LENTA PUBLISHES AUDITED IFRS FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

St. Petersburg, Russia; 22 February 2019 – Lenta Ltd ("Lenta" or the "Company"), one of the largest retail chains in Russia, today announces its audited consolidated IFRS results for the year ending 31 December 2018.

2018 Financial Highlights:

- Total sales grew 13.2% to Rub 413.6bn (2017: Rub 365.2bn), including retail sales growth of 13.6% to Rub 392.1bn (2017: Rub 345.0bn) and wholesales growth of 6.0%;
- Adjusted EBITDA[1] of Rub 36.2bn, up 2.0% (2017: Rub 35.5bn) with a margin of 8.8% (2017: 9.7%). FY2018 EBITDA growth was impacted by relatively weak results in the third quarter, with a return to positive EBITDA growth in the fourth quarter;
- Gross margin of 21.5% (+0.1 p.p. vs. 2017) slightly increased as improved supplier conditions and LFL store productivity were almost fully offset by increased shrinkage and higher promo share and slightly higher supply-chain cost due to higher centralisation;
- SG&A increased to 16.7% of sales (1.4 p.p. higher vs. 2017) due mostly to personnel expenses following salary indexation in 2H2017, higher depreciation linked to expansion and an increase in rental costs linked to the high volume of leased space opened in late 2017;
- Capital expenditures of Rub 22.1bn, a decrease of 18.8% compared to 2017 (Rub 27.3bn) due mainly to the slower rate of expansion compared to the prior year and lower pre-investments in land and stores to be opened in future years;
- Net cash generated from operating activities, before net interest and income taxes paid, of Rub 32.4bn compared to Rub 34.8bn in 2017 (a decrease of 6.9%) primarily driven by working capital movements;
- Net interest expenses of Rub 9.1bn, a decrease of 13.4% compared to 2017 (Rub 10.5bn) due to a reduction of interest rates despite higher average borrowings;
- Net Profit[2] of Rub 11.8bn, down 11.1% (2017: Rub 13.3bn) with a margin of 2.9%. The reduction in net profit was largely attributable to one-off tax benefits in 2017; and
- Net Debt of Rub 93.3bn as of 31 December 2018 almost unchanged versus the end of 2017 (Net debt/Adjusted EBITDA of 2.6x).

2018 Operational Highlights:

- 13 hypermarkets and 38 supermarkets were opened on net basis[3] during 12M 2018 with 84.7 th. sq.m of net selling space addition;
- Total number of stores was 379 as at 31 December 2018, comprising 244 hypermarkets and 135 supermarkets with selling space of 1,467,482 sq.m (+6.1% vs. 31 December 2017);
- Like-for-like ("LFL")[4] retail sales growth of 1.3% for 2018 with significant improvement in 4Q2018;
- LFL average ticket increased by 0.8% in 2018;
- LFL retail traffic increased by 0.5% in 2018;
- The number of active loyalty cardholders[5] increased by 17% y-o-y to a total of 14.4m as of 31 December 2018; and
- New Lenta App was introduced late in 2018 with the number of installations exceeding 1.4 million as at the date of the Announcement.

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[1] *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*

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

[3] *One hypermarket in Saint-Petersburg with selling space of 7,219 sq.m was closed in November 2018 as a result of fire. It is expected that this hypermarket will be repaired and returned to operation during 2019. Three supermarkets were closed during the reported period: two supermarkets in Moscow with selling space of 963 sq.m and 721 sq.m and one store in Tula (Central region) with selling space of 702 sq.m*

[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 31 December 2018 are considered active*

Events after the reported period:

- Ruslan Ismailov, who previously served as Divisional Director was appointed as Supermarket Format Director.

Lenta's **Chief Executive Officer, Herman Tinga** said:

"This was a challenging year for the Company given pressure from the weak macro and consumer environment, but we finished the year with positive performance and trends. Against this backdrop we again achieved an industry-leading EBITDA margin of 8.8% for the full year. Strong operating cash flows and lower capex enabled us to come very close to positive free cash flow.

After solid results in the first half year, the third quarter of 2018 was especially tough with negative LFL retail sales growth and significant pressure on profitability. Trading recovered strongly in the fourth quarter with a return to year-on-year improvement in LFL sales, EBITDA and margins. We are encouraged by sales performance during the first seven weeks of 2019 with LFL retail sales growth higher than the average for the fourth quarter of 2018 and ahead of inflation with solid traffic and basket growth improvement. We hope to continue this momentum in the current year.

