

Inside your life!

2nd Quarter of 2015

LG Innotek Earnings

2015.7.24 | LG Innotek Co., Ltd. (011070)



- **Q2'15 Earnings Results**
- **Performance & Outlook by Division**

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Q2'15 Earnings Results

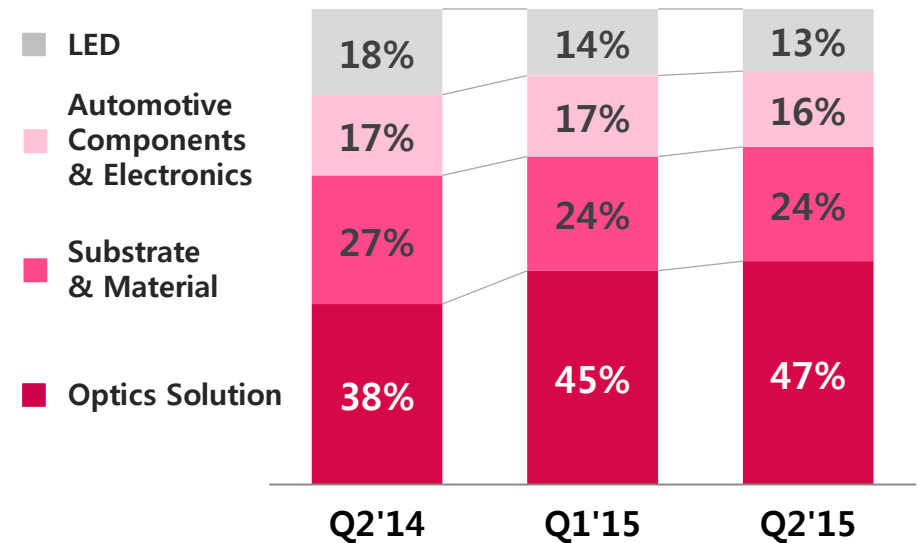
Sales KRW 1,477.1bn, Operating Income 48.9bn, Net Income 31.4bn

Statement of Income

(KRW bn)	Q1'15	QoQ	Q2'15	YoY	Q2'14
Sales	1,541.3	-6.1%	1,447.1	-6.2%	1,542.9
Operating Income	69.0	-29.1%	48.9	-45.6%	89.9
(%)	4.5%	-1.1%p	3.4%	-2.4%p	5.8%
Income before Tax	47.6	-41.9%	27.7	-50.0%	55.4
Net Income	28.1	+11.6%	31.4	-28.0%	43.6
EBITDA*	193.0	-23.7	169.3	-40.1	209.4
(%)	12.5%	-0.8%p	11.7%	-1.9%p	13.6%
CAPEX	45.6	+5.0	50.6	-14.5	65.1

* EBITDA = Operating income + Depreciation + Amortization

Sales Breakdown by Business



- Camera module & Automotive businesses continued to post strong growth momentum
 - Optics Solution Sales 1H15 : 1,417.9bn (YoY 21% ↑)
 - Automotive Sales 1H15 : 306.1bn (YoY 20% ↑)

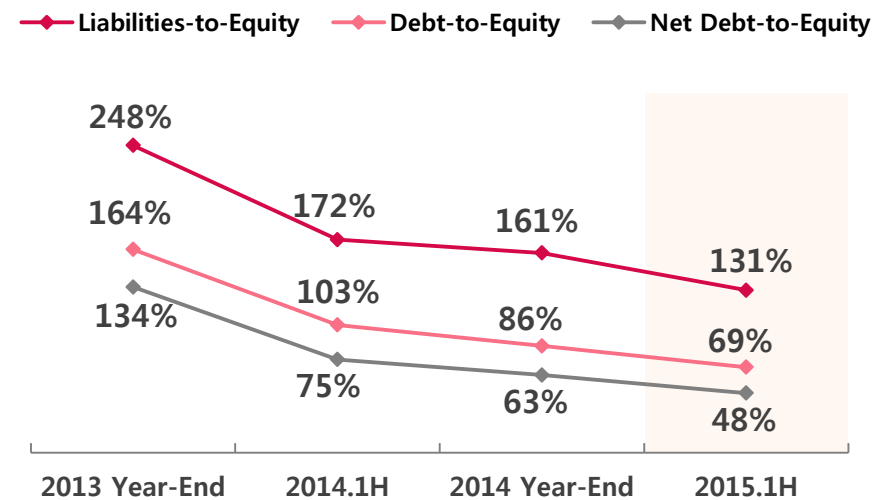
Debt ratios continued to improve, with liabilities-to-equity at 131%

