

LG Energy Solution

Q2 2025 | Earnings Conference Call

CONTENTS

1 Financial Performance

Q2'25 Business Performance	5
Q2'25 Financial Position	6
Q2'25 Cash Flow and EBITDA	7

2 Market Trends and Strategies

H2'25 Business Environment	9
Q2'25 Key Achievement	10
H2'25 Action Plan	11

3 Appendix

Income Statement	13
Financial Position	14
Cash Flow	15

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.

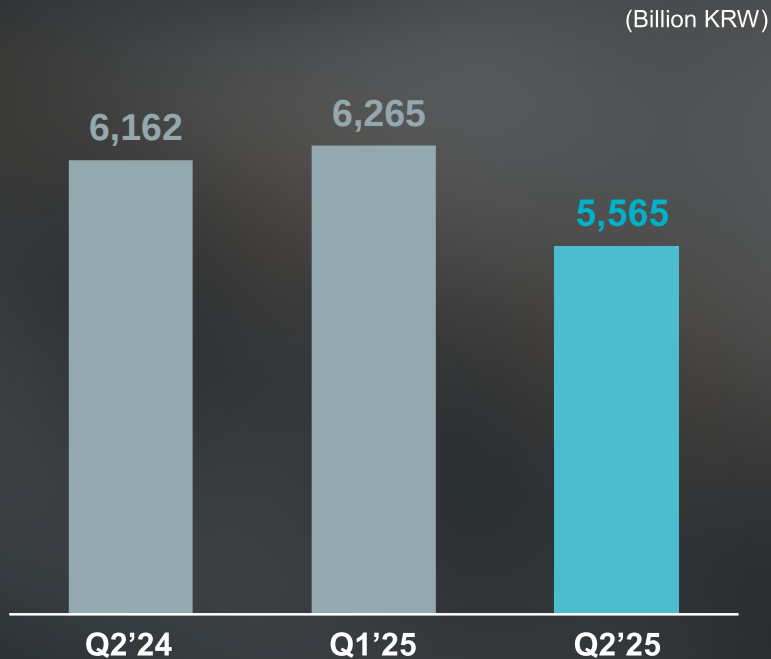
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01 Financial Performance



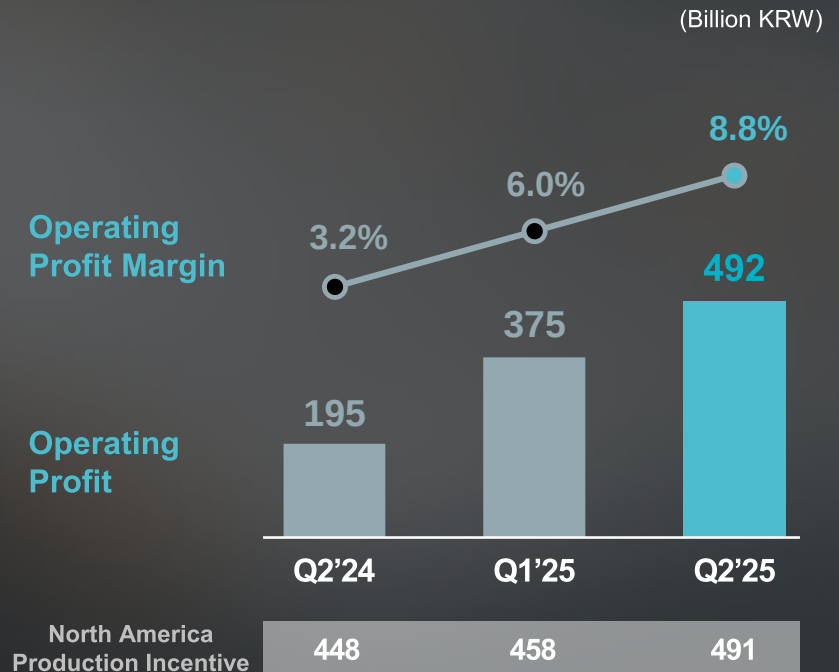
Q2'25 Business Performance

Revenue



Despite stable EV battery sales and ESS production start in North America, the Revenue declined QoQ due to overall constrained purchase sentiment from customers affected by policy changes and ASP reflection of metal price decline

