

**The First Partner**

**LG Innotek**

# 3Q12 Earnings Results

# The First Partner

## I . 3Q12 Earnings

## II. Business Results

LG Innotek adopted International Financial Reporting Standards(IFRS) on January 1, 2010. All financial information contained in this document is based on consolidated IFRS. In addition, this presentation contains forward-looking statements -- these statements are based on our current plans, estimates and projections. Shareholders and potential investors are urged to consider these risks and uncertainties, and are cautioned not to place undue reliance on these statements. The forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

# 3Q12 EARNINGS



# Statement of Income

[KRW billion]

	2Q12	QoQ	3Q12	YoY	3Q11
Sales	1,235.8	-1.3%	1,219.9	14.3%	1,067.1
Operating Profit	19.0	37.4%	26.2	N/A	-5.4
(%)	1.5%	+0.6%p	2.1%	+2.6%p	-0.5%
Income before Taxes	-8.0	N/A	3.7	N/A	-43.3
(%)	-0.6%	+0.9%p	0.3%	+4.4%p	-4.1%
Net Profit	4.5	-19.9%	3.6	N/A	-35.6
(%)	0.4%	-0.1%p	0.3%	+3.6%p	-3.3%
EBITDA	132.2	+13.4	145.6	+43.6	101.9
(%)	10.7%	+1.2%p	11.9%	+2.4%p	9.6%
CAPEX	170.6	+37.3	207.9	+118.8	89.2

※ based on consolidated IFRS

# Statement of Financial Position

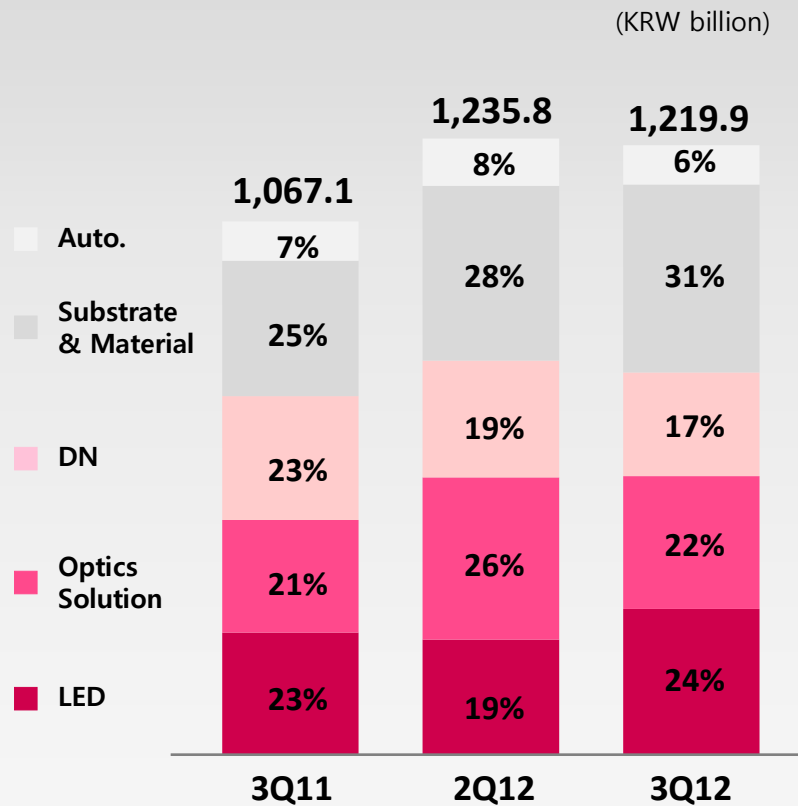
[KRW billion]

