

CREATING THE FASHION HERITAGE OF RUSSIA

MELON
FASHION GROUP

ZARINA Befree LOVE REPUBLIC sela 1DOL

2 0 2 3 A N N U A L R E P O R T

O U R V I S I O N :

**A WELL-
DRESSED
RUSSIA**

O U R M I S S I O N :

**TO CREATE AND DEVELOP
UNIQUE BRANDS FOR EVERY
OCCASION IN SOMEONE'S
LIFE, STARTING WITH BIRTH**

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WORD FROM CEO

Dear friends,

The annual report is like life itself. It is not just the views of times gone by that are remembered. It is moments and events that we can and should be proud of. We will remember 2023 for a long time: Melon Fashion Group started to actively realize its dreams and ideas in 2022, when the market changed, we rethought ourselves, our approaches and our capabilities. Our expansion of large format stores has been reactive and bold. IDOL has been added to our portfolio. We moved quickly and with surgical precision to create our fifth brand in the new segment. In fact, historically we have been successful in the mass market niche. But it's time to take things to the next level. We worked selflessly. We worked with excitement in our eyes and a desire to do more. This has become the basis for positive growth momentum. Our key indicators, as presented in this Annual Report, remain as stable as in previous years.

Russia's business landscape has changed once again: The global transformation of the fashion market and increased competition, combined with geopolitical risks, are once again testing retailers' ability to solve an extra credit problem and find unorthodox solutions. We have taken a philosophical approach to this. After all, life and business are like a game. Some want to compete, others to bargain, and only the lucky ones want to make history. Putting my hand on my heart, I can safely say that Malone is a happy company. It is our people who create the collections, set up the processes, design the stores, supervise the suppliers and help our customers make their choices every day that have made it happen. I am proud of every Melonian who supports the company with their burning eyes and hearts, making it better and, most importantly, taking it to a new level of business development. I would like to thank the teams in all departments, everyone in our

retail stores and warehouses, top management and our muse Galina Genrikhovna Sintsova for her strength and energy that made the boldest ideas possible.

The year 2023 is the year of Melon's 18th birthday. We have come of age. We went independent. And I am sure that although we are young, we are mature and courageous. There were emotional outbursts, rebelliousness and arguments. But it was in this struggle that we came to realize the most important thing - that we had chosen the right path. We are here to create and develop unique brands for every occasion in someone's life, starting with birth. It's hard, but it makes it interesting, exciting. Finally, we see a well-dressed Russia in the future. Our plans and strategy, together with our vocation, will be a guide to implementation. This is how our updated MelonBook was born, with the philosophy, the DNA of the company and its people - our guide that will lead us, the Melonians, to the desired destination. Without a doubt.

With undying gratitude,
your MM



full version of
MELONBOOK



COMPANY OVERVIEW

IN FIGURES

2023

61.6

SALES
BILLION ROUBLES

923

STORES

5

COUNTRIES

169

CITIES

> 8 000

EMPLOYEES

EVENTS & AWARDS

IDOL

The fifth brand in the Melon Fashion Group portfolio, **IDOL**, was launched on **1 September 2023**. The company has entered a new segment – “**affordable premium**”. In **9 months**, we managed to gather a team from scratch, attract new suppliers, develop collections and store concepts, and hold the first openings in Saint Petersburg and Moscow.

See page 25 for more information on the brand and its results.



THIRTIETH BIRTHDAY OF ZARINA

In April, ZARINA celebrated the **30th anniversary** of its creation. Created by Pervomayskaya Zarya in the 90s, the brand has since become a voice of female power. During the anniversary year, the ZARINA team hosted a dinner party with ambassadors and celebrities, launched a men's line, **ZRN MAN**, and released several collaborations.



FORBES RATING

In 2023, Melon Fashion Group improved its performance in the Forbes rating of Russia's best employers according to **ESG indicators**. The company won **gold** in the **People & Community and Environment** categories (silver last year) and **platinum** in **Corporate Governance** (gold last year). In the overall standings, the company won **gold**.

NATMALL AWARD

The flagship store of sela moms & monsters in **Yekaterinburg (Grinvich Shopping Centre)** was nominated for the **Best Retail Concept** in the Fashion Category at the international NatMall Awards. The flagship ZARINA in Belarus took third place in the nomination.

SCRUSSIA AWARD

In November, the new **IDOL** brand won the **Global Retail Real Estate Awards (GRREAt)**, an international professional award. The creative concept of the brand and stores, as well as a promotional advertising campaign, were praised by an independent panel of industry experts.

LEAGUE OF GREEN BRANDS

In May, the company joined the **League of Green Brands**, the first Russian ranking of brands that meet ESG goals, becoming the only fashion company in the League. Melon Fashion Group has undergone an audit of the level of sustainable development for large companies, which takes into account the level of compliance with environmental, managerial and social criteria.



