LG Energy Solution

Q3 2026 | Earnings Conference Call



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LG Energy Solution

Contents

Q3 2026 Earnings Conference Call

Part.1
Financial Performance

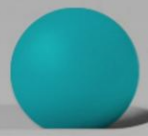
Business Performance 5
Financial Position 6
Cash Flow and Capex 7

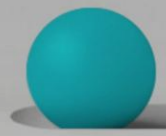
Part.2
Key Achievements and Initiatives

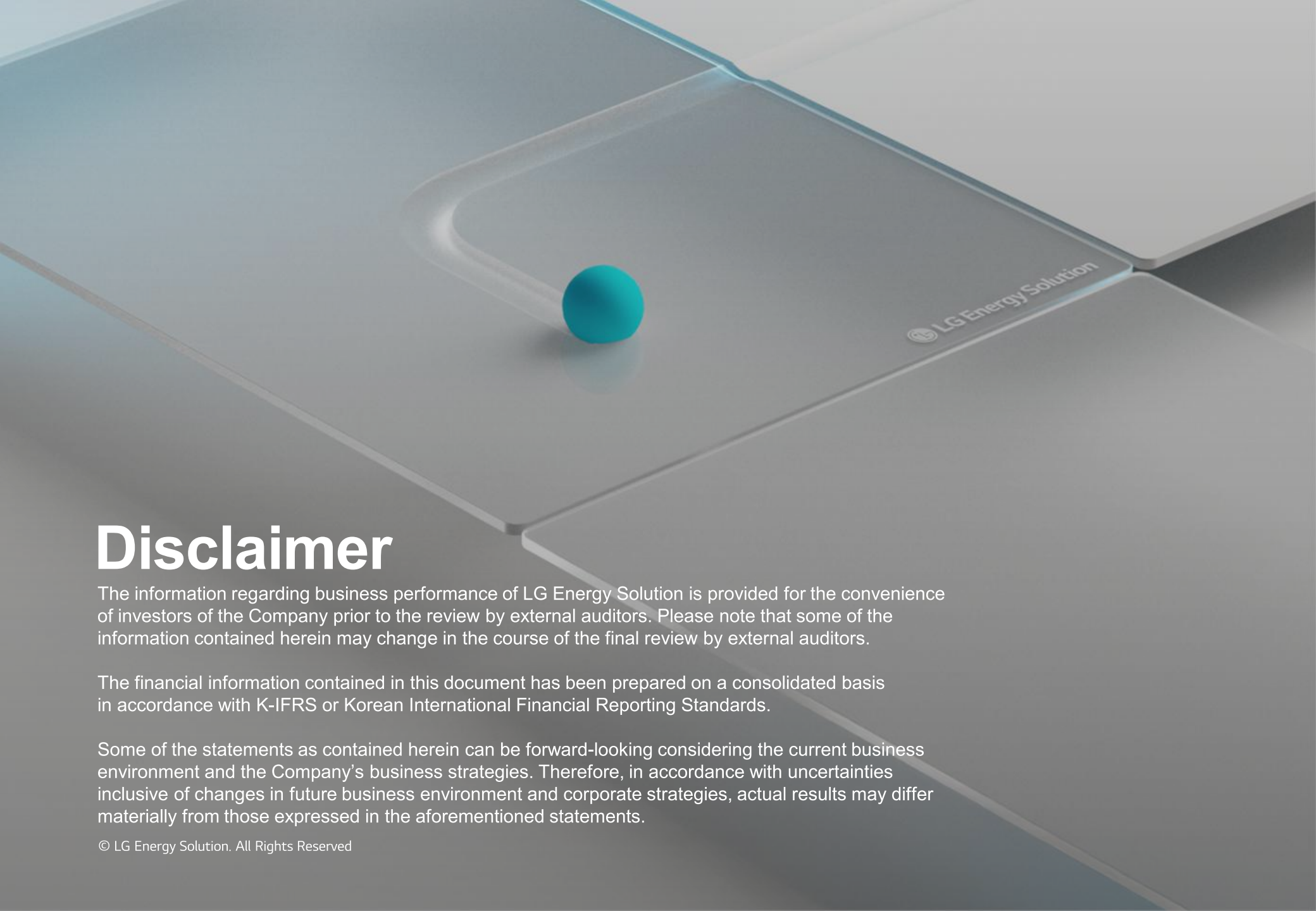
Key Achievements 9
Market Trend 10
Key Initiatives 11

