



Dairy Farm International Holdings Ltd

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

To: Business Editor

27th February 2015
For immediate release

**PT HERO SUPERMARKET TBK
2014 YEAR END RESULTS**

The following announcement was issued today by the Company's 81.90%-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

Tangerang Selatan, 27th February 2015

PT HERO SUPERMARKET TBK 2014 YEAR END RESULTS

Highlights

- Net revenue up 14%
- Gross profit up 9%
- Underlying operating loss of Rp 12 billion driven by weak like-for-like sales growth and higher operating costs
- Underlying profit down to Rp 20 billion
- First Indonesian IKEA store successfully opened in Alam Sutera

“Challenging conditions are expected to continue in the food business in 2015, although action is being taken to address weaknesses and improve profitability. Nevertheless, the successful opening of the first IKEA store and the continuing profitable development of Guardian provides reason to remain cautiously optimistic about the trading outlook for the year ahead.”

Stephane Deutsch
President Director

Results

		(Audited)		
		2014	2013	Change
		Rp billion	Rp billion	%
Net revenue		13,564	11,900	+14
Gross profit		3,116	2,847	+9
Operating income	- Underlying	-12 *	420 **	-103
	- Reported	12	782	-98
Profit for the year	- Underlying	20 *	330 **	-94
	- Reported	44	671	-93
		Rp	Rp	
Earnings per share	- Underlying	5 *	86 **	-94
	- Basic	10	176	-94

* Excluding the residual gain on sale of the Company's head office property in 2014
 ** Excluding an one off gain on sale of the Company's head office property in 2013

-more-

PT Hero SupermarketTbk

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

PRESIDENT DIRECTOR'S STATEMENT

Overview

Results for 2014 were disappointing with weak like-for-like sales growth in the food business and a significant increase in operating costs across all businesses as well as higher overheads and store pre-opening costs. Despite the challenges in the food sector, our health & beauty business experienced good growth and we opened the first IKEA store in Indonesia with early trading being very encouraging.

Financial Performance

Net revenue for the year of 2014 grew 14% to Rp 13,564 billion, while gross profit also increased by 9% to Rp 3,116 billion. Underlying profit fell to Rp 20 billion, however, in the face of competitive conditions and severe cost pressures, including a significant year-on-year increase in the minimum wage and electricity charges, as well as pre-opening costs associated with an expanded store base.

In addition to the weaker operating performance the Company also increased stock provisions for slow moving, obsolete and excess stock as it sought to manage down excess stock in the business and improve stock management practices. A small provision was also taken in relation to the planned closure of a number of underperforming stores.

The Company's financial position remains strong with net debt of Rp 143 billion at the end of 2014. The reduction of net cash from the previous year was mainly due to higher investing activities, which included increased capital expenditure on stores and infrastructure.

Business Activities

There were mixed results in the Company's businesses during 2014. While store network was expanded successfully in both the food and health & beauty businesses, with the addition of a net 22 new stores, there were significant increases in operating costs particularly in relation to higher labour and utility expenses. Like-for-like sales in the food business were weak, particularly in the Giant Ekspres operations, and new stores did not perform as well as expected. With cost increases being ahead of sales growth, the food operation suffered a fall in both margin and profitability. The health & beauty business was also impacted by cost increases, but less so due to better like-for-like sales and new store performance.

-more-

In the food operations, there is an increased focus on fresh produce and market share continues to improve. Action is also being taken to improve the supply chain with additional Distribution Centres enabling increased centralization, rather than having suppliers delivering direct to the stores.

The hypermarket operation, Giant Ekstra, delivered above market like-for-like sales growth which enabled it to absorb the increase in operating costs and maintain its profitability. Giant Ekspres, the supermarket banner, faced a challenging year. Disappointing like-for-like sales, higher utilities costs and minimum wages led to a material deterioration of the profitability of its operations. The upscale format, Hero Supermarket, continues to focus on improving its offer across the fresh, imported and exclusive ranges to provide a more distinctive choice and grow customer appeal. Starmart's increased focus on Ready-to-Eat has had a positive impact on sales in the stores where this offering has been introduced. A store portfolio optimization programme was launched to address loss making stores, with the closure of 30 loss making stores to improve the overall profitability of the banner. A detailed review of this business is currently being undertaken.

In Health & Beauty, Guardian's store expansion programme is progressing well alongside the rollout of a fresh brand look. A dedicated distribution centre was opened to support its supply chain. In addition, a strategic partnership is under trial with a local pharmacy operator, Melawai Pharmacy, in Jakarta to combine their local pharmacy strengths with the broader health and beauty offering of Guardian.

In Home Furnishings, the first IKEA store was successfully opened in October in Alam Sutera in Tangerang Selatan. The store has attracted more than 75,000 customers per month since opening, and initial trading has been very encouraging. The contribution from IKEA to PT Hero's full-year result was affected by to the limited trading period and pre-opening expenses, but this business is expected to contribute positively in 2015.

The Company is continuing to invest in the supply chain infrastructure, including Distribution Centres and IT systems, to provide the support necessary to deliver a superior customer offer and to provide a compelling shopping experience for customers.

A total 22 net new stores opened in the year 2014, including 4 Giant Ekstra, 7 Hero Supermarket and Giant Ekspres, 33 Guardian and the first IKEA store. This was offset by a net reduction of 23 Starmart outlets. As of 31st December 2014, the Company operated 704 stores, comprising 55 Giant Ekstra, 165 Hero Supermarket and Giant

-more-

Page 4

Ekspres, 349 Guardian health and beauty stores, 1 IKEA and 134 Starmart convenience stores.

Prospects

Challenging conditions are expected to continue in the food business in 2015, although action is being taken to address weaknesses and improve profitability. Nevertheless, the successful opening of the first IKEA store and the continuing profitable development of Guardian provides reason to remain cautiously optimistic about the trading outlook for the year ahead.

Stephane Deutsch

President Director
27th February 2015

- End -

For further information contact:

Stephane Deutsch, President Director
PT Hero Supermarket Tbk

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