

## Lenta Reports Q2 Retail LFL Sales Growth of 10.1% and 1H EBITDA Margin of 10.2%

**St. Petersburg, Russia (July 27th, 2020):** Lenta PLC (MOEX & LSE: LNTA; the “Company”), one of the largest retail chains in Russia, is pleased to publish its 1H 2020 auditor-reviewed consolidated IFRS Financial Results and its Q2 and 1H 2020 Operational Results.

### Financial Highlights during 1H 2020<sup>1</sup>:

- Retail Sales increased 9.6% YoY to 213.4 billion Rubles in 1H 2020
- Gross Margin increased to 23.29% in 1H 2020, an improvement of 77 bps YoY
- SG&A decreased as a percent of sales to 17.59% in 1H 2020, an improvement of 153 bps YoY
- EBITDA Margin increased to 10.17% in 1H 2020, an improvement of 207 bps or 26% YoY
- Net Income Margin increased to 4.31% in 1H 2020 vs. -2.24% in 1H 2019
- Free Cash Flow increased to a positive 1.5 billion Rubles in 1H 2020 vs. -4.7 billion in 1H 2019
- Net Debt/EBITDA decreased 30% to 1.9x as of 30 Jun 2020 vs. 2.7x as of 30 Jun 2019
- Net Interest Expense decreased 28% YoY to 3.4 billion Rubles in 1H 2020

### Operational Highlights during 1H 2020:

- LFL Sales grew 10.1% in 2Q 2020 (Average Ticket Size 24.2% - Traffic -11.3%)
- LFL Sales grew 7.1% in 1H 2020 (Average Ticket Size 12.5% - Traffic -4.8%)
- Retail Sales increased 9.6% in 1H 2020 (Hypermarkets 9.3% and Supermarkets 12.6%)
- Average Ticket Size increased 12.6% to 1,102 Rubles in 1H 2020
- Lenta opened three new supermarkets in St. Petersburg in 1H 2020
- Employee Turnover fell 9.8% to 29% during 1H 2020, from 39% during 1H 2019
- Private Label Sales continue to grow and now comprise more than 14% of Total Sales
- Stock Losses (“Shrinkage”) during 1H 2020 decreased 56 bps YoY
- Online sales grew to 1.9 billion Rubles in 1H 2020 an increase of 324% YoY

### Key Events during 1H 2020 and after the Reporting Period:

**Update on Redomiciliation to Russia:** On July 22<sup>nd</sup>, Lenta held an EGM meeting where the following resolutions were passed: (1) to approve the redomiciliation in principle; (2) to change the name of the Company after redomiciliation to Russia from Cyprus; (3) to approve the interim financial statements of the Company for the period ended 31 May 2020; (4) to ratify the appointment of the Cyprus auditors and the preparation of the interim audited accounts; (5) to authorize members of the Board to approve of the share issue prospectus. All other actions and main documents relating to Russian Law requirements will be approved at a separate EGM to be held later in 2020.

**COVID-19 Response:** Since March, the COVID-19 pandemic has had a significant impact on communities and businesses throughout Russia. Lenta has prioritized the safety and well-being of its customers and employees throughout this challenging period. The Company was quick to establish a business-wide COVID-19 response team whose focus since mid-March has been on coordinating Lenta’s effective response to the pandemic. Lenta has worked closely with its suppliers throughout the crisis to ensure shelves remained sufficiently stocked with both food and non-food items during this period of increased demand. Comprehensive health and safety measures were introduced across Lenta’s business to ensure the ongoing safety of colleagues and customers in its stores. Whilst the COVID-19

<sup>1</sup> Please note that all Financial Highlights are based upon IAS 17 numbers

pandemic had a temporary impact on store traffic during the lockdown period, Lenta is pleased to report significant increases in average ticket sizes across both hypermarket and supermarket formats.

