



# LG Energy Solution

Q3 2023 Earnings Conference Call

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# Disclaimer

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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

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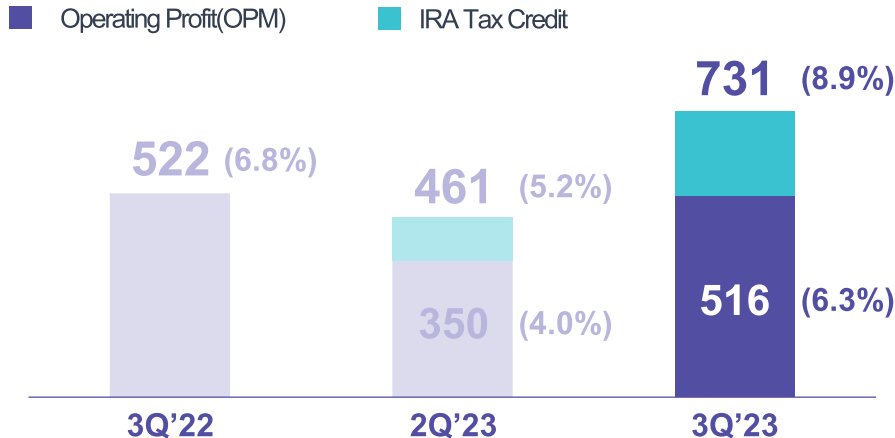
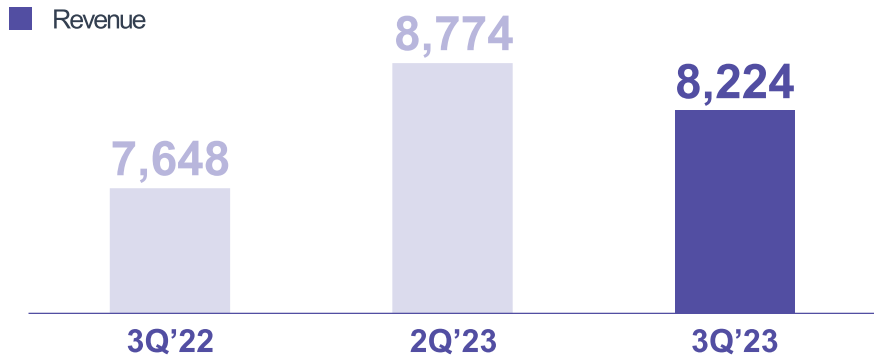
# Business Performance



# Q3'23 Business Performance

## Revenue and Operating Profit

(Billion KRW)



## Performance Analysis

### Revenue

- **Despite our active response to solid EV demand in North America** backed by stable increase of production volume in GM JV Phase 1,
- the Revenue in Q3'23 declined 6% QoQ due to **demand slowdown in Europe, impact of EV production adjustment from OEMs** and **reflection of metal price into ASP erosion.**

### Profit

- Even with **continued impact from lagging consumption of raw material inventories caused by metal price fall**, the Operating Profit in Q3'23, excluding the IRA Tax Credit effect, posted KRW 515.7 billion via **product mix improvement, enhanced productivity of new lines and efforts for expense efficiencies.**
- The IRA Tax Credit effect increased by 94% QoQ to post KRW 215.5 billion, **driven by the production and sales improvement from the newly ramped-up capacity in the US.** Thus, the OP Margin in Q3'23 recorded 8.9% up 3.7%p QoQ.

\* IRA : Inflation Reduction Act

## Q3'23 Financial Position

### Balance Sheet

(Billion KRW)

	Q3'22	Q2'23	Q3'23
<b>Assets</b>	<b>39,888</b>	<b>42,395</b>	<b>45,169</b>
Cash and Cash Equivalents, etc.*	6,389	4,860	4,875
<b>Liabilities</b>	<b>18,725</b>	<b>19,266</b>	<b>20,501</b>
Debt	8,321	9,341	10,607
<b>Equity</b>	<b>21,163</b>	<b>23,129</b>	<b>24,668</b>

### Leverage Ratios

(% , X)

	Q3'22	Q2'23	Q3'23
<b>Liabilities to Equity</b>	89%	83%	<b>83%</b>
<b>Debt to Equity</b>	39%	40%	<b>43%</b>
<b>Net Debt to Equity</b>	9%	19%	<b>23%</b>
<b>Debt to EBITDA</b>	3.0x	2.4x	<b>2.5x</b>

