

EAST CAPITAL

Melon Fashion Group

Growing with the Russian Middle Class

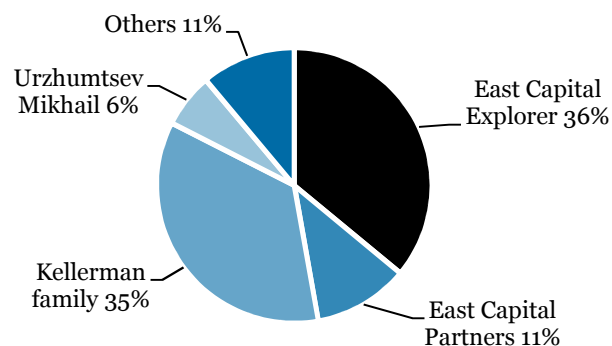
September 2014

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Melon Fashion Group at a glance

- One of the largest and fastest growing apparel retailers in Russia by revenue and number of stores with presence in more than 90 cities in Russia and also in Ukraine, Kazakhstan and Belarus
- Store network of over 600 retail and franchise stores
- Three mass market brands; befree, ZARINA and LOVE REPUBLIC
- 3,400 employees
- Headquarter in St Petersburg

Shareholder Structure



MFG Summary

Key Financial Metrics*

RUR million	2011	2012	2013
Sales	5 103	7 061	8 966
EBITDA	260	1 023	902
Net Profit	50	687	630
Sales Growth (%)	27.9%	38.3%	27.0%
Gross Margin (%)	59.7%	60.9%	58.8%
EBITDA Margin (%)	5.1%	14.5%	10.1%
Net Margin (%)	1.0%	9.7%	7.0%
<i>Incl. discontinued operations</i>			
Cash Flow From Operations	(92)	753	351
Free Cash Flow	(277)	564	(101)
Net Interest-bearing Debt	187	(387)	(258)

Key Operational Statistics*

	2011	2012	2013
Total Number of Stores	380	447	586
Own Retail Stores	303	349	468
Franchise Stores	77	98	118
Own Retail Selling Space (sq m)	47 377	54 943	77 235
Own Retail Selling Space Growth (%)	13.5%	16.0%	40.6%
LFL Growth (%)	11.5%	25.7%	6.5%
Number of visitors (comparable stores)	39 867 712	48 715 561	54 968 084

*Excluding discontinued operations,; co&beauty concept closed in 2012 and master franchise agreement sold to Cortefiel S.A. in 2013

“Early Days”

- **1926-1990**
- In 1926 in Leningrad, a handicraft school for girls, opened in 1880, was converted into a manufacturer of women's clothing

Privatization

- **1991-2001**
- In 1991, the company was privatized and bought by its own employees, resulting in 400-500 shareholders
- Focus on outsourced production and wholesale of its own ZARINA collection
- In a few years, it opens Zarina stores in St Peterberg and thus starts a retail chain
- In 1996, the first foreign investment is made by the Swedish Kellerman family, engaged in apparel retail

Wholesale to Retail

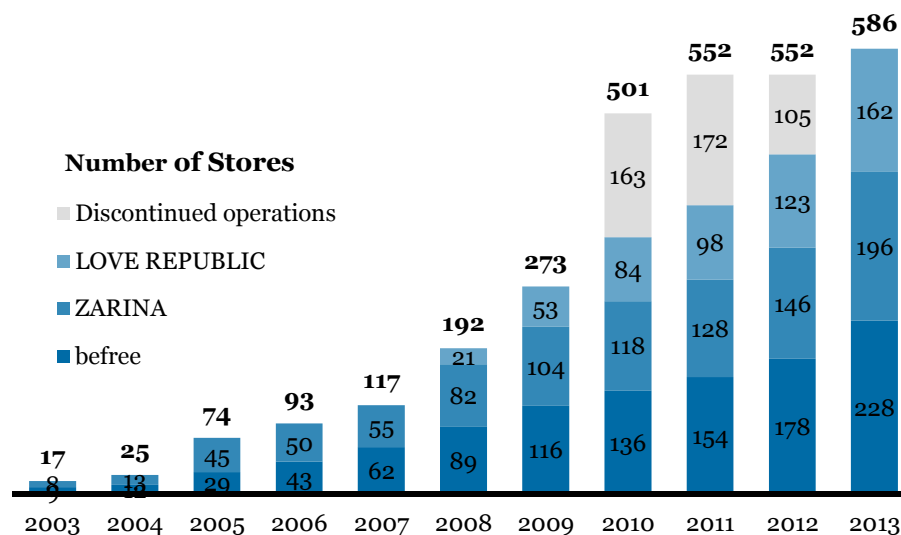
- **2002-2007**
- In 2002, East Capital buys a stake in the company
- In 2005, Melon Fashion Group is created and a young, ambitious team is put in place
- Shift from wholesale to retail, completed in 2009

