



2016 2Q Business Results

This material is based on non-audited financial statements for 2016 2Q and released for investors' convenience only. Please note that readers should be aware this material is subject to revision during the course of audit.

Contents

Contents	Page
1. Results Highlights	2
2. Earnings Analysis by Division	
2-1. Earnings Analysis by Division	3
2-2. Food Material Distribution	4
· Appendix 1), 2)	5~6
2-3. Catering Service	7
3. Operating Income Analysis	8
4. Non-Operating Income & Expense	9
5. Other Analysis	10
6. Financial Statement	
6-1. Summary of Income Statement	11
6-2. Summary of Balance Sheet	12

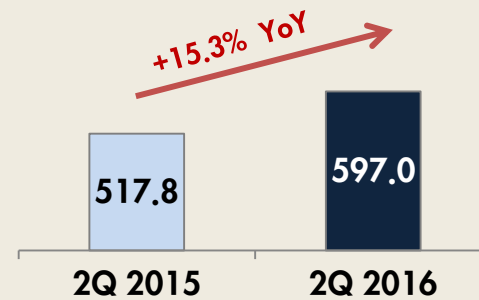
1. Results Highlights

- Sales revenue W597bn, Gross profit W79.4bn hit the biggest record among quarters
- Steady Gross profit margin 13.3%
 - Operating profit declined due to pre-investment cost for mid-ling term growth, however, earnings visibility will be expanded through solid top-line growth

2Q16 Business Results(Unit: W bn)

	2015 2Q	2016 2Q	Chg.
Revenue	517.8	597	15.3%
Gross profit	69	79.4	10.4
GP Margin	13.3%	13.3%	–
Operating Profit	11.8	9.1	(2.8)
Profit before Tax	9.4	4.3	(5.1)
Net Profit	7.1	2.8	(4.2)

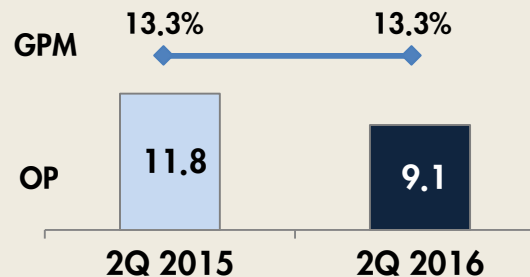
2Q16 Revenue(Unit: W bn)



Revenue W597bn(15.3% YoY)

- Food material distribution, Continued top-line growth on the back of increase in new orders and FreshOne business restructuring
- Catering service, sales increase across all divisions such as office/hospital/leisure

2Q16 OP(Unit: W bn)

