LG Energy Solution

Q4 2024 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.

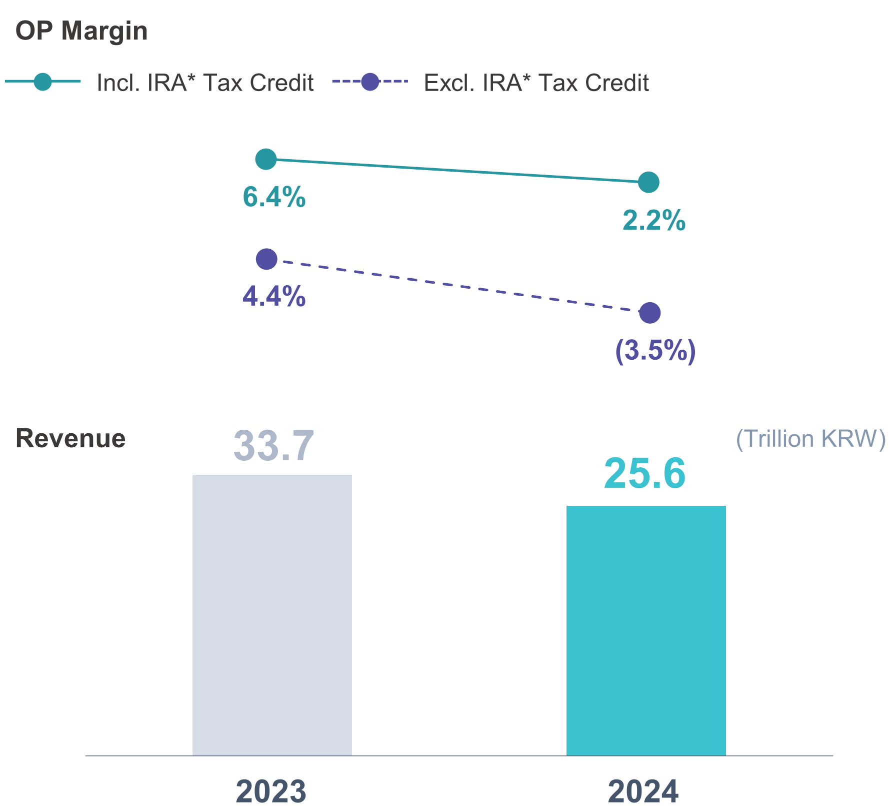
The financial information contained in this document has been prepared on a consolidated basis in accordance with K-IFRS or Korean International Financial Reporting Standards.

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 aforementioned statements.

1 Business Performance

2024 Reflection

Revenue / Profitability



Key Highlights

Financial Performance Review

- Despite of active response toward EV demand in North America with high growth potential, the Revenue declined by 24% YoY due to sales decrease in Europe caused by negative EV market growth and continued metal price impact on ASP
- The material cost ratio showed continued improvement despite profitability decrease resulting from fixed cost increase due to lower utilization rate

Secured Global Top Operational Capabilities

- Began stable mass production of new JVs in the U.S., Canada and Indonesia
- Achieved the record high yield by leveraging global operational know-how

Expanded Product Line-up & Business Portfolio

- EV : Won large-scale orders based on new chemistry and form factor
  - The industry's first pouch type LFP + CTP, HV Mid-Ni for commercial vehicles, 46-series etc.
- ESS : Accelerated large-scale power grid projects intake in North America

