

LENTA SALES AND OPERATING HIGHLIGHTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2016

St-Petersburg, Russia; 26 January, 2017 – 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 fourth quarter and twelve months ended 31 December 2016.

4Q 2016 Operating Highlights:

- Total sales grew 20.9% in 4Q 2016 to Rub 90.8bn (4Q 2015: Rub 75.1bn);
- Like-for-like (“LFL”)¹ sales growth of 1.7% vs. 4Q 2015;
- LFL traffic growth of (3.9%) combined with a 5.9% increase in LFL ticket;
- 36 hypermarkets and seven supermarkets opened during the fourth quarter of 2016;
- Total store count reached 240 stores as at 31 December 2016, comprising 191 hypermarkets and 49 supermarkets;
- Total selling space increased to 1,146,148 sq.m. as at 31 December 2016² (+29.9% vs. 31 December 2015); and
- Number of active loyalty cardholders³ increased to 10.5m (+25% y-o-y) with approximately 93% of transactions in the fourth quarter made using the loyalty card.

FY 2016 Operating Highlights:

- Total sales grew 21.2% in FY 2016 to Rub 306.4bn (FY 2015: Rub 252.8bn);
- LFL sales growth of 3.9% vs. FY 2015;
- LFL traffic growth of (0.1%) combined with a 4.0% increase in LFL ticket;
- 51 hypermarket and 17 supermarket net openings⁴ during FY 2016.

Material events in 4Q 2016 and after the reported period:

- Lenta exceeded its goal to double total selling space in three years, achieving one of the most important strategic targets established at its IPO in March 2014;
- Lenta achieved the milestone of 10 million active loyalty cardholders;
- The company completed acquisition of the Kesko food retail business in Russia, consisting of 11 hypermarkets;
- Lenta opened its seventh own distribution centre in Moscow, dedicated to its supermarket format;
- 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;
- Lenta signed an agreement to acquire eight properties in Novosibirsk which are planned for use as Lenta supermarkets; and
- Lenta entered a partnership with Eurotorg, a leading Belarus retailer, to explore the potential for joint procurement opportunities for both food and non-food categories.

Lenta’s Chief Executive Officer, Jan Dunning commented:

“We are very pleased with the results of the fourth quarter – Lenta sales growth increased to 21% while we also opened a record number of new stores, completed the acquisition of Kesko’s food retail business and exceeded our strategic goal of doubling selling space in the 3 years to December 2016.”

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 After the adjustments to reported selling space and store network described below

³ Cardholders who made at least 2 purchases at Lenta during the 12 months to 31 December 2016 are considered active

⁴ In March 2016 the Company closed one leased standard hypermarket in Novokuznetsk with selling space of 7,700 sq.m. The company has reclassified one of the purchased Kesko stores in Saint-Petersburg with a selling space of 1,520 sq.m from supermarket to hypermarket

Lenta opened a record of 36 hypermarkets in the fourth quarter alone – more than we opened in the full year of 2015. The company completed 51 net hypermarket openings and entered eight new cities during the year. A key focus of our strategy is to strengthen our position in Russia's largest cities and in existing cities of presence - we opened 35 new stores in cities with over 1 million inhabitants and are now present in all 15 of these cities. Almost 80% of new selling space was opened in cities where Lenta is already present – while this leads to pressure on traffic in nearby existing stores, this effect is far outweighed by the long term advantages of being closer to customers with a stronger market position. We will continue to focus most new hypermarket openings on existing cities of presence in 2017.

In December, Lenta successfully completed the largest acquisition in the Company's history – the purchase of the Kesko food retail business in Russia comprising 11 hypermarkets in Saint-Petersburg. The Kesko stores were integrated then reopened as Lenta stores in only six days, and initial trading results have exceeded our expectations.

Our stores continued rapidly gaining new unique customers from competitors, with customer numbers running ahead of sales growth. The share of loyal customers in both new and LFL stores remained stable, proving the attractiveness of our commercial offer. As expected, cannibalization effects increased due to our rapid expansion in cities with existing Lenta presence – this was especially noticeable in the fourth quarter when we opened two-thirds of the total space added during 2016. For the first time since 2014, customers traded up and bought higher volumes per visit than in the previous year. Like-for-like sales growth of 2% was the net result of growth in the number of customers and a 6% increase in average like-for-like ticket compensating for lower visit frequency, which declined across much of the food retail sector. The consumer environment remains volatile - we already see some trends changing again in January 2017, with same-store traffic returning to positive growth.