Expansion

- **2008-2011**
- In 2008, East Capital Explorer makes its first investments
- At the beginning of the financial crisis, MFG's strong financial position allows it to take advantage of the situation and expand, both organically and through two acquisitions

Focused Growth

- **2012-**
- Divestment of franchise brands and decision to focus on its own brands; befree, ZARINA and LOVE REPUBLIC
- MFG continues to pursue an aggressive organic expansion across Russia, and enter new CIS markets through franchise stores



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Brand Portfolio



befree

- **Store Size:** 100-470 sq m
- **Concept:** Teenagers' brand
- **Key Values:** Happiness, youth, fashion, ease, price, colour
- **Awareness:** 70%
- **Number of Stores:** 232
- **Number of Cities:** 108
- **Geographical Presence:** Russia, Ukraine, Kazakhstan, Belarus



ZARINA

- **Store Size:** 90-260 sq m
- **Concept:** 'Real lady' brand
- **Key Values:** Dignity, quality, service
- **Awareness:** 71%
- **Number of Stores:** 197
- **Number of Cities:** 94
- **Geographical Presence:** Russia



LOVE REPUBLIC

- **Store Size:** 110-300 sq m
- **Concept:** Fashion and style brand
- **Key Values:** Personality, Sensuality, Femininity
- **Awareness:** 53%
- **Number of Stores:** 167
- **Number of Cities:** 72
- **Geographical Presence:** Russia, Ukraine

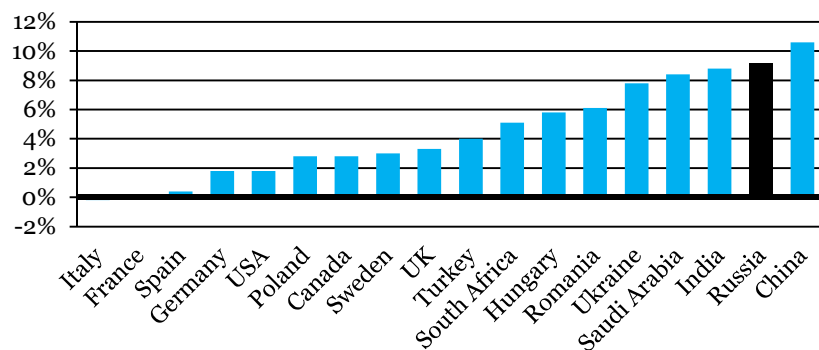
Number of stores as of March 1, 2014

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Russia's EUR 40bn apparel retail market expected to grow 6x faster than Western European peers until 2017

