

VARTA AG Group

Half-year Report 2023

as at 30 June 2023

www.varta-ag.com



VARTA



VISION

We are defining the future of battery technology to empower a more independent life.

MISSION

Through continuous investment in research and development, we set the benchmark in battery technology and customization to strive for market leadership in our business segments.

VARTA AG – SELECTED GROUP KPIs

(€ k)	30 June 2023	30 June 2022
Revenue	339,045	376,810
EBITDA	-23,401	66,234
Adjustments:		
Cost of share-based payment	1	9
Costs of M&A transactions	0	2,665
Restructuring costs VARTA AG Group	16,587	0
Adjusted EBITDA	-6,813	68,908
Adjusted EBITDA Margin (%)	-2.0 %	18.3 %
Group result	-110,406	2,784
Earnings per share	-2.59	0.07
Investments (CAPEX)	37,493	66,852
Free Cash Flow**	-77,555	-126,660
Equity ratio*	15.8 %	19.0 %
Balance sheet total*	1,137,973	1,258,454
Employees at the end of quarter**	4,216	4,602

* Comparison period relates to 31 December 2022

** Prior year adjusted according to IAS 8



VARTA AG

VARTA Aktiengesellschaft (VARTA AG), Ellwangen (Jagst), Germany, is the parent company of the VARTA Group. Since October 2017, VARTA AG has been listed on the Frankfurt Stock Exchange in the Prime Standard segment and is currently listed on the SDAX. The business activities of VARTA AG and its subsidiaries encompass the research and development, production and sale of micro and household batteries, large-format batteries, customer-specific battery solutions and energy storage systems. The business activities of the VARTA AG Group are divided into five reportable business segments: "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries", "Energy Storage Systems" and "Other". Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and microbatteries and ranks among the innovation leaders in the key growth markets of lithium-ion technology in addition to primary hearing aids and household batteries. Our production processes that have been developed and refined over the years, including customised production systems in some cases, round off the Company's competence profile alongside a highly qualified and experienced workforce. The VARTA AG Group currently employs 4,216 staff. The Group operates five production and battery manufacturing plants in Germany, Romania and Indonesia in addition to distribution centres in the USA, Europe and Asia, from which sales to customers in more than 100 countries around the world are coordinated.

Micro Batteries

The "Micro Batteries" segment covers the business activities in the area of microbatteries and hearing aid batteries. The Group is one of the leading manufacturers of microbatteries for hearing aids. Hearing aid batteries are produced in the largest, state-of-the-art hearing aid battery plant in Germany on fully-automated lines in compliance with medical quality standards. A complete portfolio of small, high-performance, customised lithium-ion rechargeable batteries are produced at the same site for the new rechargeable solutions and tailored to the demands of our customers' devices as an energy source.

Lithium-Ion CoinPower

The "Lithium-Ion CoinPower" segment represents the business with small lithium-ion round cells, also known as CoinPower, for OEM applications. The Company boasts reputable firms as clients 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 aids to wireless headsets (True Wireless Stereo Headsets) all the way through to automotive applications operated by way of microbatteries. The two segments "Micro Batteries" and "Lithium-Ion CoinPower" work together in a synergistic manner.

Consumer Batteries

The "Consumer Batteries" segment comprises the product categories of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. VARTA AG is one of the European market leaders with production activities located in Germany for household device batteries. "Consumer Batteries" is predominantly geared towards end customers. The innovative, high-quality products from the "Consumer Batteries" segment 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. An intensive focus on the lifestyle of consumers and close cooperation with retailers are crucial in enabling VARTA to react quickly and flexibly to the latest device trends with the best energy solutions.

Energy Storage Systems

In the "Energy Storage Systems" segment, the Company primarily manufactures energy storage systems for private households in addition to large-scale commercial storage solutions for trade customers. In this context, VARTA is playing a key role in the energy transition by developing and manufacturing 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 existing product portfolio for private households as part of the VARTA *pulse neo* and VARTA *element backup* product series comprises AC-coupled systems, which feature integrated battery inverters and can therefore be combined with photovoltaic systems without the need for additional PV inverters. As such, they are perfectly suited to new installations as well as 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. With the VARTA.wall, the Company presented a state-of-the-art system based on round cell technology in 2022, which is extremely flat and space-saving and benefits from a small installation depth of around only 10 centimetres. The DC-coupled VARTA.wall storage system is set to be launched on the market in 2023 with capacities of 10 to 20 kWh and is therefore geared towards the particular capacity requirements of individual customers. In addition, the modular stacking design facilitates a subsequent storage capacity expansion in order to ensure sufficient capacity even if the energy demand increases in the future. With this design, VARTA is aiming for an installation in under 30 minutes, which means installers would save a significant amount of time in comparison with existing products. In addition, compatibility with various market-leading inverter manufacturers facilitates the use of the VARTA.wall for both new installations and pre-installed PV systems.

Other

The "Other" segment includes the "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" business units. The Group can call on extensive industry experience in the construction of high-performance, safe and needs-based lithium-ion battery packs within the "Lithium-Ion Battery Packs" business segment – for medical technology, robotics, connectivity, household and telecommunications applications. The product portfolio ranges from fully customer-specific battery packs all the way through to fully configured standard batteries that can be used immediately. With the "Lithium-Ion Large Cells" division, VARTA is planning to offer large lithium-ion round cells for automotive (V4Drive) and non-automotive (RoundPower) applications. Preparations for the Company's entry into the e-mobility business are focused on the V4Drive large-format lithium-ion round cells. An initial small scale production line is expected to supply up to 10 m round cells per year, which are already being used in the prototype production for an OEM customer. In the non-automotive business, the focus with RoundPower is on all fields of application outside of classic e-mobility. This includes, for example, industrial vehicles, power tools, home and garden applications, e-bikes and various other potential application areas. However, at present, no sales are being generated here.



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Business development in the first half year of 2023

VARTA AG looks to the future with confidence

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

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

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

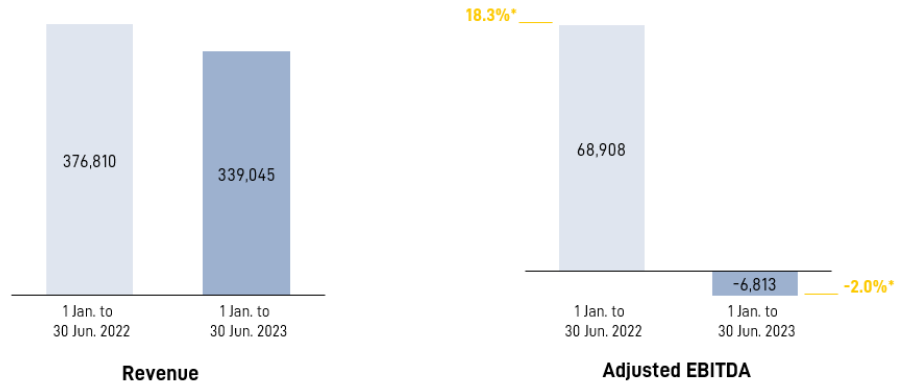
The challenges resulting from the global crises continued to be felt in the past two quarters of the current year. Group revenue for the first half of 2023 was € 339 m (H1 2022: € 376.8 m). Adjusted EBITDA for the same period was € -6.8 m (H1 2022: € 68.9 m).

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

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

Revenue & Adjusted EBITDA

(IN K€, unaudited)



*Margin: Adjusted EBITDA to revenue

Condensed consolidated management report for the first half of financial year 2023

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 encompass the research and development, production and sale of microbatteries, large-format batteries, household batteries and energy storage systems.

The business activities of the VARTA AG Group are divided into five reportable business segments: "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries", "Energy Storage Systems" and "Other". The VARTA AG Group has accordingly amended its positioning with the statement of business activity for 2022 as a whole.

The "Micro Batteries" segment comprises micro batteries and hearing aid batteries, "Lithium-Ion CoinPower" small, round lithium-ion cells for OEM applications. The "Consumer Batteries" segment comprises business activities in the area of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. "Energy Storage Systems" primarily includes energy storage solutions intended for private applications, although some commercial solutions are offered as well. In the new structure, the "Other" segment includes the business areas "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells".

The Group develops, produces and distributes a comprehensive battery portfolio that ranges from microbatteries, household batteries, large-format cells and energy storage systems all the way 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 ranks among the innovation leaders in the key growth markets of lithium-ion technology in addition to primary hearing aids and household batteries.

At the end of the first half of 2023, the Group operated five production and battery manufacturing plants in Germany, Romania and Indonesia in addition to distribution centres in the USA, Europe and Asia, from which sales to customers in more than 100 countries around the world are coordinated. Operating on a global basis today, VARTA AG can look back on more than 135 years of company history with great pride.

Segments and organisational structure

MICRO BATTERIES & LITHIUM-ION COINPOWER

The segment "Micro Batteries" (previously Microbatteries) covers the business activities in the area of microbatteries and hearing aid batteries. The Group is one of the leading manufacturers of microbatteries for hearing aids. "Micro Batteries", as is the case with the "Lithium-Ion CoinPower" segment, was previously managed underneath the former "Lithium-Ion Solutions & Micro Batteries" segment.

The segment "Lithium-Ion CoinPower" represents the business with small lithium-ion round cells, also known as CoinPower, for OEM applications. The Company boasts reputable firms as clients 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 aids to wireless headsets (True Wireless Stereo Headsets) all the way through to automotive applications operated by way of microbatteries. The two segments "Micro Batteries" and "Lithium-Ion CoinPower" work together in a synergistic manner.

CONSUMER BATTERIES & ENERGY STORAGE SYSTEMS

The "Consumer Batteries" segment comprises the product categories of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. VARTA AG is one of the European market leaders with production activities located in Germany for household device batteries. "Consumer Batteries" is predominantly geared towards end customers. As is the case with the "Energy Storage Systems" segment, "Consumer Batteries" was also previously managed underneath the former "Household Batteries" segment.

The innovative, high-quality products from the "Consumer Batteries" segment 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. An intensive focus on the lifestyle of consumers and close cooperation with retailers are crucial in enabling VARTA to react quickly and flexibly to the latest device trends with the best energy solutions.

In the "Energy Storage Systems" segment, the Company primarily manufactures energy storage systems for private households in addition to large-scale commercial storage solutions for trade customers. In this context, VARTA is playing a key role in the energy transition by developing and manufacturing 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 existing product portfolio for private households as part of the VARTA *pulse neo* and VARTA *element backup* product series comprises AC-coupled systems, which feature integrated battery inverters and can therefore be combined with photovoltaic systems without the need for additional PV inverters. As such, they are perfectly suited to new installations as well as 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. With the VARTA.wall, the Company presented a state-of-the-art system based on round cell technology, which is extremely flat and space-saving and benefits from a small installation depth of around just 10 centimetres. The DC-coupled VARTA.wall storage system is set to be launched on the market with capacities of 10 to 20 kWh and is therefore geared towards the particular capacity requirements of individual customers. In addition, the modular stacking design facilitates a subsequent storage capacity expansion in order to ensure sufficient capacity even if the energy demand increases in the future. With this design, VARTA is aiming for an installation in under 30 minutes, which means installers would save a significant amount of time in comparison with existing products. In addition, compatibility with various market-leading inverter manufacturers facilitates the use of the VARTA.wall for both new installations and PV systems already installed.

OTHER

The newly created "Other" segment includes the business areas "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells". The Group can call on extensive industry experience in the construction of high-performance, safe and needs-based lithium-ion battery packs within the "Lithium-Ion Battery Packs" business segment – for medical technology, robotics, connectivity, household and telecommunications applications. The product portfolio ranges from fully customer-specific battery packs all the way through to fully configured standard batteries that can be used immediately. With the "Lithium-Ion Large Cells" division, VARTA is planning to offer large lithium-ion round cells for automotive (V4Drive) and non-automotive (RoundPower) applications. Preparations for the Company's entry into the e-mobility business are focused on the V4Drive large-format lithium-ion round cells. An initial small scale production line is supplying up to 10 m round cells per year, which are already being used in the prototype production for an OEM customer. In the non-automotive business, the focus with RoundPower is on all fields of application outside of classic e-mobility. This includes, for example, industrial vehicles, power tools, home and garden applications, e-bikes and various other potential applications. However, at present, no sales are being generated here.

