

Announcement

2nd March 2022

PT HERO SUPERMARKET TBK FULL YEAR 2021 RESULTS

The following announcement was issued today by the Company's 89.3%-owned subsidiary, PT Hero Supermarket Tbk.

For further information, please contact:

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South Tangerang, 2nd March 2022

PT HERO SUPERMARKET TBK
FULL YEAR 2021 RESULTS

Highlights

- Home Furnishing, Health & Beauty and Grocery Retail businesses materially affected by pandemic-related restrictions
- IKEA opened three new stores, including its first store outside Java, a Giant conversion in Bali
- Successful execution of business transformation programmes enhanced business fundamentals
- PT Hero remains well-positioned for growth over longer-term

Results

		Audited Full Year		
		2021	2020	Change
		Rp billion	Rp billion	%
Net Revenue*		3,481	3,559	-2.2
Gross Profit*		1,517	1,776	-14.6
Loss for the year	- Continuing	(932)	(519)	-79.6
	- Discontinued	(32)	(696)	+95.4
	- Total	(964)	(1,215)	+20.7
		Rp	Rp	%
Loss per share	- Continuing	(223)	(124)	-79.8
	- Discontinued	(7)	(166)	+95.8
	- Total	(230)	(290)	+20.7

* From continuing operations

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PT Hero Supermarket Tbk

Graha Hero | CBD Bintaro Jaya Sektor 7 Blok B7/A7 | Pondok Jaya, Pondok Aren | Tangerang Selatan 15224 - Indonesia
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PRESIDENT DIRECTOR'S STATEMENT

Introduction

The Company faced significant challenges in 2021 due to the COVID-19 pandemic, the related imposition of PPKM (Enforcement of Limitation on Community Activities), and consequent changes in customer shopping habits. Government-imposed restrictions on movement eased over the course of the second half, however, and overall performance improved in the fourth quarter relative to the third quarter.

In May 2021, the Company announced that, following a strategic review, it would be pivoting its trading operations away from the Giant banner by increasing investment in its strong brands of IKEA, Guardian and Hero Supermarkets. This change in strategy is a decisive and necessary response to changing market dynamics, particularly given the move away from the hypermarket format by Indonesian consumers in recent years. During the second half, the Company successfully executed the restructure of Giant in Indonesia. Six stores have been successfully converted to the Hero Supermarket banner. In addition, IKEA opened its first store outside Java, a Giant conversion in Bali.

Financial Performance

The Company reported a loss of Rp 964 billion in 2021, which included Rp 32 billion of losses associated with discontinued operations. A combination of net non-recurring charges incurred as a result of the Giant restructure as well as additional tax related expenses accounted for around 70% of the losses in the year.

IKEA's performance continued to be significantly impacted by pandemic-related restrictions, resulting in over 130 equivalent days of lost trade due to forced store closures, limitations on store operating capacity and restrictions on dining. In addition, global supply chain disruptions impacted stock

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availability during the year. We believe, however, that the foundations have been laid to support strong growth when the external environment normalises.

IKEA's total network space in Indonesia has more than doubled relative to the start of the year, following the opening of the Bandung and Jakarta Garden City stores. In addition, in November, IKEA opened its first store outside Java through the conversion of a Giant store in Bali. This expansion follows IKEA's strategic imperatives of being more accessible and affordable to the people of Indonesia and we believe these stores will generate good returns for our shareholders over time.

Guardian's performance continued to be significantly impacted by pandemic-related restrictions in Indonesia and associated changes in customer behaviours, particularly as traffic reduced in shopping malls. Nevertheless, Guardian's like-for-like sales did improve in the fourth quarter as restrictions eased. In addition, Guardian continues to adapt to the changing external environment through price reinvestment to drive additional value for customers, growth in new formats and range optimisation tailored to specific customer demographics.

The performance of Hero Supermarket stores in the year was also affected by the imposition of pandemic-related restrictions and changes in customer behaviours. Like-for-like sales, however, began to improve in the fourth quarter with a progressive improvement in customer traffic. Following the Giant restructure, six stores have been converted to Hero Supermarket stores. Hero is also innovating through range optimisation programmes and the rollout of new online shopping initiatives.

Business Update

Following the change in PT Hero's strategic approach, the Giant banner in Indonesia ceased operations in July. The Company has successfully divested a number of stores to third parties and remains in active discussions to dispose of several further stores. In addition to stores already converted, several additional IKEA conversions are also planned.

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People

We would like to express our deep thanks and appreciation to all our team members who have worked tirelessly to service our customers during a challenging 2021 – without them nothing would be possible.

Prospects

The duration and extent of the impact of the COVID-19 pandemic on PT Hero remains uncertain. However, PT Hero is cautiously optimistic that the external trading environment will improve in 2022, following improved performance over the course of the second half of 2021. The Company remains committed to its retail future in Indonesia. We believe that the successful execution of business transformation programmes over the past few years have enhanced the foundations of PT Hero and positioned the Company strongly for growth in Indonesia over the long-term.

Patrik Lindvall

President Director

2nd March 2022

For further information contact:

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