

East Capital Explorer *Annual Report 2016*

**EAST CAPITAL
EXPLORER**



The cover

Left: Zarina is one of Melon Fashion Group's three brands. The initial investment was made in 2008. Right: Go9 shopping centre is a well known shopping centre in the heart of Lithuania's capital Vilnius. The property was acquired by East Capital Baltic Property Fund II during 2012. Below: 3Burés, one of the most modern office complexes in the Baltics. The property was acquired during 2014.

This is East Capital Explorer

» *East Capital Explorer is listed on Nasdaq Stockholm Mid Cap and manages a portfolio of primarily Real Estate and Private Equity holdings with a total NAV of approximately EUR 250m. The company is currently transitioning into a pure Baltic real estate company. Our aim is to generate predictable strong cash flows by being a long-term owner of commercial properties with low vacancies and stable tenants at prime locations in the Baltic capitals.*

What a year!

By terminating the previous investment agreement and building an in-house investment organization, we lowered our operating costs by 40 percent. In the portfolio, we realized great value by selling Starman at nearly twice the amount invested. The real estate portfolio continued to grow and Melon Fashion Group came out of the Russian crisis with improved profitability. We bought back almost one in ten shares via our buy-back program intended to address the NAV discount that had haunted the share. Our share ended the year 33 percent up. With strong finances and a more streamlined portfolio, we now enter a new phase.

Baltic real estate in focus

The next larger step is to concentrate the portfolio further with the aim to become a pure play Baltic real estate company with directly owned properties. Commercial properties in prime locations offer a yield that is 2-3 percentage points higher than in the Nordic capitals, with similar financing costs. The Baltic countries' strong finances and sound GDP growth, combined with the ongoing trend of service companies moving their operations to the region, contribute further to the region's attractiveness.

Control and transparency

Not only are we streamlining our portfolio, we are also streamlining our corporate structure to increase transparency and improve control. When the previous investment agreement with East Capital was terminated, we were able to review our corporate structure and organization. This has led to liquidating holding companies and centralizing control functions. The in-house investment management allows for quicker decision making and more integrated management. Efficiency is also visible in our costs; just six months after the terminating the agreement, comparable operating costs had decreased by 40 percent. The streamlining is set to continue in 2017.



1

Highlights

| | |
|---|----|
| Comments from the Chairman | 4 |
| Comments from the CEO | 6 |
| Key events 2016 | 7 |
| Environment for innovation in Baltic capitals | 8 |
| A pure Baltic real estate company | 11 |
| The market situation in the Baltics | 12 |
| How we create shareholder value | 13 |
| The East Capital Explorer-share | 14 |

2

Our portfolio

| | |
|---------------------------------------|----|
| Portfolio overview | 18 |
| Private equity | |
| Melon Fashion Group | 21 |
| Trev-2 Group | 22 |
| Real Estate | |
| 3 Burès | 25 |
| East Capital Baltic Property Fund II | 26 |
| East Capital Baltic Property Fund III | 28 |
| Public Equity | |
| Komercijalna Banka Skopje | 31 |
| East Capital Capital Deep Value Fund | 31 |
| Short-term investments | |
| East Capital Frontier Markets Fund | 32 |

3

Corporate Governance

| | |
|----------------------|----|
| Corporate Governance | 35 |
| Management | 40 |
| Board of Directors | 41 |
| Staff | 42 |

4

Financial Statements

| | |
|------------------------------------|----|
| Administration Report | 44 |
| Financial Statements | 46 |
| Notes | 48 |
| Five-Year Summary | 62 |
| Auditor's Report | 64 |
| Definitions | 67 |
| Financial information and calendar | 68 |
| Annual General Meeting 2017 | 68 |

1

Highlights

| | |
|---|----|
| Comments from the Chairman | 4 |
| Comments from the CEO | 6 |
| Key events 2016 | 7 |
| Environment for innovation in Baltic Capitals | 8 |
| A pure Baltic real estate company | 11 |
| The market situation in the Baltics | 12 |
| How we create shareholder value | 13 |
| The East Capital Explorer-share | 14 |

Comments from the Chairman

Those with the lowest costs have the greatest freedom. In 2016, East Capital Explorer lowered its operating costs by 40 percent, but the path to get there was not entirely straightforward. Behind the result lies hard work spurred by a strong belief that a focused portfolio can offer our shareholders a better return.



Lars O Grönstedt
Chairman

Cost control is paramount. This cannot be emphasised strongly enough. Those with the lowest costs have the greatest freedom. This is particularly evident in the financial sector, with the long-term perspective we take, where the amount that yields interest year after year is so sensitive to even small, but recurring cost items. Costs can be defined in many ways. The relevant measure of costs for a company like East Capital Explorer is costs as a percentage of net asset value, or NAV.

Strategic focus for growth and cost control

When I took over as Chairman two years ago, the company's cost situation stood out as the single most important issue to address. There were many reasons for the situation we were in. During most of the time the company has been in existence the markets we operated in experienced recurring problems. As a result, value growth - even for a well-managed portfolio like ours - had lagged behind. Meanwhile, managing a portfolio in Russia in particular requires the type of hands-on approach and local presence that is inconsistent with keeping management costs at the level of other investment firms listed on the Stockholm exchange. Costs as a percentage of NAV therefore remained at an unsustainable level.

It was therefore critical for us to continue on our strategic path of shifting the emphasis of the portfolio from funds with holdings in

post-Soviet states to holdings in more stable markets. It was also important to do this in a way that enabled us to distinguish ourselves as not just another Swedish investment firm among all the rest, but that we could really deliver a better return to our shareholders.

An important component of this transformation was to have our own asset management organisation rather than buying the service from our largest owner. The expertise that East Capital possesses is built up over decades and requires a long-term presence deeply rooted in the markets. This is not possible to maintain within our cost margins. One consequence of our emphasis on costs was to restrict the strategy to focus on an area that was small enough that we could afford first-class expertise within our own organisation, while offering better value growth than that of an average Swedish investment company.

With this in mind, the Board of Directors has, over the past year, been working on this strategy in a target-oriented and structured way which has convinced us that one such area is the Baltic property market, and in particular

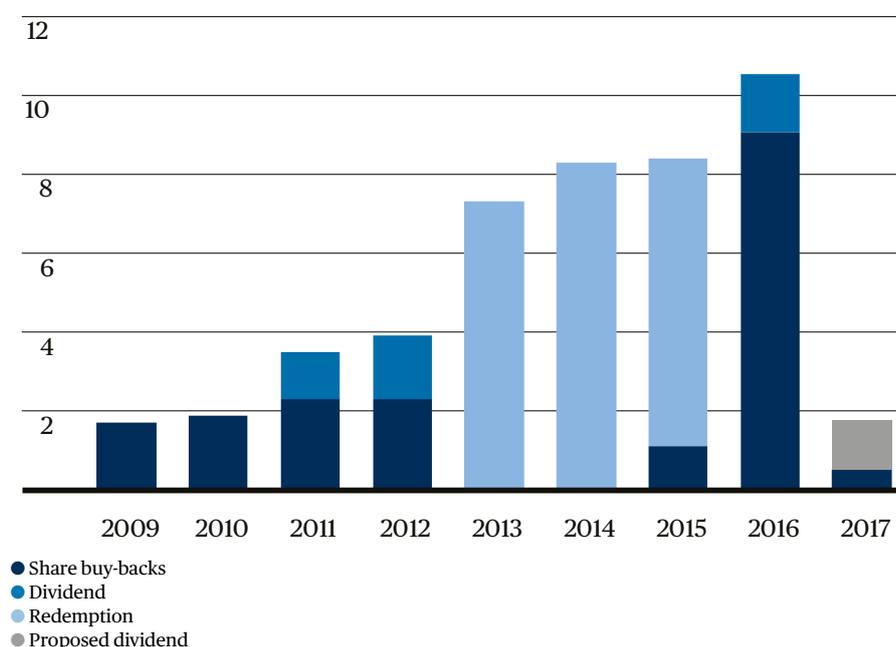
prime locations in the three Baltic capitals. The three Baltic countries have good GDP growth, stability from being in the Eurozone, lower real estate valuations and a shortage of modern office and retail properties. They are also compact enough to be managed by a cost-efficient team. We are also able to build on the knowledge and local presence we already have there.

The real problem and the red herrings

An exclusively dry depiction of a fairly methodical and therefore also unglamorous process of developing and implementing a change in strategy would, however, not do justice to the events over the past few years. As Chairman it's irresistible to also mention, not only the results from the analysis, but also our journey to get there.

As is so often the case, the real problem was masked behind a number of insights, all of which could be justified to some extent, but which were actually red herrings. It was important to clear these out of the way for a full view of the landscape.

Distribution to the shareholders, % of market cap



Since our asset manager had over time also become our largest owner, it was easy to get caught up in a discussion of conflict of interest, a topic so many consider themselves experts on. This is, however, an area where the Swedish Companies Act provides good guidance, rather than opinions and perceptions. One challenge as Chairman has been to sift through the noisy discussion. It is also appropriate here to make it clear that, contrary to what was sometimes said in the heat of the debate, East Capital's owners have always had the same objective as me: to find a solution to make Explorer a great company. Despite lively discussions on details, we have never wavered from this.

Another red herring was the many attempts to find comparable management assignments and therefore also comparable remuneration levels. Since the problem was the company's

overall cost levels in relation to the NAV, this was a fairly pointless venture. It tended to result in proposals for increasingly refined models with less and less connection to what it is actually all about - simply put: money in and money out.

A third red herring was the aspirational one: it will work out in time; the market will rebound; actions taken by portfolio companies will start to bear fruit etc. Here it is the chairman's role to remind everyone of what Keynes said: "In the long run we are all dead." Another related false doctrine is the belief that there is only one solution: like Alexander - cut the Gordian knot for an instant fix. But Alexander did not live long, and there are no shortcuts to getting costs under control; it is done through many small measures and methods. Here more than ever, it is essential to avoid broad strokes and simple solutions.

A fourth approach, substantial but not as complicated as it is purported to be, is the equal treatment principle among shareholders. One shareholder should not be favoured because it is too large - but not punished either. In unravelling the very close ties between us and East Capital, a lot of time was spent on simulating the effects of various outcomes on different groups of shareholders. As is so often the case when doing complex simulations, the outcomes quickly become a jungle. In this situation, a chairman's role is to constantly demand simplification so that the options are clear in their initial phases. Complications can then gradually be introduced and the discussion steered towards more down-to-earth aspects, without being locked up by positions being taken too prematurely.

Ultimately, anyone with experience on a board of directors can probably to some degree imagine what lies behind the bald figure of 24 board meetings. All board members as well as executive management have been required to have a large measure of patience, energy and an appetite for fresh approaches and, not least, persistence. This was actually the most difficult year I've experienced in all my years serving on boards.

Hard work pays off

Now as we find our footing as a company with its own management organisation in a market we have great confidence in, I would in particular like to thank our executive management, Mia, Lena and Kestutis. Without your efforts and your unwavering loyalty, we would not have managed to pull off this great transformation! Mia is moving on to other assignments after the AGM. She is able to do so in the full knowledge that she is leaving a job extraordinarily well done under circumstances that can only be described as frequently challenging.

Looking back on 2016, we can see our hard work being crowned with success. To the 2015 share price increase of 22 percent, we have added an additional increase of 33 percent for 2016. As the diagram below shows, the shareholders have also enjoyed a competitive yield over the past few years.

And the costs? They are down by 40 percent to a running level of 1.8 percent of NAV. We are not really where we want to be yet, but we are well on our way. This is also true for the NAV discount, which is not yet at a level the Board is comfortable with, even though it dropped from halved from 40 to 20 percent in 2016. Which we can to some extent interpret as evidence that we are on the right track.

Lars O Grönstedt
Chairman



Hilton Tallinn Park Hotel, acquired in 2016 by East Capital Baltic Property Fund III, is the first Hilton hotel in the Baltics and also includes the Olympic Park Casino.

The end is the beginning of something new

2016 was a year of transformation. Among other things, we became a self-managed investment company. The investment agreement with East Capital was terminated and we lowered our costs significantly while we started to build up our own investment organisation. We sold Starman at almost twice the invested capital and continued our real estate investments in the Baltics where we started developing a third office tower at our 3 Burės property. The transformation of our portfolio from funds with listed assets to real estate and private equity was further accelerated and, at year-end, funds with listed assets made up less than a fifth of the portfolio. In 2016 we also made vigorous efforts to control the NAV discount and launched a buy-back programme linked to the discount, which was almost halved.



Mia Jurke
CEO

Several bright spots among our holdings and continued portfolio streamlining

In general all of our holdings developed well in 2016. Melon Fashion Group accounted for the single largest value increase. In the second half of the year the fashion retailer improved its gross margins driven by both the recovery of the rouble and lower procurement costs. This, combined with successful cost-cuts and the general improvement in the Russian economy, increased the value of our investment. The real estate sector experienced solid and stable development during the year. Among our listed holdings, the Macedonian bank Komercijalna Banka Skopje was the strongest performer.

We made several significant portfolio changes in 2016. We sold Starman - our biggest investment at the beginning of the year - realising a gross IRR of 24 percent. When we acquired Starman in 2013, in addition to a well-run company with good margins, we saw a consolidation case in the Baltic cable TV and broadband market, a strategy that was also made possible through our investments. The decision to sell was made when we had a choice between either proceeding with the consolidation strategy, which would have required further investments, or realising the accumulated value increase. As the holding was already considerable in relation to our portfolio, we chose the latter, which ultimately brought in an exit gain of EUR 37.5m.

The general divestment of funds with listed assets also continued at a fast pace and the total amount divested was close to EUR 34m. The result was that our remaining holdings in

these funds represented less than one fifth of the portfolio at year-end - and this will be further reduced in 2017.

Clear focus on real estate and the Baltics

On the investment side, our focus in 2016 was on Baltic real estate. We started developing a third skyscraper at our directly held 3 Burės property in Vilnius. Construction will be complete by the end of 2018 and with 98 percent of the space already pre-leased to Swedbank and Visma, we expect strong cash flows as soon as it is finished. Three properties were added through our fund holdings; Mustamäe Keskus was acquired by East Capital Baltic Property Fund II, and Vesse Retail Centre and Hilton Tallinn Park Hotel by Baltic Property Fund III. New investments coupled with value growth in existing assets, means that real estate has become our largest segment at year-end, in line with the strategic transformation of the company.

Baltic real estate is also the sector where we see the most attractive opportunities going forward. There is continued strong demand for modern premises in prime locations in the capitals, where Nordic and other international companies establish so called shared service centres. Additionally, the countries are in good shape, with solid and balanced growth as well as macroeconomic stability, providing a sound foundation for real estate investments. This, combined with attractive yields and good financing terms means there is great potential for attractive, risk-adjusted returns in the region, especially for a long-term investor like East Capital Explorer. Given the strong cash position, focus is now on acquiring excellent properties to build up a strong

portfolio over time. That work has been initiated. In April 2017, we signed the agreement to acquire Vertas, an A class office building in central Vilnius. This further strengthens our position in the Lithuanian capital.

Time to say goodbye

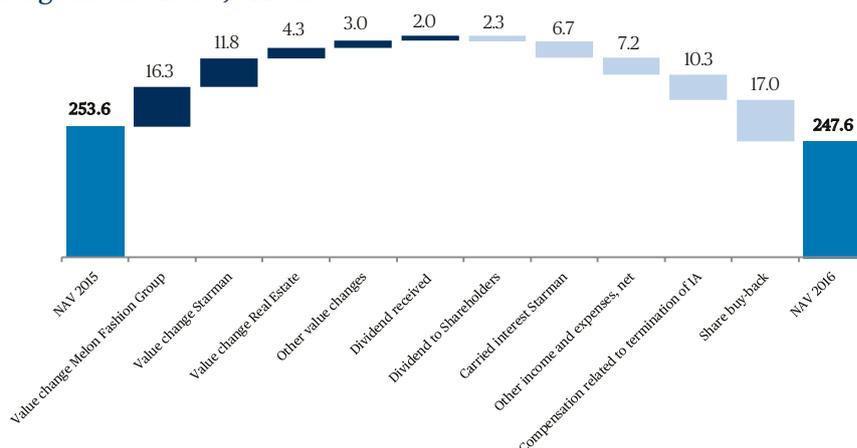
We have come a long way since I joined East Capital Explorer in 2011. Portfolio management was outsourced then, and we had exposure to 300-400 mainly listed companies across Eastern Europe, most of them indirectly owned via funds. The discount to NAV was around 40 percent.

In 2013, the strategy was refocused on unlisted assets, paving the way for what East Capital Explorer has become today - a focused investor with its own investment management organisation, an efficient and transparent structure and a significantly lower NAV discount. There is more to do and to prove. But with the foundations laid, it is time for someone new to finish the building process. It has been a fantastic journey to be a part of and many fantastic people have helped bring East Capital Explorer to where it is today.

As the company now takes the next step, focusing further on the strategy of primarily direct investments in prime real estate in the Baltic capitals, it is doing so based on a strong financial position and with excellent opportunities to continue to build up a well-adapted organisation with the right talent and expertise. To move into the next phase, it is time for someone else to take over as CEO.

Mia Jurke
CEO

Change in NAV 2016, MEUR



Key events 2016



Q1

1. Termination of the investment agreement is presented together with East Capital

2. Two properties were added through Baltic Property Fund II and III; Mustamäe Keskus and Vesse Retail Centre, both in Tallinn

3. A dividend for 2015 of SEK 0.80 or EUR 0.09 is proposed to the AGM

Q2

4. A buyback programme to keep the discount to NAV in check is introduced and the equivalent of 4.3 percent of outstanding shares are repurchased during the quarter

5. Nadya Wells is elected as a new member of the Board of Directors

6. In line with the strategy to further sharpen the portfolio focus, EUR 7.0m in fund holdings are sold. MFG is impaired by 10 percent (in RUB) due to a weaker sales growth

Q3

7. An in-house investment team consisting of four new employees is formed

8. EUR 4.8m is invested in East Capital Baltic Property III when the fund buys Tallinn Hilton Park Hotel

9. Fund holdings for an additional EUR 19.7m are sold, and the equivalent of 3.2 percent of outstanding shares are repurchased

Q4

10. Construction of the third tower at 3 Burés in Vilnius is started. 70 percent of the leasable space is already leased to Swedbank

11. After a long legal process, the completion of the Starman transaction adds EUR 83.6m to the Company's cash and an average gross IRR of 24 percent

12. MFG is appreciated by 40.9 percent (RUB) as a result of a strengthened rouble, improved business outlook and reduced geopolitical risk

Environment for innovation in Baltic capitals



Kestutis Sasnauskas
CIO

Is history repeating itself?

The development during the more than 20 years that I have worked with investments in the Baltics has been impressive and occasionally dramatic. Not only have Estonia, Latvia and Lithuania joined the EU, NATO and the EMU. GDP per capita in the three countries with a total of 6.1 million residents has tripled in real terms during this period, with disposable income five folding and the stock index eight folding. And all of this despite the downturn following the last financial crisis - Estonia's and Lithuania's GDP shrank by 15 percent in 2009 while Latvia's shrank by 18 percent.

When the Baltic real estate market was at its lowest after the financial crisis, vacancies reached 20-30 percent, rents fell by the same amount and liquidity almost disappeared. Today, rents, vacancies, transaction volumes and exit yields are all back at pre-crisis levels. Is history repeating itself? We believe not, since the Baltic region is different today. Before the crisis, the countries' current account deficits were more than 10 percent, loan financing was readily available to all and growth was on par with that of China. Today, the macroeconomic imbalance is gone, credit

The Baltic countries are substantially different today compared to what they were before the last financial crisis. Today, the economies are financially balanced with predictable policies and a business-friendly reform agenda. For a long-term investor, such as East Capital Explorer, the Baltic case offers an attractive risk reward.

policies are restrictive while growth is balanced and driven by both domestic demand and exports. Policies are predictable and focus is on continuing to implement reforms. The single largest and over time most serious threat to the region is the demographic trend. However, although the countries have shrinking and ageing populations, the three capital cities are growing. And as for the geopolitical risk, the three countries' NATO membership should make an aggression less likely. Investors seem to agree - both the stock market and the real estate markets have enjoyed a stable development over the past few years.

Good conditions for growth

The lower and more sustainable GDP growth of 2-3 percent we have seen the past few years - still among the highest in the Eurozone - is benefitting the business climate in the Baltics, which in turn creates good conditions for growth in commercial property rents. Vacancies are low today and many existing leases are on rent levels far below those of new leases, which means that existing properties can gradually increase their rental income. Development activities are high, but most properties under construction have high occupancy rates and new, often international tenants. One example is our development project in 3 Burès in Vilnius; 98 percent of the third tower which will be ready in late-2018 is already pre-leased.

The Lithuanian capital stands out in the Baltics after having succeeded in attracting numerous international companies to establish so-called shared service centres. These centres have well-educated people with language skills, and salaries and rents are competitive. We are seeing sustained demand in this area and, over time, we expect it to create an environment for innovation and start-ups, which in turn will increase demand for office space.

Yield gap creates a solid investment case

We are also attracted by the general gap between exit yields and borrowing costs, which is greater in the Baltics than in many other comparable places. Credit terms for real estate financing in the Baltics are similar with those in Sweden, but exit yields are about two percentage points higher. This is on the one hand understandable given the smaller size and lower liquidity in the Baltic real estate market, but on the other it makes the financial calculation for a long-term investor such as East Capital Explorer even more attractive.

Kestutis Sasnauskas
CIO

3 Burés in Vilnius with its low vacancy, stable increase in rent levels and many international tenants, illustrates the trend in the Baltic real estate market well. 3 Burés was acquired by East Capital Explorer in 2014.



Mustamäe Keskus, acquired in 2016 by East Capital Baltic Property Fund II, is a 13,500 sqm shopping centre developed in Mustamäe residential district in Tallinn. Key tenants are Rimi grocery, a multiplex cinema, fitness club and restaurants.



A pure Baltic real estate company

After spending the better part of 2016 building the new independent East Capital Explorer, with increased transparency and an in-house investment management organization, it is time for the next major step that is to concentrate the focus further with the aim to become a pure Baltic real estate company. This means that with time, we will divest all Private Equity and listed holdings, something that we have already started with and has made good progress. The liquid assets will then gradually be used to extend and strengthen our existing real estate business in the Baltic States.

The decision to become a pure real estate company follows a thorough analysis of the market situation in the Baltic countries, weighted with an assessment of our internal capacity as a medium-sized company to reach cost efficiency in the management and thus achieve long-term attractive returns to our shareholders. All in all, it has led to the decision to refine the focus towards one type of asset and to the region that we find most attractive.

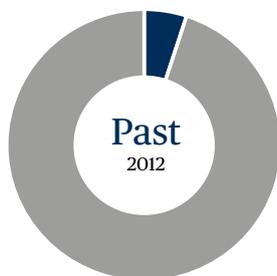
The Baltic countries offers a unique mix of attractive growth and valuations, financial stability and a good borrowing possibility.

Since the Baltic States joined the Eurozone, interest rates and liquidity in the region have improved significantly. This has created a positive atmosphere for growth that we believe will endure for many years to come. At the same time, the yield levels for real estate in the Baltic countries are significantly higher than for comparable properties in both Stockholm and Helsinki, which creates space for a higher profit from property management than what is possible in other markets.

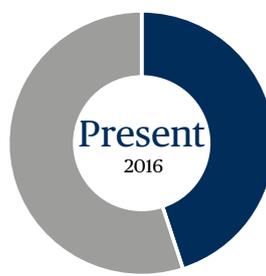
The combination of being able to borrow at a low rate and then invest in property with an attractive yield is a strong contributing factor for why we chose to invest in the Baltic region.

To capitalize on this at the lowest possible risk level, we only invest in commercial A-class real estate with prime locations in the Baltic capitals. In addition to low risk, A class also opens up to the possibility for significantly higher rents when affluent Swedish and other foreign companies relocate their operations to the region. A prime location also keeps the vacancy rates down in difficult times, which creates an even revenue capacity and stable cash flows for future dividends.

Geographic shift from Russia to the Baltics



● Baltics (2012) 5%
● Other countries 95%

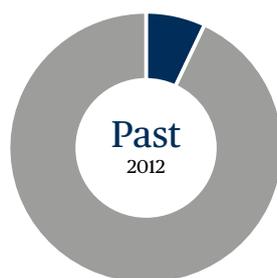


● Baltics (2016) 45%
● Other countries 55%

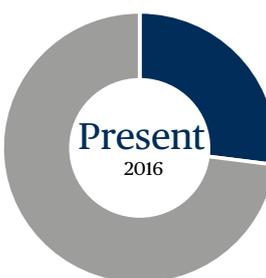


● Baltics 100%
● Other countries 0%

The transformation: Focus shift towards real estate



● Real Estate (2012) 7%
● Other sectors 93%



● Real Estate 27%
● Other sectors 73%



● Real Estate 100%
● Other sectors 0%

The market situation in the Baltics

Why do we choose to invest in the Baltics? In short, it is based on the countries' combination of a growing business sector, underdeveloped property market, well-educated workforce and stable finances. In Estonia, Latvia and Lithuania, like in the rest of the Western world, there is an urbanisation trend with migration toward the larger cities, where jobs, education and higher salaries attracts. This, in turn, leads to increased attractiveness for foreign service companies to establish in the Baltic capitals, that keep growing. The countries low government debts and sound GDP-growth speak for a lower risk.

