

## LENТА SALES AND OPERATING HIGHLIGHTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

**St-Petersburg, Russia; 28 October, 2019** – 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 2019.

### 3Q 2019 Operating Highlights:

- Total sales declined by 0.4% in 3Q 2019 to Rub 100.4bn (3Q 2018: Rub 100.8bn), including retail sales growth of 2.9% to Rub 97.8bn (3Q 2018: Rub 95.1bn) and wholesales decline of 55.0%;
- Like-for-like (“LFL”)¹ retail sales declined by 0.5% excluding VAT vs. 3Q 2018. This is equivalent to LFL retail sales growth of 0.4% including VAT, due to increase in VAT from 1 January 2019;
- LFL retail traffic decline of 2.0% combined with LFL retail ticket growth of 1.5%;
- One hypermarket was opened during the third quarter of 2019;
- Total stores numbered 375 stores as at 30 September 2019, comprising of 246 hypermarkets and 129 supermarkets;
- Total selling space increased to 1,471,647 sq.m as at 30 September 2019 (+4.3% vs. 30 September 2018); and
- Number of active loyalty cardholders² increased to 15.5m (+12.5% YoY) with around 97% of transactions in the third quarter carried out using the loyalty programme.

### 9M 2019 Operating Highlights:

- Total sales grew 1.9% in 9M 2019 to Rub 299.6bn (9M 2018: Rub 294.0bn), including retail sales growth of 5.7% to Rub 293bn (9m 2018: Rub 277bn) and wholesale sales decline of 59.9%;
- LFL retail sales growth of 1.7% excluding VAT vs. 9M 2018. This is the equivalent of LFL retail sales growth of 2.6% including VAT, due to the increase in VAT from 1 January 2019;
- LFL traffic growth of 0.7% combined with a 1.0% growth in LFL ticket; and
- Four new hypermarkets and one supermarket were opened during 9M 2019, while two hypermarkets and seven supermarkets were closed during the same period.

### Events in 3Q 2019 and after the reported period:

- The Company established a representative office of Lenta Ltd. (a holding company registered in the British Virgin Islands) in St. Petersburg and the Company’s CFO, Rud Pedersen, was appointed as the head of the office;
- The Extraordinary General Meeting, held on 22 October 2019, resolved that the Company will continue its incorporation in the Republic of Cyprus and will be registered as a public limited liability company (“Lenta PLC”), followed by amendments and replacement of the current Memorandum and Articles of Association. The full text of resolutions and the results of voting at the EGM can be viewed on the Company’s website at [www.lentainvestor.com](http://www.lentainvestor.com).

### Lenta’s Chief Executive Officer, Herman Tinga commented:

*“The third quarter of 2019 was another challenging period for the food retail industry. The market remained very price-competitive due to the weak macroeconomic environment combined with the rapid expansion of retail chains. Consumers continued to be price-sensitive with more options around for making daily grocery purchases, while the retail chains have been focused on driving customer traffic by enhancing promotional activity.*

*As a result of these market trends, Lenta saw a declining frequency of visits together with reduction in the average number of items in the basket. This affected our results in the third quarter as Lenta delivered retail sales growth of 2.9%, while LFL sales declined by 0.5%. At the same time we also faced seasonal factors such as cold weather,*

<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. The Company has not made any changes to the methodology of LFL calculation; both total sales growth and LFL sales growth are reported excluding VAT as the best measure to evaluate YoY performance

<sup>2</sup> Cardholders who made at least 2 purchases at Lenta during the 12 months to 30 September 2019 are considered active.

low demand for non-food and seasonal food items, which especially affected our sales in July and September alongside with the one less Sunday in September this year compared to the previous one. However, the launch of “Lenta Anniversary” and our traditional “Back to School” campaigns, alongside other promotions, helped us achieve better results in August.

Nevertheless, we have been working to enhance our shopping experience and client communication for both formats. We also continued working on the optimization of our logistics. In October we closed one leased distribution center in Moscow and replaced it with a new facility with total space of around 70,990 sq.m, which became the largest distribution center in Lenta’s portfolio. Simultaneously, we are still in progress of shaping a new strategy, which should help us to open the door into a new era of Lenta’s development.

