



**Dairy Farm International Holdings Ltd**

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For immediate release

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

The following announcement was issued today by the Company's 84.4%-owned subsidiary, PT Hero Supermarket Tbk.

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*Incorporated in Bermuda with limited liability*

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South Tangerang, 27<sup>th</sup> April 2017

## PT HERO SUPERMARKET TBK FIRST QUARTER 2017 RESULTS

### Highlights

- Net revenue down 8%
- Gross profit up 2%
- Net loss of Rp 6 billion
- Store rationalization nearing completion

“In response to a challenging trading environment for the Food business during the first quarter, the Company has repositioned its Food promotion strategies to focus on everyday value for consumers, while at the same time reducing costs and enhancing product availability. The Non-Food business continued to trade well.”

**Stephane Deutsch**  
President Director

### Results

	(Unaudited) First Quarter		
	2017 Rp billion	2016 Rp billion	Change %
Net Revenue	3,109	3,368*	-8
Gross Profit	825	806*	+2
Operating Loss	(10)	(35)*	n.m.
Loss for the period	(6)	(35)	n.m.
	<b>Rp</b>	<b>Rp</b>	<b>%</b>
Loss per share	(1)	(8)	n.m.

*\*Excluding Starmart operations  
n.m. = not meaningful*

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**PT Hero Supermarket Tbk**

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## **PRESIDENT DIRECTOR'S STATEMENT**

### **Overview**

The Indonesian economy in the first quarter of 2017 experienced soft consumer spending, as evidenced by a significant drop in household consumption as a proportion of income, while inflation continued to weaken. The Group's Food business recorded lower sales compared to the same period last year, while Non-Food maintained its positive sales growth albeit at a reduced rate.

In response to the decline in Food sales, PT Hero is taking steps to revive growth through a revised promotion strategy, focused on everyday value for consumers, and enhanced product availability in stores. At the same time, efforts to manage store expenses have been successful in helping to maintain margins during the challenging trading environment.

### **Financial Performance**

Total sales in the first quarter of 2017 were 8% lower at Rp 3,109 billion and the Company recorded a net loss of Rp 6 billion. Nevertheless, this was an improvement from the net loss of Rp 35 billion in the comparable period in 2016, due to margin improvement and cost savings across all banners.

The Food business recorded a 10% reduction in sales to Rp 2,625 billion due to store closures and negative like-for-like sales, especially in the supermarket formats. This led to an operating loss of Rp 56 billion, excluding unallocated corporate expenses, which was 6% lower than last year despite the improvement in margin.

Non-Food businesses recorded a 6% increase in sales to Rp 484 billion, with both Guardian and IKEA showing growth. Excluding unallocated corporate expenses, operating income rose 219% to Rp 95 billion.

As at 31<sup>st</sup> March 2017, the Company had net cash of Rp 81 billion, compared to Rp 183 billion at the end of 2016. The reduction was mainly due to capital expenditure for new stores.

### **Business Activities**

To counter the challenging trading environment for the Food business, new promotion strategies are underway that respond to the changing trends, while improved supply chain utilization with increased centralization through the Group's distribution centres is ensuring better product availability.

Despite the store closures programme previously announced, in March 2017 the Company opened one Giant Ekstra in Manado. In Hero, a newly introduced premium supermarket concept in Pondok Indah Mall is showing encouraging results.

In Guardian, the store rationalization programme is near completion. Like-for-like sales growth was encouraging during the period which, together with the management of store operating expenses, led to improved profitability. A focus on improving the pharmacy offer is expected to be an additional growth driver in Guardian over the longer term.

In IKEA, there was further sales and profit growth from the Alam Sutera store. The IKEA online sales coverage was expanded to Bandung and an e-commerce distribution point has been established at Sentul.

At 31<sup>st</sup> March 2017, the Company operated 444 stores (31<sup>st</sup> December 2016 – 448 stores), comprising 56 Giant Ekstra hypermarkets, 143 Giant Ekspres and Hero Supermarkets, 244 Guardian Health and Beauty stores and one IKEA store.

## **Prospects**

In response to a challenging trading environment for the Food business during the first quarter, the Company has repositioned its Food promotion strategies to focus on everyday value for consumers, while at the same time reducing costs and enhancing product availability. The Non-Food business continued to trade well.

## **Stephane Deutsch**

President Director

27<sup>th</sup> April 2017

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