How is this reflected in the real estate sector?

1. Low vacancies and cautiously increasing rent levels reduce risk

In recent years, we have seen a substantial reduction of the vacancy rates in all Baltic capitals. This has resulted in stable, but subtle, rent increases. This built-up demand indicates a continued positive trend, especially in Tallinn and Vilnius.

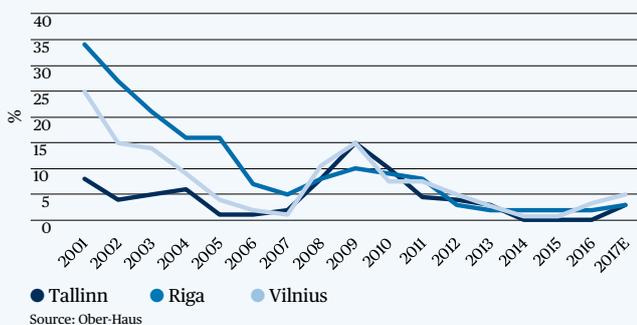
2. Attractive workforce for foreign service companies

We also see a clear trend that more and more Swedish as well as other foreign companies, especially in the service sector, outsource parts of their operations to the region. It's often support functions and IT. By the end of 2016, for example, Swedbank chose to relocate part of their customer support functions to Vilnius and to the 3 Burės complex. The region has salary levels that are lower than other parts of the EU while the level of education is high. Foreign companies are usually accustomed to a high standard of office and retail space, which means that they usually move into the premium segment.

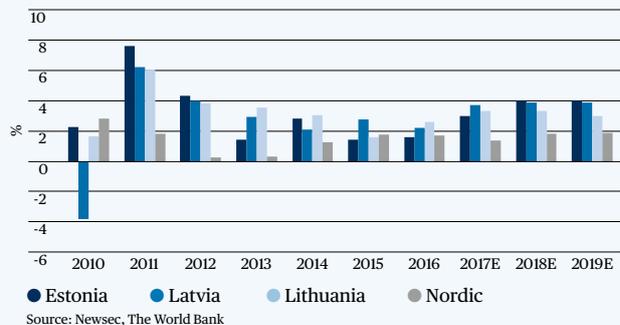
3. Stable GDP-growth and sound finances

GDP-growth in the region before the financial crisis was very high in all countries in the Baltics. After falling sharply in the wake of the financial crisis, the growth has recently recovered at a level around 2-3 percent, which is among the highest in the Eurozone the last years. State finances are sound with a government debt at 10 percent of GDP in Estonia and 40 percent of GDP in Latvia and Lithuania. Even the banking sector, which underwent very hard times in the financial crisis, has recovered. Borrowing rates from Nordic banks are on the same terms as for Swedish real estate companies.

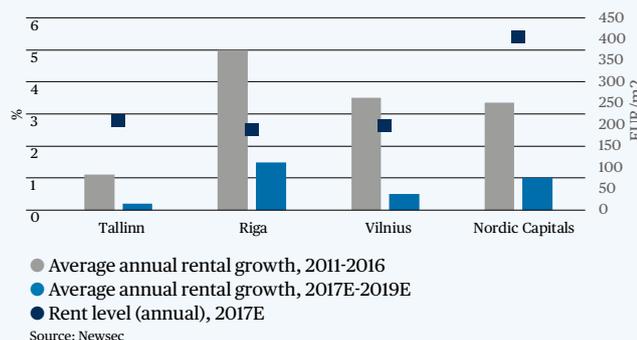
Vacancy rate, prime office



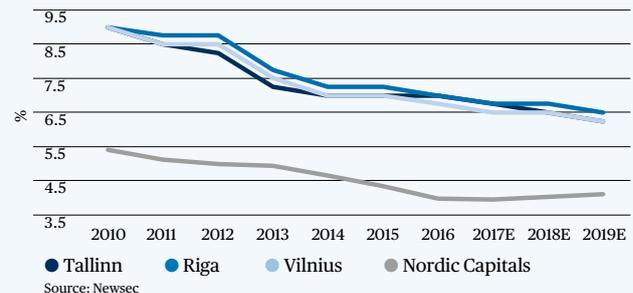
GDP-growth, annual percentage change



Rent level, prime office (CBD)



Yield, prime office



How we create shareholder value

East Capital Explorer’s strategic focus going forward is on Real Estate in the Baltic countries. As a strong and active owner, we are well positioned to influence and support the development of the properties we invest in, thereby ensuring good return for our shareholders.

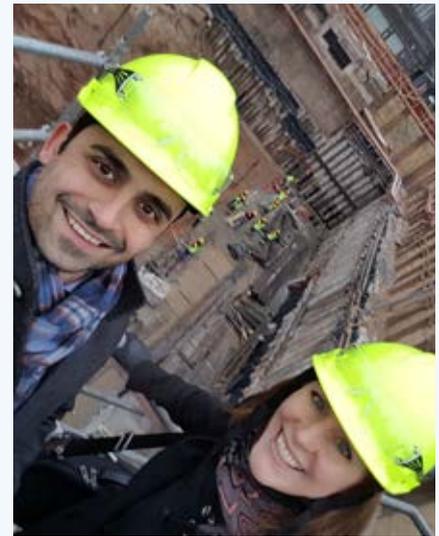
Case 3 Burès

First investment: 2014
Invested capital: 23 MEUR
Property value: EUR 67m
Fair value (NAV): EUR 30m
IRR: 12%

In May 2014 we acquired the office property 3 Burès in central Vilnius. Since then, the property has been rebranded and refurbished, vacancy has been reduced from already low levels, while the average rent has increased. 24 percent of leases have been modified or renewed, at around 25 percent higher levels on average. Parallel to active management of the existing two office buildings comprising 28,400 sqm, we have initiated the development of a third building of 13,000 sqm on the adjacent land that was included in the original acquisition.



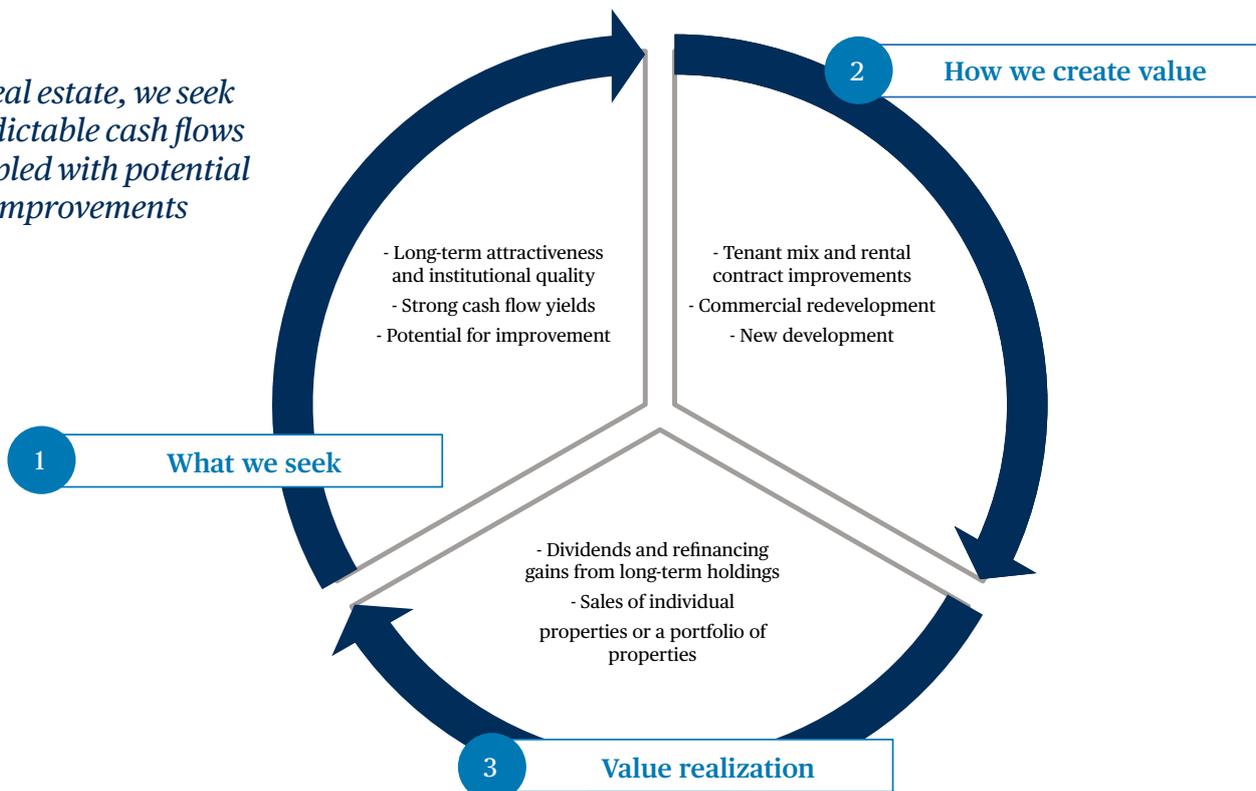
East Capital Explorer marked its first real estate investment with 3 Burès in 2014.



Farzad Bahador and Lena Krauss visiting the construction site of the third tower.

Real Estate

In real estate, we seek predictable cash flows coupled with potential for improvements



The East Capital Explorer share

Facts

| | |
|--------------------|-----------------------------|
| Listing | Nasdaq Stockholm, Mid Cap |
| Listed since | 9 November 2007 |
| ISIN-code | SE002158568 |
| GICS-code | 40203010 |
| Ticker | ECEX |
| Reuters | ECEX.ST |
| Bloomberg | ECEX SS Equity |
| Latest share price | www.eastcapitalexplorer.com |

Key figures as at 31 December 2016

| | EUR | SEK |
|---|-------|-------|
| Net asset value per share | 9.7 | 93 |
| Closing price per share | 7.0 | 66.75 |
| Change in net asset value per share during 2016 | 7.4% | 12.4% |
| Change in share price during 2016 (adj. for share redemption) | 27.3% | 33.2% |

East Capital Explorer vs indices the full year 2016, SEK



East Capital Explorer vs indices the last three years, SEK



| Net Asset Value and share price development | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|--------|--------|--------|--------|
| Net asset value per share, EUR | 9.67 | 9.00 | 8.73 | 9.85 | 9.10 |
| Net asset value per share, SEK | 93 | 82 | 83 | 87 | 78 |
| Net asset value per share at 31 December, SEKm | 2,372 | 2,322 | 2,475 | 2,749 | 2,582 |
| Change in net asset value per share during the year, adjusted for dividend, SEK | 13% | -0% | -6% | 12% | 2% |
| Share price at 31 December, SEK | 66.75 | 50.75 | 42.50 | 62.25 | 49.00 |
| Lowest, SEK | 45.10 | 41.50 | 41.80 | 44.60 | 43.20 |
| Highest, SEK | 67.50 | 62.00 | 67.25 | 64.75 | 57.50 |
| Market capitalization at 31 December SEKm | 1,880 | 1,429 | 1,273 | 1,956 | 1,618 |
| Change in share price during the year, adjusted for dividend and share redemption, SEK | 33% | 22% | -30% | 27% | -7% |
| Premium/discount to NAV at 31 December | -28% | -38% | -49% | -29% | -37% |
| Average premium/discount during the year | -30% | -39% | -37% | -42% | -35% |
| Total turnover, shares, million | 14.0 | 8.7 | 12.8 | 14.8 | 10.0 |
| Average daily turnover, shares | 55,510 | 34,490 | 51,420 | 59,219 | 39,985 |

Development of relevant indices

| | | | | | |
|--|-----|-----|------|-----|-----|
| MSCI Emerging Markets Europe Total Return Index, EUR | 30% | -7% | -20% | -9% | 22% |
| MSCI Emerging Markets Europe Total Return Index, SEK | 36% | -8% | -14% | -5% | 19% |

Share capital and number of shares

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Share capital at 31 December, EUR | 3,655,371 | 3,653,897 | 3,650,155 | 3,639,711 | 3,630,535 |
| Number of shares at 31 December, total | 28,161,563 | 28,476,792 | 29,943,260 | 31,424,309 | 33,024,595 |
| Number of shares at 31 December, excluding repurchased shares | 25,604,463 | 28,161,563 | 29,943,260 | 31,424,309 | 33,024,595 |
| Average number of shares | 27,026,616 | 29,337,616 | 31,839,341 | 33,071,440 | 36,196,517 |

Ownership structure

| | | | | | |
|---------------------------------------|-------|-------|-------|-------|-------|
| Number of shareholders at 31 December | 5,205 | 5,293 | 6,352 | 9,534 | 9,617 |
| % shares held outside Sweden | 44% | 43% | 42% | 47% | 37% |

| 10 largest shareholders and custodians ¹ on 31 December 2016 ¹ | | |
|--|-------------------|--------------|
| | Number of shares | Holding, % |
| East Capital & Partners | 5,898,337 | 20.9 |
| RBC Investor Services bank SA | 1,998,064, | 7.1 |
| Fidelity Nordic Fund | 1,420,992, | 5.0 |
| SIX-SIS AG | 1,214,184, | 4.3 |
| CBNY Norges Bank | 829,839 | 3.0 |
| JPM Chase NA | 586,570 | 2.1 |
| State Street Bank & Trust | 557,770 | 2.0 |
| Nordea Investment Funds | 499,900 | 1.8 |
| Försäkringsaktiebolaget Avanza Pension | 487,841 | 1.7 |
| Nordnet pensionsförsäkring | 450,826 | 1.6 |
| 10 largest shareholders | 13,944,323 | 49.5 |
| Other shareholders and custodians | 14,217,240 | 50.5 |
| Total | 28,161,563 | 100.0 |

¹ A majority of the shares registered by foreign shareholders are registered through custodians. This implies that the beneficial shareholders are not officially registered. Certain shareholders may also register part of their holdings through custodians

Performance and turnover

In 2016, the share price (SEK) increased by 32 percent in nominal terms and by 33 percent adjusted for the redemption program, versus MSCI Emerging Markets Europe (SEK), which rose by 36 percent. The highest closing price was on 30 December to SEK 67.50 and the lowest on 1 Februari to SEK 45.10. Market Cap on 31 December 2016 amounted to SEK 1,880m, or EUR 196m.

Turnover

A total of 14,044,079 East Capital Explorer shares were bought and sold during the year, with Nasdaq Stockholm accounting for 100 percent of the turnover. The average daily volume amounted to 55,510 shares, corresponding to just over SEK 3.4m.

Share capital

As of 31 December 2016, the share capital of East Capital Explorer amounted to EUR 3,66m (EUR 3.65m), consisting of 28,161,563 (28,476 792) aktier. The difference in the number of shares outstanding compared with the previous year is due to the share redemption programme in 2016.

Major share holdings

East Capital Explorer has one shareholder, East Capital, that directly or indirectly holds shares representing at least one tenth of the voting rights for all shares in the company. On 31 December 2016 East Capital group held 20.9 percent of the shares.

Voting rights

Each share in East Capital Explorer entitles the holder to one vote. East Capital Explorer's articles of association do not contain any limitations on how many votes each shareholder may cast at a general meeting.

Share buybacks

20 May 2016 a buyback program was initiated which meant that as long as the share is traded at a discount above 20 percent against the latest published NAV in SEK the company would repurchase its own shares. The company has a mandate to repurchase up to 10 percent of the outstanding shares. During the period 20 May - 31 December 2016, the company repurchased 2,557,100 shares, corresponding to 9.08 percent of the company's outstanding shares at a value of EUR 17.0m and at an average price of SEK 62.62 per share

| Ownership distribution by size of holding | | | | |
|---|------------------------|-------------------|-------------------------------|-----------------------|
| Number of shares per holding | Number of shareholders | % of shareholders | Total number of shares | % of shares and votes |
| 1 - 500 | 4,208 | 80.8 | 509,883 | 1.8 |
| 501 - 1 000 | 359 | 6.9 | 283,689 | 1.0 |
| 1 001 - 5 000 | 403 | 7.7 | 1,064,161 | 3.8 |
| 5 001 - 10 000 | 90 | 1.7 | 678,485 | 2.4 |
| 10 001 - 15 000 | 29 | 0.6 | 352,108 | 1.3 |
| 15 001 - 20 000 | 18 | 0.4 | 320,707 | 1.1 |
| 20 001 - | 98 | 1.9 | 24,952,530 | 88.6 |
| Total | 5,205 | 100.0 | 28,161,563¹ | 100.0 |

¹ Includes the company's repurchased shares

Ownership distribution by country (top 5, %)



Dividend

On 21 April 2015, a new dividend policy was adopted, according to which at least 50 percent of the dividends received from our holdings should be distributed to shareholders. With a dividend as a base, redemption or repurchase of shares can be used from time to time to enhance share holder value.

East Capital Explorer will propose to the Annual General Meeting 2017 a dividend for 2016 of SEK 0.90 (SEK 0.80) per share, equivalent to EUR 0.09 (EUR 0.09) per share.

Net asset value

East Capital Explorer's net asset value per share is calculated as the sum of assets (all investments plus all other assets, such as cash and cash equivalents) minus liabilities divided by the number of shares outstanding, excluding any repurchased shares. Translation of NAV to SEK and of the share price to EUR is for information purposes only, and may therefore vary depending on the date and source. East Capital Explorer applies closing rates from Reuters.



Investor information is continuously updated on
www.eastcapitalexplorer.com

Vilnius is the capital of Lithuania and its largest city, with a population of around 550,000.



2

Our portfolio

Introduction

| | |
|--------------------|----|
| Portfolio Overview | 18 |
|--------------------|----|

Private Equity

| | |
|---------------------|----|
| Melon Fashion Group | 21 |
| Trev-2 Group | 22 |

Real Estate

| | |
|---------------------------------------|----|
| 3 Burès | 25 |
| East Capital Baltic Property Fund II | 26 |
| East Capital Baltic Property Fund III | 28 |

Public Equity

| | |
|------------------------------|----|
| Komercijalna Banka Skopje | 31 |
| East Capital Deep Value Fund | 31 |

Short term investments

| | |
|---|----|
| East Capital Global Frontier Markets Fund | 32 |
|---|----|

Portfolio overview

East Capital Explorer's portfolio is actively managed and comprises Private Equity 20 percent, Real Estate 27 percent, Public Equity 16 percent and Short-term Investments 38 percent. The largest geographical exposures are towards the Baltic countries 45 percent, Russia 28 percent and the Balkan countries 14 percent.

| Portfolio per 31 December 2016 | | | | | | |
|--|-------------------------------|------------------|--------------|------------------------------------|---|--|
| | Fair value 31 Dec, EURm | NAV/share EUR | % of NAV | Fair value 31 Dec 2015, EURm | Value change Jan-Dec 2016, % ¹ | |
| Private Equity | | | | | | |
| Melon Fashion Group | 42.9 | 1.67 | 17.3 | 26.5 | 63.4 | |
| Trev-2 Group | 5.7 | 0.22 | 2.3 | 6.2 | -3.6 | |
| Total Private Equity | 48.6 | 1.90 | 19.6 | 32.7 | 50.7 | |
| Real Estate | | | | | | |
| 3 Burès | 30.4 | 1.19 | 12.3 | 27.6 | 9.1 | |
| East Capital Baltic Property Fund II | 27.8 | 1.09 | 11.2 | 26.8 | 7.1 | |
| East Capital Baltic Property Fund III | 8.8 | 0.35 | 3.6 | 3.3 | 9.4 | |
| Total Real Estate | 67.1 | 2.62 | 27.1 | 57.7 | 8.3 | |
| Public Equity | | | | | | |
| East Capital Deep Value Fund | 28.7 | 1.12 | 11.6 | 40.3 | 1.4 | |
| Komercijalna Banka Skopje | 10.7 | 0.42 | 4.3 | 8.6 | 29.4 | |
| Total Public Equity | 39.4 | 1.54 | 15.9 | 48.9 | 6.3 | |
| Short-term Investments | | | | | | |
| East Capital Frontier Markets Fund | 10.2 | 0.40 | 4.1 | 31.1 | 2.5 | |
| Other short-term Investment ² | 1.5 | 0.06 | 0.6 | 73.2 | 16.2 | |
| Short-term Investment | 11.7 | 0.46 | 4.7 | 104.3 | 12.1 | |
| Cash and cash equivalents | 83.5 ³ | 3.26 | 33.7 | 10.5 | | |
| Total short-term Investments | 95.2 | 3.72 | 38.5 | 114.8 | | |
| Total portfolio | 250.2 | 9.77 | 101.1 | 254.2 | | |
| Other assets and liabilities, net | -2.7 | -0.11 | -1.1 | -0.6 | | |
| Net Asset Value | 247.6 | 9.67 | 100.0 | 253.6 | 7.4⁴ | |

¹ The value change calculation is adjusted for investments, divestments and distributions during the relevant period. i.e. it is the percentage change between: the ending value plus any proceeds from dividends or divestments during the period, divided by the starting value plus any added investment during the period

² Including East Capital Bering Ukraine Fund Class R. Starman included on 31 Dec 2015 at fair value of EUR 71.8m

³ The sale of Starman resulted in a net cash position of EUR 76.9m in the fourth quarter 2016

⁴ Nav per share development

The number of shares used in NAV/share 31 Dec 2016 is 25,604,463 and is adjusted for repurchased shares held by the company

¹ EUR = 9,58 SEK on 31 December 2016. Source: Reuters

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

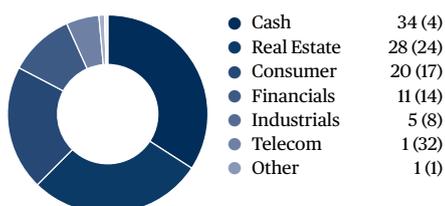


The ten largest holdings in East Capital Explorer's portfolio on a see-through basis (total of direct and indirect holdings)¹

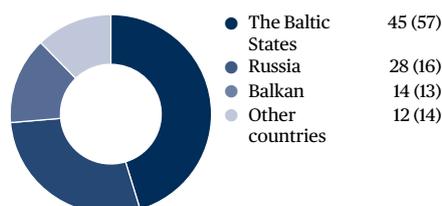
| On 31 December 2016 | | | | | | |
|---------------------------|--------------------------|-------------|---------------|-----------|------------------------|---|
| Holding | Value in portfolio, EURm | % of NAV | Perf. 2016, % | Country | Sector | East Capital Explorer's investment vehicle |
| Melon Fashion Group | 42.9 | 17.3 | 63.4 | Russia | Consumer Discretionary | Direct Investment |
| 3 Burės | 30.4 | 12.3 | 9.1 | Lithuania | Real Estate | Direct Investment |
| Komercijalna Banka Skopje | 13.0 | 5.3 | 29.4 | Macedonia | Financial | Direct Investment East Capital Deep Value Fund |
| Tänassilma Logistics | 6.9 | 2.8 | 0.2 | Estonia | Real Estate | East Capital Baltic Property Fund II |
| GO9 | 6.8 | 2.7 | 7.7 | Lithuania | Real Estate | East Capital Baltic Property Fund II |
| Trev-2 Group | 5.7 | 2.3 | -3.6 | Estonia | Industrials | Direct Investment |
| Mustamäe Keskus | 5.6 | 2.3 | 14.6 | Estonia | Real Estate | East Capital Baltic Property Fund II |
| Metro Plaza | 5.1 | 2.1 | -2.1 | Estonia | Real Estate | East Capital Baltic Property Fund II |
| Hilton Tallinn Park | 4.8 | 2.0 | 3.0 | Estonia | Real Estate | East Capital Baltic Property Fund III |
| Vesse Retail Centre | 4.0 | 1.6 | 20.2 | Estonia | Real Estate | East Capital Baltic Property Fund III |
| Sum | 125.3 | 50.6 | | | | |

¹ As East Capital Explorer had owned its pro-data share of all the underlying securities in the different funds it has invested in

Sector breakdown, %



Country breakdown, %



Segment breakdown, %



*Comparative figures in brackets refer to the corresponding period in 2015

In line with our investment theme, the majority of our holdings are made in sectors favored by domestic growth, such as retail, consumer goods, finance and real estate. The largest change that occurred during 2016 was the decrease of the telecommunications from 32 to 1 percent, following the exit in Starman, which also resulted in a significant increase in cash. At the same time, the proportion of holdings in the Real Estate segment increased, following positive value adjustments in the properties, as well as new real estate investments. Furthermore, the proportion of holdings within consumer increased, primarily due to an increased value in Melon Fashion Group

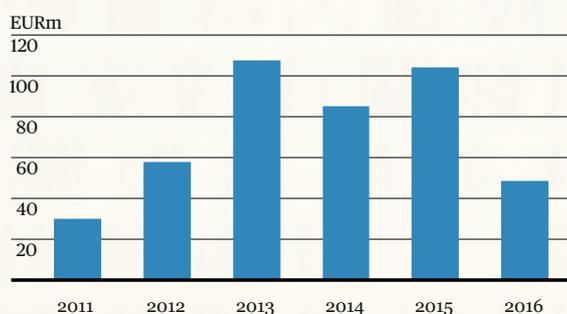
The Baltic countries accounted for our largest geographical exposure with a portfolio weight of 45 percent, compared with 57 percent at the end of 2015. The decreased exposure to this region is mainly a result of the sale of Starman, but was somewhat compensated by value increases in the Baltic Real Estate investments. Russia's share has however increased from 16 to 28 percent, following a significant increased value in Melon Fashion Group. We also have a significant proportion, 14 percent, invested in the Balkan region, where our direct investment Komercijalna Banka Skopje is the largest.

