



Public Expose

15 September 2016

Mulia Hotel, Jakarta



Company Profile



Milestone



Establishment of the company, First HERO store opened



Guardian operates in Indonesia



First Giant opened in Villa Melati, Tangerang

Dairy Farm increased its ownership in Hero to 69%



Open IKEA at Alam Sutera



Going Public

Operates 26 stores
3,000 suppliers

Dairy Farm acquires 32% of ownership in Hero



Acquires 22 Tops supermarket chain

Right Issue to fund expansion and first IKEA store. Fund raised amounted to IDR 3 Trillion

As per June 2016 operates **476** stores with more than **16,000** employees

Dairy Farm's ownership in the company was 84%



Vision and Mission



Mission
Bringing to Indonesia Consumers
The Benefits of Modern Retail

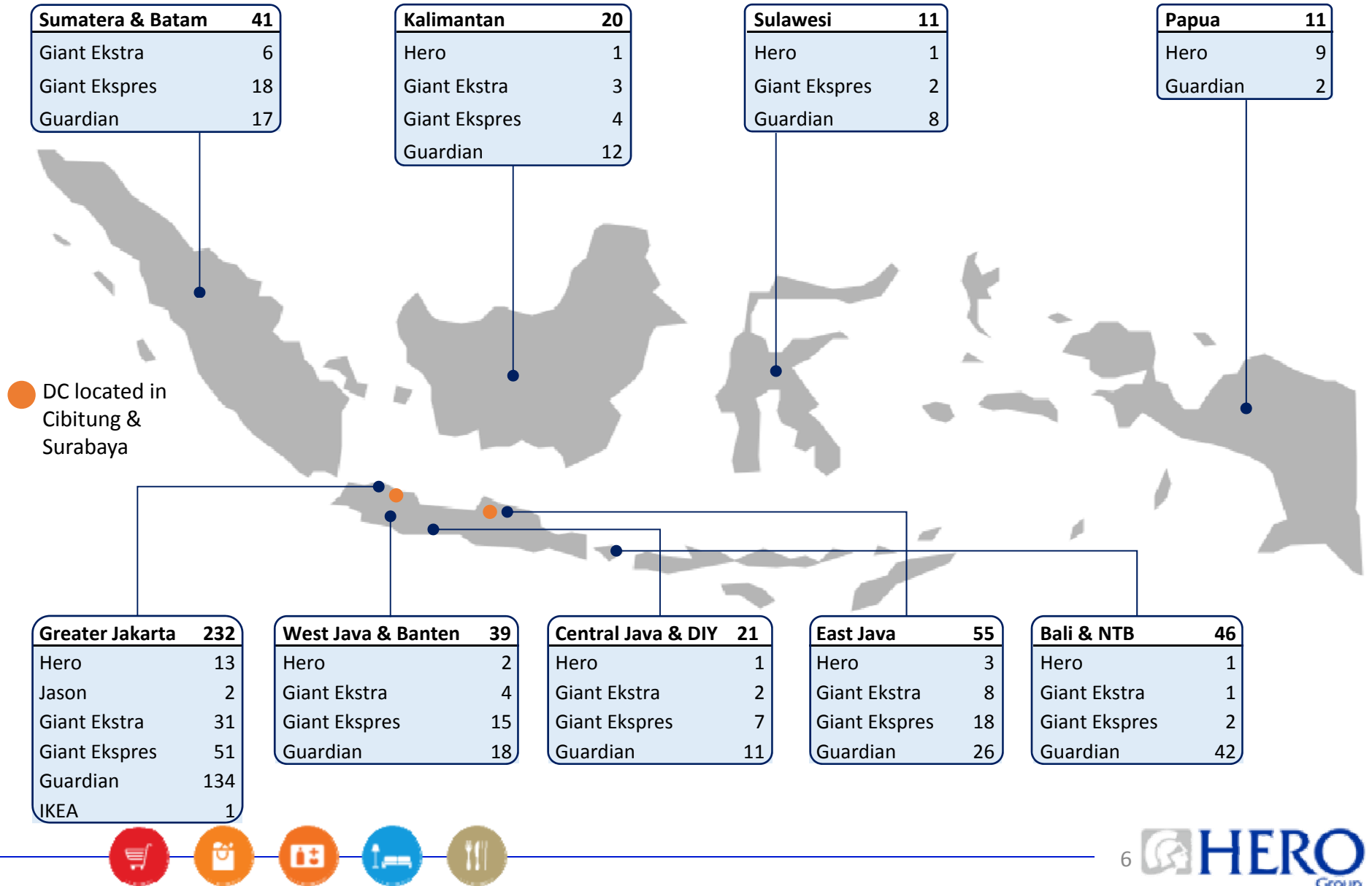


Store Formats



Countrywide Stores

A footprint of 476 stores across Indonesia, nationwide presence with convenient locations