Part.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 review by external auditors. Please note that some of the information contained herein may change in the course of the final review 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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Part.1

Financial Performance

Business Performance

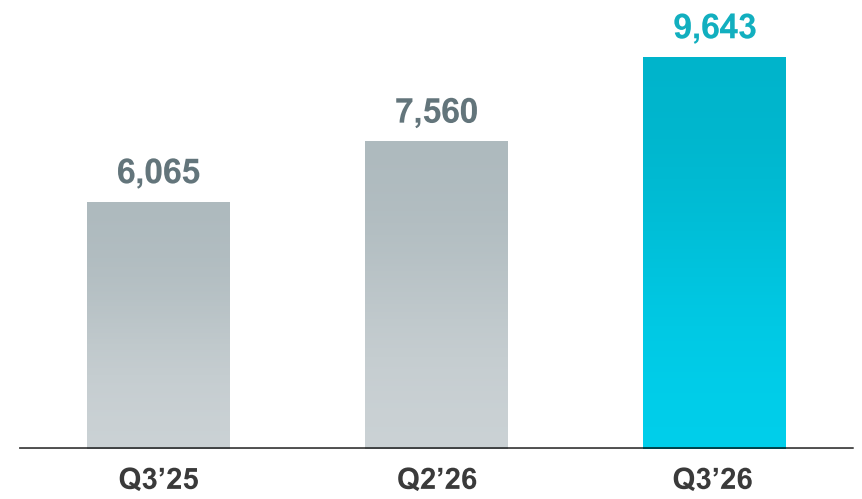
Financial Position

Cash Flow and Capex

Business Performance

Revenue

(Billion KRW)



North America Production Incentive Effect

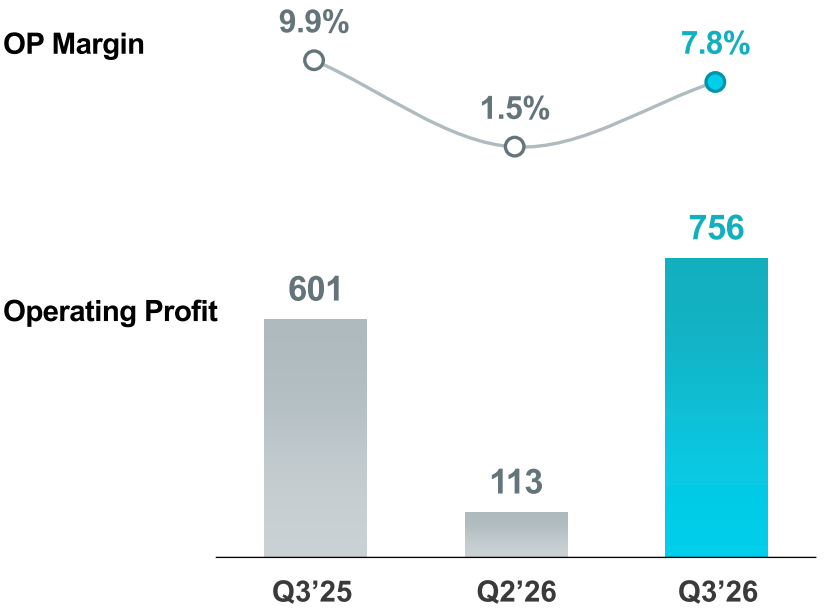
365	241	417

Revenue increased +28% QoQ, driven by significant ESS shipment growth, High-voltage Mid-Ni EV pouch shipment increase and continued solid supply of 21/46-Series cylindrical batteries for EV

North America Production Incentives Effect recorded KRW 416.9bn, driven by ESS-led volume growth.

Operating Profit

(Billion KRW)



Operating profit improved QoQ, driven by improved utilization in Europe, continued growth in cylindrical battery volumes, and eased fixed-cost burden from gradual stabilization of ESS capacity in North America.

Note : Starting from the fiscal year 2026, North America Production Incentive will be consolidated into the revenue figures due to changes in accounting presentation methods.
For comparison purposes, past financial figures will also be adjusted accordingly.

