

East Capital Explorer AB Year-end Report 2008

Year-end Report 2008

- Net asset value per share on 31 December 2008 amounted to EUR 7.31 (EUR 10.87) which is a change of -16.7% (0.7%) during the fourth quarter and a change of -32.8% (0.7%) during the year
- For the reporting period 1 January – 31 December 2008, the net loss amounted to EUR -151.1m (EUR 4m), including EUR -152.3m (EUR 3.5m) in unrealised change in value of investments. Earnings per share amounted to EUR -3.56 (EUR 0.09)
- For the fourth quarter, net loss amounted to EUR -60.3m (EUR 4m), including EUR -56.1m (EUR 3.5m) in unrealised change in value of investments. Earnings per share amounted to EUR -1.48 (EUR 0.09)
- Cash and deposits on 31 December 2008 amounted to EUR 175.8m (EUR 200.4m), corresponding to EUR 4.85 (EUR 5.53) per share
- On 28 October 2008, East Capital Explorer made its first direct investment of EUR 10m in unlisted Russian fashion retailer MFG (OAO Melon Fashion Group)
- In December 2008, East Capital Explorer invested an additional EUR 10m in newly issued shares in the East Capital Bering Balkan Fund
- Net asset value per share on 31 January 2009 amounted to EUR 7.19 (SEK 76.21). Cash and deposits per the same date amounted to EUR 176.6m (SEK 1,872m) corresponding to EUR 4.87 (SEK 51.62) per share

PORTFOLIO ON 31 DECEMBER 2008

	Number of units	Acquisition value tEUR	Fair value 31 Dec 2007 tEUR	Fair value 31 Dec 2008 tEUR	Fair value change, % 1 Jan - 31 Dec	Fair value change, % 1 Oct - 31 Dec	NAV/Share EUR	% of NAV
Semi-public Equity Fund Investments								
East Capital Bering Russia Fund	537,844	23,590	23,981	7,377	-69.2	-57.5	0.20	2.8
East Capital Bering Ukraine Fund	1,212,296	24,411	- ¹	7,630	-68.7	-47.6	0.21	2.9
East Capital Bering Balkan Fund	4,538,686	34,938	25,684 ²	17,631	-50.6	-26.7	0.49	6.7
East Capital Bering Central Asia Fund	2,486,454	19,528	- ¹	7,389	-62.2	-40.0	0.20	2.8
East Capital Bering New Europe Fund	1,560,000	9,997	- ³	6,842	-31.6	-26.0	0.19	2.6
East Capital Power Utilities Fund ⁴	162,000	81,000	82,152	26,515	-67.7	-38.5	0.73	10.0
		193,465		73,383	-60.5	-39.2	2.02	27.7
Direct investments								
MFG (OAO Melon Fashion Group)	4,996	9,941	- ⁵	9,941	-	-	0.27	3.8
Private Equity Fund Investments								
East Capital Russian Property Fund	400	855	- ⁶	513	-	-	0.01	0.2
Public Equity Fund Investments								
East Capital (Lux) Eastern European Fund (EUR)	182,500	18,250	17,903	5,814	-67.5	-45.2	0.16	2.2
Short-term Investments								
Cash and deposits ⁷				175,789			4.85	66.3
Total Portfolio				265,440			7.32	100.2
Other assets and liabilities net				-415			-0.01	-0.2
Net Asset Value (NAV)				265,025	-32.8	-16.7	7.31	100.0

¹ The fund units were received on 2 January 2008.

² An additional investment of EUR 10m, corresponding to 2,449,648 newly issued shares, was made in December 2008. The initial investment of 2,089,038 shares amounting to EUR 24.9m in acquisition value has decreased 70.3% during 2008. The total decrease of East Capital Explorer's investment in the fund was 50.6% for 2008.

³ The fund units were received on 2 May 2008.

⁴ The investment in the East Capital Power Utilities Fund is reported as an investment in the portfolio report above but is consolidated in the financial statements.

⁵ The investment in MFG was completed in November 2008.

⁶ The acquisition value of EUR 0.9m is a first draw-down of the total committed EUR 40m to the East Capital Russian Property Fund. The total commitment of EUR 40m is for the total amount of 400 shares.

⁷ Includes also EUR 39.1m that has been committed to the East Capital Russian Property Fund but that has not yet been drawn-down.

East Capital Explorer AB's operations commenced on 19 June 2007. Comparable figures for 2007 are provided where applicable and are stated in parentheses. Note that certain numerical information may not sum due to rounding.

CEO COMMENTS ON THE FOURTH QUARTER

The global credit crisis and market volatility continued during the fourth quarter, making year 2008 one of the most dramatic chapters in modern economic history. Looking ahead to 2009, the overall market sentiment shows some signs of improvement, but it remains very difficult to conclude that the turbulence is behind us. 2009 will be a difficult year with the effects of a slowing real economy becoming more evident on global, country, corporate and individual level. Eastern Europe will not escape the slowdown, with many economies in our region expected to post negative growth rates in 2009. Nevertheless, emerging markets are still expected to outperform the established economies.

For East Capital Explorer, our NAV decreased 16.7% during the fourth quarter, taking the total NAV decrease in 2008 to 32.8%. The change in the value of our investments was approximately -60% during 2008, so it was our large cash position that somewhat cushioned the fall.

In the fourth quarter, after a long period of no investments, we made our first direct investment. Russian fashion retailer MFG is, in many ways, a good example of the type of company that we like in this market environment. Although the economic slowdown will affect consumption growth negatively, MFG's brands in the midmarket segment are likely to be more resilient than many other brands. Consumers looking for other ways to get the positive shopping emotion will switch to clothes in a lower price segment. The company is also nearly debt-free. Our investment, which in part meant a capital injection to the company, makes MFG well positioned to benefit in the toughening market climate and continue growing, both organically and through acquisitions.

