

## LENТА SALES AND OPERATING HIGHLIGHTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

**St-Petersburg, Russia; 21 July, 2016** – 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 second quarter ended 30 June 2016.

### 2Q 2016 Operating Highlights:

- Total sales grew 21.8% in 2Q 2016 to Rub 73.6bn (2Q 2015: Rub 60.4bn);
- Like-for-like (“LFL”) <sup>1</sup> sales growth of 4.9% vs. 2Q 2015;
- LFL traffic growth of 1.4% combined with a 3.4% increase in LFL ticket;
- Five hypermarkets and four supermarkets opened during the second quarter of 2016;
- Total store count reached 189 stores as at 30 June 2016, comprising 147 hypermarkets and 42 supermarkets;
- Total selling space increased to 922,865 sq.m. as at 30 June 2016 (+22.8% vs. 30 June 2015); and
- Number of active loyalty cardholders <sup>2</sup> increased to 9.3m (+23% y-o-y) with approximately 93% of transactions in the second quarter made using the loyalty card.

### 1H 2016 Operating Highlights:

- Total sales grew 21.9% in 1H 2016 to Rub 140.1bn (1H 2015: Rub 114.9bn);
- LFL sales growth of 5.2% vs. 1H 2015;
- LFL traffic growth of 2.1% combined with a 3.0% increase in LFL ticket;
- Eight hypermarkets and 10 supermarkets opened during the first half of 2016;

### Material events in 2Q 2016 and after the reported period:

- Lenta agreed a Rub 53bn credit limit with Sberbank, providing access to new long-term loans of up to RUB 25bn for a period of up to 5 years;
- Lenta registered an Exchange Bond programme for up to a total maximum principal amount of RUB 100bn;
- Fitch Ratings has upgraded Lenta’s Long-term foreign and local currency Issuer Default Ratings (IDRs) from ‘BB-’ to ‘BB’ and National Long-term rating from ‘AA-(rus)’ to ‘A+(rus)’. The outlook on the ratings is stable.

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

*“We are pleased with the results of the second quarter of 2016 – 21.8% sales growth with 4.9% LFL sales growth despite the rapid fall in food inflation since the beginning of the year and the high base for comparison of the second quarter of 2015.*

*The consumer environment continues to be challenging due to the impact of continuing low wage growth on purchasing power. More positively, lower food inflation combined with the attractiveness of Lenta’s offer to consumers led to further stabilization of purchasing trends with product mix improving for the first time since 2014 and the average number of articles per basket increasing for the second quarter in a row.*

*We successfully continued expansion of our hypermarket format and accelerated rolling-out of our supermarket format in Moscow and Saint-Petersburg. In the first half of the year we opened more supermarkets than in the full year of 2015. We also continued developing infrastructure for the*

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

<sup>2</sup> Cardholders who made at least 2 purchases at Lenta during the 12 months to 30 June 2016 are considered active

supermarket format and plan to start operations in a new dedicated supermarket distribution centre in Moscow during 3Q 2016.

We are well on track to deliver at least 40 new hypermarkets this year, exceeding our ambitious target of doubling selling space in three years by December 2016. We have already secured most of the sites required to meet our hypermarket opening goals for 2017 and continue to be selective in choosing the best investment opportunities.”

## Lenta Store Developments

In the second quarter of 2016, Lenta opened five hypermarkets: one owned standard store in Stavropol, one owned compact store in Orsk, two leased compact stores in Moscow and Samara and one leased supercompact store in Barnaul. In the same period the Company opened two leased and one owned supermarkets in Saint-Petersburg and one leased supermarket in Moscow, taking the total number of stores to 189 (147 hypermarkets and 42 supermarkets). The number of supermarkets opened in the first half of 2016 has already exceeded the total number of openings for the full year of 2015.

The Company entered two new cities in the second quarter of 2016 and is now present in 72<sup>3</sup> cities. Lenta added 26,800 sq.m. of new selling space in the reported quarter. Total selling space as at 30 June 2016 increased to 922,865 sq.m., up 22.8% year-on-year.

