

LG Energy Solution

Q1 2025 | Earnings Conference Call

CONTENTS

1 Financial Performance

Q1'25 Business Performance	5
Q1'25 Financial Position	6
Q1'25 Cash Flow and Capex	7

2 Market Trends and Strategies

Q1'25 Key Achievements	9
Key Global Policy Changes	10
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.

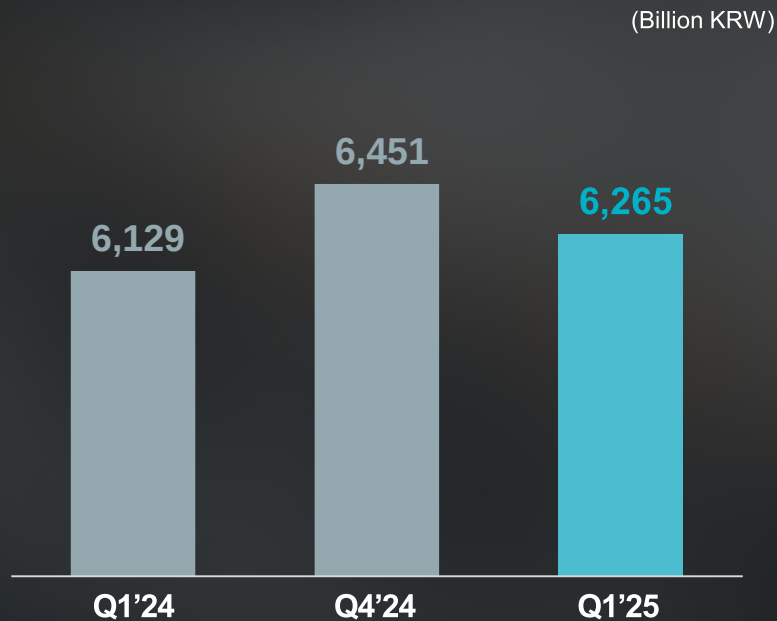
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01 Financial Performance



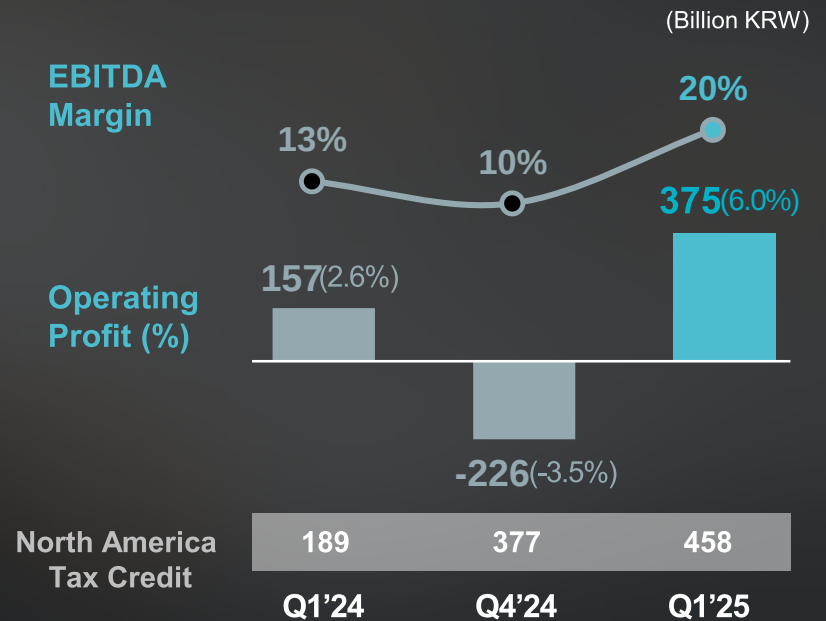
Q1'25 Business Performance

Revenue



- Despite the solid shipments in North America and for newly launched EV models, the Revenue declined QoQ due to the continued conservative inventory management stance by overall OEMs

Profit



- In addition to efforts to reduce costs through cost efficiency enhancement and material cost savings, the elimination of base effect in one-off items reflected in the previous quarter resulted in an operating profit of KRW 374.7 billion and an EBITDA margin of 20%

Q1'25 Financial Position

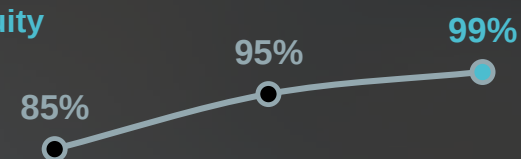
Financial Position

(Billion KRW)

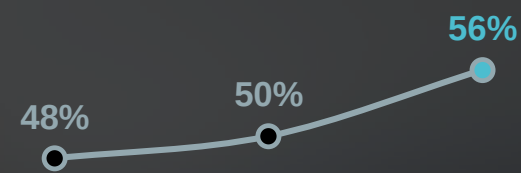
	Q1'24	Q4'24	Q1'25
Asset	49,275	60,307	62,299
Cash and Cash Equivalents, etc.*	5,288	3,899	3,574
Liabilities	22,571	29,340	31,028
Debt	12,858	15,391	17,613
Equity	26,705	30,967	31,271

