



**Dairy Farm International Holdings Ltd**

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To: Business Editor

27th July 2017  
For immediate release

**PT HERO SUPERMARKET TBK  
FIRST HALF 2017 RESULTS**

The following announcement was issued today by the Company's 84.4%-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, 27th July 2017

## PT HERO SUPERMARKET TBK FIRST HALF 2017 RESULTS

### Highlights

- Net revenue down 4%
- Gross profit up 3%
- Net income of Rp 71 billion

“PT Hero achieved modest growth in gross profit for the first half of 2017 after the results benefited from stronger sales in the second quarter. While the trading environment remains challenging for the Food business, there continues to be good growth in both the Health & Beauty and IKEA businesses.”

**Stephane Deutsch**  
President Director

### Results

	(Unaudited) First Half		
	2017 Rp billion	2016 Rp billion	Change %
Net Revenue*	6,923	7,201	-4
Gross Profit*	1,793	1,747	+3
Operating Profit*	86	27	100+
Profit/(Loss) for the period - Continuing*	71	27	100+
- Discontinued**	-	(7)	n.m.
- Total	71	20	100+
	<b>Rp</b>	<b>Rp</b>	<b>%</b>
Profit/(Loss) per share - Continuing*	17	6	100+
- Discontinued**	-	(1)	n.m.
- Total	17	5	100+

\* 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 saw an improved sales performance during the second quarter of 2017 as retailers benefited from the Eid Mubarak festive period, partly compensating for the weak first quarter. The Company recorded improved profitability, despite the decrease of sales, principally driven by the non-Food businesses. The trading environment remains challenging for the Food business as evidenced by weak overall modern trade sales growth and a continuing negative sales trend in supermarket and hypermarket formats.

Significant attention is focused on improving sales in the Food business through the continuous review of promotional strategies in each store format, focus on everyday value for consumers, and further centralizing the distribution system. Meanwhile, operational cost management is being strengthened.

### **Financial Performance**

Total sales in the first half of 2017 were 4% lower at Rp 6,923 billion. The Company recorded net income of Rp 71 billion, up from Rp 20 billion in the first half of 2016. Operating profits benefited from a modest increase in gross profit as well as successful cost efficiency improvements.

Sales in the Food business declined by 6% to Rp 5,879 billion due to negative like-for-like sales, principally resulting from a weaker performance from the Giant Ekspres supermarkets business. This was partially offset by increased sales in the non-Food businesses, which grew 12% to Rp 1,045 billion. Both Guardian and IKEA produced strong like-for-like sales growth, which supported a significant improvement in profitability.

As at 30th June 2017, the Company's net cash had increased to Rp 585 billion, from Rp 183 billion at the end of 2016, due to the timing of the Eid Mubarak period and improvements in stock management.

### **Business Activities**

In the Food business, the Company rolled-out an everyday low price initiative to provide better value to customers which has started to deliver an improvement in sales. Further initiatives to increase sales are continuing through the regular review of promotions, a more distinctive pricing strategy between formats, and increased centralization of the distribution system to improve product availability.

The Company opened two Giant Ekstra hypermarkets during the first half of 2017, in Manado and Malang. One Hero Supermarket was opened in Bandung. The premium Hero concept recently introduced in Pondok Indah has been producing encouraging results. It will be gradually deployed in all Hero Supermarket stores.

In Guardian, the strong like-for-like sales growth continued, supported by improved store traffic especially during the Eid Mubarak festive period. New initiatives in digital marketing have received a good response, and there will be continued focus on customer-centric initiatives. Greater emphasis on the Beauty category contributed significantly to the sales growth. The first airport store was opened in Bali, and the market response has been encouraging.

In IKEA, there was further sales and profit growth from the Alam Sutera store. There was a good market response to weekly special offers, and the online activities continued to grow. IKEA started its Lebaran Sale on 15th June 2017, which produced an increase in store traffic during the festive period.

At 30th June 2017, the Company operated 447 stores, little changed from the prior year end, comprising 56 Giant Ekstra hypermarkets, 141 Giant Ekspres and Hero Supermarkets, 249 Guardian Health and Beauty stores and one IKEA store.

### **Prospects**

PT Hero achieved modest growth in gross profit for the first half of 2017 after the results benefited from stronger sales in the second quarter. While the trading environment remains challenging for the Food business, there continues to be good growth in both the Health & Beauty and IKEA businesses.

### **Stephane Deutsch**

President Director

27th July 2017

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