

Lenta Reports Strong Sales Growth, Positive LFL Retail Sales, and 8.8% EBITDA Margin

Q3 2021 Operational and Financial Highlights¹

- Retail Sales increased by 13.5% y-o-y to RUB 116 billion in Q3 2021
- LFL Sales increased by 3.5% in Q3, while LFL Average Ticket grew by 4.7%
- Online Sales grew by 237% y-o-y to RUB 4.4 billion with Online Orders up 231% y-o-y to 2.4 million in Q3
- Lenta accelerated the rollout of its new Mini format with 36 new stores opened in Q3
- The company acquired 190 supermarkets and 44 convenience stores.
- In total, the new stores resulted in an increase of 16% in new selling space²
- EBITDA Margin for Q3 was 8.8%, up 119 bps, y-o-y and EBITDA was RUB 10.4 billion
- The Net Debt to EBITDA (LTM) ratio stood at 1.9x as of 30 September 2021
- Lenta completed two M&A transactions: the acquisition of Billa for EUR 225 million and the acquisition of Semya for RUB 2.45 billion
- Fitch Ratings upgraded Lenta's credit rating to 'BB+' with a Stable Outlook

St. Petersburg, Russia, 25 October 2021: Lenta IPJSC (MOEX & LSE: LNTA), one of the largest multi-format retail chains in Russia, today announces its operational results and financial highlights for the third quarter and the first nine months of 2021. A conference call with management to discuss these results is scheduled for today (see below for dial-in details).

Vladimir Sorokin, Chief Executive Officer:

"Lenta performed well in the third quarter, with retail sales growth of 13.5% and a firm 8.8% EBITDA Margin. These results demonstrate that Lenta can pursue and achieve both growth and profitability, even in a challenging operating environment.

In Q3, we closed two transformative M&A deals and began to integrate the 234 Billa and Semya stores, 3 distribution centers, and more than 6,600 employees. These acquisitions will strengthen Lenta's market positions in Moscow and Perm via locations with established customer traffic. Importantly, we have not only acquired Billa's and Semya's physical stores, but also their expertise in operating smaller formats. The integration process will continue into 2022, but we have already made good progress.

Our online business continues to deliver good results, both in terms of our own Lenta Online and third-party partnerships, which are together generating more than 30,000 orders per day. We recently announced promising agreements to sell our goods online via the Ozon and AliExpress Russia marketplaces, extending our reach to an even broader base of customers.

In Q3, we accelerated the roll-out of our new Mini Lenta format, opening 36 new stores primarily in Moscow, Moscow region, and St. Petersburg. With each new store we open, we are making improvements along the way to enhance the customer experience and increase efficiency.

Altogether, this means we are off to a good start implementing our new strategy aimed at transforming Lenta into one of Russia's food retail champions through our superior assortment, excellent shopping experience, and market-leading customer individualization."

1. Please note that all Financial Highlights are based upon IAS 17 figures.

2. Including new stores added following the acquisition of Billa's and Semya's businesses.

Quarterly – LFL RESULTS		Q3'21	Q3'21	Q3'21	
		Sales	Average Ticket	Traffic	
Total Retail		3.5%	4.7%	(1.2%)	
Hypermarkets		4.2%	4.6%	(0.4%)	
Supermarkets		(4.0%)	1.1%	(5.0%)	
3 rd Quarter – OPERATING RESULTS (Year-over-Year)					
		Q3'21	Q3'20	Change	% Change
Total Sales ³ (RUB millions)		118,238	104,397	13,841	13.3%
Retail Sales		116,066	102,260	13,806	13.5%
Hypermarkets		99,478	93,287	6,191	6.6%
Supermarkets ⁴		16,588	8,973	7,615	84.9%
Wholesale		2,171	2,137	35	1.6%
Average Ticket ³ (RUB)		1,012	1,050	(38)	(3.6%)
Hypermarkets		1,215	1,168	47	4.0%
Supermarkets ⁴		505	511	(7)	(1.3%)
Number of Tickets ³ (millions)		115	97	17	17.8%
Hypermarkets		82	80	2	2.5%
Supermarkets ⁴		33	18	15	87.3%
Total Retail Stores (eop)		674	385	289	
Hypermarkets		255	250	5	
Openings		0	2	(2)	
Closing		0	0	0	
Supermarkets ⁴		419	135	284	
Openings		270	5	265	
Closing		2	1	1	
New Selling Space (sqm, eop)		196,642	12,184	184,458	
Hypermarkets		0	8,306	(8,306)	
Supermarkets ⁴		196,642	3,878	192,764	
Total Selling Space (sqm, eop)		1,725,817	1,494,251	231,566	15.5%
Hypermarkets		1,406,516	1,379,246	27,270	2.0%
Supermarkets ⁴		319,301	115,005	204,296	177.6%
Total Online Sales (RUB, millions)		4,415	1,311	3,104	236.8%
Online Partners		2,521	1,187	1,334	112.4%
Lenta Online		1,731	103	1,627	1,572.9%
Click & Collect		164	21	143	683.3%
Total Online Orders (thousands)		2,435	736	1,699	230.9%
Online Partners		1,437	638	799	125.3%
Lenta Online		922	90	833	929.2%
Click & Collect		76	8	67	793.8%
Cities of Online Operation					
Online Partners		86	82	4	4.9%
Lenta Online		84	26	58	223.1%
Click & Collect		87	13	74	569.2%