Important Milestones in 1H16

Returned into
Profitable
position

Increased
Fresh
penetration

7% Gross Profit
growth despite
the weaker sales

Growing profit
contribution from
IKEA

Grand opening of
Guardian Pacific
Place

Positive impact from
Store
Rationalization
Program



Our Brands



The Mass Retail Brand in Indonesia Repositioning Giant

*Hypermarket as a price leader
with superior customer shopping experience*



Number of Stores : 55
Average store size: 6,300 Sqm

*Supermarket as a price leader
to be the preferred neighbourhood retailer*



Number of Stores : 117
Average store size: 1,900 Sqm



Our Brands



The Original HERO

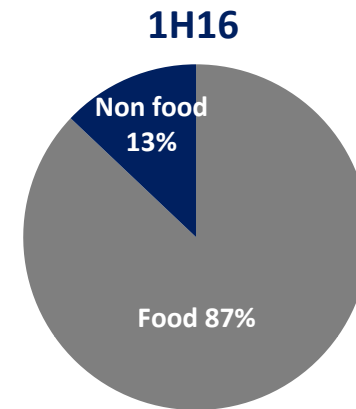
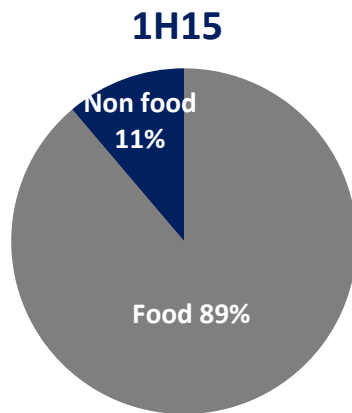
Repositioning Hero as a Leader in Upscale Market

Number of Stores: 33
Average Stores Size: 1,300 Sqm



Sales and Suppliers

Sales by Segment



Top Supplier

Food

Unilever WINGS P&G
PT Indomarco Adi Prima Nestlé

Non food

Unilever IKEA P&G
L'ORÉAL Wardāh cosmetic



Our Corporate Brands



- ✓ Corporate brands in three banners: Hero, Giant and Guardian
- ✓ Price leaders in their categories
- ✓ Support local SME: Fresh product and Groceries
- ✓ Continuous quality assurance program to ensure food safety
- ✓ Supplier selection and management to maintain food safety compliance
- ✓ Scheduled laboratory test for private label conducted by third party



Our Brands



Health and Beauty

Number of Stores: 270
Average Store Size: 100 Sqm

- ✓ Emphasis on Pharmacy, Health, Beauty, and Personal Care
- ✓ Passionate people to provide superior customer experience
- ✓ Strong corporate brand program
- ✓ Community based CSR pharmacy in community
- ✓ Focused on sustainable expansion



Our Brands

Focus on Profitable Expansion



PACIFIC PLACE MALL



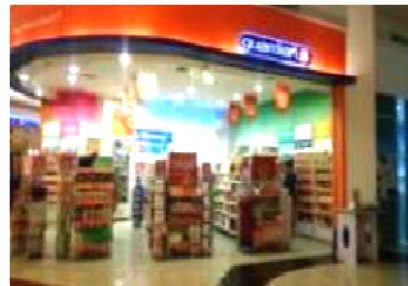
Before - 95 sqm



SUN PLAZA MEDAN
After 128 sqm



BASSURA CITY



Before - 52 sqm



TRANS STUDIO MAKASAR
After 105 sqm

YTD Aug 2016
Opened 5 stores

YTD Aug 2016
Closed 52 stores
(below model)



Our Brands



Home Furnishing

- Opened in October 15th 2014, IKEA Alam Sutera is IKEA's 364th store
- IKEA Alam Sutera is a two levels free standing store, totaling 35,000 sqm including a 700 seats restaurant and over 1,000 parking spaces
- IKEA Indonesia has launched its online sales functionality in July 2016 covering Jabetabek area
- To date
 - ✓ 4.8 million visitors
 - ✓ 1.4 million customers
 - ✓ 14.7 million articles sold
 - ✓ 361 direct employees
 - ✓ 500+ indirect employees





Human Resource



Human Resource

- ✓ Employee engagement survey was done in 2014 for all employees. Action points were delivered and communicated, new survey will be done this year
- ✓ Hero Learning Centre continues to improve competencies of employees by delivering trainings for frontlines and managers
- ✓ Pioneer Values are presented to employees and put into daily activities
- ✓ Internal recruitments are encouraged by new job portal
- ✓ Cross banners talent review ensures talent rotation opportunities
- ✓ LKS Bipartite meetings are held regularly between Company and Union





Corporate Social Responsibility



CSR INITIATIVE 2016



EDUCATION

428
SCHOOLS

28
CITIES

14,700
BOOKS DONATED



61,450
KIDS

- INFRASTRUCTURE
- FACILITIES
- SCHOLARSHIP

ONE STORE ONE SCHOOL

Up to July 2016, through 172 Giant stores, 375 schools in 28 cities nationwide received assistance and support given in the form of school infrastructure, school facilities and scholarship.



HERO BOOKS OF HAPPINESS

In collaboration with Donasi Buku community, 4089 books are contributed to East Nusa Tenggara area as a result from HERO BOOKS OF HAPPINESS program that involving not only HERO employees, but also students and customers around the stores.



HERO TEACHING

Commemorating National Education Day, more than 1000 students from 51 school learn about modern retail in a fun way, guided by the employees in both stores and classrooms.



RAMADHAN CERIA 1427H

2016 Young Da'i Competition that held on 8 stores in Jabodetabek. We also give donation for orphans and distribute 1000 iftar food for surroundings.





HEALTH

110
POSYANDU

10
SUBDIVISION

550++
CADRES

500++
BLOOD BAGS



24,069 CHILD

- + HEALTHY FOOD SUPPORT
- + TRAINING
- + COUNSELING
- + FACILITY SUPPORT



MOGI HERO

One month roadshow of MOGI (Mobil Gizi) HERO in Jabodetabek area reaching out to 27 schools and 78 Posyandu to commemorate National Nutrition Day. Collaborated with BPOM more than 10,000 beneficiaries received an education about balance nutrition, food safety and healthy food.