Financial Position

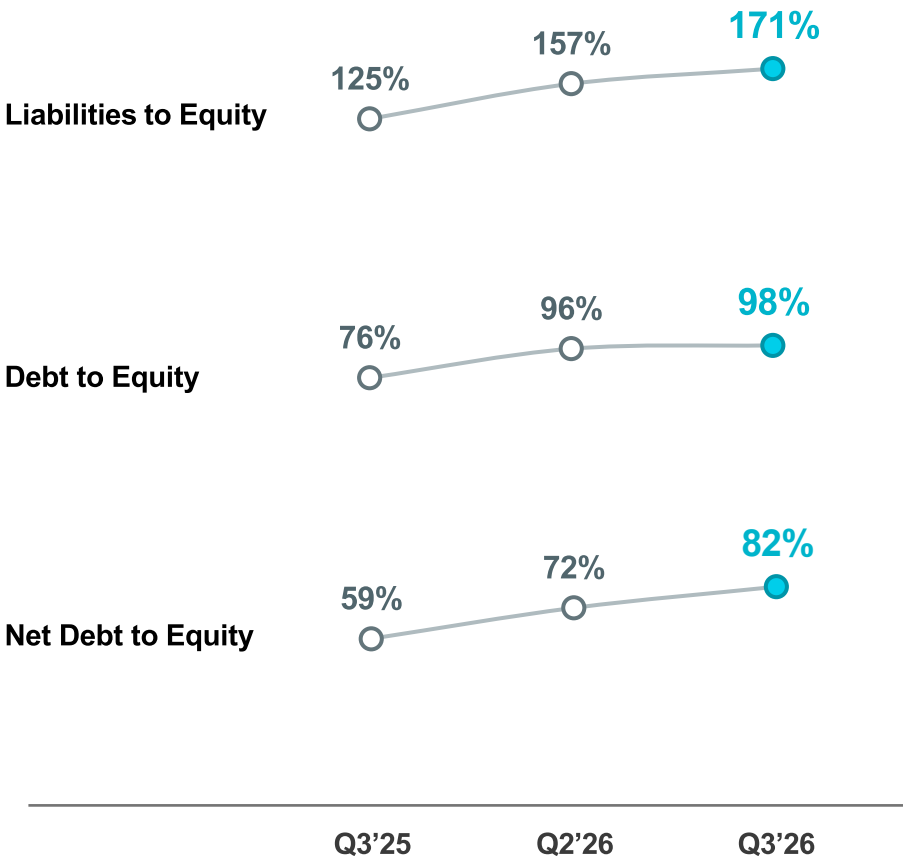
Financial Position

(Billion KRW)

	Q3'25	Q2'26	Q3'26
Assets	**67,010**	**77,878**	**70,314**
Cash and Cash Equivalents, etc.*	5,324	7,170	4,262
Liabilities	**37,273**	**47,591**	**44,346**
Debt	22,728	29,123	25,565
Equity	**29,737**	**30,287**	**25,968**

* Note : Deposits held by financial institutios included

Leverage Ratios



Cash Flow and Capex

Cash Flow

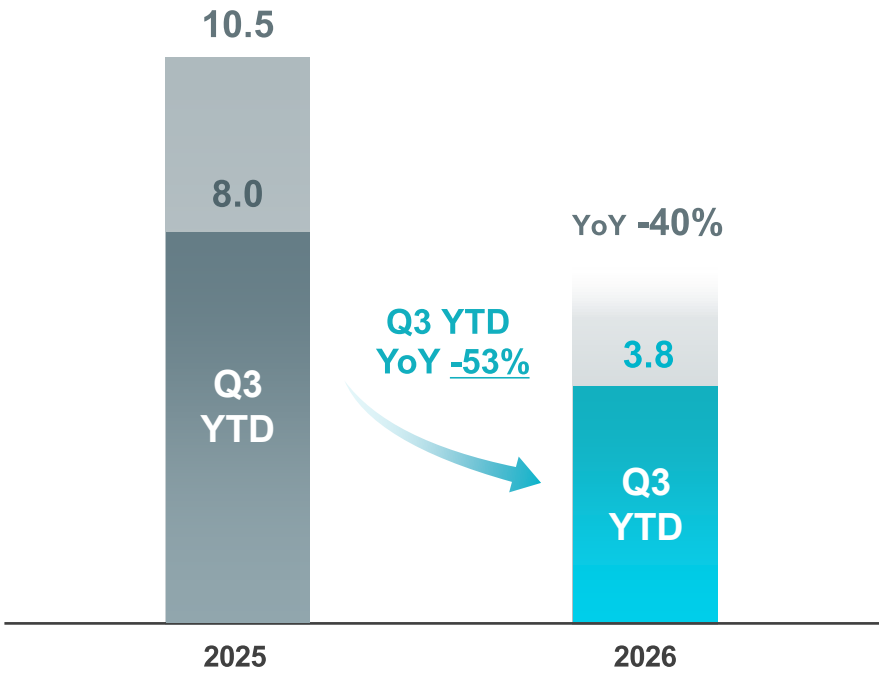
(Billion KRW)