3. Including Semya and Billa results from the date of consolidation.

4. 36 new Mini Lenta stores, 159 Billa stores and 75 Semya stores opened/bought through M&A in Q3 2021 are now calculated as a part of Supermarkets; "eop" refers to "end of period"

9 Months – LFL RESULTS ⁵		9M'21	9M'21	9M'21	
		Sales	Average Ticket	Traffic	
Total Retail		0.6%	2.6%	(1.9%)	
Hypermarkets		1.2%	2.4%	(1.2%)	
Supermarkets		(5.3%)	(0.2%)	(5.2%)	
9 Months – OPERATING RESULTS (Year-To-Date)					
		9M'21	9M'20	Change	% Change
Total Sales ³ (RUB millions)		336,325	321,372	14,953	4.7%
Retail Sales		330,974	315,707	15,268	4.8%
Hypermarkets		295,142	287,482	7,659	2.7%
Supermarkets ⁴		35,833	28,224	7,609	27.0%
Wholesale		5,351	5,665	(314)	(5.5%)
Average Ticket ³ (RUB)		1,070	1,085	(15)	(1.4%)
Hypermarkets		1,224	1,203	21	1.8%
Supermarkets ⁴		525	544	(18)	(3.4%)
Number of Tickets ³ (millions)		309	291	18	6.3%
Hypermarkets		241	239	2	0.9%
Supermarkets ⁴		68	52	16	31.4%
Total Retail Stores (eop)		674	385	289	
Hypermarkets		255	250	5	
Openings		3	2	1	
Closing		2	1	1	
Supermarkets ⁴		419	135	284	
Openings		283	8	275	
Closing		3	4	(1)	
New Selling Space (sqm, eop)		207,219	5,022	202,197	
Hypermarkets		5,728	665	5,063	
Supermarkets ⁴		201,491	4,357	197,134	
Total Selling Space (sqm, eop)		1,725,817	1,494,251	231,566	15.5%
Hypermarkets		1,406,516	1,379,246	27,270	2.0%
Supermarkets ⁴		319,301	115,005	204,296	177.6%
Total Online Sales (RUB, millions)		12,307	3,181	9,127	286.9%
Online Partners		7,006	3,002	4,004	133.4%
Lenta Online		4,856	157	4,699	2,994.3%
Click & Collect		445	22	423	1,960.4%
Total Online Orders (thousands)		6,855	1,576	5,279	334.9%
Online Partners		3,913	1,427	2,486	174.2%
Lenta Online		2,743	140	2,603	1,854.5%
Click & Collect		199	9	190	2,160.0%
Cities of Online Operation					
Online Partners		86	82	4	4.9%
Lenta Online		84	26	58	223.1%
Click & Collect		87	13	74	569.2%

3. Including Semya and Billa results from the date of consolidation.

4. 36 new Convenience stores, 159 Billa stores and 75 Semya stores opened/bought through M&A in Q3 2021 are now calculated as a part of Supermarkets; "eop" refers to "end of period"

