



LG Energy Solution

Q1 2023 Earnings Conference Call

CONTENTS

SECTION 01 Business Performance

- 1. Q1'23 Business Performance _____ 5
- 2. Q1'23 Financial Position _____ 6
- 3. Q1'23 Cash Flow and Capex Trend _____ 7

SECTION 02 IRA Strategy and Expected Effects

- 1. IRA Policy Update _____ 9
- 2. Strategy for IRA _____ 10
- 3. Expected Effects _____ 12

SECTION 03 Appendix

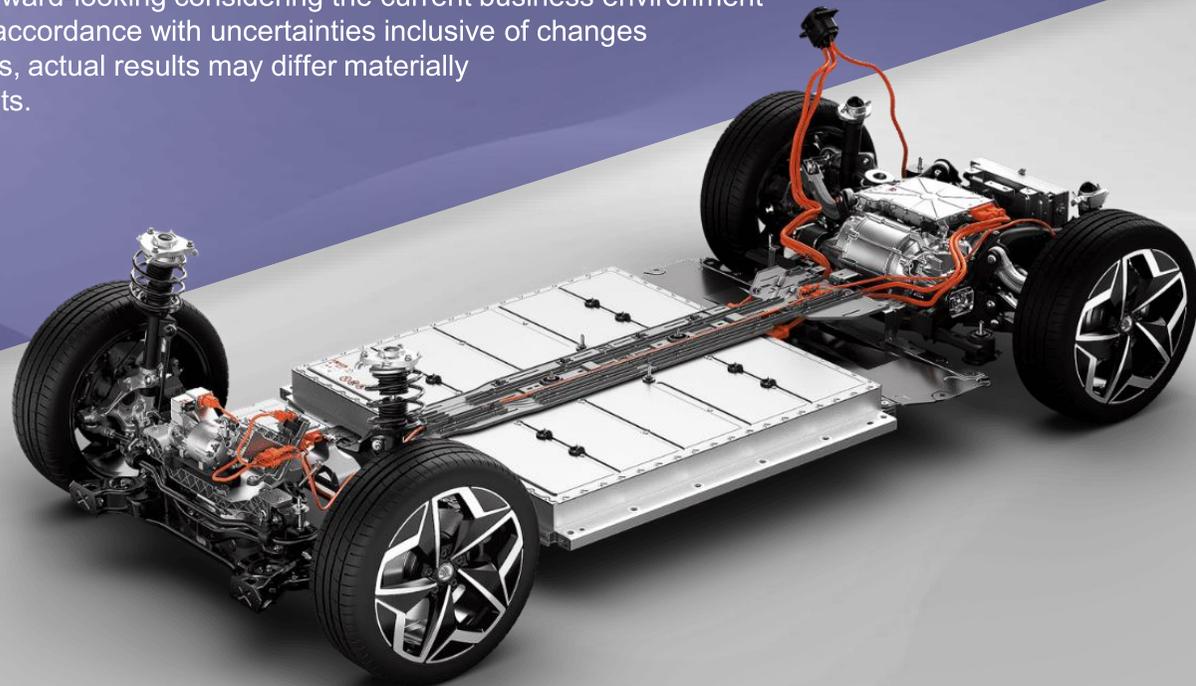


Disclaimer

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.



SECTION

1

Business Performance



Q1'23 Business Performance

Revenue and Operating Profit

(Billion KRW)



Performance Analysis

Due to our proactive response to solid EV demand in North America and stable operation of GM JV Phase 1, EV battery shipment increased and ASP also improved.

Accordingly, revenue grew +2.5% QoQ and +101% YoY in Q1'23, **marking the 5th consecutive quarter of top-line growth since IPO.**

Operating profit was 532.9 billion won in Q1'23, excluding the IRA tax credit effect.

Solid operating profit was achieved through our continuous efforts for cost innovation by enhancing efficiency of material cost and other expenses and improving yield in addition to economies of scale effect from shipment growth.

In the meantime, OPM reached 7.2% based on our decision to reflect the estimated IRA tax credit amount of 100.3 billion won into the operating profit account from this quarter.

