LENTA PUBLISHES AUDITED IFRS FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

St. Petersburg, Russia; 16 February 2017 – Lenta Ltd ("Lenta" or the "Company"), one of the largest retail chains in Russia, today announces its audited consolidated IFRS results for the year ending 31 December 2016.

2016 Financial Highlights:

- Total sales grew 21.2% to Rub 306.4bn (2015: Rub 252.8bn);
- Adjusted EBITDA[1] of Rub 31.8bn, up 13.1% (2015: Rub 28.1bn) with a margin of 10.4% (2015: 11.1%);
- Gross margin of 22.1% (-0.2 p.p. vs. 2015) slightly decreased due to additional price investments which were not quite fully compensated by better supplier conditions, supply-chain efficiency and improved in-store production results;
- SG&A increased to 15.2% of sales (0.9 p.p. higher vs. 2015) due to increases in marketing and other costs to support rapid expansion, and increased depreciation expenses which more than offset continuous operational improvements and increased productivity;
- Capital expenditures of Rub 54.3bn, an increase of 73.0% compared to 2015 (Rub 31.4bn) linked to rapid organic expansion and the acquisition of Kesko's food retail business in Russia;
- Net cash generated from operating activities, before net interest and income taxes paid, of Rub 27.9bn compared to Rub 25.9bn in 2015 (an increase of 7.7%) primarily driven by EBITDA growth;
- Net interest expenses of Rub 9.2bn, a decrease of 0.5% compared to 2015 (Rub 9.3bn) thanks to lower interest rates offsetting a substantial increase in total borrowings;
- Net Profit[2] of Rub 11.2bn, up 8.9% (2015: Rub 10.3bn) with a margin of 3.7%; and
- Net Debt of Rub 89.2bn as of 31 December 2016 (Net debt/Adjusted EBITDA of 2.8x).

2016 Operational Highlights:

- 51 hypermarkets and 17 supermarkets net openings during 2016, meeting the Company's guidance;
- Total number of hypermarkets at 31 December 2016 was 191, with 49 supermarkets in operation, selling space was c. 1,146,148 sq.m (+29.9% vs. 31 December 2015);
- Lenta opened its seventh own distribution centre ("DC") in Moscow, dedicated to its supermarket format;
- Like-for-like ("LFL")[3] sales growth was 3.9% for 2016;
- LFL average ticket increased by 4.0% in 2016;
- LFL traffic declined by 0.1% in 2016; and
- The number of active loyalty cardholders[4] increased by 25% y-o-y to a total of 10.5m as of 31 December 2016.

Material events after the reported period:

- The Company signed lease contracts with the ADG Group real estate development company to open 36 supermarkets (approx. 47,000 sq.m of total space and 30,300 sq.m of selling space) in Moscow shopping and entertainment centers in 2018-2019; and
- Lenta signed an agreement to acquire eight properties in Novosibirsk which are planned for use as Lenta supermarkets.

Lenta's **Chief Executive Officer, Jan Dunning** said:

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1 *Adjusted EBITDA is reported EBITDA as set out in Note 6 of the IFRS financial statements adjusted for non-recurring one-off items such as changes in accounting estimates and one-off non-operating costs and income*

2 *Net Profit equates to "Profit for the year" in the attached IFRS Financial Statements*

3 *Lenta's stores are included in the LFL store base starting 12 months after the end of the month they are opened*

4 *Cardholders who made at least 2 purchases at Lenta during the 12 months to 31 December, 2016 are considered active*

"Lenta delivered strong growth and profitability in 2016, with sales up 21% and EBITDA margin of 10.4% - against the back-drop of a challenging consumer and macro environment.

We continued to make progress with improving supplier conditions, augmented by increasing supply chain and in-store production efficiency, while also investing in prices to help customers in this tough environment. We managed to further increase productivity in Like-for-Like stores by optimising processes and leveraging synergies from the increasing scale of the business. However, these initiatives were offset by cost investments to support our rapid expansion and additional marketing expenses reflecting the increased promo sensitivity of Russian consumers.

Our outlook for the short-to-medium term remains quite cautious. Pressure on disposable household income has impacted food retail sales growth in the country, which declined in both real and nominal terms in the recent past. Continued deterioration in consumers' purchasing power combined with increasing price sensitivity and promo orientation is putting additional pressure on retailers and we don't see signs of improvement in consumer budgets in the short-term".

