LENTA PUBLISHES REVIEWED IFRS FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

St. Petersburg, Russia; 25 August 2016 – Lenta Ltd ("Lenta" or the "Company"), one of the largest retail chains in Russia, today announces its reviewed consolidated IFRS results for the half year ending 30 June 2016[1].

1H 2016 Financial Highlights:

- Total sales grew 21.9% to Rub 140.1bn (1H 2015: Rub 114.9bn);
- Adjusted EBITDA[2] of RUB 13.7bn, up 16.4% (1H 2015: RUB 11.7bn) with a margin of 9.8% (1H 2015: 10.2%);
- Gross margin of 21.9% (+0.2 p.p vs. 1H 2015) rose due to better supplier terms, supply chain improvements and more efficient in-store production which more than offset investments in prices;
- SG&A increased to 15.5% of sales (+0.9 p.p vs. 1H 2015) despite continuing successful productivity measures in the like-for-like stores, due to combined effects of the high number of new stores in the ramp-up phase, additional investments in marketing and increases in utility costs;
- Capital expenditures of RUB 16.1bn, an increase of 37.0% compared to 1H 2015 (RUB 11.8bn) linked to higher investments in land acquisition and hypermarket construction;
- Net cash generated from operating activities, before net interest and income taxes paid, of RUB 7.2bn compared to RUB 5.1bn in 1H 2015 (an increase of 39.3%) primarily driven by EBITDA growth;
- Net interest expenses of RUB 4.5bn, a decrease of 12.7% compared to 1H 2015 (RUB 5.1bn) primarily due to lower interest rates;
- Net Profit[3] of RUB 4.3bn, up 45.9% (1H 2015: RUB 3.0bn) with a margin of 3.1%; and
- Net Debt of RUB 67.1bn as of 30 June 2016 (Net debt/Adjusted EBITDA of 2.2x).

1H 2016 Operational Highlights:

- Eight hypermarkets and 10 supermarkets opened during the first half 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);
- Like-for-like ("LFL")[4] sales growth of 5.2% vs 1H 2015;
- LFL average ticket increased by 3.0%;
- LFL traffic growth of 2.1%;
- Number of active loyalty cardholders[5] increased to 9.3m (+23% y-o-y) with approximately 93% of transactions in the second quarter made using the loyalty card.

Material events 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 'A+(rus)' to 'AA-(rus)'. The outlook on the ratings is stable;
- Started operations in a new dedicated supermarket distribution centre in Moscow during August.

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[1] *Certain amounts do not correspond to the IFRS financial statements for the half year ended 30 June 2015 and reflect adjustments made as detailed in Note 2 of the IFRS financial statements*

[2] *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*

[3] *Net Profit equates to "Profit for the year" in the attached IFRS Financial Statements*

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

[5] *Cardholders who made at least 2 purchases at Lenta during the 12 months to 30 June 2016 are considered active*

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

"We continue to deliver strong results against the back-drop of a challenging consumer and macro environment.

Lenta's results demonstrate continuing efficiency improvements in all areas of our business. Further development of logistics led to additional benefits in supply chain cost which in combination with better supplier conditions and improved productivity in our own production allowed us to deliver an increase in gross profit margin increase despite additional price investments made to support customers. We proved that the operational improvements made last year were sustainable and in the first half of this year continued optimizing processes, especially in the like-for-like stores, to drive productivity. However, the productivity improvements in the like-for-like stores were not enough to offset the impact of enhanced investments in marketing activities to support traffic and the increase in housing costs, mainly driven by the large number of new stores we opened. As a result, Lenta reports a slight reduction in EBITDA margin.

We continue to strengthen our financial position and improve our debt profile. Falling market interest rates and optimization of our major long-term loan facilities translated into a significant reduction in interest expenses which supported 46% growth in net income.

We are well on track to meet our target of at least 40 new hypermarket openings this year, while in our supermarket format we plan to further accelerate of expansion. We have almost finalized the pipeline of hypermarket openings for the next year and continue our very selective approach focused on opportunities with attractive returns".