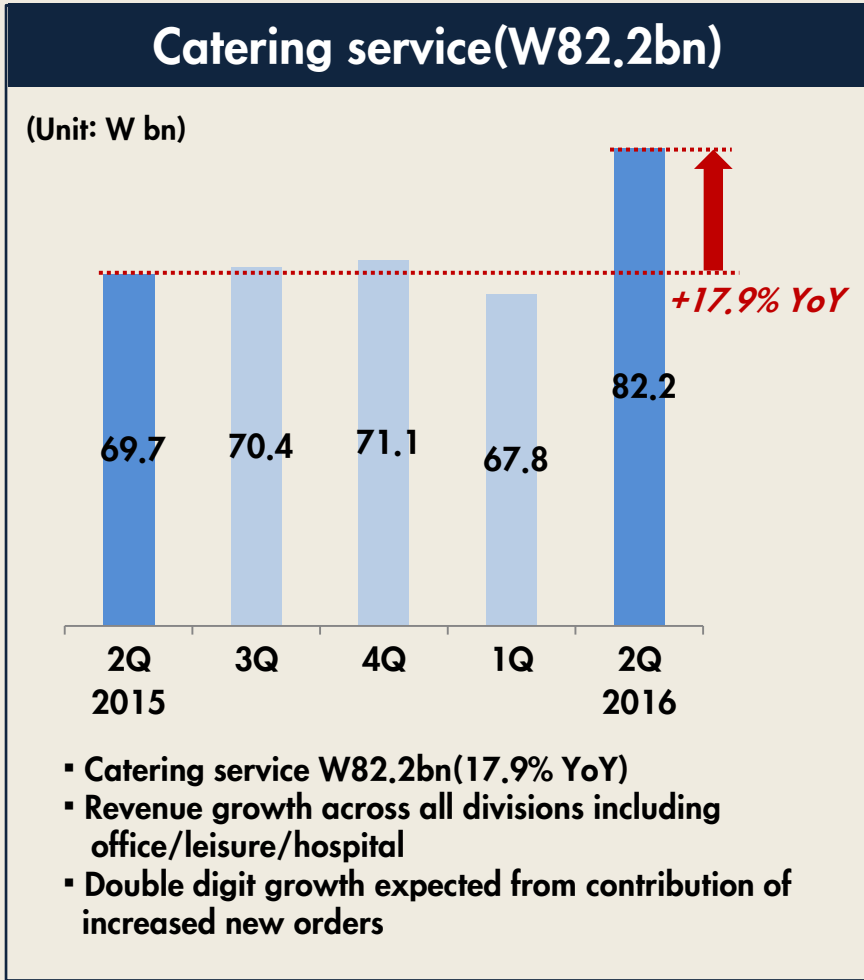
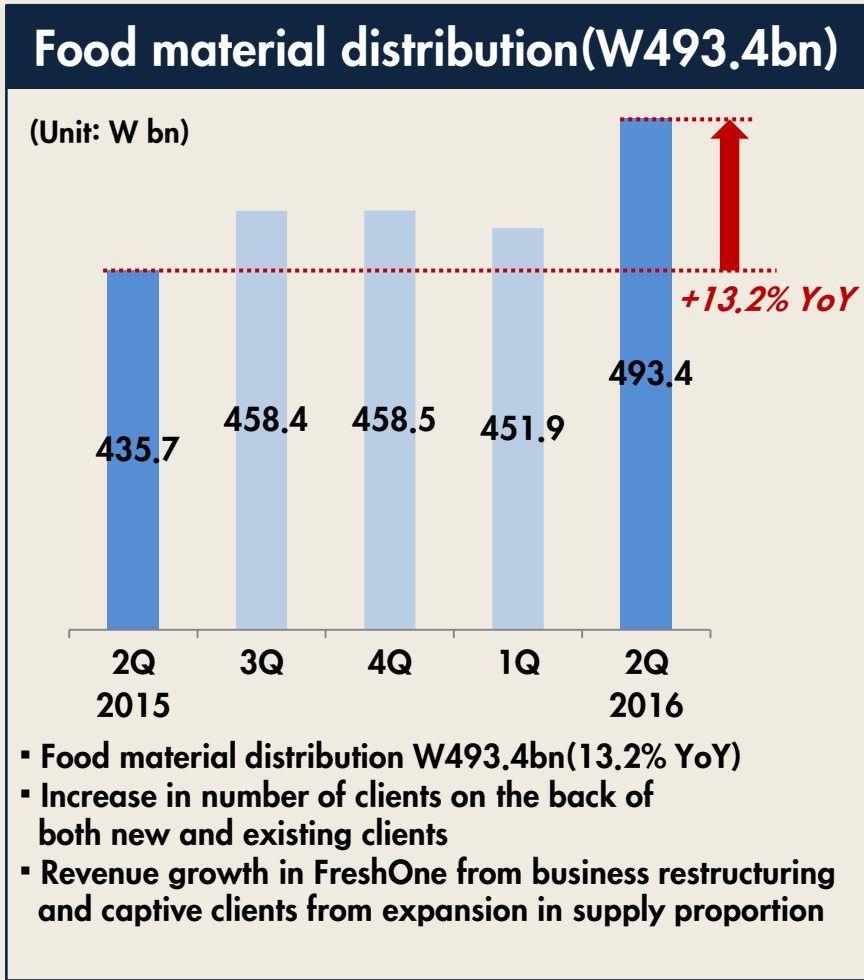


OP W9.1bn(W-2.8bn YoY)

- Steady GPM
- Operating profit declined due to pre-investment cost, however, earnings growth expected through GPM and SG&A improvement

