

VARTA AG Group

Quarterly report Q1/2022

as at March 31, 2022

www.varta-ag.com



VARTA



VISION

We are defining the future of battery technology to empower a more independent life.

MISSION

Through continuous investment in research and development, we set the benchmark in battery technology and customization to strive for market leadership in our business segments.

VARTA AG – SELECTED GROUP KPIs

(€ k)	MARCH 31, 2022	MARCH 31, 2021
Revenue	185,291	204,298
EBITDA	37,130	59,752
Adjustments:		
Cost of share-based payment	4	143
Costs of M&A transactions	940	1
Adjusted EBITDA	38,074	59,896
Adjusted EBITDA Margin (%)	20.5%	29.3%
Net income	6,033	24,372
Earnings per share	0.15	0.60
Investments (CAPEX)	30,812	44,194
Free Cash Flow	-23,853	-52,420
Equity ratio*	36.5%	42.6%
Balance sheet total*	1,488,205	1,250,173
Employees at the end of quarter	4,724	4,593

* Comparison period relates to December 31, 2021



VARTA AG

VARTA AG produces and markets a comprehensive battery portfolio that ranges from microbatteries, household batteries and energy storage systems up to customer-specific battery solutions for a wide range of applications, setting the industry standards as technology leader in many important areas. As the parent company of the Group, it is active in the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments. The "Lithium-Ion Solutions & Microbatteries" segment focuses on the microbatteries business, lithium-ion CoinPower, lithium-ion large cells as well as the lithium-ion battery pack business. Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and microbatteries and is therefore a recognized innovation leader in the most important growth markets of lithium-ion technology and primary hearing aid batteries. The "Household Batteries" segment covers the battery business for end customers, and includes household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems. The VARTA AG Group currently employs around 4,700 employees. At present, VARTA AG's operating subsidiaries are active in more than 75 countries around the world, with five production and assembly facilities located in Europe and Asia as well as distribution centers in Asia, Europe and the USA.

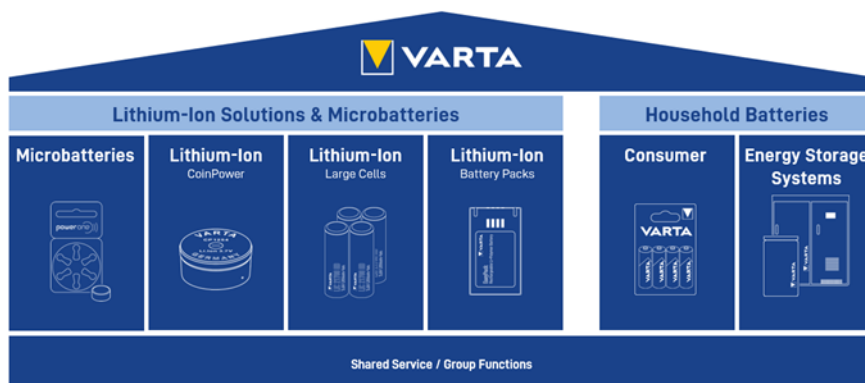
Lithium-Ion Solutions & Microbatteries

The "Lithium-Ion Solutions & Microbatteries" segment focuses on the microbatteries, lithium-ion CoinPower, lithium-ion large cells and lithium-ion battery pack business. The VARTA AG Group is a globally leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries. The Company boasts reputable firms as clients and manufactures batteries in numerous important electro-chemical systems as well as in a variety of structural shapes and sizes, while the range of applications extends from hearing aid batteries to wireless headsets, all the way through to automotive applications that operate on microbatteries. The Group can call on extensive industry experience in the construction of high-performance, safe and needs-based lithium battery packs within the Lithium-Ion Battery Packs segment – for medical technology, robotics, connectivity and telecommunications applications. The product portfolio ranges from customer-specific battery packs to fully configured standard batteries that can be used immediately.

