



Battery Production

# LG Energy Solution

Q2 2024 Earnings Conference Call

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# 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.

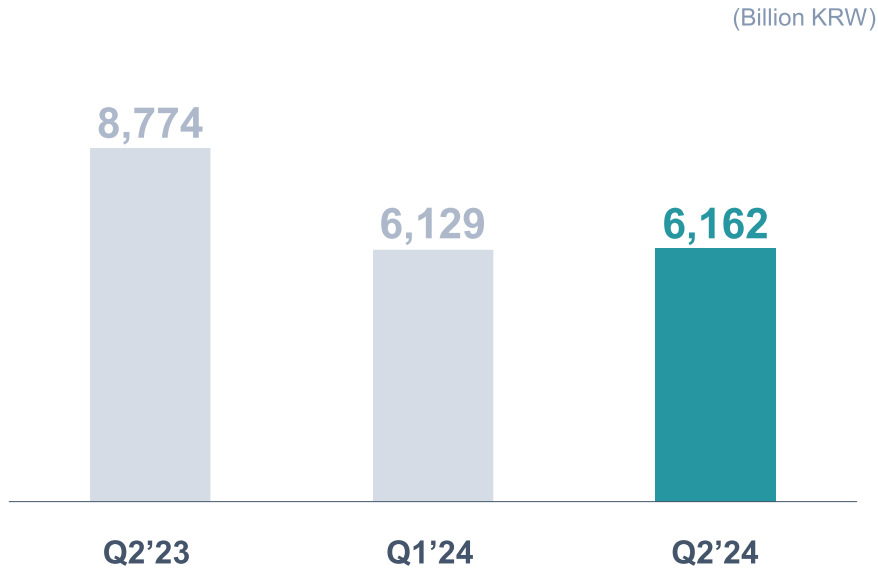


1

Financial Performance

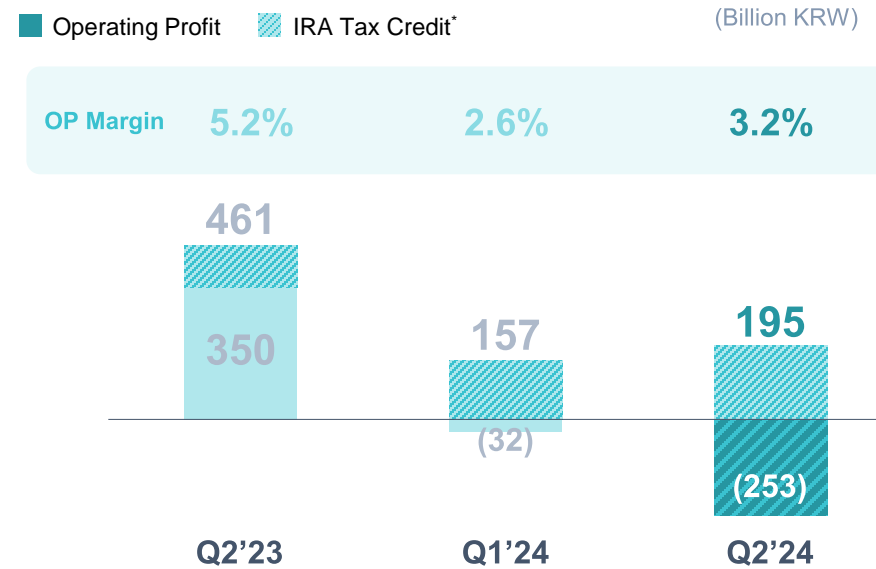
# Q2'24 Business Performance

## Revenue



Despite the ongoing trend of EV demand slowdown and the impact of declining metal prices on ASP, the Revenue remained similar to that of the prior quarter due to the shipment increase in response to the new EV model launch by the customer in N. America and revenue growth from ESS batteries for power grids.

## Operating Profit



Due to the cost burden of input raw material and fixed cost burden caused by utilization rate adjustment, the Operating Profit, excluding the IRA Tax Credit, declined QoQ. However, the operating profit including the IRA Tax Credit recorded KRW 195.3 billion with OP Margin of 3.2%. The IRA Tax Credit effect increased over two times QoQ to post KRW 447.8 billion thanks to the volume growth in North America.