The portfolio contains Private Equity, Real Estate and Public Equity. At the end of the year Private Equity accounted for 20 percent, and Real Estate for 27 percent of the portfolio, compared with 13 percent (41 with Starman that was included in the segment at the end of 2015) and 22 percent, respectively, at the end of 2015. The largest value contributor was Melon Fashion Group while Real Estate investments appreciated by an average of 8 percent. The proportion of listed assets decreased from 19 to 16 percent due to divestments.

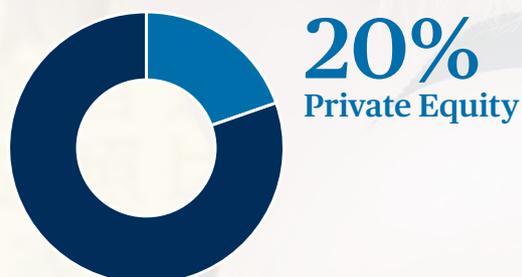
Private equity

» Private Equity includes direct investments in unlisted companies. The goal is to find and develop attractive investment opportunities where we as an active owner can add value through stable cash flows and through value realisation in connection to exit. In 2016, East Capital Explorer realized close to twice the amount invested in the sale of our so far largest investment Starman at EUR 83.6m.

Value of the Private Equity portfolio



Portfolio weight



| EURm Holding | Segment geography | Date of investment | % of NAV | Invested amount | Divid./divestm | Fair Value | The investment in brief |
|---|-------------------------|--------------------|--------------|-----------------|----------------|-------------|---|
| Melon Fashion Group (DI)  befree ZARINA LOVE REPUBLIC | Consumer Russia | Oct-08 | 17.3% | 28.9 | 4.1 | 42.9 | Melon Fashion Group (MFG) is well positioned for growth with a broad target group under three strong brands; Zarina, befree and Love Republic. MFG is able to benefit from the consolidation in the fragmented Russian fashion industry and long-term growth in consumption |
| Trev-2 Group (DI)  | Industrials The Baltics | Aug-11, Dec-13 | 2.3% | 7.2 | 1.8 | 5.7 | Divested 2017. Estonian road construction company Trev-2 Group was acquired as a restructuring case. Operations have since been scaled down to focus on two core areas: road construction and maintenance |
| | | | 19.6% | 36.1 | 5.9 | 48.6 | +51% (total gross return) |

DI = Direct Investment

befree

Melon Fashion Group

East Capital Explorer's holding in the company: 36%

The Company

Melon Fashion Group (MFG) is one of the largest and fastest growing fashion chains in Russia. At the end of 2016, the company operated 558 stores under three brands: Zarina, befree and Love Republic. MFG is a pure retail company where production is outsourced to subcontractors. MFG's strong financial position enabled expansion during the financial crisis. Since 2008 the company has increased its turnover from RUB 2bn to RUB 12bn in 2016.

Development 2016

In line with expectations, 2016 did not provide any breathing space for the Russian apparel retailers. Sales remained hostage to a weak economic environment manifested in footfall contraction, low consumer confidence, and weak purchasing power. Despite macro improvement towards the end of the year, the overall retail activity remained subdued, not yet reflected on the underlying macro improvements.

Due to a drop in selling area and like-for-like contraction, MFG reported a one percent drop in the top line. On the positive side, operating margins, adjusted for currency effects, improved indicating positive trends in underlying profitability. Thus, adjusted for currency and hedge revaluation losses, 12m 2016 EBITDA reached RUB 820m vs RUB 550m in 2015, which corresponds to a 6.6 and 4.4 percent EBITDA margin, respectively.

During the year, MFG's management maintained its focus on retaining efficiency gains achieved the previous year as well as delivering further efficiencies such as reducing the rental costs from 22.7 percent of total sales in 2015 to 20.6 percent in 2016. Going forward, we expect to see further improvements in this metric pushing up the profitability of MFG's retail business. The efficiency focus in the retail chain resulted in the closing of a significant number of unprofitable stores and the refurbishment of existing stores into a new format, bringing the total store count to 558 from 642 a year ago. Despite this drop, the total selling area decreased only marginally, which is explained by a larger format of the newly opened and relocated stores. In 2017 we expect a double digit growth in the selling area as the opening pace will intensify.

Outlook 2017

The recent improvements on the macro side that contribute to an increased optimism towards the Russian market in 2017, include record low inflation and unemployment rates, reduced political risk on the back of a geopolitical warm-up towards Russia, upward pointing industrial performance indicators in the fourth quarter as well as an uptick in the real wage growth that has been on a downward trend since 2012. On this basis, we see good potential for a gradual recovery of consumer confidence.

On the operational side, MFG will focus on the roll-out of new store format and the overall improvement of retail productivity. On the product side, the deliverables in terms of a customized assortment strategy are expected to materialize on the back of new key recruitments in 2016. This year all three brands seek to achieve lower reduction rate, shorter lead times and look to engage customers on a new level with the help of brand loyalty clubs and newly launched brand apps.

Investment Rationale

- *Exposure to the Russian consumer market*
 - The expected long-term increase in disposable income is driving consumption
 - Rapidly growing but unsaturated retail market
- *Exposure to an attractive, fast-growing retail segment*
 - Russia is the third largest fashion retail market in Europe, after Germany and England and is expected to show growth again in 2017 and to reach over USD 40 bn in 2019-2020
 - Consolidation potential remains: the top 10 retailers account for only 8% of the total market, compared with 26% in England
 - Russian consumers spend a larger share of their income on clothing compared to other Eastern European markets and fashion-conscious countries like England and Sweden
- *Exposure to one of the largest domestic fashion retailers*
 - MFG is one of Russia's largest domestic fashion retailers, measured in number of stores
 - Average sales growth of 24% since 2008

Key figures

| RUBm | 2016 | 2015 | 2014 | 2013 |
|--------------------------------|--------|--------|--------|-------|
| Sales | 12,474 | 12,563 | 11,192 | 8,966 |
| EBITDA | 610 | 798 | 481 | 898 |
| Net Profit | 106 | 273 | 44 | 519 |
| Sales growth (%) | -0,7 | 12,3 | 24,8 | 27,0 |
| Gross margin (%) | 47,5 | 46,0 | 53,3 | 58,8 |
| EBITDA margin (%) | 4,9 | 6,4 | 4,3 | 10,0 |
| No. of stores, end period | 558 | 642 | 669 | 586 |
| Like-for-like sales growth (%) | -2.2 | 3.9 | 0.2 | 6.5 |

MELON
FASHION GROUP

Read more about the company on www.melonfashion.ru



Zarina, the oldest of MFG's three brands, dedicates its collection MINI ME to the strength in the relationship between mother and daughter. Here featuring top model and philanthropist Natalya Vodyanova.

Trev-2 Group (divested 2017)

East Capital Explorer's holding in the company: 38%

Background

The core business of Trev-2 Groups (Trev-2) consists of road construction and maintenance, but its operations also include the production of asphalt, aggregate and road safety products. East Capital Explorer made its first investment in Trev-2 in 2011 based on the company's restructuring potential, with potential for adding value identified in the discontinuation of unprofitable operations and an increased focus on profitability. Since then Trev-2 has been streamlined significantly and scaled down from 17 majority-owned subsidiaries to one wholly owned subsidiary.

Development 2016

The market situation remained a challenge for Trev-2 in 2016. Despite the fact that the competition for road construction projects is high and margins are under pressure, Trev-2 had sales growth of 5 percent and at the same time managed to turn a negative net profit positive for the full year. Road maintenance and production of aggregate contributed to operating profit as a whole, which improved compared to 2015 after an increase in demand for aggregate and cost efficiency improvements. The company cut its workforce by 50 during the year and currently has around 350 employees. Some non-current assets were divested and liquidity is good which allowed for a dividend to shareholders, corresponding to EUR 0.3m for East Capital Explorer's stake.

Investment Rationale

- *A solid restructuring case*
 - Strong local presence, market knowledge and professional expertise
 - Stable track record in its core areas: road construction and maintenance
 - Focus on core areas by divestments and streamlining of the organisational structure
- *Holding divested in 2017*
 - Realized average annual gross return (IRR) of 2%

Key figures

| EURm | 2016 | 2015 | 2014 | 2013 |
|----------------------|------|-------|-------|-------|
| Sales | 53.9 | 51.4 | 66.3 | 103.1 |
| EBITDA | 2.8 | 1.8 | 5.5 | 9.4 |
| Net Profit | 0.5 | -1.2 | 1.6 | 4.0 |
| Sales growth (%) | 5.0 | -22.6 | -35.7 | 7.9 |
| EBITDA margin (%) | 5.1 | 3.6 | 8.2 | 9.1 |
| Operating margin (%) | 1.5 | -1.9 | 3.0 | 4.6 |



Read more about the company on www.trev2.ee

In 2016, the asphalt production plant in Tsirguliina close to the Latvian border was sold by the company.



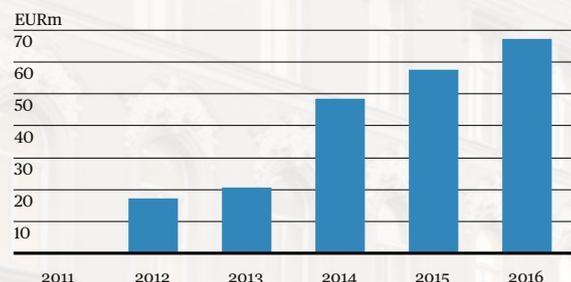
Trev-2's core activity is road construction, a field the company has been active in since the 1960s.



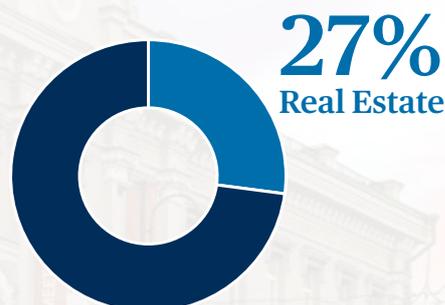
Real Estate

» East Capital Explorer's Real Estate portfolio is exposed to nine A-class commercial properties in the Baltic capitals: one direct investment (3 Burės) and eight properties through the funds East Capital Baltic Property Fund II and III. The portfolio strategy utilises the upside in the Baltic property market, which has stabilised after the financial crisis and now offers investment opportunities in properties with strong cash flow, sustainable rent levels and low vacancies. The yield levels are 6.5 - 8.5 percent, which is some 200-300 basis points higher than in the Nordic capitals, while financing terms are attractive. The Baltic economies continue to be stable with among the highest GDP growth within the euro zone, good financing terms and stable financial markets dominated by the Nordic banks.

Value of the Real Estate investments



Portfolio weight



| EURm Holding | Segment geography | Date of investment | % of NAV | Invested amount | Divid./divestm | Fair Value | The investment in brief |
|---|----------------------------|--------------------|------------|-----------------|----------------|-------------|--|
| 3 Burės (DI) 3URĖS VERSLO CENTRAS | Real Estate The Baltics | May-14 | 12% | 22.6 | - | 30.4 | The A-class office complex 3 Burės, which currently includes two towers, has a prime location in the center of Vilnius. The property has low vacancy rate and is currently generating a stable cash flow with steadily increasing rents the past years. By the end of 2018, a third tower will stand ready |
| East Capital Baltic Property Fund II (FI) EAST CAPITAL | Real Estate The Baltics | May-12 | 11% | 20.0 | 0.9 | 27.8 | The fund holds and manages properties with well-established tenants on sustainable rental terms in the Baltics; primarily retail properties, but also logistics |
| East Capital Baltic Property Fund III (FI) EAST CAPITAL | Real Estate The Baltics | Dec-15 | 4% | 8.1 | - | 8.8 | The fund was launched in 2015 and invests in and manages commercial properties with well established tenants and sustainable rental terms in Baltic capitals. The goal is to acquire commercial properties in good locations with stable cash flows and/or potential for improvement |
| | | | 27% | 50.4 | 0.9 | 67.1 | + 34% (total gross return on investments) |

DI = Direct Investment, FI = Fund Investment

3 Burės

East Capital Explorer's holding in the company: 100%

History

East Capital Explorer acquired 3 Burės (formerly Vilnius Business Harbour) in May 2014. 3 Burės is an A-class office property with an undeveloped adjacent land plot centrally located in the business district of the Lithuanian capital Vilnius. The investment included two skyscrapers with a leasable area of 28,400 square metres and stable tenants and low vacancy, as well as an adjacent land plot where a third office building of 13,000 square metres is being developed.

Development 2016

During the year, 3 BURĖS generated a strong cash flow. Vacancy levels increased slightly during the year due to natural turnover among tenants and ended the year at 3.3 percent, compared to close to zero at the end of 2015.

The construction of a third tower has been further planned and prepared during the year and resulted in construction works commencing in the fourth quarter. The new building, which is already 98 percent let, will comprise approximately 13,000 square meters of leasable floor space and is being built on the land plot adjacent to the existing 3 Burės office complex, both of which were acquired by ECEX in 2014. With the new building, the 3 Burės complex will be the largest A class office complex in the Baltics.

Outlook 2017

The current tenant mix in the business centre is expected to remain stable in 2017. Vacancy in the office complex during 2017 is expected to be around 3 percent.

The dialogue with tenants and service providers will continue to ensure that the quality of provided office services. The range of services will be further improved in order to strengthen the buildings premium status.

The two-year construction works that started in the fourth quarter of 2016 are expected to be completed by the end of 2018. ECEX' equity investment is estimated to amount to approximately EUR 9m of the total investment of approximately EUR 25m over the two-year construction period.

Investment Rationale

- *Stable economic growth has revitalized the Baltic property market*
 - Declining vacancy rates, particularly in the premium segment
 - High demand in the market offers the potential for increasing rent levels
- *Fits well into East Capital Explorer's property portfolio*
 - Commercial premium property at a superior location in one of the Baltic capitals
 - Rents are 5-10 percent higher than in older buildings
 - Yield of 7 percent gives high return on equity
- *Low vacancy rates and attractive tenant mix gives rise to a strong and stable cash flow*
 - Tenants primarily consist of companies within the professional service with high payment capacity
 - Vacancy rate is expected to remain low

Key figures

| EURm | 2016 Jan-Dec | 2015 Jan-Dec | 2014 May-Dec |
|--|-----------------|-----------------|-----------------|
| Existing building | | | |
| Rental income* | 4.4 | 4.4 | 3.1 |
| Operating profit | 3.9 | 3.6 | 2.5 |
| Property value | 60.9 | 59.7 | 1.3 |
| Loan-to-value ratio (% , end-quarter) | 56.4 | 60.6 | 80.9 |
| Vacancy rate (%) | 3.3 | 0.7 | 4.6 |
| Average rent (EUR/m ²), end-period | 12.5 | 12.6 | 12.4 |
| Development project | | | |
| Property value | 5.9 | 4.6 | 4.9 |

*Rental income only, excluding income from communal services

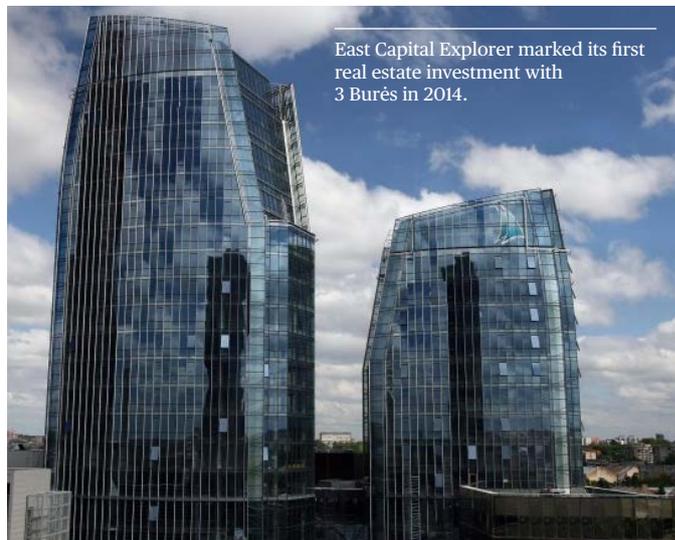
BURĖS
VERSLO CENTRAS

Read more about the property on
www.3bures.lt

On the 3 Bures site, the construction of the third tower, which has already been 98% pre-leased, is in full progress.



East Capital Explorer marked its first real estate investment with 3 Burės in 2014.

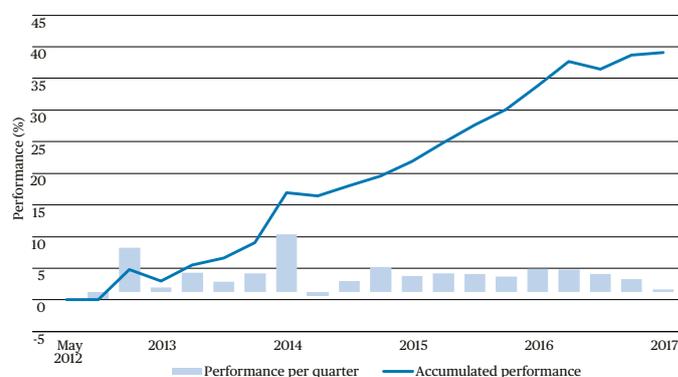


East Capital Baltic Property Fund II

East Capital Explorer's holding in the fund: 49%



NAV development since May 2012



Fund facts

The portfolio includes commercial Real Estate in the Baltics. Primarily, these are investments in retail properties as well as logistics and office properties. The properties are in prime locations with stable cash flows and potential for further improvements. The Fund's primary focus is on properties with well-established tenants and sustainable rental terms in and around Tallinn, Riga, and Vilnius. Value is added through improvements in tenant mix, renovations, deployments and property development.

| Fund performance (EUR), % | 2016 | Since May 2012 |
|--------------------------------------|------|----------------|
| East Capital Baltic Property Fund II | 7% | 51% |

Market Outlook

The market for commercial Real Estate in the Baltic capitals is characterized by stable but rising rents, low vacancy rates, low interest rates and high yield. Although, price and rental levels have mostly recovered from the financial crisis, they are still below the Nordic capitals, providing further support for the investment case.

Assets by country, %



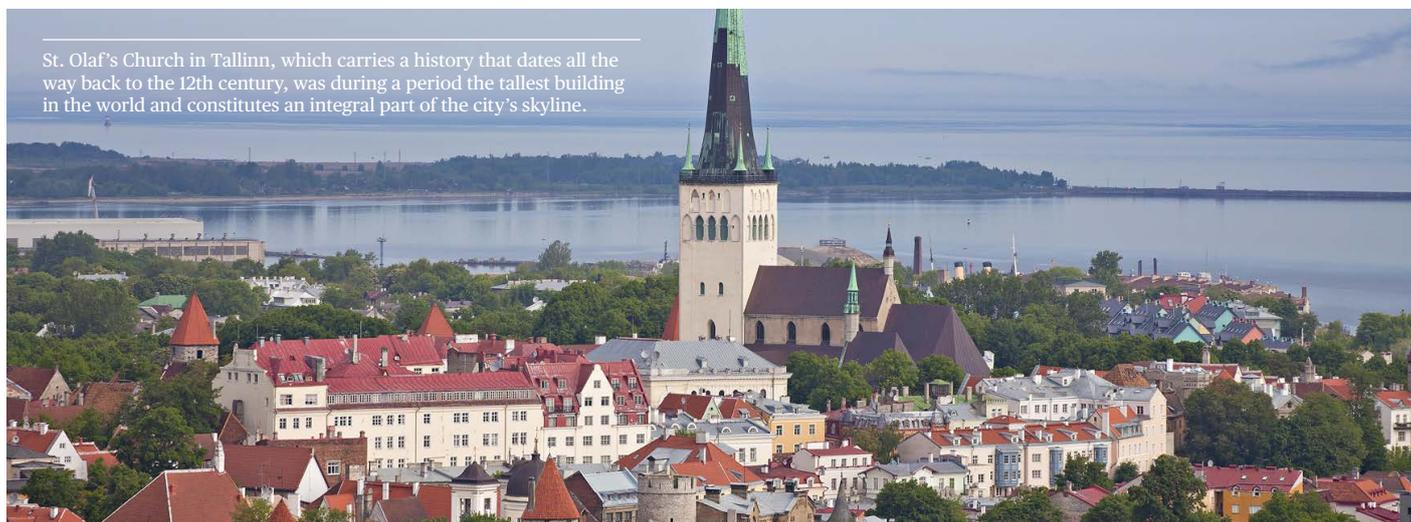
- Estonia 70.7
- Latvia 7.7
- Lithuania 21.6

Sector weighting, %



- Retail 50.8
- Office 17.2
- Logistics 32.0

| | |
|---|---|
| Management fee | 1.75% |
| Structure | Closed-end fund structured as a Luxembourg SICAV-SIF SCA |
| Profit share (performance fee) | Investors 80% and East Capital Baltics AS 20% (at exit) after 8% hurdle has been achieved on a yearly basis |
| East Capital Explorer's holding 31 Dec 2016 | 49% of the fund |



St. Olaf's Church in Tallinn, which carries a history that dates all the way back to the 12th century, was during a period the tallest building in the world and constitutes an integral part of the city's skyline.

The Real Estate portfolio

GO9 Shopping Centre

GO9 is a well-known high street shopping centre in the heart of Vilnius with an excellent location on the best stretch of Gedimino. A grand reopening of the redeveloped shopping centre took place in March 2014, with H&M as the anchor tenant.



Facts about the investment

| | |
|--------------------------|-------------------------|
| Acquired | 2012 |
| Leasible area (sqm) | 12,290 |
| Built (rebuilt) | (2014) |
| Anchor tenants | H&M, Lindex, Rimi |
| Investment belopp (MEUR) | 26.2 |

Deglava

The lease agreement with Prisma was terminated following a detected construction defect and consequent repair works. The property management is working on the concept change to a multi-tenant centre, and have ongoing negotiations with potential new tenants.



Facts about the investment

| | |
|--------------------------|--------|
| Acquired | 2013 |
| Leasible area (sqm) | 11,604 |
| Built | 2012 |
| Anchor tenants | - |
| Investment belopp (MEUR) | 14.3 |

Rimi Logistics

The Rimi Logistics warehouse and office complex outside Tallinn was purchased in 2014 in a sale-and-leaseback deal. The property is fully let to the leading grocery chain Rimi Eesti Foods, part of the ICA Group, on a ten-year lease contract.



Facts about the investment

| | |
|------------------------|---------------------|
| Acquired | 2014 |
| Leasible area (sqm) | 18,178 |
| Built (rebuilt) | 2000 (2006) |
| Anchor tenants | Rimi (ICA Group) |
| Invested amount (EURm) | 13.4 |

Metro Plaza

Metro Plaza is an A-class office building with an excellent location and good visibility in Tallinn's corporate district. The property generates solid cash flows from strong, well-known tenants and is almost fully let.



Facts about the investment

| | |
|------------------------|---|
| Acquired | 2014 |
| Leasible area (sqm) | 7,340 |
| Built | 2009 |
| Anchor tenants | Trigon Capital, Regus, Mandatum Life Insurance |
| Invested amount (EURm) | 21.8 |

Tänassilma Logistics

Tänassilma Logistics is a modern logistics centre outside Tallinn. Stable rent revenues combined with low interest on debt have resulted in more than a 20 percent return on equity and a strong positive cash flow.



Facts about the investment

| | |
|------------------------|---|
| Acquired | 2012 |
| Leasible area (sqm) | 40,526 |
| Built (rebuilt) | 2009 (2011) |
| Anchor tenants | Havi Logistics, DSV Transport, Humana |
| Invested amount (EURm) | 24.0 |

Mustamäe Keskus

Mustamäe Keskus is a shopping centre developed in Mustamäe residential district in Tallinn. GLA 13,500 sqm. Anchor tenant Rimi grocery, key tenants multiplex cinema, fitness club, restaurants.



Facts about the investment

| | |
|------------------------|-----------------------------|
| Acquired | 2016 |
| Leasible area (sqm) | 13,500 |
| Built | 2016 |
| Anchor tenants | Lido, myFitness, Rimi |
| Invested amount (EURm) | 27.5 |

East Capital Baltic Property Fund III

East Capital Explorer's holding in the fund: 27%

Fund facts

East Capital Baltic Property Fund III, which was launched in 2015, will invest in commercial properties in the Baltic capitals, primarily in shopping centres and retail properties, as well as logistics and office properties.