	As at 30 June 2Q 2016	As at 30 June 2Q 2015	Net change	Change (%)	As at 30 June 1H 2016	As at 30 June 1H 2015	Net change	Change (%)
<b>Number of stores</b>	<b>189</b>	<b>143</b>	<b>46</b>	<b>32.2%</b>	<b>189</b>	<b>143</b>	<b>46</b>	<b>32.2%</b>
hypermarkets	147	116	31	26.7%	147	116	31	26.7%
supermarkets	42	27	15	55.6%	42	27	15	55.6%
<b>Number of new stores<sup>4</sup></b>	<b>9</b>	<b>7</b>	<b>2</b>	<b>28.6%</b>	<b>18</b>	<b>11</b>	<b>7</b>	<b>63.6%</b>
hypermarkets	5	4	1	25.0%	8	8	-	-
supermarkets	4	3	1	33.3%	10	3	7	2.3x
<b>Total selling space (sq.m.)</b>	<b>922,865</b>	<b>751,445</b>	<b>171,420</b>	<b>22.8%</b>	<b>922 862</b>	<b>751 445</b>	<b>171 417</b>	<b>22,8%</b>
hypermarkets	882,443	722,118	160,325	22.2%	882 443	722 118	160 325	22,2%
supermarkets	40,422	29,327	11,095	37.8%	40 419	29 327	11 092	37,8%
<b>Total selling space added (sq.m.)<sup>5</sup></b>	<b>26,800</b>	<b>23,836</b>	<b>2,964</b>	<b>12.4%</b>	<b>48 179</b>	<b>50 295</b>	<b>-2 116</b>	<b>-4,2%</b>
hypermarkets	24,641	21,072	3,569	16.9%	41 271	47 531	-6 260	-13,2%
supermarkets	2,159	2,765	-606	-21.9%	6 908	2 765	4 143	149,9%

## Lenta's Operating Performance

Continuing selling space additions and LFL growth supported overall sales growth of 21.8% for the second quarter of 2016. Total sales amounted to Rub 73.6bn in the second quarter, compared to Rub 60.4bn for the same period last year.

Lenta continued to implement digital marketing activities to reach customers, with special offers tailored on an individual basis to enhance traffic. The number of active loyalty cardholders increased

<sup>3</sup> 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.

<sup>4</sup> Within the reported period

to 9.3m as at 30 June, 2016 (+23% y-o-y) and the share of transactions made with the loyalty card remained stable at 93%.

LFL sales growth of 4.9% in the second quarter was supported by LFL traffic growth of 1.4% and average LFL ticket increase of 3.4%. LFL food sales increased by 5.2% and LFL non-food sales increased by 2.3% returning to a positive level for the first time since the second quarter of 2014.

LFL average basket improved from the level of the previous quarter despite significantly lower on-shelf inflation (3.2% in 2Q 2016 vs 6.2% in 1Q 2016, which still remains lower than official food inflation of 5.6% in the reported period). Trading down has stabilized since the beginning of the year. Lower inflation was compensated by an increase in the average number of items per basket (which remained slightly negative y-o-y, but improved q-o-q for the second quarter in a row), while changes in the product mix (change of average price per article) were in positive territory for the first time since the end of 2014.

During the second quarter of 2016, four hypermarkets and two supermarkets entered the LFL panel.

	LFL sales growth 2Q 2016	LFL average ticket growth 2Q 2016	LFL traffic growth 2Q 2016	LFL sales growth 1H 2016	LFL average ticket growth 1H 2016	LFL traffic growth 1H 2016
<b>Lenta total (%)</b>	<b>4.9%</b>	<b>3.4%</b>	<b>1.4%</b>	<b>5.2%</b>	<b>3.0%</b>	<b>2.1%</b>
<i>hypermarkets</i>	4.9%	3.6%	1.3%	5.2%	3.1%	2.0%
<i>supermarkets</i>	3.5%	0.8%	2.7%	5.6%	1.6%	3.9%

The average hypermarket ticket in the second quarter increased to Rub 1,166 (+2.8% compared to the second quarter of 2015), lower than the 3.6% increase in the LFL average hypermarket ticket reflecting the high proportion of young stores in the ramp-up phase with lower average tickets. The average ticket in the supermarket format in the second quarter decreased by 4.9% to Rub 542 compared to a 0.8% increase in the LFL average ticket.

Total customer traffic increased by 20.0% in the second quarter of 2016 compared with the same period of the previous year, comprising 17.7% growth in hypermarket traffic and a 48.2% increase in traffic at Lenta's supermarket format.

The supermarket format demonstrated LFL sales growth of 3.5% for the second quarter of 2016 and its share of Lenta's total sales increased to 4.6% in the reported quarter, up from 4.0% in the second quarter of 2015. Lenta's supermarkets in combination with nine hypermarkets operating in Moscow and the Moscow region continue to demonstrate very strong sales ramp-up dynamics with 56.6% y-o-y growth in total sales during the quarter – the share of this region in the Company's total sales increased to 9.8% in 2Q 2016.

	2Q 2016	2Q 2015	Net change	Change (%)	1H 2016	1H 2015	Net change	Change (%)
<b>Sales (Rub, million)</b>	<b>73,562</b>	<b>60,405</b>	<b>13,157</b>	<b>21.8%</b>	<b>140,087</b>	<b>114,897</b>	<b>25,190</b>	<b>21.9%</b>
<i>hypermarkets</i>	70,187	58,009	12,178	21.0%	133,685	110,256	23,429	21.2%
<i>supermarkets</i>	3,375	2,396	978	40.8%	6,402	4,641	1,761	37.9%
<b>Average ticket (Rub)</b>	<b>1,108</b>	<b>1,091</b>	<b>16</b>	<b>1.5%</b>	<b>1,104</b>	<b>1,091</b>	<b>13</b>	<b>1.2%</b>
<i>hypermarkets</i>	1,166	1,134	32	2.8%	1,157	1,133	24	2.1%
<i>supermarkets</i>	542	570	-28	-4.9%	564	581	-17	-2.9%
<b>Customer traffic (million)</b>	<b>66.4</b>	<b>55.3</b>	<b>11.1</b>	<b>20.0%</b>	<b>126.9</b>	<b>105.3</b>	<b>21.6</b>	<b>20.5%</b>
<i>hypermarkets</i>	60.2	51.1	9.0	17.7%	115.5	97.3	18.2	18.7%

