

INNOLUX
群創光電

**2021 Second Half
Institutional Investor Conference**

August 6, 2021

Disclaimer



Innolux Corporation's statements of its current expectations and estimates are forward-looking statements subject to significant known and unknown risks and uncertainties and actual results may differ materially from those contained or implied in the forward-looking statements. These forward-looking statements are not guarantees of future performance and therefore one should not place undue reliance on them. Except as required by law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

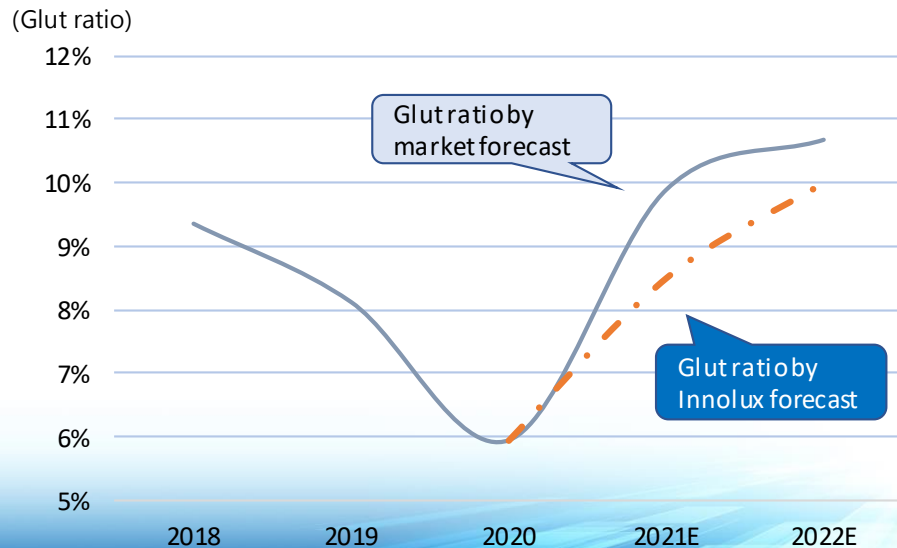


1. Market Overview
2. Dual-Transformation: Digital Decision Making
3. Business Strategies and Goals
4. Financial Results
5. Summary / Q & A

Cautiously optimistic: Demands in the 2021 Second Half

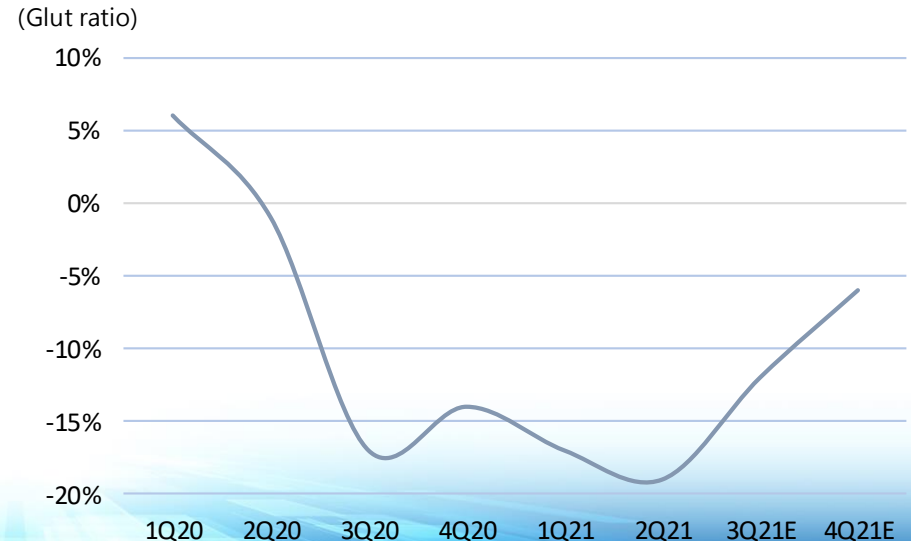
- ❑ Structural change undergoing in the industry continues and INX maintains cautiously optimistic about the peak season 2H2021.
- ❑ The upstream components are still short and the lead time for material preparation is still long, thus restriction on panel output.
- ❑ Although the quotation price for some small-sized TV panels have been adjusted, the demand for large-sized TV panel and IT products is still strong. The domino effect will not take place.

