



LG Energy Solution

Q4 2023 Earnings Conference Call

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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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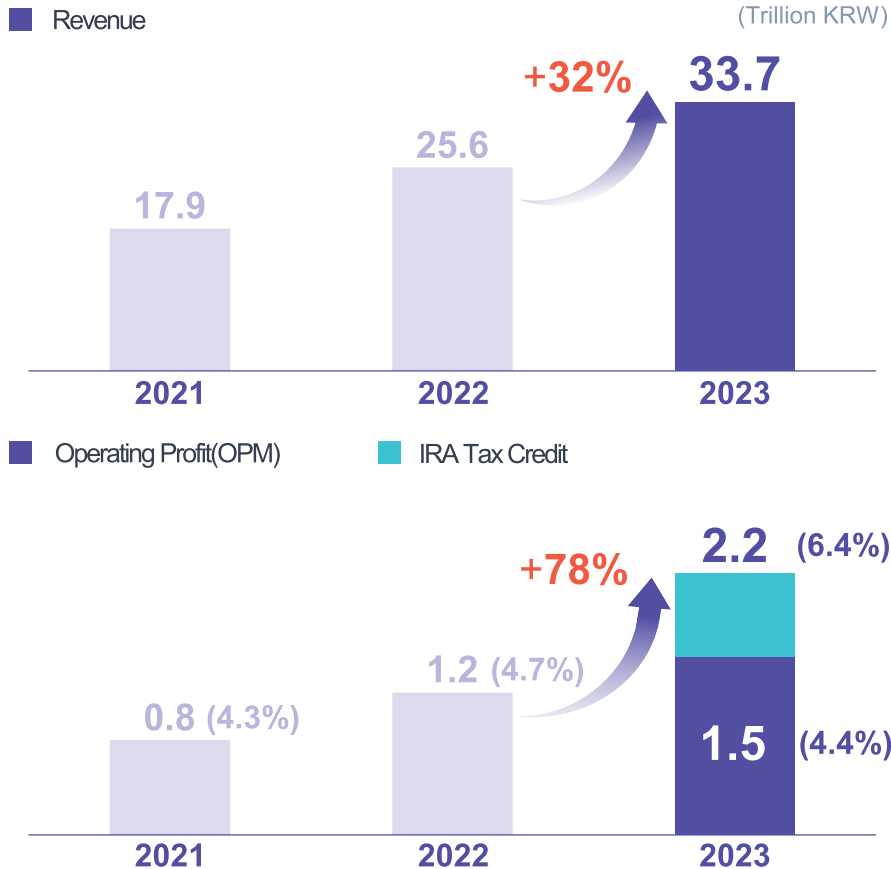
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Business Performance



2023 Key Achievements

Revenue and Operating Profit



Highlights

Financial | Continued Profitable Growth

- Achieved high growth with active response to North America-centric demand
- Generated over KRW 2 trillion of OP with cost reduction, yield / productivity improvement and IRA Tax Credit recognition

Operation | Accelerated Business in North America

- Executed successful ramp-up of GM JV Phase 1
- Secured IRA Tax Credit benefit via pre-emptive localization
- Invested in Arizona plants for local support of cylindrical and ESS batteries

Customer | Diversified EV Customer Portfolio

- Won new orders from Hyundai Motor Group (US JV), Toyota, etc.
- Increased over KRW 300 trillion of order backlog in recent 2 years and secured Global Top 9 OEMs as customers

Sourcing | Established Sound Supply Chain

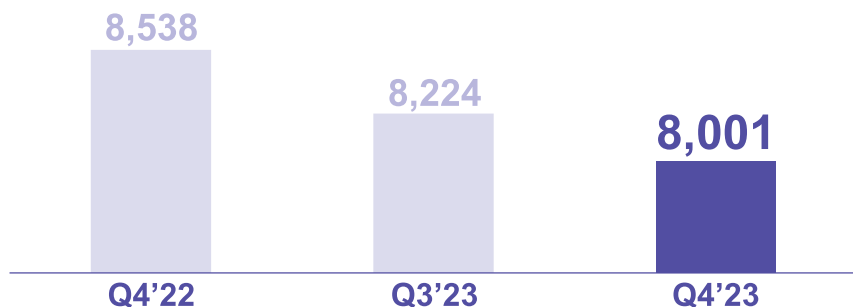
- Strengthened capability to respond to IRA through expanded metal sourcing within the region and local material sourcing
- Reinforced strategic cooperation for recycling business with partners by region (e.g., JV with Huayou Cobalt)