\*IRA : Inflation Reduction Act

# Q2'24 Financial Position

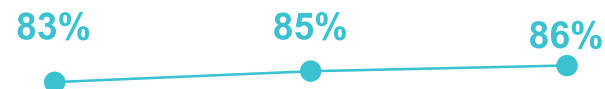
## Financial Position

(Billion KRW)

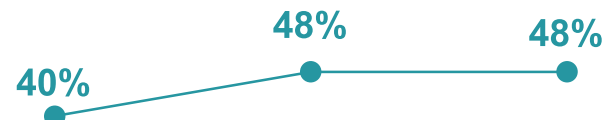
	Q2'23	Q1'24	Q2'24
Asset	42,395	49,275	51,501
Liabilities	19,266	22,571	23,869
Equity	23,129	26,705	27,632

## Leverage Ratios

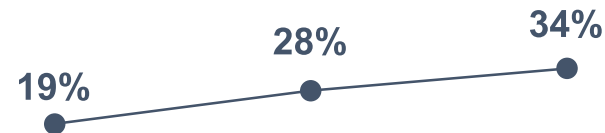
### Liabilities to Equity



### Debt to Equity



### Net Debt to Equity



Q2'23

Q1'24

Q2'24

# Q2'24 Cash Flow & EBITDA

## Cash Flow

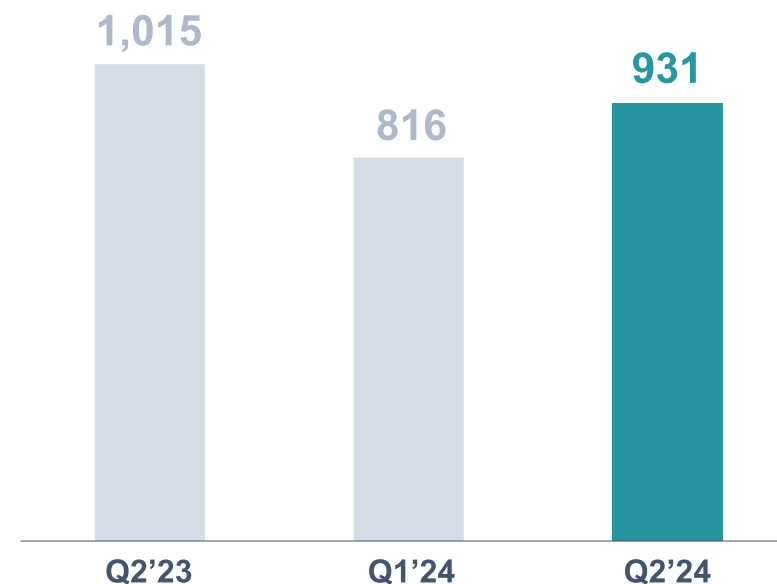
(Billion KRW)

	Q2'23	Q1'24	Q2'24
Beginning Cash Balance*	4,781	5,069	5,288
Cash Flow from Operating Activities	515	531	836
EBITDA	1,015	816	931
Working Capital	(418)	272	(505)
Cash Flow from Investing Activities	(2,120)	(3,465)	(2,776)
Capex	(2,364)	(2,903)	(2,885)
Cash Flow from Financing Activities	1,693	3,007	453
Net Changes in Cash	79	219	(1,417)
Ending Cash Balance*	4,860	5,288	3,871

## EBITDA

(Billion KRW)

EBITDA %    11.6%                      13.3%                      15.1%



\*Deposits held by financial institutions included





# 2

## Progress & Action Plan



# Q2'24 Progress



**EV**

## 1st Order Win for CTP<sup>1</sup> applied LFP Battery

- Sign off the first large-scale supply agreement of LFP batteries for EV (39GWh)
- Improve performance by applying CTP technology for the first time on pouch form factor
- Initiate our response to the affordable market by securing price competitiveness

## Successful Mass Production of JV<sup>2</sup> in Indonesia

- Start mass production and shipment via the 1st JV with Hyundai Motor Group
- Secure another production site in Asia



**ESS**

## Order Win for Grid-Scale ESS Battery Supply Project

- Sign off the ESS battery supply agreement for power grids in Arizona, US (4.8GWh)
- Support total ESS solution including System Integration (SI)
- Begin supply with NCM and gradually shift to LFP

1.CTP: Cell to Pack; 2. Production Capacity of 10GWh/Year

# Q2'24 Progress



## Supply Chain

### Reinforcement of the Raw Material Supply Chain

- Secure 1.75M tons of lithium spodumene through LTA<sup>1</sup> and investment in a lithium producer with mines in Australia
- Expand strategic partnership with the advanced quality upstream supplier
- Secure sustainable volume of IRA-compliant critical minerals



