



Dairy Farm International Holdings Ltd

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To: Business Editor

28th July 2015
For immediate release

**PT HERO SUPERMARKET TBK
FIRST HALF 2015 RESULTS**

The following announcement was issued today by the Company's 83.5%-owned subsidiary, PT Hero Supermarket Tbk.

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PT HERO SUPERMARKET TBK FIRST HALF 2015 RESULTS

Highlights

- Net revenue up 15%
- Like-for-like sales benefit from strategic price investment
- Gross profit up 9%
- Net loss of Rp 32 billion, compared with a net profit of Rp 95 billion prior year
- Stores rationalization programme in line with plan

“The commercial strategy that has been adopted for both Food and Health and Beauty will continue to be pursued in the second half of the year. Several initiatives are also being implemented to reduce the impact of rising costs. We remain optimistic about the second half of 2015.”

Stephane Deutsch
President Director

Results

		(Unaudited) First half		Change %
		2015 Rp billion	2014 Rp billion	
Net Revenue		7,481	6,500	+15
Gross Profit		1,677	1,543	+9
Operating (Loss) / Income	- Underlying	(31)	55 *	n.m.
	- Reported	(31)	79	n.m.
(Loss) / Profit for the period	- Underlying	(32)	71 *	n.m.
	- Reported	(32)	95	n.m.
		Rp	Rp	%
Earnings per Share	- Underlying	(8)	18 *	n.m.
	- Basic	(8)	23	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 SupermarketTbk

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PRESIDENT DIRECTOR'S STATEMENT

Overview

Despite a soft trading environment, the Group traded well in the first half of 2015 with strong like-for-like sales growth in both Food and Health and Beauty. Sales in the first IKEA store have also been very promising. Despite the sales momentum, profitability was negatively impacted by outpacing costs resulting from minimum wage increases, stocktake improvements and store rationalizations. Strong actions on energy saving and productivity are being taken to mitigate the impact of increasing costs. In Food, investment in price has led to a reduction in the gross profit margin.

The store rationalization programme, which started in the second half last year, this year resulted in the net closure of 63 stores, principally under the Starmart brand.

Financial Performance

Total sales were Rp 7,481 billion in the first half of 2015, 15% up compared with same period in the prior year. Gross profit grew by 9% despite investment in price competitiveness. A net loss of Rp 32 billion was recorded for the first half of 2015, compared with a net profit of Rp 95 billion in 2014.

The Group's operating cash flow improved by Rp 450 billion in the period, as a result of increased focus on working capital and lower capital expenditure due to a slow down in store expansion. The financial position remains strong with net debt of Rp 47 billion at the end of June 2015.

Business Activities

In Food, there is a greater concentration on driving sales participation of fresh produce. This has helped to increase like-for-like sales, especially in Giant where progress is being made on growing its market share. Action is also being taken to improve the efficiency of the supply chain.

The hypermarket operation, Giant Ekstra, and the supermarket operation, Giant Ekspres, are both taking steps to improve the customer shopping experience in selected stores prior to rolling out the initiative more broadly across the country.

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

Starmart's sales have been impacted negatively by regulations limiting the sale of alcohol that came into effect in April 2015. Its ongoing store rationalization programme led to the closure of a further 39 loss making stores, which will improve the overall profitability of the banner. A detailed strategic review of this business is currently being undertaken.

In Health and Beauty, Guardian's store expansion programme is progressing well alongside the introduction of refreshed branding and increasing private label development, leading to further improvements in like-for-like sales. The strategic partnership with the local pharmacy operator Apotik Melawai, which combines their local pharmacy strengths with the broader health and beauty offering of Guardian, is showing encouraging results.

In Home Furnishings, IKEA's first store produced a strong performance in line with expectations, having received a good response from Indonesian customers. IKEA is preparing the launch of its second catalog in September.

The Company is continuing to invest in standard IT systems to provide the support necessary to deliver a superior offer, and provide a compelling shopping experience for customers. The new website design was launched on 25th May 2015.

The festive Ramadan sales have been better than anticipated.

As at 30th June 2015, the Company operated 641 stores, comprising 53 Giant Ekstra, 155 Hero Supermarket and Giant Ekspres, 337 Guardian health and beauty stores, one IKEA and 95 Starmart convenience stores.

Prospects

The commercial strategy that has been adopted for both Food and Health and Beauty will continue to be pursued in the second half of the year. Several initiatives are also being implemented to reduce the impact of rising costs. We remain optimistic about the second half of 2015.

Stephane Deutsch

President Director
28th July 2015

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