



Press release
Ellwangen, 11th August 2023

VARTA AG looks to the future with growing confidence

- Restructuring is making progress: The cost reductions in all areas as well as the working capital optimisations are running successfully.
- Increase in business expected in the second half of 2023 due to seasonal factors and customer projects starting up.
- However, the persistently challenging macroeconomic situation has continued to have a negative impact on manufacturing companies such as VARTA AG in recent months.
- VARTA AG's business development in the first half of the year: revenue € 339 million (H1 2022: € 376.8 million), adjusted EBITDA € -6.8 million (H1 2022: € 68.9 million)
- Forecast for the current business year was adjusted on 26th of July 2023: Revenue is expected to be around € 820 million, adjusted EBITDA between € 40 million and € 60 million.
- Outlook: Rising demand for Energy Storage Systems as well as lithium-ion products is expected to generate revenues of at least € 900 million in the coming year and therefore significantly above the 2023 result.

VARTA AG is optimistic about the coming months despite the continuing challenging overall economic situation. The reasons for this are the continued positive development of the energy storage business, the start of customer projects and the traditional seasonal increase in demand in the second half of the year. In addition, the company is making progress with its ongoing restructuring: VARTA AG is currently on target to meet the cost savings or is even exceeding them in some areas. The necessary worldwide job cuts are also on schedule. The volunteer programme at the Ellwangen site will be completed in August. VARTA plans to cut around 800 jobs worldwide.

Like all manufacturing companies, VARTA AG is operating in an environment characterised by the consequences of the war against Ukraine and its impact on the global economy. Price increases for raw materials, as well as restraint among end customers, have burdened the results of many companies, particularly in Europe, in recent months. VARTA had therefore already embarked on a strict austerity course in autumn 2022 and agreed with its financing banks and the majority owner on a restructuring programme, which is currently being implemented. The job cuts are one measure alongside programmes to increase sales, optimise supply chains and processes, relocate to VARTA locations abroad and reduce working capital.

The challenges resulting from the global crises continued to be felt in the past two quarters of the current year. Group revenue for the first half of 2023 was € 339 million (H1 2022: € 376.8 million). Adjusted EBITDA for the same period was € -6.8 million (H1 2022: € 68.9 million).

VARTA AG takes a positive view of further development: Thanks to the revival of business in important areas and the successful restructuring measures, the company's management is expecting sales of well over 900 million euros again in the coming year.

Dr Markus Hackstein, Speaker of the Executive Board of VARTA AG: "Behind us lies a challenging period and we still have a lot of work ahead of us. But we see that our decisive action and the measures of our restructuring programme are having an effect. Our customers continue to trust in the strong VARTA brand. We have new projects in the works that convince us that we can get back on the road to success in the coming year."



VARTA AG - Group

	1 st JAN. UNTIL 30 th JUN. 2023	1 st JAN. UNTIL 30 th JUN. 2022	Change
Revenue (in € million)	339.0	376.8	-10.0%
Adjusted EBITDA (in € million)	-6.8	68.9	> -100.0%
Adjusted EBITDA margin %	-2.0%	18.3%	-20.3 PP

Segment "Micro Batteries"

The segment comprises the micro and hearing aid battery business. The revenue for the first half of 2023 is around € 70 million, which represents a decrease of 15.8% compared to the same period of the previous year.

Within the first six months of the 2023 financial year, adjusted EBITDA decreased from € 13 million to around € 10 million. The adjusted EBITDA margin is 14.3% which corresponds to a decrease of 1.4 percentage points compared to the previous year.

In addition to a decline in demand, particularly for zinc-air batteries, this drop in earnings resulted from the increase in manufacturing costs, particularly due to the negative development of raw material prices for VARTA compared to the first half of the previous year.

Micro Batteries

	1 st JAN. UNTIL 30 th JUN. 2023	1 st JAN. UNTIL 30 th JUN. 2022	Change
Revenue (in € million)	70.0	83.1	-15.8%
Adjusted EBITDA (in € million)	10.0	13.0	-23.4%
Adjusted EBITDA margin %	14.3%	15.7%	-1.4 PP

Segment "Lithium-Ion CoinPower"

The segment comprises the small-format lithium-ion round cells for OEM applications. Revenue for the first half of 2023 is around € 19 million, which corresponds to a decline of approx. 76%.