supermarkets 6.2 4.2 2.0 48.2% 11.4 8.0 3.4 42.0%

## Debt update

During the reported period, the Company agreed a Rub 53bn credit limit with Sberbank. Under the conditions of this limit, Lenta can access new long-term loans of up to RUB 25bn for a period of up to 5 years. The new limit also includes existing facilities consisting of a long-term loan of RUB 10bn maturing during 2017 and a revolving short-term credit line of RUB 10bn. The remainder can be used for bank guarantees and factoring.

Lenta registered an exchange bond programme for up to a maximum total principal amount of RUB 100bn. The duration of the programme is 20 years with up to 10 years maturity for each bond issued. This programme will enable Lenta to take advantage of flexible access to funding in the future to optimise and diversify its credit portfolio.

All of Lenta's debt is denominated in Russian Roubles and 95% of it is long-term with an average maturity of around 2.6 years. Following repayment of a loan from EBRD during the reported period, Lenta's debt portfolio is now fully unsecured. In addition to its total drawn debt of RUB 75.2bn, Lenta had RUB 48.3bn of undrawn short- and long-term facilities and a cash balance of RUB 8.1bn as of 30 June 2016. The average effective interest rate on Lenta's drawn debt in 2Q 2016 was 12.33%<sup>5</sup>. Based on the current MosPrime level and actions taken to optimise the loan portfolio, the average effective cost of debt is projected to decrease to 11.75% in 3Q 2016. The Company will continue to seek additional opportunities to reduce the average cost of debt in the current year.

## Guidance

Lenta confirms its 2016 expansion target to open at least 40 new hypermarkets, significantly more hypermarkets than it has ever opened in a single calendar year. The number of supermarket openings in 2016 is expected to be at least double 2015. Looking ahead, Lenta expects to maintain a similar or higher rate of growth in 2017 and beyond.

Lenta expects that as a result of its successful expansion in 2014-2015 and further acceleration of growth in 2016, the Company will significantly exceed its previously communicated goal of doubling selling space over the three years to December 2016. Capital expenditures in 2016 are expected to be RUB 45-50bn.

The Company will report 1H 2016 IFRS financial results on 25 August, 2016. Based on preliminary management accounts, Lenta expects to achieve a slight increase in gross profit margin supported by better supplier conditions and further improvements in supply chain costs, partly offset by additional price investments. Continuous successful productivity measures in the like-for-like stores in the first half of the year will not fully offset the combined effects of the higher number of new stores in the ramp-up phase, significant additional investments in marketing, and smaller increases in other costs such as utilities. This will lead to an increase in SG&A costs as % of sales. As a result, for 1H 2016 the Company expects Adjusted EBITDA growth of around 16% and an Adjusted EBITDA margin of around 9.8% of sales compared to 10.2% for the same period of last year.

## 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 147 hypermarkets in 72 cities across Russia and 42 supermarkets in Moscow and St. Petersburg, with a total of approximately 922,865 sq.m of selling space. The average Lenta hypermarket store has selling space of approximately 6,000 sq.m. The average Lenta supermarket store has selling space of approximately 1,000 sq.m. The Company operates six owned hypermarket distribution centres.*

<sup>5</sup> Excluding one-off items: IFRS adjustments on amortized transaction costs and prepayment fee under partial repayment of VTB Bank loan

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 38,414 people as of 31 December 2015<sup>6</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/en/> or contact:

<b>Lenta</b> Anna Meleshina, Public Relations & Government Affairs Director Tel: +7 812 363 28 53 E-mail: <a href="mailto:anna.meleshina@lenta.com">anna.meleshina@lenta.com</a>	David Westover Senior Director +44 207 282 2886 desk +44 7768 897722 mobile <a href="mailto:David.westover@citigatedr.co.uk">David.westover@citigatedr.co.uk</a>
Anastasia Kuznetsova, Corporate Communications Manager Tel:+7 (812) 336 39 97 E-mail: <a href="mailto:a.kuznetsova@lenta.com">a.kuznetsova@lenta.com</a>	Marina Zakharova Director +44 207 282 1079 desk +44 7774 256545 <a href="mailto:Marina.zakharova@citigatedr.co.uk">Marina.zakharova@citigatedr.co.uk</a>

*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.*

---

<sup>6</sup> FTE (full-time equivalent). Average FTE for 2015 was 31,307 employees