We saw healthy trends in the hypermarket business with sales growth outpacing selling space growth, improving LFL retail sales growth and strong margins. Performance of Lenta's supermarket business was relatively much weaker, with declining EBITDA in the first 9 months of the year, especially in the third quarter – by contrast the supermarket format delivered an increase in EBITDA in the last quarter of the year. We see a great future for this format, but need to make rapid improvements to realise this potential. We are actively revamping the team and I am pleased to announce the appointment of Ruslan Ismailov as the new format leader.

We continued to make progress with series of initiatives aimed to drive sales and increase the profitability, competitiveness and returns of our business. Although, there is still a lot to be done, we have a clear strategy and an enthusiastic management team in place with the tools to implement it".

Store Developments and Supply Chain

Lenta opened 13 new hypermarkets and 38 new supermarkets on net basis during 2018, taking the total number of hypermarkets to 244 and supermarkets to 135. The Company entered four new cities in 2018 and is now present in 88 cities[6]. Total selling space as at 31 December 2018 increased to 1,467,482 sq.m (+6.1% compared to the end of 2017).

Since the beginning of 2019 the Company has opened one owned compact hypermarket in Kazan, increasing the total store count to 380, including 245 hypermarkets in 88 cities and 135 supermarkets in Moscow, St. Petersburg, Central, Siberia and Ural regions. Total selling space as at 22 February 2019 reached 1,472,714 sq.m (+6.6% growth y-o-y).

Lenta continues developing its logistics. The company added more than 20,000 sq.m of warehouse space during 2018 to support volume growth. This included opening of a new 6,786 sq.m owned vegetable storage and packing facility in Ryazan to ensure Lenta can provide increased volumes of high quality locally produced vegetables year-round at competitive prices. The company operated eight owned and four rented warehouse facilities with total space of around 270,000 sq.m as of December 31, 2018.

[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.*

Operating performance

Lenta's total sales in 2018 increased 13.2% compared to 2017 due to an increase in retail sales by 13.6% and wholesales by 6.0%. This included retail sales growth from new stores opened in 2018, new stores opened in 2017 that are not yet part of the LFL panel and a like-for-like retail sales increase of 1.3%. Lenta recorded a 6.1% increase in net selling space as of 31 December 2018 compared to 31 December 2017.

LFL retail sales growth of 1.3% in 2018 improved versus 2017. Sales growth in the second half of 2018 decelerated slightly compared to the first half of the year as a result of a significant drop in wholesale volumes in the fourth quarter, slower selling space growth in the second half, and negative LFL retail sales growth in the third quarter offset by a return to positive LFL retail sales growth in the fourth quarter.

The Company maintained focus on digital marketing activities to reach customers. The newly-launched Lenta mobile App was installed by 1.4 million customers since its launch in the fourth quarter of 2018. Direct communication with consumers via App with personalized offers delivered promising uplifts in sales. The Company will continue improving its App with a series of upgrades steadily increasing functionality. Lenta's goal is to switch to low-cost digital customer communication leveraging insights from individual customer loyalty card data to deliver a better customer experience leading to increased loyalty, higher sales and lower costs.

YoY growth	**1H 2018**	**2H 2018**	**2018**	**2017**
Total sales	**18.2%**	**9.3%**	**13.2%**	**19.2%**
Retail sales	*15.4%*	*12.2%*	*13.6%*	*16.8%*
LFL retail sales	**1.7%**	**0.9%**	**1.3%**	**-2.0%**
LFL retail traffic	*1.2%*	*-0.1%*	*0.5%*	*-1.2%*
LFL retail ticket	*0.5%*	*1.0%*	*0.8%*	*-0.8%*

FY2018 Financial Performance

Lenta demonstrated robust sales growth combined with notable improvements in supplier conditions, LFL store productivity and an improved supply-chain result. However, these effects were largely offset by price investments mostly linked to higher promotion share, increase in shrinkage, salary indexation, growth in depreciation, rental expenses and marketing costs, which led to a 2.0% increase in Adjusted EBITDA to Rub 36.2bn, but a decline in Adjusted EBITDA margin of 97bps to 8.8%.

Net profit in 2018 was Rub 11.8bn and declined by 11.1%. The key drivers of this decline were increase in depreciation and a higher effective tax rate of 20.4% partly offset by lower interest expenses. As a result, Net Profit margin went down to 2.9%.

