2022. 4. 27

LG Energy Solution

Q1 2022 Earnings Conference Call

LG Energy Solution

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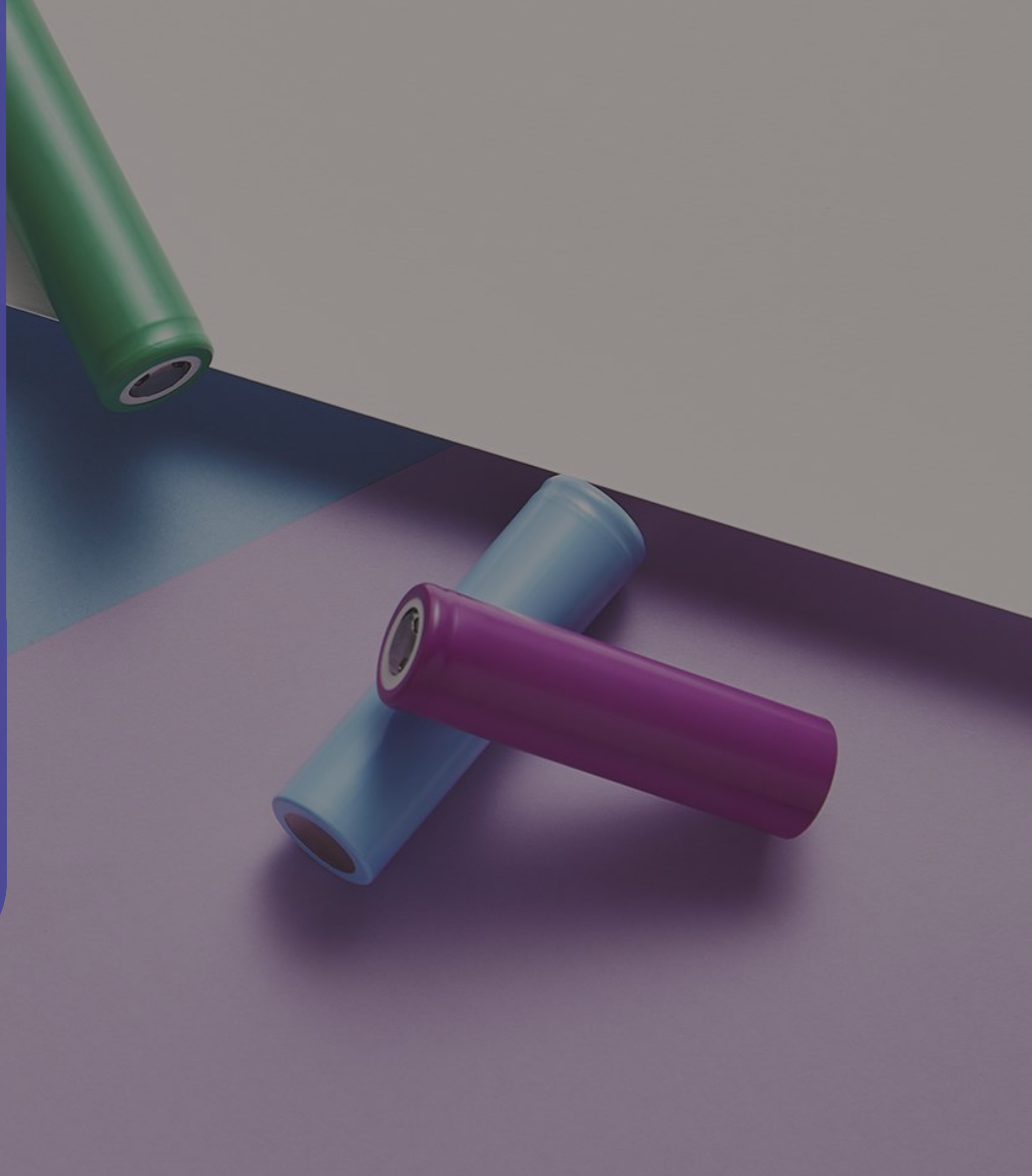
Disclaimer

The information regarding business performance of LG Energy Solution is provided for the convenience of investors of the Company prior to the audit by external auditors.