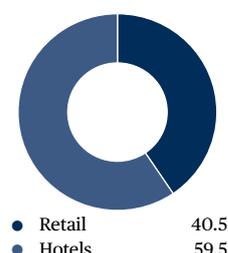
The goal is to acquire properties in prime locations with stable income and enhancement potential. The main focus is on properties with well-established tenants and sustainable rental terms in and around Tallinn, Vilnius and Riga. Value is added through improvements in tenant mix, refurbishment, extension or redevelopment. The first investment in the fund was closed in January 2016, when the Fund acquired Vesse Retail Park in Tallinn for a total value of EUR 30.9m. The second investment was made in August 2016, when the fund acquired Hilton Tallinn Park Hotel, the first Hilton hotel in the Baltic region. East Capital Explorer's investment commitment amounts to EUR 20m, whereof EUR 8.1m was invested by the end of 2016.

| | |
|---|---|
| Management fee | 1.25% |
| Structure | Closed-end fund structured as a Luxembourg SICAV-SIF SCA |
| Profit share (performance fee) | Investors 80% and East Capital Real Estate AS 20% (at exit) after 7% hurdle has been achieved on a yearly basis |
| East Capital Explorer's holding 31 Dec 2016 | 27% of the fund |

Assets by country, %



Sector weighting, %



Hilton Tallinn Park Hotel

Hilton Tallinn Park Hotel is the first Hilton hotel in the Baltics and also includes the Olympic Park Casino, both of which are operated by the Olympic Entertainment Group and will remain contracted on a long term basis. The hotel holds 202 rooms, whereof 27 suites, conferencecentre, spa and gym.



Facts about the investment

| | |
|------------------------|--------|
| Acquired | 2016 |
| Leasible area (sqm) | 22,530 |
| Built (rebuilt) | 2016 |
| Invested amount (EURm) | 48.0 |

Vesse Retail Centre

Vesse Retail Centre is a well-known retail park in Peterburi Road, a main artery in the eastern part of Tallinn. The park is anchored by the flagship store of Bauhof, the largest "Do-it-yourself" chain in Estonia as well as COOP grocery hypermarket



Facts about the investment

| | |
|------------------------|-------------------------|
| Acquired | 2016 |
| Leasible area (sqm) | 23,345 |
| Built | 2005 |
| Anchor tenants | COOP Bauhof Masku |
| Invested amount (EURm) | 30.9 |



Latvia's capital Riga is home to every third Latvian resident.



Vanšubron over the river Daugava in Riga, has a span of 312 metres, which is the longest in the world for a bridge of this type.

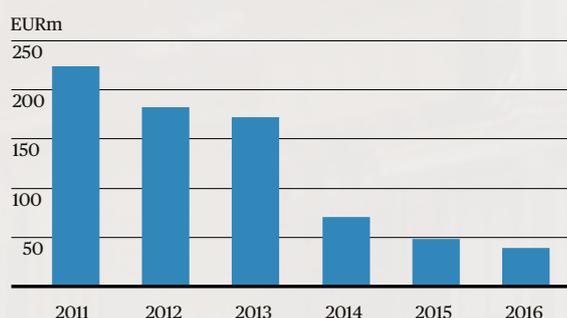
Gediminas' tower is the remaining part of the Upper Castle in Vilnius and is today a popular tourist attraction with more than 150 thousand visitors every year.



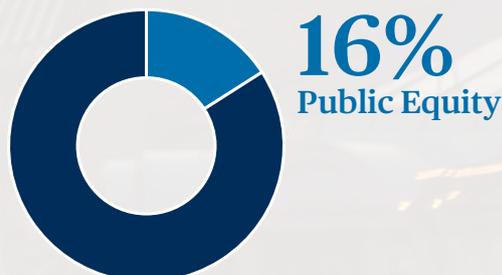
Public Equity

» Our Public Equity portfolio consists of one listed direct investment, Macedonian bank Komercijalna Banka Skopje, and holdings in East Capital's alternative fund East Capital Deep Value Fund with a focus on Eastern Europe. The Public Equity portfolio creates a liquid exposure to assets with high return potential, with the intention of using these as a financing source for further investments in primarily real estate.

Value of the Public Equity portfolio



Portfolio weight



| EURm Holding | Segment geography | Date of investment | % of NAV | Invested amount | Divid./divestm | Fair Value | The investment in brief |
|--|-------------------------|--------------------|--------------|-----------------|----------------|-------------|--|
| Komercijalna Banka Skopje (DI)  komercijalna banka ad skopje | Financials Balkans | Oct-10 | 4.3% | 129 | 21 | 107 | Komercijalna Banka Skopje (KBS) is Macedonia's largest commercial bank. The low valuation compared to other banks in the region makes it a potential takeover candidate for strategic investors. KBS's historical return on equity is 15 percent |
| East Capital Deep Value Fund (FI) EAST CAPITAL | Russia, CIS, Balkans | Jan-14 | 11.6% | 46.1 | 19.6 | 28.7 | The fund offers exposure to the conservative market valuations of companies with strong revenue generation and high revaluation potential. East Capital Explorer plans to continue to successively divest its holding in the fund |
| | | | 15.9% | 59.0 | 21.7 | 39.4 | + 4% (total gross return) |

DI = Direct investment, FI = Fund investment

Komercijalna Banka Skopje

East Capital Explorer's holding in the company: 10%

The Company

Komercijalna Banka Skopje (KBS), Macedonia's largest bank as measured in assets and capital, is listed on the Macedonian Stock Exchange. KBS has a comprehensive offering of banking services to both individuals and businesses through a nationwide network of branches and offices. The Bank's loan portfolio consists of more than 80 percent of corporate loans, including loans to many of Macedonia's major corporations. As with most other commercial banks in the region, the deposits are mainly from private clients where the KBS market share is about 30 percent.

Development 2016

2016 was a year of continuing improvements for the Macedonian bank KBS. Despite some political turbulence in Macedonia during the first half of the year, which at one point even triggered a short deposit run on local banks, KBS managed to maintain good liquidity and ended the year with a net income of EUR 12.7m, a 49 percent increase compared to 2015. Economic growth in Macedonia continues to come from government expenditures and a few foreign direct investment projects, and does not trickle down to the broader economy. This means that banks are still struggling to grow their loan portfolios. Loan growth remains particularly challenging in the corporate sector, but KBS did manage to grow its retail portfolio, taking advantage of its large customer base. The bank however kept operating expenses under control and even managed a slight decrease in operating costs year on year.



Read more about the company on
www.kb.com.mk

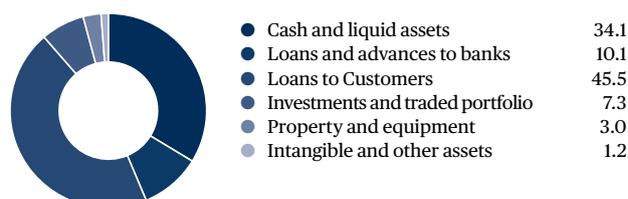
Outlook 2017

The outlook for 2017 is reasonably bright, especially if the new government is established early in the year and is able to formulate policy to stimulate the economy. With pre-provision income robust and stable, all it takes is further decreases in provisions for KBS to see more of its earnings make it down to the bottom line. Balance sheet growth and loan growth are expected to remain in single digits.

Investment Rationale

- *The largest commercial bank in Macedonia*
 - Large market shares in both the corporate and consumer segment where almost a third of all Macedonians have an account with the bank
- *Low input valuation despite strong operational potential for building a future appreciation*
 - Attractive acquisition targets for strategic investors in the region

Asset structure (%)



East Capital Deep Value Fund

Fund facts

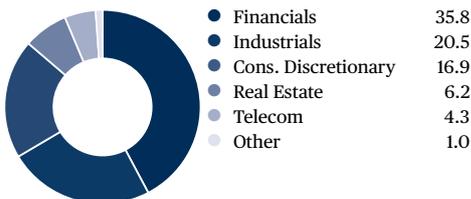
The East Capital Deep Value Fund provides exposure to conservative market valuations, companies with significant revenue generation capacity and high potential for revaluation. This includes public as well as Private Equity holdings, small and medium sized companies with proven business models with attractive valuations and deep value holdings. No particular consideration is made to sector - return potential above market is the main guiding feature.

| Performance of the holding | 2016 | Since Jan 14 |
|---|------|---------------------|
| East Capital Deep Value Fund, EUR | 1% | 4% |
| Management fee | | 1.95% |
| | | 0% as of 9 May 2016 |
| East Capital Explorer's holding in the fund as at 31 Dec 2016 | | 74% |

Asset allocation by country, %



Sector weighting, %



Largest holdings in the Fund on 31 December 2016

| Company | Weight, % | Perf. 2016, % | Contr., %* | Country | Sector |
|----------------------------------|-----------|---------------|------------|------------|-------------|
| B92 | 12.9 | -25.0 | -4.2 | Serbia | Consumer |
| Bank Sankt Petersburg | 11.2 | 98.6 | 6.7 | Russia | Financials |
| Caucasus Energy & Infrastructure | 9.3 | -9.9 | -0.9 | Georgia | Industrials |
| Komercijalna Banka Skopje | 8.3 | 23.6 | 1.4 | Macedonia | Financials |
| Impact | 5.6 | -25.5 | -1.6 | Romania | Real Estate |
| Reinsurance Co Sava | 5.4 | 7.7 | 0.3 | Slovenia | Financials |
| Cantik | 3.5 | -26.3 | -0.5 | Ukraine | Real Estate |
| Telekom Srpske | 3.3 | -33.4 | -1.4 | Bosnia | Telecom |
| Bank Tsentrkredit | 2.5 | 22.3 | 0.4 | Kazakhstan | Financials |
| Pif Big | 2.4 | -32.7 | -1.1 | Bosnia | Financials |

All figures in EUR * Contribution to the portfolio performance

| 10 largest holdings (% of fund) | Unlisted holdings (% of fund) | Total number of holdings |
|---------------------------------|-------------------------------|--------------------------|
| 63 | 15 | 81 |

Short-term investments

» Short-term investments include assets that are expected to be divested, as well as cash that, as a consequence of the sale of the Private Equity holding Starman, accounted for 34 percent of NAV at year-end 2016. The largest short-term investment is East Capital Global Frontier Markets Fund, corresponding to 4 percent of NAV. East Capital Bering Ukraine Fund Class R corresponds to less than 1 percent of NAV and is not specified below.

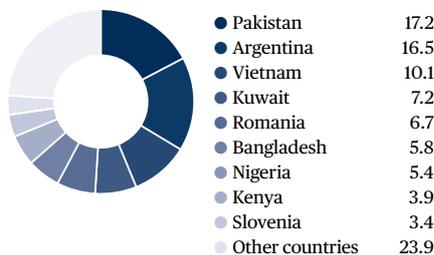


East Capital Global Frontier Markets Fund

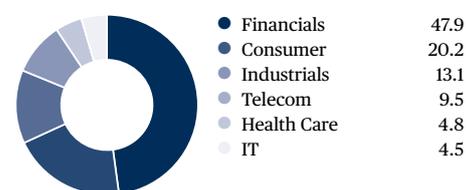
The East Capital Global Frontier Markets Fund seeks to provide long-term capital growth through exposure to companies with strong performance, located in global frontier markets and countries not yet included in frontier market indices. The fund has a global focus on young and growing markets in order to gain exposure to an emerging middle class and domestic consumption. To combine high growth with attractive valuations and deliver consistent risk-adjusted returns, the fund seeks to invest in a wide spectrum of countries, sectors and companies.

| Performance of holding | 2016 | Since Dec 14 |
|---|---|--------------|
| East Capital Frontier Markets Fund, EUR | 3% | 4% |
| Management fee | 1% (acc. to agreement) 0% as of 9 May 2016 | |
| East Capital Explorer's holding in the fund as at 31 Dec 2016 | 29% | |

Asset allocation by country %



Sector weighting, %



Largest holdings in the Fund on 31 December 2016

| Company | Weight, % | Perf. 2016, % | Contr, %* | Country | Sector |
|--------------------------|-----------|---------------|-----------|-----------|------------|
| United Bank | 5.2 | 65.4 | 2.4 | Pakistan | Financials |
| National Bank Of Kuwait | 5.0 | -5.7 | -0.6 | Kuwait | Financials |
| Cash Euro | 4.7 | 0.0 | 0.0 | - | - |
| Banco Macro B Adr | 4.5 | 17.0 | 0.8 | Argentina | Financials |
| Habib Bank | 4.0 | 47.5 | 1.4 | Pakistan | Financials |
| Viet Nam Dairy Products | 3.7 | 30.1 | 0.9 | Vietnam | Financials |
| FPT Corp | 2.9 | 11.0 | 0.3 | Vietnam | IT |
| Safaricom | 2.9 | 30.1 | 0.6 | Kenya | Telecom |
| Grupo Supervielle Sa-Adr | 2.8 | 21.3 | 0.2 | Argentina | Financials |
| Adecoagro | 2.7 | -4.2 | -0.1 | Argentina | Consumer |

All figures in EUR * Contribution to the portfolio performance

| 10 largest holdings (% of fund) | Unlisted holdings (% of fund) | Total number of holdings |
|---------------------------------|-------------------------------|--------------------------|
| 38 | 0 | 57 |

Visitors at Go9 shopping centre



Corporate Governance

East Capital Explorer AB (publ) (“the Company”) sees corporate governance as the manner in which the Company operates and is organised for the purpose of safeguarding the shareholders’ interests and achieving the Company’s goal of providing a good return in the long term.

Corporate governance

Framework for Corporate Governance

Corporate governance within East Capital Explorer is based on both external regulations and internal rules. The external regulations are the Swedish Companies Act, the Nasdaq Stockholm Rule Book for Issuers, the Swedish Corporate Governance Code (“the Code”) as well as other applicable Swedish and foreign legislation and provisions. The Company’s internal frameworks consist of its articles of association, rules and guidelines on corporate governance, the rules of procedure for the Board of Directors, the instructions for the CEO and the policy documents adopted by the Company.

The Company complies with the Code. In 2016 the Company deviated from rule 2.6 of the Code, which states that the Nomination Committee’s proposals are to be presented

in the notice of the Annual General meeting. The notice was published on 5 May 2016 and the Nomination Committee’s proposal on the Board composition were presented in a separate press release on 2 June, since at the time the notice was issued, the Company had not received any proposal on Board members from the Nomination Committee. The Company also deviated from rule 7.3, that the Board on a yearly basis shall make an assessment on whether the Company is in need of an internal audit function. The Board chose to postpone the discussion until 2017, as a consequence of the termination of the investment agreement with East Capital, and the internal restructuring.

Purpose and nature of the Company

East Capital Explorer is a public limited company established in 2007 that invests primarily in unlisted companies and real estate located mainly in the Baltic states, Russia and the Balkans. The purpose of the Company is to create the highest possible, risk-adjusted return for the Company’s shareholders. Value is added through active ownership and the unique exposure in the Company’s investment regions.

The nature of the Company’s investment portfolio is in transition from historically largely consisting of investments made through an indirect investment structure in a selection of funds managed by East Capital, to direct investments focused on properties in the Baltics with the investments managed by the Company’s in-house investment team.

The Board of East Capital Explorer

Composition of the Board

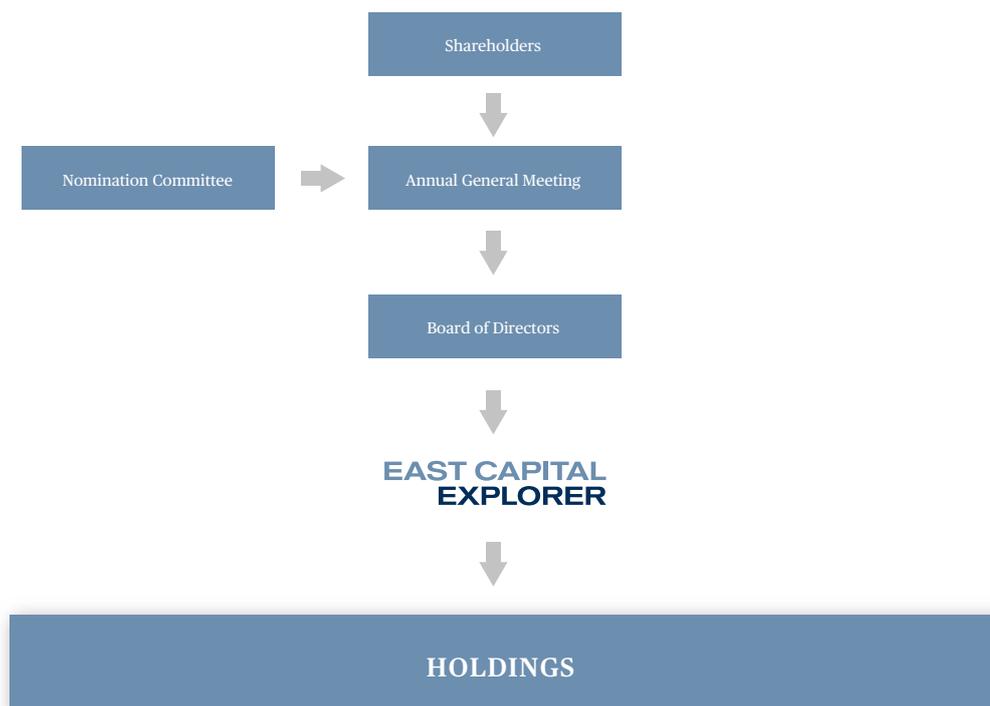
According to the Company’s articles of association, the Board is to consist of three to six members without deputies. The Board members are elected by the Annual General Meeting for a one-year term. The 2016 Annual General Meeting re-elected Lars O Grönstedt, Peter Elam Håkansson and Liselotte Hjorth to the Board. Lars O Grönstedt was re-elected as Chairman of the Board. Nadja Wells was elected as a new Board member. At an Extraordinary General meeting in January 2017, Göran Bronner was elected as a member of the Board.

Independence of the Board

Under the applicable regulations, Board members Lars O Grönstedt, Liselotte Hjorth, Nadja Wells and Göran Bronner are regarded as independent in relation to the company and its management and also in relation to the Company’s major shareholders. The independent Board members have been appointed based on their significant experience of international corporate management and business, particularly within the investment region, as well as their executive positions and board work for various listed companies.

Peter Elam Håkansson is not regarded as independent in relation to the major shareholders as he is a related party to East Capital which, in 2016 together with related parties, was a major shareholder in the Company as the

Governance structure



term is defined in the Code. As of 31 December 2016 there were no other major shareholders of the Company as defined by the Nasdaq Stockholm Rule Book for Issuers and the Code. More information on each Board member can be found on page 41.

The Board's responsibilities and duties

The Board of Directors has the overall responsibility for the Company's organisational structure and management. The Board is thus also responsible for evaluating and taking decisions on all investments and divestments which the CEO and management execute together with the Company's investment team. The Board is also responsible for matters related to its own capital structure, such as initiating distribution to shareholders or increasing of the capital available for investments by, for example, issuing new shares or taking out loans.

The Board examines the investment strategy on a regular basis and evaluates whether or not it is in the best interests of the Company's shareholders. The Board also evaluates existing investments, governs how executive management is performing its duties and decides on remuneration for senior executives.

The board is also responsible for managing any potential conflicts of interests in the Company. The number of conflicts of interest have been reduced substantially as a result of the former Investment Agreement with East Capital, who is also a main owner, was terminated in May 2016. However, a few connections to East Capital remain, primarily through the Transition and Termination Agreement that ends on 31 December 2017, and via the investments in funds managed by East Capital and that the Company is still invested in.

The work of the Board is governed by the rules of procedure adopted by the Board. Chairman of the Board Lars O Grönstedt leads the work of the Board and maintains continuous contact with the CEO and the Company's other management functions in order to monitor the Company's operations. The Board has also drawn up and approved work instructions for the CEO and a number of policy documents.

The Company's CEO Mia Jurke and CFO Lena Krauss also participated in Board meetings in 2016 to report on their respective areas of responsibility. Kestutis Sasnauskas took part in the Board meetings as a representa-

tive of the investment manager until he was employed as the Company's Chief Investment Officer, after which he attended meetings to report on his area of responsibility.

Board meetings and main topics

In 2016 a total of 24 Board meetings were held. The main topics dealt with at the meetings were:

| Meeting | Main topic |
|---------|---|
| 1/2016 | Board meeting on termination of investment agreement with East Capital |
| 2/2016 | Board meeting on divestment proposal |
| 3/2016 | Board meeting on termination of investment agreement with East Capital |
| 4/2016 | Phone meeting on termination of investment agreement with East Capital |
| 5/2016 | Board meeting on termination of investment agreement with East Capital |
| 6/2016 | Board meeting on approval of the interim report for the fourth quarter 2015 |
| 7/2016 | Phone meeting on termination of investment agreement with East Capital |
| 8/2016 | Phone meeting on divestment proposal |
| 9/2016 | Phone meeting on termination of investment agreement with East Capital |
| 10/2016 | Phone meeting on divestment proposal |
| 11/2016 | Phone meeting on termination of investment agreement with East Capital |
| 12/2016 | Phone meeting on termination of investment agreement with East Capital |
| 13/2016 | Phone meeting to approve notice to Extraordinary General meeting |
| 14/2016 | Per capsulam meeting to approve statements to be made in connection with the Extraordinary General meeting |
| 15/2016 | Board meeting to approve the 2015 Annual Report as well as notice and statements to be made in connection with the Annual General meeting |
| 16/2016 | Board meeting to approve the interim report for the first quarter of 2016 |
| 17/2016 | Statutory Board meeting |
| 18/2016 | Per capsulam meeting to approve statements to be made in connection with the Annual General meeting |
| 19/2016 | Board meeting to approve the interim report for the second quarter of 2016 |
| 20/2016 | Strategy meeting |
| 21/2016 | Phone meeting on investment proposal |
| 22/2016 | Board meeting for approval of the interim report for the third quarter of 2016 |
| 23/2016 | Phone meeting on divestment proposal |
| 24/2016 | Per capsulam meeting to approve notice and statements to be made in connection with the Extraordinary General meeting |

Evaluation of the Board

The work of the Board is regularly evaluated and the evaluation is used to develop the Board's procedures, and as a basis for the Nomination Committee's evaluation of the composition of the Board. In 2016 the Board was evaluated by an external consultant with extensive experience in board evaluations, as well as by the independent members of the Nomination Committee, in order to gather information for the Nomination Committee's task of preparing proposals for the 2016 Annual General Meeting.

Audit Committee

Until June 2016 there was an Audit Committee tasked with providing the Board with advice on financial reporting and on valuation and auditing matters. The Audit Committee's work was governed by a charter established by the Board of Directors and the Committee consisted of three members appointed by the Board from among the independent Board members. Up until 9 June 2016 the Audit Committee consisted of Lars O Grönstedt (Chairman), Mikael Nachemson and Liselotte Hjorth. At the statutory Board meeting on 9 June no new audit committee was formed. Instead the Committee's duties were taken over and performed by the Board as a whole.

The Company's CEO Mia Jurke and CFO Lena Krauss as well as Financial Controller Farzad Bahador participated in the Audit Committee's meetings in 2016 to report on their respective areas of responsibility.

Audit Committee meetings and main topics

The Audit Committee held a total of two meetings in 2016. The Company's authorised auditors from KPMG participated in all meetings to report the results of their review of the interim financial reports. The main topics of discussion at the meetings included the following:

| Meeting | Main topic |
|---------|---------------------------------------|
| 1/2016 | Valuations and internal audit matters |
| 2/2016 | Valuations and audit matters |

Directors' fees and executive compensation

On 9 June 2016 the Annual General Meeting resolved on compensation for the Chairman of the Board in the amount of SEK 1,200,000 as an annual fee for the period until the 2017 AGM. Other Board members were to receive an annual fee of SEK 400,000 each for the

| The composition of the Board | | | | Own and related persons shareholdings as of 1 March 2017 | Elected | Audit Committee attendance 2016 |
|------------------------------|--------------|--------------------------------|-------------|--|---------|---------------------------------|
| Name | Position | Citizenship | Independent | | | |
| Lars O Grönstedt | Chairman | Sweden | Yes | 3,082 | 2012 | 24/24 |
| Peter Elam Håkansson | Board member | Sweden | No | 5,647,753 | 2014 | 16/24 |
| Liselotte Hjorth | Board member | Sweden | Yes | 2,000 | 2014 | 24/24 |
| Nadya Wells | Board member | Switzerland/ United Kingdom | Yes | 0 | 2016 | 6/8 |
| Göran Bronner | Board member | Sweden | Yes | 150,000 | 2017 | n/a |

The Board holds at least five ordinary Board meetings a year. Additional meetings may be held; for example, to discuss and decide on investment proposals and other strategic matters.

same period. As proposed by the Nomination Committee, the AGM resolved that by special agreement with the Company, directors' fees may be invoiced through a company or business. If this is the case, the fee invoiced is to be adjusted for social security contributions and value added tax in order to achieve cost neutrality for the Company. No more compensation for work on the Audit Committee was paid following the Annual General Meeting from 9 June 2016 the full Board will be performing the Audit Committee's duties and no separate Committee was formed.

Remuneration committee

In view of the limited number of Company employees, the Board does not consider it necessary to form a remuneration committee. The duties that would have been performed by a remuneration committee are instead performed by the Board as a whole.

Management of East Capital Explorer

The CEO together with management are responsible for ensuring that day-to-day management of the Company is carried out according to the Board's guidelines and instructions. Executive management is also responsible for the internal control procedures that are necessary for the Board's process of reviewing and controlling investment activities. Management reports regularly to the Board on these matters.