	2Q12	QoQ	3Q12	YoY	3Q11
<b>Total Assets</b>	<b>4,619.3</b>	<b>5.2%</b>	<b>4,858.7</b>	<b>10.2%</b>	<b>4,407.4</b>
Current Assets	1,921.5	7.6%	2,068.1	26.9%	1,629.5
Cash & Cash Equivalents	551.2	-19.7%	442.4	91.6%	230.9
Non-current Assets	2,697.8	3.4%	2,790.6	0.5%	2,777.9
<b>Total Liabilities</b>	<b>3,292.9</b>	<b>7.6%</b>	<b>3,544.2</b>	<b>19.0%</b>	<b>2,979.0</b>
Current Liabilities	1,841.5	11.4%	2,051.8	58.7%	1,293.0
Non-current Liabilities	1,451.3	2.8%	1,492.4	-11.5%	1,686.0
(Total Borrowings)	2,240.6	-3.0%	2,172.3	-2.0%	2,216.4
<b>Total Shareholders' Equity</b>	<b>1,326.4</b>	<b>-0.9%</b>	<b>1,314.5</b>	<b>-8.0%</b>	<b>1,428.4</b>
Capital Stock	100.8	0.0%	100.9	0.0%	100.8
<b>Liability-to-Equity</b>	<b>248.2%</b>	<b>+21.4%p</b>	<b>269.6%</b>	<b>+61.1%p</b>	<b>208.5%</b>
<b>Net Debt-to-Equity</b>	<b>127.4%</b>	<b>+4.2%p</b>	<b>131.6%</b>	<b>-7.4%p</b>	<b>139.0%</b>

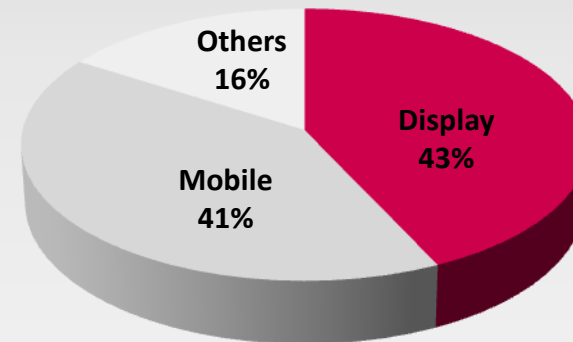
※ based on consolidated IFRS

# Sales Trends

## Sales Breakdown by Division



## Sales Breakdown by Application



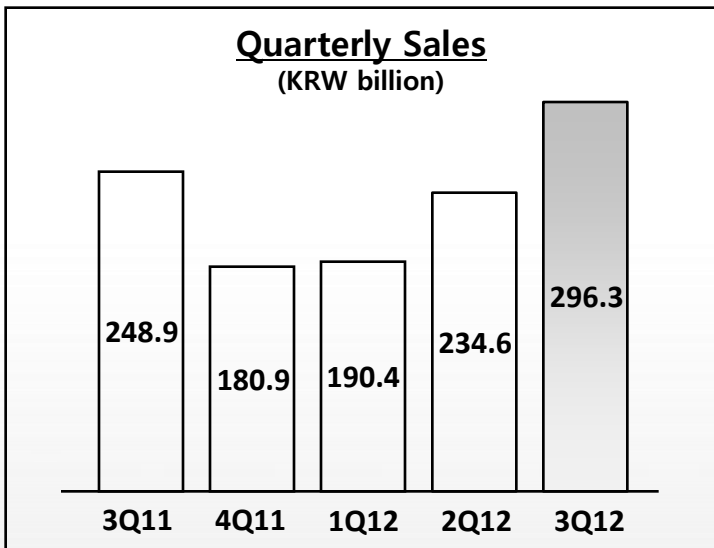
Note 1) Display : LED BLU, Power, Tuner, Photomask, Tape Substrate  
 Mobile : Camera Module, PCB, Touch Window, Package  
 Others : Lead Frame, Wireless, Motor, Automotive, LED Lighting