\* Deposits held by financial institutions included

# Q3'23 Cash Flow and Capex Trend

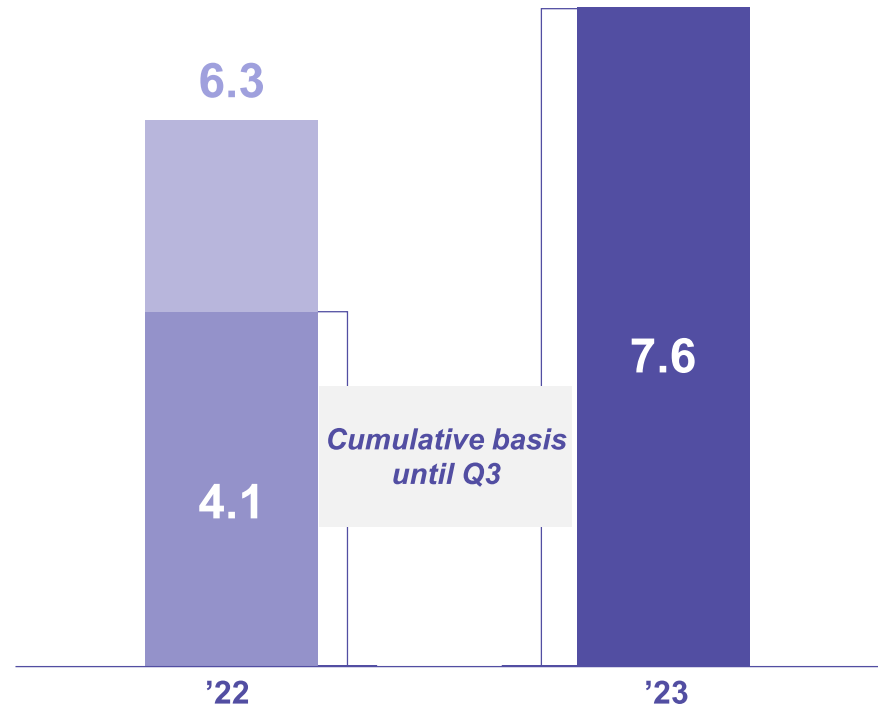
## Cash Flow

(Billion KRW)

	Q3'22	Q2'23	Q3'23
<b>Beginning Cash Balance*</b>	<b>8,184</b>	<b>4,781</b>	<b>4,860</b>
Cash Flows from Operating Activities	(876)	515	476
Working Capital	(1,834)	(418)	57
Cash Flows from Investing Activities	(1,679)	(2,120)	(2,559)
Capex	(1,419)	(2,364)	(3,471)
Cash Flows from Financing Activities	666	1,693	1,999
<b>Net Changes in Cash</b>	<b>(1,795)</b>	<b>79</b>	<b>15</b>
<b>Ending Cash Balance*</b>	<b>6,389</b>	<b>4,860</b>	<b>4,875</b>

## Capex Trend

(Trillion KRW)



