (EUR 44m)

- The Board of Directors of East Capital Explorer has decided upon a dividend policy, and proposes that the Company pay out a dividend of SEK 0.80 per share for the fiscal year 2011, to be formally decided upon at the Annual General Meeting in April. The size of the proposed dividend remains unchanged from the prior year

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

# Portfolio on 31 December 2011

| | Fair Value 31 Dec 2011, mEUR | NAV/ Share, EUR | % of NAV | Fair Value 30 Sep 2011, mEUR | Fair Value 31 Dec 2010, mEUR | Value change Jan-Dec 2011, %[1)] | Value change Oct-Dec 2011, %[1)] |
|---|---|---|---|---|---|---|---|
| **Fund Investments** | | | | | | | |
| East Capital Bering Russia Fund | 28.1 | 0.83 | 10 | 30.2 | 42.8 | -34.4 | -7.0 |
| East Capital Bering Ukraine Fund Class A | 5.6 | 0.17 | 2 | 5.8 | 7.9 | -28.5 | -2.8 |
| East Capital Bering Ukraine Fund Class R | 5.5 | 0.16 | 2 | 6.4 | 6.4 | -13.1 | -13.9 |
| East Capital Bering Balkan Fund | 38.1 | 1.13 | 13 | 39.4 | 42.0 | -18.9 | -3.3 |
| East Capital Bering Central Asia Fund | 16.6 | 0.49 | 6 | 18.0 | 25.4 | -34.5 | -8.0 |
| East Capital Bering New Europe Fund | 12.1 | 0.36 | 4 | 13.5 | 19.1 | -36.8 | -10.5 |
| East Capital Power Utilities Fund | 36.5 | 1.08 | 12 | 40.0 | 93.4 | -39.2 | -8.7 |
| East Capital Special Opportunities Fund | 29.3 | 0.87 | 10 | 31.0 | 58.6 | -28.6 | -5.4 |
| East Capital Special Opportunities Fund II | 24.8 | 0.73 | 8 | 27.9 | 37.1 | -33.1 | -11.3 |
| East Capital (Lux) Eastern European Fund | 7.4 | 0.22 | 3 | 7.4 | 15.4 | -19.1 | 0.0 |
| **Total Fund Investments** | **204.1** | **6.04** | **70** | **219.8** | **347.9** | **-31.5** | **-7.1** |
| **Direct Investments** | | | | | | | |
| Melon Fashion Group | 19.5 | 0.58 | 7 | 19.3 | 13.8 | -27.1 | 1.4 |
| TEO LT | 15.9 | 0.47 | 5 | 14.7 | 15.2 | -7.9 | -1.0 |
| East European Debt Finance | 1.1 | 0.03 | 0 | 1.1 | 0.3 | 2.7 | 6.0 |
| Populi | 0.1 | 0.00 | 0 | 1.7 | 3.6 | -97.3 | -93.5 |
| Wimm-Bill-Dann[2] | - | - | - | - | 7.1 | - | - |
| Komercijalna Banka Skopje | 9.7 | 0.29 | 3 | 11.1 | 0.0 | -19.8 | -12.0 |
| Trev-2 Group | 4.0 | 0.12 | 1 | 4.0 | 0.0 | 0.0 | 0.0 |
| **Total Direct Investments** | **50.4** | **1.49** | **17** | **51.8** | **40.0** | **-20.1** | **-5.2** |
| **Short-term Investments** | | | | | | | |
| Short-term Investments | 22.8 | 0.67 | 8 | 20.1 | 26.5 | | |
| Cash and cash equivalents | 16.6 | 0.49 | 6 | 25.7 | 17.8 | | |
| **Total Short-term Investments** | **39.4** | **1.17** | **13** | **45.8** | **44.3** | | |
| **Total Portfolio** | **294.0** | **8.70** | **100** | **317.4** | **432.3** | | |
| Other assets and liabilities net | -0.4 | -0.01 | 0 | -0.2 | -2.4 | | |
| **Net Asset Value (NAV)** | **293.6** | **8.69** | **100** | **317.1** | **429.9** | **-31.7** | **-7.4** |

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 LT of EUR 3.3m, 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 June 2011, East Capital Explorer sold its holding in Wimm-Bill-Dann for EUR 7.4m, realizing an annualized pre-tax return of 17.4% on its initial EUR 6.8m investment

Note that certain numerical information may not sum due to rounding

## CEO COMMENTS ON THE FOURTH QUARTER

2011 can be characterised, to a large degree, as a year constrained by market uncertainty due to problems within the EU and US which also negatively impacted our investment universe. During the final quarter of 2011, the Company's net asset value decreased by 7.4%, and net asset value per share amounted to EUR 8.69. This resulted in a net asset value decrease of 31.7% during 2011. Despite the fact that many questions remain unanswered regarding the manner in which the EU and US debt crises are being addressed, we have seen an improvement in market sentiment during January. This has also influenced our region where investor interest has increased and the majority of the markets have shown signs of development since the beginning of the year.

> "During the final quarter of 2011, the Company's net asset value decreased by 7.4%"

The fourth quarter of 2011 started positive, with recoveries during October in the majority of our markets. However, in conjunction with continued problems in the euro zone and negative news relating to US politicians' inability to reach an agreement regarding a savings package, the markets took a negative downturn again in November. Furthermore, in December, political uncertainty increased in Russia after the parliamentary election, and the public demonstrations that followed. Still, many believe that the dissatisfaction which is now expressed primarily by the Russian middle class will be a driving force behind a number of reforms and increased transparency that, in the long term, are expected to benefit Russia's development.

> "The majority of the fund investments declined in value during the quarter, whilst the Company's direct investments showed more mixed returns"

As for fund performance, all fund investments declined in value during the quarter, except for the East Capital (Lux) Eastern European Fund which remained unchanged. Among the Company's direct investments, the picture was more mixed. Three of the direct investments, Melon Fashion Group, Trev-2 Group and East European Debt Finance, showed resilience despite the challenges in their respective sectors during the quarter. Populi, a Georgian food retailer, performed the worst during the quarter and the value of the holding was reduced by a further 94% in December. Despite the restructuring plan launched by the new CEO who started in July of 2011, we have not yet seen meaningful improvement in Populi's financial performance.

No new investments were made during the period with the exception of the further purchase of shares in TEO LT. During the period TEO LT shares were purchased for a value of EUR 1.3m resulting in a total investment of EUR 3.3m during 2011.

The repurchase of own shares continued during the fourth quarter on the initiative of the Board of Directors. In the year's last three months, a further 943,050 own shares were repurchased meaning that the Company, up until the end of the year, has repurchased a total of 1,081,554 shares, equivalent to 3.1% of the total number of outstanding shares.

The new year has begun on a strong note and the markets within our region have, in general, begun to show signs of recovery. Net asset value for January was EUR 308m, showing a positive development of 5.1%. In contrary to the last quarter, all fund investments but one showed a positive development during the month. The strongest performer, the East Capital Power Utilities Fund, increased in value with almost 15%.

> "The net asset value for January showed a positive development of 5.1%"

In February, the Company announced that a mandatory takeover offer will be launched for the outstanding shares in Melon Fashion Group. This offering is a result of the transaction initiated during the summer of 2011, and will result in a further investment in the company during 2012. The number of shares to be received through the offering is expected to be limited as the other major shareholders of the company have expressed their intentions to remain as shareholders. Despite the weak development during the autumn, the Investment Manager and the Company remain confident in Melon Fashion Group, one of the largest and leading fashion retailers in Russia, as it shows strong growth and profitability potential.

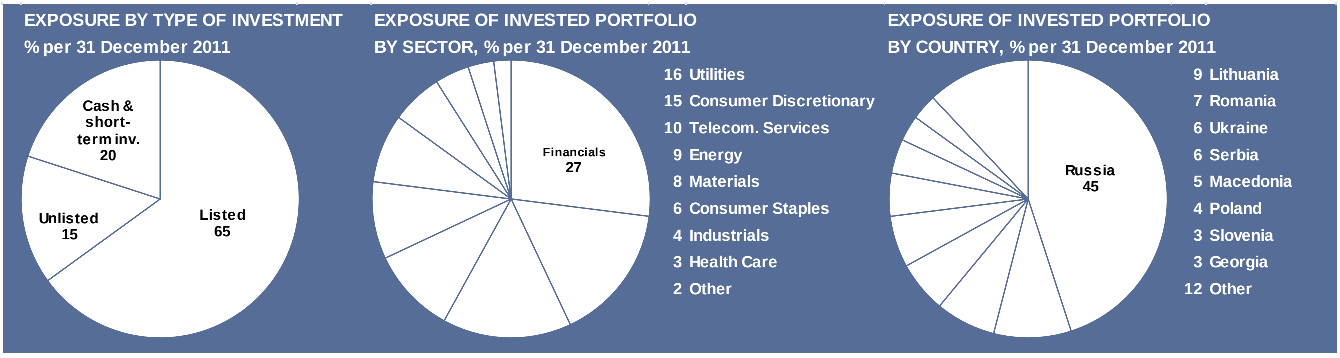
> "The Board of Directors proposes a dividend of SEK 0.80 per share"

The Board of Directors has determined to propose that the AGM resolve on a dividend of SEK 0.80 per share. Thus the proposed dividend size remains unchanged compared with the dividend paid out during 2011.

