

LG Energy Solution

Corporate Value-up Plan

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Company Overview¹⁾

Company Profile

Company Name
LG Energy Solution

Industry
Primary and Secondary Battery Manufacturing

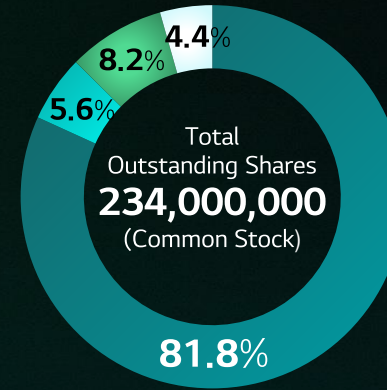
Established
December 1st, 2020
(Split-off from LG Chem)

Listing Market
KOSPI
(Ticker: 373220)

CEO
Kim, Dong Myung

of Employees
34,845 employees
Domestic 12,511 / Overseas 22,334

Composition of Shareholders

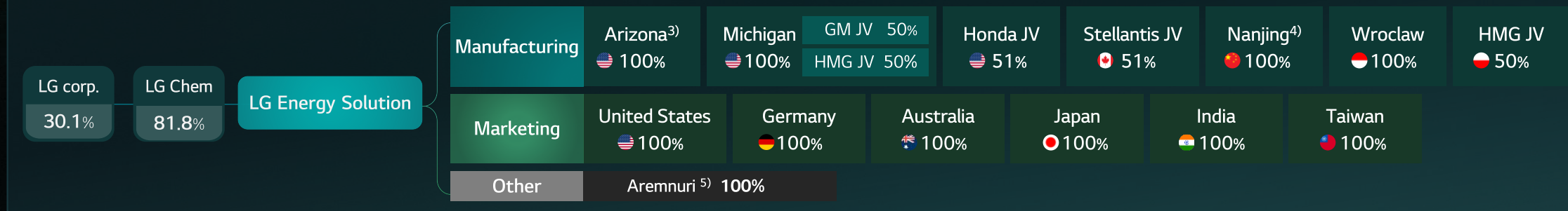


- LG Chem**
(Largest Shareholder)
- National Pension Service (NPS)**
(Major shareholder with over 5% of shares)
- Domestic Investors**
(Excl. NPS)
- Foreign Investors**

Key Milestones



Corporate Structure²⁾



1) As of 1H '24, 2) Subsidiary status, 3) Total of 2 entities, 4) Total of 3 entities, 5) Aremnuri : Facility management business

Business Areas

Key Applications

Electric Vehicle (EV)

Differentiated EV battery technology leveraging global operational capabilities


- Engage proactively with the EV market through reliable production capability and a diverse product portfolio
- Ensure safety with industry-leading Battery Management System (BMS) solutions



IT Device & Mobility

High-capacity and high-power solutions suitable for a diverse range of applications

- Lead the wireless innovation in devices such as smartphones, laptops, e-bikes, power tools, etc.
- Optimize space utilization for application-specific needs to enhance flexibility and scalability in product design



Energy Storage System (ESS)