5. LFL Results do not include 29-Feb-2020

Q3 2021 Monthly – OPERATING RESULTS

	July	YoY	August	YoY	September	YoY
Total Sales³ (RUB millions)	37,892	4.0%	39,607	15.8%	40,738	20.6%
Retail Sales	37,253	4.3%	38,910	16.0%	39,904	20.9%
Hypermarkets	34,170	4.6%	32,912	7.3%	32,396	8.1%
Supermarkets ⁴	3,083	1.1%	5,998	108.1%	7,507	146.9%
Wholesale	639	(9.7%)	697	6.0%	835	8.4%
Average Ticket³ (RUB)	1,088	2.0%	988	(4.7%)	970	(7.1%)
Hypermarkets	1,216	2.7%	1,200	4.1%	1,230	5.4%
Supermarkets ⁴	502	(3.0%)	502	(0.1%)	508	(1.2%)
Number of Tickets³ (millions)	34	2.3%	39	21.7%	41	30.2%
Hypermarkets	28	1.9%	27	3.1%	26	2.6%
Supermarkets ⁴	6	4.2%	12	108.3%	15	149.8%
Total Retail Stores (eop)	413		581		674	
Hypermarkets	255		255		255	
Openings	0		0		0	
Closing	0		0		0	
Supermarkets ⁴	158		326		419	
Openings	7		169		94	
Closing	0		1		1	
New Selling Space (sqm, eop)	2,880		137,991		55,771	
Hypermarkets	0		0		0	
Supermarkets ⁴	2,880		137,991		55,771	
Total Selling Space (sqm, eop)	1,532,055	3.3%	1,670,046	12.4%	1,725,817	15.5%
Hypermarkets	1,406,516	2.6%	1,406,516	2.6%	1,406,516	2.0%
Supermarkets ⁴	125,539	11.8%	263,530	129.0%	319,301	177.6%
Total Online Sales (RUB, millions)	1,291	240.9%	1,422	257.8%	1,703	218.3%
Online Partners	712	101.3%	819	128.3%	989	108.7%
Lenta Online	524	2,457.7%	553	1,634.1%	654	1,179.9%
Click & Collect	54	1,167.4%	50	640.0%	60	502.6%
Total Online Orders (thousands)	717	246.5%	923	249.6%	923	206.0%
Online Partners	406	119.6%	559	140.6%	559	117.8%
Lenta Online	288	1,321.7%	333	948.0%	333	720.1%
Click & Collect	23	1,272.6%	30	744.2%	30	635.1%
Cities of Online Operation						
Online Partners	86		86		86	
Lenta Online	84		84		84	
Click & Collect	87		87		87	

3. Including Semya and Billa results from the date of consolidation.

4. 36 new Convenience stores, 159 Billa stores and 75 Semya stores opened/bought through M&A in Q3 2021 are now calculated as a part of Supermarkets; "eop" refers to "end of period"

Operating Results Commentary

In Q3 2021 Total Sales increased by 13.3% to RUB 118 billion. Lenta's Retail Sales in Q3 2021 increased by 13.5% to RUB 116 billion compared to RUB 103 billion in Q3 2020, driven by 3.5% LFL Retail Sales growth and 15.5% total selling space expansion both organically and inorganically. During the third quarter, customer behavior began reverting back to pre-COVID-19 patterns with regard to Ticket size and Traffic volume. In Q3 2021 Traffic increased by 17.8%, while Average Ticket size decreased by 3.6% due to the increasing share of Supermarket Sales in Retail Sales. Wholesale Sales represented 1.8% of Total Sales and increased by 1.6% compared to the corresponding period of the previous year.

LFL Sales growth improved quarter-on-quarter from a negative 2.6% in Q2 2021 to a positive 3.5% in Q3 2021, driven by the strong performance of our Hypermarket format. Total Retail LFL Traffic was a negative 1.2%. Total Retail LFL Average Ticket increased by 4.7%, offsetting the negative LFL Traffic.

Our recently relaunched loyalty program continues to have a positive effect on our results. Throughout 2021, we further improved our algorithms and marketing in order to achieve more personalized offers. As of the end of Q3, we had over 20 million loyalty card users and loyalty cards were used in more than 98% of sales. Over the next few quarters, we will begin to invite Billa's and Semya's customers into our loyalty program.

Hypermarket Sales represented 86% of total Retail Sales in Q3 2021. Lenta continued gaining market share in Russia's Hypermarket segment. Despite increased competition from discounters and e-grocery, our Hypermarkets delivered strong 6.6% Sales growth, positive LFL Sales growth of 4.2%, and an increase of 4.6% in the LFL Average Ticket.

Following the successful acquisitions of Billa and Semya, Supermarket Sales increased to 19% of total Retail Sales in September 2021, compared to just 9% in the previous year. In total, Lenta added 270 new supermarkets and convenience stores, including 159 Billa stores, 75 Semya stores, and 36 Mini Lenta stores. During Q3, Lenta also closed two underperforming supermarkets. Supermarket Total Selling Space nearly tripled to 319k square meters. Our Supermarkets demonstrated significant year-over-year Sales Growth in Q3 of 85%, driven by acquisitions.

