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MERCURY RETAIL HOLDING PLC ANNOUNCES INTENTION TO CONDUCT IPO ON MOSCOW EXCHANGE

Moscow, Russia, 27 October 2021 – Mercury Retail Holding PLC (“Mercury Retail” or the “Company”, or together with its consolidated subsidiaries the “Group”), the largest ultra-convenience store operator and the third largest food retailer in Russia, today announces its intention to conduct an initial public offering (the “Offering”) of global depository receipts (the “GDRs”) and to list on Moscow Exchange.

Igor Kesaev, Chairman of Mercury Retail, said:

“Mercury Retail is different to traditional food retailers first and foremost because of our business model. Not only do we seek to be closest to our customers, but we are the first to offer them the best prices every day on every single SKU we sell in our stores. Today we operate more than 14,000 stores across Russia under two well-known brands – Red&White and Bristol. We want our stores to be the main stores satisfying the daily basic needs of the Russian consumer.”

Mercury Retail highlights

- **Disruptive force in Russian food retail with a winning customer value proposition.** Mercury Retail operates small-box format stores under two market-leading banners, Red&White and Bristol. The Group aims to capitalize on key global retail trends of convenience and value by being the best at fulfilling shoppers’ daily needs. Mercury Retail’s winning customer value proposition is built on three pillars: (i) redefined convenience, with compact stores (average selling space 75 sq. meters) with homogeneous layouts for each banner facilitating speedy shopping (average time in store under 2 minutes) located close to customers (targeting within a 5 minute walk or 100 meters); (ii) a highly relevant daily assortment (around 1,500 SKUs at Red&White stores and 1,750 SKUs at Bristol stores); and (iii) a strategy of aiming to offer the best price every day on every product in every locality.
- **Leading player in the fastest-growing segment of a vast and growing market.** Mercury Retail’s two banners, Red&White and Bristol, pioneered the ultra-convenience format in Russia in the late 2000s. Today, Mercury Retail has market share of 43.0% in the ultra-convenience channel of the Russian food retail market, approximately six times more than that of the next largest player, according to GfK estimates.

The ultra-convenience channel has attractive long-term fundamentals and significant barriers to entry, and is forecast by GfK to expand at a compound annual growth rate (“CAGR”) of 27.8% and be worth RUB 5.4 trillion, or 23.4% of the total Russian food retail market, by the end of 2025, up from RUB 1.8 trillion, or 10.2% of the total food retail market, as of 30 June 2021. That is more than four times faster than GfK’s forecast CAGR of 6.3% for the total Russian food retail market over the same period. As of 30 June 2021, Mercury Retail is Russia’s third-largest food retailer, with market share of 4.6% based on sales value, according to GfK estimates.

- **Track record of delivering outsized growth and profitability.**¹ Like-for-like sales grew by an average of 15.9% year-on-year for the last eight consecutive quarters up to 30 June 2021, and by 18.1% in the first six months of 2021, driven by rapidly increasing scale, brand visibility and category leadership. Revenue for the 12 months ended 30 June 2021 (“LTM June 2021”) was RUB 646 billion, an increase of 28.6% year-on-year. Adjusted EBITDA for the same period was RUB 68.3 billion (RUB 53.0 billion under IAS 17), with an Adjusted EBITDA margin of 10.6% (8.2% under IAS 17). Mercury Retail delivered high sales density of RUB 674 thousand per square meter in LTM June 2021 and best-in-class return on invested capital (“ROIC”) of 39.7% under IFRS 16 (99.3% under IAS 17) for the year ended 31 December 2020.
- **One of the largest store portfolios in Russia, with many more years of accelerated growth ahead.** Mercury Retail today operates more than 14,000 stores under the Red&White and Bristol banners in 68 of Russia’s 85 regions, with total selling space of over 1 million sq. m. as of 30 June 2021. The Group believes that it has several years of expansion ahead, based on its current store-opening strategy. According to GfK estimates, there is potential for the total number of ultra-convenience stores in Russia to expand by approximately 51 thousand from the current level of approximately 37 thousand to approximately 88 thousand (including white space, the Group’s existing stores and existing competitor stores).
- **Lean and efficient business model focused on rapid execution.** Both Red&White and Bristol have tailored supplier-to-store operating models, supported by efficient and well-optimised logistics functions. The Group’s significant scale and rapid growth makes it an increasingly relevant partner of choice for suppliers, enabling the Group to secure attractive purchasing terms. Mercury Retail’s rapid store roll-out programme leverages a unified store format, shared real estate pipeline, standardised setup criteria across both banners and an agile process, with average payback time per store of less than 10 months. The Group directly operates its stores, and does not rely on franchising operations for its success, which further drives end-to-end excellence in helping to ensure a unified customer proposition across all of the Group’s stores.
- **Visionary founders and strong execution by an entrepreneurial team.** The Group’s robust track record has been delivered by a strong executive leadership team and backed by committed shareholders and an entrepreneurial team with vast experience in the retail sector in Russia. Each of the Group’s visionary founders and shareholders – Igor Kesaev, Sergei Studennikov and Sergei Katsiev – has more than 30 years of wholesale and retail experience, and they are aligned in their vision to disrupt the Russian food retail market.