* IRA : Inflation Reduction Act

Q1'23 Financial Position

Balance Sheet

(Billion KRW)

	Q1'22	Q4'22	Q1'23
Assets	34,976	38,299	40,714
Cash and Cash Equivalents, etc.*	10,162	5,938	4,803
Liabilities	15,536	17,706	18,666
Debt	7,299	8,109	8,257
Equity	19,440	20,594	22,048

Leverage Ratios

(% , X)

	Q1'22	Q4'22	Q1'23
Liabilities to Equity	80%	86%	85%
Debt to Equity	38%	39%	37%
Net Debt to Equity	(15%)	11%	16%
Debt to EBITDA	3.3x	2.7x	2.3x

*Deposits held by financial institutions included

Q1'23 Cash Flow and Capex Trend

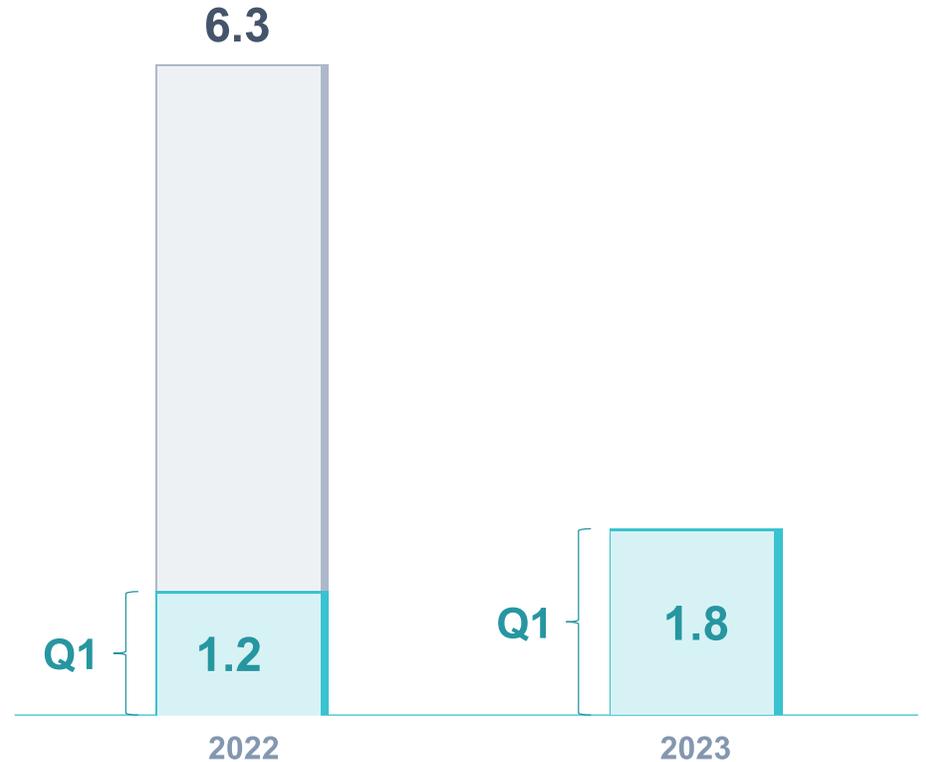
Cash Flow

(Billion KRW)

	Q1'22	Q4'22	Q1'23
Beginning Cash Balance*	1,284	6,389	5,938
Cash Flows from Operating Activities	396	847	781
Working Capital	73	(158)	162
Cash Flows from Investing Activities	(1,527)	(1,736)	(2,186)
Capex	(1,246)	(2,174)	(1,810)
Cash Flows from Financing Activities	9,960	557	205
Ending Cash Balance*	10,162	5,938	4,781
Net Changes in Cash	8,878	(451)	(1,157)

Capex Trend

(Trillion KRW)



*Deposits held by financial institutions included

SECTION

2

IRA Strategy & Expected Effects



IRA Policy Update

The IRA guidance released on March 31 contained some details on EV subsidies while tax credit details are not included

