Interim Report
1 January - 30 June 2012

EAST CAPITAL EXPLORER

Interim Report 1 January - 30 June 2012

Events during the second quarter

- Net asset value (NAV) per share on 30 June 2012 amounted to EUR 8.60[1] (EUR 10.97)[2]. The total net asset value amounted to EUR 290m (EUR 382m), corresponding to a decrease of 9.7%[3] (-9.1%) during the second quarter. Since 30 June 2011 the net asset value decreased 24.1%[3] (-0.3%)
- For the first six months, the net result for the Group was EUR -3.2m (EUR -40.1m). For the shareholders of the Parent Company the net result was EUR -1.4m (EUR -34.7m) and earnings per share amounted to EUR -0.04 (EUR -1.00)
- Cash, cash equivalents and other short term investments on 30 June 2012 amounted to EUR 57m (EUR 66m) of which EUR 49m (EUR 61m) were available for future investments
- In April, the AGM of East Capital Explorer approved the Board's proposal to pay a dividend to the shareholders of SEK 0.80 per share. The AGM also approved the Board's proposal to cancel the 1,141,969 shares previously repurchased and the shares were cancelled in the end of June. The AGM also decided on a new repurchase mandate for the Board
- In May, East Capital Explorer divested its entire holding in TEO LT to TeliaSonera. In total, the Company received EUR 19.5m including dividend, EUR 1.6m higher than the value as of 31 March, and realized an annualized pre-tax return of 17.4%
- The earlier announced investment of EUR 10m in the East Capital Baltic Property Fund II took place on 2 May
- The mandatory takeover offer in Melon Fashion Group (MFG) was completed during the second quarter and the number of shares tendered was limited, corresponding to a total purchase price of EUR 5.4m
- A revaluation of East Capital Explorer's direct investment in MFG was made during May. As a result, on 31 May the fair value of the holding amounted to EUR 34m, corresponding to an increase of 48%
- During June, East Capital Explorer announced two distributions from its fund investments. The Company received its third distribution from the East Capital Power Utilities Fund amounting to EUR 7.3m in June and a second distribution of EUR 10.6m from the East Capital Special Opportunities Fund which was paid out in mid-July
- The closing price of the East Capital Explorer share as of 30 June 2012 was SEK 47.50 (corresponding to EUR 5.42)

Events after the end of the quarter

- As earlier announced, the Company sold its entire stake in Populi, the Georgian food retailer, for EUR 1.7m, EUR 1.6m higher than the value as of 31 March, and realized an annualized pre-tax return of -44%
- The Board of Directors has decided to utilize the repurchase mandate given by the 2012 AGM to create value for the shareholders considering among others the current high discount to NAV. Shares can be purchased up to and including 10 October 2012, observing blackout periods
- The total net asset value on 31 July 2012 amounted to EUR 301m (EUR 383m), corresponding to EUR 8.93 (EUR 10.99) per share, reflecting a decrease during the month of 3.9%
- Cash, cash equivalents and other short term investments on 31 July 2012 amounted to EUR 58m (EUR 66m) of which EUR 51m (EUR 61m) were available for future investments
- The closing price of the East Capital Explorer share as of 31 July 2012 was SEK 45.00 (corresponding to EUR 5.38)

NAV and share price development	30 June 2012		30 June 2011	
	EUR	SEK	EUR	SEK
NAV per share	8.60	75	10.97	100
Total NAV	290m	2.5bn	382m	3.5bn
NAV % change Q2[3]	-9.7	-9.3	-9.1	-6.9
NAV % change YTD[3]	-1.2	-2.9	-11.0	-9.2
Closing price per share	5.42	47.50	8.01	73.50
Total MarketCap	183m	1.6bn	270m	2.5bn
Share price % change Q2[3]	-14.2	-14.8	-16.1	-14.0
Share price % change YTD[3]	-10.1	-11.6	-15.1	-13.3

[1] There is a discrepancy between the indicative NAV published in June and the final NAV published in this report. The discrepancy is due to an error relating to the East Capital Power Utilities Fund which had a negative effect of EUR 3.3m

[2] Comparable figures for the corresponding period 2011 are stated in parentheses

[3] Not adjusted for dividend

East Capital Explorer Portfolio

East Capital Explorer's portfolio comprises investments in East Capital funds, Direct Investments and Short-term Investments. The investment portfolio is actively managed by East Capital and a majority of the investments are done through East Capital's special fund products. The largest geographical exposure is towards Russia with a weight of 47% and 75% of the portfolio is invested in the Company's targeted sectors; Financials, Power Utilities, Retail and Consumer Goods and Real Estate.

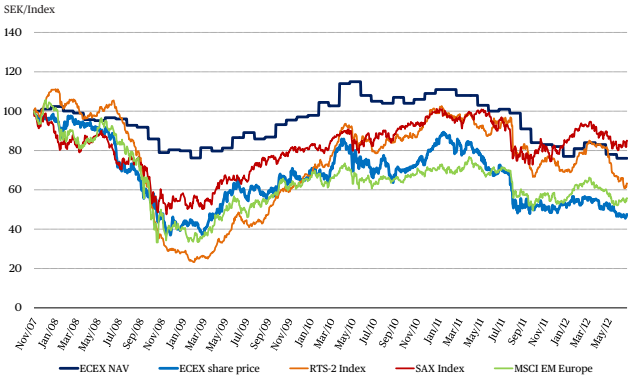
Portfolio per 30 June 2012	Fair value 30 June 2012 mEUR[1]	NAV/ Share, EUR	% of NAV	Fair Value 31 Mar 2012 mEUR	Fair Value 31 Dec 2011 mEUR	Value change Jan-June 2012, %[2]	Value change Apr-June 2012, %
Fund Investments							
East Capital Bering Balkan Fund	35.8	1.06	12	41.3	38.1	-6.1	-13.2
East Capital Bering Russia Fund	28.3	0.84	10	30.9	28.1	0.7	-8.5
East Capital Power Utilities Fund	23.4[3]	0.69	8	44.7	36.5	-15.9	-31.3
East Capital Special Opportunities Fund II	20.9	0.62	7	26.0	24.8	-15.7	-19.8
East Capital Special Opportunities Fund	20.2	0.60	7	35.0	29.3	4.9	-12.0
East Capital Bering Central Asia Fund	18.7	0.56	6	19.4	16.6	12.7	-3.3
East Capital Bering New Europe Fund	12.5	0.37	4	13.2	12.1	4.1	-4.7
East Capital Baltic Property Fund II	8.5	0.25	3	-	-	-0.8	-0.8
East Capital (Lux) Eastern European Fund (EUR)	7.8	0.23	3	8.9	7.4	4.8	-11.8
East Capital Bering Ukraine Fund Class R	5.7	0.17	2	5.4	5.5	3.8	5.6
East Capital Bering Ukraine Fund Class A	4.9	0.14	2	5.7	5.6	-13.9	-15.3
Total Fund Investments	**186.7**	**5.54**	**64.4**	**230.5**	**204.1**	**-3.8**	**-14.4**
Direct Investments							
Melon Fashion Group	34.4	1.02	12	19.5	19.5	37.8	37.8
Komercijalna Banka Skopje	9.0	0.27	3	11.0	9.7	-0.2	-11.9
Trev-2 Group	4.0	0.12	1	4.0	4.0	0.0	0.0
East European Debt Finance	1.2	0.04	0	1.3	1.1	6.1	-2.7
Populi	0.1	0.00	0	0.1	0.1	0.0	0.0
TEO LT	0.0	0.00	0	17.9	15.9	15.3	8.8
Total Direct Investments	**48.7**	**1.44**	**16.8**	**53.9**	**50.4**	**21.2**	**16.3**
Short-term Investments							
Short-term Investments	13.9	0.41	5	17.3	22.8		
Cash and cash equivalents	33.4	0.99	12	20.0	16.6		
Total Short-term Investments	**47.3**	**1.40**	**16.3**	**37.2**	**39.4**		
Total Portfolio	**282.7**	**8.39**	**97.5**	**321.6**	**294.0**		
Other assets and liabilities net	7.4	0.22	3	-0.5	-0.4		
Net Asset Value (NAV)	**290.0**	**8.60**	**100.0**	**321.1**	**293.6**	**-1.2**	**-9.7**

[1] EUR = 8.77 SEK on 30 June 2012. Source: Bloomberg
[2] 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
[3] There is a discrepancy between the indicative NAV published in June and the final NAV published in this report. The discrepancy is due to an error relating to the East Capital Power Utilities Fund which had a negative effect of EUR 3.3m

Note that certain numerical information may not sum due to rounding

CEO Comment

East Capital Explorer vs indices since the launch date in November 2007



Net asset value, share price and index development

(% change in EUR)	1 Jan - 30 June 2012	1 Jan - 30 June 2011
Net asset value	-1.2	-11.0
East Capital Explorer share	-10.1	-15.1
SAX Index[1]	4.7	-5.9
RTS Index[2]	0.0	-0.6
RTS 2 Index[3]	-6.9	-9.0
MSCI EM Europe[4]	6.1	-2.0

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

The strong market recovery seen in the first quarter, which lost pace in March, was reversed into a decline in the second quarter. The markets were once again affected globally by the still unresolved problems in mainly the southern parts of Europe, and like before, this has negatively affected our region and portfolio as well. The politicians' continued inability to find a solution to the current problems giving enough comfort to the market has again led to growing insecurity with investors and further decreased their risk appetite. In the less liquid segment of the market, in which the majority of our portfolio is invested, investor interest has declined with the result of depressed prices. The Net Asset Value (NAV) per share of the Company decreased by 9.7% during the second quarter and adjusted for dividend, the performance was -8.6%. This means that the development of the NAV during the first half of this year is -1.2% (dividend adjusted, an increase of 1.1%).

"The NAV per share decreased by 9.7% during the quarter"

Looking at our share price, we can see a sharper decrease than the NAV - the share price is down 14% during the quarter in EUR terms. The discount to NAV, which is currently just below 40%, is high. The Board of Directors have after discussions together with management decided to launch a repurchase program that will continue until 10 October 2012 to create more value for our shareholders considering among others the high discount to NAV.

Portfolio development and activity

The level of activity in the portfolio has been high in the second quarter. A number of divestments have been made. In May, we successfully exited TEO LT, which before the exit was the largest company holding including also indirect holdings via fund investments. The divestment resulted in an annualized pre-tax return of just over 17%.

"The level of activity in the portfolio has been high"

In June, the Special Opportunities Fund made an announcement that it would make a distribution to its shareholders. The fund, which aimed at taking advantage of the low and depressed valuations after the financial crisis in 2008, has so far performed relatively well, and in line with its strategy. All realised investments after 3 years from inception are paid out to its investors. After the payment, which is the second received from the fund, a total of EUR 23m has been paid out from the initial EUR 35m investment. The remaining value, as of the 30 June, corresponds to EUR 20m.

The Power Utilities Fund also decided on a distrubution, and hence the investment was reduced with 25% in the second quarter. The background for the decision made by the Fund Manager is a combination of the limited liquidity of the Russian utilities sector and also recent increased uncertainty surrounding the continued liberalization of the sector combined with a high cash level in the fund. We are positive to the Fund Manager's decision to distribute the available cash rather than reinvest it into the sector considering the current circumstance.

In May, the planned investment in the East Capital Baltic Property Fund II was made. Also, our investment in Melon Fashion Group (MFG) was increased as a consequence of the completion of the mandatory offer launched in the first quarter. We received tenders for EUR 5.4m worth of shares in the offer, which represented 5.5% of the outstanding shares in the company, and East Capital Explorer currently owns 35.5% of the company. MFG is now the largest company holding in our portfolio, corresponding to 12% of the NAV.