Enhanced Tech. Competitiveness and SCM Capability

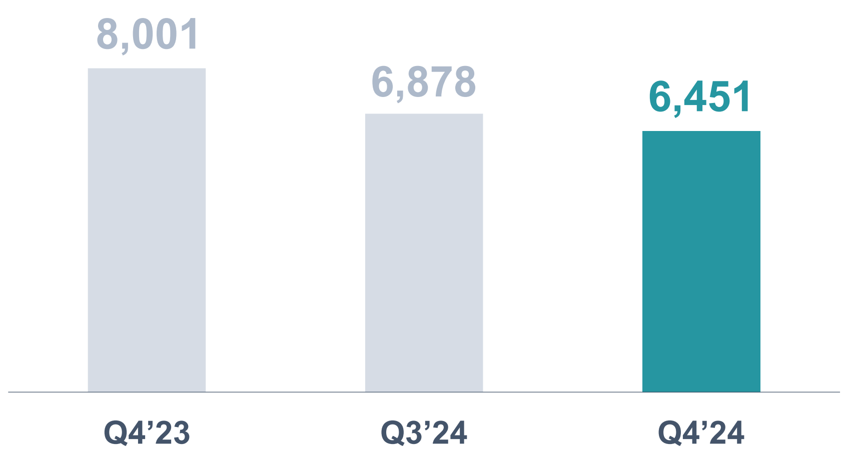
- Prepared for 46-series mass production and dry electrode pilot line in Ochang
- Secured high quality IRA-compliant minerals through investment in lithium mining company as well as LFP cathode

*IRA : Inflation Reduction Act

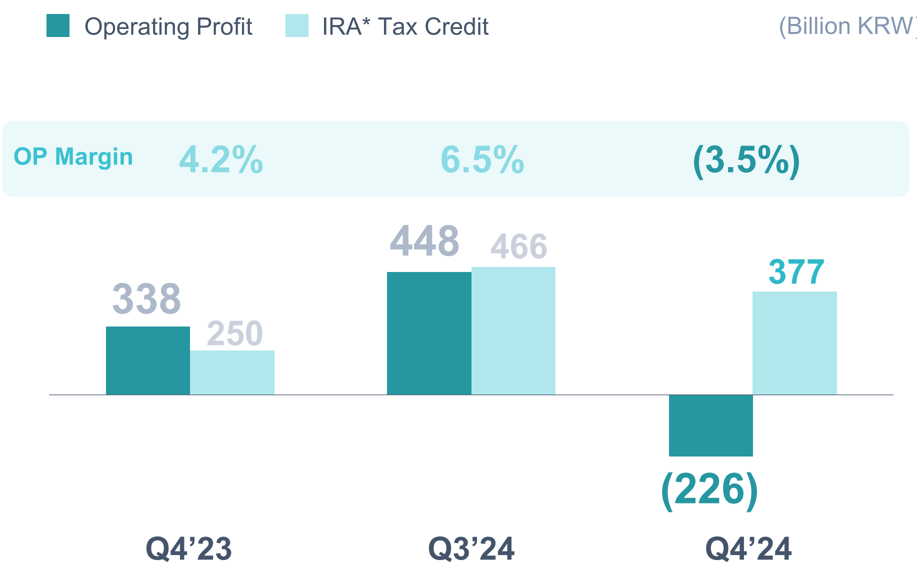
2024 Business Performance

Revenue

(Billion KRW)



Operating Profit



The Revenue declined by 6% QoQ due to weakened EV demand impacted by year-end inventory adjustment from key customers in North America, in addition to postponement of some ESS projects, and metal price decline impact on ASP.

In addition to deteriorating profitability from shipment decline and product mix impact, one-off expenses from obsolete inventory disposal at year end resulted in Operating Loss of KRW 602.8 billion excluding IRA Tax credit amount.

