

VARTA AG Group

# Half-year Financial Report

as of June 30, 2022

[www.varta-ag.com](http://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)	JUNE 30, 2022	JUNE 30, 2021
Revenue	376,810	397,562
EBITDA	66,234	111,912
Adjustments:		
Cost of share-based payment	9	285
Costs of M&A transactions	2,665	71
Adjusted EBITDA	68,908	112,268
Adjusted EBITDA Margin (%)	18.3%	28.2%
Net income	2,784	45,593
Earnings per share	0.07	1.13
Investments (CAPEX)	66,852	85,648
Free Cash Flow	-97,923	-119,326
Equity ratio*	33.1%	42.6%
Balance sheet total*	1,343,390	1,250,173
Employees at the end of quarter	4,712	4,606

\* 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 Round Power (former Lithium-Ion large cells), Lithium-Ion Solution (former Lithium-Ion battery pack) 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 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.

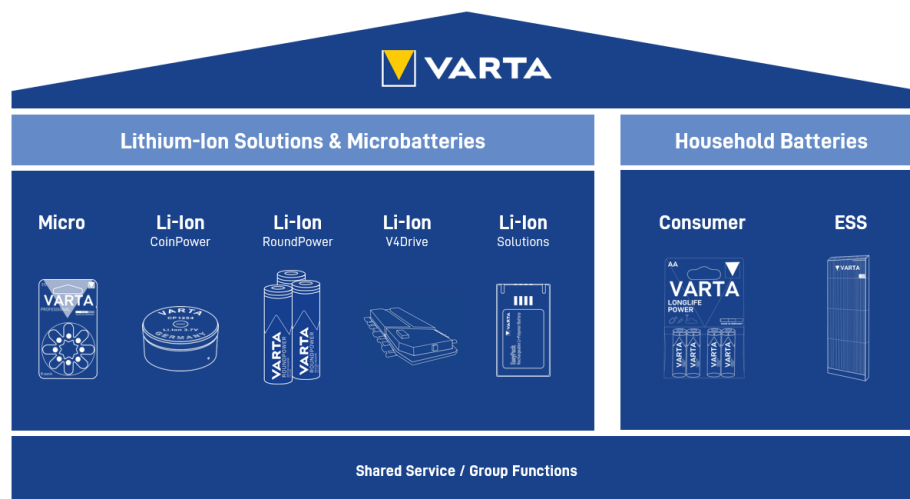
### **Lithium-Ion Solutions & Microbatteries**

The "Lithium-Ion Solutions & Microbatteries" segment focuses on the microbatteries, Lithium-Ion CoinPower, Lithium-Ion Round Power, Lithium-Ion Solutions business as well as the new 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.



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# Business development in the first half of 2022

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

- Group revenue in the first half of the year: € 376.8 m (H1 2021: € 397.6 m)
- Adjusted EBITDA Q1 2022: € 68.9 m (Q1 2021: € 112.3 m).
- 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 is expected to total between € 210 m and € 230 m, adjusted EBITDA between € 40 m and € 50 m.
- Adjusted outlook for 2022: Consolidated revenue of between € 880 m and € 920 m (originally: € 950 m to € 1 bn), adjusted EBITDA of between € 200 m and € 225 m (originally: € 260 m to € 280 m)

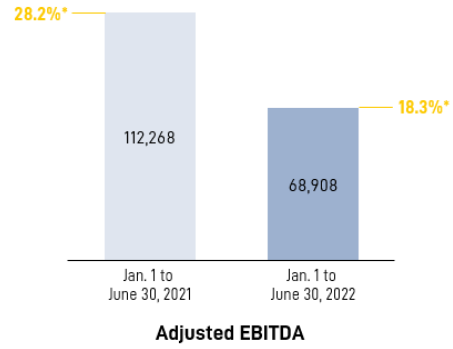
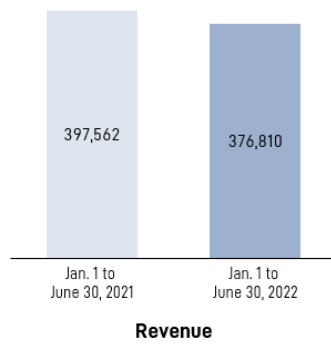
Despite continuing global challenges, VARTA is expecting a significantly stronger second half of the current fiscal year compared with the first six months of 2022. The start of production for new customer projects and the experience-based strong last quarter in the business unit Consumer Batteries are 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 € 880 m and € 920 m (instead of originally € 950 m to € 1 bn) and adjusted EBITDA of between € 200 m and € 225 m (originally € 260 m to € 280 m). 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: "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."

## Revenue & Adjusted EBITDA

(IN K€, unaudited)



\*Margin: Adjusted EBITDA to revenue

# Consolidated management report for the first half of fiscal year 2022

## VARTA Aktiengesellschaft, Ellwangen (Jagst)

### 1. Group Structure

#### 1.1. BUSINESS MODEL

VARTA Aktiengesellschaft, Ellwangen (Jagst), Germany (VARTA AG), is the parent company of the corporate group. The business activities of VARTA AG and its subsidiaries encompasses the development, production and distribution as well as research and development of micro batteries, large format batteries, household batteries and energy storage solutions

The business activities of the VARTA AG Group are divided into two separate business segments: "Lithium-Ion Solutions & Microbatteries" and "Household Batteries".

The "Lithium-Ion Solutions & Microbatteries" segment focuses on the Microbatteries, Lithium-Ion CoinPower, Lithium-Ion Round Power (former Lithium-Ion Large Cells), Lithium-Ion Solutions (former Lithium-Ion Battery Packs) business and on the new Lithium-Ion V4Drive business. 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 Group develops, produces and sells a comprehensive battery portfolio that ranges from microbatteries, household batteries, large-format cells and energy storage systems all the way through to customer-specific battery solutions for a wide range of applications and end customer markets. Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and microbatteries, and is a recognized innovation leader in the important growth markets of lithium-ion technology and primary hearing aid batteries.

Since the end of the first half of 2022, the Group has operated five production and battery manufacturing plants in Germany, Romania and Indonesia in addition to distribution centers in the USA, Europe and Asia, from which direct sales to customers in more than 75 countries around the world are coordinated. Operating on a global basis today, VARTA AG can proudly look back on 135 years of company history.

#### **Segments and organizational structure**

##### LITHIUM-ION SOLUTIONS & MICROBATTERIES

The "Lithium-Ion Solutions & Microbatteries" segment focuses on the Microbatteries, Lithium-Ion CoinPower, Lithium-Ion Round Power (former Lithium-Ion Large Cells) and Lithium-Ion Solutions (former Lithium-Ion Battery Packs) business and the new Lithium-Ion V4Drive business. Microbatteries and hearing aid batteries for the professional area are still shown within the Microbatteries business, while CoinPower with the OEM microbatteries is allocated to the Lithium-Ion CoinPower business. VARTA AG is one of the leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries in the area of Entertainment. The Company boasts reputable firms as customers and manufactures batteries in numerous key 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 operated by way of microbatteries. The Microbatteries and Lithium-Ion CoinPower business work together in a synergistic manner. In the area of Lithium-Ion V4Drive, VARTA is preparing to enter the e-mobility market. The first pilot plant is already supplying round cells for OEMs to use for testing purposes. The Lithium-Ion RoundPower business also focuses on potential uses outside e-mobility. 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 business – 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 (household device batteries) business, VARTA AG is a European market leader, with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and by leveraging the expertise of internationally qualified specialists. A combination of innovative capacity, breadth, quality and design make the product range unique. For VARTA, a pronounced focus on consumer lifestyles and close working relationship with retail partners are essential in order to react quickly and flexibly to emerging device trends with the best energy solutions. By developing and manufacturing energy storage solutions within the Energy Storage Systems (ESS) business, VARTA is contributing to the energy revolution. 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.

### 1.2. Strategy and Goals

With its two segments, the Group is well positioned to take advantage of relevant growth trends such as demographic change, technological progress, increased connectivity, renewable energies and e-mobility.

The VARTA AG Group focuses on the following growth areas and objectives:

- Strengthening and expanding its global market position in core products
- Expanding innovation and technological dynamics
- Strong financial profile enabling focus on profitable growth

### 1.3. Corporate Management

The VARTA AG Group is managed on the basis of internally defined financial and non-financial key performance indicators to pursue a strategy focused on sustained value growth. As in the previous year, the following most significant key financial indicators were used for the purposes of corporate management.

- Revenue
- Adjusted EBITDA
- CAPEX (capital expenditure on the acquisition of intangible and tangible assets)
- Net working capital

Due to the dynamic growth of the Group, the development of the number of employees continues to be a key non-financial performance indicator.

#### **1.4. Management and Control**

As of June 30, 2022, the Executive Board of VARTA AG comprised three members: Herbert Schein (Chairman of the Executive Board/CEO), Armin Hessenberger (Chief Financial Officer/CFO) and Rainer Hald (Chief Technology Officer/CTO). The Executive Board members share joint responsibility for the management of the company.

As of August 1, 2022, Markus Hackstein (Executive Director) was appointed as a new member of the Executive Board.

As at June 30, 2022 the Supervisory Board was composed of the following members: Prof. DDr. Michael Tojner (Chairman), Dr. Harald Sommerer (Vice Chairman), Sven Quandt, Martin Ohneberg, Prof. Dr. Werner Tillmetz and Dr. Michael Pistauer.

## **2. Economic Report**

### **2.1. Markets and influencing factors**

The markets in which the VARTA AG Group operates and the influence factors to which it is exposed have deteriorated since the first half of the previous year. The various economic challenges resulting from rising raw material and energy prices, the effects of the war in Ukraine, the ongoing global pandemic and the insufficient availability of semiconductors are burdening either us directly or our customers.

The VARTA AG Group manufactures and sells batteries around the world, benefiting still from the trend towards mobile devices that relies on a battery. This infers that any negative trends in the macroeconomic environment would not entail any direct consequences for the business model, as the majority of products are unaffected by the economic cycle. These are used, for example, in the medical setting or are established in the consumer sector.

In geographical terms, revenue distribution is diversified. Most of our products are sold in Europe, followed by Asia and North America (see chapter 3.1 Revenue). This therefore means that dependency on individual countries and their respective economic development is comparatively low. Irrespective of the main sales focus, the Asian market plays the most significant role owing to its market and customer structure; many major manufacturers of wireless headsets base their production activities in this region. The key influencing factors are dealt with in the following chapter 2.2 "Macroeconomic and industry-related framework conditions".

### **2.2. Macroeconomic and industry-related framework conditions**

The markets and influencing factors have deteriorated compared with the first half of the previous year, as described in Chapter 2.1 "Markets and influencing factors". Production activities at our own sites have continued without interruption since the start of the COVID-19 pandemic, while no impact on supply chains has been identified either. However, some of our customers have been affected by this. Their suppliers have occasionally been delayed in the delivery of raw materials or semiconductors, which in turn has led to periods of production downtime. Our largest customers manufacture their products (TWS) in Asia, where individual factories have had their production processes temporarily restricted by energy failures or, in some cases, lockdowns caused by COVID-19. Delays in starting new customer projects resulted in lower sales growth. The trend in the USD/EUR exchange rate, price reductions in non-strategic assembly and higher

prices for raw materials also had an adverse impact, which could not be entirely offset by efficiency gains or could only be passed onto customers in part.

Demographic trends are key to the sales of batteries for healthcare applications, while it is trends in consumer electronics that exert the greatest influence on sales of batteries for entertainment applications and the trend towards wireless products that most impacts sales of products in the Solutions segment. The Consumer Batteries segment is benefiting from structural growth across a broad product portfolio (batteries, rechargeable batteries, chargers, portable power/power banks).

Increased life expectancy of people across all societies in addition to rising acceptance of hearing aids supports sales of such products and therefore also the sale of batteries for hearing aids. For example, in this context, the UN expects the global population of people aged 65 or over to at least double. In 2020, around 727 million people belonged to this age group, and this figure is forecast to rise to more than 1.5 billion by 2050 (United Nations: World Population Ageing 2020 Highlights). As such, this share of the population would increase from the current level of 9.3 % to approximately 16.0 % in 2050. At the same time, life expectancy is continually rising. In 2019, this stood at 72.6 years on a global basis, and is expected to rise to 77.1 years by 2050 (United Nations: World Population Prospects 2019 Highlights). The human requirement for hearing aids is therefore also set to rise. Rising demand for OTC hearing aids will also have a positive impact. These affordable hearing amplifiers offer fewer adjustment options that can be adapted by users themselves, e.g. via an app. Following their launch on the market at the end of 2020, a market share of more than 30 % is expected for these products by 2030 (IDTechEx, 2021). The increased use of rechargeable coin-shaped batteries will provide additional growth impetus.