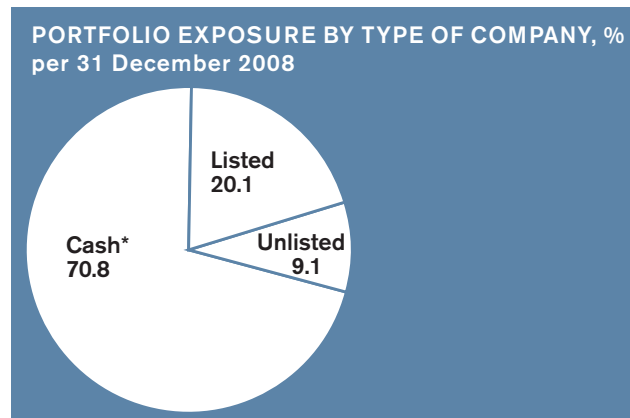
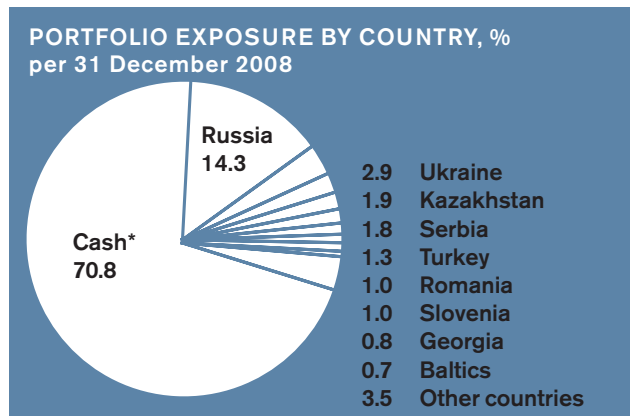
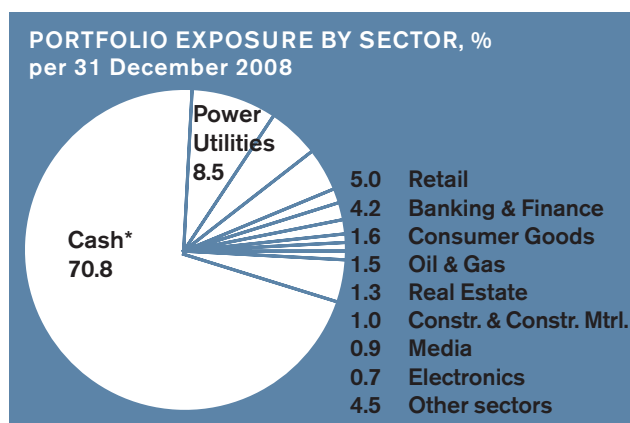
We invested an additional EUR 10m in the East Capital Bering Balkan Fund in December. The Balkan region has seen a strong market correction and with several good companies trading at very attractive valuations, we decided to increase our exposure to this region.

Investors everywhere are longing to see improved sentiment and the enormous stimulus packages finally showing a positive effect. For Russia specifically, stabilization of the oil price and rouble exchange rate would be positive signs. For us, much more important than trying to identify a trigger when markets might turn, is our ability to find companies with a solid business model that can withstand the downturn, which are not overly reliant on leverage, and have a credible management ready to lead in these challenging times.

Although a lot has changed since East Capital Explorer was listed in November 2007, our investment focus has not. We will continue to target investments that provide attractive exposure to the underlying long-term positive trends that remain intact for our region. The long-term domestic growth story and convergence with the west will continue, although at a slower pace for some time. This means that although our favourite sectors are not likely to change much over time, we will prioritise and focus on some sectors more than others depending on the market situation. So, while the banking sector currently is quite challenging, the basic retail and consumer goods sectors are relatively attractive and, more than other sectors, likely to be resilient in the slower growth period.

I would like to stress that we will continue to patiently maintain a selective and cautious approach to making investments. A decision not to invest is also an active investment decision, and our strong cash position has only grown more valuable to us as markets and valuations have deteriorated further. If the climate for launching new private equity funds, our preferred route to investment exposure, does not improve, we may do more direct investments in the meantime. We should not rule out that we can be a bit opportunistic in markets that, from time to time, may offer very attractive investment opportunities in listed small and midcaps. It is quite clear that we will not be fully invested by May 2009 and as market conditions remain challenging, we have decided not to set a new target date for being fully invested.

Gert Tiivas, CEO



* Includes cash and deposits of EUR 175.8m as well as any cash in the underlying funds per 31 December 2008.

NET ASSET VALUE

Net asset value on 31 December 2008 amounted to EUR 265m (EUR 394m) and EUR 7.31 (EUR 10.87) per share. This corresponds to a change of -16.7% compared to the net asset value on 30 September 2008 which was EUR 318m (EUR 8.77 per share) and a change of -32.8% compared to 31 December 2007.

On 31 December 2008, deposits, cash and cash equivalents amounted to EUR 4.85 (EUR 5.53) per share which corresponds to 66.3% (50.8%) of the total net asset value per share.

The closing price per share on 31 December 2008 was SEK 40.20 (corresponding to EUR 3.69).

Net asset value, share price and index development

(%, share price and indices in SEK)	1 Oct - 31 Dec 2008	1 Jan - 31 Dec 2008	January 2009
Net asset value (EUR)	-16.7	-32.8	-1.6
East Capital Explorer share	-32.7	-59.8	12.9
OMXSPI ¹	-16.7	-42.0	-5.9
RTS Index ²	-42.1	-66.9	-8.2
RTS 2 Index ³	-56.0	-75.1	-12.9
MSCI EM Europe ⁴	-39.2	-61.7	-9.4

Results

The Group consists of the Parent Company, East Capital Explorer AB and the subsidiaries East Capital Explorer Investments AB, East Capital Power Utilities Fund AB and its subsidiary Consibilink Ltd. East Capital Explorer currently holds 73% of the share of equity in East Capital Power Utilities Fund AB which therefore is regarded as a subsidiary and consolidated with the East Capital Explorer Group.

Group

Net loss for the reporting period 1 January – 31 December 2008 amounted to EUR -151.1m (EUR 4m), corresponding to earnings per share of EUR -3.56 (EUR 0.09). Net loss for the fourth quarter 2008 amounted to EUR -60.3m (EUR 4m), corresponding to earnings per share of EUR -1.48 (EUR 0.09).