Management compensation

Compensation for the CEO, CFO and CIO consists of a fixed salary and variable salary as well as pension and insurance benefits. The Board has discretion to decide whether any variable salary is to be paid to executive management. The decision is based on internal key performance indicators (KPIs). Changes in the share price and the discount to NAV are the two criteria that are given the most weight in this regard. Targets are set and evaluated by the Board annually. The maximum variable salary is 50 percent of fixed salary. The board of directors shall have the right to deviate from the principles adopted by the AGM if special reasons are at hand in an individual case.

In 2016 the Board granted both the CEO and the CFO a variable salary for 2015 amounting to 50 percent of their fixed salary.

In 2017 the CEO and CFO were granted a variable salary for 2016 of 50 percent of their fixed salary, out of a maximum variable salary of 50 percent of fixed salary. The CIO, who was employed by the Company on 9 May 2016, was not covered by East Capital Explorer's remuneration guidelines during 2016.

The CEO, CFO and CIO have individual premium-based pension plans, under which the Company pays premiums corresponding to 10 percent of fixed salary for up to 10 Swedish

income base amounts and premiums corresponding to 20 percent of fixed salary on the portion of fixed salary that exceeds 10 Swedish income base amounts.

Detailed information on remuneration to management can be found in Note 5 on page 52.

Chief Executive Officer

The Chief Executive Officer is responsible for the Company's day-to-day operations in accordance with instructions from the Board as well as other guidelines and policy documents. In consultation with the Chairman of the Board, the CEO prepares the agenda for Board meetings and is responsible for preparing the information required for decision-making. In addition, the CEO ensures that the Board continually receives information concerning East Capital Explorer's performance and market information from the Company's investment team in order to obtain a sound basis on which to make decisions.

The CEO has no significant commitments outside the Company. More information on the CEO can be found on page 40.

Share-based incentives

East Capital Explorer does not have any share-based incentive schemes.

Internal control and risk management

Internal control

Internal control within East Capital Explorer is designed to manage risk relating to financial reporting and investment activities. This includes ensuring that buying and selling of securities is reliably reported, that holdings are accurately valued and that information is communicated to the market effectively and correctly. The Board of Directors is responsible for overseeing investment activity and ensuring that the Board has access to the necessary information through established reporting routines and relevant, established policies. All policies are tried and tested to ensure that they are appropriate and are approved annually by the Board.

The Board is to maintain a sound and effective control environment for investment activities and financial reporting through a clear division of responsibilities and powers among executive management and the employees.

The Audit Committee which, following the Annual General Meeting on 9 June 2016, was replaced by the Board as a whole, addresses and discusses accounting issues, valuations, financial reporting, and the internal audit. The Company's executive management continuously monitors compliance with policies, instructions and administrative agreements.

In order to evaluate and strengthen the internal control, East Capital Explorer has, since

2008, an internal audit function. This function makes assessments and provides the Board and management with reports and recommendations for improvements that can be made in regards to the internal control. The internal audit function is the Board's independent audit function, which works to monitor and review areas within the company's business operations such as outsourced service functions and internal procedures, to maintain good corporate governance and compliance with company policies. What areas to audit are decided in a three-year plan, which is approved by the Board.

During 2016, the Board chose to postpone the discussion regarding internal audit, to reassess the need within the company, post restructuring and simplification of the company structure, and overtaking of the outsourced functions which previously were maintained by East Capital. No decision was made during 2016, and the matter will be handled during 2017.

East Capital Explorer acts in accordance with generally accepted practices in the stock market and regularly follows-up to ensure the Company is in compliance with the listing agreement.

Risk management

East Capital Explorer's risk management is aimed at identifying and, if possible, managing the risks that impact or may impact, the Company and its value. A list of the risks identified and an account of how they are being managed is submitted quarterly to the Company's Board of Directors. Risk management is the responsibility of the Company's executive management in accordance with relevant policies established by the Board.

The main risks the Company is exposed to are financial risk, operational risk and business risk. Financial risk relates mainly to changes in value in the investment portfolio as well as risk relating to market interest rates, currencies and liquidity management. Management of financial risk is primary carried out by East Capital Explorer's financial department according to the Company's financial policy. East Capital Explorer's operational risk is managed by the Company's executive management, while operational risk in the investment portfolio is managed by the respective portfolio company and monitored by the Company's investment team. Business risk is monitored on an ongoing basis by the Company's executive management and includes political risk and investment risk.

Risk and risk management are described in more detail in Note 16 on pages 60-61.

Annual General Meeting

The Annual General Meeting (AGM) is the Company's highest decision-making body and is where shareholders can exercise their influ-

ence. The AGM is to be held within six months of the end of the financial year. All shareholders registered in the register of shareholders who have given notice of their attendance on time are entitled to participate in the AGM. Shareholders may vote for the total number of shares that they own and may be accompanied by a maximum of two assistants. Shareholders who cannot attend in person may be represented by proxy.

Among other things, the AGM deals with matters such as the election of the Board, the appointment of auditors where applicable, any dividend, adoption of the income statement and balance sheet, and discharging the members of the Board and the CEO from liability. Shareholders are entitled to have a matter dealt with by the AGM provided that a proper request has been submitted to the Company well in advance of the distribution of the notice of the AGM. The AGM is an important channel for communication with shareholders. In conjunction with the AGM all shareholders are also invited to a seminar on the Company's markets and investments. Shareholders are encouraged to participate in the AGM, and all shareholders receive a written invitation and notice of the meeting. The Board of Directors and executive management attend the AGM in order to answer questions from the shareholders.

Annual General Meeting 2016

The 2016 AGM was held on 9 June 2016 at the IVA Conference Centre in Stockholm. All documents from the AGM - the notice, documents presented at the meeting and the full minutes of the meeting - are available at www.eastcapitalexplorer.com.

The 2016 AGM was attended by 69 people, including shareholders representing a total of 41.8 percent of the shares in the Company, all of the Board members, all of the employees and a number of invited guests.

Among other matters, the 2016 AGM approved adopting the results for the 2015 financial year, discharging management and the Board from responsibility, the dividend proposal, the number of Board members and Board fees, and the election of Nadya Wells as a new Board member. The AGM also approved the Board's proposal to reduce the share capital by withdrawing shares, and to increase the share capital through a bonus issue. The AGM also resolved in favour of a further reduction in the share capital by withdrawing treasury shares held at the time the decision was reported to the Swedish Companies Registration Office. The AGM authorised the Board to decide on acquisitions of treasury shares in accordance with the proposal presented to the AGM.

Nomination Committee

The Nomination Committee is tasked with evaluating the Board and its work prior to the AGM, preparing and presenting proposals to the AGM for a chairman for the meeting, Board members and the Chairman of the Board, and also - where applicable - the appointment of auditors. The Nomination Committee is also to propose directors' fees, any compensation for work on Board committees and the fees to be paid to the Company's auditors, and is to propose the procedure for electing a Nomination Committee for the next AGM. All shareholders have the opportunity to submit proposals to the Nomination Committee.

Work of the Nomination Committee in 2016/2017

In accordance with a resolution at the AGM held on 9 June 2016, East Capital Explorer is to have a Nomination Committee consisting of a minimum of three and a maximum of four members, up to three of whom are to be appointed by the three largest shareholders (or groups of shareholders) in the Company who wish to appoint a representative. The other member is the Company's Chairman. The Nomination Committee for the 2017 Annual General Meeting consisted of:

- Magnus Lekander, owner representative for East Capital (chairman)
- David Bliss, Lazard Asset Management
- Lars O Grönstedt, in his capacity as Chairman of the Board of East Capital Explorer
- Mathias Svensson, representative for Keel Capital

The composition of the Nomination Committee was announced in a press release and on the Company's website on 7 October 2015.

No fees were paid to the members of the Nomination Committee for their work.

Shareholders have been given an opportunity to submit proposals to the Nomination Committee. The Nomination Committee's proposals to the 2017 Annual General Meeting are detailed in the notice of the meeting which will be published no later than four weeks prior to the Annual General Meeting, at www.eastcapitalexplorer.com.

Annual General Meeting 2017

The 2017 Annual General Meeting will be held at 3 pm. on 15 May 2017, at the IVA Conference Centre, Grev Turegatan 16, Stockholm. More information can be found at www.eastcapitalexplorer.com.

Auditors

External auditors

On 21 April 2015 the AGM decided to re-elect the registered accountancy firm KPMG AB as auditor for a term until the conclusion of the 2019 AGM. No decisions were taken in this regard at the 2016 AGM. It was also noted that KPMG has informed the Company that Anders Malmeby will act as auditor in charge as long as the Company and the Swedish Companies Act permits.

Fees to the auditors

The Company's auditors have received fees for auditing and other required reviews, and for advice in connection with observations made in the course of audits and reviews. During the 2016 financial year the fees to the auditors totalled EUR 52,000.

Communication with the Company's auditors

The Board of Directors, which in June 2016 assumed the duties of the Audit Committee, is in regular contact with the auditors. The auditors participate in Board meetings when the annual report and the interim reports reviewed by the auditors are being discussed. On such occasions the auditors present their observations from the audit and give an account of their assessment of the Company's internal control. The Board also meets with the auditor once a year, when the auditor reports its observations directly to the Board without the CEO, CFO and CIO being present.

Auditor - KPMG AB

Auditor in charge: Anders Malmeby

Born 1955
Authorised Public Accountant, KPMG AB, Chief Executive Officer of KPMG AB. Auditor in charge for East Capital Explorer since 2013.



Other auditing assignments:

Boule Diagnostics, Concentric, Bankgirocentralen (BGC), Bravida Holding, NASDAQ OMX Stockholm AB, Acer Sweden AB och Swerea AB.

The construction of a third office tower adjacent to 3 Bures was initiated during the fourth quarter of 2016.



Management



Kestutis Sasnasuskas
Chief Investment Officer since 2016.
Born 1973.

Education

Economic studies from the Stockholm School of Economics, Vilnius University and Gotland University.

Work experience

1995 - 1997 Analyst, Enskilda Securities, 1997 and onwards, Co-founder and Partner, East Capital, 2004-2016 Head of private equity and real estate, East Capital

Own and related persons shareholdings in East Capital Explorer AB

409,343 shares as of 1 March 2017.

Mia Jurke
CEO since 2011.
Born 1973.

Education

Master of Science in Business Administration from the University of Uppsala.

Work experience

2008-2011 CEO of East Capital Asset Management AB, 2006-2008 Product Manager for East Capital (Lux), 2005-2007 Head of Portfolio Administration at East Capital, 1998-2005 E. Öhman J: or Asset Management and E. Öhman J: or Funds AB (2000-2005 Head of Administration).

Own and related persons shareholdings in East Capital Explorer AB

5,869 shares as of 1 March 2017.

Lena Krauss
CFO since 2014. Born 1976.

Education

Master of Science in Economics and Finance from the Swedish School of Economics and Business Administration (Hanken) in Helsinki.

Work experience

2008-2013 Senior Vice President, Agency Manager and Senior Consultant at Diplomat Communications AB, Stockholm. 2004-2007 Investor Relations Director at Tele 2 AB, Stockholm. 2004 Partner at Shared Value Ltd, London. 2000-2003 Equity Research Analyst at Alfred Berg ABN AMRO, Stockholm, London and Helsinki.

Own and related persons shareholdings in East Capital Explorer AB

3,108 shares as of 1 March 2017.

Board of Directors



Lars O Grönstedt
Chairman since 2015,
Board member since 2012

Independent of the Company, Company management and the Company's major shareholders. Born 1954.

Education

BA in languages and literature from Stockholm University and an MBA from Stockholm School of Economics.

Work experience

Currently a senior advisor to Nord Stream, 2001-2006 CEO of Handelsbanken and its Chairman 2006-2008.

Other board assignments

Chairman of Vostok Emerging Finance, Vostok New Ventures and Scypho Group, Chairman of Realcap Ventures AB, Vice Chairman of the Swedish National Debt Office, Speaker of the elected body of representatives of Trygg Foundation.

Own and related persons shareholdings in East Capital Explorer AB

3,082 shares as of 1 March 2017.



Peter Elam Håkansson
Board member
since 2014

Dependent in relation to the Company's major shareholders. Born 1962.

Education

Master of science from the Stockholm School of Economics and has also studied at EDHEC in Lille.

Work experience

Founding partner, Chairman and Chief Investment Officer of East Capital. Experience from emerging and frontier markets since the early nineties and with stock markets since early eighties. Series of senior positions at Enskilda Securities where his last role was Head of Equities and Global Head of Research.

Other board assignments

Chairman of East Capital and a number of the boards within the East Capital group. Member of the board of Bonnier Business Press AB, Atlantic Grupa in Croatia as well as the Advisory Board of Stena Long Term Equity. Chairman of the foundation behind Swedish Music Hall of Fame and board member of the foundation Inter Peace Sweden.

Own and related persons shareholdings in East Capital Explorer AB

Controls 5,647,753 shares directly and indirectly as of 1 March 2017.



Liselotte Hjorth
Board member
since 2014

Independent of the Company, Company management and the Company's major shareholders. Born 1957.

Education

Bachelor of Science in Business Administration and Economics from University of Lund.

Work experience

Over 30 years of experience in the financial industry, most recently as Global Head of Commercial Real Estate and Member of the Management Board of SEB AG in Frankfurt, and as Group Credit Officer and Executive Vice President in the SEB Group.

Other board assignments

Chairman of the Board of White Arkitekter, Board Member of Kungsleden, Rikshem and Hoist Finance.

Own and related persons shareholdings in East Capital Explorer AB

2,000 shares as of 1 March 2017.



Göran Bronner
Board member
since 2017

Independent of the Company, company management and the Company's major shareholders. Born 1962.

Education

B.Sc. in Business Administration and Economics from Stockholm University.

Work experience

Several leading positions at Swedbank, most recent as the bank's Chief Financial Officer and prior to that Chief Risk officer, with 30 years of experience from the global financial markets. Founder of Tanglin Asset Management, and served as the company's Chief Investment Officer. Several positions at SEB. From 2017 Göran serves as a senior advisor to EQT.

Other board assignments

Board member of CTT Systems AB. Various Board positions in wholly owned private Group Lovima AB.

Own and related persons shareholdings in East Capital Explorer AB

150,000 shares as of 1 March 2017.



Nadya Wells
Board member
since 2016

Independent of the Company, company management and the Company's major shareholders. Born 1970.

Education

MBA from INSEAD, MA in modern history and modern languages from Oxford University.

Work experience

20 years of experience from emerging and frontier markets as a long-term investor and governance specialist. Latterly she spent 13 years with Capital Group, as a portfolio manager and analyst with focus on EMEA markets. Previously worked as portfolio manager at INVESCO Asset Management.

Other board assignments

Board member in Sberbank Russia and Barings Emerging Europe plc.

Own and related persons shareholdings in East Capital Explorer AB

0 shares as of 1 March 2017.

Staff



Top left; Eric Stadler Corporate Secretary & Project Manager, Kestutis Sasnauskas Chief Investment Officer, Farzad Bahador Financial Controller, Emil Holmström Analyst. Sitting left; Lilia Kouzmina Senior Analyst, Greta Dorthé Team Assistant, Mia Jurke CEO, Lena Krauss CFO, Sara Cederquist Executive Assistant.

4

Financial Statements

| | |
|------------------------------------|----|
| Administration Report | 44 |
| Financial Statements | 46 |
| Notes | 48 |
| Five-Year Summary | 62 |
| Auditor's Report | 64 |
| Definitions | 67 |
| Financial information and calendar | 68 |
| Annual General Meeting 2017 | 68 |

Administration Report

The board of Directors of East Capital Explorer AB (publ), (East Capital Explorer AB, the Company) Corporate registration Number 556693-7404, hereby submits the annual report for the financial year 1 January - 31 December 2016.

The Group

East Capital Explorer is a Swedish investment company listed on Nasdaq Stockholm. East Capital Explorer's business concept is to maximise risk-adjusted shareholder return by offering shareholders a liquid exposure to a unique investment portfolio of unlisted and listed companies in Eastern Europe. The investment activities of East Capital Explorer AB (publ) (the Company) are managed in the operating subsidiaries Humarito Ltd, East Capital Explorer Investments AB and ECEX Holdings SA (formerly East Capital Explorer Investments SA), which manages the investment portfolio. Transactions in the operating subsidiaries are referred to as the investment activities in this report. The Company's functional currency and presentational currency is euro (EUR).

Result

The net result for year 2016 was EUR 13.3m (EUR 7.3m), including value changes of shares in subsidiaries of EUR 16.9m (EUR 9.0m), corresponding to earnings per share of EUR 0.49 (EUR 0.25).

In Q4 2016, the sale of Starman was completed for a total cash consideration of EUR 83.6m; an increase of EUR 11.8m during the year. The cash consideration prompted a carried interest to East Capital of approx. EUR 6.7m which was paid by year-end.

Melon Fashion Group was appreciated by EUR 16.3m in total. The underlying asset in rouble was appreciated by EUR 8.2m due to generally decreased risk in Russia, which results in a lower weighted average cost of capital (WACC), as well as improved gross margin levels, while the translation from rouble to euro had a positive effect of EUR 8.1m. Furthermore, a dividend was received from Melon Fashion Group of EUR 0.5m, East Capital Baltic Property Fund II of EUR 0.9m, Komercijalna Banka Skopje of EUR 0.4m and from Trev-2 Group of EUR 0.3m. Together with fair value adjustments in 3 Burès of EUR 2.5m, East Capital Baltic Property Fund II of EUR 1.1m, East Capital Baltic Property Fund III of EUR 0.8m, Komercijalna Banka Skopje of EUR 2.1m and in East Capital Global Frontier Markets Fund of EUR 0.8m, and expenses amounting to EUR 13.7m (of which 10.3m refers to items affecting comparability), these were the main contributors to the change in value of shares

in subsidiaries in the Income statement for the period. Please see Note 2 Segment Reporting for more information.

The result for the period includes income of EUR 0.7m (EUR 0.0m) mainly from repayment of charged management fees in the funds, and expenses of EUR 4.5m (EUR 1.9m), all of which refer to the Parent company. Net financial income and expenses was +0.1m (EUR +0.2m).

Key events during the year

At an Extraordinary General Meeting on 9 May 2016, the shareholders approved the Board's proposal regarding a joint termination of the Investment Agreement between East Capital Explorer and East Capital. For further information about the termination of the Investment Agreement, please see Note 17 Related parties.

On 19 August 2016, the Company purchased the remaining shares in the previously jointly owned Luxemburg based company ECEX Holdings SA from East Capital, for an amount of EUR 2.0m that also includes other previously announced commitments such as brand and non-compete clause.

During the year, the Company received repayment of shareholder's contributions of EUR 52.7m (EUR 17.5m) in total.

Private Equity

In Q4 2016, the sale of Starman was completed for a total cash consideration of EUR 83.6m; an increase of EUR 11.8m during the year. The cash consideration prompted a carried interest to East Capital of approx. EUR 6.7m which was paid by year-end.

Real Estate

Since 2015, the Company have a commitment to invest EUR 20m in total in East Capital Baltic Property Fund III. EUR 8.1m has been drawn down by the fund so far, of which EUR 4.8m during 2016, and the remaining commitment amounts to EUR 11.9m. Further, a smaller add-on investment of EUR 0.25m was made in 3 Burès during the year.

On 21 October 2016, the Company committed to finance up to EUR 9m in equity, in successive instalments over the coming two years, in a 23-floor office complex in Vilnius. The new building is being built on the land plot adjacent to the existing 3 Burès office complex and will be included in the 3 Burès holding.

Public Equity

During the year, the Company sold shares in East Capital Deep Value Fund for an amount equivalent to EUR 12.2m.

Short-term investments

During the year, the Company sold shares in East Capital Global Frontier Markets Fund for an amount equivalent to EUR 21.6m.

Fees

At an Extraordinary General Meeting on 9 May 2016, the shareholders approved the Board's proposal regarding a joint termination of the Investment Agreement between East Capital Explorer and East Capital. Following the EGM decision, all management fee payments to East Capital were halted, with the exception of the real estate funds East Capital Baltic Property Fund II and East Capital Baltic Property Fund III. For further information about the termination of the Investment Agreement, please see Note 17 Related parties.

To calculate all management fees and carried interest paid by East Capital Explorer to East Capital, fees originated in funds are added to the fees in the investment activities. During 2016, management fees to East Capital amounted to EUR 2.0m (EUR 4.8m) and carried interest amounted to EUR 7.6m (EUR 0.0m). The carried interest is related to the sale of Starman, EUR 6.7m, and accrued profit sharing of 3 Burès, EUR 0.9m.

The management fee for East Capital Baltic Property Fund II is 1.75 percent and the rebated management fee for East Capital Baltic Property Fund III is 1.25 percent. The carried interest for these funds is 20 percent, on the premise that a threshold value increase of 7 and 8 percent, respectively, per year has been achieved.

Share information

East Capital Explorer AB's share capital amounted to approximately EUR 3.7m. The total number of shares outstanding in East Capital Explorer as of 31 December 2016 amounted to 28,161,563. Adjusted for repurchased shares in 2016, the number of shares amounted to 25,604,463. The weighted average number of shares outstanding for the reporting period was 27,026,616, adjusted for the repurchased shares. In June 2016 the Company reduced its share capital by cancelling the 315,229 shares that were repurchased during 2015.

The closing price per share on 31 December 2016, the last trading day of the year, was SEK 66.75, equivalent to EUR 6.97 (SEK 50.75 equivalent to EUR 5.54). East Capital Explorer AB's share price, consequently and adjusted for dividend, increased by 27.3 percent (26.2 percent) in EUR during the year. By comparison, the MSCI EM Europe Index increased by 30 percent (-7 percent) in EUR.

In SEK and adjusted for dividend, East Capital Explorer AB's share price increased by 33.2 percent (22.1 percent) during 2016.

Repurchase of shares and dividend

On 20 May 2016, the Company initiated repurchase of own shares. The Company's intention is that repurchase of shares will be carried out for as long as the Company's shares trade at a discount of more than 20 percent to its most recently published NAV in SEK. The Company have a mandate repurchase up to 10 percent of outstanding shares. The Company repurchased a total of 2,557,100 shares during the period 20 May through 31 December 2016, corresponding to 9.1 percent of the Company's outstanding shares, for an amount equivalent to EUR 17.0m and at an average price of SEK 62.62 per share.

East Capital Explorer's dividend policy states that at least 50 percent of dividends received from portfolio holdings shall be distributed to shareholders. With an ordinary dividend as a base, share redemptions and repurchases can also be used from time to time to enhance shareholder value. At the Annual General Meeting 2016, it was resolved to pay an ordinary dividend for 2015 of SEK 0.80 per share, corresponding to EUR 0.09 per share. Payment to shareholders was made in June 2016.

East Capital Explorer will propose to the Annual General Meeting 2017 to pay an ordinary dividend for 2016 of SEK 0.90 per share, corresponding to EUR 0.09 per share.

Key events after the end of the financial year

Shares in East Capital Deep Value Fund were sold for an amount equivalent to EUR 2.1m.

The Company repurchased a total of 604,824 shares during the period 9 January through 31 March 2017, corresponding to 2.4 percent of the Company's outstanding shares, at an average price of SEK 69.26 per share.

At an Extraordinary General Meeting on 23 January 2017, East Capital Explorer's shareholders approved the Nomination Committee's proposal to elect Göran Bronner as Director of the Board. The Meeting also approved the Board of Directors' proposal to reduce the share capital by cancelling of 2,500,000 previously repurchased shares and to increase the share capital by way of a bonus issue. The Meeting also approved certain amendments to the Articles of Association which followed the termination of the investment agreement with East Capital. On 31 January 2017, the cancelling of 2,500,000 repurchased shares was executed according to the approval of the Meeting.

On 16 March January 2017, the Company sold its 38-percent stake in the Estonian road construction company Trev-2 Group for a cash consideration of EUR 5.7m. The transaction realised a gross IRR of 2 percent and has no effect on NAV.

On 16 March January 2017, the Company announced that Mia Jurke, the Company's CEO since 2011, has informed the Board of Directors of her decision to resign from East Capital Explorer. She will remain in her role until the Company's AGM on 15 May, or until a successor is appointed, if sooner. The Board have initiated a recruitment process for a new CEO.

On 31 March 2017, the Company announced that a new buy back mandate has been resolved for the period 1 April - 14 May 2017. The Company's intention is that repurchase of shares will be carried out for as long as the Company's shares trade at a discount of more than 20 percent to its most recently published NAV in SEK. A maximum of 1,900,000 shares may be repurchased during the period. The Company's holding of its own shares may not at any time exceed 10 percent of all shares in the Company. Repurchases for a maximum of SEK 50m may be made during the period.

On 6 April 2017, the Company announced that it has signed an agreement to acquire Vertas, an A class office building in central Vilnius. The purchase price is EUR 29m, corresponding to a yield of approximately 6.5%. The transaction is expected to close during the summer. The property may initially be financed by 100% equity.

Risks and factors of uncertainty

The Company is through its operations exposed to a variety of risks. Financial risk management is handled by management in accordance with the Board's established finance policy. The Board may in special cases approve deviations from the policy.