Due to slower sales in N. America, the IRA Tax Credit reduced to KRW 377.3 billion, resulting in Operating Loss of KRW 225.5 billion and OP Margin of -3.5%

*IRA : Inflation Reduction Act

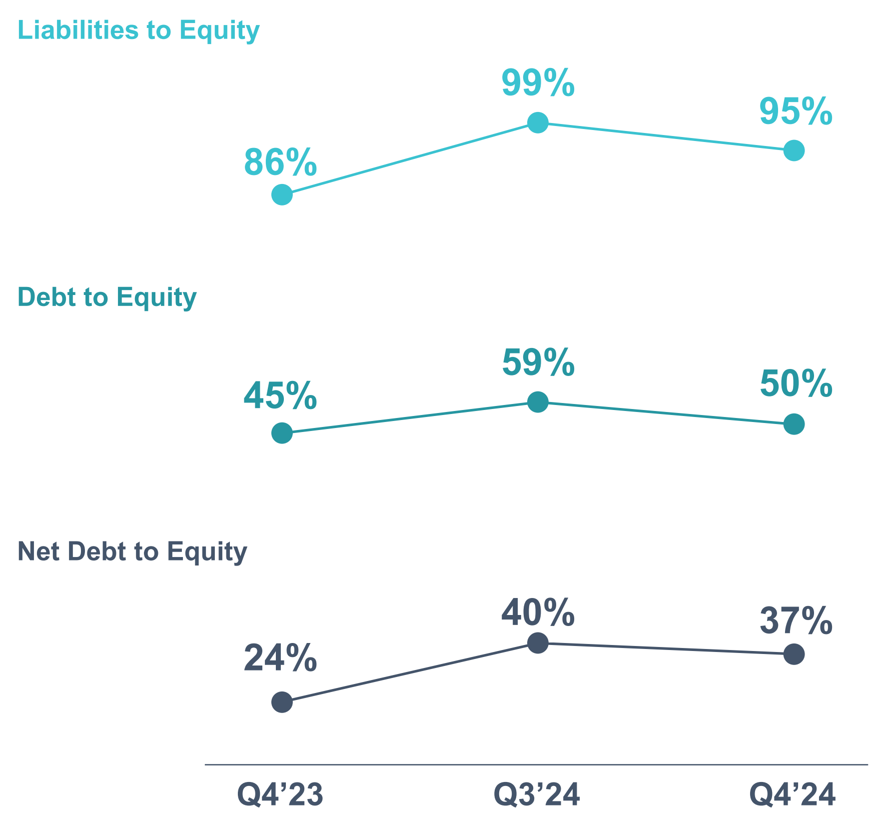
2024 Financial Position

Financial Position

(Billion KRW)

	Q4'23	Q3'24	Q4'24
Asset	45,437	56,627	60,307
Liabilities	21,064	28,130	29,340
Equity	24,374	28,498	30,967

Leverage Ratios



2024 Cash Flow & EBITDA

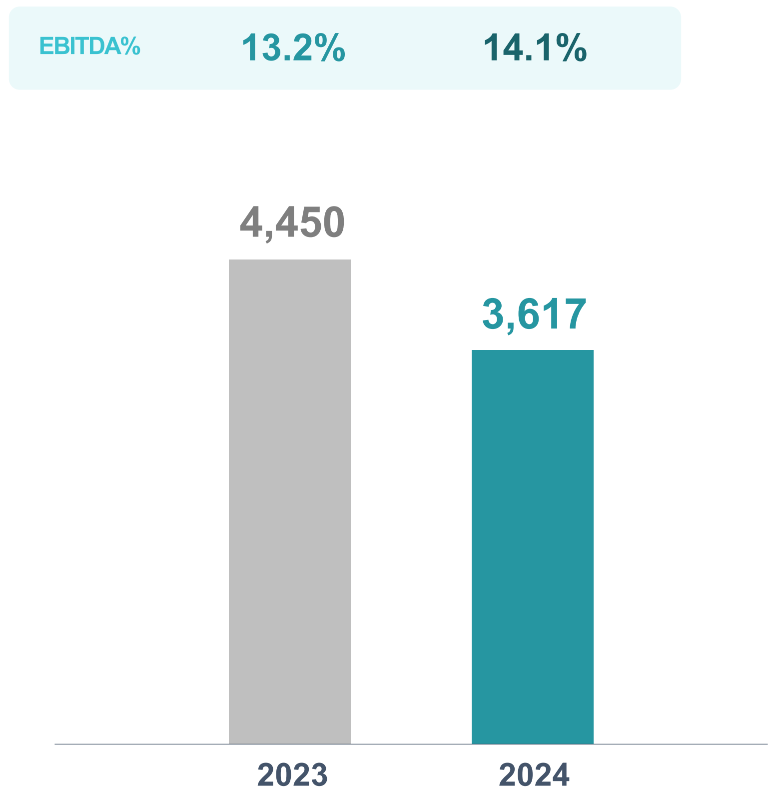
Cash Flow

(Billion KRW)