BRANDS

Z A R I N A

BRAND VALUES

**POWER.
MEANING.
STYLE.**

BRAND CONCEPT

**STYLE FOR
WOMEN AND MEN
AT AFFORDABLE PRICES**

RESULTS FOR 2023:

297 TOTAL
STORES

234 OWN
STORES

60 OPENED AND
RELOCATED STORES*

63 FRANCHISE
STORES

* OWN AND FRANCHISE STORES



COL- LEC- TIONS



In 2023, the DENIM line was expanded to include more colors and sizes. In addition, the product team strengthened the lingerie and sportswear ranges. Separate areas were created in new large format stores.



The brand also presented limited edition collections:

- Collaboration with the Russian brand **Botrois**;
- “Styled to look like the 90s”;
- The first cruise collection for women and men from **BOUNTY limited**;
- Collaboration with the **Russian Museum**;
- **Après-ski**, inspired by the nature of **Lake Baikal**;
- **Pink Collection** New Year Capsule.

MARKETING

In the spring of 2023, ZARINA launched the “**LOVE IN ZARINA**” campaign with actress **Lyubov Aksyonova**. The campaign also introduced the first digital fashion ambassador – a **3D model**.



The **30th anniversary** of ZARINA was the main event of the year. A gala dinner in honor of the brand's anniversary was held with the brand's ambassadors – **Lyubov Aksyonova, Yuliya Snigir, Maksim Matveev, Ravshana Kurkova**, as well as influencers, bloggers, fashion telegram channels and media editors.

LOYALTY PROGRAM

ZARINA CLUB NOW HAS MORE THAN 5 MILLION CUSTOMERS, WITH 970,000 NEW MEMBERS JOINING THE LOYALTY PROGRAM IN 2023.



STORES



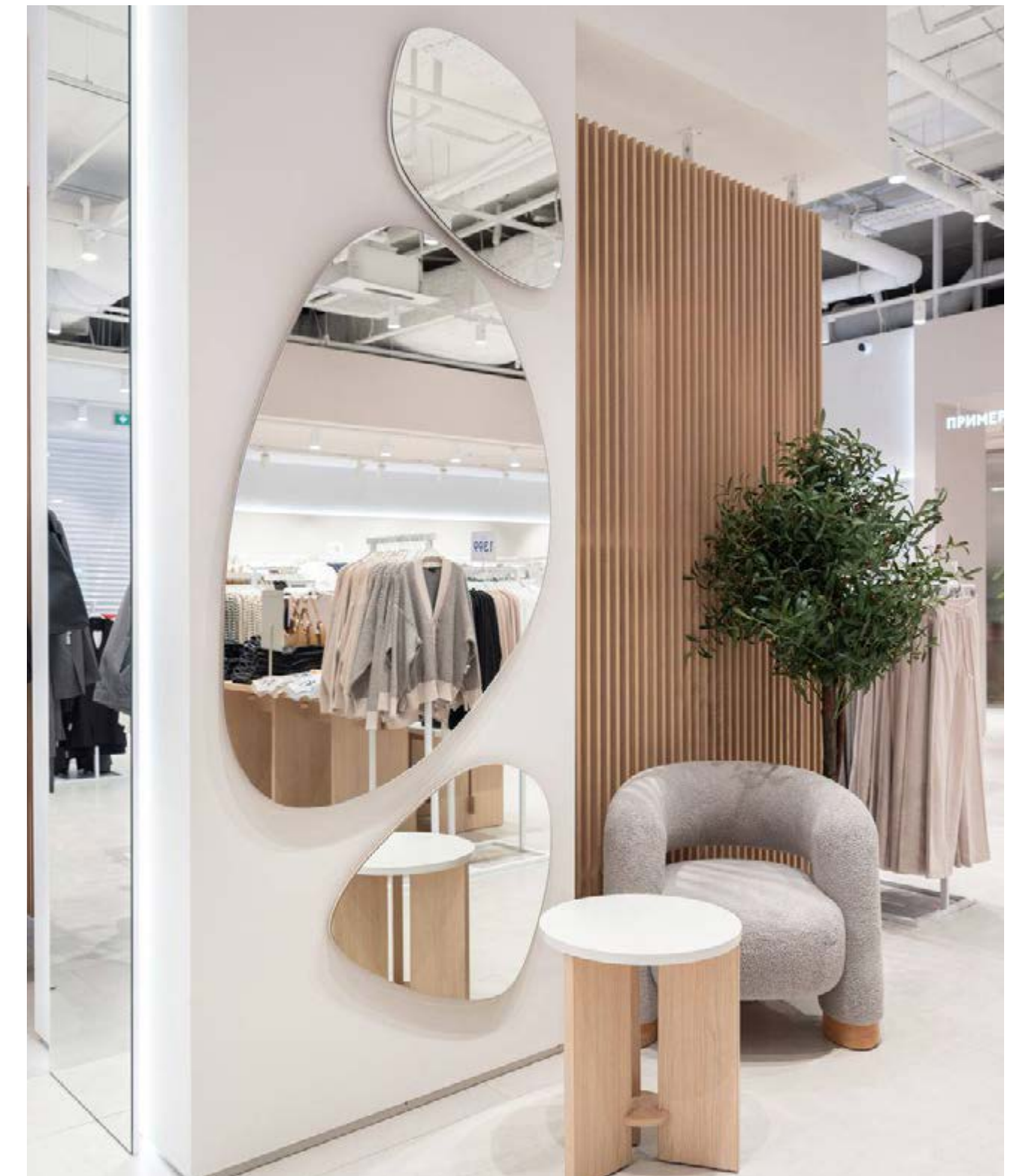
The year of 2023 saw the opening of the largest ZARINA store in Tyumen, at 1,000 square metres, as well as a renovated flagship store in Saint Petersburg Galeria Shopping Centre, which became the first Russian fashion store to receive the Gold level of Green Zoom certification - the standard for environmental compliance and energy savings in construction.

