

**The First Partner**

**LG Innotek**

# **Q4'12 Earnings Results**

January 31, 2013

# Contents & Disclaimer

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All information contained in this presentation is based on the consolidated K-IFRS. This presentation also contains forward-looking statements that are based on the Company's current plans, estimates, and projections. Therefore, investors are urged to consider these inherent risks and uncertainties when making assumptions, and are cautioned not to place undue reliance on them. The forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

※ In addition, beginning with the financial statements for the year ended December 31, 2012, the Company is required to disclose financial statements in accordance with the amendments to the K-IFRS No. 1001. Accordingly, the Company now presents operating profit or loss as an amount of sales less cost of sales and selling & administrative expense on the statement of comprehensive income. The Company applied the amendments retroactively and reclassified the statements of comprehensive income for the year ended December 31, 2011.

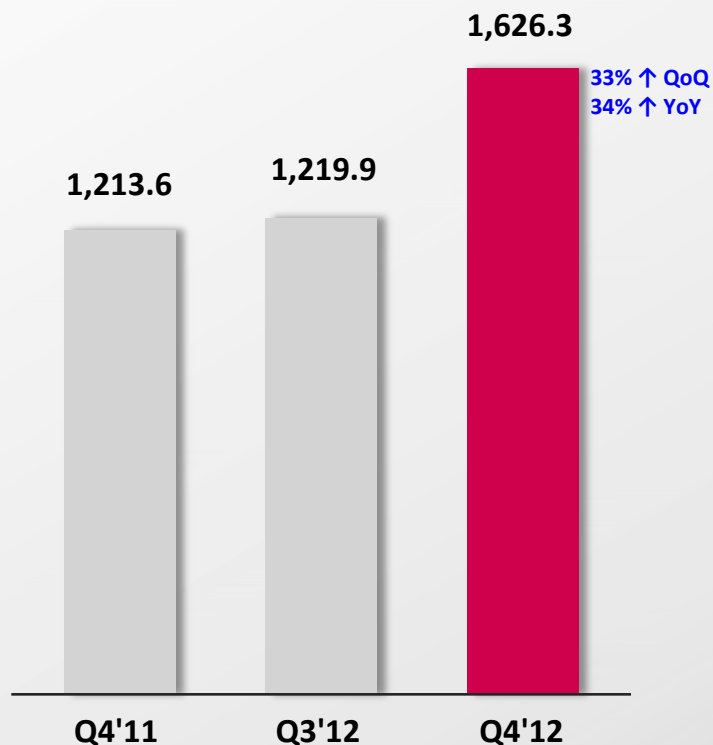
## Q4'12 EARNINGS



# Sales & Earnings

## ■ Sales

(Unit : in billion KRW)



## ■ Earnings

(Unit : in billion KRW)

	Q3'12	QoQ	Q4'12	YoY	Q4'11
Operating Income	26.4	-76.1%	6.3	N/A	-34.6
(%)	2.2%	-1.8%p	0.4%	+3.2%p	-2.9%
EBITDA	145.8	-11.7	134.1	+58.7	75.4
(%)	12.0%	-3.7%p	8.2%	+2.0%p	6.2%
Income before tax	3.7	N/A	-13.3	N/A	-89.3
Net Income	3.6	N/A	-30.6	N/A	-93.3
CAPEX	208.5	-75.8	132.7	+63.2	69.5

