



THE TEMPO GROUP

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PT. Tempo Scan Pacific, Tbk. ("Tempo Scan") **Navigated through Turbulence in 2nd Quarter 2019** **And Delivered a Positive 1st Half 2019 Performance**

It was a challenging quarter to say the least with the combined Legislative and Presidential Election had taken place in April 2019, along with the commotions and period of uncertainties which followed thereafter in the month of May 2019 that had created negative sentiment particularly amongst the Indonesian business communities hence also affected the trading volume during 2nd Quarter 2019.

Furthermore, the number of working days were cut shorter leading to the Idul Fitri festive holiday which had also affected the factories production output, and the limitation imposed by the government on transportation trucks operation several days leading to the said holiday had also caused logistical problem. Thereafter, businesses were completely shut down until they have gradually started again by 3rd week of June 2019.

Tempo Scan had managed to steer its businesses away from the abovementioned tumultuous period, and its 2nd Quarter 2019 net sales was still able to rise by almost 10% compared to the corresponding period last year and amounted to Rp.2,656 billion. As such its 1st Half 2019 net sales managed to register 11.6% increase and amounted to Rp.5,360.5 billion, for the first time its 6 months net sales has surpassed Rp.5 trillion threshold.

Tempo Scan's main benefactors of its commendable 1st Half 2019 net sales performance are its 3 main divisions with their respective contributions:

- Pharmaceutical (Pharma) division net sales grew by 21.5% and amounted to Rp.1,452.1 billion, hence its contribution towards Tempo Scan's consolidated net sales stood at 27.1% or an increase when compared to its last year contribution of 24.9%.
- Consumer Products & Cosmetics (CPC) division net sales rose by 10.2% and amounted to Rp.1,632.3 billion, therefore its contribution towards Tempo Scan's consolidated net sales stood at 30.6% or almost on par with its last year contribution of 30.9%.
- Distribution division net sales increased by 7.0% and amounted to Rp.2,276.1 billion, correspondingly its contribution towards Tempo Scan's consolidated net sales stood at 42.5% or a decline when compared to its last year contribution of 44.3%.

Furthermore, Tempo Scan's Pharma and CPC divisions net sales, which are predominantly derived from Tempo Scan's own brand equities, in aggregate amounted to Rp.3,084.4 billion hence collectively their contribution towards Tempo Scan's 1st Half 2019 net sales was 57.5% or higher when compared to the contribution in the same period last year which stood at 55.7%.

Moreover, Tempo Scan's Pharma division 1st Half 2019 net sales result was contributed by its 2 main operating groups namely:

- The Consumers Health (CH) operating group's net sales which had a stellar growth of 21% and amounted to Rp.1,321.1 billion, as such its net sales contribution towards the Pharma division's total net sales was 91%. Such performance was attributed by this group relatively new Nutritionals business which net sales increased by 91%, whilst its OTC and VMS businesses in aggregate grew by 6.5%.

- The Prescription Medicines (PM) operating group which had a commendable growth of 26.7% and amounted to Rp.130.9 billion, correspondingly its net sales contribution towards the Pharma division total net sales stood at 9%. This growth was mostly contributed by Tempo Scan's own Ethical Products that comprised of both BPJS and Regular businesses.

From the geographical standpoint, Tempo Scan's Pharma division Domestic net sales grew by 20.8% and amounted to Rp.1,363.7 billion, whilst its International Business net sales significantly increased by 34.5% and amounted to Rp.88.3 billion. Consequently, these Domestic and International Business net sales contribution respectively were 93.9% and 6.1%, or almost on par when compared with last year contribution which were 94.5% and 5.5% respectively.

As pertained to Tempo Scan's CPC division 1st Half 2019 net sales result which was contributed by its 2 main operating groups namely:

- The Consumer Products operating group which was able to sustain its net sales growth trajectory and grew by 15.2%, its net sales amounted to Rp.1,141.7 billion hence its contribution towards the CPC division total net sales was almost 70%.
- The Cosmetics operating group which net sales was merely increased by 0.2% and amounted to Rp.490.6 billion, therefore its net sales contribution towards the CPC division total net sales had declined to become 30.1% versus its contribution last year which stood at 33.1%. This group suffered heavy competition onslaught on its under licensed mid-price cosmetics both domestically and internationally, in addition the exponential growth of E-commerce channel which the group have also made considerable efforts to penetrate such channel.