Household Batteries

The "Household Batteries" segment covers the battery business for end customers and includes household device batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems. In the Consumer segment (household device batteries), VARTA AG is the European market leader, with a production site in Germany. The innovative, high-quality products are developed and manufactured with state-of-the-art technology and by leveraging the expertise of internationally qualified specialists. In addition to the innovative strength, the range of products, quality and design make the offer unique. For VARTA, an intensive focus on consumer lifestyles and close working relationships with retailers are essential to react quickly and flexibly to current device trends with the optimal energy solutions. Within the Energy Storage Systems business segment, VARTA contributes to the implementation of the energy revolution with the development and production of energy storage systems. The energy storage solutions developed by VARTA in the home and mass storage markets range from compact, basic models such as the wall-mounted VARTA pulse neo to large-scale storage solutions including the VARTA flex storage for commercial applications. The AC-coupled systems feature integrated battery inverters and can be combined with all sources of green energy without the need for additional PV inverters. As such, they are suitable for all new installations and retrofit projects. The smart energy management system also ensures optimal use of self-produced solar energy and is designed to significantly increase domestic solar power use.

VARTA AG Segments



Business development in the first three months

VARTA AG remains committed to annual targets despite global crises

- Group revenue still set to be between € 950 m and € 1 bn.
- First quarter of 2022 influenced by the war against Ukraine and long-term impacts of COVID-19.
- Revenue Q1 2022: € 185.3 m (Q1 2021: € 204.3 m).
- Adjusted EBITDA Q1 2022: € 38.1 m (Q1 2021: € 59.9 m).
- Increased stockpiling of raw materials and finished goods to ensure delivery capability.
- High demand for household batteries and high growth rates for energy storage systems continue.
- For Q2 2022, revenue is expected to total between € 195 m and € 205 m, with EBITDA in a corridor between € 34 m and € 38 m.

VARTA AG remains committed to its target of revenue growth. The technology company based in Ellwangen (Baden-Württemberg) expects to generate Group revenue of between € 950 m and € 1 bn in the current year, which would equate to growth of up to around 10 % in comparison with the previous year. VARTA will continue to invest in the expansion of its production capacities for lithium-ion batteries: At present, the Company is delivering tens of thousands of ultra-high-performance lithium-ion round cells per month from its pilot production line in Ellwangen to customers for release testing. For the small, rechargeable lithium-ion cells – CoinPower – the Company has the infrastructure in place to react fast and flexibly to customer demands.

Up to now, the ongoing global COVID-19 pandemic has not had any direct impact on VARTA's supply chains, and there have been no periods of production downtime at proprietary factories either. Moreover, the war against Ukraine is not directly impacting the Company. Nevertheless, indirect impacts from the pandemic and the war cannot be ruled out. Some VARTA customers have been affected by COVID-related disruptions in terms of deliveries of raw materials and semiconductors as well as local shutdowns of production facilities. The impact of rising raw material prices and energy costs as a result of the war against Ukraine are impacting revenue and profit and price increases can only be passed on to customers with a time delay.

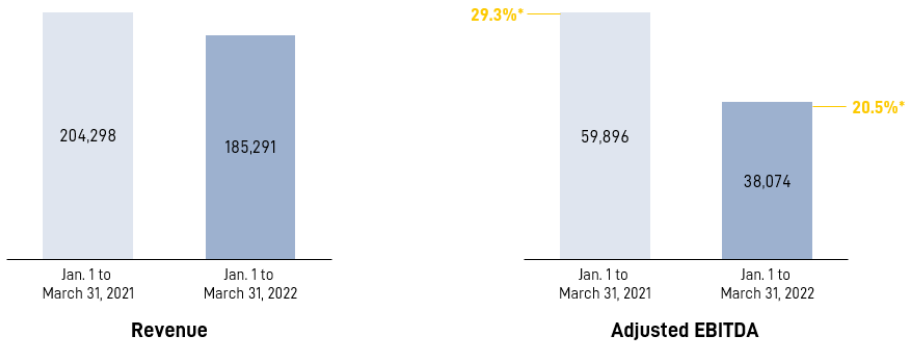
Herbert Schein, CEO of VARTA AG: "VARTA is continuing to invest in our lithium-ion business and we are expanding our portfolio. Our strength lies in our innovative capacity, as we are currently demonstrating with our large-format lithium-ion round cells. Here, we are offering strategic advantages, just like we have done with CoinPower. Customer interest here is huge. VARTA cells allow them to manufacture and market new and improved products in areas such as home and garden, power tools, industrial applications and in the automotive sector."