\* Deposits held by financial institutions included

SECTION

# 2

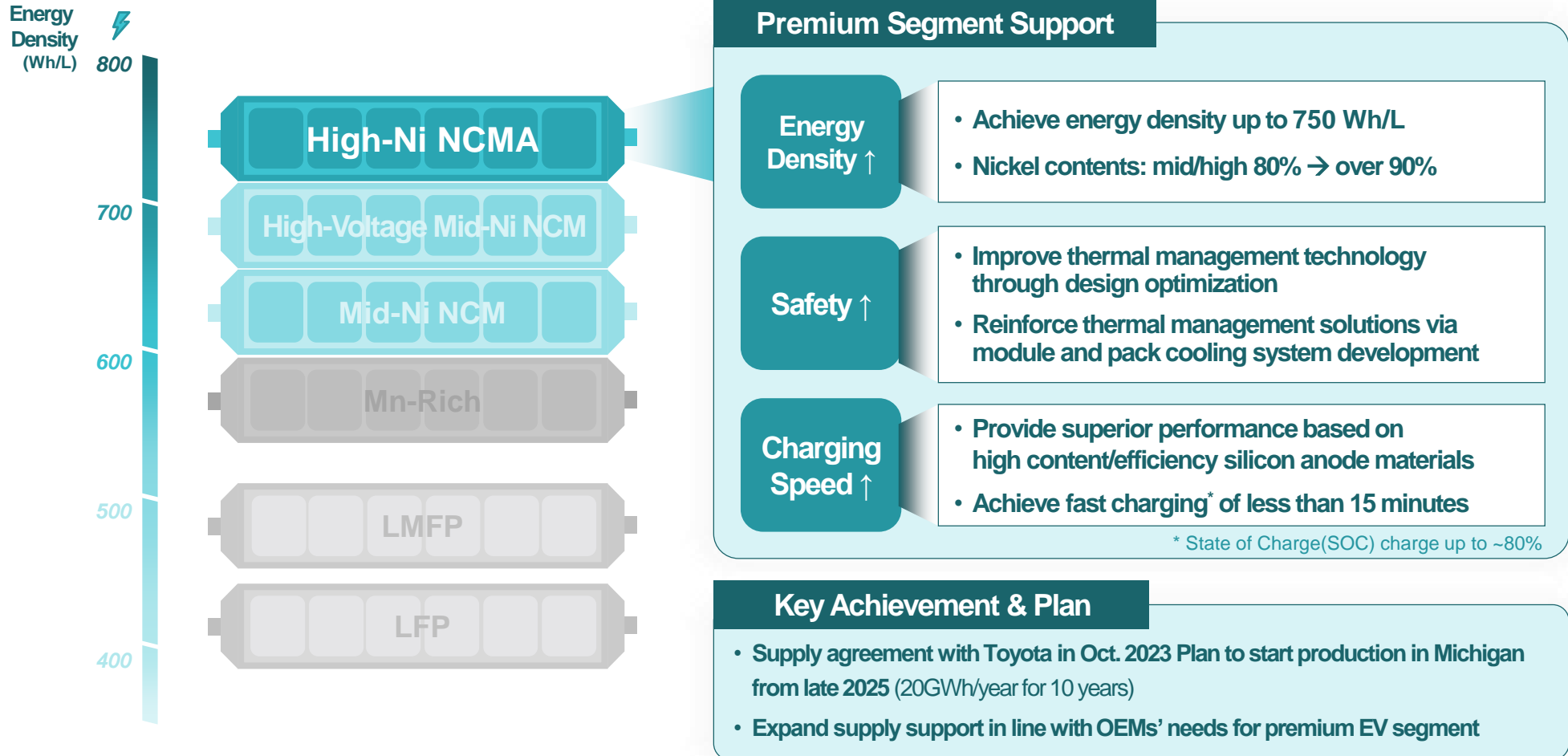
## Product Competitiveness Strategies





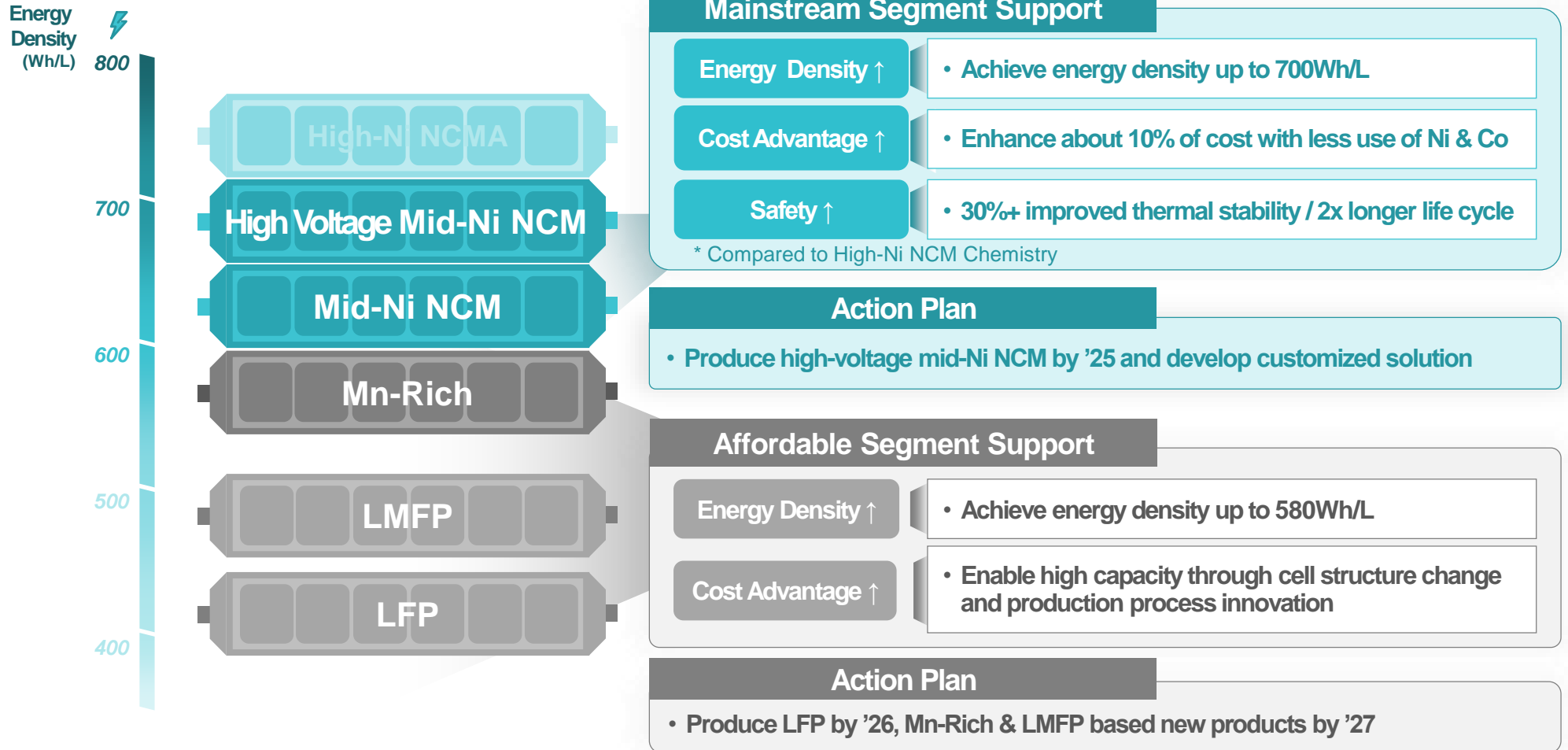
# 1. Strategy for Premium EV Segment

Differentiate high-Ni NCMA by enhancing thermal management with new material adoption



## 2. Strategy for Low / Mid-End EV Segment

Introduce mid-Ni NCM with advanced cost and accelerate Mn-rich, LFP & LMFP development



### 3. Strategy for New Cylindrical Form Factor

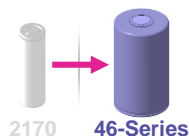
Secure 46-series tech leadership with innovation in materials/process/design to well-position in the market



### Production Site Strategy



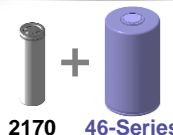
#### Arizona



- Convert to production hub of 46-Series in North America in pre-emptive response to its demand
- Form factor change : 2170 → 46-Series
- Capacity plan change: 27GWh → 36GWh
- Start of production from late 2025



#### Ochang



- Utilize as 'Mother Factory' to maximize product readiness for successful overseas ramp-up
- Set up 46-Series pilot line and produce in 2H'24



#### Nanjing



- Maintain as main 2170 production hub
- Focus on China and Europe demands and diversify production portfolio including LEV\*

\* LEV : Light Electric Vehicle

## 4. Business Growth Plan

Pursue continuous growth based on fundamental strength & solidify global leading position via 4 key initiatives



SECTION

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# Appendix



# Appendix : Income Statement

(Billion KRW)