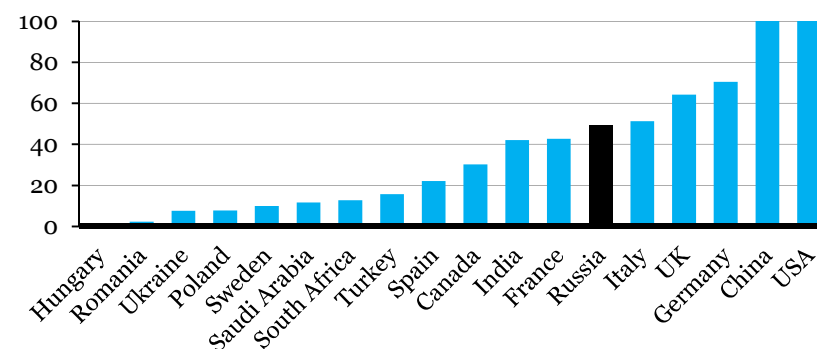
- Russia is the 4th largest apparel retail market in Europe and among the fastest-growing among its major markets
 - Russian clothing retail sales expected to grow at a 9.2% CAGR 2013-17E compared to 1.5%, on average, for Western Europe
- In the emerging market space, Russia is expected to be one of the fastest growing apparel markets, not far behind China
- Rising disposable income levels drive aggregated market growth
- Russian consumers spend more money on clothes than shoppers in countries with similar income levels

Clothing Retail Sales CAGR 2013-2017E

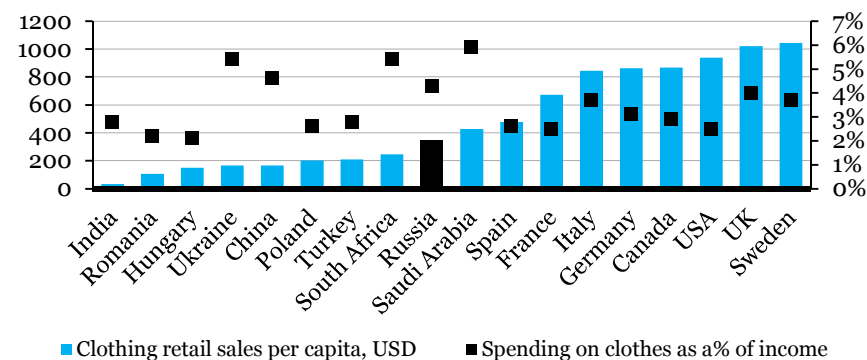


Russian Apparel Retail Market in the Global Context

Clothing Retail Sales (USDbn), 2012



Clothing Retail Sales per Capita (USD)



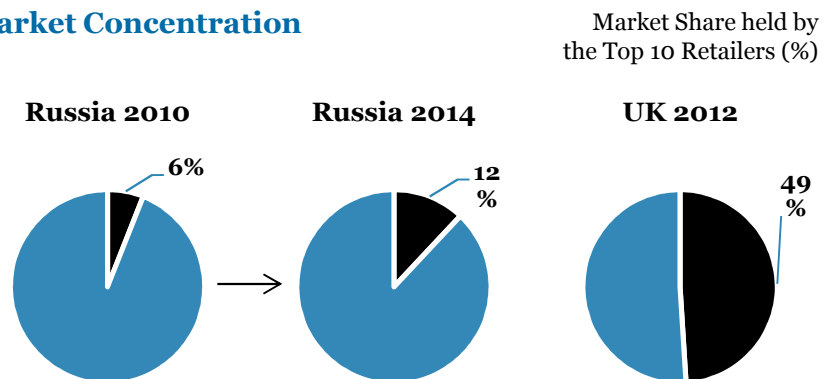
Source: Euromonitor, BofA Merrill Lynch estimates

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Shopping mall development across Russia drives market formalization and concentration

- Rising disposable income increased the Russian apparel retail market tenfold over the past ten years
- Clothing sales shifting from outdoor markets to shopping centers and online retailers
- Independent retailers loose ground while chains and online retailers gain share of the very fragmented market
- Domestic and international retailers invest in online shopping to tap into growth opportunities, cope with new consumer behavior and increase brand recognition