Armin Hessenberger, CFO of VARTA AG: "VARTA is and remains a very healthy company – although we are not immune to global crises either. Rising costs for raw materials and energy can only be passed on to customers with a delay, while project and set-up costs in connection with large-format lithium-ion cells, for which we expect to generate initial revenue in 2024, are also curbing revenue and profit."

Rainer Hald, CTO of VARTA AG: "The pilot production line for our ultra-high-performance lithium-ion round cells is going very well. Our customers are already successfully testing these cells in various applications. However, we are also implementing our innovation strategy in other areas, and will present further innovations and improvements over the course of this year."

Revenue & Adjusted EBITDA

(IN K€, unaudited)



*Margin: Adjusted EBITDA to revenue

1. Development of Financial Position and Financial Performance

1.1. Financial Performance

Consolidated income statement for the period January 1st – March 31st 2022 (unaudited)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	MARCH 31, 2022	MARCH 31, 2021
Sales revenue	185,291	204,298
Increase in finished and unfinished goods	32,398	12,552
Own work capitalized	2,669	724
Other operating income	20,368	10,361
Cost of materials	-97,671	-79,456
Personnel expenses	-68,202	-63,536
Other operating expenses	-37,723	-25,191
EBITDA	37,130	59,752
Depreciation and amortization	-25,446	-22,208
Operating income (EBIT)	11,684	37,544
Financial income	335	17
Financial expenses	-1,478	-669
Other financial income	258	185
Other financial expenses	-778	-3,165
Financial result	-1,663	-3,632
Earnings before taxes	10,021	33,912
Income taxes	-3,988	-9,540
Net income	6,033	24,372
Appropriation of profit:		
Shareholders of VARTA AG	6,033	24,332
Non-controlling interests	0	40

Revenue

In first quarter of fiscal year 2022, revenue at the VARTA AG Group dropped by 9.3 % in comparison with the same period of the previous year, falling from € 204.3 m to € 185.3 m. The war in Ukraine and assessments regarding to its future development, in addition to the increased cost of raw materials and energy triggered by this crisis as well as production disruptions at our customers have all had an adverse impact on this result. VARTA has directed its efforts at counteracting potential interruptions in its own supply chains by increasing the stockpiling of raw materials totaling roughly € 8.0m in the first three months. In terms of increased costs, it is not yet clear when and to what extent these can be offset by raising prices.

Revenue in the "Lithium-Ion Solutions & Microbatteries" segment decreased from € 121.9 m in the previous year by 27.5 % to € 88.4 m in the current year. Pandemic-related production disruptions at our customers led to reduced demand for CoinPower cells, particularly for wireless premium headsets (TWS). In addition, our customers have reacted to the global shortage of semiconductors by using the electronic components available to them more selectively. As expected, no new major customer projects involving rechargeable lithium-ion cells for high-tech consumer products on the market were launched. However, we expect projects of this kind to be launched in the second half of 2022.

Revenue in the "Household Batteries" segment rose from € 82.4 m to € 96.9 m, reflecting growth of € 14.5 m overall. The high demand for household batteries and the very high growth rates in the area of energy storage solutions contributed to this positive development.

Expenses and other operating income

In the first quarter, the cost of materials totaled € 97.7 m in comparison with € 79.5 m in the prior year. This equates to growth of 22.9 %. The cost of materials ratio in relation to total output (sales plus increase in finished goods and work in progress) rose from 36.6 % to 44.9 %. This above-average rise in the cost of materials ratio is the result of increased prices for raw materials and changes to the product mix. Restrained demand for CoinPower cells led to an increased share of products that contain a higher degree of raw materials.