"We have continued to see MFG improving, both in terms of sales growth and profitability"

We have continued to see Melon Fashion Group improving, both in terms of sales growth and profitability as a consequence of high demand and improved logistical processes. Due to this, a revaluation was made in the end of May, resulting in a strong increase in value of 48%, adding almost 3% to the value of East Capital Explorer's NAV. The company is benefiting from the strong consumer demand in Russia and we still consider MFG as one of the most interesting companies in our region.

Outlook and events after the quarter

The divestments and distributions during the last quarter have resulted in an increased cash position in the Company, corresponding to 16% of NAV as of 30 June. Despite the current uncertainty and negative sentiment among investors, we see great opportunities for investments. Our cash position gives us the opportunity to take advantage of the market situation to make investments at attractive levels. Russia, for example, shows historically low valuations and strong macro figures, and many companies are performing well. We have therefore decided to invest EUR 15m in a new fund that will be launched shortly by East Capital; East Capital Russia Domestic Growth Fund, focused on

the strong Russian domestic consumption.

"Despite the current uncertainty and negative sentiment among investors, we see great opportunities"

The Board of Directors has decided, on the basis of among others the current high discount to NAV, to once again utilize the repurchase mandate from the 2012 AGM. Shares can be purchased up to and including 10 October 2012, observing blackout periods according to all applicable rules. The repurchasing mandate has been used by the board every year since 2009 and the Board and Management believe that this is a good way to create value for our shareholders at this time.

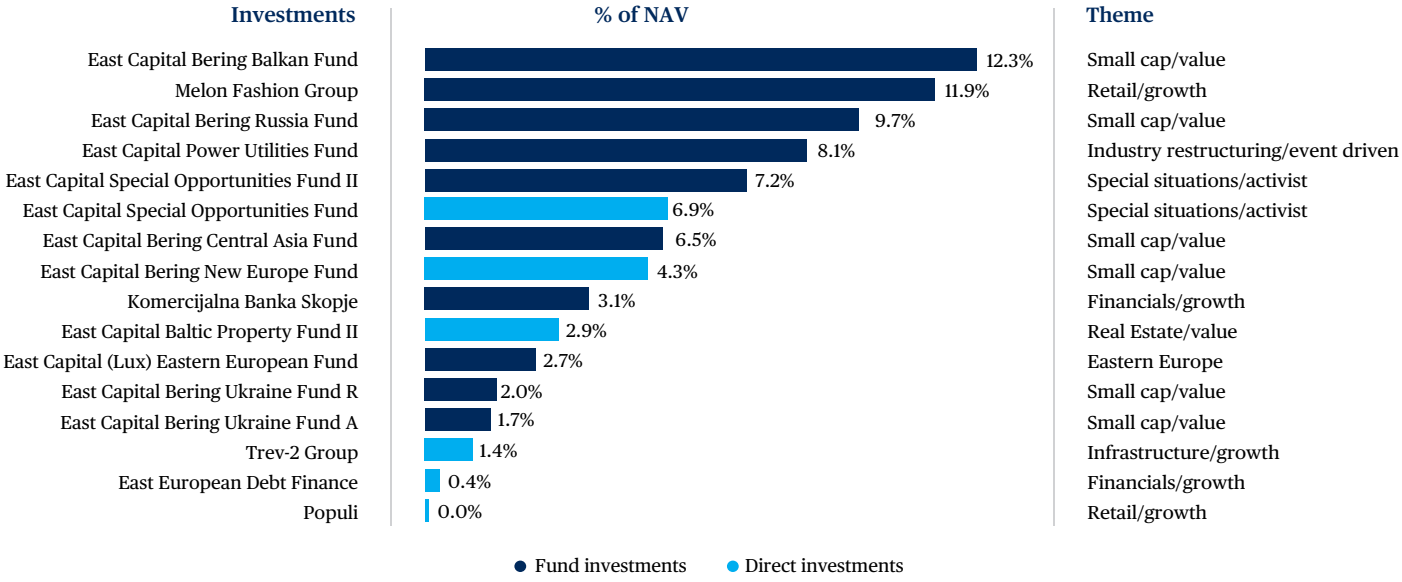
"The Board of Directors has once again decided to utilize the repurchasing mandate"

In July, our Investment Manager completed the divestment of our holding in Populi, the Georgian food retailer, which we agree is the best solution given the circumstances. We are very disappointed with the development of this investment but are pleased that at least a part of our initial investment could be recouped in this company facing bankruptcy. It also highlights the importance of risk diversification.

The markets showed some recovery in July and the NAV as of 31 July increased with 3.9%. The main contribution came from East Capital Power Utilities Fund, which increased with 12%. Also the East Capital Bering Central Asia Fund showed a recovery, gaining 8.6% during the month, which confirms it position as the strongest performing fund investment so far this year.

Mia Jurke
CEO

Portfolio per 30 June 2012 (%)



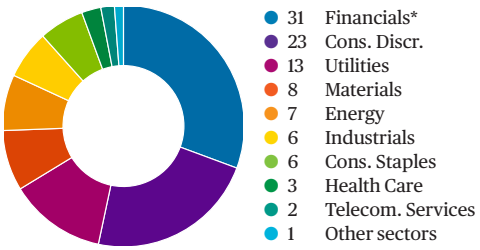
Top 10 companies in East Capital Explorer's portfolio on a see-through basis[1]

On 30 June 2012 Company	% of NAV	Value in portfolio, EURm	Country	Sector	East Capital Explorer's investment vehicle
Melon Fashion Group	11.9	34.4	Russia	Consumer Discretionary	Direct
Komercijalna Banka Skopje	3.7	10.8	Macedonia	Financials	Direct East Capital Bering Balkan Fund
Fondul Proprietatea	3.5	10.3	Romania	Financials	East Capital Bering Balkan Fund East Capital Special Opportunities Fund East Capital (Lux) Eastern European Fund
VGP Warehouse Park	2.9	8.5	Estonia	Real Estate	East Capital Baltic Property Fund II
Bank of Georgia	2.2	6.2	Georgia	Financials	East Capital Bering Central Asia Fund East Capital (Lux) Eastern European Fund
Verofarm	1.9	5.4	Russia	Health Care	East Capital Bering Russia Fund East Capital Special Opportunities Fund East Capital Special Opportunities Fund II
B92	1.8	5.3	Serbia	Consumer Discretionary	East Capital Bering Balkan Fund
Integra	1.8	5.3	Russia	Energy	East Capital (Lux) Eastern European Fund East Capital Special Opportunities Fund East Capital Special Opportunities Fund II
Korshunovsky GOK	1.8	5.1	Russia	Materials	East Capital Bering Russia Fund East Capital Special Opportunities Fund
Zavarovalnica Triglav	1.6	4.8	Slovenia	Financials	East Capital Bering Balkan Fund East Capital (Lux) Eastern European Fund East Capital Special Opportunities Fund II
Total Top 10	**33.1**	**96.1**			

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

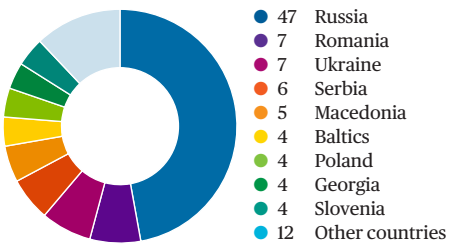
Portfolio breakdown

Sector breakdown, % per 30 June 2012

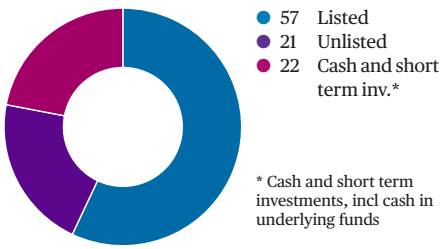


* Incl Real Estate

Country breakdown, % per 30 June 2012



Asset class, % per 30 June 2012



* Cash and short term investments, incl cash in underlying funds

Investment Manager Comment

Market comment

Global markets corrected in the second quarter on the back of increasing worries about the health of the Western European economies. As a result, Eastern European markets fell after sharp gains in the first quarter.

The Russian market was also hit by a lower oil price which fell around 20% during the quarter to 97.8 USD/bbl. The Russian market is currently trading at a 52% discount to other emerging markets, close to a record level. It should however be noted that many companies are reporting record results both in terms of growth and volumes. The last time valuations were at this level was in 2009, albeit at that time some companies were struggling in terms of having short-term debt denominated in foreign currency, limited possibilities of refinancing and sharply shrinking demand. Currently, we cannot notice any such problems; companies seem to have learnt their lesson and have less debt with longer maturity of which most of them are denominated in Rubles. Consumer driven demand is also very strong e.g. real estate developers have been reporting 60-80% increase in sales during the first quarter and as another example, Sberbank, Russia's largest bank, recorded growth in retail loans for June amounting to 53% compared to a year ago.

"The Russian market is currently trading at a 52% discount to other emerging markets, close to a record level"

The Baltics are showing a mixed picture. So far this year, Estonia is one of the strongest markets in the Eastern European region, but Latvia on the other hand has underperformed compared to the Eastern Europe indices. The Baltic countries are of course affected by the economic slowdown in the Eurozone, but are still expected to show a positive GDP even this year despite large budget consolidations. One reason for this relative resilience is that the Baltic countries export rather to the Northern EU members and Russia, that are economically stronger compared to the more southern parts of the EU. The GDP in the Baltic region is expected to start growing again in 2013.

Turkey suffered in May but ended the period in positive terms. During the first six months of the year, Turkey was the strongest market in our investment region. The Turkish economy, which was predicted not to grow or in the worst case sharply contract during 2012, is now expected to grow 3-4% compared to the zero or negative growth in the Eurozone.

Portfolio comment

During the quarter, the NAV of East Capital Explorer's portfolio fell by 9.7% as investors' sentiment for emerging market has been negative. Most holdings performed negatively but Melon Fashion Group (MFG) was a positive exception. TEO LT, which was divested in May, also had a positive contribution to the portfolio during the second quarter.

Fund Investments

Most of the South Eastern European countries saw a sharp decline during the quarter, as again investors preferred larger and more liquid markets when market sentiment turned sour. The East Capital Bering Balkan Fund, the largest fund investment in the portfolio, ended the quarter -13%, affected by the negative development in South Eastern Europe and sharp corrections in some of the larger holdings in the fund. The fund also has a limited exposure to Turkey, so the effect of this country's stronger performance was low.

It came as no surprise that increased risk-aversion caused underperformance by frontier markets, with the Kazakh market shedding all of its first quarter gains. However, our losses on the Kazakh side, in the East Capital Bering Central Asia Fund, were limited by virtually no exposure to the mining sector and low exposure to financials, the sectors that declined the most. The fund also benefited from the stable performance of our largest holding, Bank of Georgia, which was up 8.5%. As a result, the fund performed significantly better than the region in general, ending the quarter, down only 3%. The fund is the strongest performing fund in the East Capital Explorer portfolio so far this year, with a gain year-to-date of 13%.

The decreased interest in small and medium-sized companies was quite visible looking at the RTS-2 index, including Russian mid caps, which declined 23%. The East Capital Bering Russia Fund declined less, only 8%, due to a number of reasons; some important holdings were divested above market levels during the quarter and certain key holdings reported positive performance in spite of declining markets.

Ukraine, which has been a market out of favour for investors due to the political risks in the country also underperformed during the second quarter. The East Capital Bering Ukraine Fund A, consisting of mainly listed holdings, declined with 15%. The majority of the top 10 holdings declined less than the Ukrainian market in general. Retail Group, however, corrected sharply by nearly -5% contribution to the fund. The liquidity in the share is however very limited so significant movements in both directions are not uncommon.

The East Capital Power Utilities Fund, which was the best performing investment in the first quarter, turned out to be the worst performer during the second quarter, down 31%. The major reason for this was political developments in the sector; heavyweight bureaucrat Igor Sechin announced a number of changes that made investors worry that the liberalization plans of the sector are in danger. Many of the stocks in the sector lost half of their market value. In addition to this, it seems that the planned privatization process will take longer and be more complicated than expected. After the end of the second quarter, some of the stocks started to recover on hopes that some of the changes, announced earlier by Igor Sechin, might be reversed or would not be as profound as first announced.