**Mia Jurke, CEO**

| Top 10 in East Capital Explorer on a see-through basis[1] | | | | | |
|---|---|---|---|---|---|
| **Company** | **% of NAV** | **Value in portfolio 31 Dec, EURm** | **Country** | **Sector** | **East Capital Explorer's Investment Vehicles** |
| TEO LT | 6.8 | 20.0 | Lithuania | Telecommunication Services | Direct Investment<br>East Capital Special Opportunities Fund<br>East Capital (Lux) Eastern European Fund |
| Melon Fashion Group | 6.7 | 19.5 | Russia | Consumer Discretionary | Direct Investment |
| Komercijalna Banka Skopje | 3.9 | 11.5 | Macedonia | Financials | Direct Investment<br>East Capital Bering Balkan Fund |
| Fondul Proprietatea | 3.0 | 8.8 | Romania | Financials | East Capital Bering Balkan Fund<br>East Capital Special Opportunities Fund<br>East Capital (Lux) Eastern European Fund |
| Integra | 2.3 | 6.7 | Russia | Energy | East Capital (Lux) Eastern European Fund<br>East Capital Special Opportunities Fund<br>East Capital Special Opportunities Fund II |
| Verofarm | 1.9 | 5.6 | Russia | Health Care | East Capital Bering Russia Fund<br>East Capital Special Opportunities Fund<br>East Capital Special Opportunities Fund II |
| Bank of Georgia | 1.5 | 4.4 | Georgia | Financials | East Capital Bering Central Asia Fund<br>East Capital (Lux) Eastern European Fund |
| Trev-2 Group | 1.4 | 4.1 | Estonia | Industrials | Direct Investment<br>East Capital Bering Russia Fund<br>East Capital Bering Ukraine Fund R |
| B92 | 1.4 | 4.1 | Serbia | Consumer Discretionary | East Capital Bering Balkan Fund |
| Korshunovsky GOK | 1.3 | 3.7 | Russia | Materials | East Capital Bering Russia Fund<br>East Capital Special Opportunities Fund |
| **Total Top 10** | **30.2** | **88.5** | | | |

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




* Includes cash, cash equivalents and other short-term investments of EUR 39m in addition to any cash in the underlying funds per 31 December 2011

## NET ASSET VALUE

The net asset value on 31 December 2011 amounted to EUR 294m (EUR 430m), corresponding to EUR 8.69 (EUR 12.33) per share. This corresponds to a change of -31.7% compared to the net asset value on 31 December 2010 and a change of -7.4% compared to the net asset value on 30 September 2011 which was EUR 317m.

On 31 December 2011, cash, cash equivalents and other short-term investments amounted to EUR 39m (EUR 44m) corresponding to EUR 1.17 (EUR 1.27) per share, which was 13% (10%) of the total net asset value per share. The closing price per share on 31 December 2011 was SEK 53.75 (corresponding to EUR 6.03).

### Net asset value, share price and index development

| (% change in EUR) | 1 Jan – 31 Dec 2011 | 1 Jan – 31 Dec 2010 |
|---|---|---|
| Net asset value | -31.7 | 28.3 |
| East Capital Explorer share | -36.2 | 44.9 |
| SAX[1] | -16.0 | 40.4 |
| RTS Index[2] | -19.4 | 31.1 |
| RTS 2 Index[3] | -29.5 | 82.1 |
| MSCI EM Europe[4] | -22.9 | 22.5 |

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

As of 31 December 2011, East Capital Explorer had fund and direct investments totaling EUR 255m compared to EUR 388m on 31 December 2010.

Excluding East Capital (Lux) Eastern European Fund, the funds East Capital Explorer invest in have a less restrictive investment mandate compared to a UCITS-fund which means our portfolio funds have higher flexibility in the choice of investments and allocations.

### 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. The fund may also invests in companies that have significant trade with, or active investments in, Russia.

At the end of the year East Capital Explorer´s share of the fund was 37%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Dec 07 |
|---|---|---|---|
| East Capital Bering Russia Fund, EUR[1)] | -7% | -34% | -60% |
| RTS-2 Index, EUR[2)] | 1% | -30% | -28% |

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 |
|---|---|
| Materials | 22.7 |
| Industrials | 21.5 |
| Energy | 18.0 |
| Financials | 15.3 |
| Consumer Discretionary | 10.2 |
| Health Care | 6.8 |
| IT | 2.5 |
| Consumer Staples | 1.3 |
| Utilities | 0.9 |
| Telecomunication Services | 0.8 |

**Country weighting**

| Country | % of fund |
|---|---|
| Russia | 84.2 |
| Ukraine | 9.1 |
| Kazakhstan | 4.1 |
| Baltics | 2.5 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| FESCO | 8.9 | 8.5 | -7.0 | Russia | Industrials |
| Kuzbassrazrezugol | 6.1 | 7.1 | -23.5 | Russia | Energy |
| Highland Gold Mining | 5.9 | 4.6 | 16.6 | Russia | Materials |
| Verofarm | 5.8 | 5.0 | 0.9 | Russia | Health Care |
| Korshunovsky | 5.8 | 5.0 | 2.5 | Russia | Materials |
| Ufimsky NPZ | 5.6 | 4.8 | 5.3 | Russia | Energy |
| Nova Liniya | 5.0 | 5.9 | -23.3 | Ukraine | Cons. Discr. |
| Bank Tsentrkredit | 3.9 | 5.0 | -31.1 | Kazakhstan | Financials |
| Kantik | 3.4 | 2.9 | 3.5 | Ukraine | Financials |
| Neftekamsky Avto | 3.2 | 5.5 | -48.3 | Russia | Industrials |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 54 | 13 | 94 |

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

### Portfolio comment fourth quarter

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

Highland Gold Mining was the best stock in the fund, gaining 17% during the quarter. The stock remains the cheapest in the domestic Russian 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 2012 and trades at 4-5 times Ebitda, whereas its mid-cap peers, Polyus Gold and Polymetal, trade at around 9 times Ebitda.

Another good performer was Russian oil and gas production and exploration company, Ufimsky NPZ, which gained 5.3% during the quarter. The market anticipates a consolidation of the Bashneft subsidiaries, of which Ufimsky NPZ is one, during the second quarter of 2012. Ufimsky NPZ traded at a 60% discount on its sister companies on asset multiples and at around 50% on recent transaction multiples. The deep discount supported the shares and we decided to retain our Ufimsky NPZ holding and to sell other subsidiaries due to the valuation differential.

The worst-performing stock in the quarter was truck and bus producer Neftekamsky Avto. The company lost 48% of its market cap. Kamaz, its parent company, and Sollers, its peer, had also lost more than 50% since August. Neftekamsky Avto shares traded at premium for some time during the autumn, but this premium was erased in December. The share remains inexpensive on multiples, despite weak margins due to a low utilization rate and high steel price inflation. In 2012, a truck stimulus will be launched and steel prices have already corrected downwards by 30%. As a result, we anticipate that 2012 earnings will be better than 2011, and the share is expected to trade at around 7 times earnings in 2012.

The Kazakh Bank Tsentkredit lost 31% during the quarter. Despite above-sector loan growth in 2011, profitability was negatively impacted by continuing heavy provisioning and excess liquidity putting pressure on margins. Kazakh Bank Tsentrkredit currently trades at twice below book value and if lending is accelerated this year and provisions return to normal, the bank's return on equity could return to normalized levels.

## EAST CAPITAL BERING UKRAINE FUND CLASS A

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities. The fund may also invest in companies that have significant trade with, or active investments in, Ukraine.

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 year East Capital Explorer´s share of the Class A shares of the fund was 34%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Jan 2008 |
|---|---|---|---|
| East Capital Bering Ukraine Fund Class A, EUR[1)] | -3% | -28% | -61% |
| PFTS Index, EUR[2)] | -2% | -45% | -68% |

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 | 45.4 |
| Utilities | 15.3 |
| Telecommunication Services | 12.8 |
| Materials | 9.8 |
| Financials | 7.6 |
| Consumer Discretionary | 4.2 |
| Health Care | 3.1 |
| Energy | 1.2 |
| Industrials | 0.6 |

**Country weighting**

| Country | % of fund |
|---|---|
| Ukraine | 97.0 |
| Russia | 3.0 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Retail Group (Velikaya Kishenya) | 11.1 | 11.1 | -8.0 | Ukraine | Consumer Staples |
| Tsentr Energo | 10.0 | 9.0 | 3.1 | Ukraine | Utilities |
| Ukrtelecom | 8.7 | 7.5 | 6.3 | Ukraine | Telecom. Services |
| Creativ Industrial Group | 7.8 | 9.3 | -22.9 | Ukraine | Consumer Staples |
| Chumak Loan | 4.4 | 4.0 | 0.0 | Ukraine | Consumer Staples |
| Anthousa | 4.0 | 7.8 | -53.2 | Ukraine | Consumer Staples |
| Bogdan Motors | 2.8 | 2.8 | -0.7 | Ukraine | Consumer Discr. |
| Koryukivska Fabryka Tekhnichnyh Paperiv | 2.7 | 2.6 | -3.2 | Ukraine | Materials |
| Poltavsky | 2.2 | 2.3 | -11.1 | Ukraine | Materials |
| Russkoe Zerno | 2.2 | 2.5 | -18.9 | Russia | Consumer Staples |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 56 | 12 | 31 |

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

### Portfolio comment fourth quarter

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

After a turbulent third quarter, the Bering Ukraine Fund A fell notably less in the fourth quarter of 2011. We closed the quarter with a successful transaction in one of our long-term holdings, Ukrainian brewery Slavutich. Prior to the transaction, it was the second largest holding with a weight of 11%. Despite being fundamentally attractive in terms of multiples, the valuation of the stock has always suffered from illiquidity, as its free-float was a mere 7%. We were able to sell our entire position at a premium of 69% on the market price.

Among our largest holdings, Ukrtelecom and Tsentr Energo achieved the best performances of 6.3% and 3.1% respectively, after having been severely beaten down in the previous quarter, despite their defensive character. As expected, Ukrtelecom announced its long-term strategy in November. In short, the focus going forward will be to add force to its position in the internet segment, while cementing its leading role in fixed-line voice services. As a result of cost optimization efforts, first and foremost a reduction in personnel expenses, Ukrtelecom aims to return to profitability in 2012. The sale of the company's mobile unit however, remains the single largest trigger for the stock in the short term.

Privatization meanwhile is still the major investment theme for Tsentr Energo. Just recently, the privatizations of Zhakid Energo and Dnipro Energo, two out of four Ukrainian public utilities, have been completed and we expect that Tsentr Energo will be next in line. As widely expected by the market, the two electricity generating companies were acquired by the largest Ukrainian energy holding, DTEK. Importantly, the price that DTEK paid in terms of enterprise value per capacity translates into USD 82 per kilowatt-hour for Zhakid Energo and USD 107 per kilowatt-hour for Dnipro Energo which implies premiums of 24% and 62% on Tsentr Energo's current valuation respectively. Compared to Russian electricity generating companies, Tsentr Energo is valued at a hefty discount of 75%. We therefore still believe that the privatization of Tsentr Energo offers an asset-repricing opportunity, and therefore hold Tsentr Energo as the second largest holding of the fund with a weighting of 10%.