	Q3'24	Q4'24	2024
Beginning Cash Balance	**3,871**	**5,385**	**5,069**
Cash Flow from Operating Activities	562	3,182	5,112
EBITDA*	1,241	629	3,617
Working Capital	1	996	763
Cash Flow from Investing Activities	(3,062)	(2,763)	(12,065)
Investment in Facilities	(3,118)	(3,642)	(12,547)
Cash Flow from Financing Activities	4,128	(2,206)	5,381
Net Changes in Cash	**1,514**	**(1,486)**	**(1,170)**
Ending Cash Balance	**5,385**	**3,899**	**3,899**

EBITDA*

(Billion KRW)



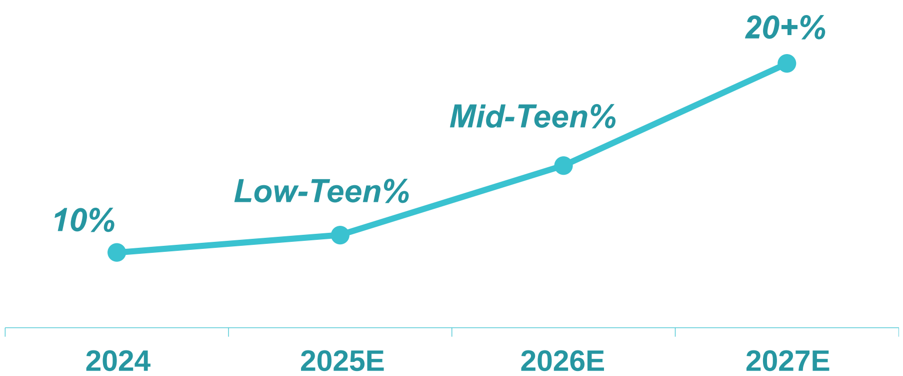
Note: Deposits held by financial institutions included in Beginning/Ending Cash Balance

* Including IRA Tax Credit

2 2025 Business Strategy

Market Outlook

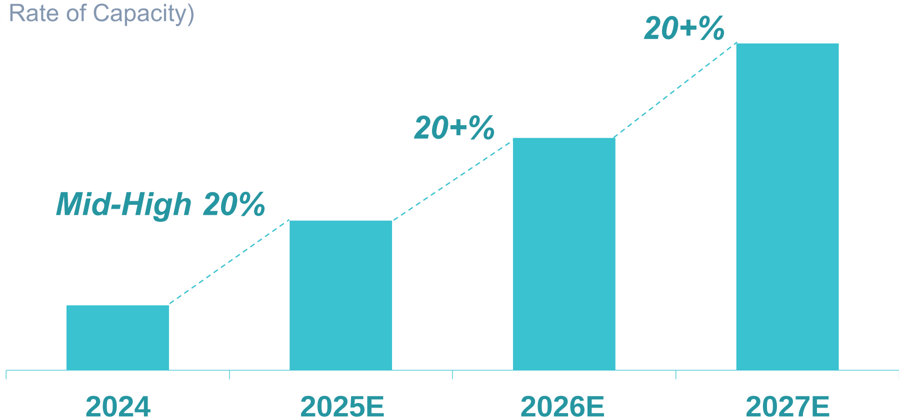
xEV* Penetration rate in N. America



* xEV: BEV + PHEV

Global Battery** Market

(Growth Rate of Capacity)