1.2. Strategy and goals

As part of its annual budget planning, the VARTA AG Group defines its goals and strategies for the following financial year. With its five reportable 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.

In principle, the VARTA AG Group is focusing on the following growth areas and objectives:

- Strengthening and expanding its global market position in core products
- Maintaining innovation and technological dynamics, adapting production capacities
- Cutting costs and profitable growth

These are unchanged compared with the Annual Report 2022 and are described in detail there.

For further information on specific Group objectives, please refer to „8. Outlook“

1.3. Corporate management

The VARTA AG Group is managed on the basis of internally defined financial and non-financial metrics to pursue a strategy centred on sustained value growth. The Executive Board changed its internal control and management mechanisms in the course of 2022. These have remained unchanged since this time.

As in the first six months of financial year 2022, sales and adjusted EBITDA were used as key performance indicators for management purposes. CAPEX was no longer defined as a financial indicator due to the change in the company's situation. The number of employees is another key non-financial performance indicator.

The management control system also represents the basis for VARTA AG's external reporting and is monitored by the Supervisory Board within the scope of its control function.

1.4. Management and control

As at 30 June 2023, the Executive Board of VARTA AG comprised the following members:

Dr Markus Hackstein (Spokesperson for the Executive Board), Marc Hundsdorf (CFO), Rainer Hald (CTO) and Michael Giesswein (CRO). The Executive Board members share joint responsibility for the management of the Company. Armin Hessenberger left the Executive Board on 15 May 2023.

As at 30 June 2023, the Supervisory Board comprised the following members:

Prof. DDr Michael Tojner (Chairman), Dr Harald Sommerer (Vice Chairman), Sven Quandt, Martin Ohneberg and Dr Michael Pistauer. Following the end of the reporting period, Günther Apfalter was also elected as a new member of the Supervisory Board at the Annual General Meeting of VARTA AG on 11 July 2023.

2. Economic report

2.1. Markets and influencing factors

In terms of the structural outlook for the battery business, the prospects remain exceptionally positive. Batteries, especially lithium-ion batteries, can be used in almost all markets and industries around the world. Owing to their high energy density, they also facilitate major technological innovations. The VARTA AG Group manufactures and sells batteries around the world. The trend towards portable and wireless devices that rely on batteries in the VARTA product portfolio is opening up significant opportunities. In addition, the transition to renewable energy sources, a need to store energy and the desire for energy self-sufficiency are positively impacting demand for products from the VARTA portfolio.

The current macroeconomic environment has deteriorated overall in the first half of 2023 compared with the same period in the previous year, which has adversely impacted several of VARTA's target markets. High raw material and energy prices, the impact of the ongoing war in Ukraine, such as restrictions in the availability of components including semiconductors, and significantly increased transport costs are causing problems for the Company, directly or indirectly via VARTA's customers and suppliers. The trend in inflation and interest rates has contributed to a slowdown in investment and consumption in key sales markets and has therefore depressed demand for key products that rely on VARTA solutions. TWS end customer business is still experiencing very significant fluctuations, which are affecting sales of lithium-ion batteries.

In geographical terms, the sales distribution is highly diversified. Revenue is primarily generated in Europe, followed by Asia and North America (see Chapter 4.1 Financial performance). This therefore limits the dependency on individual countries and their respective economic development. Irrespective of the main sales focus, the Asian market plays a highly 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

In comparison with the previous year, the macroeconomic landscape has deteriorated overall due to low demand in key markets and higher inflation, as explained in Chapter 2.1. "Markets and influencing factors". High raw material and energy prices, the ongoing limited availability of certain components such as semiconductors and increased transport costs are causing problems in terms of both supply and production. In terms of demand, key sales markets and segments have been suffering from the consequences of

higher inflation and interest rates. Accordingly, a decline in consumption, including consumer electronics and household devices, resulted in a marked reduction in our customers' sales, which was also reflected in VARTA's sales of the relevant products. While VARTA was significantly affected by external factors, in some cases the energy crisis and higher energy prices also had a highly positive impact on sales in the "Energy Storage Systems" segment.

The "Micro Batteries" segment comprises a range of microbatteries for a wide variety of applications. The primary focus here is on the production of zinc-air button cells and rechargeable lithium-ion cells for various types of hearing aids. Increased life expectancy of people in many countries around the world, as well as rising acceptance of hearing aids, are supporting 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+ to more than double by 2050. The increasing market share of low-cost amplifiers, known as OTC models, and innovative product solutions for medical applications promise further structural impetus for growth. In the period under review, these structural growth factors were affected by the negative economic factors.

In the "Lithium-Ion CoinPower" segment, VARTA manufactures batteries based on lithium-ion technology for a variety of wireless applications. In this context, VARTA supplies batteries for the True Wireless Stereo (TWS) headset market in particular. Up to this point, VARTA has focused primarily on the premium segment, which is characterised by cutting-edge technical features such as active noise cancelling, transparency mode and the longest possible battery lives. The widespread desire to participate in innovations in consumer electronics generates structural impetus for growth. The contrasting weakness in the segment's sales in the first half of 2023 is largely attributable to the fact that the largest customer in the "Lithium-Ion CoinPower" segment reduced sales volume significantly in response, among other factors, to restrained spending on the part of end customers. The temporary deterioration in consumption resulting from high inflation rates is likely to have played a key role here.

The "Consumer Batteries" segment covers a range of battery products including alkaline batteries, rechargeable batteries, chargers, lights and portable storage options (power banks). VARTA anticipates structural growth in its broadly based product portfolio. In terms of the global demand for household batteries, moderately annual growth of 3.5 % has been forecast. During this time, the market looks set to grow from \$ 41.5 bn to a value of \$ 52.8 bn. In terms of sales, the market for alkaline batteries is particularly important for VARTA. Annual growth of 2.3 % has been projected here, with the global market volume set to amount to \$ 13.7 bn in 2027 (Reportlinker, 2022). High energy and raw material costs have had a particularly severe impact in the material-intensive segment. VARTA aims to gradually pass on the increased costs and, in the medium term, to return to the attractive margin levels seen in 2020 and 2021.

The "Energy Storage Systems" segment develops energy storage solutions primarily intended for private households, although some commercial solutions are offered as well. The energy transition and strong demand for energy-autonomous solutions represent key structural stimuli for growth within this segment. These drivers are already having an impact. This is highlighted by the sharp increase in revenue in the first half of 2023 of over 90 % compared with the first half of 2022 and by the fact that the segment has evolved into the second largest of the VARTA segments in terms of revenue in the first half of 2023. According to Solar Power Europe (2022), the capacity of the newly installed energy storage systems in Europe is likely to quadruple from 1 GWh in 2020 to 4.5 GWh in 2023 and 7.3 GWh in 2026. With the further expansion of its capacities, VARTA expects to benefit from the structural growth in demand for PV systems and associated energy storage systems over the long term.

The "Lithium-Ion Battery Packs" business, which forms part of the "Other" segment, manufactures battery packs for various applications including household and garden equipment, intralogistics, communication electronics, medical applications and the mobility sector, in addition to a range of other industrial applications. The range includes customised solutions as well as standard solutions. Key growth drivers in this regard include the trend towards wireless devices, such as rechargeable battery-powered household and gardening equipment as well as the increasing importance of electromobility. Restrained consumer spending in response to the economic situation has depressed the structural growth forces in the period under review. These structural growth forces are regarded as considerable. Accordingly, Transparency Market Research (2021) assumes that the relevant market will grow by 11 % per year on average in the period from 2021 to 2031.

The "Lithium-Ion Large Cells" business unit in the "Other" segment, which designs lithium-ion round cells for automotive and non-automotive product solutions, will be boosted by the strong growth trend towards electrification. According to a study carried out by Avicenne, Fraunhofer, IHS Interviews and Roland Berger (2021), global market demand will increase almost tenfold from around 363 GWh in 2021 to 3,127 GWh in 2030. In this context, the automotive market is regarded as a particular growth driver due to the long-term transition in the direction of electric vehicles. VARTA potentially stands to benefit from strong market growth in this area with its unique V4Drive cells, which clearly stand out from the competition on account of incredibly fast charging and discharging cycles. Our first production line for our 21700 cells is being gradually ramped up for a pilot customer. When fully utilised, the batch production line should be able to produce up to 10 million cells per year. In addition to other customers operating on the automotive market, in the medium and long term, VARTA also plans to use this unique cell technology in connection with other application areas. These include battery-powered power tools, industrial vehicles and products from the home and garden sector.

3. Key events after the reporting date

After the profit collapse in 2022, VARTA AG developed a restructuring concept to facilitate the Company's return to the growth path. In a final report of the restructuring expert for the assessment of the restructuring ability according to IDW S6, VARTA AG was certified to have the restructuring ability and growth prospects with short-term financing requirements for the further stabilisation of the company.

VARTA has agreed on a restructuring agreement for the implementation of a restructuring concept with the financing banks and the majority shareholder Montana Tech Components AG, which was signed on 30 June 2023, including an extension of the existing financing until 31 December 2026 and changes to the credit conditions (covenants).

In the wake of this agreement, a capital increase was required by the banks and successfully carried out on 21 March 2023. As a result, VARTA AG generated gross issuance proceeds of € 50,727,000. VGG Beteiligungen SE, a wholly owned subsidiary of Montana Tech Components AG, subscribed for 2,220,000 new shares while excluding other shareholders' subscription rights.

For further information, please refer to the detailed explanations in the risk report and supplementary report of the consolidated financial statements 2022 dated 28 April 2023.

On the basis of the measures already initiated, also taking into account the corporate planning reviewed by an external expert, the Executive Board is convinced that the Company will return to the growth path with corresponding profitability. To this end, the construction of a gigawatt hour factory for energy storage systems was given the green light in the second quarter of 2023. The first modules for the VARTA.wall are expected to be manufactured in Neunheim in the second half of the year. Over 500 MWh of energy storage systems per year is expected to be produced in an initial expansion stage, which corresponds to an annual output of approximately 50,000 systems. Expansion of existing capacity to over 1 GWh by 2025 is planned, after which up to 100,000 VARTA.wall energy storage systems are expected to be produced per year.

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

4. Development of financial position and financial performance

4.1. Financial performance

Consolidated income statement for the period 1 Jan. to 30 Jun. 2023 (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	30 June 2023	30 June 2022
Sales revenue	339,045	376,810
Increase in finished and unfinished goods	7,426	50,147
Own work capitalized	12,908	6,167
Other operating income	9,754	49,013
Cost of materials	-191,257	-200,260
Personnel expenses	-130,544	-135,727
Other operating expenses	-70,733	-79,916
EBITDA	-23,401	66,234
Depreciation	-67,221	-52,563
Operating income (EBIT)	-90,622	13,671
Interest income	811	970
Interest expenses	-16,165	-3,504
Other financial income	584	766
Other financial expenses	-2,387	-5,422
Financial result	-17,157	-7,190
Earnings before taxes	-107,779	6,481
Income taxes	-2,627	-3,697
Group result	-110,406	2,784
Appropriation of loss (PY profit):		
Shareholders of VARTA AG	-110,406	2,784

Revenue

In the first half of financial year 2023, VARTA AG Group revenue fell by 10.0 % compared with the same period in the previous year from € 376.8 m to € 339.0 m. The reason for this is a slowdown in consumer behaviour owing to high inflation and the current economic environment.

Revenue in the "Energy Storage Systems" segment rose from € 42.6 m to € 81.5 m, an increase of € 38.9 m. This pleasing development is due to the high demand for home storage solutions.