Anthousa, operating one of the largest supermarket chains in Ukraine under the brand Furshet, experienced a significant price drop in October. As the holding still lacks continuous market pricing as a result of the delisting from Frankfurt Stock Exchange that took place in second quarter of 2011, Ernst & Young performed an independent valuation of the company in December. In line with their recommendation, we lowered the price in our books by 4% to an enterprise value of 10.1 times Ebitda and 0.3 times sales. All in all, the holding in Anthousa declined in value by 53% during the quarter.

## EAST CAPITAL BERING UKRAINE FUND CLASS R

The aim of the fund is to achieve long term capital appreciation from investments in Ukrainian equities. The fund may also invest in companies that have significant trade with, or active investments in, Ukraine.

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 year East Capital Explorer´s share of the Class R shares of the fund was 12%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Jan 2008 |
|---|---|---|---|
| East Capital Bering Ukraine Fund Class R, EUR[1] | -14% | -13% | -69% |
| PFTS Index, EUR[2] | -2% | -45% | -68% |

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 | 54.4 |
| Consumer Discretionary | 31.0 |
| Consumer Staples | 8.1 |
| Information Technology | 4.2 |
| Industrials | 2.0 |

**Country weighting**

| Country | % of fund |
|---|---|
| Ukraine | 93.9 |
| Baltics | 6.1 |

**Largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Nova Liniya | 30.3 | 33.1 | -23.3 | Ukraine | Cons. Discr. |
| Kantik | 29.3 | 23.9 | 3.5 | Ukraine | Financials |
| Henryland | 22.7 | 20.1 | -5.2 | Ukraine | Financials |
| Chumak | 7.9 | 14.0 | -52.4 | Ukraine | Cons. Staples |
| ELKO | 4.1 | 3.8 | -11.2 | Baltics | IT |
| Trev-2 Group | 1.9 | 1.7 | -3.2 | Baltics | Industrials |
| RTC Irpin Loan | 1.1 | 1.0 | 0.0 | Ukraine | Financials |
| Chumak Loan | 0.4 | 0.0 | 0.0 | Ukraine | Cons. Staples |

| Largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 98 | 0 | 8 |

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

### Portfolio comment fourth quarter

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

During the fourth quarter 2011, Kantik was the best-performing stock in the fund, returning 3.5%. The strong performance was largely attributable to a dividend payment in December and an increase in the net asset value (NAV) of the company. The increase in NAV was caused by a change in value of the property portfolio as determined by the company's independent appraiser. The change in the value of the property portfolio was to a large extent attributable to appreciation of the Modulj shopping center in Bucha, which has gained strength in the local market and now attracts stronger customer traffic than earlier. The negative 5.2% performance of Henryland was also largely a reflection of changes in the value of the property portfolio, as the value of two of the company's problematic properties, Odessa and Kremenchug, decreased.

Chumak's sales during the quarter amounted to USD 18m, representing an increase of 12% from the year before. For the full year, Chumak's sales reached USD 61m, which is up 23% year-on-year, but 8% below budget. The growth in 2011 has required significant working capital, and the company will need to raise new capital from its owners at the beginning of 2012. East Capital has the ambition to participate at least pro rata. Chumak's profitability for the full year 2011 was lower than budgeted, and the forecast for 2012 has also been decreased. In December, an annual external valuation was performed by Ernst & Young, resulting in a 52% reduction of the valuation of Chumak compared to last year. The large drop is due to the changed forecasts, in combination with a general price decrease for Ukrainian assets during the year. Chumak's CEO, Pavlo Shevchuk, will resign as of February 2012, and will be replaced by Konstantin Shevchenko, currently deputy CEO of the company. Mr. Shevchuk will take a seat on the company's Board of Directors.

Nova Liniya's revenues for the quarter amounted to USD 104m, which is 12% lower than for the same period in 2010. This drop was mainly due to the fact that the company operated two stores less during 2011 than in 2010, as the adjusted like-for-like sales only decreased by 3% during the quarter compared to the fourth quarter of 2010. Another reason for the sales decrease was that the company shifted to selling more on consignment, which means that only the mark-up, not the sales price, is accounted for as revenue in the company's accounting. As a consequence, the company's margins have continued to improve on the other hand. Gross margin for the first eleven months 2011 was 24%, up from 22% the year before, and Ebitda for the full year 2011 is estimated to have risen by 50% compared to 2010. During the quarter, the company acquired the leasehold right for a centrally-located land plot in Kiev. The construction of a new store will commence during 2012, with the store due to open during 2013. Eugene Baranov replaced Yaroslav Bilous as CEO of Nova Liniya. Mr. Baranov was previously deputy CEO of the company, and has worked as a consultant at Nova Liniya for the last five years. In December, the annual external valuation was performed by Ernst & Young, resulting in a 23% reduction of the valuation of Nova Liniya compared to last year. As a comparison, the Ukrainian stock market lost 40% during 2011.

The year-end valuation of Elko resulted in a reduction by 11%, which is in line with the drop seen generally in the sector. On the other hand, the price of Trev-2 Group was kept unchanged (the decline of 3.2% during the quarter reflects an exchange rate differential).

## 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. The fund may also invest in companies that have significant trade with, or active investments in, the Balkans countries.

At the end of the year East Capital Explorer´s share of the fund was 62%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Dec 07 |
|---|---|---|---|
| East Capital Bering Balkan Fund, EUR[1)] | -3% | -18% | -57% |

1) Data representing the fund's master series

**Sector weighting**

| Sector | % of fund |
|---|---|
| Financials | 55.8 |
| Consumer Discretionary | 18.9 |
| Consumer Staples | 10.9 |
| Telecommunication Services | 5.8 |
| Energy | 3.9 |
| Industrials | 2.5 |
| Materials | 1.6 |
| Utilities | 0.4 |
| Health Care | 0.3 |

**Country weighting**

| Country | % of fund |
|---|---|
| Romania | 28.9 |
| Serbia | 24.2 |
| Slovenia | 12.0 |
| Turkey | 10.7 |
| Bosnia | 9.4 |
| Macedonia | 5.5 |
| Croatia | 4.4 |
| Montenegro | 3.1 |
| Bulgaria | 1.8 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| B92 | 9.5 | 6.2 | 43.3 | Serbia | Cons. Discr. |
| Fondul Proprietatea | 9.2 | 9.0 | -5.4 | Romania | Financials |
| Pinar Et Ve Un | 6.7 | 6.5 | -4.4 | Turkey | Cons.Staples |
| Komercijalna Banka Skopje | 4.6 | 5.0 | -15.0 | Macedonia | Financials |
| NKBM | 3.3 | 3.7 | -28.5 | Slovenia | Financials |
| Zavarovalnica Triglav | 3.1 | 3.6 | -22.9 | Slovenia | Financials |
| PIF BIG | 2.9 | 2.8 | -3.4 | Bosnia | Financials |
| Telekom Srpske | 2.8 | 2.9 | -10.2 | Bosnia | Telecom. Services |
| Conpet SA Ploiesti | 2.8 | 2.6 | 0.3 | Romania | Energy |
| AIK Banka | 2.8 | 2.9 | -11.2 | Serbia | Financials |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 48 | 15 | 70 |

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

### Portfolio comment fourth quarter

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

B92, an unlisted Serbian media company, became the largest holding of the fund. The partnership with a strategic investor that entered the company during 2010 has started to pay off. Despite 2011 being a difficult year for the media sector in Serbia, management executed several important components of a new strategy. The programming schedule was realigned to the viewer target group (18-50 years), and the company created a new visual identity. Thus B92 achieved a significant increase in ratings (by 30%). The financial impact of the ratings increase should be visible in 2012, as advertising sales are based on past ratings. B92 has set ambitious targets for 2012, mainly focused on increasing the market share further and consolidating the market. At the end of 2011, we revalued the shares upward by 43%, based on an external appraisal report.

Fondul Proprietatea, the second largest holding in the fund, was relatively stable during the quarter. The stock lost 5.4%, with the slight depreciation of the Romanian leu against the dollar explaining part of the loss. At the shareholders' meeting during the quarter, shareholders voted in favor of the change in voting rights. Due to a lack of quorum though, the cancellation of 2% treasury shares failed. The efforts of the Romanian government to continue privatizing companies through the stock exchange continued. We believe that the planned IPOs of state owned companies in the portfolio of Fondul Proprietatea will increase the transparency in these companies and contribute to the reduction of the 60% discount to NAV at which Fondul Proprietatea closed the year. Fondul Proprietatea is expected to pay dividends yielding more than 8.5% this year, which should increase the attractiveness of the company for investors.

Romanian privatization funds known as SIFs also performed strongly during the quarter, gaining 9% and 27% respectively. The main reason behind the outperformance was the long-awaited lift of ownership limitations from 1% to 5%, which could trigger a consolidation in the ownership structures of the SIFs. At the same time, the SIFs have significant cash positions on their balance sheets following strong dividend payments of some of the companies they hold in their portfolios and transactions in the shares of BCR, the largest bank in Romania, where Erste Bank bought out minorities. This in turn should result in strong dividends from the SIFs to their shareholders in 2012. For instance, dividend yields for SIF2 and SIF3 would be expected at 16% and 18% if the payout ratio were to be 50%.

The main negative contribution came from the Slovenian holdings. NKBM, the country's second largest lender, lost 28% during the quarter. Political and macroeconomic risks in Slovenia have increased after crisis in the euro zone spilled over to the country and have been exacerbated by the government collapse. The bank was faced with increasing funding costs on the one hand and a worsening of its credit portfolio on the other, which led to weak third quarter results. The bank is expected to end the year with a negative result, and is now trading at 0.3 times estimated 2011 book value.

Zavarovalnica Triglav, the largest insurer in Slovenia, with operations throughout the Balkans, lost 23% during the quarter. This was the case despite the company reporting good third quarter figures, with a net profit increase of 30% year-on-year and a reiterated 2011 guidance. The stock now trades at an undemanding 4 times 2011 unadjusted earnings.

In the upcoming period, we will continue selling some of the smaller positions in the fund. Also, we will closely monitor the forming of a new government in Slovenia as it will determine the fate of potential strategic deals. We will increase our involvement in selected holdings where we have large ownership positions and where we can push for dividends, share buybacks, and other strategic initiatives that are positive for us as a minority investor.

## 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. The fund may also invest in companies that have significant trade with, or active investments in, the Central Asian countries.

