



LG Energy Solution

Q2 2023 Earnings Conference Call

CONTENTS

SECTION 01 Business Performance

- 1. Q2'23 Business Performance _____ 5
- 2. Q2'23 Financial Position _____ 6
- 3. Q2'23 Cash Flow and Capex Trend _____ 7

SECTION 02 Key Achievements and Initiatives

- 1. 1H'23 Review and Key Achievements _____ 9
- 2. 2H'23 Outlook and Key Initiatives _____ 10
- 3. 2023 Guidance _____ 11

SECTION 03 Appendix



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.

SECTION

1

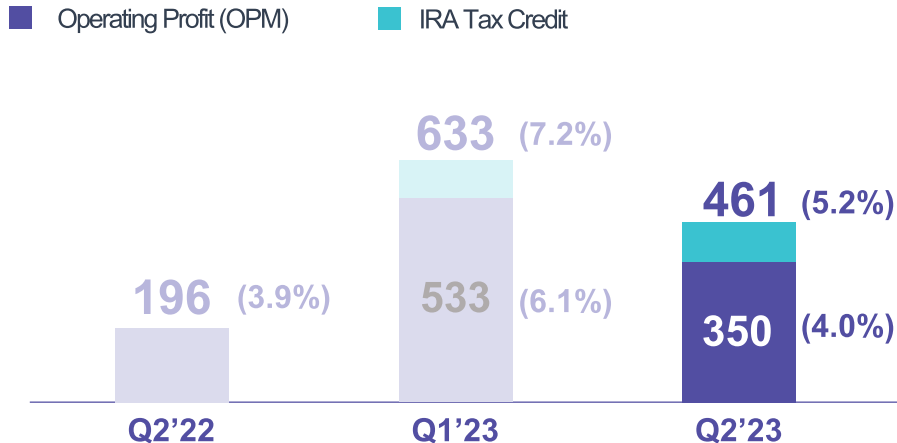
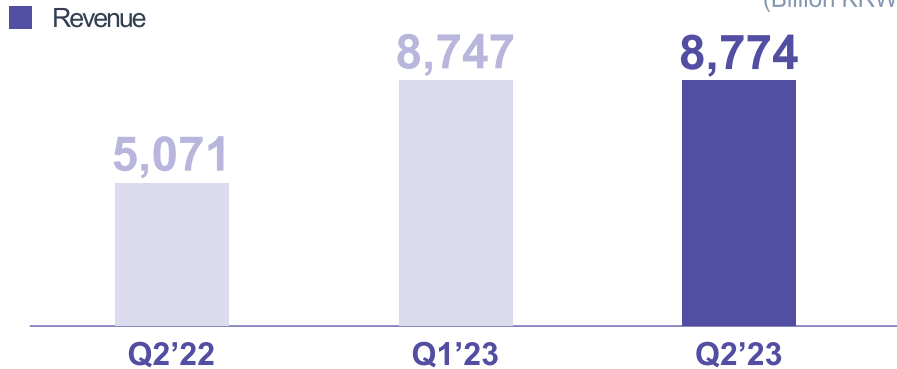
Business Performance



Q2'23 Business Performance

Revenue and Operating Profit

(Billion KRW)



Performance Analysis

Revenue

Despite relatively slower demand for EVs in Europe and metal price decline having partially influenced battery ASPs, shipment expansion towards North America drove the sales growth.

The revenue in Q2'23 increased +73% YoY and was similar to that of the solid previous quarter.

Profit

The operating profit in Q2'23, excluding the IRA Tax Credit effect, posted about KRW 350 billion

due to the temporarily increased costs of metal expenses impact from lagging consumption of raw material inventories in addition to one-off provisioning of KRW 151 billion caused by inflated costs of material expenses for the ongoing GM recall process.

However, with continuous enhancement of productivity and other expense efficiency such as logistics cost, the **OPM excluding the one-off item improved significantly YoY.**

In the meantime, the IRA Tax Credit effect of the quarter was KRW 110.9 billion, up by KRW 10.6 billion QoQ.