### ※ Results before the reclassification of FS\*

Operating Income	26.1	-59.3%	10.7	N/A	-60.0
EBITDA	145.5	-7.0	138.5	+88.5	50.0

\* Refer to the disclaimer and appendix

# Financial Positions

## ■ Summary of Financial Positions

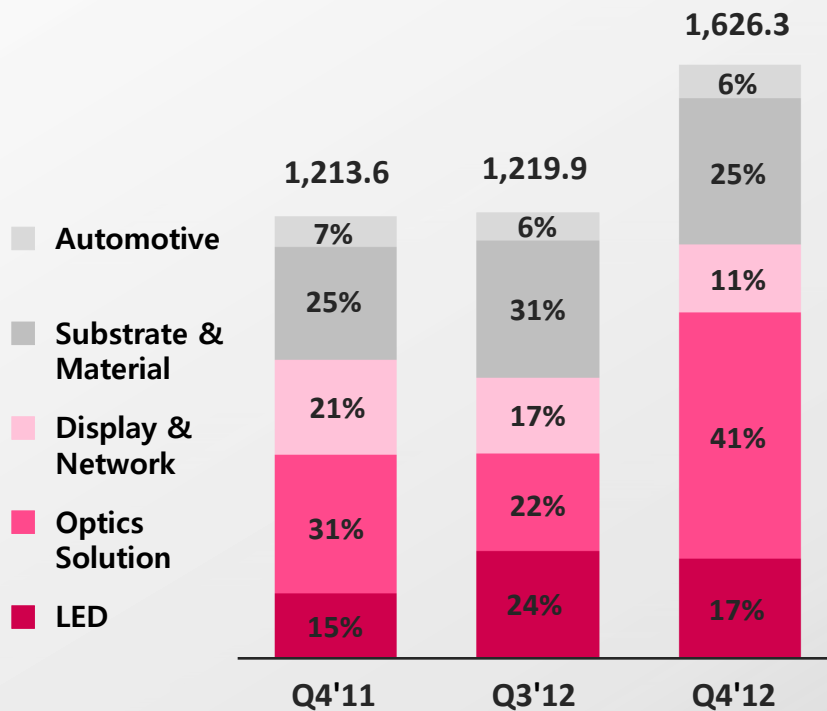
(Unit : in billion KRW)

	Q3'12	QoQ	Q4'12	YoY	Q4'11
<b>Assets</b>	<b>4,858.7</b>	<b>0.6%</b>	<b>4,886.3</b>	<b>10.8%</b>	<b>4,410.0</b>
Current Assets	2,068.1	0.2%	2,073.0	19.9%	1,729.1
Cash & Equivalents	442.4	-20.3%	352.8	-19.0%	435.6
Non-current Assets	2,790.6	0.8%	2,813.3	4.9%	2,680.9
<b>Liabilities</b>	<b>3,544.2</b>	<b>2.1%</b>	<b>3,618.0</b>	<b>17.3%</b>	<b>3,085.1</b>
Current Liabilities	2,051.8	-2.1%	2,009.2	36.3%	1,473.8
Non-current Liabilities	1,492.4	7.8%	1,608.8	-0.2%	1,611.3
<b>Shareholders' Equity</b>	<b>1,314.5</b>	<b>-3.5%</b>	<b>1,268.3</b>	<b>-4.3%</b>	<b>1,324.8</b>
Total Borrowings	2,172.3	-0.2%	2,167.7	-3.4%	2,244.8
Liability-to-Equity	269.6%	+15.6%p	285.3%	+52.4%p	232.9%
Net Debt-to-Equity	131.6%	+11.5%p	143.1%	+6.5%p	136.6%

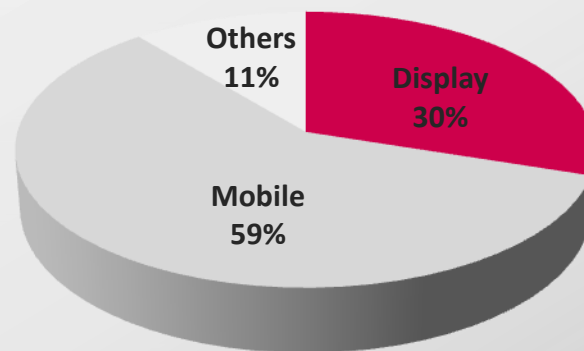
# Sales Breakdown

## Sales Breakdown by Division

(Unit : in billion KRW)



