

VARTA AG Group

Quarterly Report Q3/2022

as of 30 September 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)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
Revenue	570,726	622,326
EBITDA	64,307	181,974
Adjustments:		
Cost of share-based payment	13	428
Costs of M&A transactions	2,041	71
Adjusted EBITDA	66,361	182,473
Adjusted EBITDA Margin (%)	11.6%	29.3%
Net income	-20,134	75,886
Earnings per share	-0.50	1.87
Investments (CAPEX)	91,350	138,659
Free Cash Flow	-156,695	-171,211
Equity ratio*	31.1%	42.6%
Balance sheet total*	1,358,909	1,250,173
Employees at the end of quarter	4,577	4,734

* Comparison period relates to 31 December 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 Round Power (former Lithium-Ion Large Cells), Lithium-Ion Solutions (former Lithium-Ion Battery Packs) business and the new Lithium-Ion V4 Drive business. Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and microbatteries and is therefore a recognised 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 4,600 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 centres in Asia, Europe and the USA.

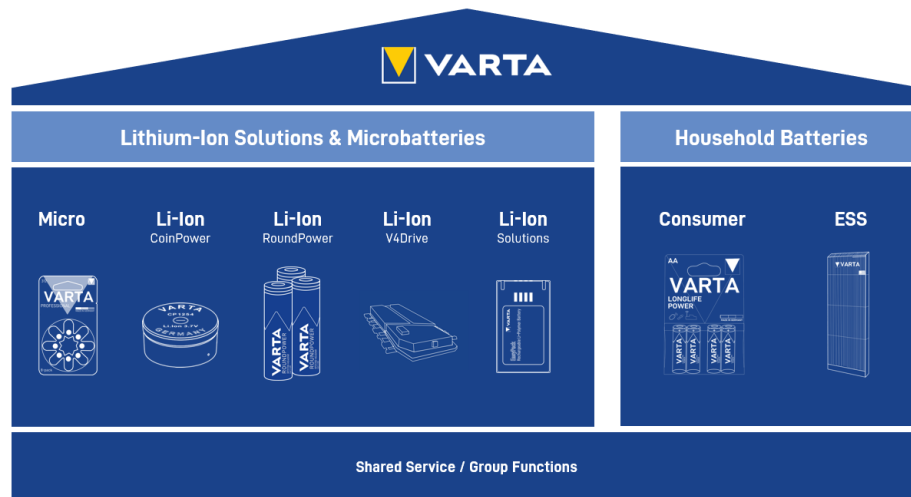
Lithium-Ion Solutions & Microbatteries

The "Lithium-Ion Solutions & Microbatteries" segment focuses on the microbatteries, Lithium-Ion CoinPower, Lithium-Ion Round Power, Lithium-Ion Solutions business as well as the Lithium-Ion V4 Drive 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 Solutions 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 (ESS) 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.



Business development in the first nine month of 2022

VARTA AG is confident about the second half of the year, despite the global challenges

- Technology group generates revenue of € 570.7 m in the first nine months of financial year 2022
- Adjusted EBITDA decreased from € 182.5 m to € 66.4 m compared to the same period last year.
- Sustained good demand for household batteries and energy storage systems. Revenue in the "Household Batteries" segment rises from € 256.5 m to € 296.5 m.
- Increasing costs of energy and raw materials in addition to logistical bottlenecks for semiconductors continue to hamper business development.
- Reduced customer demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the area of Lithium-Ion CoinPower.
- Action package launched to reduce costs, with temporary capacity adjustments in production and measures in the personnel area.

Revenue at the VARTA AG Group has fallen in the first nine months of financial year 2022 by 8.3% versus the same period of the prior year, declining from € 622.3 m to € 570.7 m. The adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation) fell by 63.6 % from € 182.5 m to € 66.4 m compared to the same period last year.

VARTA AG continues to face a challenging economic situation. Global crises resulting in rising prices for energy and raw materials, pandemic-related production disruptions on the customer side, a shortage of available semiconductors and negative consumer trends all continue to adversely impact the company.