For the reporting period, main items include EUR -152.3m (EUR 3.5m) in unrealised change in value of investments, EUR -3.3m (EUR 0m) in realised change in value of investments which in full relate to sale of shares in the portfolio of a consolidated subsidiary and EUR 9.5m (EUR 1.8m) in interest income from short-term deposits. Other items include EUR -3.6m (EUR -1m) in operating expenses and EUR -2.3m (EUR -0.3m) in income taxes.

For the fourth quarter, main items include EUR -56.1m (EUR 3.5m) in unrealised change in value of investments, EUR -3.3m (EUR 0m) in realised change in value of investments and EUR 2m (EUR 1.8m) in interest income from short-term deposits. Other items include EUR -1.1m (EUR -1m) in operating expenses and EUR -2.6m (EUR -0.3m) in income tax.

¹ OMXSPI includes all equities listed on NASDAQ OMX Stockholm.

² RTS Index includes the 50 largest companies traded on the Russian Trading System (RTS).

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.

Of the total operating expenses of EUR -3.6m (EUR -1m) during the reporting period, EUR -1.4m (EUR -0.4m) relate to ordinary operating expenses within the Parent Company. The remaining EUR -2.2m (EUR -0.6m) relate to operating expenses from a consolidated subsidiary. The expenses in the subsidiary mainly relate to fees in the East Capital Power Utilities Fund.

Parent Company

The Parent Company's net loss for the reporting period amounted to EUR -127.4m (EUR 0.2m) of which EUR -126.5m (EUR 0m) refers to a write down of shares in group companies. These shares have been valued to the lower of fair value and acquisition value. Operating expenses amounted to EUR -1.4m (EUR -0.4m).

The Parent Company's net loss for the fourth quarter amounted to EUR -54.2m (EUR 0.2m) of which EUR -53.9m (EUR 0m) refers to the write down of shares in group companies. Operating expenses for the fourth quarter amounted to EUR -0.5m (EUR -0.4m).

No investment activities are carried out within the Parent Company.

Tax

East Capital Explorer's consolidated tax of EUR -2.3m (EUR -0.3m) for the reporting period comprises deferred income tax within the Parent Company of EUR 0.4m (EUR -0.1m) and the net effect of deferred income tax and actual tax related to subsidiaries of EUR -2.6m (EUR -0.2m).

Financial position

Cash flow from operating activities was EUR 1m (EUR 6.5m) during the reporting period. Cash flow from operating activities during the fourth quarter was EUR 0.6m (EUR 6.5m).

The Group's cash and cash equivalents at the end of the period amounted to EUR 183.6m (EUR 260.7m) of which EUR 7.9m is cash in the consolidated subsidiary East Capital Power Utilities Fund. Per 31 December 2008, cash and EUR-deposits amounted to EUR 175.8m (EUR 200.4m). These deposits receive higher interest rates while remaining liquid for future investments. Interest income from these deposits during the fourth quarter amounted to EUR 2m (EUR 1.8m) which brings the total income from deposits for the reporting period to EUR 9.5m (EUR 1.8m).

Of the total cash and deposits, EUR 136.7m was available for future commitments and investments. Of the EUR 40m that was committed to the East Capital Russian Property Fund in June 2008, EUR 0.9m was drawn-down during the quarter to cover running costs in the fund while the remaining EUR 39.1m was still placed in cash and deposits.

East Capital Explorer had no debt on 31 December 2008.

Portfolio overview

Per 31 December 2008, East Capital Explorer had investments totalling EUR 89.7m compared to EUR 149.7m on 31 December 2007.

Changes in the portfolio during the period

On 28 October 2008, East Capital Explorer decided to make a direct investment of approximately EUR 10m in unlisted Russian fashion retailer MFG (OAO Melon Fashion Group). The transaction was done in two steps. The first step was completed on 28 October 2008 when East Capital Explorer acquired shares in MFG amounting to EUR 4.9m. The remaining EUR 5.1m was invested in new shares in MFG that were issued in a share issue that was completed during November 2008.

On 2 December 2008, East Capital Explorer invested an additional EUR 10m in newly issued shares in the East Capital Bering Balkan Fund.

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.

Fund performance during the period

The NAV per unit of the East Capital Bering Russia Fund decreased 69.2% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 70.6% during the reporting period compared to the RTS2 Index which posted a decline of 79.6% during the same period.

During the fourth quarter 2008, the NAV per unit decreased 57.5% in EUR terms. In USD terms, the NAV per unit decreased 58.4% during the quarter, while the RTS2 Index decreased 60.8% during the same period.

On 31 December 2008 the NAV per unit in the fund amounted to USD 19.34.

Market comments on the fourth quarter

During the quarter Russia significantly underperformed the emerging market universe. Rapidly decreasing oil prices, with the price of Brent oil falling 67.3% from the highest level posted on 3 July, affected the Russian economy where 20% of GDP and 40% of the Federal Budget are generated from oil revenues.

The rouble devaluation and uncertainty over the future currency policy contributed further to the negative sentiment. Central Bank reserves decreased from USD 556.8bn to USD 427.1bn during the quarter, with the FX interventions totalling USD 27.9bn in November and USD 45.2bn in December. Although no resources have been spared to defend the rouble, the state still has a significant amount of resources to cover refinancing of the USD 121.1bn of Russian corporate and bank debt due in 2009. At the end of 2008, the size of the Reserve Fund and the National Welfare Fund stood at USD 137.1bn and USD 88.0bn respectively.

In November, industrial production showed a decline of 8.7% year-on-year, the sharpest slowdown since the last crisis in 1998–99. Unemployment increased for the first time in eight years and over 7,500 companies downsized during the quarter.