Store Developments and Supply Chain

Lenta opened eight hypermarkets and 10 supermarkets during 1H 2016, taking the total number of hypermarkets to 147 and supermarkets to 42. The Company entered three new cities in the reported period and was present in 72 cities[6]. Total selling space as at 30 June 2016 increased to 922,865 sq.m., up 22.8% compared to 30 June 2015.

Since the beginning of 2016 the Company has opened eight hypermarkets: three owned standard stores in Grozny, Saint-Petersburg and Stavropol, one owned compact store in Orsk, two leased compact stores in Moscow and Samara and two leased supercompact stores in Ufa and Barnaul.

Lenta continues to invest in its supply chain: started operations in a new dedicated supermarket distribution centre in Moscow in August. The average centralisation ratio increased to 49.4% in 1H 2016 from 42.9% in 1H 2015.

Operating performance

Lenta's total sales in 1H 2016 increased 21.9% compared to 1H 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 5.2% increase in like-for-like sales. The increase in sales from new stores was due to the acceleration in new store openings in 2015 and 2016, with a 22.8% increase in net selling space as of 30 June 2016 compared to 30 June 2015.

The macro and consumer environment remained difficult with continuous pressure on customer incomes. Recorded real wage growth in the second quarter of the year hasn't yet translated into retail sales growth in Russia partly due to changing savings patterns. While decelerating food inflation led to

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[6] *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.*

moderate stabilization of consumer behaviour, further improvements will largely depend on increases in consumer confidence and incomes.

YoY growth	**1Q 2016**	**2Q 2016**	**1H 2016**
Total sales	**22.1%**	**21.8%**	**21.9%**
LFL sales	**5.6%**	**4.9%**	**5.2%**
LFL traffic	*3.0%*	*1.4%*	*2.1%*
LFL ticket	*2.5%*	*3.4%*	*3.0%*

Financial Performance

Lenta demonstrated strong overall performance during the first half of the year. Gross margin increased to 21.9% thanks to improved supplier terms, effective cost management and further benefits from supply chain development partly offset by price investments which absorbed part of the impact of inflation on Lenta's customers. The company continued to deliver efficiency improvements in the like-for-like stores, but these did not fully offset further investments in growth and elevated utility costs which led to an increase of SG&A expenses as % of sales in the first half of the year. As a result, Adjusted EBITDA margin for 1H 2016 slightly decreased to 9.8%. Net profit grew 45.9% with a margin of 3.1% driven primarily by a decrease in interest expenses.

Income Statement Highlights

RUB (millions)	**1H 2015**	**1H 2016**	**% Change 1H 2016 – 1H 2015**
Sales	**114,897**	**140,087**	**21.9%**
Gross profit	**24,877**	**30,656**	**23.2%**
Gross margin	*21.7%*	*21.9%*	*0.2 p.p*
SG&A, % of sales	**14.6%**	**15.5%**	**0.9 p.p**
Adjusted SG&A[7], % of sales	11.1%	11.7%	0.6 p.p
Adjusted EBITDAR[8]	**13,030**	**15,372**	**18.0%**
Adjusted EBITDAR margin	*11.3%*	*11.0%*	*-0.3 p.p*
Rental expenses, % of sales	*1.1%*	*1.2%*	*0.1 p.p*
Adjusted EBITDA	**11,747**	**13,676**	**16.4%**
Adjusted EBITDA margin	*10.2%*	*9.8%*	*-0.5 p.p*
Operating profit	**9,015**	**10,076**	**11.8%**
Profit before income tax	3,789	5,650	49.1%
Net Profit	**2,966**	**4,326**	**45.9%**
Net profit margin	*2.6%*	*3.1%*	*0.5 p.p*

[7] *Adjusted SG&A is SG&A before rent paid on land, equipment and premises leases, depreciation and one-off non-operating costs*

[8] *Adjusted EBITDAR is Adjusted EBITDA before rent paid on land, equipment and premises leases*

Gross margin increased by 0.2 p.p to 21.9% - continued further investments in pricing and promotions to contain the effects of inflation on customers (the share of promo sales went up to 35.8% as % of total sales in 1H 2016) were offset by improved supplier terms and additional benefits from increased supply chain efficiency. A reduction of average distance for goods transportation (by 11.8% to 591km/pallet in 1H 2016 vs 670km/pallet in 1H 2015) and a higher centralization ratio led to a slight decrease in supply-chain cost as % of sales to 1.2% in 1H 2016. Optimisation of operational processes also led to 0.48 p.p y-o-y improvements in own production margins.