## R&D

### Development of AI Solution for Battery Cell Design

- Develop in-house battery cell design algorithms utilizing about 100K internal cell design data
- Reduce cost & increase efficiency by saving design time

### Enhancement of BMTS<sup>2</sup> Competitiveness

- Advance cell temperature measurement technology to improve charging speed, safety and lifespan



## Finance

### Securing of Investment Resources

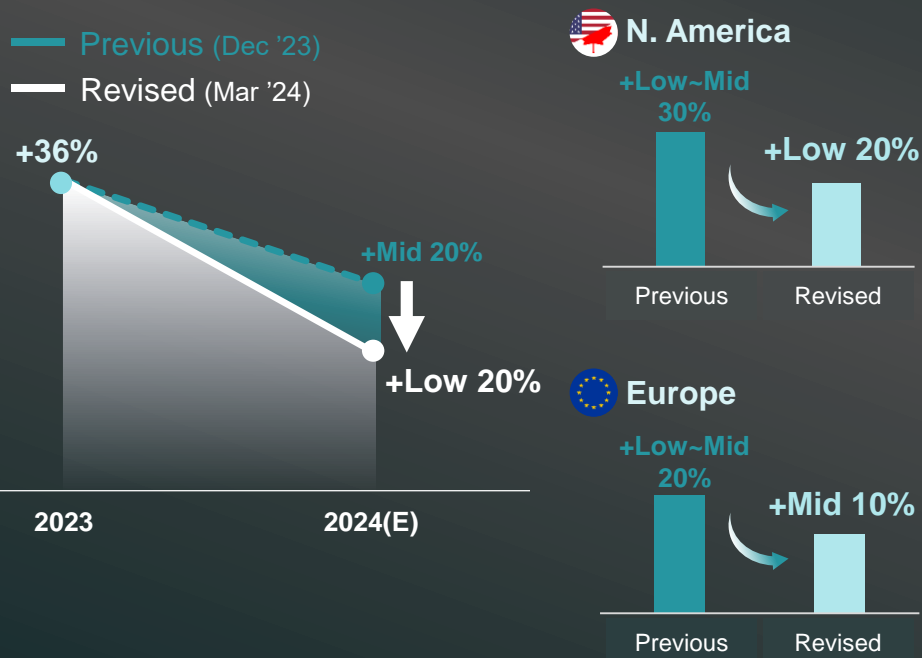
- Issue \$2B USD-denominated corporate bonds with favorable coupon rates
- Obtain financial resources for Capex to establish production sites and enhance future readiness
- Issue as Green Bond<sup>3</sup>

1.LTA: Long-Term Agreement; 2. BMTS: Battery Management Total Solution; 3.\$1.3B Green Bond out of \$2B bond issuance in total

# 2H'24 Market Outlook

## Global EV Demand |

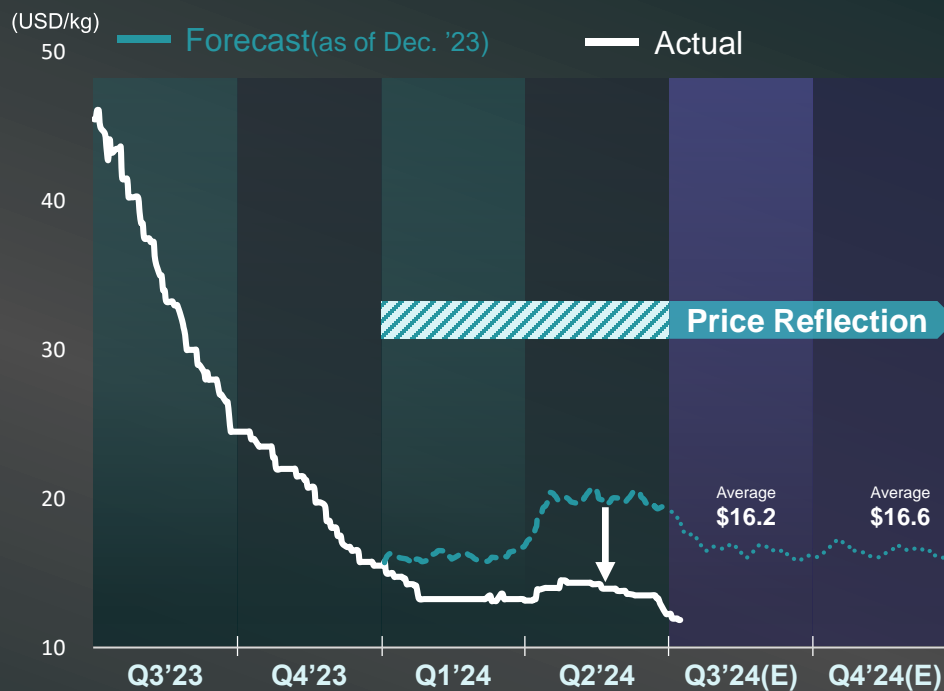
'24 Global EV<sup>1</sup> Market Growth Forecast (YoY, # of production units)



