



Dairy Farm International Holdings Ltd

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To: Business Editor

31st July 2019
For immediate release

**PT HERO SUPERMARKET TBK
FIRST HALF 2019 RESULTS**

The following announcement was issued today by the Company's 85.8%-owned subsidiary, PT Hero Supermarket Tbk.

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PT HERO SUPERMARKET TBK
FIRST HALF 2019 RESULTS

Highlights

- Net revenue at Rp 6,673 billion, down by 2.5% following space optimisation plans
- Profits down by Rp 26 billion, as a result of significant IKEA investment
- Underlying improvement in Food business environment encouraging as our transformation initiatives begin
- Double digit growth in Sales achieved in both Health & Beauty and IKEA
- Significant expansion of IKEA underway, investing for future growth
- Multi-year transformation on track to improve performance in the longer term

Results

	(Unaudited)		
	First Half		
	2019	2018	Change
	Rp billion	Rp billion	%
Net Revenue	6,673	6,846	-2.5
Gross Profit	1,835	1,825	0.5
Profit	8	34	-77
	Rp	Rp	%
Earnings per share	2	8	-75

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PRESIDENT DIRECTOR'S STATEMENT

Introduction

Sales in the first half were 2.5% lower compared to the same period last year, impacted by our space optimisation plan in support of revitalising our Food business. Hero's Food business benefitted from an improving trend in like-for-like sales during the period, as well as in underlying profitability, showing signs of early progress from the first phase of our business transformation.

Each of our IKEA and Health & Beauty businesses delivered strong double-digit sales growth as customers continue to respond positively to both banners.

Financial Performance

Total sales in the first half stood at Rp 6,673 billion, 2.5% lower compared to the same period last year, following changes made to optimise space within the Food business. Although overall sales were slightly lower, we have begun to benefit from an improving trend in like-for-like sales within Food, demonstrating positive signs of progress during the early stages of our multi-year transformation programme.

Work has been taking place to improve our operating standards, our instore service and our business operating model, together with a more consistent approach in delivering price competitiveness. The transformation remains at an early stage in its development but progress is encouraging thus far.

Double digit sales growth was achieved in both IKEA and Guardian stores. IKEA continues to deliver strong performance and its sales growth was further enhanced by a growing contribution from e-commerce following the successful relaunch late last year of the website and the introduction of more pick-up points being added to the network. Guardian maintained a strong market price position as well as landing a series of successful store remodels, with greater emphasis on Beauty categories and the addition of local Halal certified ranges, all being well received by customers, and helping to lift sales.

While sales growth continues to be strong, IKEA's profitability significantly impacted the Hero Group result as we invest in the development of new stores, incurring heavy pre-opening expenses, given the three new stores under development. Adverse exchange rates movements also impacted profitability but the adverse effect on profitability is expected to moderate in the second half.

Business Activities

PT Hero remains committed to its multi-year transformation plan to reshape and revitalise our customer offer to ensure quality and value, as well as improve the productivity of our stores for the benefits of our customers and our team members. Food retail in Indonesia has seen increasing competition in recent years. Customers are changing the way they shop, and we must adapt to compete effectively.

As we rebalance our Food store portfolio, we will continue to invest in opening and redeveloping stores, leading to a stronger, more sustainable business going forward. We have launched pilot propositions in which we are redefining space and trialing a range of innovations in our formats. We are putting greater emphasis on fresh food, range optimisation and, where relevant, even repurposing the space altogether. While it remains very early days for our store renewals, the initial customer response has been encouraging.

Outside of Food, our other businesses in Indonesia continue to show strong growth momentum. Guardian continues to refine its offer to reflect customer demand, delivering good results. As mentioned earlier, Guardian has also begun to expand space following a successful rebalancing of the portfolio in 2017. Guardian opened 22 stores in the first half, bringing the total number of stores in Indonesia to 280.

IKEA continues to exceed our expectations and as such, we are seeking to invest significantly to grow the store network, as well as the online business. E-commerce experienced more than double digit growth during the first half, as customers responded positively to the newly launched web offer. In addition to the ongoing projects at Jakarta Garden City and Kota Baru Parahyangan in Bandung, both of which are planned to open at the end of 2020, plans are underway to convert a Giant hypermarket to an IKEA store in Sentul. This store conversion is a good example of the breadth of our strategic thinking when it comes to taking a holistic view of the retail space optimisation plan.

Prospects

PT Hero remains firmly focused on its multi-year strategic transformation and is confident that the actions currently underway will lead to longer-term sustainable improvements. Our transformation will take time and is at an early stage but we are encouraged by progress. We aim to invest more than Rp 500 billion across the Hero Group this year to create better, more relevant retail space, an improved product offer in each of our store formats, as well as improving operating standards for our customers, and securing further jobs for our team members. We remain firmly committed to being a strong competitive retailer in each of our retail sectors and to growing our business over the long term in Indonesia.

Patrik Lindvall

President Director

31st July 2019

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