Overall, growth of just under 37 % is expected in the area of hearing aids (2021: \$ 10.5 bn; 2030: \$ 14.3 bn) (IDTechEx, 2021).

The area of Entertainment is benefiting from very high customer demand for high-tech consumer products, in particular for wireless premium headsets with rechargeable lithium-ion cells. Improvements to the operating time and expanded functionality will see the market share of wireless headsets increased further. The more wireless devices that are developed, particularly for micro-applications (e.g. headsets), the stronger the position of the VARTA AG Group is here. For example, a study carried out by IDTechEX in 2021 revealed that continued strong demand for TWS (True Wireless Stereo) headsets is anticipated. From 2021 to 2030, market growth of 190 % in US dollars is expected here.

In terms of the global demand for consumer batteries, annual growth of 4.2 % for the period between 2020 and 2026 has been forecast. During this time, the market looks set to increase from \$ 39.9 bn to a value of \$ 52.5 bn. Annual growth of 3.3 % (Global Industry Analysts Inc, 2021) has been forecast for alkaline batteries.

The European market for branded batteries, which is crucial for VARTA, has also seen growth. According to the most recent figures published by the European Portable Battery Association (EPBA), growth in this segment came in at 3.6 % for 2020.

### **2.3. Key events in the first half of 2022**

The ongoing war in Ukraine is increasingly leading to significant price increases in the raw materials and energy sectors, which are having a negative impact on the company's performance.

Apart from this, there were no other key events in the first half of the year.

## 2.4. Business development

The VARTA AG Group has achieved consolidated revenue of € 376.8 m in the first half of 2022 and is still 5.2 % below the corresponding period of the previous year (first half of 2021: € 397.6 m). During the first quarter, the company lay around 9 % below the comparable period in the previous year. Thus, the VARTA AG Group has reduced the gap to the previous year as of the current reporting date.

The performance of the "Lithium-Ion Solutions & Microbatteries" segment, in particular sales of lithium-ion CoinPower batteries for TWS, failed to meet expectations. Revenue is expected to be boosted by various new businesses starting in the second half of the year. The "Household Batteries" segment performed well. The performance of earnings is affected by a large number of external negative impacts.

Adjusted EBITDA amounted to € 68.9 m and is therefore € 43.4 m below the figure of the previous year. The sharp increases in raw material and energy prices, in particular, depressed earnings. For instance, the cost of material rose by € 41.4 m, which corresponds to an increase of 26.1 %. This is attributable to the increase in raw material prices. Furthermore, the company has built up security reserves in case of supply bottlenecks through an additional stockpiling of raw materials and supplies.

## 3. Development of Financial Position and Financial Performance

### 3.1. Financial Performance

Consolidated income statement for the period January 1<sup>st</sup> – June 30<sup>th</sup> 2022 (unaudited)  
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	JUNE 30, 2022	JUNE 30, 2021
<b>Sales revenue</b>	<b>376,810</b>	<b>397,562</b>
Increase in finished and unfinished goods	50,147	31,056
Own work capitalized	6,167	1,586
Other operating income	49,013	21,637
Cost of materials	-200,260	-158,827
Personnel expenses	-135,727	-126,554
Other operating expenses	-79,916	-54,548
<b>EBITDA</b>	<b>66,234</b>	<b>111,912</b>
Depreciation and amortization	-52,563	-45,057
<b>Operating income (EBIT)</b>	<b>13,671</b>	<b>66,855</b>
Financial income	970	32
Financial expenses	-3,504	-1,727
Other financial income	766	119
Other financial expenses	-5,422	-1,928
<b>Financial result</b>	<b>-7,190</b>	<b>-3,504</b>
<b>Earnings before taxes</b>	<b>6,481</b>	<b>63,351</b>
Income taxes	-3,697	-17,758
<b>Net income</b>	<b>2,784</b>	<b>45,593</b>
Appropriation of profit:		
Shareholders of VARTA AG	2,784	45,550
Non-controlling interests	0	43

#### Revenue

In the first half of fiscal year 2022, revenue at the VARTA AG Group dropped by 5.2 % in comparison with the same period of the previous year, falling from € 397.6 m to € 376.8 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.

Revenue in the "Lithium-Ion Solutions & Microbatteries" segment decreased from € 233.2 m in the previous year by 19.5 % to € 187.7 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 € 164.4 m to € 189.1 m, reflecting growth of € 24.7 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 half year, the cost of materials totaled € 200.3 m in comparison with € 158.8 m in the prior year. This equates to growth of 26.1 %. The cost of materials ratio in relation to total output (sales plus increase in finished goods and work in progress) rose from 37.1 % to 46.9 %. 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 7.2 % from € 126.6 m to € 135.7 m. The reason for this is the increase in personnel costs owing to a higher number of employees, which increased from 4,606 to 4,712 members of staff.

Other operating expenses increased from € 54.5 m by 46.5 % to € 79.9 m overall. This development is attributable, among other factors, to the rise in legal and consulting costs in connection with patent law disputes amounting to € 4.7 m. Due to rising energy costs, these expenses have more than doubled from € 4.7 m to € 10.1 m compared with the same period of the previous year. Expenses for IT services increased by € 2.2 m. Changes in exchange rates have increased expenses by around € 5.0 m compared with the corresponding period in the previous year.

Other operating income rose by € 27.4 m from € 21.6 m in the prior year to € 49.0 m in 2022. In the first half year of 2022, income from subsidies and government grants totaled € 41.3 m, increasing by € 23.0 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 € 111.9 m to € 66.2 m. The negative influence factors that apply on a global level as described above and the subdued trend in revenue 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)	JUNE 30, 2022	JUNE 30, 2021
EBITDA	66,234	111,912
Expenses from share-based remuneration	9	285
Expenses for M&A transactions - VARTA AG Group	2,665	71
<b>adjusted EBITDA</b>	<b>68,908</b>	<b>112,268</b>

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 € 13.7 m and is consequently down on the previous year (Q2 2021: € 66.9 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 € 7.5 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 deteriorated in the financial year from € -3.5 m in 2021 to € -7.2 m in 2022. This is due to increased foreign exchange losses of approximately € 3.7 m compared with the previous year.

The rise in interest expenses of around € 1.8 m due to the higher volume of debt financing is offset by non-recurring interest income of a corresponding amount.

### Taxes

The tax expenses is lower due to the development of the result. Overall, tax expenses declined from € 17.8 m in the first half year of 2021 to total € 3.7 m as at June 30, 2022. This results in an effective tax ratio of 57.0 % (Q2 2021: 28.0 %) in relation to the pre-tax result. This ratio is expected to significantly improve over the course of the remaining two quarters of the year.

### Consolidated result

Due to the above-mentioned reasons, the consolidated result is significantly below the value recorded in the first six months of the previous year and amounts to € 2.8 m (2021: € 45.6 m).

## 3.2. Financial Position

### Consolidated balance sheet as at June 30, 2022 (unaudited)

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
<b>ASSETS</b>		
Non-current assets	858,196	806,312
Current assets	485,194	443,861
<b>Total assets</b>	<b>1,343,390</b>	<b>1,250,173</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	444,512	532,496
Total liabilities	898,878	717,677
Non-current liabilities	514,833	289,917
Current liabilities	384,045	427,760
<b>Total equity and liabilities</b>	<b>1,343,390</b>	<b>1,250,173</b>

### Non-current assets

Non-current assets increased by € 51.9 m from € 806.3 m as at year-end 2021 to € 858.2 m in the year under review. This rise mainly results from the increase of property, plant and equipment from € 711.3 m to € 737.9 m as of June 30, 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. 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), in the amount of € 28.7 m. In contrast, changes to interest rates for the pension obligations reduced both claims for reimbursement by € 11.2 m.

### Current assets

Current assets rose from € 443.9 m as at the reporting date in 2021 by € 41.3 m to € 485.2 m as of June 30, 2022. The increase results from the buildup of inventories by € 75.3 m, the increase in other assets of € 38.3 m based on receivables from development projects, and tax refund claims by € 16.9 m. Trade receivables fell by € 64.5 m, a development which can be attributed to the very strong result in this context recorded in the fourth quarter of 2021. In addition, cash and cash equivalents decreased by € 35.3 m.

### Equity/equity ratio

Equity decreased from € 532.5 m as of December 31, 2021 to € 444.5 m as of June 30, 2022. As of the reporting date, the equity ratio stood at 33.1 % (2021: 42.6 %). The decline in the equity ratio is essentially due to payment of the dividend of € 100.2 m. Borrowings in connection with a long-term promissory note loan in the amount of € 250.0 m, which accounted for an increase in the balance sheet total of the same amount, also had a negative impact on the equity ratio. These funds are available for investment activities connected with the capacity expansion program for the new round cells.

### Non-current liabilities

Non-current liabilities rose by € 224.9 m from € 289.9 m as of December 31, 2021 to € 514.8 m in the reporting period. The growth here is primarily attributable to borrowing of € 250.0 m in the form of a promissory note loan.

### Current liabilities

As at June 30, 2022, current liabilities have fallen from € 427.8 m to € 384.0 m. This was due to a partial repayment of the syndicated loan of € 35.0 m.

### Net working capital

Net Working Capital increased from € 134.2 m at year-end 2021 to € 166.8 m as of June 30, 2022. This equates to an increase of € 32.5 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 21.8 % as of June 30, 2022 (December 31, 2021: 12.0 %). The change in the net working capital ratio by 9.8 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)

	JUNE 30, 2022	JUNE 30, 2021
<b>Cash and cash equivalents as at January 1</b>	<b>73,107</b>	<b>121,889</b>
Cash flow from operating activities	-26,509	-28,190
Cash flow from investing activities	-71,414	-91,136
Cash flow from financing activities	60,922	45,251
<b>Net change in cash and cash equivalents</b>	<b>-37,001</b>	<b>-74,075</b>
Effects of exchange rate fluctuations	1,737	772
<b>Cash and cash equivalents as at June 30</b>	<b>37,843</b>	<b>48,586</b>

Cash flow from operating activities amounts to € -26.5 m in the reporting period and is therefore € -1.7 m up on the value recorded in the prior year period. Over the first half of 2022, inventories were increased by € -73.7 m. This is mainly a precautionary measure to ensure that production can be maintained undiminished in the event of supply bottlenecks. Trade receivables have decreased by € 15.5 m since the beginning of the year. This trend is attributable to the reduction in business volume.



The cash flow from investing activities decreased from € -91.1 m to € -71.4 m. Payment outflows in connection with investments in intangible assets and property, plant and equipment (CAPEX) amounted to € 66.9 m (Q2 2021: € 85.6 m).

Cash flow from financing activities improved in the period under review from € 45.3 m in 2021 to € 60.9 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. This was offset by the repayment of € 35.0 m of the short-term syndicated loan, 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), the cash outflow in the context of the factoring of around € 13.0 m and the repayment of lease liabilities in the amount of € 10.8 m.

As of the reporting date of June 30, 2022, cash and cash equivalents amounts to a total of € 37.8 m (2021: € 48.6 m).

## 4. Investments excluding M&A (CAPEX)

The Group refers to investments in intangible assets and property, plant and equipment as CAPEX. This is an important control variable for high-growth manufacturing companies. In the first half of 2022, VARTA AG continued its investment program. In doing so, the Company is pursuing the goal of comprehensively expanding capacities in the area of CoinPower cells (TWS). With the construction of a pilot plant for large-format lithium-ion round cells, the company is pursuing its goal of opening up new business activities with this V4Drive cell in the automotive sector and with the RoundPower cell in all non-automotive applications.

In first half of 2022, expenditure related to the purchase of intangible assets and property, plant and equipment totaled € 66.9 m (corresponding period in the previous year: € 85.6 m) and was therefore in line with expectations.

The majority of investments in property, plant and equipment served to expand production capacity of lithium-ion button cells and the construction of a pilot production line for large-format cells. Replacement investments to renew production equipment, to develop new products and for quality assurance measures continue to be necessary at regular intervals.

## 5. 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 Round Power, Lithium-Ion Solutions as well as Lithium-Ion V4Drive, while the latter covers the Consumer Batteries and Energy Storage Systems business areas.

VARTA is still 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

	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

In the first half of 2022, revenue in the "Lithium-Ion Solutions & Microbatteries" segment totaled € 187.7 m, which equates to a revenue decline of -19.5 %. Compared with 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 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. Business is expected to pick up significantly by the end of the year. 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 six months of financial year 2022, adjusted EBITDA fell from € 84.4 m to € 53.1 m, in comparison with the same period in the previous year, which represents a disproportionately sharp decline in comparison with revenue development. 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 described above.