**Herman Tinga (Chief Executive Officer) commented on 1H 2020:**

*“We are pleased to report an encouraging performance during the first half of the year. Retail Sales growth of 9.6% together with effective cost control and gross margin improvement has resulted in a better than expected EBITDA margin of more than 10%.*

*“The first half of 2020 has been an unprecedented period for communities and businesses across Russia. The COVID-19 pandemic has demonstrated how critical the food supply chain is and we are very proud of the way in which Lenta responded to the crisis and continued to serve communities across the Russian Federation. Our priorities throughout this period have been on ensuring the safety of our customers and employees and that our stores remained well-stocked for customers. We are pleased to report that during Q2 Lenta achieved Retail LFL growth in excess of 10% which reflects the strength of our customer proposition and the effectiveness of the actions taken by the business to ensure our stores remained accessible and safe for all customers.*

*“Whilst the longer-term impact of COVID-19 on customer behavior remains unknown, we believe Lenta is very well positioned. Our market-leading hypermarket segment continues to offer consumers an excellent product range and a strong value proposition. We are very pleased with the turnaround of our supermarket format over the recent year. Furthermore, we are optimistic about our fast-growing online business where we can efficiently leverage our existing infrastructure to serve customers with maximum convenience. We intend to provide a fuller strategic update to our stakeholders in the second half of 2020.”*

**Rud Pedersen (Chief Financial Officer) commented 1H 2020:**

*“Lenta delivered a strong financial performance in the first half of the year reflecting the Company’s operational excellence, effective response to the COVID-19 pandemic, and the resilience of our business model. The Company’s very strong free cash flow and reduced cost of capital contributed to a significant 30% reduction to Lenta’s Net Debt to EBITDA ratio, which now stands at 1.9x.*

*“Despite lower footfall, as a result of the COVID-19 pandemic, we achieved more than 7% growth in LFL Sales during the first half. This was driven by a 12.5% increase in Average Ticket Size reflecting Lenta’s best-in-class product range and continued product availability.*

*This sales growth, alongside our continued focus on increasing efficiencies across the business, supported a 26% improvement to our EBITDA Margin.*

*Despite ongoing macroeconomic uncertainty we are confident in the relevance of our customer proposition and opportunities for long-term growth.”*

## 1H 2020 Operating Results

Retail Sales	2Q 2019	2Q 2020	Change	% Change	1H 2019	1H 2020	Change	% Change
<b>Total Sales (million RUB)</b>	<b>100,169</b>	<b>110,971</b>	<b>10,802</b>	<b>10.8%</b>	<b>199,211</b>	<b>216,975</b>	<b>17,764</b>	<b>8.9%</b>
Retail Sales (million RUB)	97,773	109,094	11,321	11.6%	194,831	213,447	18,616	9.6%
Hypermarkets	89,291	99,677	10,386	11.6%	177,760	194,218	16,458	9.3%
Supermarkets	8,482	9,418	935	11.0%	17,072	19,224	2,153	12.6%
Wholesale (million RUB)	2,396	1,877	(519)	-21.7%	4,380	3,528	(851)	-19.4%
<b>Average Ticket (RUB)</b>	<b>961</b>	<b>1,195</b>	<b>234</b>	<b>24.4%</b>	<b>979</b>	<b>1,102</b>	<b>123</b>	<b>12.6%</b>
Hypermarkets	1,068	1,316	249	23.3%	1,084	1,221	136	12.6%
Supermarkets	467	605	138	29.5%	486	560	73	15.1%
<b>Customer Traffic (million)</b>	<b>101.8</b>	<b>91.3</b>	<b>(10.5)</b>	<b>-10.3%</b>	<b>199.0</b>	<b>193.5</b>	<b>(5.6)</b>	<b>-2.8%</b>
Hypermarkets	83.6	75.7	(7.9)	-9.4%	163.9	159.1	(4.8)	-2.9%
Supermarkets	18.2	15.6	(2.6)	-14.3%	35.1	34.4	(0.8)	-2.2%

LFL Results <sup>1</sup>	Sales		Average Ticket		Traffic	
	Q2	1H	Q2	1H	Q2	1H
<b>Total Retail</b>	<b>10.1%</b>	<b>7.1%</b>	<b>24.2%</b>	<b>12.5%</b>	<b>-11.3%</b>	<b>-4.8%</b>
Hypermarkets	10.0%	6.6%	23.2%	12.5%	-10.8%	-5.3%
Supermarkets	11.6%	12.0%	29.8%	15.0%	-14.0%	-2.6%

