



2016 3Q Business Results

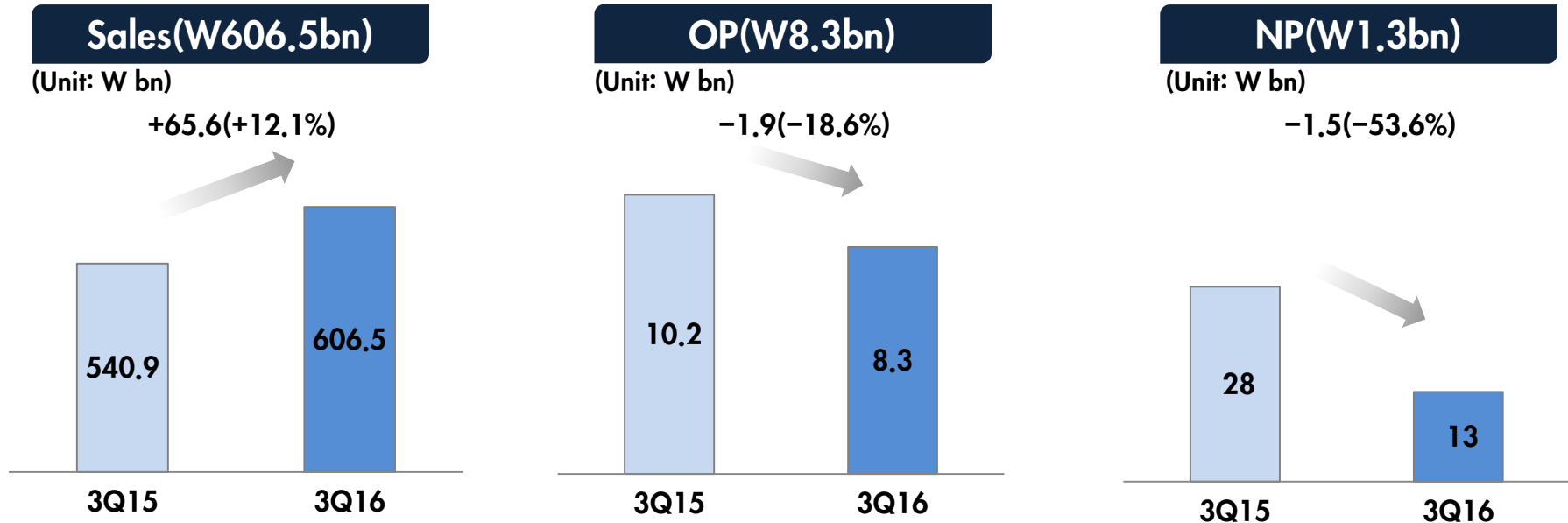
This material is based on non-audited financial statements for 2016 3Q and released for investors' convenience only. Please note that readers should be aware this material is subject to revision during the course of audit.

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1. Earnings Highlight

- [3Q16] Sales revenue W606.5bn, OP W8.3bn, NP W1.3bn
- While double digit sales growth continued, increase in SG&A and investment expenses to meet pre-requisites for 'GCP 2020' **, led to profit contraction