KASIH

The third year of KASIH program, focus on advancing cadre competencies. More than 17670 beneficiaries and 550 cadres in 110 Posyandu in 10 subdivision all over Indonesia.

POSYANDU SKILL
LIFE SKILL
MANAGEMENT SKILL

CSR INITIATIVE 2016

BLOOD DONATION

A regular program in Head Office and stores to engage the involvement of our employees to donate blood, in order to not only stay healthy but also to support and help others through Indonesian Red Cross



**BIOGAS
(WASTE MANAGEMENT)**

As one form of waste management, the results Biogas program is used by SMEs as fuel for cooking, and as an organic fertilizer plant that comes from the dregs of the biogas process.



**GIRAS
(GIANT PEDULI BRANTAS)**

A green action program for Das Brantas upstream ecosystems by planting trees, public facilities, and training of trainer for communities.

- REFORESTATION
- PUBLIC FACILITY SUPPORT
- COMMUNITY TRAINING

7,080 KG
ORGANIC WASTE RECYCLE

200,000++
FISHES

7500 PLANT SEEDS



ENVIRONMENT



**CSR INITIATIVE
2016**

**PLASTIC BAG
CAMPAIGN**

A photo competition through social media to support government green programs. Themed "Reducing plastic waste," hopefully this campaign will change the customer habits.



CARE TO SHARE

Environment action should also consider the balance of aquatic ecosystem. Supporting a million fish scattering program, held on Tasikardi lake with SD Pamarican students. In the same time, we also give a school facilities equipment and share some journalism skill to them.





**221,500++
COMMODITIES QUANTITY**



DIRECT FARMING

After succeed with UNPAD and launched co-branding KATATA with the farmers in Pengalengan, HERO Group direct sourcing program signed MOU with IPB to absorb fresh product from farmers in Bogor. While in September 2016 we are expecting to sign another MOU with UGM as we already absorb products from farmers in Ngablak, Magelang to our stores in Jogjakarta areas.

**IDR 2.7++ BILLION
VALUE**

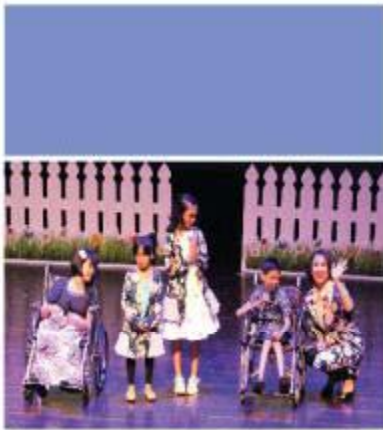
57 ITEMS



**CSR INITIATIVE
2016**

**ECONOMIC
EMPOWERMENT**





SHARELEBRATION



CHARITY

SHARELEBRATION, a theme of 45th anniversary of HERO Group is a way of sharing happiness with the children from Yayasan Sayap Ibu Bintaro by donating an ambulance and holding a "BERANI BERMIMPI" musical drama for loyal customer.



guardian

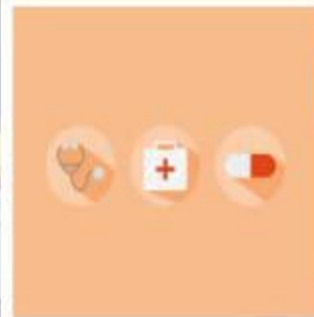


FREE MEDICAL CHECK UP

On March 2016, Guardian pharmacist held free medical check up and health consultation. Medical check up includes blood pressure, glucose and general check-up. Beneficiaries are community from Jatinangor & Cipancing.



On January 27th and February 5th Guardian Employees involve in Posyandu program at Jurang Mangu Timur



YOGA CLASS

Held on 07th August in Ubud, Guardian invite loyal customer to do Yoga together. 1.5 hour yoga class led by local instructor, followed by 6 hour free medical check up for 250 participants in surrounding communities.





Financial Performance

First Half 2016



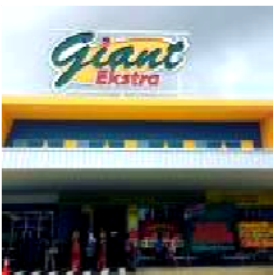
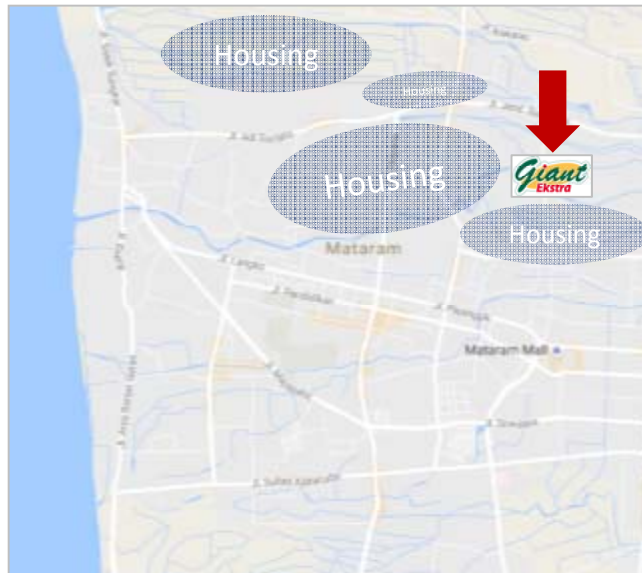
New Store: Giant Ekstra Palembang & Lombok

