

## LENTA SALES AND OPERATING HIGHLIGHTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**St-Petersburg, Russia; 20 October, 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 third quarter ended 30 September 2016.

### 3Q 2016 Operating Highlights:

- Total sales grew 20.2% in 3Q 2016 to Rub 75.4bn (3Q 2015: Rub 62.8bn);
- Like-for-like (“LFL”)<sup>1</sup> sales growth of 4.3% vs. 3Q 2015;
- LFL traffic growth of 0.1% combined with a 4.2% increase in LFL ticket;
- Eight hypermarkets opened during the third quarter of 2016;
- Total store count reached 197 stores as at 30 September 2016, comprising 155 hypermarkets and 42 supermarkets;
- Total selling space increased to 963,370 sq.m. as at 30 September 2016 (+22.3% vs. 30 September 2015); and
- Number of active loyalty cardholders<sup>2</sup> increased to 9.8m (+23% y-o-y) with approximately 93% of transactions in the third quarter made using the loyalty card.

### 9M 2016 Operating Highlights:

- Total sales grew 21.3% in 9M 2016 to Rub 215.5bn (9M 2015: Rub 177.7bn);
- LFL sales growth of 4.9% vs. 9M 2015;
- LFL traffic growth of 1.4% combined with a 3.4% increase in LFL ticket;
- 16 hypermarkets and 10 supermarkets opened during 9M 2016.

### Material events in 3Q 2016 and after the reported period:

- Lenta has opened one hypermarket in Taganrog in October 2016.

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

*“We are pleased with the results of the third quarter of 2016 – 20.2% sales growth with 4.3% LFL sales growth despite our own high base for comparison of the third quarter of 2015, the rapid fall in food inflation since the beginning of the year, and continuing pressure on customer purchasing power.*

*In this challenging environment, customers continue to be price sensitive and bargain oriented. Lenta’s low price, value led proposition is well positioned for this. For example, this has led to a record high penetration of promotional sales in the total basket even though Lenta’s overall promotional activity remained stable. We have also noticed further stabilization of purchasing trends with gradual improvement in the average number of articles per basket and average price per article as well as non-food sales growth.*

*We successfully continued expansion of our hypermarket format with eight stores opened in the third quarter. Since the beginning of the year we have opened 16 hypermarkets of which 11 stores have been opened in big cities with population of more than one million inhabitants.*

*We are well on track to deliver at least 40 new hypermarkets this year, and expect to beat our ambitious target to double selling space in the three years to December 2016. We have already secured all the sites required to meet our hypermarket opening goals for 2017 and have started working on the 2018 pipeline.”*

<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 September 2016 are considered active

## Lenta Store Developments

In the third quarter of 2016, Lenta opened eight hypermarkets: one leased compact store in Saint-Petersburg, five owned compact stores in Volgograd, Chelyabinsk, Novokuznetsk and Omsk (two stores), one leased compact and one leased supercompact store in Moscow, taking the total number of stores to 197 (155 hypermarkets and 42 supermarkets).

Lenta added 40,508 sq.m. of new selling space in the reported quarter. Total selling space as at 30 September 2016 increased to 963,370 sq.m., up 22.3% year-on-year.

	As at 30 Sep 3Q 2016	As at 30 Sep 3Q 2015	Net change	Change (%)	As at 30 Sep 9M 2016	As at 30 Sep 9M 2015	Net change	Change (%)
<b>Number of stores</b>	<b>197</b>	<b>149</b>	<b>48</b>	<b>32.2%</b>	<b>197</b>	<b>149</b>	<b>48</b>	<b>32.2%</b>
<i>hypermarkets</i>	155	122	33	27.0%	155	122	33	27.0%
<i>supermarkets</i>	42	27	15	55.6%	42	27	15	55.6%
<b>Number of new stores<sup>3</sup></b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>33.3%</b>	<b>26</b>	<b>17</b>	<b>9</b>	<b>52.9%</b>
<i>hypermarkets</i>	8	6	2	33.3%	16	14	2	14.3%
<i>supermarkets</i>	0	0	0	0.0%	10	3	7	2.3x
<b>Total selling space (sq.m.)</b>	<b>963,370</b>	<b>787,804</b>	<b>175,566</b>	<b>22.3%</b>	<b>963,370</b>	<b>787,804</b>	<b>175,566</b>	<b>22.3%</b>
<i>hypermarkets</i>	922,951	758,477	164,474	21.7%	922,951	758,477	164,474	21.7%
<i>supermarkets</i>	40,419	29,327	11,092	37.8%	40,419	29,327	11,092	37.8%
<b>Total selling space added (sq.m.)<sup>5</sup></b>	<b>40,508</b>	<b>36,359</b>	<b>4,149</b>	<b>11.4%</b>	<b>88,687</b>	<b>86,654</b>	<b>2,033</b>	<b>2.3%</b>
<i>hypermarkets</i>	40,508	36,359	4,149	11.4%	81,779	83,890	-2,111	-2.5%
<i>supermarkets</i>	0	0	0	0.0%	6,908	2,765	4,143	149.9%

## Lenta's Operating Performance

Continuing selling space additions and LFL growth supported overall sales growth of 20.2% for the third quarter of 2016. Total sales amounted to Rub 75.4bn in the quarter, compared to Rub 62.8bn 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 to 9.8m as at 30 September, 2016 (+23% y-o-y) and the share of transactions made with the loyalty card remained stable at 93%.

