

The First Partner

LG Innotek

Q1'13 Earnings Results

April 24, 2013

Contents & Disclaimer

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All information contained in this presentation is based on the consolidated K-IFRS. The presentation 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. 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.

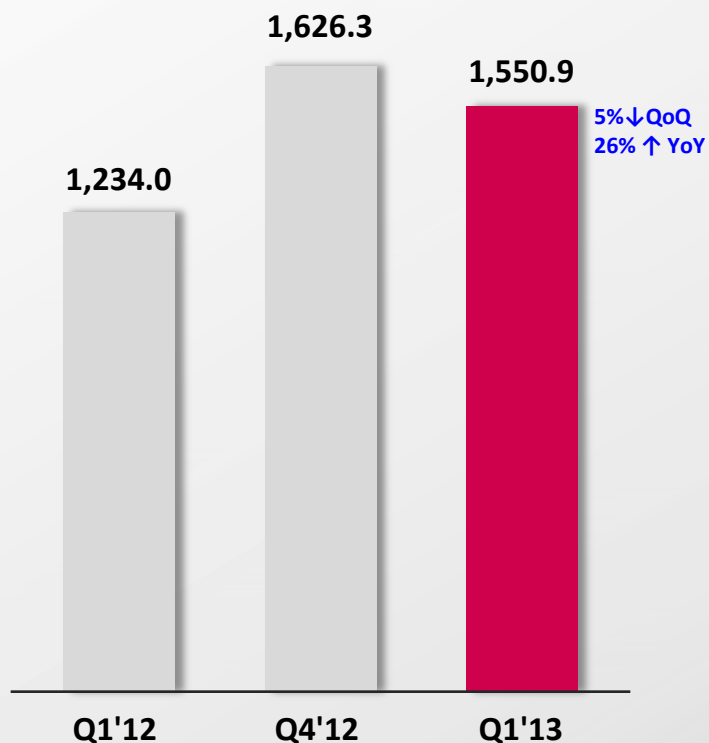
Q1'13 EARNINGS



Sales & Earnings

■ Total Sales

(Unit : in billion KRW)



■ Earnings Trends

(Unit : in billion KRW)

	Q4'12	QoQ	Q1'13	YoY	Q1'12
Operating Income	6.3	150.5%	15.8	-42.6%	27.6
(%)	0.4%	+0.6%p	1.0%	-1.2%p	2.2%
EBITDA	134.1	+8.1	142.2	+3.4	138.8
(%)	8.2%	+0.9%p	9.2%	-2.1%p	11.2%
Income before tax	-13.3	N/A	-9.8	N/A	0.0
Net Income	-30.6	N/A	-6.5	N/A	-2.4
CAPEX	132.7	-64.0	68.7	+24.1	44.5

* K-IFRS (Consolidated)

Financial Positions

■ Summary of Financial Positions

(Unit : in billion KRW)

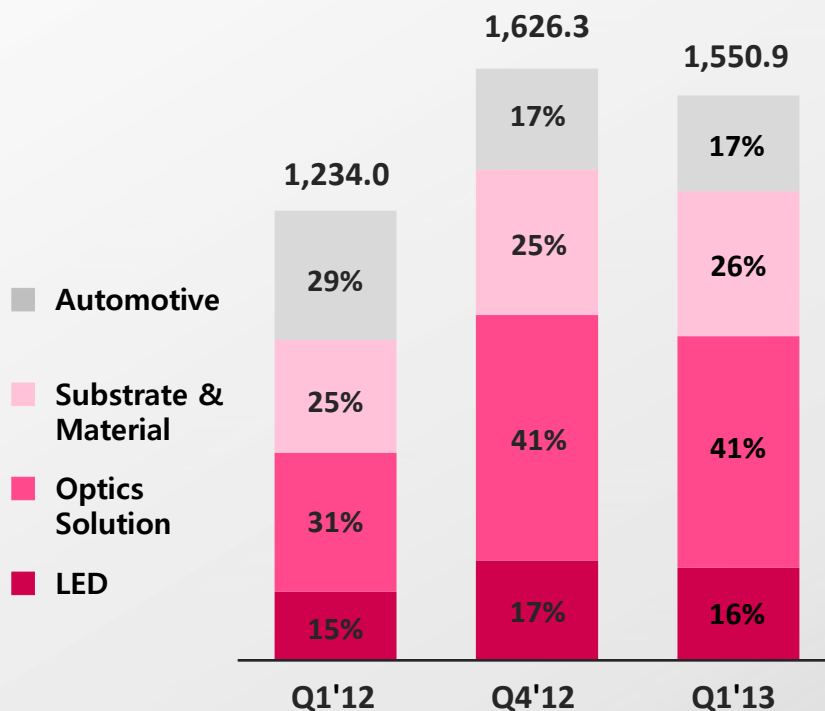
	Q4'12	QoQ	Q1'13	YoY	Q1'12
Assets	4,886.3	2.5%	5,008.8	13.9%	4,397.2
Current Assets	2,073.0	7.2%	2,222.9	24.3%	1,788.4
Cash & Equivalents	352.8	12.7%	397.7	-16.4%	475.7
Non-current Assets	2,813.3	-1.0%	2,785.9	6.8%	2,608.8
Liabilities	3,618.0	3.5%	3,743.6	21.7%	3,076.8
Current Liabilities	2,009.2	4.3%	2,095.6	45.0%	1,445.6
Non-current Liabilities	1,608.8	2.4%	1,648.0	1.0%	1,631.2
Shareholders' Equity	1,268.3	-0.2%	1,265.2	-4.2%	1,320.3
Total Borrowings	2,167.7	6.2%	2,302.6	1.1%	2,276.9
Liability-to-Equity	285.3%	+10.6%p	295.9%	+62.9%p	233.0%
Net Debt-to-Equity	143.1%	+7.5%p	150.6%	+14.2%p	136.4%