Please note that some of the information contained herein may change in the course of the final audit by external auditors.

The financial information contained in this document has been prepared on a consolidated basis in accordance with K-IFRS or Korean International Financial Reporting Standards.

Some of the statements as contained herein can be forward-looking considering the current business environment and the Company's business strategies. Therefore, in accordance with uncertainties inclusive of changes in future business environment and corporate strategies, actual results may differ materially from those expressed in the afore-mentioned statements.



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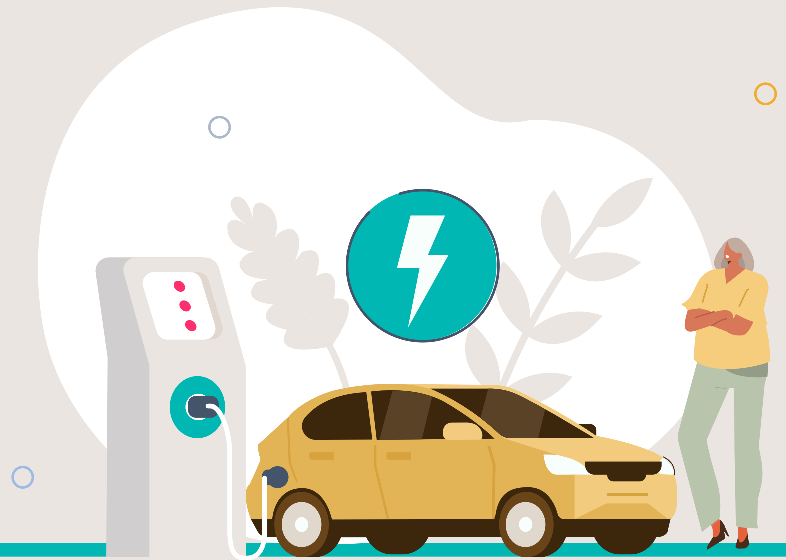
SECTION

1

1Q 2022

Business Performance



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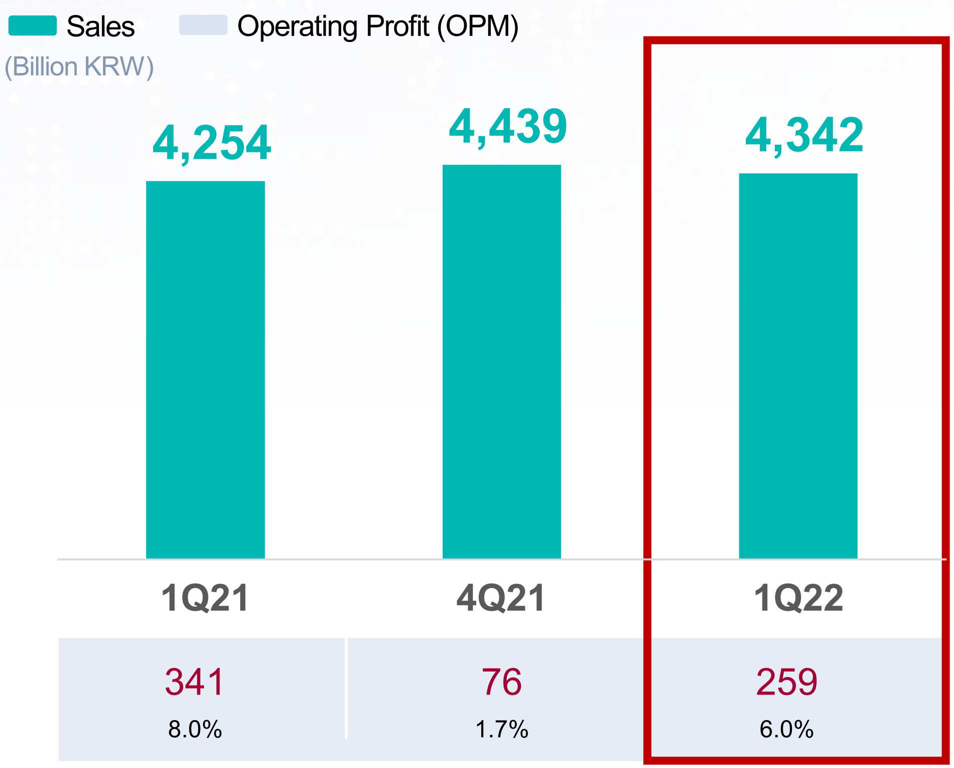
1Q 2022 Business Performance