"The East Capital Power Utilities Fund, which was the best performing investment in the first quarter, turned out to be the worst performer during the second quarter"

The East Capital Special Opportunities Fund lost 12% on the back of a correction after strong performance in the first quarter of some of its key holdings. The largest holding of the fund, Romanian restitution fund, Fondul Proprietatea, lost 19% after gaining 38% in the first quarter, mainly due to profit taking but also since the second largest holding, Hidroelectrica, was put in insolvency and therefore valued at zero due to regulatory rules. The insolvency procedure in this unlisted hydropower company, is in large part a way to move away from the current long term contracts below market price. We expect the situation to be resolved and that it will be beneficial for the company in the long run.

Also the Russian automaker, Sollers, lost 21% after gaining 73% in the

first quarter. The company is continuing to perform well and recently presented an impressive business plan up until 2015. The East Capital Special Opportunities Fund has made a number of successful divestments since last autumn, including among others TEO LT, Sollers and Armada, and the fund therefore made a distribution to its shareholders. In July, East Capital Explorer received a distribution of EUR 10.6m from the fund.

The East Capital Special Opportunities Fund II lost 20% during the quarter. We had some disappointments in the holdings; Russian oil field service provider, Integra, lost 37% due to poor results. Since then, the management of the company has been replaced, and the new management's ambition is to significantly improve margins by year end. Further, in October, shares of the newly formed Geotech, the largest Russian seismic survey provider, will be paid out as a separate dividend. Also, Rusforest continued to perform weakly. We recently travelled to Siberia to make an assessment of the operations of the company. We got a good impression, but the company will need some additional time before they will be able to show positive numbers in their financial statement.

Direct Investments

The largest positive effect on East Capital Explorer NAV came from Melon Fashion Group (MFG). The holding of the Russian fashion retailer was revalued up 48% on the back of very strong results and sales growth. The growth in like-for-like sales continued to be strong in the second quarter on the back of strong Russian consumer demand and successful collections. The core brands all showed growth above 25%. The logistical problems that the company struggled with during 2011, have been resolved, which had a strong positive effect on the Company's profitability, that is beyond what was expected in 2011 when the second investment in the company was made. We have increased East Capital Explorer's exposure to MFG somewhat further through the mandatory offer that was completed in the second quarter. Shares were tendered to a value of EUR 5.4m.

The holding in Lithuanian telecommunications operator TEO LT was sold in a directly negotiated deal to the majority shareholder, TeliaSonera. The transaction generated an annualized pre-tax return of over 17% since the first investment. The company, which has shown profitability and high dividend levels, has performed in line with our expectations and very well in comparison to the market in general during the period. TEO LT was included also in other funds, such as East Capital Special Opportunities Fund mentioned above, and all holdings were realized at the same time, hence adding value also through indirect holdings.

Outlook

East Capital Explorer currently holds a high level of cash. The current market situation provides interesting investment opportunities for us as a long term investor. Many Russian companies are recording high profitability and growth but at the same time trading at historically low valuations not reflecting this. We also see that Russia is valued historically low compared to other emerging markets. In order to take advantage of this, East Capital Explorer has decided to invest into a new Russian domestic growth fund strategy, which will be a concentrated portfolio of our best picks of companies benefitting from the strong Russian consumption. These type of companies have in the past shown higher earnings growth, better performance, and more predictability due to lower state ownership, coupled with lower dependency on global demand, compared to export oriented companies. The fund will invest in listed shares. The investment is expected to take place in the end of August.

We also think that the Baltic region, both in the real estate and the private equity areas, is looking very attractive. Even if considering the recent investment into the East Capital Baltic Property Fund II, the exposure to the real estate sector is still below the strategic weight. The Baltic Real Estate sector was severely hit during the financial crisis in 2008, but seems now to have regained balance and is showing promising yields coupled with sustainable market terms. Our Real Estate team is also looking at properties that are undervalued and can be interesting as a turnaround case. Our ambition is therefore to increase the exposure to this area.

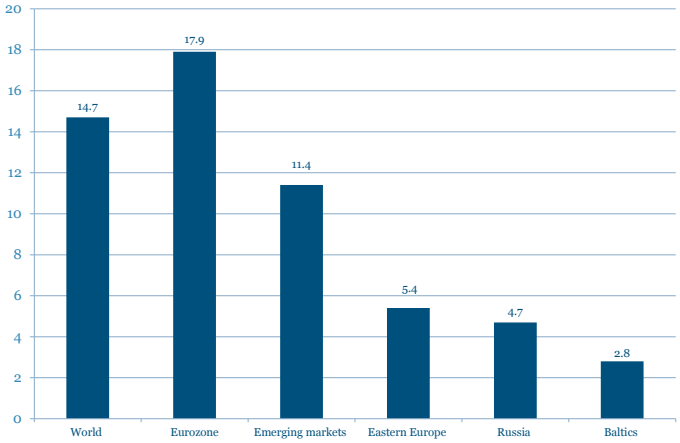
"We also think that the Baltic region, both in the real estate and the private equity areas, is looking very attractive"

As for Private Equity in the Baltic region, the Private Equity team is pursuing a number of investment opportunities that they hope to be able to concretize later this year. Again, as the region has been able to recover well from the financial crisis it has not yet seen the recovery of valuation levels in this segment. We believe that there are many appealing opportunities for East Capital Explorer portfolio with high growth prospects going forward, in line with the strategy.

Times are still very uncertain as the Eurozone problems continue to affect investor risk appetite. We have seen that the good and bad companies are more or less all valued down in these situations. This is a great opportunity to use our broad network and experience about Eastern Europe to increase our exposure to attractive companies which can show strong performance once the global turmoil calms down. At the same time we believe it is important not to rush. We want to make sure that we make the right investments at the right time.

Peter Elam Håkansson
Chairman, East Capital

Valuations (PE Ratios)



Source: Bloomberg as of 31 July 2012

Portfolio Investments

On 30 June 2012, East Capital Explorer had fund and direct investments totalling EUR 235m compared to EUR 319m on 30 June 2011. The majority of the portfolio consists of East Capital's special funds products which represent 64% of the portfolio. Excluding East Capital (Lux) Eastern European Fund, the funds East Capital Explorer invests in have a less restrictive investment mandate compared to UCITS-funds which means that these funds have a higher flexibility in choice of investments and allocations.

Investment Management team at East Capital

Peter Elam Håkansson, Founding Partner and Chairman, heads the Public Equity investment team. The Eastern European-team consists of senior advisors, Aivaras Abromavicius and Jacob Grapengiesser, as well as regional portfolio managers Adrian Pop and Eglé Fredriksson. The investment team is supported by a team of traders, analysts, macroeconomists, and a corporate governance function. Kestutis Sausnauskas, Founding Partner, heads the Private Equity investment team.

Peter Elam Håkansson
Head of Public Equity

Aivaras Abromavicius
Senior Advisor

Jacob Grapengiesser
Senior Advisor

Adrian Pop
Portfolio Manager

Eglé Fredriksson
Portfolio Manager

Kestutis Sasnauskas
Head of Private Equity

Fund Investments

If you wish to receive more comprehensive quarterly updates from the Investment Manager regarding the East Capital Bering Funds and Special Opportunities Fund and Special Opportunities Fund II in our portfolio, please send an email to: ir@eastcapitalexplorer.com. Please note that the quarterly update letters are not prepared or approved by East Capital Explorer or its Board of Directors. They are provided quarterly by the Investment Manager to investors in these funds.

East Capital Baltic Property Fund II

The aim of the fund is to invest in commercial properties in the Baltic region, primarily in shopping centres and retail properties, as well as logistics and office properties. The goal is to acquire properties in prime locations with stable income and enhancement potential.

The main focus will be properties with well-established tenants and sustainable rental terms in and around Tallinn and also Vilnius. Value will be added through improvements in tenant mix, refurbishment, extension or redevelopment.

At the end of the period East Capital Explorer's share of the fund was 92%.

Fund performance	Q2 2012	6m 2012	Since May 12
East Capital Baltic Property Fund II	-1%	n/a	-1%

Portfolio highlights during the quarter

- On 2 May the fund completed its first draw down which amounted to EUR 9.3m
- First investment in the fund took place on 24 May into a newly built modern logistics centre of 40,000 sqm in Tallinn
- Strong pipeline for new investments. At present several deals are being negotiated and the Fund Manager is aiming to have a new deal in place before year end

Portfolio breakdown, % per 30 June 2012

Sector allocation
% of the fund

Logistics	100.0

Asset allocation by country
% of the fund

Estonia	100.0

Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
VGP Warehouse Park	100	-0.8	-0.8	Estonia	Real Estate

All figures in EUR
* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
100	1	1

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 period East Capital Explorer's share of the fund was 65%.

Fund performance	Q2 2012	6m 2012	Since Dec 07
East Capital Bering Balkan Fund, EUR	-13%	-6%	-60%

Portfolio highlights during the quarter

• The main negative contribution came from Romanian restitution fund, Fondul Proprietatea (FP), which lost 19% during the second quarter mainly due to profit taking after a very strong first quarter, but also since the second largest holding, Hidroelectrica, an unlisted hydropower company, was put in insolvency and therefore valued at zero due to regulatory rules. We believe that Hidroelectrica will manage to resolve the situation, which was partly a way to cancel long term contracts below market price level. FP remains one of the most attractive long-term investments of the fund. Its share trades at a 52% discount to the new NAV, with expected dividend yield of above 8% for 2013

• Shares of Nova Kreditna Banka Maribor (NKBM), Slovenia's second-largest lender, fell by 43%. The stock was hit by weakness in European financials as well as reports that Slovenia might need to ask for a bail out. Currently the bank trades at 0.15 times its book value

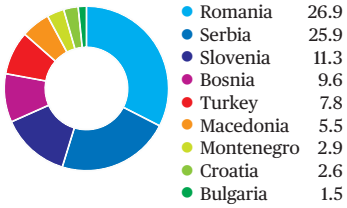
• Several smaller holdings performed well over the quarter. One of Romania´s privatisation funds, SIF 4, was up 5.8% after a management change, while the Serbian wine and alcohol producer, Vino Zupa, gained 12% on the news that the company had refinanced large portion of its debt which will help the company to expand its growing business

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	50.4
Consumer Discretionary	20.3
Consumer Staples	11.0
Telecom. Services	5.8
Energy	3.4
Industrials	2.1
Materials	0.6
Utilities	0.4

Asset allocation by country
% of the fund



Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
B92	14.4	0.1	-0.1	Serbia	Cons. Discr.
Fondul Proprietatea	11.2	-19.2	-2.4	Romania	Financials
Pinar Et Ve Un	5.7	-11.6	-0.8	Turkey	Cons. Staples
Komercijalna Banka Skopje	5.0	-12.9	-0.7	Macedonia	Financials
Zavarovalnica Triglav	4.4	-9.9	-0.5	Slovenia	Financials
Nova Kreditna Banka Maribor	3.6	-42.6	-2.3	Slovenia	Financials
Telekom Srpske	3.2	-5.3	-0.2	Bosnia	Telecom. Serv.
Pif Big	3.2	-1.1	0.0	Bosnia	Financials
Conpet Sa Ploiesti	2.7	-17.3	-0.5	Romania	Energy
Ad Plastik	2.6	-9.5	-0.3	Croatia	Cons. Discr.

All figures in EUR
* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
56	19	67

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 period East Capital Explorer's share of the fund was 53%.