* K-IFRS (Consolidated)

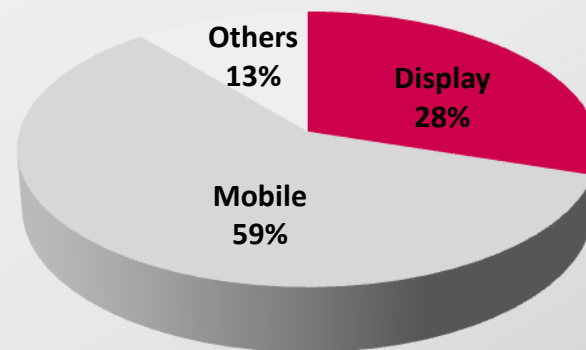
Sales Breakdown

Sales Breakdown by Division

(Unit : in billion KRW)



Q1'13 Sales Breakdown by Application



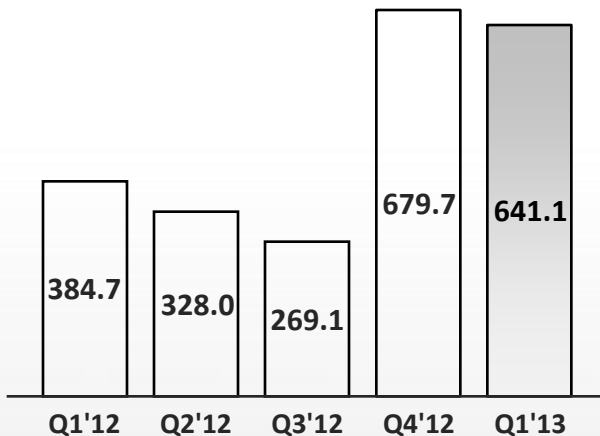
* Display : LED BLU, Power, Tuner, Photomask, Tape Substrate
 Mobile : Camera Module, PCB, Touch Window, Package
 Others : Lead Frame, Wireless, Motor, Automotive, LED Lighting

** Q4'12 Sales Mix : Display 30%, Mobile 59%, Others 11%

RESULTS BY BUSINESS

Optics Solution

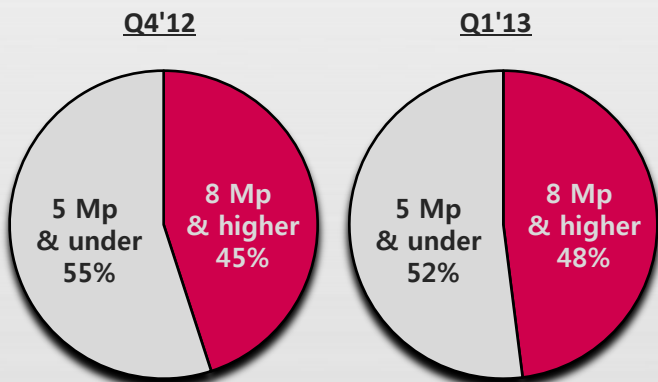
Quarterly Sales
(Unit : in billion KRW)