In response to this, the VARTA AG executive board has launched a comprehensive package of measures to reduce costs and increase profitability and is working on far-reaching solution concepts. The construction of the new factory for round cells/V4Drive will only continue once binding customer commitments have been secured. The operation of the first series production line is continuing according to plan and will in future supply the cells to fulfil the OEM contract with a premium car manufacturer.

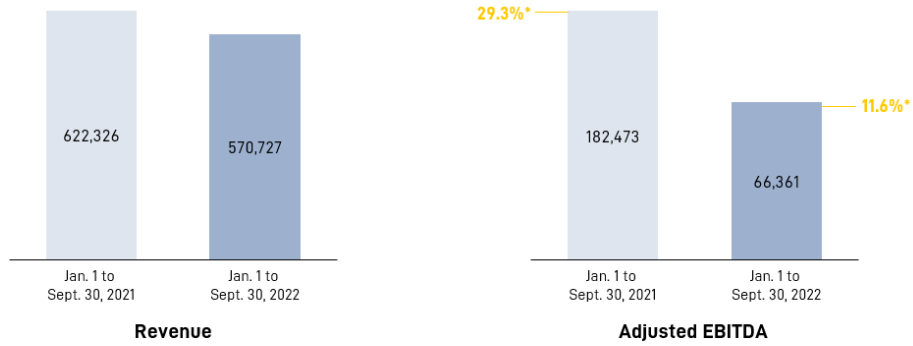
The currently challenging economic situation is affecting demand for lithium-ion batteries in the Lithium-Ion CoinPower business in particular. The company is temporarily implementing short-time work at the Nördlingen production site in the CoinPower division, which is particularly affected. VARTA therefore adjusts to fluctuations in capacity utilisation but can ramp up production capacity again at any time and at short notice. The strategically important "Household Batteries" segment, which includes the business with energy storage systems and household batteries, has registered increasing demand since the beginning of the global crisis. As such, it remains an important growth driver for the Company.

Dr Markus Hackstein, speaker of the executive board of VARTA AG, comments: "The situation for the company remains challenging in what is a tense economic environment for us all. Comprehensive solution concepts should allow VARTA to be correctly positioned to exploit key future markets. A clear focus is the growth market of energy storage systems. In this segment, we are positioning the company strongly, with the aim of meeting the sustained high demand."

Armin Hessenberger, CFO of VARTA AG, adds: "Short-term purchase reductions on the part of our customers presents VARTA with challenges. We are now implementing cost-cutting measures, with the aim of future-proofing the business. Our aim here is to remain structurally flexible."

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 1 January – 30 September 2022 (unaudited) VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
Sales revenue	570,726	622,326
Increase in finished and unfinished goods	60,765	31,927
Own work capitalized	8,611	2,207
Other operating income	60,221	42,113
Cost of materials	-310,403	-241,973
Personnel expenses	-198,110	-186,600
Other operating expenses	-127,503	-88,026
EBITDA	64,307	181,974
Depreciation and amortization	-79,855	-68,520
Operating income (EBIT)	-15,548	113,454
Financial income	1,083	46
Financial expenses	-5,627	-2,926
Other financial income	2,061	102
Other financial expenses	-5,923	-3,550
Financial result	-8,406	-6,328
Earnings before taxes	-23,954	107,126
Income taxes	3,820	-31,240
Group result	-20,134	75,886
Appropriation of loss (PY profit):		
Shareholders of VARTA AG	-20,134	75,839
Non-controlling interests	0	47

Sales Revenue

In the first nine months of financial year 2022, the VARTA AG Group's revenue dropped by 8.3 % compared with the same period in the previous year, falling from € 622.3 m to € 570.7 m. This was due to the pandemic-related disruptions in production at our customers, the low availability of semiconductors and the temporary interruption of raw material and energy supplies, which led to lower demand for our products. In addition, customer projects were delayed especially in the Lithium-Ion Coin Power business. The increase in finished goods and unfinished goods of € 60.8 m is largely seasonal and attributable to the "Household Batteries" segment.

