

LENТА SALES AND OPERATING HIGHLIGHTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

St-Petersburg, Russia; 24 July, 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 second quarter ended 30 June 2018.

2Q 2018 Operating Highlights:

- Total sales grew 16.6% in 2Q 2018 to Rub 99.8bn (2Q 2017: Rub 85.6bn);
- Like-for-like (“LFL”)¹ sales growth of 3.5% vs. 2Q 2017;
- LFL traffic growth of 1.5% combined with a 2.0% increase in LFL ticket;
- One hypermarket and eight supermarkets were opened during the second quarter of 2018 while one supermarket was closed;
- Total store count reached 346 stores as at 30 June 2018, comprising 233 hypermarkets and 113 supermarkets;
- Total selling space increased to 1,403,145 sq.m as at 30 June 2018 (+19.6% vs. 30 June 2017); and
- Number of active loyalty cardholders² increased to 13.4m (+16% y-o-y) with approximately 96% of transactions in the second quarter made using the loyalty card.

1H 2018 Operating Highlights:

- Total sales grew 18.2% in 1H 2018 to Rub 193.2bn (1H 2017: Rub 163.5bn);
- LFL sales growth of 4.8% vs. 1H 2017;
- LFL traffic growth of 1.1% combined with a 3.7% increase in LFL ticket; and
- Two new hypermarkets and 17 supermarkets were opened during 1H 2018 while one supermarket was closed.

Events in 2Q 2017 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; and
- Lenta issued 91,302 new ordinary shares (456,510 GDRs) under Management Incentive Program (MIP) and Long-Term Incentive Program (LTIP). As a result share capital increased to 97,508,265 shares (487,541,325 GDRs);

Lenta’s Chief Executive Officer, Jan Dunning commented:

“Lenta continues to deliver rapid growth, with sales up by 16.6% in the second quarter of 2018 despite the challenging market environment.

Like-for-like traffic growth accelerated during the quarter, but this was offset by slowing basket growth due in part to a different mix of promotions compared to the previous year and the effect of the World Cup on shopping habits which helped our supermarkets, but negatively affected our hypermarkets. We are especially pleased with the significant improvement in like-for-like sales in our supermarket format, which benefited from changes in our offer launched earlier this year.

We continue to implement a series of initiatives to improve our offer to customers and drive sales further. Opportunities for growth remain plentiful, however, our primary focus is on efficiency of existing operations and creation of shareholder value”.

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 30 June 2018 are considered active

Lenta Store Developments

In the second quarter of 2018, Lenta opened one owned compact hypermarket in Yaroslavl; four owned supermarkets; and four leased supermarkets. The Company also closed one leased supermarket in Moscow. As a result total number of stores reached 346 (233 hypermarkets and 113 supermarkets). The Company did not enter any new cities during the quarter and remains present in 84 cities across the country.

In the reported quarter Lenta added 10,172 sq.m of net selling space. Total selling space as at 30 June 2018 increased to 1,403,145 sq.m, up 19.6% year-on-year.

	Quarterly				Year to Date			
	As at 30 June 2Q 2018	As at 30 June 2Q 2017	Net change	Change (%)	As at 30 June 1H 2018	As at 30 June 1H 2017	Net change	Change (%)
Total number of stores	346	254	92	36.2%	346	254	92	36.2%
<i>Hypermarkets</i>	233	195	38	19.5%	233	195	38	19.5%
<i>Supermarkets</i>	113	59	54	91.5%	113	59	54	91.5%
Number of net store openings³	8	7	1	14.3%	18	14	4	28.6%
<i>Hypermarkets</i>	1	0	1	-	2	4	-2	-50.0%
<i>Supermarkets</i>	7	7	0	-	16	10	6	60.0%
Total selling space (sq.m)	1,403,145	1,173,416	229,729	19.6%	1,403,145	1,173,416	229,729	19.6%
<i>Hypermarkets</i>	1,307,534	1,118,953	188,581	16.9%	1,307,534	1,118,953	188,581	16.9%
<i>Supermarkets</i>	95,611	54,463	41,148	75.6%	95,611	54,463	41,148	75.6%
Total net selling space added⁴ (sq.m)	10,172	5,815	4,357	74.9%	21,034	27,268	-6,234	-22.9%
<i>Hypermarkets</i>	4,793	0	4,793	-	9,951	19,090	-9,139	-47.9%
<i>Supermarkets</i>	5,379	5,815	-436	-7.5%	11,083	8,178	2,905	35.5%

Lenta's Operating Performance

Selling space additions combined with positive LFL sales growth resulted in overall sales growth of 16.6% for the second quarter of 2018. Total sales amounted to Rub 99.8bn in the quarter, compared to Rub 85.6bn for the same period last year.

Lenta continued working on series of initiatives launched in 2017 to increase the distinctive attractiveness of Lenta's offering to customers. These initiatives include 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 13.4m as at 30 June 2018 (+16% y-o-y) and the share of transactions made with the loyalty card was 96%, an approx. 3p.p increase y-o-y.

Hypermarket sales growth of 14.8% in the second quarter was primarily driven by selling space growth of 16.9%. Traffic continued to improve in LFL stores versus the previous quarter. LFL average ticket growth slowed somewhat and was almost flat for the quarter due to less pronounced trading up effects.