¹ Unless stated otherwise, financial results are stated under IFRS 16.

▪ **Commitment to good corporate governance and an attractive dividend policy.** Mercury Retail is committed to pursuing best practices in its corporate governance and has reached preliminary agreements with three independent directors with outstanding international retail experience who will join the Board of Directors, assuming completion of the IPO:

- Natalia Barsegiyan, former CFO of Taco Bell and an INED at Mediclinic International PLC and Domino's Pizza Group PLC, with more than 30 years of leadership and operational experience in consumer business in the US, France, UK and Russia;
- Valli Perera, retired partner from Deloitte with more than 40 years of international experience, and a non-executive director at Midmark Corporation;
- William Pritchett, Chief Commercial and Financial Officer for Hershey International, with deep industry expertise in the consumer goods and retail sectors.

Under its current dividend policy, the Group aims to pay dividends quarterly with a target pay-out ratio of at least 50% of net income for the period under IFRS.

Expected transaction highlights

- The Offering is expected to consist of an offering of GDRs, each representing one existing ordinary share of Mercury Retail Holding PLC, by Mercury Retail Group Limited (the "Selling Shareholder").
- The GDRs are expected to be offered: (i) in the Russian Federation and (ii) otherwise outside the United States, to institutional investors in "offshore transactions" as defined in, and in reliance on, Regulation S under the U.S. Securities Act of 1933 (the "Securities Act"), and (iii) in the United States to QIBs, as defined in, and in reliance on, Rule 144A under the Securities Act.
- The Company has applied for admission of the GDRs to trading on Moscow Exchange.
- The Company and the Selling Shareholder are expected to agree to customary lock-up arrangements in connection with the Offering.
- Stabilisation arrangements are expected to be put in place for a certain period after the Offering in respect of up to 15% of the GDRs sold in the Offering.
- BofA Securities, J.P. Morgan, SberCIB and VTB Capital (as defined below) are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Offering. Gazprombank and Renaissance Capital (as defined below) are acting as Joint Bookrunners.
- If and when the anticipated Offering is launched, any additional details will be disclosed in the offering memorandum published by the Company, which will be made available on the Company's website at www.mercury-retail.ru.

Mercury Retail financial highlights

RUB million (unless otherwise stated)	1H 2021	1H 2020	FY 2020	LTM June 2021
Revenue	328,708	259,790	577,235	646,153
Gross profit	79,842	58,412	131,612	153,041
<i>Gross margin, %</i>	24.3	22.5	22.8	23.7
Adj. EBITDA	35,944	23,549	55,914	68,309
<i>Adj. EBITDA margin, %</i>	10.9	9.1	9.7	10.6
IAS 17-based adj. EBITDA	28,087	16,358	41,303	53,019
<i>IAS 17-based adj. EBITDA margin, %</i>	8.5	6.3	7.2	8.2
Net income	19,009	9,027	25,653	35,635
<i>Net income margin, %</i>	5.8	3.5	4.4	5.5

Mercury Retail operational highlights

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Number of stores, e-o-p	13,498	13,054	12,728	12,316	12,007	11,830
Total selling space, sq. m., e-o-p	1,006,651	972,811	948,280	916,886	893,938	880,404
Like-for-like sales growth, %	14.8	22.3	23.0	24.0	19.3	10.1

For further information please contact:

Andrey Vasin

Director for Capital Markets and Investor Relations

Tel.: +7 495 745 2112, ext. 521

e-mail: ir@mercury-retail.ru

Kirill Zubkov

Investment manager

Tel.: +7 495 745 2112, ext. 523

EM (communications advisor to Mercury Retail)

Peter Morley

Tel.: +43 676 684 5252

e-mail: morley@em-comms.com

Daria Khilenkova

Tel.: +7 916 805 4926

e-mail: khilenkova@em-comms.com

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This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "plans," "targets," "aims," "believes," "expects," "anticipates," "intends," "estimates," "will," "may," "continues," "should," "positioned," "ongoing" and similar expressions or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections, guidance and other forward-looking statements will not be achieved. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Subject to their legal and regulatory obligations, neither J.P. Morgan AG, Merrill Lynch International, Sberbank CIB (UK) Limited, JSC "Sberbank CIB," VTB Capital plc, Bank GPB International S.A. and Renaissance Securities (Cyprus) Limited (together, the "Banks"), nor the Company, nor Mercury Retail Group Limited (the "Selling Shareholder") nor any of their respective affiliates or any of their respective directors, officers, employees or agents, or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

In no circumstances shall the provision of this document imply that no negative change may occur in the business of the Company after the date of provision of this document, or any date of amendment and/or addition thereto.

The information contained in this announcement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any securities of the Company in the United States, Canada, Australia or Japan, or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction.