Revenue in the "Lithium-Ion Solutions & Microbatteries" segment decreased by 25.1 % from € 365.8 m in the previous year to € 274.2 m in the current year. At present, the challenging economic situation is having an adverse impact on demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the Lithium-Ion CoinPower business. 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. Production for the new product launches expected in the second half of the year has started, but is progressing very slowly. Business is not expected to pick up by the end of the year.

Sales revenue in the "Household Batteries" segment rose from € 256.5 m to € 296.5 m, representing an increase of € 40.0 m. Strong demand for household batteries and very high growth rates in energy storage solutions contributed to this positive development. However, the positive trend in revenue is offset by very high commodity and energy prices, which can only be passed onto customers in part. Limited availability of electronic components is having an adverse impact on energy storage solutions, which has led to a significant increase in the order backlog.

Expenses and other operating income

In the first nine months, material expenses came to € 310.4 m compared with € 242.0 m in the same period in the previous year. This corresponds to an increase of 28.3 %. The cost-of-materials ratio to total output (revenue plus increase in finished and unfinished goods) increased from 37.1 % to 49.2 %. The disproportionate increase in the cost of materials ratio is a consequence of higher commodity prices. The change in the product mix has also led to a deterioration in the ratio. Subdued demand for CoinPower cells, which have a low proportion of raw materials and the increase in revenue from consumer batteries and energy storage solutions, which have a high proportion of materials, led to a higher cost of materials ratio overall. The company has initiated measures to reduce the cost of materials ratio.

Personnel expenses increased by 6.2 % from € 186.6 m to € 198.1 m, which was attributable to the increase in the average number of employees in the first two quarters of the reporting period.

Other operating expenses increased in total by 44.8 % from € 88.0 m to € 127.5 m. Energy costs have more than doubled from € 7.2 m to € 18.3 m compared with the same period in the previous year due to the energy crisis. The change in exchange rates has resulted in a rise of € 10.4 m in expenditure compared with the same period in the previous year. Legal and consultancy fees associated with patent disputes and M&A transactions also rose by € 5.1 m. Expenses for IT have risen by € 3.3 m.

Other operating income rose by € 18.1 m from € 42.1 m in the previous year to € 60.2 m in 2022. In the first nine months of 2022, income from subsidies and government grants came to € 51.0 m, having risen by € 16.8 m compared with the same period in the previous year. The increase largely resulted from the "Important Project of Common European Interest on Batteries" (IPCEI). Capitalised development costs rose to € 8.6 m because of the expansion in production capacity for the 21700 cell format.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortisation) fell sharply from € 182.0 m in the same period in the previous year to € 64.3 m. This was largely due to the negative factors described above and the significantly more subdued trend in revenue compared with the same period in the previous year as well as the unfavourable product mix for the trend in earnings.

Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is a suitable control variable to effectively 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)	30 SEPTEMBER 2022	30 SEPTEMBER 2021
EBITDA	64,307	181,974
Expenses from share-based remuneration	13	428
Expenses for M&A transactions	2,041	71
Adjusted EBITDA	66,361	182,473

The development of adjusted EBITDA largely corresponds to that of EBITDA. By and large, the amount of adjustments is insignificant.

Operating income (EBIT)

Operating income stood at € -15.5 m, which is significantly lower than in previous year (€ 113.5 m). The material effect is attributable to the operating business and the negative factors described above. Last year's increased investment for the planned expansion of production capacity resulted in an increase in depreciation and amortisation amounting to € 11.3 m compared with the same period in the previous year.

Financial result

The financial result deteriorated in the financial year from € -6.3 m in 2021 to € -8.4 m in 2022. This was due to an increase in foreign exchange losses compared with the previous year of approximately € 2.6 m.

As a result of the increase in borrowing, interest expenses have risen by € 2.7 m from € 2.9 m to € 5.6 m.