Revenue in the "Consumer Batteries" segment fell from € 146.5 m to € 142.5 m, a decrease of € 4.0 m. This revenue decline is the result of a fall in demand for household batteries.

Revenue in the "Micro Batteries" segment decreased by € 13.1 m from € 83.1 m to € 70.0 m. The deterioration in the economic environment led to a downturn in demand.

Revenue in the "Li-Ion CoinPower" segment decreased by € 60.4 m from € 79.7 m to € 19.2 m. The main factor driving this development was the fact that one of our largest customers reduced sales volume significantly in response to a significant deterioration in end-customer demand as well as a customer-side diversification of the supply chain.

Expenses and other operating income

In the first half of the year, material expenses came to € 191.3 m compared with € 200.3 m in the same period in the previous year. This corresponds to a reduction of 4.5 %. The cost-of-materials ratio in relation to total output (revenue plus an increase in finished and unfinished goods) increased from 46.9 % to 55.2 %. The increase in the cost-of-materials ratio is the consequence of the negative trend for VARTA in raw material prices compared with the first half of the previous year and changes in the product mix.

Personnel expenses declined by 3.8 % from € 135.7 m to € 130.5 m. This development can be attributed to the personnel measures implemented, such as the short-time work at the factory in Nördlingen as well as initial restructuring measures and fluctuations in staff turnover.

Other operating expenses fell by 11.5 % overall from € 79.9 m to € 70.7 m. On account of short-time work and falling revenues, energy costs fell by € 3.3 m, while those for outward freight and customs duties declined by € 1.1 m. Price volatility has decreased expenses for currency hedging by € 4.8 m in the last year. The miscellaneous other operating expenses decreased, mainly due to lower expenses for claims settlement compared to the previous year by € 1.8 m. Conversely, expenses for legal, auditing and consulting fees increased by € 6.2 m, mainly in connection with the preparation of the restructuring concept. Furthermore, expenses for warranties increased by € 1.8 m.

Other operating income decreased by € 39.3 m, declining from € 49.0 m in the same period in the previous year to € 9.8 m in the first half of 2023. This decline is primarily the result of reduced income from subsidies and public grants of € 26.9 m as well as the change in disclosure in the amount of € 7.5 m described in the annual financial statements 2022 under chapter "Changes according to IAS 8". As expected, grants decreased in the first half of 2023.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) fell sharply from € 66.2 m in the same period in the previous year to € -23.4 m. This was mainly due to the negative factors described above and the significantly more restrained development of sales revenue by comparison with the same period of the previous year.

Adjusted EBITDA

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation, adjusted for extraordinary effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is the appropriate control parameter for the Executive Board to assess the operating earnings capacity of the Group and the five segments. The non-cash expenses for share-based remuneration payments and expenses linked to the restructuring plan (previous year M&A transactions) were adjusted as extraordinary effects. The following table shows the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	30 June 2023	30 June 2022
EBITDA	-23,401	66,234
Expenses from share-based remuneration	1	9
Expenses for M&A transactions	0	2,665
Restructuring costs VARTA AG Group	16,587	0
adjusted EBITDA	-6,813	68,908

The restructuring concept resulted in additional expenses. These have been identified as an extraordinary effect and are to be adjusted this year.

Depreciation

Scheduled depreciation amounted to € 38.0 m in the first half of the year. In addition, a non-cash impairment of € 25.9 m was recognised in the "Lithium-Ion CoinPower" CGU in the first half of 2023 due to lower volume expectations for 2023.

Operating result (EBIT)

The operating result is € -90.6 m and thus significantly lower than in the same period in the previous year (€ 13.7 m). The material effect is attributable to operating business and the negative factors described above.

Financial result

The financial result deteriorated in the reporting period from € -7.2 m in 2022 to € -17.2 m in 2023. This is primarily due to the growth in interest expenses, which rose by € 12.7 m from € 3.5 m to € 16.2 m. This was due to the increase in borrowing and the rise in variable interest rates compared with the same period of the previous year.

Taxes

As at 30 June 2023, there was a tax expense of € 2.6 m on the back of deferred tax liabilities that arose due to temporary differences and the expected actual tax expenses as a result of the positive earnings situation of the Consumer companies. The effective tax rate is -2.4 % (2022: 57.0 %).

Consolidated result

Due to the above-mentioned reasons, the consolidated result is well down on the previous year's figure, amounting to € -110.4 m (2022: € 2.8 m).

4.2. Net assets and financial position

Consolidated balance sheet as at 30 June 2023 (unaudited)

(€ k)	30 JUNE 2023	31 DECEMBER 2022
ASSETS		
Non-current assets	723,634	749,220
Current assets	414,339	509,234
Total assets	1,137,973	1,258,454

(€ k)	30 JUNE 2023	31 DECEMBER 2022
EQUITY AND LIABILITIES		
Equity	180,005	239,465
Total liabilities	957,968	1,018,989
Non-current liabilities	549,473	196,035
Current liabilities	408,495	822,954
Total equity and liabilities	1,137,973	1,258,454

Non-current assets

Non-current assets decreased by € 25.6 m from € 749.2 m as at 31 December 2022 to € 723.6 m. The change mainly results from the decline in property, plant and equipment due to the impairment of € 25.9 m, as well as the decline in deferred tax assets from € 19.7 m to € 9.4 m as at 30 June 2023. Intangible assets developed in the opposite direction, rising from € 99.6 m to € 108.9 m. This was largely due to the capitalisation of development costs.

Current assets

In comparison with 31 December 2022, current assets decreased by € 94.9 m from € 509.2 m to € 414.3 m as at 30 June 2023. This change is due to the reduction in tax refund claims of € 12.0 m, and in cash and cash equivalents of € 54.7 m. Trade receivables also trended downwards, falling by € 30.9 m compared with year-end 2022. This is due to both falling revenue and seasonal factors.

Equity/equity ratio

Equity fell from € 239.5 m as at 31 December 2022 to € 180.0 m as at 30 June 2023. The equity ratio amounted to 15.8 % as at the reporting date (31 December 2022: 19.0 %). The main effects are the capital increase of € 50.7 m and the negative consolidated result of € 110.4 m.

Non-current liabilities

Non-current liabilities increased by € 353.4 m from € 196.0 m as at 31 December 2022 to € 549.5 m in the reporting as at 30 June 2023. The main factor behind this increase is the extension of the existing financing as part of the restructuring agreement, which led to loan liabilities of € 354.3 m being classified as non-current. Other non-current liabilities have also increased from € 27.4 m to € 34.9 m. This was offset by the fall in deferred tax liabilities from € 16.9 m to € 6.8 m.

Current liabilities

Current liabilities have fallen from € 823.0 m to € 408.5 m as at 30 June 2023. This change is largely due to the reclassification of loan liabilities as non-current liabilities. Moreover, tax liabilities have fallen by € 14.9 m and deferred liabilities by € 19.4 m in comparison with 31 December 2022. The reduction in deferred liabilities is mainly due to the fall in customer bonuses of € 17.8 m.

Net working capital

Net working capital increased from € 162.7 m at the end of 2022 to € 178.3 m as at 30 June 2023. This corresponds to an increase of € 15.6 m in comparison with the previous year. The net working capital ratio is calculated in relation to the revenue of the last three months extrapolated to one year and stands at 25.5 % as at 30 June 2023 (31 December 2022: 17.1 %). The change in the net working capital ratio by 8.4 percentage points is mainly due to the restrained development of sales revenue in the last six months as well as the decline in receivables and liabilities.

Cash flow statement

(€ k)

	30 June 2023	30 June 2022
Cash and cash equivalents as at 1 January	108,709	73,107
Cash flow from operating activities	-27,317	-26,509
Cash flow from investing activities*	-50,238	-100,151
Cash flow from financing activities*	23,151	89,659
Net change in cash and cash equivalents	-54,404	-37,001
Effects of exchange rate fluctuations	-314	1,737
Cash and cash equivalents as at 30 June	53,991	37,843

* Prior year adjusted according to IAS 8

The cash flow from operating activities amounts to € -27.3 m in the reporting year and is therefore € 0.8 m below the previous year's figure. Despite the tense economic situation, the Group has succeeded in keeping cash flow from operating activities stable.

The cash flow from investing activities has reduced from € -100.2 m in the same period of the previous year to € -50.2 m. Payment outflows in connection with investments in

intangible assets and property, plant and equipment (CAPEX) are below the same period in the previous year, amounting to € 37.5 m (2022: € 66.9 m). As far as possible, they were adjusted to the current business development in relation to the commitments.

Cash flow from financing activities decreased in the reporting period from € 89.7 m in 2022 to € 23.2 m. The positive cash flow in the first half of 2023 results from the capital increase in the amount of € 50.7 m. Higher interest expenses reduced the cash flow by € -12.0 m. The high cash inflow in the same period of the previous year resulted from the raising of the promissory note loan in the amount of € 250.0 m and opposing effect through the payment of the dividend.

As at 30 June 2023, cash and cash equivalents totalled € 54.0 m (2022: € 37.8 m). As at the balance sheet date, existing credit lines had been drawn down in full.

5. Financial performance: Segments

The Company is divided into the segments "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries", "Energy Storage Systems" and "Other".

Many of VARTA's customers around the world are facing major challenges. One of the primary factors behind this is the current war in Ukraine. This cost increases for raw materials prices that this has resulted in, as well as the downturn in consumer behaviour as a result of high inflation, is leading to reduced demand for our batteries in the "Micro Batteries", "Lithium-Ion CoinPower" segments and, to a lesser extent, in the "Consumer Batteries" segment as well. However, the "Energy Storage Systems" segment is clearly bucking the general trend, which is firstly due to the high order volume generated in 2022 and secondly to high levels of demand for home energy storage solutions.

Micro Batteries

	30 June 2023	30 June 2022	Change
Sales revenue (€ k)	69,971	83,060	-15.8 %
Adjusted EBITDA (€ k)	9,975	13,018	-23.4 %
Adjusted EBITDA margin %	14.3 %	15.7 %	-1.4 PP

The "Micro Batteries" segment comprises business with microbatteries and hearing aid batteries. In the first half of 2023, revenue amounted to € 70.0 m, reflecting a revenue drop of 15.8 %.

Within the first six months of financial year 2023, adjusted EBITDA has fallen from € 13.0 m year on year to € 10.0 m. The adjusted EBITDA margin stands at 14.3 %, which corresponds to a decline of 1.4 percentage points in comparison with the previous year.

Alongside falling demand, particularly for zinc-air batteries, this decline in earnings results from the rise in manufacturing costs, in particular due to the negative development of the raw material prices to which VARTA is subject compared with the first half of the previous year.

Lithium-Ion CoinPower

	30 June 2023	30 June 2022	Change
Sales revenue (€ k)	19,203	79,651	-75.9 %
Adjusted EBITDA (€ k)	-29,406	38,353	> -100,0 %
Adjusted EBITDA margin %	> -100,0%	48.2 %	> -100,0 PP

The "Lithium-Ion CoinPower" segment includes the small-format lithium-ion round cells for OEM applications. In the first quarter of 2023, revenue amounted to € 19.2 m. This corresponds to a revenue decline of 75.9 %.

Within the first six months of financial year 2023, adjusted EBITDA fell from € 38.4 m to € -29.4 m in comparison with the same period in the previous year, which is a disproportionate fall compared with the development of revenue.

The main cause for the sharp decline is the fact that the main customer for the "Lithium-Ion CoinPower" segment has reduced sales volumes and agreed price reductions, also due to a significant slowdown in end customer demand. Moreover, inventory reduction by some clients led to lower CoinPower sales figures in the first half of the year. Personnel measures, such as short-time work at the factory in Nördlingen and the non-extension of limited employment contracts have already been implemented with the aim of taking account of developments linked to sales volumes and demand. Additional compensation measures are currently in the process of being worked out. In addition, VARTA has sufficient capacity already installed to be able to produce additional quantities at short notice in the event of a recovery in demand.