Market Trends by Application

EV

- First mover advantage in the North America market to extend, driven by the growing intention of protectionism
- Demand growth to decelerate in the short-term due to increasing volatility of green policies in major countries
- Potential slow-down in the EV penetration trends to persist in case of change in the U.S. policy on EV subsidy(30D)

ESS

- Needs for securing regional renewable energy infrastructure to grow with emerging importance of energy security
- Power demand to increase as AI driven data center business expands
- Drive for securing local supply within North America to accelerate, as tariffs increase on batteries imported from China, starting from 2026

** EV + ESS + IT

Source : Market Data, LGES

Key Initiatives

Short-term

Proactively Respond to Market Volatility

Focusing on Financial Stability through Reduction/Delay of New Capacity Expansion

- Adjust the timeline of investment for new facility construction with conservative perspective on demand
- Prioritize execution of critical investments and postpone less-critical investments

Maximizing Utilization of Existing Capacity

- Produce LFP/HV Mid-Ni batteries for new orders using idle production lines within existing facilities
- Diversify customers/applications for standardized products, such as cylindrical batteries

Enhancing Operational Compatibility across Production Facilities

- Secure production flexibility through diversified form factors within each facility
- Respond proactively to local customer needs by converting production lines between EV and ESS

Mid to Long-term

Reinforce Fundamental Competitiveness

Securing Competitive Edge in Product/Quality

- Differentiate responsiveness to customer's needs by providing optimized solutions for each EV segment
- Differentiate system capability with high capacity LFP battery for ESS
- Advance BMS diagnosis technology / AI based quality management system

Reinforcing Structural Cost Competitiveness

- Expand the use of cost-effective materials and invest in upstream companies
- Reduce processing costs by expanding production automation

Preparing for Future Tech. / Diversifying Business Portfolio

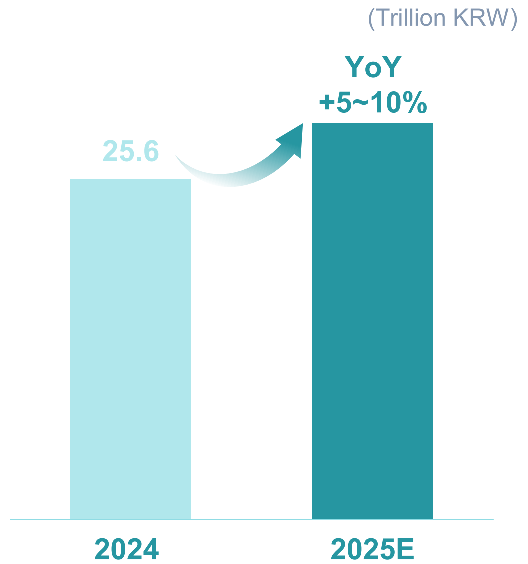
- Validate mass production of dry electrode and lithium-sulfur ASSB* through pilot lines set-up to accelerate the commercialization
- Expand SW business and nurture new business such as BaaS/EaaS

* All-Solid-State-Battery

Annual Guidance

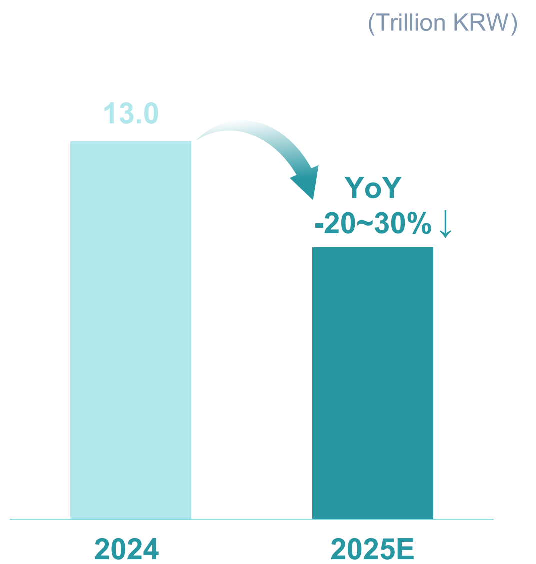
Revenue

Despite the unfavorable ASP environment due to the continued trend of low metal prices,
Aim to achieve +5~10% YoY Revenue growth through mass production at new plants in North America and shipment increase of new products