At the end of the year East Capital Explorer´s share of the fund was 50%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Jan 2008 |
|---|---|---|---|
| East Capital Bering Central Asia Fund, EUR[1] | -8% | -34% | -62% |
| KASE Index, EUR[2] | 1% | -34% | -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 | 53.7 |
| Energy | 29.7 |
| Consumer Staples | 11.3 |
| Materials | 3.7 |
| Utilities | 1.6 |
| Industrials | 0.1 |

**Country weighting**

| Country | % of fund |
|---|---|
| Georgia | 42.3 |
| Kazakhstan | 37.1 |
| Turkmenistan | 12.8 |
| Ukraine | 6.2 |
| Armenia | 0.9 |
| Russia | 0.4 |
| Uzbekistan | 0.2 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Bank of Georgia | 26.5 | 23.9 | 5.7 | Georgia | Financials |
| Kazmunai Gas | 13.8 | 12.0 | 2.1 | Kazakhstan | Energy |
| Dragon Oil | 12.0 | 8.5 | -3.8 | Turkmenistan | Energy |
| Caucasus Agro Development | 7.6 | 7.9 | -16.1 | Georgia | Consumer Staples |
| Henryland | 5.8 | 5.4 | -5.2 | Ukraine | Financials |
| Bank Tsentrkredit | 5.6 | 7.1 | -31.1 | Kazakhstan | Financials |
| Chagala Group | 5.5 | 6.6 | -27.3 | Kazakhstan | Financials |
| Halyk Bank | 4.0 | 4.6 | -23.5 | Kazakhstan | Financials |
| Steppe Cement | 3.1 | 2.4 | 9.6 | Kazakhstan | Materials |
| Teliani Valley | 2.7 | 2.3 | -0.2 | Georgia | Cons. Staples |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 87 | 15 | 22 |

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

### Portfolio comment fourth quarter

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

The adverse external backdrop, together with negative news flows on the social unrest in Western Kazakhstan and a second restructuring of BTA Bank, continued to weigh on the performance of Kazakh equities and our portfolio during the fourth quarter. Our underperformance versus the index was caused by significant impairments for illiquid private equity holdings ahead of an expected challenging 2012. We valued down our stake in Eximbank, an illiquid corporate bank in Kazakhstan, bringing its valuation in line with regional peers, and reduced the value of Caucasus Agro Development and Populi. The continuing survival of Populi is contingent upon access to fresh funding.

Of our largest holdings, the Bank of Georgia performed well, whose shares appreciated 5.7%. The bank published strong third quarter results, with a net interest margin above 7% and robust loan growth. The bank is completing its premium listing in London in February 2012, which should increase liquidity and potentially have a positive effect on share performance. The bank trades at 0.7 times 2012 estimated book value.

No positive surprises came from the Kazakh Halyk Bank and Bank Tsentrkredit losing 24% and 31% respectively over the quarter amid a lack of positive triggers and jitters surrounding the reopening of the BTA case (BTA defaulted on its coupon payment and might go into default if debtholders refuse to restructure their debt). The state is unlikely to inject money which spoils the sentiment for the banking sector in general.

Kazmunai Gas managed to close the quarter in the black, despite being hit by a second wave of labour protests in Western Kazakhstan, culminating in violence during a clash between police and protesters. As a result of the labour strike, the company lost about 9% of its potential production in 2011. Kazmunai Gas is currently trading at an undemanding enterprise value of 1.1 times estimated 2012 Ebitda, with cash representing almost 72% of the market cap. We continue to discuss a dividend hike with the management, which could significantly improve market sentiment towards the stock.

Another large holding in the same sector, Dragon Oil, posted a 3.8% loss notwithstanding favourable drilling reports and an announcement that the company achieved its annual production target one month ahead of year-end. Should oil continue trading in the same range in the first quarter for 2012, Dragon Oil's share price could be able to close the underperformance gap. Our recent meeting with the senior management in the company's headquarters in Dubai left a positive impression.

The best performer among our top ten holdings was Steppe Cement, gaining 9.6% on improvement in company fundamentals following a 14% growth in the Kazakhstan cement market during 2011.

During the quarter, we reduced the number of small illiquid holdings by either selling the holdings directly to the respective companies or through the market. We also sold out of our position in Kazakhmys, a leading Kazakh copper producer, amid volatility in the market and uncertainty regarding the direction of copper prices.

In the coming quarter we will continue to closely monitor developments in the banking sector and in the political space which became more volatile following the social unrest in Western Kazakhstan. Additionally, we are considering slightly repositioning portfolio toward higher beta names given some improvement in general sentiment.

## 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. The fund may also invest in companies that have significant trade with, or active investments in, the Central European or the Baltic countries.

At the end of the year East Capital Explorer´s share of the fund was 88%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since May 2008 |
|---|---|---|---|
| East Capital Bering New Europe Fund, EUR[1] | -10% | -37% | -23% |

1) Data representing the fund's master series

**Sector weighting**

| Sector | % of fund |
|---|---|
| Financials | 23.6 |
| Industrials | 16.2 |
| Materials | 13.6 |
| Information Technology | 11.3 |
| Consumer Discretionary | 10.6 |
| Consumer Staples | 7.7 |
| Utilities | 6.8 |
| Telecommunication Services | 5.9 |
| Energy | 4.0 |
| Health Care | 0.2 |

**Country weighting**

| Country | % of fund |
|---|---|
| Poland | 58.0 |
| Hungary | 22.7 |
| Baltics | 9.8 |
| Slovakia | 6.5 |
| Czech Rep. | 5.0 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Ablon Group | 10.4 | 9.0 | -1.6 | Hungary | Financials |
| ELKO | 7.3 | 7.0 | -11.2 | Baltics | IT |
| Morpol | 6.8 | 8.8 | -35.1 | Poland | Consumer Staples |
| Mennica Polska | 6.2 | 5.5 | -4.5 | Poland | Materials |
| Netia | 5.5 | 0.0 | 3.2 | Poland | Telecom.Services |
| Pannenergy | 5.5 | 5.8 | -17.9 | Hungary | Materials |
| E-Star | 3.8 | 7.6 | -42.2 | Hungary | Utilities |
| Koelner | 3.7 | 3.7 | -8.8 | Poland | Industrials |
| Bogdanka | 3.7 | 3.2 | -3.4 | Poland | Energy |
| Kruk Group | 3.4 | 1.6 | -2.6 | Poland | Financials |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 56 | 9 | 55 |

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

### Portfolio comment fourth quarter

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

The largest negative contribution to the fund during the quarter came from the Hungarian alternative energy service company, E-star, which declined 42% after the release of very weak third quarter results and a margin call for one of the owners and members of the board. We continued to sell E-star during the quarter, reducing its weight in the Fund throughout the year from an initial weight above 12% at the beginning of the year to only 3.8% at the end of the year. So far, we have sold 56% of our position, realizing a gain of over 200%. The valuation of E-star is now at a record low of 7.5 times 2011 earnings and the company has announced a share buy-back program, which we think will support the share price going forward.

Another large holding of the fund, the Norwegian-listed fish processing plant Morpol, with a production facility in Poland, fell another 35% during the quarter. News flow from the company remains very negative as the second CFO resigned in a year and conflicts within the board continued. On the other hand, the operational situation continues to improve, with the raw salmon price dropping by 35% during 2011, increasing the likelihood of record-high margins during the fourth quarter 2011. According to analysts' estimates, Morpol trades at a price of 4.8 times 2011 earnings and 5 times estimated 2012 earnings. The visibility of these low valuations should improve after the company's financial results for the year are announced, which should provide support to the share prices.

Polish small-cap bank, BPH, was also among the weakest performers, losing 36%. After a majority stake was acquired by GE bank prior the crisis, BPH is still going through reorganization and working to reduce its risk profile. In a deteriorating banking environment, the risks for the bank are increasing. We therefore decided to reduce our holding.

The best performers of the fund during the quarter were the small-cap construction companies OHL ZS in the Czech Republic and Pozbud in Poland, up 45% and 21% respectively. We sold off part of our holding in OHL ZS at a higher price than the market was offering at the end of the year.

In November, an important contract was signed between PGE and a handful of Polish construction companies regarding the construction of a new coal-fired power plant. On the back of this good piece of news, we bought into Polimex, which is expected to receive 42% of the PLN 3.9bn committed under the contract. We also continued to buy Polish telecom and internet provider Netia, shoe retailer NG2 and debt collector Kruk.

As we are trying to concentrate the fund's portfolio by reducing the number of small holdings, we have sold a number of small-cap securities and in a few cases we were able to get a price above the market. We also exited one of the larger construction holdings of the fund, Budimex, as it has been one of the top performers in the market, yet the prospects within its market segments remain limited.

## 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 year East Capital Explorer´s share of the fund was 73%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Dec 2007 |
|---|---|---|---|
| East Capital Power Utilities Fund, EUR | -9% | -48% | -15% |
| RTS Electric Utilities Index[1)] | 4% | -39% | -59% |

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 | 98.0 |
| Industrials | 1.2 |
| Energy | 0.9 |

**Country weighting**

| Country | % of fund |
|---|---|
| Russia | 98.4 |
| Georgia | 1.5 |
| Ukraine | 0.1 |

**10 largest holdings**

| Company | Weight % of fund Q3 2011 | Weight % of fund Q4 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| TGK-6 | 10.0 | 4.0 | 3.3 | Russia | Utilities |
| TGK-5 | 9.5 | 5.9 | 3.3 | Russia | Utilities |
| E.On Russia | 9.5 | 7.7 | 7.8 | Russia | Utilities |
| MRSK Tsentra i Privolzhya | 7.6 | 7.4 | -13.8 | Russia | Utilities |
| MRSK Tsentra | 7.1 | 6.8 | -20.0 | Russia | Utilities |
| OGK-2 | 6.5 | 5.0 | -16.4 | Russia | Utilities |
| OGK-5 | 6.5 | 0.5 | 2.0 | Russia | Utilities |
| MRSK Holding | 5.1 | 9.6 | 7.8 | Russia | Utilities |
| Federal Grid Company | 5.0 | 1.1 | 18.3 | Russia | Utilities |
| Energy System of Far East | 3.8 | 1.8 | 0.8 | Russia | Utilities |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 71 | 1 | 39 |

1) Share price development in EUR during the fourth quarter 2011

### Portfolio comment fourth quarter

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

The performance of the fund was under pressure during the fourth quarter, mainly due to a sell-off in illiquid small-cap stocks, such as TGK-2, MRSK Sibiri and TGK-13, which lost 33%, 29% and 28% respectively. In TGK-2 and TGK-13, corporate governance concerns added to the weakness. Secondly, international investors started to decrease exposure to Russian equities on worries about political stability in Russia. Political risk has not been considered a significant risk for a long time, but reappeared after the sudden protests related to the suspicions of falsification of results in the December Duma elections. The utility sector is politically a very sensitive sector in Russia, as increased political instability is likely to put tariff increases on hold again.