Q4'23 Business Performance

Revenue and Operating Profit

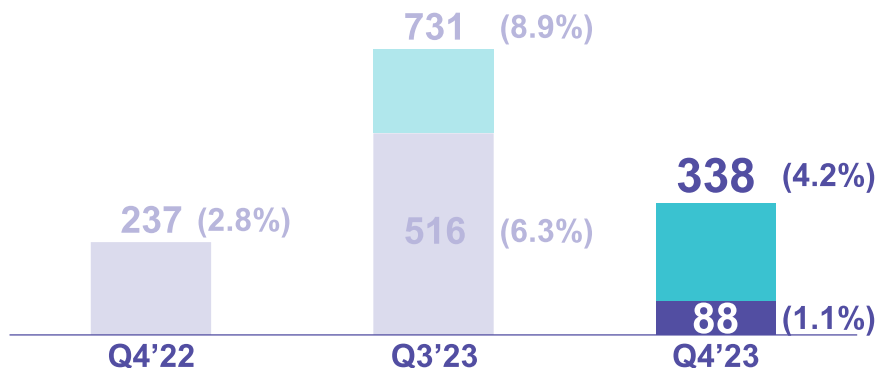
■ Revenue

(Billion KRW)



■ Operating Profit(OPM)

■ IRA Tax Credit



Performance Analysis

Revenue

- Despite stable operation and sales expansion in GM JV Phase 1 and significant growth in ESS revenue driven by active response to power grid demand in North America,
- the Revenue in Q4'23 declined by 3% QoQ due to key EV customers' conservative holding of year-end inventory and prolonged impact of major metal price fall reflected into ASP decline

Profit

- The Operating Profit in Q4'23 posted KRW 338.2 billion with 4.2% of OP Margin as price lagging impact of input raw materials expanded due to continuing metal price decline and utilization rate of the plant in Poland went down in response to demand slowdown in Europe.
- In the meantime, the IRA Tax Credit effect posted KRW 250.1 billion, up by 16% QoQ, while Operating Profit excluding the IRA Tax Credit effect marked KRW 88.1 billion.

* IRA : Inflation Reduction Act

2023 Financial Position

Financial Position

(Billion KRW)

	Q4'22	Q3'23	Q4'23
Assets	38,299	45,169	45,437
Cash and Cash Equivalents, etc.*	5,938	4,875	5,069
Liabilities	17,706	20,501	21,064
Debt	8,109	10,607	10,932
Equity	20,594	24,668	24,374

Leverage Ratios

(% , X)

	Q4'22	Q3'23	Q4'23
Liabilities to Equity	86%	83%	86%
Debt to Equity	39%	43%	45%
Net Debt to Equity	11%	23%	24%
Debt to EBITDA	2.7x	2.5x	2.5x