Within the first six months of the 2023 financial year, adjusted EBITDA decreased from around € 38 million to around € -29 million, which corresponds to a disproportionate decline compared to the development of revenue. Due to a lower than expected sales volume in 2023, a non-cash effective impairment on machinery of € 25.9 million in the CGU Lithium-Ion CoinPower was carried out.

The main driver for this development is that the main customer for the segment has reduced sales volumes due also to a significant slowdown in end customer demand as well as the customer's decision to diversify its supplier base. Moreover, agreed price reductions contributed slightly to the revenue decline. In addition, inventory reduction measures by some customers led to lower CoinPower sales figures in the first half of the year. Personnel measures, such as short-time work at the Nördlingen site and the non-extension of fixed-term employment contracts, have already been implemented to take account of the development of



sales volumes and demand. Short-time work will be gradually reduced in the coming months due to the recent positive development of the order situation.

Lithium-Ion CoinPower

	1 st JAN. UNTIL 30 th JUN. 2023	1 st JAN. UNTIL 30 th JUN. 2022	Change
Revenue (in € million)	19.2	79.7	-75.9%
Adjusted EBITDA (in € million)	-29.4	38.4	> -100.0%
Adjusted EBITDA margin %	> -100.0%	48.2%	> -100.0 PP

Segment "Consumer Batteries"

The segment represents the business with household batteries, rechargeable batteries, chargers, portable power (power banks) and luminaires. Compared to the same period of the previous year, revenue fell from € 146.5 million to € 142.5 million, which corresponds to a slight decrease of 2.8%. In comparison, the adjusted EBITDA decreased by 42.9%. The adjusted EBITDA margin is 5.3%, a decrease of 3.7 percentage points compared to the previous year.

The reduced demand for household batteries due to the general restraint leads to a negative sales development. At the same time, measures such as the acquisition of new customers have already been initiated to compensate for this effect in the second half of the year. The very significant increase in raw material prices compared to the first half of the previous year also had a negative impact on the margin.

These cost increases could only be partially passed on to customers. VARTA is confident about the current trend of falling energy and raw material costs and is also striving to be able to pass on the increased costs in the medium term. Accordingly, the management's expectation is that the material-intensive "Consumer Batteries" segment will be able to return to the margin level from 2020 and 2021 in the medium term.

Consumer Batteries

	1 st JAN. UNTIL 30 th JUN. 2023	1 st JAN. UNTIL 30 th JUN. 2022	Change
Revenue (in € million)	142.5	146.5	-2.8%
Adjusted EBITDA (in € million)	7.5	13.0	-42.9%
Adjusted EBITDA margin %	5.3%	9.0%	-3.7 PP

Segment "Energy Storage Systems"

In 2023, revenue in the Energy Storage Systems segment rose from € 42.6 million in the same period of the previous year to € 81.5 million. This corresponds to a growth in revenue of 91.5 %. Adjusted EBITDA increased by € 8.8 million from € 2.7 million to € 11.5 million. The adjusted EBITDA margin is 14.1% in relation to revenue, which corresponds to an increase of 7.8 percentage points compared to the previous year.

The pleasing growth in sales is due on the one hand to the high order backlog from 2022 and on the other hand to the continued high demand for home storage solutions. VARTA was able to pass on the increased



manufacturing costs from 2022 in full already at the beginning of the 2023 financial year and, among other things, experienced as expected a significant improvement in the EBITDA margin.

In addition, VARTA has given the go-ahead for the construction of a gigawatt factory for energy storage systems. The first modules are to be manufactured in Neunheim, Ellwangen, at the end of 2023. In the first stage of expansion, it should be possible to produce over 500 MWh of energy storage units per year, which corresponds to an annual output of around 50,000 systems. Due to a slight reduction in sales prices of existing products stemming from lower raw material costs, as well as ramp-up costs in connection with the VARTA.wall production, the margin is expected to decline slightly in the second half of the year.