In Q3 2021, Lenta's online channel continued to demonstrate very strong sales growth. Total Online Sales during the period amounted to RUB 4.4 billion, an increase of 237% year-over-year, while Total Online Orders were up 231% and amounted to 2.4 million. The Average Ticket for Lenta's own online delivery service was RUB 1,877, which is 54% higher than the Average Ticket in our Hypermarkets. During Q3 2021, Online Sales represented 3.8% of Lenta's total Retail Sales.

Financial Highlights

Q3 and 9M 2021 Key Financial Results			IAS 17		IAS 17	
RUB million	Q3'21	Q3'20	Change	9M'21	9M'20	Change
Total Sales	118,238	104,397	13.3%	336,325	321,372	4.7%
Gross Profit	27,888	23,309	19.6%	77,610	73,850	5.1%
Gross Margin (%)	23.6%	22.3%	126 bps	23.1%	23.0%	10 bps
SG&A	(22,661)	(20,128)	12.6%	(64,764)	(58,301)	11.1%
SG&A as % of Total Sales	(19.2%)	(19.3%)	12 bps	(19.3%)	(18.1%)	(111 bps)
EBITDAR	12,607	9,436	33.6%	33,448	34,554	(3.2%)
EBITDAR Margin	10.7%	9.0%	162 bps	9.9%	10.8%	(81 bps)
Rent as % of Total Sales	(1.9%)	(1.5%)	(43 bps)	(1.7%)	(1.4%)	(25 bps)
EBITDA	10,356	7,900	31.1%	27,828	29,972	(7.2%)
EBITDA Margin	8.8%	7.6%	119 bps	8.3%	9.3%	(105 bps)
Operating Profit before impairment	6,475	4,238	52.8%	16,331	18,934	(13.7%)
Operating Profit Margin before impairment	5.5%	4.1%	142 bps	4.9%	5.9%	(104 bps)
(Impairment) / reversal of impairment	-	(33)	-	(9)	9	-
Operating Profit	6,475	4,205	54.0%	16,322	18,943	(13.8%)
Operating Profit Margin	5.5%	4.0%	145 bps	4.9%	5.9%	(104 bps)
Net Interest Expense	(1,298)	(1,511)	(14%)	(3,629)	(4,882)	(25.7%)
Net FX gain / (Net FX loss)	141	(70)	-	(469)	(257)	82.5%
Profit Before Income Tax	5,318	2,624	102.7%	12,224	13,804	(11.4%)
Net Income	4,181	2,184	91.4%	9,544	11,541	(17.3%)
Net Income Margin	3.5%	2.1%	144 bps	2.8%	3.6%	(75 bps)

For Q3 and 9M 2021 financial highlights in accordance with IFRS 16 – see Appendix 1

Total Sales rose by 13.3% year-over-year in Q3 2021, supported by Retail Sales growth of 13.5%, and Wholesale growth of 1.6%. In Q3 2021, Wholesale constituted 1.8% of Total Sales compared to 2% in Q3 2020.

In Q3 2021, Gross Profit (IAS 17) rose by 19.6% year-over-year to RUB 27.9 billion, and the Gross Margin increased by 126 bps to 23.6% due to the better promotional margin resulting from the revision of promo campaigns and lower investments into the promo, higher centralization ration as well as positive dynamics of stock provisions. The growth was slightly offset by higher cashback expenses.

EBITDA (IAS 17) during Q3 2021 increased by 31% to RUB 10.4 billion, mainly due improved Gross Margin. Lenta's EBITDA margin remained strong at 8.8% in Q3, an improvement of 119 bps year-over-year, in line with the company's Guidance for the full year.