## 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

The "Household Batteries" segment comprises the Consumer Batteries business and Energy Storage Systems. In the first half of 2022, sales in the "Household Batteries" segment rose from € 164.4 m to € 189.1 m versus the prior-year period. This equates to revenue growth of 15.0 %. This positive performance is mainly attributable to very high growth in the Energy Storage Systems business, which is benefiting from the very high demand for home storage systems.

Adjusted EBITDA fell by € 12.0 m from € 27.8 m to € 15.9 m which equates to a decline of 43.0 %. The significant increase in the prices of raw material, substantial additional energy costs and higher transport costs have had a negative impact. The adjusted EBITDA margin stands at 8.4 % in relation to revenue, which corresponds to a decline totaling € 8.5 percentage points in comparison with the previous year.

## 6. Employees

The number of employees across the entire Group changed only marginally, increasing from 4,606 members of staff in the first half of the previous year to 4,712 members of staff as at June 30, 2022.

## 7. Opportunity and Risk Report

The interim management report on the first half-year does not contain any comprehensive and complete statement on the opportunity and risks report. These notes should therefore be read in conjunction with the consolidated annual financial statements published as of December 31, 2021.

In view of the current challenging macroeconomic situation and the risks mentioned in the annual financial statements 2021, the assessment will remain the same.

The war in Ukraine, the procurement risks in the form of sharply increased raw material prices, rising energy costs and the securing of energy supplies are, according to current assessments, the main named and known risks for VARTA AG, which continue to be assessed as high.

The risk management system as a whole is evaluated at Group level and focuses on strategic, operating, financial and other risks. In this process, the risks are categorized as low, medium or high according to the net loss potential.

The CFO bears responsibility for managing all opportunities and risks, which is an integral part of corporate governance. Based on the assessment of the Executive Board, the risks are still considered manageable as of the publication date. There continues to be no discernible individual risks that may endanger the existence of the company. At the same time, there is also a firm conviction that the VARTA AG Group remains well-placed strategically and financially to exploit all opportunities that arise.

A comprehensive review of the risk situation was carried out as of June 30, 2022. Compared with the previous year, the risk of gas supplies has been added. In the previously existing risks, there were no material changes in the areas of operating, strategic, financial and default risks compared with December 31, 2021. The opportunities and risks that pose a threat to the company's continuing existence were updated, as scheduled, on June 30, 2022.

## 8. Outlook

Despite the strong market position in the core markets and the production capacities available due to 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.

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 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 increase in prices for raw materials and energy resulting from this war are currently very high, and it cannot be estimated 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. 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 as well as the effects of the Ukraine war. 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. Furthermore, 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.

#### **Overall statement on future development**

The guidance presented below was published on March 31, 2022 and amended on June 30, 2022. The main reasons for this adjustment are delays in customer projects and the continuing situation of raw material and energy prices as well as high transportation costs.

#### **VARTA AG Group**

In view of the diverse risk situation, Group revenue of between € 880 m and € 920 m is expected for 2022. (initial forecast: € 950 m to € 1 bn).

Adjusted operating earnings (adjusted EBITDA) is anticipated to total between € 200 m and € 225 m (initial forecast: € 260 m and € 280 m and therefore below € 282.9 m compared to 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.

CAPEX – cash outflows for the purchase of intangible assets and property, plant and equipment – is expected to exceed the level recorded in fiscal year 2021 and could amount to more than € 230 m depending on investment requirements for the V4Drive/Roundpower cell.

#### **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 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, further growth rates are anticipated.

The "Lithium-Ion Solutions & Microbatteries" segment will stagnate over the year. Compared with the previous year, significantly higher growth is expected in the second half of 2022 compared with the first six months of 2022 due to the start-up of new customer projects. Adjusted EBITDA is expected to be below the prior year level due to the above-mentioned effects.

#### **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 is expected below the level recorded in the previous year, since higher raw material prices and exchange rate fluctuations can not be offset by raising sales prices.

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.

# Interim financial statements of the VARTA AG Group as at June 30, 2022

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

(€ k)

	JUNE 30, 2022	DECEMBER 31, 2021
<b>ASSETS</b>		
Property, plant and equipment	737,947	711,346
Intangible assets	74,919	71,227
Long-term investments and other participations recognized in the balance sheet under the equity method	58	60
Deferred tax assets	10,130	6,035
Other assets	35,142	17,644
<b>Non-current assets</b>	<b>858,196</b>	<b>806,312</b>
Inventories	232,391	157,110
Contract assets	4,221	6,736
Trade receivables	98,399	162,903
Other financial assets	1,508	108
Tax refund claims	20,651	3,764
Other assets	90,181	40,133
Cash and cash equivalents	37,843	73,107
<b>Current assets</b>	<b>485,194</b>	<b>443,861</b>
<b>Total assets</b>	<b>1,343,390</b>	<b>1,250,173</b>

(€ k)

JUNE 30, 2022

DECEMBER 31, 2021

**EQUITY AND LIABILITIES**

Subscribed capital	40,422	40,422
Capital reserve	252,284	252,275
Retained earnings	143,526	111,009
Net income	2,784	125,956
Other reserves	5,496	2,834
<b>Equity of the VARTA AG Group</b>	<b>444,512</b>	<b>532,496</b>
Lease liabilities	79,210	80,710
Other financial liabilities	367,181	117,990
Provisions for employee benefits	51,074	68,837
Advance payments received	2,213	14,208
Deferred tax liabilities	9,814	2,397
Other provisions	2,897	2,897
Deferred liabilities	2,444	2,878
<b>Non-current liabilities</b>	<b>514,833</b>	<b>289,917</b>
Tax liabilities	52,089	50,540
Lease liabilities	17,693	16,995
Other financial liabilities	49,777	85,785
Provisions for employee benefits	3,510	3,442
Contract liabilities	3,172	4,374
Trade payables and advance payments received	123,783	132,132
Other liabilities	33,727	22,747
Other provisions	14,946	19,197
Deferred liabilities	85,348	92,548
<b>Current liabilities</b>	<b>384,045</b>	<b>427,760</b>
<b>Liabilities</b>	<b>898,878</b>	<b>717,677</b>
<b>Equity and total liabilities</b>	<b>1,343,390</b>	<b>1,250,173</b>

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

(€ k)

	JUNE 30, 2022	JUNE 30, 2021
<b>Sales revenue</b>	<b>376,810</b>	<b>397,562</b>
Increase in finished and unfinished goods	50,147	31,056
Own work capitalized	6,167	1,586
Other operating income	49,013	21,637
Cost of materials	-200,260	-158,827
Personnel expenses	-135,727	-126,554
Other operating expenses	-79,916	-54,548
<b>EBITDA</b>	<b>66,234</b>	<b>111,912</b>
Depreciation	-52,563	-45,057
<b>Operating income (EBIT)</b>	<b>13,671</b>	<b>66,855</b>
Financial income	970	32
Financial expenses	-3,504	-1,727
Other financial income	766	119
Other financial expenses	-5,422	-1,928
<b>Financial result</b>	<b>-7,190</b>	<b>-3,504</b>
<b>Earnings before taxes</b>	<b>6,481</b>	<b>63,351</b>
Income taxes	-3,697	-17,758
<b>Group result</b>	<b>2,784</b>	<b>45,593</b>
Appropriation of profit:		
Shareholders of VARTA AG	2,784	45,550
Non-controlling interests	0	43



## Consolidated statement of comprehensive income for the period January 1, 2022 to June 30, 2022

(€ k)

	JUNE 30, 2022	JUNE 30, 2021
<b>Group result</b>	<b>2,784</b>	<b>45,593</b>
<b>Items that will not be reclassified under profit or loss</b>		
Revaluation of the net defined benefit liability	19,066	5,677
Revaluation of the reimbursement claim	-9,501	1,927
Related tax	-2,758	-1,154
	<b>6,807</b>	<b>6,450</b>
<b>Items that were reclassified or may be reclassified later under profit or loss</b>		
Currency translation differences	2,662	3,273
	<b>2,662</b>	<b>3,273</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>9,469</b>	<b>9,723</b>
<b>Comprehensive income</b>	<b>12,253</b>	<b>55,316</b>
Profit attributable to:		
Shareholders of VARTA AG	12,253	51,603
Non-controlling interests	0	42
<b>Earnings per share</b>		
	JUNE 30, 2022	JUNE 30, 2021
Basic earnings per share	0.07	1.13
Diluted earnings per share	0.07	1.13

## Consolidated statement of cash flows for the period January 1, 2022 to June 30, 2022

(€ k)

JUNE 30, 2022

JUNE 30, 2021

### Cash flow from ongoing operating activities

Earnings before taxes	6,481	63,351
Net financial result less sundry financial expense/sundry financial income	2,534	1,695
Depreciation	52,563	45,057
Losses from the sale of property, plant and equipment and intangible assets	101	5
Other non-cash income	2,932	3,444
Change in working capital		
Inventories	-73,718	-29,604
Trade receivables and other current assets	15,522	-28,942
Trade payables and other current and non-current liabilities	-10,730	-35,970
Provisions and liabilities from pensions	-3,930	-18,791
Income tax paid	-18,264	-28,435
<b>Net cash flow from ongoing operating activities</b>	<b>-26,509</b>	<b>-28,190</b>

### Cash flow from investing activities

Capital expenditure on the acquisition of intangible and tangible assets	-66,852	-85,648
Own work capitalized	-6,167	-1,586
Cash receipts from the sale of intangible and tangible assets	8	-114
Payments from raising loans	2	1
Investment in investments less acquired cash and cash equivalents	1,217	-3,469
thereof acquisition of VARTA Consumer less acquired cash and cash equivalents	1,217	0
thereof acquisition of VARTA Micro Innovation GmbH less acquired cash and cash equivalents	0	-4,475
Receipts from the repayment of loans	0	-349
Interest received	378	29
<b>Cash flow from investing activities</b>	<b>-71,414</b>	<b>-91,136</b>

### Cash flow from financing activities

Repayments for leasing liabilities	-10,775	-8,666
Payments from the payment of interest-bearing financial liabilities	256,529	202,223
Repayments of interest-bearing current financial liabilities	-54,077	-4,461
Repayments of interest-bearing non-current financial liabilities	0	-42,291
Payment of dividend and distribution to non-controlling interests	-100,246	-100,585
Payments from the assumption of the joint debt obligation	-28,737	0
Interest paid	-1,772	-969
<b>Cash flow from financing activities</b>	<b>60,922</b>	<b>45,251</b>

### Net change in cash and cash equivalents

Cash and cash equivalents as of January 1	73,107	121,889
The effects of changes in foreign exchange rates	1,737	772
<b>Cash and cash equivalents as of June 30</b>	<b>37,843</b>	<b>48,586</b>

## Consolidated statement of change in equity

(€ k)	OTHER RESERVES						TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	NON-CONTROLLING INTERESTS	
<b>As of January 1, 2021</b>	<b>40,422</b>	<b>251,705</b>	<b>209,825</b>	<b>-3,209</b>	<b>21</b>	<b>311</b>	<b>499,075</b>
Effect of share-based payment	0	285	0	0	0	0	285
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
Capital distribution Auditas GmbH	0	0	-294	0	0	-45	-339
<b>Comprehensive income</b>							<b>0</b>
Net income	0	0	45,550	0	0	42	45,592
Other comprehensive income	0	0	2,779	3,273	0	0	6,052
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>48,329</b>	<b>3,273</b>	<b>0</b>	<b>42</b>	<b>51,644</b>
<b>As of June 30, 2021</b>	<b>40,422</b>	<b>251,990</b>	<b>157,614</b>	<b>64</b>	<b>21</b>	<b>308</b>	<b>450,419</b>

(€ k)	OTHER RESERVES						TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	NON-CONTROLLING INTERESTS	
<b>As of January 1, 2022</b>	<b>40,422</b>	<b>252,275</b>	<b>236,965</b>	<b>2,813</b>	<b>21</b>	<b>0</b>	<b>532,496</b>
Effect of share-based payment	0	9	0	0	0	0	9
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
<b>Comprehensive income</b>							<b>0</b>
Group result	0	0	2,784	0	0	0	2,784
Other comprehensive income	0	0	6,807	2,662	0	0	9,469
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>9,591</b>	<b>2,662</b>	<b>0</b>	<b>0</b>	<b>12,253</b>
<b>As of June 30, 2022</b>	<b>40,422</b>	<b>252,284</b>	<b>146,310</b>	<b>5,475</b>	<b>21</b>	<b>0</b>	<b>444,512</b>

\* Retained earnings including net income

# Consolidated Notes of VARTA AG

## for the First Half of Fiscal Year 2022

### 9. General Information

VARTA Aktiengesellschaft (VARTA AG) is a company headquartered in Ellwangen (Jagst), Germany, registered in the Commercial Register of the Ulm District Court, Germany, under HRB 728059. The company's present condensed consolidated interim financial statements comprise VARTA Aktiengesellschaft and its subsidiaries (collectively, "VARTA AG Group"). The reporting date for these interim financial statements for VARTA AG, all subsidiaries and for the consolidated accounts is June 30, 2022. These interim financial statements are presented in euro, which is the company's functional currency. All financial information presented in euro was, unless specified otherwise, rounded up to the next thousand. The interim financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), which are applied in the European Union.