* Deposits held by financial institutions included

2023 Cash Flow and Capex Trend

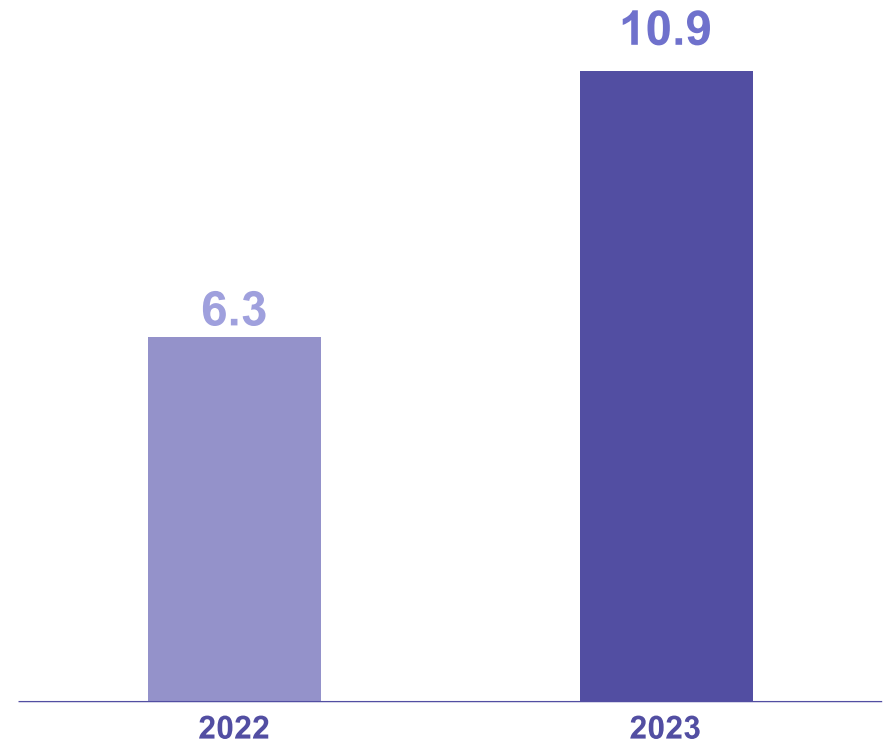
Cash Flow

(Billion KRW)

	Q3'23	Q4'23	2023
Beginning Cash Balance*	4,860	4,875	5,938
Cash Flows from Operating Activities	476	2,672	4,444
Working Capital	57	694	495
Cash Flows from Investing Activities	(2,559)	(2,855)	(9,719)
Capex	(3,471)	(3,245)	(10,891)
Cash Flows from Financing Activities	1,999	458	4,355
Net Changes in Cash	15	194	(869)
Ending Cash Balance*	4,875	5,069	5,069

Capex Trend

(Trillion KRW)



* Deposits held by financial institutions included

SECTION

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2024 Business Strategy



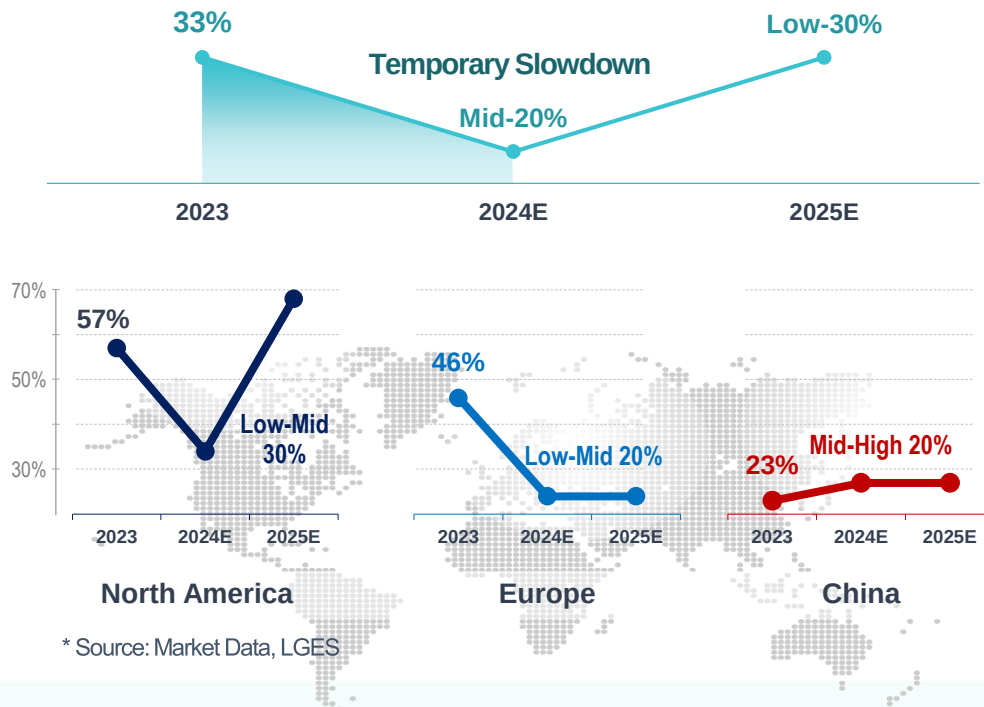
2024 Market Outlook

A temporary slowdown of global EV battery demand growth is expected due to OEMs' conservative inventory control along with continued metal price decline.