Stores & Selling Space	31-Dec-19	Opened	Closed	Change	30-Jun-20	% Change
<b>Total Retail Stores</b>	<b>380</b>	<b>3</b>	<b>-4</b>	<b>-1</b>	<b>379</b>	<b>-0.3%</b>
Hypermarkets	249	0	-1	-1	248	-0.4%
Supermarkets	131	3	-3	0	131	0.0%
<b>Total Selling Space (sqm)</b>	<b>1,489,497</b>	<b>2,752</b>	<b>-10,182</b>	<b>-7 430</b>	<b>1,482,067</b>	<b>-0.5%</b>
Hypermarkets	1,378,849	0	-7,921	-7 921	1,370,928	-0.6%
Supermarkets	110,648	2,752	-2,261	491	111,139	0.4%

Online	H1 2019	1H 2020	Change %
<b>Total Online Sales (million RUB)</b>	<b>441</b>	<b>1,870</b>	<b>324%</b>
Number of Tickets (thousands)	175	823	450%
Cities of Operation	15	65	353%

<sup>1</sup> The LFL results do not include the 29<sup>th</sup> of February, 2020

## Lenta's Operating Performance

Lenta's Retail Sales in 1H 2020 increased 9.6% compared to 1H 2019. This increase was driven by a 12.6% increase in Average Ticket size across both the Hypermarket and Supermarket formats, which was offset slightly by a 2.8% decrease in Customer Traffic. The Hypermarket format delivered 9.3% growth in Sales as a result of a 12.6% increase in Average Ticket size, which was partially offset by a decrease in Customer Traffic of 2.9%. Our Supermarket format posted 12.6% growth in Sales, reflecting an increase in Average Ticket size of 15.1% and a decrease in Customer Traffic of 2.2%.

During Q2 LFL Retail Sales grew by 10.1% as the Average Ticket size increased 24.2%. Customer Traffic decreased 11.3% during Q2 reflecting consumers' preferences to shop less frequently during the lockdown period. Lenta's Hypermarkets posted Q2 LFL Retail Sales growth of 10.0% with Average Ticket size up 23.2% and a decrease in Customer Traffic of 10.8%. The Company's Supermarket format delivered a particularly strong performance in Q2 with LFL Retail Sales up 11.6%. This reflected a 29.8% increase in Average Ticket size offset by a 14.0% decrease in Customer Traffic. The strong Q2 performance drove a 7.1% increase in LFL Retail Sales during the whole of 1H 2020 supported by a 12.5% increase in Average Ticket size partially offset by a 4.8% decrease in Customer Traffic.

Following the easing of lockdown restrictions, Customer Traffic in July has shown signs of recovery when compared to April and May, while growth in Average Ticket size has eased. Overall, July LFL Retail Sales numbers remain strong and in line with Q2.

Lenta opened three Supermarkets in St. Petersburg during the first half of 2020. During 1H 2020, the Company also closed one Hypermarket and three Supermarkets, bringing the total number of Lenta stores at the period end to 248 Hypermarkets and 131 Supermarkets.

Lenta continues to develop its fast-growing online sales channel. The Company served online customers across 65 cities during the period resulting in 1.9 billion Rubles of Total Online Sales, which represented a 324% YoY growth rate. During the 1H 2020 the Company continued to drive Online Sales growth by developing its own express delivery service Lentochnka, the pilot project started at the end of 2019 with the introduction of its own picking and delivery platform in Moscow. Currently it's being expanded to several additional cities. Lenta has created partnerships with more than 20 delivery companies to fulfill online orders from the extensive Lenta store network. Lenta also launched a pilot in June for a "Click and Collect" service in two cities with plans to roll-out the project across entire country by the end of 2020, if the pilot proves to be successful.

## 2H 2020 Outlook:

The Company reported a strong 1H 2020 performance supported by a shift in consumer trends following the outbreak of COVID-19, as well as, its continued focus on delivering like-for-like growth and driving operational efficiencies.

Whilst the management team is confident in Lenta's multi-format proposition and its long-term future growth opportunities, we maintain a cautious outlook for 2H 2020 due to the ongoing macro-economic uncertainty and the potential that this may impact customer behaviors. The Company will inform the market in the case of any revision of guidance.

