SECTOR UPDATE

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Batteries (OVERWEIGHT)

EV pulse: Germany resumes EV subsidies– favorable for Chinese players

- On Jan 19, the German government confirmed the resumption of electric vehicle (EV) subsidy policies.
- The new policies focus on affordable EVs and do not impose origin restrictions, making them favorable for Chinese EV and battery makers.
- With more affordable EVs set to be launched in Europe from 2026, Korean battery makers need to accelerate their efforts to penetrate the mid- to low-end battery segment.

WHAT'S THE STORY?

Germany resumes EV subsidies: On Jan 19, the German Federal Environment Ministry finalized its 2026 EV subsidy policies. New EV registrations (BEVs, PHEVs, and EREVs; retroactively applied from Jan 1) are eligible for subsidies of up to EUR6,000. This marks the return of individual EV subsidies, which subsidies were discontinued after 2023.

- **Budget allocation:** The program should run over 2026-2029 (or until funds are exhausted), with a total budget of EUR3b projected to support 800,000 EVs.
- **Subsidy structure:** Subsidies will vary based on vehicle type (BEV, PHEV, EREV), household size (number of children), and household income, ranging from EUR1,500-6,000 per EV. BEV buyers should receive EUR3,000-6,000, while PHEV and EREV buyers should get EUR1,500-4,000.

Favorable for Chinese EV and battery makers: The subsidies target low- to middle-income households and do not exclude Chinese EV makers (unlike policies in the UK and France). As they should boost demand for affordable EVs—and the mid- to low-end batteries that power them—the subsidies should benefit Chinese companies. As such, the move may be seen as Germany's response to the easing trade tensions with China following Beijing's reduction in battery export tax rebates.

- **Subsidy coverage—20-25% of annual demand:** The Federal Environment Ministry estimates that 800,000 EVs will receive subsidies over 2026-2029 (200,000 *pa*). Given that German EV demand in 2025 is estimated at 868,000 units, this implies that subsidies will cover about 23% of total annual demand. We estimate that the subsidy will cover about 20-25% of annual demand.

(Continued on the next page)

▶ AT A GLANCE

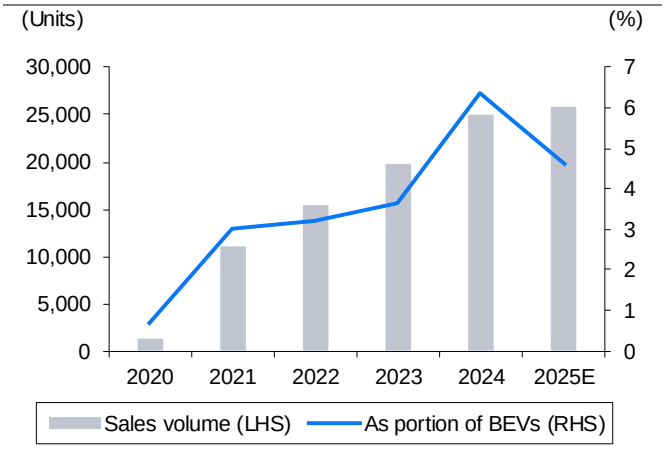
LG Energy Solution	(373220 KS, 403,000)	
Target price	KRW420,000	4.2%
HOLD		
SK Innovation	(096770 KS, 109,000)	
Target price	KRW130,000	19.3%
BUY		

- **No origin restrictions:** Unlike the UK and France, which have indirectly excluded Chinese EVs from subsidy programs, Germany's subsidies are open to all. BYD's EV market share (as a portion of the German BEV market) is rising rapidly, climbing from 0.5% in 2024 to 2.4% in 2025.

Favorable for Chinese players: Since the subsidies are not based on EV price but on the state of the household (*eg*, income), they should favor mid- to low-end models. Moreover, with VW Group, Hyundai Motor Group, and other automakers planning to launch affordable EVs (priced under EUR30,000) from 2026, the polices are expected to benefit Chinese EV and battery makers.