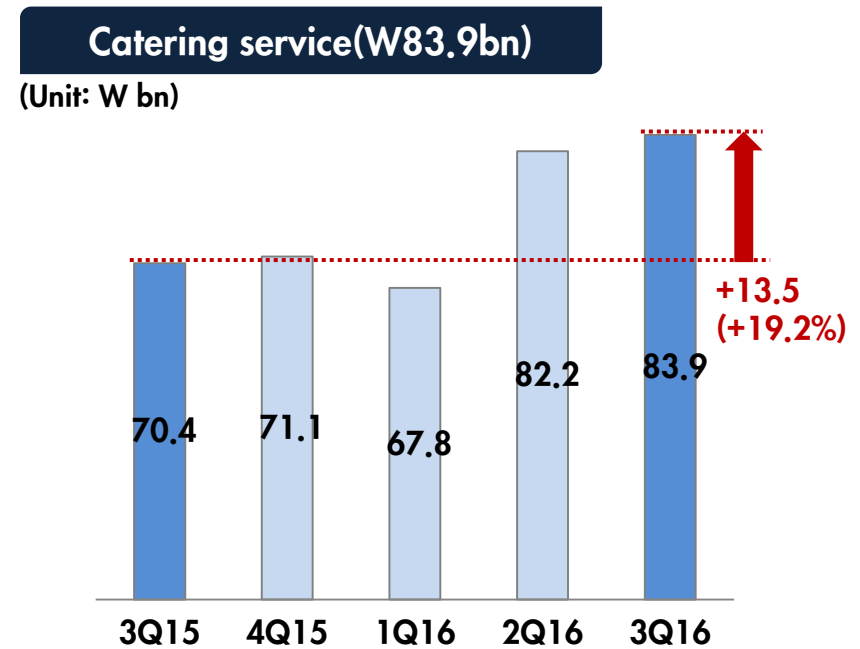
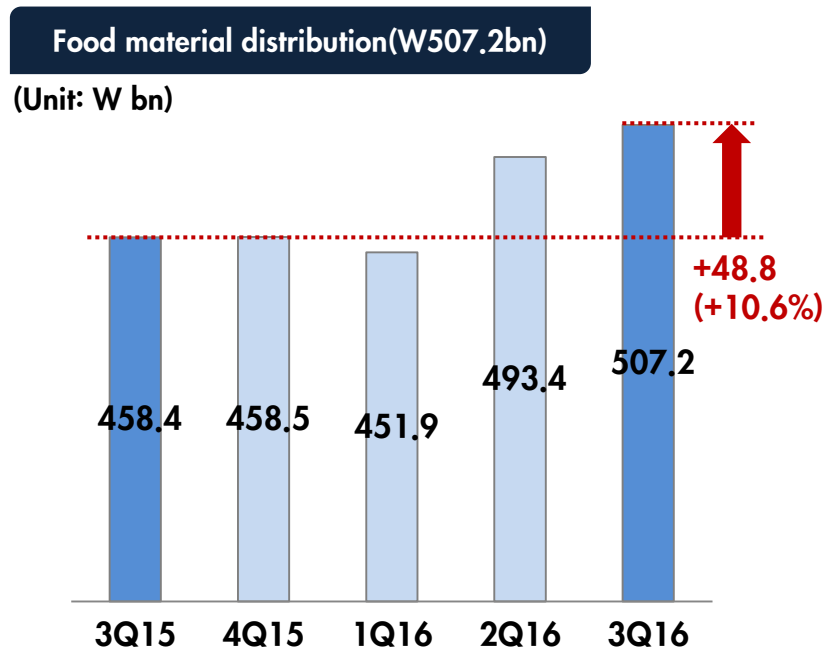


- Double digit top-line growth driven by sales increase from FreshOne and captive client routes
Catering service sought hike in new order numbers mainly from hospital·leisure·office
- Despite increase in sales(12.1% YoY), OP & NP declined mainly due to SG&A expansion