Furthermore, from the geographical point of view Tempo Scan's CPC division Domestic net sales amounted to Rp.1,500.5 billion and grew by 12.2%, mainly driven by its Consumer Products group net sales, on the other hand its International Business net sales amounted to Rp.131.8 billion and registered a decline of 7.8%. As such these Domestic and International Business net sales contributions were respectively 91.9% and 8.1%, when compared to last year contributions which stood at 90.3% and 9.7% respectively.

Lastly, Tempo Scan's Distribution division net sales amounted to Rp.2,276.1 billion and managed to increase by 7%, such improved performance was attributed by its Non Pharma Principal products which grew sharply by 19% and amounted to Rp.1,597.2 billion, on the other hand its Pharma Principal products registered a substantial decline of 13.6% and amounted to Rp.678.9 billion. Correspondingly, these two businesses net sales contribution were 70.2% and 29.8% respectively or a sharp change when compared to their net sales contributions last year which respectively were 63.1% and 36.9%.

Moving on to Tempo Scan's gross profit result in 1st Half 2019, its gross profit amounted to Rp.2,025.1 billion or an increase of 10.2% and such an increase was lower compared to its net sales growth of 11.6% hence its gross profit margin has also declined commensurately to become 37.8% versus its gross profit margin last year which stood at 38.2%. However, if compared to its gross profit margin in 1st Quarter 2019 which was at 37.6%, Tempo Scan's gross profit margin erosion has been abated, among others due to more stable Rupiah exchange rate as well as gradually declining major raw material prices.

Pertaining to Tempo Scan's operating expenses in 1st Half 2019 which had risen by 13% and amounted to Rp.1,616.8 billion, such an increase was attributed by its selling expenses that rose by 11.8% while its general administration expenses increased by 2.7% which respectively amounted to Rp.1,330.8 billion and Rp.287.4 billion.

In addition, Tempo Scan's operating expenses had been burdened with a foreign exchange loss amounted to Rp.11.4 billion on its USD denominated reserve fund as a result of Rupiah continued strengthening against USD, which was a sharp contrast with a foreign exchange gain in 1st Half 2018 that amounted to Rp.33.6 billion, henceforth Tempo Scan's operating expenses in 1st Half 2019 must shoulder in aggregate Rp.45 billion of foreign exchange losses impact.

Regardless of the above situation, Tempo Scan's 1st Half 2019 operating profit was able to be sustained at Rp.408.3 billion or a mere 0.7% increase over the same period last year, as such its operating profit margin was 7.6% or a decline versus last year operating profit margin which stood at 8.4%.

Moreover, its net non-operating income in 1st Half 2019 had also declined by Rp.4.9 billion or 23.1% versus last year and amounted to Rp.16.3 billion, such a decrease was mainly due to its increased interest expenses which had risen by Rp.11.3 billion in line with its bank loan borrowings to finance its capital expenditures among others for its new factory and warehouses.

As a result of all the above factors, Tempo Scan's 1st Half 2019 net profit after tax amounted to Rp.348.2 billion or almost on par with its net profit after tax in 1st Half 2018, consequently its net profit margin stood at 6.5% or lower when compared to its net profit margin last year which was 7.3%. On the other hand, its EBITDA increased by 3.1% and amounted to Rp.519.2 billion, hence its EBITDA margin stood at 9.7% or marginally lower compared to last year EBITDA margin which was 10.5%.

Moving on to Tempo Scan's balance sheet as of 30 June 2019, it remained to be in a solid position with its cash and cash equivalent amounted to Rp.1,924.8 billion, while its net operating cycle stood at 61 days or slightly longer by 5 days versus last year due to its shortened payables days outstanding as a result of its lower inventory holding and shorter receivables days outstanding positions. Tempo Scan's total assets amounted to Rp.8,064.8 billion and its shareholder's equity amounted to Rp.5,604.1 billion, hence its total assets and shareholder's equity respectively increased by 3.6% and 6.7%.

On behalf of Tempo Scan's Board of Directors, I like to convey our appreciation for all the supports that have been provided by Tempo Scan's employees through their hard works and dedications in achieving its financial result for the period as of 30 June 2019, as well as my gratitude towards Tempo Scan's shareholders, business partners, suppliers and professional parties.

Jakarta, 31 July 2019

On behalf of PT. Tempo Scan Pacific, Tbk.



Handojo S. Muljadi
President Director