The business activities of VARTA AG, which it conducts through its operating subsidiaries, comprise production, sales, research and development in two business segments: "Lithium-Ion Solutions & Microbatteries" and "Household Batteries". The VARTA AG Group is a globally operating international company with over 135 years' experience.

VARTA AG is headquartered in Ellwangen (Jagst), VARTA-Platz 1, Germany. The ultimate parent of VARTA AG is Montana Tech Components AG, subsequently "MTC", Reinach, Switzerland.

The shares of VARTA AG are traded on the regulated market under the securities identification number (WKN) A0TGJ5, the international securities identification number (ISIN) DE000A0TGJ55 and the ticker symbol "VAR1".

## 10. Changes in the Scope of Consolidation

In fiscal year 2022, there were the following changes in the scope of consolidation:

	2022		2021	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
<b>As of January 1</b>	<b>44</b>	<b>1</b>	<b>43</b>	<b>1</b>
Disposals	0	0	-2	0
Start-Up	1	0	1	0
Acquisition	0	0	2	0
<b>As of June 30</b>	<b>45</b>	<b>1</b>	<b>44</b>	<b>1</b>

### Start-ups

V4Drive Romania S.R.L.

The company V4Drive Romania S.R.L. was established as a subsidiary of PERTRIX V SE on March 22, 2022. The company, which is based in Otopeni, was registered in the Romanian Commercial Register under the number 45838253. The object of the company is to manufacture electronic components.

## 11. Notes explaining the Consolidated Accounting Principles

### 11.1. Declaration of compliance

The consolidated interim financial statements as of June 30, 2022 were prepared in compliance with the International Financial Reporting Standards (IFRS), Interim Financial Reporting (IAS 34). The condensed consolidated interim financial statements were prepared based on 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. The present interim report does not contain all the disclosures in the notes that are usually included in annual financial statements. This report must therefore be read in conjunction with the consolidated financial statements prepared as of December 31, 2021.

Use was made of the option of preparing condensed interim financial statements. They are based on all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are compulsory as of June 30, 2022. This interim report is also consistent with the German Accounting Standard 16 (DRS 16 Interim Financial Reporting) of the Deutsche Rechnungslegungs Standard Committee e.V. (DRSC).

Given the absence of any obligation to audit the interim financial statements, the interim report was not subjected to an audit or a review by an auditor.

### 11.2. Going concern

In compliance with IAS 1.25, the consolidated financial statements were prepared on the assumption that the company is a going concern.

### 11.3. Consolidation principles

The scope of consolidation comprises all companies which VARTA AG controls, either directly or indirectly. Control is deemed to exist if VARTA AG holds the majority of voting rights (including potential voting rights) or can determine the financial and business policy directly or indirectly based on of a controlling position and can therefore benefit

from the business activity. These companies are fully consolidated. Subsidiaries are consolidated for the first time when control is acquired. Subsidiaries are deconsolidated when control ends.

Intercompany gains and losses, expenses and income as well as receivables and liabilities between consolidated companies are eliminated.

Joint ventures in which VARTA AG holds 50 % directly or indirectly, or for which management responsibility is performed equally, are accounted for in accordance with the equity method, as specified in IAS 28.

The consolidated companies are presented in a table under note 41 "Investment companies".

#### **11.4. Measurement basis**

The same accounting and measurement principles were recognized for the condensed consolidated interim financial statements as were used for the consolidated financial statements as of December 31, 2021. A detailed description of these methods is included in the consolidated financial statements as of December 31, 2021. Changes that result from the first-time application / amendment of new standards are presented in the notes.

#### **11.5. Functional and presentational currency**

The Group currency is the Euro. Unless indicated otherwise, all amounts are given in thousand Euro (€k).

As a rule, the functional currency of the respective Group companies is based on their primary economic environment and corresponds, in principle, to the national currency. For most of the activities, the Euro (EUR or €) is the functional currency, which is why the present consolidated financial statement was prepared in Euro (EUR or €).

Please note that rounding may result in differences compared with the mathematically precise figures calculated (monetary units, percentages etc.).

## 12. Key accounting and measurement policies

### 12.1. Currency translation

The exchange rates used for foreign currency translation that have a significant impact on the condensed consolidated financial statements are as follows:

1 EURO EQUALS	AVERAGE RATE		RATE ON THE CLOSING DATE	
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2022	DECEMBER 31, 2021
US Dollar (USD)	1.093	1.205	1.039	1.133
British pound (GBP)	0.842	0.868	0.858	0.840
Romanian leu (RON)	4.946	4.902	4.946	4.949
Danish crowns (DKK)	7.440	7.437	7.439	7.436
Swedish crowns (SEK)	10.480	10.131	10.730	10.250

Of these effects, only USD/EUR are material for unrelated third parties. The remaining transactions were largely settled between affiliated companies. The Chinese yuan (CNY), Norwegian krone (NOK), Hungarian forint (HUF), Swiss franc (CHF), Croatian kuna (HRK), Czech koruna (CZK), Russian ruble (RUB) and Turkish lira (TRY) also affect the consolidated financial statements. But the effect is not significant for the VARTA AG Group.

### 12.2. Changes to accounting standards

#### Accounting standards applied for the first time in 2022

The effects of the new accounting policies applied from January 1, 2022 are disclosed below. They have resulted in no significant effects for the Group.

#### IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

The changes include the definition of which costs a company can include when assessing whether a contract will be loss-making. Accordingly, the costs for fulfilling a contract are all costs directly related to the order. Therefore, both costs that would not accrue without the contract (incremental costs) and other costs that are directly attributable to the contract must be taken into consideration.

#### Annual Improvements to IFRS

The following Standards were amended through the Annual Improvements to IFRS.

In IFRS 1, subsidiaries adopting IFRS for the first time that applied IFRS 1.D16 (a) were permitted to measure cumulative translation differences using the amounts reported by their parent companies.

The amendment to IFRS 9 clarified which fees an entity can include when it applies the 10% test (IFRS 9.B3.3.6) in assessing whether to derecognize a financial liability. Only fees that are paid or received between the entity as borrower and the lender may be included.

In IFRS 16, the illustration of the reimbursement of leasehold improvements was removed from the illustrative example 13 accompanying IFRS 16.

In IAS 41, the ban on taking tax payments into consideration as part of fair value measurement was deleted.

#### IFRS 3 – Reference to a Conceptual Framework

References to the conceptual framework in various standards, as in IFRS 3, were adjusted along with the changes to the conceptual framework. The content of the rules for accounting for business acquisitions was not changed.

### IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendments make clear that proceeds which an entity received from the sale of items produced while the asset was being prepared for its intended use (such as product samples) and the costs associated therewith must be recognized in profit or loss. Consideration of amounts of this kind when determining the cost of acquisition is not permissible.

### 12.3. New and amended IFRS standards after June 30, 2022

The following new and revised standards and interpretations were adopted but will not come into force until later and were not applied prematurely in the present consolidated financial statements. The company does not plan to apply them prematurely either. Unless specified otherwise below, the effects are currently being investigated.

New or amended standards and interpretations		ENACTMENT
<b>Amendments adopted in EU law:</b>		
<b>Standards</b>		
IFRS 17	Insurance contracts (incl. Amendments to IFRS 17)	January 1, 2023
<b>Amendments:</b>		
IAS 8	Amendment Definition of Accounting Estimates	January 1, 2023
IAS 1 / IFRS	IAS 1 and IFRS Practice Statement 2 – Amendments Disclosure of Accounting Policies	January 1, 2023
<b>Not yet adopted in EU law:</b>		
<b>Amendments:</b>		
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17	First-time application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction	January 1, 2023
IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	uncertain

Application of the following innovations and amendments published by the IASB is not yet mandatory and VARTA AG has not yet applied them to date either. The Group currently assumes that they will have no material effects on the consolidated financial statements.

### IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and therefore sets uniform requirements for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features for the first time. Under the IFRS 17 measurement model, groups of insurance contracts are measured on the basis of the expected value of discounted cash flows, including an explicit risk adjustment for non-financial risk and a contractual service margin, which leads to recognition of a profit corresponding to fulfillment of the contract.

Instead of premium income, the changes from the liability for granting insurance cover in each period are shown as "insurance turnover", for which the insurance company receives payment and the part of the premiums that covers the acquisition costs. In-payments and out-payments of savings components are not recognized as revenue or income or expenditure in the income statement. Insurance financial income and expense result from discounting effects and financial risks. Depending on the portfolio, they can either be recognized through profit or loss in the income statement or in other comprehensive income.



Changes in assumptions that do not relate to interest rates or financial risks are not recognized immediately in the income statement but are posted against the contractual service margin and therefore spread over the period remaining for fulfillment of the contract. Changes to estimates are only recognized immediately for groups of insurance contracts that are likely to incur losses.

IFRS 17 provides for an approximation method for short-term contracts, which depicts the liability for granting insurance cover via unearned premiums, as was previously the case. Liabilities for insurance claims that have been incurred but not yet been settled must be discounted with the current interest rates under IFRS 17. For large parts of with-profits life insurance business, IFRS 17 modifies the general measurement model to the effect that changes to the shareholder's share in the development of the sources of income on which the profit participation is based are also recognized in the contractual service margin and spread over the period remaining for fulfillment of the contract.

If retrospective application is not possible, the contractual service margin can be determined at the transition date on the basis of a modified retrospective process or by comparing the expected value of the discounted cash flows and risk adjustment with the fair value at the transition date.

The changes from June 2020 include postponement of first-time application of IFRS 17 from January 1, 2021 by two years to January 1, 2023.

The exemption applicable to insurance companies from first-time application of IFRS 9 is also postponed to January 1, 2023, meaning that both standards can still be applied simultaneously for the first time.

The changes also largely relate to the following areas:

- Accounting for certain cash and cash equivalents (e.g., credit cards (exemption from scope or analysis) and loans (option to apply either IFRS 17 or IFRS 9), if they include insurance risks.
- Recognition of profits not only in line with the insurance cover provided but also in line with investment management services supplied.
- Distribution of acquisition costs to expected contract extensions outside the contract limits of the original contract as well.
- Consideration of risk management measures not only when mitigating risks via derivatives but also when mitigating risks via reinsurance or traditional financial instruments.
- Recognition of assets and liabilities from insurance contracts at portfolio level instead of at group level of insurance contracts.
- The reinsurance of loss-prone contracts is to be allowed to be considered as a profit to the extent that it covers the loss-prone contracts.
- Accounting for obligations for losses assumed as part of a business acquisition before the transition to IFRS 17.
- The changes are applicable to reporting periods starting on or after January 1, 2023. Premature application of the changes is permissible.

#### **IAS 8 – Amendment to the definition of accounting estimates**

The amendment to IAS 8 makes clear how companies can differentiate more clearly between changes to accounting policies and changes to estimates. To this end, it defines that an accounting related estimate always refers to uncertainty in the measurement of a financial parameter in the financial statements. In addition to input parameters, a company also uses measurement processes to determine an estimate. Measurement processes may be estimation processes or measurement techniques.

The changes are applicable to reporting periods starting on or after January 1, 2023. Premature application of the changes is permissible.

#### **IAS 1 – Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 adopted relate to a limited adjustment to the assessment criteria for classifying liabilities as current or non-current.

They make clear that the classification of liabilities as current depends on the rights of the entity at the reporting date to defer settlement of the liability by at least twelve months after the end of the reporting period: if such rights exist, they classify the liability as non-current. The right to defer settlement of the liability must be substantial here. If the entity must fulfill certain conditions to exercise a right of this kind, they must be fulfilled on the reporting date; otherwise, the liability will be classified as current.

For the classification of a liability, it is immaterial whether management intends or expects that the liability will be settled within twelve months after the balance sheet date. Classification will be decided solely by any rights to defer settlement of the debt by at least twelve months existing on the reporting date. This will also apply to settlement within the period permitted for measurement.

In July 2020, the initial application date was deferred by one year to reporting periods beginning on or after January 1, 2023.

The changes are therefore applicable to reporting periods starting on or after January 1, 2023. Premature application of the changes is permissible.

