



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

- Group revenue in the first half of the year: € 376.8m (H1 2021: € 397.6m)
- Adjusted EBITDA: € 68.9m (H1 2021: € 112.3m)
- Shortages of semiconductors and high price increases for raw materials and energy are a burden.
- Negative consumer development resulting from the global crises cannot be ruled out.
- Additional sales momentum is expected for the second half of the year, in line with the prior year.
- Investment in expanding lithium-ion cell production capacity continues.
- Guidance for Q3 2022: revenue between € 210m and € 230m, adjusted EBITDA between € 40m and € 50m
- Adjusted outlook for 2022: Consolidated revenue of between € 880m and € 920m (originally: € 950m to € 1bn), adjusted EBITDA of between € 200m and € 225m (originally: € 260m to € 280m)

Despite continuing global challenges, VARTA is expecting a significantly stronger second half of the current fiscal year compared with the first six months of 2022. The start of production for new customer projects and the experience-based strong last quarter in the business unit Consumer Batteries are important growth and earnings factors, notwithstanding the ongoing consequences of COVID-19 and the war in Ukraine, which impacted the company in the first six months of the year. Local lockdowns and problems with semiconductor and energy deliveries led to production stoppages at some customers. In addition, prices for raw materials and energy rose steeply. As a result, on July 30, VARTA AG adjusted its outlook for 2022. The technology company now expects consolidated revenue of between € 880m and € 920m (instead of previously € 950m to € 1bn) and adjusted EBITDA of between € 200m and € 225m (originally € 260m to € 280m). Nevertheless, VARTA AG anticipates increased sales momentum for the coming months, especially in the lithium-ion business. Investment in the expansion of production capacities is ongoing.

Herbert Schein, CEO of VARTA AG, explains: "The desire for mobility and independence in every area of life remains undiminished. Lithium-ion business is already the most important market for us today. We have set the course for our future growth with the development of our new lithium-ion round cells, which we will now be rapidly transferring to mass production with the aim of occupying this market even more strongly in many lucrative areas. This also applies to the fast-growing business of energy storage systems, where we have presented new products that are in the pipeline."

Armin Hessenberger, CFO of VARTA AG: "Delays in customer projects, the continuing tense situation with regard to the prices for raw materials and energy, as well as high transport costs, have caused us to adjust our guidance for the year. Nevertheless, we continue to be very well positioned. New orders and customer projects starting in the second half of the year will ensure that 2022 will also be a good year for VARTA."

VARTA AG – Group

	JUNE 30, 2022	JUNE 30, 2021	Change
Sales revenue (€ m)	376.8	397.6	-5.2%
Adjusted EBITDA (€ m)	68.9	112.3	-38.6%
Adjusted EBITDA margin %	18.3%	28.2%	-10.1 PP

Lithium-Ion Solutions and Microbatteries: Increased demand anticipated for the end of the year

Revenue in the "Lithium-Ion Solutions and Microbatteries" segment amounted to € 187.7m in the first half of 2022, representing a decline of 19.5%. However, compared to the first quarter, the shortfall was reduced. The current challenging economic 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 will be 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. Business is expected to pick up significantly by the end of the year.

Within the first six months of fiscal year 2022, adjusted EBITDA fell from € 84.4m to € 53.1m compared with the same period in the previous year, which represents a disproportionately sharp decline compared with the development of revenue. This gap has also been reduced compared to the first quarter. This development can be ascribed to the caution shown by our customers in the TWS area as described above.

Lithium-Ion Solutions & Microbatteries

	JUNE 30, 2022	JUNE 30, 2021	Change
Sales revenue (€ k)	187,722	233,200	-19.5%
Adjusted EBITDA (€ k)	53,055	84,440	-37.2%
Adjusted EBITDA margin %	28.3%	36.2%	-7.9 PP

Household Batteries: High demand for energy storage systems driving growth

The "Household Batteries" segment comprises the consumer battery business and energy storage systems. Revenue in the segment rose from € 164.4m to € 189.1m in the first six months of 2022 compared with the same period the previous year. This equates to a revenue growth of 15 %. This positive performance is primarily attributable to very high growth in the Energy Storage Systems business unit, which is benefiting from very high demand for home storage systems.