We continue rolling-out new supermarkets in Moscow, St.Petersburg and the Central region⁵ and in the last year we doubled the number of store openings in these regions. We plan to significantly accelerate expansion of this format in existing and new regions in 2017. The agreement recently signed with ADG will allow us to reach well over 100 supermarkets in Moscow within the next three years or so.”

Lenta Store Developments

In the fourth quarter of 2016, Lenta opened 36 hypermarkets and seven supermarkets, taking the total number of stores to 240 (191 hypermarkets and 49 supermarkets).

Lenta added 183,074 sq.m. of new selling space in the reported quarter. Total selling space as at 31 December 2016 increased to 1,146,148 sq.m., up 29.9% year-on-year.

	As at 31 Dec 4Q 2016	As at 31 Dec 4Q 2015	Net change	Change (%)	As at 31 Dec FY 2016	As at 31 Dec FY 2015	Net change	Change (%)
Number of stores	240	172	68	39.5%	240	172	68	39.5%
hypermarkets	191	140	51	36.4%	191	140	51	36.4%
supermarkets	49	32	17	53.1%	49	32	17	53.1%
Number of net store openings⁶	43	23	20	87.0%	68	40	28	70.0%
hypermarkets	36	18	18	100.0%	51	32	19	59.4%
supermarkets	7	5	2	40.0%	17	8	9	112.5%

⁵ The Company has included two supermarkets located in the Kaluzhskaya oblast in the Central region

⁶ Within the reported period after adjustments to reported selling space and store network as described below

Total selling space (sq.m.)	1,146,148	882,383	263,765	29.9%	1,146,148	882,383	263,765	29.9%
<i>hypermarkets</i>	1,099,863	848,872	250,991	29.6%	1,099,863	848,872	250,991	29.6%
<i>supermarkets</i>	46,285	33,511	12,774	38.1%	46,285	33,511	12,774	38.1%
Total net selling space added (sq.m.)⁵	183,074	101,426	81,648	80.5%	263 765	188 059	75 706	40.3%
<i>hypermarkets</i>	177,125	97,457	79,668	81.7%	250 991	181 324	69 667	38.4%
<i>supermarkets</i>	5,949	3,969	1,980	49.9%	12 774	6 735	6 039	89.7%

Adjustments to Reported Selling Space and Store Network

Lenta made some adjustments to selling space of operating hypermarkets and supermarkets across the country which resulted in net reduction of 397 sq.m in selling space (-0.03% of total selling space), giving total selling space of 1,146,148 sq.m. as of 31 December 2016 announced on the date of this report. These adjustments were related to store reconstruction and/or refurbishment. As a result of these measures, selling space was reduced at some stores, but increased at others.

In March 2016 the Company made a decision to close one leased standard hypermarket with selling space of 7,700 sq.m. in Novokuznetsk, which was replaced by a new owned hypermarket in September 2016. In December 2016 Lenta made a decision to reclassify one owned store acquired from Kesko in Saint-Petersburg with selling space of 1,520 sq.m from supermarket to hypermarket - this change reflects the assortment and functionality of the store, which is managed as a hypermarket. All the changes are reflected on the Company's website at <http://www.lentainvestor.com/en/about/lentas-geography/our-hypermarkets> and <http://www.lentainvestor.com/en/about/lentas-geography/our-supermarkets>

	As at 31 Dec 2016	As % of total selling space at 31 Dec 2016
Selling space adjustments (sq.m)	-397	-0.03%
<i>Hypermarkets</i>	-311	-0.03%
<i>Supermarkets</i>	-86	-0.19%

Lenta's Operating Performance

Continuing selling space additions and LFL growth supported overall sales growth of 20.9% for the fourth quarter of 2016. Total sales amounted to Rub 90.8bn in the quarter, compared to Rub 75.1bn 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 and basket size. The number of active loyalty cardholders increased to 10.5m as at 31 December 2016 (+25% y-o-y) and the share of transactions made with the loyalty card was 93%, a 1p.p increase y-o-y.