LFL sales growth of 4.3% in the third quarter was supported by LFL traffic growth of 0.1% and average LFL ticket increase of 4.2%. LFL food sales increased by 4.8% and LFL non-food sales increased by 1.1%, remaining positive for the second quarter in a row.

LFL average basket growth improved for the third consecutive quarter despite y-o-y deceleration of food inflation. In the reported quarter this was supported by a moderate pick-up in on-shelf inflation (to 4.0% in 3Q 2016 from 3.2% in 2Q 2016) in line with the country-wide trend, which still remained below official food inflation (6.5% in 3Q 2016 vs 5.6% in 2Q 2016). Trading down has stabilized since the beginning of the year – the average number of items per basket improved q-o-q for the third quarter in a row but remained slightly negative y-o-y. Changes in the product mix (change of average price per article) were in positive territory for the second consecutive quarter.

During the third quarter of 2016, six hypermarkets and one supermarket entered the LFL panel.

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

	LFL sales growth 3Q 2016	LFL average ticket growth 3Q 2016	LFL traffic growth 3Q 2016	LFL sales growth 9M 2016	LFL average ticket growth 9M 2016	LFL traffic growth 9M 2016
<b>Lenta total (%)</b>	<b>4.3%</b>	<b>4.2%</b>	<b>0.1%</b>	<b>4.9%</b>	<b>3.4%</b>	<b>1.4%</b>
<i>hypermarkets</i>	4.3%	4.2%	0.0%	4.9%	3.5%	1.3%
<i>supermarkets</i>	4.4%	3.4%	1.0%	5.2%	2.3%	2.9%

The average hypermarket ticket in the third quarter increased to Rub 1,100 (+2.2% compared to the third quarter of 2015), which was lower than the 4.2% 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 third quarter decreased by 1.7% to Rub 523 compared to a 3.4% increase in the LFL average ticket.

Total customer traffic increased by 17.6% in the third quarter of 2016 compared with the same period of the previous year, comprising 15.7% growth in hypermarket traffic and a 40.0% increase in traffic at Lenta's supermarket format.

The supermarket format demonstrated LFL sales growth of 4.4% for the third quarter of 2016 and its share of Lenta's total sales increased to 4.4% in the reported quarter, up from 3.8% in the third quarter of 2015. Lenta's supermarkets in combination with 11 hypermarkets operating in Moscow and the Moscow region continue to demonstrate very strong sales ramp-up dynamics with 37.7% y-o-y growth in total sales during the quarter – the share of this region in the Company's total sales was 8.3% in 3Q 2016.

	3Q 2016	3Q 2015	Net change	Change (%)	9M 2016	9M 2015	Net change	Change (%)
<b>Sales (Rub, million)</b>	<b>75,420</b>	<b>62,753</b>	<b>12,667</b>	<b>20.2%</b>	<b>215,506</b>	<b>177,650</b>	<b>37,856</b>	<b>21.3%</b>
<i>hypermarkets</i>	72,105	60,346	11,759	19.5%	205,790	170,602	35,188	20.6%
<i>supermarkets</i>	3,315	2,407	908	37.7%	9,717	7,048	2,668	37.9%
<b>Average ticket (Rub)</b>	<b>1,100</b>	<b>1,076</b>	<b>24</b>	<b>2.2%</b>	<b>1,103</b>	<b>1,086</b>	<b>17</b>	<b>1.6%</b>
<i>hypermarkets</i>	1,159	1,122	37	3.3%	1,158	1,129	29	2.5%
<i>supermarkets</i>	523	531	-9	-1.7%	549	563	-14	-2.4%
<b>Customer traffic (million)</b>	<b>68.6</b>	<b>58.3</b>	<b>10.2</b>	<b>17.6%</b>	<b>195.4</b>	<b>163.6</b>	<b>31.8</b>	<b>19.4%</b>
<i>hypermarkets</i>	62.2	53.8	8.4	15.7%	177.7	151.1	26.6	17.6%
<i>supermarkets</i>	6.3	4.5	1.8	40.0%	17.7	12.5	5.2	41.3%

## Debt update

All of Lenta's debt is denominated in Russian Roubles and 93% of it is long-term with an average maturity of around 2.7 years. In addition to its total drawn debt of Rub 77.2bn, Lenta had Rub 46.4bn of undrawn short- and long-term facilities and a cash balance of Rub 2.1bn as of 30 September 2016. The average effective interest rate on Lenta's drawn debt in 3Q 2016 decreased to 11.71% from 12.33%<sup>4</sup> in 2Q 2016 (a reduction of 62bps vs a decrease in the average 3M MosPrime rate of 40bps). Based on the current MosPrime level and actions taken to optimize Lenta's loan portfolio, the average effective cost of debt is projected to decrease to 11.35%<sup>5</sup> in 4Q 2016. The Company will continue to seek additional opportunities to reduce the average cost of debt in the current year.

<sup>4</sup> Excluding one-off items: IFRS adjustments on amortized transaction costs and prepayment fee under partial repayment of VTB Bank loan

<sup>5</sup> Average effective cost of debt doesn't include commitment fee under VTB loan

## 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.

## 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 155 hypermarkets in 72 cities across Russia and 42 supermarkets in Moscow and St. Petersburg, with a total of approximately 963,370 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<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:**

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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.*

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<sup>6</sup> FTE (full-time equivalent). Average FTE for 1H2016 was 33,758 employees