Operating Profit



In addition to the product mix improvement from increase of North American production, cost efficiency with material cost ratio optimization led to operating profit to turn surplus excluding the North America Production Incentive

Q2'25 Financial Position

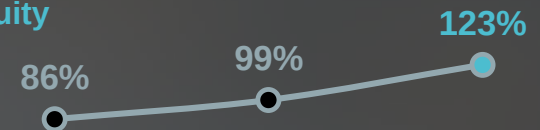
Financial Position

(Billion KRW)

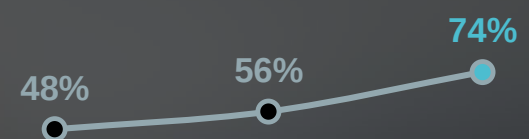
	Q2'24	Q1'25	Q2'25
Asset	51,501	62,299	62,983
Cash and Cash Equivalents, etc.*	3,871	3,574	5,440
Liabilities	23,869	31,028	34,682
Debt	13,274	17,613	20,857
Equity	27,632	31,271	28,300

Leverage Ratio

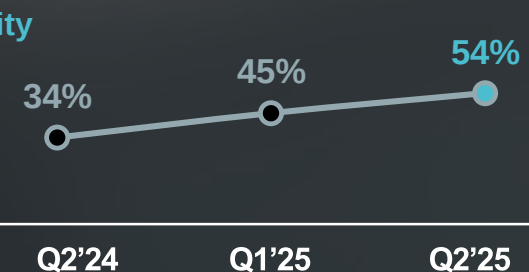
Liabilities to Equity



Debt to Equity



Net Debt to Equity



* Deposits held by financial institution included

Q2'25 Cash Flow and EBITDA

Cash Flow

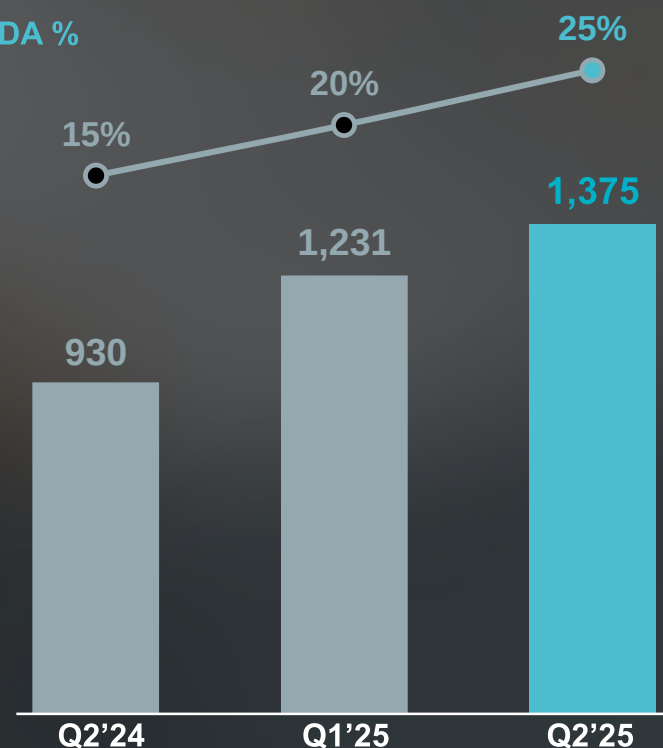
(Billion KRW)

	Q1'25	Q2'25
Beginning Cash Balance	3,899	3,574
Cash Flow from Operating Activities	1,162	250
EBITDA	1,231	1,375
Working Capital	22	326
Cash Flow from Investing Activities	(3,441)	(2,717)
Capex	(3,014)	(2,717)
Cash Flow from Financing Activities	1,950	4,447
Net Changes in Cash	(325)	1,867
Ending Cash Balance	3,574	5,440

EBITDA

(Billion KRW)

EBITDA %



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

02

Market Trends and Strategies



Business Environment

Policy

As of July 25th, 2025



Continued Tariff Uncertainties

- Imposition of a 10% universal tariff on all countries and country-specific reciprocal tariffs
- Applying high tariff rate on Chinese EVs & batteries