* IRA : Inflation Reduction Act

Q2'23 Financial Position

Balance Sheet

(Billion KRW)

	Q2'22	Q1'23	Q2'23
Assets	36,434	40,714	42,395
Cash and Cash Equivalents, etc.*	8,184	4,781	4,860
Liabilities	16,532	18,666	19,266
Debt	7,441	8,257	9,341
Equity	19,902	22,048	23,129

Leverage Ratios

(% , X)

	Q2'22	Q1'23	Q2'23
Liabilities to Equity	83%	85%	83%
Debt to Equity	37%	37%	40%
Net Debt to Equity	(4%)	16%	19%
Debt to EBITDA	4.2x	2.3x	2.4x

* Deposits held by financial institutions included

Q2'23 Cash Flow and Capex Trend

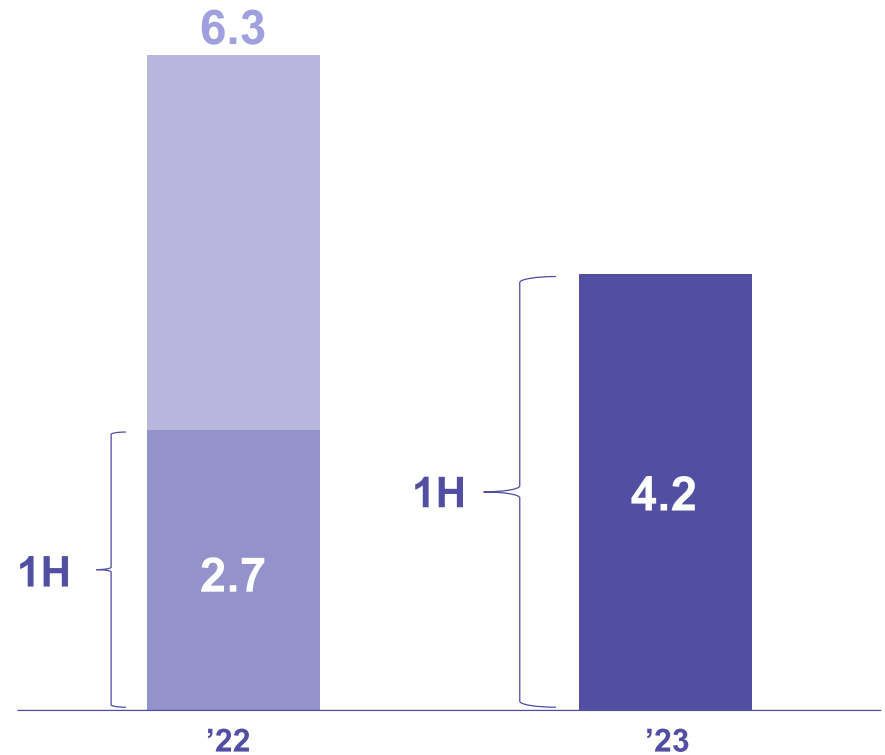
Cash Flow

(Billion KRW)

	Q2'22	Q1'23	Q2'23
Beginning Cash Balance*	10,162	5,938	4,781
Cash Flows from Operating Activities	(947)	781	515
Working Capital	(1,374)	162	(418)
Cash Flows from Investing Activities	(1,320)	(2,186)	(2,120)
Capex	(1,452)	(1,810)	(2,364)
Cash Flows from Financing Activities	231	205	1,693
Net Changes in Cash	(1,978)	(1,157)	79
Ending Cash Balance*	8,184	4,781	4,860

Capex Trend

(Trillion KRW)