The Company has exposure to the following risks arising from financial instruments: market risk (equity price risk, currency risk and interest rate risk), liquidity risk, credit risk and operational risks. The financial policy stipulates that the company in the context of their daily activities normally not be leveraged. The portfolio companies have an independent funding and manage independently their liquidity risk. For more information, please see Note 16, "Financial risks and Risk management".

Future development

East Capital Explorer's objective for the future is to create stable value growth and yield for the shareholders by active portfolio management.

Personnel and remuneration guidelines

On 31 December 2016, East Capital Explorer AB had nine employees, of which five women and four men. In accordance with current guidelines, the Board proposed the Annual General Meeting 2016 the following with regard to remuneration of executive management: remuneration is comprised of fixed salary, variable salary, pension and insurance benefits, as well as other non-monetary benefits and other compensation. The Board determines at its own discretion

on the basis of specific key performance indicators whether the executive management should be paid any variable salary. The executive management may receive a maximum variable salary corresponding to 50 percent of their fixed salary. The executive management have an individual premium-based pension plan, pursuant to which the Company pays premiums corresponding to 10 percent of their fixed salary up to 10 Swedish income base amounts and premiums corresponding to 20 percent of their fixed salary on the portion of the fixed salaries exceeding 10 Swedish income base amounts. In the event the Company terminates the CEO's employment, the Company is required to observe a six-month period of notice. The CEO is entitled to a severance payment corresponding to six months' salary.

Information about salaries and current remunerations guidelines, other compensation and social charges for the Board and executive management, as well as other employees, is found in Note 5.

Corporate Governance and the Board of Directors

The Board shall be comprised of three to six directors without deputies. Board Members are elected annually at the Annual General Meeting for the period up and until the next Annual General Meeting. The complete Articles of Association can be found on www.eastcapitalexplorer.com.

For information as to the manner in which the Company is governed and controlled, such as via the Board and committees, and for information on internal control and risk management, please refer to the Corporate Governance section on pages 35-42.

Proposed Disposition of Earnings

The Board of Directors proposed that the unappropriated earnings in East Capital Explorer AB (publ) are distributed as follows:

| Total available funds for distribution: | |
|---|--------------------|
| Share premium reserve | 299,612,649 |
| Retained earnings | -69,014,087 |
| Profit for the year | 13,302,849 |
| Total EUR | 243,901,411 |
| To be allocated as follows: | |
| Dividend to shareholders SEK 0,90/share ¹ | 2,407,943 |
| Funds to be carried forward | 241,493,468 |
| (Of which share premium reserve 299,612,649) | |
| Total EUR | 243,901,411 |

¹ No dividend is paid for the Company's holding of own shares, whose exact number is determined on the record date for cash payment of the dividend. EUR 1 = SEK 9.58 on 28 February 2017 (Source: Reuters).

Income Statement

| EUR thousands | Note | 2016 1 Jan - 31 Dec | 2015 1 Jan - 31 Dec |
|--|------|------------------------|------------------------|
| Changes in fair value of subsidiaries | 2 | 16,931 | 8,996 |
| Other income | 3 | 691 | - |
| Staff expenses | 5 | -1,894 | -998 |
| Other operating expenses | 4, 6 | -963 | -919 |
| Advisory costs for termination of the Investment Agreement | | -1,604 | - |
| Operating profit/loss | | 13,161 | 7,079 |
| Financial income | 7 | 203 | 189 |
| Financial expenses | 7 | -61 | 0 |
| Profit/loss before tax | | 13,303 | 7,268 |
| Income tax | 8 | - | - |
| NET PROFIT/LOSS FOR THE YEAR¹ | | 13,303 | 7,268 |

Earnings per share, EUR

- Attributable to shareholders of the Parent Company 9 0.49 0.25

No dilutive effects during the periods

¹ Net Profit/Loss for the year corresponds to Total Comprehensive income for the year.

Balance Sheet

| EUR thousands | Note | 2016 31 Dec | 2015 31 Dec |
|--|----------------|----------------|----------------|
| Assets | | | |
| Shares in subsidiaries | 14, 15, 16 | 195,993 | 252,140 |
| Loans to group companies | 14, 15, 16, 17 | 20,900 | - |
| Total non-current assets | | 216,893 | 252,140 |
| Other short-term receivables | 15 | 2 | - |
| Accrued interest income | 17 | 1,680 | - |
| Accrued income and prepaid expenses | 11, 15 | 427 | 14 |
| Cash and cash equivalent | 15 | 30,338 | 1,918 |
| Total current assets | | 32,447 | 1,932 |
| Total assets | | 249,340 | 254,071 |
| Equity | | | |
| Share capital ¹ | 10 | 3,655 | 3,654 |
| Other contributed capital/Share premium reserve ² | | 299,613 | 318,920 |
| Retained earnings including other reserves ² | | -69,014 | -76,282 |
| Net profit/loss for the period ² | | 13,303 | 7,268 |
| Total equity | | 247,558 | 253,561 |
| Current liabilities | | | |
| Other liabilities | 12, 15 | 334 | 256 |
| Accrued expenses and prepaid income | 13, 16 | 1,449 | 254 |
| Total current liabilities | | 1,783 | 510 |
| Total equity and liabilities | | 249,340 | 254,071 |

¹ Restricted capital

² Unrestricted capital

Statement of Changes in Equity

| EUR Thousands 2016 | Share capital | Other contributed capital/Share premium reserve | Retained earnings incl. Profit/loss for the year | Total equity share- holders in the Parent company |
|-----------------------------------|---------------|---|--|---|
| Opening equity 1 January 2016 | 3,654 | 318,920 | -69,014 | 253,561 |
| Net profit/loss for the period | - | - | 13,303 | 13,303 |
| Total comprehensive income | - | - | 13,303 | 13,303 |
| Bonus issue | 1 | -1 | - | - |
| Dividend to shareholders | - | -2,335 | - | -2,335 |
| Share buy-back | - | -16,971 | - | -16,971 |
| Closing equity 31 December 2016 | 3,655 | 299,613 | -55,711 | 247,558 |

| EUR Thousands 2015 | Share capital | Other contributed capital/Share premium reserve | Retained earnings incl. Profit/loss for the year | Total equity share- holders in the Parent company |
|-----------------------------------|---------------|---|--|---|
| Opening equity 1 January 2015 | 3,650 | 333,945 | -76,282 | 261,314 |
| Net profit/loss for the period | - | - | 7,268 | 7,268 |
| Total comprehensive income | - | - | 7,268 | 7,268 |
| Bonus issue | 4 | -4 | - | - |
| Redemption program | - | -13,170 | - | -13,170 |
| Share buy-back | - | -1,851 | - | -1,851 |
| Closing equity 31 December 2015 | 3,654 | 318,920 | -69,014 | 253,561 |

Statement of Cash Flow

| EUR Thousands | 2016 1 Jan - 31 Dec | 2015 1 Jan - 31 Dec |
|---|------------------------|------------------------|
| Operating activities | | |
| Operating profit/loss | 13,161 | 7,079 |
| Changes in fair value of subsidiaries | -16,931 | -8,996 |
| Cash flow from current operations before changes in working capital | -3,770 | -1,917 |
| Cash flow from changes in working capital | | |
| Increase (-)/decrease(+) in other current receivables | -414 | 3 |
| Increase (+)/decrease(-) in other current payables | 1,272 | 106 |
| Cash flow from operating activities | -2,912 | -1,808 |
| Investing activities | | |
| Repayment of shareholder contributions | 52,700 | 17,500 |
| Aquisition of remaining shares in ECEX Holdings SA | -2,000 | - |
| Cash flow from investing activities | 50,700 | 17,500 |
| Financing activities | | |
| Redemption program | - | -13,170 |
| Dividend to shareholders | -2,335 | - |
| Share buy-back | -16,971 | -1,851 |
| Cash flow from financing activities | -19,306 | -15,021 |
| Cash flow for the period | 28,482 | 671 |
| Cash and cash equivalent at the beginning of the period | 1,918 | 1,057 |
| Exchange rate differences in cash and cash equivalents | -61 | 189 |
| Cash and cash equivalent at the end of the period | 30,338 | 1,917 |

Notes to the financial statements

Note 1 Accounting Principles

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as approved by the European Commission for application within the European Union. In addition, the Swedish Financial Reporting Board recommendation RFR 1 has been applied.

The accounting policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

The annual report was approved for issue by the Board on 10 April 2017. The financial statements will be submitted to the shareholders’ meeting for adoption on 15 May 2017.

Accounting principles of the Parent Company

As East Capital Explorer AB, in accordance with IFRS, is classified as an investment entity, consolidated accounts are no longer produced, but instead separate financial statements in accordance with IFRS are presented below. Furthermore, as before, the separate financial statements of the Parent company are produced in accordance with RFR 2. There are for East Capital Explorer currently no differences between the requirements in accordance with RFR 2 and the reports according to IFRS.

New IFRS

No new or amended IFRS, effective from 2016, have changed the Company’s financial statements.

A number of new or revised IFRS effective for reporting periods beginning 1 January 2017 or later have been published by the IASB. The Company does not plan early adoption of these standards and they are not assessed to have any material impact on the financial statements, including the new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

East Capital Explorer’s value creation through return on investments is not in the scope of IFRS 15. The accounting of minor non-core activities that are in the scope of IFRS 15 are judged not to be significantly affected by the new standard (which is applied from 2018). Material financial instruments consist of investments in the investment entity business - shares in subsidiaries

and loans to group companies - which are recognised at fair value through profit or loss, and cash and cash equivalents. IFRS 9, which is applied from 2018, will not affect the accounting for these items. The application of IFRS 16, from 2019, will mean that all leases, including rent for office facilities, are capitalised as assets and liabilities and that expenses consist of depreciation and interest. East Capital Explorer rents office facilities to a minor extent and other leasing contracts will not either have a material effect.

Basis for measurement for preparing Financial Statements

Shares and participations in investing activities and short-term investments are recognised at fair value through Profit or Loss. Other financials and non-financials assets and liabilities are recognised at cost or amortised cost.

Functional and presentation currency

The Company’s functional currency is euro (EUR). This means that the financial statements are presented in EUR. All amounts, unless stated otherwise, are rounded off to the nearest thousand. Note that certain figures may not sum exactly due to rounding.

Estimates and assumptions

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Management has discussed the developments, decisions made and information regarding the Company’s most important accounting principles and estimates, as well as the application of these principles and estimates with the Board of Directors.

Significant judgments made in the application of the accounting policies

The significant accounting assessments used in applying the accounting policies are described below:

Investment Entities

As of 1 January 2014, East Capital Explorer applies the investment entity consolidation exception in IFRS 10, which implies that all holdings are recognised at fair value through profit or loss. In assessing East Capital Explorer AB, it has been concluded that the Company falls within the classification of an investment entity.

East Capital Explorer AB has brought several investors (the shareholders) together for the purpose of making investments in portfolio companies where East Capital Explorer AB’s investment strategy is to acquire attractive assets and sell them in the foreseeable future at a profit. Also, East Capital Explorer AB’s strategy in optimising the long term return for the shareholders is to actively manage the portfolio of investments. The capital invested in the portfolio is of a long term nature and enables making investments over a full economic cycle. However, implicit in the active management is the strategy to exit direct investments through trade sales or IPOs and to exit fund investments either through the closure of the funds or through sales.

Key sources of uncertainty

The sources of uncertainty in the estimates below refer to the significant risk of substantial adjustments to reported assets or liabilities for the next financial year. In those cases, where portfolio investments are not traded on a market seen as an active market and fair value is not set against the background of actual bid quote, but by means of valuation models (see below under financial instruments), there is uncertainty that the holding will not be assigned a correct fair value. The Company applies its models consistently between the periods, but the calculation of fair value is characterised by uncertainty. Based on controls and reliability procedures, the Company considers the fair values recognised in the Balance Sheet to be carefully calculated and balanced and to reflect the underlying economic values. For more information, please see Sensitivity analysis in note 15.

Classification etc.

Non-current assets and non-current liabilities consist predominantly of amounts expected to be used or paid more than 12 months after the Balance Sheet date. Current assets and current liabilities consist predominantly of amounts expected to be utilised or paid within 12 months after the Balance Sheet date.

Segment reporting

East Capital Explorer AB classifies the Company’s various segments based on the nature of the investments. Management monitors the holdings on the basis of fair value, and all holdings are reported at fair value through profit or loss. The value change of holdings held by the subsidiaries has been allocated to value changes, dividends received and other operating expenses that are directly attributable to the underlying investments in private equity, real estate, public equity and short-term investments. All other revenues and expenses are classified as unallocated.

Income

Income consists primarily of value changes in portfolio, advisory services to group companies and of dividends.

For Balance Sheet items included at both the beginning and the end of the period, changes in value comprise the difference in the values at these times. For Balance Sheet items realised during the period, changes in value comprise the difference between the payment received and the value at the beginning of the period. For Balance Sheet items acquired during the period, changes in value comprise the difference between the value at the end of the period and the acquisition cost.

Expenses

Operating expenses refers to costs of an administrative nature, such as staff costs, management fees, notary fees and bank fees. The cost for variable remuneration is estimated and accrued at the end of the year. Obligations related to contributions to defined contribution plans are expensed in the Income Statement when the related services are provided.

Taxes

Income tax comprises current and deferred tax. Income tax is reported in the Income Statement except when the underlying transaction is reported in Other Comprehensive Income or directly in equity. In such cases, associated tax effects are reported in Other Comprehensive Income or directly in equity.

Current tax is tax to be paid or received during the current year, using the tax rates that have been enacted or substantively enacted by the reporting date, and adjustments of current taxes attributable to previous periods.

Financial instruments

Financial instruments recognised in the Balance Sheet on the asset side includes shares and participations in investing activities, short-term investments, cash and cash equivalents and other short-term receivables. On the liabilities side there are accounts payables and other current liabilities.

Recognition and derecognition

A financial asset or liability is recognised in the Balance Sheet when the Company becomes party to the terms and conditions of the instrument. Acquisitions and sales of financial assets are recorded on the transaction date, which is the date on which the Company becomes obligated to acquire or sell the asset. Borrowings are recognised on the date on which the transaction is completed, the settlement date.

Accounts receivable are recognised in the Balance Sheet when the terms and conditions of the agreement are met. Liabilities are recognised when the counterparty has fulfilled its undertaking and a contractual payment obligation exists, regardless of whether or not an invoice has been received. Accounts payable are recognised when the invoice has been received.

A financial asset (or part thereof) is removed from the Balance Sheet when the rights in the agreement are realised or expire, or when the Company has transferred substantially all of the risks and benefits associated with ownership. A financial liability (or part thereof) is removed from the Balance Sheet when the obligation specified in the agreement is discharged or in any other manner extinguished.

Classification and measurement

Financial instruments are initially recognised at an acquisition cost equivalent to the fair value of the instrument, plus, in the case of receivables and liabilities valued at amortised cost, the addition of transaction costs. Financial instruments are classified upon first recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued after first recognition, as described below.

Financial assets at fair value through Profit or Loss

Fair value is determined as follows:

Listed holdings on active markets

Financial instruments measured at fair value in the Balance Sheet are measured primarily, at fair value based on the official closing price on active markets.

For markets that are closed at the Relevant Valuation Time, the official closing price shall be used. If an official closing price is not available at the Relevant Valuation Time, then the last traded price shall be used. If the official closing price or the last traded price is not available, or if older than 5 days, then the mid-price shall be used as of the Relevant Valuation Time.

A financial instrument is regarded as listed on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Listed holdings on non-active markets

If the conditions for an active market are not met the market is seen as non-active. Listed holdings on a non-active market will be measured according to International private equity and venture capital valuation guidelines (IPEVC Guidelines) as all private equity (unlisted) holdings described below.

Unlisted holdings and holdings where market data is not reliable

All private equity holdings ("unlisted") shall be initially measured at their acquisition price and shall be measured with the following methodologies, in order of priority depending on availability and relevance:

1. The Price of Recent Investment as set out in the IPEVC Guidelines.
2. The value determined by an independent broker, analyst or other knowledgeable party, which has become known, after it was concluded by the Company that (i) there is sufficient documentation available to support the valuation, (ii) such valuation is compliant with valuation methodologies set out in the IPEVC Guidelines, and that (iii) the value can be validated by at least one additional independent broker, analyst or other knowledgeable party.
3. Any other valuation methodology set out in the IPEVC Guidelines if it is considered that it clearly and indisputably provides a better estimate of the fair value.
4. As set out in the IPEVC Guidelines, in situations where Fair Value cannot be reliably measured the Company may conclude that the Fair Value at the previous reporting date remains the best estimate of Fair Value. The Company is required to consider whether events or changes in circumstances indicate that impairment may have occurred.
5. The Company may request, when it considers that there is a requirement to do so, an independent appraiser to perform a valuation of any investment or other holding based on the principles set out in this policy and the IPEVC Guidelines.

Real Estate

At initial recognition, any acquired non-current investment property is carried at acquisition cost. In the financial statements, investment property is subsequently measured at fair value. The fair value of investment property is adjusted at each time when drawing up financial statements where its change is recognized as profit or loss in the income statement. On a yearly basis, the value of the investment property is established by independent asset valuers applying a fair value method. Repair expenses in relation to the investment property carried in the finan-

cial statements at fair value are recognized as costs in the period in which they were incurred.

Other holdings

Redeemable funds are measured based on official NAV, as soon as such is published.

Loans and receivables

Loans, receivables and short-term investments comprising deposits in the Balance Sheet consist of immediately available balances at banks and equivalent institutions, as well as other accounts receivable. Loans and receivables are recognised at amortised cost.

Impairment of financial assets

The carrying values of the Company's financial assets, excluding financial assets reported at fair value with changes in value reported in profit or loss, are tested at the end of each reporting date for indications of impairment.

On each reporting date, the Company evaluates whether there is objective evidence that a financial asset or pool of assets is impaired as a consequence of events having negative impact on future cash flow which is significant or extended. Objective evidence comprises observable conditions which have occurred and which have a negative impact on the possibility of recovering the cost of the asset.

The recoverable amount of assets in the category loans and receivables, which are recognised at amortised cost, is determined as the present value of future cash flows discounted at the effective rate at initial recognition of the asset. Assets with short maturities are not discounted. An impairment loss is recognised as an expense in profit or Loss.

Impairment losses of loans and receivables that are reported at amortised cost are reversed if a later increase in the recoverable amount can objectively be attributed to an event taking place after the impairment loss was made.

Equity

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

Dividends

Holders of ordinary shares are entitled to dividends. The amount and timing is to be proposed and approved at the Annual General Meeting each year. The dividend

reduces equity when approved by the Annual General Meeting. Additionally, each share entitles the right to one vote at the shareholders' meeting and all shares entitle the same right to the Company's remaining net assets.

Earnings per share

Earnings per share are calculated by dividing the profit or loss by the weighted average number of ordinary shares outstanding during the year. When calculating diluted earnings per share, earnings and the average number of shares are adjusted to take account of the dilutive effects of potential ordinary shares. There were no dilutive effects during the reported periods.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation relating to past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision as it is not probable that an outflow of resources will be required.

Note 2 Segment reporting

East Capital Explorer AB (publ) classifies the Company's various segments based on the nature of the investments. Management monitors the holdings on the basis of fair value, and all holdings are reported at fair value through profit or loss. The value change of holdings held by the subsidiaries has been allocated to value changes, dividends received and other operating expenses that are directly attributable to the underlying investments in private equity, real estate, public equity and short-term investments. All other revenues and expenses are classified as unallocated in the table below.

| EUR thousands 1 Jan - 31 Dec 2016 | Private Equity | Real Estate | Public Equity | Short-term investments | Unallocated | Total |
|---|----------------|---------------|---------------|---------------------------|----------------|----------------|
| Changes in value of portfolio | 15,840 | 4,134 | 2,654 | 12,626 | - | 35,254 |
| Received dividends | 759 | 854 | 416 | - | - | 2,029 |
| Other operating expenses (incl. management fees) | -240 | -172 | -61 | -2,416 | -447 | -3,336 |
| Items affecting comparability ¹ | - | -935 | - | -6,682 | -9,400 | -17,017 |
| Changes in value of subsidiaries | 16,359 | 3,881 | 3,009 | 3,528 | -9,847 | 16,931 |
| Other income | - | 27 | 406 | 144 | 115 | 691 |
| Staff expenses | - | - | - | - | -1,894 | -1,894 |
| Other operating expenses | - | - | - | - | -963 | -963 |
| Advisory costs for termination of the Investment Agreement ² | - | - | - | - | -1,604 | -1,604 |
| Operating profit/loss | 16,359 | 3,907 | 3,415 | 3,672 | -14,193 | 13,161 |
| Financial income | - | 203 | - | - | - | 203 |
| Financial expense | - | - | - | - | -61 | -61 |
| Profit/loss before tax | 16,359 | 4,110 | 3,415 | 3,672 | -14,254 | 13,303 |
| Assets | 48,585 | 67,075 | 39,356 | 95,231 | -906 | 249,340 |

| EUR thousands 1 Jan - 31 Dec 2015 restated ³ | Private Equity | Real Estate | Public Equity | Short-term investments | Unallocated | Total |
|--|----------------|---------------|---------------|---------------------------|---------------|----------------|
| Changes in value of portfolio | -10,771 | 5,773 | 1,959 | 14,025 | - | 10,986 |
| Received dividends | 817 | - | - | - | - | 817 |
| Other operating expenses (incl. management fees) | -870 | -424 | -147 | -1,188 | -179 | -2,807 |
| Changes in value of subsidiaries | -10,824 | 5,349 | 1,813 | 12,837 | -179 | 8,995 |
| Staff expenses | - | - | - | - | -998 | -998 |
| Other operating expenses | - | - | - | - | -919 | -919 |
| Operating profit/loss | -10,824 | 5,349 | 1,813 | 12,837 | -2,096 | 7,078 |
| Financial income | - | - | - | - | 189 | 189 |
| Financial expense | - | - | - | - | - | - |
| Profit/loss before tax | -10,824 | 5,349 | 1,813 | 12,837 | -1,907 | 7,267 |
| Assets | 32,745 | 57,718 | 48,894 | 114,799 | -84 | 254,071 |

¹ Costs related to the transition and termination agreement with East Capital (Real Estate and Unallocated), and to the sale of Starman (Short-term investments). Please refer to Note 17 Related parties.

² Advisory costs related to the termination of the Investment Agreement with East Capital.

³ Due to the divestment of Starman, the asset was reclassified from Private Equity at year-end 2015, to Short-term investments in Q1 2016. The comparative period has been restated in order to reflect the reclassification.

Note 3 Other income

| EUR thousands | 2016 | 2015 |
|---|------------|----------|
| Repayment of charged management fees in the funds | 576 | - |
| Advisory and management services to group companies | 115 | - |
| Total | 691 | - |

Note 4 Other operating expenses

| EUR thousands | 2016 | 2015 |
|--|------------|------------|
| Marketing and PR | 140 | 155 |
| Legal services | 104 | 107 |
| Services from related parties ¹ | 65 | 63 |
| Rent | 95 | 56 |
| Audit assignments ² | 52 | 54 |
| Other external costs | 506 | 484 |
| Total | 963 | 919 |

¹ Services from related parties are included in the service agreement with East Capital International AB. See note 17.

² Audit assignments refers to auditing of the annual report, the accounting records and the administration of the Board of directors and the CEO, other tasks incumbent on the Company's independent auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks. See note 6.

Note 5 Employees, staff expenses and executive management compensation

| TEUR | | | |
|--|--------------------------|--------------|------------|
| Ersättningar, övriga förmåner och sociala avgifter | | 2016 | 2015 |
| Board and directors and CEO | | 534 | 483 |
| | <i>of which variable</i> | 89 | 77 |
| Other employees | | 835 | 266 |
| Total | | 1 370 | 749 |
| Social charges | | 512 | 241 |
| | <i>of which pensions</i> | 107 | 64 |
| Total | | 1,882 | 990 |

| Average number of employees | 2016 | | 2015 | |
|-----------------------------|------|----------|------|----------|
| | Men | Women | Men | Women |
| Parent Company | 3 | 4 | 1 | 3 |
| Total | | 7 | | 4 |

Executive management compensation

Remuneration to the Board

On 9 June 2016, the Company's shareholders' meeting determined that the Chairman of the Board will receive annual compensation of SEK 1,200,000 for the period until the next shareholders' meeting. Other Board members will receive SEK 400,000 per person in compensation for the time until the next shareholders' meeting.