Statement of Financial Position

(KRW bn)	Q1'15	QoQ	Q2'15	YoY	Q2'14
Total Assets	4,177.9	-3.1%	4,048.7	-8.7%	4,435.3
Current Assets	1,918.4	-4.0%	1,842.5	-8.7%	2,017.1
Cash & Equivalents*	415.0	-12.3%	364.0	-19.4%	451.8
Non-current Assets	2,259.5	-2.4%	2,206.2	-8.8%	2,418.2
Total Liabilities	2,467.6	-7.1%	2,292.8	-18.2%	2,804.2
Current Liabilities	1,288.4	-3.2%	1,247.1	-21.4%	1,586.8
Non-current Liabilities	1,179.2	-11.3%	1,045.7	-14.1%	1,217.4
Shareholders' Equity	1,710.4	+2.7%	1,755.9	+7.7%	1,631.1
Total Debt	1,347.4	-9.9%	1,213.9	-27.7%	1,678.2

* Cash & Equivalents = Cash + Deposits (including foreign deposits)

Financial Soundness Indicators



- Liabilities-to-Equity 131% (QoQ 14%p ↓, YoY 41%p ↓)
- Net Debt-to-Equity 48% (QoQ 6%p ↓, YoY 27%p ↓)
- Net Interest Expenses 9.7bn (YoY 7.6bn ↓)

Results & Outlook

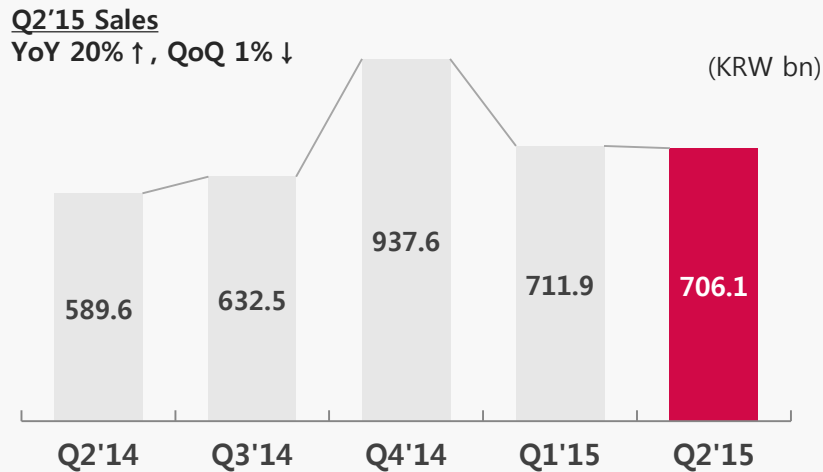
Q2'15 Results

- Demand from overseas customers remained strong; Continued to post YoY growth
- Started production of G4 16Mp OIS camera module

Q3'15 Outlook

- Start production for major customers' new products
- Increase sales to new customers in Greater China

Quarterly Sales Trend



Growth Strategies

- **Strengthen partnership with strategic customers**
 - Prepare for major customers' upcoming products
 - Continue to improve quality & cost competitiveness
- **Improve customer base & product portfolio**
 - Penetrate into Greater China & India
 - Expand Auto. Camera sales & deliver new applications
- **Development & application of core technologies**

Application Diversification

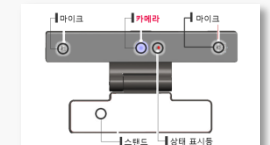
Major Products



G4 F1.8 16Mp Module



Auto. AVM* Camera
*Around View Monitoring



Smart TV Camera

Sales by Pixel

Sales Mix(%)	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15
8Mp	70%	68%	69%	78%	81%	74%
13Mp & Higher	9%	12%	13%	5%	8%	20%
5Mp & Lower	21%	21%	18%	17%	11%	6%

Results & Outlook

Q2'15 Results

- Mobile : HDI sales grew on strong demand for G4;
TW sales declined due to increasing adoption of in-cell
- Display : TS & PM posted strong earnings
※ TS(Tape Substrate), PM(Photomask), TW(Touch Window)