#### **IAS 1 and IFRS Practice Statement 2 – Disclosures of Accounting Policies**

The amendment to IAS 1 will require that only "material" accounting policies are presented in the notes to the financial statements. To be material, the accounting policy must be associated with material transactions or other events and there must be grounds for presentation. Grounds may, for example, be that the policy was amended, it is a choice between alternative means of accounting, the policy is complex or highly discretionary or was developed in compliance with IAS 8.10-11. Accordingly, the changes in Practice Statement 2 highlight how the concept of materiality is applied to the disclosure of accounting policies. The aim is that company-specific statements should be paramount in future in place of standardized statements.

The changes are applicable to reporting periods starting on or after January 1, 2023. Premature application of the changes is permissible.

#### **IFRS 17 – First-time application of IFRS 17 and IFRS 9 - Comparative Information**

The amendment to IFRS 17 introduces the possibility of applying a classification overlay approach if certain preconditions are met. This makes the comparative information on financial instruments in the year before first-time application of IFRS 17, i.e., in 2022, more meaningful. The classification overlay approach can be applied if a financial asset is not restated in view of the comparative information in IFRS 9 when IFRS 17 and IFRS 9 are applied simultaneously for the first time. When the classification overlay approach is applied, the current level of information at the transition date is used for classification into the categories of IFRS 9, i.e., how the company plans to classify its financial assets when applying IFRS 9 for the first time. In principle, comparative information is disclosed as if the classification and measurement provisions in IFRS 9 had already been applied in the comparative period, except for impairment rules where use of the classification overlay approach does not necessitate disclosure in accordance with IFRS 9. Differences between the previous carrying amount of a financial asset and the result arising from the classification overlay approach must be recognized in equity.

The extent to which a company has made use of the approach (for example whether it was applied to all financial assets being disposed of in 2022) must be disclosed and whether and to what extent disclosures followed the impairment rules of IFRS 9.

On first-time application of IFRS 9 on January 1, 2023, the transitional provisions applicable under IFRS 9 must be applied regardless of whether the classification overlay approach was applied or not.

The amendments are applicable – subject to adoption in EU law – to reporting periods starting on or after January 1, 2023. Premature application of the amendments is permissible but requires an endorsement in the EU.

#### **IAS 12 – Deferred taxes that relate to assets and liabilities arising from a single transaction**

The amendments address existing uncertainties regarding the accounting for deferred taxes associated with leases and disposal and restoration obligations.

If assets and liabilities are recognized for the first-time, the initial recognition exemption applied previously subject to certain preconditions (IAS 12.15). In these cases, deferred taxes are exceptionally not to be recognized. In practice, it was uncertain whether this exemption also applied to leases and disposal and restoration obligations. A strictly limited amendment to IAS 12 has now been introduced to guarantee uniform application of the standard.

Due to this amendment, the initial recognition exemption no longer applies to transactions where both deductible and taxable temporary differences of equal amounts arise on first-time recognition, even if the other preconditions that were previously valid are met. The amendment therefore results in a reverse exemption from the initial recognition exemption for narrowly defined cases. The changes lead to deferred taxes for example having to be recognized for leases accounted for by the lessee and on disposal and restoration obligations.

The amendments are applicable – subject to adoption in EU law – to reporting periods starting on or after January 1, 2023. Premature application of the amendments is permissible but requires an endorsement in the EU.

#### **IFRS 10/IAS 28 – Sale or contribution of assets between an investor and an associate or joint venture**

The amendments address a known inconsistency between the provisions of IFRS 10 and IAS 28 (2011) in the event of assets being sold to an associate or joint venture or assets being contributed to an associate or joint venture.

According to IFRS 10, a parent company must recognize the gain or loss from the sale of a subsidiary in the full amount in the income statement if the possibility of control is lost. In contrast, the currently applicable IAS 28.28 demands that the disposal gain on disposals between an investor and an investment measured at equity – be it an associate or a joint venture – must only be recognized in the amount of the other's share in this company.

In future, the entire profit or loss from a transaction is only to be recognized if the assets sold or contributed constitute an operation within the meaning of IFRS 3. This will apply regardless of whether the transaction is structured as a share or asset deal. If, however, the assets do not constitute a business, the gain may only be recognized pro rata.

The initial application date for the changes was postponed indefinitely by the IASB.

## 13. Segment reporting

The accounting and measurement policies for the segment reporting are based on the IFRS used in the present consolidated financial statements. The Executive Board uses adjusted EBITDA for management purposes, as it allows it to assess operating performance despite increasing investment in property, plant and equipment and the resulting depreciation. Shares of profits or losses of companies included in the consolidated financial statements under the equity method are not included in segment reporting as they are not a component of reported EBIT and adjusted EBITDA and are not regularly reported to the Executive Board otherwise.

The operating business units "Microbatteries", "Lithium-Ion CoinPower", "Lithium-Ion Round Power", "Lithium-Ion Solutions", "Lithium-Ion V4Drive", "Consumer" and "Energy Storage Systems" were identified in the VARTA Group. Given the homogeneous production process, the customer structure and the similarity in the products, the operating business units "Microbatteries", "Lithium-Ion CoinPower", "Lithium-Ion Round Power", "Lithium-Ion Solutions" and "Lithium-Ion V4Drive" are combined into the reporting segment "Lithium-Ion Solutions & Microbatteries". The two operating business units "Consumer" and "Energy Storage" are aggregated in the reporting segment "Household Batteries" based on the customer structure and sales management in particular. The breakdown is consistent with the internal organizational and reporting structure.

The elimination of intra-Group interrelations between the segments is combined in the reconciliation column. The reconciliation column also contains facts that cannot be directly allocated to any segment, such as the effects of share-based payment.

The management variables which are used to assess the performance of the operating segments, are shown below:

### Information by reportable segments:

(€ k)	LITHIUM-ION SOLUTIONS & MICROBATTERIES		HOUSEHOLD BATTERIES		TOTAL		RECONCILIATION		GROUP	
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2022	JUNE 30, 2021
Segment revenue	196,810	240,600	189,090	164,364	385,900	404,964	0	0	385,900	404,964
Revenue with other segments	9,088	7,400	2	2	9,090	7,402	0	0	9,090	7,402
Revenue with third parties	187,722	233,200	189,088	164,362	376,810	397,562	0	0	376,810	397,562
Thereof Point-in-time	174,910	216,872	186,266	158,683	361,176	375,555	0	0	361,176	375,555
Thereof Point-over-time	12,812	16,328	2,822	5,679	15,634	22,007	0	0	15,634	22,007
Depreciation and amortization	-44,023	-36,872	-8,540	-8,185	-52,563	-45,057	0	0	-52,563	-45,057
Material effects in income and expenses	0	0	0	0	0	0	-2,674	-356	-2,674	-356
<b>EBITDA</b>	<b>53,055</b>	<b>84,440</b>	<b>15,853</b>	<b>27,828</b>	<b>68,908</b>	<b>112,268</b>	<b>-2,674</b>	<b>-356</b>	<b>66,234</b>	<b>111,912</b>

The following facts are included in the reconciliation of Group EBITDA:

(€ k)	JUNE 30, 2022		JUNE 30, 2021	
	SPECIAL EFFECTS	TOTAL	SPECIAL EFFECTS	TOTAL
Effects in income and expenses	-2,674	-2,674	-356	-356
<b>EBITDA</b>	<b>-2,674</b>	<b>-2,674</b>	<b>-356</b>	<b>-356</b>

Circumstances which are taken into account in adjusting EBITDA are shown in the column "Special effects". In fiscal year 2022, there were such circumstances at VARTA AG. "Special effects" from M&A transactions of € 2.7 m (2021: € 0.1 m) and effects from share-based payment of € 0.01 m (2021: € 0.3 m) were attributable to VARTA AG as the parent company.

The following table shows the reconciliation of the segments' EBITDA to earnings before taxes.

(€ k)	JUNE 30, 2022	JUNE 30, 2021
EBITDA	66,234	111,912
Depreciation and amortisation	-52,563	-45,057
EBIT	13,671	66,855
Financial result	-7,190	-3,504
<b>Earnings before taxes</b>	<b>6,481</b>	<b>63,351</b>

### Geographical segment information

The following statement shows the Group's revenue divided according to specific geographical locations. In the presentation of this information on a geographical basis, a segment's revenue is based on the geographical locations of customers and a segment's assets on the geographical locations of the assets.

(€ k)	JUNE 30, 2022 REVENUES*	JUNE 30, 2022 NON-CURRENT ASSETS**	JUNE 30, 2021 REVENUES*	DECEMBER 31, 2021 NON-CURRENT ASSETS**
Europe	253,084	795,236	229,536	766,058
Thereof Germany	114,076	739,910	96,937	721,476
America	16,478	3,951	50,918	4,005
Asia	102,858	13,679	110,825	12,510
Other	4,390	0	6,283	0
<b>Total</b>	<b>376,810</b>	<b>812,866</b>	<b>397,562</b>	<b>782,573</b>

\* Sales revenues are based on the customer's headquarters.

\*\* For this purpose, non-current assets include property, plant and equipment and intangible assets.

The revenue of the "Household Batteries" segment is mainly contained in the item for Europe. Accordingly, the revenue of the Asia and America regions is mainly assigned to the "Lithium-Ion Solutions & Microbatteries" segment.

### Products and services

The Group's revenue and trade receivables and contract assets are split as follows between products and services:

(€ k)	JUNE 30, 2022 REVENUES	JUNE 30, 2022 TRADE RECEIVABLES AND CONTRACT ASSETS	JUNE 30, 2021 REVENUES	DECEMBER 31, 2021 TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	376,076	99,213	395,573	165,809
Of which from the sale of services	734	3,407	1,989	3,830
<b>Total</b>	<b>376,810</b>	<b>102,620</b>	<b>397,562</b>	<b>169,639</b>

### Significant customers

In 2022, revenue with a specific customer amounted to € 71.9m, which equates to a share of revenue of more than 10 % of consolidated revenue. In the previous year, revenue with one customer and a share of revenue of more than 10 % amounted to € 71.7m. The revenue is attributable to the "Lithium-Ion Solutions & Microbatteries" segment.

## 14. Property, plant and equipment

(€ k)	LAND	BUILDINGS	RIGHT OF USE BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	RIGHT OF USE TECHNICAL EQUIPMENT AND MACHINERY	OTHER EQUIPMENT	RIGHT OF USE OTHER EQUIPMENT	CONSTRUCTION IN PROGRESS AND PREPAYMENTS	TANGIBLE ASSETS
<b>Acquisition values</b>									
<b>As of January 1, 2021</b>	<b>3,165</b>	<b>18,057</b>	<b>71,819</b>	<b>344,598</b>	<b>14,408</b>	<b>64,950</b>	<b>7,910</b>	<b>198,191</b>	<b>723,098</b>
Currency differences	0	-4	434	522	571	197	-453	-61	1,206
Additions	0	348	34,944	15,878	0	5,307	1,399	147,539	205,415
Additions consolidation scope	0	0	475	439	0	6	0	0	920
Disposals	0	0	-667	-8,982	-8	-1,121	-1,022	0	-11,800
Reclassifications	0	1,276	0	44,428	0	8,714	0	-55,119	-701
<b>As of December 31, 2021</b>	<b>3,165</b>	<b>19,677</b>	<b>107,005</b>	<b>396,883</b>	<b>14,971</b>	<b>78,053</b>	<b>7,834</b>	<b>290,550</b>	<b>918,138</b>
Currency differences	0	0	461	837	0	284	25	1	1,608
Additions	0	18	7,581	5,483	0	1,722	730	53,949	69,483
Disposals	0	0	-440	-1,470	-605	-817	-571	0	-3,903
Reclassifications	0	214	0	39,725	0	15,698	0	-50,042	5,595
<b>As of June 30, 2022</b>	<b>3,165</b>	<b>19,909</b>	<b>114,607</b>	<b>441,458</b>	<b>14,366</b>	<b>94,940</b>	<b>8,018</b>	<b>294,458</b>	<b>990,921</b>