	Q2'26	Q3'26
Beginning Cash Balance	**3,745**	**7,170**
Cash Flow from Operating Activities	**25**	**(338)**
EBITDA	1,330	1,972
Working Capital	(1,185)	(1,022)
Cash Flow from Investing Activities	**1,788**	**(1,299)**
Capex	(1,041)	(1,067)
Cash Flow from Financing Activities	**1,468**	**(701)**
Net Changes in Cash	**3,425**	**(2,908)**
Ending Cash Balance	**7,170**	**4,262**

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

Capex

(Trillion KRW)



Part.2

Key Achievements and Initiatives

Key Achievements

Market Trend

Key Initiatives

Key Achievements

Business

ESS

- **Secured Direct Supply of Behind-the-Meter BESS Project for Big Tech Customer**
  - Proven non-PFE* supply capabilities backed by domestic production track record
  - Pursuing additional orders for security critical AI data center based on the partnership
- **Qualified as an NVIDIA DSX Ready BESS Partner**
  - Expanding AI data center-specific business opportunities through high-capacity LFP-based AC* Link and In-house SI capabilities

AI Data Center Product Competitiveness

Integrated BESS Solution



Battery + PCS* + Cooling + EMS*

- Load smoothing and voltage control through fast response
- SI capabilities(i.e. design, control, analytics)
- Anomaly detection through safety-focused design
- Easy installation/scalability enabled by integrated modular design
- Stable local supply in North America

EV

- **Expanded Long-term Supply Volumes based on Cost Competitiveness of High-voltage Mid-Ni Gen 2 Product**
  - Securing stable revenue base in Europe by increasing volumes and extending supply period of existing contracts

Operation/Supply Chain

Operation

- **Enhanced Supply Responsiveness through Phased Expansion of ESS Back-end Capacity in North America**
  - Strengthening stable supply capabilities through completion of new link line SOP* and phased expansion of pack capacity

North America Pack/Link Sites

Pack				Link
Complete	Complete	Complete	Additional	Additional
Michigan	Ontario	Illinois	Ohio	Arizona

- **Continued Utilization Improvement Driven by Volume Growth**
  - Maximized utilization of ESS capacity in North America and EV cylindrical production line in Asia, backed by solid customer demand
  - Increased utilization of Poland capacity through High-voltage Mid-Ni volume for Europe and resumed production at the North American JV

Supply Chain

- **Diversified Supply Chain of LFP Cathode**
  - Strengthening non-PFE compliance through LFP supplier diversification, including Korean suppliers
- **Signed Long-term Supply Agreements for North American Lithium Concentrate and Lithium Carbonate**
  - 240k t Canadian lithium concentrate (4 yrs) / 80k t U.S. lithium carbonate (10 yrs)
  - Enhancing local sourcing capabilities and supply stability for key raw materials

* PFE : Prohibited Foreign Entity * AC : Alternating Current
* PCS : Power Conversion System * EMS : Energy Management System

* SOP : Start of Production

Market Trend

US

Executive Order Announced to Strengthen Power Grid Security

- Purchase and installation of power grid-related equipment from Covered Foreign Entities prohibited
- Covers all electrical equipment including BESS and inverters
  - Detailed implementation rules expected in Dec. 2026

Final CAFE Rule Confirmed

- The average fuel requirement for 2031 eased
  - From 49.3 mpg to 34.9 mpg
- Expected limited effects following the elimination of penalties already applied in Jul. 2025

* CAFE : Corporate Average Fuel Economy

Strong demand momentum for U.S.-made ESS supported by supply chain security policies

