

Cheil

First Half 2017 Earnings Release

July 28th, 2017

Cheil Worldwide

The financial information in this document is consolidated earning results based on K-IFRS.

This document is provided for investors' information before H1 FY2017 reviewed financial statements are released. The review outcomes may cause some parts of this document to be revised.

This document contains "forward-looking statements" - that is, statements related to future, not past events.

In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain.

For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in exchange rates, interest rates and commodity prices; strategic actions including dispositions and acquisitions. These uncertainties may cause our actual results to be materially different from those expressed in this document.

- Financial Summary (K-IFRS consolidated)
- Consolidated Revenue
- Consolidated Operating Income
- H1 2017 Business Performance
- 2017 Annual Outlook & Long Term Strategy

Financial Summary (K-IFRS consolidated)

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(KRW billion)

	H1 2017	H1 2016	Growth	Q2 2017	Q2 2016	Growth
Revenue (Gross Profit)	469.4	482.2	△3%	256.0	256.1	-
Operating Expense	393.8	415.9	△5%	203.7	212.3	△4%
Operating Income	75.6	66.3	14%	52.3	43.8	19%
Non-operating Expenses and Income	△1.0	3.4	-	△1.0	2.5	-
Income Before Income Taxes	74.6	69.6	7%	51.3	46.3	11%
Net Income	55.1	43.1	28%	38.8	28.7	35%

Consolidated Revenue : H1 2016 KRW 482.2B → H1 2017 KRW 469.4B (△ 12.8B)
 Q2 2016 KRW 256.1B → Q2 2017 KRW 256.0B (△ 0.1B)

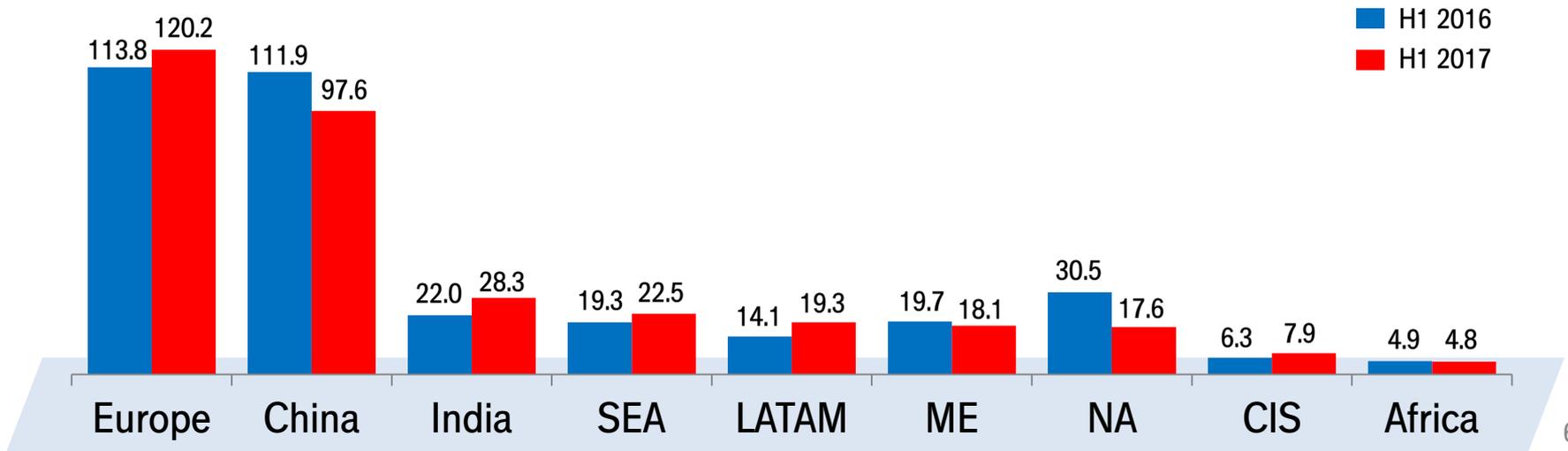
- Headquarter : Revenue down 5% to 126.6B YoY (△ 6.2B)
 - Decrease in revenue of Samsung clients including Samsung C&T and non-Samsung clients
- Subsidiaries : Revenue down 2% to 342.8B YoY (△ 6.6B)
 - Decrease in revenue of China and North America

(KRW billion)

	H1 2017	H1 2016	Growth	Q2 2017	Q2 2016	Growth
HQ	126.6	132.8	△ 5%	72.3	77.7	△ 7%
Subsidiaries	342.8	349.4	△ 2%	183.7	178.4	3%
Total	469.4	482.2	△ 3%	256.0	256.1	-

Overseas % of total revenue : 2016 YTD 72% → 2017.1H 73%

- Europe continued steady growth and emerging markets such as India and LATAM showed stronger growth in the second quarter
 - Europe(6% ↑ YoY), LATAM(37%), India(29%), SEA(17%), etc.
 - * Iris 1% * Q2 40% YoY * Q2 39% YoY * Q2 20% YoY
 - (Excluding GBP impact, 18% ↑)
- China, North America and Middle East showed gradual recovery compared to the first quarter
 - * Pengtai Q2 5% YoY



- Non-Samsung clients % : 2016 YTD 34% → H1 2017 28%
 - Headquarter : 2016 YTD 28% → H1 2017 27%
 - Subsidiaries : 2016 YTD 37% → H1 2017 29%