Fund performance	Q2 2012	6m 2012	Since Jan 08
East Capital Bering Central Asia Fund, EUR	-3%	13%	-57%
KASE Index, EUR	-19%	-10%	-65%

Portfolio highlights during the quarter

• The fund benefited from the stable performance of the fund's largest holding, Bank of Georgia. The bank appreciated 8.5% over the period. Its FTSE-250 index inclusion should trigger more demand from index tracking funds. Lending growth remains strong mostly supported by the retail segment; up 34% year-on-year as of 31 May. The stock is currently trading at 1.1 times estimated 2012 book value and 5.9 times earnings

• Halyk Bank and Bank Tsentrkredit, dropped 20% and 10% respectively. Despite the negative market trend in the sector, Halyk Bank's news flow was mainly positive, featuring first quarter results with annualised return on equity of above 20% and the buyback of the bank's preferred shares from the state that recapitalised the bank during the crisis

• Our largest holdings in the energy sector, Dragon Oil and Kazmunaygaz (KMG), lost 9.4% and 6.3% respectively. On the operating front, Dragon Oil continued to deliver good drilling results and announced a USD 200m buy-back program, corresponding to 5% of its outstanding shares. The company remains the favourite stock in the oil and gas space, but the position was slightly rediced over the period in anticipation of a further decline in the oil price

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	53.2
Energy	26.0
Consumer Staples	6.4
Materials	3.5
Utilities	1.1
Industrials	0.1

Asset allocation by country
% of the fund

Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Bank of Georgia	32.1	8.5	2.4	Georgia	Financials
Dragon Oil	12.1	-9.4	-1.9	Turkmenistan	Energy
Kazmunaygaz	11.7	-6.3	-0.9	Kazakhstan	Energy
Chagala Group	6.2	-10.3	-0.7	Kazakhstan	Financials
Henryland	5.7	9.2	0.5	Ukraine	Financials
Halyk Bank	4.0	-19.5	-1.0	Kazakhstan	Financials
Caucasus Agro Development	3.4	-32.5	-1.6	Georgia	Cons. Staples
Bank Tsentrkredit	3.0	-10.3	-0.4	Kazakhstan	Financials
Teliani Valley	2.7	6.0	0.1	Georgia	Cons. Staples
Steppe Cement	2.4	3.6	0.1	Kazakhstan	Materials

All figures in EUR
* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
83	11	22

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 period East Capital Explorer's share of the fund was 88%.

Fund performance	Q2 2012	6m 2012	Since May 08
East Capital Bering New Europe Fund, EUR	-5%	4%	-20%

Portfolio highlights during the quarter

• The largest holding of the fund, the Polish coin printing company, Mennica Polska, which is the largest holding in the fund, showed by far the strongest performance, surging 16%. The company has reported very strong results on the back of changes in strategy and the new management

• The Hungarian real estate developer, Ablon Group, went down 16%. The weak situation on the Hungarian property market is worsening Ablon's cash flow problems. The fund manager is in a constant dialogue with the company, trying to find a solution to the current troubles

• The Polish telecom operator, Netia, was down 8.9%. The share price weakness came after the announcement of a shrinking customer base. However, the upside for the company remains in the realisation of the synergies with the latest two acquisitions. Netia is still trading at a rather attractive enterprise value of 4 times estimated 2013 EBITDA and an expected dividend yield of 8.6%

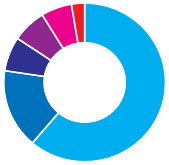
• In May, the fund participated in the IPO of the Polish Bank, BOS, at around 0.45 times book value and a 22% discount on the market price. BOS is a niche bank focused on environmental projects and the fund manager is seeing a potential of improving efficiency and profitability as well as increasing demand for loans to environmental projects in Poland

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	18.0
Materials	15.3
Consumer Discretionary	13.6
Information Technology	11.6
Utilities	9.8
Industrials	7.6
Consumer Staples	6.9
Telecom. Services	6.3
Energy	4.4
Health Care	1.7

Asset allocation by country
% of the fund



Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Mennica Polska	9.2	15.9	1.2	Poland	Materials
Elko	7.3	5.3	0.3	Baltics	Information Technology
Morpol	6.7	-6.8	-0.5	Poland	Consumer Staples
Netia	6.3	-8.9	-0.6	Poland	Telecom. Services
Ablon Group	5.7	-16.0	-1.1	Hungary	Financials
Pannenergy	5.6	-4.3	-0.3	Hungary	Materials
Kruk Group	5.2	-8.9	-0.5	Poland	Financials
Tallinna Vesi	5.0	11.8	0.5	Estonia	Utilities
BOS	4.5	1.9	0.1	Poland	Financials
Bogdanka	4.4	-3.1	-0.2	Poland	Energy

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
60	8	50

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 invest in companies that have significant trade with, or active investments in, Russia.

At the end of the period East Capital Explorer's share of the fund was 44%.

Fund performance	Q2 2012	6m 2012	Since Dec 07
East Capital Bering Russia Fund, EUR	-8%	1%	-60%
RTS-2 Index, EUR	-23%	-7%	-33%

Portfolio highlights during the quarter

• Verofarm, the medium-sized pharmaceutical company, contributed most negatively to the fund's performance among top 10 holdings. There was no particular reason for the 20% loss the company posted during the quarter apart from the sell-off in second-tier stocks

• Another poor performer was the energy company, Ufimsky NPZ, which was down 23%. The fund has sold most of the position and secured very solid returns of up to 200%

• Neftekamsky Avto, producing buses and trucks, lost 24% due to investors' rotation from small companies to large liquid stocks. The market for trucks and buses in Russia continued to grow, up 4% and 40% respectively in the first quarter year-on-year

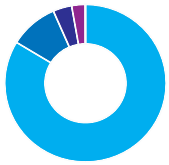
• FESCO, the Russian transportation group, was among the worst contributors, down 6.9%. The main owner agreed to sell a 56% stake to Summa Group at around a 100% premium on the share price. Unfortunately, the deal was thought to be structured to avoid a mandatory minority buy-out at the same price and it is still unclear whether the deal will go through or not. After an initial overreaction on the bid the share has corrected down

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Industrials	25.8
Materials	19.0
Financials	11.9
Consumer Discretionary	11.6
Energy	7.2
Health Care	6.1
Information Technology	3.0
Consumer Staples	1.0
Utilities	0.7
Telecom. Services	0.4

Asset allocation by country
% of the fund



Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
FESCO	15.4	-6.9	-1.1	Russia	Industrials
Korshunovsky Gok	8.4	-0.3	-0.1	Russia	Materials
Nova Liniya	6.5	5.3	0.3	Ukraine	Cons.Discr.
Verofarm	5.5	-19.6	-1.3	Russia	Health Care
Kantik	4.3	3.8	0.1	Ukraine	Financials
Neftekamsky Avto	3.5	-24.3	-1.0	Russia	Industrials
Bank Tsentrkredit	3.2	-10.4	-0.4	Kazakhstan	Financials
Elko	3.0	5.3	0.1	Baltics	IT
Ufimsky Npz	2.8	-23.0	-0.6	Russia	Energy
Highland Gold Mining	2.8	-17.4	-0.6	Russia	Materials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
55	16	76

East Capital Bering Ukraine Fund 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 mainly of listed holdings, and East Capital Bering Ukraine Fund Class R, that comprises the illiquid private equity assets.

At the end of the period East Capital Explorer's share of the fund was 35%.

Fund performance	Q2 2012	6m 2012	Since Jan 08
East Capital Bering Ukraine Fund A, EUR	-15%	-14%	-67%
PFTS Index, EUR	-29%	-31%	-78%

Portfolio highlights during the quarter

• Retail Group lost 37%. The stock suffers from very thin liquidity and sharp movements in the price is not uncommon. Retail Group's first quarter results were however more than satisfactory with sales up 10% and EBITDA up 18% year-on-year, and the fund manager maintains its positive long-term view on the company

• After an outstanding first quarter, the poultry producer, Myronivsky Hliboproduc (MHP) lost 13%, mainly due to increased volatility in global financial markets and continuous concerns surrounding a depreciation of the Ukrainian currency. On the back of the weakness in the share price, the company accelerated the repurchase of its own shares which should provide some support for the stock. Operationally, increasing grain prices will also be beneficial for MHP as they in turn will lead to increased meat prices

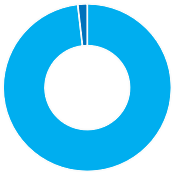
• The fund sold its entire holding in grain trader Kernel following weak first quarter results and invested in high-beta iron ore producer, Ferrexpo, which is trading close to two-year low levels

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Consumer Staples	33.8
Materials	12.7
Financials	12.5
Telecom. Services	10.4
Utilities	9.3
Consumer Discretionary	3.2
Health Care	2.5
Energy	0.7
Industrials	0.4

Asset allocation by country
% of the fund



Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Myronivsky Hliboproduct	13.3	-13.5	-1.8	Ukraine	Consumer Staples
Ukrtelecom	10.4	-13.6	-1.4	Ukraine	Telecom. Services
Retail Group	9.3	-36.9	-4.7	Ukraine	Consumer Staples
Tsentr Energo	8.7	-23.6	-2.3	Ukraine	Utilities
Anthousa	5.1	5.4	0.2	Ukraine	Consumer Staples
Ferrexpo	4.8	-0.5	0.0	Ukraine	Materials
Ukrsotsbank	3.6	-18.3	-0.7	Ukraine	Financials
Bank Aval	3.3	-21.5	-0.8	Ukraine	Financials
Luaz	3.1	-11.6	-0.4	Ukraine	Cons. Discr.
Koryukivska Fabryka Tekhnichnyh Paperiv	3.0	-11.3	-0.3	Ukraine	Materials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
65	6	30

East Capital Bering Ukraine Fund 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.

At the end of the period East Capital Explorer's share of the fund was 12%.

Fund performance	Q2 2012	6m 2012	Since Jan 08
East Capital Bering Ukraine Fund R, EUR	6%	4%	-68%
PFTS Index, EUR	-29%	-31%	-78%

Portfolio highlights during the quarter

• The performance of the fund's largest holdings in the real estate sector, Kantik and Henryland increased by 3.8% and 9.2% respectively. Henryland made a dividend payment in the end of June, amounting to USD 2.3m. The company has started the redevelopment of a property in Kremenchuk which will effectively transform the property from its current outlet format into a shopping centre format. The new format will increase income generated by the property and offer a less concentrated tenant exposure with a more protected cash flow

• The do-it-yourself-chain, Nova Liniya's revenues for the second quarter amounted to USD 97m, which was 7% lower than the same period in 2011. Profitability, however, is still higher than last year; for Jan-May, gross margin was 26% (24% for 2011). Nova Liniya completed the re-formatting of its Kremenchuk store and acquired another land plot in Kyiv to build a new shop

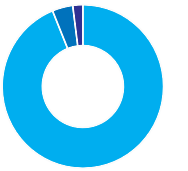
• The leading Ukrainian producer of high quality food products, Chumak had another strong quarter, revenues reached USD 17.5m, an increase of 19% compared to 2011, and gross profit increased by 43%, driven by a margin increase from 31% to 37% year-on-year

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	51.8
Consumer Discretionary	29.6
Consumer Staples	11.4
Information Technology	4.0
Industrials	1.8

Asset allocation by country
% of the fund



Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Nova Liniya	29.6	5.3	1.4	Ukraine	Cons. Discretionary
Kantik	28.8	3.8	1.0	Ukraine	Financials
Henryland	22.1	9.2	2.0	Ukraine	Financials
Chumak	11.4	5.4	0.6	Ukraine	Cons.Staples
Elko	4.0	5.3	0.2	Baltics	Information Technology
Trev-2 Group	1.8	0.0	0.0	Estonia	Industrials
Rtc Irpin	0.9	5.3	0.0	Ukraine	Financials

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
99	100	8

• On 29 June, Trev-2 Group's AGM approved a reduction in share capital, a change in share nominal value, and a EUR 4.2m new share issue. The fund is participating in the share capital increase. For further information about Trev-2 Group, see the Direct Investment text on page 15

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 period East Capital Explorer's share of the fund was 9%.