Consumer Batteries

	30 June 2023	30 June 2022	Change
Sales revenue (€ k)	142,493	146,535	-2.8 %
Adjusted EBITDA (€ k)	7,510	13,160	-42.9 %
Adjusted EBITDA margin %	5.3 %	9.0 %	-3.7 PP

The "Consumer Batteries" segment comprises business activities in the area of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. In this segment, revenue fell from € 146.5 m in the first six months of the previous year to € 142.5 m as at 30 June 2023, which equates to a slight fall of 2.8 %. By way of comparison, adjusted EBITDA fell by 42.9 %. The adjusted EBITDA margin stands at 5.3 %, which corresponds to a decline of 3.7 percentage points in comparison with the previous year.

Subdued consumer spending resulting from demand for household batteries led to a negative trend in revenue. At the same time, measures to attract new customers have already been initiated to compensate for this effect in the second half of the year. The very sharp increase in the prices of raw materials compared with the first half of the previous year also had a negative impact on the margin.

These cost increases could only be passed on to customers in part. VARTA is facing up to the current trend in energy and raw material costs with confidence and with the ambition of passing on the increased costs in the medium term. Accordingly, management expects that the material-intensive "Consumer Batteries" segment will be able to return to its 2020 and 2021 margin levels in the medium term.

Energy Storage Systems

	30 June 2023	30 June 2022	Change
Sales revenue (€ k)	81,483	42,553	91.5 %
Adjusted EBITDA (€ k)	11,492	2,693	> 100,0 %
Adjusted EBITDA margin %	14.1 %	6.3 %	7.8 PP

In the first six months of 2023, revenue in the "Energy Storage Systems" segment increased from € 42.6 m to € 81.5 m year on year. This corresponds to revenue growth of 91.5 %. Adjusted EBITDA has increased by € 8.8 m from € 2.7 m to € 11.5 m. The adjusted EBITDA margin stands at 14.1 % in relation to revenue, up by 7.8 percentage points year on year.

The pleasing sales growth in the "Energy Storage Systems" segment is firstly due to the high order volume generated in 2022 and secondly to sustained high levels of demand for home energy storage solutions. At the beginning of financial year 2023, VARTA has been able to pass on in full the increased manufacturing costs incurred in 2022. As expected, this led to a significant improvement in the EBITDA margin.

Other

	30 June 2023	30 June 2022	Change
Sales revenue (€ k)	25,895	25,011	3.5 %
Adjusted EBITDA (€ k)	-6,384	1,684	> -100,0 %
Adjusted EBITDA margin %	-24.7 %	6.7 %	-31.4 PP

In the new segment structure, the "Other" segment includes the "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (V4Drive and RoundPower) business areas. In addition, potential special effects of the Group fall into this segment.

In the first quarter of 2023, revenue in the "Other" segment amounted to € 25.9 m, which equates to sales growth of 3.5 %. Adjusted EBITDA has fallen to € -6.4 m year on year, which is attributable to a reduction in grants received by the Lithium-Ion Large Cells business area. The adjusted EBITDA margin stood at -24.7 % in relation to sales, reflecting a deterioration of 31.4 percentage points in comparison with the previous year.

6. Employees

The number of employees across the Group as a whole fell from 4,602 employees (previous year adjusted in accordance with IAS 8) in the first half of the previous year to 4,216 employees as at 30 June 2023. This is mainly due to staff turnover and initial restructuring measures.

7. Opportunities and risk report

The interim management report on the first half of the year does not contain any comprehensive and complete statements on the opportunities and risk report. The following notes should therefore be read in conjunction with the consolidated annual financial statements published as at the balance sheet date of 31 December 2022.

A comprehensive risk inventory was carried out that included an update to potential opportunities and risks posing a threat to the Company's continuing existence as scheduled on 30 June 2023. In the process, the risk management system is assessed at Group level and focuses on the following risk categories:

- strategic risks
- operating risks
- financial risks
- information security risks
- other risks

Securing energy supplies, grant-related risks and increased customer dependency are the key designated, known risks to which VARTA AG is exposed, which must still be classed as high. As far as existing risks are concerned, there were no material changes compared with financial year 2022.

As against year-end 2022, the risk of ageing inventories and an increased risk of staff leaving in response to the challenging economic situation have been added.

In view of the continued tense macroeconomic situation, the overall risk assessment is unchanged.

The megatrend towards energy storage systems remains highly promising for VARTA AG. Existing production capacity in Germany means that increasing demand can be met very rapidly with products bearing the Made in Germany quality mark.

The Executive Board bears responsibility for managing all opportunities and risks, which is an integral part of corporate governance. The assessment of existing risks at the publication date indicates that an existential threat to the Group cannot be ruled out entirely. VARTA AG is confronting the current financing and liquidity situation through the requisite introduction of far-reaching restructuring measures. The Group remains convinced that it is well placed with its product portfolio to exploit any opportunities that arise and to successfully overcome its financing issues.

8. Outlook

The VARTA AG Group maintains a very good position in its core markets and is promisingly positioned to benefit from long-term market developments, for example in the area of lithium-ion batteries with their diverse range of applications and energy storage solutions. The short-term revenue and profit outlook is currently being hampered by the macroeconomic environment in the majority of segments: demand is being curbed by high levels of inventories on the part of private households and businesses. On the one hand, these are due to advance purchases in the previous year and, on the other hand - i.e. in terms of the businesses - to the often weak demand for end products. Reduced purchase volumes from key customers are being accompanied by heightened volatility in purchase projections, which has elevated the level of uncertainty in connection with the VARTA AG Group's guidance. At segment level, falling demand in the "Lithium-Ion CoinPower" segment can be explained, in particular, by significantly lower demand at certain major customers, which is also due to a significant slump in demand from end consumers. However, the outlook in this particular regard has improved somewhat in the second quarter compared with the first quarter of 2023. In contrast, the rapid increase in the importance of renewable energies and the desire for self-sufficient energy solutions on the part of many customers is driving demand in the "Energy Storage Systems" segment. The ongoing high order volume in this segment indicates that the positive operating development is likely to continue. The planned opening of the new gigawatt factory for energy storage systems in Neunheim, Ellwangen, at the end of 2023, offers additional opportunities for VARTA to claim its share of dynamic market developments in the area of energy storage solutions.

In the first half of 2023, the margin situation was impaired in particular by the significantly higher costs for inventories and raw materials in comparison with the same period of the previous year. With prices for energy and raw materials falling significantly since autumn 2022 and the gradual adjustment of product prices, the Group is confident that the margin picture will improve over the next few quarters. In the view of the Executive Board, this development will be gradually strengthened by the cost-cutting measures launched in connection with the restructuring programme. Nevertheless, adjusted EBITDA for financial year 2023 is expected to come in below the level recorded in the previous year.

In view of the risk situation for the 2023 financial year, the business outlook for the VARTA AG Group is associated with an above-average level of uncertainty compared with previous years: In terms of operational risks, there is a pronounced focus on procurement risks, which is due in particular to the high raw material and energy costs, as well as production and logistics risks. Although the probability of a gas shortage would now appear to be low, if one were to occur this would significantly compromise both production activities and, as a result, the business results. As far as strategic risks are concerned, dependency on individual customers remains high despite successful diversification measures. This must therefore be classified as a high risk. The risk situation in terms of technological progress made by competitors and receivables risks in connection with public funding can be categorised as medium. The same applies to the potential implementation and financing of a possible factory construction for large-format lithium-ion round cells, which has been discontinued for the time being. Projects that go beyond the existing contractual terms and installed facilities required significant investment and would therefore also be contingent on securing external financing sources, for example from strategic partners and customers. Overall, securing the energy supply, credit risks and increased customer dependency represent the primary specified and known risks for VARTA AG, which must continue to be rated as high. Compared with year-end 2022, the risk of aging inventories and an increased fluctuation risk owing to the partial introduction of short-time work must also be factored in to the equation.

VARTA's financing position has improved significantly since the beginning of the year: on 21 March 2023, the Company generated gross proceeds of € 50.7 m as part of a capital increase carried out under exclusion of subscription rights. Moreover, on 17 April 2023, the syndicate banks finally approved the extension of the debt financing until 31 December 2026. The final restructuring agreement with the financing banks was signed on 30 June 2023 and serves as the basis for the further implementation of the restructuring programme, which ultimately aims to return the Company to the growth path. In addition to implementing the restructuring concept, which will lead to cost-cutting measures and efficiency gains in production and administration, VARTA has drawn up plans for targeted investments in growth areas such as the energy transition and e-mobility.

Overall statement on future development

On 26 July 2023, the guidance for financial year 2023 was adjusted on the basis of the preliminary figures for the second quarter of 2023.

VARTA AG Group

Owing to the overall weaker than expected business development in the first half of 2023, the Executive Board of VARTA AG is now anticipating revenue of approximately € 820 m for the full year (6M 2023: € 339 m). This value is at the lower end of the original guidance corridor of between € 820 m and € 870 m. The guidance does, however, remain slightly in excess of the sales of € 806.9 m generated last year.

The adjusted operating result (adjusted EBITDA) is now expected to total between € 40 m and € 60 m (6M 2023: € -6.8 m). Based on the original guidance for financial year 2023, the Company had been expecting to achieve a value at least on a par with the € 69.5 m recorded in the previous year.

The adjusted guidance at Group level is the result of a deterioration in sales development in some segments. In this context, the business development in the "Lithium-Ion CoinPower" segment, which failed to meet our original expectations, was particularly key. Despite the implementation of restructuring measures, progress with which has been very positive overall, and the associated cost savings, lower sales, particularly for higher-margin products, have impaired the Company's profitability. In addition, sales in the "Micro Batteries", "Lithium-Ion CoinPower" and "Consumer Batteries" segments are down on the previous year, while impressive growth seen in the "Energy Storage Systems" segment has been unable to fully offset this development.

Market uncertainty with regard to how this situation may develop moving forwards explains the range of this guidance. Irrespective of this, the details of this guidance are also subject to the proviso that the increased volatility of the purchase forecasts on the part of VARTA customers does not result in any unexpected slump in demand, that the fragile overall economic environment remains intact and that current raw material and energy price developments are sustained. The fact that the costs associated with the implementation of the restructuring agreement and the resulting operational internal measures also depend on external factors such as inflation, the consumer climate or the interest rate level within the EU represents an additional risk in connection with the guidance for financial year 2023.

In order to overcome present and future challenges, the Executive Board launched a comprehensive package of cost-cutting measures in the 2022 reporting year. Capacities for CoinPower cells (TWS) are being adjusted, but can be increased again at short notice depending on the demand situation. As part of these adjustments, personnel measures have also been implemented, and, in a first step, the Company has temporarily imposed short-time working hours within the "Lithium-Ion CoinPower" segment at the Nördlingen

production site. This is to be successively scaled back as production activities are ramped up in the second half of the year. The personnel measures currently in the pipeline, which also include a voluntary redundancy programme at the Ellwangen site, are intended to reduce the workforce by a total of around 800 employees across both 2023 and 2024 in Germany and abroad. The operation of the first series production line for large-format lithium-ion round cells is continuing as planned. Moving forwards, this will supply the cells to fulfil an OEM contract with a premium car manufacturer. Furthermore, VARTA has been given the green light to start on the construction of a gigawatt factory for energy storage systems. The first modules of the VARTA.wall are set to be manufactured in Neunheim, Ellwangen, by the end of 2023 at the latest. Over 500 MWh of energy storage systems per year is expected to be produced in an initial expansion stage, which corresponds to an annual output of approximately 50,000 systems. Expansion of existing capacity to over 1 GWh is planned by 2025, after which up to 100,000 VARTA.wall energy storage systems are expected to be produced per year.