## Financial Results 1H 2020

RUB million	IFRS 16			IAS 17		
	1H 2019	1H 2020	Change	1H 2019	1H 2020	Change
<b>Total Sales</b>	<b>199,211</b>	<b>216,975</b>	<b>8.9%</b>	<b>199,211</b>	<b>216,975</b>	<b>8.9%</b>
<b>Gross Profit</b>	<b>45,043</b>	<b>50,703</b>	<b>12.6%</b>	<b>44,855</b>	<b>50,541</b>	<b>12.7%</b>
<i>Gross Margin (%)</i>	<i>22.61%</i>	<i>23.37%</i>	<i>76 bps</i>	<i>22.52%</i>	<i>23.29%</i>	<i>77 bps</i>
<b>SG&amp;A</b>	<b>(37,435)</b>	<b>(37,464)</b>	<b>0.1%</b>	<b>(38,080)</b>	<b>(38,173)</b>	<b>0.2%</b>
<i>SG&amp;A (%)</i>	<i>-18.79%</i>	<i>-17.27%</i>	<i>-152 bps</i>	<i>-19.12%</i>	<i>-17.59%</i>	<i>-153 bps</i>
<b>EBITDAR</b>	<b>19,422</b>	<b>25,285</b>	<b>30.2%</b>	<b>19,235</b>	<b>25,118</b>	<b>30.6%</b>
<i>EBITDAR Margin</i>	<i>9.75%</i>	<i>11.65%</i>	<i>190 bps</i>	<i>9.65%</i>	<i>11.58%</i>	<i>193 bps</i>
<i>Rental Expenses (%)</i>	<i>-0.30%</i>	<i>-0.22%</i>	<i>-8 bps</i>	<i>-1.55%</i>	<i>-1.40%</i>	<i>-15 bps</i>
<b>EBITDA</b>	<b>18,824</b>	<b>24,812</b>	<b>31.8%</b>	<b>16,144</b>	<b>22,072</b>	<b>36.7%</b>
<i>EBITDA Margin (%)</i>	<i>9.45%</i>	<i>11.44%</i>	<i>199 bps</i>	<i>8.10%</i>	<i>10.17%</i>	<i>207 bps</i>
<b>Operating Profit before Impairment</b>	<b>9,589</b>	<b>15,573</b>	<b>62.4%</b>	<b>8,756</b>	<b>14,696</b>	<b>67.8%</b>
Impairment	(9,005)	42		(9,005)	42	
<b>Operating Profit / Loss</b>	<b>583</b>	<b>15,614</b>	<b>2,578.2%</b>	<b>(250)</b>	<b>14,738</b>	
Net Interest Expense	(6,071)	(4,720)	-22.3%	(4,680)	(3,371)	-28.0%
Profit before Income Tax	(5,299)	10,623		(4,829)	11,179	
<b>Net Income</b>	<b>(4,829)</b>	<b>8,911</b>		<b>(4,453)</b>	<b>9,357</b>	
<i>Net Profit Margin (%)</i>	<i>-2.42%</i>	<i>4.11%</i>	<i>653 bps</i>	<i>-2.24%</i>	<i>4.31%</i>	<i>655 bps</i>

Total Sales grew 8.9% in 1H 2020, predominantly driven by a 9.6% increase in Retail Sales and offset by a 19.4% reduction in Wholesale Sales, which represent just 1.6% of Total Sales. Hypermarket Sales grew 9.3% while Supermarket Sales grew 12.6%.

Gross Profit Margin (IAS 17) improved 77 bps YoY from 22.52% in 1H 2019 to 23.29% in 1H 2020 due to the following key factors: a 12bps decrease in Cost of Goods Sold, a 14bps decrease in Cost of Own Production, a 56bps reduction of Stock Losses, and a 4bps increase in Supply Chain Costs.

SG&A (IAS 17) improved 153 bps YoY and decreased from 19.12% of sales in 1H 2019 to 17.59% in 1H 2020. The improvement was due to the following factors: the 8.9% increase in Total Sales, a 31bps reduction in Depreciation, a 25bps reduction in Labor Costs, a 20 bps reduction in Utilities, and a 15bps reduction in Premises Lease costs, amongst other smaller line item improvements in SG&A. Absolute SG&A expenses (excluding Covid-19 costs) were flat YoY in line with an ongoing focus on operating efficiency.