Fund performance	Q2 2012	6m 2012	Since Dec 07
East Capital (Lux) Eastern European Fund, EUR	-12%	5%	-37%
MSCI Emerging Europe Index, EUR	-8%	6%	-40%

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	33.1
Energy	26.0
Industrials	8.4
Telecom. Services	7.1
Consumer Discretionary	6.8
Utilities	6.3
Materials	4.0
Consumer Staples	3.2
Health Care	0.7
Information Technology	0.1

Asset allocation by country
% of the fund

Russia	54.3
Turkey	11.4
Central Europe	10.3
Eastern Europe	9.6
Turkey	7.0
Balkan	5.6
Baltics	4.5
Kazakhstan	2.0
Bulgaria	1.5

Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Lukoil	6.1	-3.7	-0.3	Russia	Energy
Sberbank	4.9	-14.8	-0.9	Russia	Financials
Surgutneftegaz	4.0	-5.0	-0.6	Russia	Energy
Gazprom	3.6	-19.0	-1.0	Russia	Energy
M.Video	2.9	-13.0	-0.4	Russia	Cons. Discr.
Sistema	2.3	-1.9	-0.1	Russia	Telecom. Services
FESCO	2.3	-8.5	-0.2	Russia	Industrials
Raiffeisen International	2.1	-2.2	0.0	Eastern Europe	Financials
Erste Bank	2.1	-14.2	-0.5	Eastern Europe	Financials
Fondul Proprietatea	2.0	-19.2	-0.5	Romania	Financials

All figures in EUR
* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
32	0	148

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 period East Capital Explorer's share of the fund was 73%.

Fund performance	Q2 2012	6m 2012	Since Dec 07
East Capital Power Utilities Fund, EUR	-31%	-15%	-24%
RTS Electric Utilities Index	-29%	-15%	-65%

Portfolio highlights during the quarter

• The newly-appointed Russian government shocked the market in May with a suggestion of a large merger in the electric grid sector, the postponement of partial privatisation in the sector until at least 2015 and Rosneftegaz's involvement in the merger process. MRSK Holding and Federal Grid Company led a downward charge after government plans to merge these two companies. Their stocks plunged by 50% and 40% as a result

• Other negative contributors included regional distribution companies, MRSK Volgi, MRSK Tsentra and MRSK Tsentra I Privolzhya. They lost 53%, 44% and 34% respectively due to another delay in the reload of Regulatory-Asset-Base parameters of the distribution sector, used to etablish pricing of electricity, which are very important for distribution companies' earnings outlook and regulatory predictability

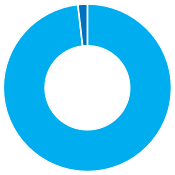
• The fund manager has during the quarter been active in the nomination of independent directors to the boards of holding companies and supported election campaigns in power companies such as MRSK Holding, MRSK Tsentra, MRSK South, MRSK Volgi, OGK-2 and Energy System of Far East

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Utilities	97.5
Industrials	1.2

Asset allocation by country
% of the fund



Russia	96.8
Georgia	2.0

Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
E.ON Russia	14.6	-20.7	-2.6	Russia	Utilities
MRSK Tsentra I Privolzhya	10.9	-34.3	-3.2	Russia	Utilities
OGK-5	9.3	-32.2	-2.6	Russia	Utilities
MRSK Tsentra	9.0	-43.9	-4.0	Russia	Utilities
Energy System of Far East	5.7	-35.7	-1.7	Russia	Utilities
TGK-5	5.1	-45.4	-2.3	Russia	Utilities
OGK-2	4.9	-38.8	-2.0	Russia	Utilities
MRSK Holding	4.9	-49.5	-3.5	Russia	Utilities
Federal Grid Company	4.2	-40.2	-2.2	Russia	Utilities
MRSK Volgi	4.2	-52.6	-2.5	Russia	Utilities

All figures in EUR
* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
73	1	34

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 in the whole Eastern European region, with both a clear trigger for revaluation and an exit opportunity within four years from the launch of the fund. The strategy implies, when appropriate, a more active role in the portfolio companies.

The investment focus is listed 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 from inception of the fund will be distributed to the investors.

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

Fund performance	Q2 2012	6m 2012	Since May 09
East Capital Special Opportunities Fund, EUR	-12%	5%	6%

Portfolio highlights during the quarter

• The main negative contribution came from Romanian restitution fund, Fondul Proprietatea (FP), which lost 19% during the second quarter. For further information about FP, see portfolio comment about East Capital Bering Balkan Fund

• Shares in oil field service provider, Integra, declined 37%. The CEO has recently been replaced by the previous CEO, who also was one of the founders of the company. He believes the EBITDA margin can be improved to 15-20% from the current zero by taking a number of concrete actions. The fund manager expects that there could be also some changes in the composition of the board, which would improve the company's corporate governance

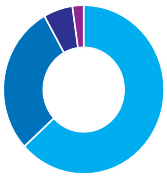
• Sollers, the Russian automaker, corrected 21%. Car sales in Russia continue to grow at a high pace, with 30% growth year-on-year recorded in the first half of 2012. The new Joint Venture with Ford is going better than expected reaching a capacity of 300,000 cars per year. If the Joint Venture plans with Mazda and Toyota will materialize, it would increase production to up to 500,000 cars per year. Currently, the company trades at 6 times 2012 earnings

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	19.5
Materials	17.8
Energy	11.4
Consumer Discretionary	8.8
Health Care	5.7
Consumer Staples	4.0
Industrials	0.7
Information Technology	0.4

Asset allocation by country
% of the fund



Russia	43.1
Romania	19.5
Ukraine	4.0
Serbia	1.6

Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Fondul Proprietatea	19.5	-19.2	-4.2	Romania	Financials
Korshunovsky	8.7	-0.3	-0.1	Russia	Materials
Integra	8.4	-36.9	-4.3	Russia	Energy
Sollers	7.7	-20.5	-1.8	Russia	Cons. Discr.
Sibirskiy Cement	6.9	-15.3	-1.1	Russia	Materials
Verofarm	5.7	-19.6	-1.2	Russia	Health Care
Mashstroy	2.9	-15.1	-0.5	Russia	Energy
Sintal	2.4	-28.8	-0.9	Ukraine	Cons. Staples
Stirol	1.6	-30.7	-0.6	Ukraine	Materials
Vino Zupa	1.6	12.2	0.1	Serbia	Cons. Staples

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
65	0	17

• Vino Zupa, the Serbian wine and alcohol producer, gained 12% on the news that the company refinanced a large portion of its debt which will help expand its growing business

East Capital Special Opportunities Fund II

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 in the whole Eastern European region, with both a clear trigger for revaluation and an exit opportunity within four years from the launch of the fund.

The target is to achieve a 30% Internal Rate of Return 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 period East Capital Explorer's share of the fund was 45%.

Fund performance	Q2 2012	6m 2012	Since Oct 10
East Capital Special Opportunities Fund II	-20%	-16%	-40%

Portfolio highlights during the quarter

• The main negative contribution came from Integra, which shares declined 37%. For further information about Integra, see portfolio comment about East Capital Special Oportunities Fund

• The shares of Nova Kreditna Banka Maribor (NKBM), Slovenia's second-largest lender, fell by 43%. The stock was hit by weakness in European financials as well as reports that Slovenia might need to ask for a bail out. Currently the bank trades at 0.15x times of its book value

• The shares in the Russian utilities stocks TGK-4 and Energy System of Far East fell 42% and 37% respectively due to sector specific news

• Verofarm, the medium-sized pharmaceutical company, suffered on the sell-off in second-tier stocks. The stock lost 20%. At the same time, the company has published strong results for the first quarter

• Some holdings have performed well over the quarter. Jastrzebska Spolka Weglova, the largest producer of high quality coking coal, Anthousa, one of the largest supermarket chains in Ukraine and Linas Agro Group, an international agribusiness company, were up 7.5%, 5.4% and 6.0% respectively

Portfolio breakdown, % per 30 June 2012

Sector weighting
% of the fund

Financials	29.1
Consumer Staples	17.6
Materials	16.7
Energy	11.2
Health Care	8.7
Utilities	7.3
Industrials	1.6

Asset allocation by country
% of the fund

Russia	37.6
Slovenia	21.5
Serbia	15.7
Poland	7.8
Ukraine	4.4
Hungary	3.0
Lithuania	2.0

Largest holdings in the Fund on 30 June 2012

Company	Weight, %	Perf, %	Contr, %*	Country	Sector
Zavarovalnica Triglav	12.9	-9.9	-1.3	Slovenia	Financials
Integra	11.2	-36.9	-5.3	Russia	Energy
Bambi	11.2	-1.1	-0.1	Serbia	Cons. Staples
Verofarm	8.7	-19.6	-1.7	Russia	Health Care
Jastrzebksa Spolka Weglova	7.8	7.5	0.4	Poland	Materials
Nfd 1 Delniski Investicijski Sklad Dd	6.0	-7.3	-0.4	Slovenia	Financials
Rusforest	5.7	-38.7	-2.7	Russia	Materials
AIK Banka	4.6	-27.8	-1.4	Serbia	Financials
Energy System of Far East	4.5	-36.6	-2.1	Russia	Utilities
Anthousa	4.4	5.4	0.2	Ukraine	Cons. Staples

All figures in EUR

* Contribution to the portfolio performance

10 largest holdings (% of fund)	Unlisted holdings (% of fund)	Total number of holdings
77	12	16

Direct Investments

Melon Fashion Group

During the second quarter, Melon Fashion Group (MFG) generated revenues of RUB 1,827m (EUR 45.9m) which is a 35% increase compared to same period of 2011 (36% in EUR terms) and also significantly ahead of expectations. Core concepts of MFG (Zarina, befree and Love Republic) contributed as much as 90% of the second quarter's revenue, up from 79% just a quarter ago. Ukrainian operations contributed 5% of the group's top line, which is slightly less than in the previous quarter and is a result of management efforts to increase profitability of Ukrainian business by closing poor-performing stores.

The trend for strong like-for-like growth witnessed in the beginning of the year continued into the second quarter. Monthly rates of like-for-like growth for core brands were above 25% for all of the core brands during April, May and June, reaching as high as 49% for Zarina and 47% for Love Republic in April. Like-for-like performance of master-franchised brands was weaker than for the company's core brands, but still impressive.

At the end of the second quarter MFG operated 513 stores in total across all concepts, down from 529 stores at the end of first quarter. The change reflects termination of the Co&Beauty concept as well as close-down of several poor-performing stores of master-franchised concepts. At the same time, 17 new stores of core concepts were opened during the period, which represents a 5% increase in total number of core concepts' stores.

In the beginning of June, MFG had its AGM where a new Board of Directors was elected. All Board members were reelected, except for Karin Isaksson, representative of former large shareholder Swedfund, who has been replaced with Lennart Dahlgren, former head of IKEA in Russia. We welcome Mr Dahlgren to the Board of Directors and believe that his unmatched experience in Russian retail sector will be invaluable for MFG.

Learn more about Melon Fashion Group on: www.melonfashion.ru

TEO LT

On 10 May, East Capital Explorer divested its entire holding in TEO LT, the leading Baltic telecommunications operator, to TeliaSonera for a total of EUR 17.9m. The transaction took place after the record date for the dividend, and as a result, East Capital Explorer also received the dividend of EUR 0.06 per share, totalling EUR 1.6m, decided at the TEO LT 2012 AGM. The transaction occurred at a price per share 20% higher than the price offered in 2009, and together with the dividend it offered a 12% premium to the 200 days average share price prior to the deal (or around 6% premium to the previous close). The dividend paid out was also higher than expected, yielding 9.1%. In total, the Company received EUR 19.5m and realized an annualized pre-tax return of 17.4% on the total investment.

Before the divestment, East Capital Explorer's investment amounted to EUR 16.4m, corresponding to 3.6% of TEO LT's shares. TEO LT was the largest holding for East Capital Explorer on a see-through basis, corresponding to 7% of Net Asset Value.