Note 2) 2Q12 Sales Breakdown : Display 38% / Mobile 43% / Others 19%

## **BUSINESS RESULTS**

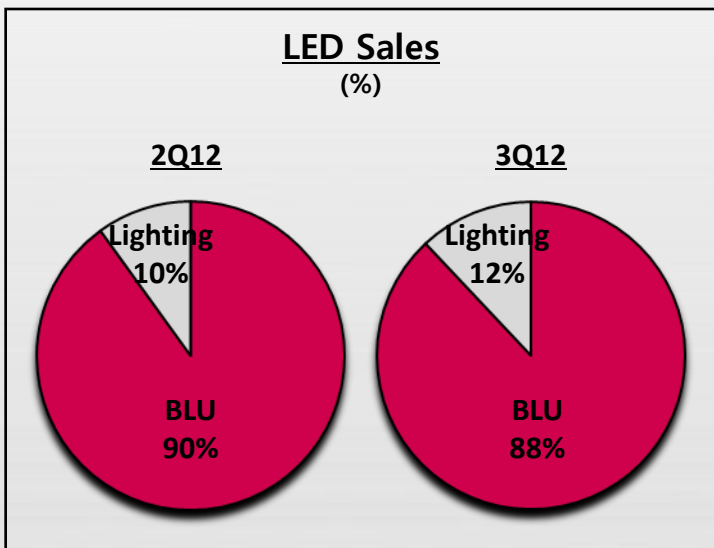


# LED



## 3Q12 Results

- ❖ **Sales : Up 26% QoQ driven by higher demand for new TV models and steady growth of the LED lighting business (YoY 19% ↑)**
  - BLU : Up 24% QoQ backed by higher demand for new direct-type products
  - Lighting : Up 51% QoQ; Expanded flat module and PKG product lineup
  
- ❖ **Profitability : Improved from the previous quarter due to higher sales and better cost competitiveness**

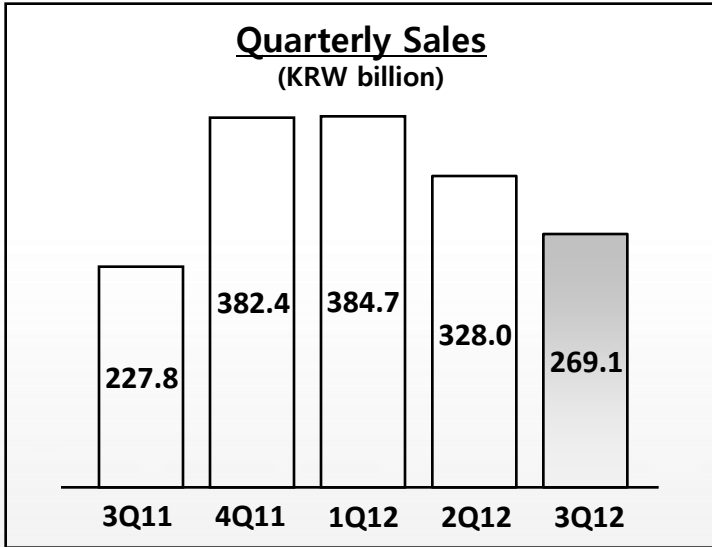


## 4Q12 Outlook

- ❖ **Outlook : Sales to remain strong despite year-end adjustments, backed by higher demand for new direct-type TVs and steady growth in the LED lighting business**
  
- ❖ **Plan : Supply new products and continue expanding lighting biz.**
  - BLU : Continue expanding non-captive sales by supplying new products
  - Lighting : Expand high-power package lineup to main customers

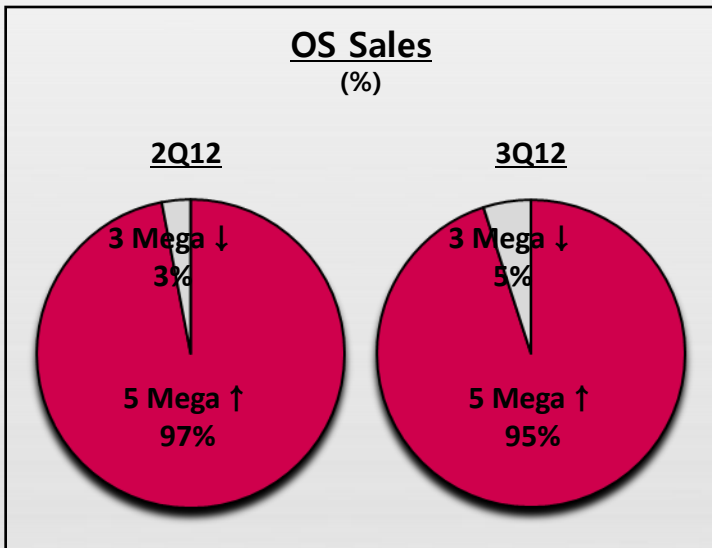


# Optics Solution



## 3Q12 Results

- ❖ Sales : Down 18% QoQ due to decline in orders from major customers (YoY 18% ↑)
- ❖ Profitability : Declined from the previous quarter due to continuous pricing pressures and weaker volume