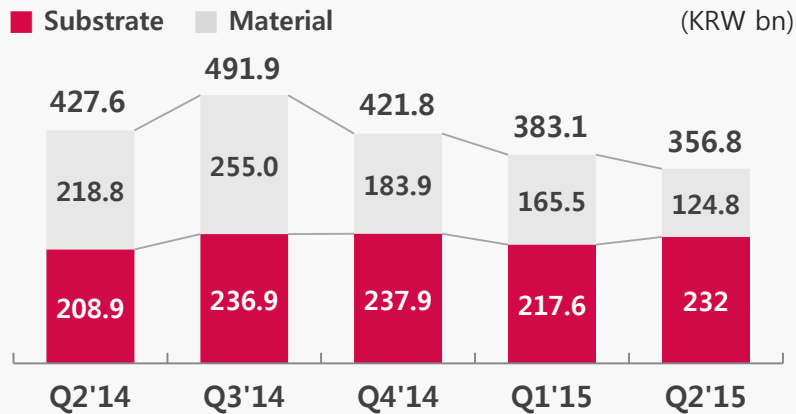
Q3'15 Outlook

- Mobile : Diversify TW into new applications
- Display : TS & PM expected to post stable results

Quarterly Sales Trend

Q2'15 Sales

QoQ 7% ↓, YoY 17% ↓



※ Substrate : PKG, HDI, Tape Substrate / Material : Photomask, Touch Window

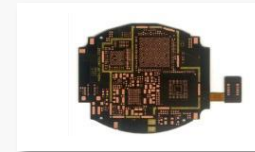
Growth Strategies

- **Win new customers & Further diversify product line**
 - HDI : Pursue diversification into future growth applications
 - PKG : Expand product line & Win new customers
 - TW : Diversify into new products, inc. commercial touch
- **Develop market-leading technologies & Secure new growth businesses in OLED field**

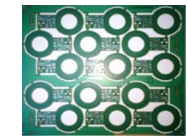
Application Diversification

Major Products

HDI Substrate



Smart Watch RFPCB



Auto. PCB

Touch Window



Digital Signage Touch



Auto. Touch Solution

Results & Outlook

Q2'15 Results

- Auto. : Sales grew on increasing adoption rate of in-vehicle cameras by domestic automakers
- Electronics : Introduced new IoT products; Tuner & power sales declined due to slow TV demand

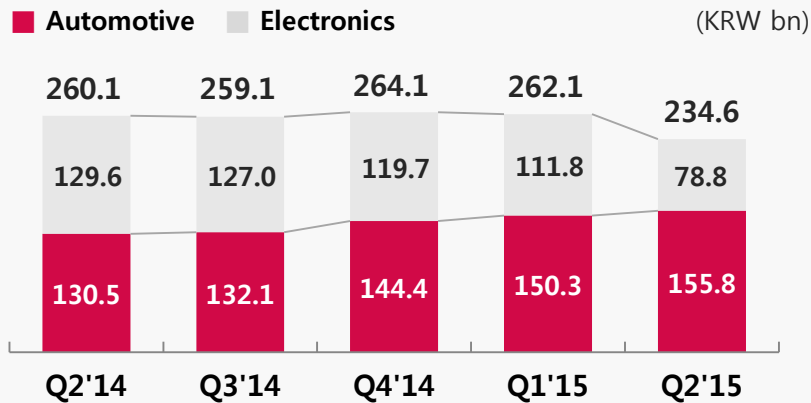
Q3'15 Outlook

- Auto. : Sales to grow by securing new orders for cameras & LEDs, backed by increasing adoption rate
- Electronics : Expand IoT sales & win new customers

Quarterly Sales Trend

Q2'15 Auto. Sales

YoY 19% ↑, QoQ 4% ↑

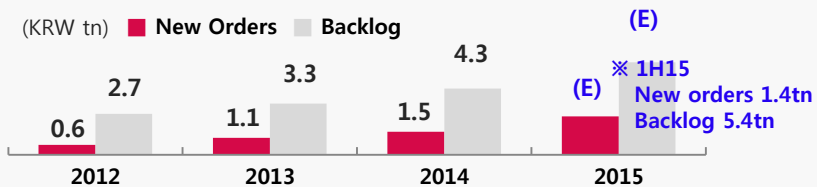


Growth Strategies

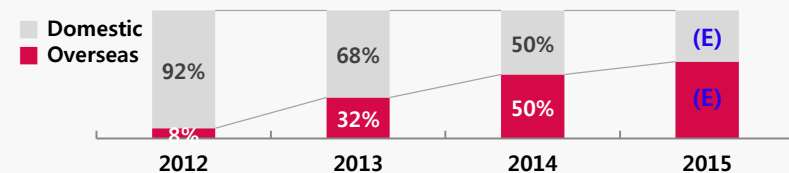
- **Secure global leading position in major products**
 - Motor & Sensor, In-vehicle Communication, Camera, LED
- **Turn existing technology into new growth products**
 - Auto. Power, Wireless Charger, Thermoelectric Module, Connectivity Solutions* *V2X for ADAS, Smart Car Radar, Etc.
- **Utilize IoT competitiveness into new business fields**
 - WiFi, IPNC, Communication Modem, ESL
 - Explore new opportunities in smart grid, home, etc.

