



Dairy Farm International Holdings Ltd

Jardine House, 33-35 Reid Street
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To: Business Editor

30th October 2015
For immediate release

**PT HERO SUPERMARKET TBK
NINE MONTHS 2015 RESULTS**

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

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

Incorporated in Bermuda with limited liability

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Tangerang Selatan, 30th October 2015

PT HERO SUPERMARKET TBK NINE MONTHS 2015 RESULTS

Highlights

- Net revenue up 12%
- Gross profit up 11%
- Underlying EBITDA up 2% to Rp 305 billion
- Net loss of Rp 31 billion, compared with prior year net profit of Rp 53 billion

“While good sales momentum has been maintained in the third quarter, lower margins in the food business, higher labour costs and expenses associated with inventory clearance and store rationalization have adversely affected profitability for the first nine months. The food business is achieving market share gains in a difficult consumer environment, and IKEA is generating sales ahead of expectations. Nevertheless, the Company will continue to be affected by the trading conditions which are expected to remain challenging for the balance of the year.”

Stephane Deutsch

President Director

Results

	Nine Months (Unaudited)			
		2015 Rp billion	2014 Rp billion	Change %
Net Revenue		11,347	10,095	+12
Gross Profit		2,565	2,319	+11
Operating (Loss) / Income	- Underlying	(24)	19*	n.m.
	- Reported	(24)	43	n.m.
EBITDA	- Underlying	305	298	+2
	- Reported	305	322	-5
(Loss) / Profit for the period	- Underlying	(31)	30*	n.m.
	- Reported	(31)	53	n.m.
		Rp	Rp	%
(Loss) / Earnings per Share	- Underlying	(7)	7*	n.m.
	- Basic	(7)	13	n.m.

* Excluding the residual gain on sale of the Company's head quarter in 2014

n.m. = not meaningful

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PT Hero Supermarket Tbk

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PRESIDENT DIRECTOR'S STATEMENT

Overview

For the first nine months of 2015, the Group recorded significant sales growth in both its Food business and its Health and Beauty business. The first IKEA store sales have also performed ahead of expectations. Despite this good sales performance, profitability was negatively affected by minimum wage increases, stock clearance activities and store rationalization. Increased focus is being placed on measures to improve overall profitability, including energy saving and labour productivity initiatives.

A net 71 stores have been closed in the year to date, principally small format stores under the Guardian and Starmart brands.

Financial Performance

Total sales were Rp 11,347 billion for the first nine months of 2015, 12% ahead of prior year. Gross profit grew by 11% despite some margin investment to drive sales. A net loss of Rp 31 billion was recorded for the nine months of 2015, compared with a net profit of Rp 53 billion in 2014. The loss was driven principally by lower trading margins, higher labour costs, stock losses from tighter stock management practices, and the store rationalization programme.

Despite the profit pressures, the Group's operating cash flow improved by Rp 680 billion in the period as a result of increased focus on working capital and lower capital expenditure on new store expansion. The Company's financial position remains strong with net debt of Rp 87 billion at the end of September 2015.

Business Activities

In Food, the Company is intensifying efforts to enhance its fresh food offer as a way to increase consumer appeal. This is already yielding benefits in terms of an increasing market share. Work also continues to improve quality and efficiency in the fresh supply chain through direct sourcing from farms.

Giant is also improving the shopping experience for customers by providing a layout which is simpler and faster to use.

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

Starmart's ongoing store rationalization programme has resulted in the closure of a further 48 stores. A detailed strategic review of this business is ongoing.

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.

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Sales in IKEA's first store have been very encouraging, and its second catalogue was launched in September. It is actively exploring expansion opportunities.

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

As of 30th September 2015, the Company operated 633 outlets, comprising 53 Giant Ekstra stores, 155 Hero Supermarkets and Giant Ekspres stores, 338 Guardian Health and Beauty stores, one IKEA and 86 Starmart Convenience stores.

Prospects

While good sales momentum has been maintained in the third quarter, lower margins in the food business, higher labour costs and expenses associated with inventory clearance and store rationalization have adversely affected profitability for the first nine months. The food business is achieving market share gains in a difficult consumer environment, and IKEA is generating sales ahead of expectations. Nevertheless, the Company will continue to be affected by the trading conditions which are expected to remain challenging for the balance of the year.

Stephane Deutsch

President Director

30th October 2015

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