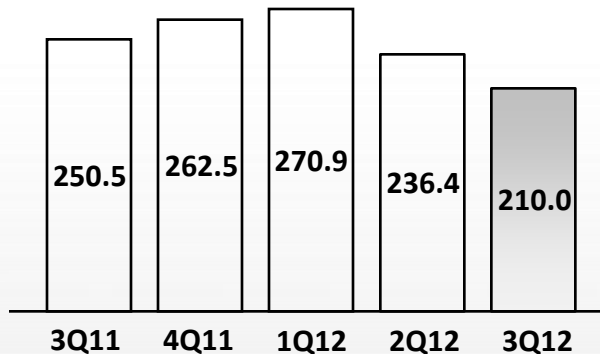


## 4Q12 Outlook

- ❖ Outlook : Sales to improve on the back of new product launches
- ❖ Plan : Increase new product shipments and strengthen partnership with customers

# Display & Network

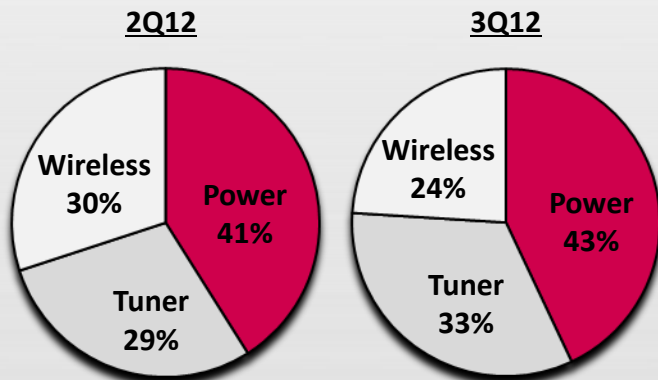
**Quarterly Sales**  
(KRW billion)



## 3Q12 Results

- ❖ **Sales : Down 11% QoQ due to weaker sales in the Power and Wireless biz. (YoY 16% ↓)**
  - Power : Down 7% QoQ; Sales contribution from overseas customers declined
  - Tuner : Up 1% QoQ; Remained flat
  - Wireless : Down 28% QoQ on falling sales to the main customer in the U.S.
  
- ❖ **Profitability : Declined slightly from the previous quarter on pricing pressures and weak performances in the Power and Wireless biz.**

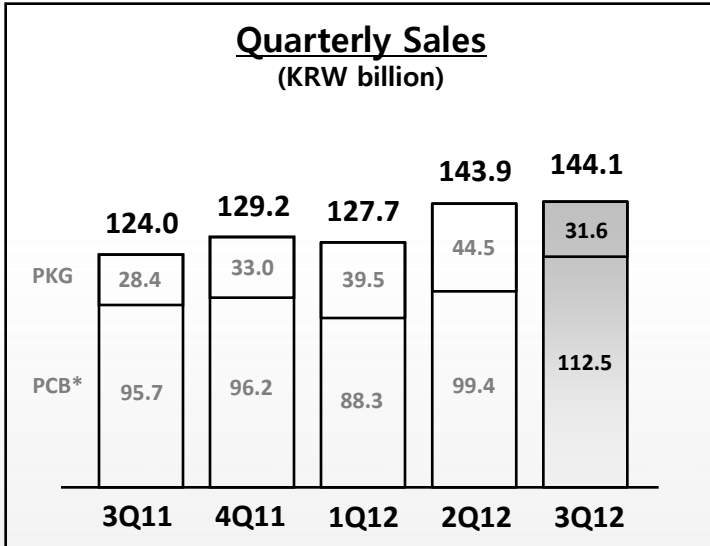
**DN Sales**  
(%)



