



**Dairy Farm International Holdings Ltd**

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To: Business Editor

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For immediate release

**PT HERO SUPERMARKET TBK  
FIRST HALF 2016 RESULTS**

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

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*Incorporated in Bermuda with limited liability*

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**PT HERO SUPERMARKET TBK  
FIRST HALF 2016 RESULTS**

**Highlights**

- Net revenue down 1%
- Gross profit up 7%
- Net profit of Rp 20 billion
- Stores rationalization programme continues

“PT Hero returned to profitability in the first half with signs of further margin improvement. Nevertheless, the trading environment for the Food business remains challenging and various initiatives to improve performance are ongoing. Further progress is expected in both the Health and Beauty and IKEA businesses.”

**Stephane Deutsch**  
President Director

**Results**

	(Unaudited) First half		Change %
	2016 Rp billion	2015 Rp billion	
Net Revenue	7,201	7,238*	-1%
Gross Profit	1,747	1,640*	+7%
Operating Profit / (Loss)	27	(3)**	n.m.
Profit / (Loss) for the period	20	(32)	n.m.
	Rp	Rp	%
Profit / (Loss) per Share	5	(8)	n.m.

\* Reclassification due to elimination of consignment sales and Starmart

\*\*Excluding the loss of Starmart as it is classified as discontinued operation

n.m. = not meaningful

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**PT Hero Supermarket Tbk**

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## **PRESIDENT DIRECTOR'S STATEMENT**

### **Overview**

The Group's result for the first half of 2016 saw sales in the Food operations impacted by both weak like-for-like sales and store closures. The decline in Food was only partially offset by strong like-for-like sales growth in both Health and Beauty and IKEA.

Profitability in the Food operations was reduced due to the lower sales, higher stock provisions and increasing costs resulting from wage increases last year, offset by improving profitability from Health and Beauty and IKEA. Significant attention is being given to driving sales growth in Food and to support margin improvement. In addition several initiatives are underway to mitigate the effects of rising costs.

### **Financial Performance**

Total sales in the first half of 2016 were 1% lower at Rp 7,201 billion. Despite the decline in sales, a net profit of Rp 20 billion was recorded, representing a significant improvement over the net loss of Rp 32 billion seen in the prior year.

Operating cash flow was Rp 12 billion, compared with Rp 423 billion in the first half of 2015, reflecting the company's preparation for Eid Mubarak which fell two weeks earlier this year in early July. At 30th June 2016, the Company had net debt of Rp 134 billion, compared to net cash Rp 47 billion at 31<sup>st</sup> December 2015, due to the temporary increase in working capital during the Eid Mubarak period.

### **Business Activities**

In the Food business, the increased focus on fresh produce is showing promising results with strong like-for-like sales growth. Despite the positive effect of Eid Mubarak on sales, disappointing general merchandise sales impacted the overall performance of the Food division, especially in Giant. Action is being taken to improve the efficiency of the supply chain, with increased centralization through the Group's distribution centers.

Both Giant Ekstra and Ekspres are taking steps to improve their trading and their profitability.

In Health and Beauty, Guardian's store rationalization programme is progressing well. Strong like-for-like sales growth was achieved despite the closure of a number of stores, which has led to improved profitability.

In Home Furnishings, IKEA produced another strong performance and exceeded both sales and profitability expectations. An online sales capability will be progressively introduced from the second half of the year, which is expected to start generating additional profitability.

Following the agreement to sell the Starmart business announced earlier in the year, the remaining 30 Starmart convenience stores will be disposed of before the year end.

Of the Group's continuing operations, the number of stores was reduced by a net 50 in the first half, primarily as part of Guardian's store rationalization programme. As at 30th of June 2016, the Group operated 476 stores, comprising 55 Giant Ekstra, 150 Giant Ekspres and Hero Supermarket, 270 Guardian Health and Beauty stores and 1 IKEA store.

### **Prospects**

PT Hero returned to profitability in the first half with signs of further margin improvement. Nevertheless, the trading environment for the Food business remains challenging and various initiatives to improve performance are ongoing. Further progress is expected in both the Health and Beauty and IKEA businesses.

### **Stephane Deutsch**

President Director

27<sup>th</sup> July 2016

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