Automotive Business Backlog Trends

Order Backlog



New Order Breakdown by Region



Results & Outlook

Q2'15 Results

- Lighting : Sales declined due to intensifying competition
- BLU : TV demand remained slow; Mobile sales grew

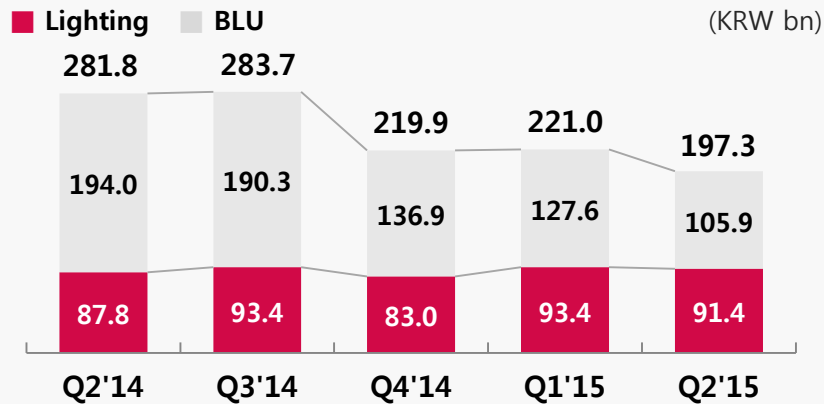
Q3'15 Outlook

- Lighting : Sales to recover & bounce back to growth
- BLU : Start production of Flip-chip LEDs for TV; Continue to expand mobile customer base & sales

Quarterly Sales Trend

Q2'15 Sales

QoQ 11% ↓, YoY 30% ↓



Growth Strategies

Reinforce general lighting product line

- High Power PKG(5W+), Flip-chip CSP

Expand customer base in China

- Win new projects for camera flashes & side-view LEDs

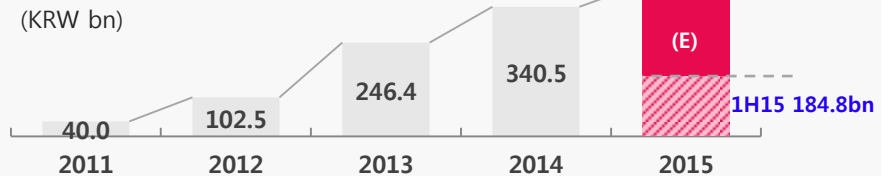
Utilize CSP technology to expand BLU product line