Personnel expenses rose by 7.3 % from € 63.5 m to € 68.2 m. The reason for this is the increase in personnel costs owing to a higher number of employees, which increased from 4,593 members of staff to 4,724 members of staff.

Other operating expenses rose from € 25.2 m by 49.7 % to € 37.7 m overall. This development is attributable in particular to the rise in legal and consulting costs in connection with patent law disputes amounting to € 2.4 m. As a result of increasing digitalization and the associated costs for data security, expenses in connection with IT services increased by € 1.2 m. A total of € 2.4 m was spent on additional energy costs, fluctuating exchange rates accounted for a rise of € 2.0 m with a total of € 2.3 m accounted for by general expenses.

Other operating income rose by € 10.0 m from € 10.4 m in the prior year to € 20.4 m in 2022. In the first three months of 2022, income from subsidies and government grants totaled € 19.4 m, increasing by € 10.5 m year on year in the process. This increase essentially relates to the "Important Project of Common European Interest on Batteries" (IPCEI).

EBITDA

EBITDA (earnings before interest, taxes, and depreciation and amortization) fell from € 59.8 m to € 37.1 m. The negative influence factors that apply on a global level as described above, were essentially responsible for this development.

Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is a suitable control variable for the Executive Board to assess the operating earnings capacity of the Group and/or the two segments. As special effects, both non-cash expenses for share-based remuneration and expenses from M&A transactions were adjusted. The following table shows the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	MARCH 31, 2022	MARCH 31, 2021
EBITDA	37,130	59,752
Expenses from share-based remuneration	4	143
Expenses for M&A transactions - VARTA AG Group	940	1
adjusted EBITDA	38,074	59,896

The development of adjusted EBITDA is essentially in line with that of EBITDA. The amount of the adjustments is insignificant overall.

Operating income (EBIT)

Operating income totaled € 11.7 m in the first three months of the year, having accordingly declined year on year (Q1 2021: € 37.5 m). The main effect of the reduction in operating income is attributable to operating business and the negative influencing factors described above. Depreciation and amortization rose by € 3.2 m in comparison with the prior-year period on the back of increased investments for the planned expansion of production capacities last year.

Financial result

The financial result improved from € -3.6 m in the first three month of 2021 to € -1.7 m as at March 31, 2022. Lower foreign exchange losses of approximately € 2.0 m were the key factor behind this development.

Taxes

The tax expenses is lower due to the development of the result. Overall, tax expenses declined from € 9.5 m in the first quarter of 2021 to total € 4.0 m as at March 31, 2022. This produced an effective tax ratio of 39.8 % (Q1 2021: 28.1 %) in relation to the pre-tax result. This ratio is expected to significantly improve over the course of the remaining nine months of the year.

Consolidated result

The consolidated result was accordingly down on the value recorded in the first three months of the previous year and amounts to € 6.0 m (2021: € 24.4 m).

1.2. Financial Position

Consolidated balance sheet as at March 31, 2022 (unaudited)

(€ k)	MARCH 31, 2022	DECEMBER 31, 2021
ASSETS		
Non-current assets	847,789	806,312
Current assets	640,416	443,861
Total assets	1,488,205	1,250,173
(€ k)	MARCH 31, 2022	DECEMBER 31, 2021
EQUITY AND LIABILITIES		
Equity	542,592	532,496
Total liabilities	945,613	717,677
Non-current liabilities	533,094	289,917
Current liabilities	412,519	427,760
Total equity and liabilities	1,488,205	1,250,173

Non-current assets

Non-current assets increased by € 41.5 m from € 806.3 m as at year-end 2021 to € 847.8 m in the year under review. This rise mainly results from the increase in other assets due to the addition of the reimbursement right arising from the accession to debt between VARTA Consumer Batteries GmbH & Co. KGaA with VC Pensionen GmbH, Ellwangen, (Germany), in the amount of € 28.7 m. Moreover property, plant and equipment rose from € 711.3 m to € 720.9 m as of March 31, 2022. The reason of this development was the investment program launched in 2019 to expand capacities, which has seen production capacities increased at existing production facilities in Germany.