KPI	GUIDANCE FOR 2023 ON BASIS Q2 2023	FINANCIAL YEAR 2022	HY1 2023
Financial indicators: Group			
Revenue	Around € 820 m	€ 806.9 m	€ 339.0 m
Adjusted EBITDA	€ 40 – 60 m	€ 69.5 m	-€ 6.8 m
Financial indicators: Segment Micro Batteries			
Revenue	Slightly below prior year	€ 163.9 m	€ 70.0 m
Adjusted EBITDA	Significant double-digit percentage revenue growth	€ 15.3 m	€ 10.0 m
Financial indicators: Segment Lithium-Ion CoinPower			
Revenue	Very significantly below prior year	€ 136.6 m	€ 19.2 m
Adjusted EBITDA	Very significantly below prior year	€ 18.8 m	-€ 29.4 m
Financial indicators: Segment Consumer Batteries			
Revenue	Similar to prior year	€ 365.9 m	€ 142.5 m
Adjusted EBITDA	Slightly above prior year	€ 30.4 m	€ 7.5 m
Financial indicators: Segment Energy Storage Systems			
Revenue	Very significant double-digit percentage revenue growth	€ 90.9 m	€ 81.5 m
Adjusted EBITDA	Significant triple-digit percentage growth	€ 5.2 m	€ 11.5 m
Financial indicators: Segment Other			
Revenue	Slightly above prior year	€ 49.6 m	€ 25.9 m
Adjusted EBITDA	Very significantly below prior year	€ -0,1 m	-€ 6.4 m

At segment level, the outlook for financial year 2023 published on 26 July 2023 had changed in comparison with the guidance published as part of the quarterly report for Q1 2023:

Micro Batteries segment

The "Micro Batteries" segment comprises microbatteries and hearing aid batteries. In the hearing aid batteries business, the Company intends to further consolidate its market-leading position in a market subject to restrained growth. The Company expects moderate growth in the area of zinc-air batteries and will benefit from its highly automated and efficient production plants. While sales are likely to be slightly down on the prior-year level (original guidance: on a par with the previous year), adjusted EBITDA is set to increase by a significant double-digit amount year on year due to the implementation of cost reduction measures as well as a favourable product mix in the second half of the year.

Lithium-Ion CoinPower segment

The "Lithium-Ion CoinPower" segment focuses on small Lithium-Ion round cells for OEM applications. Demand for lithium-ion batteries for True Wireless Stereo (TWS) headsets in the area of Lithium-Ion CoinPower has recently declined sharply. According to current estimates, due to the continued low demand in this segment, VARTA expects a significant reduction in both revenue and adjusted EBITDA versus the prior year. This impact is even clearer now that the guidance for financial year 2023 has been adjusted.

Consumer Batteries segment

"Consumer Batteries" represents the business with household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. Revenue for financial year 2023 is likely to be more or less on a par with the previous year (original guidance: low single-digit growth in percentage terms). Potential growth impetus may come from a further slight expansion of the brand business. Adjusted EBITDA is set to slightly improve in comparison with the previous year on account of lower energy and raw material costs in addition to price increases being partially passed on to customers.

Energy Storage Systems segment

The "Energy Storage Systems" segment primarily includes energy storage solutions intended for private applications, although some commercial solutions are offered as well. The Company expects growth to continue at a very high level, with VARTA set to at least match the market growth rate, although VARTA could potentially record growth of as high as 70 % in comparison with the 2022 sales revenue. This would likely lead to huge double-digit percentage revenue growth compared with the previous year. Very strong growth is likewise expected in the area of adjusted EBITDA, although an implemented price reduction due to falling raw material costs as well as ramp-up costs for the VARTA.wall production will have a slight negative impact on margin development.

Other segment

The "Other" segment comprises the business areas of "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (V4Drive/RoundPower). VARTA expects sales in this segment to be slightly above the previous year's level, which can be attributed to a slightly more positive sales development in the areas of Lithium-Ion Large Cells (original guidance: significantly below the previous year). Conversely, adjusted EBITDA is expected to be very significantly below the previous year's level (original guidance: significantly down on prior year) due to the rising ramp-up costs that will be partly compensated for in the third quarter, in the same business area.

Interim Financial Statements of the VARTA AG Group as at 30 June 2023

Consolidated balance sheet as at 30 June 2023 (unaudited)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	30 JUNE 2023	31 DECEMBER 2022
ASSETS		
Property, plant and equipment	566,861	591,893
Intangible assets	108,903	99,612
Long-term investments and other participations recognised in the balance sheet under the equity method	48	58
Deferred tax assets	9,426	19,704
Other assets	38,396	37,953
Non-current assets	723,634	749,220
Inventories	221,137	223,317
Contract assets	3,550	3,959
Trade receivables	79,465	110,378
Other financial assets	108	675
Tax refund claims	5,285	17,238
Other assets	50,803	44,958
Cash and cash equivalents	53,991	108,709
Current assets	414,339	509,234
Total assets	1,137,973	1,258,454

(€ k)

30 JUNE 2023

31 DECEMBER 2022

EQUITY AND LIABILITIES

Subscribed capital	42,642	40,422
Capital reserve	300,800	252,292
Retained earnings	-55,896	144,027
Group result	-110,406	-200,420
Other reserves	2,865	3,144
Equity of the VARTA AG Group	180,005	239,465
Lease liabilities	70,656	69,700
Other financial liabilities	373,118	18,795
Provisions for employee benefits	54,825	53,932
Other liabilities	34,915	27,396
Deferred tax liabilities	6,830	16,925
Other provisions	6,768	6,768
Deferred liabilities	2,361	2,519
Non-current liabilities	549,473	196,035
Tax liabilities	31,537	46,434
Lease liabilities	17,671	17,397
Other financial liabilities	140,457	497,000
Provisions for employee benefits	3,442	3,711
Contract liabilities	1,270	2,534
Trade payables and advance payments received	86,605	116,667
Other liabilities	34,891	33,364
Other provisions	15,646	9,438
Deferred liabilities	76,976	96,409
Current liabilities	408,495	822,954
Liabilities	957,968	1,018,989
Equity and total liabilities	1,137,973	1,258,454

Consolidated income statement for the period 1 January to 30 June 2023 (unaudited)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	30 June 2023	30 June 2022
Sales revenue	339,045	376,810
Increase in finished and unfinished goods	7,426	50,147
Own work capitalised	12,908	6,167
Other operating income	9,754	49,013
Cost of materials	-191,257	-200,260
Personnel expenses	-130,544	-135,727
Other operating expenses	-70,733	-79,916
EBITDA	-23,401	66,234
Depreciation	-67,221	-52,563
Operating income (EBIT)	-90,622	13,671
Interest income	811	970
Interest expenses	-16,165	-3,504
Other financial income	584	766
Other financial expenses	-2,387	-5,422
Financial result	-17,157	-7,190
Earnings before taxes	-107,779	6,481
Income taxes expenses	-2,627	-3,697
Group result	-110,406	2,784
Appropriation of loss (PY profit):		
Shareholders of VARTA AG	-110,406	2,784
Earnings per share		
	30 June 2023	30 June 2022
Basic earnings per share	-2.59	0.07
Diluted earnings per share	-2.59	0.07

Consolidated statement of comprehensive income for the period 1 January to 30 June 2023
(unaudited)

(€ k)

	30 June 2023	30 June 2022
Group result	-110,406	2,784
Items that will not be reclassified under profit or loss		
Revaluation of the net defined benefit liability	-756	19,066
Revaluation of the reimbursement claim	1,335	-9,501
Related tax	-82	-2,758
	497	6,807
Items that were reclassified or may be reclassified later under profit or loss		
Currency translation differences	-279	2,662
	-279	2,662
Other comprehensive income for the period, net of tax	218	9,469
Comprehensive income	-110,188	12,253
Profit attributable to:		
Shareholders of VARTA AG	-110,188	12,253

Consolidated statement of cash flows for the period 1 January to 30 June 2023 (unaudited)

(€ k)

30 June 2023

30 June 2022

Cash flow from ongoing operating activities

Earnings before taxes	-107,779	6,481
Interest result	15,354	2,534
Depreciation	67,221	52,563
Losses from the sale of property, plant and equipment and intangible assets	45	101
Other non-cash income	720	2,932
Change in working capital		
Inventories	1,764	-73,718
Trade receivables and other current and non-current assets	25,405	15,522
Trade payables and other current and non-current liabilities	-30,986	-10,730
Provisions and liabilities from post-employment benefits	6,461	-3,930
Income tax paid	-5,522	-18,264
Net cash flow from ongoing operating activities	-27,317	-26,509

Cash flow from investing activities

Capital expenditure on the acquisition of intangible and tangible assets	-37,493	-66,852
Payments in connection with own work capitalised	-12,908	-6,167
Cash receipts from the sale of intangible and tangible assets	8	8
Payments from raising loans	0	2
Receipts from investments less acquired cash and cash equivalents	0	1,217
thereof acquisition of VARTA Consumer less acquired cash and cash equivalents	0	1,217
Payments from the assumption of the joint debt obligation*	0	-28,737
Payments for loans	-6	0
Repayment of capital reserve from associated companies	4	0
Interest received	157	378
Cash flow from investing activities	-50,238	-100,151

Cash flow from financing activities

Receipts/payments from capital measures	50,727	0
Repayments for leasing liabilities	-10,876	-10,775
Raising of interest-bearing financial liabilities	2,075	256,529
Repayments of interest-bearing current financial liabilities	-6,767	-54,077
Payment of dividend and distribution to non-controlling interests	0	-100,246
Interest paid	-12,008	-1,772
Cash flow from financing activities*	23,151	89,659

Net change in cash and cash equivalents

Net change in cash and cash equivalents	-54,404	-37,001
Cash and cash equivalents as at 1 January	108,709	73,107
The effects of changes in foreign exchange rates	-314	1,737
Cash and cash equivalents as at 30 June	53,991	37,843

*Previous year adjusted according to IAS 8

Consolidated statement of change in equity 1 January to 30 June 2023 (see chapter 21. Equity)
(unaudited)

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

(€ k)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES		TOTAL EQUITY
				CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	
As at 1 January 2023	40,422	252,292	-56,393	3,144	0	239,465
Effect of share-based payment	0	1	0	0	0	1
Capital increase	2,220	48,507	0	0	0	50,727
Group result	0	0	-110,406	0	0	-110,406
Other comprehensive income	0	0	497	-279	0	218
Total comprehensive income	0	0	-109,909	-279	0	-110,188
As at 30 June 2023	42,642	300,800	-166,302	2,865	0	180,005

* Retained earnings including net income for the year

Consolidated Notes of VARTA AG

as at 30 June 2023

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 financial statements comprise VARTA Aktiengesellschaft and its subsidiaries (collectively the VARTA AG Group). The reporting date for VARTA AG, all subsidiaries and for the consolidated accounts is 30 June 2023. These consolidated financial accounts are presented in Euro, which is the Group's functional currency. All financial information presented in Euro was, unless specified otherwise, rounded up to the next thousand.

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), which are applied in the European Union (EU).

The business activities of VARTA AG, which it conducts through its operating subsidiaries, comprise production, sales, research and development in five business segments: "Lithium-Ion CoinPower", "Micro Batteries", "Consumer Batteries", "Energy Storage Systems" and "Other". The VARTA AG Group is a globally operating, international company with more than 135 years of experience.

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

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

10. Changes in the scope of consolidation

In financial year 2023, there have been the following changes in the scope of consolidation:

	2023		2022	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
As at 1 January	45	1	44	1
Disposal scope of consolidation	0	-1	0	0
Start-Up	0	0	1	0
As at 30 June	45	0	45	1

Entities no longer part of the scope of consolidation

VW-VM Verwaltungsgesellschaft mbH i.L.

VW-VM Verwaltungsgesellschaft mbH. I.L. was liquidated as planned and deleted from the Commercial Register on 23 February 2023.