Softer BEV demand, but HEV/EREV opportunities remain

* HEV : Hybrid Electric Vehicle
* EREV : Extended-Range Electric Vehicle

Europe

IAA Amendments Announced

- Production for allied countries not accepted and Made-in-EU is required for IAA compliance
- Proposes a higher cost-gap threshold for exemptions from local-content requirements, reinforcing the need for regional production
  - Final legislation targeted for H1 2027

* IAA : Industrial Accelerator Act

Approvals Expanded for Autonomous Driving in EU

- FSD approvals secured in 10 European countries
- Stronger incentives to purchase new EVs equipped with autonomous driving features

* FSD : Full Self-Driving

Competitive advantage for players with local production capabilities

Strong EV momentum driven by carbon regulations and autonomous driving

Upstream

Oil and Natural Gas Prices Continued to Rise

- Prolonged geopolitical tensions with increasing supply uncertainty
- European gas prices reached a four-year high

Raw Material Prices Stabilized

- Continued decline in key metal prices
- Lithium carbonate prices reached a YTD low

Improved battery economics on a TCO basis

Reduced battery cost burden

* TCO : Total Cost of Ownership

Key Initiatives

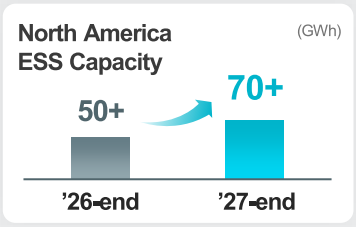
Operation

Maximize Capacity across Production Sites and Address Localization and New Form Factor/Chemistry Needs

North America

Proactively Capture Growing Demand for U.S.-made ESS by Expanding Local Capacity

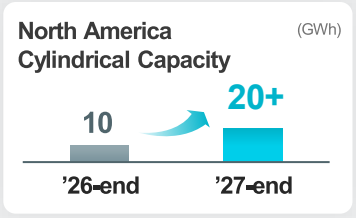
- Convert additional pouch lines from EV to ESS and secure new prismatic lines





Address Customer Demand by Establishing the First Cylindrical Production Site

- Start 46-Series production by end-2026 to support awarded projects
- Secure Tabless 2170 line to meet HEV demand

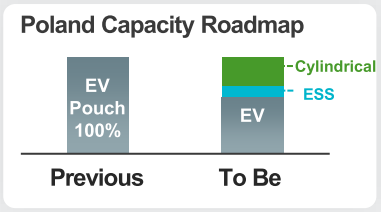




Europe

Enhance Local Supply Competitiveness through Form-Factor Diversification

- Optimize pouch capacity and secure 46-series production lines





Asia

Lay the Groundwork for New Market Entry through Product Development and Production

- Aim for production of SIB samples for the PoC of key ESS customer within this year
- Enter new application with a high-power LFP 2170



* PoC : Proof of Concept

Supply Chain

Build a Flexible Global Supply Chain Responsive to Market Changes

Proactively Build Supply Chains Compliant with Regional Regulations

- Diversify the North American non-PFE supplier base with consideration for Q/C/D
  : Expand LFP cathode supplier base to four or more
  * Q/C/D : Quality, Cost, Delivery
- Localize key materials and components in preparation for tighter European requirements
- Identify and develop non-PFE suppliers for next-generation products such as SIB and LMR
  * SIB : Sodium-Ion Battery
  * LMR : Lithium Manganese-Rich

Secure Structural Cost Competitiveness

- Enhance operational flexibility through direct metal purchasing and expanded supply of key materials to suppliers
- Strengthen raw material procurement competitiveness by leveraging mid- to long-term volumes