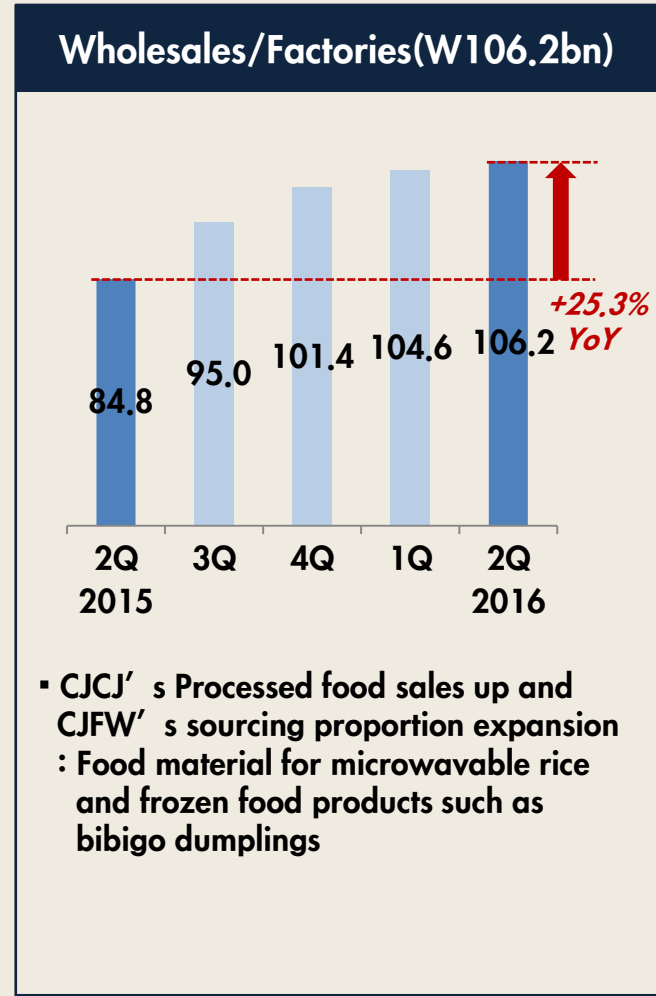
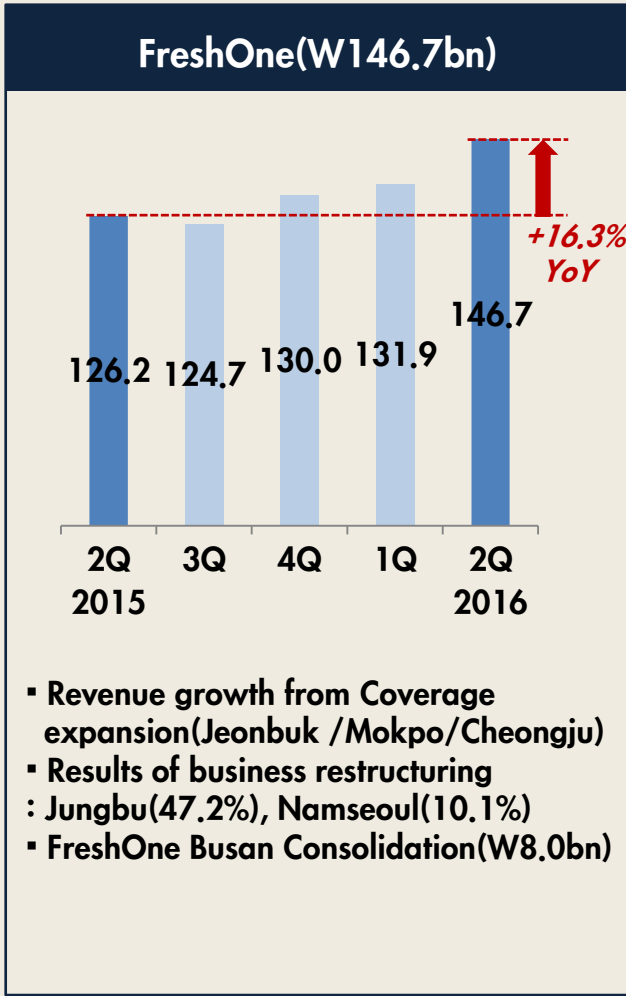
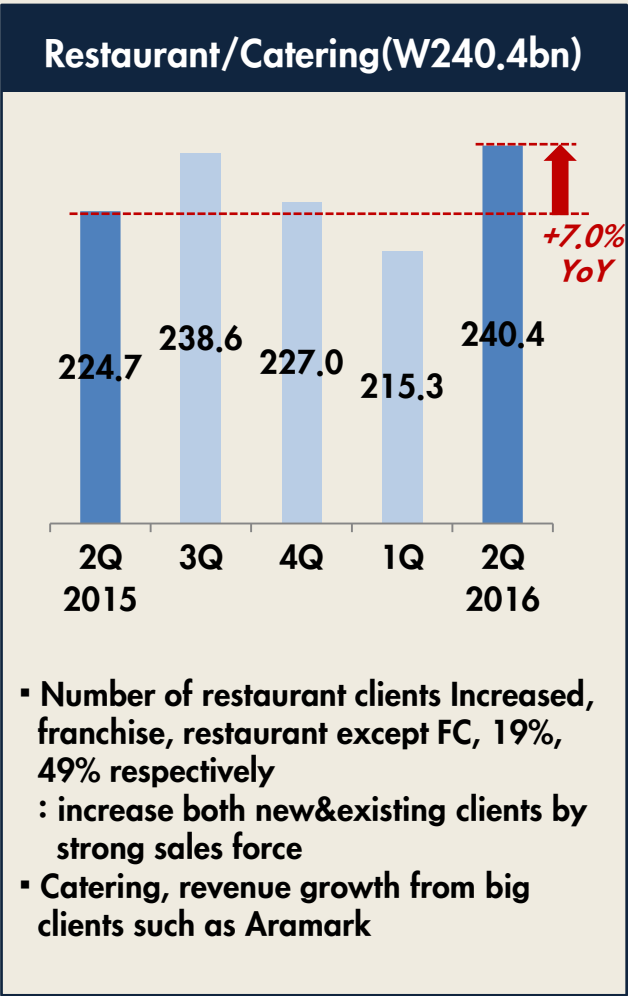
2-1. Earnings Analysis by Division