11. Notes explaining the consolidated accounting principles

11.1. Declaration of compliance

The consolidated financial accounts as at 30 June 2023 were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), Interim Financial Reporting (IAS 34). The condensed consolidated interim financial accounts 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. The present interim report does not contain all the disclosures usually included in annual financial statements. This report should therefore be read in conjunction with the consolidated annual financial statements prepared as at 31 December 2022.

Use was made of the option of preparing condensed consolidated interim financial statements. All the mandatory interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as at 30 June 2023 were considered. This interim report is also consistent with German Accounting Standard No. 16 (DRS 16 Interim Reporting) drawn up by the Deutsche Rechnungslegungs Standard Committee e.V. (DRSC = German Accounting Standard Committee).

Given that there is no obligation to audit interim financial statements, the interim report has neither been audited nor reviewed 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. More detailed information is provided in chapter 44 Key events after the reporting date.

11.3. Consolidation principles

The scope of consolidation comprises all companies which VARTA AG controls, either directly or indirectly. Control exists if - and only if - VARTA AG has decision-making powers, is exposed to variable returns or has rights regarding returns and as a

consequence of its decision-making powers is able to influence the amount of the variable returns. The existence and effect of substantial potential voting rights that are exercised at present or may be converted, including potential voting rights held by other Group companies are taken into consideration in the assessment of whether a company is controlled. These companies are fully consolidated. Subsidiaries are consolidated for the first time when control is acquired. Subsidiaries are deconsolidated when control ends.

Intragroup 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 in the notes 43 Investment companies

11.4. Measurement basis

Assets and liabilities are classified and measured at amortised cost or at fair value. If available, non-current assets held for sale and groups of assets are held at the lower of their carrying amount and fair value less anticipated selling costs.

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 the majority 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.).

11.6. Maturities

Current assets are assigned to asset items, which will either be realised or consumed within a year in the Group's normal business cycle or are held for trading purposes. All other assets are assigned to non-current assets.

All obligations that the Group will repay as part of the normal business cycle using operating cash flows or that are scheduled to fall due within a year of the reporting date are assigned to current liabilities. All other obligations are assigned to non-current liabilities.

11.7. Changes according to IAS 8

Adjustment of the method of calculation and presentation of various disclosures in the Notes to the Financial Statements

In the context of the preparation of the interim financial statements for financial year 2023, VARTA AG has adjusted the determination and presentation of various disclosures in the notes. The adjustments were made to ensure compliance with the corresponding disclosure requirements of the relevant IFRS / IAS standards.

There are therefore material errors within the meaning of IAS 8.8 in the form of incorrect disclosures in the interim financial statements 2022 with regard to recognition (including

presentation) in the Notes to the Consolidated Financial Statements. The material errors result from the misapplication of reliable information that was available or could have been obtained at the time the interim financial statements 2022 were authorised for issue and thus had to be taken into account in the preparation and presentation of the Notes to the Consolidated Financial Statements 2022. The error corrections are made retrospectively for all affected periods in accordance with IAS 8. Accordingly, the disclosures for the first half of 2023 and the disclosures for the comparative period in 2022 have been adjusted.

Adjusted disclosures for the comparative period are identified by * in the Notes to the Consolidated Financial Statements for the first half of 2022.

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	
	30 JUNE 2023	30 JUNE 2022	30 JUNE 2023	31 December 2022
US Dollar (USD)	1.081	1.093	1.087	1.067
British pound (GBP)	0.876	0.842	0.858	0.887
Romanian leu (RON)	4.934	4.946	4.964	4.950
Danish crowns (DKK)	7.446	7.440	7.447	7.437
Swedish crowns (SEK)	11.333	10.480	11.806	11.122

From these exchange rate effects, only USD/EUR are material for third parties. The remaining transactions are mainly between affiliated companies.

The Chinese yuan (CNY), Norwegian krone (NOK), Hungarian forint (HUF), Swiss franc (CHF), Czech koruna (CZK), Russian rouble (RUB) and Turkish lira (TRY) also affect the interim 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 2023

The effects of the new accounting policies applied from 1 January 2023 are disclosed below. They have resulted in no significant effects for the Group.

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 a recognition of a profit corresponding to fulfilment of the contract.

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.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendment to IAS 1 requires 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. The amendments to Practice Statement 2 accordingly indicate 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 standardised statements.

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.

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 conditions are met. This makes the comparative information on financial instruments in the year before first-time application of IFRS 17, i.e., in financial year 2022, more meaningful.

12.3. New and amended IFRS standards after 30 June 2023

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

Not yet adopted in EU law:

Amendments:

IAS 1	Classification of liabilities as Current or Non-current, Non-current liabilities with covenants	1 January 2024
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

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.

IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 adopted in January 2020 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, the liability is classified as non-current. The right to defer settlement of the liability must be substantial here. If the entity has to fulfil 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.

The amendments are now applicable as a whole – subject to adoption in EU law – to reporting periods starting on or after 1 January 2024. Premature application of the amendments is permissible, but requires EU endorsement.

IFRS 16 – Lease Liability in a Sale and Leaseback

The amendment relates to the accounting for lease liabilities from sale and leaseback transactions and specifies that, following any sale, the lessee must measure the lease liability in such a way that no amount of the gain or loss relating to the right of use retained is recognised. The newly inserted paragraphs use illustrative examples to explain various possible approaches, especially in the case of variable lease payments, among other aspects.

The amendments are applicable – subject to adoption in EU law – to financial years starting on or after 1 January 2024. Premature application of the amendments is permissible, but requires EU endorsement.

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 investment in property, plant and equipment and the resulting depreciation. Shares of profit or loss 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 segments "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries", "Energy Storage Systems", "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" were identified in the VARTA Group. The "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" business areas are combined in the "Other" reporting segment, as they are not reportable. The revenue with third parties reported under "Other" is largely attributable to the Lithium-Ion Battery Packs business area. The breakdown is consistent with the internal organisational and reporting structure. For the adjusted presentation compared with the previous financial year, please refer to section 11.7. Changes in accordance with IAS 8.

A summary of the elimination of intra-group dependencies between the segments is provided 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 or restructuring costs.

The management variables used to assess the performance of the operating segments are shown below. EBITDA relevant for management purposes is presented at the level of the individual segments and reconciled to Group EBITDA:

Information by reportable segments 1 Jan. to 30 Jun. 2023:

(€ k)	MICRO BATTERIES	LITHIUM-ION COINPOWER	CONSUMER BATTERIES	ENERGY STORAGE SYSTEMS	OTHERS	TOTAL	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENT
Segment revenue	76,923	19,203	148,395	81,483	25,895	351,899	0	351,899
Revenue with other segments	6,952	0	5,902	0	0	12,854	0	12,854
Revenue with third parties	69,971	19,203	142,493	81,483	25,895	339,045	0	339,045
Thereof Point-in-time (optional information)	67,929	19,203	142,357	81,483	20,687	331,659	0	331,659
Thereof Point-over-time (optional information)	2,042	0	136	0	5,208	7,386	0	7,386
Depreciation	-6,381	-49,562	-7,582	-880	-2,816	-67,221	0	-67,221
EBITDA	9,975	-29,406	7,510	11,492	-6,384	-6,813	-16,588	-23,401

Information by reportable segments 1 Jan. to 30 Jun. 2022:

(€ k)	MICRO BATTERIES	LITHIUM-ION COINPOWER	CONSUMER BATTERIES	ENERGY STORAGE SYSTEMS	OTHERS	TOTAL	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENT
Segment revenue	92,148	79,651	146,535	42,555	25,011	385,900	0	385,900
Revenue with other segments	9,088	0	0	2	0	9,090	0	9,090
Revenue with third parties	83,060	79,651	146,535	42,553	25,011	376,810	0	376,810
Thereof Point-in-time (optional information)	81,109	79,651	143,713	42,553	14,149	361,175	0	361,175
Thereof Point-over-time (optional information)	1,951	0	2,822	0	10,862	15,635	0	15,635
Depreciation	-6,518	-36,102	-7,441	-1,037	-1,465	-52,563	0	-52,563
EBITDA	13,018	38,353	13,160	2,693	1,684	68,908	-2,674	66,234

The following circumstances are included in the reconciliation to consolidated EBITDA:

(€ k)	30 June 2023		30 June 2022	
	SPECIAL EFFECTS	TOTAL	SPECIAL EFFECTS	TOTAL
Effects in income and expenses	-16,588	-16,588	-2,674	-2,674
EBITDA	-16,588	-16,588	-2,674	-2,674

Circumstances taken into account in adjusting EBITDA are shown in the column "Special effects". Such circumstances exist at VARTA AG in financial year 2023. "Special effects" from the M&A transactions of € 0.0 m (2022: € 2.7 m), effects of restructuring of € 16.6 m (2022: € 0.0 m) and the effects of share-based payment of € 0.001 m (2022: € 0.01 m) are allocated to VARTA AG as the parent company.

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

(€ k)	30 June 2023	30 June 2022
EBITDA	-23,401	66,234
Depreciation and impairment	-67,221	-52,563
EBIT	-90,622	13,671
Financial result	-17,157	-7,190
Earnings before taxes	-107,779	6,481

Geographical segment information

The following statement shows the Group's revenue broken down 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)	30 June 2023 REVENUES*	30 JUNE 2023 NON-CURRENT ASSETS**	30 June 2022 REVENUES*	31 DECEMBER 2022 NON-CURRENT ASSETS**
Europe	275,555	659,105	253,084	674,823
Thereof Germany	139,966	607,753	114,076	617,979
America	18,245	3,752	16,478	3,860
Asia	41,238	12,907	102,858	12,822
Thereof China	16,309	123	42,161	0
Other	4,007	0	4,390	0
Total	339,045	675,764	376,810	691,505

* 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 from the "Consumer Batteries" and "Energy Storage Systems" segments is mainly included in the item for Europe. The revenue of the Asia and America regions is mainly assigned to the "Lithium-Ion CoinPower", "Micro Batteries" and "Other" segments.

Products and services

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

(€ k)	30 June 2023 REVENUES	30 JUNE 2023 TRADE RECEIVABLES AND CONTRACT ASSETS	30 June 2022 REVENUES	31 DECEMBER 2022 TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	336,952	82,457	376,076	113,460
Of which from the sale of services	2,093	558	734	877
Total	339,045	83,015	376,810	114,337

Significant customers

In 2023, no customers accounted for a share of revenue of more than 10 % of consolidated revenue. In the previous year, one customer from the "Lithium-Ion CoinPower" segment generated revenue of € 71.9 m, which equates to a share of revenue of more than 10 % of consolidated revenue.