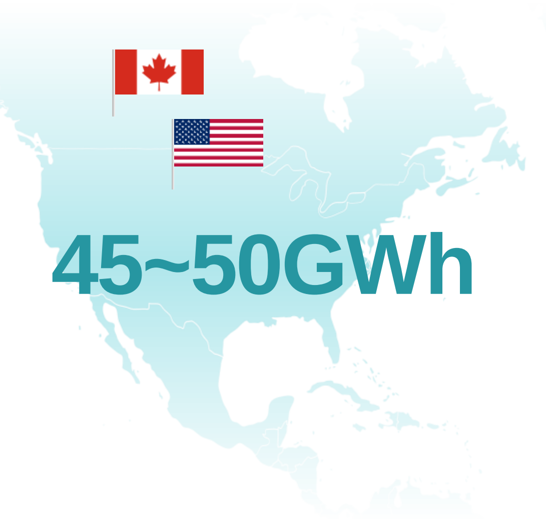
CAPEX

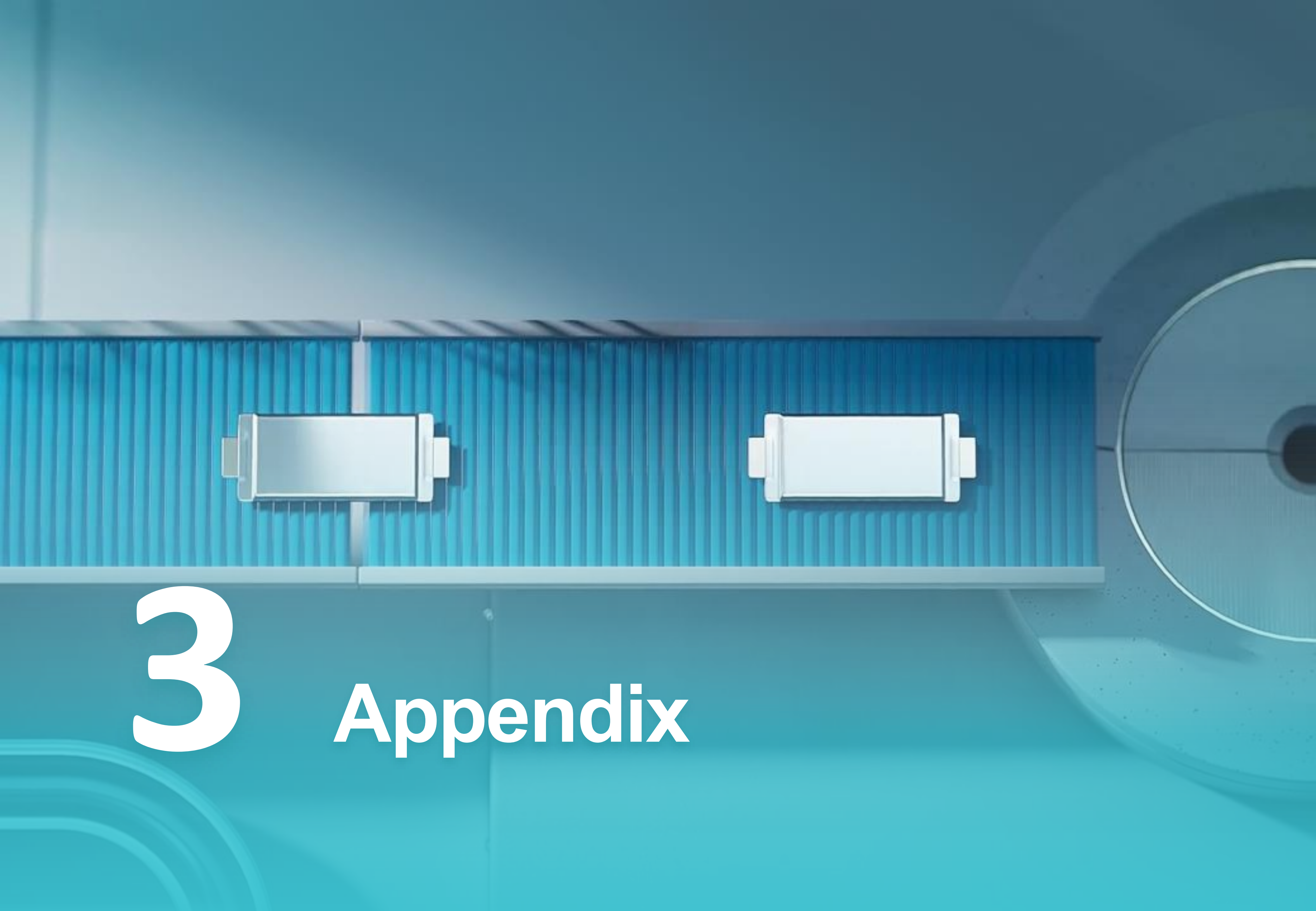
Given the highly volatile market condition,
Target to reduce Capex by 20~30% YoY through efficient execution, including adjusting the pace of investments and maximizing the utilization of existing sites