Major Products & LED Lighting Sales Trends

High Power LED Product Line



LED Lighting Sales



Appendix. Financial Summary

Statement of Income

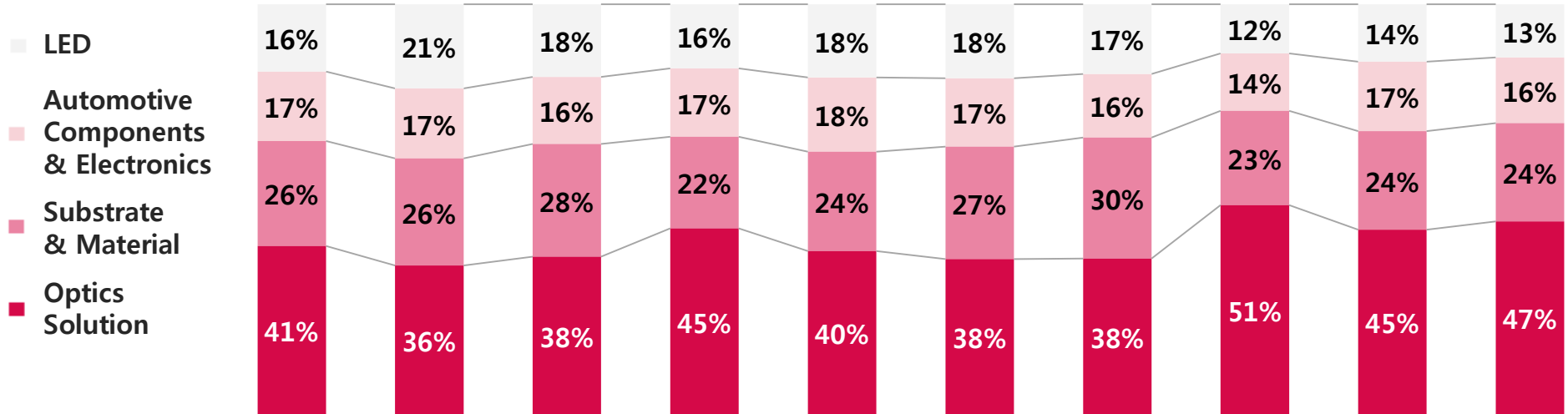
(KRW bn)	FY2013					FY2014					FY2015	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Sales	1,550.9	1,521.1	1,595.5	1,544.0	6,211.5	1,458.8	1,542.9	1,649.3	1,815.0	6,466.1	1,541.3	1,447.1
Operating income	15.8	35.7	55.7	28.9	136.2	63.1	89.9	102.9	58.0	314.0	69.0	48.9
Operating margin(%)	1.0%	2.3%	3.5%	1.9%	2.2%	4.3%	5.8%	6.2%	3.2%	4.9%	4.5%	3.4%
Income before tax	-9.8	6.8	28.9	-4.0	22.0	34.7	55.4	73.7	27.7	191.6	47.6	27.7
Net income	-6.5	6.9	27.7	-12.6	15.5	16.4	43.6	58.4	-5.7	112.7	28.1	31.4

Statement of Financial Position

(KRW bn)	FY2013				FY2014				FY2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total Assets	5,008.8	4,759.2	4,906.7	4,581.3	4,536.4	4,435.3	4,622.5	4,428.8	4,177.9	4,048.7
Current Assets	2,222.9	2,011.5	2,269.3	2,006.8	2,051.7	2,017.1	2,248.5	2,082.0	1,918.4	1,842.5
Cash & Equivalents	397.7	351.8	459.7	399.6	457.2	451.8	508.8	396.5	415.0	364.0
Non-current Assets	2,785.9	2,747.7	2,637.4	2,574.4	2,484.7	2,418.2	2,374.0	2,346.7	2,259.5	2,206.2
Total Liabilities	3,743.6	3,467.6	3,582.7	3,264.4	3,195.1	2,804.2	2,925.5	2,732.3	2,467.6	2,292.8
Current Liabilities	2,095.6	1,813.6	1,660.1	1,629.4	1,709.9	1,586.8	1,705.1	1,646.6	1,288.4	1,247.1
Non-current Liabilities	1,648.0	1,654.0	1,922.5	1,635.0	1,485.2	1,217.4	1,220.4	1,085.7	1,179.2	1,045.7
Shareholders' Equity	1,265.2	1,291.6	1,324.1	1,316.9	1,341.3	1,631.1	1,697.0	1,696.5	1,710.4	1,755.9
Capital Stock	100.9	100.9	100.9	100.9	101.4	118.3	118.3	118.3	118.3	118.3
Total Debt	2,302.6	2,160.4	2,345.7	2,160.3	2,073.1	1,678.2	1,631.0	1,460.3	1,347.4	1,213.9
Liability-to-Equity	295.9%	268.5%	270.6%	247.9%	238.2%	171.9%	172.4%	161.1%	144.3%	130.6%
Net Debt-to-Equity	150.6%	140.0%	142.4%	133.7%	120.5%	75.2%	66.1%	62.7%	54.5%	48.4%

Appendix. Historical Sales by Major Business

Sales by Major Business



	FY2013				FY2014				FY2015	
(KRW bn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total Sales*	1,550.9	1,521.1	1,595.5	1,544.0	1,458.8	1,542.9	1,649.3	1,815.0	1,541.3	1,447.1
LED	264.9	263.3	263.5	259.1	266.7	260.1	259.1	264.1	262.1	197.3
Automotive Components & Electronics	256.9	315.7	286.2	244.2	263.9	281.8	283.7	219.9	221.0	234.6
Substrate & Material	401.1	401.8	443.9	348.5	358.0	427.6	491.9	421.8	383.1	356.8
Optics Solution	641.1	557.4	619.5	705.0	586.3	589.6	632.5	937.6	711.9	706.1

* Total sales exclude inter-business sales across the business units