Taxes

Based on the development of results, a tax income of € 3.8 m is recognised as of 30 September 2022.

Group result

Due to the above-mentioned reasons, the Group result is well down on the previous year's figure, amounting to € -20.1 m (2021: € 75.9 m).

1.2. Financial Position

Consolidated balance sheet as at 30 September 2022

(€ k) 30 SEPTEMBER 2022 31 DECEMBER 2021

ASSETS

Non-current assets	850,303	806,312
Current assets	508,606	443,861
Total assets	1,358,909	1,250,173

(€ k) 30 SEPTEMBER 2022 31 DECEMBER 2021

EQUITY AND LIABILITIES

Equity	423,176	532,496
Total liabilities	935,733	717,677
Non-current liabilities	503,340	289,917
Current liabilities	432,393	427,760
Total equity and liabilities	1,358,909	1,250,173

Non-current assets

Non-current assets rose by € 44.0 m from € 806.3 m in 2021 to € 850.3 m. This rise mainly results from the increase recorded under property, plant and equipment from € 711.3 m to € 726.8 m as of 30 September 2022 for the expansion in production capacity. Moreover, other assets rose 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), amounting to € 28.7 m. In contrast, changes to interest rates for the pension obligations reduced both claims for reimbursement by € 13.0 m.

Current assets

In comparison with 31 December 2021, current assets rose by € 64.7 m from € 443.9 m to € 508.6 m as of 30 September 2022. The increase resulted from the build-up of inventories by € 105.4 m, the increase in other assets of € 25.9 m based on receivables from development projects and the tax refund claims of € 24.5 m. Trade receivables declined by € 59.1 m. Cash and cash equivalents also decreased by € 40.7 m.

Equity/equity ratio

Equity decreased from € 532.5 m as of 31 December 2021 to € 423.2 m as of 30 September 2022. The equity ratio amounted to 31.1 % as of the reporting date (31 December 2021: 42.6 %). The decline in the equity ratio is largely attributable to payment of the dividend of € 100.2 m. The equity ratio was also reduced by borrowings under the long-term promissory note loan in the amount of € 250.0 m.

Non-current liabilities

Non-current liabilities have risen by € 213.4 m from € 289.9 m as at 31 December 2021 to € 503.3 m over the last three quarters. The growth here is primarily attributable to borrowing of € 250.0 m in the form of a promissory note loan.

Current liabilities

Current liabilities have increased slightly from € 427.8 m to € 432.4 m as of 30 September 2022.

Net working capital

Net working capital increased from € 134.2 m at the end of 2021 to € 214.0 m as of 30 September 2022. This corresponds to an increase of € 79.8 m in comparison to the previous year. The net working capital ratio is calculated in relation to sales revenue from

the last three months extrapolated to one year and stands at 27.6 % as at 30 September 2022 (31 December 2021: 12.0 %). The change in the net working capital ratio of 15.6 percentage points is mainly due to the subdued trend in revenue in the last three months and the significant increase in inventories.

Cash flow statement

(€ k)

	30 SEPTEMBER 2022	30 SEPTEMBER 2021
Cash and cash equivalents as at 1 January	73,107	121,889
Cash flow from operating activities	-58,363	-28,178
Cash flow from investing activities	-98,332	-143,033
Cash flow from financing activities	113,768	79,385
Net change in cash and cash equivalents	-42,927	-91,826
Effects of exchange rate fluctuations	2,183	1,082
Cash and cash equivalents as at 30 September	32,363	31,145

Cash flow from operating activities amounts to € -58.4 m in the reporting year and is therefore up on the previous year's figure by € -30.2 m. Inventories rose by € 105.4 m over the first three quarters of 2022. This was mainly a precautionary measure to ensure that production can be maintained undiminished in the event of supply bottlenecks. By the end of the year, inventories in the "Household Batteries" segment will be reduced. Trade receivables have decreased by € 59.1 m since the beginning of the year. This trend is attributable to the lower volume of business.