- ✓ Two Giant Ekstra stores located in Plaju and Mataram
- ✓ Huge opportunity shown by high density and low penetration of hypermarket
- ✓ Total stores size of © 13,600 sqm
- ✓ Investment on two stores amounted more than IDR 100 Bio
- ✓ Promising future development in both areas

Giant Ekstra Plaju - Palembang



Giant Ekstra Gegutu - Lombok



Store Counts

EKSTRA

55 Stores



EKSPRES

117 Stores



HERO

33 Stores



Total Store: 476



GUARDIAN

270 Stores



IKEA

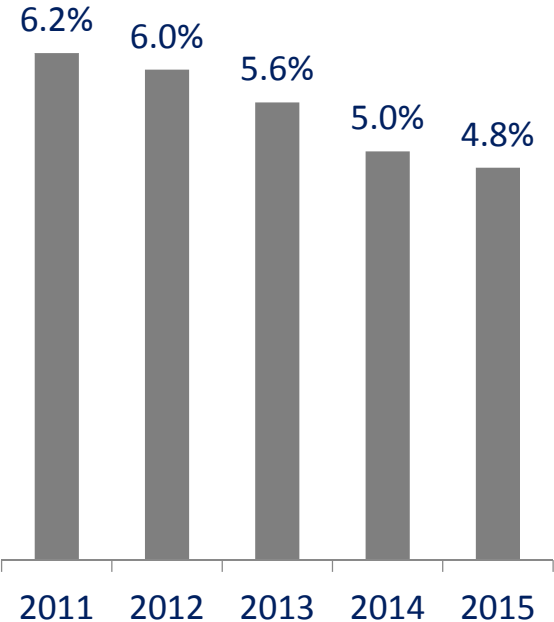
1 Store



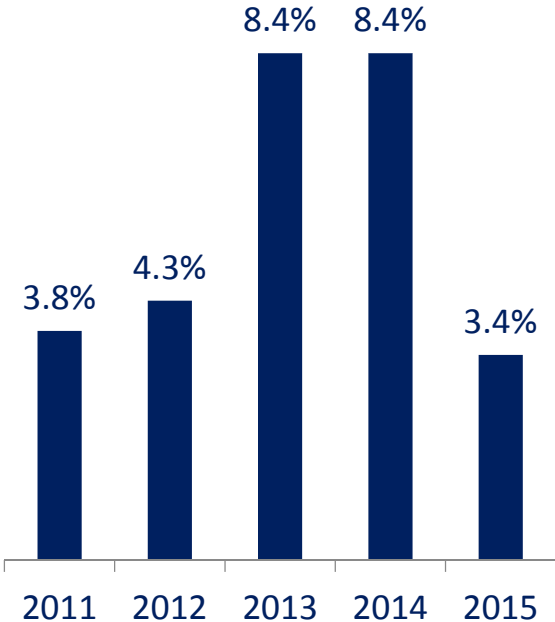
Weaker GDP and Declining Consumption Trend

Lower GDP growth and inflation rate show country's slowing economy. Household consumption has shown declining trend in the past years

