

PRESS RELEASE

Stockholm, 28 October 2008

East Capital Explorer invests in Russian fashion retailer MFG

- East Capital Explorer has decided to invest a total of approximately EUR 10m (corresponding to approximately SEK 100m) in the fast growing unlisted Russian fashion retailer MFG (OAO Melon Fashion Group)
- The investment in MFG is East Capital Explorer's first direct investment and provides exposure to the attractive retail and consumer goods sector in Russia

Gert Tiivas, CEO East Capital Explorer says: *“Behind the turbulence on global financial markets we see many dynamic Eastern European companies with strong track records, sound strategies and excellent growth prospects – MFG is certainly one of them. The long term domestic consumption story in Russia continues and this investment in MFG fits very well with our strategy to increase East Capital Explorer's exposure to retail and consumer related sectors.”*

Mikhail Urzhumtsev, CEO of MFG says: *“MFG has grown from a small sewing company to a large Russian fashion retailer. I am pleased that both our existing core shareholders and East Capital Explorer are committing capital to the future growth of our company. In current markets this is a strong vote of confidence for our company and strategy.”*

Russian MFG has exhibited strong development in recent years and is now positioned for continued profitable growth. MFG currently operates a total of 147 stores through two main retail chain concepts: *Zarina* and *befree*. While *Zarina* appeals to the classic woman aged 35-45, *befree* has a strong position in trendier fashion for women aged 20+.

The Russian fashion market, which is currently highly fragmented, is forecasted to grow at an average of 12% per year over the next 5 years. The market development and increasing consumer demand will continue to create interesting opportunities for MFG both in terms of organic growth through new stores and acquisitions of other fashion retail concepts.

East Capital Explorer's investment will comprise both existing shares as well as new shares in a new share issue which is expected to be completed before year-end 2008. The purpose of the share issue is to further strengthen MFG's position for future growth through expansion of existing and new fashion retail concepts as well as acquisitions. Following the new share issue, East Capital Explorer will hold 16% of the shares in MFG. The total estimated value of East Capital Explorer's investment is approximately EUR 10m¹.

MFG is an unlisted company with a strong shareholder base that contributes with both entrepreneurial skills and solid financial backing. These include SMapS, controlled by the Kellermann family of fashion entrepreneurs, holding 37%; Swedfund, the investment fund of the Swedish government, holding 14.8% and the East Capital Group holding 11.6% of the shares (all numbers following the new share issue). East Capital has been investing in MFG

¹ Calculated using RUB/EUR exchange rate of 34.35 on 27 October 2008.

since 2002 and is represented on the company's Board. Company management and a number of the employees also hold a significant part of the shares.

About MFG:

MFG's vision is to be one of Russia's leading fashion groups. The company has a strong management team that has grown the company from 14 stores in 2003 to a total of 147 stores in September 2008, half of which are located in St. Petersburg and Moscow. Earlier this year, a smaller retail concept was acquired, which will add another 19 stores to the group. In 2007, MFG's total turnover amounted to EUR 40m and the EBITDA-margin was 8%. Total forecasted turnover for 2008 is approximately EUR 60m. 90% is manufactured by suppliers while 10% is produced in the company's own manufacturing facility in Ostrov, Pskov region.

For further information on MFG please see: <http://melonfashion.ru/eng/>, www.zarina.ru and www.befree.ru

Contact information:

Gert Tiivas, CEO East Capital Explorer +46 8 505 977 30

Louise Hedberg, Head of Communications/IR East Capital Explorer +46 8 505 977 20

Financial reporting calendar - East Capital Explorer:

- Monthly Net Asset Value report on the fifth working day after the end of each month
- Interim report 1 January – 30 September 2008 on 13 November 2008
- Year-end report 2009 on 18 February 2009

About East Capital Explorer | East Capital Explorer AB is a Swedish company, created with the specific aim of bringing unique investment opportunities in Eastern Europe to a broader investor base. The company invests mainly in East Capital's private equity and semi-public equity funds that provide exposure to companies not otherwise accessible via the local stock exchanges in Eastern Europe. East Capital Explorer targets fast growing sectors such as the power utilities, financial, retail and consumer goods and real estate sectors. East Capital Explorer has appointed East Capital to manage its investment activities. Since 9 November 2007, East Capital Explorer is listed on NASDAQ OMX Stockholm, Mid Cap.

This information is disclosed in accordance with the Securities Markets Act, the Financial Instruments Trading Act or demands made in the exchange rules.