



Dairy Farm International Holdings Ltd

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To: Business Editor

31st October 2019
For immediate release

**PT HERO SUPERMARKET TBK
NINE MONTHS 2019 RESULTS**

The following announcement was issued today by the Company's 86.3%-owned subsidiary, PT Hero Supermarket Tbk.

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PT HERO SUPERMARKET TBK
NINE MONTHS 2019 RESULTS

Highlights

- Net revenue stood at Rp 9,486 billion for the 3rd quarter, down by 3.7% primarily due to the ongoing space optimisation plan to revitalize the Food business
- Profit was Rp 93 billion lower than last year as a result of significant IKEA investment
- Strong double-digit sales growth in Guardian and IKEA
- Early signs of underlying profitability improvement in our Food business as transformation initiatives delivers green shoots
- Multi-year transformation on track to improve performance in the longer term

Results

	(Unaudited)		
	Nine Months		
	2019	2018	Change
	Rp billion	Rp billion	%
Net Revenue	9,486	9,849	-3.7
Gross Profit	2,671	2,744	-2.7
Profit/(Loss)	(7)	86	n.m
	Rp	Rp	%
Earnings per share	(2)	21	n.m

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PRESIDENT DIRECTOR'S STATEMENT

Overview

For the nine months of 2019, sales were 3.7% lower compared to the same period last year, as a result of our space optimisation plan to support the revitalising of our Food business. Our IKEA Home Furnishing and Guardian Health and Beauty businesses delivered strong double-digit sales growth.

Financial Performance

Total sales in the first nine months of 2019 was Rp 9,486 billion, 3.7% lower compared to the same period last year following changes made to optimise space within the Food business. While the turnaround and store optimisation plan aimed at delivering enhancements in quality and operating standards is at an early stage, we are pleased to see the action taken is delivering results. We have made progress on price competitiveness and enhancing shopping experiences to better serve our customers. Our pilot schemes and new format launches are also being well received. This early stage progress is encouraging and is reflected in improved underlying profitability in the Food business.

Guardian achieved strong sales and profit growth over the reporting period. Guardian continues to maintain 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.

IKEA's sales growth remains strong in the third quarter, with revenue further enhanced by a growing contribution from e-commerce which is underpinned by continuous commitment to offer affordable home furnishing products and services. However, IKEA's profitability impacted the overall Hero Group result due to investment costs for new stores under development and higher cost of goods sold.

Business Activities

PT Hero remains committed to its multi-year transformation plan to reshape and revitalise our customer offers to ensure quality and value, as well as improve the productivity of our stores for the benefits of our customers and our team members.

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 early days for our store renewals, the initial customer response has been encouraging.

Our Health and Beauty business continue to show strong growth momentum. Guardian continues to refine its offer to reflect customer demand, delivering good results. The total number of Health and Beauty stores in Indonesia now stands at 289 stores.

We see significant opportunity in our IKEA business and we are seeking to invest significantly to grow the store network, as well as online sales. E-commerce experienced more than double digit growth during the 9 months of the year, as customers responded positively to our web offer. The conversion of a Giant hypermarket to an IKEA store in Sentul is slated to open late 2019. 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 optimization plan. Good progress has been made with other ongoing projects in Jakarta Garden City and Bandung which are planned to open at the end of 2020. Our strategic plan to meet the demands of the growing middle-income consumer involves opening both traditional and new IKEA formats. As an example, our pick-up point format in Bandung was opened in September 2019, a year ahead of the official store opening.

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 made. We continue to invest and grow our capabilities in Indonesia and will invest more than Rp 500 billion across the Hero Group this year to create better, more relevant retail spaces, improved product offers in each of our store formats, as well as improving operating standards for our customers, and creating greater opportunities for our Team members. We remain firmly committed to be 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 October 2019

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