North America Tax Credit

As first mover advantage to be realized with the start of new JV operation and early mass production of ESS, **Expect 45~50GWh of capacity to be eligible for Tax Credit**





3 Appendix

Appendix : Income Statement

(Billion KRW)

	2022	2023					2024				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue	**25,599**	**8,747**	**8,773**	**8,224**	**8,001**	**33,745**	**6,129**	**6,162**	**6,878**	**6,451**	**25,620**
Cost of Goods Sold	21,308	7,453	7,439	6,882	7,028	28,802	5,205	5,469	5,621	5,919	22,214
Gross Profit	**4,291**	**1,294**	**1,334**	**1,342**	**973**	**4,943**	**924**	**693**	**1,257**	**532**	**3,406**
(%)	16.8%	14.8%	15.2%	16.3%	12.2%	14.6%	15.1%	11.2%	18.3%	8.2%	13.3%
SG&A	3,077	761	984	826	885	3,457	956	945	1,275	1,135	4,311
Operating Profit(Loss)	**1,214**	**633**	**461**	**731**	**338**	**2,163**	**157**	**195**	**448**	**(226)**	**575**
(%)	4.7%	7.2%	5.2%	8.9%	4.2%	6.4%	2.6%	3.2%	6.5%	(3.5%)	2.2%
Operating Profit(Loss) (Excluding IRA Tax Credit)	**1,214**	**533**	**350**	**516**	**88**	**1,486**	**(32)**	**(252)**	**(18)**	**(603)**	**(905)**
(%)	4.7%	6.1%	4.0%	6.3%	1.1%	4.4%	(0.5%)	(4.1%)	(0.3%)	(9.3%)	(3.5%)
EBITDA*	**3,056**	**1,150**	**1,014**	**1,311**	**976**	**4,450**	**816**	**931**	**1,241**	**629**	**3,617**
(%)	11.9%	13.1%	11.6%	15.9%	12.2%	13.2%	13.3%	15.1%	18.0%	9.8%	14.1%
Net Income before Tax	**995**	**711**	**646**	**399**	**288**	**2,043**	**223**	**91**	**339**	**(304)**	**349**
(%)	3.9%	8.1%	7.4%	4.9%	3.6%	6.1%	3.6%	1.5%	4.9%	(4.7%)	1.4%
Net Income(Loss)	**780**	**562**	**465**	**421**	**190**	**1,638**	**212**	**(24)**	**561**	**(411)**	**339**
(%)	3.0%	6.4%	5.3%	5.1%	2.4%	4.9%	3.5%	(0.4%)	8.2%	(6.4%)	1.3%