Current assets

Current assets rose from € 443.9 m as at the reporting date in 2021 by € 196.6 m to € 640.4 m as of March 31, 2022. The variation here essentially results from the cash inflow from the issue of the promissory note loan in the amount of € 250.0 m. As at the reporting date in the period under review, these funds were still fully contained in cash and cash equivalents. However, trade receivables fell by € 73.2 m, a development which can be attributed to the very strong result in this context recorded in the fourth quarter of 2021.

Equity/equity ratio

Equity rose from € 532.5 m as of December 31, 2021 to € 542.6 m as of March 31, 2022. As of the reporting date, the equity ratio stood at 36.5 % (2021: 42.6 %). The decline in the equity ratio is essentially due to borrowing in connection with a long-term promissory note loan in the amount of € 250.0m, which accounted for an increase in the balance sheet total of the same amount. This financing is available for investment activities connected with the capacity expansion program.

Non-current liabilities

Non-current liabilities rose by € 243.2 m from € 289.9 m as of December 31, 2021 to € 533.1 m in the reporting period. The growth here is primarily attributable to borrowing of € 250.0m in the form of a promissory note loan.

Current liabilities

As at March 31, 2022, current liabilities decreased only marginally from € 427.8 m to € 412.5 m.

Net working capital

Net Working Capital improved slightly from € 134.2 m at year-end 2021 to € 126.9 m as of March 31, 2022. This equates to a decrease of € 7.3 m compared to the prior year. The net working capital ratio is calculated as a ratio of net sales for the past three months extrapolated to one year and stands at 17.1 % as of March 31, 2022 (December 31, 2021: 12.0 %). The change in the net working capital ratio by 5.1 percentage points is mainly due to the fact that, as experience has shown, the fourth quarter of a financial year tends to be much stronger.

Cash flow statement

(€ k)

	MARCH 31, 2022	MARCH 31, 2021
Cash and cash equivalents as at January 1	73,107	121,889
Cash flow from operating activities	22,092	-3,880
Cash flow from investing activities	-45,945	-48,540
Cash flow from financing activities	228,397	2,196
Net change in cash and cash equivalents	204,544	-50,224
Effects of exchange rate fluctuations	261	1,168
Cash and cash equivalents as at March 31	277,912	72,833

Cash flow from operating activities in the first three months of financial year 2022 amounts to € 22.1 m and is therefore € -26.0 m up on the value recorded in the prior year period. This is above all attributable to the cash-effective reduction in trade payables and other current and non-current liabilities of € -14.5 m, the decrease in provisions and personnel related accruals in the amount of € -8.2 m, the decline in trade receivables and the other current assets totaling € -50.6 m, increased inventories in the amount of € 32.0 m and a reduction in the amount of income tax paid of € -6.4 m. This was offset by the development in depreciation and amortization, which rose from € 22.2 m in the first quarter of 2021 to € 25.4 m as at March 31, 2022, and the decline in operating earnings of € -23.9 m in comparison with the previous year.

The cash flow from investing activities decreased from € -48.5 m to € -45.9 m and is therefore more or less on a par with the level recorded in the prior-year period. Payment outflows in connection with investments in intangible assets and property, plant and equipment (CAPEX) amounted to € 30.8 m (Q1 2021: € 44.2 m) and therefore declined in line with our expectations. In January 2022, the first part payment of the accession to debt between VARTA Consumer Batteries GmbH & Co. KGaA and VC Pensionen GmbH, Ellwangen, (Germany) in the amount of € 14.0 m was made.

Cash flow from financing activities improved in the period under review from € 2.2 m in 2021 to € 228.4 m in 2022. Taking out the promissory note loan in the amount of € 250.0 m, to help finance the expansion of production capacities, is the primary reason for this development.

As of the reporting date of March 31, 2022, cash and cash equivalents amounts to a total of € 277.9 m (2021: € 72.8 m). This item contains in full the cash inflow associated with the promissory note loan.