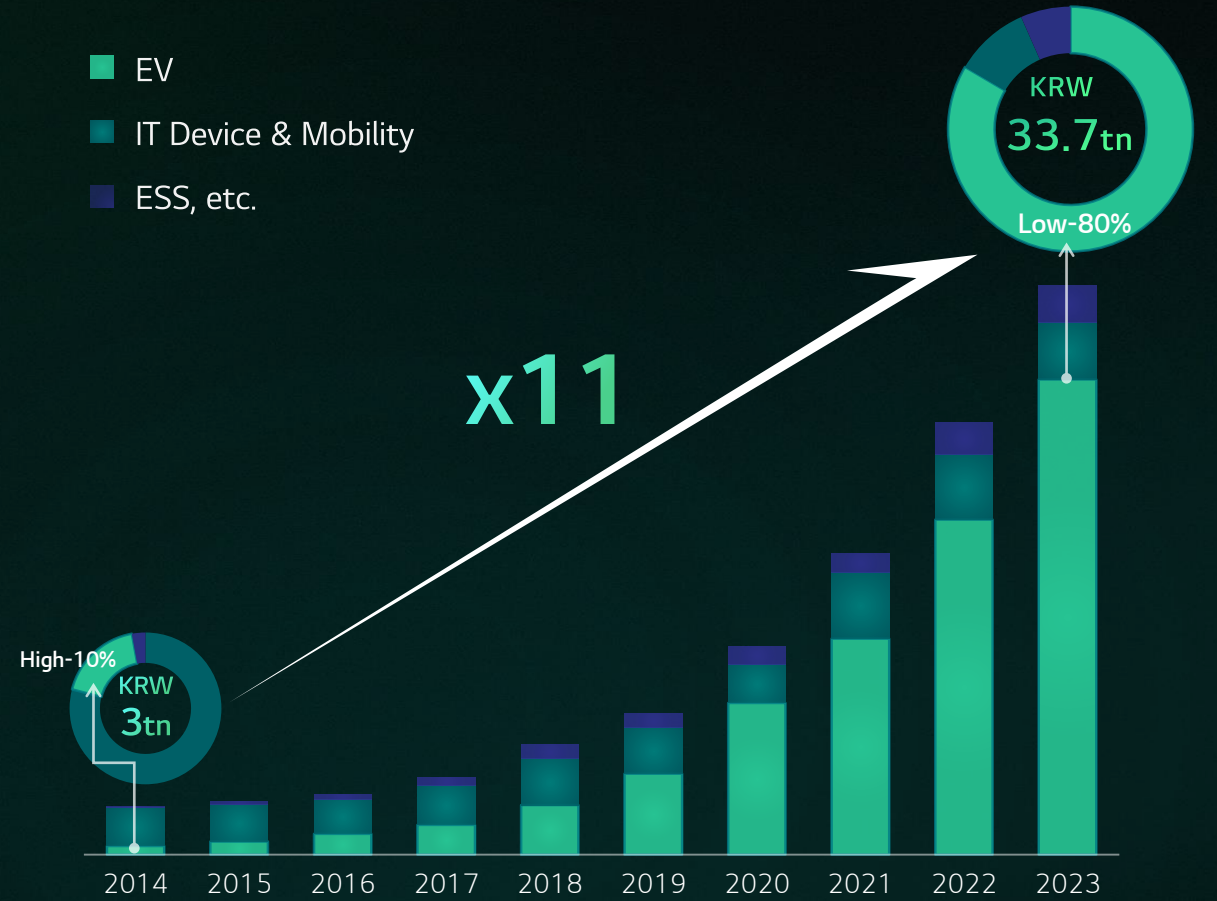
Ability to deliver integrated system solutions to enhance energy efficiency and stabilize power supply

- Contribute to the clean energy transition by supplying products for diverse ESS applications such as grid, industrial, residential, etc.
- Provide total solution ranging from battery cell manufacturing to System Integration (SI)



Revenue Trends by Application¹⁾

Revenue surged substantially over the past decade with the global EV adoption and its rapid expansion