Cash flow from investing activities has decreased from € -143.0 m in the same period in the previous year to € -98.3 m. Payment outflows linked to investments in intangible assets and property, plant and equipment (CAPEX) is well down on the same period in the previous year, amounting to € 91.4 m (2021: € 138.7 m). They were adjusted in line with current business development.

Cash flow from financing activities changed in the financial year from € 79.4 m in 2021 to € 113.8 m in 2022. The reason for this is the raising of the promissory note loan in the amount of € 250.0 m. This was offset by the dividend payment of € 100.2 m, the payment of € 28.7 m as part of the agreed of the reimbursement right arising from the accession to debt between VARTA Consumer Batteries GmbH & Co. KGaA with VC Pensionen GmbH, Ellwangen, (Germany) and the repayment of lease liabilities in the amount of € 15.7 m.

As of the reporting date of 30 September 2022, cash and cash equivalents amount to a total of € 32.4 m (2021: € 31.1 m).

2. Financial Performance: Segments

The Company is active in the „Lithium-Ion Solutions & Microbatteries" and "Household Batteries" segments. The former comprises the microbatteries business, Lithium-Ion Coin Power, Lithium-Ion Round Power, Lithium-Ion Solutions as well as Lithium-Ion V4Drive, while the latter covers the Consumer Batteries and Energy Storage Systems business areas.

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

	30 SEPTEMBER 2022	30 SEPTEMBER 2021	Change
Sales revenue (€ k)	274,179	365,816	-25.1%
Adjusted EBITDA (€ k)	50,417	140,419	-64.1%
Adjusted EBITDA margin %	18.4%	38.4%	-20.0 PP

Revenue in the "Lithium-Ion Solutions & Microbatteries" segment was € 274.2 m in the third quarter, which corresponds to a decline in revenue of 25.1 %. The current difficult economic situation and subdued consumer demand is affecting demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the Lithium-Ion CoinPower business. VARTA is reacting to subdued demand with an action package to reduce costs, which includes capacity adjustments in production and measures in the personnel area. However, the company is able to return to full capacity utilisation at short notice, with the aim of exploiting the additional growth opportunities that may emerge. Production has started for the new products expected to be launched in the second half of the year, albeit with a significantly reduced volume compared to the original plans. Within the first nine months of financial year 2022, adjusted EBITDA fell from € 140.4 m in comparison with the same period in the previous year to € 50.4 m, which is a disproportionate fall compared with the trend in revenue.

Household Batteries

	30 SEPTEMBER 2022	30 SEPTEMBER 2021	Change
Sales revenue (€ k)	296,547	256,510	15.6%
Adjusted EBITDA (€ k)	15,944	42,054	-62.1%
Adjusted EBITDA margin %	5.4%	16.4%	-11.0 PP

The "Household Batteries" segment comprises the Consumer Batteries business and Energy Storage Systems. In the first nine months of 2022, revenue in the "Household Batteries" segment increased from € 256.5 m to € 296.5 m compared with the period in the previous year. This equates to revenue growth of 15.6 %. This positive performance is mainly attributable to very high growth in the Energy Storage Systems business, which is benefiting from the extremely high demand for home storage systems. Adjusted EBITDA decreased by € 26.1 m from € 42.1 m to € 15.9 m, which equates to a reduction of 62.1 %. The significant increase in the prices of raw material and substantial additional energy costs had a negative impact. These increased costs could only be partially passed on to customers. The adjusted EBITDA margin stands at 5.4 % in relation to revenue, which corresponds to a decrease of 11.0 percentage points in comparison with the previous year.

3. Employees

The number of employees across the entire Group decreased from 4,734 members of staff in the third quarter of the previous year to 4,577 members of staff as of 30 September 2022.

4. Key events after the reporting date

The persistently challenging economic environment has led to discussions with the lending banks of VARTA AG regarding financing.