Selling, General, and Administrative (SG&A) expenses

SG&A	IAS 17			IAS 17		
RUB million	Q3'21	Q3'20	Change	9M'21	9M'20	Change
Payroll and related taxes	8,189	7,659	6.9%	24,473	22,566	8.5%
as a % of Total Sales	6.9%	7.3%	(41 bps)	7.3%	7.0%	25 bps
Depreciation and Amortization (D&A)	3,881	3,663	6.0%	11,497	11,039	4.1%
as a % of Total Sales	3.3%	3.5%	(23 bps)	3.4%	3.4%	(2 bps)
Lease Expenses	2,251	1,536	46.5%	5,620	4,582	22.7%
as a % of Total Sales	1.9%	1.5%	43 bps	1.7%	1.4%	25 bps
Utilities	1,444	1,257	14.9%	4,091	3,660	11.8%
as a % of Total Sales	1.2%	1.2%	2 bps	1.2%	1.1%	8 bps
Store Operations	2,482	2,205	12.6%	7,172	6,399	12.1%
as a % of Total Sales	2.1%	2.1%	(1 bps)	2.1%	2.0%	14 bps
Professional Fees	1,329	1,101	20.7%	3,429	3,121	9.9%
as a % of Total Sales	1.1%	1.1%	7 bps	1.0%	1.0%	5 bps
Advertising	1,563	1,317	18.7%	3,944	3,434	14.9%
as a % of Total Sales	1.3%	1.3%	6 bps	1.2%	1.1%	10 bps
Other	1,522	1,390	9.5%	4,538	3,500	29.7%
as a % of Total Sales	1.3%	1.3%	(4 bps)	1.3%	1.1%	26 bps
Total SG&A	22,661	20,128	12.6%	64,764	58,301	11.1%
as a % of Total Sales	19.2%	19.3%	(11 bps)	19.3%	18.1%	112 bps
SG&A excluding D&A	18,780	16,465	14.1%	53,267	47,262	12.7%
as a % of Total Sales	15.9%	15.8%	11 bps	15.8%	14.7%	113 bps

For Q3 and 9M 2021 financial highlights in accordance with IFRS 16 – see Appendix 2

In Q3 2021, Total Selling, General, and Administrative expenses (IAS 17) increased by 12.6% year-over-year to RUB 22.7 billion. Nonetheless, SG&A as a percentage of Total Sales decreased by 11 bps to 19.2%. This decline was mainly driven by lower payroll and related taxes and D&A as a percent of sales, partially offset by an increase in lease expenses.

Payroll and related taxes rose by 6.9% year-over-year in connection with new store openings, two acquisitions, salary indexation (in Q4 2020), and investment into Lenta Online. Personnel expenses as a percent of Total Sales declined by 41 bps, as a result, of higher productivity.

D&A as a percent of Total Sales decreased by 23 bps due to a higher share of leased premises in Total Selling Space.

Lease expenses rose by 43 bps as a percent of Total Sales, primarily due to the acquisitions of Billa and Semya, both of which have a higher percentage of leased versus owned stores in their portfolios. The share of leased selling space for Lenta overall increased to 33% in Q3 2021 compared to 25% a year ago.

Store Operations increased by 12.6% year-over-year, mainly driven by costs associated with new store openings, increased security costs, as well as, store repairs and maintenance.

Advertising costs during Q3 2021 were up 18.7% year-over-year, due to investments into growing the online channel.

Cash Flow Statement

9M 2021 Cash Flow Statement		IAS 17		IAS 17		
RUB million	Q3'21	Q3'20	Change	9M'21	9M'20	Change
Profit before income tax	5,318	2,625	102.6%	12,224	13,804	(11.4%)
Net adjustments for loss on disposal of assets, impairment, depreciation & amortization, and other	4,834	5,742	(15.8%)	15,574	16,804	(7.3%)
Movements in Working Capital	1,277	(2,321)	–	(8,939)	(14,082)	36.5%
Cash generated from operating activities	11,429	6,046	89.0%	18,859	16,526	14.1%
Net Interest & Income Taxes Paid	(1,228)	(3,920)	68.7%	(4,551)	(9,444)	51.8%
Net Cash from Operating Activities	10,201	2,126	379.8%	14,308	7,082	102.0%
Net cash used in Investing Activities	(23,067)	(1,475)	(1,463.9%)	(27,935)	(4,993)	(459.5%)
Net cash generated from/(used in) financing activities	(168)	(15,289)	98.9%	9,259	(70,848)	–
Effect of exchange rates on cash and cash equivalents	126	43	193.0%	(489)	82	–
Net Decrease in Cash & Cash Equivalents	(12,908)	(14,595)	11.6%	(4,857)	(68,677)	92.9%

For Q3 and 9M 2021 financial highlights in accordance with IFRS 16 – see Appendix 3

CapEx in 9M 2021 amounted to RUB 6.5 billion, an increase of 29% year-over-year. The increase resulted from an accelerated pace of new organic store openings (52 store openings on a gross basis during 9M 2021 vs 10 store openings during 9M 2020), completing construction of new distribution centers, continuing IT development costs, and expenses related to the integration of Billa stores.

In 9M 2021, Net Cash generated from Operating Activities (IAS 17) amounted to RUB 14.3 billion, up 102%, reflecting business growth and healthy profitability. The negative change in Working Capital (IAS 17) of RUB 8.9 billion during 9M 2021, compared to a negative RUB 14.1 billion in 9M 2020, was mainly due to better stock movement and higher tax payables on the back of growing sales.