Energy Storage Systems

	1 st JAN. UNTIL 30 th JUN. 2023	1 st JAN. UNTIL 30 th JUN. 2022	Change
Revenue (in € million)	81.5	42.6	91.5%
Adjusted EBITDA (in € million)	11.5	2.7	> 100.0%
Adjusted EBITDA margin %	14.1%	6.3%	7.8 PP

Segment "Other"

In the new segmentation, the segment "Other" includes the business units "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (V4Drive and RoundPower). In addition, possible special effects of the group fall into this segment.

As of the first half of 2023, revenue in the segment is around € 26 million, which corresponds to revenue growth of 3.5%. Compared to the previous year, the adjusted EBITDA has fallen to € -6.4 million, which is in particular due to lower government grants in the business unit "Lithium-Ion Large Cells" as well as ramp-up costs for the automotive battery production that are expected to be compensated for in the third quarter of this year. The adjusted EBITDA margin is -24.7% in relation to revenue, which corresponds to a decrease of 31.4 percentage points compared to the previous year.

Operation of the first series production plant for the large-format lithium-ion round cells for the first premium car manufacturer continues as planned.

Other

	1 st JAN. UNTIL 30 th JUN. 2023	1 st JAN. UNTIL 30 th JUN. 2022	Change
Revenue (in € million)	25.9	25.0	3.5%
Adjusted EBITDA (in € million)	-6.4	1.7	> -100.0%
Adjusted EBITDA margin %	-24.7%	6.7%	-31.4 PP



Outlook

The VARTA AG Group holds a very good position in its core markets and is promisingly positioned to benefit from long-term growth trends, for example in lithium-ion batteries with their wide range of applications or in energy storage solutions. The rapid increase in the importance of renewable energies and the desire of many customers for energy-autonomous solutions is strongly driving demand in the "Energy Storage Systems" segment. The continued high order backlog in this segment suggests a continuation of the operationally pleasing development. The planned opening of the new energy storage factory in Neunheim, Ellwangen, offers additional opportunities for VARTA to participate in the dynamic market development for energy storage systems. The Group expects that the continuing trend of declining energy and raw material prices, which has been observed since the end of 2022, as well as the gradual adjustment of product prices will ensure an improvement in the margin picture in the coming quarters. According to management's assessment, the cost-cutting measures introduced as part of the restructuring programme should successively strengthen this development. The forecast for the 2023 financial year was adjusted on 26th July 2023 on the basis of the preliminary business figures for the second quarter of 2023. VARTA AG's Executive Board now expects revenue of around € 820 million for 2023. The forecast remains slightly above the previous year's revenue of € 806.9 million. The adjusted operating result (adjusted EBITDA) is now expected to be between € 40 million and € 60 million. The original forecast for the 2023 financial year was to at least reach the previous year's figure of € 69.5 million.

Annual Report:

www.varta-ag.com/publications/

Dates:

Interim Statement 3rd Quarter 2023

14th November 2023

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About VARTA AG

VARTA AG produces and markets a comprehensive battery portfolio ranging from micro batteries, household batteries, energy storage systems to customised battery solutions for a variety of applications and sets the industry standards as a technology leader in key areas. As the parent company of the Group, it is divided into the segments "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries", "Energy Storage Systems" and "Other".

The "Micro Batteries" segment includes micro and hearing aid batteries, "Lithium-Ion CoinPower" small-format lithium-ion round cells for OEM applications. "Consumer Batteries" represents the business with household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. "Energy Storage Systems" includes energy storage solutions for primarily private, but also for commercial applications. The "Other" segment includes the "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" business units (high-performance lithium-ion round cells for industrial applications in the automotive and non-automotive sectors).

Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and in micro batteries, making it a recognised innovation leader in the important growth markets of lithium-ion technology and in primary hearing aid batteries. The VARTA AG Group currently employs around 4,200 people. With five production and manufacturing facilities in Europe and Asia as well as distribution centres in Asia, Europe and the USA, VARTA AG's operating subsidiaries are currently active in over 100 countries worldwide.