As expected, the consolidation of OGK-2 and OGK-6, the Gazprom-controlled generation companies, was completed in November 2011, and shareholders in OGK-6 received shares in the merged company, which started to trade in January 2012 under the OGK-2 name, unfortunately with limited liquidity. By the end of the first quarter of 2012, both lines of OGK-2 shares – the old issue and a new one – will be combined. At the same time, both generation companies disappointed the market with weak third quarter 2011 reports, pointing at escalated growth in costs and a subsequent pressure on profitability. Management guidance for 2011 Ebitda for the combined company was almost 50% lower than the market expectations, and the guidance of zero synergies from the OGK-2/OGK-6 merger in 2012 resulted in pressure on the OGK-2 shares. The stock dropped 16% over the quarter.

One of the fund's largest holdings, E.ON Russia (formerly OGK-4), continued to do well during the quarter, as it was ranked as the most efficient and non-corrupted power utility company in Russia, which reflects the influence of its major international owner, E.ON. E.ON Russia gained 7.8% during the quarter. The utilities blue chip, Federal Grid Company, was up 18% last quarter on news that regardless of coming changes in regulation parameters for distribution companies, RAB parameters* for the Federal Grid Company are likely to remain unchanged, which is positive for the company.

In terms of trades during the quarter, we successfully sold the entire position in the power generation company TGK-11 to a strategic buyer at a 30% premium on the market price. The main shareholder, InterRAO, intended to increase its stake in TGK-11 from 83%, with the aim of a possible delisting of the company from the RTS exchange. Furthermore, a voluntary liquidation of TGK-11 Holding has been finalised, with proceeds from the company's asset sale distributed among shareholders. As a result, the holding is no longer in our portfolio as we received the payment for our shares in early December 2011. Also, we cut our exposure to RusHydro on news that the investment component (i.e. investment mark-up), which was previously approved by the state and included in capacity payments, will not be approved for 2012 by the regulator. This is expected to lead to a significant decrease in profitability for the company. We cut somewhat the exposure to E.ON Russia due to the fund's weight limitations for individual stocks.

* RAB = Regulatory Asset Base used to establish pricing of electricity

## 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 year East Capital Explorer´s share of the fund was 82%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since May 09 |
|---|---|---|---|
| East Capital Special Opportunities Fund, EUR | -5% | -36% | 2% |

**Sector weighting**

| Sector | % of fund |
|---|---|
| Financials | 21.5 |
| Materials | 19.5 |
| Telecommunication Services | 15.9 |
| Energy | 15.2 |
| Consumer Discretionary | 14.7 |
| Health Care | 7.0 |
| Consumer Staples | 4.8 |
| Industrials | 0.9 |
| Information Technology | 0.5 |

**Country weighting**

| Country | % of fund |
|---|---|
| Russia | 54.4 |
| Romania | 20.0 |
| Lithuania | 15.9 |
| Ukraine | 6.7 |
| Serbia | 2.1 |
| Croatia | 0.9 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Fondul Proprietatea | 19.7 | 9.3 | -5.4 | Romania | Financials |
| TEO LT | 15.7 | 7.4 | -4.1 | Lithuania | Telecom. Services |
| Sollers | 12.4 | 6.1 | -9.5 | Russia | Cons. Discr. |
| Integra | 12.2 | 5.0 | 9.2 | Russia | Energy |
| Korshunovsky GOK | 7.9 | 3.4 | 2.5 | Russia | Materials |
| Sibirskiy Cement | 7.3 | 4.3 | -23.1 | Russia | Materials |
| Verofarm | 6.9 | 3.1 | 0.9 | Russia | Health Care |
| Stirol | 3.3 | 1.3 | 18.3 | Ukraine | Materials |
| Sintal | 3.3 | 2.1 | -29.0 | Ukraine | Consumer Staples |
| Mashstroy | 2.7 | 2.0 | -37.9 | Russia | Energy |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 53 | 0 | 17 |

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

### Portfolio comment fourth quarter

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

Fondul Proprietatea, the largest holding in the East Capital Special Opportunities Fund, was relatively stable during the last quarter of 2011. The stock lost 5.4%, with the slight depreciation of the Romanian leu against the dollar explaining part of the loss. See portfolio comment regarding the East Capital Bering Balkan Fund for more information on Fondul Proprietatea.

Agrobanka, a medium sized Serbian bank, lost 38% over the last quarter. The bank unexpectedly posted a loss in its nine month 2011 figures because of higher than expected provisions. These were required by the Serbian central bank, which performed an assessment of Agrobanka's loan portfolio and eventually used its discretionary right to remove the management and supervisory board and put an interim management in place. The report has not been made public yet, but apparently differs significantly from audited reports the bank published itself. We are actively engaged in trying to both understand the core of the problem and find a solution together with other shareholders, including the Serbian state. Agrobanka is not among the ten largest holdings but nevertheless had a significant negative contribution to the fund´s development.

Mashstroy, a Russian manufacturer of nuclear reactor fuel elements and fuel rod arrays, lost 38% over the quarter. The company posted weak nine month 2011 results, with sales dropping 38% year-on-year, and a net loss amounting to USD 13m compared to USD 46m profit a year ago, as demand from European nuclear utilities has plummeted after targeting a program of gradual nuclear capacity closure in Germany.

Integra was one of the key performers over the quarter, posting a 9.2% gain. Its shares were trading at low levels during the third quarter of 2011 and the announcement of the business reorganization relating to 30% of Integra's assets helped the stock to bounce back. Nevertheless, the stock remains inexpensive trading at an enterprise value of 3.2 times Ebitda. Integration of the merged companies, which is expected to be carried out in 2012, will be one of the key drivers for the stock. As one of the largest shareholders in Integra, we are pushing the board for certain actions, including share buy-backs and further asset optimization.

Sibirskiy Cement was among the underperformers, dropping by 23% over the quarter. Its shares are now trading close to all-time lows. During our site visit to the company in December, the management noted the lower average realised cement prices during the fourth quarter of 2011. Corporate governance risks prevailed over valuations, and some brokers downgraded the stock on risks of transfer prices, despite the fact that a current USD 100 per ton price to capacity multiple is a 70% discount on the replacement value. We are trying to exercise more control over the board by nominating and supporting an independent director at the summer Annual General Meeting.

## EAST CAPITAL SPECIAL OPPORTUNITIES FUND II

The aim of the fund is 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 year East Capital Explorer´s share of the fund was 56%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Oct 2010 |
|---|---|---|---|
| East Capital Special Opportunities Fund II, EUR | -11% | -33% | -29% |

**Sector weighting**

| Sector | % of fund |
|---|---|
| Financials | 31.6 |
| Consumer Staples | 16.8 |
| Materials | 15.7 |
| Energy | 14.9 |
| Utilities | 9.7 |
| Health Care | 9.6 |
| Industrials | 1.8 |

**Country weighting**

| Country | % of fund |
|---|---|
| Russia | 45.1 |
| Slovenia | 20.5 |
| Serbia | 16.9 |
| Poland | 6.5 |
| Hungary | 5.2 |
| Ukraine | 4.2 |
| Lithuania | 1.5 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Integra GDR | 12.9 | 10.2 | 12.8 | Russia | Energy |
| Bambi | 9.6 | 9.1 | -6.7 | Serbia | Cons.Staples |
| Zavarovalnica Triglav | 9.1 | 9.8 | -20.4 | Slovenia | Financials |
| Verofarm | 8.3 | 4.9 | 4.2 | Russia | Health Care |
| Jastrzebksa Spolka Weglova | 5.7 | 0.9 | 5.4 | Poland | Materials |
| Rusforest | 5.3 | 6.5 | -30.4 | Russia | Materials |
| NFD 1 Delniski Invest. Sklad | 5.2 | 4.8 | 5.7 | Slovenia | Financials |
| RAO ES Vostok | 4.8 | 4.3 | 0.8 | Russia | Utilities |
| AIK Banka | 4.8 | 5.3 | -18.7 | Serbia | Financials |
| Ablon Group | 4.5 | 3.9 | 1.6 | Hungary | Financials |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 70 | 10 | 17 |

1) Share price development in EUR during the fourth quarter 2011

### Portfolio comment fourth quarter

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

In Serbia, AIK Banka lost 19%. The bank's third quarter 2011 results showed an improving trend, with a 145% growth quarter-on-quarter, slightly offsetting the poor start to the year, when results were burdened by high provisions. The bank expects to reach a revised target for the full year, which would result in a 9% return on equity. Also, the bank held an extraordinary general shareholders meeting, where we and other shareholders supported a share buyback. Afterwards, it also obtained all regulatory approvals to now start repurchasing shares in the market. At the current price, AIK Banka trades at 3.7 times estimated 2011 earnings, and 0.31 times estimated 2011 book value.

NKBM, Slovenia's second largest lender, was down 29% during the quarter. Political and macroeconomic risks in Slovenia increased after the crises in the euro zone spilled over to the country and were exacerbated by the government collapse, while snap elections did not bring a clear winner and coalition talks are still ongoing. The bank was faced with increasing funding costs on the one side and the worsening of its credit portfolio on the other, which led to weak third quarter 2011 results for the bank, which will most likely end the year with a negative result. The bank is now trading at a 0.3 times estimated 2011 book value.

Zavarovalnica Triglav, Slovenia's largest insurer with operations in the Balkans, lost 20% during the quarter. The company reported a good set of third quarter 2011 figures, with a net profit increase of 30% year-on-year, and also reiterated 2011 guidance. The stock now trades at 4 times estimated 2011 earnings. Despite the fact that management expects Zavarovalnica Triglav´s 2012 net profit to reach a level on par with its all time high in 2007, the stock is down 92% since its peak during the same year.

TGK-4, the Russian power generation company controlled by the Onexim Group, declined 18% during the quarter on the whole sector correction and the sell-off in low liquid names which took place before year-end.