	2021	2022					2023		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>Revenue</b>	<b>17,852</b>	<b>4,342</b>	<b>5,071</b>	<b>7,648</b>	<b>8,538</b>	<b>25,599</b>	<b>8,747</b>	<b>8,774</b>	<b>8,224</b>
Cost of Goods Sold	13,953	3,567	4,249	6,253	7,239	21,308	7,453	7,439	6,882
<b>Gross profit</b>	<b>3,899</b>	<b>775</b>	<b>822</b>	<b>1,395</b>	<b>1,299</b>	<b>4,291</b>	<b>1,294</b>	<b>1,334</b>	<b>1,342</b>
SG&A	3,130	516	626	873	1,062	3,077	761	984	826
<b>Operating Profit(Loss)</b>	<b>768</b>	<b>259</b>	<b>196</b>	<b>522</b>	<b>237</b>	<b>1,214</b>	<b>633</b>	<b>461</b>	<b>731</b>
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	7.2%	5.2%	8.9%
<b>Operating Profit(Loss)</b> (Excluding IRA Tax Credit)	<b>768</b>	<b>259</b>	<b>196</b>	<b>522</b>	<b>237</b>	<b>1,214</b>	<b>533</b>	<b>350</b>	<b>516</b>
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	6.1%	4.0%	6.3%
<b>EBITDA</b>	<b>2,220</b>	<b>676</b>	<b>628</b>	<b>1,000</b>	<b>752</b>	<b>3,056</b>	<b>1,150</b>	<b>1,015</b>	<b>1,308</b>
(%)	12.4%	15.6%	12.4%	13.1%	8.8%	11.9%	13.1%	11.6%	15.9%
<b>Net Income before Tax</b>	<b>777</b>	<b>260</b>	<b>129</b>	<b>242</b>	<b>365</b>	<b>995</b>	<b>711</b>	<b>646</b>	<b>399</b>
(%)	4.4%	6.0%	2.5%	3.2%	4.2%	3.9%	8.1%	7.4%	4.9%
<b>Net Income(Loss)</b>	<b>930</b>	<b>227</b>	<b>90</b>	<b>188</b>	<b>276</b>	<b>780</b>	<b>562</b>	<b>465</b>	<b>421</b>
(%)	5.2%	5.2%	1.8%	2.5%	3.2%	3.0%	6.4%	5.3%	5.1%

## Appendix : Financial Position

(Billion KRW)

	2021	2022				2023		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Assets</b>	<b>23,764</b>	<b>34,976</b>	<b>36,434</b>	<b>39,888</b>	<b>38,299</b>	<b>40,713</b>	<b>42,395</b>	<b>45,169</b>
Cash and Cash Equivalents, etc.*	1,284	10,162	8,184	6,389	5,938	4,781	4,860	4,875
Account Receivables	2,915	2,907	3,611	5,219	4,772	5,292	5,358	5,504
Inventory	3,896	4,813	6,276	7,947	6,996	7,475	7,221	6,944
PP&E	11,051	11,986	13,162	14,600	15,331	17,188	19,005	21,411
<b>Liabilities</b>	<b>15,022</b>	<b>15,536</b>	<b>16,532</b>	<b>18,725</b>	<b>17,706</b>	<b>18,666</b>	<b>19,266</b>	<b>20,501</b>
Account Payables	2,178	3,161	3,952	5,398	3,842	5,003	4,398	4,324
Debt	6,969	7,299	7,441	8,321	8,109	8,257	9,341	10,607
<b>Equity</b>	<b>8,742</b>	<b>19,440</b>	<b>19,902</b>	<b>21,163</b>	<b>20,594</b>	<b>22,048</b>	<b>23,129</b>	<b>24,668</b>
Share Capital	100	117	117	117	117	117	117	117
<b>Leverage Ratios</b>								
Liabilities to Equity (%)	172%	80%	83%	89%	86%	85%	83%	<b>83%</b>
Debt to Equity (%)	80%	38%	37%	39%	39%	37%	40%	<b>43%</b>
Net Debt to Equity (%)	65%	-15%	-4%	9%	11%	16%	19%	<b>23%</b>

\* Deposits held by financial institutions included.

# Appendix : Cash Flow

(Billion KRW)

	2021	2022				2023		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Beginning Cash Balance*</b>	1,532	1,284	10,162	8,184	6,389	5,938	4,781	4,860
<b>Cash Flows from Operating Activities</b>	770	396	-947	-876	847	781	515	476
Operating Profit(Loss)	76	259	196	522	237	633	461	731
Depreciation	407	417	431	479	514	516	555	577
Working Capital	-107	73	-1,374	-1,834	-158	162	-418	57
<b>Cash Flows from Investing Activities</b>	-926	-1,527	-1,320	-1,679	-1,736	-2,186	-2,120	-2,559
Capex	-1,470	-1,246	-1,452	-1,419	-2,174	-1,810	-2,364	-3,471
<b>Cash Flow from Financing Activities</b>	-97	9,960	232	666	557	205	1,693	1,999
Borrowing/Repayment	-138	330	142	880	-212	148	1,083	1,266
<b>Net Changes in Cash</b>	-248	8,878	-1,978	-1,795	-451	-1,157	79	15
<b>Ending Cash Balance*</b>	1,284	10,162	8,184	6,389	5,938	4,781	4,860	4,875

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