Net Cash used in Investing Activities increased to RUB 27.9 billion in 9M 2021 from RUB 5.0 billion in 9M 2020, as a result of the two acquisitions.

In 9M 2021, Net Cash generated from Financing Activities amounted to RUB 9.3 billion, compared to RUB 70.8 billion used in Financing Activities in 9M 2020. This dynamic resulted from an increase in Gross Debt in 9M 2021, as opposed to the debt repayment, which took place in 9M 2020.

Free Cash Flow for 9M 2021 was a negative RUB 13.6 billion, which was RUB 15.7 billion lower than Free Cash Flow in 9M 2020, mainly due to higher Net Cash used in Investing Activities.

Debt Position and Leverage

9M 2021 Debt Position and Leverage		IFRS 16		IAS 17	
RUB million		30-Sep-21	31-Dec-20	30-Sep-21	31-Dec-20
Gross Debt		147,183	113,394	88,500	78,952
Long-term Debt		56,938	45,941	56,938	45,941
Short-term Debt		31,562	33,011	31,562	33,011
Lease Liabilities (IFRS 16)		58,683	34,442	-	-
Cash & Cash Equivalents		16,952	21,809	16,952	21,809
Net Debt		130,231	91,585	71,548	57,143
Net Debt / EBITDA (LTM) ratio				1.9x	1.5x

Lenta's cash position at the end of the Q3 2021 was RUB 17.0 billion. Gross Debt increased by RUB 9.5 billion or 12.1% compared to 31 December 2020 and stood at RUB 88.5 billion as of 30 September 2021. Net Debt increased by RUB 14.4 billion compared to 31 December 2020 and stood at RUB 71.5 billion. All of the Company's debt has fixed interest rates and is fully Ruble denominated matching its revenue structure. Lenta's Net Debt to EBITDA ratio was 1.9x as of 30 September 2021 vs 1.5x as of 31 December 2020.

Strategic Update

Lenta announced its 2025 Growth Strategy at a Capital Markets Day in March 2021. The new strategy is focused on achieving the following four goals by the end of 2025:

- Growth: Double sales to RUB 1 trillion;
- Profitability: Remain the most profitable Russian food retailer (by EBITDA margin according to IAS 17);
- Competitiveness: Be the #1-2 player in arenas where we choose to compete;
- Returns: Total Shareholder Return (TSR) amongst industry leaders.

Since the unveiling of this plan, the company has embarked upon several important strategic initiatives and completed two transformative business acquisitions.

M&A

During Q3 2021, Lenta received all necessary regulatory approvals and subsequently closed the two M&A transactions announced earlier in the year, the acquisition of Billa for EUR 225 million and the acquisition of Semya for RUB 2.45 billion.

These two transactions materially strengthen Lenta's market positions in Moscow, the Moscow region, and Perm via high-quality locations with established customer traffic, including in central neighborhoods where Lenta previously had no presence.

- With the acquisition of Billa stores, Lenta now has a total food retail market share of approximately 3% in Moscow and the Moscow region making it the #2 supermarket operator in Moscow.
- Together with Semya, Lenta now has a total food retail market share of approximately 7% in the Perm region and maintains #4 position in the Perm region's food retail market.

The newly acquired stores will serve as a platform for faster and more efficient development of the Lenta Online business in both geographies. Lenta has already begun fulfilling online orders in Moscow from Billa stores.

By integrating these businesses, Lenta management sees potential for synergies in procurement, supply-chain management, cost savings, back-office functionality, and other

business processes. At the same time, the company will benefit from newly acquired expertise in small format operations, Billa's Ultra Fresh category management, and Semya's in-house production excellence.

As of the 25 October, more than half of Billa's supermarkets have been rebranded to Lenta, and the remaining stores will be converted to the Lenta brand over the coming months. We use a "CapEx light" model to minimize renovation costs and speed up the integration process. Semya's stores in the Perm region are expected to switch to the Lenta brand in 1H 2022.

Overview of Billa and Semya Operations

As of the end of Q3, the newly acquired Billa retail operations consisted of 159 supermarkets with a Total Selling Space of 135,908 square meters and had over 4,000 employees.

Billa	3Q'21	3Q'20	9M'21	9M'20
Total Sales, RUB million	9,675	11,399	34,063	35,857
Average ticket, RUB	519	512	555	543
Traffic, thousands	18,641	22,249	61,322	66,019

As of the end of Q3, the newly acquired Semya retail operations consisted of 31 supermarkets and 44 convenience stores, for a Total Selling Space of 47,390 square meters and had 2,580 employees.