Learn more about TEO LT on: www.teo.lt

Komercijalna Banka Skopje

At the end of June, Komercijalna Banka Skopje (KBS) was back in profit thanks to some large provision reversals at the end of the second quarter. Net income was MKD 290m, lower than the MKD 509m reported at half-year 2011, but the first positive net result thus far this year.

Core income continues to look good, with net interest income up 8.4% year-on-year and net fee and commission income up 5.4% year-on-year. Balance sheet growth is still very modest at 3.3% year to date.

Operating expenses remain well under control, coming in lower than at the end of June last year.

Learn more about Komercijalna Banka Skopje on: www.kb.com.mk

Trev-2 Group

Trev-2 Group held its AGM at the end of June, approving the 2011 annual report, electing a new supervisory board and adopting a resolution on share capital reduction and subsequent new share issue. The company had a net loss for 2011 of EUR 8.4m, with approximately EUR 5.0m associated to non-monetary write-offs. The new supervisory board consists only of representatives from East Capital and BaltCap.

At the AGM, the shareholders decided to reduce the nominal value of shares to EUR 0.1 (from EUR 0.6) with no monetary payments to shareholders. Simultaneously a EUR 4.2m new share issue was approved. The subscription period for the shares is on-going up until mid-August. East Capital Explorer is participaiting in the share issue and expects to increase its shareholding due to the highly dilutive nature of the share issue.

East Capital Explorer provided a EUR 2.2m shareholder loan to the company in April, that is expected to be repaid during the on-going capital increase.

During the second quarter, Trev-2 Group posted revenues of EUR 21.0m, with gross profit and EBITDA of EUR 1.2m and EUR 1.1m respectively. The overall financial results have shown improvement. Compared to the same period 2011, revenues increased by EUR 4.5m and EBITDA by EUR 0.6m during the quarter. Still, the Company is falling short of its budget and further cost-cutting measures should be implemented if there are no significant additions to 2012 pipeline.

Learn more about Trev-2 Group on: www.trev2.ee

East European Debt Finance

During the second quarter, EEDF, a special purpose investment company focuses on purchasing non-performing retail loan portfolios, reviewed and analyzed half a dozen portfolios, but completed no new acquisitions. Instead the focus was placed on the existing portfolios and together with the service provider a number of meetings were held on measures to improve collection performance. A discount campaign was launched by the service provider before the Russian May holidays for all portfolios offering various discount schemes to debtors that have never paid. The preliminary results look encouraging, however, the full effect of this campaign will only be seen in couple of months.

Populi

After the end of the quarter, East Capital Explorer sold its stake in Populi, one of the largest privately held food retail chains in Georgia. The deal is now complete and East Capital Explorer received a total amount of EUR 1.7m for its 30.7% stake in the company.

Populi was expected to benefit from Georgia's fast growing economy as the market leader in a very fragmented food retail sector, where most of the market is held by small independent retailers. Unfortunately, mismanagement was discovered at the end of 2010 and the company has faced major challenges since.

After exhausting a number of restructuring options with Populi's main creditor and shareholders, the Investment Manager negotiated a sale of a majority stake in Populi to Ioli Supermarkets Ltd, a local market participant. The divestment realizes an annualized pre-tax return of -44% on the total investment. However, the July NAV is positively impacted by the sale as the proceeds are substantially higher than the valuation at the end of June.

Learn more about Populi on: www.populi.ge

Short-term investments

East Capital Explorer has investments in a portfolio of USD denominated liquid bonds as a short-term cash management tool to create more attractive returns on cash while remaining liquid for future investments. The currency exposure in USD is hedged. On 30 June 2012, the fair value of the bond portfolio amounted to EUR 8.7m (EUR 26.4m).

The net result from bond portfolio for the reporting period 2012 was EUR 0.3m. This included EUR 0.4m in interest income, EUR 0.7m in profit from exchange rates and fair value change in the bond portfolio of EUR -0.8m and EUR -0.1m in management fees.

Among short-term investments, East Capital Explorer also holds two loans, maturing in December 2012 at the latest, to Melon Fashion Group amounting to EUR 3.0m and to Trev-2 Group amounting to EUR 2.2m. The loan to Melon Fashion Group was initially EUR 5m but was reduced by EUR 2.0m during the second quarter. On 30 June, the fair value of the loans amounted to EUR 5.2m including accrued interest. Interest income from the loans amounts to EUR 0.2m.

Cash and cash equivalents

The EUR 33.4m (EUR 39.4m) that had not yet been invested or drawn-down, were placed in cash and cash equivalents. Interest income from cash and cash equivalents during the reporting period 2012 amounted to EUR 0.2m (EUR 0.2m).

Results

The Group consists of the Parent Company East Capital Explorer AB, the subsidiaries 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	65%
East Capital Bering Central Asia Fund	53%

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 2012 other investors in the fund redeemed shares in the East Capital Bering Central Asia Fund. As a result East Capital Explorer, from an accounting perspective, has a controlling influence over the fund and therefore needs to treat it as a subsidiary. Consequently, the fund was reclassified in the first quarter of 2012 from shares and participations in investing activities to a subsidiary.

Group

Total comprehensive income for the reporting period 1 January - 30 June 2012 amounted to EUR -1.9m (EUR -53.9m), which included exchange rate differences on translation of foreign operations of EUR 1.3m (EUR -13.9m).

Net loss for the period amounted to EUR 3.2m (EUR -40.1m). Of this a net loss of EUR 1.4m (EUR -34.7m) was attributable to the shareholders of the Parent Company corresponding to earnings per share of EUR -0.04 (EUR -1.00).

For the reporting period, the main items of the net loss in the investment portfolio include value changes of EUR -4.3m (EUR -37.3m) and EUR 7.4m (5.2m) in dividends.

Financial income amounted to EUR 0.9m (EUR 0.0m) which mainly relates to interest income. The bond portfolio net result of EUR 0.3m (EUR -0.3m) included EUR 0.4m (EUR 2.4m) in interest income, exchange rate gains of EUR 0.7m (EUR -0.4m), fair value change in the bond portfolio of EUR -0.8m (EUR -2.0m) and EUR -0.1m (EUR -0.3) in management fees.

Financial expenses amounted to EUR -0.1m (EUR -2.3m) which mainly relates to interest expenses.

Other items included EUR -6.0m (EUR -5.4m) in operating expenses (described further below) and EUR -1.2m (EUR -0.3m) in income taxes.

Of the total operating expenses of EUR -6.0m (EUR -5.4m) during the reporting period, EUR -1.0m (EUR -1.1m) relates to ordinary operating expenses within the Parent Company. The remaining EUR -5.0m (EUR -4.3m) relates to operating expenses, mainly fees in consolidated funds and subsidiaries.

To calculate the fees related only to the shareholders in East Capital Explorer AB, the non-controlling interest in the consolidated funds 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 4.0m including VAT. Of this EUR 1.4m was related to performance. For more details about fees, please see the latest Annual Report available at our website.

Parent Company

The Parent Company's net profit for the period amounted to EUR 0.0m (EUR -0.7m) of which EUR 1.0m refers to interest income from Group companies. Operating expenses amounted to EUR -1.0m (EUR -1.1m).

Tax

East Capital Explorer's consolidated tax of EUR -1.2m (EUR -0.3m) for the reporting period comprises the net effect of actual income tax within the Parent Company of EUR 0.0m (EUR 0.3m), actual tax related to subsidiaries of EUR -1.1m (EUR -0.8m) and deferred tax related to subsidiaries of EUR -0.1m (EUR 0.2m).

Dividend

The Board of Directors has as published earlier adopted 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 is 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.

On 25 April 2012 the Annual General Meeting decided to pay out SEK 0.80 (SEK 0.80) per share to shareholders for the fiscal year 2011. The dividend was paid out on 4 may 2012 corresponding to an aggregate of EUR 3.0m (EUR 3.1m).

Business Environment and Market

The global economy has continued on a path of slow yet irregular recovery, taking yet again another dip as there remain uncertainties relating to imbalances in the Eurozone and its periphery and increasing concerns in the US as well as China. The global uncertainties can have an adverse effect on the markets in our region due to general risk aversion, and may lead to continued volatility in the financial markets. The assets held by the Group, both listed and unlisted, can thereby be associated with increased risks and which also may impact the possibilities for divestments as well as opportunities for new investments.

For the coming months we anticipate slow economic growth at levels below long-term potential, yet the average growth in our region is expected to be higher than in the developed markets. The near future can still be very volatile and heavily influenced by the worries in mainly the western economies. While the current markets can experience an increased volatility from time to time, the market changes can also provide significant opportunities for positive profitability growth and development in sound portfolio companies.

Financial position

Cash flow from operating activities during the reporting period was EUR -4.6m (EUR -13.2m).

The Group's cash, cash equivalents and other short-term investments at the end of the period amounted to EUR 68.9m (EUR 79.1m). 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 33.4m (EUR 39.4m) and interest income from these amounted to EUR 0.2m (EUR 0.0m) during the reporting period.

The reclassification from share and participation to subsidiary of the holdings in East Capital Bering Central Asia has affected the cash flow analysis in the investment activities by EUR 2.2m, 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 in TEO LT, the bond portfolio and shares held by the subsidiaries.

East Capital Explorer had no financial debt on 30 June 2012.

Commitments and draw-downs

East Capital Explorer has committed to invest EUR 10m into the new East Capital Baltic Property Fund II in the first closing of the fund. EUR 8.6m was invested into the Fund during the second quarter.

East Capital Explorer, through its subsidiary Humarito Limited, purchased shares, corresponding to EUR 5.4m, in Melon Fashion Group as a result of the mandatory offer. The totalt net asset value of the holding amount to EUR 34.4m as of 30 June 2012. The bank guarantee was reduced to EUR 5.4m after the purchase. The remaining amount will be released in December 2012.

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 transactions have occurred during the period other than fee payments according to agreements. East Capital Explorer AB has a related party relationship with its subsidiaries, with other companies in East Capital, as well as with management and employees. The single largest counterparty is the East Capital Group.

The Company and East Capital Explorer Investments AB have a licensing agreement with East Capital Explorer Licensing AB, pursuant to which East Capital Explorer Licensing AB has granted a non-exclusive, royalty-free license to use the trade name and trademark "East Capital Explorer".

East Capital PCV Management AB (the "Investment Manager"), a subsidiary of East Capital Holding AB, implements investments according to the investment policy and provides investment management services pursuant to the Investment Management Agreement.

The Company has an Investment Management Agreement with the Investment Manager and East Capital Explorer Investments AB. During the reporting period 2012 the Group generated fees to a total of tEUR 4,014.

The Company has a service agreement with East Capital International AB, a service company in East Capital, pursuant to which the Company buys certain administrative and other services. The Company has a subrent premises agreement with East Capital Private Equity AB. During the reporting period, the Group purchased services for EUR 0.2m, all of it through the Parent Company.

The CEO is a Board member of East Capital Explorer Investments AB. The Company's management, Board members and their close relatives, and related companies control 14 % of voting rights in the Company.

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 funds.

The investment activities of the Company are governed by an investment policy within an Investment Management Agreement between the Company and the Investment Manager.

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 and divestments in TEO LT and investments in the East Capital Baltic Property Fund II.

For further information about the organization and investment structure of the Company, please see the corporate governance report for 2011 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. During 1 January to 30 March 2012 60,415 shares were repurchased. Average price per share paid was 54.21. From 15 September 2011 until 30 March 2012, East Capital Explorer repurchased 1,141,969 own shares, corresponding to 3.3% of the shares in the Company. Average price per share paid was SEK 51.69. The shares were cancelled in June 2012.

The total number of outstanding shares in East Capital Explorer amount to 33,709,706. Adjusted for buy-backs the average number of shares outstanding for the six month period January to June was 33,715,573.