In the new ZARINA stores, digital screens are now used in the shop windows and checkout areas to display relevant advertising campaigns, lookbooks and promotions. There are also spacious women's and men's changing areas with a separate lounge area in the center of the hall.



In 2023 ZARINA's brand stores appeared in new cities:

Bryansk, Saransk, Kostroma, Komsomolsk-on-Amur, Murino, Mazyr (Republic of Belarus). A new franchise store was also opened in Shchelkovo.



Befree

BRAND VALUES

**CREATIVITY. FOCUS
ON THE FUTURE.
HUMANITY. FREEDOM.
INTELLIGENCE.
INNOVATION.**

RESULTS FOR 2023:

262 TOTAL
STORES

198 OWN
STORES

BRAND CONCEPT

**AN INCLUSIVE
YOUTH FASHION BRAND**

64 OPENED AND
RELOCATED STORES*

64 FRANCHISE
STORES

* OWN AND FRANCHISE STORES



COL- LEC- TIONS

In 2023, Befree launched new women's clothing lines: **Rock** (dark aesthetic clothing) and **Young** (teenage clothing). A full range of women's shoes has been added to the permanent range. These include casual, sporty, elegant and trendy styles.



As part of the **Befree Co:Create** project, several collaborations were released:

- With fashion blogger **Diana Korkunova**;
- With the “**Anton tut ryadom**” [Anton is nearby] foundation;
- With the **Bang! Bang!** illustrator agency;
- With street artist **Turben**;
- With actress **Irina Gorbacheva** to promote a capsule for tall girls.

We organized a competition for digital designers and launched the first **Befree Denim Punk** digital clothing collection. The release of a real collection of digital images is on track for 2024.



MARKETING



As part of the promotion of the new brand motto **“It's always fashionable to be free”**, a national advertising campaign with a video manifesto and a book on freedom of choice was launched in the summer of 2023. We made outdoor advertising in **12 cities of Russia and Belarus**.

We shot a promotional video **“Befree - hub of talents”** with the brand's employees to support the HR brand.



An important milestone in the development of the company's ESG strategy and the Befree Better Future project was the installation of recycling bins in Befree stores in Moscow, Saint Petersburg and Nizhny Novgorod. The result was the Escape to Befree website, dedicated to recycling.



STORES

In 2023, new stores opened almost every week.

The Befree store design team updated the store's design with a focus on minimalism and industrialism, complementing the art objects in the anchor objects.

In May 2023, two flagship stores opened simultaneously, with an updated design and art objects by contemporary artists: a two-story store in **Moscow Aviapark** and in **Saint Petersburg Galeria**.



Befree stores were opened in four new cities:

Lida, Bryansk, Astrakhan and Murino.

Befree franchise stores were opened in

Aktobe and Kokshetau (Kazakhstan).



LOVE REPUBLIC

BRAND VALUES

**FEMININE ENERGY.
AMBITION.
CONFIDENCE.
HEDONISM.**

BRAND CONCEPT

**BOLD FASHION FOR
SELF-CONFIDENT
WOMEN**

RESULTS FOR 2023:

165 TOTAL
STORES

133 OWN
STORES

38 OPENED AND
RELOCATED STORES*

32 FRANCHISE
STORES

* OWN AND FRANCHISE STORES



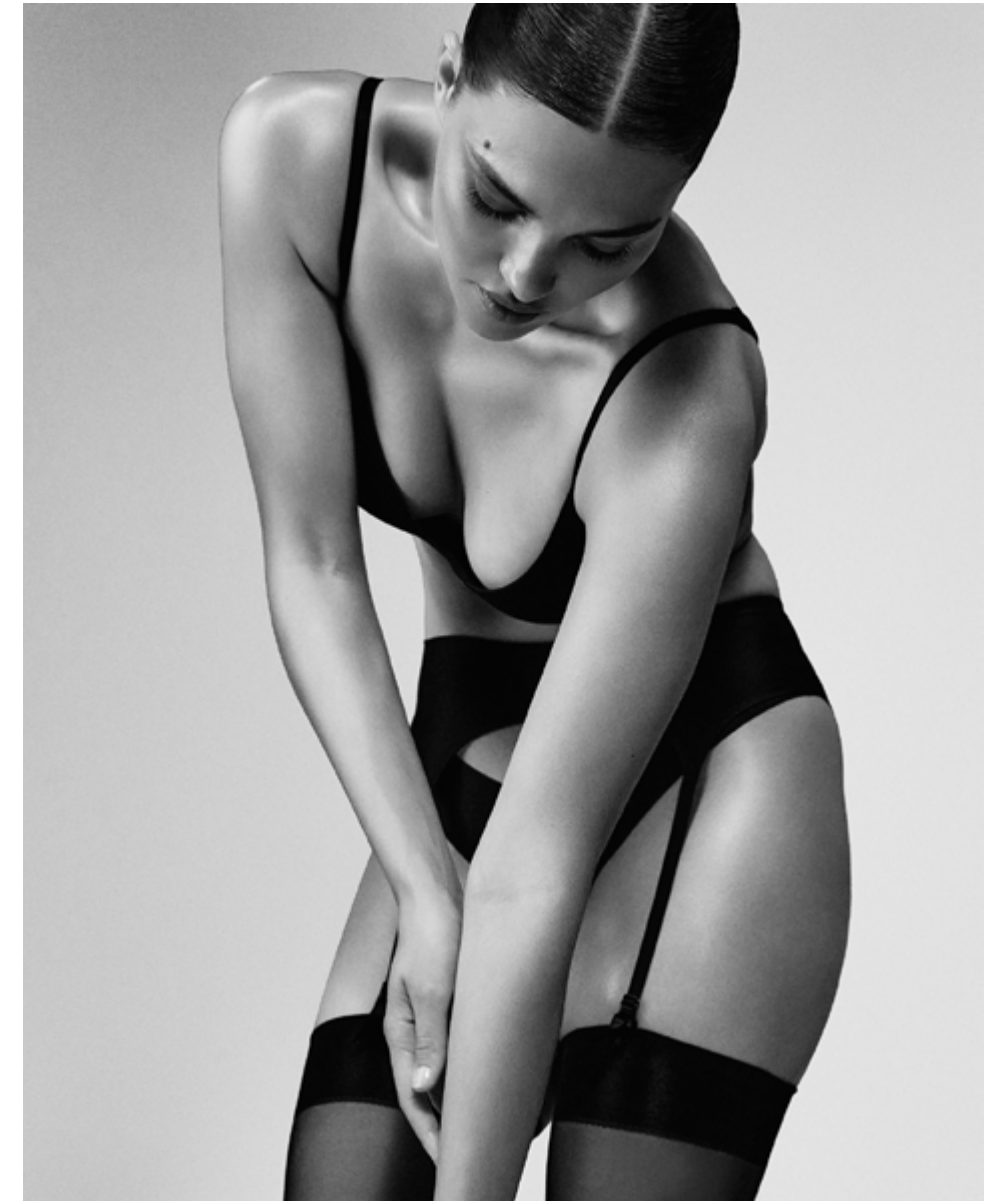


COL- LEC- TIONS

In 2023, the brand launched two new limited lines - **EVENING** and **PREMIUM**, and two new product groups: **LINGERIE** and **SHOES**. LOVE REPUBLIC presented two collaborations: a Valentine's Day "Love is..." licensed collection and a **Playboy** drop.



The new LOVE REPUBLIC collections focused on the quality of products and materials: the range was expanded to include styles in **natural silk**, **leather**, **wool** and **linen**. For the first time ever, a down jacket with the environmentally friendly **Sorona** insulation was also made available.



MARKETING

Using a 360-degree approach, the marketing team launched two advertising campaigns featuring international top model **Alesya Kafelnikova**.

Brand promotion also focused on retail expansion with large format stores and the launch of new lines – **Premium, SHOES** and **EVENING**.

CONTENT

To promote the collections, the PR and marketing team used innovative solutions: they presented a series of viral **ASMR videos** and a **3D campaign** for the shoe line with the famous digital artist **Neonadzer**.

LOVE CARD

A new loyalty program and a community of loyal customers were further developed by the brand. The total number of LOVE CARDS issued at the end of 2023 exceeded **3,8 million**.

STORES



LOVE REPUBLIC undertook an active expansion programme. **38 new spaces** were opened in prime locations. Since 2023, the brand has been present throughout the Russian Federation, from Kaliningrad to Vladivostok. Franchise stores were opened in Kursk and Bryansk.

The brand opened two **1,000 square metre** flagship stores in iconic shopping centres: Moscow **Aviapark** and Saint Petersburg **Galeria**.

Bionics in architecture and streamlined shapes, radius walls, digital panels, light monochrome tones combined with marble and metal, high ceilings and plenty of light are all elements of the updated concept.





