

## LENТА SALES AND OPERATING HIGHLIGHTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

**St-Petersburg, Russia; 19 April, 2018** – Lenta Ltd, (LSE, MOEX: LNTA / “Lenta” or the “Company”) one of the largest retail chains in Russia, is pleased to announce the Company’s consolidated sales and operating results for the first quarter ended 31 March 2018.

### 1Q 2018 Operating Highlights:

- Total sales grew 19.9% in 1Q 2018 to Rub 93.4bn (1Q 2017: Rub 77.9bn);
- Like-for-like (“LFL”)¹ sales growth of 6.1% vs. 1Q 2017;
- LFL traffic growth of 0.6% combined with a 5.5% increase in LFL ticket;
- One new hypermarket and nine new supermarkets opened during the first quarter of 2018;
- Total store count reached 338 stores as at 31 March 2018, comprising 232 hypermarkets and 106 supermarkets;
- Total selling space increased to 1,392,973 sq.m as at 31 March 2018 (+19.3% vs. 31 March 2017); and
- Number of active loyalty cardholders² increased to 13.0m (+17% y-o-y) with approximately 96% of transactions in the first quarter made using the loyalty card.

### Events in 1Q 2018 and after the reported period:

- Lenta launched a co-branded loyalty programme with Raiffeisenbank which combines the existing Lenta loyalty programme benefits with the bank’s bonus point cashbacks;
- The Company launched a new private label range (“Bonvida”) for professional customers; and
- Lenta opened its own dedicated vegetable storage in the Ryazan Region with a total area of 6,786 sq.m.

### Lenta’s Chief Executive Officer, Jan Dunning commented:

*“Lenta’s sales growth in the first quarter of 2018 came at 20% exceeding selling space growth for the second consecutive quarter. We are especially encouraged by further improvement in like-for-like sales growth to 6.1% driven by even stronger trends in our LFL hypermarkets in both traffic and ticket. Customers reacted positively to changes in our offering, range, marketing and communication by buying more volume and more expensive articles, which led to the strongest trading up since 2013.*

*The reported quarter was still challenging for the sector - we continued to see pressure from deflation in the quarter, while Lenta managed to overcompensate that by better basket quality. Quarterly results were also affected by worse weather conditions in February in many of the Russian regions. Performance in March was the strongest in the quarter.*

*We are very pleased with the fast ramp-up of ex-Kesko stores in St.Petersburg still delivering very strong double-digit LFL sales growth during second year of operation and the first trading results of the ex-NASH hypermarkets are running ahead of our original expectations.”*

### Lenta Store Developments

In the first quarter of 2018, Lenta opened one new hypermarket and the total hypermarket count reached 232 stores across Russia. The Company did not enter any new city during the quarter and remains present in 84 cities across the country.

During the reported period the Company also opened nine new supermarkets. Lenta’s supermarket network is now present in five regions (comprising Moscow, St Petersburg, Central, Siberia and Ural

¹ Lenta’s stores are included in the LFL store base starting 12 months after the end of the month in which they are opened

² Cardholders who made at least 2 purchases at Lenta during the 12 months to 31 March 2018 are considered active

regions), with a total of 106 stores. The supermarket format's share in the Company's total selling space rose to 6.5% as at the end of the quarter.

Since the end of the reported quarter, Lenta opened one supermarket in the Moscow region, bringing the total selling space to 1,393,917 sq.m (up 19.3% year-on-year).

Lenta added 10,862 sq.m of net selling space in the reported quarter. Total selling space as at 31 March 2018 increased to 1,392,973 sq.m, up 19.3% year-on-year, with 16.4% growth in the hypermarket format and 85.5% growth in the supermarket format.

	Quarterly			
	As at 31 Mar / 1Q 2018	As at 31 Mar / 1Q 2017	Net change	Change (%)
<b>Total number of stores</b>	<b>338</b>	<b>247</b>	<b>91</b>	<b>36.8%</b>
Hypermarkets	232	195	37	19.0%
Supermarkets	106	52	54	103.8%
<b>Number of net store openings<sup>3</sup></b>	<b>10</b>	<b>8</b>	<b>2</b>	<b>25.0%</b>
Hypermarkets	1	4	-3	-75.0%
Supermarkets	9	4	5	125.0%
<b>Total selling space (sq.m.)</b>	<b>1,392,973</b>	<b>1,167,601</b>	<b>225,372</b>	<b>19.3%</b>
Hypermarkets	1,302,741	1,118,953	183,788	16.4%
Supermarkets	90,232	48,648	41,584	85.5%
<b>Total net selling space added<sup>3</sup> (sq.m.)</b>	<b>10,862</b>	<b>22,588</b>	<b>-11,726</b>	<b>-51.9%</b>
Hypermarkets	5,158	19,090	-13,932	-73.0%
Supermarkets	5,704	3,498	2,206	-63.1%

## Lenta's Operating Performance

Selling space additions combined with positive LFL sales growth resulted in overall sales growth of 19.9% for the first quarter of 2018 on the back of 19.3% y-o-y selling space growth. Total sales amounted to Rub 93.4bn in the quarter, compared to Rub 77.9bn for the same period last year.

Lenta continued implementing a series of initiatives launched earlier in 2017 to increase the distinctive attractiveness of Lenta's offering to customers. These initiatives included changes in assortment (including introduction of new private label product ranges), marketing, Lenta's loyalty program and customer communication.

The Company maintained focus on digital marketing activities to reach customers, with special offers tailored on an individual basis to enhance traffic and basket size. The number of active loyalty cardholders increased to 13.0m as at 31 March 2018 (+17% y-o-y) and the share of transactions made with the loyalty card reached the historically high level of 96%, an increase of approximately 3p.p y-o-y.