Enactment of the One Big Beautiful Bill Act

- **EV** : Consumer EV subsidy phasing out after September 30th
- **AMPC** : Current conditions of benefits including eligible period of tax credit remaining unchanged
Advanced Manufacturing Production Credit
- **ESS ITC** : Current conditions of benefits including eligible period for ITC remaining unchanged, while DCR¹⁾ intensified
Investment Tax Credit

PFE

- Newly implemented conditions;
- 1) PFE is no longer eligible for AMPC
 - 2) Materials sourced from PFE are gradually restricted

Prohibited Foreign Entity



Localization of EV Battery Supply Chain

- Policy funding for investments on EV battery production within EU EUR €850m



Re-introduction of EV Subsidy in the UK

- Subsidy provided for new EV purchase to boost demand
GBP £650m

1) Domestic Content Requirement

Demand

EV

- Tariff and policy changes led cost pressure for OEM
→ Short-term demand slowdown becomes inevitable
- Advancement in autonomous driving technology continues to drive mid to long-term growth momentum

ESS

- ESS demand for existing & newly establishing renewable energy plants and AI datacenter to increase
- Growing customers' needs for shifting towards non-Chinese battery supplier to qualify for ITC benefits in the U.S.

Competition

- Intensifying barriers for PFEs to enter the U.S. battery market
- Growing preference for companies with local production capacity
- Elevating importance of Non-PFE sourcing capabilities in the U.S.

Key Achievement



Production of LFP ESS Batteries in Michigan Plant

- Accelerating establishment of production site in North America and expanding capacity up to 17GWh by this year-end
- Producing long cell with improved energy density, lifecycle, safety and cost
- Securing capabilities to promptly address customers' needs to mitigate geopolitical supply risks and maximize tax credits as the sole LFP ESS battery supplier in the U.S.



Winning Order for 46-Series from Chinese OEM

- Securing a project to supply a total of 8GWh over 5 years from Chery Automobile's for European EV models
- Starting production in H2'25 from Ochang Plant in Korea
- Diversifying the customer portfolio with the first time order from a Chinese OEM



Establishment of US-based Recycle JV

- Starting JV operation from '26 for scraping and pre-processing used batteries with Toyota Tsusho
- Securing processing capacity for 13,500 tons of battery scrap per year, equivalent to batteries from over 40,000 EV
- Establishing a closed-loop system across the battery lifecycle from production to recycling by enhancing partnerships

H2'25 Action Plan

Operation

• Maximizing Capacity Utilization

- Optimizing manufacturing lines through mass production of ESS and new form factors/chemistry in response to EV battery demand slowdown

• Executing Innovative Activities to Reduce Fixed Costs

- Adjusting, scaling down and postponing existing investment plans
- Curtailing investment in new production lines
- Reallocating resources for cost efficiency

• Securing Competitive Edge in Sourcing

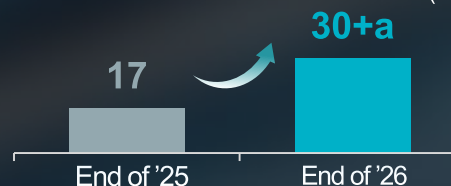
- Reducing material cost ratio by deploying cost competitive materials
- Optimizing and diversifying supply chain by material

Business

• Actively Expanding ESS Business in North America

- Securing growth momentum through stabilization of ESS operation in Michigan
- Winning additional orders by actively responding to the needs of decoupling from Chinese suppliers

ESS Capa. Plan in North America (GWh)



• Addressing European Demand for Mid to Low-end Products through Mass Production of High Voltage Mid-Ni / LFP

• Securing Additional Orders based on New Form Factors and Actively Generating New Demand

Technology

• Expanding Portfolio of Mid to Low-end Products

- LFP
 - EV : Enhancing cost competitiveness + Fast charging performance
 - ESS : Reinforcing competitiveness based on high density/compact design skill
- LMR
 - Improving energy density by more than 30% with similar cost level compared to LFP
 - Aiming for adoption in the next-generation EV models of a strategic customer by '28

• Accelerating Future Technologies

- Fast Charging
 - Launching products with charging speed of under 10 minutes by '28
- Dry Electrode
 - Establishing sample production system after evaluating producibility within this year
- R&D Adopting AI/DX technology
 - Securing advanced technology of material & foundation and shortening product development time