BRAND VALUES

**FAMILY.
CARE.
COMFORT**

RESULTS FOR 2023:

181 TOTAL STORES

146 OWN STORES

BRAND CONCEPT

**COMFORTABLE
CLOTHING BRAND FOR
THE MODERN FAMILY**

47 OPENED AND RELOCATED STORES*

35 FRANCHISE STORES

* OWN AND FRANCHISE STORES



COL- LEC- TIONS

sela continued to work on the expansion. The total number of clothes increased by 1.5 times, and 2 times more rendered prints were created.

The new selaman and selababy lines for newborns and infants aged 0-2 years were also launched.

The sela school collection also won the **“Choice of Moms”** award.

The volume of eco-products using laser printing on denim and a new **sofeelate** filler made from recycled plastic increased significantly.



The brand presented a number of collaborations:

- five **ARTMOMS** capsules with creative women;
- partnership with local brands “**Sredi Stikhiy**” [Among the Elements] and “**I'm Siberian**” to support the “**Travelling with the whole family**” project;
- food fashion collection with the Saint Petersburg chain of **Bushe** coffee shops;
- a charitable project and a joint capsule with the **Butterfly Children Foundation**.



Development of advanced children's wear:

- we have our own trade mark and patent for seladrytex membrane fabric;
- the first ski capsule was manufactured;
- we have our first super warm heavy frost overalls.

MARKETING

To promote the new concept of the family brand, sela launched **two** television advertising campaigns, **four** outdoor and **five** digital flights.



Besides:

- Over 3,000 media articles were published;
- organized eight special projects;
- organized three events for the moms community, an eco-marathon together with the “Spasibo” [Thank You] and “Vtoroe Dykhanie” [New Lease of Life] funds;
- opened another Vigge slide in Sochi at Krasnaya Polyana.



LOYALTY PROGRAM

Loyalty base has grown to 1.7 million members.

STORES



The sela store concept was awarded the “**Best Retail Concept in the Fashion Category**” at the **NatMall** International Retail Real Estate Award.

Brand retail stores were opened in **13** new cities: **Barnaul, Minsk, Arkhangelsk, Smolensk, Taganrog, Ufa, Ryazan, Irkutsk, Astrakhan, Saratov, Cherepovets, Kursk, Murino**. Franchise stores were opened in **Bishkek (Kyrgyzstan)** and **Khabarovsk**.

In 2023, the brand was actively expanding. It opened large format stores.

The new stores have spacious play areas for children (a creativity table in the sales room with a drawing gallery, busy boards in the changing rooms) and adult lounge with partitioned and upholstered seating. Spacious changing rooms for mothers with prams was also added. Navigation in the hall and lighting were given special attention.

The store design uses light natural colors - beige, white, grey, green - and tactile materials: wood, concrete, jute and greenery.

The new sela moms & monsters stores feature a “library of iconic goods” – a separate area dedicated to basic items, decorated in the form of a shelf displaying “as if at home” and “at hand” goods.

The largest store is over 1,200 square meters.



ÍDOL

BRAND VALUES

**ENERGY.
LEADERSHIP.
SUCCESS.
VITALITY.**

BRAND CONCEPT

**PREMIUM SMART
CASUAL WARDROBE**

RESULTS FOR 2023:

18 TOTAL
STORES*

* OWN AND FRANCHISE STORES



COL- LEC- TIONS

IDOL is a new premium brand of clothing, footwear and accessories inspired by the energy and spirit of big cities, dynamic lifestyles and people striving for success.



70% is a full range of womenswear.

30% is a full range of menswear, accessories and footwear.

The brand's range offers a well-designed, broad wardrobe for different occasions. It combines comfortable basics with relevant accent collections. Soft wool, silk, cashmere, thick denim and genuine leather are the hallmarks of the IDOL collections.

New factories and suppliers using premium materials were found to launch a new brand in the affordable premium segment.



The main FW '23 collection and a New Year's capsule were presented by IDOL in 2023. It took less than 9 months from the idea of the collection to its realization.

MARKETING

The launch of the IDOL brand began on **1 September 2023** with the release of an advertising campaign featuring its first ambassadors, **Svetlana Khodchenkova** and **Dmitry Nagiyev**, who personify “**Do People**”. Interest in the brand was generated through outdoor and digital advertising.



A video project with fashion expert **Aliona Doletskaya** was launched to promote the brand's collections. As part of the new brand launch, image events were held: an official party at the **Erwin Pavillion** restaurant at Patriarch's Ponds in Moscow with invited influencers, glossy editors, bloggers and other media personalities.



The IDOL brand presented a New Year's evening collection and tree in the **Rotunda Lounge** of the historic **Astoria Hotel** in Saint Petersburg at the end of the year. The **4.5-meter-high** symbol of the New Year was decorated with toys in the brand's key colors.

STORES

In September 2023, the first IDOL stores started operating. In a short period of time, an architectural concept was developed and spaces in prime locations were booked.

Careful design and attention to detail are the hallmarks of the new brand's store interiors. The focus on geometry, linearity and contrasting lighting, combined with metal and natural materials in the finishes – stone and wood – emphasizes the IDOL range.