(€ k)	LAND	BUILDINGS	RIGHT OF USE BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	RIGHT OF USE TECHNICAL EQUIPMENT AND MACHINERY	OTHER EQUIPMENT	RIGHT OF USE OTHER EQUIPMENT	CONSTRUCTION IN PROGRESS AND PREPAYMENTS	TANGIBLE ASSETS
<b>Cumulative depreciation</b>									
<b>As of Jan 1, 2021</b>	<b>0</b>	<b>651</b>	<b>9,790</b>	<b>86,357</b>	<b>2,786</b>	<b>24,083</b>	<b>2,849</b>	<b>0</b>	<b>126,516</b>
Currency differences	0	-1	274	242	212	156	-226	0	657
Additions	0	788	12,326	61,949	3,085	8,187	2,256	0	88,591
Disposals	0	0	-446	-7,529	-8	-135	-854	0	-8,972
Reclassifications	0	0	0	-8	29	8	-29	0	0
<b>As of Dec 31, 2021</b>	<b>0</b>	<b>1,438</b>	<b>21,944</b>	<b>141,011</b>	<b>6,104</b>	<b>32,299</b>	<b>3,996</b>	<b>0</b>	<b>206,792</b>
Currency differences	0	0	306	373	0	222	17	0	918
Additions	0	389	6,877	34,144	1,514	4,980	1,115	0	49,019
Disposals	0	0	-440	-1,469	-605	-710	-563	0	-3,787
Reclassifications	0	0	0	0	0	32	0	0	32
<b>As of June 30, 2022</b>	<b>0</b>	<b>1,827</b>	<b>28,687</b>	<b>174,059</b>	<b>7,013</b>	<b>36,823</b>	<b>4,565</b>	<b>0</b>	<b>252,974</b>

<b>Carrying amounts</b>									
Carrying amounts on Jan 1, 2021	3,165	17,406	62,029	258,241	11,622	40,867	5,061	198,191	<b>596,582</b>
Carrying amounts on Dec 31, 2021	3,165	18,239	85,061	255,872	8,867	45,754	3,838	290,550	<b>711,346</b>
Carrying amounts on June 30, 2022	3,165	18,082	85,920	267,399	7,353	58,117	3,453	294,458	<b>737,947</b>

A major part of the investment in property, plant and equipment served to expand production capacity for lithium-ion button cells and the construction of a pilot plant for large-format cells. Replacement investment to renew production equipment, to develop new products and for quality assurance measures is also required at regular intervals. As a result of this, holdings of technical plant and machinery increased from € 255.9 m in 2021 to € 267.4 m as of June 30, 2022.

Accordingly, depreciation and amortization of property, plant and equipment is expected to increase only significantly at the year end.

Additions include own work capitalized of € 0.9 m (2021: € 0.8 m).

There were no restrictions on rights of ownership or disposal for property, plant and equipment during financial years 2021 and 2022. Order commitments from the purchase of property, plant and equipment amounted to € 101.9 m (2021: € 95.1 m).

## 15. Intangible assets

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	DEVELOPMENT COSTS	TOTAL
<b>Acquisition values</b>					
<b>As of January 1, 2021</b>	<b>638</b>	<b>37,102</b>	<b>23,386</b>	<b>20,394</b>	<b>81,520</b>
Currency differences	0	-1	2	12	13
Additions	0	1,389	8	7,357	8,754
Additions in the scope of consolidation	4,298	673	0	0	4,971
Disposals	0	-88	0	-69	-157
Reclassifications	0	23,129	-22,428	0	701
<b>As of December 31, 2021</b>	<b>4,936</b>	<b>62,204</b>	<b>968</b>	<b>27,694</b>	<b>95,802</b>
Currency differences	0	0	2	0	2
Additions	0	65	765	11,967	12,797
Reclassifications	0	-150	1,208	-6,653	-5,595
<b>As of June 30, 2022</b>	<b>4,936</b>	<b>62,119</b>	<b>2,943</b>	<b>33,008</b>	<b>103,006</b>

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	DEVELOPMENT COSTS	TOTAL
<b>Cumulative depreciation</b>					
<b>As of Jan 1, 2021</b>	<b>0</b>	<b>6,135</b>	<b>864</b>	<b>10,588</b>	<b>17,587</b>
Additions	0	4,523	101	2,454	7,078
Disposals	0	-90	0	0	-90
Reclassifications	0	192	-192	0	0
<b>As of Dec 31, 2021</b>	<b>0</b>	<b>10,760</b>	<b>773</b>	<b>13,042</b>	<b>24,575</b>
Currency differences	0	0	-1	1	0
Additions	0	144	2,315	1,085	3,544
Reclassifications	0	382	-414	0	-32
<b>As of June 30, 2022</b>	<b>0</b>	<b>11,286</b>	<b>2,673</b>	<b>14,128</b>	<b>28,087</b>
<b>Carrying amounts</b>					
Carrying amounts on Jan 1, 2021	638	30,967	22,522	9,806	<b>63,933</b>
Carrying amounts on Dec 31, 2021	4,936	51,444	195	14,652	<b>71,227</b>
Carrying amounts on June 30, 2022	4,936	50,833	270	18,880	<b>74,919</b>

Of the own work capitalized of € 6.2 m (2021: € 1.6 m), self-manufactured intangible assets, which are not yet ready for use, of € 5.2 m (2021: € 6.9 m) were recognized in 2022.

Research and development expenses amounting to € 14.1 m (2021: € 44.0 m) were recognized in the income statement.

There were no restrictions on rights of ownership or disposal for intangible assets during fiscal years 2021 and 2022.

## 16. Leases

The Group leases various production, office and storage buildings as well as plants and vehicles. Leases are usually concluded for fixed periods from 1.5 to 13 years but may include options to extend or may even be unlimited in individual cases. Changes to leased fixed assets are presented in note 14 "Property, plant and equipment".

Future lease payments based on non-terminable leases total:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Lease liabilities - current	17,693	16,995
Lease liabilities - non current	79,210	80,710
<b>Total</b>	<b>96,903</b>	<b>97,705</b>

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
thereof residual term of up to 1 year	18,781	17,826
thereof residual term of 1 to 5 years	55,866	54,533
thereof residual term of more than 5 years	26,565	31,299
<b>Total minimum lease payments (undiscounted)</b>	<b>101,212</b>	<b>103,658</b>

(€ k)	JUNE 30, 2022	JUNE 30, 2021
<b>Amounts recognised in the income statement</b>		
Interest expense on lease liabilities	626	532
Income from the subleasing of leased assets	-72	-72
Expense from short-term leases	359	824
Expense from long-term leases of low-value assets	1,297	920
<b>Total</b>	<b>2,210</b>	<b>2,204</b>

Variable lease payments, residual value guarantees and options to terminate do not apply at present.

## 17. Inventories

Inventories are divided into the following items:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Raw materials and supplies	91,397	74,891
Unfinished goods	39,057	34,525
Finished goods and merchandise	101,936	47,678
Advance payments made	1	16
<b>Inventories</b>	<b>232,391</b>	<b>157,110</b>
Impairment income (+) / expense (-) recognized in the income statement	-196	-4,128

Inventories were increased massively in the first half of 2022 in response to current developments on commodity markets. Impairments of inventories recognized as expense in the reporting period amounted to € 0.2 m (2021: € 4.1 m). In the first half of 2022, as in the previous year, no reversals were undertaken, which were recognized as an



impairment of the cost of materials in the reporting period. The carrying amount of inventories after impairment totaled € 15.5 m (2021: € 12.3 m).

## 18. Trade receivables and contract assets

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Receivables due from third parties (gross)	99,812	163,621
Receivables due from related parties	1,913	2,175
Total trade receivables	101,725	165,796
Contract assets	4,221	6,736
<b>Gross trade receivables and contract assets</b>	<b>105,946</b>	<b>172,532</b>
Less loss allowances	-3,326	-2,893
<b>Net trade receivables and contract assets</b>	<b>102,620</b>	<b>169,639</b>

Existing net receivables have fallen as of June 30, 2022. This is due to the strong fourth quarter in 2021, which led to substantial receivables.

## 19. Other assets

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
<b>Other assets</b>	<b>125,323</b>	<b>57,777</b>
Of which current	90,181	40,133
Of which non-current	35,142	17,644

Both the reimbursement right from the assumption of debt obligation for pensions of VARTA Microbattery GmbH in June 2017 and the debt contribution for pensions of VARTA Consumer Batteries GmbH & Co. KGaA in 2022 are reported in the amount of € 35.1 m (2021: € 17.6 m) under non-current assets.

Current other assets consisted of the following:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Receivables from grant projects	56,777	18,455
Other tax receivables	7,170	6,475
Other Receivables	17,275	13,521
Miscellaneous other assets	8,959	1,682
<b>Total</b>	<b>90,181</b>	<b>40,133</b>

Receivables from grant projects of € 56.8 m (2021: € 18.5 m) are due from both the European Commission as well as the German Federal Ministry of Economics and Energy (BMWi), and the States of Bavaria and Baden-Württemberg.

Receivables from grant projects of € 6.4 m (2021: € 6.0 m) due from the European Commission relate to government subsidies for projects in which the Group acts as coordinator and receives and manages the subsidies on a fiduciary basis from the funding authority. As of June 30, 2022, existing forwarded advance payments to the participating cooperation partners amounted to € 7.1 m (2021: € 4.4 m).

in 2022, receivables from the IPCEI promotional project increased from € 12.5 m to € 50.4 m.

As of June 30, 2022, other receivables have risen by € 3.8 m year on year. This increase is mainly the result of a legally determined compensation receivable from patent disputes.

The item for miscellaneous other assets largely consists of prepaid expenses, which have risen from € 1.7 m to € 9.0 m.

## 20. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Cash	212	19
Credit balances with financial institutions	37,631	73,088
<b>Total</b>	<b>37,843</b>	<b>73,107</b>

## 21. Equity

There were the following changes to the equity of the VARTA AG Group in 2022:

	OTHER RESERVES						TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY DIFFERENCES	HEDGING RESERVE	NON-CONTROLLING INTERESTS	
<b>As of Jan 1, 2022</b>	<b>40,422</b>	<b>252,275</b>	<b>236,965</b>	<b>2,813</b>	<b>21</b>	<b>0</b>	<b>532,496</b>
Effect of share-based payment	0	9	0	0	0	0	9
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
<b>Comprehensive income</b>							
Group result	0	0	2,784	0	0	0	2,784
Other comprehensive income	0	0	6,807	2,662	0	0	9,469
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>9,591</b>	<b>2,662</b>	<b>0</b>	<b>0</b>	<b>12,253</b>
<b>As of June 30, 2022</b>	<b>40,422</b>	<b>252,284</b>	<b>146,310</b>	<b>5,475</b>	<b>21</b>	<b>0</b>	<b>444,512</b>

\* Retained earnings including net income

After the reporting date, the Executive Board of VARTA Aktiengesellschaft proposed that the group result for financial year 2021 of € 147.9 m reported in the annual financial statements of VARTA Aktiengesellschaft be used to pay a dividend of € 2.48 per share entitled to dividends.

The dividend payment totaling € 100.2 m for 40,421,686 shares entitled to dividends was resolved by the Annual General Meeting of VARTA Aktiengesellschaft on June 21, 2022. The remaining amount of € 47.6 m was carried forward to 2022.

## 22. Earnings per share

The calculation of earnings per share\* is based on the profit attributable to shareholders and a weighted average of the shares in circulation. Since there were no circumstances either in the reporting period or in the previous year that resulted in dilution effects, diluted earnings per share correspond to basic earnings per share.

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Earnings, attributable to shareholders in € k*	2,784	45,550
Weighted average of ordinary shares in circulation ('000 shares)	40,422	40,422
Basic earnings per share in €	0.07	1.13
Diluted earnings per share in €	0.07	1.13

\* Earnings per share relate to the shares of VARTA AG

## 23. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
<b>Other financial liabilities</b>	<b>416,958</b>	<b>203,775</b>
Of which non-current	367,181	117,990
Of which current	49,777	85,785

### Composition of other financial liabilities

<b>Total</b>	<b>416,958</b>	<b>203,775</b>
Liabilities to financial institutions	382,644	164,643
Derivative financial instruments	10,758	5,657
Other financial liabilities	23,556	33,475

Liabilities to banks have risen from 164.6 Mio. € to 382.6 Mio. € due to the drawing of a promissory note loan. VARTA AG placed promissory note loans totaling € 250 m on the capital market via a consortium consisting of BayernLB, HSBC and UniCredit. The four tranches have maturities of five or seven years (3/4 of the credit volume) and primarily carry a fixed interest rate. The funds are available to the company for general financing projects. The initial average interest rate is 1.44%. The transaction was linked to VARTA AG's ESG rating by Morningstar Sustainalytics, the leading independent company in the area of research, rating and analysis of ESG and corporate governance. The promissory note's spread may change in line with any change in VARTA's rating. Inversely, € 35.0 m was repaid from the existing syndicated loan.