** GCP 2020 : CJ group's growth target blueprint. Set to achieve by year 2020.

2-1. Earnings Analysis by Division

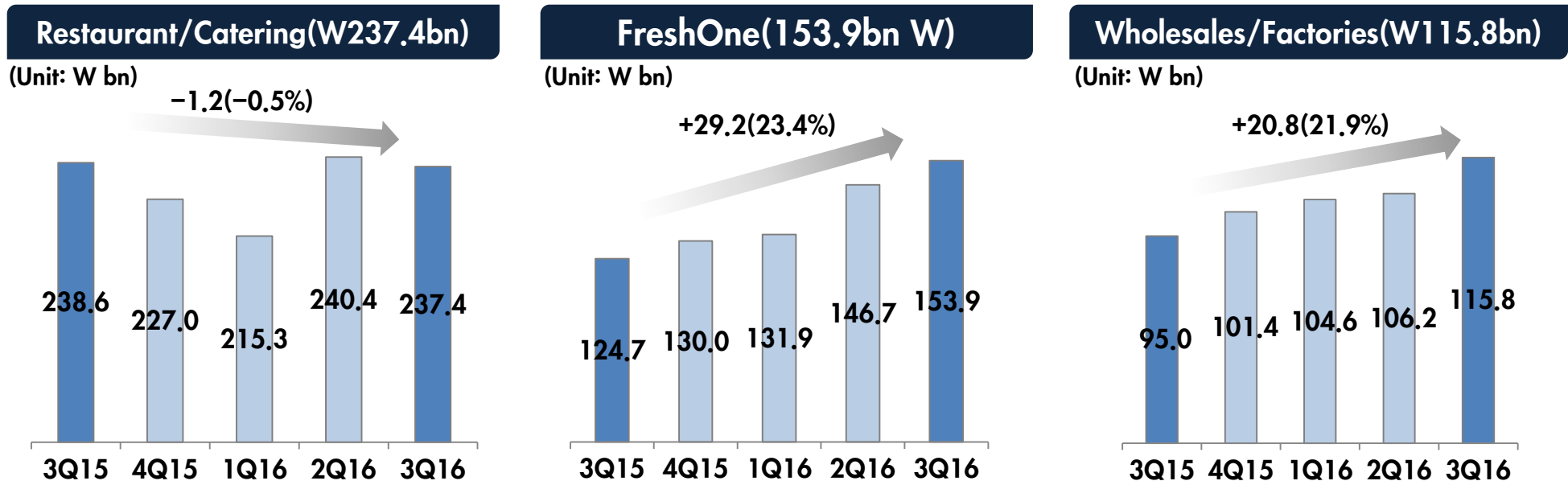
Food material distribution, sales +10.6% YoY on the back of solid growth from FreshOne and captive client routes. Catering service sales up by 19.2% thanks to increase in new order sales



- **[Food material distribution] W507.2bn(+W48.8bn, 10.6% YoY)**
 - Despite sales contraction from franchise restaurant business*, total revenue looked up on the back of strong sales from both FreshOne and captive client routes.
 - * Client portfolio screening & filtration process ongoing as an effort to combat dampening margin
- **[Catering service] W83.9bn(+W13.5bn, 19.2% YoY)**
 - Maintained solid top-line growth thanks to new orders increase from hospital ·leisure ·office

2-2. Food Material Distribution(507.2bn W)

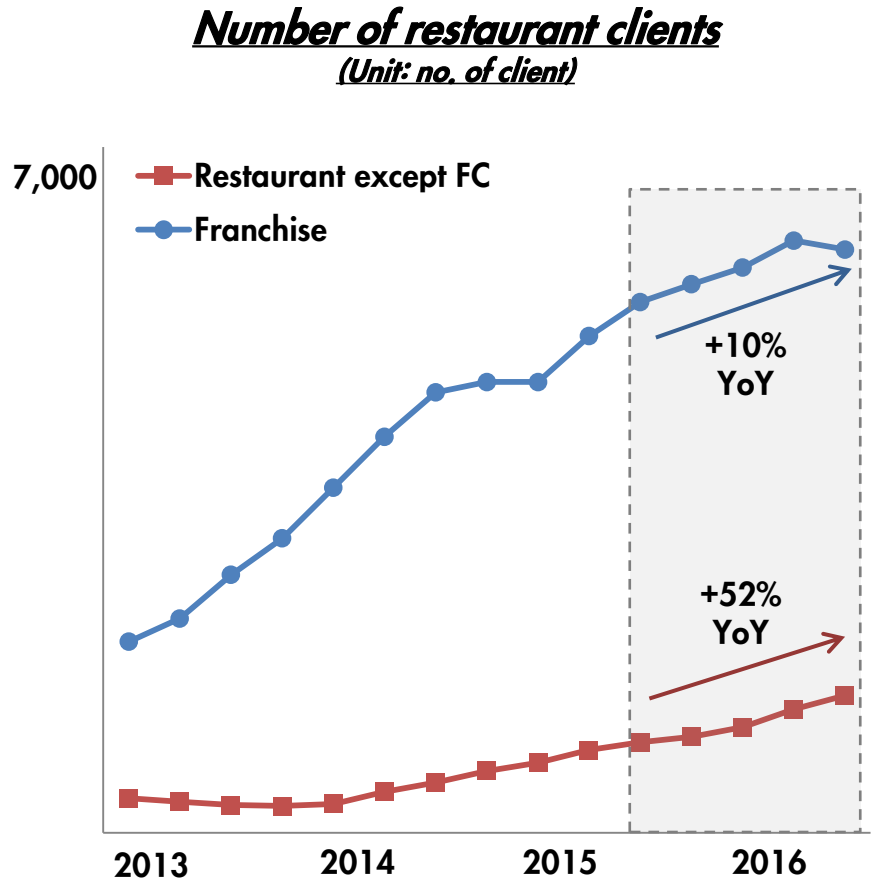
Achieved +10.6% YoY sales growth from both FreshOne and captive client routes, amid set back from FC(Franchise) restaurant channel owing to margin improvement efforts