## Q4'12 Sales Breakdown by Application



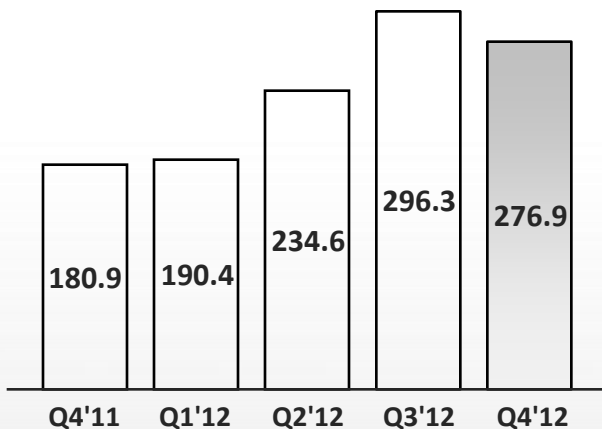
\* Display : LED BLU, Power, Tuner, Photomask, Tape Substrate  
 Mobile : Camera Module, PCB, Touch Window, Package  
 Others : Lead Frame, Wireless, Motor, Auto., LED Lighting

\*\* Q3'12 Sales Mix : Display 43%, Mobile 41%, Others 16%

## RESULTS BY BUSINESS



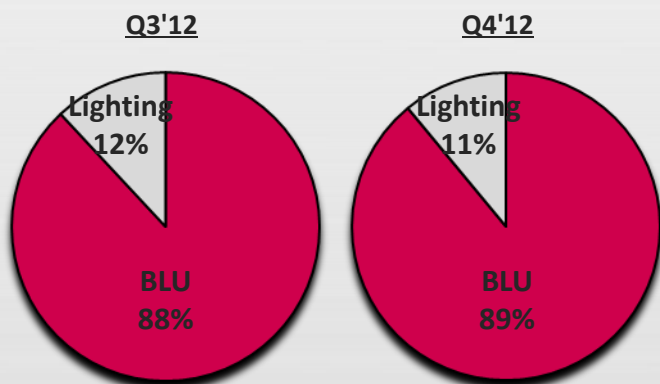
**Quarterly Sales**  
(Unit : in billion KRW)



## Q4'12 Results

- ❖ **Sales : Down 7% QoQ due to year-end inventory adjustment (YoY 53% ↑) / FY2012 sales KRW 998.2 bn**
  - BLU : Down 6% QoQ on weak demand in the TV market
  - Lighting : Down 14% QoQ; module and retrofit sales declined
  
- ❖ **Earnings : Declined due to weaker sales and pricing pressures**

**Sales Mix**  
(Unit : %)



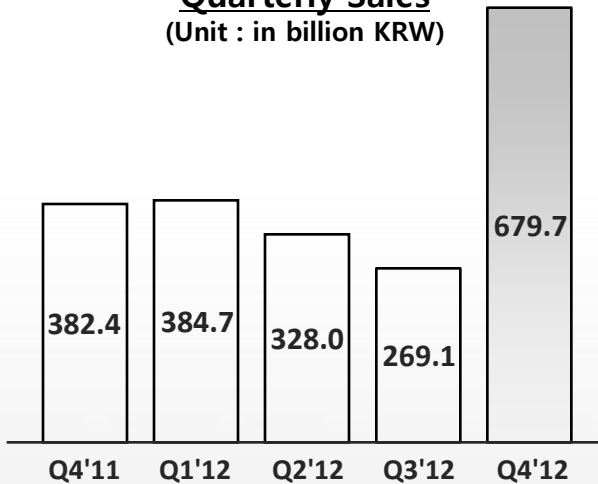
## Q1'13 Outlook

- ❖ **Outlook : BLU sales to decline, reflecting slow demand in the global TV market; Lighting sales to recover and back on the growth track**
  
- ❖ **Plan : Supply new products and continue expanding lighting biz.**
  - BLU : Diversification of IT product line / Improvement of TV earnings
  - Lighting : Continue expanding global distribution channels