\* Source: Market Data, Company Forecast

## Metal Price |

Lithium Hydroxide Price Trend



\* Source: Fastmarkets



# Annual Guidance Update

## Revenue |

Slower than expected EV market growth & continued weak metal price

KRW 33.7 T

YoY  
over -20%



2023

2024(E)

## IRA Tax Credit |

Adjustment of ramp-up speed to respond to changes in customer demand and prevent excessive inventory in the US

Expected Capacity  
Eligible for Tax Credit in 2024

Previous 45~50GWh

New 30~35GWh

# 2H'24 Key Action Plan

1

- Maximize utilization rate by adjusting ramp-up speed, scaling down investment and converting existing lines for other application
- Execute Capex based on strategic priorities

2

- Secure differentiated product portfolio w/ 4680 introduction and expansion of ESS LFP production
- Accelerate future tech. development by setting up pilot lines for dry electrode production process

3

- Gain orders with new products such as LFP, High Voltage Mid-Ni and 46-series
- Expand ESS business and scope of service & SW based new businesses

4

- Expand direct sourcing scope, increase investment in the value chain and strengthen cooperation with cost leading suppliers
- Enhance production efficiency by simplifying production processes / advancing Smart Factory

## Expected Output



**Optimizing Operation & Improving Profitability**



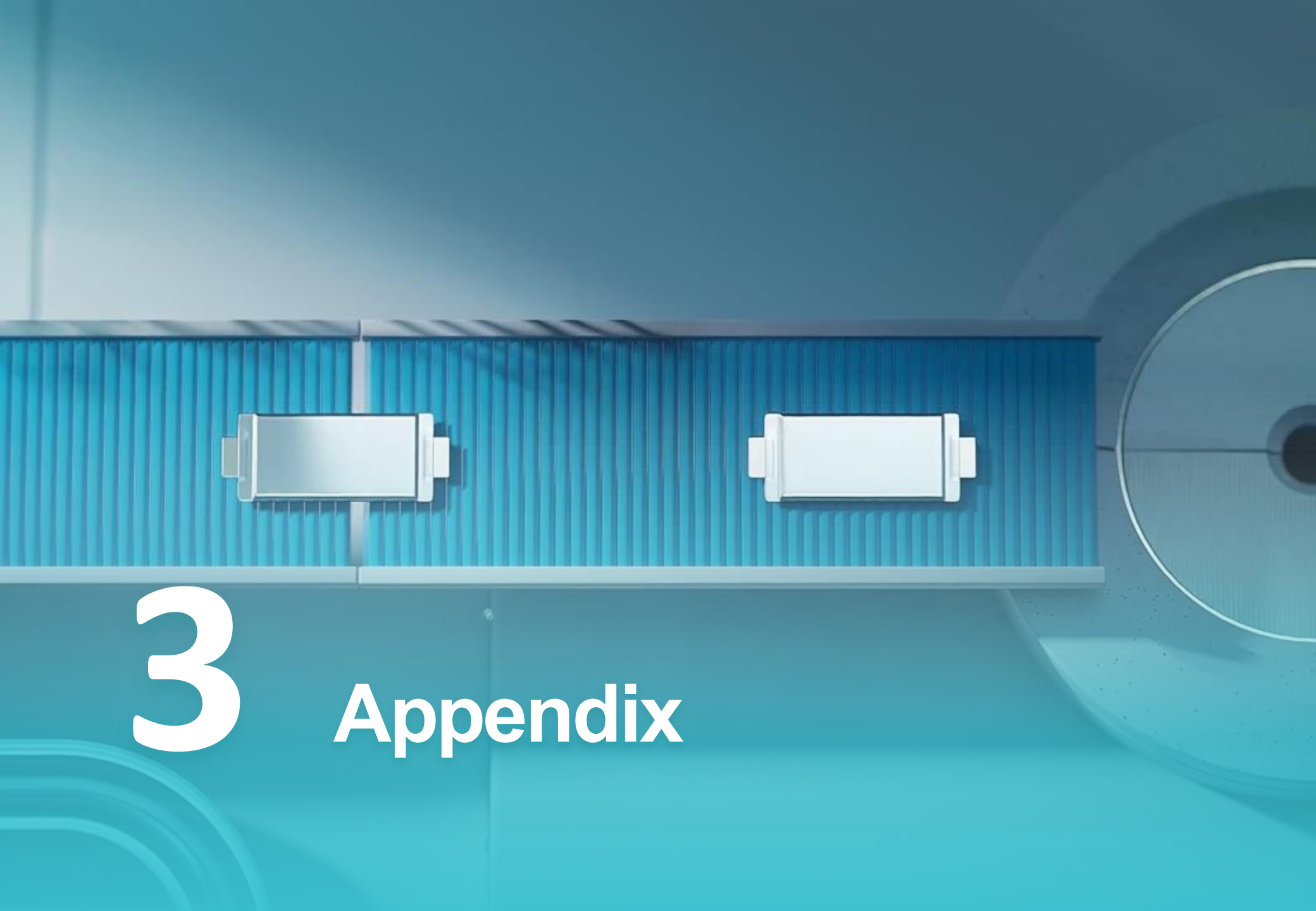
**Securing Product / Tech. Competitive Edge**