The Russian small-caps were under a lot of pressure during the quarter and the transportation, metals and mining and banking and finance sectors were the hardest hit. The profitability of the banking sector was under additional strain during the quarter following tight funding conditions and the negative effect of the rouble devaluation on book values in USD. Rouble deposits declined by 8.8% in October, and declined by a more moderate 4.1% in November. The total loan growth declined from 54.0% year-on-year in June to 46.2% year-on-year in November, and the non-performing loans that had been increasing for three consecutive months were, according to the latest data, standing at 2%. Among the relative outperformers were forestry and telecom stocks. With the USD-based pricing, the Russian pulp and paper companies will benefit from the USD/RUB strengthening and the increased export duties on lumber to the Scandinavian countries.

EAST CAPITAL BERING UKRAINE FUND

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

Fund performance during the period

The NAV per unit of the East Capital Bering Ukraine Fund decreased 68.7% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 69.3% during the reporting period compared to the PFTS Index which posted a decline of 83.1% during the same period.

During the fourth quarter 2008, the NAV per unit decreased 47.6% in EUR terms. In USD terms, the NAV per unit decreased 48.8% during the quarter, while the PFTS Index decreased 46.1% during the same period.

On 31 December 2008 the NAV per unit in the fund amounted to USD 8.87.

Market comments on the fourth quarter

2009 could well be the hardest year for the Ukrainian economy since the era of hyperinflation in the early 1990s. Real GDP and industrial output plunged during the last quarter 2008, confirming high sensitivity to changes in external demand and export prices. Among the factors determining the economy's development in 2009 are global steel demand, oil and gas prices, external availability of financing, foreign trade flows, fiscal and monetary policy as well as the process and costs of the banking sector's rehabilitation.

As lender of last resort, the International Monetary Fund (IMF) granted Ukraine a stand-by loan of USD 16.5bn (48% of the country's currency reserves) which will be used to strengthen the Central Bank's currency defence and finance the current account deficit. The Ukrainian parliament has, after intense debate, approved an anti-crisis package, which is a condition for the loan. In effect, the loan will mean a catalyst for much-needed, but difficult reforms.

The gas conflict between Russia and Ukraine over gas prices and transit fees resulted in major gas flow disruptions for Gazprom's European clients, mostly affecting the countries in Eastern Europe. After an almost two-week negotiation standstill, Russia and Ukraine finally agreed that Ukraine will pay European prices for Russian gas starting 2010, after a 20% discount to European prices during 2009. In return, 2009 transit fees for Russia will remain unchanged. The 20% discount this year will imply a 27%

year-on-year increase versus the increase earlier speculated to amount to almost 100%.

One of the major hazards for corporate Ukraine is the potential debt defaults of overleveraged local companies, triggered by the ongoing devaluation of the currency. Although the overall indebtedness of the economy is low, some of the growth sectors such as wholesale and retail trade, construction, real estate, and media are highly leveraged. Most debt is issued in foreign currency, without a natural hedge from the cash inflows. Looking at the fund's portfolio, at least one real estate company, to which the fund has very marginal exposure, is unlikely to survive the current crisis, as the debt coupled with falling property prices is likely to leave equity value close to zero. A number of fast growing companies in the media, food retail, as well as agro sectors are experiencing stretched balance sheets, but should be able to survive by attracting more capital in the coming months.

Looking at the performance of the fund's holdings, the valuations of the private equity holdings of the fund were written down by 35-50% during the quarter which was in line with the market performance of the sector or external valuations.

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.

Fund performance during the period

The NAV per unit of the East Capital Bering Balkan Fund decreased 70.3% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 69.5% during the reporting period. There is currently no relevant benchmark index available for this fund.

During the fourth quarter 2008, the NAV per unit decreased 45.7% in EUR terms. In USD terms, the NAV per unit decreased 43.1% during the quarter.

On 31 December 2008 the NAV per unit in the fund amounted to USD 5.52.

Market comments on the fourth quarter

The fourth quarter 2008 was the worst quarter for the East Capital Bering Balkan Fund since its inception. Southeastern European markets decreased between 36.4% (Romania) and 54.8% (Bulgaria) during the quarter. The deepening of the global financial crisis, the reduction in risk appetite, growing concerns of a sharp economic slowdown, as well as depreciating currencies contributed to the pronounced correction.

For 2009, GDP figures have been consistently revised downwards lately. Nevertheless, at present most of the expectations point to modest but positive growth for almost all the economies in the region. Inflation in Southeastern Europe continued to decrease, due to falling commodity prices and a slowdown in demand. The sharp depreciation in local currencies initially prevented central banks from cutting interest rates, but following the announcement of IMF deal closures and IMF negotiations, the central banks of Turkey and Serbia started their monetary easing cycles.

Turkish equities were not spared from the sharp selloff, but recovered somewhat towards the end of the quarter. The decrease in Serbian equities of 51% during the quarter was partially explained by the 14.3% depreciation of the Serbian dinar against the USD. The decision on a precautionary IMF deal, under which Serbia will

be able to draw USD 516m if needed to strengthen its currency reserves, as well as the central bank's interventions in the FX market, only meant a temporary halt to the depreciation of the dinar. The poor liquidity in the Serbian market continued during the quarter, which contributed to increased volatility.

Romanian equities decreased 36.4% during the quarter. Economic indicators point to a sharp slowdown in economic activity, with e.g. industrial production falling by 11.5% year-on-year in November, the largest drop in nine years. In addition, preliminary figures point to a 2008 budget deficit of 5.2% of GDP, which the European Commission expects to deteriorate to 7.5% of GDP in 2009. The Romanian privatisation funds, with exposure to the banking sector, decreased between 32.6% and 60.4% over the quarter and were among the weakest performers in the fund.

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.

Fund performance during the period

The NAV per unit of the East Capital Bering Central Asia Fund decreased 62.2% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 62.8% during the reporting period compared to the KAZE Index which posted a decline of 66.1% during the same period.

During the fourth quarter 2008, the NAV per unit decreased 40% in EUR terms. In USD terms, the NAV per unit decreased 42.5% during the quarter, while the KAZE Index decreased 65.7% during the same period.

On 31 December 2008 the NAV per unit in the fund amounted to USD 4.19.