Leverage Ratios

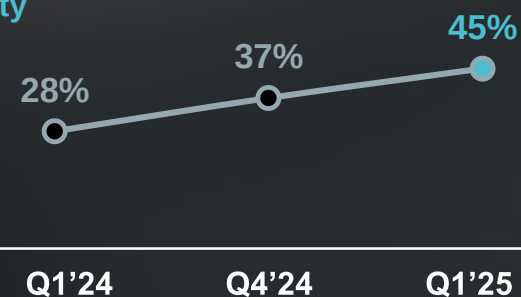
Liabilities to Equity



Debt to Equity



Net Debt to Equity



* Deposits held by financial institution included

Q1'25 Cash Flow and Capex

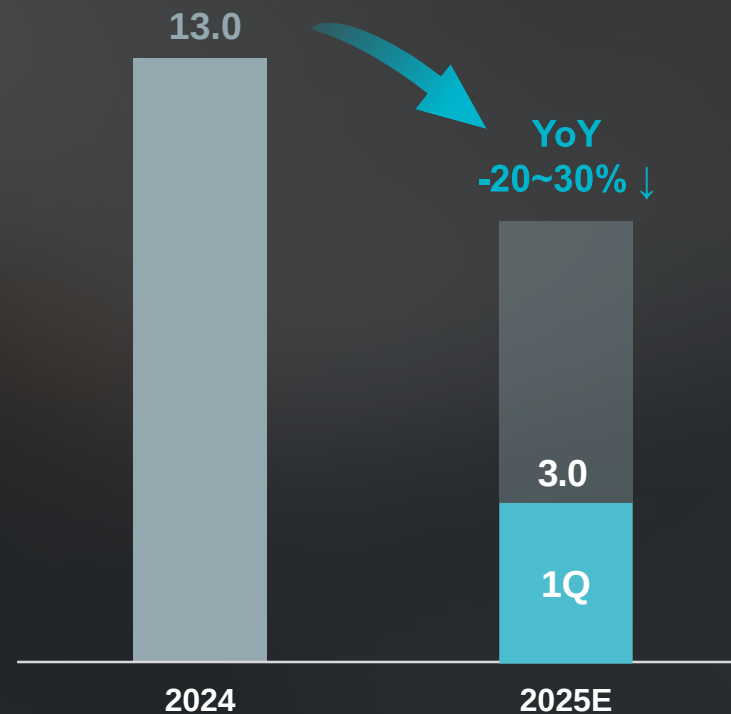
Cash Flow

(Billion KRW)

	Q4'24	Q1'25
Beginning Cash Balance	5,385	3,899
Cash Flow from Operating Activities	3,182	1,162
EBITDA	633	1,232
Working Capital	996	22
Cash Flow from Investing Activities	(2,763)	(3,441)
Capex	(3,642)	(3,014)
Cash Flow from Financing Activities	(2,206)	1,950
Net Changes in Cash	(1,486)	(325)
Ending Cash Balance	3,899	3,574

Capex

(Trillion KRW)



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

02

Market Trends and Strategies



Q1'25 Key Achievements

Efficient Capex Execution

Capacity Reallocation in North America

	Previous	Adjusted
Michigan	EV	EV + ESS ¹
Arizona 1	EV	EV
Arizona 2	ESS	Hold
GM JV 1	EV	EV
GM JV 2	EV	EV
GM JV 3	EV	Acquisition, EV ²
Stellantis JV	EV	EV
Honda JV	EV	EV
HMG JV	EV	EV

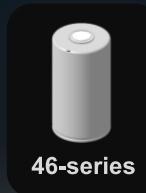
¹ Holland, MI

² Lansing, MI

New Project Orders

Incremental Orders for 46-series

- Additional supply agreement of annual 10GWh volume to a North American customer
- Customer diversification for cylindrical batteries incl. legacy OEMs



Supply Agreement to support Residential ESS in North America

- Local supply of 4GWh in total to Delta Electronics starting 2025
- Commit to further cooperation in grid-scale project and commercial applications

Win State-operated ESS Project in Europe

- Turnkey based grid-scale ESS contract with Poland's National Power Corporation
- First supply launch of Europe-produced ESS from 2026

Business Diversification

Supply to Solar EV

- Total 4.4GWh to Aptera Motors in the US
- Diversify application for cylindrical batteries



Establish Battery Recycling JV

- Cooperate with Derichebourg, a European metal recycling company
- Establish 20k tons/year of preprocessing capacity to meet EU recycle regulations and secure metal supply chain

Manage operations of the Largest Offshore Wind Farm in Korea

- Selected as the operator for Hanlim offshore wind farm in Jeju
- Provide power generation estimation and renewable energy bidding service

Key Global Policy Changes



Implementation of Tariff Policy

Common

- Impose 25% on automobiles and auto parts
- Impose 10% on all other imported goods

Chinese goods

- Impose 156% on ESS batteries, and 173% on materials due to the increase in reciprocal tariffs to 125%



