Dairy Farm International Holdings Ltd
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To: Business Editor

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For immediate release

PT HERO SUPERMARKET TBK
2015 YEAR END RESULTS

The following announcement was issued today by the Company's 83.9%-owned subsidiary, PT Hero Supermarket Tbk.

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PT HERO SUPERMARKET TBK
2015 YEAR END RESULTS

Highlights

- Net revenue up 12%
- Gross profit up 9%
- Underlying net loss of Rp 144 billion, compared with net profit of Rp 44 billion in 2014
- Positive free cash flow up Rp 1,690 billion on 2014
- Divestment of Starmart

"While good sales momentum was maintained in the last quarter, profitability for the year was adversely affected by lower margins in both the Food and Health and Beauty businesses, together with higher expenses and labour costs. Despite this, the Food business gained market share in a difficult consumer environment, and IKEA is performing ahead of expectations. Full-year free cash flow improved strongly, and the Company ended the year in a net cash position. Trading conditions are expected to remain challenging for the current year."

Stephane Deutsch
President Director

Results

		(Audited) 2015 Rp billion	(Audited) 2014 Rp billion	Change %
Net Revenue	- Total	**14,563**	**13,051***	**+12**
Gross Profit	- Total	**3,398**	**3,116**	**+9**
Operating (Loss) / Income	- Total	**(150)**	**12**	**n.m.**
(Loss) / Profit for the year	- Continuing	**(82)**	**64**	**n.m.**
	- Discontinued	**(62)**	**(20)**	**n.m.**
	- Total	**(144)**	**44**	**n.m.**
		Rp	**Rp**	**%**
(Loss) / Earnings per Share	- Continuing	**(19)**	**15**	**n.m.**
	- Discontinued	**(15)**	**(5)**	**n.m.**
	- Total	**(34)**	**10**	**n.m.**

* Reclassification due to consignment sales 2014

n.m. = not meaningful

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PRESIDENT DIRECTOR'S STATEMENT

Overview

The Company recorded good sales growth in 2015, despite a significant reduction in store numbers. Sales at both Giant and Guardian out-performed the market, with strong like-for-like sales growth and improved market share. IKEA's sales have also performed ahead of expectations. Despite the good sales performance, profitability was negatively affected by margin pressures, minimum wage increases, stock clearance activities and store rationalization. Measures are being taken to improve overall profitability, including margin management together with energy saving and labour productivity initiatives.

Financial Performance

Total sales for 2015 were 12% higher at Rp 14,563 billion. Gross profit grew by 9%, despite some margin investment to drive sales. An underlying net loss of Rp 82 billion was recorded for the year, compared with an underlying net profit of Rp 64 billion in 2014. The loss was driven principally by lower trading margins, higher labour costs, stock losses from tighter stock management practices, and a store rationalization programme. The reported net loss of Rp 144 billion includes Rp 62 billion losses from discontinued operation, without which the net loss would have been Rp 82 billion.

Despite the profit pressures, the Company's free cash flow improved by Rp 1,690 billion in the year as a result of increased focus on working capital and lower capital expenditure on new store expansion. As at the end of December 2015, the Company had net cash of Rp 47 billion, compared to net debt of Rp 143 billion at the end of the prior year.

The results from continuing operations have been materially impacted by one-off costs relating to store closures and stock clearance activities, intended to clear old, slow moving and discontinued stock lines.

Following a detailed strategic review, it was decided to exit the Starmart convenience store business. This activity has, therefore, been accounted for under discontinued operations.

Business Activities

In Food, the Company is intensifying efforts to enhance its fresh food offer as a way to increase traffic and differentiate the customer offer. Work also continues to improve quality and efficiency in the fresh supply chain through direct sourcing from farms.

The Giant formats, both hypermarket and supermarket, gained market share against their competitors despite closing 14 loss making stores. Solid sales growth was achieved throughout the year, particularly in supermarkets, through improving the offer and quality on fresh products and redesigning the store layouts.

The upscale format, Hero Supermarket, is to provide a more distinctive choice for customers by enhancing the offer across its fresh, imported and exclusive ranges.

In Health and Beauty, Guardian's new store image and private label development helped to generate solid sales growth. As with the Food business, however, profitability was eroded by increased costs, particularly higher labour costs. Following a detailed review of its store base, the decision was taken to close a net 50 stores which were predominantly loss making.

Sales in IKEA's first store have been very encouraging, and its second catalogue was launched in September. Expansion opportunities are being actively explored.

The Company continues to invest in supply chain and in new IT systems to support delivery of a superior consumer offer.

As of 31st December 2015, the Company operated 610 outlets, comprising 53 Giant Ekstra stores, 154 Hero Supermarkets and Giant Ekspres stores, 318 Guardian Health and Beauty stores, one IKEA and 84 Starmart Convenience stores.

Discontinued Operations

The restructuring of Starmart stores portfolio has been pursued in 2015 with additional 50 stores closed. An agreement has been reached for the sale of the business in 2016 with majority stores, while the remaining Starmart stores will be closed.

Prospects

While good sales momentum was maintained in the last quarter, profitability for the year was adversely affected by lower margins in both the Food and Health and Beauty businesses, together with higher expenses and labour costs. Despite this, the Food business gained market share in a difficult consumer environment, and IKEA is performing ahead of expectations. Full-year free cash flow improved strongly, and the Company ended the year in a net cash position. Trading conditions are expected to remain challenging for the current year.

Stephane Deutsch
President Director
26th February 2016

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