

LG Energy Solution

Progress Report on Corporate Value-up Plan

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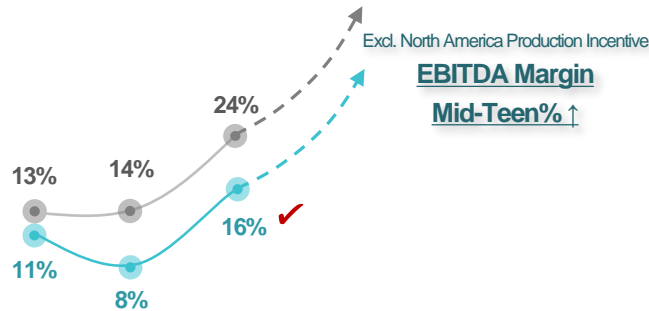
- Changes in Global Tariff/Environmental Policies in North America Led to Steeper than Expected Demand Weakness of EV, Resulting in Revenue & EBITDA% Decline YoY
- Focusing on Fundamental Strengths, We are Addressing Market Dynamics Promptly via Operational Efficiency Enhancement with Prioritized Investment, Portfolio Refinement, etc.

Excl. North America Production Incentive

Mid-to Long-term Goals vs Performance

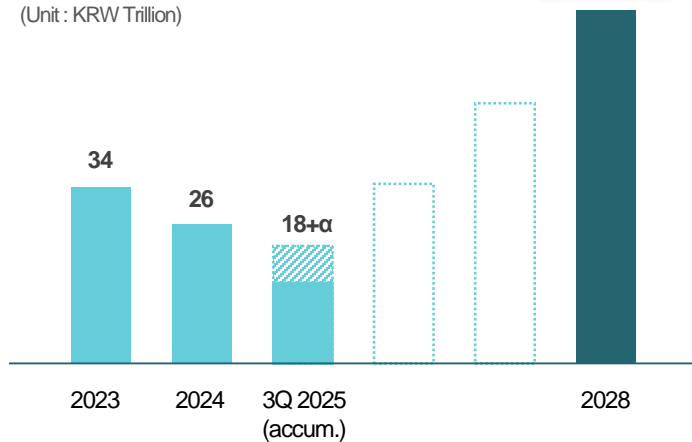
EBITDA Margin

- Incl. North America Production Incentive
- Excl. North America Production Incentive



Revenue

(Unit : KRW Trillion)



Business Landscape

Policy

- Volatility of environmental policy ↑ (i.e. EV subsidies)
- Tariff uncertainty ↑



Customer/Demand

- OEMs adjusting electrification pace
- OEMs introducing HEV/EREV as interim solutions



Competition

- Intensified competition over price/technology
- Tightened requirements for value chain localization



Slowdown in EV-centric Battery Demand Growth and Consequent Weakening in Visibility

Progress of Action Plan

1 Capacity Optimization

Maximize the utilization of the established capacities

- Optimize asset operations via investment scale-down/deferral
- Respond to ESS demand in a timely manner with line conversion
- Continue to take hold of order momentum centered on new products/technologies

2 Biz. Portfolio Enhancement

Reinforce the alignment between customer and product/technology

- Restructure portfolio: balance the currently concentrated structure of applications/ product segments/ form factors
- Focus resources on differentiating key products and winning technologies

3 Early Securing of Future FCF Generation Capability

Enhance cash generation capability with investment strategy refinement

- Execute essential investments based on priorities
- Bring forward the foundation set-up for stable cash generation through cost structure innovation and profitable growth

- Despite the deceleration of EV Demand due to Intensified Global Volatility, Opportunities for ESS in North America are Expanding due to AI Innovation and Favorable Policy & Competition Environment

External Business Environment

Policy

- EV purchase subsidies(30D*) terminated earlier than expected in Sep '25
- AMPC(45X*) and ITC(48E*) kept intact and localization requirements tightened with newly added supply chain condition(PFE), etc.
- China de-risking stance continuing (High tariffs on China, ex-China value chain, etc.)
- Grace period given for CO₂ emission regulation compliance
- Mandating EV battery supply chain localization in progress