* IRA Tax Credit included

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Appendix : Financial Position

(Billion KRW)

	2022	2023				2024			
	FY	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	**38,299**	**40,713**	**42,395**	**45,169**	**45,437**	**49,275**	**51,501**	**56,627**	**60,307**
Cash and Cash Equivalents, etc.*	5,938	4,780	4,860	4,875	5,069	5,288	3,871	5,385	3,899
Account Receivables	4,772	5,292	5,358	5,504	5,128	4,651	5,097	5,361	4,944
Inventory	6,996	7,475	7,221	6,944	5,396	5,658	5,552	5,366	4,552
PP&E	15,331	17,188	19,005	21,411	23,655	26,532	29,950	32,658	38,350
Liabilities	**17,706**	**18,666**	**19,266**	**20,501**	**21,064**	**22,571**	**23,869**	**28,130**	**29,340**
Account Payables	3,842	5,003	4,398	4,324	3,094	3,149	2,984	2,940	2,706
Debt	8,109	8,257	9,341	10,607	10,932	12,858	13,274	16,899	15,391
Equity	**20,594**	**22,048**	**23,129**	**24,668**	**24,374**	**26,705**	**27,632**	**28,498**	**30,967**
Share Capital	117	117	117	117	117	117	117	117	117
Leverage Ratios									
Liabilities to Equity (%)	86%	85%	83%	83%	86%	85%	86%	99%	**95%**
Debt to Equity (%)	39%	37%	40%	43%	45%	48%	48%	59%	**50%**
Net Debt to Equity (%)	11%	16%	19%	23%	24%	28%	34%	40%	**37%**

* Deposits held by financial institution included.

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Appendix : Cash Flow

(Billion KRW)

	2022	2023					2024				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Beginning Cash Balance	**1,283**	**5,938**	**4,780**	**4,860**	**4,875**	**5,938**	**5,069**	**5,288**	**3,871**	**5,385**	**5,069**
Cash Flows from Operating Activities	**(580)**	**781**	**516**	**476**	**2,672**	**4,444**	**531**	**836**	**562**	**3,182**	**5,112**
Operating Profit(Loss)	1,214	633	461	731	338	2,163	157	195	448	(226)	575
Depreciation	1,843	517	553	579	638	2,287	659	735	793	855	3,042
Working Capital	(3,293)	162	(418)	57	694	495	272	(505)	1	996	763
Cash Flows from Investing Activities	**(6,259)**	**(2,186)**	**(2,120)**	**(2,559)**	**(2,855)**	**(9,719)**	**(3,464)**	**(2,776)**	**(3,062)**	**(2,763)**	**(12,065)**
Investment in Facilities	(6,144)	(1,722)	(2,306)	(3,451)	(3,214)	(10,693)	(2,903)	(2,885)	(3,118)	(3,642)	(12,547)
Cash Flows from Financing Activities	**11,415**	**205**	**1,693**	**1,999**	**458**	**4,355**	**3,007**	**453**	**4,128**	**(2,206)**	**5,381**
Borrowing/Repayment	1,140	148	1,083	1,266	326	2,823	1,925	416	2,757	(1,508)	3,590
Net Changes in Cash	**4,654**	**(1,157)**	**80**	**14**	**194**	**(869)**	**220**	**(1,417)**	**1,514**	**(1,486)**	**(1,170)**
Ending Cash Balance	**5,938**	**4,780**	**4,860**	**4,875**	**5,069**	**5,069**	**5,288**	**3,871**	**5,385**	**3,899**	**3,899**

1. The financial information states 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 institute included.

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EMPOWER EVERY POSSIBILITY

Thank you