By the end of the year, 18 IDOL stores with an average area of 300-500 square meters had been opened in six cities: Moscow, Saint Petersburg, Yekaterinburg, Yaroslavl, Kazan and Rostov-on-Don.



BUSINESS PERFORMANCE

TOP MANAGEMENT

“A step from the impossible to reality” – this is how 2023 can be described, when the company managed to enter a new era of business development and scaling. With innovative approaches and keen intuition, Melon Fashion Group's top management was able to increase productivity effectively and with care for the team, uniting everyone around a common vision and strategy.

In 2023, Olga Verts joined the management team as Director of the IDOL brand.



ANNA MAZURIK
DIRECTOR OF
ZARINA

TATIANA BREDIKHINA
DIRECTOR OF
Befree

NATALIA PILYAVSKAYA
DIRECTOR OF
LOVE REPUBLIC

ANNA MILANOVICH
DIRECTOR OF
sela

OLGA VERTZ
DIRECTOR OF
IDOL

JULIA SHEVKALENKO
DIRECTOR
OF INFRASTRUCTURE

NATALIA SAMUTICHEVA
CFO

IGOR MALTINSKY
EXPANSION DIRECTOR

ELENA BICHEVAYA
HR & ORGANIZATION
DEVELOPMENT DIRECTOR

HR DEPARTMENT

The strength of our team lies in our imagination, love of creativity and ambition for the future.

In 2023, in honor of the company's 18th anniversary, an updated version of the Melon Book philosophy was published, in which the DNA of Melon Fashion Group and the Melonians appeared – those values that appeal to everyone.

D N A O F T H E M E L O N I A N

**ENGAGEMENT
CREATIVITY
STABILITY**

D N A O F M E L O N F A S H I O N G R O U P

**TRUST
ETHICS
HUMANITY**



RECRUITING

In 2023, the HR department not only worked on efficiency and retention, but also built a new team for the IDOL brand from the ground up in a short period of time and filled **92 vacancies**.

For the convenience of candidates and to strengthen the company's HR brand, a career website was launched for different target groups: creative jobs, office, IT, retail and students. In this way it was possible to prioritize the benefits and tasks for each of the groups.

75 employees joined the company under the “Bring a Friend” program.



TRAINING

In 2023, the talent development group had **14,000 hours** of training with **5,500 employees** in attendance.

72 managers completed a three-month course of the “Muscle Factory for Leaders” to improve their managerial skills.

Mentoring training was piloted and attended by **28 employees**. Online training and a detailed checklist of actions to be taken by the mentor throughout the probationary period were developed.



14k
hours of training

5.5k
employees

UNIVERSITY RECRUITING



The company continued active engagement with students. In 2023, the “**Young Specialists**” internship project for designers and technologists was launched, resulting in **5 specialists** becoming full-time employees. More than **80 students** from a variety of backgrounds completed internships, **13** of whom were hired.

In order to find potential candidates for the position of designer, the Melon Fashion Group team took part as a jury in the pre-graduate student shows “**Admiralteyskaya Igla**” [The Admiralty Needle] and “**Work in Fashion**”.

Young IT specialists were able to find out more about the company and its projects at the job fair at **The Bonch-Bruевич University**.

Over **40 excursions** for university students were organized in 2023.



DISTRIBUTION CHANNELS

RESULTS FOR 2023



729

OWN STORES

123

OWN AND FRANCHISE
STORES WERE OPENED

194

FRANCHISE
STORES

104

OWN AND FRANCHISE
STORES WERE RELOCATED

923

TOTAL STORES

OWN RETAIL BUSINESS

As retail space became available, Melon Fashion Group focused on aggressive expansion. 203 stores were opened and relocated to larger premises, including 18 stores of the new IDOL brand.

The Development Department provided relocation to top shopping centers with flagship formats: Moscow Aviapark, Afimall, Metropolis, Evropeyskiy, Saint Petersburg Galeria, Minsk Galleria.

Melon Fashion Group opened its 900th store in May 2023.

ECOMMERCE

Online sales remain at the previous year's level as a share of the total structure in 2023.

The new IDOL brand launched on the 1st of September with its **own online store** and exclusively on the **Lamoda** marketplace.

FRANCHISING

The company is continuing its trend of expanding its sales areas. In 2023, **17 stores** were added to the partner network, designed in a new concept. Franchisees also moved **7 stores** to larger premises. The franchise network comprised **194 retail outlets** at the end of the year.



A map of Asia and surrounding regions, including parts of Europe, Africa, and Oceania. The map is set against a black background. Countries are outlined in white. Several countries are highlighted in yellow: Russia, China, India, Turkey, Uzbekistan, Kyrgyzstan, Armenia, Pakistan, Bangladesh, and Vietnam. Other countries are in a dark grey color. The highlighted countries are labeled with their names in white capital letters.