Sales and Operating Profit Trend



Performance Analysis

- Sales were down slightly QoQ and up slightly YoY amid growing external uncertainties - prolonged automotive chip shortage, supply chain issues caused by the Ukraine/Russian conflict, impact from COVID19 lockdown and the production of the recalled batteries for GM and HMC.
- Operating profit improved QoQ on the back of solid sales of cylindrical cells, expansion of the cost pass-through scheme and price adjustment in response to soaring metal prices, and productivity improvement through manufacturing automation. OP deteriorated slightly on a YoY basis.

1Q 2022 Financial Results

Financial Position

(Billion KRW)

	1Q21	4Q21	1Q22
Assets	**20,800**	**23,764**	**34,976**
Cash and Cash Equivalents, etc.*	2,602	1,284	10,162
Liabilities	**12,582**	**15,022**	**15,536**
Debt	6,214	6,969	7,299
Equity	**8,218**	**8,742**	**19,440**

* Deposits held by financial institutions included

Leverage Ratios

(%)

	1Q21	4Q21	1Q22
Liabilities to Equity	153%	172%	80%
Debt to Equity	76%	80%	38%
Net Debt to Equity	44%	65%	-15%
Debt to EBITDA	4.4x	3.1x	3.3x

1Q 2022 Cash Flow

Cash Flow

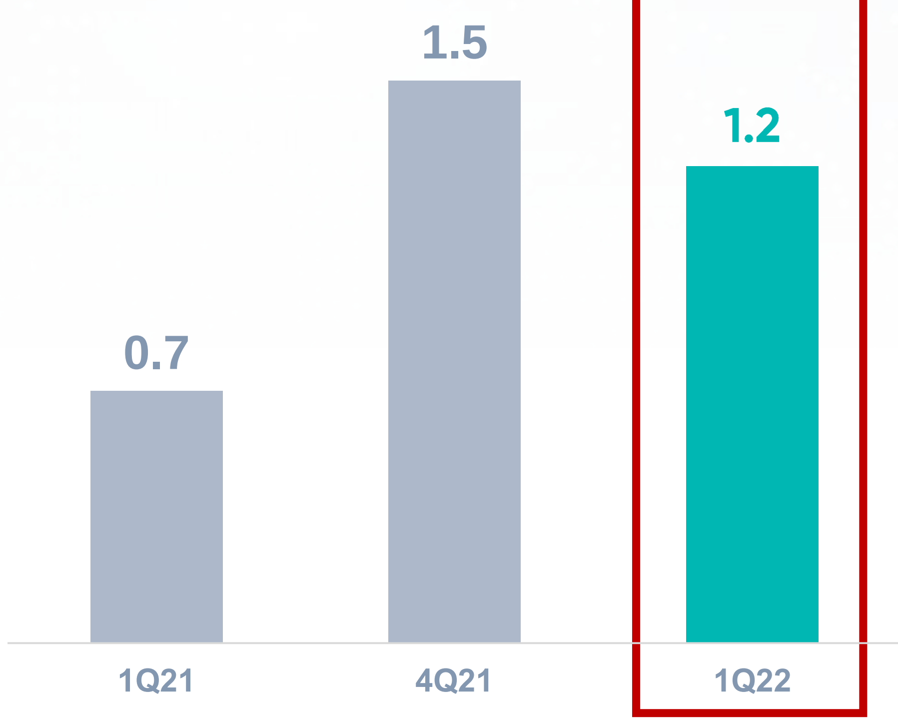
(Billion KRW)