## 24. Provisions for employee benefits

Composition of provisions for employee benefits

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
<b>Total</b>	<b>54,584</b>	<b>72,279</b>
Of which non-current	51,074	68,837
Of which current	3,510	3,442
<b>Composition of provisions for employee benefits</b>		
<b>Total</b>	<b>54,584</b>	<b>72,279</b>
Pensions	39,599	58,352
Severance payments	9,407	8,410
Service anniversary bonuses	1,953	1,932
Partial retirement	3,625	3,585

Provisions for pensions decreased as a result of changes to actuarial assumptions, in particular, the increase in the discount rate from 1.1% to 3.3%.

## 25. Trade payables, contract liabilities and advance payments received

Trade payables, contract liabilities and advance payments received were composed as follows:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Advance payments received	2,213	14,208
<b>Non-current liabilities</b>	<b>2,213</b>	<b>14,208</b>
Trade payables to third parties	76,394	77,084
Liabilities from the acquisition of tangible and intangible assets	18,844	17,890
Liabilities to related parties	35	269
<b>Sum trade payables</b>	<b>95,273</b>	<b>95,243</b>
Contract liabilities	3,172	4,374
Advance payments received	28,510	36,889
<b>Current liabilities</b>	<b>126,955</b>	<b>136,506</b>
<b>Total trade payables, contract liabilities and advance payments received</b>	<b>129,168</b>	<b>150,714</b>
of which due immediately	33,754	26,449
of which residual term of up to 1 year	93,201	110,057
of which residual term over to 1 year	2,213	14,208

The advance payments received came to € 30.7 m in total and were associated with obligations from, to some extent, pending transactions by the VARTA AG Group to deliver batteries. The resultant liabilities of the VARTA AG Group are repaid as part of future deliveries and meet the requirements for recognition as advance payments received in accordance with IFRS 15.16. This presentation is based on the assumption that the advance payments will be covered in full by subsequent call-offs and consequently do not contain a financing component. In the first half of 2022, € 27.8 m of the advance

payments received shown in the previous year were netted off against matching receivables from call-offs (previous year: € 43.7 m).

As of June 30, 2022, contract liabilities have decreased slightly year-on-year to € 3.2 m (2021: € 4.4 m).

## 26. Other liabilities

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Other current liabilities	33,727	22,747
<b>Other liabilities</b>	<b>33,727</b>	<b>22,747</b>

Current other liabilities rose from € 22.7 m to € 33.7 m. This is mainly due to the increase in liabilities from promotional projects of € 6.9 m (December 31, 2021: € 4.1 m), and deferred income, which mainly relates to government grants, of € 9.6 m (December 31, 2021: € 2.2 m).

## 27. Other provisions

Other provisions consisted of the following:

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2022
<b>Maturity</b>					
Non-Current	0	2,897	0	0	2,897
Current	0	8,212	20	6,714	14,946
<b>Total provisions</b>	<b>0</b>	<b>11,109</b>	<b>20</b>	<b>6,714</b>	<b>17,843</b>
<b>Changes in other provisions in 2022</b>					
<b>As of Jan 1, 2022</b>	<b>716</b>	<b>10,757</b>	<b>1,357</b>	<b>9,264</b>	<b>22,094</b>
Addition	0	4,304	0	891	5,195
Consumption	-716	-3,981	-1,335	-2,793	-8,825
Reversal	0	-1	0	-703	-704
Foreign exchange differences	0	30	-2	55	83
<b>As of Jun 30, 2022</b>	<b>0</b>	<b>11,109</b>	<b>20</b>	<b>6,714</b>	<b>17,843</b>

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2021
<b>Maturity</b>					
Non-Current	0	2,897	0	0	2,897
Current	716	7,860	1,357	9,263	19,197
<b>Total provisions</b>	<b>716</b>	<b>10,757</b>	<b>1,357</b>	<b>9,263</b>	<b>22,094</b>
<b>Changes in other provisions in 2021</b>					
<b>As of Jan 1, 2021</b>	<b>15,719</b>	<b>8,551</b>	<b>1,410</b>	<b>15,454</b>	<b>41,134</b>
Change in consolidation scope	0	0	0	46	46
Addition	0	6,312	1,356	7,828	15,496
Consumption	-14,161	-3,724	-1,259	-12,329	-31,473
Reversal	-842	-416	-150	-1,839	-3,247
Foreign exchange differences	0	34	0	104	138
<b>As of Dec 31, 2021</b>	<b>716</b>	<b>10,757</b>	<b>1,357</b>	<b>9,264</b>	<b>22,094</b>

#### Miscellaneous provisions

Miscellaneous provisions for commissions of € 2.6m (2021: € 3.2m) and provisions for legal disputes have decreased to € 0.9m (2021: € 1.3m). Provisions for other uncertain liabilities have also reduced to € 0.4m (2021: € 1.3m).

## 28. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Holiday entitlements, overtime and time off	14,462	8,820
Employee bonuses	9,836	9,098
Other deferred liabilities for personnel	5,000	8,104
<b>Deferred liabilities for personnel</b>	<b>29,298</b>	<b>26,022</b>
Outstanding invoices	9,367	5,870
Customer bonus	41,300	56,004
Audit, tax and legal advice	3,808	2,576
Miscellaneous deferred liabilities	4,019	4,954
<b>Other deferred liabilities</b>	<b>58,494</b>	<b>69,404</b>
<b>Deferred liabilities</b>	<b>87,792</b>	<b>95,426</b>

Deferred liabilities to employees have only risen very slightly from € 26.0 m to € 29.3 m compared with the previous year. This was largely due to the increase in provisions for annual leave resulting from the accrual of leave in the first half. This development is due to seasonal factors and will become less significant at the end of the year. Other deferred liabilities for personnel, which include country-specific legal requirements for delayed profit participation for employees, trended in the opposite direction. They have decreased by € 0.4m compared with December 31, 2021.

Other deferred liabilities came to € 58.5 m (December 31, 2021: € 69.4 m). The major part of this was attributable to the fall in provisions for customer bonuses of € 41.3 m (2021: € 56.0 m), which are settled and paid out on the basis of annual agreements at the beginning of the calendar year for the previous year. This development is therefore due to seasonal factors and will become less significant at the end of the year.

## 29. Sales revenue

The following revenue was achieved from the sale of products and the supply of services:

(€ k)	JUNE 30, 2022	JUNE 30, 2021
<b>Sales revenue</b>	<b>376,810</b>	<b>397,562</b>
of which from the sale of products	376,076	395,573
of which from the provision of services	734	1,989

In the first half of 2022, sales revenue fell by 5.2% year on year from 397.6 Mio. € to 376.8 Mio. €. This was due to the disruption of production caused by the pandemic, the shortage of semiconductors and the intermittent disruption of supply chains at our customers' factories, which reduced demand for our products. Customer projects were also delayed.

## 30. Increase in finished and unfinished goods

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Change in unfinished goods	6,180	15,603
Change in finished goods	43,967	15,453
<b>Increase in finished and unfinished goods</b>	<b>50,147</b>	<b>31,056</b>

Changes in finished and unfinished goods cannot be reconciled directly with the changes apparent from the consolidated balance sheet. This was due to existing currency differences that affect these items.

The increase in the change in inventories of finished goods was mainly the result of stockpiling of consumer batteries in the "Household Batteries" segment for the impending year end business.

## 31. Cost of material

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Cost of raw materials, supplies and goods purchased	185,131	142,380
Miscellaneous cost of materials and purchased services	7,518	9,966
Materials processing and refining by third parties	5,924	5,212
Other	1,687	1,269
<b>Total</b>	<b>200,260</b>	<b>158,827</b>

The increase in the "expense for raw materials, supplies and goods purchased" resulted largely from the increases in commodity prices, which are linked to the depressing assessments of the war situation in Ukraine and the changes in the product mix. In the previous year, the item "other material expenses and services purchased" temporarily included higher costs for temporary staff because of the expansion in capacity and the need for personnel associated therewith. The item "Other" contains consumables which were purchased directly for production or customer orders and consumed without being stored. Expenses for packaging, waste disposal and storage costs and advance freight are also included here.

## 32. Personnel expenses

The personnel expenses contained the following items:

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Wages and salaries	111,414	104,428
Expenses for severance payments	1,753	952
Expenses for statutory social security contributions	11,871	11,049
Pension expenses	9,209	8,796
Other personnel expenses	1,480	1,329
<b>Total</b>	<b>135,727</b>	<b>126,554</b>

Personnel expenses have risen marginally compared with the previous year. The increase in wages and salaries as well as expenses for statutory social security contributions is attributable to the increase in staff numbers.

## 33. Depreciation and amortization

Depreciation and amortization comprised the following:

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Scheduled depreciations of property, plant and equipment (excluding right-of-use assets)	39,513	33,524
Scheduled depreciations of right-of-use assets	9,506	8,226
Scheduled depreciations of intangible assets	3,544	3,307
<b>Total</b>	<b>52,563</b>	<b>45,057</b>

As expected, depreciation and amortization have significantly increased year on year through the commissioning of new machinery and equipment.

## 34. Other operating income

The other operating income contained the following items:

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Grants and public donations	41,304	18,351
Reversal of provisions and accruals	1,045	747
Income from the sale of property, plant and equipment	2	0
Other	6,662	2,539
<b>Total</b>	<b>49,013</b>	<b>21,637</b>

In fiscal year 2022, public grants amounted to € 41.3 m in total (2021: € 18.4 m) and were essentially provided for VARTA Microbattery GmbH, VARTA Micro Production GmbH and VARTA Microbattery S.R.L. For the "Important Project of Common European Interest on Batteries" (IPCEI) explained in the next section, the support was linked to various conditions and granted by the Federal Ministry of Economics and Energy and by the States of Baden-Württemberg and Bavaria. If there is sufficient certainty that the conditions will be met, a receivable is put in and other operating income recorded.

The project, which has been assessed as eligible for support, is part of the IPCEI and is expected to contribute to the development of an innovative battery value-added chain that goes beyond the current state of the art while being sustainable and environmentally



compatible in Germany and the European Union. Accordingly, the results of the subsidized project are primarily to be used commercially in the European Union. The grant also aims to achieve spillover effects from the subsidized project on the European economy and society through the exchange of knowledge and technology with research and scientific institutions and other companies. It is also expected, as far as is legally permissible, that recipients of grants will use the grant to purchase components, materials and production plants for their products and services from other German and European companies, if economically possible, to promote upstream markets and sections of the value-added chain as well. Furthermore, the products and services are expected to be characterized by particularly high levels of sustainability and environmental compatibility and encourage sustainable and environmentally compatible reuse and disposal.

The grant is also expected to promote and reinforce Ellwangen and Nördlingen as locations for innovation, business and production. At the same time, the grant aims to develop, manufacture and operate especially sustainable and environmentally compatible plants, buildings and business premises compared with the state of the art. Sustainability issues are to be taken into consideration in all planning, construction and management processes.

The increase in the item "Other" is largely attributable to compensation from patent disputes of € 3.8m.

## 35. Other operating expenses

The other operating expenses contained the following items:

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Legal, auditing and consultancy fees	12,782	8,083
Cost of energy	10,130	4,748
Maintenance	8,219	6,760
Outward freight and customs duties	6,618	5,752
Telephone, postage and IT	4,989	2,787
Other sales and distribution costs	4,376	4,050
Marketing, advertising and representation	3,841	3,364
Commission	2,807	2,327
Warranties	2,136	2,047
Rent and leases	1,657	1,744
Insurance contracts	1,413	1,274
Travel expenses	1,099	460
Cleaning	1,091	916
Contributions and fees	1,026	562
Licenses and patent fees	763	869
Impairment losses from trade receivables	711	93
Bank charges / fund transfer fees	493	504
Apprenticeship and training costs	472	219
Customer credit insurance	273	111
Expenses with related companies	195	112
Engineering and professional fees	31	99
Miscellaneous other operating expenses	14,794	7,667
<b>Total</b>	<b>79,916</b>	<b>54,548</b>

Other operating expenses have increased by € 25.4 m in total from € 54.5 m to € 79.9 m. The item "Cost of energy" has more than doubled due to rising energy costs, increasing

from 5.4 Mio. € to 10.1 Mio. € compared with the corresponding period in the previous year. The item "Legal, auditing and consultancy fees" posted an increase of 4.7 Mio. €, which is largely attributable to patent disputes. Expenses for IT have risen by 2.2 Mio. €. The change in miscellaneous other operating expenses mainly resulted from exchange rate fluctuations, which rose by € 4.9m from € 0.5m to € 5.4m.