Category	Summary New Updated as of 3/31	Items to be Announced
EV Subsidy Battery Component (\$3,750)	<p>50%↑ of the value to be manufactured or assembled in North America (US/Canada/Mexico)</p> <p>Scope Electrodes of cathode/anode, Separator, Electrolyte, Battery cell, Battery module, etc.</p> <p>Requirement</p> <ul style="list-style-type: none"> - The required value: 50% in '23, 60% in '24/'25 → 100% in '29 (10%p up every year) - To be eligible for subsidy, components from FEOCs should be excluded from '24 	<p>Definition of FEOC</p>
Critical Mineral (\$3,750)	<p>40%↑ of the value to be extracted or processed in the US, US FTA countries or Japan New</p> <p>Scope Cathode/Anode active materials, Lithium, Nickel, Cobalt, Manganese, Aluminum, Graphite, etc.</p> <p>Requirement</p> <ul style="list-style-type: none"> - The required value of the qualifying critical minerals: 40% in '23 → 80% in '27 (10%p up every year) - Critical minerals with at least 50% of values added from the US, US FTA countries or Japan are considered qualifying <p>New The required percentage of qualifying critical minerals may increase after '25</p> <ul style="list-style-type: none"> - To be eligible for subsidy, critical minerals from FEOCs should be excluded from '25 	<p>Addition to the list of qualifying countries</p>
Tax Credit	<p>Batteries to be produced and sold in the US</p> <p>Requirement</p> <ul style="list-style-type: none"> - Battery makers that produce and sell products in the US are eligible for tax credits - Credit amount: \$35/kWh for battery cell, \$10/kWh for battery module 	<p>Details on funding limit, method of receiving tax credit, etc.</p>

* FEOC : Foreign Entity of Concern

Strategy for EV Subsidy Policy

Establish stable supply chain by accelerating localization and expanding direct metal sourcing outside FEOCs

➔ Proactively respond to OEMs and EV consumers' needs of maximizing IRA benefits

Battery Component

 Subsidy \$3,750

- Manufacture/assemble in North America for electrodes/cell/module
- Cooperate with partners for localization of separator and electrolyte production in North America

Critical Mineral

 Subsidy \$3,750

- Secure upstream materials through equity investment and LTA*s
- Continue to expand direct sourcing from outside FEOCs

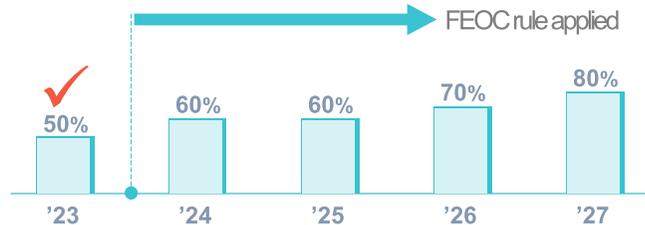
* LTA: Long-Term Supply Agreement

Based on pre-emptively secured supply chain

Contribute to Enhancing the Competitiveness of OEMs/EVs with LGES Batteries

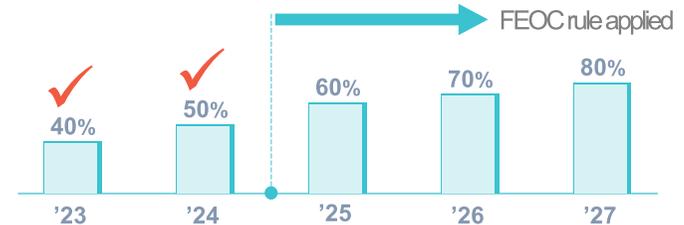
Battery Component

 Required value  Fulfillment status of LGES



Critical Mineral

 Required value  Fulfillment status of LGES



* FEOC : Foreign Entity of Concern

Strategy for Tax Credit Policy

Obtain direct benefits from tax credit by expanding capacity, increasing investment and stabilizing production in the US

LGES Capacity Guidance for IRA Tax Credit in '23

15 ~ 20GWh*

Based on sales of batteries produced in Michigan & GM J/V 1

Capacity Expansion Plan in the US

250GWh

Michigan	26 GWh
GM JV 1~3	140 GWh
Honda JV	40 GWh
Arizona	43 GWh

Key Initiatives for the US Market

Strengthen Capabilities to Meet Local Cylindrical Battery Demand

Enhance customer accessibility and negotiating power

by **establishing production base for cylindrical batteries in the US**

Expand Foundation for New Growth Engines

Reinforce competitiveness in the US market by producing **LFP-based ESS batteries**

Accelerate Stabilizing Operation

Improve productivity by **pulling in yield stabilization in new plants** and applying **Smart Factory**, etc.