	2021		2022
	1Q	4Q	1Q
Cash* (Beginning of Period)	**2,093**	**1,532**	**1,284**
Cash Flows from Operating Activities	424	770	396
Working Capital	75	-107	73
Cash Flows from Investing Activities	-48	-926	-1,527
Capex	-659	-1,470	-1,246
Cash Flows from Financing Activities	89	-97	9,960
Cash* (End of Period)	**2,602**	**1,284**	**10,162**
Net Changes in Cash	**508**	**-248**	**8,878**

* Deposits held by financial institutions included

Capex Trend

(Trillion KRW)



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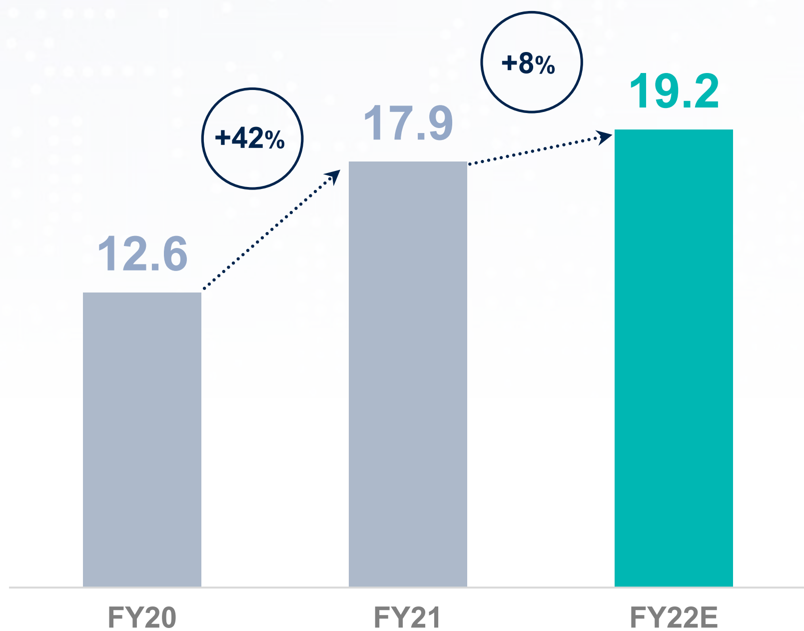
2022 Business Outlook

Sales Outlook

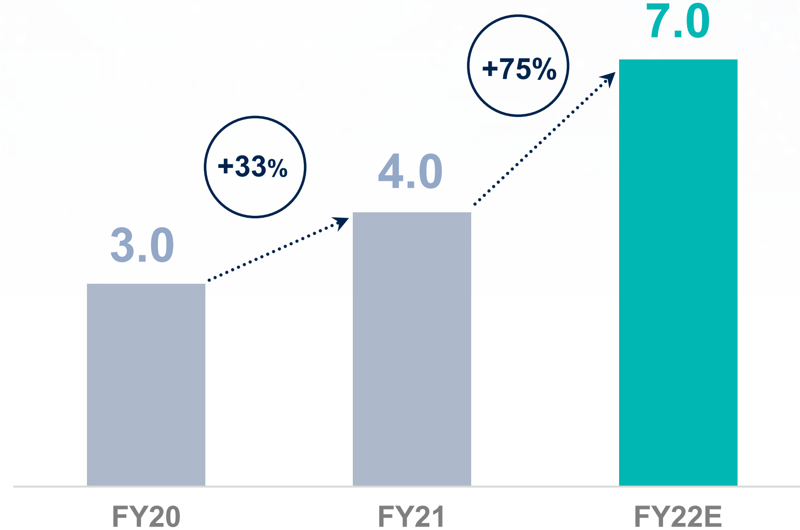
(Trillion KRW)



Despite uncertainty persisting due to continuous production disruption caused by automotive chip shortage, Ukraine/Russian conflict, and COVID lockdown, we expect to meet the business plan through increased sales to strategic OEMs.