Income Statement Highlights

RUB (millions)	**1H 2017**	**1H 2018**	**2H 2017**	**2H 2018**	**2017**	**2018**	**% Change 2018 – 2017**
Total sales	**163,531**	**193,220**	**201,647**	**220,342**	**365,178**	**413,562**	**13.2%**
Gross profit	**35,534**	**42,319**	**42,701**	**46,475**	**78,236**	**88,794**	**13.5%**

Gross margin	*21.7%*	*21.9%*	*21.2%*	*21.1%*	*21.4%*	*21.5%*	*0.05p.p*
SG&A, % of sales	**15.9%**	**17.2%**	**14.9%**	**16.3%**	**15.4%**	**16.7%**	**1.37p.p**
Adjusted SG&A[7], % of sales	*11.8%*	12.6%	*11.3%*	*12.2%*	*11.5%*	*12.4%*	*0.86p.p*
Adjusted EBITDAR[8]	**17,601**	**19,986**	**22,106**	**22,194**	**39,706**	**42,180**	**6.2%**
Adjusted EBITDAR margin	*10.8%*	*10.3%*	*11.0%*	*10.1%*	*10.9%*	*10.2%*	*-0.67p.p*
Rental expenses, % of sales	*1.2%*	*1.5%*	*1.1%*	*1.4%*	*1.2%*	*1.4%*	*0.29p.p*
Adjusted EBITDA	**15,623**	**17,112**	**19,871**	**19,082**	**35,495**	**36,194**	**2.0%**
Adjusted EBITDA margin	*9.6%*	*8.9%*	*9.9%*	*8.7%*	*9.7%*	*8.8%*	*-0.94p.p*
Operating profit	**10,880**	**11,027**	**14,697**	**13,058**	**25,577**	**24,084**	**-5.8%**
Profit before income tax	5,560	6,354	9,612	8,463	15,172	14,817	-2.3%
Net Profit	**4,492**	**5,161**	**8,772**	**6,634**	**13,264**	**11,794**	**-11.1%**
Net profit margin	*2.7%*	*2.7%*	*4.4%*	*3.0%*	*3.6%*	*2.9%*	*-0.78p.p*

Gross margin increased by 0.05p.p to 21.5% - while Lenta continued to benefit from improved supplier terms and increased supply-chain profitability, the positive effect of these trends was offset by further investments in pricing and promotions and increased shrinkage. Growth of promo share as % of sales by almost 4p.p. y-o-y was compensated by higher promo margin as a result of better coverage of promo campaigns by suppliers and use of new sophisticated marketing tools, including digital instruments.

Shrinkage was the key factor putting pressure on gross profit margin - shrinkage grew 0.67p.p y-o-y to 2.5% in 2018 due to changes in procurement (including increases in direct import operations and direct contracts with suppliers and farmers), an increased share of fresh food and rapid expansion in Lenta's supermarket format. This is one of the biggest single areas of potential future improvement.

An increase in transportation efficiency and a higher centralization ratio of 56.9% (+3.3p.p y-o-y) were partly offset by an increase in transportation tariffs and led to a slight growth in supply-chain cost as % of sales to 1.2% in 2018 (+0.12p.p y-o-y). However, this was more than fully compensated by higher supply-chain income versus the previous year.

The Company continued strict cost control which was combined with additional investments in marketing to drive retail sales. Further operational improvements in the stores were offset by salary indexation above inflation level in October 2017 which resulted in 50bps increase in personnel costs as % of sales (6.1% in 2018). Marketing costs grew 16bps in the reported year compared to the previous period as the Company made additional investments in new instruments and technologies switching from traditional to digital communication with customers while maintaining for the time being the traditional tools as well. Professional fees grew 15bps y-o-y as % of sales driven by implementation of new software and services tools and rapid growth of the share of customer payments by debit and credit cards. Noticeable increase in cleaning costs, utilities and communal payments was related to significant hike of tariffs in the market.

Adjusted SG&A as % of sales increased by 0.9 p.p to 12.4% in 2018 compared to 2017 primarily due to increases in personnel expenses, marketing costs, cleaning, utilities and communal payments. Total SG&A costs were affected predominantly by increased depreciation (+21bps y-o-y) linked to Lenta's

[7] Adjusted SG&A is SG&A before rent paid on land, equipment and premises leases, depreciation and one-off non-operating costs, including professional fees related to M&A activity
[8] Adjusted EBITDAR is Adjusted EBITDA before rent paid on land, equipment and premises leases

expansion and higher rent expenses (+29bps y-o-y) due to the high volume of new leased space opened in the fourth quarter of 2017. Total SG&A increased 137bps y-o-y to 16.7% as % sales in 2018.