- **[Restaurant/Catering] W237.4bn (-W1.2bn, -0.5% YoY)**
 - Sales increased in non-FC restaurants thru client portfolio expansion. Catering channel sustained its growth level by adding on new large accounts. Offsetting sales decline of FC restaurant which resulted from strategic de-marketing
- **[FreshOne] W153.9bn (+W29.2bn, 23.4% YoY)**
 - Business restructuring driven direct-channel expansion·C&C biz-model stabilization·new partnership expansion, FreshOne Busan consolidation(from Jan-2016, 3Q16 sales W7.4bn) were key growth factors
- **[Wholesales/Factories] W115.8bn (+W20.8bn, 21.9% YoY)**
 - Growing demand for the HMR· processed food led to volume growth toward captive clients

Appendix 1) Restaurant: Growth Trend

Sharp growth(52% YoY) in non-FC restaurant (store expansion and high client retention level), offset lost clients from strategic de-marketed FC channel



▪ **Franchise: up 10% YoY**

- Despite lackluster faced by the client portfolio filtration process, anticipate to see growth momentum back on track through the expansion of new high margin accounts and incubation of start-up FC brands(model which seeks/aids client to create sustainable growth)
- Expect to see QoQ growth in 4Q as new accounts to begin sales contribution from October
- [Business strategy]

“Expanding profit structure on the back of winning profitable new orders and improving profitability of existing clients

- Targeting profitable clients and incubating start-up FC brand
- Revision of contract condition and expansion of SOW

▪ **Non-FC Restaurants : up 52% YoY**

- Expansion of institutional/multi-store restaurants and increase in new orders
- [Business strategy]

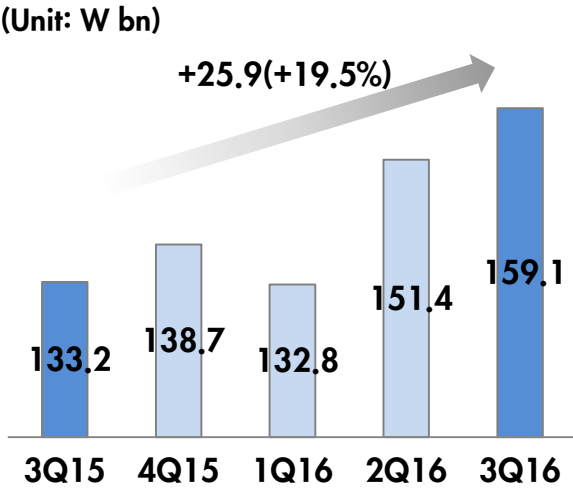
“Increase in new orders on the back of targeting emerging trendy area and ethnic food restaurants coupled with strengthening client retention”

1) SOW: Share of wallet

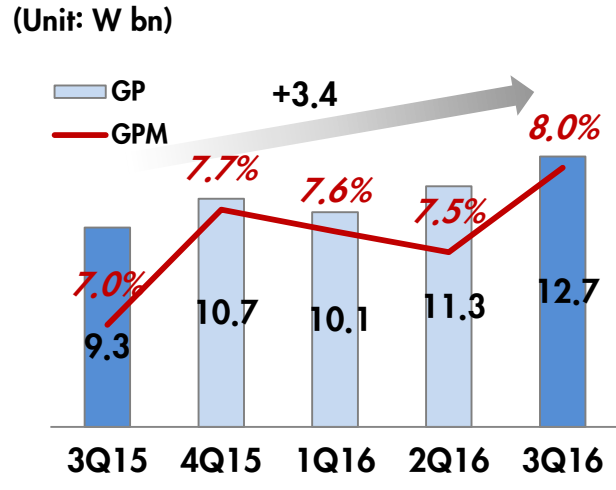
Appendix 2) FreshOne Earnings Trend

Continued efforts on expanding growth engine on the back of various attempts such as direct-channel expansion, C&C business-model, partnership expansion