Adjusted EBITDA fell by € 12.0m from € 27.8m to € 15.9m, representing a decline of 43%. The very steep increase in the prices of raw material, high additional energy costs and the rise in transport costs have had a negative impact.

The adjusted EBITDA margin was 8.4% in relation to revenue, which represents a decrease of 8.5 percentage points compared with the previous year.

Household Batteries

	JUNE 30, 2022	JUNE 30, 2021	Change
Sales revenue (€ k)	189,088	164,362	15.0%
Adjusted EBITDA (€ k)	15,853	27,828	-43.0%
Adjusted EBITDA margin %	8.4%	16.9%	-8.5 PP

Outlook: VARTA AG is anticipating good business development for 2022 despite global challenges

Despite the strong market position in the core markets and the production capacities available as a result of past investments, the temporary weakening of demand for CoinPower cells (TWS) and higher raw material prices, which can only be passed on with a significant delay, will lead to a decline in earnings compared with the previous year. This outlook is based on the assumption of constant exchange rates.

The company remains very well positioned despite the ongoing global COVID-19 pandemic and fluctuating infection rates. Production activities at proprietary facilities have continued without any material 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. In addition, VARTA has significantly increased its stock of raw materials. 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.

The increased prices for raw materials and energy resulting from this war are currently very high and it is not possible to estimate how long this will continue or even increase further. The Company will, at least in part, pass on the price increases to customers by raising prices. However, 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.

Increased stockpiling of raw materials is intended to counteract potential interruptions in the supply chains. In the event longer-lasting interruptions or persistently rising raw material prices, production interruptions or negative impacts on revenue and profit cannot be ruled out.

In addition, it cannot be ruled out that our customers may be 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 as well as the effects of the war in the Ukraine. Another factor is the very high global demand for semiconductors, worldwide which may lead to production stoppages or cause manufacturers to be more selective in the use of the electronic components available to them. In addition, the negative economic environment is impacting consumer spending, which in turn is having a negative effect on our customers in the TWS area, causing customer projects to be delayed or start up with lower volumes.

In view of the diverse risks, having adjusted the guidance on July 30, the Company is anticipating Group revenue totaling between € 880m and € 920m (original guidance: € 950m to € 1bn) for 2022. Adjusted operating earnings (adjusted EBITDA) is expected to be between € 200m and € 225m (original guidance: € 260m to € 280m), which is below the previous year's figure of € 283m. The risk situation outlined above and set-up costs in connection with V4Drive cells impact the Company's profit development.

CAPEX, cash outflows for the purchase of intangible assets and property, plant and equipment, is expected to exceed the level of fiscal year 2021 and could amount to more than € 230m, depending on the investment requirements for the V4Drive/RoundPower cells. VARTA continues to invest in the expansion of its lithium-ion battery production capacity with the following two aspects: After completion of the pilot production line for V4Drive round cells, the focus will be on establishing additional highly automated production capacity in order to be able to fulfill existing and expected additional OEM contracts. The other focus will be on increasing capacity for CoinPower cells (TWS), in line with the demand situation. This can be implemented at short notice.

Half-year report:

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

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



VARTA

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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 business segments "Lithium-Ion Solutions & Microbatteries" and "Household Batteries".

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 recognized 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, accumulators, chargers, portable power (power banks) and lights as well as energy storage devices.

The VARTA AG Group currently employs almost 4,700 people. With five production and manufacturing facilities in Europe and Asia as well as sales centers in Asia, Europe and the USA, the operating subsidiaries of VARTA AG are currently active in over 75 countries around the world.