2. Financial Performance: Segments

The Company is active in the „Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments. The former comprises the microbatteries business, lithium-ion Coin Power, lithium-ion large cells and lithium-ion battery packs, while the latter covers the Consumer Batteries and Energy Storage Systems business areas. VARTA is also very well positioned in the face of the ongoing global COVID-19 pandemic

and fluctuating infection rates. In line with customer demand, production activities at proprietary facilities have continued without serious interruption since the start of the pandemic.

Around the world, many of our customers have faced major challenges. The war in Ukraine, rising costs in terms of raw materials and energy prices triggered by this crisis, occasional production interruptions due to the ongoing pandemic and the shortage of semiconductors has led to some of our customers suspending production activities and therefore depressed demand for our batteries as a result. Our OEM customers were above all impacted by this, whereas the direct consumer business developed positively.

Lithium-Ion Solutions & Microbatteries

	MARCH 31, 2022	MARCH 31, 2021	Change
Sales revenue (€ k)	88,422	121,914	-27.5%
Adjusted EBITDA (€ k)	26,664	45,875	-41.9%
Adjusted EBITDA margin %	30.2%	37.6%	-7.4 PP

In the first quarter of 2022, revenue in the "Lithium-Ion Solutions & Microbatteries" segment totaled € 88.4 m, which equates to a sales decline of -27.5 %. The current situation is compromising the fundamentally sound demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the area of Lithium-Ion CoinPower. VARTA is reacting to the restrained demand with temporary capacity adjustments and cost savings but is able to return to full capacity utilization at short notice and can also take advantage of additional growth opportunities through the short-term expansion of production capacities. In the second half of the year, new products are expected to be launched that should contribute to a significant upturn in business.

Across the first three months of financial year 2022, adjusted EBITDA fell from € 45.9 m to € 26.7 m, in comparison with the same period in the previous year, which represents a disproportionately sharp decline in comparison with revenue development. This development can be ascribed to the caution shown by our customers in the TWS area described above.

Household Batteries

	MARCH 31, 2022	MARCH 31, 2021	Change
Sales revenue (€ k)	96,869	82,387	17.6%
Adjusted EBITDA (€ k)	11,409	13,935	-18.1%
Adjusted EBITDA margin %	11.8%	16.9%	-5.1 PP

The "Household Batteries" segment comprises the Consumer Batteries business and Energy Storage Systems. Sales in the "Household Batteries" segment in the first three months of 2022 rose from € 82.4 m to € 96.9 m versus the prior-year period. This equates to revenue growth of 17.6 %. Adjusted EBITDA fell by € 2.5 m from € 13.9 m to € 11.4 m which equates to a decline of 18.1 %. The significant increase in the prices of raw material and purchased products has had a negative impact.

The Consumer Batteries segment is continuing to benefit from high demand, registering revenue growth in the double-digit percentage range here. In the reporting year, the Energy Storage Systems business again recorded highly dynamic growth and continued to profit from the sustained high demand for home storage systems. The adjusted EBITDA margin stands at 11.8 % in relation to revenue, which corresponds to an improvement totaling 2.1 percentage points in comparison with the previous year.

3. Employees

The number of employees across the entire Group changed only marginally, increasing from 4,593 members of staff in the first quarter of the previous year to 4,724 members of staff as at March 31, 2022.

4. Outlook

The structural growth of the core markets, the company's strong market position in these core markets according to its own assessment and the continued high level of investments in the expansion of production capacities will lead to a positive business development in 2022. This outlook is based on the assumption of constant exchange rates.

Despite the ongoing global COVID-19 pandemic and fluctuating infection rates, the Company remains very well positioned. Production activities at proprietary facilities have continued without interruption since the start of the crisis. Although many companies around the world have suffered supply chain interruptions, VARTA has been able to maintain its supply chains at all times. Nevertheless, negative impacts on the VARTA AG Group are unable to be totally ruled out.

At present, the war in Ukraine and assessment of future developments are difficult to evaluate in terms of their impact on the Company. The share of revenue attributable to Ukraine, Belarus and Russia is less than 1% of consolidated revenue and takes place exclusively via supply contracts. The company does not operate its own plants in these countries. VARTA also does not maintain any supplier relationships on the procurement side. As such, the potential negative impact from this crisis area is currently assessed as low.