Global EV Demand

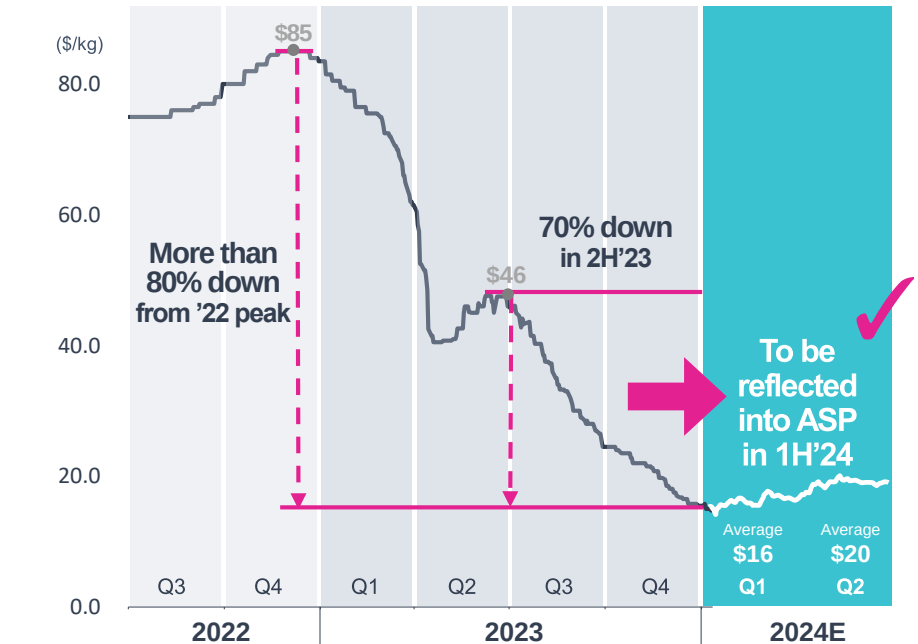
[EV+PHEV Production Growth]

(# of car basis)



Metal Price

[Lithium Hydroxide Price Trend]



2024 Market Analysis

Even with demand weakness and metal price volatility, demand recovery momentum from battery ASP decline and opportunities to seize by region exist.

Risks

Adjusting pace of EV transition plan by OEM
Prolonged metal price decline

Market

Opportunities

Improving consumer demand led by more attractive EV price
Re-stocking by OEMs triggered by lower battery cost burden

Accelerating market share competition in EU
Intensifying technology competition in low to mid-end seg.

Competition

Maximized First Mover's Advantages under
favorable competitive environment in fast growing North America
Chance for differentiation in global operation & technology leadership

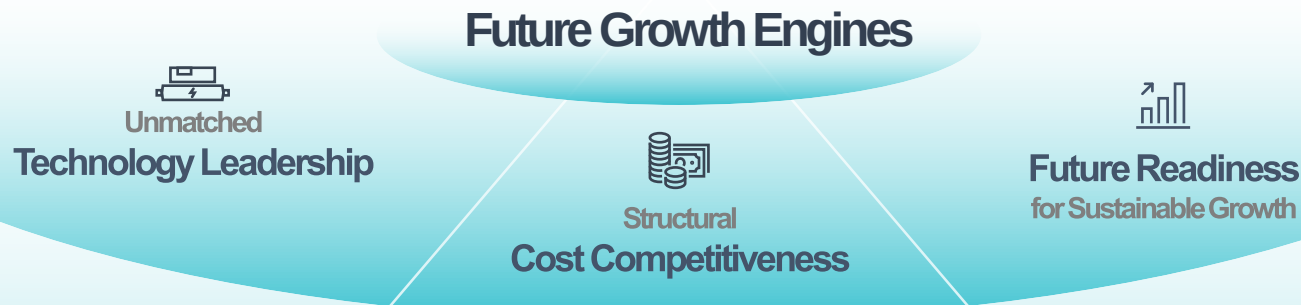
Political uncertainty, e.g., U.S. presidential election
External variables such as global supply chain disruption

Policy

Continued trend of global carbon neutrality / Electrification
Supply chain localization policies by region (US IRA, EU CRMA)

Key Initiatives

Secure competitive superiority and stepping stone for further growth by focusing on our fundamental strengths



[Automotive] Product Tech. Improvement by Seg.

- Premium : Differentiate Products w. High-Ni NCMA, etc.
- Mainstream : Accelerate LFP/Hi-Vol Mid-Ni development

[Small] New Cylindrical Form Factor Development

- Secure leading position in the market via successful 46-Series mass production

[ESS] LFP Production / System Enhancement

- Expand LFP business and system integration solution

Raw Material Cost Innovation

- Enhance cost leadership via expansion of direct sourcing / change of materials / value chain investment

Fixed Cost Reduction

- Improve productivity / quality with Smart Factory adoption

Major Cost Optimization

- Reduce overhead costs (e.g., logistics / utility expenses)