Store Developments and Supply Chain

Lenta opened 51 hypermarkets and 17 supermarkets during 2016, taking the total number of hypermarkets to 191 and supermarkets to 49. The Company entered eight new cities in 2016 and was present in 77 cities[5]. Total selling space as at 31 December 2016 increased to 1,146,148 sq.m, up 29.9% compared to the end of 2015.

Since the beginning of 2017 the Company has opened one leased compact hypermarket in Lipetsk, increasing the total store count to 241, including 192 hypermarkets in 77 cities and 49 supermarkets in Moscow, Saint-Petersburg and Central region. Total selling space as at 16 February 2017 reached 1,151,668 sq.m.

Lenta continues to invest significantly in its supply chain: a new owned dedicated DC for supermarkets in the Moscow region was opened in 2H 2016. The average centralisation ratio increased to 50.8% in 2016 from 46.1% in 2015.

Operating performance

Lenta's total sales in 2016 increased 21.2% compared to 2015 due to an increase in sales from new stores opened in 2016, new stores opened in 2015 that are not yet part of the Like-for-Like panel and a like-for-like sales increase of 3.9%. Lenta recorded a 29.9% increase in net selling space as of 31 December 2016 compared to 31 December 2015.

The macro and consumer environment remained difficult throughout the year with increased pressure on customer incomes despite decelerating food inflation. Consumers continued to be price-sensitive and promo-oriented due to budget constraints – real disposable household income remained in negative territory and as a result the decline in real food retail sales in Russia worsened during the year. This trend was especially visible in the second half of 2016.

YoY growth	**1H 2016**	**2H 2016**	**2016**	**2015**
Total sales	21.9%	20.6%	21.2%	30.3%
LFL sales	5.2%	2.9%	3.9%	9.1%
LFL traffic	*2.1%*	*-2.0%*	*-0.1%*	*3.9%*

5 According to Lenta's methodology for calculating number of cities of presence, since 1 May 2015 all cities located in Moscow City and the Moscow region are shown as Moscow, and all cities located in the Leningrad region and St. Petersburg are shown as St. Petersburg.

LFL ticket	*3.0%*	*5.0%*	*4.0%*	*5.0%*

Financial Performance

Lenta demonstrated strong overall performance during the year in line with the Company's expectations. The company achieved notable improvements in supplier conditions, supply chain efficiency and own production performance, but these effects were more than offset by price investments to absorb part of the impact of inflation on Lenta's customers. Continuing productivity gains did not fully compensate pressure on operating costs related to Lenta's rapid expansion, leading to a decline in Adjusted EBITDA margin of 0.7 p.p to 10.4%.

Net profit grew by 8.9% to Rub 11.2bn in 2016 driven by EBITDA growth partly offset by increased depreciation and income tax. While the net profit margin of 3.7% was supported by almost flat interest expenses, it was affected by a higher effective tax rate of 23.0%.

Income Statement Highlights

RUB (millions)	**1H 2015**	**1H 2016**	**2H 2015**	**2H 2016**	**2015**	**2016**	**% Change 2016 – 2015**
Total sales	**114,897**	**140,087**	**137,866**	**166,267**	**252,763**	**306,352**	**21.2%**
Gross profit	**24,877**	**30,656**	**31,428**	**37,112**	**56,305**	**67,768**	**20.4%**
Gross margin	*21.7%*	*21.9%*	*22.8%*	*22.3%*	*22.3%*	*22.1%*	*-0.2 p.p*
SG&A, % of sales	**14.6%**	**15.5%**	**14.0%**	**14.9%**	**14.3%**	**15.2%**	**0.9 p.p**
Adjusted SG&A[6], % of sales	11.1%	11.7%	10.8%	11.2%	10.9%	11.4%	0.5 p.p
Adjusted EBITDAR[7]	**13,030**	**15,372**	**17,721**	**19,822**	**30,752**	**35,195**	**14.4%**
Adjusted EBITDAR margin	*11.3%*	*11.0%*	*12.9%*	*11.9%*	*12.2%*	*11.5%*	*-0.7 p.p*
Rental expenses, % of sales	*1.1%*	*1.2%*	*1.0%*	*1.0%*	*1.1%*	*1.1%*	*0.1 p.p*
Adjusted EBITDA	**11,747**	**13,676**	**16,333**	**18,084**	**28,080**	**31,759**	**13.1%**
Adjusted EBITDA margin	*10.2%*	*9.8%*	*11.8%*	*10.9%*	*11.1%*	*10.4%*	*-0.7 p.p*
Operating profit	**9,015**	**10,076**	**13,317**	**13,619**	**22,332**	**23,695**	**6.1%**
Profit before income tax	3,789	5,650	9,083	8,903	12,872	14,553	13.1%
Net Profit	**2,966**	**4,326**	**7,323**	**6,876**	**10,288**	**11,202**	**8.9%**
Net profit margin	*2.6%*	*3.1%*	*5.3%*	*4.1%*	*4.1%*	*3.7%*	*-0.4 p.p*