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
Acquisition values									
As at 1 January 2023	3,165	19,926	114,542	488,932	12,093	108,651	7,926	278,110	1,033,345
Currency differences	0	-1	-155	-296	-1	-87	-56	-21	-617
Additions	0	0	10,243	4,086	3	1,335	1,233	22,414	39,314
Disposals	0	0	-1,195	-58	-2	-132	-988	0	-2,375
Reclassifications	0	0	0	35,767	0	9,843	0	-45,610	0
As at 30 June 2023	3,165	19,925	123,435	528,431	12,093	119,610	8,115	254,893	1,069,667
Cumulative depreciation									
As at 1 January 2023	0	2,216	35,383	266,538	8,178	47,575	4,575	76,987	441,452
Currency differences	0	-1	-104	-146	0	-68	-30	0	-349
Additions	0	391	7,432	21,803	1,371	5,863	1,165	0	38,025
Additions Impairment	0	0	0	25,882	0	0	0	0	25,882
Disposals	0	0	-1,135	-58	-2	-55	-954	0	-2,204
As at 30 June 2023	0	2,606	41,576	314,019	9,547	53,315	4,756	76,987	502,806
Carrying amounts on 30 June 2023	3,165	17,319	81,859	214,412	2,546	66,295	3,359	177,906	566,861

(€ 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
Acquisition values									
As at 1 January 2022	3,165	19,677	107,005	396,883	14,971	78,053	7,834	290,550	918,138
Currency differences	0	0	204	504	-1	168	-30	-31	814
Additions	0	35	8,151	22,375	0	6,594	1,794	87,567	126,516
Disposals	0	0	-818	-4,420	-2,877	-2,336	-1,672	0	-12,123
Reclassifications	0	214	0	73,590	0	26,172	0	-99,976	0
As at 31 December 2022	3,165	19,926	114,542	488,932	12,093	108,651	7,926	278,110	1,033,345
Cumulative depreciation									
As at 1 January 2022	0	1,438	21,944	141,011	6,104	32,299	3,996	0	206,792
Currency differences	0	0	143	208	-1	136	-13	0	473
Additions	0	778	13,796	71,074	2,897	10,915	2,211	0	101,671
Additions Impairment	0	0	0	58,637	0	6,393	0	76,987	142,017
Disposals	0	0	-500	-4,392	-822	-2,168	-1,619	0	-9,501
As at 31 December 2022	0	2,216	35,383	266,538	8,178	47,575	4,575	76,987	441,452
Carrying amounts on 31 December 2022	3,165	17,710	79,159	222,394	3,915	61,076	3,351	201,123	591,893

The major part of the investment in property, plant and equipment served to expand production capacity for lithium-ion button cells, the construction of a pilot production line for large-format cells as well as a new factory for energy storage systems.

Useful lives were adjusted in response to the under-utilisation of capacity at the beginning of the year. As a result, depreciation and amortisation of property, plant and equipment decreased from € 52.6 m in the same period of 2022 to € 38.0 m in 2023.

Additions to technical plant and machinery as well as other plant include own work capitalised of € 0.4 m (2022: € 0.6 m). Additions to assets under construction include own work capitalised amounting to € 0.5 m (2022: € 1.3 m).

In the first half of 2023, a non-cash impairment of € 25.9 m was recognised in the "Lithium-Ion CoinPower" CGU due to lower volume expectations for the year 2023.

There were no restrictions on rights of ownership or disposal for property, plant and equipment during financial years 2022 and 2023. Order commitments from the purchase of property, plant and equipment amounted to € 37.4 m (2022: € 71.2 m).

15. Intangible assets

(€ k)	GOODWILL	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	DEVELOPMENT COSTS	TOTAL
Acquisition values					
As at 1 January 2023	4,936	32,912	32,501	65,142	135,491
Currency differences	0	-5	0	-1	-6
Additions	0	598	0	12,010	12,608
As at 30 June 2023	4,936	33,505	32,501	77,151	148,093
Cumulative depreciation					
As at 1 January 2023	4,299	14,969	1,441	15,170	35,879
Currency differences	0	-3	0	0	-3
Additions	0	2,240	144	930	3,314
As at 30 June 2023	4,299	17,206	1,585	16,100	39,190
Carrying amounts on 30 June 2023	637	16,299	30,916	61,051	108,903

(€ k)	GOODWILL	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	DEVELOPMENT COSTS*	TOTAL
Acquisition values					
As at 1 January 2022	4,936	30,694	32,481	37,923	106,034
Currency differences	0	6	0	1	7
Additions	0	2,252	20	27,218	29,490
Disposals	0	-40	0	0	-40
As at 31 December 2022	4,936	32,912	32,501	65,142	135,491
Cumulative depreciation					
As at 1 January 2022	0	10,401	1,135	13,042	24,578
Currency differences	0	3	0	0	3
Additions	0	4,573	306	2,128	7,007
Addition Impairment	4,299	0	0	0	4,299
Disposals	0	-8	0	0	-8
As at 31 December 2022	4,299	14,969	1,441	15,170	35,879
Carrying amounts on 31 December 2022	637	17,943	31,060	49,972	99,612

Of the own work capitalised of € 12.9 m (2022: € 6.2 m), self-manufactured intangible assets, which are not yet ready for use, of € 12.0 m (2022: € 27.2 m) were recognised in 2023.

Research and development costs amounting to € 11.6 m were recognised through profit or loss in the income statement (2022: € 14.1 m).

There were no restrictions on rights of ownership or disposal for intangible assets during financial years 2022 and 2023.

16. Leases

The Group leases various production facilities, office buildings and warehouses, as well as plant and vehicles. Leases are usually concluded for fixed periods ranging from 1.5 to 13 years, but may include renewal or termination options or, in individual cases, may be for an indefinite period. The development of leased assets is described in chapter 14 property, plant and equipment.

The total amount of payments for leases in the reporting year is € 12.6 m (2022: € 12.4 m).

Future lease payments based on non-terminable leases total:

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Lease liabilities - current	17,671	17,397
Lease liabilities - non current	70,656	69,700
Total	88,327	87,097

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Thereof residual term of up to 1 year	18,290	18,351
Thereof residual term of 1 to 5 years	54,600	50,975
Thereof residual term of more than 5 years	18,985	21,375
Total minimum lease payments (undiscounted)	91,875	90,701

(€ k)	30 June 2023	30 June 2022
Amounts recognised in the income statement		
Interest expense on lease liabilities	532	626
Income from the subleasing of leased assets	0	-72
Expense from short-term leases	218	359
Expense from long-term leases of low-value assets	1,481	1,297
Total	2,231	2,210

Variable lease payments and residual value guarantees do not apply at present. Options to extend or terminate are taken into consideration.

17. Inventories

Inventories are divided into the following items:

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Raw materials and supplies	82,153	89,471
Unfinished goods	32,243	33,110
Finished goods and merchandise	106,741	100,736
Inventories	221,137	223,317
Impairment income (+) / expense (-) recognised in the income statement	-2,843	-4,450

In financial year 2023, inventories decreased slightly from € 223.3 m to € 221.1 m in total. By optimising working capital and adjusting production to sales, inventory levels were kept stable overall. Inventories recognised as expense in the reporting year amounted to € 182.6 m (2022: € 191.6 m). They are included in the cost of materials.

Impairments to inventories recognised as expense in the reporting period amounted to € 2.8 m (2022: € 4.5 m). The carrying amount of inventories after impairment totalled € 23.9 m (2022: € 16.2 m). Impairment losses of € 2.0 m relate to the "Lithium-Ion CoinPower", "Micro Batteries" and "Other" segments, with a total of € 0.8 m attributable to the "Consumer Batteries" and "Energy Storage Systems" segments.

18. Trade receivables and contract assets

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Receivables due from third parties (gross)	80,927	111,586
Contract assets	3,550	3,959
Gross trade receivables and contract assets	84,477	115,545
Less loss allowances	-1,462	-1,208
Net trade receivables and contract assets	83,015	114,337

Receivables due from third parties (gross) have fallen by € 30.7 m in comparison with 31 December 2022. This decrease is due to both lower sales and seasonal factors.

19. Other assets

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Other assets	89,199	82,911
Of which current	50,803	44,958
Of which non-current	38,396	37,953

Both the claim to reimbursement from the assumption of a joint debt obligation in June 2017 by VARTA Microbattery GmbH and the assumption of a joint debt obligation by VARTA Consumer Batteries GmbH & Co. KGaA, which became effective in law in 2022, are reported under non-current other assets in the amount of € 38.4 m (2022: € 37.7 m).

Current other assets comprise the following:

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Receivables from grant projects	26,799	23,326
Other tax receivables	999	3,785
Other Receivables	14,829	16,134
Miscellaneous other assets	8,176	1,713
Total	50,803	44,958

Receivables from promotional projects of € 26.8 m (2022: € 23.3 m) are due from the European Commission, the Federal Ministry for Economic Affairs and Climate Action (BMWi) and the states of Bavaria and Baden-Württemberg.

Receivables from promotional projects of € 8.4 m (2022: € 6.8 m) relate on the one hand to the European Commission as the authority granting funding for research projects and on the other hand, to project partners of research groups, where the Group acts as a coordinator by receiving and managing the subsidies on a fiduciary basis from the funding authority. As at 30 June 2023, advance payments passed to the cooperation partners involved amounted to € 5.1 m (2022: € 5.0 m).

Receivables from the Important Project of Common European Interest (IPCEI) increased in 2023 from € 16.5 m to € 18.4 m.

As at 30 June 2023, other receivables decreased only marginally by € 1.3 m compared to previous year. The remaining receivable from the reimbursement claim against Energizer amounts to € 7.8 m as at 30 June 2023.

The item for miscellaneous other assets largely consists of prepaid expenses, which have increased by € 6.5 m at the half-year due to seasonal factors.

20. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Cash	18	18
Credit balances with financial institutions	53,973	108,691
Total	53,991	108,709

21. Equity

The following changes in equity were recorded at the VARTA AG Group in 2023:

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES		TOTAL EQUITY
				CURRENCY DIFFERENCES	HEDGING RESERVE	
As at 1 January 2023	40,422	252,292	-56,393	3,144	0	239,465
Effect of share-based payment	0	1	0	0	0	1
Capital increase	2,220	48,507	0	0	0	50,727
Group result	0	0	-110,406	0	0	-110,406
Other comprehensive income	0	0	497	-279	0	218
Comprehensive income	0	0	-109,909	-279	0	-110,188
As at 30 June 2023	42,642	300,800	-166,302	2,865	0	180,005

* Retained earnings including profit for the year

VARTA AG successfully completed a capital increase in March. The Company issued 2,200,000 new shares in total at a price of € 22.85, which is a discount of 4 % on the Xetra closing price on 21 March 2023. The new shares are fully entitled to dividends for financial year 2022 and benefit from the same rights as the existing shares. The Company received gross issuance proceeds of € 50.7 m from the capital increase. The new shares were subscribed for exclusively by VGG Beteiligungen SE, a wholly owned subsidiary of Montana Tech Components. The new shares were issued from authorised capital under the exclusion of shareholder subscription rights.

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.

	30 JUNE 2023	30 June 2022
Earnings, attributable to shareholders in € k*	-110,406	2,784
Weighted average of ordinary shares in circulation ('000 shares)	42,642	40,422
Basic earnings per share in €	-2.59	0.07
Diluted earnings per share in €	-2.59	0.07

* Earnings per share refer to the shares of VARTA AG.

The number of shares has developed as follows in financial years 2022 and 2023:

	NUMBER OF SHARES
1 January 2022	40,421,686
31 December 2022	40,421,686
30 June 2023	42,641,686

The subscribed capital is divided into 42,641,686 shares. These are bearer par-value shares, which represent a pro rata amount of € 1.00 of the share capital.

23. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Other financial liabilities	513,575	515,795
Of which non-current	373,118	18,795
Of which current	140,457	497,000

Composition of other financial liabilities

Total	513,575	515,795
Subtotal other non-derivative financial liabilities	512,874	515,795
Liabilities to financial institutions	490,874	488,724
Other financial liabilities	22,000	27,071
Derivative financial instruments	701	0

Liabilities to banks have risen from € 488.7 m to € 490.9 m because of higher refinancing costs and the extension until the end of 2026.

24. Provisions for employee benefits

Composition of provisions for employee benefits

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Total	58,267	57,643
Of which non-current	54,825	53,932
Of which current	3,442	3,711

Composition of provisions for employee benefits

Total	58,267	57,643
Pensions	44,282	42,893
Severance payments	7,755	8,719
Service anniversary bonuses	1,545	1,565
Partial retirement	4,685	4,466

Provisions for pensions rose in response to changes in the actuarial assumptions, in particular, a slight fall in the discount rate from 3.7 % to 3.5 %.

25. Trade payables, contract liabilities and advance payments received

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

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Trade payables to third parties	59,597	78,080
Liabilities from the acquisition of tangible and intangible assets	13,201	23,164
Liabilities to related parties	246	129
Sum trade payables	73,044	101,373
Contract liabilities	1,270	2,534
Advance payments received	13,561	15,294
Current liabilities	87,875	119,201
Total trade payables, contract liabilities and advance payments received	87,875	119,201
of which due immediately	18,151	43,151
of which residual term of up to 1 year	69,724	76,050

Trade payables including advanced payments received have fallen by € 31.3 m in total. This is largely attributable to the fall in regular trade payables and a reduction in liabilities from the acquisition of property, plant and equipment.