* Deposits held by financial institutions included

SECTION

2

Key Achievements and Initiatives



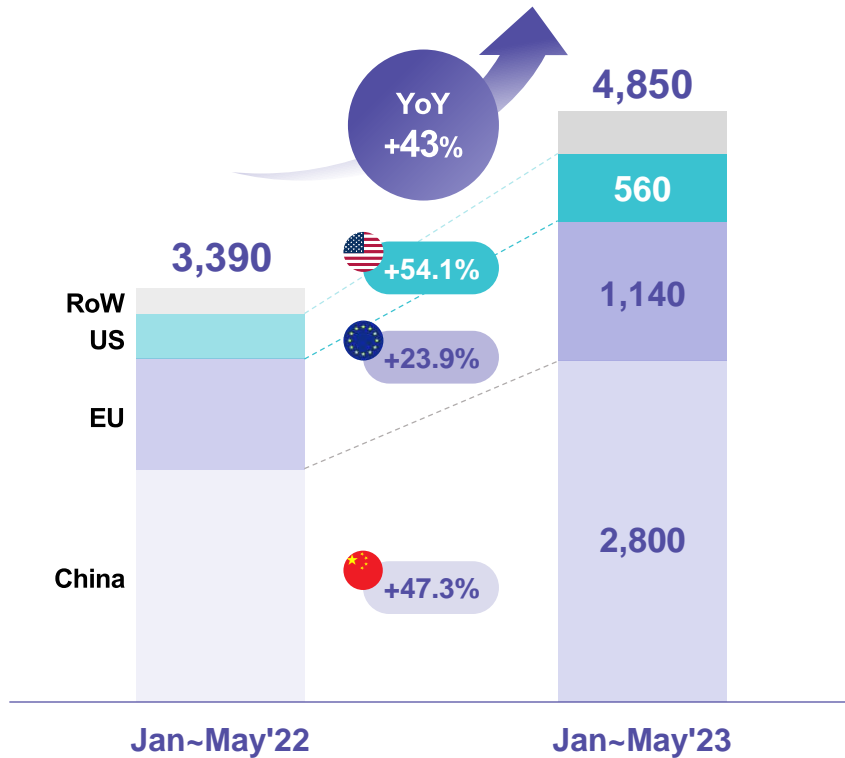
1H'23 Review and Key Achievements

Achieved Outstanding Financial Results by Reinforcing our Competitiveness amid the US-based Global EV Growth

Global EV Sales Trend

* EV : BEV, PHEV

(K Units)



※ Source : SNE Research

Key Achievements in 1H

Growth Acceleration

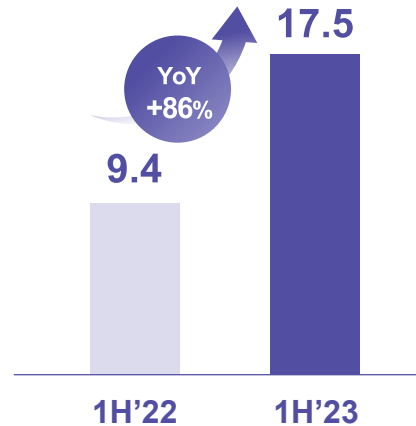
- ✓ Stable ramp-up of GM JV 1
- ✓ Shipment and sales growth of EV cylindrical batteries

Capability Enhancement

- ✓ Yield & cost innovation driven profitability improvement
- ✓ Supply chain diversification via upstream investment, LTA*, etc.

Revenue

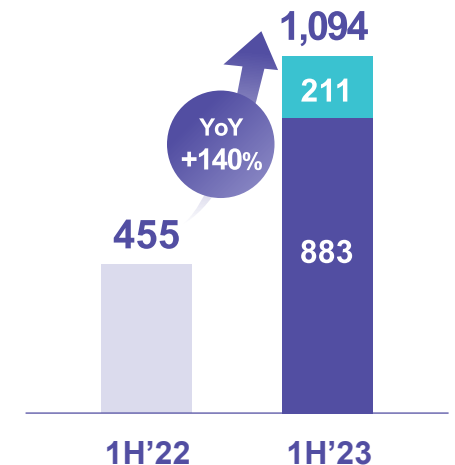
(Trillion KRW)