Increased prices for raw materials and energy resulting from this crisis cannot be estimated, nor whether these will have a lasting effect. The Company is confident to be able to pass these cost increases on to customers in the form of increased prices. This will only be implemented with a time delay and is dependent on the market and competitive situation and can thus lead to a negative impact on the earnings situation. Possible supply chain interruptions are being counteracted by increased stockpiling of raw materials. In the event of longer-lasting interruptions or persistently rising raw material prices, production interruptions or negative impacts on revenue and profit cannot be ruled out.

It can also not be ruled out that our customers are temporarily unable to accept deliveries of our products due to disrupted production processes at their own sites. This may be caused by the ongoing pandemic. In addition, there is a very high demand for semiconductors worldwide, which is leading to production interruptions or in some cases causing manufacturers to selectively use the electronic components available to them.

Overall statement on future development

The guidance presented below was published on March 31, 2022. It was developed at a time when the extent of the military conflict in Ukraine could not be reliably assessed. Developments to date have not led to any adjustment of our assessment.

VARTA AG Group

In view of the diverse risk situation, Group revenue of between € 950 m and € 1.0 bn is expected for 2022. This equates to growth of up to around 10 % against the previous year.

Adjusted operating earnings (EBITDA) is anticipated to total between € 260 m and € 280 m compared to € 282.9 m in the past financial year. The risk situation outlined

above and set-up costs in connection with V4Drive cells impact the Company's profit development.

VARTA continues to invest in the expansion of its production capacities for lithium-ion batteries, with a focus on the following two aspects: After the completion of the pilot production line for V4Drive round cells, the focus will be on establishing additional highly automated production capacities in order to be able to fulfill existing and expected future OEM contracts. The capacities for CoinPower cells (TWS) will be increased in line with the demand situation. This can be implemented at short notice thanks to the new building opened at the Nördlingen site in 2021.

CAPEX – cash outflows for the purchase of intangible assets and property, plant and equipment – will exceed the level recorded in fiscal year 2021 and, depending on the investment requirement for V4Drive cells, could amount to between € 230 m and € 280 m in the current year.

Lithium-Ion Solutions & Microbatteries segment

The focus of the "Lithium-Ion Solutions & Microbatteries" segment is on OEM business with lithium-ion and zinc-air batteries in addition to the Lithium-Ion Battery Packs business.

The current situation is affecting the fundamentally good demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the area of Lithium-Ion CoinPower applications. VARTA can take advantage of growth opportunities through the short-term expansion of production capacities. In the hearing aid batteries business, the company intends to further consolidate its market-leading position in a market subject to structural growth. The Company expects moderate growth in the area of zinc-air batteries and will benefit from its highly automated and efficient production plants. The structural transition towards rechargeable hearing aid batteries will again lead to high growth rates in 2022 in the rechargeable area. In terms of the Lithium-Ion Battery Packs business, very high growth rates are anticipated.

The "Lithium-Ion Solutions & Microbatteries" segment will continue to record significant growth in fiscal year 2022 on a comparable basis. The focus of this growth is expected to be on the second half of the year. Due to the set-up costs associated with V4Drive cells, adjusted EBITDA is likely to be on a par with the prior year.

Household Batteries segment

The "Household Batteries" segment consists of the two business areas Consumer and Energy Storage Systems. Its focus is on Consumer business with its own sales, marketing and production.

The Consumer business will record further growth in fiscal year 2022, with a particular emphasis in this context on further expanding the brand business. Very significant revenue growth is expected in the area of stationary energy storage systems, which should at least match the level of market growth.

The "Household Batteries" segment will record growth in fiscal year 2022 that is comparable with that seen in 2021. Adjusted EBITDA will be more or less on a par with the level recorded in the previous year. However, increased raw materials prices and exchange rate fluctuations will have a negative impact here.

Our long-standing experience over many years in the battery business is factored into the opportunity and risk guidance mapping further business development. This report contains information and guidance referring to the company's future development. However, it must be noted that actual results may vary greatly from the expectations surrounding the projected developments.

