



Dairy Farm International Holdings Ltd

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To: Business Editor

27th April 2018
For immediate release

**PT HERO SUPERMARKET TBK
FIRST QUARTER 2018 RESULTS**

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

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**PT HERO SUPERMARKET TBK
FIRST QUARTER 2018 RESULTS**

Highlights

- Net revenue down 2%
- Net loss of Rp 4 billion
- Weakness in the Food business
- Strong results in Health and Beauty and IKEA

“The trading environment remained challenging in the first quarter of 2018, but gross margins are increasing and costs were lower than the same period last year. Health and Beauty and IKEA continue to trade well, with strong sales and profit growth.”

Stephane Deutsch
President Director

Results

	(Unaudited) First Quarter		Change
	2018	2017	
	Rp billion	Rp billion	%
Net Revenue	3,045	3,109	-2
Gross Profit	867	825	+5
Operating Loss	(13)	(10)	-30
Loss for the period	(4)	(6)	+33
	Rp	Rp	%
Loss per share	(1)	(1)	-

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PRESIDENT DIRECTOR'S STATEMENT

Overview

The Indonesian modern grocery retail sector experienced weak trading in the first quarter of 2018. There was a shift in consumer behaviour towards savings, with everyday household consumption continuing to weaken. As a result, sales in the Food business remained challenging.

In response to the difficult market environment, steps are being taken to revive growth through a revised promotion strategy focused on everyday value for customers and enhanced product availability in stores.

The Group's Non-Food businesses performed well during the period.

Financial Performance

Total sales in the first quarter were 2% lower at Rp 3,045 billion. The Company recorded a net loss of Rp 4 billion, compared with a net loss of Rp 6 billion in the same period last year, with the improvement being supported by enhanced margins.

Food sales were 7% lower at Rp 2,455 billion, due to store closures and negative like-for-like sales, leading to an operating loss of Rp 87 billion, before unallocated corporate expenses, compared with Rp 56 billion in the comparable period last year.

Sales in the Non-Food businesses increased by 22% to Rp 589 billion, with both Guardian and IKEA showing strong growth. Operating profit was Rp 87 billion, before unallocated corporate expenses, compared with Rp 63 billion last year.

Free cash flow for the quarter improved to negative Rp 30 billion compared to negative Rp 103 billion in the comparable period last year, primarily due to reduced capital expenditure.

As at 31st March 2018, the Company had net cash of Rp 197 billion, compared to Rp 226 billion at the prior year end.

Business Activities

The weak trading environment has led to negative like-for-like sales growth in the Food business. In response, a new promotion strategy is being pursued. This includes revised promotional activity, together with a review of the range and the competitiveness of the pricing strategy across all formats. Clearance activities for general merchandise products continued to deliver encouraging results in the first quarter.

Guardian continued to trade well. The focus on improving the beauty offer has resonated with customers and this segment is performing ahead of expectations. A second distribution centre will open later this year to meet increasing demand. There will be continued focus on further refining the range to meet customer needs.

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In IKEA, sales performance showed positive momentum. Growth was driven by an increase in footfall at the IKEA Alam Sutera store, as well as more sales through IKEA's online platform which continues to show encouraging progress.

As at 31st March 2018, the Company operated 448 stores, comprising 58 Giant Ekstra, 102 Giant Ekspres, 31 Hero Supermarkets, 3 Giant Mart, 253 Guardian Health and Beauty stores and one IKEA store.

Prospects

The trading environment remained challenging in the first quarter of 2018, but gross margins are increasing and costs were lower than the same period last year. Health and Beauty and IKEA continue to trade well, with strong sales and profit growth.

Stephane Deutsch

President Director

27th April 2018

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