Q1'13 Results

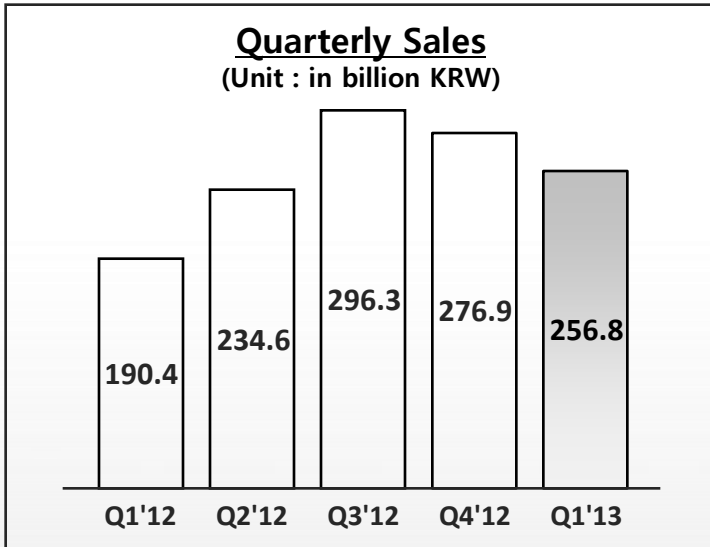
- ❖ Sales : Down 6% QoQ; Orders from the main customer declined, but was able to post better-than-expected sales by expanding customer base (YoY 67% ↑)
- ❖ Earnings : Improved on quarter due to a better product mix and production yield

Sales Mix
(Unit : %)



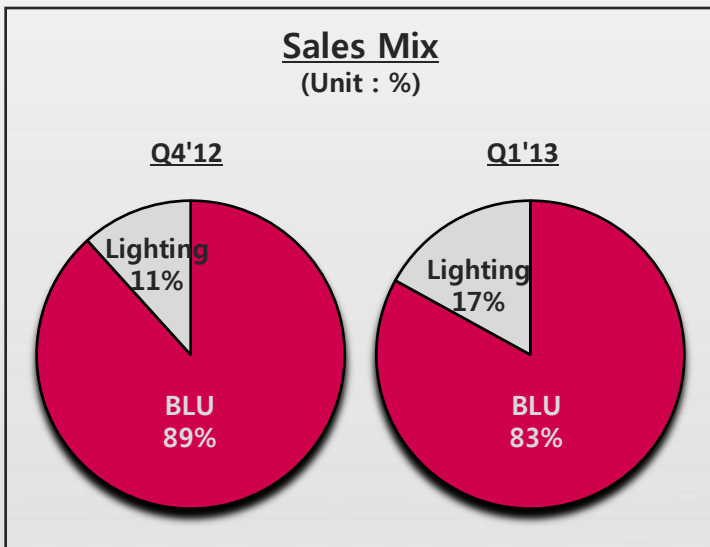
Q2'13 Outlook

- ❖ Outlook : Orders from the main customer to decline, but expect overall sales to remain flat by expanding sales to new overseas customers
- ❖ Plan : Further expand customer base and improve productivity for higher profitability



Q1'13 Results

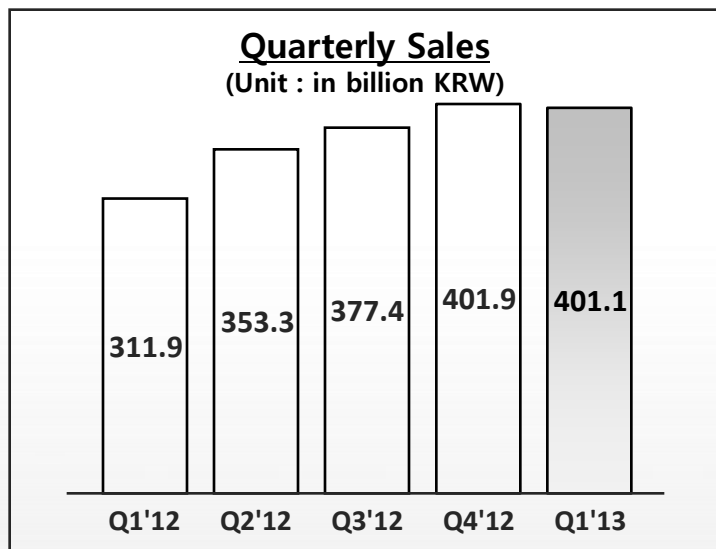
- ❖ **Sales : Down 7% QoQ due to weak seasonality and slow demand in the display market (YoY 35% ↑)**
 - BLU : Down 8% QoQ; demand for TVs remained slow
 - Lighting : Up 160% QoQ on growing package sales
- ❖ **Earnings : Declined on quarter due to weaker demand and increased production of low-cost direct type BLUs**



