

LG Energy Solution  
The 3rd Annual General Meeting of Shareholders

# CEO Letter to Shareholders

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# CEO Message

Dear shareholders,

The year 2022 was a great starting point for us as we embarked on an adventure after being listed on Korea's main bourse KOSPI in January with the mission of starting a 'journey toward a greater future.'

To live up to this expectation, we have been ramping up efforts to maximize production capacity and clinching technical competitiveness with the capital we secured through the initial public offering.

Last year was not easy for many, as global recovery faced multiple challenges with the ongoing COVID-19 pandemic, supply disruptions adding weight to higher inflation and rising geopolitical tensions posing risks.

Despite these challenges, we managed to pull through and achieved all-time high revenue in 2022, while also making significant developments on environmental, social and corporate governance (ESG) fronts.

The success LG Energy Solution (LGES) has posted is greatly owed to the support and confidence displayed by our shareholders, employees and partner companies. I would like to take this opportunity to extend my sincerest gratitude to our shareholders for your immense trust and support of LGES.

## Record-breaking revenue, despite a disrupted environment

In 2022, we reached total revenue of KRW 25.6 trillion, up 43 percent on-year and setting an all-time high. Operating profit came in at KRW 1.2 trillion, a steady increase of 58 percent on-year. The company's operating profit margin reached 4.7 percent, up by 0.4 percentage points, over the same period.

The top-line growth was largely backed by our business strategy that catered to the robust demand for electric-vehicle (EV) batteries in the latter half of the year. Thanks to enhanced productivity across our global facilities and reflection of incremental costs into battery selling prices, we logged a powerful performance in operating profit.

On the back of the sound financial metrics, as well as with the capital generated through the IPO, we successfully secured a BBB+ rating from global credit company S&P, and a Baa1 rating from Moody's Investors Service.

We solidified our leadership by capturing new business opportunities with leading customers in North America such as General Motors, Stellantis and Honda Motor Co. As of the end of 2022, we have already achieved 200 gigawatt hours of annual production capacity globally and are the only battery manufacturer to establish production capabilities in six countries. We are also implementing joint venture projects with our key automotive partners, which amount to 230 gigawatts hours in North America, a core strategic business bedrock. With our unrivaled product competitiveness, the battery order backlog reached KRW 385 trillion as of the end of December last year, up by KRW 120 trillion compared to a year ago.

## Leading the ESG drive

Battery, by nature, is what makes clean energy — a tool that enables sustainable lifestyles for mankind. As a leading battery manufacturer, LGES is committed to promoting sustainability of its products and services across the entire value chain and delivering sustainable values to the society.

We strive to achieve carbon neutrality throughout the entire value chain, from raw material sourcing and manufacturing to recycling by the year 2050. Taking a step further, we aim to build a closed loop system for the reuse and recycling of batteries at all manufacturing sites by 2025 and continue strengthening partnership with competitive recycling companies around the world.

Under the belief that our employees are the most important customers, we are building an organizational culture of diversity, equity, and inclusion and fostering an environment where our employees can demonstrate and grow their capabilities and potential on our journey towards growth. We will keep supporting those armed with proactive mindset and enthusiasm to contribute to developing the best-in-class products and services, thus offering sustainable values.

### Action plans for another bullish business in 2023

Despite looming economic uncertainties across the board, we anticipate the demand for electric-vehicle batteries to persist in 2023, largely due to the growing trend of policy-driven de-globalization, as seen with the U.S. Inflation Reduction Act (IRA), among others.

As automakers play an active role in spurring the drive for electrification, coupled with clean energy programs introduced by many governments, we anticipate the global sales of EVs to go up by over mid-10% in 2023, on-year.

Our mid-to-long-term strategy centering on profitability and the addition of new customers has become our priority, especially with EV and ESS-driven expansion in the North American region, guided by green energy policies like the IRA.

LGES will commit to four major action plans this year, as we position ourselves as the world's leading battery manufacturer.

First, we will design unrivaled products to meet the needs of different markets and customer requirements. LGES will seal our position in the premium-quality battery sector while minimizing the gap in production costs of more affordable batteries.

Second, we will establish a stabilized production management system in all our facilities through logistics automation, remote support and intelligent manufacturing. With Smart Factory, we aim to successfully secure competitiveness in productivity and quality as well as manage personnel.

Third, we will work to set a framework aimed at securing an upper hand in cost competitiveness through direct investments in upstream supply chain partners as well as localizing raw material sourcing – all while working in tandem with clean energy policies like the IRA.

Lastly, LGES will spare no time in developing next-generation battery solutions encompassing everything from lithium-sulfur to all-solid-state batteries. We will also foster in-house ventures, the so-called Company-in-Company, that offers services based on data generated throughout the entire battery life cycle.

Dear Shareholders,

**LGES had many firsts on multiple fronts and was able to write history, owing to the trust and support displayed by our shareholders. Building upon our key strength of 'strong execution,' we will acquire a competitive edge, capable of drawing out a distinguished outcome, no matter the circumstances.**

**We will respond to your trust by becoming the number one firm in terms of profitability, building upon our unrivaled quality cost delivery to our customers.**

Thank you for your continued support,

Youngsoo Kwon,  
CEO of LG Energy Solution