As a result of the factors described above, Adjusted EBITDA in 2018 grew more slowly than sales, reaching Rub 36.2bn (+2.0 vs 2017) with an Adjusted EBITDA margin of 8.8%.

RUB (millions)	2017	2018	% Change 2018 – 2017
Adjusted EBITDA	**35,495**	**36,194**	**2.0%**
One-off Expenses and income	*5*	-	-
Reported EBITDA[9]	**35,490**	**36,194**	**2.0%**

Net interest expenses decreased 13.4% to Rub 9.1bn as higher average level of borrowing was overcompensated by a reduction in interest rates. Lenta's weighted-average cost of debt in 2018 decreased to 8.6% (164bps lower vs 2017). The Company managed to reduce its cost of debt throughout the year - from 9.1% in the first quarter to 8.3% in the fourth quarter - mainly due to the combined effects of improvements in the terms and conditions of its major long-term loan facilities, refinancing of high cost debt and resetting coupon rates under bond issues to lower levels. This result was achieved despite visible increases in MosPrime rates in the second half of 2018, especially in the fourth quarter when the average 3M MosPrime rate grew 90bps vs the first quarter of the year. In response, the Company made a decision to protect itself from potential rate increases by borrowing at fixed rates available in the second half of 2018 to refinance debt falling due in 2019. As a result, as at the year-end 98% of Lenta's debt portfolio was long-term with extended maturity and 77% of the total debt was at fixed rate with only one variable rate loan linked to MosPrime.

The effective tax rate increased from 12.6% in 2017 to 20.4% in 2018. The much lower effective tax rate in 2017 was attributable to a one-off positive effect, which was mainly driven by recognition of tax loss carry forward of the Kesko entities acquired in 2016. The underlying effective tax rate remained stable. As a result of this tax effect, Net income decreased by 11.1% to Rub 11.8bn with a margin of 2.9%.

2H2018 Financial Performance

Total sales in 2H2018 grew 9.3% y-o-y to Rub 220.3bn – growth rate was lower versus 1H2018 due to slower selling space growth and significant reduction of wholesale operations. LFL retail sales growth came down to 0.9% in the second half of the year following the weak result in the third quarter of -0.6%.

While gross margin in the second half of the year was weaker versus the first half, performance in 4Q2018 showed significant improvement on q-o-q and y-o-y basis. Growth in margin in the fourth quarter was higher than in the previous period due in large part to better coverage of promo activities by suppliers and stronger promo margin. Improved predictability of actual deliveries, better communication and better planning led to a slower but still significant y-o-y growth of shrinkage. The Company believes there is a significant opportunity to reduce shrinkage in 2019.

Whereas personnel cost increased significantly as % of sales in the third quarter of the year due to salary indexation last year, it remained flat in the fourth quarter. There was no general indexation of wages in 2018. Positive developments were also seen in utilities and communal payments which remained flat in the fourth quarter, while still growing in the third quarter. The same positive q-o-q trend was recorded in marketing expenses – although Lenta is in a transition phase actively switching from classical marketing instruments to digital tools, significant cost savings were achieved in the fourth

[9] *Reported EBITDA includes all operating income and expenses excluding interest, tax, depreciation, amortization and impairment of non-financial assets as well as certain other expenses*

quarter. Rent as % of sales has also decreased in 4Q2018 vs 3Q2018 due to higher share of new owned space and easier base for comparison; pre-opening cost went down due to slower y-o-y expansion rate. As a result, there was less pressure on SG&A expenses in the last quarter of the year.

While Lenta's underlying hypermarket business continued demonstrating healthy trends, the contribution to EBITDA of the supermarket format during the first three quarters of 2018 declined significantly. However, LFL retail sales growth significantly picked up in the fourth quarter and this resulted in a change in the trend of EBITDA. As a result, in the last quarter of the year the trajectory of the Company's EBITDA and EBITDA margin has changed, showing a positive development.

Cash Flow and Balance Sheet

Net cash generated from operating activities before net interest and income taxes paid amounted to Rub 32.4bn compared to Rub 34.8bn in 2017. A decrease of 6.9% y-o-y was mainly attributable to the working capital movements. The significant increase of inventories in 2018 compared to the previous year was related to extension of the assortment. A decrease of accounts payable was driven by rapid growth of direct import operations with pre-payment terms, but higher margin. Some of these effects were a reflection of the new Trade Law which became effective from 1st January 2017.