And last but not least, I am pleased to announce that the Company is continuing to optimize the Group’s holding structure. Along with our new representative office in St. Petersburg, shareholders approved the re-domiciliation of the Company’s jurisdiction from British Virgin Island to the Republic of Cyprus at the EGM. This should pave the way for more optimal capital allocation going forward, while allowing us to realize efficiencies in the cost of compliance and improved corporate governance.”

### Lenta’s Operating Performance

The Company’s retail sales grew by 2.9% in the third quarter of 2019 driven by selling space additions. Total sales reached Rub 100.4bn implying a decline of 0.4% compared to the third quarter of the previous year. A significant decline of 55.0% in sales to wholesale customers accounts for the difference between retail sales growth and total sales growth in the third quarter. Lenta expects wholesales to decline YoY throughout 2019.

In response to a challenging environment, the Company has been working on implementation of a series of initiatives to increase the distinctive attractiveness of Lenta’s offering to customers. The Company continued to improve its assortment, including the launch of various private label product ranges in the third quarter. The Company also carried out a number of distinctive initiatives in the areas of customer marketing, Lenta’s loyalty program and customer communication. This included the launch of programs that offer cash-back options for new and existing customers, as well as the launch of a special card program for Lenta’s professional customers (Lenta PRO).

The Company also maintained focus on its digital marketing activities, reaching new and existing customers with offers tailored to each individual, to increase both traffic and basket size. The number of active loyalty cardholders increased to 15.5m as at 30 September 2019 (+12.5% YoY) while the share of transactions made with the loyalty card was 97%. Lenta’s Mobile App, which launch in the fourth quarter of 2018, has already attracted more than 3.5 million users. Lenta took further steps to enhance the Mobile App’s functionality, delivering an even better customer experience. In the third quarter we have personalized our promo offerings, and facilitated access to our specialized Lenta clubs (“Super-childhood” and “Lenta bar”) through the app. We expect these and other initiatives to result in increased loyalty, higher sales and lower marketing costs.

Hypermarket retail sales grew 1.5% in the third quarter, primarily driven by selling space growth of 4.1%, while LFL retail sales in this format decreased by 1.2%. The supermarket format’s total retail sales rose by 21.3% in 3Q 2019 driven by a 6.5% increase in selling space and LFL retail sales growth of 9.3%. The supermarket format’s share of Lenta’s retail sales was 8.3% in the reported quarter, compared to 8.7% in the second quarter of 2019 and 7.8% in the fourth quarter of 2018.

	Quarterly				Year to Date			
	3Q 2019	3Q 2018	Net change	Change (%)	9M 2019	9M 2018	Net change	Change (%)
<b>Total sales (Rub, million)</b>	<b>100,384</b>	<b>100,801</b>	<b>(418)</b>	<b>(0.4%)</b>	<b>299,565</b>	<b>294,017</b>	<b>5,548</b>	<b>1.9%</b>
Retail sales (Rub, million)	97,802	95,069	2,733	2.9%	292,658	276,790	15,868	5.7%
Hypermarkets	89,661	88,358	1,303	1.5%	267,447	258,406	9,041	3.5%
Supermarkets	8,141	6,711	1,430	21.3%	25,211	18,384	6,827	37.1%
Wholesales (Rub, million)	2,582	5,732	(3,150)	(55.0%)	6,907	17,227	(10,320)	(59.9%)
<b>Retail average ticket (Rub)</b>	<b>966</b>	<b>967</b>	<b>(1)</b>	<b>(0.1%)</b>	<b>975</b>	<b>989</b>	<b>(14)</b>	<b>(1.4%)</b>
Hypermarkets	1,074	1,060	14	1.3%	1,081	1 071	10	0.9%

<i>Supermarkets</i>	459	449	10	2.2%	477	476	2	0.3%
<b>Retail customer traffic (million)</b>	<b>101.2</b>	<b>98.3</b>	<b>2.9</b>	<b>3.0%</b>	<b>300.3</b>	<b>279.9</b>	<b>20.4</b>	<b>7.3%</b>
<i>Hypermarkets</i>	83.5	83.4	0.1	0.2%	247.4	241.2	6.2	2.6%
<i>Supermarkets</i>	17.7	14.9	2.8	18.7%	52.9	38.7	14.2	36.7%

Total retail customer traffic increased by 3.0% in the third quarter of 2019 compared with the same period in 2018, comprising 0.2% growth in hypermarket traffic and 18.7% increase in retail traffic at Lenta's supermarket format.