LFL sales growth of 1.7% in the fourth quarter consisted of LFL traffic decline 3.9% and average LFL ticket increase of 5.9%. LFL food sales increased by 2.0% and LFL non-food sales were almost flat.

Lenta continued gaining customers from competitors – the number of unique customers outpaced sales growth in both new and LFL stores in every region. The proportion of loyal customers in new and LFL and stores remained stable, confirming the strength of Lenta's commercial model. The Company's rapid expansion resulted in an increase in cannibalization effects due to customer migration from LFL to new stores and hence a negative effect on LFL traffic. In 2016 Lenta opened a record number of new stores with a very high share of new selling space added in cities of existing presence (78% in 2016 vs 59% in 2015, equivalent to almost double the sq.m of selling space). This trend was especially strong in the fourth quarter, when the Company opened 67% of total selling space added in the reported year. As an example, while sales in the 11 hypermarkets acquired from

Kesko were almost 60% above expectations, with a net addition of over 100,000 new Lenta loyalty card holders, a further 29,000 existing loyalty cardholders shifted their purchases from Lenta LFL stores in St Petersburg to the newly acquired stores. There was also a general trend toward lower frequency of visits seen across much of the retail sector during the quarter. Lenta saw some changes in customer behaviour with customers visiting less frequently but buying significantly more on each visit.

The average LFL ticket improved despite continuing deceleration of shelf price inflation. Customers were both trading up and buying higher volumes per visit, while visiting slightly less frequently. The average number of SKUs per ticket increased q-o-q for the fourth consecutive quarter and was up y-o-y for the first time since 2014. Product mix also improved, with the price per article up q-o-q for the third consecutive quarter. Lenta shelf price inflation of 2.9% in 4Q 2016 was down 1.1 p.p. from 3Q 2016 and the lowest since late 2013. Lenta maintained its customary price positioning with shelf price inflation running at just over half of official food price inflation of 5.2% in 4Q 2016 (vs 6.5% in 3Q 2016).

LFL growth of 1.7% in 4Q 2016 was therefore due to a combination of factors – an increase in the number of customers despite increased cannibalisation from new Lenta stores and a change in customer purchasing behaviour with a reduction in visit frequency offset by an increase in the average ticket. Overall there was a slight decline in spend per customer, reflecting the continuing pressure on consumer incomes.

During the fourth quarter of 2016, six hypermarkets entered the LFL panel.

	LFL sales growth 4Q 2016	LFL average ticket growth 4Q 2016	LFL traffic growth 4Q 2016	LFL sales growth FY 2016	LFL average ticket growth FY 2016	LFL traffic growth FY 2016
Lenta total (%)	1.7%	5.9%	-3.9%	3.9%	4.0%	-0.1%
<i>hypermarkets</i>	1.6%	6.0%	-4.2%	3.9%	4.1%	-0.2%
<i>supermarkets</i>	6.1%	6.9%	-0.7%	5.5%	3.5%	1.9%

The average hypermarket ticket in the fourth quarter increased to Rub 1,283 (+4.1% compared to the fourth quarter of 2015), which was lower than the 6.0% 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 fourth quarter increased by 2.0% to Rub 599 compared to a 6.9% increase in the LFL average ticket.

Total customer traffic increased by 17.2% in the fourth quarter of 2016 compared with the same period of the previous year, comprising 15.3% growth in hypermarket traffic and a 40.5% increase in traffic at Lenta's supermarket format.

The supermarket format demonstrated LFL sales growth of 6.1% for the fourth quarter of 2016 and its share of Lenta's total sales increased to 4.4% in the reported quarter, up from 3.7% in the fourth quarter of 2015. Lenta's supermarkets in combination with 13 hypermarkets operating in Moscow and the Moscow region continue to demonstrate very strong sales ramp-up dynamics with 52.3% y-o-y growth in total sales during the quarter – the share of this region in the Company's total sales was 10.3% in 4Q 2016, up from 8.7% in the same period of last year.