Market comments on the fourth quarter

Falling commodity prices and extensive capital outflows have continued to affect Kazakh markets negatively. November showed the first negative industrial production growth reading since July 2007, with industrial production declining 0.2% month-on-month and 0.3% year-on-year in November after 2.1% year-on-year growth in October. The fall can, to a large extent, be attributed to poor performance from the metals and mining sector and it remains to be seen if a recessionary trend will be set. Given a bleak global outlook, IMF's earlier forecast of 5.7% 2009 GDP growth in Kazakhstan will most likely be revised down. In November, Fitch downgraded the sovereign and the four biggest banks to one notch above the sub-investment grade.

During the quarter, a detailed programme for the previously announced support package of around USD 10bn for the recapitalisation of four systemic banks was communicated. The Kazakh government will use up to USD 5bn to purchase up to 25% equity stakes in the four major banks. Following the upcoming recapitalisation, all systemic banks are viewed to be well positioned to meet their 2009 external obligations. Measures including a cut in the minimum reserve requirements, as well as an additional USD 2bn to be deposited by the state funds with the commercial banks are expected to have a positive impact on the banking system. On the back of these measures, KKB and BTA share prices gained 158% and 40% from their respective lows in October until the end of December. See Events occurring after the end of quarter on page 9 for a comment on the Kazakh government's acquisition of a majority of the BTA shares in February 2009.

The Kazakh government has also offered to support the investment programs of the largest mining companies during 2009, while globally, the entire sector is looking at significant capex cuts. Going forward the major concerns remain the effect of the tenge devaluation along with Kazakhstan's government ability to sustain sound public finances.

In Georgia, the USD 4.5bn commitment of the international community to support the war-damaged economy is starting to materialise. The EBRD has pledged USD 975m in loans and investments between 2008 and 2009, out of which USD 225m was paid in 2008. The Bank of Georgia has announced a loan facility of USD 200m provided jointly by the EBRD and IFC, while infrastructure development projects have already received USD 70m and 100m from the Asian Development Bank and the US Millennium Challenge Account program respectively. The government has proposed reductions in the personal income and dividend income taxes, in order to stimulate economic activity in the country. Investor focus will remain on the pace with which the country is able to use the foreign aid to ignite its economy and reverse the war damage.

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.

Fund performance during the period

The East Capital Bering New Europe Fund was launched on 30 April 2008. The NAV per unit of the fund had decreased 31.6% in EUR terms on 31 December 2008. In USD terms, the NAV per unit had decreased 38.2% during the same period. The fund currently has no relevant benchmark index.

During the fourth quarter 2008, the NAV per unit decreased 26.0% in EUR terms. In USD terms, the NAV per unit decreased 27.7% during the same period.

On 31 December 2008 the NAV per unit in the fund amounted to USD 6.18 and 71.3% of the fund was invested.

Market comments on the fourth quarter

Central European and Baltic small and mid-cap stocks continued to be under pressure during the quarter. The Polish midcap MIDWIG index was the worst-hit, dropping 43.6%. The OMX Baltic index was down 40.4%, the Hungarian mid-cap index, BUMIX was down 32.9% and the Czech composite PX index lost 34.3%. Again, the Slovak SAX index was an outperformer, losing only 20.6% (all in USD terms). A significant part of the decrease is attributable to the fact that local currencies lost ground against the USD, like the Polish zloty depreciating 18% during the quarter. The fund performed better than all of the country indices, with the exception of the Slovakian index.

The fund is still not fully invested and the cash portion amounted to more than 25% of the fund on 31 December 2008. The cash is kept in USD, which appreciated against Central European and Baltic currencies, helping the fund's performance. In the current environment, investments are focused on small and mid-cap companies with products with defensive characteristics. During the quarter, selective investments were made in for example a basic consumer goods-related company in the Czech Republic and a high yielding power utility company in Hungary. All of these investments have proved sound and have already made a slight positive contribution. However, the fund lost quite

substantially in IT distribution and finance in the Baltic region. The worsened situation in these sectors is now reflected in the valuation of these assets. The Slovakian IT sector was under a lot of pressure after Polish-listed peers were heavily sold off towards the end of year despite the relatively positive outlook for the sector, which however leaves some potential for a rebound. The Polish engineering sector was especially hit in the quarter due to expected lower demand for machines in the mining and truck sectors.

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.

Fund performance during the period

The NAV per fund unit in the East Capital Power Utilities Fund decreased 67.7% in EUR terms during the reporting period. In USD terms, the NAV per unit decreased 66%, outperforming the Russian power utilities sector index, RTSu, which decreased 72% during the same period.

During the fourth quarter 2008, the NAV per unit decreased 38.5% in EUR terms. In USD terms, the NAV per unit decreased 37% which was better than the RTSu, which decreased 48.3% during the same period.

On 31 December 2008 the NAV per unit in the fund amounted to EUR 163.67 and 80.3% of the fund was invested.

Market comments on the fourth quarter

Russian utility stocks continued to perform negatively during the quarter, posting a decline of 48.3%. Utilities suffered relatively less than other sectors such as the engineering and automotive sector and consumer and retail sectors which dropped 72.0% and 65.1% respectively over the same period.

Two main factors led to utilities stocks recovering somewhat in late December. Firstly, the decreases to the electricity tariff hikes that had been widely anticipated did not materialise, and tariff hikes were instead approved at the initially planned average rate of 18% for OGKs and TGKs and 31% for RusHydro. The agreed tariff increases came as a strong catalyst for utilities stocks, along with a lower gas price increase for 2009 of 16.3% instead of 20.0% which will benefit gas driven utility companies.

Secondly, the majority of the utility companies were made eligible for state financial support. In the beginning of October, generation companies started to signal a need for state financial support, due to rapidly decreasing credit availability. As delays in the delivery of new generation capacity would lead to substantial fines under the current agreements, generation companies initiated discussions with the government to revisit their obligatory investment programs. In December, the Energy Ministry ruled out the possibility of capacity delays on an individual basis. The government has prepared a priority list of 295 companies that would be covered by the state stabilisation support, including almost all of the utilities stocks. This particularly helped utilities stocks to rebound and gave the sector hope of being able to deliver a major part of their investment commitments.