* Sections of the Inflation Reduction Act

Customer/Demand

- OEMs adjusting electrification strategies impacted by cost burdens, leading to slowdown in EV P-rate
- Mid- to low-end seg. EV models leading demand growth
- Long-term growth potential based on autonomous driving being still valid
- Accelerated demand growth centered on grid-scale ESS in North America due to renewable generation and expanded investment in AI data centers
- Heightened preference for non-China battery makers with local production capabilities in the US

Competition

- Tightened ex-China value chain requirements leading to mitigated competition in the US
- Intensified M/S competition with Chinese players mainly for mid- to low-end seg. products in Europe
- Increased importance of securing capabilities of local production and sourcing eligible raw material by region

Opportunities and Risks

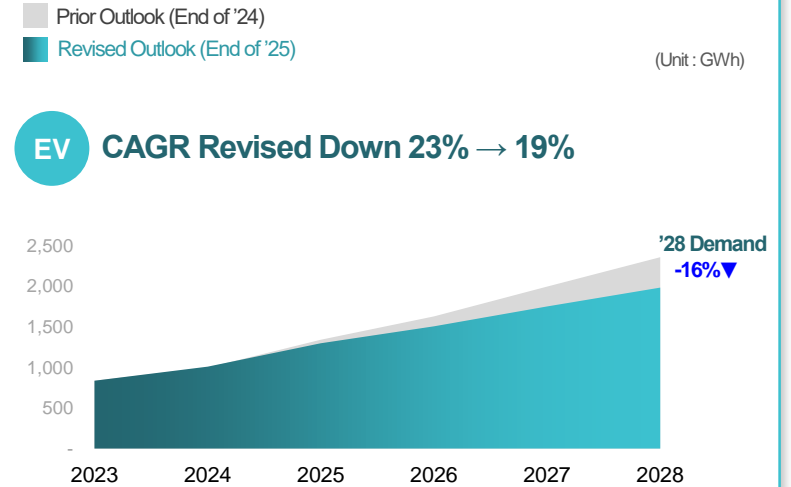


- Secured solid position as the company capable of meeting incremental ESS demand in North America in a timely manner as well as China de-risking/localization needs and gained leading-edge in the market
- Established capacity pre-emptively with stable operation capability in North America under favorable competition/policy environment
- Gained diversified portfolio with global top-tier customers
- Possessed order competitiveness with accumulated technological prowess and outperforming QCD capabilities

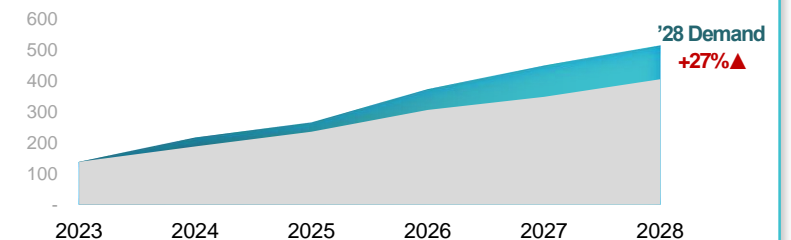


- Incurred burden due to investment needs for the completion of on-going scale-out project and fixed cost from the existing sites impacted by EV battery demand decline which takes a largest business sales portion
- Lack of response to the mid- to low-end seg. markets due to operation of premium seg.-centered product portfolio
- Intensified competition for price & market shares with Chinese players in the European market where entry barriers are relatively lower and demands for mid- to low-end seg. products are high