# Optics Solution

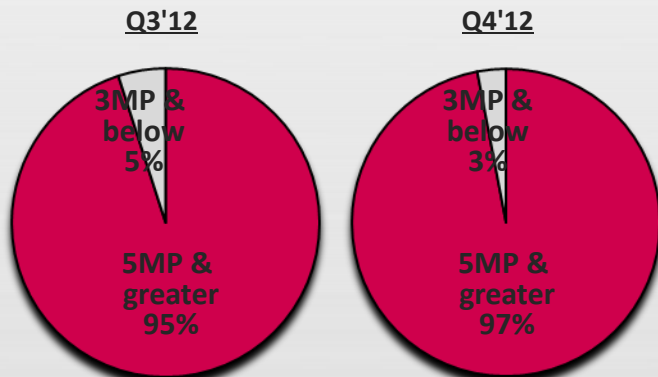
**Quarterly Sales**  
(Unit : in billion KRW)



## Q4'12 Results

- ❖ Sales : Up 153% QoQ driven by new product launches by major customers (YoY 78% ↑) / FY2012 sales KRW 1,661.5 bn
- ❖ Earnings : Improved on quarter thanks to improved yields and higher volume demand from major customers

**Sales Mix**  
(Unit : %)

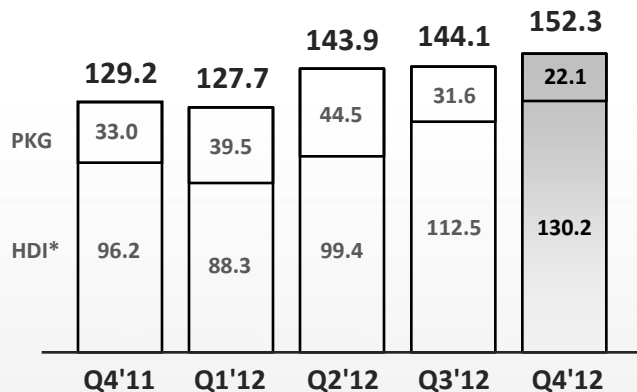


## Q1'13 Outlook

- ❖ Outlook : Earnings to continue to improve with higher yields and productivity
- ❖ Plan : Continue improving productivity and supply new products