- Food material distribution W493.4bn, 13.2%, W57.7bn YoY
- Catering service W82.2bn, 17.9%, W12.5bn YoY



2-2. Food Material Distribution(W493.4bn)

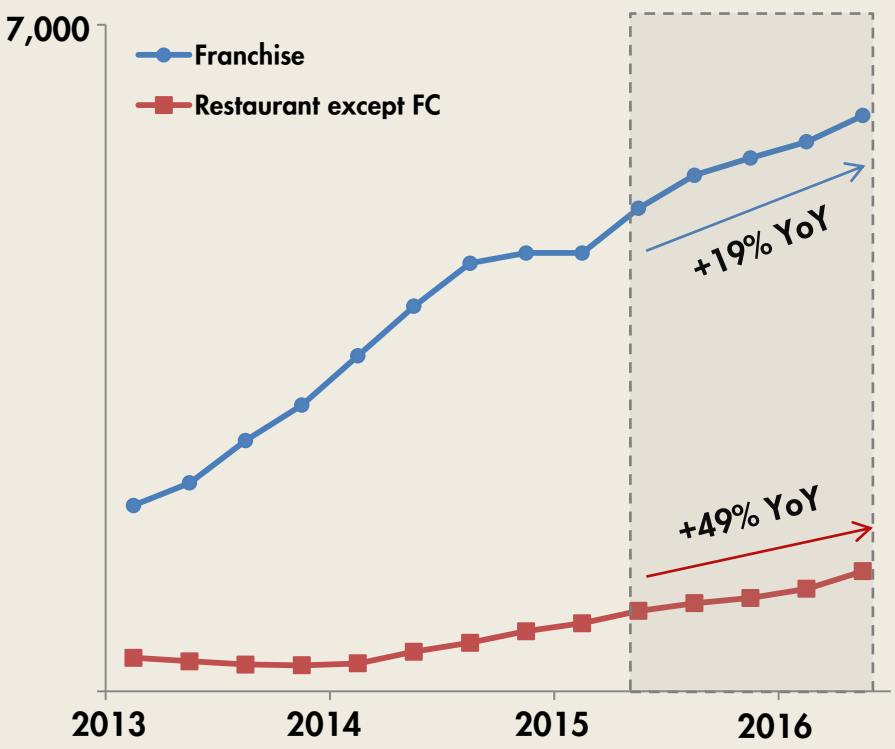
Revenue growth across all divisions, increased new clients and existing clients retention in Restaurant/Catering div, business restructuring and FreshOne Busan consolidation in FreshOne div, increase in supply to captive clients