During the reported period, one hypermarket and 11 supermarkets entered the LFL panel. LFL retail sales declined by 0.5% (excluding VAT) in the third quarter, representing 2.0% decline in LFL retail traffic and 1.5% growth in LFL retail ticket. LFL retail non-food sales decreased by 6.7% YoY (2Q 2019: -5.7% YoY). LFL retail food sales increased by 0.5% (2Q 2019: 1.7% YoY).

	Quarterly			Year to Date		
	LFL sales growth 3Q 2019	LFL average ticket growth 3Q 2019	LFL traffic growth 3Q 2019	LFL sales growth 9M 2019	LFL average ticket growth 9M 2019	LFL traffic growth 9M 2019
<b>Total retail sales growth, %</b>	<b>(0.5%)</b>	<b>1.5%</b>	<b>(2.0%)</b>	<b>1.7%</b>	<b>1.0%</b>	<b>0.7%</b>
<i>Hypermarkets</i>	<i>(1.2%)</i>	<i>2.1%</i>	<i>(3.3%)</i>	<i>0.8%</i>	<i>1.8%</i>	<i>(1.0%)</i>
<i>Supermarkets</i>	<i>9.3%</i>	<i>3.4%</i>	<i>5.7%</i>	<i>15.3%</i>	<i>2.8%</i>	<i>12.1%</i>

Lenta has been winning new customers in both new and LFL hypermarkets and supermarkets with an ongoing growth of number in unique customers.

LFL sales decreased by -1.2% in the hypermarket format, mainly impacted by declining traffic. Customer traffic growth in the LFL stores turned negative at -3.3%, as the increase in the number of new customers did not fully compensate for the reduction in visit frequency. In response to declining traffic, the Company intensified its promotional activity in August and September, which eventually resulted in strong inflow of "cherry-pickers" with small tickets, a high share of promotional items in the basket and a very low visit frequency.

LFL average retail ticket growth in the format increased by 2.1% as a result of continuous trading-up effect, largely offsetting on-shelf deflation in the third quarter. Lenta's hypermarkets returned to a deflationary environment in the third quarter due to more intensive promo-activity and lower prices for seasonal items such as fruits and vegetables. Nonetheless, LFL ticket growth improved compared to the previous quarter, which was a result of a higher average number of articles per basket vs. 2Q 2019.

The supermarket format demonstrated strong growth with an increase in LFL sales of 9.3% in the third quarter. Higher traffic drove LFL retail sales growth from the significant increase in new, unique customers to the format. Lenta continued to work on tactical changes to the offering, such as extending the product assortment and changing marketing activities, to enhance the attractiveness of stores to customers. LFL retail ticket grew by 1.9% in the reported period as the trading-up effect and shelf price inflation largely compensated for a reduction in the average number of items per basket.

The 0.5% fall in LFL retail sales in 3Q 2019 was therefore due to a combination of factors: an increase in number of customers combined with strong trading-up effects offset by overall on-shelf deflation, lower frequency of visits and reduced number of articles per basket.

### 3Q 2019 monthly operational results

	July	August	September
<b>Total sales growth</b>	<b>-2.1%</b>	<b>2.7%</b>	<b>-1.7%</b>
Retail sales growth	2.1%	5.3%	1.3%
<i>Hypermarkets</i>	<i>0.4%</i>	<i>3.9%</i>	<i>0.1%</i>

<i>Supermarkets</i>	25.9%	22.8%	15.9%
Wholesale growth	-63.7%	-46.4%	-52.4%
<b>Total retail customer traffic growth</b>	<b>2.3%</b>	<b>3.9%</b>	<b>2.7%</b>
<i>Hypermarkets</i>	-1.3%	1.4%	0.4%
<i>Supermarkets</i>	23.6%	18.2%	14.8%
<b>Total retail average ticket growth</b>	<b>-0.2%</b>	<b>1.3%</b>	<b>-1.4%</b>
<i>Hypermarkets</i>	1.7%	2.6%	-0.3%
<i>Supermarkets</i>	1.8%	3.9%	1.0%

### Lenta Store and Supply Chain Developments

In the third quarter of 2019 Lenta opened one new owned compact hypermarket in Moscow with 5,920 sq.m in selling space. During the reported period the Company closed one leased hypermarket and three leased supermarkets, meaning three store closures on a net basis.