The supermarket format's total sales growth accelerated to 51.5% in 2Q 2018, which was primarily driven by rapid selling space growth supported by a significant improvement of LFL sales growth to 0.5%, compared to -4.0% in the previous quarter. Higher traffic growth of +1.0% was the key driver of

³ Within the reported period. In May 2018 the Company closed one leased supermarket in Moscow with selling space of 721 sq.m. In January 2017 the Company closed one leased supermarket in Electrostal (Moscow region) with selling space of 1,135 sq.m.

improved Supermarket LFL sales growth in the quarter, largely as a result of tactical changes to the offering including changes in assortment and marketing activities. The supermarket format's share of Lenta's total sales increased to 6.3% in the reported quarter.

Lenta continues to grow rapidly in the Moscow region with y-o-y sales growth of 52.8% in 2Q 2018, including 67.3% in the hypermarket format. Net selling space in Moscow and the Moscow region increased 71.8% y-o-y. The Company entered the Moscow market in 2013 and now has 24 hypermarkets and 46 supermarkets in the region, representing 12.2% of Lenta's total selling space and 14% of total sales.

	Quarterly				Year to Date			
	2Q 2018	2Q 2017	Net change	Change (%)	1H 2018	1H 2017	Net change	Change (%)
Sales (Rub, million)	99,775	85,587	14,188	16.6%	193,216	163,531	29,685	18.2%
Hypermarkets	93,518	81,455	12,063	14.8%	181,354	155,445	25,908	16.7%
Supermarkets	6,257	4,131	2,126	51.5%	11,863	8,085	3,777	46.7%
Average ticket (Rub)	1,052	1,091	-38	-3.5%	1,064	1,083	-19	-1.7%
Hypermarkets	1,143	1,150	-7	-0.6%	1,149	1,139	10	0.9%
Supermarkets	482	540	-58	-10.8%	500	555	-55	-9.9%
Customer traffic (million)	94.8	78.5	16.3	20.8%	181.6	151.1	30.5	20.2%
Hypermarkets	81.8	70.8	11.0	15.5%	157.9	136.5	21.4	15.7%
Supermarkets	13.0	7.6	5.3	69.8%	23.7	14.6	9.2	62.8%

The average hypermarket ticket in the second quarter decreased 0.6% to Rub 1,143, while LFL average hypermarket ticket grew 2.1%. 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 second quarter decreased by 10.8% to Rub 482 compared to a 0.5% decrease 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 20.8% in the second quarter of 2018 compared with the same period of the previous year, comprising 15.5% growth in hypermarket traffic and a 69.8% increase in traffic at Lenta's supermarket format.

During the second quarter of 2018, one hypermarket and six supermarkets entered the LFL panel.

LFL sales growth of 3.5% in the second quarter consisted of LFL traffic growth of 1.5% and average LFL ticket increase of 2.0%. LFL food sales increased by 3.5% and LFL non-food sales growth was 3.2%.

	Quarterly			Year to Date		
	LFL sales growth 2Q 2018	LFL average ticket growth 2Q 2018	LFL traffic growth 2Q 2018	LFL sales growth 1H 2018	LFL average ticket growth 1H 2018	LFL traffic growth 1H 2018
Lenta total (%)	3.5%	2.0%	1.5%	4.8%	3.7%	1.1%
Hypermarkets	3.7%	2.1%	1.5%	5.1%	3.7%	1.4%
Supermarkets	0.5%	-0.5%	1.0%	-1.6%	0.4%	-2.0%

Lenta continued to win new unique customers in both new and LFL hypermarkets and supermarkets. LFL traffic growth in the reported quarter improved compared to the previous quarter to 1.5% in hypermarkets and returned to a positive territory in supermarkets. In hypermarkets, this was predominantly driven by growth of the number of customers with frequency of visits remaining almost

stable. Supermarkets demonstrated substantial improvement of LFL traffic growth compared to the preceding quarter, largely attributable to the increased frequency of customer visits.

The average LFL ticket growth remained positive at 2.0%, although growth was slower than the preceding quarter. Trading up, which continued for the eighth quarter in a row, was again the main driver of basket growth offsetting on-shelf price deflation, while basket size remained almost flat. Negative average ticket growth in LFL supermarkets stores was attributable to less pronounced trading up impact.

LFL sales growth of 3.5% in 2Q 2018 was therefore due to a combination of factors – an increase in the number of customers, strong trading up effects and slightly better volumes, partly offset by on-shelf price deflation.

Guidance

Lenta confirms its 2018 guidance of about 20 new hypermarkets and about 50 new supermarkets, with capital expenditures of Rub 30-35bn.

The Company will report 1H 2018 IFRS financial results on 29 August, 2018. Based on preliminary management accounts, Lenta expects to achieve an Adjusted EBITDA growth of around 10% and an Adjusted EBITDA margin of around 8.9% of sales (a reduction of around 0.7p.p compared to the same period of last year). Gross profit margin is expected to increase supported by improved purchasing terms and mix improvements. Continuing successful productivity measures in the like-for-like stores in the first half of the year were more than offset by an increase in personnel expenses due to salary increases implemented in 4Q 2017 and pronounced growth in rent expenses due to large volume of new leased space added in both formats during 2H 2017. As a result, growth of SG&A expenses as % of sales more than offset gross margin improvements in the reported period. The Company expects the positive trajectory in the gross profit margin to continue in the second half of the year, while pressure from SG&A expenses should ease thanks to the maturing store base.

About Lenta

Lenta is the largest hypermarket chain in Russia (in terms of selling space) and the country's third largest retail chain (in terms of 2017 sales). The Company was founded in 1993 in St. Petersburg. Lenta operates 233 hypermarkets in 84 cities across Russia and 112 supermarkets in Moscow, St. Petersburg, Novosibirsk, Yekaterinburg and the Central region with a total of approximately 1,402,182 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 800 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 2017⁴.

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 www.lentainvestor.com, or contact:

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

Lenta

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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.