Supply / Demand forecast is still healthy



Sources: Omdia, Innolux

Driver IC remains in shortage

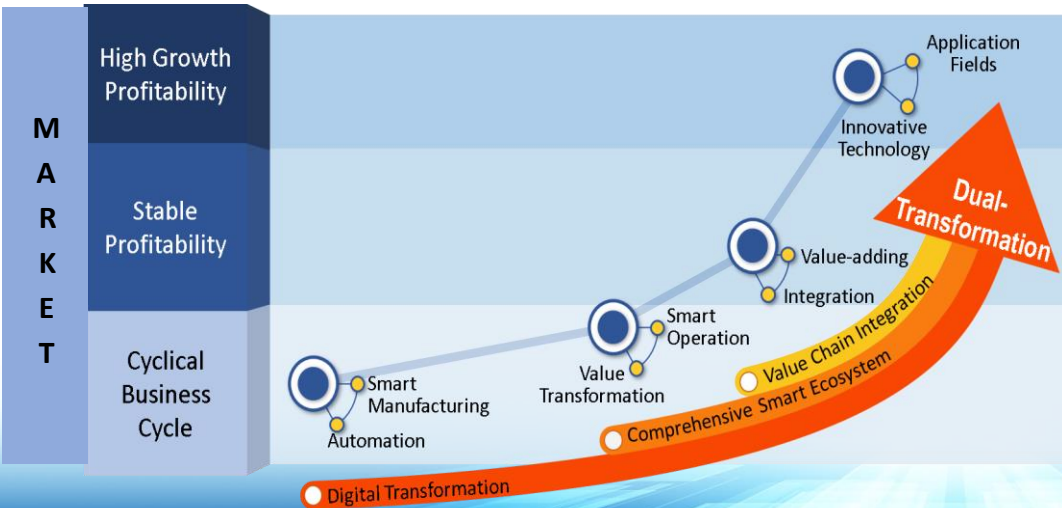


Sources: Omdia

Transformation – Smart Manufacturing and Operation

- ❑ [Internally] digital transformation: Implementing high-quality standards in product development; providing competitive products to improve customer satisfaction.
- ❑ [Externally] product structure adjustment: Switching production capacity of old-generation factories to high value-added products; exploring application markets and growing new ventures.

Dual-Transformation - minimize the cyclical impact and achieve steady profit growth