Next-Gen. Battery Development

- Develop Semi / All Solid State batteries and expand open innovation

New Process and Technology Adoption

- Develop dry electrode and apply new stacking process

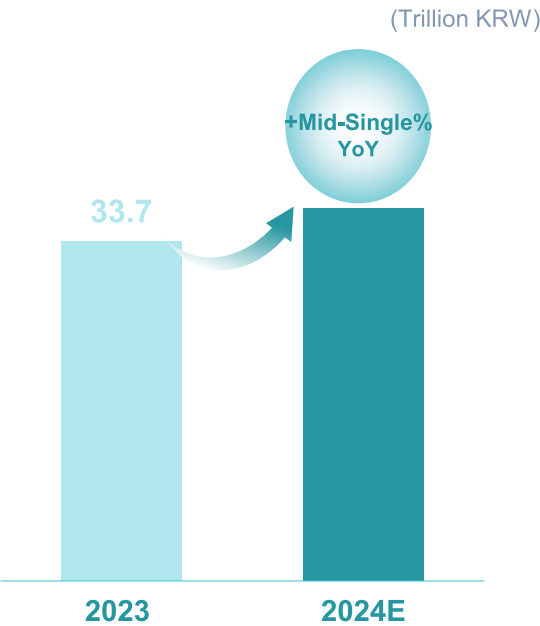
Recycling Closed Loop Reinforcement

- Pre-emptively secure recycled metals through cooperation with partners by region

Annual Guidance

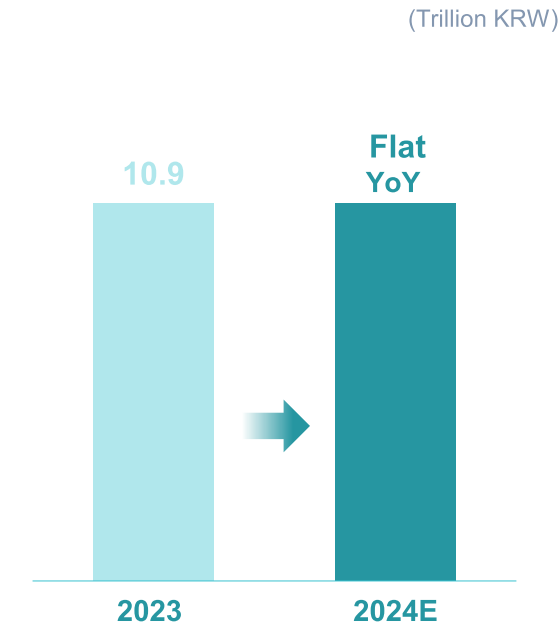
Revenue

Despite temporary slowdown in EV market growth and impact of metal price decline, '24 revenue is expected to grow by **+mid-single digit % YoY** through sales expansion in North America



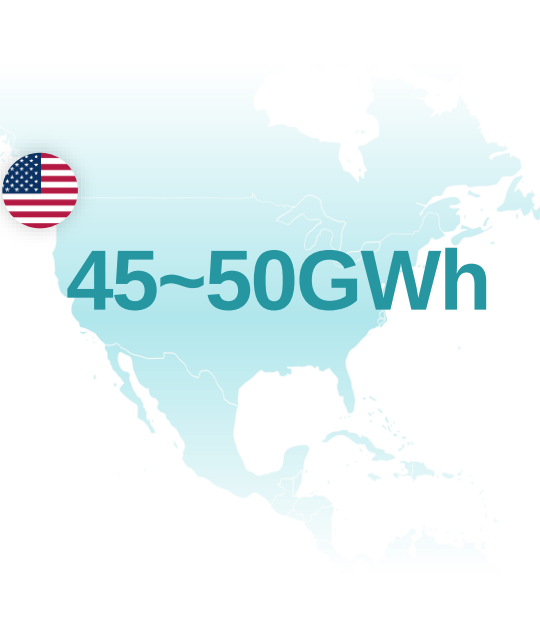
CAPEX

Capex is expected to be **at a similar level to the previous year** with flexible and efficient investment execution in new production plants scheduled to start operation post 2024



IRA Tax Credit

With GM JV 2 newly ramping up in addition to existing production plants operating stably in North America, the estimated capacity eligible for IRA Tax Credit is **around 45~50GWh**



SECTION

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Appendix



Appendix : Income Statement

(Billion KRW)