* Including module/pack only projects

Expected Effects

Achieve competitive edge pre-emptively in North America with industry-leading capability to strengthen customers' competitiveness and additional financial profits from the IRA

IRA-Driven Market Changes



Acceleration of EV/ESS Market Growth in North America
driven by Subsidy/Tax Credit



Increase of Battery Producers & OEMs' Needs
for Local Capacity, Supply Chain, etc.



Providing of Direct Tax Credit
to Battery Producers in the US

Expected Effects for LGES



Upside Momentum for Additional Orders in North America



Clearer Competitive Advantage and Stronger Negotiating Power



Secure Future Investment Resources from Additional Profit Gain & Liquidity Improvement

SECTION

3

Appendix



Appendix : Income Statement

(Billion KRW)

	2021	2022					2023
	FY	Q1	Q2	Q3	Q4	FY	Q1
Revenue	17,852	4,342	5,071	7,648	8,538	25,599	8,747
Cost of Goods Sold	13,953	3,567	4,249	6,253	7,239	21,308	7,453
Gross profit	3,899	775	822	1,395	1,299	4,291	1,294
Selling and Admin Expense	3,130	516	626	873	1,062	3,077	761
Operating Profit (Loss)	768	259	196	522	237	1,214	633
(%)	4.3%	6.0%	3.9%	6.8%	2.8%	4.7%	7.2%
EBITDA	2,220	676	627	1,000	743	3,046	1,149
(%)	12.4%	15.6%	12.4%	13.1%	8.7%	11.9%	13.1%
Net Income before Tax	777	260	129	242	365	995	711
(%)	4.4%	6.0%	2.5%	3.2%	4.2%	3.9%	8.1%
Net Income (Loss)	930	227	90	188	276	780	562
(%)	5.2%	5.2%	1.8%	2.5%	3.2%	3.0%	6.4%

Appendix : Financial Position

(Billion KRW)

	2021	2022				2023
		Q1	Q2	Q3	Q4	Q1
Assets	23,764	34,976	36,434	39,888	38,299	40,713
Cash and Cash Equivalents, etc.*	1,284	10,162	8,184	6,389	5,938	4,781
Account Receivables	2,915	2,907	3,611	5,219	4,772	5,292
Inventory	3,896	4,813	6,276	7,947	6,996	7,475
Property, Plant and Equipment	11,051	11,986	13,162	14,600	15,331	17,188
Liabilities	15,022	15,536	16,532	18,725	17,706	18,666
Account Payables	2,178	3,161	3,952	5,398	3,842	5,003
Debt	6,969	7,299	7,441	8,321	8,109	8,257
Equity	8,742	19,440	19,902	21,163	20,594	22,048
Share Capital	100	117	117	117	117	117
Key Leverage Ratios						
Liabilities to Equity (%)	172%	80%	83%	89%	86%	85%
Debt to Equity (%)	80%	38%	37%	39%	39%	37%
Net Debt to Equity (%)	65%	-15%	-4%	9%	11%	16%

* Deposits held by financial institutions included.

Appendix : Cash Flow

(Billion KRW)

	Q4.21	2022				2023
		Q1	Q2	Q3	Q4	Q1
Beginning Cash Balance	1,532	1,284	10,162	8,184	6,389	5,938
Cash Flows from Operating Activities	770	396	-947	-876	847	781
Operating Profit/Loss	76	259	196	522	237	633
Depreciation	407	417	431	479	514	516
Working Capital	-107	73	-1,374	-1,834	-158	162
Cash Flows from Investing Activities	-926	-1,527	-1,319	-1,679	-1,736	-2,186
Capex	-1,470	-1,246	-1,452	-1,419	-2,174	-1,810
Cash Flow from Financing Activities	-97	9,960	232	666	557	205
Borrowing/Repayment	-138	330	142	880	-212	148
Ending Cash Balance	1,284	10,162	8,184	6,389	5,938	4,781
Net Changes in Cash	-248	8,878	-1,978	-1,795	-451	-1,157

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