Q2'13 Outlook

- ❖ **Outlook : Sales and earnings to improve on quarter reflecting higher demand for TVs, increasing sales to overseas customers, and continued growth of the LED lighting business**
- ❖ **Plan : Expand LED lighting business and improve profitability**
 - BLU : Gain higher market share for IT products, improve the profitability of low-cost direct type BLUs
 - Lighting : Supply new products to the automotive industry, diversify product line-up
 - Stabilize overseas operation, continue cost reduction activities

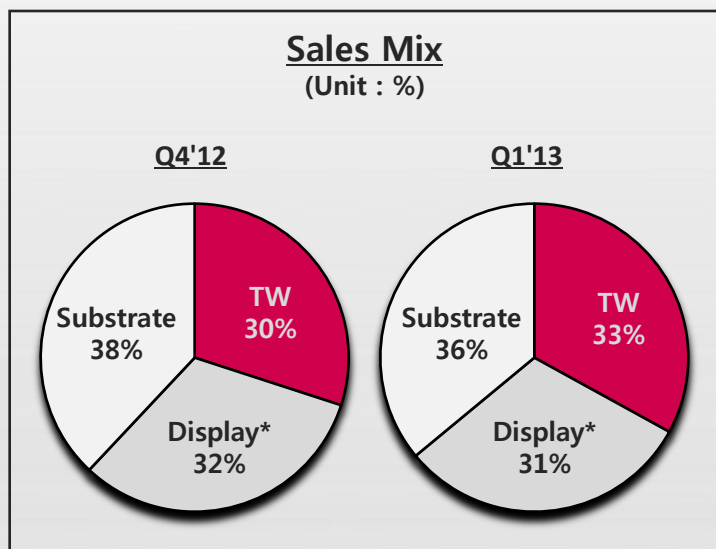
Substrate & Material



Q1'13 Results

- ❖ **Sales** : Remained flat on quarter; HDI sales declined due to weaker demand from the main customer, but PKG and Touch Window posted growth (YoY 29% ↑)
 - Substrate : Down 6% QoQ: HDI sales declined, but PKG business was able to post strong growth by supplying new products
 - Material : Up 3% QoQ on higher shipments of G2 Touch Windows

- ❖ **Earnings** : Improved on quarter due to better production yield for new products



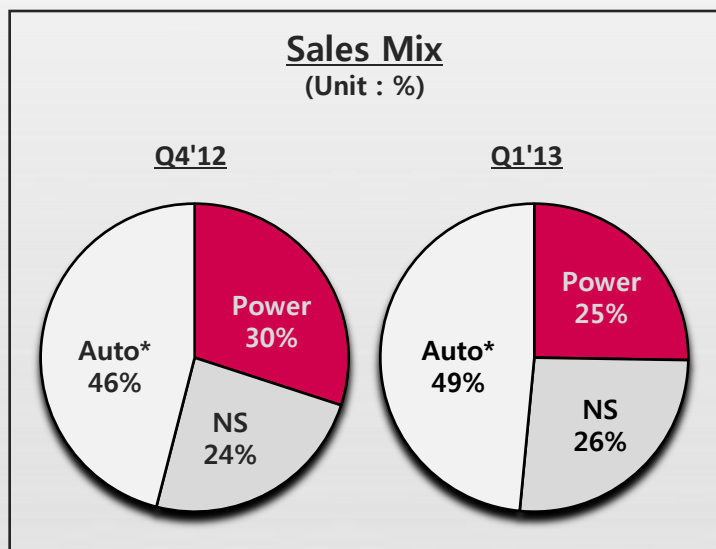
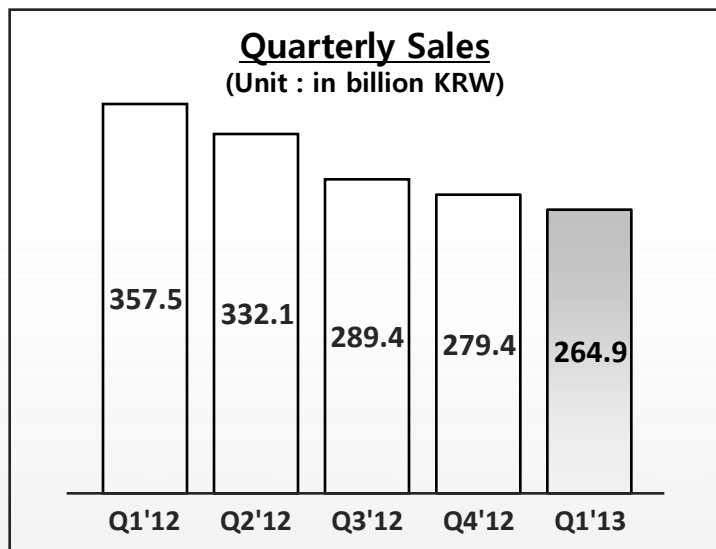
Q2'13 Outlook

