



VARTA AG adopts strategic realignment in response to 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 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."

VARTA AG – Group

	JAN. 1 st TO SEP. 30 th 2022 ⁽¹⁾	JAN 1 st TO SEP 30 th , 2021 ⁽¹⁾	Adjustment
Revenue (in t €)	570,726	622,326	-8.3%
Adjusted EBITDA (in t €)	66,361	182,473	-63.6%
Adjusted EBITDA margin (in %)	11.6%	29.3%	-17.7 PP

⁽¹⁾ unaudited company figures



Restrained consumer demand negatively impacting the "Lithium-Ion Solutions & Microbatteries" segment

As at the end of the third quarter of 2022, revenue in the "Lithium-Ion Solutions & Microbatteries" segment totalled € 274.2 m, which equates to a revenue drop of 25.1%. The current challenging economic situation and restrained consumer demand are compromising 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 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 activities for the new product launches expected in the second half of the year are now underway, albeit with a significantly reduced volume compared to the original plans. In the first nine months of financial year 2022, adjusted EBITDA fell from € 140.4 m to € 50.4 m in comparison with the same period in the previous year. This represents a disproportionately sharp decline in comparison with revenue development.

Lithium-Ion Solutions & Microbatteries

	JAN 1 st TO SEP. 30 th 2022 ⁽¹⁾	JAN 1 st TO SEP. 30 th 2021 ⁽¹⁾	Adjustment
Revenue (in t€)	274,179	365,816	-25.1%
Adjusted EBITDA (in t€)	50,417	140,419	-64.1%
Adjusted EBITDA margin %	18.4%	38.4%	-20.0 PP

¹ unaudited company figures

High demand for domestic storage systems drives further growth in the "Household Batteries" segment

The "Household Batteries" segment comprises the Consumer Batteries business and Energy Storage Systems. In the first nine months of 2022, revenue in this segment rose from € 256.5 m to € 296.5 m versus the prior-year period. This equates to revenue growth of 15.6%. This pleasing performance is mainly attributable to substantial growth in the Energy Storage Systems business, which is benefiting from the very high demand for home storage systems.

Adjusted EBITDA fell by € 26.1 m, dropping from € 42.1 m to € 15.9 m, which equates to a decline of 62.1%. The significant increase in the prices of raw materials, and substantial additional energy costs have had a negative impact here. 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 decline of 11.0 percentage points in comparison with the previous year.

Household Batteries

	JAN. 1 st TO SEP. 30 th 2022 ⁽¹⁾	JAN. 1 st TO SEP. 30 th 2021 ⁽¹⁾	Adjustments
Revenue (in t €)	296,547	256,510	15.6%
Adjusted EBITDA (in t €)	15,944	42,054	-62.1%
Adjusted EBITDA margin (in %)	5.4%	16.4%	-11.0 PP

¹ unaudited company figures



Outlook: VARTA AG adjusts capacities in the area of CoinPower and implements cost-cutting measures

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. As a result of the outbreak of the Ukraine war, raw material and energy costs have risen sharply, and it is impossible to estimate how long these increased prices will last 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.

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. 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.



VARTA

Quarterly report available at:

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

Dates:

Consolidated annual financial statements 2022
Annual General Meeting
Interim report Q1 2023
Half-year report 2023
Interim report Q3 2023

30th March 2023
11th May 2023
15th May 2023
11th August 2023
14th November 2023

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About VARTA AG

VARTA AG produces and markets a comprehensive battery portfolio from microbatteries, household batteries, energy storage systems to customer-specific battery solutions for a variety of applications and, as a technology leader, sets industry standards in important areas. As the parent company of the Group, it operates in the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments. The "Lithium-Ion Solutions & Microbatteries" segment focuses on microbatteries, lithium-ion coin power, lithium-ion round cells (lithium-ion large cells) and the lithium-ion battery pack business. Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and microbatteries, making it a recognised innovation leader in the important growth markets of lithium-ion technology and in primary hearing aid batteries. The "Household Batteries" segment comprises the battery business for end customers, including household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems. The VARTA AG Group currently employs almost 4,700 people. With five production and manufacturing facilities in Europe and Asia as well as sales centres in Asia, Europe and the USA, the operating subsidiaries of VARTA AG are currently active in over 75 countries around the world.