## 36. Net financial result

Sundry financial income and sundry financial expenses comprised the following:

(€ k)	JUNE 30, 2022	JUNE 30, 2021
Foreign exchange gains	19	5
Other financial income, measured at FVTPL	747	114
<b>Sundry financial income</b>	<b>766</b>	<b>119</b>
Loss from disposal of IC investment	0	-340
Foreign exchange losses	-5,241	-1,572
Other financial expense with third parties	-181	-16
<b>Sundry financial expense</b>	<b>-5,422</b>	<b>-1,928</b>

Other financial expense has risen significantly compared with the previous year due, in particular, to higher foreign exchange losses. Due to fluctuations in exchange rates, especially USD rates, the change came to 3.7 Mio. €.

## 37. Income tax expenses

Income tax expense is recognized on the basis of the estimate of the weighted average annual income tax rate for the financial year as a whole. The estimated tax rate for the period covered by the interim report up to June 30, 2022, accordingly comes to 28.84% (June 30, 2021: 29.08%).

## 38. Financial risk management

(€ k)	JUNE 30, 2022	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial instruments measured at fair value through profit and loss</b>				
Factoring	-38,725	0	-38,725	0
Debtor warrant	-7,922	0	0	-7,922
Derivative financial instruments - assets	1,508	0	1,508	0
Derivative financial instruments - liabilities	-10,758	0	-10,758	0
<b>Total</b>	<b>-55,897</b>	<b>0</b>	<b>-47,975</b>	<b>-7,922</b>

(€ k)	DECEMBER 31, 2021	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial instruments measured at fair value through profit and loss</b>				
Factoring	-55,307	0	-55,307	0
Debtor warrant	-8,798	0	0	-8,798
Sale & Leaseback contract	-10,555	0	-10,555	0
Derivative financial instruments - assets	108	0	108	0
Derivative financial instruments - liabilities	-5,657	0	-5,657	0
<b>Total</b>	<b>-80,209</b>	<b>0</b>	<b>-71,411</b>	<b>-8,798</b>

(€ k)	JUNE 30, 2022	DECEMBER 31, 2021
Derivative financial instruments	1,508	108
<b>Derivative financial instruments measured at fair value through comprehensive income</b>	<b>1,508</b>	<b>108</b>
<b>Cash and cash equivalents</b>	<b>37,843</b>	<b>73,107</b>
Trade receivables	98,399	162,903
Other assets*	109,202	49,622
<b>Loans and receivables</b>	<b>207,601</b>	<b>212,525</b>
<b>Financial assets measured at amortized cost</b>	<b>245,444</b>	<b>285,632</b>
<b>Total financial assets</b>	<b>246,952</b>	<b>285,740</b>
<b>Derivative financial instruments measured at fair value through comprehensive income</b>	<b>10,758</b>	<b>5,657</b>
Other financial liabilities**	406,200	198,118
Trade payables	95,273	95,243
Deferred liabilities	58,494	69,404
Other liabilities***	5,515	4,599
<b>Financial liabilities measured at amortized cost</b>	<b>565,482</b>	<b>367,364</b>
<b>Total financial liabilities</b>	<b>576,240</b>	<b>373,021</b>

\* Excluding other tax receivables of € 7.2 m (2021: € 6.5 m) and prepaid expenses of € 9.0 m (2021: € 1.7 m)

\*\* Excluding derivative financial instruments of € 10.8 m (2021: € 5.7 m); including a debt waiver of € 7.9 m with an anticipated term of less than 5 years, which can be repaid earlier because of specific circumstances. (cf. note 23 "Other financial liabilities")

\*\*\* Excluding deferred income of € 9.6 m (2021: € 2.2 m), liabilities from promotional projects of € 6.9 m (2021: € 4.1 m), customs liabilities of € 3.3 m (2021: € 3.0 m), other tax liabilities of € 8.0 m (2021: € 8.9 m) and social security of € 0.38 m (2021: € 0.04 m)

## 39. Related parties

The contractual relationships with related parties described in the annual report 2021 continue almost unchanged.

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with VC Pensionen GmbH, Ellwangen, (German) in which it agreed to assume the pension obligations of VARTA Consumer Batteries GmbH & Co. KGaA as part of a joint debt obligation in return for payment of an agreed fee. According to the agreement, the joint debt assumption is subject to the condition precedent of the first payment by VARTA being received. This occurred at the beginning of fiscal year 2022. Payment of the second tranche took place in the second quarter of 2022.

Still outstanding transactions with related parties which were received after June 30, 2022 and before publication are described under Chapter 42 "Events after the reporting date"

## 40. Management of VARTA AG

The Executive Board of VARTA AG is composed as follows:

Herbert Schein, Chairman of the Executive Board / CEO

Additional board memberships:

- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Storage GmbH
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA
- Chairman of the Supervisory Board Pertrix V SE

Armin Hessenberger, Member of the Executive Board / CFO

Additional board memberships:

- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Storage GmbH
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA

Rainer Hald, Member of the Executive Board / CTO since January 1, 2022

Additional board memberships:

- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Micro Production GmbH

Dr. Markus Hackstein, Member of the Executive Board since August 1, 2022

Additional board memberships:

- Managing Director VARTA Microbattery S.R.L.

The Supervisory Board of VARTA AG is composed as follows:

Prof. DDr. Michael Tojner (Chairman)

Chairman of the Board of Directors of Montana Tech Components AG and entrepreneur

Additional board memberships (among others):

- Deputy Chairman of the Board of Directors of Montana Aerospace AG, Switzerland
- Chairman of the Board of Directors of Montana AS Beteiligungs Holding AG, Switzerland
- Chairman of the Board of Directors of Montana Tech Components AG, Switzerland
- Member of the Supervisory Board of Dorotheum GmbH, Austria

Dr. Harald Sommerer (Deputy Chairman)

Entrepreneur

Additional board memberships:

- Deputy Chairman of the Supervisory Board of Kapsch Traffic Com AG, Austria
- Chairman of the Executive Board of H.F.R.C Private Foundation, Austria

Sven Quandt

Managing Director of X-raid GmbH and entrepreneur

Additional board memberships:

- Foundation Board of the Herbert Quandt Foundation, Germany
- Co-Director 3Q GbR, Germany
- Co-Director Q Motorsport GmbH, Germany
- Member of the Advisory Board of Montana Tech Components AG, Switzerland

Martin Ohneberg

Managing Partner of HENN Industrial Group GmbH & Co. KG and entrepreneur

Additional board memberships:

- Chairman of the Board of Directors of Aluflexpack AG, Switzerland,
- Deputy Chairman of the Supervisory Board of VERBUND AG, Austria,
- Vice-Chairman of the Board of Directors of Montana Aerospace AG, Switzerland
- Member of the Supervisory Board of Getzner Werkstoffe Holding GmbH, Austria

Prof. Dr. Werner Tillmetz

University professor (retired)

Additional board memberships:

- Advisory Board of the Nationale Organisation Wasserstoff- und Brennstoffzellentechnologie ((National Organization Hydrogen and Fuel Cell Technology) NWO GmbH), Germany
- Science Council of TOTAL S.A., France

Dr. Michael Pistauer

CFO Montana Aerospace AG and entrepreneur

Additional board memberships:

- Member of the Supervisory Board of VARTA Microbattery GmbH
- Member of the Board of Directors of Alu Menziken Extrusion AG, Switzerland
- Member of the Supervisory Board of VGG AG, Austria

## 41. Investment companies

The following companies were included for the periods presented in the consolidated financial statements in accordance with section 315e (1) in conjunction with section 313 (2) No. 1 – 6 HGB:

COMPANY NAME	REGISTERED OFFICE	COUNTRY	CURRENCY	PARTICIPATION STAKE
VARTA Aktiengesellschaft	Ellwangen	Germany	EUR	100.00 %
Anabasis Handelsgesellschaft mbH	Dischingen	Germany	EUR	100.00 %
Auditas GmbH	Nördlingen	Germany	EUR	100.00 %
Auditas Inc.	Ridgefield	United States of America	USD	100.00 %
Connexio alternative investment holding GmbH	Vienna	Austria	EUR	100.00 %
EMEA Consumer Batteries (Shenzhen) Co. Ltd.	Shenzhen	China	CNY	100.00 %
LLC Consumer Batteries Company (Eastern Europe)	Moscow	Russia	RUB	100.00 %
Mezzanin Finanzierungs GmbH	Vienna	Austria	EUR	100.00 %
Paula Grundstücksverwaltungs GmbH & Co. Verm. KG	Pullach i. Isartal	Germany	EUR	100.00 %
Pertrix V SE <sup>1</sup>	Ellwangen	Germany	EUR	100.00 %
P.T. VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00 %
V4Drive Ellwangen GmbH <sup>2</sup>	Ellwangen	Germany	EUR	100.00 %
V4Drive Romania S.R.L. <sup>3</sup>	Otopeni	Romania	RON	100.00 %
VARTA Consumer Austria GmbH	Brunn am Gebirge	Austria	EUR	100.00 %
VARTA Consumer Batteries Benelux B.V.	Utrecht	Netherlands	EUR	100.00 %
VARTA Consumer Batteries GmbH & Co. KGaA	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Batteries Iberia S.L.U.	Madrid	Spain	EUR	100.00 %
VARTA Consumer Batteries Italia s.r.l.	Basiglio	Italy	EUR	100.00 %
VARTA Consumer Batteries Poland Sp.z.o.o.	Warsaw	Poland	PLN	100.00 %
VARTA Consumer Batteries UK Ltd.	Oldham	United Kingdom	GBP	100.00 %
VARTA Consumer Bulgaria EOOD	Sofia	Bulgaria	BGN	100.00 %
VARTA Consumer Czech spol. s.r.o.	Česká Lípa	Czech Republic	CZK	100.00 %
VARTA Consumer Denmark A/S	Albertslund	Denmark	DKK	100.00 %
VARTA Consumer Europe Holding GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Finland Oy	Vantaa	Finland	EUR	100.00 %
VARTA Consumer France S.A.S.	Courbevoie	France	EUR	100.00 %
VARTA Consumer Hrvatska d.o.o.	Zagreb	Croatia	HRK	100.00 %
VARTA Consumer Hungaria Kft.	Budapest	Hungary	HUF	100.00 %
VARTA Consumer Kommandit GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Komplementär GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Norway AS	Oslo	Norway	NOK	100.00 %
VARTA Consumer Schweiz GmbH	Dietlikon	Switzerland	CHF	100.00 %
VARTA Consumer Slovakia spol. s.r.o.	Prievidza	Slovakia	EUR	100.00 %
VARTA Consumer Sweden AB	Bromma	Sweden	SEK	100.00 %
VARTA Consumer Trgovina d.o.o.	Ljubljana	Slovenia	EUR	100.00 %
VARTA Innovation GmbH	Graz	Austria	EUR	100.00 %
VARTA Micro Production GmbH	Nördlingen	Germany	EUR	100.00 %
VARTA Microbattery GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Microbattery Inc.	Rye, NY	United States of America	USD	100.00 %
VARTA Microbattery Japan KK	Tokyo	Japan	USD	100.00 %
VARTA Microbattery Pte. Ltd.	Singapore	Singapore	USD	100.00 %
VARTA Microbattery S.R.L.	Brasov	Romania	RON	100.00 %
Varta Pilleri Ticaret Limited Sirketi	Istanbul	Turkey	TRY	100.00 %
VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00 %
VHB Real Estate Holdings LLC	Delaware	United States of America	EUR	100.00 %
VW-VM Verwaltungsgesellschaft mbH i.L. <sup>4</sup>	Ellwangen	Germany	EUR	50.00 %

1 previously Youco B21-D439 Vorrats-SE

2 previously VARTA Drive GmbH

3 Establishment of the company with effect from March 22, 2022

4 Accounted for at-equity, in liquidation since July 1, 2020

## 42. Events after the reporting date

There were no events after the end of the reporting period.

Ellwangen (Jagst), August 10, 2022

### **VARTA Aktiengesellschaft**

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CEO

- Herbert Schein -

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CFO

- Armin Hessenberger -

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CTO

- Rainer Hald -

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Executive Board

member

- Dr. Markus Hackstein -

# Statement by the legal representatives

We hereby declare that, to the best of our knowledge, and in accordance with the applicable reporting principles for the interim financial reporting, the interim consolidated financial statements provide a true and fair view of the Group's net assets, financial position and earnings and that the Group Interim Management Report presents the business development including the results of operations and the position of the Group in such a way that a true picture is provided and the significant risks and opportunities associated with the Group's probable development are described.

Ellwangen, August 10, 2022

## **VARTA Aktiengesellschaft**

.....  
CEO

- Herbert Schein -

.....  
CFO

- Armin Hessenberger -

.....  
CTO

- Rainer Hald -

.....  
Executive Board  
member

- Dr. Markus Hackstein -



# Explanatory notes to the half-year 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 of December 31, 2021.

The condensed consolidated interim financial statements as of June 30, 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

Half-year report 2022:

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

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