**Diversifying Customer / Business Portfolio**



**Improving Cost Competitiveness**



3

Appendix



# Appendix : Income Statement

(Billion KRW)

	2021	2022	2023				2024		
	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
<b>Revenue</b>	<b>17,852</b>	<b>25,599</b>	<b>8,747</b>	<b>8,774</b>	<b>8,224</b>	<b>8,001</b>	<b>33,745</b>	<b>6,129</b>	<b>6,162</b>
Cost of Goods Sold	13,953	21,308	7,453	7,439	6,882	7,028	28,802	5,205	5,469
<b>Gross Profit</b>	<b>3,899</b>	<b>4,291</b>	<b>1,294</b>	<b>1,334</b>	<b>1,342</b>	<b>973</b>	<b>4,943</b>	<b>924</b>	<b>693</b>
(%)	21.8%	16.8%	14.8%	15.2%	16.3%	12.2%	14.6%	15.1%	11.2%
SG&A	3,130	3,077	761	984	826	885	3,457	956	945
<b>Operating Profit(Loss)</b>	<b>768</b>	<b>1,214</b>	<b>633</b>	<b>461</b>	<b>731</b>	<b>338</b>	<b>2,163</b>	<b>157</b>	<b>195</b>
(%)	4.3%	4.7%	7.2%	5.2%	8.9%	4.2%	6.4%	2.6%	3.2%
<b>Operating Profit(Loss)</b> (Excluding IRA Tax Credit)	<b>768</b>	<b>1,214</b>	<b>533</b>	<b>350</b>	<b>516</b>	<b>88</b>	<b>1,486</b>	<b>(32)</b>	<b>(253)</b>
(%)	4.3%	4.7%	6.1%	4.0%	6.3%	1.1%	4.4%	(0.5%)	(4.1%)
<b>EBITDA</b>	<b>2,220</b>	<b>3,056</b>	<b>1,150</b>	<b>1,015</b>	<b>1,308</b>	<b>974</b>	<b>4,447</b>	<b>816</b>	<b>931</b>
(%)	12.4%	11.9%	13.1%	11.6%	15.9%	12.2%	13.2%	13.3%	15.1%
<b>Net Income before Tax</b>	<b>777</b>	<b>995</b>	<b>711</b>	<b>646</b>	<b>399</b>	<b>288</b>	<b>2,043</b>	<b>223</b>	<b>91</b>
(%)	4.4%	3.9%	8.1%	7.4%	4.9%	3.6%	6.1%	3.6%	1.5%
<b>Net Income(Loss)</b>	<b>930</b>	<b>780</b>	<b>562</b>	<b>465</b>	<b>421</b>	<b>190</b>	<b>1,638</b>	<b>212</b>	<b>(24)</b>
(%)	5.2%	3.0%	6.4%	5.3%	5.1%	2.4%	4.9%	3.5%	(0.4%)