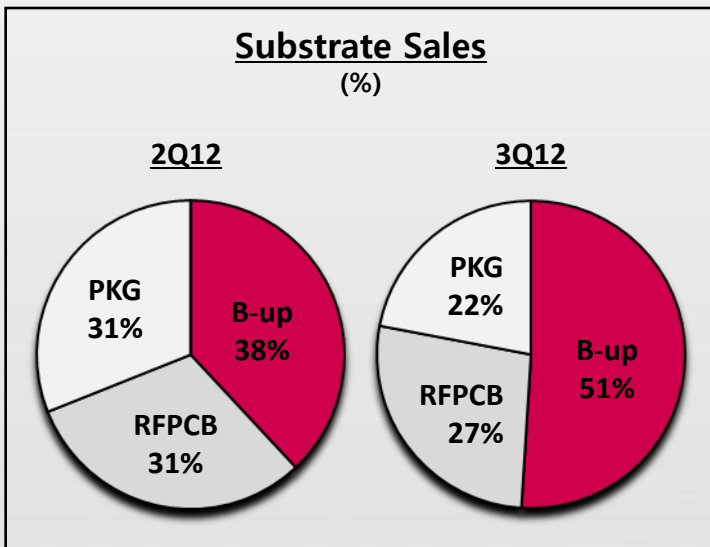
## 4Q12 Outlook

- ❖ **Outlook : Sales to drop, reflecting the softening in demand for display components and a continuous decline in the Wireless biz.**
  
- ❖ **Plan : Expand new product shipments and improve profitability by increasing production at overseas bases**

# Substrate(PCB, PKG)



\* PCB : Includes B-up and RFPCB



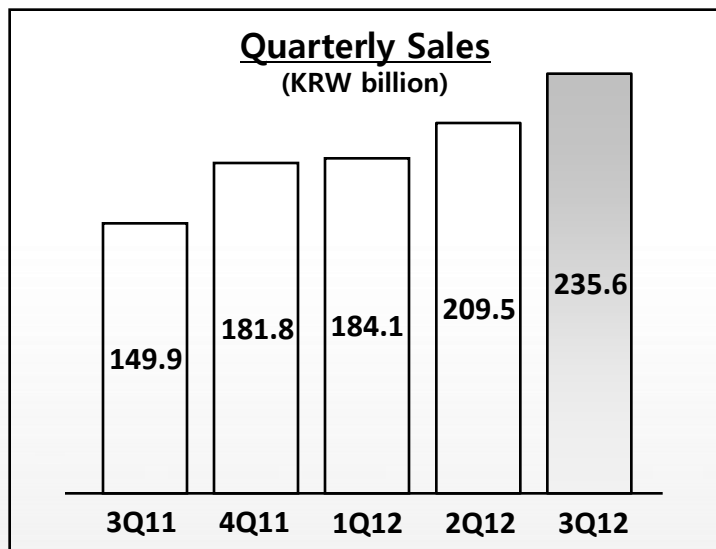
## 3Q12 Results

- ❖ **Sales** : Overall sales remained flat; B-up remained strong, but RFPCB and PKG sales declined due to weaker demand (YoY 16% ↑)
  - B-up : Up 35% QoQ; Started new model production for major customers
  - RFPCB & PKG : Down 13% and 29% QoQ due to declining orders
- ❖ **Profitability** : Maintained profitability despite continuing pricing pressures by expanding the sales of high value-added B-up PCBs

## 4Q12 Outlook

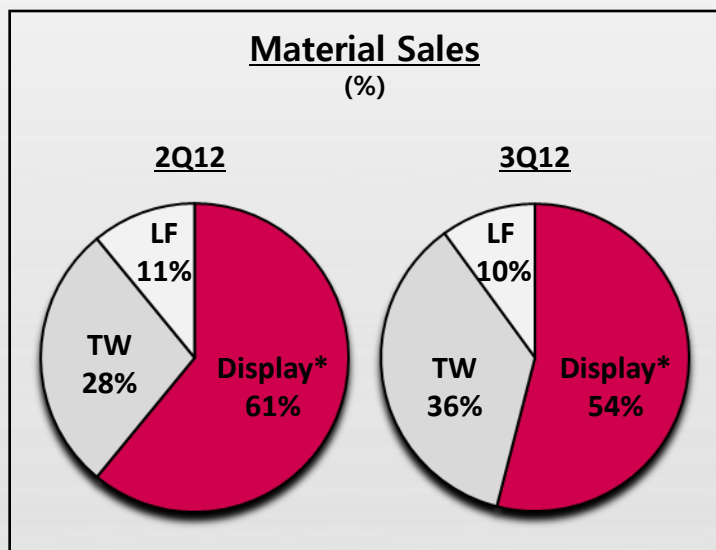
- ❖ **Outlook** : Sales to continue to grow, reflecting strong demand from major customers for their new products
- ❖ **Plan** : Continue improving productivity to meet the growing demand
  - B-up : Stabilize the production of new products
  - RFPCB : Win and supply new products
  - PKG : Improve productivity