EAST CAPITAL RUSSIAN PROPERTY FUND

The aim of the fund is to invest in shopping centres and other types of cash flow generating retail real estate in regional cities with more than 500,000 inhabitants, primarily in Russia but also in Ukraine and Kazakhstan.

Fund performance during the period

Per 31 December 2008, no investments had been made in the fund. An initial capital draw-down of EUR 0.9m to cover costs in the fund was made during the fourth quarter. The remaining part of East Capital Explorer's commitment amounting to EUR 39.1m was still placed in cash and short-term deposits.

Market comments on the fourth quarter

The Russian, as well as many other real estate markets in Eastern Europe, deteriorated significantly during the quarter, with contributing factors being both global and local in nature. Global factors include lack of bank financing for the real estate sector, continued reluctance among real estate investors to acquire properties in a volatile market as well as reluctance among institutional investors to have exposure to real estate in general and higher-risk, emerging markets in particular. Specific factors for the target region include devaluation (albeit, not as significant in Russia as in Ukraine), decline in commodity prices slowing down the economic growth, decline in consumer spending and increased unemployment.

Both office and retail rental rates started to decline during the quarter. Average rents in the class A Moscow office market declined to USD 1,350 from USD 1,700 a quarter earlier, while the vacancies rose to approximately 8%. Since the fourth quarter is the busiest season for retailers, the negative development has been less pronounced. Nevertheless, retail rents are expected to decrease by 10-30% during 2009 and vacancies increase to 5% from an average of less than 1%.

The overall volume of real estate investment transactions in Russia reached USD 5.1bn in 2008; however, all these transactions were closed in the first 9 months of 2008 before the crisis impacted Russia in earnest. There were no significant real estate transactions during the fourth quarter.

The long term fundamentals of the Russian real estate market remain attractive. The current correction can be seen as healthy for the real estate markets in the fund's target region which in many perspectives has exhibited all the characteristics of being overheated. The market is still undersupplied across almost all asset classes. With limited new development; the current undersupply will continue to provide interesting opportunities to acquire well-performing properties in strategic locations at more attractive valuations.

DIRECT INVESTMENTS

Melon Fashion Group

East Capital Explorer's investment in MFG was completed in November 2008. On 31 December 2008, MFG had a total of 192 stores, compared to 117 at the beginning of the year. Turnover for 2008 amounted to RUB 2.1bn (approximately EUR 58m), an increase of 50% (measured in RUB) compared to 2007 when turnover amounted to RUB 1.4bn (approximately EUR 40m).

PUBLIC EQUITY FUND INVESTMENTS

East Capital (Lux) Eastern European Fund

The fair value of East Capital Explorer's investment in the East Capital (Lux) Eastern European Fund decreased EUR 12.1m during the reporting period, corresponding to a decrease of 67.5% while the MSCI EM Europe Index decreased 67.1% during the same period. During the fourth quarter 2008, the NAV per fund unit decreased 45.2% while the MSCI EM Europe Index decreased 45.7% during the same period (all in EUR terms).

SHORT-TERM INVESTMENTS

Cash and deposits

EUR 175.8m (EUR 200.4m) that have not yet been invested or drawn-down, are placed in EUR-deposits in order to receive higher interest rates while remaining liquid for future investments. Interest income from these deposits during the fourth quarter amounted to EUR 2m (EUR 1.8m) which brings the total income from deposits for the reporting period to EUR 9.5m (EUR 1.8m).

OTHER INFORMATION

Risks and uncertainty factors

The dominant risk in East Capital Explorer's operations is commercial risk in the form of exposure to certain sectors, geographic regions or individual holdings. The financial crisis and market turbulence of 2008 may increase the risks associated with our investments. A detailed description of the risks associated with East Capital Explorer's operations is presented on page 54 in the 2007 annual report.

Related party transactions

For information on related party transactions please see note 17, page 55 in the 2007 annual report. During the quarter, East Capital Explorer Investments AB acquired 2,421 shares in OAO Melon Fashion Group from 26 direct investors in MFG through MFG Intressenter AB, a wholly owned subsidiary of East Capital Holding AB. An additional 2,575 shares were acquired in a new share issue that was completed during November 2008. Following the share issue, East Capital Explorer and the East Capital Group hold respectively 16% and 11.6% of the shares in MFG. The shares were valued at market price and verified through a fairness opinion issued by PricewaterhouseCoopers. Total acquisition value was EUR 10m.

Organisational and investment structure

East Capital Explorer is a public limited liability company that invests in Russia and other countries within the Commonwealth of Independent States (CIS), the Balkans, the Baltic States, Central Asia and Central Eastern Europe, mainly indirectly through a selection of East Capital's current and future funds. In addition, the company may also invest directly in unlisted companies in this region.

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

For further information about the organisation and investment structure of the company, please see the corporate governance

report for 2007 that has been included in the annual report or our web site www.eastcapitalexplorer.com in the section About East Capital Explorer/Corporate Governance.

Share buy-back mandate

The Annual General Meeting 2008 authorized the Board to decide on acquiring the company's own shares. To date, no shares have been bought back by the company.

Annual General Meeting 2009

The Annual General Meeting will be held on Monday, 27 April 2009 at Konserthuset (Grünwaldsalen) in Stockholm. Shareholders who wish to submit a proposal for consideration at the AGM should send such proposal in good time prior to the publication of the notice to attend the Annual General Meeting which is scheduled to be published in mid-March.

Shareholders who wish to contact the Nomination Committee or the Board of Directors, are welcome to send an e-mail to agm@eastcapitalexplorer.com or a letter to East Capital Explorer AB, Box 7214 Stockholm, Sweden.

Dividend

The Board of Directors intends to propose the Annual General Meeting not to distribute a dividend for 2008. East Capital Explorer's dividend policy reflects the Company's judgement that the continuous re-investment of capital in accordance with the investment policy will build a strong investment base and generate long-term value for the Company's shareholders.