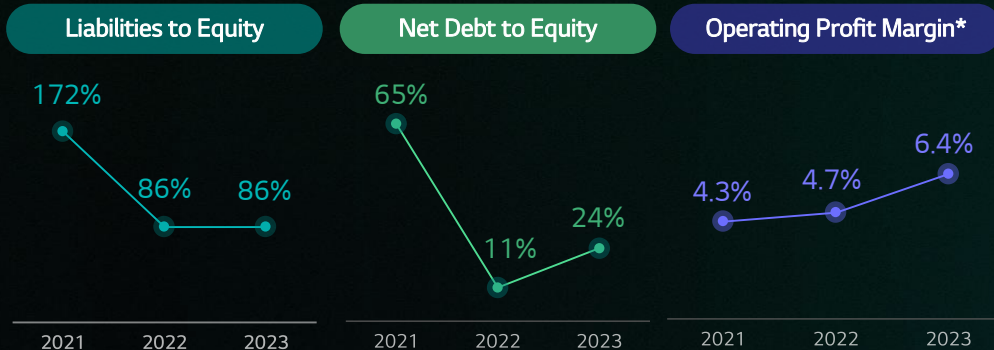


1) The revenue of LG Chem's Battery Division from '14 to '20

Financials and Governance

Key Financials

(Unit: KRW bn)	2021	2022	2023
Assets	23,764	38,299	45,437
Cash & Cash Equivalents	1,284	5,938	5,069
Liabilities	15,022	17,706	21,064
Debt	6,969	8,109	10,932
Equity	8,742	20,594	24,374
Revenue	17,852	25,599	33,745
Gross Profit	3,899	4,291	4,943
Operating Profit*	768	1,214	2,163
Net Income	930	780	1,638



* Operating Profit and Operating Profit Margin in 2023 include IRA¹⁾ Tax Credit

Corporate Governance²⁾

Composition and Operation of the Board of Directors

General Meeting of Shareholders				
Board of Directors				
Committee				
Nomination Committee for Independent Directors	Audit Committee	Internal Trade Committee	ESG Committee	Management Committee
Independent Directors Ratio	100%	75%	80%	-
67%				

Board Status

Number of BOD Meetings	Average BOD Meeting Attendance Rate	Independent Directors Ratio
43 times (2021~)	96% (2021~)	57% (4 out of 7)
Separation of the CEO and the Chairperson of the Board	All Audit Committee Members Chaired by Independent Directors	Female Directors Ratio
YES	YES	29% (2 out of 7)

Shareholder Communication Status³⁾

Address mutual engagement between management and investors across various channels

Number of IR Meetings (Incl. ESG Meetings)	Approx. 600 times	Ownership Growth in Foreign Investor (Excl. largest shareholder, '22.3 → '23.12)	17% → 25%
NDR ⁴⁾ / Conference Attendance	Domestic 33 Overseas 14 times	Internal Reporting of Investor Feedback	An Average of 15+ times per quarter

Business Environment Assessment

	Market Environment	Key Requirements
 <p>Industry</p>	<ul style="list-style-type: none"> • Sustained mid-to long-term demand growth driven by global carbon neutrality goals (CAGR of 23% from '23 to '28¹⁾) • Increasing demand for establishing localized battery supply chain according to de-globalization trends • Need for technological breakthrough beyond structural barriers that battery carries Temperature, density, and physical / chemical stability, etc. 	<ul style="list-style-type: none"> • Respond flexibly to possible changes in green policies and regulations across key markets • Strengthen local production capability and regional sourcing competitiveness • Develop differentiated leading technology such as next-generation batteries, post-lithium batteries, etc.
 <p>EV</p>	<ul style="list-style-type: none"> • Slowdown of the EV transition pace by the automakers due to uncertainties in policies and demand • Growing need to introduce EV across various segments to broaden the customer base • Increasing importance in securing price competitiveness of EV over ICE²⁾ • Rising customer interest in improvement of charging convenience and enhanced safety • Attempts by automakers for in-house battery production 	<ul style="list-style-type: none"> • Preemptively and proactively adjust production • Satisfy customer demands for diverse battery chemistries and form factors • Secure battery cost competitiveness • Provide differentiated technologies related to driving range extension, charging convenience, and safety • Strengthen core competencies across R&D, operation, quality management, solution capability, etc.
 <p>ESS</p>	<ul style="list-style-type: none"> • Strong growth potential for ESS driven by increasing renewable energy demand from large grid customers, data centers driven by the proliferation of AI, etc. (CAGR of 24% from '23 to '28¹⁾) • Policy-driven market expansion in North America and EU • Increasing needs for standardized products with long-life cycle and large capacity 	<ul style="list-style-type: none"> • Secure new customers with high growth potential in grid application and Big Tech by regional basis • Respond to the need of local supply for integrated SI solution in grid application • Address market demands with products featuring price competitiveness, long-lifespan, and high energy density, and large-capacity standardized solutions
 <p>New Business</p>	<ul style="list-style-type: none"> • Solid growth expectation in non-EV cylindrical batteries for new applications such as construction equipment, robotics, vessel, and UAM²⁾ (CAGR of 22% from 2023 to 2028¹⁾) • Rising demand for services such as battery exchange, leasing, recycling / reuse, and BMS diagnostics 	<ul style="list-style-type: none"> • Explore markets for non-EV cylindrical batteries requiring features such as high power support • Provide business model for battery service combining HW and SW solution