The Company does not expect or intend to register any securities that it may offer under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or to conduct a public offering of any securities in the US. The securities of the Company have not been and will not be registered under the Securities Act and any such securities may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any public offering of such securities in the United States would require the publication of a prospectus by the Company containing detailed information about the Company and its management, as well as the Company's financial statements.

This announcement does not constitute an offer or an invitation to make offers or advertisements of securities in the Russian Federation, and is not an offer to sell, purchase, exchange or transfer to or for the benefit of any person resident, incorporated, established or having their residence in the Russian Federation, or to any person located within the territory of the Russian Federation, or an invitation to or for the benefit of any such person to make an offer to sell, purchase, exchanges or transfer any securities. This communication does not constitute or form part of individual investment advice, investment consulting or personal recommendation (within the meaning of the federal legislation of the Russian Federation, including, without limitation, Federal Law dated April 22, 1996 No. 39-FZ "On the Securities Market", as amended from time to time).

This announcement does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the GDRs. This announcement is only addressed to and directed at persons in member states of the European Economic Area ("EEA") and the United Kingdom (each a "Relevant State") who are "qualified investors" (i) within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended or superseded, the "Prospectus Regulation") in the case of the EEA and (ii) in the case of the United Kingdom, within the meaning of the Prospectus Regulation as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (together, "Qualified Investors"). In the United Kingdom, this announcement is being distributed to, and is directed only at, Qualified Investors who are persons (i) having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") (ii) falling within Article 49(2)(a) to (d) of the Order, or (iii) to whom it may otherwise lawfully be communicated (all such persons who are also Qualified Investors being referred to as "Relevant Persons"). This announcement and information contained herein must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any other Relevant State, by persons who are not Qualified

Investors. Any investment or investment activity to which this announcement and information contained herein relates is available only to or will be engaged in only with, (i) Relevant Persons in the United Kingdom, and (ii) Qualified Investors in any other Relevant State.

The distribution of this announcement may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Investors should not subscribe for or purchase any GDRs referred to in this announcement except on the basis of information in the offering memorandum that may be published by the Company (the “**Offering Memorandum**”) and pertaining to the initial public offering of the GDRs (the “**Offering**”). The information in this announcement is subject to change.

The information contained in this announcement does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities in the United States, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. Under the U.S. Securities Act of 1933, as amended, securities may not be offered or sold in the United States absent registration or an exemption from registration. The Company does not intend to register any portion of the Offering in the United States, Canada, Japan or Australia, or to conduct a public offering of the GDRs in the United States, Canada, Japan or Australia. Subject to certain exceptions, the GDRs referred to herein may not be offered or sold in Canada, Japan or Australia or to, or for the account or benefit of, any national, resident or citizen of Canada, Japan or Australia.

The Banks, are acting only for the Company and no one else in connection with the Offering. The Banks will not regard any other person as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

None of the Banks, the Selling Shareholder or any of their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

The date of the admission of the GDRs to trading on the Moscow Exchange (the “**Admission**”) may be influenced by factors such as market conditions. There is no guarantee that the Admission will occur, and you should not base your financial decisions on the Company’s intentions in relation to the Admission at this stage. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making such investments should consult an authorized person specializing in advising on such investments. This announcement does not constitute a recommendation concerning the Offering. The value of GDRs can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Offering for the person concerned.

In connection with the Offering, any of the Banks or any of their respective affiliates, may take up a portion of the GDRs in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell for their own accounts such GDRs and other securities of the Company or related investments in connection with the Offering or otherwise. Accordingly, any references in the Offering Memorandum, if published, to the GDRs being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any offering or placement of securities to any of the Banks and any of their respective affiliates acting in such capacity. In addition, any of the Banks and any of their respective affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors, in connection with which any of the Banks and any of their respective affiliates may from time to time acquire, hold or dispose of GDRs. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Information to Distributors – UK Product Governance

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK Product Governance Requirements)

may otherwise have with respect thereto, the GDRs the subject of the Offering have been subject to a product approval process, which has determined that such GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, “distributors” (for the purposes of the UK Product Governance Requirements) should note that: the price of the GDRs may decline and investors could lose all or part of their investment; the GDRs offer no guaranteed income and no capital protection; and an investment in the GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the joint global coordinators and joint bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the GDRs. Each distributor is responsible for undertaking its own target market assessment in respect of the GDRs and determining appropriate distribution channels.

Information to Distributors – MiFID II Product Governance

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the GDRs the subject of the Offer have been subject to a product approval process, which has determined that such GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**EU Target Market Assessment**”). Notwithstanding the EU Target Market Assessment, distributors should note that: the price of the GDRs may decline and investors could lose all or part of their investment; the GDRs offer no guaranteed income and no capital protection; and an investment in the GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The EU Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the EU Target Market Assessment, the joint global coordinators and joint bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the EU Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the GDRs. Each distributor is responsible for undertaking its own target market assessment in respect of the GDRs and determining appropriate distribution channels.

Nothing contained herein constitutes or should be construed as: (i) investment, tax, financial, accounting or legal advice; (ii) a representation that any investment or strategy is suitable or appropriate to your individual circumstances; or (iii) a personal recommendation to you.

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