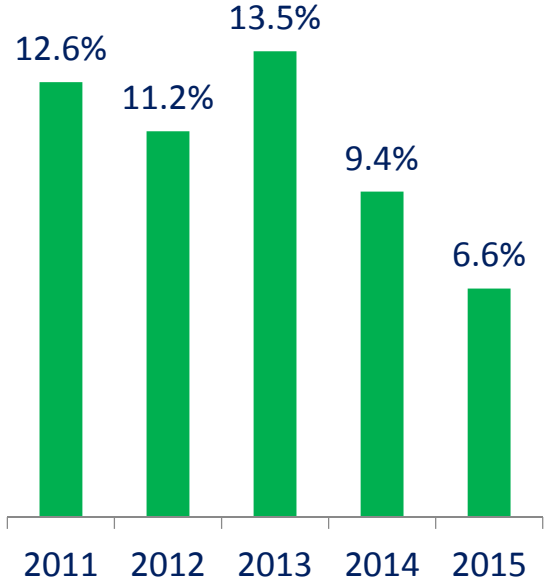
GDP Growth



Inflation



Household Consumption Growth

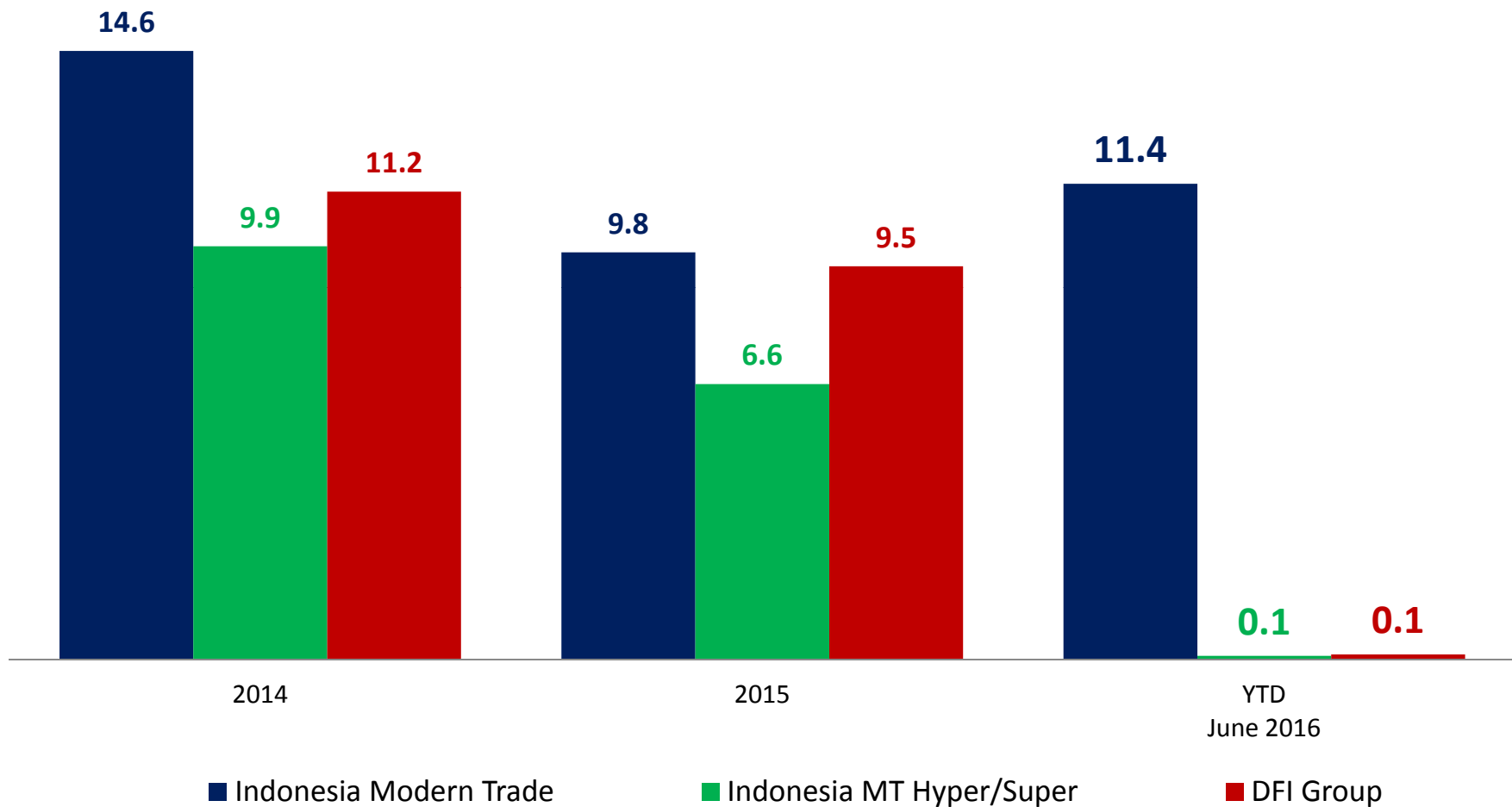


Source: World Bank



Hyper/Super Format are Under Pressure

Drop in super/hyper format was due to shifted spending behaviour to mini market format