Part.3

Appendix

Income Statement

Financial Position

Cash Flow

Income Statement

(Billion KRW)	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025 FY	2026 Q1	2026 Q2	2026 Q3
Revenue (Incl. North America Production Incentive Effect)	**6,723**	**6,056**	**6,065**	**6,474**	**25,319**	**6,555**	**7,560**	**9,643**
Cost of Goods Sold	5,253	4,563	4,253	5,371	19,440	5,314	6,015	7,380
Gross Profit	**1,470**	**1,493**	**1,812**	**1,104**	**5,879**	**1,241**	**1,545**	**2,263**
(%)	21.9%	24.6%	29.9%	17.0%	23.2%	18.9%	20.4%	23.5%
SG&A	1,095	1,001	1,211	1,226	4,533	1,449	1,432	1,507
Operating Profit	**375**	**492**	**601**	**(122)**	**1,346**	**(208)**	**113**	**756**
(%)	5.6%	8.1%	9.9%	(1.9%)	5.3%	(3.2%)	1.5%	7.8%
EBITDA	**1,231**	**1,375**	**1,519**	**913**	**5,037**	**887**	**1,330**	**1,972**
(%)	18.3%	22.7%	25.0%	14.1%	19.9%	13.5%	17.6%	20.5%
Net Income before Tax	**365**	**(27)**	**553**	**(476)**	**414**	**(859)**	**(128)**	**(231)**
(%)	5.4%	(0.4%)	9.1%	(7.4%)	1.6%	(13.1%)	(1.7%)	(2.4%)
Net Income	**227**	**91**	**536**	**(772)**	**81**	**(944)**	**(329)**	**(297)**
(%)	3.4%	1.5%	8.8%	(11.9%)	0.3%	(14.4%)	(4.3%)	(3.1%)
North America Production Incentive Effect	**458**	**491**	**365**	**333**	**1,647**	**190**	**241**	**417**

The above financial figures for 2025 have been recalculated using the same standards for comparison with the current year's performance.
This information is provided for the convenience of investors and has not yet been reviewed by external auditors.

Financial Position

(Billion KRW)	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
Assets	**62,299**	**62,983**	**67,010**	**67,148**	**71,806**	**77,878**	**70,314**
Cash and Cash Equivalents, etc.*	3,574	5,440	5,324	3,779	3,745	7,170	4,262
Accounts Receivable	5,317	4,595	4,849	4,311	5,157	5,975	6,755
Inventory	4,282	4,054	4,883	4,350	5,354	6,445	6,851
PP&E	40,290	39,999	42,855	40,795	42,538	45,923	40,797
Liabilities	**31,028**	**34,682**	**37,273**	**37,826**	**41,889**	**47,591**	**44,346**
Accounts Payable	2,831	2,207	2,332	2,153	2,957	3,683	3,846
Debt	17,613	20,857	22,728	22,512	24,682	29,123	25,565
Equity	**31,271**	**28,300**	**29,737**	**29,322**	**29,916**	**30,287**	**25,968**
Share Capital	117	117	117	117	117	117	117

Leverage Ratios

Liabilities to Equity	**99%**	**123%**	**125%**	**129%**	**140%**	**157%**	**171%**
Debt to Equity	**56%**	**74%**	**76%**	**77%**	**83%**	**96%**	**98%**
Net Debt to Equity	**45%**	**54%**	**59%**	**64%**	**70%**	**72%**	**82%**

* Deposits held by financial institutions included.

Cash Flow

(Billion KRW)	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025 FY	2026 Q1	2026 Q2	2026 Q3
Beginning Cash Balance	**3,899**	**3,574**	**5,440**	**5,324**	**3,899**	**3,779**	**3,745**	**7,170**
Cash Flow from Operating Activities	**1,162**	**250**	**1,267**	**1,753**	**4,432**	**(316)**	**25**	**(338)**
Operating Profit	375	492	601	(122)	1,346	(208)	113	756
Depreciation	856	883	917	1,035	3,691	1,095	1,217	1,216
Working Capital	22	326	(958)	891	282	(1,044)	(1,185)	(1,022)
Cash Flow from Investing Activities	**(3,441)**	**(2,717)**	**(2,463)**	**(2,261)**	**(10,881)**	**(1,020)**	**1,788**	**(1,299)**
Investment in Facilities	(3,014)	(2,717)	(2,171)	(2,515)	(10,417)	(1,648)	(1,041)	(1,067)
Cash Flow from Financing Activities	**1,950**	**4,447**	**999**	**(1,111)**	**6,286**	**1,189**	**1,468**	**(701)**
Borrowing/Repayment	2,222	3,244	1,872	(216)	7,122	2,170	4,441	(3,558)
Net Changes in Cash	**(325)**	**1,867**	**(117)**	**(1,544)**	**(119)**	**(34)**	**3,425**	**(2,908)**
Ending Cash Balance	**3,574**	**5,440**	**5,324**	**3,779**	**3,779**	**3,745**	**7,170**	**4,262**

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 institutions included.