# Material(TS, PM, TW, LF)



## 3Q12 Results

- ❖ **Sales : Up 12% QoQ thanks to strong performances in the Touch Window biz. (YoY 57% ↑)**
  - Display : Up 0.2% QoQ; Remained flat
  - Touch Window : Up 45% QoQ; Supplied new models to the main customer
  - Lead Frame : Down 2% QoQ due to weak demand
  
- ❖ **Profitability : Declined slightly from the previous quarter due to lower margin in the Touch Window biz.**



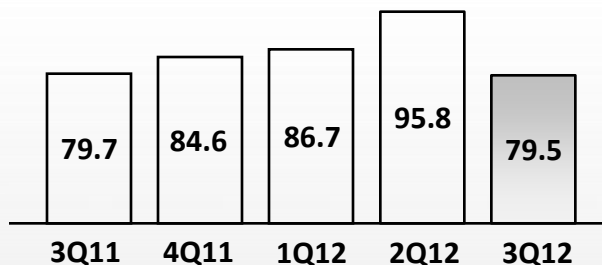
## 4Q12 Outlook

- ❖ **Outlook : Touch Window sales to continue to grow, reflecting higher demand for new models of the main customer; Display sales to remain weak due to weak seasonality in the fourth quarter**
  
- ❖ **Plan : Expand new product shipments and continue cost reduction**
  - Touch Window : Improve productivity
  - Display : Continue cost reduction activities

\* Display : Includes Tape Substrate, Photomask, and others

# Automotive

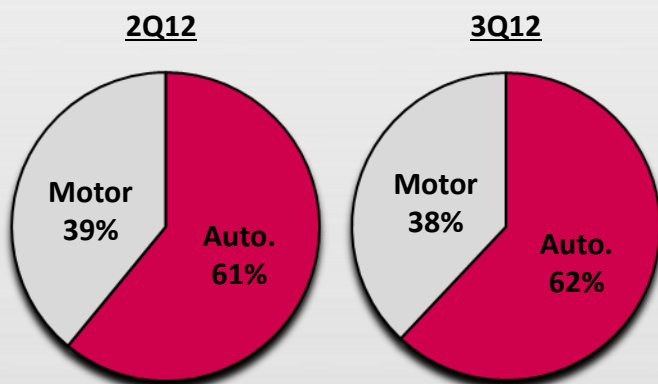
**Quarterly Sales**  
(KRW billion)



## 3Q12 Results

- ❖ **Sales : Down 17% QoQ due to declining orders of motors and weak demand in the domestic auto market (YoY 0.2% ↓)**
  - Motor : Down 18% QoQ due to declining orders of ODD motors
  - Automotive : Down 16% QoQ due to weak demand in the auto market
  
- ❖ **Profitability : Improved from the previous quarter by continuing cost reduction activities and without one-time expenses in the Auto. biz**

**AM Sales**  
(%)



## 4Q12 Outlook

- ❖ **Outlook : Motor sales to decline on falling demand; Automotive sales to improve thanks to increasing production at major customers**
  
- ❖ **Plan : Continue cost reduction and win new overseas customers**
  - Motor : Continue improving cost competitiveness
  - Automotive : Increase sales to overseas customers

