



**Dairy Farm International Holdings Ltd**

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To: Business Editor

27th October 2017  
For immediate release

**PT HERO SUPERMARKET TBK  
NINE MONTHS 2017 RESULTS**

The following announcement was issued today by the Company's 84.5%-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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South Tangerang, 27<sup>th</sup> October 2017

## PT HERO SUPERMARKET TBK NINE MONTHS 2017 RESULTS

### Highlights

- Net revenue down 5%
- Gross profit up 1%
- Net income of Rp 70 billion
- Declining sales in Food business
- Improved performances in Guardian and IKEA

“The current trading conditions are expected to persist for the remainder of the year. With the continuing challenges facing the Food business, we are undertaking a strategic review to underpin the long-term profitability for the Company.”

### Stephane Deutsch

President Director

### Results

	(Unaudited) Nine Months		
	2017	2016	Change
	Rp billion	Rp billion	%
Net Revenue*	9,961	10,470	-5
Gross Profit*	2,638	2,602	+1
Operating Profit*	77	25	100+
Profit/(Loss) for the period			
- Continuing*	70	35	+99
- Discontinued**	-	10	n.m.
- Total	70	45	+57
	<b>Rp</b>	<b>Rp</b>	<b>%</b>
Profit/(Loss) per share			
- Continuing*	17	9	+89
- Discontinued**	-	2	n.m.
- Total	17	11	+55

\* 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 the first nine months of 2017 was negatively impacted by declining sales in the Food business, which were worse in the third quarter following the Eid Mubarak festive period. In contrast to the Food business, both the Guardian and IKEA businesses are trading well and reported strong sales and profit growth.

### **Financial Performance**

Total sales in the first nine months of 2017 were 5% lower than the prior year at Rp 9,961 billion as a result of lower Food sales. Operating profits improved, however, over the prior year as a result of higher profitability in Guardian and IKEA. The Company recorded net income of Rp 70 billion for the first nine months of 2017, up from Rp 45 billion in the same period in 2016.

Sales in the Food business declined by 8% to Rp 8,342 billion due to negative like-for-like sales and store closures, with weaker performances seen in both supermarkets and hypermarkets. Sales in the Guardian and IKEA businesses grew 13% to Rp 1,619 billion, compared with Rp 1,435 billion in the prior year, principally driven by strong like-for-like performances.

As at 30<sup>th</sup> September 2017, the Company had a net cash position of Rp 60 billion.

### **Business Activities**

In the Food business, competition intensified as mini market operators continue to invest heavily in their network development. Several initiatives to improve the Food business performance are underway. These include a review of promotions and pricing strategy between formats, addressing poor supplier service levels, and improving supply chain distribution to improve stock availability in the stores. A broader strategic review is being undertaken to validate future development plans for the Food business.

In Giant, a second Giant Ekstra store has been opened in Malang. In Hero, the upscale supermarket format, plans are underway to revitalize the store base following the encouraging results from the remodeled pilot store opened earlier in the year.

Guardian has continued to benefit from the rationalization of underperforming stores in 2016. Greater focus on the beauty segment has resonated with customers, with this category driving much of the growth year to date. Work is continuing on refining further the range as the business becomes increasingly responsive to local customer needs.

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At IKEA, the sales performance was significantly ahead of the prior year. The new IKEA catalogue, with a focus on the living room, was launched in September and has been well received by customers. IKEA's online activities continue to grow with a second IKEA E-commerce Distribution Point opened in Surabaya to support future online sales growth.

At 30<sup>th</sup> September 2017, the Company operated 450 stores, little changed from the prior year end, comprising 57 Giant Ekstra, 108 Giant Ekspres, 32 Hero Supermarket, 2 Giant Mart, and 250 Guardian stores, as well as one IKEA store.

### **Prospects**

The current trading conditions are expected to persist for the remainder of the year. With the continuing challenges facing the Food business, we are undertaking a strategic review to underpin the long-term profitability for the Company.

### **Stephane Deutsch**

President Director

27<sup>th</sup> October 2017

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