OP

(Billion KRW)

IRA Tax Credit



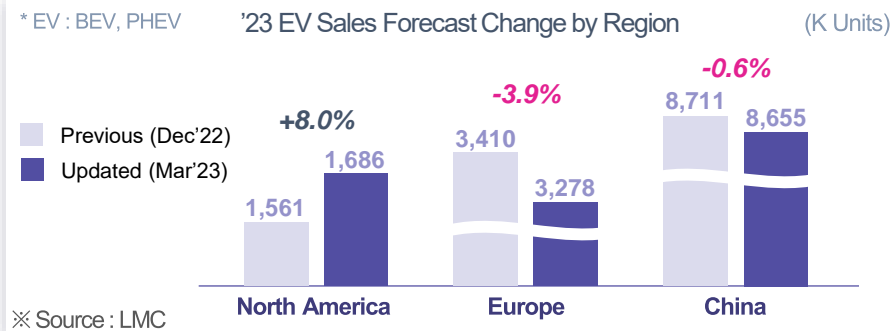
* LTA : Long-Term Supply Agreement

2H'23 Outlook and Key Initiatives

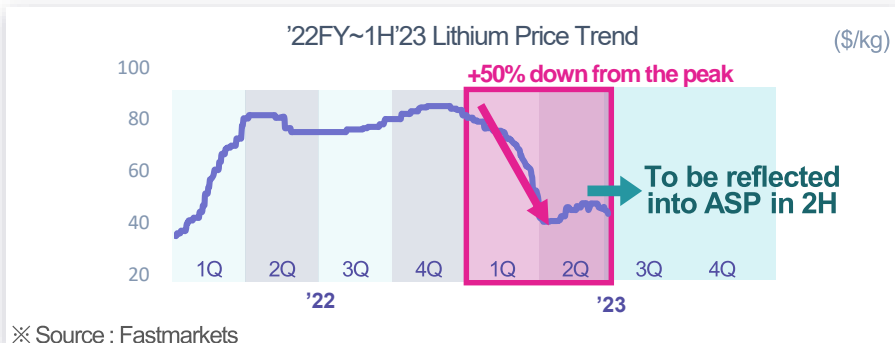
Secure Sustainable Competitiveness by Executing Mid/Long-term Strategies Despite External Uncertainties of EV Demand, Metal Prices, etc.

Global Market Outlook

Demand Downward Adjustment of EV Forecast Except North America



Raw Materials Major Reflection of Metal Price Decline in 1H into ASP in 2H



Key Initiatives

Product Develop & Produce Customized Products by Target Market

- Set up 4680 cylindrical production lines in Ochang, Korea, and convert ESS lines to LFP in Nanjing, China within the year
- Enhance competitiveness of products by market segment such as High Voltage Mid-Ni, Mn-rich and LFP batteries

Operation Expand Capacity through Concrete Partnerships with OEMs and Establish Smart Factory

- Execute smooth capacity expansion of new projects such as Hyundai Motor Company JV in North America
- Pursue early global operation stability by accelerating smart factory adoption

Sourcing Strengthen Global Supply Chain and Roll Out Recycling Business Systematically