Integra was one of the key performers over the quarter, posting a 13% gain. Its shares were trading at low levels during the third quarter of 2011 and the announcement of the business reorganization relating to 30% of Integra's assets helped the stock to bounce back. See portfolio comment regarding the East Capital Special Opportunities Fund for more information on Integra.

Rusforest has fallen by 30% and was the worst stock in the fund over the quarter. The company is a turnaround case, and was supposed to start delivering profits in early 2012. Unfortunately, the Arab Spring led to lower exports to North Africa, which is an important market for the company. The slowdown in the global economy also led to lower prices for sawn wood. These factors led to lower-than-predicted profitability for the company.

### EAST CAPITAL (LUX) EASTERN EUROPEAN FUND

The aim of the fund is to invest in shares of companies in the whole Eastern Europe. The fund seeks investments in a broad spectrum of countries, sectors and companies.

The fund is a daily traded UCITS-fund. More information can be found at the East Capital website (www.eastcapital.com).

At the end of the year East Capital Explorer´s share of the fund was 10%.

**Fund Performance**

| | Q4 2011 | 12m 2011 | Since Dec 07 |
|---|---|---|---|
| East Capital (Lux) Eastern European Fund, EUR | 0% | -29% | -40% |
| MSCI EM Europe Index, EUR[1] | 4% | -23% | -43% |

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

**Sector weighting**

| Sector | % of fund |
|---|---|
| Energy | 33.0 |
| Financials | 26.5 |
| Utilities | 9.0 |
| Industrials | 8.4 |
| Telecommunication Services | 7.2 |
| Consumer Discretionary | 6.4 |
| Materials | 5.4 |
| Consumer Staples | 2.8 |
| Health Care | 0.9 |
| Information Technology | 0.5 |

**Country weighting**

| Country | % of fund |
|---|---|
| Russia | 55.5 |
| Poland | 9.6 |
| Turkey | 9.4 |
| Eastern Europe | 5.4 |
| Czech Rep. | 4.5 |
| Romania | 4.0 |
| Hungary | 2.8 |
| Lithuania | 2.3 |
| Slovenia | 1.2 |
| Other | 5.3 |

**10 largest holdings**

| Company | Weight % of fund Q4 2011 | Weight % of fund Q3 2011 | % Perf.[1] | Country | Sector |
|---|---|---|---|---|---|
| Gazprom | 5.7 | 4.5 | 13.9 | Russia | Energy |
| Lukoil | 5.4 | 5.2 | 7.6 | Russia | Energy |
| Surgut NG | 5.1 | 4.1 | 23.4 | Russia | Energy |
| CEZ | 2.7 | 1.4 | 6.2 | Czech Rep. | Utilities |
| M.Video | 2.5 | 2.7 | -12.9 | Russia | Cons. Discr. |
| PZU | 2.3 | 1.2 | -2.9 | Poland | Financials |
| Fondul Proprietatea | 2.1 | 2.2 | -2.3 | Romania | Financials |
| Bashneft | 1.9 | 1.9 | 4.6 | Russia | Telecom.Services |
| Transneft | 1.8 | 2.5 | 58.1 | Russia | Energy |
| FESCO | 1.8 | 1.4 | -4.0 | Russia | Industrials |

| 10 largest holdings (% of portfolio) | Unlisted holdings (% of portfolio) | Total number of holdings |
|---|---|---|
| 32 | 0 | 147 |

1) Share price development in EUR during the fourth quarter 2011

# Direct Investments

**Aivaras Abromavicius**, Partner and member of the Portfolio Management team, East Capital, comments below on the development of TEO LT during the 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 fourth quarter of 2011 East Capital Explorer invested an additional of EUR 1.3m, and as of 31 December 2011 East Capital Explorer held 3.4% of TEO shares, corresponding to a total value of EUR 15.9m. Our holding of TEO shares declined in value by 1.0% during the fourth quarter. The combined TEO shareholding by East Capital Explorer and East Capital funds is 7.3%.

2011 has been a successful year for the company considering its results, technological developments and continued investments as well as the focus on the new services. TEO has reported very solid full year 2011 financial results with sales decline slowing down to -3.1% year-on-year, while during the same period the comparable figures for the Lithuanian telecom market as a whole declined by 7%. Operationally, TEO has managed to keep and even improve its EBITDA margin to 40%, which is its main source of the cash flow and high dividend yields. The net margin of the company has remained rather stable at around 21%. The fourth quarter 2011 results, showed the company's first significant improvement in the quarterly revenue dynamics since 2008 both compared to 2010, and prior quarters of 2011. The quarterly growth rate of revenues was an impressive 6% and whereas annual growth showed a positive rate of 1.5%. The main drivers of this positive trend shift have been Internet services revenue returning to growth as well as continued strong growth in TV and IT services.

Revenues from voice telephony sales declined during the quarter slowed down to 4.5%. Substantial improvement in sales figures of TV and IT services, up 26% and 32% year-on-year respectively, has been achieved to compensate fixed line revenue decline. Hence, the importance of the stagnant fixed line business is decreasing for the company with every quarter as its share has dropped from 54% to below 50% during 2011. Strong focus on new technologies and services together with the growth areas of Internet, TV, and data services reached to 52% of total revenues.

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

### KOMERCIJALNA BANKA SKOPJE

Komercijalna Banka Skopje (KBS), the largest bank in Macedonia, continued to post good top line results in the fourth quarter, with 9.5% growth in net interest income quarter-on-quarter and 12% growth in net fee and commission income. For 2011, compared with 2010, these core income items were up 7.8% and 10.2%, respectively. Unfortunately, provisions for impairment continued to more than offset any growth in income, and the bank reported roughly half the net income during the quarter as they did in the third quarter.

Administrative costs were well under control, as they have been all year, with all major line items at or under budget. Capitalisation and liquidity continue to be well in compliance with all regulatory requirements.

Komercijalna Banka rounded out the year by winning two prestigious awards: the "Bank of the Year" award in Macedonia from The Banker and "Best Bank in Macedonia" for the eighth year in a row from Global Finance Magazine. East Capital Explorer held 10% of KBS' shares at the end of the year.

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

### MELON FASHION GROUP

Melon Fashion Group's (MFG) revenue during the fourth quarter of 2011 amounted to RUB 2,113m (EUR 50.2m) which reflects a 28% growth over the same period in 2010 (27% growth in EUR terms). Sales for the full year were RUB 6,520m (EUR 159.5m). Total sales increased by 38% (36% in EUR) during 2011, compared to full year of 2010.

The growth in total sales during the year is attributable to roughly 9.3% growth of comparable stores' sales and also opening new stores. In 2011 MFG opened 49 new stores and finished year with 550 stores operating in Russia and Ukraine. However, only seven new stores were open during the fourth quarter, which explains a smaller revenue increase during the quarter compared to full year.

At the end of the year Ernst & Young performed an independent valuation of East Capital Explorer's holding in MFG, which resulted in a value increase of 1.4% during the quarter.

After several years of aggressive expansion, 2011 was a year of consolidation. The company decreased the pace at which it opened new stores and concentrated on improving profitability and the operational efficiency of the business acquired during the previous years. We believe that the current measures aimed at improved integration of newly acquired concepts will strengthen the company operationally and provide a solid foundation for a faster expansion in the future.

As a result of the previously announced deal with Swedfund, Humarito Limited, a subsidiary of East Capital Explorer, intends to make a mandatory offer to buy out the remaining shares in MFG from its non-affiliates. Based on the shareholder structure of MFG and intentions stated by other shareholders of the company, the proportion of shares tendered in the mandatory offer is expected to be limited.

Prior to the transaction, East Capital Explorer through its subsidiary held a 16 percent stake in MFG, and after the transaction the total holding amounts to approximately 31 percent of the company. The final size of the holding will depend on the number of non-affiliated shareholders who elect to participate in the mandatory buyout offer. The mandatory offer is expected to take place at the same price level as the Swedfund transaction. The shares acquired will be held at their fair value.

### POPULI

Despite the restructuring plan launched by the new CEO who started in July of 2011, we have not yet seen meaningful improvement in Populi's financial performance during the fourth quarter. Revenues are still significantly below plan, as are profits. Although running with a small operating surplus (on Ebitda level), the net result is negative for the year. Without further external financing, the survival of the company is in danger. Discussions are on-going between shareholders and lenders, in search of a financing solution.

As a result of the serious problems in the company and the question marks regarding its survival, the value of the holding was reduced by 94% to a mere 0.1m EUR on 31 December 2011. The valuation is based on an external appraisal by the international audit firm PKF International. East Capital Explorer held approximately 30% of Populi's shares at the end of the year.

### TREV-2 GROUP

The Estonian infrastructure construction company Trev-2 Group posted strong top line figures during the quarter, with revenues more than 50% ahead of budget. Overall profitability of the company throughout the year, however, has been poor, triggering changes both in management and organisational structure. The CEO and Construction Director of the company were replaced in December.

As of year-end, the new group and organisational structure were put in place, making the company more transparent and enhancing operational efficiency.

Integration of the environmental construction business unit, acquired in summer, has been successful. Participation in tenders announced in second half of 2011 in Latvia and Estonia has been successful. The unit is major contributor to the top line growth foreseen for 2012.

East Capital Explorer held 18.5% of Trev-2 Group at the end of the year.

### EAST EUROPEAN DEBT FINANCE (EEDF AG)

The 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 in December 2010 with the founding of an investment company, owned by EBRD and EEDF.

Under the EEDF structure, the commitment of East Capital Explorer amounted to EUR 5m until year end, of which EUR 1.1m had been drawn down as of the end of the quarter. Under the governing joint venture agreements, East Capital Explorer's additional commitment expired at the end of the year and any further drawdowns will require new approvals. As of the end of 2011, 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 31 December 2011, the fair value of the bond portfolio amounted to EUR 17.8m (26.5m).

The net result from bond portfolio for the reporting period 2011 was EUR 0.9m. This included EUR 1.5m in interest income, EUR 0.7m in profit from exchange rates and fair value change in the bond portfolio of EUR -1.0m and EUR -0.3m in management fees.

Among short-term investments, East Capital Explorer also holds a loan, maturing in December 2012 at the latest, to Melon Fashion Group amounting to EUR 5.0m.

### Cash and cash equivalents

The EUR 16.6m (EUR 17.8m) that had not yet been invested or drawn-down, were placed in cash and cash equivalents. Interest income from cash and cash equivalents during 2011 amounted to EUR 0.3m (EUR 0.2m).