Consolidated statement of financial position as at March 31, 2022 (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

MARCH 31, 2022

DECEMBER 31, 2021

ASSETS

Property, plant and equipment	720,902	711,346
Intangible assets	72,672	71,227
Long-term investments and other participations recognized in the balance sheet under the equity method	60	60
Deferred tax assets	9,849	6,035
Other assets	44,306	17,644
Non-current assets	847,789	806,312
Inventories	198,683	157,110
Contract assets	4,887	6,736
Trade receivables	89,705	162,903
Other financial assets	481	108
Tax refund claims	8,473	3,764
Other assets	60,275	40,133
Cash and cash equivalents	277,912	73,107
Current assets	640,416	443,861
Total assets	1,488,205	1,250,173

(€ k)

MARCH 31, 2022

DECEMBER 31, 2021

EQUITY AND LIABILITIES

Subscribed capital	40,422	40,422
Capital reserve	252,279	252,275
Retained earnings	240,517	111,009
Net income	6,033	125,956
Other reserves	3,341	2,834
Equity of the VARTA AG Group	542,592	532,496
Lease liabilities	81,605	80,710
Other financial liabilities	367,179	117,990
Provisions for employee benefits	61,884	68,837
Advance payments received	8,283	14,208
Deferred tax liabilities	8,525	2,397
Other provisions	2,897	2,897
Accruals	2,721	2,878
Non-current liabilities	533,094	289,917
Tax liabilities	48,726	50,540
Lease liabilities	17,648	16,995
Other financial liabilities	77,483	85,785
Provisions for employee benefits	3,531	3,442
Contract liabilities	4,197	4,374
Trade payables and advance payments received	119,594	132,132
Other liabilities	36,867	22,747
Other provisions	15,574	19,197
Accruals	88,899	92,548
Current liabilities	412,519	427,760
Liabilities	945,613	717,677
Equity and total liabilities	1,488,205	1,250,173

Consolidated income statement for the period January 1, 2022 to March 31, 2022 (unaudited)
 VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	MARCH 31, 2022	MARCH 31, 2021
Sales revenue	185,291	204,298
Increase in finished and unfinished goods	32,398	12,552
Own work capitalized	2,669	724
Other operating income	20,368	10,361
Cost of materials	-97,671	-79,456
Personnel expenses	-68,202	-63,536
Other operating expenses	-37,723	-25,191
EBITDA	37,130	59,752
Depreciation and amortization	-25,446	-22,208
Operating income (EBIT)	11,684	37,544
Financial income	335	17
Financial expenses	-1,478	-669
Other financial income	258	185
Other financial expenses	-778	-3,165
Financial result	-1,663	-3,632
Earnings before taxes	10,021	33,912
Income taxes	-3,988	-9,540
Net Income	6,033	24,372
Appropriation of profit:		
Shareholders of VARTA AG	6,033	24,332
Non-controlling interests	0	40

Explanatory notes to the quarterly report

The condensed consolidated interim financial statements were prepared on the basis of all IAS / IFRS published by the International Accounting Standards Board (IASB) that were applicable on the reporting date as well as all interpretations (IFRIC / SIC) drawn up by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, provided these have been adopted by the European Union through the endorsement process. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements prepared as at December 31, 2021.

The condensed consolidated interim financial statements as at March 31, 2022 and the Group Interim Management Report have neither been audited in accordance with section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Financial calendar

Financial statements 2021
Interim statement Q1 2022
Annual General Meeting
Half-year report 2022
Interim statement Q3 2022

March 31, 2022
May 12, 2022
June 21, 2022
August 11, 2022
November 15, 2022

Imprint

Quarterly report Q1 2022:

<https://www.varta-ag.com/en/investoren/publications>

Investor Relations

VARTA AG

Bernhard Wolf

T: +49 79 61 921 2969

E: bernhard.wolf@varta-ag.com

Corporate Communications

VARTA AG

Dr. Christian Kuczniarz

T: +49 79 61 921 2727

E: christian.kuczniarz@varta-ag.com