Gross margin decreased slightly by 0.2 p.p to 22.1% - while Lenta continued to benefit from improved supplier terms, increased supply chain and in-store production efficiency, the positive effect of these trends was partly offset by further investments in pricing and promotions to contain the effects of inflation on customers. A notable reduction of average distance for goods transportation (by 9% to 579km/pallet in 2016 vs 635km/pallet in 2015) and a higher centralization ratio of 50.8% led to a reduction in supply-chain cost as % of sales to 1.2% in 2016 from 1.3% in 2015. In-store production

[6] Adjusted SG&A is SG&A before rent paid on land, equipment and premises leases, depreciation and one-off non-operating costs, including professional fees related to M&A activity
[7] Adjusted EBITDAR is Adjusted EBITDA before rent paid on land, equipment and premises leases

margins improved by 42bps thanks to benefits from scale which enabled a growing number of centralization projects involving stores operating under Lenta's "mother-daughter" concept as well as other operational improvements. Rapid expansion resulted in an increase in the share of young stores in the portfolio - combined with an increase in the proportion of supermarkets, this led to 19bps increase in shrinkage, mainly in the form of higher stock provisions.

Rapid organic expansion and the acquisition of 11 hypermarkets from Kesko in Saint-Petersburg was supported by an increase of SG&A expenses as % of sales to 15.2% (0.9 p.p higher y-o-y). This growth was primarily driven by elevated marketing costs to drive loyalty and additional traffic as well as utilities and communal payments related to the increase in the number of stores and rising tariffs. Further operational improvements in the stores led to higher productivity despite the growing number of new stores in the ramp-up phase and resulted in flat labour cost as % of sales (5.7% in 2016). However, in the LFL store base opened before 31 December 2015 continuous cost saving initiatives resulted in further reduction of total SG&A as % of sales: 34bps lower vs 2015 thanks primarily to improved labour cost as % of sales.

Adjusted SG&A as % of sales increased 0.5 p.p to 11.4% in 2016 compared to 2015 primarily due to higher marketing and housing costs. Total SG&A costs were also affected by increased depreciation while rent expenses remained almost flat at 1.1% of total sales, thanks to a higher share of new owned selling space.

As a result of the factors described above, Adjusted EBITDA in 2016 grew more slowly than sales, reaching Rub 31.8bn (+13.1% vs 2015) with an Adjusted EBITDA margin of 10.4%.

RUB (millions)	**2016**	**2015**	**% Change 2016 – 2015**
Adjusted EBITDA	**31,759**	**28,080**	**13.1%**
One-off Expenses and income[8]	*369*	*61*	-
Reported EBITDA[9]	**31,390**	**28,018**	**12.0%**

Net interest expenses decreased 0.5% to Rub 9.2bn due largely to a reduction in market rates which offset a higher average level of borrowing to fund the store opening programme, supply-chain development and the Kesko acquisition. Lenta's weighted-average cost of debt in 2016 decreased to 11.9% (180bps lower vs 2015). The Company managed to reduce its cost of debt throughout the year - from 12.5% in the first quarter to 11.2% in the fourth quarter - mainly due to the combined effects of continuing reductions in MosPrime rates and improvements in the terms and conditions of its major long-term loan facilities. The Company projects the effective cost of debt to reduce in 1Q 2017 to around 10.9% (based on current MosPrime rates).