# Appendix. Financial Summary

Statement of Income (KRW billion)	2009				2010				2011				2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Sales</b>	547.0	634.5	960.1	829.6	774.9	1,028.7	1,164.0	1,135.9	1,099.3	1,173.0	1,067.1	1,213.6	1,234.0	1,235.8	1,219.9
<b>Operating Profit</b>	20.9	35.5	60.3	-3.1	42.4	86.9	63.2	-36.0	-7.4	5.9	-5.4	-60.0	23.9	19.0	26.2
(%)	3.8%	5.6%	6.3%	-0.4%	5.5%	8.4%	5.4%	-3.2%	-0.7%	0.5%	-0.5%	-4.9%	1.9%	1.5%	2.1%
<b>Income before Taxes</b>	15.7	35.0	41.2	-25.8	41.1	62.8	59.9	-55.1	-26.7	-15.2	-43.3	-89.3	0.0	-8.0	3.7
(%)	2.9%	5.5%	4.3%	-3.1%	5.3%	6.1%	5.1%	-4.9%	-2.4%	-1.3%	-4.1%	-7.4%	0.0%	-0.6%	0.3%
<b>Net Profit</b>	8.6	28.9	35.7	-16.4	47.4	101.4	66.6	-19.7	-9.5	-7.0	-35.6	-93.3	-2.4	4.5	3.6
(%)	1.6%	4.6%	3.7%	-2.0%	6.1%	9.9%	5.7%	-1.7%	-0.9%	-0.6%	-3.3%	-7.7%	-0.2%	0.4%	0.3%

Statement of Financial Position (KRW billion)	2009				2010				2011				2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Total Assets</b>	1,266.7	1,385.0	2,685.8	2,803.8	3,182.9	4,084.7	4,006.9	4,125.5	4,331.1	4,345.3	4,407.4	4,410.0	4,397.2	4,619.3	4,858.7
Current Assets	791.1	898.1	1,378.6	1,262.6	1,295.6	2,011.7	1,602.5	1,494.6	1,622.6	1,583.2	1,629.5	1,729.1	1,788.4	1,921.5	2,068.1
Cash & Cash Equivalents	157.0	126.6	249.1	303.9	239.6	637.5	245.3	239.2	240.7	220.2	230.9	435.6	475.7	551.2	442.4
Non-current Assets	475.6	486.9	1,307.1	1,541.3	1,887.2	2,073.0	2,404.3	2,631.0	2,708.5	2,762.1	2,777.9	2,680.9	2,608.8	2,697.8	2,790.6
<b>Total Liabilities</b>	772.6	870.9	1,789.6	1,928.9	2,230.9	2,658.5	2,528.6	2,655.6	2,880.8	2,903.6	2,979.0	3,085.1	3,076.8	3,292.9	3,544.2
Current Liabilities	606.2	690.2	1,314.8	1,345.1	1,471.4	1,782.1	1,452.2	1,213.9	1,141.7	1,146.4	1,293.0	1,473.8	1,445.6	1,841.5	2,051.8
Non-current Liabilities	166.4	180.7	474.8	583.8	759.5	876.4	1,076.5	1,441.6	1,739.1	1,757.3	1,686.0	1,611.3	1,631.2	1,451.3	1,492.4
(Total Borrowings)	306.7	300.9	822.3	979.2	1,147.8	1,294.7	1,353.7	1,648.8	2,032.6	2,142.1	2,216.4	2,244.8	2,276.9	2,240.6	2,172.3
<b>Total Shareholders' Equity</b>	494.1	514.1	896.2	875.0	951.9	1,426.2	1,478.2	1,470.0	1,450.3	1,441.7	1,428.4	1,324.8	1,320.3	1,326.4	1,314.5
Capital Stock	60.1	60.1	85.7	85.7	85.8	100.3	100.6	100.6	100.7	100.8	100.8	100.8	100.8	100.8	100.9
<b>Liability-to-Equity</b>	156.4%	169.4%	199.7%	220.7%	234.4%	186.4%	171.1%	180.7%	198.6%	201.4%	208.5%	232.9%	233.0%	248.2%	269.6%
<b>Net Debt-to-Equity</b>	30.3%	33.9%	64.0%	77.2%	95.4%	46.1%	75.0%	95.9%	123.6%	133.3%	139.0%	136.6%	136.4%	127.4%	131.6%

※ Adopted International Financial Reporting Standards(IFRS) on January 1, 2010. The 2009 financial results are based on K-GAAP.