Hypermarket sales growth came at 18.7% in the first quarter on the back of 16.4% selling space growth as the store base started maturing after very fast growth over the last five years. LFL sales growth in the format continued improving for the third consecutive quarter - to 6.7% from 5.4% in the previous quarter.

The supermarket format's total sales growth remained strong at 41.8% in 1Q 2018 and was primarily driven by rapid selling space growth, while LFL sales growth reduced to -4.0%. The supermarket format's share of Lenta's total sales increased to 6.0% in the reported quarter. Supermarkets experienced a reduction of the frequency of customer visits and ticket size for the second quarter in a row. The Company started making some tactical changes to the offering and marketing activity in the

<sup>3</sup> Within the reported period

stores and has already seen the very first positive results, although it will require a bit more time to get stronger improvements.

Lenta also continues to grow rapidly in the Moscow region. The Company entered the Moscow market in 2013 and now has 24 hypermarkets and 45 supermarkets in the region, representing 12.2% of Lenta's total selling space. With two supermarket openings in 1Q 2018, net selling space in Moscow and the Moscow region increased 76% y-o-y. Total sales in Moscow grew 59.6% y-o-y during the quarter, including 85.0% in a hypermarket format, and the share of this region in the Company's total sales increased to 14.1%.

	Quarterly			
	1Q 2018	1Q 2017	Net change	Change (%)
<b>Sales (Rub, million)</b>	<b>93,441</b>	<b>77,948</b>	<b>15,493</b>	<b>19.9%</b>
<i>Hypermarkets</i>	87,835	73,994	13,842	18.7%
<i>Supermarkets</i>	5,606	3,954	1,652	41.8%
<b>Average ticket (Rub)</b>	<b>1,077</b>	<b>1,074</b>	<b>3</b>	<b>0.3%</b>
<i>Hypermarkets</i>	1,155	1,127	28	2.5%
<i>Supermarkets</i>	522	571	-49	-8.6%
<b>Customer traffic (million)</b>	<b>86.8</b>	<b>72.6</b>	<b>14.2</b>	<b>19.6%</b>
<i>Hypermarkets</i>	76.0	65.7	10.4	15.8%
<i>Supermarkets</i>	10.7	6.9	3.8	55.1%

The average hypermarket ticket in the first quarter increased 2.5% to Rub 1,155, while LFL average hypermarket ticket grew 5.4%. The difference reflects the large share of stores in the ramp-up phase which are not included in the LFL panel. The average ticket in the supermarket format in the first quarter decreased by 8.6% to Rub 522 compared to a 1.5% increase in the LFL average ticket - as for hypermarkets, the difference reflects the large share of younger stores which are not included in the LFL panel.

Total customer traffic increased by 19.6% in the first quarter of 2018 compared with the same period of the previous year, comprising 15.8% growth in hypermarket traffic and a 55.1% increase in traffic at Lenta's supermarket format.

During the first quarter of 2018, 25 hypermarkets and seven supermarkets entered the LFL panel.

LFL sales growth of 6.1% in the first quarter consisted of LFL traffic growth of 0.6% and average LFL ticket increase of 5.5%. LFL food sales increased by 6.3% and LFL non-food sales growth showed substantial improvement vs previous quarters with an increase of 4.6% y-o-y.

	Quarterly		
	LFL sales growth 1Q 2018	LFL average ticket growth 1Q 2018	LFL traffic growth 1Q 2018
<b>Lenta total (%)</b>	<b>6.1%</b>	<b>5.5%</b>	<b>0.6%</b>
<i>Hypermarkets</i>	6.7%	5.4%	1.3%
<i>Supermarkets</i>	-4.0%	1.5%	-5.4%

Lenta continued gaining new unique customers in both new and LFL hypermarkets and supermarkets. LFL traffic growth in the reported quarter remained stable compared to the previous quarter at 0.6% while continued improving in a hypermarket format – it was predominantly supported by growth of number of customers with frequency of visits remaining almost stable. Supermarkets demonstrated

deterioration of LFL traffic growth compared to the preceding quarter, largely attributable to reduced frequency of customer visits and higher share of young stores in the LFL panel.

The average LFL ticket improved versus the previous quarter by almost 1p.p. This was achieved despite continuing shelf price deflation. The effects of deflation were again more than compensated by an increase in the number of articles per basket and further strong trading up, which continued for the seventh quarter in a row reaching the highest level since 2013 and became the key driver of LFL basket improvement.

LFL sales growth of 6.1% in 1Q 2018 was therefore due to a combination of factors – an increase in the number of customers, significantly stronger trading up effects and better volumes, partly offset by on-shelf price deflation and weak performance of the supermarket format.

## **Guidance**

Lenta confirms its plans to open about 20 new hypermarkets in 2018 as part of organic expansion. The Company also expects to open about 50 new supermarkets in 2018.

The Company expects capital expenditures of Rub 30-35bn in 2018.

## **About Lenta**

*Lenta is the largest hypermarket chain in Russia, and the country's third largest retail chain. The Company was founded in 1993 in St. Petersburg. Lenta operates 232 hypermarkets in 84 cities across Russia and 107 supermarkets in Moscow, St. Petersburg, Novosibirsk, Yekaterinburg and the Central region with a total of approximately 1,393,917 sq.m of selling space. The average Lenta hypermarket store has selling space of approximately 5,600 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 53,100 people as of 31 December 2017<sup>4</sup>.*

*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> or contact:**

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<sup>4</sup> FTE (full-time equivalent). Average FTE for 2017 was 42,366 employees

*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.*