# Appendix : Financial Position

(Billion KRW)

	2021	2022	2023				2024	
	FY	FY	Q1	Q2	Q3	Q4	Q1	Q2
<b>Assets</b>	<b>23,764</b>	<b>38,299</b>	<b>40,713</b>	<b>42,395</b>	<b>45,169</b>	<b>45,437</b>	<b>49,275</b>	<b>51,501</b>
Cash and Cash Equivalents, etc.*	1,284	5,938	4,781	4,860	4,875	5,069	5,288	3,871
Account Receivables	2,915	4,772	5,292	5,358	5,504	5,129	4,651	5,097
Inventory	3,896	6,996	7,475	7,221	6,944	5,396	5,658	5,552
PP&E	11,051	15,331	17,188	19,005	21,411	23,655	26,533	29,950
<b>Liabilities</b>	<b>15,022</b>	<b>17,706</b>	<b>18,666</b>	<b>19,266</b>	<b>20,501</b>	<b>21,064</b>	<b>22,571</b>	<b>23,869</b>
Account Payables	2,178	3,842	5,003	4,398	4,324	3,094	3,149	2,984
Debt	6,969	8,109	8,257	9,341	10,607	10,932	12,858	13,274
<b>Equity</b>	<b>8,742</b>	<b>20,594</b>	<b>22,048</b>	<b>23,129</b>	<b>24,668</b>	<b>24,374</b>	<b>26,705</b>	<b>27,632</b>
Share Capital	100	117	117	117	117	117	117	117
<b>Leverage Ratios</b>								
<b>Liabilities to Equity (%)</b>	172%	86%	85%	83%	83%	86%	85%	<b>86%</b>
<b>Debt to Equity (%)</b>	80%	39%	37%	40%	43%	45%	48%	<b>48%</b>
<b>Net Debt to Equity (%)</b>	65%	11%	16%	19%	23%	24%	28%	<b>34%</b>

\* Deposits held by financial institution included.

# Appendix : Cash Flow

(Billion KRW)

	2021	2022	2023				2024		
	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
<b>Beginning Cash Balance</b>	<b>2,093</b>	<b>1,284</b>	<b>5,938</b>	<b>4,781</b>	<b>4,860</b>	<b>4,875</b>	<b>5,938</b>	<b>5,069</b>	<b>5,288</b>
<b>Chas Flows from Operating Activities</b>	<b>979</b>	<b>(580)</b>	<b>781</b>	<b>515</b>	<b>476</b>	<b>2,672</b>	<b>4,444</b>	<b>531</b>	<b>836</b>
Operating Profit(Loss)	769	1,214	633	461	731	338	2,163	157	195
Depreciation	1,452	1,841	516	555	577	636	2,284	658	736
Working Capital	(1,251)	(3,293)	162	(418)	57	694	495	272	(505)
<b>Cash Flows from Investing Activities</b>	<b>(2,777)</b>	<b>(6,261)</b>	<b>(2,186)</b>	<b>(2,120)</b>	<b>(2,559)</b>	<b>(2,855)</b>	<b>(9,719)</b>	<b>(3,465)</b>	<b>(2,776)</b>
Capex	(4,032)	(6,291)	(1,810)	(2,364)	(3,471)	(3,245)	(10,891)	(2,903)	(2,885)
<b>Cash Flows from Financing Activities</b>	<b>883</b>	<b>11,415</b>	<b>205</b>	<b>1,693</b>	<b>1,999</b>	<b>458</b>	<b>4,355</b>	<b>3,007</b>	<b>453</b>
Borrowing/Repayment	810	1,140	148	1,083	1,266	326	2,823	1,925	416
<b>Net Changes in Cash</b>	<b>(809)</b>	<b>4,654</b>	<b>(1,157)</b>	<b>79</b>	<b>15</b>	<b>194</b>	<b>(869)</b>	<b>219</b>	<b>(1,417)</b>
<b>Ending Cash Balance</b>	<b>1,284</b>	<b>5,938</b>	<b>4,781</b>	<b>4,860</b>	<b>4,875</b>	<b>5,069</b>	<b>5,069</b>	<b>5,288</b>	<b>3,871</b>

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. Beginning/ending cash balance include deposits held by financial institute.





Battery Production

**Thank you**