VARTA is reacting to the continuing and very high fluctuations in sales of CoinPower cells, especially in the area of TWS applications, with capacity adjustments.

Company values are currently being reviewed on the basis of updated future expectations and budgets. Impairment tests could lead to amortisation and depreciation requirements at year-end.

On 1 November 2022, Prof. Dr. Werner Tillmetz resigned from the Supervisory Board for personal reasons.

Apart from this, there were no other key events after the first nine months of the year.

5. Outlook

VARTA has a good position in its core markets. Nevertheless, the significant weakening of demand for CoinPower cells (TWS) as well as the increased raw material and energy prices lead to a decline in revenue and high earnings compared to the previous year. This is aggravated by the fact that the increased costs can only be passed on in part and only with a significant delay.

While the direct impact of the war in Ukraine on the company is low, VARTA is strongly affected indirectly by the war. The costs of raw materials and energy prices resulting from the war in Ukraine have risen sharply, and it is not possible to estimate how long these increased prices will continue or even rise further. The company passes on cost increases, at least in part, to customers by raising prices. However, this will only be implemented with a time delay and is dependent on the market and competitive situation. In order to optimise the operative cashflow, VARTA is aiming to cut back on its stock.

Our customers are temporarily affected by their own production interruptions and are thus unable to purchase any products or only reduced quantities from us. This is caused by the ongoing pandemic, the effects of the war in Ukraine, the limited availability of semiconductors but also by the decline in consumer spending. The negative economic environment is putting a strain on consumer spending, which in turn is leading to capacity adjustments for our TWS customers. Customer projects in the high-margin "Lithium-Ion Solutions & Microbatteries" segment were not called off as planned, which has led to a decline in revenue and income. Other business units, for example Consumer, have recorded revenue growth. Due to a far higher ratio of raw materials, however, these products are subject to disproportionately high price increases. These developments in the two segments "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" have led to a negative development in the revenue and income mix. This outlook is based on the assumption of constant exchange rates.

Overall statement on future development beyond fiscal 2022

The forecast presented below is based on the company's performance in the first nine months and was published on 15 November 2022.

VARTA AG Group

In view of the diverse risk situation, group revenue of between € 805 m and € 820 m (2021: € 902.9 m) is expected for the financial year 2022.

Adjusted operating earnings (adjusted EBITDA) is anticipated to total between € 55 m and € 60 m and will therefore come in below the prior-year value of € 282.9 m. The impacts outlined above are having an adverse effect on the company's profit development.

In order to be able to meet the current and future challenges, the Executive Board has launched a comprehensive package of measures to reduce costs. CAPEX – cash outflows for the purchase of intangible assets and property, plant and equipment – is expected to come in below the level recorded in the previous year and could amount to between € 105 m and € 115 m. The capacities for CoinPower cells (TWS) are being scaled back. However, depending on the demand situation, capacities can be expanded again at short notice. As part of these adjustments, the company is also making staffing changes and has announced the introduction of short-time working hours in the Lithium-Ion CoinPower business on the production site in Nördlingen. The new factory construction for the round cell/V4Drive will only be continued once binding customer commitments have been secured. The operation of the first series production plant will continue as planned and will provide the cells in the future to fulfil the OEM contract with a premium car manufacturer.

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 Solutions business. Demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the area of Lithium-Ion CoinPower is being adversely impacted by the challenging economic circumstances described above. In the hearing aid batteries business, VARTA will seek to further consolidate its market-leading position in a market that is seeing modest growth. The Company expects moderate growth in the area of zinc-air batteries and is benefiting from 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.

Additional growth is anticipated in the area of Lithium-Ion Solutions.

Revenue and adjusted EBITDA for the "Lithium-Ion Solutions & Microbatteries" segment will, however, come in below the previous 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 financial 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 financial year 2022 comparable with that seen in 2021. Adjusted EBITDA is expected to come in below the level recorded in the previous year. This is due to the fact that higher prices for raw materials and exchange rate fluctuations are unable to be offset in full by raising sales prices.