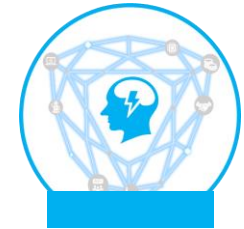


Digital Transformation - Smart Manufacturing & Smart Operation



Smart Manufacturing

- Precise Design
- Smart Manufacturing
- Smart Inspection



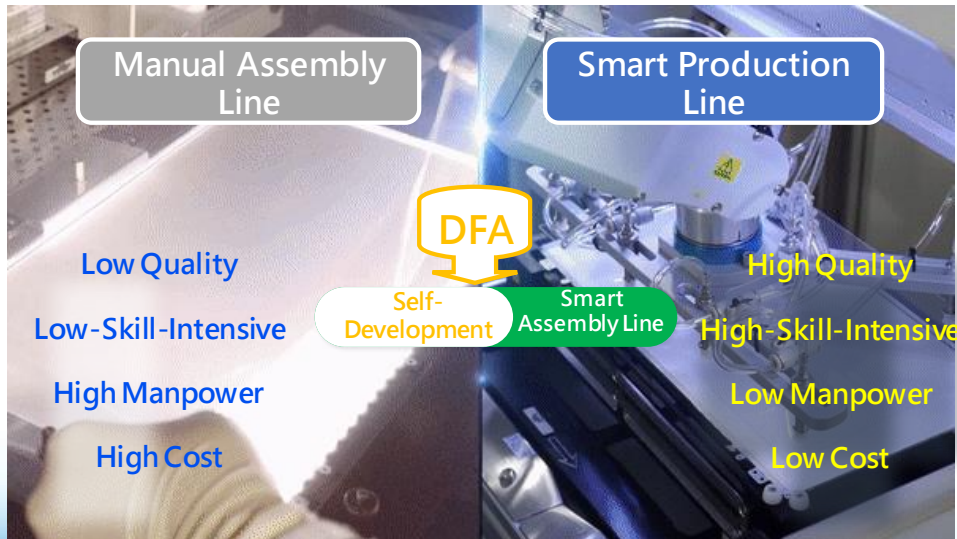
Smart Operation

- Profitability Analysis
- Optimal Allocation System
- Smart Dispatch

Module Factories Lights-Out Rate Achieved 71%

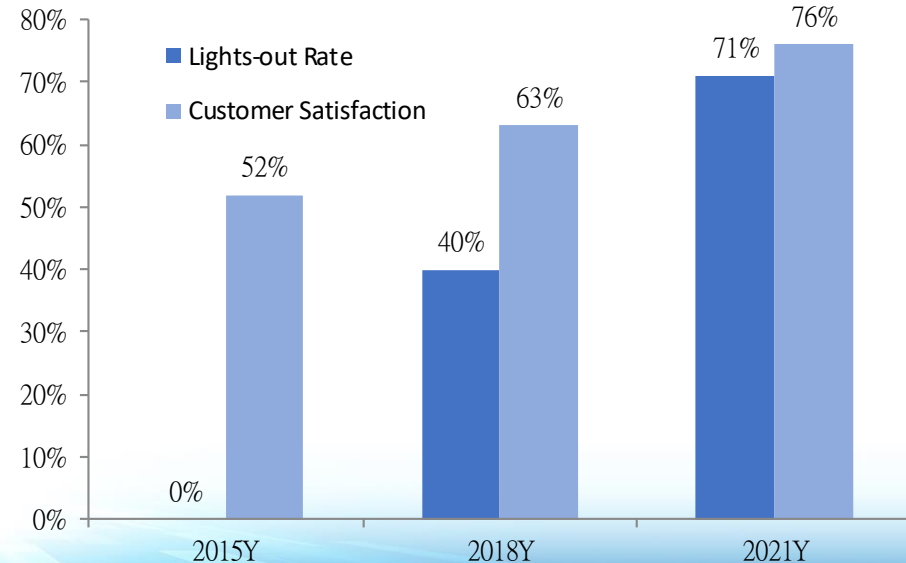
- ❑ With the advantages of the automatic design, INX builds smart manufacturing automatic production lines and delivers niche products.
- ❑ By 2Q21, the lights-out production line rate has increased to 71%, which has made INX ranked as Top 2 supplier to 76% of the major customers.

Smart Manufacturing - smart assembly, smart production



Note: DFA = Design For Automation

Ranked as Top 2 supplier to 76% of the major customers



Note: Customer Satisfaction refers to the ranking of Innolux to its major customers

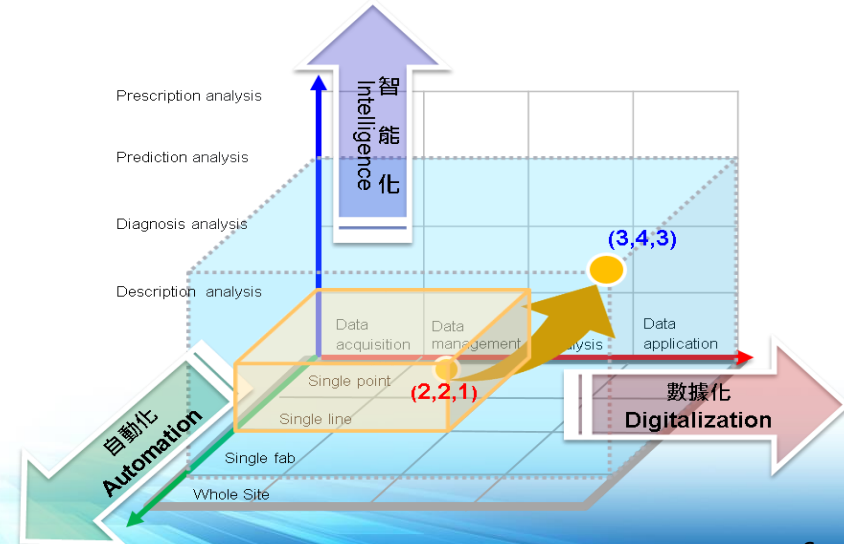
Responding to Challenges Through Flexible Smart Operation

- ❑ A comprehensive smart industrial ecosystem: Be responsive to market challenges through profitability analysis, optimal allocation and smart dispatch system.
- ❑ Smart Operation yields great results. Indicators for operational effectiveness and product manufacturing both have shown substantial growth.

