



Dairy Farm International Holdings Ltd

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To: Business Editor

1st March 2018
For immediate release

**PT HERO SUPERMARKET TBK
FULL YEAR 2017 RESULTS**

The following announcement was issued today by the Company's 84.5%-owned subsidiary, PT Hero Supermarket Tbk.

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Tangerang Selatan, 1st March 2018

PT HERO SUPERMARKET TBK FULL YEAR 2017 RESULTS

Highlights

- Net revenue down 5%, held back by Food business
- Net loss of Rp 191 billion, impacted by one-off costs of Rp 366 billion, related mostly to impairment of assets and stock clearance
- Strong performance in Health and Beauty and IKEA

“The Food business remains challenging, while the Non-Food businesses continue to grow strongly. A strategic review of the Food business is being undertaken to identify the actions required to rebuild its competitive positioning which is essential to deliver long-term growth and profitability.”

Stephane Deutsch
President Director

Results

		Audited Full Year		
		2017	2016	Change
		Rp billion	Rp billion	%
Net Revenue*		13,034	13,678	-5
Gross Profit*		3,442	3,570	-4
Operating (Loss)/ Profit		(249)	206	n.m.
(Loss)/ Profit for the year	- Underlying*	(191)	152	n.m.
	- Discontinued**	-	(32)	n.m.
	- Total	(191)	121	n.m.
		Rp	Rp	%
(Loss)/ Profit per share	- Underlying*	(46)	36	n.m.
	- Discontinued**	-	(7)	n.m.
	- Total	(46)	29	n.m.

* Excluding Starmart operations

** Starmart operations

n.m. = not meaningful

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PT Hero Supermarket Tbk

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PRESIDENT DIRECTOR'S STATEMENT

Overview

The Company's performance for 2017 was disappointing. The decline in sales in the Food business together with the one-off provision, mostly for the impairment of assets and the clearance or write-off of poor quality and slow moving stock negatively impacted overall Company performance. Despite the challenges facing Food, both the Guardian and IKEA businesses performed strongly and reported higher sales and profits.

Financial Performance

Total sales in 2017 were 5% lower than the prior year at Rp 13,034 billion driven by weak Food sales. The Company recorded net loss of Rp 191 billion, down from net income of Rp 121 billion in the same period last year, due to one-off costs of Rp 366 billion related mostly to impairment of assets and stock clearance or write-offs in the Food business.

Sales in the Food business declined by 7% to Rp 10,859 billion due to negative like-for-like sales, due to a weaker performance in both supermarkets and hypermarkets. The business reported an underlying operating loss of Rp 434 billion, compared with a profit of Rp 91 billion in the prior year.

In contrast to the Food business, sales in the Non-Food businesses grew 10% to Rp 2,174 billion, principally driven by strong like-for-like sales growth for both IKEA and Guardian. Operating profit increased 60% to Rp 282 billion.

Despite the fall in profitability, free cash flow for the year was Rp 40 billion compared with Rp 7 billion in the prior year, driven by higher Non-Food profit and better working capital, which is more than offset a decline in operating profit from the Food business.

As at 31st December 2017, the Company had net cash of Rp 226 billion, compared to Rp 183 billion at the end of 2016.

Business Activities

In Food, a strategic review is underway to identify necessary actions to address the underperformance in the business as well as growth opportunities. Initial actions have been addressing to the loss-making Food stores and poor quality stock, particularly in General Merchandise, through clearance activities. Initiatives are also ongoing to improve sales in Food, including revisiting promotional activity, together with reviews of our range and the competitiveness of pricing strategies across formats. The competitive landscape is changing with the development of more convenient shopping, as well as the evolving behaviors of consumers, and we need to respond more effectively to these changes in market environment. We are piloting a number of new digital initiatives, which include a partnership with GO-JEK launched in the fourth quarter of 2017, which will allow customers access to our stores on this platform. We have also invested to reinvigorate our upscale Hero Supermarket brand through a store revitalization programme, which is yielding encouraging initial results.

In Guardian, the business has recovered well from a store rationalization programme in 2016 and has experienced strong growth in several categories, particularly in beauty. Work continues on further range refinement as the business becomes increasingly responsive to local customer needs.

In IKEA, the sales performance was significantly ahead of the prior year with increased customer traffic. IKEA's online business continues to grow and has offered nationwide coverage from the fourth quarter of 2017, supported by a third IKEA e-commerce Distribution Point opened in Giant Ekstra Harapan Indah. Work is continuing on securing the necessary approvals for construction of a second store on a site acquired in Jakarta Garden City, and additional sites for further stores have been identified and are under review.

As at 31st December 2017, the Company operated 449 stores, comprising 58 Giant Ekstra, 105 Giant Ekspres, 32 Hero Supermarket, 3 Giant Mart, 250 Guardian stores, and one IKEA store.

People

Ilauddin Sopian and Rituraj Mohan have joined the Board and have replaced Xavier Jacques Albert Thiry and Mark Edward Magee. I will be stepping down as President Director in May 2018 after serving the Company for four years.

Despite the challenging operating environment our team members have continued to focus on meeting our customers' needs, and on behalf of the Board I would like to thank them for their efforts and continuing support in the year ahead as we seek to build a stronger foundation for future growth.

Prospects

The Food business remains challenging, while the Non-Food businesses continue to grow strongly. A strategic review of the Food business is being undertaken to identify the actions required to rebuild its competitive positioning which is essential to deliver long-term growth and profitability.

Stephane Deutsch

President Director

1st March 2018

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