RUSSIA

UZBEKISTAN

KYRGYZSTAN

TURKEY

ARMENIA

PAKISTAN

INDIA

BANGLADESH

VIETNAM

CHINA

PROCUREMENT

In 2023, Melon Fashion Group expanded its supplier pool by launching a new brand and increasing the range of other brands. The IDOL collections required factories that work with premium materials. The Company contracted **107 new partners** including those from China, Turkey and Egypt. All partners have had their product quality tested to the **2.5 AQL (Acceptable Quality Level)** standard. In addition, the production capacities and the legal and financial aspects of the cooperation were assessed. The company worked with **389 suppliers** from 11 countries by the end of 2023.

As a continuation of the implementation of the ESG strategy and supplier policy, the company carried out audits and inspections of supplier factories in 2023. Already **50%** of our products are made in factories that have passed an ethical social and environmental audit based on international standards. In 2024, the proportion of audits will increase.

More information about suppliers and production evaluation is available in Sustainability Report 2023.

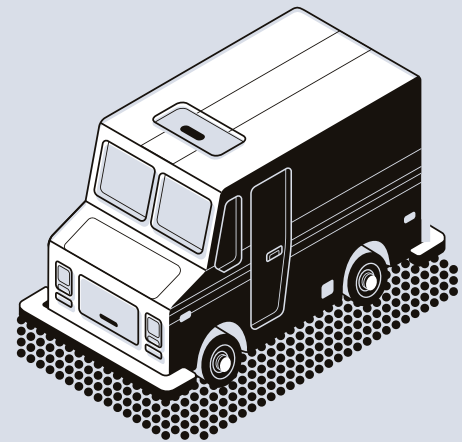
INFRASTRUCTURE

LOGISTICS

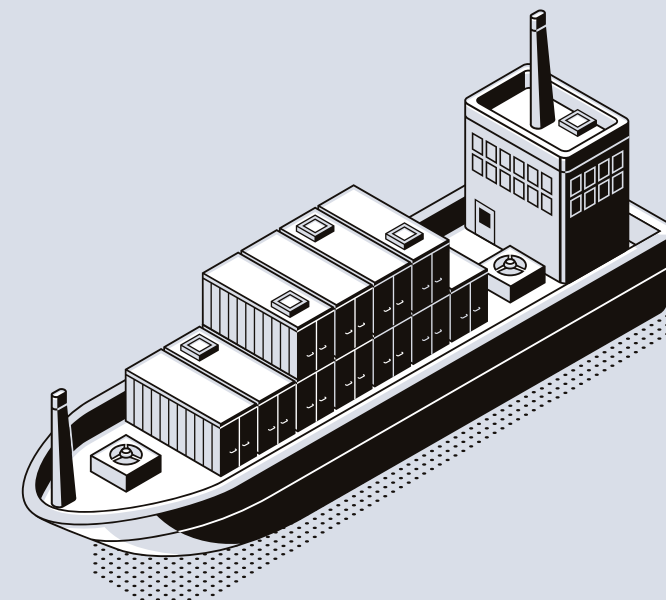
In 2023, the strength of the logistics sector continued to be tested by the compression of import flows, supply chain disruptions and sanctions pressures. The Melon Fashion Group team focused on diversifying transport risks and finding alternative routes for delivering goods.

The average delivery time from supplier to warehouse was 44 days, 6 days less than the previous year.