Remuneration to senior executives and other terms of employment

Guidelines for salary and other remuneration to the Company's senior executives will be resolved on a yearly basis at the annual general meeting, based on proposals by the Board. Remuneration to the CEO, CFO and CIO consists of fixed salary, variable salary and pension, insurance and customary benefits. The Board decides at its own discretion whether the CEO, CFO and CIO should be paid variable salary. The CEO, CFO and CIO can receive a maximum variable salary corresponding to 50 percent of their fixed salary. The CEO, CFO and CIO have an individual premium-based pension plan, pursuant to which the Company pays premiums corresponding to 10 percent of the fixed salary up to 10 Swedish income base amounts and premiums corresponding to 20 percent of the fixed salary on the portion of the fixed salary that exceeds 10 Swedish income base amounts. In the event the Company terminates the CEO's employment, the Company is required to observe a six-month notice period. In addition, the CEO is entitled to a severance payment corresponding to six months' salary. In the event the CEO terminates her employment, she is required to observe a six-month notice period.

| Remuneration and other benefits | 2016 | | | | | 2015 | | | | |
|--|--------------|------------------------------|------------|------------------|------------|--------------|------------------------------|------------|------------------|------------|
| | Fixed salary | Variable salary ² | Board fee | Pension expenses | Total | Fixed salary | Variable salary ² | Board fee | Pension expenses | Total |
| EUR thousands | | | | | | | | | | |
| Lars O Grönstedt, Board member until 21 April 2015, Chairman from 21 April 2015 ³ | - | - | 121 | - | 121 | - | - | 79 | - | 79 |
| Peter Elam Håkansson, Board member ^{1,3} | - | - | 30 | - | 30 | - | - | - | - | - |
| Liselotte Hjorth, Board member ³ | - | - | 44 | - | 44 | - | - | 43 | - | 43 |
| Nadya Wells, Board member from 9 June 2016 | - | - | 28 | - | 28 | - | - | - | - | - |
| Alexander V. Ikonnikov, Board member until 9 June 2016 | - | - | 12 | - | 12 | - | - | 37 | - | 37 |
| Mikael Nachemson, Vice Chairman 21 April 2015 - 9 June 2016 | - | - | 22 | - | 22 | - | - | 45 | - | 45 |
| Jenny Rosberg, Board member 21 April 2015 - 9 June 2016 | - | - | 12 | - | 12 | - | - | 24 | - | 24 |
| Paul Bergqvist, Chairman until 21 April 2015 | - | - | - | - | - | - | - | 29 | - | 29 |
| Louise Hedberg, Board member until 21 April 2015 ¹ | - | - | - | - | - | - | - | - | - | - |
| Mia Jurke, CEO | 178 | 89 | - | 29 | 296 | 149 | 77 | - | 25 | 251 |
| Other executive management⁴ | 306 | 70 | - | 47 | 423 | 130 | 64 | - | 19 | 214 |
| Summa | 485 | 158 | 267 | 76 | 987 | 279 | 142 | 256 | 44 | 721 |

¹ Louise Hedberg and Peter Elam Håkansson waived their directors' fee for 2015

² During 2017 the board resolved to pay out EUR 158 thousands for executive management for 2016

³ Lars O Grönstedt, Liselotte Hjorth, Peter Elam Håkansson and Mikael Nachemson invoice their Board fees. In order to keep their Board fee neutral in relation to the other Board members, the fee invoiced has been adjusted for social security contributions and VAT

⁴ 2 people since 9 May 2016

Note 6 Fees and expenses for auditors

| EUR thousands | 2016 | 2015 |
|-------------------------------------|------------|------------|
| KPMG | | |
| Audit fee | 52 | 54 |
| Audit assignments except audit fees | 24 | 47 |
| Tax assignments | 48 | - |
| Other assignments | 69 | 7 |
| Total | 193 | 109 |

Note 7 Financial income and expense

| EUR thousands | 2016 | 2015 |
|--|------------|------------|
| Interest income from Group companies | 203 | - |
| Net foreign exchange gain ¹ | - | 189 |
| Total financial income | 203 | 189 |
| Net foreign exchange loss ¹ | 61 | - |
| Total financial expense | 61 | - |

¹ Exchange rate gain/loss on cash and cash equivalent

Note 8 Taxes

| Reconciliation of effective tax | | | | |
|---|------------|----------|------------|----------|
| EUR thousands | 2016 (%) | 2016 | 2015 (%) | 2015 |
| Profit/loss before tax | | 13 303 | | 7 268 |
| Tax as per applicable tax rate for the Parent Company | 22,0 | -2 927 | 22,0 | -1 599 |
| Tax effect on non-taxable/non tax deductible fair value adjustments | -28,0 | 3 725 | -27,2 | 1 979 |
| Tax effect on non tax-deductible expenses | 0,0 | -2 | 0,0 | -3 |
| Not recognized tax on tax losses carried forward for the year | -6,0 | -796 | -5,2 | -377 |
| Recognised effective tax | 0,0 | 0 | 0,0 | 0 |

The average applicable tax rate was 0.0% (0.0%) due to non-taxable fair value adjustments.

Deferred tax assets are reported to the extent it is possible that they can be utilised by future taxable profits. Potential unrealised tax effects on tax losses forward amount to EUR 1.8m, which has not been recognised in the balance sheet as future profits will mainly be deemed to be attributable to direct investments which are not taxable according to Swedish tax law.

Note 9 Earnings per share

| Earnings per share EUR | 2016 | 2015 |
|---------------------------------------|------|------|
| Earnings per share, basic and diluted | 0.49 | 0.25 |

The origin of the numerator and denominator used in the above calculations of earnings per share is shown below:

| Earnings per share, basic and diluted Profit for the year attributable to the holders of ordinary shares in the Parent Company EUR thousands | 2016 | 2015 |
|--|--------|-------|
| Profit/loss attributable to the holders of ordinary shares in the Parent company. | 13,303 | 7,268 |

| Weighted average number of outstanding ordinary shares in the Parent company In thousand of shares | 2016 | 2015 |
|--|--------|--------|
| Weighted average number of ordinary shares, basic and diluted, adjusted for the effects of the redemption program and share buy-back | 27,027 | 29,338 |

Note 10 Shareholders equity

| Outstanding shares | 2016 | 2015 |
|-------------------------------|--------|--------|
| Issued at 1 January | 28 476 | 29 943 |
| Redeemed shares | - | -1 466 |
| Repurchased shares, cancelled | -315 | - |
| Issued at 31 December | 28 161 | 28 476 |

Shareholders' equity

Other contributed capital

Pertains to shareholders' equity contributions. The share premium paid in conjunction with new issues is included here.

Retained earnings including profit/loss for the year

Include profit or losses attributable to shareholders in the Parent Company.

Non-restricted equity

Share premium reserve

When new shares are issued at a premium, implying that the price to be paid for a share is higher than the previous quotient value of the share, an amount corresponding to the amount received in excess of the share's quotient value is transferred to the share premium reserve.

Retained earnings

Retained earnings comprise retained profit from previous years after any provisions to reserves and after payment of any dividends. Previous provisions to the statutory reserve, less transferred share premium reserves are included in this item under equity.

Capital management

Capital is defined as total equity, and amounted to EUR 248m (EUR 254m) per 31 December 2016. EUR 167m (EUR 244m) was invested in Private Equity, Real Estate, Public Equity and Short-term investments. Cash in the investment activities amounted to EUR 83.5 (EUR 10.5m).

The future liquidity will depend primarily on (i) the timing and sales of investments, (ii) the Company's management of available cash, (iii) cash distributions from existing investments, (iv) capital contributions that are received in connection with the issuance of additional equity and (v) the issuance of debt, if any.

The Company may enter into a line of credit facility with one or more lenders for the purpose of obtaining an additional source of liquidity to fund short-term liquidity needs and for investments.

Proposed Disposition of Earnings

The Board of Directors proposed that the unappropriated earnings in East Capital Explorer AB (publ) are distributed as follows:

| Total available funds for distribution: | To be allocated as follows: |
|---|--|
| Share premium reserve | Dividend to shareholders SEK 0,90/share ¹ |
| Retained earnings | Funds to be carried forward |
| Profit for the year | (Of which share premium reserve 299,612,649) |
| Total EUR | Summa EUR |
| 299,612,649 | 2,407,943 |
| -69,014,087 | 241,493,468 |
| 13,302,849 | |
| 243,901,411 | 243,901,411 |

¹ No dividend is paid for the Company's holding of own shares, whose exact number is determined on the record date for cash payment of the dividend.
EUR 1 = SEK 9.58 on 28 February 2017 (Source: Reuters)

Note 11 Accrued income and prepaid expenses

| EUR thousands | 2016 | 2015 |
|---|------------|-----------|
| Repayment of charged management fees in the funds | 265 | - |
| Advisory and management services to group companies | 115 | - |
| Other accrued income and prepaid expenses | 46 | 14 |
| Total | 427 | 14 |

Note 12 Other liabilities

| EUR thousands | 2016 | 2015 |
|------------------|------------|------------|
| Account payables | 219 | 191 |
| Other | 115 | 65 |
| Total | 334 | 256 |

Note 13 Accrued expenses and prepaid income

| EUR thousands | 2016 | 2015 |
|--|--------------|------------|
| Vacation pay | 67 | 35 |
| Other accrued expenses | 381 | 220 |
| Aquisition of remaining shares in ECEX Holdings SA | 1,000 | - |
| Total | 1,449 | 254 |

Note 14 Shares and participations in the portfolio

All shares and participations are recognised at fair value through profit or loss.

| Entities in which the ownership interest is over 50% | Domicile, Country | Number of shares | Book value, EUR Thousands | Ownership capital |
|--|-----------------------|------------------|---------------------------|-------------------|
| Non consolidated entities 2016 | | | | |
| ECEX Holdings SA (formerly East Capital Explorer Investments SA) | Bertrange, Luxembourg | 100,000 | 11,864 | 100% |
| East Capital Explorer Investments AB | Stockholm, Sweden | 11,000 | 10,808 | 100% |
| Humarito Limited | Nicosia, Cyprus | 2,000 | 173,321 | 100% |
| Baltic Cable Holding OÜ | Tallinn, Estonia | 2,502 | 83,450 | 100% |
| UAB Portarera ¹ | Vilnius, Lithuania | 300 | 30,419 | 100% |
| UAB Solverta ¹ | Vilnius, Lithuania | 100 | - | 100% |
| UAB Verslina ¹ | Vilnius, Lithuania | 100 | - | 100% |

¹The operations in UAB Portarera, UAB Solverta and UAB Verslina, acquired in 2014, have been aggregated as they are consolidated as 3 Burès.

| Shares and participations in the portfolio 2016 | Place Of Business | IFRS classification | Classification | Carrying amount | Holdings ¹ |
|---|-------------------|---------------------------------|-----------------------|-----------------|-----------------------|
| Melon Fashion Group | Russia | Associated company ³ | Private Equity | 42 884 | 36% |
| Trev-2 Group | Estonia | Associated company ³ | Private Equity | 5 701 | 38% |
| 3 Burès | Lithuania | Subsidiary ² | Real Estate | 30 419 | 100% |
| East Capital Baltic Property Fund II | Luxembourg | Associated company ³ | Real Estate | 27 821 | 49% |
| East Capital Baltic Property Fund III | Luxembourg | Associated company ³ | Real Estate | 8 834 | 27% |
| East Capital Deep Value Fund | Luxembourg | Associated company ³ | Public Equity | 28 697 | 74% |
| Komercijalna Banka Skopje | Macedonia | Investment ⁴ | Public Equity | 10 659 | 10% |
| East Capital Global Frontier Markets Fund | Luxembourg | Associated company ³ | Short term investment | 10 236 | 29% |
| East Capital Bering Ukraine Fund Class R | Cayman Islands | Investment ⁴ | Short term investment | 1 453 | 11% |

| Shares and participations in the portfolio 2016 | Place Of Business | IFRS classification | Classification | Carrying amount | Holdings ¹ |
|---|-------------------|---------------------------------|-----------------------|-----------------|-----------------------|
| Starman | Estonia | Subsidiary ² | Private Equity | 71 839 | 63% |
| Melon Fashion Group | Russia | Associated company ³ | Private Equity | 26 537 | 36% |
| Trev-2 Group | Estonia | Associated company ³ | Private Equity | 6 207 | 38% |
| 3 Burès | Lithuania | Subsidiary ² | Real Estate | 27 641 | 100% |
| East Capital Baltic Property Fund II | Luxembourg | Associated company ³ | Real Estate | 26 769 | 49% |
| East Capital Baltic Property Fund III | Luxembourg | Associated company ³ | Real Estate | 3 308 | 28% |
| East Capital Deep Value Fund | Luxembourg | Associated company ³ | Public Equity | 40 337 | 75% |
| Komercijalna Banka Skopje | Macedonia | Investment ⁴ | Public Equity | 8 556 | 10% |
| East Capital Frontier Markets Fund | Luxembourg | Associated company ³ | Short term investment | 31 077 | 57% |
| East Capital Bering Ukraine Fund Class R | Cayman Islands | Investment ⁴ | Short term investment | 1 372 | 11% |

¹Holdings

Represents the ownership of the holding at year-end, either as a percentage of equity for certain Funds or of share capital for the remaining holdings. The number also represent the voting power of the holding.

²Subsidiaries

Humarito Ltd holds direct investment 3 Burès.

3 Burès - One of Vilnius' most modern and well located A Class office buildings. Risks associated with Real Estate industry are mainly market and tenant risk. For information regarding strategy of our investments please see note 1 Accounting principles (section Investment entities). On 21 October 2016, the Company committed to finance up to EUR 9m in successive instalments over the coming two years, in a 23-floor office complex in Vilnius. The new building will be built on the land plot adjacent to the existing 3 Burès office complex and the new investment will be included in the 3 Burès holding.

³Associated companies

Humarito Ltd holds direct investments in two associated companies, Melon Fashion Group (MFG) and Trev-2 Group.

Melon Fashion Group - One of the fastest growing Russian fashion retail companies. Risks associated with the retail industry are mainly market and political risks. Trev-2 Group - One of the largest infrastructure construction and maintenance companies in Estonia. Risks associated with the construction industry are mainly regulatory and political risk. For information regarding strategy of our investments please see note 1 Accounting principles (section Investment entities).

All of the unconsolidated Funds are managed by East Capital and the capital is distributed by different investors. East Capital, is a specialist in emerging and frontier markets. Basing its investment strategy on thorough knowledge of the markets, fundamental analysis and frequent company visits by its investment teams. Holdings in the Funds are valued at fair value on a current basis according to the valuation principles included in note 1, Accounting Principles. For risks, please refer to note 16. East Capital Explorer have committed to invest EUR 20m in total in the new fund East Capital Baltic Property Fund III, of which, EUR 8.1m has been drawn down by the fund so far.

⁴Investment

Holdings in funds and other financial assets that does not fall into the classification of subsidiaries, associated companies or joint ventures. There are no outstanding commitments in relations to investments.

Note 15 Financial instruments - categories, classes and fair values

For a better understanding of the business, the information regarding financial instruments below is presented on a see-through basis as the fair value of the holdings in the subsidiaries. Shares and participations in the investment activities as well as the Company's holdings in subsidiaries are all valued at fair value.

Calculation of fair value

The following summarises the main methods and assumptions applied in determining the fair value of the financial instruments.

Financial instruments measured at fair value through profit or loss

For a description of the method applied to measure financial instruments recognised at fair value through profit or loss, see Note 1 Accounting Principles.

Loans to Group Companies, which are a part of 3 Burès valuation, are monitored by key management personnel on a fair value basis. Changes in credit risk has not led to any significant fair value changes of the loans.

Financial instruments not measured at fair value through profit or loss

For accounts receivable and accounts payable, the carrying amount is assessed to reflect fair value since the remaining maturity is generally short. This is also the case for cash and bank.

Fair value estimation

The Company applies IFRS 13 for fair value measurement and IFRS 13 and IFRS 7 for disclosures. This requires the Company to classify, for disclosure purposes, fair value measurements using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs requiring significant adjustment based on unobservable inputs, such measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the financial asset or liability. For fair value estimation, see Note 1 Accounting Principles.

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The remaining equity funds are classified in the level where underlying equities to a predominant proportion have been classified.

| 31 December 2016 | | | | |
|----------------------------------|---|-----------------------|---|-----------------------|
| Financial assets and liabilities | | | | |
| EUR thousands | Financial assets at fair value through profit or loss | Loans and receivables | Other financial receivables / liabilities | Total carrying amount |
| Shares in subsidiaries | 195,993 | - | - | 195,993 |
| Loan to Group Companies | 20,900 | - | - | 20,900 |
| Other current receivables | - | 2 | - | 2 |
| Cash and cash equivalent | - | 30,338 | - | 30,338 |
| Total | 216,893 | 30,340 | - | 247,233 |
| Other financial liabilities | - | - | 334 | 334 |
| Total | - | - | 334 | 334 |

| 31 December 2015 | | | | |
|----------------------------------|---|-----------------------|---|-----------------------|
| Financial assets and liabilities | | | | |
| EUR thousands | Financial assets at fair value through profit or loss | Loans and receivables | Other financial receivables / liabilities | Total carrying amount |
| Shares in subsidiaries | 252,140 | - | - | 252,140 |
| Cash and cash equivalent | - | 1,918 | - | 1,918 |
| Total | 252,140 | 1,918 | - | 254,057 |
| Other financial liabilities | - | - | 256 | 256 |
| Total | - | - | 256 | 256 |

Shares and participations and short term investments in the investment activities

In the Parent company, financial instruments consist of shares in subsidiaries of EUR 196.0m, loans to group companies of EUR 20.9m and cash and cash equivalent of EUR 30.3m. The carrying amount of these assets constitutes the fair value on the balance sheet date.

| Shares in subsidiaries | Domicile, Country | Book value, EURt | | Share of capital, % | |
|--|-----------------------|------------------|-------------|---------------------|-------------|
| | | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 |
| ECEX Holdings SA (formerly East Capital Explorer Investments SA) | Bertrange, Luxembourg | 11,864 | 252,140 | 100 | 100 |
| East Capital Explorer Investments AB | Stockholm, Sweden | 10,808 | - | 100 | - |
| Humarito Limited | Nicosia, Cyprus | 173,321 | - | 100 | - |
| UAB Portarera (loan) | Vilnius, Lithuania | 20,900 | - | 100 | - |

As of 19 August 2016, East Capital Explorer AB owns 100% (4.0%) of the votes in ECEX Holdings SA. On 20 September 2016, ECEX Holdings SA entered into liquidation and the shares in the subsidiaries Humarito Ltd and East Capital Explorer Investments AB, including loans to group companies and accrued interest, were transferred to the Parent Company East Capital Explorer AB.

As the holdings in the subsidiaries are presented on a see through basis, the tables below reflect the fair value hierarchy in the investment activities. The values of the shares in subsidiaries, including loans to group companies, are directly and indirectly made up by the following assets:

| EUR thousands 31 December 2016 Breakdown of values in subsidiaries | Private Equity | Real Estate | Public Equity | Short-term investments | Cash and bank | Other assets and liabilities, net | Total |
|--|----------------|-------------|---------------|------------------------|---------------|-----------------------------------|---------|
| Opening balance 1 January 2016 | 104,584 | 57,718 | 48,894 | 32,450 | 8,593 | -98 | 252,140 |
| Movement of accrued interest income to Parent company | - | -1,477 | - | - | - | - | -1,477 |
| Reclassifications | -71,839 | - | - | 71,839 | - | - | 0 |
| Purchases/additions | - | 5,020 | - | - | -5,020 | - | 0 |
| Divestments/Reductions | - | - | -12,192 | -105,224 | 117,416 | - | 0 |
| Other | - | - | - | - | -17,116 | -1,236 | -18,352 |
| Repaid shareholders contributions | - | - | - | - | -52,700 | - | -52,700 |
| Dividend received | - | - | - | - | 2,029 | - | 2,029 |
| Changes in fair value recognised net in profit/loss | 15,840 | 4,134 | 2,654 | 12,626 | - | - | 35,254 |
| Closing balance 31 December 2016 | 48,585 | 65,395 | 39,356 | 11,691 | 53,201 | -1,334 | 216,893 |

| EUR thousands 31 December 2015 Breakdown of values in subsidiaries | Private Equity | Real Estate | Public Equity | Short-term investments | Cash and bank | Other assets and liabilities, net | Total |
|--|----------------|-------------|---------------|------------------------|---------------|-----------------------------------|---------|
| Opening balance 1 January 2015 | 85,028 | 48,620 | 70,442 | 52,188 | 4,557 | -191 | 260,644 |
| Reclassifications | -1,997 | - | -16,110 | 18,107 | - | - | - |
| Purchases/additions | 22,514 | 3,325 | - | - | -25,839 | - | - |
| Divestments/Reductions | - | - | -7,397 | -42,060 | 49,458 | - | - |
| Other | - | - | - | - | -2,900 | 93 | -2,807 |
| Repaid shareholders contributions | - | - | - | - | -17,500 | - | -17,500 |
| Dividend received | - | - | - | - | 817 | - | 817 |
| Changes in fair value recognised net in profit/loss | -961 | 5,773 | 1,959 | 4,215 | - | - | 10,986 |
| Closing balance 31 December 2015 | 104,584 | 57,718 | 48,894 | 32,450 | 8,593 | -98 | 252,140 |

Private Equity consists of the holdings in Melon Fashion Group (MFG) and Trev-2 Group. Real Estate consists of holdings in 3 Burès, East Capital Baltic Property Fund II and East Capital Baltic Property Fund III. These holdings are valued internally or externally normally at year-end, and the fair value of the holdings is assessed on a quarterly basis.

Public Equity consists of East Capital Deep Value Fund with a majority of public holdings managed by East Capital. The holding in Komercijalna Banka Skopje, which is publicly traded, is also included in Public Equity. Holdings in Public Equity are valued at fair value according to the valuation principles described on the previous page.

Short-term investments consist of holdings which are expected to be divested within a year. The holding in East Capital Global Frontier Markets Fund and East Capital Bering Ukraine Fund R are classified as short-term investments.

| Holding | Class | Valuation method | Valuation assumptions |
|---------------------------------------|----------------|------------------|--|
| Melon Fashion Group | Private equity | DCF | Long-term growth 5%, Long term operating margin 12%, WACC 17% |
| Trev-2 Group | Private equity | DCF | Long-term growth 2%, Long term operating margin 7%, WACC 7-11% |
| 3 Burès | Real Estate | DCF | WACC 7-8%, Exit yield 7% |
| East Capital Baltic Property Fund II | Real Estate | DCF | WACC 8-10%, Exit yield 7-8% |
| East Capital Baltic Property Fund III | Real Estate | DCF | WACC 9%, Exit yield 8% |

Discounted Cash Flow model (DCF), weighted average cost of capital (WACC)

For the fair values of Private Equity investments and Real Estate - reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Sensitivity analysis

| Effect in EUR thousands | Private Equity Profit or loss | |
|---|-------------------------------|----------|
| | Increase | Decrease |
| 31 December 2016 | | |
| Long term growth rate (0.5% movement) | 1,951 | -1,787 |
| Weighted average cost of capital (WACC) (0.5% movement) | -2,356 | 2,575 |
| Long term operating margin (0.5% movement) | 2,089 | -2,093 |

| Effekter i TEUR | Real Estate Profit or loss | |
|---|----------------------------|----------|
| | Increase | Decrease |
| 31 December 2016 | | |
| Weighted average cost of capital (WACC) (0.5% movement) | -2,051 | 2,134 |
| Exit yield (0.5% movement) | -3,778 | 4,351 |

Fair value hierarchy of shares and participations and short term investments in the investment activities

The following table analyses, within the fair value hierarchy, the investments in the investment activities measured at fair value:

| EUR thousands | | | |
|--|---------------|----------------|----------------|
| 31 December 2016 | | | |
| Shares and participations in investment activities at fair value through profit or loss ¹ | Level 1 | Level 3 | Total |
| Private Equity | - | 48,585 | 48,585 |
| Real Estate | - | 67,075 | 67,075 |
| Public Equity | 39,356 | - | 39,356 |
| Short-term investments | 10,236 | 1,455 | 11,691 |
| Total | 49 592 | 117 114 | 166 706 |

| EUR thousands | | | |
|---|---------------|----------------|----------------|
| 31 December 2015 | | | |
| Shares and participations in investment activities at fair value through profit or loss | Level 1 | Level 3 | Total |
| Private Equity | - | 104,584 | 104,584 |
| Real Estate | - | 57,718 | 57,718 |
| Public Equity | 48,894 | - | 48,894 |
| Short-term investments | 31,077 | 1,373 | 32,450 |
| Total | 79 970 | 163 675 | 243 645 |

¹ The following investments are classified in:

Level 1: East Capital Deep Value Fund, East Capital Global Frontier Markets Fund, Komercijalna Banka Skopje.

Level 3: East Capital Baltic Property Fund II, East Capital Baltic Property Fund III, East Capital Bering Ukraine Fund Class R, MFG, Trev-2 Group, 3 Burés (incl. loans to Group Companies).

| EUR thousands | | | | |
|--|----------------|---------------|------------------------|----------------|
| 31 December 2016 | | | | |
| Changes in financial assets and liabilities in Level 3 | Private Equity | Real Estate | Short-term investments | Total |
| Opening balance 2016 | 104,584 | 57,718 | 1,373 | 163,675 |
| Transfers out of level 3 ¹ | -71,839 | - | - | -71,839 |
| Purchase/additions | - | 5,020 | - | 5,020 |
| Changes in fair value recognised net in profit/loss | 15,840 | 4,337 | 82 | 20,258 |
| Closing balance 2016 | 48,585 | 67,075 | 1,455 | 117,114 |

| EUR thousands | | | | |
|--|----------------|---------------|------------------------|----------------|
| 31 December 2015 | | | | |
| Changes in financial assets and liabilities in Level 3 | Private Equity | Real Estate | Short-term investments | Total |
| Opening balance 2015 | 85,028 | 48,620 | 1 | 133,649 |
| Reclassifications | -1,997 | - | 1,997 | - |
| Purchase/additions | 22,514 | 3,325 | - | 25,839 |
| Changes in fair value recognised net in profit/loss | -961 | 5,773 | -625 | 4,187 |
| Closing balance 2015 | 104,584 | 57,718 | 1,373 | 163,675 |

¹ Starman was moved from level 3 to level 2 before the divestment was finalised.