Appendix 1) Restaurant: Number of clients

Increase in both new&existing clients on the back of strong sales force(specialty in targeting and responding to clients), sourcing competency, SCM/food safety infra

Number of restaurant clients (Unit: no. of client)



❖ Franchise +19%, Restaurant except FC +49% YoY

▪ Franchise

- Franchise, M/S No.1 on the back of strong brand power
- Number of clients increased, however, sharp growth slowed down due to weakened trend

[Main clients]

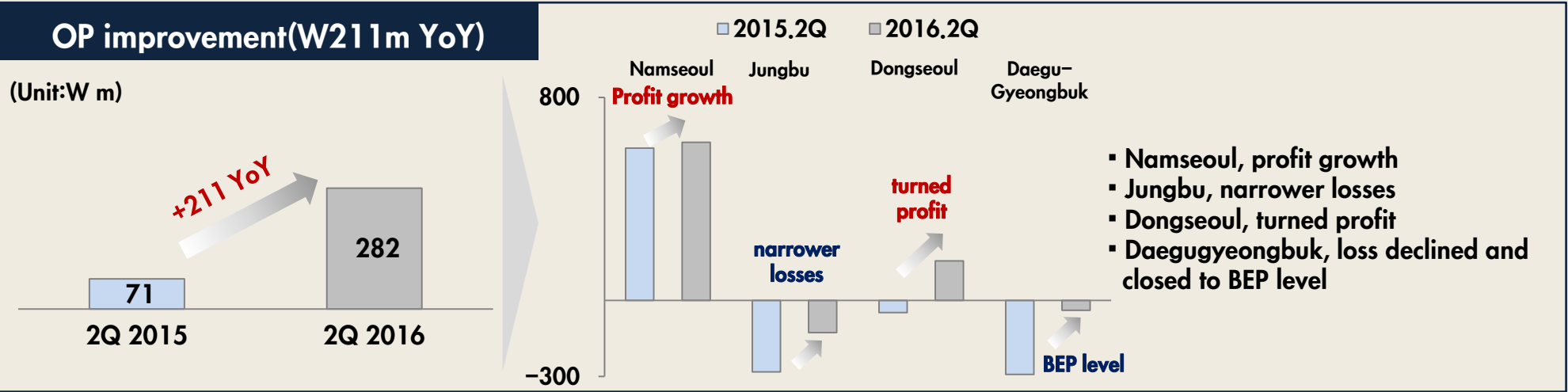
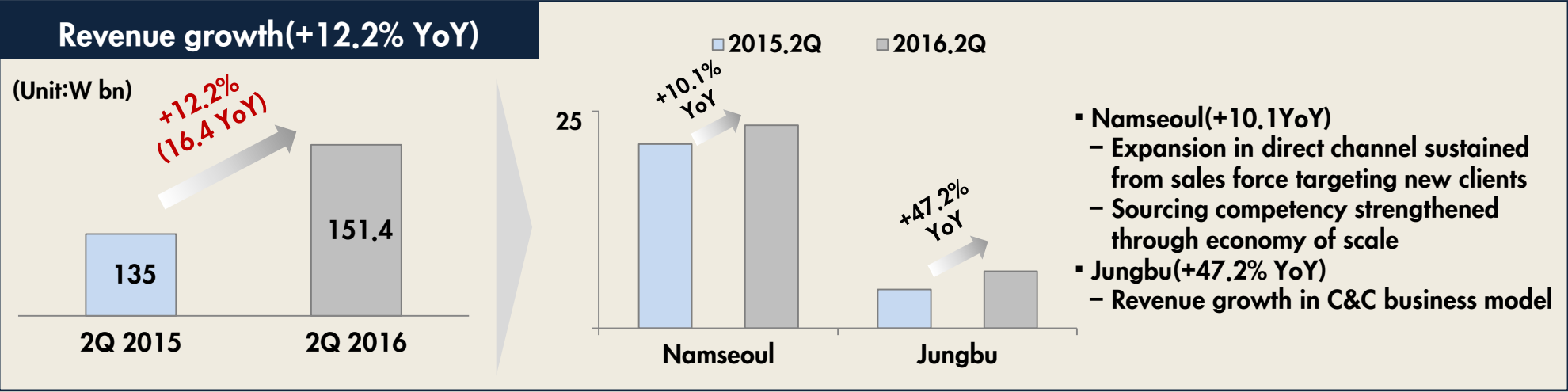
	Franchise brand
Meal	Fukuoka-hambageu, Phomein, Momo-steak, Seoga&cook, Hakoya, Hongkongbanjeom
Café	Sulbing, Zoo-coffee, Quiznos
Pub	Warawara, Junko, Chilseongpocha, Bongjourbeer