Semya	3Q'21	3Q'20	9M'21	9M'20
Total Sales ⁶ , RUB million	2,866	3,141	9,147	10,012
Retail Sales	2,845	3,132	9,104	9,986
Wholesale	22	9	43	26
Average ticket, RUB	353	332	363	358
Traffic, thousands	8,067	9,438	25,100	27,874

The financial and operational results for Billa and Semya were consolidated into Lenta's financial and operational results starting from August 2021 and September 2021, respectively.

Mini Lenta

Lenta launched the new Mini Lenta convenience store format in March of this year and has steadily accelerated the pace of openings since then. During the third quarter, Lenta opened 36 new Mini Lenta stores primarily in Moscow, St. Petersburg, and Novosibirsk.

Development of the Mini Lenta store format enables Lenta to be closer to where customers live and covers their small shopping missions: including quick and spontaneous purchases of dry food, ready-to-eat meals, and fresh produce.

The average selling space area of a Mini Lenta is 300–700 square meters, and the stores feature an assortment of 4,400 to 8,700 SKUs. The share of non-food in sales is around 10%. Private Label constitutes around 17% of Sales in Mini Format. Our Mini Lentas which are located in areas that have high traffic levels are equipped with self-service coffee zones, an enhanced ready-to-go assortment, and bakeries.

In Q3 2021, Mini Lenta Sales reached RUB 622 million, with the Average Ticket of RUB 399. During the quarter, Lenta started to test online express delivery from several Mini Lenta stores and will consider the possibility of scaling this option.

6. Please note that all Semya's Sales results are based upon RAS figures

FY 2021 Guidance

Considering the two M&A transactions, as well as, the Company's performance in 9M 2021, Lenta's Management is revising some of its previously communicated Guidance for FY 2021:

- Selling Space Growth: +225k sqm, including acquisitions (previously +200k sqm)
- EBITDA Margin: above 8% (no change)
- CapEx: Up to 5% of Sales, not including acquisitions (no change)
- New Store Openings: +125 (only organic growth)

Q3 and 9M 2021 Trading and Strategic Update Conference Call Dial-in Details

The Lenta Management Team will host an investor and analyst conference call at 17:00 Moscow time (15:00 London, 10:00 New York), on Monday, 25 October 2021. On the call will be Vladimir Sorokin (CEO), Rud Pedersen (CFO), and Tatyana Vlasova (IRO).

To participate in the conference call, please use the following dial-in details:

Russia +7 495 283 98 58
United Kingdom +44 203 984 9844
United States +1 718 866 4614

Telephone numbers for additional countries can be found at the webcast URL.

Participant code: 878744 ("Lenta Q3 & 9M Trading and Strategic Update Call")

Audio webcast URL: <https://mm.closir.com/slides?id=878744>

Participants are encouraged to register approx. 5-10 minutes prior to the start of the call.

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About Lenta

Lenta IPJSC (LSE and MOEX: LNTA) is a leading Russian multi-format food and FMCG retailer. The company operates hypermarkets, supermarkets, and recently launched a new proximity store format under the brand "Mini Lenta." It also provides customers the option to shop online via its click-and-collect and express delivery services. Lenta is Russia's largest hypermarket operator and the fourth largest food retailer overall by Sales. The company was founded in 1993 in St. Petersburg and as of September 30, 2021, operated 255 hypermarkets and 419 supermarkets in 88 cities across Russia with more than 1.7 million square meters of Selling Space. The average Lenta hypermarket has approximately 5,500 square meters of selling space, the average Lenta supermarket has 800 square meters, and the Mini Lenta format is 500 meters on average. The company operates 14 distribution centers to supply all of its stores. 2020 Revenues were RUB 445 billion (approximately USD 6 billion).

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 of the date of this announcement. Except 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.