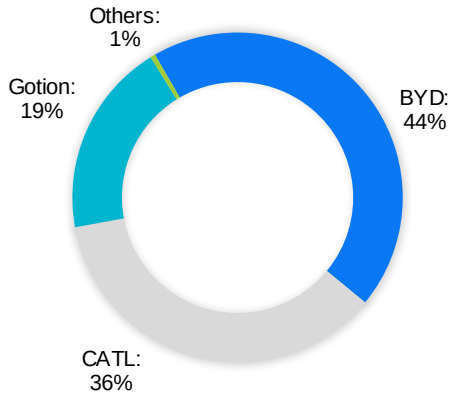
Korean players need to accelerate mid- to low-end battery strategy: In Germany, the LFP-powered BEV portion of EVs rose from 0.7% in 2020 (1,373 units) to 4.6% in 2025 (25,809 units). The German LFP battery market is dominated by Chinese companies: BYD holds a market share of 44% (as of 2025), CATL 36%, and Gotion 19%. While LG Energy Solution (LGES) should start supplying LFP batteries for use in Renault EVs this year, other Korean battery makers have no such LFP plans in the pipeline. With VW Group and other automakers set to launch LFP-based affordable EVs in 2026, the German subsidies should not prove particularly favorable for Korean battery companies. Korean players need to accelerate their penetration of the mid- to low-end battery segment.

German EV market: Sales of LFP-powered BEVs



Source: EV Volumes, Samsung Securities

German EV market: LFP battery market shares in 2025E



Source: EV Volumes, Samsung Securities

German Market: EV subsidy policy from 2026 onward

(Unit: EUR)		Households without children under 18	Households with 1 child under 18	Households with 2 or more children under 18
BEV				
Taxable	EUR 85,001-90,000	Not eligible	Not eligible	4,000
Annual	EUR 80,001-85,000	Not eligible	3,500	4,000
Household	EUR 60,001-80,000	3,000	3,500	4,000
Income	EUR 45,001-60,000	4,000	4,500	5,000
	EUR 0-45,000	5,000	5,500	6,000
PHEV and EREV				
Taxable	EUR 85,001-90,000	Not eligible	Not eligible	2,500
Annual	EUR 80,001-85,000	Not eligible	2,000	2,500
Household	EUR 60,001-80,000	1,500	2,000	2,500
Income	EUR 45,001-60,000	2,500	3,000	3,500
	EUR 0-45,000	3,500	4,000	4,000

Note: Subsidies for PHEV and EREV are granted only if CO_2 emissions are below 60 g/km or the all-electric driving range exceeds 80 km.
Source: German Federal Ministry for the Environment, Samsung Securities

German EV market: Sales volume and market share trend

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	Growth (%y-y)
Sales Volume (Units)												
VW Group	7,297	6,981	14,759	16,119	17,971	129,171	227,990	224,512	200,002	189,688	364,808	92.3
BMW Group	3,109	5,286	11,042	14,741	24,706	41,786	70,296	81,008	76,525	76,289	102,375	34.2
Mercedes-Benz Group	2,004	2,176	9,164	11,142	17,980	77,131	104,667	96,969	93,187	84,414	86,257	2.2
Stellantis	54	352	736	763	801	20,949	65,690	116,802	89,441	32,274	55,083	70.7
Hyundai Motor Group	3,911	1,520	5,041	8,123	10,023	30,832	56,806	77,987	55,260	37,409	50,544	35.1
Geely-Volvo Car Group	398	971	1,550	1,722	2,800	16,296	23,950	26,897	23,774	42,631	39,948	-6.3
Ford	15	19	37	17	11	7,708	21,482	35,210	17,367	17,377	38,601	122.1
R-N-M Alliance	5,714	7,047	8,430	12,734	22,079	48,250	61,611	69,968	36,139	18,049	27,523	52.5
BYD	0	0	0	0	0	0	0	0	4,027	2,773	20,939	655.1
Tesla	1,582	1,904	3,332	1,904	10,710	16,693	39,717	69,463	63,482	37,574	18,935	-49.6
Others	136	1,853	4,272	5,323	5,766	11,650	18,431	43,983	55,128	45,394	63,239	39.3
Total	**24,220**	**28,109**	**58,363**	**72,588**	**112,847**	**400,466**	**690,640**	**842,799**	**714,332**	**583,872**	**868,251**	**48.7**
Market Share (%)												
VW Group	30.1	24.8	25.3	22.2	15.9	32.3	33.0	26.6	28.0	32.5	42.0	9.5
BMW Group	12.8	18.8	18.9	20.3	21.9	10.4	10.2	9.6	10.7	13.1	11.8	-1.3
Mercedes-Benz Group	8.3	7.7	15.7	15.3	15.9	19.3	15.2	11.5	13.0	14.5	9.9	-4.5
Stellantis	0.2	1.3	1.3	1.1	0.7	5.2	9.5	13.9	12.5	5.5	6.3	0.8
Hyundai Motor Group	16.1	5.4	8.6	11.2	8.9	7.7	8.2	9.3	7.7	6.4	5.8	-0.6
Geely-Volvo Car Group	1.6	3.5	2.7	2.4	2.5	4.1	3.5	3.2	3.3	7.3	4.6	-2.7
Ford	0.1	0.1	0.1	0.0	0.0	1.9	3.1	4.2	2.4	3.0	4.4	1.5
R-N-M Alliance	23.6	25.1	14.4	17.5	19.6	12.0	8.9	8.3	5.1	3.1	3.2	0.1
BYD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.5	2.4	1.9
Tesla	6.5	6.8	5.7	2.6	9.5	4.2	5.8	8.2	8.9	6.4	2.2	-4.3
Others	0.6	6.6	7.3	7.3	5.1	2.9	2.7	5.2	7.7	7.8	7.3	-0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0