Smart Operation - intelligently respond to various challenges



Smart Operation Results - Automation; Digitalization; Intelligence

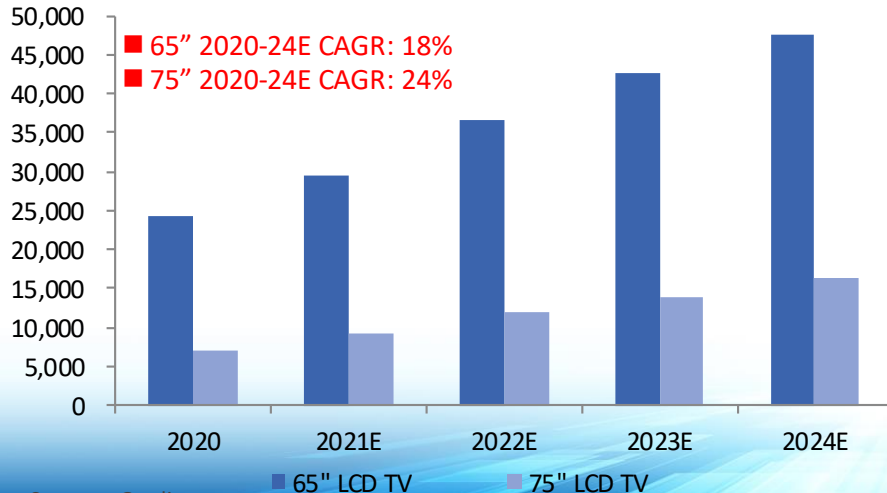


Complete the Layout of Each Generation Line

- Specifications for TV are developing towards large-size and high resolution. The shipments of 65" and 75" TV will each grow at a CAGR of 18% and 24%, respectively, by the end of 2024.
- INX will become the most valuable panel supplier with the most comprehensive layout of generation lines once the agreement between INX and SDP Global (China) Co., Ltd. becomes effective.

Large-sized TV panel shipments 2020 - 24E CAGR

Unit: 1,000s



Sources: Omdia

Cost Comparison

	Build a Gen 10.5	Long-term Supply Agreement
Factory Cost	Applicable	N/A
Amortized Cost	Applicable	N/A
Capital Cost	Applicable	Applicable (Note)
Operating Cost	Applicable	N/A

Note: Opportunity cost from the prepaid part of the purchase price

2Q2021 Financial Results

- Consistently optimizing product structure and increasing the proportion of high-value-added products. Although the 2Q21 avg. panel area price QoQ % growth had decelerated, the gross profit QoQ % growth has yet accelerated thanks to better product mix.
- In the peak of cyclical period in 2017, the total revenue contribution of TV/IT/Mobile&CP was 51%/27%/22%, respectively, whereas 38%/38%/24% in 2Q21, representing a more comprehensive and balanced product mix that contributes to stable profitability.

(NT\$ million)	2Q 2021		1Q 2021		QoQ %	2Q 2020		YoY %
Net Sales	93,236	100.0%	83,839	100.0%	11.2%	66,883	100.0%	39.4%
Cost of Goods Sold	62,372	66.9%	62,212	74.2%	0.3%	65,027	97.2%	-4.1%
Gross Profit	30,864	33.1%	21,627	25.8%	42.7%	1,856	2.8%	1562.9%
Operating Expenses	7,087	7.6%	6,746	8.0%	5.1%	5,217	7.8%	35.8%
Operating Profit (Loss)	23,777	25.5%	14,881	17.7%	59.8%	-3,361	-5.0%	-
Net Non-operating Income (Exp.)	-451	-0.5%	-2,283	-2.7%	-80.3%	-910	-1.4%	-50.5%
Profit (Loss) before Tax	23,326	25.0%	12,598	15.0%	85.2%	-4,271	-6.4%	-
Net Profit (Loss)	21,419	23.0%	11,567	13.8%	85.2%	-4,777	-7.1%	-
Net Profit (Loss) Attributable to Owners of Company	21,419	23.0%	11,571	13.8%	85.1%	-4,781	-7.1%	-
Basic EPS (NT\$) ⁽¹⁾⁽²⁾	2.05		1.15			-0.49		
EBITDA⁽³⁾	32,892	35.3%	23,950	28.6%	37.3%	5,491	8.2%	499.0%
Depreciation & Amortization	9,115		9,069			8,852		
Capital Expenditure	7,219		3,470			4,500		

	2021Q2	2021Q1
Gross Profit NT\$m	30,864	21,627
Blended ASP (m ²) % QoQ	12%	14%
Gross Profit % QoQ	43%	36%

Notes:

- Basic EPS = Net Income-Parent / Weighted Average of Outstanding Common Shares
- Capital Stock (common, including Certificates of Bond-to-Stock Conversion): NT\$99.4 billion as of December 31, 2020
- EBITDA = Operating Income + Depreciation & Amortization
- All figures are prepared by Innolux Corporation in accordance with the International Financial Reporting Standards as endorsed in TIFRS.