- ❖ **Outlook** : HDI business to further decline by decreasing supplies to the main customer; PKG sales to post growth by increasing the production of higher end models; Touch Window demand to remain strong and increase sales to overseas customers

- ❖ **Plan** : Diversify the customer base and product portfolio of the Substrate business; increase the production of high value-added products; expand Touch Window production capacity

* Display : Tape Substrate, Photomask, and others

Automotive



* Auto : Automotive motors, sensors, wireless, BMS, and others

Q1'13 Results

- ❖ **Sales : Power sales declined on weaker seasonality, but Automotive business continued to post steady growth**
 - Power : Sales to major customers declined
 - Network Solution(NS) : Remained flat
 - Automotive : Secured new orders and posted steady growth

- ❖ **Earnings : Declined on quarter due to weaker shipments**

Q2'13 Outlook

- ❖ **Outlook : Power and Network Solution sales to decline reflecting weaker demand from major customers; Automotive business to continue to expand product line-up and secure new orders**

- ❖ **Plan : Expand the sales of LED lighting power modules and automotive wireless components; Establish overseas production base for the Automotive business (Mexico Subsidiary)**

Appendix. Financial Summary

Statement of Income

(Unit : in billion KRW)

Accounts	2011					2012					2013
	Q1	Q2	Q3	Q4	FY2011	Q1	Q2	Q3	Q4	FY2012	Q1
Sales	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	1,550.9
Operating Income	-7.7	11.6	-14.4	-34.6	-45.1	27.6	16.9	26.4	6.3	77.2	15.8
Operating Margin (%)	-0.7%	1.0%	-1.4%	-2.9%	-1.0%	2.2%	1.4%	2.2%	0.4%	1.5%	1.0%
Income before tax	-26.7	-15.2	-43.3	-89.3	-174.5	0.0	-8.0	3.7	-13.3	-17.6	-9.8
Net Income	-9.5	-7.0	-35.6	-93.3	-145.4	-2.4	4.5	3.6	-30.6	-25.0	-6.5

Statement of Financial Position

Accounts	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Assets	4,331.1	4,345.3	4,407.4	4,410.0	4,397.2	4,619.3	4,858.7	4,886.3	5,008.8
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	2,222.9
Cash & Cash Equivalents	240.7	220.2	230.9	435.6	475.7	551.2	442.4	352.8	397.7
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	2,785.9
Liabilities	2,880.8	2,903.6	2,979.0	3,085.1	3,076.8	3,292.9	3,544.2	3,618.0	3,743.6
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	2,095.6
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	1,648.0
Shareholders' Equity	1,450.3	1,441.7	1,428.4	1,324.8	1,320.3	1,326.4	1,314.5	1,268.3	1,265.2
Capital Stock	100.7	100.8	100.8	100.8	100.8	100.8	100.9	100.9	100.9
Total Borrowings	2,032.6	2,142.1	2,216.4	2,244.8	2,276.9	2,240.6	2,172.3	2,167.7	2,302.6
Liability-to-Equity	198.6%	201.4%	208.5%	232.9%	233.0%	248.2%	269.6%	285.3%	295.9%
Net Debt-to-Equity	123.6%	133.3%	139.0%	136.6%	136.4%	127.4%	131.6%	143.1%	150.6%

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
Operating Income(after)	27.6	16.9	26.4	6.3	77.2

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
Operating Income(after)	-7.7	11.6	-14.4	-34.6	-45.1

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
Operating Income(after)	42.0	80.0	70.6	-32.8	159.8