EUR 20,258 thousands (EUR 4,187 thousands) of changes in fair value recognised net in profit/loss relate to investments still held at the end of the period.

Note 16 Financial risks and risk management

The Company is through its operations exposed to a variety of risks. The main identified risks are financial risks, operating risks and commercial risks. Financial risk management is handled by management in accordance with the Board's established finance policy. The Board may in special cases approve deviations from the policy.

The Company has exposure to the following risks arising from financial instruments: market risk (equity price risk, currency risk and interest rate risk), liquidity risk, credit risk and operational risks. The financial policy stipulates that the company in the context of their daily activities normally not be leveraged. The portfolio companies have an independent funding and manage independently their liquidity risk.

Financial risks

The Company has exposure to the following risks:

(a) Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates, will affect the value of the Company's holdings in financial instruments.

The table "Sensitivity analysis for market risks" on the following page summarises the effect of the most important market risks on the Company's profit or loss and equity.

(i) Equity price risk

Equity price risk is the risk that arises from security price volatility, i.e. the risk of a decline in the value of a listed investment. The proportion of listed investment in East Capital Explorer's investment portfolio as a result of the Company's strategic focus has decreased considerably in recent years.

The principal factors that affect the equity price risk are, in addition to the individual portfolio company's development, the markets and sectors in which the Company invests. The largest exposures are towards listed investment in Balkans and Russia, and the largest sector exposures are towards consumer goods and finance.

On 31 December 2016, the total fair value of East Capital Explorer's investments exposed to equity price risk amounted to EUR 41,1m (EUR 66,9m) as specified in the table below.

(ii) Currency risk

Currency risk is the risk that arises from volatility in currency exchange rates, as the value of recognized monetary assets and liabilities denominated in other currencies fluctuates due to changes in foreign exchange rates. The Company operates and invests internationally and holds both monetary (cash and cash equivalents) and non-monetary (investments in shares and participations) financial assets denominated in currencies other than the functional currency EUR. The main currency exposures in the Company's investment activities are towards the rouble (RUB) and the US dollar (USD).

The Company is exposed to currency risk primarily through its non-monetary assets, i.e. through direct and indirect investments in companies that are domiciled and operate in countries outside the Eurozone, or whose shares are denominated in other currencies than EUR. Some funds, in which the Company has invested, use USD as reporting currency. However, the underlying investments are exposed to various local currencies. This exposure relating to non-monetary assets is considered a component of equity price risk, not currency risk, and the Company's general policy is not to hedge this exposure.

To avoid currency risk, cash and cash equivalents are mainly held in EUR.

The Parent Company's operating expenses are mainly denominated in Swedish kronor (SEK) and it pays shareholder distributions in SEK. The Parent Company may decide to hedge these transactions. Spot, forward or option transactions may be used as part of the currency hedging strategy. Hedging transactions entail costs and may result in losses.

The table "Concentration of foreign currency assets" on next page presents the Company's monetary and non-monetary assets, which are denominated in currencies other than EUR.

The Sensitivity analysis for market risks below summarizes the sensitivity of the Company's monetary and non-monetary assets and liabilities to changes in foreign exchange movements as at 31 December 2016.

(iii) Interest rate risk

Interest rate risk is the risk of increased volatility due to a change of interest rates. The Parent Company is exposed to interest rate risk in its cash and short-term investments, and in any debt or debt-related instruments. Changes in the level of interest rates can also affect East Capital Explorer's portfolio holdings through, among other things the cost and availability of debt financing and hence the Company's ability to achieve attractive rates of return on its investments.

On 31 December 2016, the had no exposure in interest-bearing securities. Cash and cash equivalent in the investment activities amounted to EUR 83.5m (EUR 10.5m), with a weighted average interest rate of -0.11 percent (-0.16 percent).

The sensitivity analysis on the next page summarizes the sensitivity to changes in the average interest rate on cash and cash equivalents on December 31, 2016.

(b) Liquidity- and financing risk

Liquidity risk is the risk that financial investments cannot be divested without considerable extra costs, and the risk that liquidity will not be available to meet payment obligations. The Company's activities should primarily be financed by available liquid assets. Liquidity risk is always considered with respect to investments. The Company's investments in unlisted and less liquid assets mean that liquidity risk is present in terms of the capacity to quickly divest holdings. Due to the Company's high equity ratio, the risk of suspension of payments is deemed low. The Board reviews on a quarterly basis the Company's liquidity position relative to the known payment obligations for the next twelve months.

In addition to ongoing operations, the Company has commitments in investing activities, primarily relating to property investment.

Fair value of investments exposed to price risk:

EUR thousands

Listed shares and participations in investment activities designated at fair value through Profit or Loss at inception

31 December 2016

31 December 2015

41,106

66,901

Financing risk is the risk that the costs associated with raising new debt increases and the ability to raise debt is limited. Normally, the Company shall not take on financial debt or provide collateral.

On 31 December 2016, the Company has EUR 30.3m (EUR 1.9m) in cash and no exposure in interest-bearing securities. The Company believes that current liquidity needs are well met.

(c) Credit risk

Credit risk is the risk that a party in a business transaction will cause a financial loss for East Capital Explorer by failing to discharge its obligation.

The Company is exposed to credit risk mainly through the investment of excess liquidity in interest-bearing securities, but also through loans made to companies in the investment portfolio. Reporting to the Board regarding the credit risk is made quarterly.

Credit risk could also arise from derivative financial instruments. The credit risk for cash and cash equivalents is limited by only granting credit to counterparties with an investment grade by a well-known rating agency and with a rating of two of three of the following levels; A (S&P), A (Fitch) and A1 (Moody's). Deposits in one single bank will not normally exceed 15 percent of the Company's total net asset value.

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate internal procedures or systems. Review and update of procedures and systems are made on an ongoing basis to continuously reduce this risk. In the audit assignment, East Capital Explorer's auditors review internal procedures and reports directly to the Board once a year. Since the Company has only a few employees, it is dependent on a few key persons. The Board has adopted a policy of continuity which is reviewed annually, to ensure continuity in the company's central functions. The operational risk is assessed as low.

Concentration of foreign currency assets (EUR Thousands)

| 31 December | EUR | SEK | USD | Total |
|-----------------------|--------|-----|-----|--------|
| Monetary assets, 2016 | 83,466 | 73 | 1 | 83,540 |
| Monetary assets, 2015 | 10,457 | 53 | - | 10,510 |

| 31 December | EUR | USD | RUB | MKD | Total |
|--------------------------|---------|--------|--------|--------|---------|
| Non-monetary assets 2016 | 72,776 | 40,386 | 42,884 | 10,659 | 166,705 |
| Non-monetary assets 2015 | 135,765 | 72,786 | 26,537 | 8,556 | 243,644 |

Sensitivity analysis for market risks (EUR thousands)

| | 31 Dec 2016 | | 31 Dec 2015 | |
|---------------------------|-------------|-------------------------------------|-------------|-------------------------------------|
| Risk factors | Change | Effect on profit or loss and equity | Change | Effect on profit or loss and equity |
| Currency rate EUR/RUB | +/- 10% | 4,288 | +/- 10% | 2,654 |
| Currency rate EUR/USD | +/- 5% | 2,019 | +/- 5% | 3,639 |
| Equity price | +/- 10% | 16,503 | +/- 10% | 24,364 |
| Value of level 3 holdings | +/- 10% | 11,711 | +/- 10% | 16,367 |
| Interest on cash | +/- 0.5%* | 418 | +/- 0.5%* | 53 |

* Percentage

Not 17 Related parties

Related party relationships

East Capital Explorer AB has a related party relationship with its subsidiaries, see Note 15, as well as with Board members and employees.

Investment agreement

At an Extraordinary General Meeting on 9 May 2016, East Capital Explorer's shareholders approved the Board's proposal to terminate the Investment Agreement between East Capital Explorer and East Capital. Consequently, no management fees to East Capital have been paid following the EGM, with the exception of the real estate funds East Capital Baltic Prop-

erty Fund II and East Capital Baltic Property Fund III. Management fees paid to East Capital Asset Management SA during 2016 amounted to EUR 2.0m (EUR 4.8m).

Following the decision to terminate the investment agreement, East Capital Explorer and East Capital have signed a Transition and Termination Agreement regarding services and other undertakings until 31 December 2017. According to this agreement, a total of EUR 10.3m will be paid to East Capital as compensation for services, undertakings and shares. The cash payment will be in installments according to the following; EUR 7.5m in Q3 2016, EUR 0.8m in Q4 2016 and EUR 2.0m in Q4 2017. EUR 8.3m of this was included in the

Q2 results, and another EUR 2.0m was included in the Q3 2016 results. The carried interest related to the sale of Starman amounted to EUR 6.7m and was paid after closing of the transaction in Q4 2016. Please see Note 2 Segment reporting and company press releases.

Other transactions with related parties

On 20 September 2016, ECEX Holdings SA entered into liquidation and the shares in the subsidiaries Humarito Ltd and East Capital Explorer Investments AB, including loans to group companies and accrued interest, were transferred to the Parent Company East Capital Explorer AB. The transaction had no impact on the Net Asset Value.

Loan to Group Companies

| TEUR | Loan transferred from ECEX Holdings SA | Accrued interest income transferred from ECEX Holdings SA | Accrued interest income as of 20 September 2016 |
|-------------------------|--|---|---|
| UAB Portarera | 7,850 | 572 | 75 |
| UAB Verslina | 8,800 | 608 | 86 |
| UAB Solverta | 4,250 | 298 | 42 |
| 31 December 2016 | 20,900 | 1,477 | 203 |

The loans bear an interest of 3.5% per annum and the maturity date is 22 May 2019.

Note 18 Information about the Parent Company

East Capital Explorer AB is a registered Swedish limited liability company domiciled in Stockholm. The Parent Company's shares are registered on the Nasdaq Stockholm. The address to corporate headquarters is Kungsgatan 35, Box 7214, 103 88 Stockholm, Sweden.

Note 19 Events after the end of the financial year

Shares in East Capital Deep Value Fund were sold for an amount equivalent to EUR 2.1m.

The Company repurchased a total of 604,824 shares during the period 9 January through 31 March 2017, corresponding to 2.4 percent of the Company's outstanding shares, at an average price of SEK 69.26 per share.

At an Extraordinary General Meeting on 23 January 2017, East Capital Explorer's shareholders approved the Nomination Committee's proposal to elect Göran Bronner as Director of the Board. The Meeting also approved the Board of Directors' proposal to reduce the share capital by cancelling of 2,500,000 previously repurchased shares and to increase the share capital by way of a bonus issue. The Meeting also approved certain amendments to the Articles of Association which followed the termination of the investment agreement with East Capital.

On 31 January 2017, the cancelling of 2,500,000 repurchased shares was executed according to the approval of the Meeting.

On 16 March January 2017, the Company sold its 38-percent stake in the Estonian road construction company Trev-2 Group for a cash consideration of EUR 5.7m. The transaction realised a gross IRR of 2 percent and has no effect on NAV.

On 16 March January 2017, the Company announced that Mia Jurke, the Company's CEO since 2011, has informed the Board of Directors of her decision to resign from East Capital Explorer. She will remain in her role until the Company's AGM on 15 May, or until a successor is appointed, if sooner. The Board have initiated a recruitment process for a new CEO.

On 31 March 2017, the Company announced that a new buy back mandate has been resolved for the period 1 April - 14 May 2017. The Company's intention is that repurchase of shares will be carried out for as long as the Company's shares trade at a discount of more than 20 percent to its most recently published NAV in SEK. A maximum of 1,900,000 shares may be repurchased during the period. The Company's holding of its own shares may not at any time exceed 10 percent of all shares in the Company. Repurchases for a maximum of SEK 50m may be made during the period.

On 6 April 2017, East Capital Explorer AB announced that it has signed an agreement to acquire Vertas, an A class office building in central Vilnius. The purchase price is EUR 29m, corresponding to a yield of approximately 6.5%. The transaction is expected to close during the summer. The property may initially be financed by 100% equity.

Five-Year Summary

| Consolidated key figures | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------|---------|---------|---------|---------|
| Net asset value, EUR thousands ¹ | 247,558 | 253,561 | 261,314 | 309,387 | 300,513 |
| Share redemptions, EUR thousands | - | 13,170 | 13,609 | 14,269 | - |
| Proposed dividend, EUR thousands ³ | 2,408 | 2,335 | - | - | - |
| Share buy-back, EUR thousands | 16,971 | 1,851 | - | - | 4,429 |
| Equity ratio, % ¹ | 99.3 | 99.8 | 99.8 | 99.9 | 99.8 |
| Market capitalisation, SEKm | 1,880 | 1,429 | 1,273 | 1,956 | 1,618 |
| Market capitalisation, EUR thousands | 196,179 | 156,057 | 134,345 | 225,149 | 188,374 |
| Number of outstanding shares, m | 25.6 | 28.2 | 29.9 | 31.4 | 33.0 |
| Number of outstanding shares including repurchased shares, m | 28.2 | 28.5 | 29.9 | 31.4 | 33.0 |
| Weighted average number of shares, m | 27.0 | 29.3 | 31.8 | 33.1 | 36.2 |
| Number of employees | 9 | 4 | 4 | 4 | 5 |

| Key figures/share | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-------|-------|-------|-------|-------|
| Earnings per share, EUR ^{1,2} | 0.49 | 0.25 | -1.06 | 0.70 | 0.40 |
| Dividend per share, EUR ³ | 0.09 | 0.09 | - | - | - |
| NAV, SEK ¹ | 93 | 82 | 83 | 87 | 78 |
| NAV, EUR ¹ | 9.67 | 9.00 | 8.73 | 9.85 | 9.10 |
| Share price, SEK | 66.75 | 50.75 | 42.50 | 62.25 | 49.00 |
| Share price, EUR | 6.97 | 5.54 | 4.49 | 7.00 | 5.70 |
| SEK/EUR | 9.58 | 9.16 | 9.47 | 8.89 | 8.59 |

¹ 2013 is recalculated due to amendments to IFRS 10 and IAS 27 regarding accounting by Investment entities

² Following the company's redemption program all historical earnings per share calculations have been adjusted accordingly

³ Proposed dividend for 2016, SEK 0.90 per share corresponding EUR 0.09 per share

The Board and the CEO assure that this annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidation has been prepared in accordance with the international financial reporting standards referred to in Regulation (EC) no. 1606/2002 of the European Parliament and of the council of 19 July 2002 on the application of international accounting standards. The annual report give a true and fair view of the financial position and results of the Company. The statutory Administration Report of the Company provides a fair review of the development of the Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Company.

Stockholm, 10 April 2017

Lars O Grönstedt
Chairman of the Board

Mia Jurke
Chief Executive Officer

Peter Elam Håkansson
Board member

Liselotte Hjorth
Board member t

Nadya Wells
Board member

Göran Bronner
Board member

Our Auditors' Report was submitted on 10 April 2017

KPMG AB

Anders Malmeby
Authorised Public Accountant

The annual report, as indicated above, have been approved by the Board for publication on 10 April 2017. The statement of income statement and balance sheet of the Company will be submitted to the shareholders' meeting for adoption on 15 May 2015.



Auditor's Report

To the general meeting of the shareholders of East Capital Explorer AB (publ), corp. id 556693-7404

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of East Capital Explorer AB (publ) for the year 2016, except for the corporate governance statement on pages 35-42. The annual accounts and consolidated accounts of the company are included on pages 44-63 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 35-42. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Reorganization of the business

See disclosure 17 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At an Extraordinary General Meeting on 9 May 2016, East Capital Explorer's shareholders approved the Board's proposal to terminate the Investment Agreement between East Capital Explorer and East Capital.

During a transitional period, East Capital continues to support East Capital Explorer in the management of its portfolio and with the necessary structural changes, ensuring an orderly transition until the new organization is in place. The reorganization affects the operations in the group and how the business is conducted. It also encompasses specific transactions relating to the break-up of the Investment Agreement.

Response in the audit

We have inspected the Board's proposal approved by East Capital Explorer's shareholders at Extraordinary General Meeting on 9 May 2016 including the reorganization plan.

We have reviewed transactions relating to the break-up of the Investment Agreement on a sample basis.

We have also reviewed the cost elements relating to the break-up of the Investment Agreement and considered completeness and accuracy of accrual for those costs in the Financial Statements.

We have considered the completeness and adequacy of the information disclosed relating to the break-up transaction.

Sale of the investment in Starman

See disclosure on page 44 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

On 14 March 2016 East Capital Explorer AB (publ) reached an agreement to purchase a sale of its 63 percent stake in the Starman Group ("Starman"), the pan-Baltic cable TV and broadband provider, to Providence Equity. Although the transaction was originally expected to close during Q2 2016 it was delayed due to legal proceedings with one of Starman's minority shareholders regarding its right of first refusal.

On 13 December 2016 East Capital Explorer AB (publ) completed the sale of Starman, but to OÜ Polaris Invest, a minority shareholder in Starman, that has exercised its pre-emption right. In connection with the closing of the transaction, Polaris and East Capital Explorer agreed to settle the pending arbitration dispute. The book value of investment in Starman amounted to EUR 81.3m or 35,7 percent of the net asset value of East Capital Explorer as at 30 September 2016.

Response in the audit

During the year we have assessed the management's assumptions relating to the accounting treatment of the transaction.

We have reviewed documentation relating to the sale of the investment in Starman including documentation relating to the closure of the transaction and verified that the transaction results are fairly presented in the Financial Statements.

We have considered the completeness and adequacy of the information disclosed in the Financial Statements relating to the sale of investment in Starman.

Valuation of unlisted investments

See disclosure 15 and accounting principles on pages 49-50 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The company has unlisted investments measured at fair value, which is determined with reference to market information as well as significant unobservable input.

Some of the investments constitute illiquid instruments which are valued based on models and assumptions ("level 3" investments in accounting terms). The fact that sales transactions of similar investments are rare, makes it difficult to support the estimated fair values with reference to other transactions. Therefore, valuation of level 3 investments are inherently risky and subsequent transactions in such securities may have significantly different outcomes compared to the previous valuations.

As at 31 December 2016 the company's assets classified as Level 3 amounted to EUR 117m, which corresponds to 47 percent of the company's total assets.

Response in the audit

We have assessed East Capital Explorer valuation approach against the accounting framework (IFRS).

We have also tested the key controls over the valuation process including management's assessment and approval of assumptions and methodologies used in model-based calculations, as well as management's review of valuations provided by external parties.

We have involved our internal valuations specialists to assist us in performing audit procedures to challenge the methodology and assumptions used in the valuation of unlisted investments.

We have assessed the methods of valuation models in comparison with industry practices and valuation guidelines.

We have considered the completeness and adequacy of the information disclosed in the Financial Statements relating to valuation of unlisted investments.



Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-32 and 67. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of East Capital Explorer AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular

importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 35-42 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts are in accordance with the Annual Accounts Act.

Stockholm 10 April 2017

KPMG AB

Anders Malmeby
Authorized Public Accountant

Definitions

Average number of shares

Weighted average of number of shares outstanding during the year, adjusted for share issues, splits and repurchases.

Change in value

Change in market value.

Debt/equity ratio

Properties: a property's interest-bearing net debt as a percentage of the market value of the property.

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 outstanding during the year.

EBIT

Operating profit after amortisation of goodwill/acquisition-related surplus value and depreciation/amortisation of non-current assets.

EBITDA

Profit before depreciation, amortisation and impairment (Earnings before Interest, Tax, Depreciation and Amortisation).

Enterprise value

Sum of the Company's market capitalisation, minority interests and net debt.

Equity ratio

Total equity as a percentage of total assets.

Exit gain

Capital gains arising when a company is divested.

Yield

Dividend per share as a percentage of the stock market price as of 31 December of the previous financial year.

Fair value

See market value

Financial income and expense

Interest income, excluding interest from subsidiaries and portfolio companies reported under profit from asset management, interest expense and realised and unrealised gains/losses on synthetic repurchased shares.

IRR (Internal rate of return)

Internal rate for the average annual return from an investment.

Market capitalisation

The share price multiplied by the total number of shares outstanding.

Market value

The value of which a holding is assumed to be able to be sold for at a given time. Listed holdings at the bid quote on the balance sheet date. To establish the market value of unlisted holdings, various valuation methods are used as applicable for the individual holding. See Note 1 Accounting principles and Note 15 Classification of holdings.

Multiple valuation

A method for establishing the current value of a com-

pany by comparing key financial indicators with relevant comparable companies.

NAV discount

The difference between net asset value (NAV) and market capitalisation in relation to NAV. If market cap is lower than NAV the shares are traded with an NAV discount; if market cap is higher, they are traded with a premium.

Net asset value (NAV)

The value of the Company's net assets, i.e. total assets less net debt.

Net asset value (NAV) including reinvested dividends

A measure of how the net asset value would have developed if East Capital Explorer had not issued any dividend.

Net asset value per share

Net asset value per share in relation to the total number of registered shares on the balance sheet date (excluding any repurchased shares).

Net debt/Net cash

Interest-bearing current and non-current liabilities, including pension liabilities, less cash and cash equivalents, short-term investments and interest-bearing current and non-current receivables. A positive figure implies net debt, a negative figure implies net cash.

Operating expenses

Expenses that are directly related to East Capital Explorer's business.

Outstanding shares

Registered number of shares less any shares held by the Company.

Profit/loss for the year

Profit/loss after tax.

Return per share

The change in the share's value during the year including reinvested dividends and adjusted for any redemption.

Return on equity

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

Share buy-back

Purchasing of own shares on the stock market. Swedish companies have had the option to own up to 10 percent of their own outstanding shares on the condition that the AGM approves.

Shareholders' equity per share

Shareholders' equity, attributable to equity holders of the Parent Company, divided by number of registered shares (excluding repurchased shares).

Total assets

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

Total return

Annual change in share price including reinvested dividends, as a percentage of the share price at the balance sheet date of the preceding year.

Financial information and calendar

- 9 May 2017
Interim Report
1 January - 31 March 2017
- 15 May 2017
Annual General Meeting 2017
- 30 August 2017
Interim Report
1 Januari - 30 June 2017
- 9 November 2017
Interim Report
1 January - 30 September 2017

The annual report, other financial reports and information as well as press releases, are available on www.eastcapitalexplorer.com. Shareholders and other interested persons may sign-up on the website for a subscription to East Capital Explorer's reports and press releases to be sent directly to their e-mail address.

The printed annual report is sent to shareholders who have notified East Capital Explorer that they wish to receive printed financial information.

Annual General Meeting 2017

The Annual General Meeting of East Capital Explorer AB (publ) will be held at 3.00 p.m. CET on 15 May 2017 at Wallenbergsalen, IVA Konferenscenter, Grev Turegatan 16 in Stockholm.

Participation

In order to be entitled to participate at the Annual General Meeting, shareholders must: be recorded in the register of shareholders maintained by Euroclear Sweden AB on Tuesday, 9 May 2017 and have notified the company of their attendance no later than 4.00 p.m. CET on Tuesday, 9 May 2017.

Notification of attendance may be made:

On the web:

www.eastcapitalexplorer.com/agm

In writing to:

East Capital Explorer
"Annual General Meeting"
P.O. Box 7839
103 98 Stockholm
Sweden

By telephone to:

+46 8 402 90 46

When notifying regarding attendance, please state name, personal/ company registration number, address, daytime telephone number, e-mail, number of shares as well as any assistants attending (maximum two).

Please note that shareholders whose shares are registered in the name of a nominee, must temporarily re-register their shares in their own name. Such registration must be in effect with Euroclear Sweden AB no later than on Tuesday, 9 May 2017. Shareholders are requested to inform their nominees well in advance of this date.

Contact us

Investor and media contact:

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CFO
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lena.krauss@eastcapitalexplorer.com

We welcome your opinion

Let us know how we can improve our financial reports, investor service and website. Please email your suggestions or ideas to info@eastcapitalexplorer.com.

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Sweden

Postal address:

P.O. Box 7214
SE-103 88 Stockholm
Sweden

www.eastcapitalexplorer.com

Change of address

Changes of address of physical persons who are registered as Swedish residents are made automatically by Euroclear Sweden AB. Please note that shareholders who have chosen not to have their addresses updated automatically must, themselves, notify their account-operating institute.

Shareholders whose holdings are registered in the name of a trustee, should notify the trustee as soon as possible of any changes in their name, address or account number. Other shareholders must notify changes of address and changes of account number to Euroclear Sweden AB: +46 8 402 90 00, email: info@euroclear.eu

This Annual Report is available in Swedish and English. In the case of any discrepancies between the two language versions, the Swedish version shall govern.

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