Capex Outlook

(Trillion KRW)



For the JV plants and stand-alone capacity in North America, capacity addition for cylindrical cells in China, and new expansion projects, we plan to invest a significantly higher capex compared to the previous year, amounting to about 7 trillion won.

2022 Business Outlook _ Production Capacity by Region

Advanced Automotive | ESS | Mobility & IT

Europe

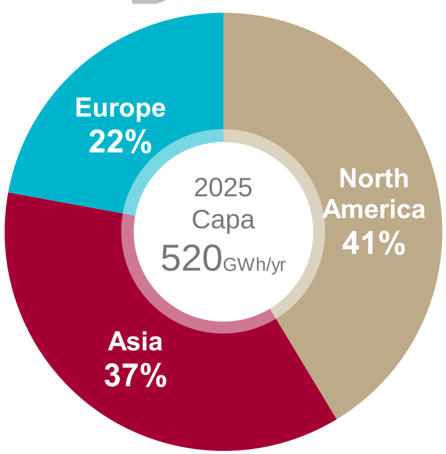
	'22	'25
POLAND	68	115

Asia

	'22	'25
Ochang, KOREA	21	33
Nanjing/ Binjiang, CHINA	93	145
HYUNDAI JV, INDONESIA		12

North America

	'22	'25
STELLANTIS JV | Ontario, CA		45
GM JV 1 | Ohio, US	9	40
GM JV 2 | Tennessee, US		45
GM JV 3 | Michigan, US		50
Michigan, US	4	20
Arizona, US		15



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SECTION

2

2022

Key Initiatives

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Improving Profitability ① Countermeasures to Tight Metal Supply and Greenflation

Stable Metal Sourcing

Current status of metal sourcing partnerships

Long-Term Agreement

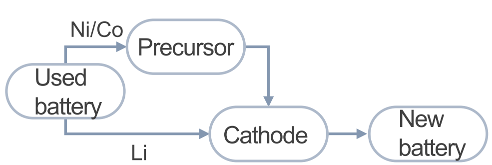
SIGMA LITHIUM
SQM Solutions for human progress
AUSTRALIAN MINES LIMITED
VULCAN ENERGIE RESSOURCEN Zero Carbon Lithium®
Liontown