1) IHS Market and the company's forecast based on battery capacity (Sep. 2024), 2) ICE : Internal Combustion Engine, 3) UAM : Urban Air Mobility

Indicator Analysis

Given the expectations for rapid growth potential of battery industry has been reflected in the current valuation multiples for PER, PBR, etc., it seems not appropriate to set valuation indicators as target as the industry is experiencing the early stage of cycle. Thus, the Company came up with analysis on its strengths and risk factors in perspective of growth, profitability, and shareholder values.

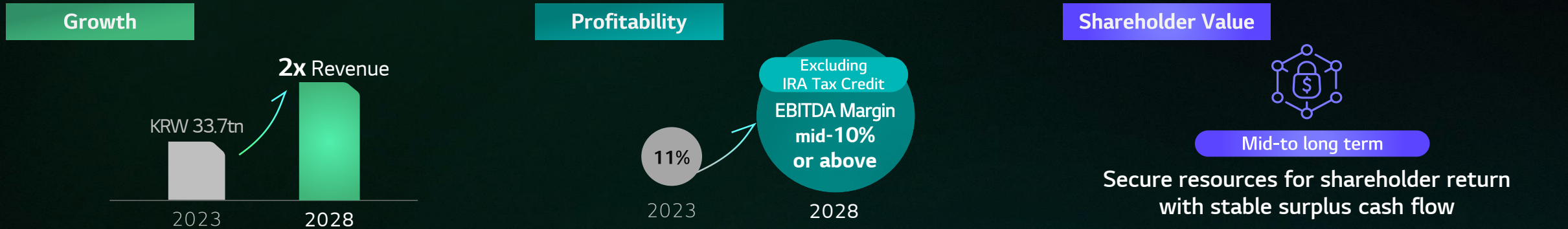


	Growth	Profitability	Shareholder Value
Strength / Status	<ul style="list-style-type: none"> • Won additional orders backed by product diversification (chemistry / form factor), resulting in order backlog achievement of over KRW 400tn • [EV] Secured 9 out of the top 10 global automakers as customers [ESS] Started engaging for large scale projects • Expanded the share in rapidly growing North American market from 15% in '20-end to 24% as of Sep. '24¹⁾ through preemptive market entry 	<ul style="list-style-type: none"> • Improved profitability by winning high margin projects with stable volume • Obtained superior operation efficiency with automation in manufacturing process and capability to achieve mature yield with speed • Established stable sourcing structure for raw materials through partnerships with cost competitive suppliers 	<ul style="list-style-type: none"> • Focus on CAPEX execution needed for the time being to meet the market demand in the early stage
Risk Factor	<ul style="list-style-type: none"> • Change of market growth speed by external factors such as green policies and regulations • Intensifying competition within standard and affordable segments as well as automakers' attempts to internalize battery technology 	<ul style="list-style-type: none"> • Surging importance of investment efficiency and utilization management due to temporary slowdown in demand • Growing need for cost competitive metals and upstream sourcing 	<ul style="list-style-type: none"> • Increasing level of difficulty on securing financial resources for shareholder return in short term due to the need of capital allocation for future growth

1) Based on the xEV battery adoption capacity of SNE Research (Sep. 2024)

Mid-to Long-Term Targets

Establish a Fundamental Competitive Edge Through Qualitative Growth



- **Execute stable capacity expansion by leveraging global operational capabilities** to realize sales from secured orders
: 280GWh by '23-end → 500GWh+ by '28-end
- Scale up North American business with high growth potential to **secure concrete No. 1 market share in the region by '28**
- **Outperform the global battery market growth**
- Maintain **leadership in next-generation battery and future technologies**