Overall statement on future development beyond fiscal 2023

For the 2023 financial year, VARTA AG's Executive Board expects revenue of between € 850 m and € 880 m and anticipates an adjusted EBITDA of € 90 m and € 110 m in the 2023 financial year. This forecast is based on the assumption that the challenging economic situation and existing global crises will continue in 2023, with corresponding negative consequences for costs, supply chains and consumer demand.

The range of forecasts takes these expected negative developments into account. However, the further course of developments in energy costs, raw material prices and supply chains can currently only be estimated to a very limited extent for the coming year. Therefore, the forecast for the 2023 financial year is subject to higher uncertainties than usual.

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 balance sheet as at 30 September 2022 (unaudited)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

ASSETS

	30 SEPTEMBER 2022	31 DECEMBER 2021
Property, plant and equipment	726,760	711,346
Intangible assets	75,307	71,227
Long-term investments and other participations recognized in the balance sheet under the equity method	57	60
Deferred tax assets	14,834	6,035
Other assets	33,345	17,644
Non-current assets	850,303	806,312
Inventories	262,495	157,110
Contract assets	3,421	6,736
Trade receivables	103,838	162,903
Other financial assets	683	108
Tax refund claims	28,303	3,764
Other assets	77,503	40,133
Cash and cash equivalents	32,363	73,107
Current assets	508,606	443,861
Total assets	1,358,909	1,250,173

(€ k)

EQUITY AND LIABILITIES

	30 SEPTEMBER 2022	31 DECEMBER 2021
Subscribed capital	40,422	40,422
Capital reserve	252,022	252,275
Retained earnings	144,107	111,009
Net income	-20,134	125,956
Other reserves	6,759	2,834
Equity of the VARTA AG Group	423,176	532,496
Lease liabilities	75,065	80,710
Other financial liabilities	367,247	117,990
Provisions for employee benefits	49,367	68,837
Advance payments received	0	14,208
Deferred tax liabilities	6,362	2,397
Other provisions	2,897	2,897
Deferred liabilities	2,402	2,878
Non-current liabilities	503,340	289,917
Tax liabilities	52,432	50,540
Lease liabilities	17,817	16,995
Other financial liabilities	108,304	85,785
Provisions for employee benefits	4,050	3,442
Contract liabilities	2,484	4,374
Trade payables and advance payments received	105,631	132,132
Other liabilities	36,888	22,747
Other provisions	12,914	19,197
Deferred liabilities	91,873	92,548
Current liabilities	432,393	427,760
Liabilities	935,733	717,677
Equity and total liabilities	1,358,909	1,250,173

Consolidated income statement for the period 1 January 2022 to 30 September 2022 (unaudited)
 VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	30 SEPTEMBER 2022	30 SEPTEMBER 2021
Sales revenue	570,726	622,326
Increase in finished and unfinished goods	60,765	31,927
Own work capitalized	8,611	2,207
Other operating income	60,221	42,113
Cost of materials	-310,403	-241,973
Personnel expenses	-198,110	-186,600
Other operating expenses	-127,503	-88,026
EBITDA	64,307	181,974
Depreciation	-79,855	-68,520
Operating income (EBIT)	-15,548	113,454
Financial income	1,083	46
Financial expenses	-5,627	-2,926
Other financial income	2,061	102
Other financial expenses	-5,923	-3,550
Financial result	-8,406	-6,328
Earnings before taxes	-23,954	107,126
Income taxes	3,820	-31,240
Group result	-20,134	75,886
Appropriation of loss (PY profit):		
Shareholders of VARTA AG	-20,134	75,839
Non-controlling interests	0	47

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 31 December 2021.

The condensed consolidated interim financial statements as of 30 September 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 2022	30 March 2023
Annual General Meeting	11 May 2023
Interim statement Q1 2023	15 May 2023
Half-year report 2023	11 August 2023
Interim statement Q3 2023	14 November 2023

Imprint

Quarterly Report Q3 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