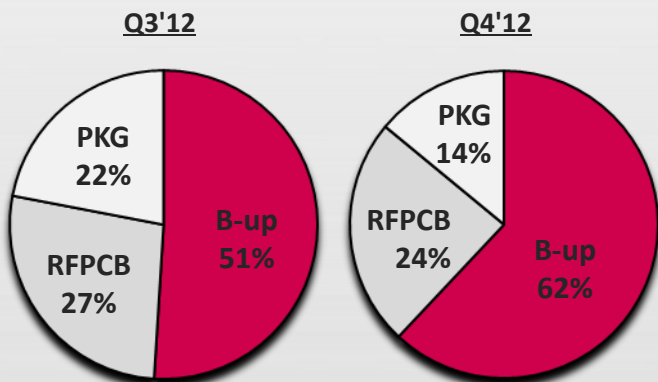
# Substrate

**Quarterly Sales**  
(Unit : in billion KRW)



\* HDI : Includes B-up and RFPCB sales

**Sales Mix**  
(Unit : %)



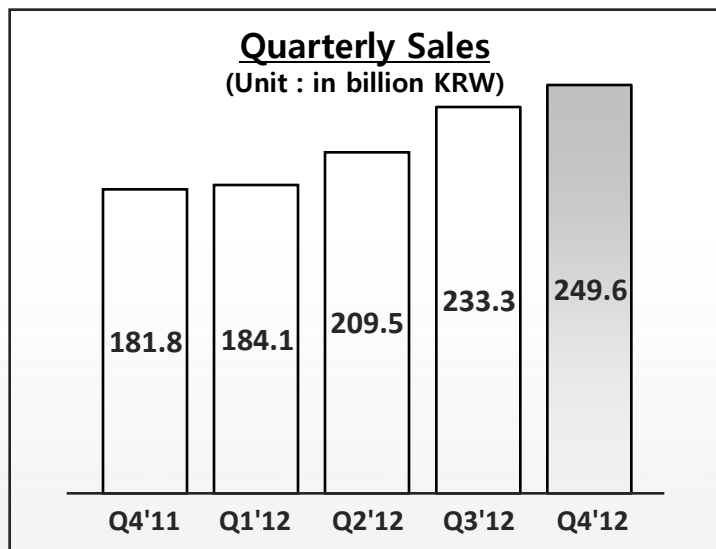
## Q4'12 Results

- ❖ **Sales : Up 6% QoQ on strong demand for B-up, despite the weak demand for RFPCB and PKG (YoY 18% ↑) / FY2012 sales KRW 568.0 bn**
  - B-up : Up 28% QoQ by supplying for major customer's new products
  - RFPCB / PKG : Down 8%, 30% QoQ; orders from customers declined
- ❖ **Earnings : Declined on quarter due to continued pricing pressures and Korean won's appreciation against the dollar**

## Q1'13 Outlook

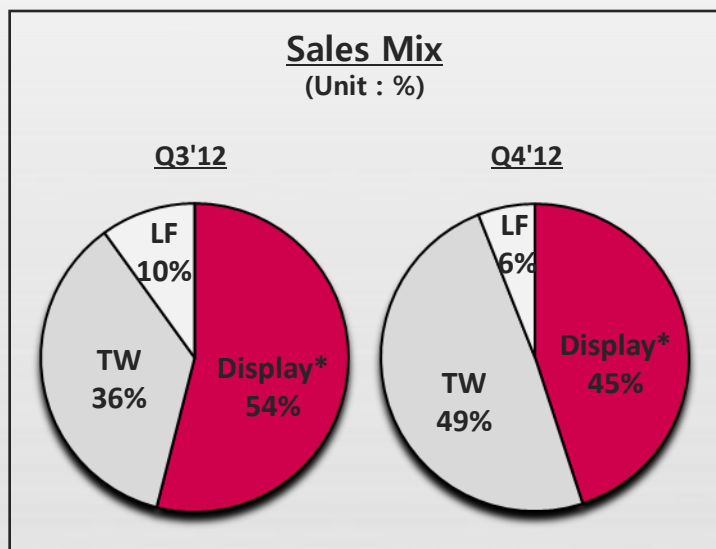
- ❖ **Outlook : Sales to decline in Q1 reflecting weaker demand for HDIs**
- ❖ **Plan : Improve production efficiency and continue cost reduction**
  - B-up : Improve production efficiency in response to declining orders
  - RFPCB : Continue cost reduction activities
  - PKG : Continue improving yields

# Material



## Q4'12 Results

- ❖ Sales : Up 6% QoQ driven by the continued growth of the Touch Window business (YoY 37% ↑) / FY2012 sales KRW 876.5 bn
  - Display : Down 10% QoQ due to weaker demand from seasonality
  - Touch Window : Up 43% QoQ by supplying new products
  
- ❖ Earnings : Declined on quarter due to weaker performance of the Touch Window business



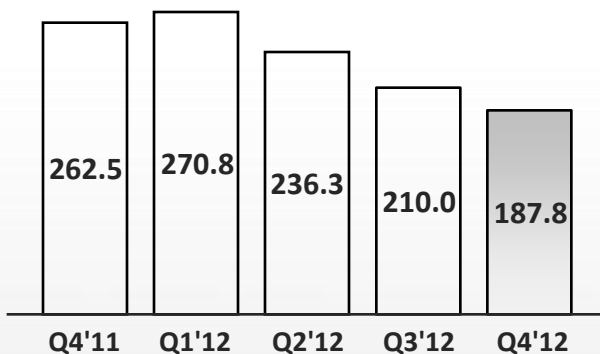
## Q1'13 Outlook

- ❖ Outlook : Touch Window sales to remain strong, on the back of new product launches by customers; Display sales to decline on weaker seasonality and demand
  
- ❖ Plan : Continue cost reduction and productivity improvement
  - Display : Continue cost reduction
  - Touch Window : Improve productivity for new models