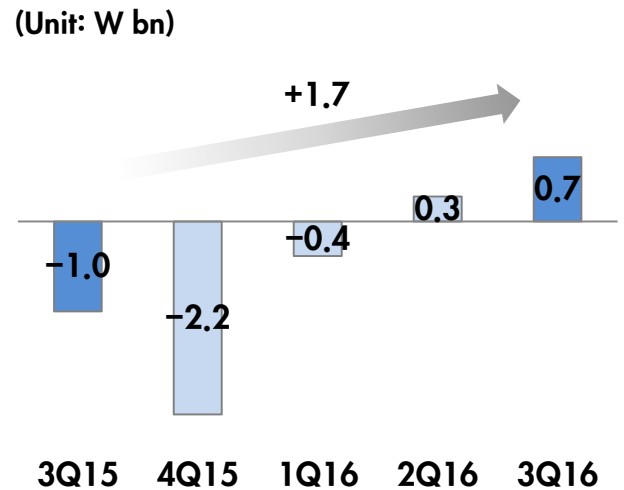
Sales(+W25.9bn, 19.5% YoY)



Growth Profit(+W3.4bn YoY)



Operating profit(+W1.7bn YoY)



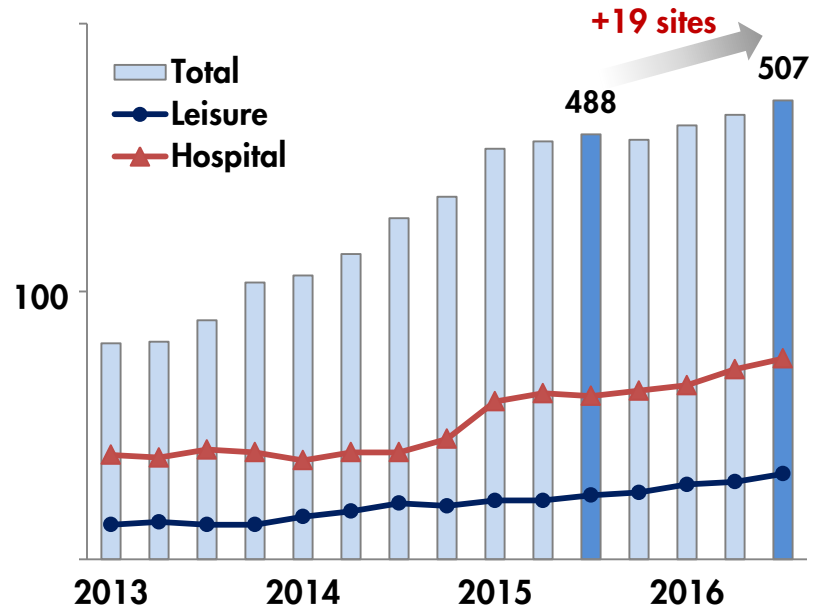
- **[Sales increase] W159.1bn(W26bn, 19.5% YoY)**
 - FreshOne Dongseoul(+2.7, 18.8%): Sales hike driven by acquisition related expansion
 - FreshOne Namseoul(+2.0, 9.5%): Maintained sales growth in direct-channel thanks to expansion of high-margin products and rise in number of participating SMEs
 - FreshOne Jungbu(+1.8, 35.5%): C&C business-model stabilization and sales increase in direct-channel
- **[Growth profit improvement] GP 12.7(W3.4bn YoY), GPM 8.0%(+1.0%pt YoY)**
 - Sought growth in sales and GP from business restructuring
 - Have seen improvement in profitability by putting pressure on expenses and will continue to seek margin improvement

1) Consolidated JVs(total 8 entities): FreshOne Gwangju, Jungbu, Namseoul, Gangnam, Dongseoul, Daegugyungbuk, Incheon, Busan,
 2) This page is based on the result including FreshOne Busan(3Q15~3Q16)