03 Appendix



Appendix : Income Statement

	2023	2024					2025	
(Billion KRW)	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
Revenue	33,745	6,129	6,162	6,878	6,451	25,620	6,265	5,565
Cost of Goods Sold	28,802	5,205	5,469	5,621	5,919	22,214	5,253	4,563
Gross Profit	4,943	924	693	1,257	532	3,406	1,012	1,002
(%)	14.6%	15.1%	11.2%	18.3%	8.2%	13.3%	16.2%	18.0%
SG&A	3,457	956	945	1,275	1,135	4,311	1,095	1,001
Operating Profit(Loss)	2,163	157	195	448	(226)	575	375	492
(%)	6.4%	2.6%	3.2%	6.5%	(3.5%)	2.2%	6.0%	8.8%
Operating Profit(Loss) (Excluding Production incentive)	1,486	(32)	(252)	(18)	(603)	(905)	(83)	1
(%)	4.4%	(0.5%)	(4.1%)	(0.3%)	(9.3%)	(3.5%)	(1.3%)	0.0%
EBITDA*	4,450	816	930	1,241	633	3,621	1,231	1,375
(%)	13.2%	13.3%	15.1%	18.0%	9.8%	14.1%	19.7%	24.7%
Net Income before Tax	2,043	223	91	339	(304)	349	365	(27)
(%)	6.1%	3.6%	1.5%	4.9%	(4.7%)	1.4%	5.8%	(0.5%)
Net Income(Loss)	1,638	212	(24)	561	(411)	339	227	91
(%)	4.9%	3.5%	(0.4%)	8.2%	(6.4%)	1.3%	3.6%	1.6%

* North America Production Incentive included

Appendix : Financial Position

	2023	2024				2025	
(Billion KRW)	FY	Q1	Q2	Q3	Q4	Q1	Q2
Assets	45,437	49,275	51,501	56,627	60,307	62,299	62,983
Cash and Cash Equivalents, etc.*	5,069	5,288	3,871	5,385	3,899	3,574	5,440
Account Receivables	5,128	4,651	5,097	5,361	4,944	5,317	4,595
Inventory	5,396	5,658	5,552	5,366	4,552	4,282	4,054
PP&E	23,655	26,532	29,950	32,658	38,350	40,290	39,999
Liabilities	21,064	22,571	23,869	28,130	29,340	31,028	34,682
Account Payables	3,094	3,149	2,984	2,940	2,705	2,831	2,207
Debt	10,932	12,858	13,274	16,899	15,391	17,613	20,857
Equity	24,374	26,705	27,632	28,498	30,967	31,271	28,300
Share Capital	117	117	117	117	117	117	117

Leverage Ratios

Liabilities to Equity	86%	85%	86%	99%	95%	99%	123%
Debt to Equity	45%	48%	48%	59%	50%	56%	74%
Net Debt to Equity	24%	28%	34%	40%	37%	45%	54%

* Deposits held by financial institution included.

Appendix : Cash Flow

	2023	2024					2025	
(Billion KRW)	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
Beginning Cash Balance	5,938	5,069	5,288	3,871	5,385	5,069	3,899	3,574
Cash Flows from Operating Activities	4,444	531	836	562	3,182	5,112	1,162	250
Operating Profit(Loss)	2,163	157	195	448	(226)	575	375	492
Depreciation	2,287	659	735	793	859	3,046	856	883
Working Capital	495	272	(505)	1	996	763	22	326
Cash Flows from Investing Activities	(9,719)	(3,464)	(2,776)	(3,062)	(2,763)	(12,065)	(3,441)	(2,717)
Investment in Facilities	(10,693)	(2,903)	(2,885)	(3,118)	(3,642)	(12,547)	(3,014)	(2,717)
Cash Flows from Financing Activities	4,355	3,007	453	4,128	(2,206)	5,382	1,950	4,447
Borrowing/Repayment	2,823	1,925	416	2,757	(1,508)	3,590	2,222	3,244
Net Changes in Cash	(869)	220	(1,417)	1,514	(1,486)	(1,170)	(325)	1,867
Ending Cash Balance	5,069	5,288	3,871	5,385	3,899	3,899	3,574	5,440

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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Our solutions empower humanity, things, and nature to reach their full potential, and to be more alive.