Appendix 1

Q3 and 9M 2021 Key Financial Results				IFRS 16		
RUB million	Q3'21	Q3'20	Change	9M'21	9M'20	Change
Total Sales	118,238	104,397	13.3%	336,325	321,372	4.7%
Gross Profit	27,966	23,389	19.6%	77,773	74,092	5.0%
Gross Margin (%)	23.7%	22.4%	125 bps	23.1%	23.1%	7 bps
SG&A	(22,266)	(19,787)	12.5%	(63,591)	(57,251)	11.1%
SG&A as % of Total Sales	(18.8%)	(19.0%)	12 bps	(18.9%)	(17.8%)	(109 bps)
EBITDAR	12,707	9,529	33.4%	33,807	34,814	(2.9%)
EBITDAR Margin	10.7%	9.1%	162 bps	10.1%	10.8%	(78 bps)
Rent as % of Total Sales	(0.3%)	(0.2%)	(8 bps)	(0.2%)	(0.2%)	(2 bps)
EBITDA	12,367	9,310	32.8%	33,014	34,122	(3.2%)
EBITDA Margin	10.5%	8.9%	154 bps	9.8%	10.6%	(80 bps)
Operating Profit before impairment	6,971	4,669	49.3%	17,864	20,242	(11.7%)
Operating Profit Margin before impairment	5.9%	4.5%	142 bps	5.3%	6.3%	(99 bps)
(Impairment) / reversal of impairment	-	(33)	-	(9)	9	-
Operating Profit	6,971	4,636	50.4%	17,855	20,251	(11.8%)
Operating Profit Margin	5.9%	4.4%	145 bps	5.3%	6.3%	(99 bps)
Net Interest Expense	(2,219)	(2,172)	2.2%	(5,930)	(6,892)	(14.0%)
(Net FX loss)	137	(205)	-	(452)	(477)	(5.2%)
Profit Before Income Tax	4,889	2,259	116.4%	11,473	12,882	(10.9%)
Net Income	3,838	1,893	102.7%	8,943	10,804	(17.2%)
Net Income Margin	3.2%	1.8%	143 bps	2.7%	3.4%	(70 bps)

Appendix 2

SG&A				IFRS 16		
RUB million	Q3'21	Q3'20	Change	9M'21	9M'20	Change
Payroll and related taxes	8,189	7,659	6.9%	24,473	22,566	8.5%
as a % of Total Sales	6.9%	7.3%	(41 bps)	7.3%	7.0%	25 bps
Depreciation and Amortization	5,397	4,639	16.3%	15,151	13,879	9.2%
as a % of Total Sales	4.6%	4.4%	12 bps	4.5%	4.3%	19 bps
Lease Expenses	340	219	55.3%	793	692	14.6%
as a % of Total Sales	0.3%	0.2%	8 bps	0.2%	0.2%	2 bps
Utilities	1,444	1,257	14.9%	4,091	3,660	11.8%
as a % of Total Sales	1.2%	1.2%	2 bps	1.2%	1.1%	8 bps
Store Operations	2,482	2,205	12.6%	7,172	6,399	12.1%
as a % of Total Sales	2.1%	2.1%	(1 bps)	2.1%	2.0%	14 bps
Professional Fees	1,329	1,101	20.7%	3,429	3,121	9.9%
as a % of Total Sales	1.1%	1.1%	7 bps	1.0%	1.0%	5 bps
Advertising	1,563	1,317	18.7%	3,944	3,434	14.9%
as a % of Total Sales	1.3%	1.3%	6 bps	1.2%	1.1%	10 bps
Other	1,522	1,390	9.5%	4,538	3,500	29.7%
as a % of Total Sales	1.3%	1.3%	(4 bps)	1.3%	1.1%	26 bps
Total SG&A	22,266	19,787	12.5%	63,591	57,251	11.1%
as a % of Total Sales	18.8%	19.0%	(12 bps)	18.9%	17.8%	109 bps
SG&A excluding D&A	16,869	15,148	11.4%	48,440	43,372	11.7%
as a % of Total Sales	14.3%	14.5%	(24 bps)	14.4%	13.5%	91 bps

Appendix 3

9M 2021 Cash Flow Statement				IFRS 16		
RUB million	Q3'21	Q3'20	Change	9M'21	9M'20	Change
Profit before income tax	4,889	2,259	116.4%	11,473	12,882	(10.9%)
Net adjustments for loss on disposal of assets, impairment, depreciation & amortization, and other	7,283	7,482	(2.7%)	21,499	21,858	(1.6%)
Movements in Working Capital	1,415	(2,310)	–	(8,938)	(14,202)	37.1%
Cash generated from operating activities	13,587	7,431	82.8%	24,034	20,538	17.0%
Net Interest & Income Taxes Paid	(2,209)	(4,595)	51.9%	(6,913)	(11,480)	39.8%
Net cash from Operating Activities	11,378	2,836	301.2%	17,121	9,058	89.0%
Net cash used in Investing Activities	(23,058)	(1,466)	(1,472.9%)	(27,909)	(4,967)	(461.9%)
Net cash generated from/(used in) financing activities	(1,354)	(16,008)	91.5%	6,420	(72,850)	–
Effect of exchange rates on cash and cash equivalents	126	43	193.0%	(489)	82	–
Net Decrease in Cash & Cash Equivalents	(12,908)	(14,595)	11.6%	(4,857)	(68,677)	(92.9%)