# Results

The Group consists of the Parent Company East Capital Explorer AB, the subsidiary East Capital Explorer Investments AB and Humarito Limited as well as the consolidated funds listed below.

| Consolidated funds | Share of Equity |
|---|---|
| East Capital Bering New Europe Fund | 88% |
| East Capital Special Opportunities Fund | 82% |
| East Capital Power Utilities Fund | 73% |
| East Capital Bering Balkan Fund | 62% |

These funds are 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 – 31 December 2011 amounted to EUR -152.1m (EUR 119.9m), which included exchange rate differences on translation of foreign operations of EUR 1.1m (EUR 5.2m).

Net loss for the year amounted to EUR 153.2m (profit of EUR 114.7m). Of this a net loss of EUR 127.9m (profit of EUR 89.3m) was attributable to the shareholders of the Parent Company corresponding to earnings per share of EUR -3.69 (EUR 2.55).

For the reporting period, the main items of the net loss in the investment portfolio include value changes of EUR -151.8m (EUR 124.6m) and EUR 6.5m (9.9m) in dividends.

Financial income amounted to EUR 1.2m (EUR 6.5m). The bond portfolio net result of EUR 0.9m included EUR 1.5m (EUR 2.6m) in interest income, result from exchange rate profit EUR 0.7m (EUR -2.0m) and fair value change in the bond portfolio of EUR -1.0m (EUR 3.1m) and EUR -0.3m (EUR -0.5) in management fees.

Financial expenses amounted to EUR -2.1m (EUR 0.0m) which mainly relates to exchange rate losses on cash held in East Capital Power Utilities Fund.

Other items included EUR -7.2m (EUR -25.3m) in operating expenses (described further below) and EUR 0.2m (EUR -0.9m) in income taxes.

Of the total operating expenses of EUR -7.2m (EUR -25.3m) during the year, EUR -1.8m (EUR -2.0m) relates to ordinary operating expenses within the Parent Company. The remaining EUR -5.4m (EUR -23.3m) 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, the non-controlling interest in the consolidated fund should be excluded and fees generated in non-consolidated funds should be added back. When calculated according to the procedure above, the total fees accrued to the Investment Manager generated by the fund investments and direct investments held by East Capital Explorer amounted to EUR 6.7m including VAT. Of this EUR 7.7m 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 two 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 year amounted to EUR -80.2m (profit EUR 44.5m) of which EUR -79.1m 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 -1.8m (EUR -2.0m).

### Tax

East Capital Explorer's consolidated tax of EUR 0.2m (EUR -0.9m) for the reporting period comprises the net effect of deferred income tax within the Parent Company of EUR 0.4m (EUR 0.5m), actual tax related to subsidiaries of EUR -1.0m (EUR -0.9m) and deferred tax related to subsidiaries of EUR 0.8m (EUR -0.5m).

### Dividend

The Board of Directors last 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 (-).

The Board of Directors propose a dividend of SEK 0.80 per share for the fiscal year of 2011, which remains unchanged from the previous year and will be upon decided at the Annual General Meeting in April. The Board of Directors has also approved a dividend policy for the Company, whereby East Capital Explorer aims to pay dividends to its shareholders consistent with the long-term prospect of the company. The size of the dividend will be related to the size of the Company's received dividends and realized return on short-term investments during the preceding year and other relevant factors.

### 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, including value changes of assets held due to market price fluctuations. 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.

For the coming months we anticipate a continued trend of economic growth at levels below long-term potential, yet there remains a high degree of uncertainty in our markets making it difficult to assess the levels of growth. 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.

# Financial position

Cash flow from operating activities during 2011 was EUR -11.2m (EUR 2.9m).

The Group's cash, cash equivalents and other short-term investments at the end of the period amounted to EUR 54.9m (EUR 89.4m). 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 and cash equivalents amounted to EUR 16.6m (EUR 17.8m) and interest income from these amounted to EUR 0.3m (EUR 2.2m) 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 -16.0m, referring to cash included in the closing balance as of 31 December 2011.

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 (Lux) Eastern European Fund.

East Capital Explorer had no financial debt on 31 December 2011.

### Commitments and draw-downs

On 31 December 2011, East Capital Explorer had no commitments for further draw-down into its investments portfolio.

As reported above, Humarito Limited, a subsidiary of East Capital Explorer AB, intends to make a mandatory offer to buy out the remaining shares in MFG from its non-affiliates. Based on the shareholder structure of MFG and intentions stated by other shareholders of the company, the proportion of shares tendered in the mandatory offer is expected to be limited.

# 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 Annual Report. An assessment for the coming months is provided in the Results section above.

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.

### Related party transactions

No changes or transactions have occurred during the year other than fee payments according to agreements. The single largest counter party is the East Capital group. For information on these agreements please see the Company's 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 was prolonged on 12 October and allowed the Company to repurchase own shares from 15 September 2011 up to and including 30 March 2012. From 15 September 2011 until the year-end, East Capital Explorer repurchased 1,081,554 own shares, corresponding to 3.1% of the shares in the Company. Average price per share paid was SEK 51.54.

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 31 December, the number of shares outstanding was 33,770,121. Adjusted for buy-backs the average number of shares outstanding for the twelve month period January to December was 34,645,318, and the average number for the fourth quarter was 34,072,414.

### EVENTS OCCURING AFTER THE END OF QUARTER

During January, East Capital Explorer additionally repurchased 42,815 own shares, corresponding to 0.1% of the shares in the Company. Average price per share paid was SEK 53.62. Since the repurchases began on 15 September 2011, East Capital Explorer has repurchased 1,124,369 shares, corresponding to 3.2% of the shares in the Company, at an average price of SEK 51.62 per share. Excluding the shares held by the company, the number of shares outstanding amounted to 33,727,306 on 14 February 2012.

On 1 February, East Capital Explorer announced the investment of EUR 10m into the new East Capital Baltic Property Fund II.

As a result of the previously announced deal with Swedfund, a mandatory offer to buy out the remaining shares from non-affiliates was announced on the date of this report. In accordance with Russian law, East Capital Explorer, through its subsidiary Humarito Limited, is expected to obtain a bank guarantee in the amount of EUR 11.8m in connection with the offer.

### NAV on 31 January 2012

NAV per share on 31 January 2012 amounted to EUR 9.14 (corresponding to SEK 81). The share price on 31 January 2012 was SEK 54.00 (corresponding to EUR 6.07). Cash, cash equivalents and other short-term investments on 31 January 2012 amounted to EUR 38m. Of those, EUR 23m (SEK 205m) 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, 15 February 2012**

**Paul Bergqvist**
Chairman of the Board

**Mia Jurke**
Chief Executive Officer

**Anders Ek**
Board member

**Lars Emilson**
Board member

**Karine Hirn**
Board member

**Alexander V.Ikonnikov**
Board member

**Justas Pipinis**
Board member

## CONTACT INFORMATION

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## FINANCIAL CALENDAR

- Monthly net asset value report on the fifth working day after the end of each month
- Annual Report 2011 available in April 2012
- Annual General Meeting in Stockholm on 25 April 2012
- Interim Report 1 January – 31 March 2012, 8 May 2012
- Interim Report 1 January – 30 June 2012, 7 August 2012
- Interim Report 1 January – 30 September 2012, 9 November 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 15 February 2012.*

# 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 31 December 2011, and the twelve-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, 15 February 2012
KPMG AB

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

# Statement of Comprehensive Income

| EUR thousands | 2011 Jan-Dec | 2010 Jan-Dec | 2011 Oct-Dec | 2010 Oct-Dec |
|---|---|---|---|---|
| Changes in value | -151,795 | 124,554 | -23,738 | 43,931 |
| Received dividends | 6,470 | 9,926 | 407 | 5,347 |
| **Total operating income** | **-145,325** | **134,480** | **-23,331** | **49,278** |
| Staff expenses | -1,108 | -1,095 | -228 | -545 |
| Other operating expenses | -6,118 | -24,250 | -1,868 | -10,395 |
| **Operating profit/loss** | **-152,552** | **109,135** | **-25,427** | **38,339** |
| Financial income | 1,211 | 6,475 | 808 | 657 |
| Financial expense | -2,071 | -51 | 340 | -31 |
| **Profit/loss before tax** | **-153,412** | **115,559** | **-24,278** | **38,966** |
| Income tax | 210 | -903 | -646 | -846 |
| **NET PROFIT/LOSS FOR THE PERIOD** | **-153,201** | **114,656** | **-24,924** | **38,120** |
| | | | | |
| **Other comprehensive income:** | | | | |
| Exchange differences on translation of foreign operations | 1,081 | 5,230 | 3,276 | 2,380 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **-152,120** | **119,886** | **-21,649** | **40,500** |
| | | | | |
| **Net profit/loss for the period distribution:** | | | | |
| Shareholders of the Parent Company | -127,925 | 89,260 | -20,922 | 29,785 |
| Non-controlling interest | -25,276 | 25,397 | -4,002 | 8,335 |
| | **-153,201** | **114,656** | **-24,924** | **38,120** |
| **Total comprehensive income distribution:** | | | | |
| Shareholders of the Parent Company | -127,075 | 93,710 | -18,287 | 31,891 |
| Non-controlling interest | -25,045 | 26,176 | -3,362 | 8,608 |
| | **-152,120** | **119,886** | **-21,649** | **40,500** |
| Earnings per share, EUR | | | | |
| - shareholders of the Parent Company | -3.69 | 2.55 | -0.61 | 0.85 |
| No dilution effects during the period | | | | |