Note: Figures for 2025 are annualized based on cumulative sales for 11 months.
Source: EV Volumes, Samsung Securities

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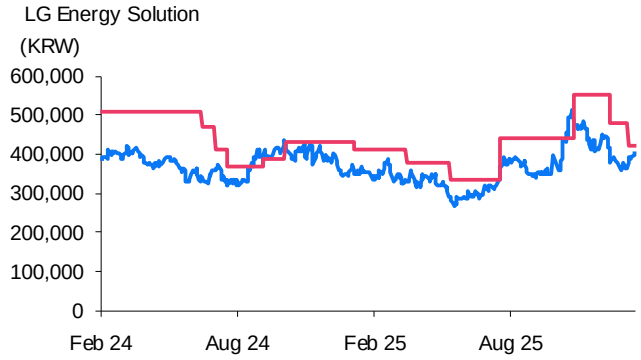
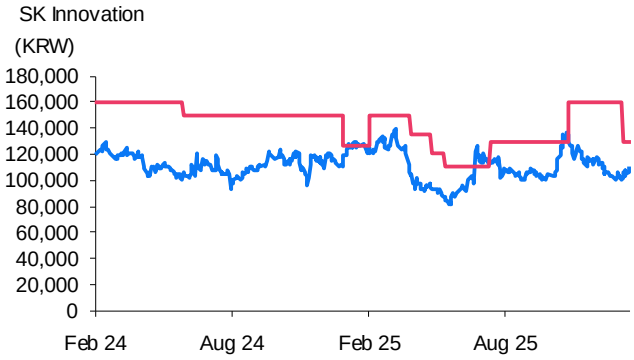
Target price changes in past two years





Rating changes over past two years (adjusted share prices)

LG Energy Solution												
Date	2023/12/14	2024/1/26	6/20	7/8	7/25	9/11	10/10	2025/1/10	3/21	5/19	7/25	10/31
Recommendation	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	BUY	HOLD
Target price (KRW)	580000	510000	470000	410000	370000	390000	430000	410000	380000	335000	440000	550000
Gap* (average)	-29.64	-25.18	-27.55	-15.22	-3.89	5.00	-9.14	-14.77	-12.67	-10.19	-12.74	-19.50
(max or min)**	-25.43	-17.75	-23.62	-8.54	11.35	0.38	-0.70	-5.98	-5.26	9.85	16.82	-11.91
Date	12/18	2026/1/12										
Recommendation	HOLD	HOLD										
Target price (KRW)	480000	420000										
Gap* (average)	-21.65											
(max or min)**	-18.65											

SK Innovation											
Date	2024/1/5	2/6	6/3	2025/1/3	2/7	4/3	5/2	5/19	7/18	10/31	2026/1/12
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	210000	160000	150000	127000	150000	135000	120000	110000	130000	160000	130000
Gap* (average)	-42.80	-28.30	-25.91	-1.18	-15.83	-28.78	-24.41	-8.33	-15.70	-29.28	
(max or min)**	-37.14	-19.44	-18.00	1.89	-7.20	-22.00	-22.08	15.00	5.38	-20.94	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Percentage of ratings in 12 months prior to 2025.12.31

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