▪ Restaurant except FC

- Continued increase thanks to core competency and strong sales force
- Growing contribution from institutional/multi-store restaurants [Example] Samsung bakery, 14 stores in 2Q16

Appendix 2) FreshOne: Earnings improvement

Earnings growth expected from turn around in FreshOne entities on the back of business restructuring and coverage expansion

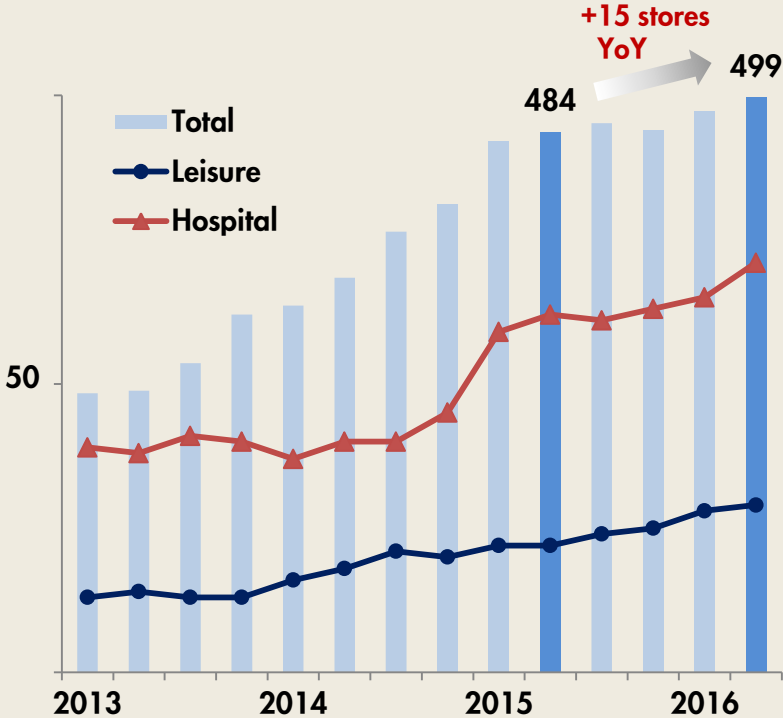


1) 2Q15, 2Q16 including FreshOne Busan results(FreshOne Busan consolidation from 1Q16)

2-3. Catering Service(W82.2bn)