Global Battery Demand Outlook Trends




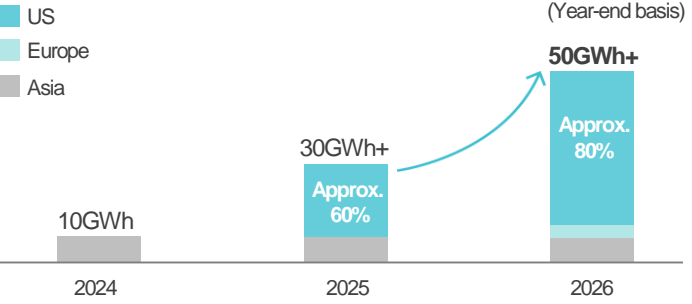

ESS CAGR Revised Up 24% → 30%



* Source: market data and company forecast

1 Capacity Optimization

• Minimize Business Risks and Secure First Mover's Advantages in the Growing ESS Market in North America via Agile Capacity Reallocation Reflecting Downstream Demand

Action Plan	Progress																									
 <p>Maximizing Operational Efficiency via Capacity Reallocation</p> <ul style="list-style-type: none"> Minimize future investment burdens by reducing/canceling new expansion plans promptly Alleviate fixed cost burdens by maximizing the utilization rate of the existing capacities 	<ul style="list-style-type: none"> Capex Burden Reduced through Operation Optimization of Existing Capacity & New JVs <ul style="list-style-type: none"> Suspended the new expansion project and acquire the assets from GM JV3(Lansing) to address other orders previously secured Adjusted capacity expansion pace and postponed SOP timelines for new JVs Reducing financial burdens via asset disposal(ex. Building, etc.) 	<p>Capacity Reallocation in North America * No. of sites</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Stand-alone Site</th> <th colspan="2">JV Site</th> </tr> <tr> <th>Before ▶</th> <th>After</th> <th>Before ▶</th> <th>After</th> </tr> </thead> <tbody> <tr> <td>EV</td> <td>2</td> <td>1</td> <td>6</td> <td>3</td> </tr> <tr> <td>ESS</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>EV+ESS</td> <td>-</td> <td>2</td> <td>-</td> <td>2</td> </tr> </tbody> </table>		Stand-alone Site		JV Site		Before ▶	After	Before ▶	After	EV	2	1	6	3	ESS	1	-	-	-	EV+ESS	-	2	-	2
	Stand-alone Site			JV Site																						
	Before ▶	After	Before ▶	After																						
EV	2	1	6	3																						
ESS	1	-	-	-																						
EV+ESS	-	2	-	2																						
 <p>Adjusting Operation Strategies in Light of Market/Customer Demand Change</p> <ul style="list-style-type: none"> Capture ESS momentum* in North America with responsiveness based on pre-emptively established local capacity Optimize the operation of existing EV lines through line conversion b/w applications and chemistries <p>* ITC remaining intact, AI-based power demand, China de-risking needs, etc.</p>	<ul style="list-style-type: none"> Early Preparation of ESS Production Base in North America <ul style="list-style-type: none"> Pulled forward the SOP timeline by 1 Year with utilizing the existing MI capacity Maximized order intake momentum as the only non-Chinese company capable of supplying LFP locally Maximizing Existing Capacity Efficiency with Line Conversion <ul style="list-style-type: none"> Temporarily converted EV lines to ESS in consultation with JV partners Improved utilization rates by producing low-to mid-end seg. EV products (LFP, HV Mid-Ni) and ESS in Europe from the end of '25 	<p>ESS Capacity Plan (Year-end basis)</p> 																								
 <p>Minimizing Impact of Demand Slowdown by Continuously Securing High-value Orders</p> <ul style="list-style-type: none"> Proceed with new order winning on the back of new form factors/non-EV applications Gain long-term growth drivers by locking in future demand 	<ul style="list-style-type: none"> Meaningful Scale of New Orders Obtained with New/High-growth Potential Products ('24~Q3'25) <ul style="list-style-type: none"> Order book increased by over 110% for 46-series and over 140% for ESS 	<p>Order Backlog (Year-end basis)</p> 																								