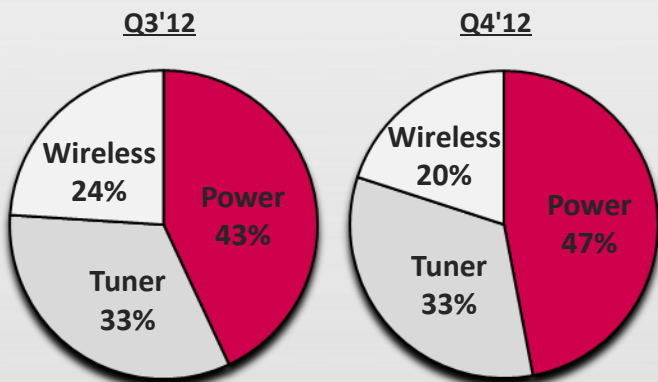
\* Display : Includes tape substrate, photomask, and others

# Display & Network

**Quarterly Sales**  
(Unit : in billion KRW)



**Sales Mix**  
(Unit : %)



## Q4'12 Results

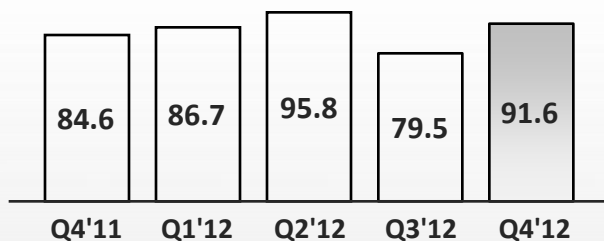
- ❖ **Sales : Down 11% QoQ due to weak seasonality and falling sales in the Wireless business (YoY 28% ↓) / FY2012 sales KRW 904.7 bn**
  - Power : Down 2% QoQ
  - Tuner : Down 9% QoQ due to weak seasonality
  - Wireless : Down 28% QoQ; sales to the major customer in the U.S. ended
  
- ❖ **Earnings : Improved on quarter thanks to continued cost reduction**

## Q1'13 Outlook

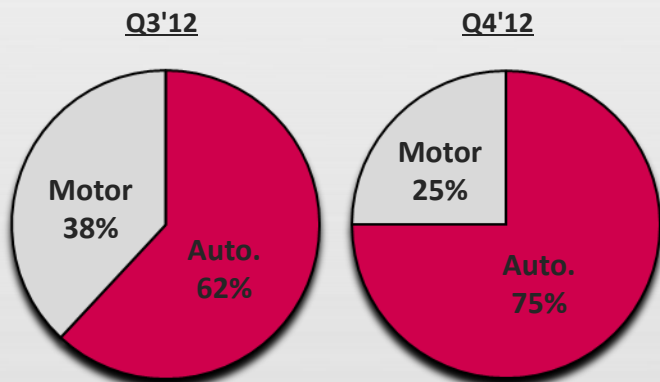
- ❖ **Outlook : Sales to decline on quarter due to weak seasonality and declining orders from major customers**
  
- ❖ **Plan : Expand new product shipments and continue cost reduction**

# Automotive Components

**Quarterly Sales**  
(Unit : in billion KRW)



**Sales Mix**  
(Unit : %)



## Q4'12 Results

- ❖ **Sales : Up 15% QoQ; Motor sales continued declining, but Automotive sales recovered and achieved record sales (YoY 8% ↑) / FY2012 sales KRW 353.6 bn**
  - Motor : Down 23% QoQ; demand for ODD motors continued declining
  - Automotive : Up 39% QoQ on strong demand from major customers
  
- ❖ **Earnings : Improved on quarter by continuing cost reduction and on the growth of the Automotive business**

## Q1'13 Outlook

- ❖ **Outlook : Motor sales to decline on falling demand; Automotive sales to remain at a similar level as the previous quarter**
  
- ❖ **Plan : Cost reduction and securing new customers**
  - Motor : Continue improving cost competitiveness
  - Automotive : Sales promotion to overseas customers

# Appendix. Financial Summary

## Statement of Income

(Unit : in billion KRW)