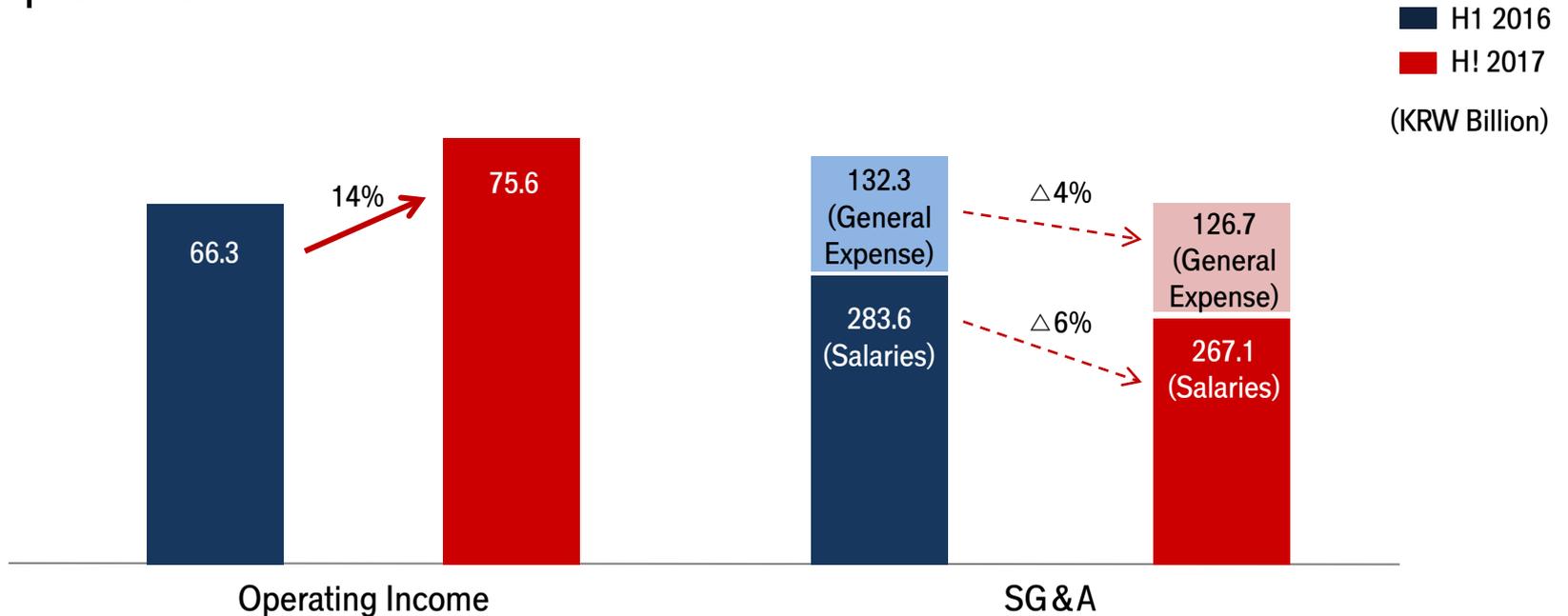
- Digital % of total revenue : 2016 YTD 30% → 2017.1Q 22%

	2010	2013	2016	H1 2017
Digital	19%	23%	30%	29%
BTL	32%	41%	43%	46%
Retail	13%	23%	20%	23%

Consolidated Operating Income

Consolidated Operating Income : H1 2016 66.3B → H1 2017 75.6B (9.3B ↑)
Q2 2016 43.8B → Q2 2017 52.3B (8.5B ↑)

- Consolidated operating income has increased through operational efficiency improvement



- BlueRay Estate(China), PinDuoDuo(China), Mediheal(China), Dupont(NA), etc

< H1 2017 New Clients >



Impressive Creativity Proven at Global Awards

- Cannes Lions (11) : Silver 1, Bronze 10
- One Show (19) : Silver 2, Bronze 4, Merit 13
- AdFest (14), Clio Sports(5), New York Festivals(7), D&AD(3), etc

< Award Winners >



<Uniqlo, Heat Tech Window>

* Cannes Bronze, One Show Silver, AdFest Gold, D&AD Silver, etc



<Adidas, #MYNEOLABEL>

* Cannes Bronze, One Show Silver, etc



<Samsung Electronics, #BEFEARLESS>

* One Show Bronze, Adfest Silver, D&AD Bronze, etc

“ 2017 Goal : Revenue 5% + Additional Growth(M&A), Operating Margin Improvement ”

2020 Goal : Global Top Tier Ad Agency with Revenue of 2 Trillion Won

Growth Strategy

- ① Business : Expand major client business with new business including **e-commerce, digital media, CRM**
- ② Capabilities : Strengthen core competencies including **Data, Tech, Strategy** and adapt to rapidly-changing digital environment
- ③ Region : Achieve Top Tier (China/India), Foster services(UK/US/Germany), Target major client(Emerging markets)

Investment

[Inorganic growth through M&A]

- Headquarter : corporate-led big M&A focused on future capabilities
- Subsidiaries : local M&A/JV focused on reinforcing local business and meeting the local clients' needs
 - ※ Iris' acquisition of PSL, B2B agency(February), Pengtai's JV with Taobao's partner

Risk Management

[Risk management through efficiency improvement and investment]

- Improve operating efficiency by restructuring and analyzing the profitability of business
- Expand Samsung business and develop non-Samsung clients with top talent recruitment and investment in new business

Thank you