Announcement of Auto Industry Action Plan

- Extend CO₂ regulation compliance deadline and impose fines based on average emissions from 2025 to 2027
- Maintain the goal to ban ICE sales by 2035
- Strengthen the supply chain for auto parts and batteries within EU
(Support plan for manufacturing infrastructure)

Impact on the Battery Industry

Demand

US

- Vehicle price to increase and EV demand to slowdown due to tariffs increase
- Surge of customers' needs to secure local battery support for China decoupling

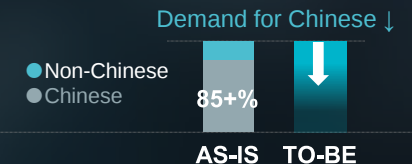
EU

- Short-term slowdown in EV transition due to the relaxation of CO₂ regulations
- Valid Long-term EV demand growth outlook based on carbon neutrality goals

[2025 EV Demand in US]
unit sales



[ESS Market Share in US]



Costs

- Battery production cost burden to increase due to tariffs imposed on key raw materials

SCM

- Importance of local production capabilities to rise due to growing demand for intra-regional supply chain establishment

2025 Action Plan

Streamline Operations to Mitigate Potential Demand Downside Risk

- Execute only indispensable investment and discover additional measures to reduce capex/cost
- Respond proactively to changing demand environment by adjusting capacity scale/expansion speed
- Cautiously manage inventory for EV batteries while accelerate the revenue expansion in ESS with relatively higher growth potential

Discover Strategic Business Opportunities

- Promptly respond to the needs for intra-regional battery supply by leveraging preemptively secured production sites
- Strive to expand large-volume/long-term based ESS order intake by advancing start of production in Michigan from Q2'25
- Continue to secure future demand based on new products such as, 46-series, Prismatic, LFP, etc.
- Proactively discover new applications such as humanoids, drones, etc. based on cylindrical form factor

Proportion of Capacity in NA
by application (by 2025)

EV Pouch
42%

ESS
55%

Minimize the Impact of Tariffs & Accelerate Cost Reduction

- Accelerate to secure local production of raw materials through collaboration with material companies entering North America
- Optimize supply chain allocation in each region by sourcing from countries that offer competitive final costs
- Speed up development and adoption of new technologies for production cost reduction; such as dry electrode process, etc.

03 Appendix



Appendix : Income Statement

	2023	2024					2025
(Billion KRW)	FY	Q1	Q2	Q3	Q4	FY	Q1
Revenue	33,745	6,129	6,162	6,878	6,451	25,620	6,265
Cost of Goods Sold	28,802	5,205	5,469	5,621	5,919	22,214	5,253
Gross Profit	4,943	924	693	1,257	532	3,406	1,012
(%)	14.6%	15.1%	11.2%	18.3%	8.2%	13.3%	16.2%
SG&A	3,457	956	945	1,275	1,135	4,311	1,095
Operating Profit(Loss)	2,163	157	195	448	(226)	575	375
(%)	6.4%	2.6%	3.2%	6.5%	(3.5%)	2.2%	6.0%
Operating Profit(Loss) (Excluding IRA Tax Credit)	1,486	(32)	(252)	(18)	(603)	(905)	(83)
(%)	4.4%	(0.5%)	(4.1%)	(0.3%)	(9.3%)	(3.5%)	(1.3%)
EBITDA*	4,450	816	930	1,241	633	3,621	1,232
(%)	13.2%	13.3%	15.1%	18.0%	9.8%	14.1%	19.7%
Net Income before Tax	2,043	223	91	339	(304)	349	365
(%)	6.1%	3.6%	1.5%	4.9%	(4.7%)	1.4%	5.8%
Net Income(Loss)	1,638	212	(24)	561	(411)	339	227
(%)	4.9%	3.5%	(0.4%)	8.2%	(6.4%)	1.3%	3.6%

* IRA Tax Credit included

Appendix : Financial Position

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

Leverage Ratios

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

* Deposits held by financial institution included.

Appendix : Cash Flow

	2023	2024					2025
(Billion KRW)	FY	Q1	Q2	Q3	Q4	FY	Q1
Beginning Cash Balance	5,938	5,069	5,288	3,871	5,385	5,069	3,899
Cash Flows from Operating Activities	4,444	531	836	562	3,182	5,112	1,162
Operating Profit(Loss)	2,163	157	195	448	(226)	575	375
Depreciation	2,287	659	735	793	859	3,046	858
Working Capital	495	272	(505)	1	996	763	22
Cash Flows from Investing Activities	(9,719)	(3,464)	(2,776)	(3,062)	(2,763)	(12,065)	(3,441)
Investment in Facilities	(10,693)	(2,903)	(2,885)	(3,118)	(3,642)	(12,547)	(3,014)
Cash Flows from Financing Activities	4,355	3,007	453	4,128	(2,206)	5,382	1,950
Borrowing/Repayment	2,823	1,925	416	2,757	(1,508)	3,590	2,222
Net Changes in Cash	(869)	220	(1,417)	1,514	(1,486)	(1,170)	(325)
Ending Cash Balance	5,069	5,288	3,871	5,385	3,899	3,899	3,574

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.