Accounts	2011					2012				
	Q1	Q2	Q3	Q4	FY2011	Q1	Q2	Q3	Q4	FY2012
<b>Sales</b>	1,099.3	1,173.0	1,067.1	1,213.6	4,553.0	1,234.0	1,235.8	1,219.9	1,626.3	5,316.0
<b>Operating Income</b>	-7.7	11.6	-14.4	-34.6	-45.1	27.6	16.9	26.4	6.3	77.2
<b>Operating Margin (%)</b>	-0.7%	1.0%	-1.4%	-2.9%	-1.0%	2.2%	1.4%	2.2%	0.4%	1.5%
<b>Income before tax</b>	-26.7	-15.2	-43.3	-89.3	-174.5	0.0	-8.0	3.7	-13.3	-17.6
<b>Net Income</b>	-9.5	-7.0	-35.6	-93.3	-145.4	-2.4	4.5	3.6	-30.6	-25.0

## Statement of Financial Position

Accounts	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Assets</b>	4,331.1	4,345.3	4,407.4	4,410.0	4,397.2	4,619.3	4,858.7	4,886.3
Current Assets	1,622.6	1,583.2	1,629.5	1,729.1	1,788.4	1,921.5	2,068.1	2,073.0
Cash & Cash Equivalents	240.7	220.2	230.9	435.6	475.7	551.2	442.4	352.8
Non-current Assets	2,708.5	2,762.1	2,777.9	2,680.9	2,608.8	2,697.8	2,790.6	2,813.3
<b>Liabilities</b>	2,880.8	2,903.6	2,979.0	3,085.1	3,076.8	3,292.9	3,544.2	3,618.0
Current Liabilities	1,141.7	1,146.4	1,293.0	1,473.8	1,445.6	1,841.5	2,051.8	2,009.2
Non-current Liabilities	1,739.1	1,757.3	1,686.0	1,611.3	1,631.2	1,451.3	1,492.4	1,608.8
<b>Shareholders' Equity</b>	1,450.3	1,441.7	1,428.4	1,324.8	1,320.3	1,326.4	1,314.5	1,268.3
Capital Stock	100.7	100.8	100.8	100.8	100.8	100.8	100.9	100.9
<b>Total Borrowings</b>	2,032.6	2,142.1	2,216.4	2,244.8	2,276.9	2,240.6	2,172.3	2,167.7
<b>Liability-to-Equity</b>	198.6%	201.4%	208.5%	232.9%	233.0%	248.2%	269.6%	285.3%
<b>Net Debt-to-Equity</b>	123.6%	133.3%	139.0%	136.6%	136.4%	127.4%	131.6%	143.1%

# Appendix. Reclassification of FS

※ Please refer to the following tables for the “before” and “after” operating income figures in regard to the amendments to the K-IFRS No. 1001

(Before) Sales – COGS – SG&A + Other operating income = Operating income + Financial income = Income before tax

(After) Sales – COGS – SG&A = Operating income + Other operating income + Financial income = Income before tax

## 2012

(Unit : in billion KRW)

Accounts	Q1	Q2	Q3	Q4	Total
Sales	1,234.0	1,235.8	1,219.9	1,626.3	5,316.0
Operating Income(before)	23.9	19.0	26.1	10.7	79.7
<b>Operating Income(after)</b>	<b>27.6</b>	<b>16.9</b>	<b>26.4</b>	<b>6.3</b>	<b>77.2</b>

## 2011

Accounts	Q1	Q2	Q3	Q4	Total
Sales	1,099.3	1,173.0	1,067.1	1,213.6	4,553.0
Operating Income(before)	-7.3	5.9	-5.4	-60.0	-66.8
<b>Operating Income(after)</b>	<b>-7.7</b>	<b>11.6</b>	<b>-14.4</b>	<b>-34.6</b>	<b>-45.1</b>

## 2010

Accounts	Q1	Q2	Q3	Q4	Total
Sales	774.9	1,028.7	1,164.0	1,135.9	4,103.5
Operating Income(before)	42.4	86.9	63.2	-36.0	156.5
<b>Operating Income(after)</b>	<b>42.0</b>	<b>80.0</b>	<b>70.6</b>	<b>-32.8</b>	<b>159.8</b>