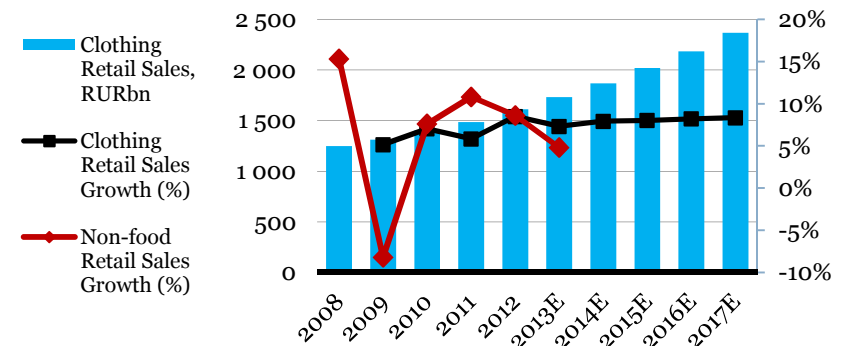
Market Concentration



Source: East Capital estimates

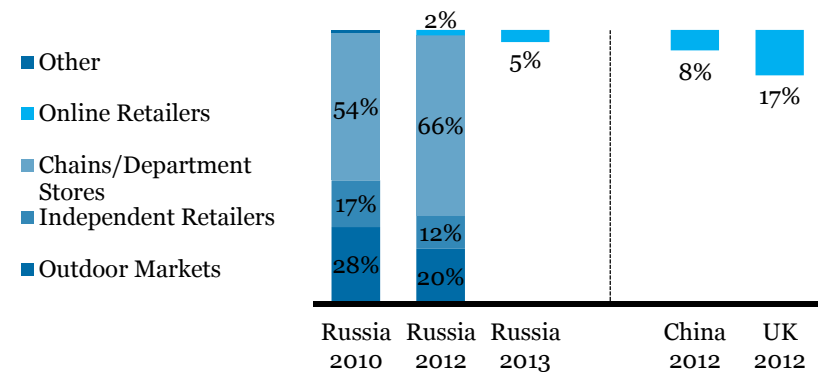
Market Dynamics

Market Performance



Source: Market Line 2013

Market Formalization



Source: East Capital estimates

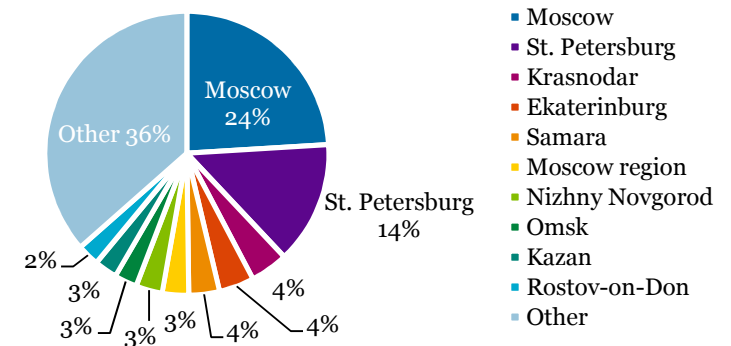
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Shopping Mall Space

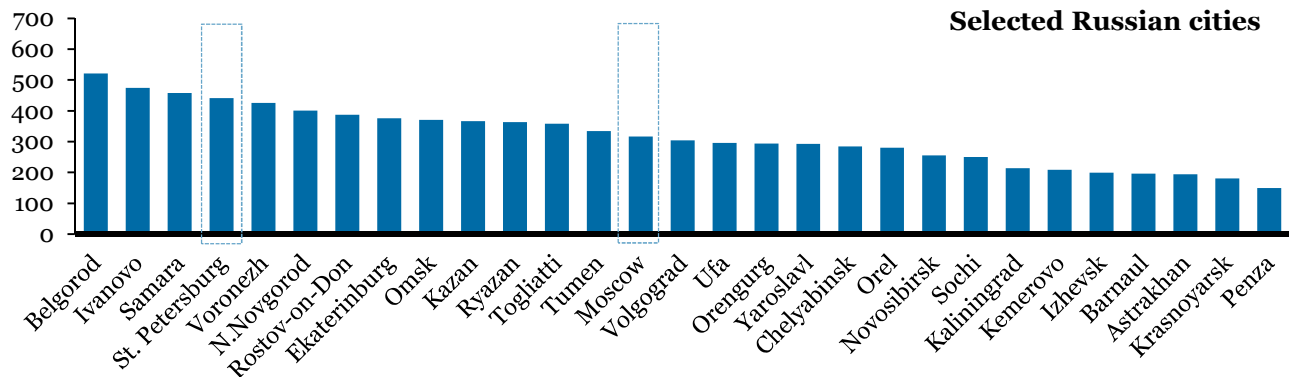
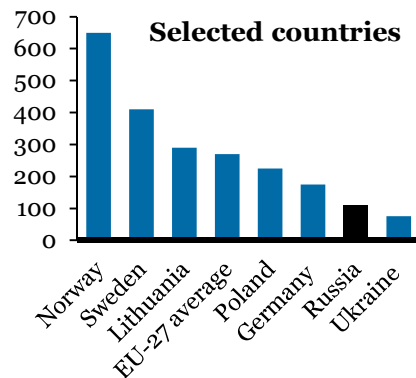
Untapped regional demand expected to make Russia Europe's largest shopping center within years