3 Early Securing of Future FCF Generation Capability

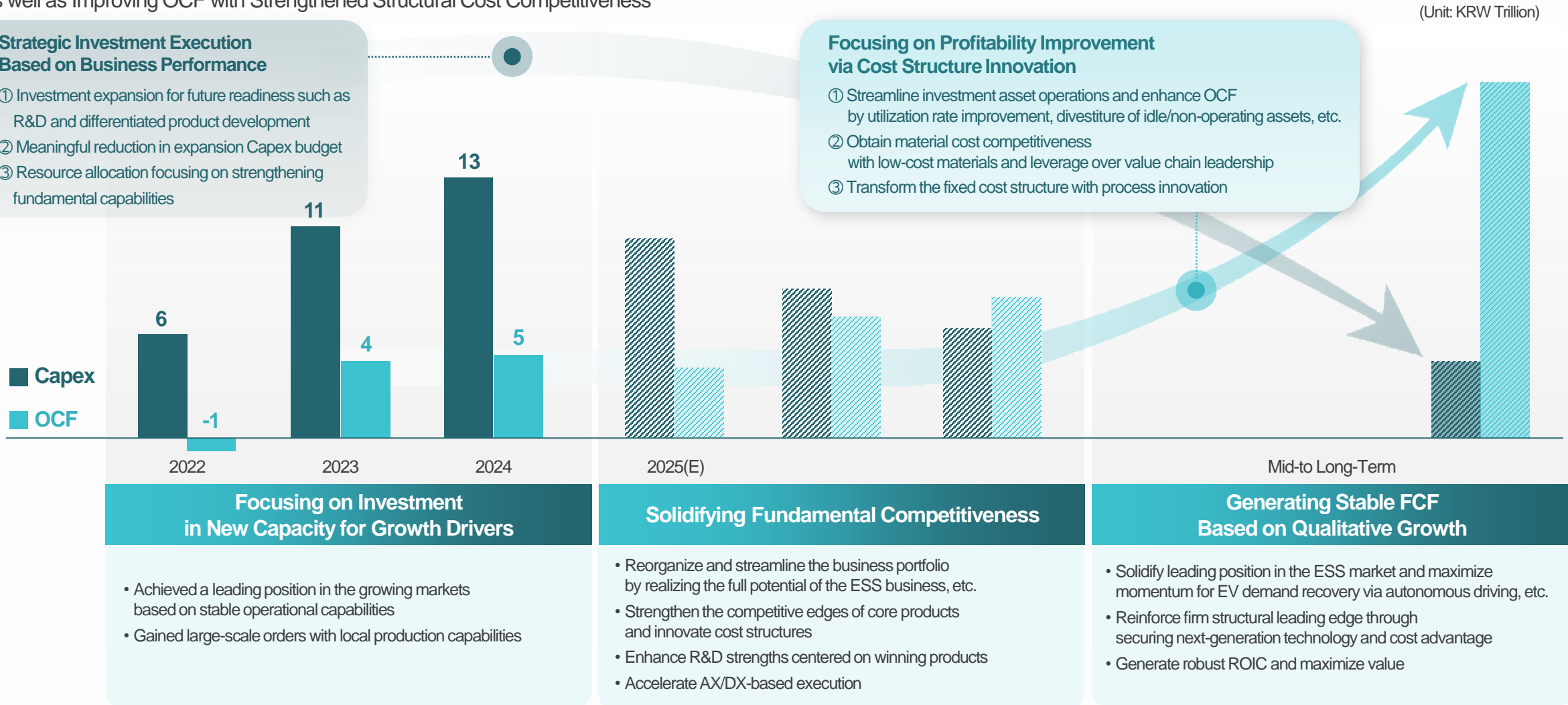
- Aim to Pull Forward FCF Generation by Enhancing Investment Efficiency such as Optimizing Operation of Existing Assets, Increasing Investment for Future Readiness, as well as Improving OCF with Strengthened Structural Cost Competitiveness

Strategic Investment Execution Based on Business Performance

- ① Investment expansion for future readiness such as R&D and differentiated product development
- ② Meaningful reduction in expansion Capex budget
- ③ Resource allocation focusing on strengthening fundamental capabilities