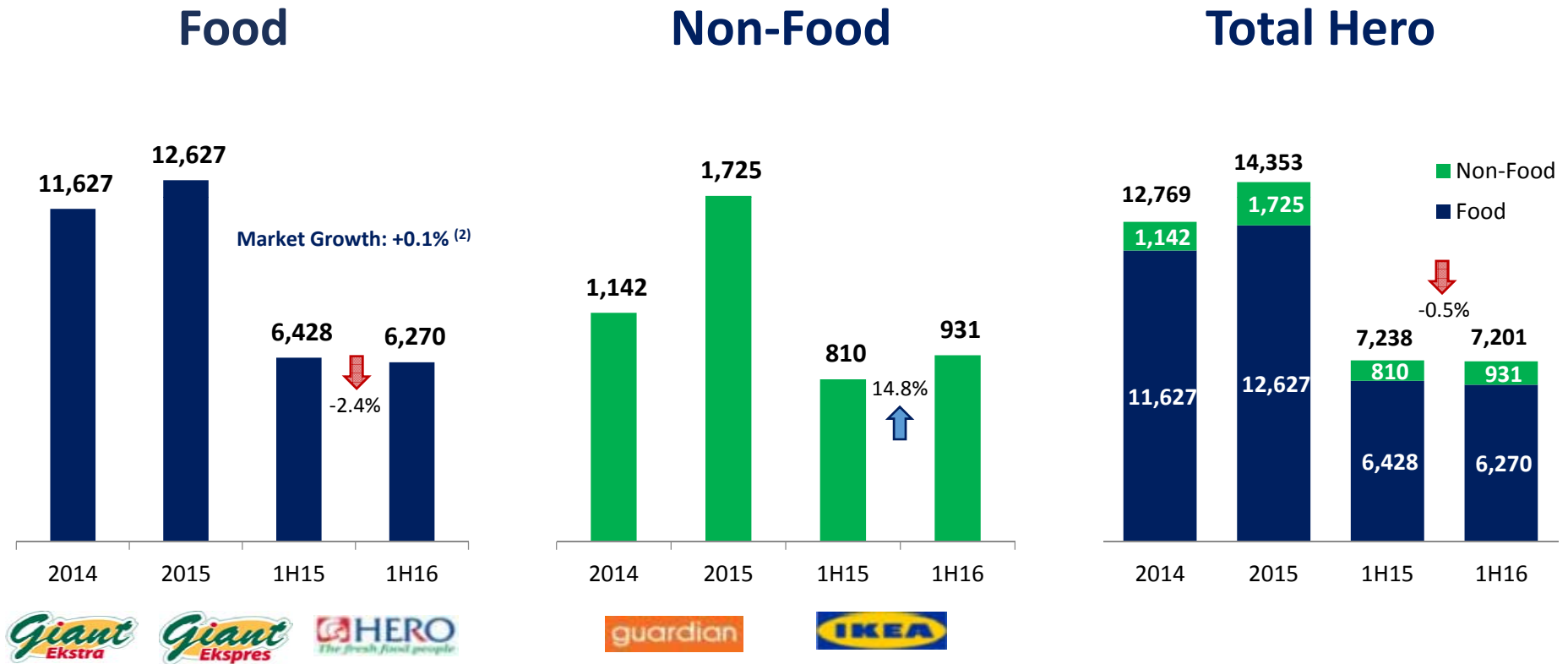


Source: Nielsen 55 FMCG category report



Food Operation is Still Facing Challenges ⁽¹⁾ in IDR Bio

Food segment was impacted by both weak like-for-like sales and store closures. The decline in Food was only partially offset by Health and Beauty and IKEA



(1) Excludes discontinuing operation as shown in financial statement

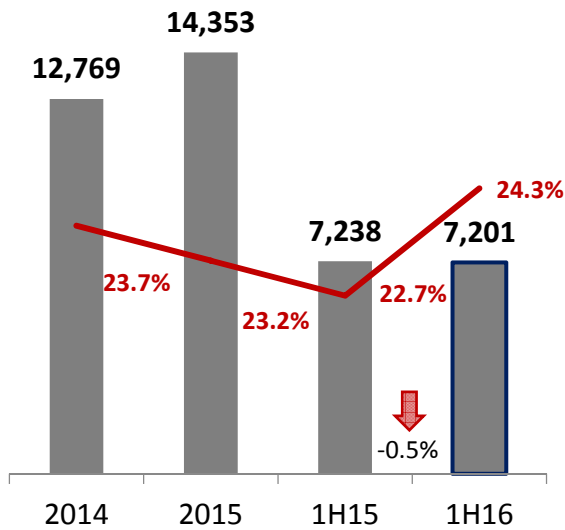
(2) Source: Nielsen 55 FMCG category report



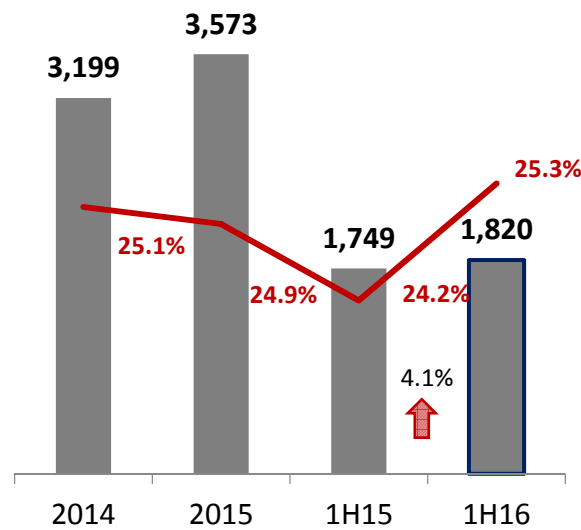
Significant Improvement in Profit ⁽¹⁾ in IDR Bio

Operating profit shows significant improvement from net loss recorded last year

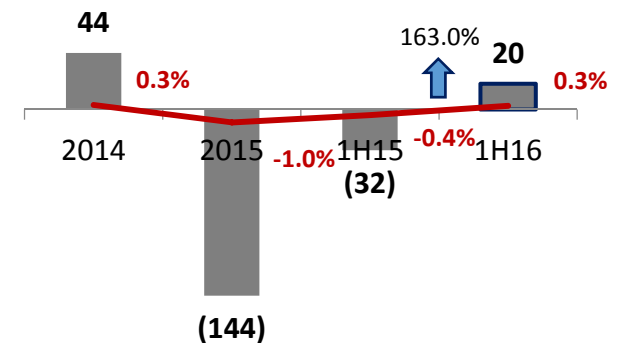
Sales & GPM



Opex and Opex % to Sales



Operating Profit & OPM



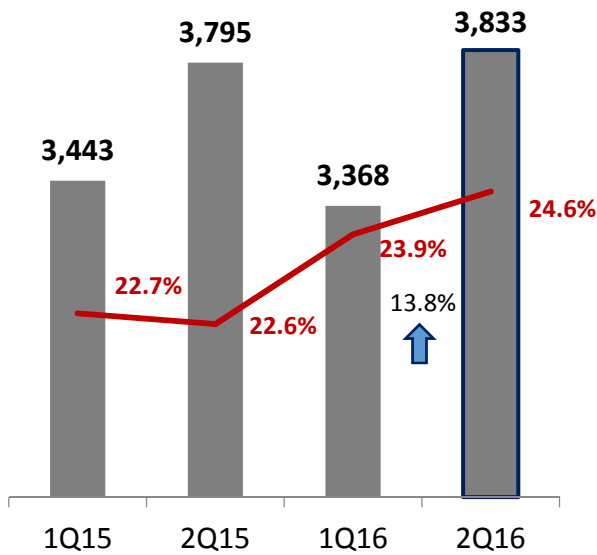
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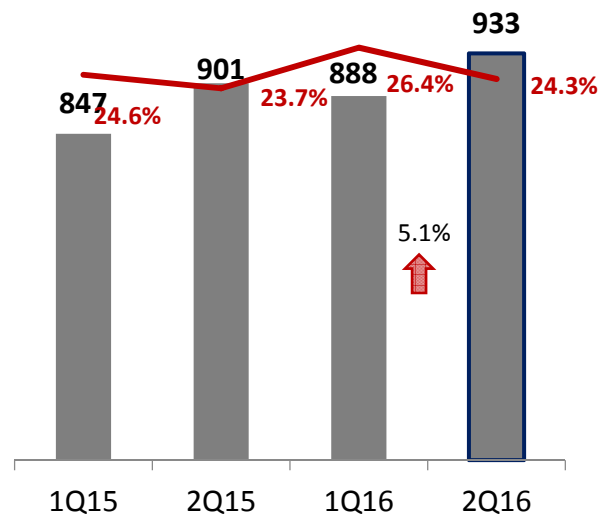
Earlier Lebaran and Improved Margin Boosted PT Hero results ⁽¹⁾ in IDR Bio