The effective tax rate increased from 20.1% in 2015 to 23.0% in 2016. The main driver of the difference was a one-off permanent difference related to the Kesko deal and an intragroup loan which generated a taxable gain in 2016 versus deductible losses in 2015. The underlying effective tax rate remained stable. Net income increased by 8.9% to Rub 11.2bn.

Cash Flow and Balance Sheet

Net cash generated from operating activities before net interest and income taxes paid amounted to Rub 27.9bn compared to RUB 25.9bn in 2015.

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[8] *One-off expenses and income in 2016 were professional fees associated with M&A activity. In 2015 these were professional services fees primarily incurred in connection with optimisation of the group corporate legal structure, development of employee incentive plans and cost and income related to Lenta's public offerings carried out in March and October 2015*

[9] *Reported EBITDA (as set out in Note 6 of the IFRS financial statements) includes all operating income and expenses excluding interest, tax, depreciation and amortisation as well as certain other expenses*

Capital expenditures in 2016 were 73.0% higher than in 2015 and amounted to Rub 54.3bn, mainly reflecting rapid organic expansion - additional investments in land acquisition and hypermarket construction combined with a higher share of owned selling space (83% of selling space added in 2016 vs 66% in 2015). This growth was also driven by the Rub 11.4bn acquisition of Kesko's food retail business in 4Q 2016. Capital expenditures were funded by operating cash flow and debt.

As of 31 December 2016, Net Debt to Adjusted EBITDA stood at 2.8x and Adjusted EBITDA to Net Interest was at 3.4x. As of 31 December 2015, Net debt to Adjusted EBITDA stood at 1.9x and Adjusted EBITDA to Net Interest was 3.0x. The increase in leverage was mainly attributable to acquisition of the Kesko food retail business in 4Q 2016. All of Lenta's debt is denominated in Russian Roubles and 80% of it is long-term with an average maturity of around 2.3 years. As of 31 December 2016 total debt was Rub 102.2bn, with a cash balance of Rub 13.0bn. In addition, Lenta had Rub 44.2bn of undrawn short- and long-term facilities, and Rub 32bn of additional undrawn credit limits approved by lenders.

Guidance

Store opening guidance and capex projections for 2017 as well as new strategic goals and initiatives for the business in the medium- to long-term will be announced at the Company's Strategy Day and published on 16th of February at 14:00 UK time.

The full set of accounts for Lenta Ltd. for financial years of 2016, 2015, 2014, 2013, 2012 and 2011 are available at www.lentainvestor.com

About Lenta

Lenta is the largest hypermarket chain in Russia (in terms of selling space) and the country's fifth largest retail chain (in terms of 2015 sales). The Company was founded in 1993 in St. Petersburg. Lenta operates 192 hypermarkets in 77 cities across Russia and 49 supermarkets in Moscow, St. Petersburg and the Central region with a total of approximately 1,151,668 sq.m of selling space. The average Lenta hypermarket store has selling space of approximately 5,800 sq.m. The average Lenta supermarket store has selling space of approximately 900 sq.m. The Company operates seven owned distribution centres.

The Company's price-led hypermarket formats are differentiated in terms of their promotion and pricing strategies as well as their local product assortment. The Company employed approximately 45,689 people as of 31 December 2016[10]*.*

The Company's management team combines a mix of local knowledge and international expertise coupled with extensive operational experience in Russia. Lenta's largest shareholders include TPG Capital and the European Bank for Reconstruction and Development, both of which are committed to maintaining high standards of corporate governance. Lenta is listed on the London Stock Exchange and on the Moscow Exchange and trades under the ticker: 'LNTA'.

A brief video summary on Lenta's business and its Big Data initiative can be seen here.

For further information please visit http://www.lentainvestor.com/en/or contact:

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10 FTE (full-time equivalent). Average FTE for 2016 was 35,677 employees

Forward looking statements:

This announcement includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “expected”, “plan”, “goal”, “believe”, or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond Lenta's control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements.

Any forward-looking statements made by or on behalf of Lenta speak only as at the date of this announcement. Save as required by any applicable laws or regulations, Lenta undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.