EVENTS OCCURRING AFTER THE END OF QUARTER

The Kazakh State acquired majority in BTA Bank

In February 2009, the Kazakh government decided to acquire a controlling interest equaling 78.14% of the shares in BTA Bank. The event had a very marginal impact for East Capital Explorer's net asset value since East Capital Explorer has no direct exposure to BTA and only non-material indirect exposure through one of the fund investments. East Capital Explorer has a well-diversified portfolio with indirect exposure to more than 400 companies through the fund investments made so far. East Capital Explorer's total exposure to BTA amounted to 0.1% of the total net asset value on 31 January 2009. The net asset value of 31 January 2009 took into account the full effect of the decrease in value of BTA during January, based on BTA's share price on 30 January 2009.

NAV on 31 January 2009

NAV per share per 31 January 2009 amounted to EUR 7.19 (corresponding to SEK 76.21), compared to EUR 7.31 (corresponding to SEK 79.53) on 31 December 2008. The share price on 31 January 2009 was SEK 45.40 (corresponding to EUR 4.28). Cash and deposits on 31 January 2009 amounted to EUR 176.6m (SEK 1,872m) which corresponds to EUR 4.87 (SEK 51.62) per share.

PORTFOLIO ON 31 JANUARY 2009

	Fair value change January %	Nav/ Share EUR	% of NAV
Semi-Public Equity Fund Investments			
East Capital Bering Russia	-14.4	0.17	2.4
East Capital Bering Ukraine	6.4	0.22	3.1
East Capital Bering Balkan	-0.6	0.48	6.7
East Capital Bering Central Asia	-8.5	0.19	2.6
East Capital Bering New Europe	-0.3	0.19	2.6
East Capital Power Utilities Fund	-11.3	0.65	9.0
	-5.9	1.90	26.5
Direct Investments			
MFG (OAO Melon Fashion Group)	-	0.27	3.8
	-	0.27	3.8
Public Equity Fund Investments			
East Capital (Lux) Eastern European Fund (EUR)	-4.4	0.15	2.1
	-4.4	0.15	2.1
Short-term Investments			
Cash and deposits		4.87	67.7
		4.87	67.7
Total Portfolio			
		7.21	100.3
Other assets and liabilities net		-0.02	-0.3
Net Asset Value (NAV)	-1.6	7.19	100.0

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and RR31 Consolidated Interim Financial Reporting. The accounting principles that have been applied for the Group and Parent Company are in agreement with the accounting principles used in the 2007 annual report.

Stockholm, 17 February 2009



Gert Tiivas
Chief Executive Officer

CONTACT INFORMATION

Gert Tiivas, CEO, +46 8 505 977 30
Louise Hedberg, Head of Communications/IR,
+46 8 505 977 20

FINANCIAL CALENDAR

- Monthly net asset value report on the fifth working day after the end of each month
- Annual Report 2008 available in the week of 6 April 2009
- Annual General Meeting in Stockholm on 27 April 2009
- Interim Report 1 January – 31 March 2009 on 14 May 2009
- Interim Report 1 January – 30 June 2009 on 20 August 2009
- Interim Report 1 January – 30 September 2009 on 12 November 2009

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 08:20 a.m. CET on 18 February 2009.

Review Report

To the Board of East Capital Explorer AB (publ)

Corp ID 556693-7404

Introduction

We have reviewed East Capital Explorer AB's (publ), corporate identity no. 556693-7404, Year-end report (interim report) for the period 1 January – 31 December 2008. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted our review in accordance with the Standard on Review Engagement 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 Standards on Auditing in Sweden RS 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 Year-end 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, 17 February 2009

KPMG AB

Carl Lindgren

Authorized Public Accountant

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

Income statement – Group

EUR thousands

	Group 1 Oct – 31 Dec 2008	Group 1 Oct – 31 Dec 2007	Group 1 Jan – 31 Dec 2008	Group 19 Jun – 31 Dec 2007
Result from financial assets at fair value through profit and loss	-59,441	3,466	-155,676	3,466
Total operating income	-59,441	3,466	-155,676	3,466
Staff expenses	-201	-199	-612	-223
Other operating expenses	-969	-726	-2,967	-782
Operating profit/loss	-60,611	2,541	-159,255	2,461
Financial income	2,942	1,794	10,438	1,794
Financial expense	-1	-35	-22	-35
Profit/loss after financial items	-57,669	4,300	-148,838	4,220
Income tax	-2,646	-277	-2,287	-255
NET PROFIT/LOSS FOR THE PERIOD	-60,314	4,023	-151,124	3,965
Profit/loss distribution:				
Shareholders of the Parent Company	-53,659	3,346	-129,236	3,298
Minority interest	-6,655	677	-21,888	667
	-60,314	4,023	-151,124	3,965
Earnings per share, EUR – shareholders of the Parent Company. No dilution effects.	-1.48	0.10	-3.56	0.09
Number of shares				
Total number of shares	36,270,160	36,270,160	36,270,160	36,270,160
Average number of shares	36,270,160	35,032,755	36,270,160	35,032,755

Segment reporting

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

Group EUR thousands	Semi-public Equity-funds 1 Jan-31 Dec 2008	Direct investments 1 Jan-31 Dec 2008	Real estate fund investments 1 Jan-31 Dec 2008	Short-term investments 1 Jan-31 Dec 2008	Other and unallocated 1 Jan-31 Dec 2008	Total consolidated 1 Jan-31 Dec 2008
Result from financial assets at fair value through profit and loss	-143,245	-	-342	-	-12,089	-155,676
Other expenses	-	-	-	-	-3,579	-3,579
Operating profit/loss	-143,245	-	-342	-	-15,668	-159,255
Financial income	-	-	-	9,502	937	10,438
Finance expense	-	-	-	-22	-	-22
Profit/loss after financial items	-143,245	-	-342	9,480	-14,731	-148,838
Income tax for the period	-	-	-	-	-2,287	-2,287
Net profit/loss for the period	-143,245	-	-342	9,480	-17,018	-151,124
Assets	73,383	9,941	513	189,457	8,078	281,372
Liabilities	-	-	-	-	5,922	5,922

The above table provides information about allocating revenues to segments for the group. Expenses are not allocated to segments, since a majority of these expenses can not be attributed to one certain segment.