Improvements in sales and profitability in the second quarter

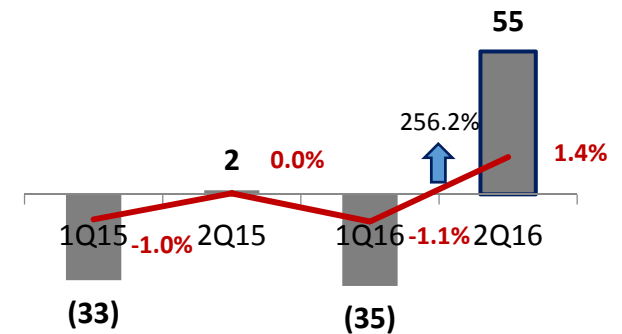
Sales & GPM



Opex and Opex % to Sales



Operating Profit & OPM

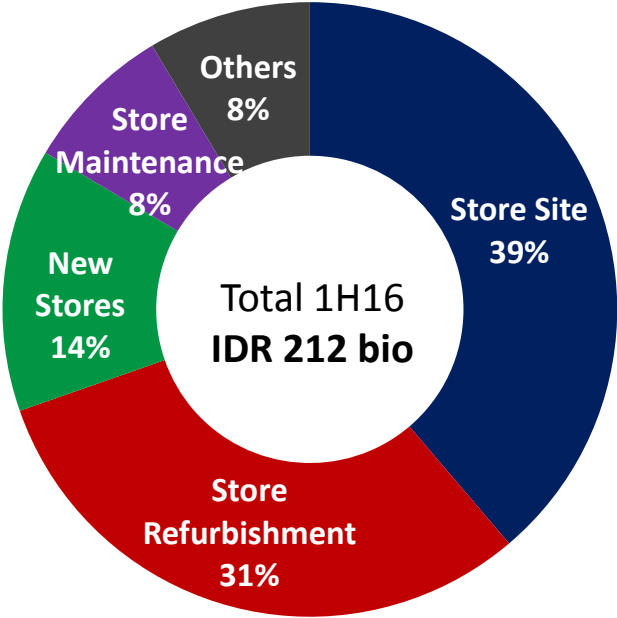
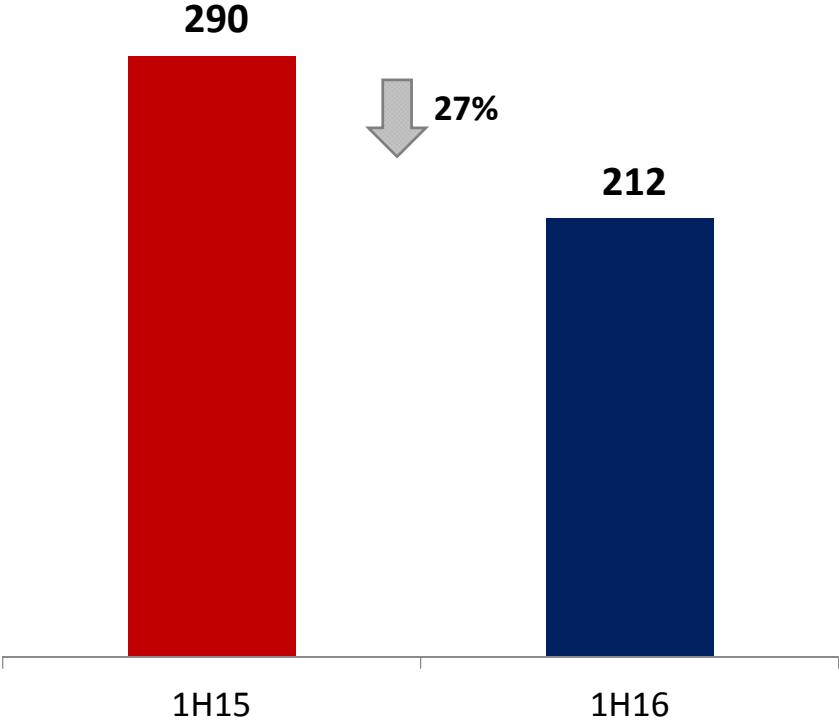