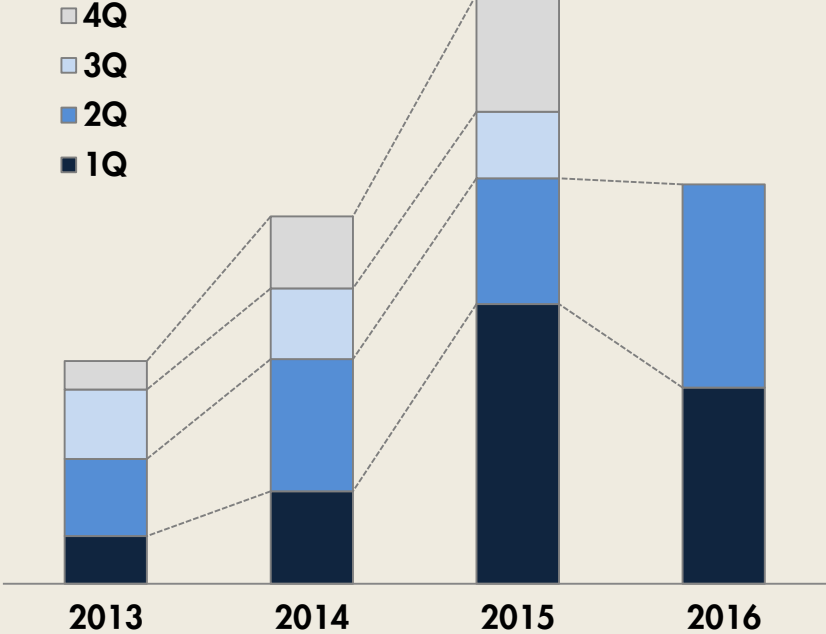
Continued double digit growth(17.9% YoY) driven by increased number of clients across all divisions on the back of operational efficiency

Number of clients(Unit: no.)



- 15 stores increased
- Solid growth to be sustained with increasing contribution from existing clients(retention rate about 97%) and new orders increase in 1H

New orders increase trend¹⁾



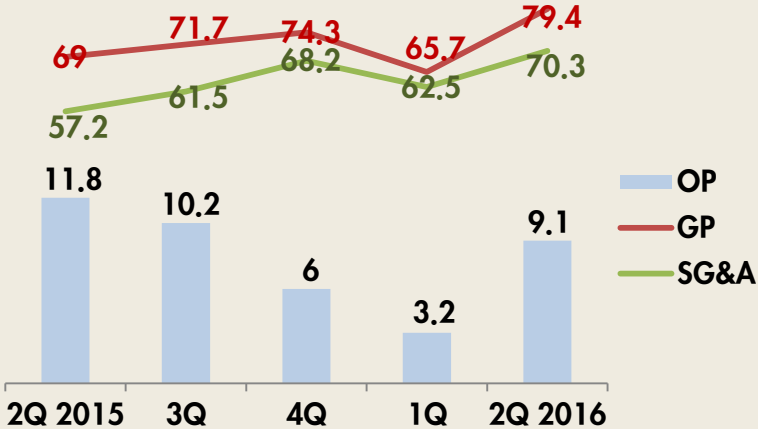
- 2016 1H, Solid growth continued from 2Q16 results : new orders increase across all division including office/hospital/leisure
- Solid growth in 2016 expected from increasing contribution from new orders in 1H

1) Expected sales from new orders for a year

3. Operating Income Analysis

OP declined due to increased investment cost such as labor, IT infra, logistics, despite GP expansion from solid revenue growth(15.3%) and maintained GPM

Operating profit(Unit: W bn)



	2015 2Q	2016 2Q	Chg.
Revenue	517.8	597	15.3%
Gross profit	69.0	79.4	10.4
GP Margin	13.3%	13.3%	-
SG&A	57.2	70.3	13.1
Operating Profit	11.8	9.1	(2.8)

❖ **Gross profit W79.4bn(W10.4bn YoY)**

- Restaurant/Catering, revenue up 7% thanks to increase in number of clients, GPM growth expected through improvement in low-margin clients
- FreshOne, revenue growth(16.3% YoY) and GPM improvement from business restructuring
- Wholesales and Factories, expanded profit from double digit revenue growth
- Catering service, revenue up 17.9% thanks to increase in new orders and GPM improvement from operational efficiency

