

PRESS RELEASE

14 March 2016

ECEX to sell Starman Group to Providence Equity - Cash consideration at least EUR 81m

East Capital Explorer AB (publ) (“ECEX”) has reached an agreement in principle to pursue a sale of its entire 63 percent stake in Starman Group, the pan-Baltic cable TV and broadband provider, to Providence Equity. The transaction, which will result in an exit gain for ECEX of at least EUR 35m, corresponding to a gross IRR in excess of 30 percent, will consist of an upfront cash consideration of approximately EUR 81m with the potential for an additional earn-out of up to EUR 5m payable in 2017. The transaction will represent an implied total enterprise value of approximately EUR 210m.

East Capital Explorer acquired a majority stake in the Estonian operator Starman in 2013. Since then, Starman’s revenues and EBITDA have grown by an average of 11 percent per year. In February 2015, East Capital Explorer made an add-on investment in Starman which enabled Starman to acquire its Lithuanian peer Cgates, thereby creating the first pan-Baltic cable TV and broadband provider. The two equity investments amounted to a total of EUR 46m.

Mia Jurke, CEO of East Capital Explorer, commented: “This transaction will crystallize significant value for our shareholders, and prove our past three years’ strategic focus on investments in private equity and real estate in the Baltic countries. We welcome the financial flexibility that this transaction will give us. We believe that our strategic investment focus and a continued use of available tools such as buybacks, dividends and share redemptions, can altogether increase shareholder value.”

Kestutis Sasnauskas, Head of Private Equity and Real Estate at East Capital, said: “I am pleased to announce this, which will be one of the largest private equity transactions in the Baltics to date. We have strengthened investments in technology, product development and market consolidation, and worked closely together with the management team. This has enabled Starman to outgrow its competitors and transform from a national challenger into a regional leader. We are confident that Providence will enable Starman to continue to develop successfully in this exciting and fast evolving market.”

Aivo Adamson, CEO of Starman Group, said: “Starman has in recent years intensively focused on growth and expansion in our Baltic home market, supported by East Capital Explorer. We are committed to offering our clients innovative and superior telecom and entertainment solutions. We are confident that with the addition of a strong financial investor, with over 25 years of experience of telecom investments, as our new majority owner, we can continue on the path of innovation and growth in the Baltic region.”

Karim Tabet, Managing Director at Providence, said: “The acquisition of Starman Group would represent Providence’s continued commitment to investing in infrastructure to support the delivery of high quality media and communication services in the Baltic region.” Robert Sudo, Managing Director at Providence, added; “We look forward to supporting the company’s strategy to improve customer experience and provide access to best-in-class services and content.”

The transaction will provide East Capital Explorer with an annualized return (IRR), net of all fees (management fees, carried interest and transaction costs), of between 24 and 27 percent. The exit gain will result in a carried interest of approximately EUR 6.5m, equal to 20 percent of the net exit gain based on the upfront consideration, according to the investment agreement between East Capital and ECEX. The amount will be treated as a liability in ECEX’s balance sheet as of Q1 2016. Payment of the carried interest will, however, be subject to a number of conditions as described under section “Fees” in East

Capital Explorer's latest financial report. The net positive effect on ECEX' NAV will be approximately EUR 3m, over the recorded fair value of Starman of EUR 72m.

The earn-out will be based on the success of ongoing strategic projects as well as achieved EBITDA targets during 2016 and will, if the conditions are met, be received in 2017 following the approval of the audited annual accounts of Starman.

Terms and conditions

The minority shareholders in Starman will be offered by Providence to sell their shares to Providence on the same terms and conditions offered to ECEX. The minority shareholders have a pre-emptive right, which allows them to purchase ECEX' shares at the same terms and conditions proposed to ECEX. If the minority shareholders do not exercise this pre-emptive right or otherwise agree to sell their shares to Providence, they will be obliged to sell their shares to the buyer under existing "drag-along" provisions. The transaction will be subject to local competition and regulatory approval as well as minority shareholders not exercising their pre-emptive rights, and is expected to close during Q2 2016. A break fee will be payable if, in certain circumstances, the transaction does not close. The transaction agreement will include representations and warranties that are customary for a transaction of this nature.

About Starman

Starman is the leading TV and internet provider in the Baltics. Founded in 1992, Starman has been a technology pioneer and innovator in the Estonian telecommunication sector, developing the first broadband services, most advanced digital TV services and unique TV Everywhere solutions. In 2015, Starman expanded its reach to Lithuania through the acquisition of Cgates. Today, the group offers cable TV, broadband, DTT and fixed-telephony services with over 500 thousand RGUs across Estonia and Lithuania. Starman has approximately 500 employees and is headquartered in Tallinn.

About East Capital Explorer

East Capital Explorer AB (publ) is a Swedish investment company with a Net Asset Value of EUR 254m, created with the aim of bringing unique investment opportunities in Eastern Europe to a broader investor base. The company makes direct investments into primarily private companies and real estate, but has also invested through East Capital's alternative investment funds. East Capital Explorer's main investment theme is domestic growth and the Company targets fast growing sectors such as retail, telecom and real estate. East Capital Explorer is listed on Nasdaq Stockholm, Mid Cap.

About Providence

Providence is a premier, global asset management firm with \$45 billion in assets under management across complementary private equity and credit businesses. Providence pioneered a sector-focused approach to private equity investing with the vision that a dedicated team of industry experts could build exceptional companies of enduring value. Since the firm's inception in 1989, Providence has invested in more than 150 companies and is the leading equity investment firm focused on the media, communications, education and information industries. Providence is headquartered in Providence, RI and also has offices in New York, London, Hong Kong, Singapore and New Delhi. Visit www.provequity.com for more information.

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This information is disclosed in accordance with the Securities Markets Act, the Financial Instruments Trading Act and demands made in the exchange rules. It was released for publication at 15:00 CET on 14 March 2016.