These contributed to a 207bps improvement in EBITDA Margin (IAS 17) to 10.17% in 1H 2020 compared to 8.10% in 1H 2019.

Net Interest Expense (IAS 17) decreased 80 bps YoY from 2.35% as a percent of sales in 1H 2019 to 1.55% in 1H 2020 as a result of lower Net Debt and an improvement in the average cost of debt. This, together with no impairment costs, resulted in a 655 bps increase in Net Profit Margin (IAS 17) to 4.31% in 1H 2020.

RUB million	IFRS 16			IAS 17		
	1H 2019	1H 2020	% Change	1H 2019	1H 2020	% Change
<b>Cash Flow from Operating Activities</b>	<b>19,704</b>	<b>24,812</b>	<b>26%</b>	<b>17,024</b>	<b>22,054</b>	<b>30%</b>
Movements in Working Capital	(10,962)	(11,666)	6%	(10,888)	(11,535)	6%
Net Interest & income taxes paid	(6,461)	(6,885)	7%	(5,064)	(5,524)	9%
Net cash flows from Operating Activities	2,281	6,261	174%	1,072	4,995	366%
Net cash used in Investing Activities	(5,792)	(3,501)	-40%	(5,814)	(3,518)	-39%
Net cash used in Financing Activities	40,676	(56,842)	-240%	41,907	(55,559)	-233%
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>37,165</b>	<b>(54,082)</b>	<b>-246%</b>	<b>37,165</b>	<b>(54,082)</b>	<b>-246%</b>

Cash Flow from Operating Activities (IAS 17) in 1H 2020 increased 30% YoY to 22.1 billion Rubles. Cash & Cash Equivalents at the end of 1H 2020 was reduced by 54.1 billion Rubles due to proactive efforts to pay down debt obligations.

RUB million	IFRS 16		IAS 17	
	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020
Gross Debt	203,819	128,353	170,261	94,781
Long-Term Debt	87,064	76,209	87,064	76,209
Short-Term Debt	83,197	18,572	83,197	18,572
Lease Liabilities (IFRS 16)	33,558	33,572		
Cash & Cash Equivalents	70,969	19,323	70,969	19,323
Net Debt	132,850	109,030	99,292	75,458
Net Debt/EBITDA			2.7	1.9

As of 30 June, 2020, Lenta had improved its Net Debt/EBITDA (IAS 17) ratio to 1.9x from 2.7x at end of 1H 2019, an improvement of 30%. The Company reduced Gross Debt (IAS 17) by more than 75 billion Rubles and Short-Debt as a percent of Total Debt decreased from 49% at the end of 1H 2019 to 19.6% at the end of 1H 2020. The entirety of Lenta's debt, both long-term and short-term, is denominated in Rubles. As of June 30, 2020, the Company had access to more than 164 billion Rubles in available credit facilities. The Average effective cost of debt in 1H 2020 was 7.62%, a decrease of 85 bps YoY from 8.47% in 1H 2019.

For further information please visit [www.lentainvestor.com](http://www.lentainvestor.com) or contact:

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#### **About Lenta:**

Lenta is the largest hypermarket chain in the Russian Federation and the fourth largest retail chain. The Company was founded in 1993 in St. Petersburg and currently operates 248 hypermarkets and 131 supermarkets in 88 cities across Russia with almost 1.5 million square meters of selling space. The average Lenta hypermarket has approximately 5,500 square meters of selling space, while the Lenta supermarket averages 800 square meters. The Company operates 12 distribution centers throughout Russia.

Lenta's price-led hypermarket formats are differentiated in terms of their promotion and pricing strategies, as well as, their emphasis on local product assortment. The Company employed 48,391 employees<sup>1</sup> as of the 31<sup>st</sup> of December 2019.

Lenta's management team combines a strong combination of local knowledge, international expertise, and extensive operational experience in Russia. Lenta is listed on both the London Stock Exchange and the Moscow Exchange, trading under the ticker: 'LNTA'

#### **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.

*A full set of accounts for Lenta PLC for financial years and half-years from 2011 to 2020 are available at [www.lentainvestor.com](http://www.lentainvestor.com)*

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<sup>1</sup> Average FTE (Full-Time Equivalent) for FY 2019 was 51,908 employees