(1) Excludes discontinuing operation as shown in financial statement



Capital Expenditure 1H16 IDR Bio

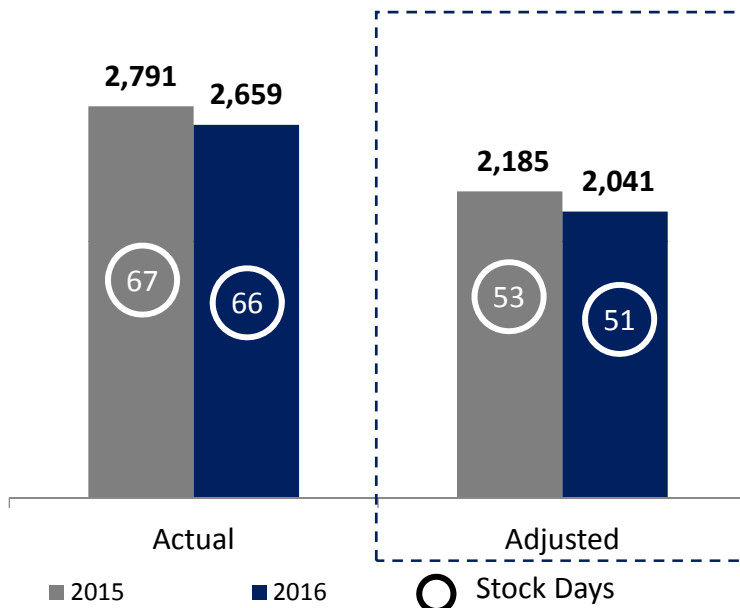
Selective investments on potential store sites, new stores, and store refurbishment



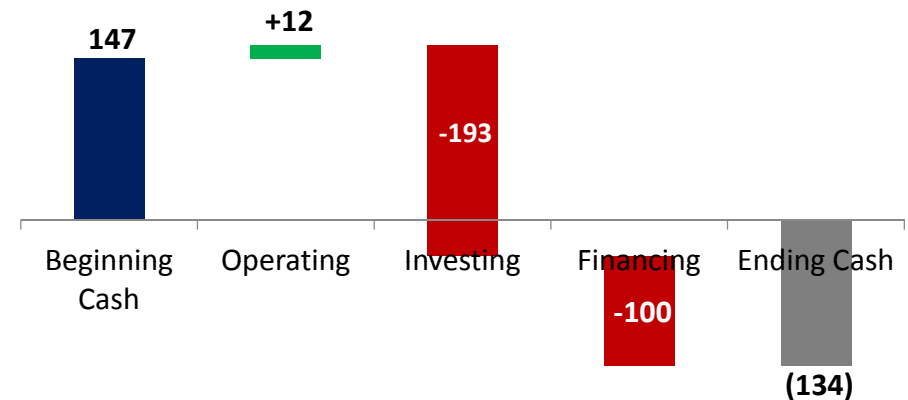
Further Improvement in Stock in IDR Bio

Increasing stock and net debt position in June 2016 was due to preparation for Lebaran month

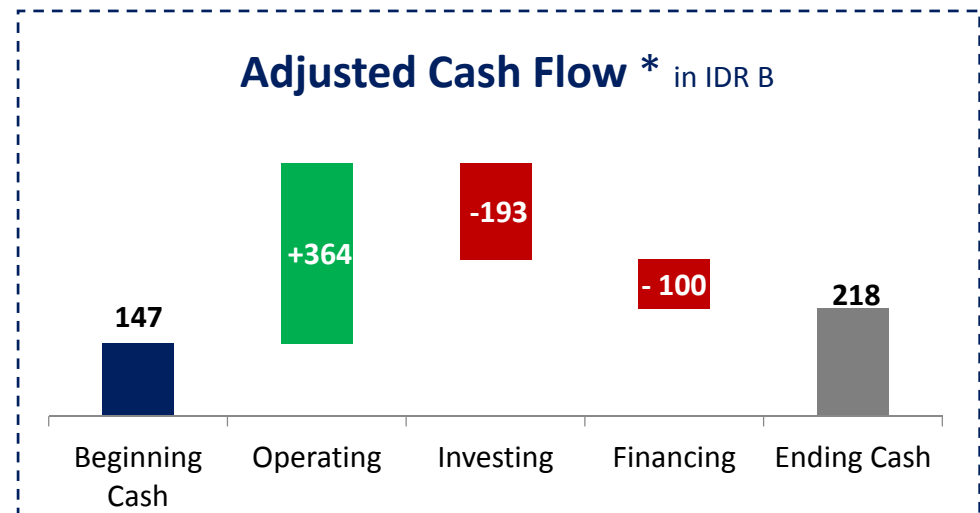
Stock Position* in IDR B



Cash Flow in IDR B



Adjusted Cash Flow* in IDR B



*Adjusted stock position and cash flow, excluding the impact of Lebaran month preparation



Starmart Update



- ✓ Rationalisation program started in 2015 and still on going
- ✓ As per Jun 2016, 54 store were closed and transferred to FamilyMart
- ✓ The remaining 30 stores will be fully closed and transferred before the end of the year
- ✓ The whole rationalisation project has positively impacted Hero's financials



Hero Group 1H16 Result

| | 1H15 IDR M | 1H16 IDR M |
|--|-----------------|----------------|
| Net Revenue | 7,237,957 | 7,201,025 |
| Cost of Revenue | (5,598,206) | (5,454,426) |
| Gross Profit | 1,639,751 | 1,746,599 |
| Operating Expenses | (1,748,636) | (1,820,480) |
| Finance Costs | (14,872) | (8,768) |
| Finance Income | 1,684 | 1,488 |
| Other Income - net | 97,975 | 100,546 |
| Profit/(loss) before income Tax | (24,098) | 19,385 |
| Income tax benefit | 20,957 | 7,630 |
| Profit/(loss) for the period from continuing operations | (3,141) | 27,015 |
| Loss for the period from discontinued operations | (28,450) | (7,111) |
| Profit/(Loss) for the period | (31,591) | 19,904 |

Improved profitability driven by better margins and lower loss from discontinued starmart operations





Question and Answer





Thank You