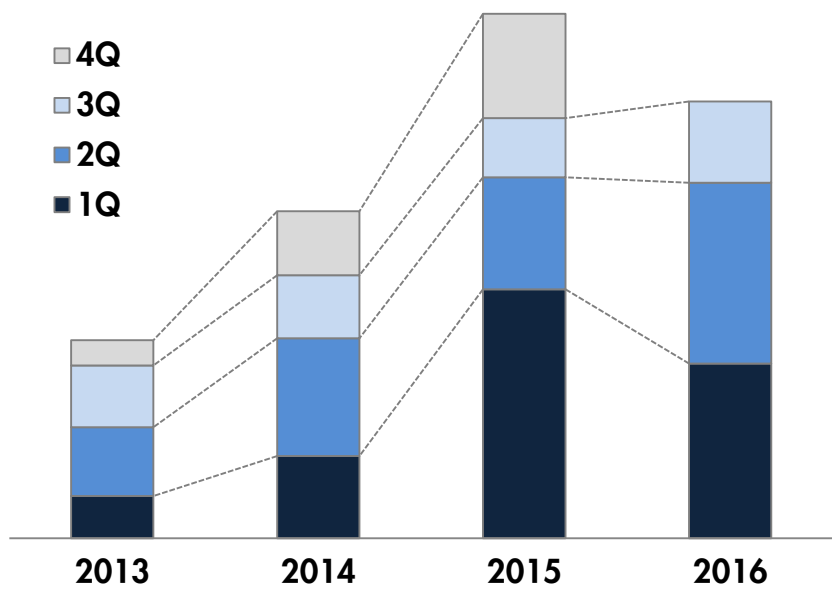
2-3. Catering Service(W83.9bn)

Solid sales growth(+19.2% YoY) thanks to increasing number of clients in new-channels such as office·hospital·leisure

Number of clients(Unit: no.)



New orders increase trend ¹⁾



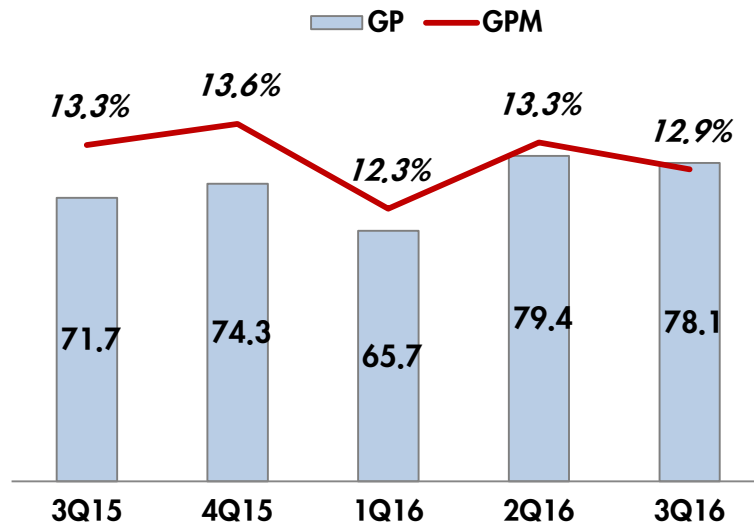
- **507 stores in 3Q16, 19 stores increase from 3Q15**
 - New order increase thru hospital·leisure channels where CJ Freshway maintains solid M/S no.1
- **Maintaining course of momentum to set a new record in terms of accruable annual sales from new orders**

1) Expected annual sales from newly added accounts

3. Operation Profit Analysis

While GP increased W6.4bn due to sales growth by 12.1%, increase in SG&A and investment expenses to meet pre-requisites for 'GCP 2020', has led to operating profit contraction(-W1.9bn YoY)

Growth profit trend (Unit: W bn)



SG&A (Unit : W bn)

	3Q15	3Q16	Chg.
Labor	18.6	22.9	4.3
Commission	16.7	16.1	-0.6
Logistics	13.5	13.9	0.4
Depreciation & amortization	3.2	4.6	1.4
Other	9.5	12.3	2.8
Total	61.5	69.8	8.3
(%)	11.0%	11.5%	+0.5%pt

▪ **[Growth profit] W78.1bn(+W6.4bn, +8.9% YoY)**

- Growth profit up W6.4bn thanks to double digit sales growth(12.1%), however, GPM decrease -0.4%pt owing to weak sales growth of restaurant/Catering and increased contribution of wholesales/Factories division