On 25 April 2012, the Annual General Meeting 2012 issued a new repurchase authorization for the Board to decide on acquiring the company's own shares until the Annual General Meeting 2013. The new authorization has not been utilized.

Events occuring after the end of the quarter

Trev-2 Group has resolved to increase its share capital by EUR 4.2m. During July Trev-2 Group repaid EUR 1.8m of the outstanding loan, of which EUR 1.4m was used by Explorer to subscribe for new shares. The company expects to finalise subscription period by mid-August.

The holding in Populi was divested on 9 July 2012 amounting to EUR 1.7m, a loss of EUR 2.5m. On 17 July 2012 East Capital Explorer

Investments AB purchased the remaining shares in Humarito Ltd and the company is now a 100% owned subsidiary by East Capital Explorer Investments AB.

The Board of Directors has decided to utilize the repurchase mandate given by the 2012 AGM. Shares can be purchased up to and including 10 October 2012, observing blackout periods according to all applicable rules.

NAV on 31 July 2012
NAV per share on 31 July 2012 amounted to EUR 8.93 (corresponding to SEK 75). The share price on 31 July 2012 was SEK 45.00 (EUR 5.38). Cash, cash equivalents and other short-term investments on 31 July 2012 amounted to EUR 58m (SEK 488m). Of those, EUR 51m (SEK 426m) 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 2012 have not had any material effect on the financial position or results of the Group or Parent Company.

A review of potential impacts of IFRS 10 has begun. It is endorsed by EU for application no later than 2014. A review of IASB's exposure draft of Investment Entities has also begun.

Stockholm, 7 August 2012

Paul Bergqvist Chairman of the Board	Mia Jurke Chief Executive Officer
Lars Emilson Board member	Lars O Grönstedt Board member
Louise Hedberg Board member	Karine Hirn Board member
Alexander Ikonnikov Board Member	

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Financial calendar

- Monthly net asset value report on the fifth working day after the end of each month
- Interim Report, 1 January - 30 September 2012 on 9 November 2012
- Capital Markets Day 2012 on 9 November 2012

Subscribe to monthly NAV updates, financial reports and press releases directly to your e-mail on: www.eastcapitalexplorer.com

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 7 August 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 30 June 2012, and the six-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 Swedish 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, 7 August 2012
KPMG AB

Carl Lindgren
Authorized Public Accountant

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

Statement of Comprehensive Income

EUR thousands	2012 Jan-June	2011 Jan-June	2012 Apr-June	2011 Apr-June
Changes in value	-4,309	-37,324	-48,119	-44,480
Received dividends	7,441	5,156	7,115	5,123
Total operating income	**3,133**	**-32,168**	**-41,004**	**-39,357**
Staff expenses	-422	-611	-242	-440
Other operating expenses	-5,573	-4,768	-3,628	-739
Operating profit/loss	**-2,862**	**-37,547**	**-44,874**	**-40,536**
Financial income	947	49	847	-270
Financial expense	-145	-2,252	190	-854
Profit/loss before tax	**-2,060**	**-39,750**	**-43,837**	**-41,660**
Income tax	-1,180	-311	-1,119	386
NET PROFIT/LOSS FOR THE PERIOD	**-3,240**	**-40,061**	**-44,956**	**-41,274**
Other comprehensive income:				
Exchange differences on translating foreign operations	1,306	-13,880	5,928	-3,638
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-1,934**	**-53,941**	**-39,028**	**-44,912**
Net profit/loss for the period distribution:				
Shareholders of the Parent Company	-1,431	-34,741	-32,379	-32,898
Non-controlling interest	-1,808	-5,320	-12,577	-8,376
	-3,240	**-40,061**	**-44,956**	**-41,274**
Total comprehensive income distribution:				
Shareholders of the Parent Company	-121	-44,313	-28,043	-35,074
Non-controlling interest	-1,813	-9,628	-10,985	-9,837
	-1,934	**-53,941**	**-39,028**	**-44,912**
Earnings per share, EUR - shareholders of the Parent Company No accumulated dilution effects during the period	-0.04	-1.00	-0.96	-0.95

Statement of Financial Position

EUR thousands	2012 30 June	2011 31 Dec	2011 30 June
Assets			
Shares and participations in investing activities	279,328	293,585	379,248
Deferred tax assets	-	70	-
Total non-current assets	**279,328**	**293,656**	**379,248**
Other short-term receivables	5,105	100	873
Tax receivables	-	103	-
Accrued income and prepaid expenses	1,240	125	1,235
Short-term investments	13,921	22,793	26,385
Cash and cash equivalents	55,027	32,147	52,737
Total current assets	**75,293**	**55,266**	**81,230**
Total assets	**354,621**	**348,923**	**460,478**
Equity			
Share capital	3,631	3,628	3,628
Other contributed capital	366,517	369,924	376,018
Translation reserve	5,493	4,183	-6,239
Retained earnings	-84,182	43,743	43,743
Profit/loss for the period	-1,431	-127,925	-34,741
Equity attributable to shareholders of the Parent Company	**290,027**	**293,552**	**382,409**
Non-controlling interest	50,661	45,627	68,638
Total Equity	**340,688**	**339,179**	**451,047**
Liabilities			
Deferred tax liabilities	13	-	631
Total long-term liabilities	**13**	**-**	**631**
Tax liabilities	162	-	159
Other liabilities	5,283	3,609	508
Accrued expenses and deferred income	8,476	6,136	8,133
Total current liabilities	**13,920**	**9,745**	**8,800**
Total equity and liabilities	**354,621**	**348,923**	**460,478**
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	-	-	-
Contingent liabilities	-	-	-

Statement of Changes in Equity

EUR thousands 2012	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit /loss for the period	Total equity share-holders in Parent Company	Non-controlling interest	Total equity
Opening equity 1 Jan 2012	**3,628**	**369,923**	**4,183**	**-84,182**	**293,551**	**45,627**	**339,178**
Net profit for the period	-	-	-	-1,431	-1,431	-1,808	-3,240
Other comprehensive income	-	-	1,310	-	1,310	-5	1,306
Total comprehensive income	**-**	**-**	**1,310**	**-1,431**	**-121**	**-1,813**	**-1,934**
Bonus issue	2	-2	-	-	-	-	-
Reclassification from investment to subsidiary[1]	-	-	-	-	-	16,443	16,443
Paid dividend to shareholders	-	-3,033	-	-	-3,033	-	-3,033
Dividend and redemption to/from non-controlling interest	-	-	-	-	-	-9,596	-9,596
Share buy-back		-370			-370		-370
Per 30 June 2012	**3,631**	**366,517**	**5,493**	**-85,613**	**290,027**	**50,661**	**340,688**

EUR thousands 2011	Share capital	Other contributed capital	Translation Reserves	Retained earnings incl. profit /loss for the period	Total equity share-holders in Parent Company	Non-controlling interest	Total equity
Opening equity 1 Jan 2011	**3,628**	**379,149**	**3,333**	**43,743**	**429,853**	**95,581**	**525,434**
Net profit/loss for the period	-	-	-	-34,741	-34,741	-5,320	-40,061
Other comprehensive income	-	-	-9,572	-	-9,572	-4,308	-13,880
Total comprehensive income	**-**	**-**	**-9,572**	**-34,741**	**-44,313**	**-9,628**	**-53,941**
Reclassification from subsidiary to investment[1]	-	-	-	-	-	-1,812	-1,812
Paid dividend to shareholders	-	-3,131	-	-	-3,131	-	-3,131
Dividend and redemption to/from non-controlling interest	-	-	-	-	-	-15,503	-15,503
Per 30 June 2011	**3,628**	**376,018**	**-6,239**	**9,002**	**382,409**	**68,638**	**451,047**

[1] Holdings in East Capital Bering Central Asia Fund have been reclassified from investment to subsidiary during 2012. Please refer to Financial Position section above for more information. During 2011, the holdings in East Capital Special Opportunities Fund II was reclassified from subsidiary to investment

Statement of Cash Flow

EUR thousands	1 Jan - 30 June 2012	1 Jan - 30 June 2011
Operating activities		
Operating profit/loss	-2,862	-37,547
Changes in value	4,309	37,324
Interest received	454	229
Interest paid	-	-427
Other financial income	98	-
Tax paid	-833	-947
Cash flow from current operations before changes in working capital	**1,166**	**-1,368**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	-4,886	-1,704
Increase (+)/decrease (-) in other current payables	-874	-10,140
Cash flow from operating activities	**-4,595**	**-13,212**
Investing activities		
Investment in shares and participations	-21,996	-52,868
Sale of short-term investments	9,523	-
Sale of shares and participations	49,352	91,921
Cash flow from investing activities	**36,880**	**39,053**
Financing activities		
Dividend to and redemption from non-controlling interest	-8,372	-15,503
Paid dividend to shareholders	-3,033	-3,131
Share buy-back	-370	-
Cash flow from financing activities	**-11,775**	**-18,634**
Cash flow for the period	**20,511**	**7,207**
Cash and cash equivalents at beginning of the year[1]	32,147	62,874
Reclassification from subsidiary to investment[2]	2,219	-17,246
Exchange rate differences in cash and cash equivalents	150	-98
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**55,027**	**52,737**

[1] Cash equivalents comprise deposits and cash.
[2] Holdings in East Capital Bering Central Asia Fund have been reclassified from investment to subsidiary during 2012. Please refer to Financial Position section above for more information. During 2011, the holdings in East Capital Special Opportunities Fund II was reclassified from subsidiary to investment

Segment Reporting

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

EUR thousands 1 Jan - 30 June 2012	Fund Investments	Direct Investments	Short-term Investments	Unallocated	Total consolidated
Changes in value	-14,232	9,651	272	-	-4,309
Received dividends	5,069	2,372	-	-	7,441
Staff expenses	-	-	-	-422	-422
Other operating expenses	-4,764	-269	-	-540	-5,573
Operating profit/loss	**-13,927**	**11,754**	**272**	**-961**	**-2,862**
Financial income	671	-	273	3	947
Financial expense	-145	-	-	-	-145
Profit/loss before tax	**-13,402**	**11,754**	**546**	**-960**	**-2,060**
Assets	246,221	48,665	59,699	37	354,621

EUR thousands 1 Jan - 30 June 2011	Fund Investments	Direct Investments	Short-term Investments	Unallocated	Total consolidated
Changes in value	-36,034	-1,290	-	-	-37,324
Dividends	3,271	1,885	-	-	5,156
Staff expenses	-	-	-	-611	-611
Other operating expenses	-3,842	-463	-	-463	-4,768
Operating profit/loss	**-36,606**	**132**	**-**	**-1,074**	**-37,547**
Financial income	5	-	-	44	49
Financial expense	-1,973	-	-279	-	-2,252
Profit/loss before tax	**-38,574**	**132**	**-279**	**-1,030**	**-39,750**
Assets	348,972	45,736	65,742	28	460,478

Consolidated Key Figures

Key figures	6m 2012	3m 2012	12m 2011	9m 2011	6m 2011	3m 2011	12m 2010	9m 2010
Net asset value, EURm	290	321	294	317	382	421	430	398
Change in NAV during the quarter, %	-9.7%	9.4%	-7.3%	-17.0%	-9.2%	-2.2%	8.0%	3.8%
Equity ratio, %	96.1%	97.2%	97.3%	98.3%	98.0%	97.4%	96.1%	97.2%
Market capitalisation, SEKm	1,601	1,879	1,815	1,846	2,562	2,980	2,954	2,501
Market capitalisation, EURm	183	213	209	201	279	333	329	273
Outstanding number of shares, m	33.7	33.7	33.8	34.7	34.9	34.9	34.9	34.9
Weighted average number of shares, m	33.7	33.7	34.6	34.8	34.9	34.9	35.0	35.0
Number of employees	4	4	4	4	4	4	4	4