Lenta continued successful productivity measures in the like-for-like stores in the first half of the year which led to further reduction of SG&A expenses as % of sales by 0.45 p.p. However, these improvements were not enough to fully offset the combined effects of the high number of new stores in the ramp-up phase, significant additional investments in marketing (+0.28 p.p) to support traffic in the challenging environment, and increases in other costs such as utilities (+0.23 p.p). This led to an increase in Adjusted SG&A as % of sales by 0.61 p.p to 11.70% in 1H 2016 compared to the same period of last year.

Both rent expenses and depreciation grew at a slower pace despite acceleration of expansion. Rent expenses grew to 1.2% as % sales (+0.1 p.p) despite a 60% y-o-y increase in average leased selling space, reaching 20% of total selling space as the end of the first half of the year. Depreciation grew by 0.2 p.p to 2.6% as % of sales in 1H 2016. Total SG&A as % of sales increased to 15.5% in the reported period, up 0.9 p.p vs 1H 2015.

As a result of the factors described above, Adjusted EBITDA in the first half of 2016 reached RUB 13.7bn (+16.4% vs 1H 2015) with an Adjusted EBITDA margin of 9.8%.

RUB (millions)	**1H 2015**	**1H 2016**	**% Change 1H 2016 – 1H 2015**
Adjusted EBITDA	**11,747**	**13,676**	**16.4%**
One-off Expenses and Income	*-42*	-	-
Reported EBITDA[9]	**11,704**	**13,676**	**16.8%**

Net interest expenses decreased 12.7% to RUB 4.5bn largely due to the reduction in market interest rates in the first half of the year and partially due to a slightly lower average level of borrowing to fund the store opening programme and supply-chain development. Lenta's weighted-average cost of debt in 1H 2016 decreased by 336bps to 12.38% vs 1H 2015 mainly through the combined effects of improvements in the terms and conditions of its major long-term loan facilities, debt repayments and continuing reductions in MosPrime rates. Lenta projects the effective cost of debt to decrease further in 3Q 2016 to 11.75% (based on current MosPrime rates).

Reduction in interest expenses was the key driver of a significant growth in net income in the first half of the year – up 45.9% vs the same period of last year to RUB 4.3bn. As a result net income margin increased to 3.1% compared to 2.6% in 1H 2015. The effective tax rate increased from 21.7% in 1H 2015 to 23.4% due to a one-off impact in fixed asset tax values of assets acquired in 2014.

Cash Flow and Balance Sheet

Net cash generated from operating activities before net interest and income taxes paid amounted to RUB 7.2bn compared to RUB 5.1bn in 1H 2015 (+39.3%).

[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 1H 2016 were 37.0% higher than in 1H 2015 and amounted to RUB 16.1bn, mainly reflecting higher investments in land acquisition and future store openings to accelerate expansion in hypermarket and supermarket formats. Capital expenditures were funded primarily by operating cash flow and to a lesser extent by the proceeds from the primary capital increase in October 2015, while the total amount of borrowings decreased compared to the end of last year.

As of 30 June 2016, Net Debt to Adjusted EBITDA stood at 2.2x and Adjusted EBITDA to Net Interest improved to 3.0x. As of 31 December 2015, Net debt to Adjusted EBITDA stood at 1.9x and Adjusted EBITDA to Net Interest was 3.0x. Headroom against leverage and other covenants in Lenta's loan agreements remains substantial. 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. Net Debt was RUB 67.1bn as at the end of the reported period. All of Lenta's debt is denominated in Russian Roubles, fully unsecured and 95% of it is long-term. As a result of the amendments signed with the major lenders after the end of the reported period, Lenta's debt repayment schedule has been improved further with an increase in average maturity to around 2.8 years; weighted-average cost of debt is also projected to decrease in the current quarter.

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 full set of accounts for Lenta Ltd. for 1H 2016 and financial years of 2011-2015 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 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.

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 34,134 people as of 30 June 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:

[10] *FTE (full-time equivalent). Average FTE for 1H 2016 was 33,758 employees*

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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.