Update on Operating Performance of Hypermarkets Acquired from Kesko

The Company reopened all 11 hypermarkets acquired from Kesko in Saint-Petersburg as Lenta stores on 7th December 2016. The stores were closed for rebranding and integration for six days after the transaction was completed on 30th of November 2016. For the rest of the month (25 days of operation in December) the stores demonstrated a rapid sales ramp-up, delivering 0.34% (approx. Rub 1.05bn) contribution to Lenta's 2016 total sales growth, exceeding the Company's original guidance (less than 0.2%) by almost 60%. More than 109,000 new Lenta loyalty cards were issued at

these new stores for the same period of time, reflecting the attractiveness of the Lenta customer offer and the high potential for further growth even in a very competitive environment.

	4Q 2016	4Q 2015	Net change	Change (%)	FY 2016	FY 2015	Net change	Change (%)
Sales (Rub, million)	90,848	75,113	15,735	20.9%	306,354	252,763	53,591	21.2%
<i>hypermarkets</i>	<i>86,837</i>	<i>72,314</i>	<i>14,523</i>	<i>20.1%</i>	<i>292,626</i>	<i>242,916</i>	<i>49,710</i>	<i>20.5%</i>
<i>supermarkets</i>	<i>4,011</i>	<i>2,799</i>	<i>1,212</i>	<i>43.3%</i>	<i>13,728</i>	<i>9,847</i>	<i>3,881</i>	<i>39.4%</i>
Average ticket (Rub)	1,221	1,184	38	3.2%	1,135	1,113	22	2.0%
<i>hypermarkets</i>	<i>1,283</i>	<i>1,232</i>	<i>51</i>	<i>4.1%</i>	<i>1,192</i>	<i>1,158</i>	<i>34</i>	<i>3.0%</i>
<i>supermarkets</i>	<i>599</i>	<i>588</i>	<i>12</i>	<i>2.0%</i>	<i>563</i>	<i>570</i>	<i>-7</i>	<i>-1.2%</i>
Customer traffic (million)	74.4	63.5	10.9	17.2%	269.8	227.1	42.8	18.8%
<i>hypermarkets</i>	<i>67.7</i>	<i>58.7</i>	<i>9.0</i>	<i>15.3%</i>	<i>245.4</i>	<i>209.8</i>	<i>35.7</i>	<i>17.0%</i>
<i>supermarkets</i>	<i>6.7</i>	<i>4.8</i>	<i>1.9</i>	<i>40.5%</i>	<i>24.4</i>	<i>17.3</i>	<i>7.1</i>	<i>41.1%</i>

Debt Update

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. In addition to its total drawn debt of Rub 101.3bn, Lenta had Rub 44.2bn of undrawn short- and long-term facilities, a cash balance of Rub 12.6bn as of 31 December 2016 and Rub 32bn of additional undrawn credit limits approved by the lenders. The average effective interest rate on Lenta's drawn debt in 4Q 2016 decreased to 11.20% from 11.71%⁷ in 3Q 2016 (a reduction of 51bps vs a decrease in the average 3M MosPrime rate of only 24bps). 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 10.90%⁸ in 1Q 2017. The Company will continue to seek additional opportunities to reduce the average cost of debt in the current year.

Guidance

Hypermarket and supermarket opening guidance as well capex projections for 2017 will be published after the FY 2016 financial results announcement scheduled on 16th of February 2017.

Lenta will hold a Strategy Day in London on 16th of February 2017 to update on key achievements following the IPO and present new strategic goals and initiatives for the business in the medium- to long-term.

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 191 hypermarkets in 77 cities across Russia and 49 supermarkets in Moscow, St. Petersburg and the Central region with a total of approximately 1,146,148 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.

⁷ Excluding one-off items: IFRS adjustments on amortized transaction costs and prepayment fee under partial repayment of VTB Bank loan

⁸ Average effective cost of debt doesn't include commitment fee under VTB 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 45,689 people as of 31 December 2016⁹.

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.

⁹ FTE (full-time equivalent). Average FTE for 2016 was 35,677 employees