



THE TEMPO GROUP

PT. Tempo Scan Pacific Tbk

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PT. TEMPO SCAN PACIFIC, Tbk ("TEMPO SCAN") 2017 FULL YEAR RESULT

In 4th Quarter 2017 Tempo Scan managed to deliver a net sales result which amounted to Rp.2,531.9 billion or 9% higher compared to its net sales in the corresponding quarter last year, nevertheless such quarter result was not able to elevate its YTD September 2017 sales underachievement . Consequently for the FY'2017 Tempo Scan registered a net sales result which amounted to Rp.9,565.5 billion and an increase of 4.7% year on year.

Therefore, its FY'2017 net sales growth was lower compared to its net sales growth in FY'2016 but Tempo Scan was not the only exception since most of its peers had also experienced similar sales growth downturn in 2017. Furthermore, Tempo Scan FY'2017 net sales result on adjusted basis to exclude the impact of a pharma licensing arrangement discontinuation which amounted to Rp.55.3 billion, such net sales growth would had been at 5.3%.

The benefactors of Tempo Scan consolidated net sales result were firstly its Consumer Products & Cosmetics ("CPC") division which net sales grew by 9.8% and amounted to Rp.2,783.0 billion, such CPC division net sales grew faster compared to the overall Indonesian FMCG sales growth which grew only by 3% in 2017 or considerably lower versus such industry previous year sales growth of 8%, partially due to the industry players inability to raise its products' selling prices amidst the lackluster consumers demand, as can be seen from such industry average selling price increase which had slide down to 5% in 2017 versus the last 2 years average of average 8%.

Moreover, pertaining to the CPC division's 2 core products group firstly its Consumer Products group which net sales grew by 13.8% year on year and amounted to Rp.1,845.8 billion, then secondly its Cosmetics group which net sales rose by 2.8% and amounted to Rp.937.1 billion. Consequently, in 2017 this division net sales contribution towards Tempo Scan's consolidated net sales had risen to 29.1% compared to its previous year net sales contribution which stood at 27.7%.

Furthermore, Tempo Scan's Pharma division which net sales grew by 2.5% and amounted to Rp.2,370.5 billion albeit such division net sales growth had slowed compared to previous year whereas this division's net sales grew by 5.5%, nevertheless this division's net sales growth rate downtrend was consistent with the Indonesian Pharmaceutical industry performance which had also registered a decline of around 1.2% in 2017, the said industry performance was a sharp contrast compared to its performance in 2016 whereby its growth rate was still around 7.5%.

Furthermore, this division's Consumer Health products group which comprises of its OTC medicines, Vitamins & Supplements and Nutritionals products net sales had increased by 5.4% and amounted to Rp.2,084.1 billion, as such this division's Consumer Health products group net sales had managed to surpass Rp.2 trillion milestone for the first time. On the other hand this division's Prescription Medicines group net sales had declined by 14.5% mainly due to the discontinuation of a Pharma licensing arrangement as previously explained hereinabove, but excluding such one off adjustment then this Prescription Medicines group net sales would have increased instead by 2.4% in 2017.

The above Tempo Scan's Pharma division performance was better when compared to the Indonesian Pharma industry performance, specifically this industry's Over The Counter products segment sales had registered a considerable decline of 7.6%, while its Prescription Medicines segment sales only grew marginally by 0.5%. Correspondingly in 2017 the Pharma division net sales contribution towards Tempo Scan's consolidated net sales had decreased to 24.8% versus previous year contribution which stood at 25.3%.

Lastly, Tempo Scan's Distribution division net sales had risen by 2.8% and amounted to Rp.4,412.0 billion or lower compared to its growth rate in 2016, this division which accounted for the external principals net sales comprised of Pharma products principals which net sales grew by 2.6%, whilst its Non Pharma products principals' net sales rose by 3.0% year on year. As a result, this division net sales contribution was 46.1% towards Tempo Scan's FY'2017 consolidated net sales or a decrease versus its previous year net sales contribution which stood at 47.0%.

Moving on to Tempo Scan's gross profit result which managed to increase by 5.0% and amounted to Rp.3,658.2 billion, whereas it grew faster than its net sales growth rate of 4.7%, hence commensurately Tempo Scan's gross profit margin had marginally risen from 38.1% in 2016 to become 38.2% in 2017. In 2017, its Pharma, CPC and Distribution divisions' gross profit margin were respectively 62.2%, 58.7% and 12.5%, and further the Pharma, CPC and Distribution divisions gross profit contribution towards Tempo Scan's consolidated gross profit were 40.3%, 44.6% and 15.1% respectively.

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Furthermore, Tempo Scan's operating expenses had risen by 8.3% and amounted to Rp.3,024.0 billion commensurately the said operating expenses ratio to its net sales had increased from 30.6% in 2016 to become 31.6% in 2017. The said operating expenses increase biggest contributor was its Advertising & Promotion (A&P) expenses which rose by 9.5%, therefore such A&P expenses ratio against Tempo Scan's consolidated net sales stood at 16.4% or higher compared to the same ratio in the preceding year which was at 15.6%, notwithstanding the aforementioned we believe that such investment sustainability is crucial for Tempo Scan's brand equities long term development.

In addition, Tempo Scan's general and administration expenses had increased by 8.8% and amounted to Rp.547.3 billion, hence such general and administration expenses ratio against its consolidated net sales was at 5.7% or slightly higher when compared to the same ratio in the previous year which was at 5.5%.

As consequence of all the above, Tempo Scan's operating profit had declined by 8.3% year on year and amounted to Rp.634.2 billion, in Rupiah term such operating profit had declined by Rp.57.7 billion year on year, nevertheless such a decline was predominantly caused by a decrease in its net-other operating income which amounted to Rp.35.3 billion, excluding such an effect then Tempo Scan's operating profit would have declined only by 3.4%.

Furthermore, Tempo Scan's net profit before tax result had increased by 3.5% and amounted to Rp.744.1 billion, such a result was attributed among other to a higher net-non operating income which amounted to Rp.109.9 billion, it comprised of the net interest income, income from affiliated companies and a non-recurring gain derived from restructuring.

In conclusion, in 2017 Tempo Scan's net profit after tax result which had increased by 1.4% and amounted to Rp.543.8 billion, accordingly Tempo Scan's net profit after tax managed to register positive growth for the last 2 consecutive years since 2016. Moreover, Tempo Scan's EBITDA result was amounted to Rp.823.5 billion and correspondingly its EBITDA margin stood at around 9%.

Moreover, Tempo Scan's balance sheet position as of 31 December 2017, its Assets had grown by around 12.9% to become Rp.7,434.9 billion whilst Tempo Scan's cash position remained strong and amounted to Rp.1,973.3 billion and likewise its Shareholders' Equity had grown by around 10% to become Rp.5,082.0 billion.

On behalf of Tempo Scan's Board of Directors, I wish to express our appreciation to all Tempo Scan's shareholders, business partners, suppliers, professional parties for continuous support to Tempo Scan, as well as our appreciation to all Tempo Scan's management team and all its employees for all their dedication and hard work which enabled Tempo Scan to deliver the abovementioned results for the year ending 31 December 2017.

Jakarta, 29 March 2018

On behalf of PT. Tempo Scan Pacific, Tbk.



Handojo S. Muljadi
President Director