- Continue to **focus on securing new orders with solid profitability** on the back of quality competitiveness
- **Optimize production efficiency** by swiftly and proactively adapting to demand changes
- Drive cost innovation through **process innovation**
- **Enhance supply chain competitiveness** with raw material sourcing tailored to each location

- Focus on growth & profitability-driven shareholder value creation and secure sustainable growth engines via reinvestment in near term
- **CAPEX allocation for future growth** to be approximately **20% of the total**
- **Consider shareholder return policy establishment** reflecting business environment, CAPEX plans, and resources for shareholder return **when the FCF turns positive in a stable manner**

Pursue Portfolio Rebalancing (Market / Business / Customer / Product & Technology) Centering on Customer Values

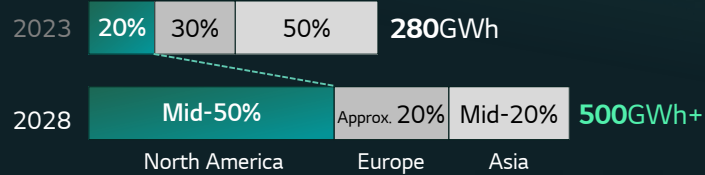
※ The mid-to-long-term targets mentioned are based on the company's internal projections and are subject to change depending on overall market conditions and regulatory landscape such as policy change post the US Presidential election, and the company's management circumstances.

Key Initiatives

Execute strategic initiatives tailored to each region

- Advance leading position in North America through local production capability and address the European market by diversifying form factors
- Capture high-growth opportunities in Asia emerging markets

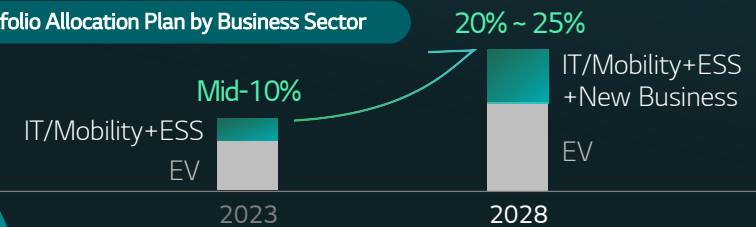
Production Capacity Plan by Region



Balance business portfolio with a focus on non-EV expansion

- Expand businesses of ESS and other non-EV applications
- Broaden business scope from HW-centric to SW-inclusive with growth of new businesses such as asset-light BaaS¹⁾ and EaaS²⁾

Portfolio Allocation Plan by Business Sector



Drive Business Refinement Through the Alignment of Market / Customer / Product Strategies for Focused Growth

EV

Secure further project wins for High Voltage Mid-Nickel / LFP batteries and expand customer base of 46-Series into global top automakers

ESS

Win new orders from major IPPs³⁾ for power-grid, Big Tech firms for UPS⁴⁾ and V2G⁵⁾ solution providers for residential ESS

New Business

Seek new orders for high-power cylindrical batteries in applications like vessel, construction equipment, and robotics

Diversify EV customer base and expand ESS and new application customers

Product / Technology

- Deliver differentiated value with flexible form factor support, strong solution capability for mainstream and affordable segment, advanced safety diagnostics software, etc.
- Improve competitive edge in securing new orders by accelerating development of large-capacity ESS cells and highly integrated systems
- Take the lead in future technology by accelerating development of all- / semi-solid-state batteries along with dry electrode processes

Reinforce next-generation technologies and solution for differentiated customer values

※ This plan is based on the company's internal forecasts and is subject to change depending on overall market conditions and regulatory landscape such as policy change post the US Presidential election, and the company's management circumstances

1) BaaS : Battery as a Service, 2) EaaS : Energy as a Service, 3) IPP : Independent Power Producer, 4) UPS : Uninterruptable Power Supply, 5) V2G : Vehicle to Grid



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