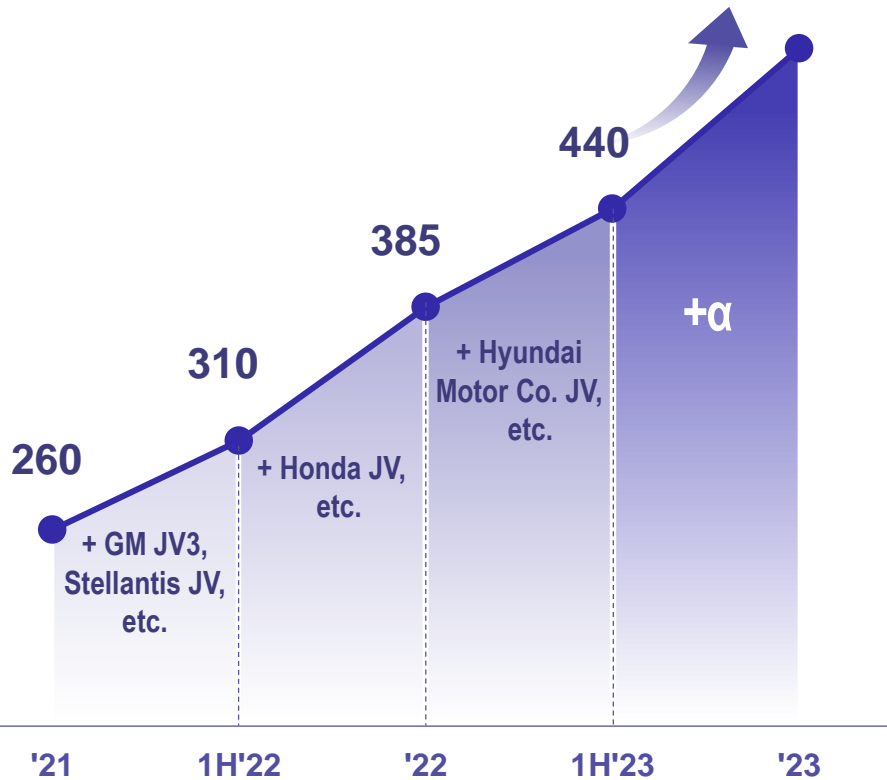
- Carry forward stable supply of cost-competitive metals/raw materials and localize supply chain
- Secure leading market presence for battery recycling and reuse via closed loop establishment in each global production site

2023 Guidance

Based on Diversified Product Competitiveness and Customer Portfolio, 2023 Revenue is Expected to Grow Over Mid-30% YoY with Continuous Improvement in Profit Margin

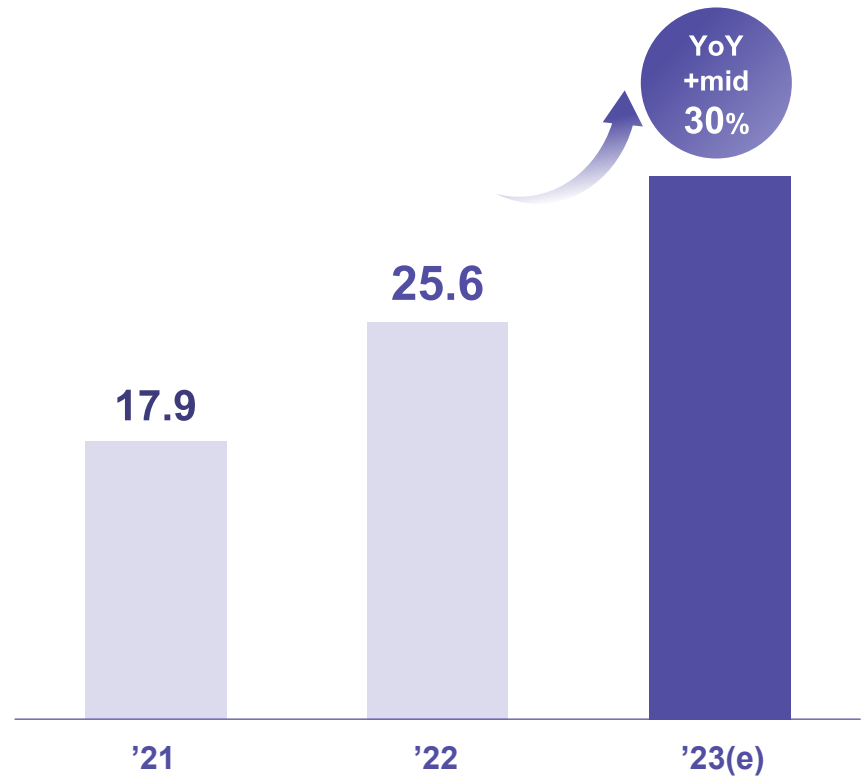
Order Backlog Trend

(End of term basis) (Trillion KRW)