Strategic Equity Investment

QUEENSLAND PACIFIC METALS
GREATPOWER
Grand Package of Indonesian government

Battery Recycling

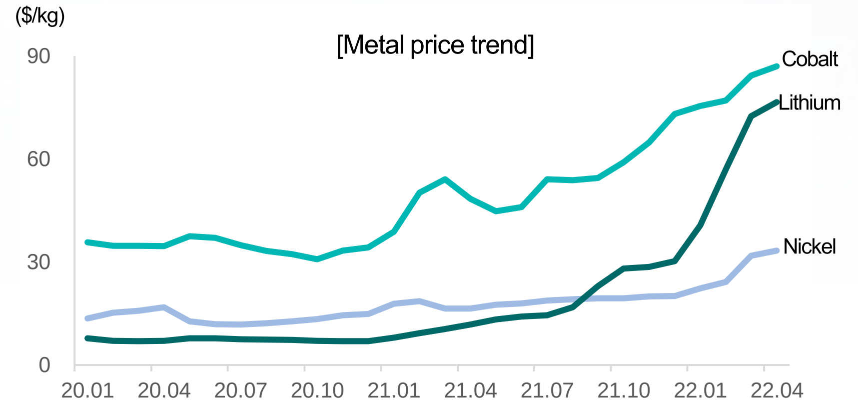
Li-Cycle®
&
Other Partnerships



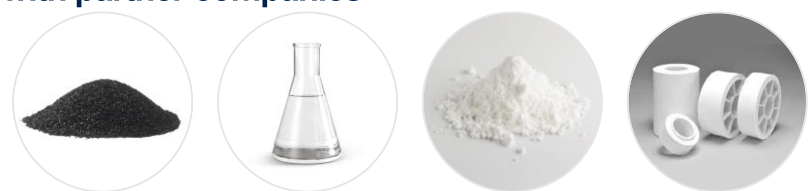
Raw Material Price Hike Hedging

Expand the coverage of the cost pass-through schemes

: Pass through the rising costs of Cu, Al, and Mn in addition to the existing pass-through metals - Li, Ni, and Co



Share the inflationary pressure of other raw materials with partner companies



Anode | Electrolyte | Binder | Separator

Improving Profitability ② Deployment of Smart Factory

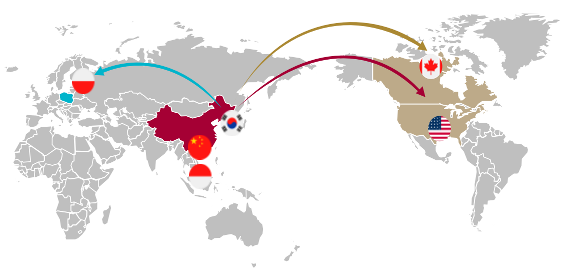
Effects of Smart Factory Deployment

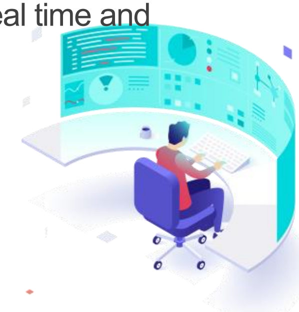
How to Enable Smart Factory

- **Reinforce the Smart Factory organization with the newly appointed Chief Digital Officer**

- **Secure the Digital Twin capability**
  : Deploy Digital Twin simulation to stabilize new processes and enhance production quality

- **Build an advanced remote support system for overseas sites**
  : Establish the Factory Monitoring Control Center to identify and analyze manufacturing issues in real time and enable pre-emptive monitoring





Securing Product Competitiveness

Pouch

Safety

+

Cost

Cylindrical

Performance

- Secure battery pack solutions capable of delaying thermal propagation

- Develop Co-free batteries
  : LFP batteries for ESS applications
  : New cathode materials for EVs

- Develop the high-capacity new form factor

Enhancing Quality Capability

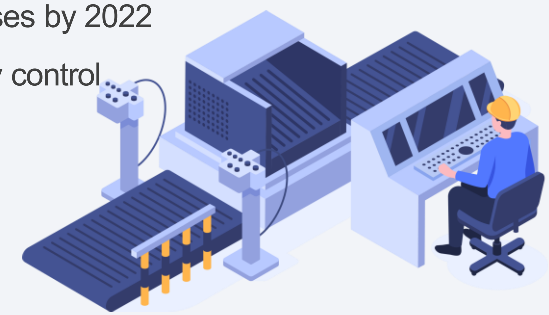
Current Status

8 Key Initiatives for Quality Improvement

- Execute quality improvement tasks to tackle torn anode tab, folded separator, and other quality issues
- Implement robust product design and process optimization to keep defects at a minimum level and not to release any defect from the production site

Full In-line inspection

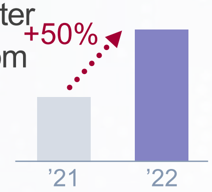
- Target to apply the fully automated in-line inspection to all manufacturing processes by 2022
- Carry out outgoing quality control for safety



Future Plan

Strengthen Org Capability for Quality

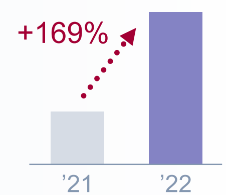
- Established the CQO and the Safety Solution Center designed to take part in the end to end process from identification of fire risks to customer response
- Set up a Center for Analytical Science to take immediate actions for quality problems globally