Capital expenditures in 2018 were 18.8% lower than in 2017 and amounted to Rub 22.1bn. The reduction mainly reflected the effect of slower organic expansion in both formats, a higher proportion of supermarkets in total space addition (35% in 2018 vs 17% in 2017) and lower pre-investments in future pipeline than in previous years. Capital expenditures were almost fully funded by operating cash flow.

As of 31 December 2018 Total Debt was Rub 127.1bn, with a cash balance of Rub 33.8bn, giving Net Debt of Rub 93.3bn. Compared to the year-end of 2017, a significant increase in total borrowings in combination with a very large cash position resulted in similar Net Debt as at year-end of 2018. New long-term loan facilities with relatively low fixed rates were put in place early in the second half of 2018. These facilities enabled the Company to secure a stable cost of debt in an environment of rising market rates, with sufficient cash on hand at year-end 2018 to cover all of Lenta's refinancing needs in 2019 and part of 2020. All of Lenta's debt is denominated in Russian Roubles and 98% of it is long-term with an average maturity of around 2 years. As of 31 December 2018, Net Debt to Adjusted EBITDA stood at 2.6x, Lease Adjusted Net Debt to Adjusted EBITDAR[10] at 3.3x and Adjusted EBITDA to Net Interest was at 3.9x. As of 31 December 2017, Net debt to Adjusted EBITDA stood at 2.6x, Lease Adjusted Net Debt to Adjusted EBITDAR at 3.2x and Adjusted EBITDA to Net Interest was 3.4x.

New accounting standards

The Company adopted new accounting standards for operating leases (IFRS 16) since 1 January 2019. IFRS Financial Statements for 1H 2019 due in August 2019 will be conducted in accordance with the new standards. Lenta will make a transition to IFRS 16 using the modified retrospective approach under which the prior year figures will not be adjusted and both lease liabilities and right-of-use assets will be recognised at the date of transition to IFRS 16.

The Company estimates the possible impact that application of IFRS 16 will have on the financial statements in the period of initial application as follows: increase in the amount of lease liabilities in the range of Rub 37.3bn +/-5%, increase in the amount of right-of-use assets – Rub 35.7bn +/-5% with the corresponding difference recognised as a decrease in equity. Due to the adoption of IFRS 16, Lenta's operating profit will improve, while its depreciation expense and interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

[10] Lease adjusted Net Debt calculated as Net Debt plus operating leases multiplied by capitalization rate of 8.0x in accordance with credit rating agencies approach

Buyback Program

Lenta's Board authorised a GDR buyback program of up to Rub 11.6bn to be conducted between 29 October 2018 and 29 October 2019. In 2018 the Company has repurchased around 1.2m GDRs, which represented 0.24% of the Company's share capital, and spent Rub 291m. The Company will continue the existing buyback program, but will also consider other options to distribute cash to shareholders, including an open tender or dividends. Lenta is evaluating potential changes in its corporate structure to be executed in 2019 which would enable dividend payments in early 2020.

Guidance

Lenta plans to open about 8 new hypermarkets in 2019 as part of its organic expansion. This includes a compact hypermarket in Kazan opened in January this year and stores which were part of the pipeline of the previous year, but postponed till the current year. The Company is scheduled to open about 7 new supermarkets in 2019.

Organic growth remains the core of Lenta's expansion strategy. However, the Company continues to look for attractive acquisition opportunities in both formats in parallel with organic growth.

The Company expects capital expenditures of about Rub 15bn in 2019. This total includes lower investments in organic expansion in hypermarket and supermarket formats, but significant expenditures in supply-chain infrastructure to build new space in Moscow and Saint-Petersburg and to extend capacity of the existing distribution center in Novosibirsk in order to further enhance logistics efficiency, comply with new regulatory requirements and support changes in procurement. Capital spending in 2019 will also include higher investments in IT and several other projects related to digital marketing.

The full set of accounts for Lenta Ltd. for financial years of 2011-2018 are available at www.lentainvestor.com

About Lenta

Lenta is the largest hypermarket chain in Russia, and the country's third largest retail chain. The Company was founded in 1993 in St. Petersburg. Lenta operates 245 hypermarkets in 88 cities across Russia and 135 supermarkets in Moscow, St Petersburg, Central, Siberia and Ural regions with a total of approximately 1,472,714 sq.m of selling space. The average Lenta hypermarket store has selling space of approximately 5,500 sq.m. The average Lenta supermarket store has selling space of approximately 800 sq.m. The Company operates twelve 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 45,759 people as of 31 December 2018[11]*.*

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:

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[11] *FTE (full-time equivalent). Average FTE for FY2018 was 43,283 employees*

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.