	2021	2022					2023				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue	17,852	4,342	5,071	7,648	8,538	25,599	8,747	8,774	8,224	8,001	33,745
Cost of Goods Sold	13,953	3,567	4,249	6,253	7,239	21,308	7,453	7,439	6,882	7,028	28,802
Gross profit	3,899	775	822	1,395	1,299	4,291	1,294	1,334	1,342	973	4,943
SG&A	3,130	516	626	873	1,062	3,077	761	984	826	885	3,457
Operating Profit(Loss)	768	259	196	522	237	1,214	633	461	731	338	2,163
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	7.2%	5.2%	8.9%	4.2%	6.4%
Operating Profit(Loss) (Excluding IRA Tax Credit)	768	259	196	522	237	1,214	533	350	516	88	1,486
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	6.1%	4.0%	6.3%	1.1%	4.4%
EBITDA	2,220	676	628	1,000	752	3,056	1,150	1,015	1,308	974	4,447
(%)	12.4%	15.6%	12.4%	13.1%	8.8%	11.9%	13.1%	11.6%	15.9%	12.2%	13.2%
Net Income before Tax	777	260	129	242	365	995	711	646	399	288	2,043
(%)	4.4%	6.0%	2.5%	3.2%	4.2%	3.9%	8.1%	7.4%	4.9%	3.6%	6.1%
Net Income(Loss)	930	227	90	188	276	780	562	465	421	190	1,638
(%)	5.2%	5.2%	1.8%	2.5%	3.2%	3.0%	6.4%	5.3%	5.1%	2.4%	4.9%

Appendix : Financial Position

(Billion KRW)

	2021	2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	23,764	34,976	36,434	39,888	38,299	40,713	42,395	45,169	45,437
Cash and Cash Equivalents, etc.*	1,284	10,162	8,184	6,389	5,938	4,781	4,860	4,875	5,069
Account Receivables	2,915	2,907	3,611	5,219	4,772	5,292	5,358	5,504	5,129
Inventory	3,896	4,813	6,276	7,947	6,996	7,475	7,221	6,944	5,396
PP&E	11,051	11,986	13,162	14,600	15,331	17,188	19,005	21,411	23,655
Liabilities	15,022	15,536	16,532	18,725	17,706	18,666	19,266	20,501	21,064
Account Payables	2,178	3,161	3,952	5,398	3,842	5,003	4,398	4,324	3,094
Debt	6,969	7,299	7,441	8,321	8,109	8,257	9,341	10,607	10,932
Equity	8,742	19,440	19,902	21,163	20,594	22,048	23,129	24,668	24,374
Share Capital	100	117	117	117	117	117	117	117	117
Leverage Ratios									
Liabilities to Equity (%)	172%	80%	83%	89%	86%	85%	83%	83%	86%
Debt to Equity (%)	80%	38%	37%	39%	39%	37%	40%	43%	45%
Net Debt to Equity (%)	65%	(15%)	(4%)	9%	11%	16%	19%	23%	24%

* Deposits held by financial institutions included.

Appendix : Cash Flow

(Billion KRW)

	2021	2022					2023				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Beginning Cash Balance*	2,093	1,284	10,162	8,184	6,389	1,284	5,938	4,781	4,860	4,875	5,938
Cash Flows from Operating Activities	979	396	(947)	(876)	847	(580)	781	515	476	2,672	4,444
Operating Profit(Loss)	769	259	196	522	237	1,214	633	461	731	338	2,163
Depreciation	1,452	417	431	479	514	1,841	516	555	577	636	2,284
Working Capital	(1,251)	73	(1,374)	(1,834)	(158)	(3,293)	162	(418)	57	694	495
Cash Flows from Investing Activities	(2,777)	(1,527)	(1,320)	(1,679)	(1,736)	(6,262)	(2,186)	(2,120)	(2,559)	(2,855)	(9,719)
Capex	(4,032)	(1,246)	(1,452)	(1,419)	(2,174)	(6,291)	(1,810)	(2,364)	(3,471)	(3,245)	(10,891)
Cash Flow from Financing Activities	883	9,960	232	666	557	11,415	205	1,693	1,999	458	4,355
Borrowing/Repayment	810	330	142	880	(212)	1,140	148	1,083	1,266	326	2,823
Net Changes in Cash	(809)	8,878	(1,978)	(1,795)	(451)	4,654	(1,157)	79	15	194	(869)
Ending Cash Balance*	1,284	10,162	8,184	6,389	5,938	5,938	4,781	4,860	4,875	5,069	5,069

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