- Russia is ranked #1 in terms of shopping mall construction in Europe but the market is far from being saturated
- Construction volume stable at 1.4-1.8m sq m annually, which accounts for almost half of space being built in Europe
- Market is driven by regional expansion as Russian regions are half as penetrated, on average, as 1m+ cities
- In 2014, 1.9m new sq m is expected to be built in 80+ cities in Russia
- As of end-2012, there were 501 quality shopping malls in Russia with a total Gross Leasable Area (GLA) of 14.5m sq m

Regional Breakdown of Shopping Mall Space, 2012



Shopping Mall Space per 1,000 Inhabitants (sq m)



Source: Cushman & Wakefield 2013

ZARA

INCITY

H&M

LOVE REPUBLIC

lamoda.ru
мода с доставкой

RESERVED

ZARINA

O'STIN

befree

Снежная
Королева

Leading Retailers in Mass Market Segment

	Sales 2012, RUR bn	Stores 2012	
Inditex	35.1	331	The largest player in terms of selling space, operating the fast fashion concepts Zara, Bershka, Oysho, Stradivarius, Pull & Bear and Uterque
Gloria Jeans	23.3	545	Vertically integrated retailer of denim and other apparel, operating Gloria Jeans and Gee Jays concepts in ~300 cities of Russia and Ukraine
O'STIN	19.7	494	Retailer selling casual womens-, mens- and childrenswear in Russia, Ukraine and Kazakhstan, part of the Sportmaster retail group
Snezhnaya Koroleva	~12	199	Multi brand retailer selling womens-/menswear and accessories
H&M	9.1	39	Swedish fast fashion giant operating large format stores in prime locations, primarily in large cities
INCITY	~9	353	Private equity-backed retailer with 250-1000 sq m stores in 180+ cities in Russia, Ukraine, Kazakhstan, Belarus and Kyrgyzstan
Melon Fashion Group	8.6	447	Private equity-backed retailer operating three concepts through 100-300 sq m stores, primarily in in Russia but also in other CIS countries
KupiVIP	~8	-	Online shopping club offering its 10+ million registered users designer products with significant discounts for a limited time
Lamoda.ru	n/a	-	Private equity-backed fast-growing online multi brand retailer in Russia and Kazakhstan, launched in 2011 by Rocket Internet entrepreneurs
Oodji	6.6	388	Women, men and kid collections sold through retail and franchise stores in more than 100 cities in Russia + other CIS and CEE countries
TVOE	6.1	479	Casual wear retailer present in all major cities and towns in Russia
Sela	~6	462	Retailer that has expanded rapidly across the CIS but has closed down stores in recent years due to poor profitability
LPP	5.1	159	Poland's largest apparel retailer operating fast fashion concepts such as Reserved, expected to double its presence in Russia

Source: Company reports, East Capital estimates

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Thank you!

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Kyiv

Luxembourg

Moscow

Oslo

Paris

Stockholm

Tallinn