Key figures per share	6m 2012	3m 2012	12m 2011	9m 2011	6m 2011	3m 2011	12m 2010	9m 2010
Earnings per share, EUR	-0.04	0.92	-3.69	-3.07	-1.00	-0.05	2.55	1.70
NAV, SEK	75	84	77	84	101	108	111	105
NAV, EUR	8.6	9.52	8.69	9.14	10.97	12.07	12.33	11.42
Share price, SEK	47.50	55.75	53.75	53.00	73.50	85.50	84.75	71.75
Share price, EUR	5.42	6.32	6.03	5.76	8.01	9.55	9.43	7.84
SEK/EUR	8.77	8.83	8.92	9.20	9.18	8.95	8.99	9.15

Income Statement - Parent Company

EUR thousands	2012 Jan-June	2011 Jan-June	2012 Apr-June	2011 Apr-June
Staff expenses	-422	-611	-242	-440
Other operating expenses	-540	-463	-330	-156
Operating profit/loss	**-961**	**-1,074**	**-572**	**-596**
Financial income[1]	993	44	-27,398	44
Financial expense	-5	0	-5	2
Profit/loss before tax	**26**	**-1,030**	**-27,975**	**-550**
Income tax	-9	330	21	330
NET PROFIT/LOSS FOR THE PERIOD	**17**	**-700**	**-27,954**	**-220**

[1] Financial income in Parent Company includes, among other, a write down of shares in Group Companies of EUR 24.6m

Statement of Comprehensive Income - Parent Company

EUR thousands	2012 Jan-June	2011 Jan-June	2012 Apr-June	2011 Apr-June
NET PROFIT/LOSS FOR THE PERIOD	**17**	**-700**	**-27,954**	**-220**
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**17**	**-700**	**-27,954**	**-220**

Balance Sheet - Parent Company

EUR thousands	30 June 2012	31 Dec 2011	30 June 2011
Participations in group companies	259,651	262,156	375,576
Deferred tax	393	402	330
Total non-current assets	**260,044**	**262,558**	**375,906**
Receivables from group companies	-	-	2,566
Loan to group companies	29,315	29,315	-
Accrued income and prepaid expenses	28	236	28
Cash and cash equivalents	1,151	1,916	1,064
Total current assets	**30,494**	**31,466**	**3,659**
Total assets	**290,538**	**294,024**	**379,564**
Share capital	3,631	3,628	3,628
Share premium reserve	366,517	369,923	376,018
Profit/loss brought forward	-80,096	146	146
Net profit/loss for the period	17	-80,242	-700
Total equity	**290,069**	**293,455**	**379,093**
Other liabilities	216	167	188
Accrued expenses and prepaid income	253	402	283
Total current liabilities	**469**	**569**	**471**
Total equity and liabilities	**290,538**	**294,024**	**379,564**

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	-	-	-
Contingent liabilities	-	-	-

This is East Capital Explorer

Our Business Concept and Objective

East Capital Explorer (ECEX) is a Swedish company listed on NASDAQ OMX Stockholm Stock Exchange, created with the specific aim of bringing unique investment opportunities in Eastern Europe to a broader investor base.

Our business concept is to offer our shareholders a liquid investment exposure to a unique portfolio of less liquid or unlisted companies in otherwise hard-to-reach parts of Eastern European markets. The Company primarily invests in East Capital's special fund products, normally only available to larger investors as they require high minimum investments. These funds have a less restrictive investment mandate compared to UCITS-funds which means higher flexibility in the choice of investments and allocations. East Capital Explorer also makes direct investments into private and public companies.

Through our unique connection to East Capital, as Investment Manager for the Company's investments, we benefit from their local presence, extensive network and long experience in the region. It is East Capital's investment expertise that creates the primary value for our shareholders. The objective of this business concept is to achieve long-term capital appreciation. As investments in emerging markets often entail significant risks, they should be made with a long term perspective.

Our Strategy

Our strategy is to capture the growth by investing in sectors and companies having the most to gain from the long-term development trends of the countries in our investment universe* which include, but are not limited to, EU convergence and catch-up process. Strong domestic demand is a key driver for growth in Eastern Europe and this is one of our key investment themes. In addition to the retail and consumer goods sector, East Capital Explorer targets other fast growing sectors such as Financials, Real Estate and Power Utilities, providing interesting opportunities. The Company is primarily focusing on small- and medium-sized companies with high growth potential.

The investment portfolio is actively managed to optimize the long term value for our shareholders. All investments are considered very carefully from a risk and return perspective and the company is managing risk through a diversified portfolio. Long term capital allows investments over the full performance cycle.

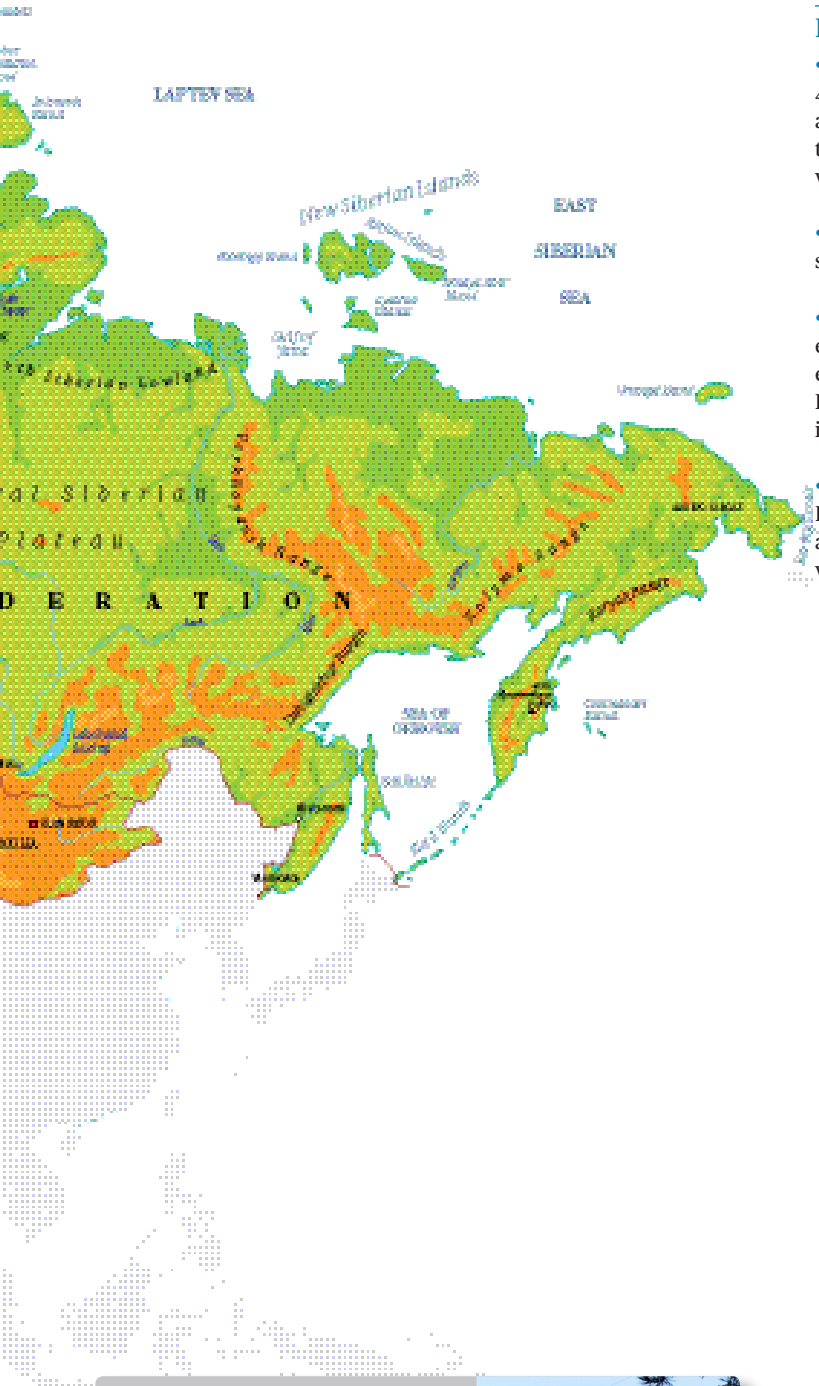
* East Capital Explorer invests in Russia and the CIS countries, the Balkans, the Baltic States, Central Asia and Central Europe

Why the Retail and Consumer Goods sector?

- Strong consumer demand driven by a growing middle class
- Strong purchasing power due to low expenses, increasing wages and flat taxes
- Increasing access to consumer credits

Why the Financial sector?

- Banking is a play on overall economic growth
- Lower penetration of banking services than developed markets (i.e. deposits/GDP, loans/GDP)
- Consolidation may lead to merger and acquisition activity



East Capital Explorer offers access to

• **An economically dynamic region:** including 30 countries and almost 450 million inhabitants. EU convergence and strong domestic demand are key drivers for growth. Eastern Europe is expected to grow more than three times faster than Western Europe over the next five years, with a third of the debt levels

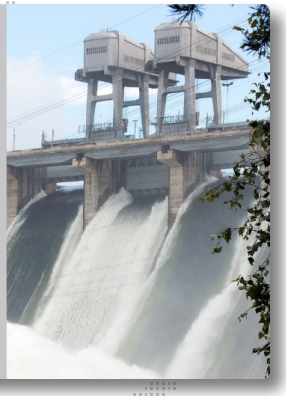
• **Attractive sectors:** East Capital Explorer concentrates on those sectors assessed to provide the best long-term growth prospects

• **A well-diversified portfolio:** East Capital Explorer primarily provides exposure to small and medium-sized companies, which are not easily accessible in Eastern Europe. This is primarily done through East Capital's special fund products. At the end of 2011, our portfolio included exposure to approximately 400 companies

• **An experienced Investment Manager:** The investment activities of East Capital Explorer are managed by East Capital, which has almost a 15-year track-record, and is one of the largest investors in the region with local presence and an extensive network in these countries

Why the Power Utilities sector?

- Deregulation as a consequence of huge investment needs
- Changes in pricing expected
- Positive benefits from strong economic growth and demand remain



Why the Real Estate sector?

- Low correlation with equity markets
- Inflation protected through CPI indexation in rental contracts
- Benefit from economic growth, political stability and improved opportunities for financing

Definitions

Average number of shares
Balanced average of number of shares outstanding during the year, adjusted for share issues, splits and buybacks.

Change in value
Change in market value.

Dividend per share
Paid or proposed dividend per share adjusted for share issues and splits.

Earnings per share
Net profit for the year, attributable to equity holders of the Parent Company, divided by average number of shares.

EBITDA
(Earnings before interest, tax, depreciation and amortisation). Profit before depreciation and impairment.

Equity ratio
Total equity as a percentage of total assets.

Enterprise value
Sum of the company's market capitalisation, minority interests and net debt.

IRR
(Internal Rate of Return). Annual average return.

Net Asset Value (NAV)
Corresponds to the value of East Capital Explorer´s net assets, i.e. total assets less net debt. An indicative NAV is calculated on a monthly basis and is published five working days after the end of the month.

Net asset value per share
Net asset value per share in relation to the total number of registered shares on the Balance Sheet date.

Net debt/Net cash
Interest-bearing current and long-term liabilities, including pension liabilities, less cash and cash equivalents, short-term investments and interest-bearing current and long-term receivables.

Profit/loss for the year
Profit/loss after tax.

Return on equity
Profit/loss for the year as a percentage of average shareholders' equity.

Shareholders' equity per share
Shareholders' equity, attributable to equity holders of the Parent Company, divided by number of registered shares.

Total assets
All assets and liabilities not included in net debt or net cash, which is the same as the Balance Sheet total less asset items included in net debt or net cash and less non-interest-bearing liabilities.

Total comprehensive income for the year
Change in equity during the period resulting from transactions and other events, other than those changes resulting from transactions with the owners in their capacity as owners.

Volatility
A measure of the variability in an asset's return. Volatility is usually measured as a standard deviation in the return of an asset during a certain given period of time.

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