Focusing on Profitability Improvement via Cost Structure Innovation

- ① Streamline investment asset operations and enhance OCF by utilization rate improvement, divestiture of idle/non-operating assets, etc.
- ② Obtain material cost competitiveness with low-cost materials and leverage over value chain leadership
- ③ Transform the fixed cost structure with process innovation



- Focus on Enhancing Stability & Profitability of Business Portfolio and Innovating Product Capabilities & Cost Structures in the Short Term Towards Securing Fundamental Competitive Advantage Based on Qualitative Growth

- **Achieve full potential growth of ESS biz**
 - Expand the revenue share of ESS to over 30% ('26~)
 - Stabilize mass production and strengthen pipeline for ESS
- **Gain competitive edge in core products/technologies aligned with portfolio strategy**
- **Develop future technologies equipped with cost viability for mass production and strengthen new business capabilities**

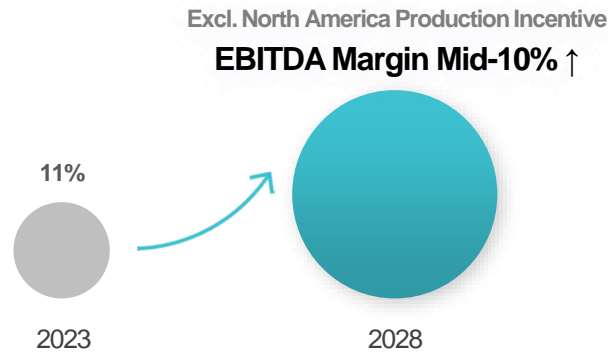
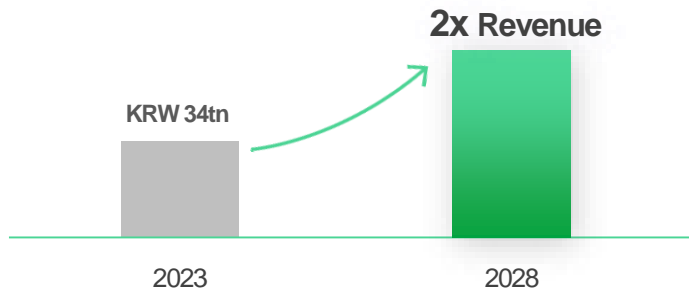
- **Continue to improve the profit structure through optimization of asset management**
- **Strengthen structural competitiveness via cost innovation**
 - Materials with cost advantage, innovative processes, optimized cost management, etc.
- **Develop products/materials deploying AX/DX and maximize manufacturing operations efficiency**
- **Keep obtaining new projects focusing on profitability with product/quality strengths**

- **Maximize OCF with increased sales of value-added product and operational efficiency improvement**
- **Reduce investment burden through prioritized execution and optimization of line operations**

Growth

Profitability

Shareholder Value



Secure Resources for Shareholder Return with Stable FCF Generation

Mid-to Long-term

List of Acronyms

Acronym	Meaning	Acronym	Meaning
3C	Customer, Competition, Company	HW	Hardware
AI	Artificial Intelligence	ITC	Investment Tax Credit
AMPC	Advanced Manufacturing Production Credit	JV	Joint Venture
AX	AI Transformation	LFP	Lithium Iron Phosphate
CAGR	Compound Annual Growth Rate	LMR	Lithium Manganese Rich
CTx	Cell to X	M/S	Market Share
DX	Digital Transformation	O&M	Operation & Maintenance
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization	OCF	Operating Cash Flow
EMO	Energy Market Optimizer	OEM	Original Equipment Manufacturer
EREV	Extended-Range Electric Vehicle	P-rate	Penetration Rate
ESS	Energy Storage System	PFE	Prohibited Foreign Entity
EV	Electric Vehicle	QCD	Quality Cost Delivery
FCF	Free Cash Flow	ROIC	Return On Invested Capital
HEV	Hybrid Electric Vehicle	R&D	Research & Development
High-Ni	High-Nickel	SI	System Integration
HV Mid-Ni	High-voltage Mid-Nickel	SOP	Start of Production