▪ **[SG&A] W69.8bn(+W8.3bn, +13.6% YoY)**

- Labor cost, W22.9bn(+W4.3bn YoY): mainly due to rise in number of employees(+102 YoY) for mid-long term plan prep
- Commission cost, W16.1bn(-W0.6bn YoY): combination of abated sales per store & depressing low margin FC businesses
- Depreciation & amortization, W4.6bn(+W1.4bn YoY): cost reflection after new ERP system establishment

▪ **[OP] W8.3bn(-W1.9bn, -19.3% YoY)**

4. Non-Operating Income & Expense

Non-operating expense W5.9bn including FreshOne goodwill impairment of W2.2bn

Non-Operating Income & Expense (Unit: W bn)

	3Q15	3Q16	Chg.
Net Interest Expense	1.0	1.3	+0.3
FX-Related Losses	0.2	0.2	0.0
Donations	1.3	1.8	+0.5
Goodwill Impairment	2.8	2.2	-0.6
Other	0.3	0.4	+0.1
Total	5.6	5.9	+0.3

❖ Non-operating expense W5.9bn

- Financial expenses -W1.5bn
 - : Net interest expense -W1.3bn, F/X loss -W0.2bn
- Donation -W1.8bn
- Goodwill Impairment -W2.2bn
 - : FreshOne Busan goodwill impairment

5. Other Analysis

(Unit: W bn , %)

	2015	3Q16
Liability to Equity Ratio	269%	282%
Debt to Equity Ratio	101%	113%
Net Debt to Equity Ratio	96%	102%
Total Borrowings(W bn)	208.0	231.3
Net Borrowings(W bn)	196.9	209.9

- Liability to Equity Ratio 282%(13%pt YoY), debt to equity ratio 113%(12%pt YoY), Net Debt to Equity Ratio 102%(6%pt YoY)
- Total debt incremental portion W23.3bn (W208.0bn → W231.3)
 - Short-term borrowings decreased by W46.5bn (W138.1bn → W91.6bn)
 - Long-term borrowings increased by W69.8bn (W69.9bn → W139.7bn)

6-1. Income Statement

(Unit : W bn)

	3Q15	2Q16	3Q16	YoY	(%)	QoQ	(%)
Total Revenue	540.9	597.0	606.5	65.6	12.1%	9.4	1.6%
– Food material distribution	458.4	493.4	507.2	48.8	10.6%	13.8	2.8%
Restaurant/catering	238.6	240.4	237.4	-1.2	-0.5%	-3.0	-1.2%
FreshOne	124.7	146.7	153.9	29.2	23.4%	7.2	4.9%
Wholesale/ factories	95.0	106.2	115.8	20.8	21.9%	9.6	9.0%
– Catering service(domestic)	70.4	82.2	83.9	13.5	19.2%	1.7	2.1%
– Global and Etc.	12.1	21.5	15.4	3.3	27.0%	-6.1	-28.3%
Gross profit	71.7	79.4	78.1	6.4	8.9%	-1.3	-1.6%
SG&A	61.5	70.3	69.8	8.3	13.6%	-0.5	-0.7%
Operating profit	10.2	9.1	8.3	-1.9	-19.3%	-0.8	-9.0%
Profit before tax	4.6	4.3	2.4	-2.2	-48.6%	-1.9	-45.4%
Net profit	2.8	2.8	1.3	-1.5	-54.0%	-1.6	-55.1%

6-2. Balance Sheet

(Unit : W bn)

	2013	2014	2015	163Q
Current Asset	333.5	349.3	418.5	436.3
Cashable Asset	11.1	7.3	11.0	21.4
A/R	227.7	195.9	212.8	226.2
Inventory	58.1	113.9	171.7	164.2
Others	36.5	32.1	23.0	24.5
Non-Current Asset	263.5	323.8	340.3	348.4
Investment in JV & affiliates	10.4	0.3	0.4	0.8
Tangible Asset	70.2	225.2	225.4	233.2
Intangible Asset	11.3	67.7	79.8	80.1
Real estate	161.9	16.6	16.4	13.1
Others	9.7	14.0	18.4	21.2
Total Asset	597.0	673.1	758.8	784.7
Current Liabilities	304.0	413.1	462.6	417.7
Non-Current Liabilities	109.9	64.7	90.7	161.6
Total Liabilities	413.9	477.8	553.3	579.3
Total Shareholders' Equity	183.1	195.3	205.5	205.4



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