As a result, in the reported period Lenta's total selling space was reduced by 1,290 sq.m compared to the previous quarter. As at 30 September 2019 the total number of stores amounted to 375, including 246 hypermarkets and 129 supermarkets with total selling space of 1,471,647 sq.m, an increase of 4.3% year-over-year. Lenta retained its presence in 88 cities across the country.

After the reported period the Company opened one leased supermarket in Moscow with selling space of 611 sq.m and one owned supermarket in Siberia with selling space of 700 sq.m. As at the date of announcement the Company operates 377 stores, including 246 hypermarkets and 131 supermarkets, with total selling space of 1,472,869 sq.m.

The Company continued working on the optimization of its logistics. After the reported period the Company closed one leased distribution center in Moscow with a space of 14,990 sq.m, which was replaced with a new facility with total space of around 70,990 sq.m. It has become the largest distribution center in Lenta's portfolio. The new warehouse has new features such as units with different temperature zones and additional services to enhance optimization in the Company's procurement and logistics (especially in fresh, frozen and fruits and vegetables categories). Other innovations include separate units aimed to serve Lenta's "power category" also to support their centralization and further development. This will also include space for own production (culinary, confectionary, meat processing, etc.) and central bakery to ensure common operational standards across the chain. In the end, extension of space should support volume growth.

	Quarterly				Year to Date			
	As at 30 September 3Q 2019	As at 30 September 3Q 2018	Net change	Change, YoY	As at 30 September 9M 2019	As at 30 September 9M 2018	Net change	Change, YoY
<b>Total number of stores</b>	<b>375</b>	<b>354</b>	<b>21</b>	<b>5.9%</b>	<b>375</b>	<b>354</b>	<b>21</b>	<b>5.9%</b>
<i>Hypermarkets</i>	246	233	13	5.6%	246	233	13	5.6%
<i>Supermarkets</i>	129	121	8	6.6%	129	121	8	6.6%
<b>Number of net store openings</b>	<b>(3)</b>	<b>9</b>	<b>(12)</b>	<b>(1.3x)</b>	<b>(4)</b>	<b>26</b>	<b>(30)</b>	<b>(1.2x)</b>
<i>Hypermarkets</i>	-	-	-	-	2	2	0	-
<i>Supermarkets</i>	(3)	9	(12)	(1.3x)	(6)	24	(30)	(125.0%)
<b>Total selling space (sq.m)</b>	<b>1,471,647</b>	<b>1,410,714</b>	<b>60,933</b>	<b>4.3%</b>	<b>1,471,647</b>	<b>1,410,714</b>	<b>60,933</b>	<b>4.3%</b>
<i>Hypermarkets</i>	1,362,390	1,308,168	54,222	4.1%	1,362,390	1,308,168	54,222	4.1%
<i>Supermarkets</i>	109,257	102,546	6,711	6.5%	109,257	102,546	6,711	6.5%
<b>Total net selling space added (sq.m)</b>	<b>(1,290)</b>	<b>7,637</b>	<b>(8,927)</b>	<b>(1.2x)</b>	<b>5,905</b>	<b>27,969</b>	<b>(22,064)</b>	<b>(78.9%)</b>

Hypermarkets	(866)	-	(866)	0.0%	8,925	9,951	(1,026)	(10.3%)
Supermarkets	(424)	7,637	(8,061)	(1.1x)	(3,020)	18,018	(21,038)	(1.2x)

## Guidance

The Company reconfirms its guidance for full year 2019 of eight new hypermarket and three new supermarket openings as part of organic expansion. Lenta expects capital expenditures of around Rub 17bn.

## About Lenta

*Lenta is the largest hypermarket chain in Russia and the country's fourth largest retail chain. The Company was founded in 1993 in St. Petersburg. Lenta operates 246 hypermarkets in 88 cities across Russia and 131 supermarkets in Moscow, St. Petersburg, and the Siberia, Urals and Central regions, with a total of approximately 1,472,869 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 12 distribution centers.*

*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 50,509 people as of 30 June 2019<sup>3</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 Severgroup, which is 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](http://www.lentainvestor.com), 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.*

<sup>3</sup> FTE (full-time equivalent). Average FTE for 1H2019 was 51,470 employees