❖ **SG&A W70.3bn(W13.1bn YoY)**

- Labor cost W22.1bn(W3.9bn, 21.5% YoY)
: 236 employees increased mainly in sales, merchandising
- Commission cost W16.5bn(W2.3bn, 16% YoY)
: Increase in commission to Franchise HQ following sales growth and service fee from new ERP(W6bn)
- Logistic cost W16.1bn(W3.5bn, 27.4% YoY)
: Increase from revenue growth(15.3%) and investment for logistic process improvement
- Depreciation and amortization W4.5bn(W1.4bn, 45.1% YoY)
: ERP system development(W4.5bn monthly)

4. Non-Operating Income & Expense

Increased in non-operating expense(W2.4bn YoY) due to higher donation cost

2016 2Q Non-Operating Income & Expense (Unit: W bn)

	2Q 2015	2Q 2016	Chg.
Net Interest Expense	-1.2	-1.3	-0.1
FX-Related Losses	-0.2	-0.1	0.1
Donations	-1.5	-2.7	-1.2
Others	0.5	-0.7	-1.2
Total	-2.4	-4.8	-2.4

- Non-operating expense W4.8bn
 - Financial cost W1.4bn
 - Donation W2.7bn

5. Other Analysis

	(Unit: W bn, %)	
	2015	2Q ' 2016
Current ratio	90%	103%
Debt to Equity Ratio	269%	280%
Borrowings to Equity Ratio	101%	102%
Net Borrowings to Equity Ratio	96%	98%
Total Borrowings(W bn)	207.9	209.5
Net Borrowings(W bn)	196.9	200.7

- **Current Assets increase W5.9bn, Current Liabilities decrease W51.9bn**
- **Total Liabilities increase W18.2bn, total Equity decrease W1.1bn**
- **Total Borrowings W209.5bn, increase W1.5bn**
 - **Short-term borrowings decrease W68.3bn (W138.1bn → W69.8bn)**
 - **Long-term borrowings increase W69.8bn (W69.9bn → W139.7bn)**

6-1. Summary of Income Statement

(Unit: W bn)

	2Q15	1Q16	2Q16	YoY	(%)	QoQ	(%)
Total Revenue	517.8	535.8	597.0	79.3	15.3%	61.2	11.4%
– Food material distribution	435.7	451.9	493.4	57.7	13.2%	41.5	9.2%
Restaurant/catering	224.7	215.3	240.4	15.7	7.0%	25.1	11.6%
FreshOne	126.2	131.9	146.7	20.5	16.3%	14.8	11.2%
Wholesale/ factories	84.8	104.6	106.2	21.5	25.3%	1.6	1.5%
– Catering service(domestic)	69.7	67.8	82.2	12.5	17.9%	14.4	21.2%
– Global and Etc.	12.4	16.2	21.5	9.1	73.7%	5.3	32.9%
Gross profit	69.0	65.7	79.4	10.4	15.0%	13.7	20.8%
SG&A	57.2	62.5	70.3	13.1	23.0%	7.8	12.5%
Operating profit	11.8	3.2	9.1	-2.8	-23.4%	5.9	181.7%
Profit before tax	9.4	0.4	4.3	-5.1	-53.8%	4.0	1021.7%
Net profit	7.1	0.4	2.8	-4.2	-59.8%	2.5	698.8%

6-2. Summary of Balance Sheet

(Unit: W bn)

	2013	2014	2015	2016 2Q
Current Assets	333.5	349.3	418.5	424.3
Cashable Assets	11.1	7.3	11.0	8.8
Account Receivable	227.7	195.9	212.8	220.8
Inventory	58.1	113.9	171.7	175.0
Other current assets	36.5	32.1	23.0	19.8
Non-Current Assets	263.5	323.8	340.3	351.5
Investment in JV and associates	10.4	0.3	0.4	0.5
Tangible Assets	70.2	225.2	225.4	234.0
Intangible Assets	11.3	67.7	79.8	84.0
Investment in real estate	161.9	16.6	16.4	12.4
Other non-current assets	9.7	14.0	18.4	20.6
Total Assets	597.0	673.1	758.8	775.9
Current Liabilities	304.0	413.1	462.6	410.7
Non-Current Liabilities	109.9	64.7	90.7	160.8
Total Liabilities	413.9	477.8	553.3	571.5
Total Shareholders' Equity	183.1	195.3	205.5	204.4



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