



**Dairy Farm International Holdings Ltd**

Jardine House, 33-35 Reid Street  
Hamilton HM EX, Bermuda

To: Business Editor

1st March 2017  
For immediate release

**PT HERO SUPERMARKET TBK  
2016 FULL YEAR RESULTS**

The following announcement was issued today by the Company's 84.4%-owned subsidiary, PT Hero Supermarket Tbk.

For further information, please contact:

Dairy Farm Management Services Limited  
Neil Galloway

(852) 2299 1896

Brunswick Group Limited  
Siobhan Xiaohui Zheng

(852) 3512 5044

Issued by: **Dairy Farm Management Services Ltd**

*Incorporated in Bermuda with limited liability*

5/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

South Tangerang, 1<sup>st</sup> March 2017

## PT HERO SUPERMARKET TBK 2016 FULL YEAR RESULTS

### Highlights

- Net revenue decreased by 5%
- Gross profit increased by 7%
- Improved net profit to Rp121 billion
- Store rationalization programme is near completion

“The competitive retail environment is expected to remain challenging for the Food business. In response, actions are being taken to increase the value proposition for consumers by providing better fresh offers, enhancing pricing strategies, and improving supply chain efficiencies. The Non-Food businesses continue to trade well with positive prospects.”

**Stephane Deutsch**  
President Director

### Results

	Audited Full Year		Change %
	2016 Rp billion	2015 Rp billion	
Net Revenue*	13,678	14,353	-5
Gross Profit*	3,570	3,327	+7
Operating Profit / (Loss)*	206	(99)	n.m.
Profit / (Loss) for the year	- Continuing*	(82)	n.m.
	- Discontinued**	(62)	n.m.
	- Total	(144)	n.m.
	<b>Rp</b>	<b>Rp</b>	<b>%</b>
Profit / (Loss) per share	- Continuing*	(20)	n.m.
	- Discontinued**	(14)	n.m.
	- Total	(34)	n.m.

\* Excluding Starmart operations

\*\* Starmart operations

n.m. = not meaningful

- more -

**PT Hero Supermarket Tbk**

Graha Hero | CBD Bintaro Jaya Sektor 7 Blok B7/A7 | Pondok Jaya, Pondok Aren | Tangerang Selatan 15224 - Indonesia  
Phone: +6221 8378 8388 | www.hero.co.id | Call Centre 0-800-1-998877

## **PRESIDENT DIRECTOR'S STATEMENT**

### **Overview**

Weak consumer confidence and an increasingly competitive trading environment continued to impact the overall performance for PT Hero in 2016, particularly in the Food business. Sales in the Food business were down on the prior year due to store closures and negative like-for-like sales growth, while both Health and Beauty and Home Furnishings reported higher sales and strong like-for-like sales growth.

Despite the mixed sales performances, profitability in both the Food and Non-Food businesses improved. A combination of range and promotional strategy improvements resulted in enhanced gross margins, and store rationalization and tighter cost management allowed for a greater control of operating expenses.

### **Financial Performance**

Sales in 2016 were Rp13,678 billion, 5% lower than the prior year. Net profit from continuing operations was Rp152 billion compared to a net loss of Rp82 billion in 2015.

The Food business saw sales decline by 7% to Rp11,700 billion as supermarkets and hypermarkets continued to be challenged by the rapid growth of smaller format store operators. Excluding unallocated corporate expenses, the operating income from the Food business improved to Rp91 billion, following the loss recorded in the prior year, due to promotional strategy improvements and a focus on cost management.

The Non-Food businesses produced sales up 15% at Rp1,978 billion following double digit like-for-like sales growth in both Home Furnishings and Health and Beauty, and despite the effect of store closures in Guardian. Excluding unallocated corporate expenses, the operating income contribution was significantly ahead of last year at Rp176 billion, due to improved gross margins and the benefit of the closure of underperforming stores.

The increased profit coupled with more selective capital spending led to the net cash position improving to Rp183 billion at the year end, compared with Rp47 billion in 2015.

### **Business Activities**

The retail trading environment in 2016 was challenging for the Food business, especially in the second half of the year following Eid Mubarak. Competition intensified as mini-market operators continued to invest heavily in network development, offering very competitive pricing on daily staples. Against this backdrop, the Food business experienced negative like-for-like sales, while also closing selected underperforming stores. Initiatives to restore sales growth are underway, including improving the consumer value proposition with particular focus on delivering a better fresh offer, enhancing the pricing and promotion strategy, and improving supply chain efficiency through higher utilization of the Group's distribution centre.

- more -

In Giant, in addition to improving the fresh offer, we are reviewing the range across general merchandise to make the offer more relevant for changing consumer needs. In Hero Supermarket, initiatives are underway to improve both the range and shopping experience for consumers, and we have recently opened a new model store at Pondok Indah Mall where initial trading results are encouraging.

In Health and Beauty, the significant store rationalization programme in Guardian, which was announced last year, has progressed well and is near completion. Despite these closures, strong like-for-like growth produced higher sales in 2016, as well as delivering higher profitability. There is a stronger focus on ensuring the range on offer is relevant for customers, while the health offer is being developed further to drive sustainable sales growth.

In IKEA, there was continued strong sales growth from the Alam Sutera store, and profits were also up on the prior year. IKEA enjoyed higher margins, benefiting from lower product costs and higher sales. The IKEA online sales channel covering the Greater Jakarta area went live in the third quarter of 2016 and has been well received by our customers. A site for a second IKEA store in Jakarta has been identified to support future growth.

At 31<sup>st</sup> December 2016, the Company operated 448 stores, comprising 55 Giant Ekstra hypermarkets, 147 Giant Ekspres and Hero Supermarkets, 245 Guardian Health and Beauty stores and 1 IKEA store. The net decrease of 162 stores during the year was primarily due to the Guardian rationalization programme and the divestment of the Starmart convenience store business.

## **Prospects**

The competitive retail environment is expected to remain challenging for the Food business. In response, actions are being taken to increase the value proposition for consumers by providing better fresh offers, enhancing pricing strategies, and improving supply chain efficiencies. The Non-Food businesses continue to trade well with positive prospects.

## **Stephane Deutsch**

President Director

1<sup>st</sup> March 2017

- end -

For further information contact:

Stephane Deutsch, President Director

PT Hero Supermarket Tbk

Tel: +62-21-8378 8388, Fax: +62-21-831 7764