2023 Revenue Guidance

(Trillion KRW)



SECTION

3

Appendix



Appendix : Income Statement

(Billion KRW)

	2021	2022					2023	
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
Revenue	17,852	4,342	5,071	7,648	8,538	25,599	8,747	8,774
Cost of Goods Sold	13,953	3,567	4,249	6,253	7,239	21,308	7,453	7,439
Gross profit	3,899	775	822	1,395	1,299	4,291	1,294	1,334
Selling and Admin Expense	3,130	516	626	873	1,062	3,077	761	984
Operating Profit (Loss)	768	259	196	522	237	1,214	633	461
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	7.2%	5.2%
Operating Profit(Loss) (Excluding IRA Tax Credit)	768	259	196	522	237	1,214	533	350
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	6.1%	4.0%
EBITDA	2,220	676	627	1,000	752	3,046	1,149	1,015
(%)	12.4%	15.6%	12.4%	13.1%	8.8%	11.9%	13.1%	11.6%
Net Income before Tax	777	260	129	242	365	995	711	646
(%)	4.4%	6.0%	2.5%	3.2%	4.2%	3.9%	8.1%	7.4%
Net Income (Loss)	930	227	90	188	276	780	562	465
(%)	5.2%	5.2%	1.8%	2.5%	3.2%	3.0%	6.4%	5.3%

Appendix : Financial Position

(Billion KRW)

	2021	2022				2023	
		Q1	Q2	Q3	Q4	Q1	Q2
Assets	23,764	34,976	36,434	39,888	38,299	40,713	42,395
Cash and Cash Equivalents, etc. *	1,284	10,162	8,184	6,389	5,938	4,781	4,860
Account Receivables	2,915	2,907	3,611	5,219	4,772	5,292	5,358
Inventory	3,896	4,813	6,276	7,947	6,996	7,475	7,221
Property, Plant and Equipment	11,051	11,986	13,162	14,600	15,331	17,188	19,005
Liabilities	15,022	15,536	16,532	18,725	17,706	18,666	19,266
Account Payables	2,178	3,161	3,952	5,398	3,842	5,003	4,398
Debt	6,969	7,299	7,441	8,321	8,109	8,257	9,341
Equity	8,742	19,440	19,902	21,163	20,594	22,048	23,129
Share Capital	100	117	117	117	117	117	117
Key Leverage Ratios							
Liabilities to Equity (%)	172%	80%	83%	89%	86%	85%	83%
Debt to Equity (%)	80%	38%	37%	39%	39%	37%	40%
Net Debt to Equity (%)	65%	-15%	-4%	9%	11%	16%	19%

* Deposits held by financial institutions included.

Appendix : Cash Flow

(Billion KRW)

	Q4.21	2022				2023	
		Q1	Q2	Q3	Q4	Q1	Q2
Beginning Cash Balance	1,532	1,284	10,162	8,184	6,389	5,938	4,781
Cash Flows from Operating Activities	770	396	-947	-876	847	781	515
Operating Profit/Loss	76	259	196	522	237	633	461
Depreciation	407	417	431	479	514	516	555
Working Capital	-107	73	-1,374	-1,834	-158	162	-418
Cash Flows from Investing Activities	-926	-1,527	-1,320	-1,679	-1,736	-2,186	-2,120
Capex	-1,470	-1,246	-1,452	-1,419	-2,174	-1,810	-2,364
Cash Flow from Financing Activities	-97	9,960	232	666	557	205	1,693
Borrowing/Repayment	-138	330	142	880	-212	148	1,083
Net Changes in Cash	-248	8,878	-1,978	-1,795	-451	-1,157	79
Ending Cash Balance	1,284	10,162	8,184	6,389	5,938	4,781	4,860

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