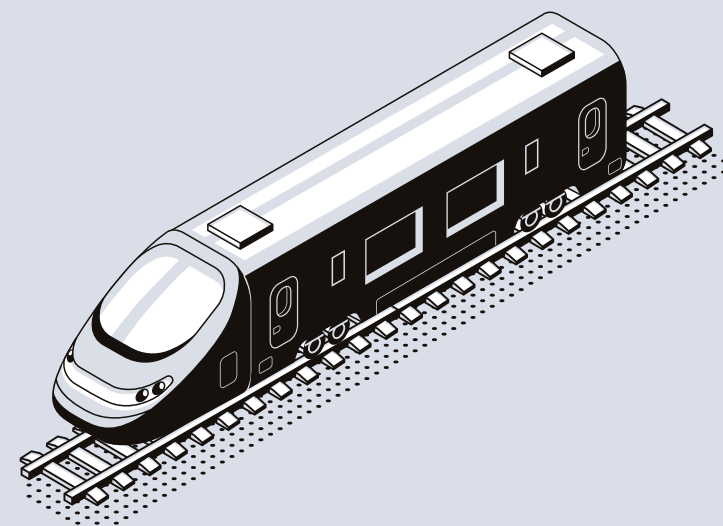
TRANSPORT



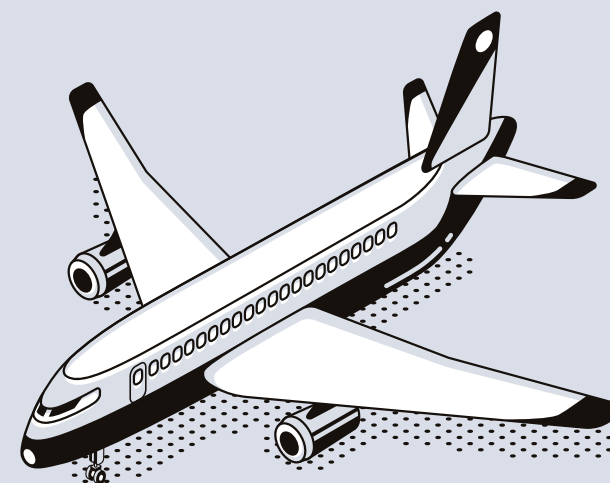
40%
by trucks



23%
by sea



32%
by railway



5%
by air

57,5

**mln pieces
were dispatched
in 2023**

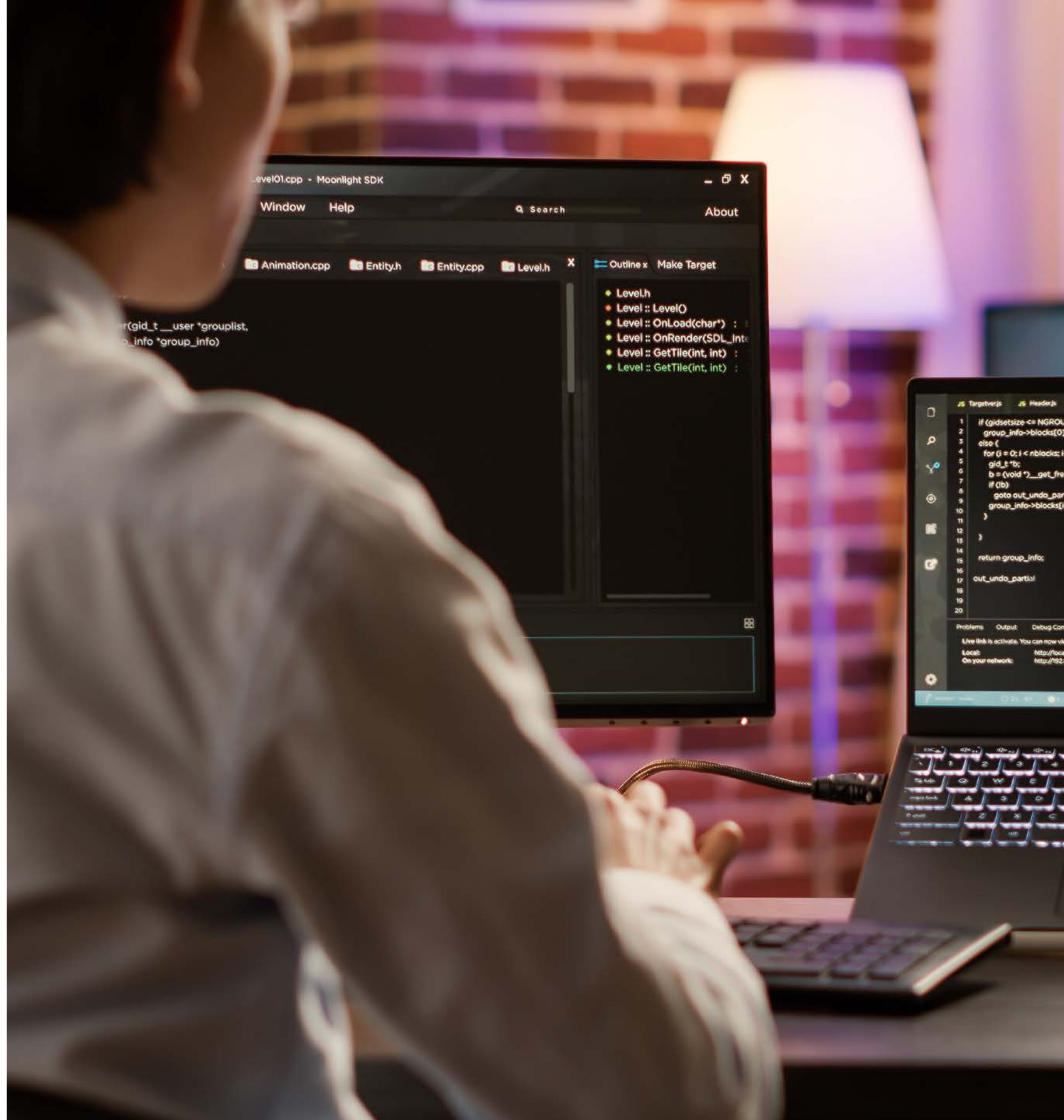
44

**days was
the average
time of delivery
to the shelf**

IT

In 2023, IT delivered the following projects and services:

- **Melon Touch** application to automate store accounting and sorting;
- Contactless payment modules for the Faster Payments System using NFC tags;
- Dedicated autonomous network for stable and uninterrupted operation of IT services;
- Relocation of all key systems to a data center to improve the reliability and availability of systems;
- RFID product identification technology was piloted;
- Automation of our own retail network in the **Republic of Belarus** was completed.



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