[Quality workforce]

Prioritize Quality for Infra Investment

- Ensure the best quality with fully automated inspection and minimize recall range via data tracking
- Prioritize quality in terms of investment



[Investment in quality]

SECTION

3

Appendix

Appendix : Income Statement

(Billion KRW)

	2021					2022
	1Q	2Q	3Q	4Q	FY	1Q
Sales	**4,254**	**5,131**	**4,027**	**4,439**	**17,852**	**4,342**
Cost of Goods Sold	3,477	3,412	3,271	3,794	13,953	3,567
Gross profit	**777**	**1,719**	**757**	**646**	**3,899**	**775**
Selling and Admin Expense	436	995	1,129	570	3,130	516
Operating Profit (Loss)	**341**	**724**	**-373**	**76**	**768**	**259**
(%)	8.0%	14.1%	-9.3%	1.7%	4.3%	6.0%
EBITDA	**659**	**1,073**	**6**	**482**	**2,220**	**676**
(%)	15.5%	20.9%	0.1%	10.9%	12.4%	15.6%
Net Income before Tax	**301**	**838**	**-463**	**102**	**777**	**260**
(%)	7.1%	16.3%	-11.5%	2.3%	4.4%	6.0%
Net Income (Loss)	**434**	**630**	**-206**	**72**	**930**	**227**
(%)	10.2%	12.3%	-5.1%	1.6%	5.2%	5.2%

1. The performance of the 2nd quarter of 2021 includes a one-off license revenue from SKI and a one-off recall expense.
2. The performance of the 3rd quarter of 2021 includes a one-off expense for GM recall.

Appendix : Financial Position

(Billion KRW)

	2021				2022
	1Q	2Q	3Q	4Q	1Q
Assets	**20,800**	**22,178**	**23,612**	**23,764**	**34,976**
Cash and Cash Equivalents, etc.*	2,602	2,045	1,532	1,284	10,162
Account Receivables	2,788	2,698	2,665	2,915	2,907
Inventory	3,177	3,677	4,327	3,896	4,813
Property, Plant and Equipment	8,919	9,523	10,255	11,051	11,986
Liabilities	**12,582**	**13,099**	**14,390**	**15,022**	**15,536**
Account Payables	2,657	2,627	2,467	2,178	3,161
Debt	6,214	6,252	7,107	6,969	7,299
Equity	**8,218**	**9,079**	**9,222**	**8,742**	**19,440**
Share Capital	100	100	100	100	117

Key Leverage Ratios					
Liabilities to Equity (%)	153%	144%	156%	172%	80%
Debt to Equity (%)	76%	69%	77%	80%	38%
Net Debt to Equity (%)	44%	46%	60%	65%	-15%

* Deposits held by financial institutions included

Appendix : Cash Flow

(Billion KRW)

	2021				2022
	1Q	2Q	3Q	4Q	1Q
Cash (Beginning of Period)	**2,093**	**2,602**	**2,045**	**1,532**	**1,284**
Cash Flows from Operating Activities	**424**	**35**	**-250**	**770**	**396**
Operating Profit/Loss	341	724	-373	76	259
Depreciation	318	349	378	407	417
Working Capital	75	∆440	-778	-107	73
Cash Flows from Investing Activities	**-48**	**-71`7**	**-1,086**	**-926**	**-1,527**
Capex	-659	-731	-1,172	-1,470	-1,246
Cash Flow from Financing Activities	**89**	**122**	**770**	**-97**	**9,960**
Borrowing/Repayment	54	38	856	-138	330
Cash (End of Period)	**2,602**	**2,045**	**1,532**	**1,284**	**10,162**
Net Changes in Cash	**508**	**-557**	**-513**	**-248**	**8,878**

1. The financial information stated herein has been prepared in the manner different from the standard applied to the cash flow statement of the auditor’s report.
2. Deposits held by financial institutions included

THANK YOU

LG Energy Solution