# Statement of Financial position

| EUR thousands | 2011<br>31 Dec | 2010<br>31 Dec |
|---|---|---|
| **ASSETS** | | |
| Shares and participations in investing activities | 293,585 | 455,302 |
| Deferred tax assets | 70 | - |
| **Total non-current assets** | **293,656** | **455,302** |
| Other short term receivables | 100 | 2,092 |
| Tax receivables | 103 | - |
| Accrued income and prepaid expenses | 125 | 76 |
| Short-term Investments | 22,793 | 26,494 |
| Cash and cash equivalents | 32,147 | 62,874 |
| **Total current assets** | **55,266** | **91,536** |
| **TOTAL ASSETS** | **348,923** | **546,838** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 3,628 | 3,628 |
| Other contributed capital | 369,923 | 379,149 |
| Translation reserve | 4,183 | 3,333 |
| Retained earnings | 43,743 | -45,517 |
| Profit/loss for the year | -127,925 | 89,260 |
| **Equity attributable to shareholders of the Parent Company** | **293,551** | **429,853** |
| Non-controlling interest | 45,627 | 95,581 |
| **Total Equity** | **339,178** | **525,434** |
| | | |
| Deferred tax liabilities | - | 1,182 |
| **Total long-term liabilities** | **-** | **1,182** |
| | | |
| *Current liabilities* | | |
| Tax liabilities | - | 252 |
| Other liabilities | 3,609 | 8,670 |
| Accrued expenses and deferred income | 6,136 | 11,300 |
| **Total current liabilities** | **9,745** | **20,222** |
| **TOTAL EQUITY AND LIABILITIES** | **348,923** | **546,838** |

# 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** | **429,853** | **95,581** | **525,434** |
| Net loss for the period | - | - | - | -127,925 | -127,925 | -25,276 | -153,201 |
| Other comprehensive income | - | - | 850 | - | 850 | 231 | 1,081 |
| **Total comprehensive income** | **-** | **-** | **850** | **-127,925** | **-127,075** | **-25,045** | **-152,120** |
| 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 | - | - | - | - | - | -23,096 | -23,096 |
| Share buy-back | - | -6,096 | - | - | -6,096 | - | -6,096 |
| **Per 31 December 2011** | **3,628** | **369,923** | **4,183** | **-84,182** | **293,551** | **45,627** | **339,178** |

| 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 | - | - | - | 89,260 | 89,260 | 25,397 | 114,656 |
| Other comprehensive income | - | - | 4,450 | | 4,450 | 780 | 5,230 |
| **Total comprehensive income** | **-** | **-** | **4,450** | **89,260** | **93,710** | **26,176** | **119,886** |
| Acquired subsidiaries | - | - | - | - | - | 37,268 | 37,268 |
| Dividend and redemption to/from non-controlling interest | - | - | - | - | - | -8,034 | -8,034 |
| Share buy-back | - | -5,227 | - | - | -5,227 | - | -5,227 |
| **Per 31 December 2010** | **3,628** | **379,149** | **3,333** | **43,743** | **429,853** | **95,581** | **525,434** |

# Statement of Cash Flow

| EUR thousands | 1 Jan – 31 Dec 2011 | 1 Jan – 31 Dec 2010 |
|---|---|---|
| **Operating activities** | | |
| **Operating profit/loss** | -152,552 | 109,135 |
| Changes in value | 151,795 | -124,554 |
| Interest received | 275 | 1,830 |
| Interest paid | 0 | -35 |
| Other financial expenses | -408 | - |
| Tax paid | -1,397 | -1,715 |
| **CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL** | **-2,287** | **-15,340** |
| **Cash flow from changes in working capital** | | |
| Increase (-)/decrease (+) in other current receivables | 118 | 2,328 |
| Increase (+)/decrease (-) in other current payables | -9,052 | 15,949 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **-11,221** | **2,937** |
| **Investing activities** | | |
| Investment in shares and participations | -95,664 | -126,304 |
| Sale of shares and participations | 125,261 | 136,453 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **29,597** | **10,150** |
| **Financing activities** | | |
| Dividend to and redemption from non-controlling interest | -22,962 | -6,285 |
| Paid dividend to shareholders | -3,131 | - |
| Share buy-back | -6,096 | -5,227 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **-32,189** | **-11,512** |
| **CASH FLOW FOR THE PERIOD** | **-13,813** | **1,574** |
| Cash and cash equivalents at beginning of the year[1] | 62,874 | 57,909 |
| Reclassification from subsidiary to investment[2] | -15,960 | - |
| Exchange rate differences in cash and cash equivalents | -954 | 3,391 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **32,147** | **62,874** |

1) Cash equivalents comprise deposits and cash
2) 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

# 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<br>1 Jan – 30 Dec 2011 | Fund Investments | Direct Investments | Short-term Investments | Unallocated | Total consolidated |
|---|---|---|---|---|---|
| Changes in value | -135,097 | -16,699 | - | - | -151,795 |
| Received dividends | 4,585 | 1,885 | - | - | 6,470 |
| Staff expenses | - | - | - | -1,108 | -1,108 |
| Other operating expenses | -5,353 | -75 | - | -691 | -6,118 |
| **Operating profit/loss** | **-135,864** | **-14,889** | **-** | **-1,799** | **-152,552** |
| Financial income | 294 | - | 861 | 57 | 1,211 |
| Financial expense | -2,071 | - | - | - | -2,071 |
| **Profit/loss before tax** | **-137,643** | **-14,889** | **861** | **-1,743** | **-153,412** |
| | | | | | |
| Assets | 263,913 | 50,398 | 34,405 | 206 | 348,923 |

| EUR thousands<br>1 Jan – 31 Dec 2010 | Fund Investments | Direct Investments | Short-term Investments | Unallocated | Total consolidated |
|---|---|---|---|---|---|
| Changes in value | 117 189 | 6,699 | 666 | - | 124,554 |
| Received dividends | 8,909 | 1,017 | - | - | 9,926 |
| Staff expenses | - | - | - | -1,095 | -1,095 |
| Other operating expenses | -21,915 | -1,404 | -10 | -922 | -24,250 |
| **Operating profit/loss** | **104,183** | **6,313** | **655** | **-2,017** | **109,135** |
| Financial income | 3,497 | - | 2,978 | - | 6,475 |
| Financial expense | -37 | - | - | -14 | -51 |
| **Profit/loss before tax** | **107,643** | **6,313** | **3,634** | **-2,031** | **115,559** |
| | | | | | |
| Assets | 417,390 | 40,041 | 89,368 | 39 | 546,838 |

# Consolidated key figures

| Key figures | 12m 2011 | 9m 2011 | 6m 2011 | 3m 2011 | 12m 2010 | 9m 2010 | 6m 2010 | 3m 2010 |
|---|---|---|---|---|---|---|---|---|
| Net asset value, EURm | 294 | 317 | 382 | 421 | 430 | 398 | 383 | 410 |
| Change in NAV during the quarter, % | -7.3 | -17.0 | -9.2 | -2.2 | 8.0 | 3.8 | -6.5 | 20.2 |
| Equity ratio, % | 97.3 | 98.3 | 98.0 | 97.4 | 96.1 | 97.2 | 97.8 | 95.8 |
| Market capitalisation, SEKm | 1 862 | 1 846 | 2 562 | 2 980 | 2 954 | 2 501 | 2 492 | 2 884 |
| Market capitalisation, EURm | 209 | 201 | 279 | 333 | 329 | 273 | 261 | 296 |
| Outstanding number of shares, m | 33.8 | 34.7 | 34.9 | 34.9 | 34.9 | 34.9 | 34.9 | 35.0 |
| Weighted average number of shares, m | 34.6 | 34.8 | 34.9 | 34.9 | 35.0 | 35.0 | 35.1 | 35.3 |
| Number of employees | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 |

| Key figures per share | 12m 2011 | 9m 2011 | 6m 2011 | 3m 2011 | 12m 2010 | 9m 2010 | 6m 2010 | 3m 2010 |
|---|---|---|---|---|---|---|---|---|
| Earnings per share, EUR | -3.69 | -3.07 | -1.00 | -0.05 | 2.55 | 1.70 | 1.08 | 1.92 |
| NAV, SEK | 77 | 84 | 101 | 108 | 111 | 105 | 105 | 114 |
| NAV, EUR | 8.69 | 9.14 | 10.97 | 12.07 | 12.33 | 11.42 | 11.01 | 11.73 |
| Share price, SEK | 53.75 | 53.00 | 73.50 | 85.50 | 84.75 | 71.75 | 71.50 | 82.5 |
| Share price, EUR | 6.03 | 5.76 | 8.01 | 9.55 | 9.43 | 7.84 | 7.50 | 8.47 |
| | | | | | | | | |
| SEK/EUR | 8.92 | 9.20 | 9.18 | 8.95 | 8.99 | 9.15 | 9.53 | 9.74 |

# Income statement – Parent company

| EUR thousands | 2011 Jan-Dec | 2010 Jan-Dec | 2011 Oct-Dec | 2010 Oct-Dec |
|---|---|---|---|---|
| Staff expenses | -1,108 | -1,095 | -228 | -545 |
| Other operating expenses | -691 | -922 | -90 | -85 |
| **Operating profit/loss** | **-1,799** | **-2,017** | **-317** | **-630** |
| Financial income[1] | 260 | 46,005 | 260 | - |
| Financial expense[2] | -79,106 | -14 | -18,305 | -3 |
| **Profit/loss before tax** | **-80,645** | **43,973** | **-18,362** | **-633** |
| Income tax | 402 | 533 | -48 | 165 |
| **NET PROFIT/LOSS FOR THE PERIOD** | **-80,242** | **44,507** | **-18,409** | **-468** |

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-Dec | 2010 Jan-Dec | 2011 Oct-Dec | 2010 Oct-Dec |
|---|---|---|---|---|
| **NET PROFIT/LOSS FOR THE PERIOD** | **-80,242** | **44,507** | **-18,409** | **-468** |
| Other comprehensive income | - | - | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **-80,242** | **44,507** | **-18,409** | **-468** |

# Balance Sheet – Parent Company

| EUR thousands | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Participations in group companies | 262,156 | 380,576 |
| Deferred tax assets | 402 | - |
| **Total non-current assets** | **262,558** | **380,576** |
| Receivables from group companies | 0 | 2,566 |
| Loan from group companies | 29,315 | - |
| Accrued income and prepaid expenses | 236 | 39 |
| Cash and cash equivalents | 1,916 | 272 |
| **Total current assets** | **31,466** | **2,878** |
| **Total assets** | **294,024** | **383,454** |
| Share capital | 3,628 | 3,628 |
| Share premium reserve | 369,923 | 379,149 |
| Profit/loss brought forward | 146 | -44,361 |
| Net profit/loss for the period | -80,242 | 44,507 |
| **Total equity** | **293,455** | **382,924** |
| Other liabilities | 167 | 99 |
| Accrued expenses and prepaid income | 402 | 431 |
| **Total current liabilities** | **569** | **530** |
| **Total equity and liabilities** | **294,024** | **383,454** |

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


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