Balance sheet – Group

EUR thousands

	Group 31 Dec 2008	Group 31 Dec 2007
Shares and participations in investing activities	95,092	109,969
Deferred tax assets	-	97
Total non-current assets	95,092	110,066
Other short-term receivables	20	43,941
Accrued income and prepaid expenses	2,617	677
Short-term Investments	-	17,903
Deposits	175,190	198,700
Cash and cash equivalents	8,453	62,001
Total current assets	186,280	323,222
Total assets	281,372	433,288
Share capital	3,627	3,627
Other contributed capital	387,652	387,652
Reserves	-316	-316
Profit brought forward	3,298	-
Net profit/loss for the period	-129,236	3,298
Equity attributable to shareholders of the Parent Company	265,025	394,261
Minority interest	10,425	32,313
Total equity	275,450	426,574
Deferred tax liabilities	589	70
Total long-term liabilities	589	70
Tax liabilities	1,953	339
Other liabilities	2,482	5,585
Accrued expenses and prepaid income	898	720
Total current liabilities	5,333	6,644
Total equity and liabilities	281,372	433,288

Changes in equity – Group

EUR thousands

	Share capital	Other contri- buted capital	Non-restricted equity	Total equity shareholders in Parent Company	Minority	Total equity
Opening equity 1 Jan 2008	3,627	387,652	2,982	394,261	32,313	426,574
Net profit/loss for the period	-	-	-129,236	-129,236	-21,888	-151,124
Per 31 Dec 2008	3,627	387,652	-126,254	265,025	10,425	275,450

Cash flow statement – Group

EUR thousands

	Group 1 Jan – 31 Dec 2008	Group 19 Jun – 31 Dec 2007
Operating activities		
Operating profit/loss	-159,255	2,461
Adjusted for unrealised change in value	152,342	-3,435
Capital gain/loss from divestment	3,334	-
Interest received	7,626	1,254
Interest paid	-22	-35
Tax paid	-57	57
Cash flow from current operations before changes in working capital	3,968	302
Cash flow from changes in working capital		
Increase (-)/decrease (+) in other current receivables	-38	-136
Increase (+)/decrease (-) in other current payables	-2,913	6,305
Cash flow from operating activities	1,017	6,471
Investing activities		
Investment in shares and participations	-130,866	-168,810
Proceeds from sale of shares and participations	52,124	-
Cash flow from investing activities	-78,742	-168,810
Financing activities		
New share issue	-	55
Redemption of shares	-	-55
New share issue incl over-allotment option	-	391,279
Contributed minority interest	-	31,761
Cash flow from financing activities	-	423,040
Cash flow for the period	-77,725	260,701
Cash and cash equivalents at beginning of the year ¹	260,701	-
Exchange rate differences in cash and cash equivalents	667	-
Cash and cash equivalents at end of the period	183,643	260,701

¹ Cash equivalents comprise deposits and cash.

Consolidated key figures

	1 Jan – 31 Dec 2008	19 Jun – 31 Dec 2007	Key figures/share	1 Jan – 31 Dec 2008	19 Jun – 31 Dec 2007
Equity ratio	97.9%	98.5%	Earnings, EUR	-3.56	0.09
Net asset value, EURt	265,025	394,261	NAV, SEK ¹	79.53	102.61
Change in NAV	-32.8%	0.7%	NAV, EUR	7.31	10.87
Market capitalisation, SEKm	1,458	3,627	Share price, SEK	40.20	100
Market capitalisation, EURt ¹	134,013	383,810	Share price, EUR ¹	3.69	10.58
Number of employees	4	3			

¹ Some currency translations are made for informational purposes. 1 EUR = SEK 10.88 on 31 December 2008 and SEK 9.44 on 31 December 2007. Source: Reuters.

Income statement – Parent Company

EUR thousands

	Parent Company 1 Oct – 31 Dec 2008	Parent Company 1 Oct – 31 Dec 2007	Parent Company 1 Jan – 31 Dec 2008	Parent Company 19 Jun – 31 Dec 2007
Staff expenses	-201	-199	-612	-223
Other operating expenses	-323	-163	-770	-219
Operating profit/loss	-524	-362	-1,382	-442
Financial income	11	695	36	665
Financial expense ¹	-53,856	-29	-126,468	-
Profit/loss after financial items	-54,369	304	-127,813	223
Income tax	155	-85	392	-63
NET PROFIT/LOSS FOR THE PERIOD	-54,213	219	-127,422	160

¹ Financial expense in Parent Company comprises writedown of shares in group companies.

Balance sheet – Parent Company

EUR thousands

	Parent Company 31 Dec 2008	Parent Company 31 Dec 2007
Shares and participations in investing activities	263,764	390,174
Deferred tax assets	-	-
Total non-current assets	263,764	390,174
Other short-term receivables	1,399	-
Accrued income and prepaid expenses	23	136
Cash and cash equivalents	286	1,441
Total current assets	1,708	1,577
Total assets	265,472	391,751
Share capital	3,627	3,627
Other contributed capital	387,652	387,652
Profit brought forward	160	-
Net profit/loss for the period	-127,422	160
Equity attributable to shareholders of the Parent Company	265,025	391,439
Total equity	265,025	391,439
Tax liabilities	63	63
Other liabilities	128	60
Accrued expenses and prepaid income	256	189
Total current liabilities	447	312
Total equity and liabilities	265,472	391,751

EAST CAPITAL EXPLORER

Kungsgatan 33, Box 7214
103 88 Stockholm, Sweden
Tel: +46 8 505 97 700
Corporate identity no. 55 66 93 - 7404
www.eastcapitalexplorer.com