Advance payments received came to € 13.6 m overall and were associated with obligations arising from (to some extent pending) transactions on the part of the VARTA AG Group. The resultant liabilities of the VARTA AG Group are repaid as part of future services supplied and meet the requirements for recognition as advance payments received in accordance with IFRS 15.16. This presentation is based on the assessment that the advance payments will be covered in full by subsequent services supplied. The cash inflow is included in net cash flow from ongoing operating activities. In financial year 2023, a total of € 12.4 m (2022: € 36.0 m) of the advance payments received shown in the previous year were netted off against matching receivables from call-offs.

As at 30 June 2023, contract liabilities decreased year on year to € 1.3 m (2022: € 2.5 m).

26. Other liabilities

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Other non-current liabilities	34,915	27,396
Other current liabilities	34,891	33,364
Other liabilities	69,806	60,760

Current other liabilities increased from € 33.4 m to € 34.9 m. This is primarily attributable to the increase in liabilities from promotional projects of € 5.1 m (2022: € 5.0 m) and liabilities to employees of € 1.6 m (2022: € 0.5 m).

The non-current other liabilities as at 30 June 2023 in the amount of € 34.9 m (2022: € 27.4 m) are deferred income.

27. Other provisions

Other provisions in financial years 2023 and 2022 consisted of the following:

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2023
Maturity					
Non-Current	0	6,768	0	0	6,768
Current	6,981	5,153	16	3,495	15,646
Total provisions	6,981	11,921	16	3,495	22,414
Changes in other provisions in 2023					
As at 1 January 2023	0	11,312	15	4,879	16,206
Addition incl. accrued interest	6,981	3,062	0	501	10,544
Consumption	0	-2,447	0	-1,841	-4,288
Reversal	0	0	0	-32	-32
Foreign exchange differences	0	-6	1	-11	-16
As at 30 June 2023	6,981	11,921	16	3,496	22,414
Changes in other provisions in 2022					
As at 1 January 2022	716	10,757	1,357	9,264	22,094
Addition incl. accrued interest	0	4,360	15	2,362	6,737
Consumption	-716	-3,821	-1,355	-6,090	-11,982
Reversal	0	-5	0	-696	-701
Foreign exchange differences	0	21	-2	39	58
As at 31 December 2022	0	11,312	15	4,879	16,206

Restructuring

As part of the restructuring programme pursued by the VARTA AG Group, costs will be incurred, particularly in connection with the reduction of the workforce. These are estimated to amount to € 7.0 m as at 30 June 2023.

Warranties, guarantees

Product guarantees are provided when products are sold. Provisions are created for this purpose each year. Guarantee/warranty provisions are calculated in accordance with the principle of multiplying the relevant quantities delivered with the anticipated probability of loss in the respective periods and the average cost per case. The provisions usually cover an appropriate guarantee and cooling off period. Experience shows that they are utilised in the following year in the "Micro Batteries" and "Lithium-Ion CoinPower" segments. It is assumed that utilisation will increase towards the end of the guarantee period in the case of "Energy Storage Systems". Allocation to provisions occurs when the products are sold. The sharp reduction in revenue in the "Lithium-Ion CoinPower" segment compared with the previous year leads to a reduction within this segment, however, the ratio of returns in this segment has increased slightly year on year, which has the opposite effect in this segment. Significant revenue growth in the

"Energy Storage Systems" segment is the most significant factor driving the increase in provisions.

Disposal, restoration and similar obligations

Manufacturers and distributors of batteries are subject to legal obligations to provide return systems for used batteries to guarantee that they are disposed of properly or recycled correctly in a way that minimises environmental damage and conserves resources. The provisions shown largely resulted from outstanding contributions for these return systems.

Miscellaneous provisions

Miscellaneous provisions mainly consist of provisions for commissions of € 1.0 m (2022: € 0.8 m), as well as provisions for restoration liabilities of € 0.5 m (2022: € 0.5 m). Other uncertain liabilities came to € 0.3 m (2022: € 2.2 m). Furthermore, other provisions include risks for legal disputes amounting to € 0.9 m (2022: € 0.8 m).

28. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	30 JUNE 2023	31 DECEMBER 2022
Holiday entitlements, overtime and time off	12,050	10,496
Bonuses to employees and management	7,010	5,851
Other deferred liabilities for personnel	6,973	10,083
Sum Deferred liabilities for personnel	26,033	26,430
Audit, tax and legal advice	2,466	2,361
Outstanding invoices	11,602	12,985
Customer bonus	37,986	55,777
Miscellaneous deferred liabilities	1,250	1,375
Other deferred liabilities	53,304	72,498
Deferred liabilities	79,337	98,928

Deferred liabilities to employees have only fallen very slightly from € 26.4 m to € 26.0 m compared with the previous year. Other deferred liabilities to personnel include € 1.8 m in non-current liabilities.

The change was caused by the growth in holiday provisions due to the accrual of annual leave in the first half of the year. The development is due to seasonal factors and will return to normal levels by the end of the year. Bonuses for employees have risen due to bonus provisions for employees and deferrals for additional days off. Other deferred liabilities for personnel have decreased due to lower severance provisions and lower provisions for pool workers and other personnel provisions.

Other deferred liabilities came to € 53.3 m (2022: € 72.5 m). The major part of this was attributable to customer bonus provisions of € 38.0 m (2022: € 55.8 m), which are billed and paid at the beginning of the calendar year for the previous year on the basis of annual agreements. The development is therefore due to seasonal factors and will return to normal levels by the end of the year. Other deferred liabilities include € 0.6 m in non-current liabilities.

29. Sales revenue

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

(€ k)	30 June 2023	30 June 2022
Sales revenue	339,045	376,810
of which from the sale of products	336,952	376,076
of which from the provision of services	2,093	734

Sales revenue includes income from other periods of € 1.9 m (2022: € 4.5 m) from the adjustment to provisions for customer bonuses.

Revenue from product sales includes sales revenue from all segments (for further details, please refer to chapter 13 Segment reporting).

Revenue from sales of services primarily contained services for product design and customer projects.

30. Increase in finished and unfinished goods

(€ k)	30 June 2023	30 June 2022
Change in unfinished goods	-948	6,180
Change in finished goods	8,374	43,967
Increase in finished and unfinished goods	7,426	50,147

The increase in finished goods at the end of the first half of 2023 was mainly the result of building up inventories of consumer batteries in the "Consumer Batteries" segment for the upcoming year-end business. Fundamentally speaking, the "Consumer Batteries" segment is seasonal in nature. By optimising working capital and adjusting production to sales, the inventory build-up in the first half of 2023 was, however, significantly lower than in the corresponding period in the previous year.

31. Own work capitalised

(€ k)	30 June 2023	30 June 2022
Own work capitalised	12,908	6,167

Capitalised own work mainly relates to capitalised development costs in the amount of € 12.0 m (2022: € 6.2 m). The increase is mainly due to the IPCEI project due to a change in reporting. For more details, see chapter 3.7 Changes according to IAS 8 in the Annual Report 2022.

32. Other operating income

Other operating income contained the following items:

(€ k)	30 June 2023	30 June 2022
Grants and public donations	6,210	41,304
Reversal of provisions & accrued liabilities	887	1,045
Income from the sale of property, plant and equipment	27	2
Other	2,630	6,662
Total	9,754	49,013

In financial year 2023, government grants amounted to € 6.2 m (2022: € 41.3 m) in total and were essentially provided for VARTA Microbattery GmbH and VARTA Microbattery S.R.L. As part of the Important Project of Common European Interest (IPCEI), further details of which can be found in the paragraph below, the support was linked to various conditions and granted by the Federal Ministry for Economic Affairs and Climate Action and by the states of Baden-Württemberg and Bavaria.

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 current technological standards, while also being sustainable and environmentally compatible, in Germany and the European Union (EU). Accordingly, the results of the subsidised project are primarily to be used commercially in the EU. The grant also aims to achieve spill over effects from the subsidised 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 funding to purchase components, materials and production plants for their products and services from other German and European companies, if economically viable, to promote upstream markets and sections of the value-added chain as well. Furthermore, the products and services are expected to be characterised 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 strengthen Ellwangen as a location for innovation, business and production. At the same time, the grant aims to support the development, production and operation of plants, buildings and business premises that can be described as being especially sustainable and environmentally compatible compared with the state of the art. Sustainability issues are to be taken into consideration in all planning, construction and management processes.

The fall in other operating income is mainly attributable to reduced income from subsidies and government grants of € 26.9 m as well as the changes to recognition amounting to € 7.5 m described in the annual financial statements 2022 in the section "Changes according to IAS 8". As expected, grants have decreased in the first half of 2023.

The fall in the item "Other" is mainly attributable to compensation from patent litigation in the previous year in the amount of € 3.8 m.

33. Cost of material

(€ k)	30 June 2023	30 June 2022
Cost of raw materials, supplies and goods purchased	175,559	185,131
Miscellaneous cost of materials and purchased services	7,324	7,518
Materials processing and refining by third parties	6,498	5,924
Other	1,876	1,687
Total	191,257	200,260

The decrease in "expenses for raw materials, supplies and goods purchased" was largely caused by the reduction in production output. This reduction in production output is the result of a demand-driven fall in sales in the first half of the year. In the previous year, the item "other material expenses and service purchased" temporarily included higher costs for temporary staff because of the expansion in capacity and the personnel requirement associated with this project. The item "Other" contains consumables directly purchased for production or customer orders that were consumed without being stored. Expenses for packaging, waste disposal, storage and pre-carriage freight are also included here. Expenses from hedging raw materials are recognised in cost of material.

34. Personnel expenses

Personnel expenses contained the following items:

(€ k)	30 June 2023	30 June 2022
Wages and salaries	99,716	111,414
Expenses for statutory social security contributions	12,311	11,871
Expenses for severance payments	9,222	1,753
Pension expenses	7,833	9,209
Other personnel expenses	1,462	1,480
Total	130,544	135,727

Personnel expenses have fallen slightly by 3.8 % year on year. The reduction in the costs of wages and salaries is attributable to short-time work and the reduction in the number of employees. The increase in expenses for severance packages is associated with the reduction in staff as part of the restructuring programme.

35. Depreciation and amortisation

Depreciation and amortisation comprised the following:

(€ k)	30 June 2023	30 June 2022
Scheduled depreciations of property, plant and equipment (excluding right-of-use assets)	28,057	39,513
Scheduled depreciations of right-of-use assets	9,968	9,506
Scheduled depreciations of intangible assets	3,314	3,544
Impairment of property, plant and equipment and intangible assets	25,882	0
Total	67,221	52,563

As expected, the extraordinary impairment loss on property, plant and equipment at the end of 2022 resulted in lower depreciation and amortisation on property, plant and equipment compared with the previous year. In addition, a non-cash impairment of € 25.9 m was recognised in the "Lithium-Ion CoinPower" CGU in the first half of 2023 due to lower volume expectations for 2023.

Over the course of 2023, the reduced useful life that was introduced for CoinPower plants in 2020 in response to three-shift operation was also deemed no longer appropriate for the present moment. Consequently, a longer useful life was set for the CoinPower plants to depict the expected course of consumption and the future economic benefit of the plants accordingly. On the basis of the insights gained, the useful life was extended to a minimum of 96 months. This adjustment to the useful life ultimately led to a reduction in depreciation and amortisation of € 16.9 m, which was attributable to machinery that had already been capitalised and used in previous years.

36. Other operating expenses

Other operating expenses contained the following items:

(€ k)	30 June 2023	30 June 2022
Legal, auditing and consultancy fees	19,023	12,782
Cost of energy	6,799	10,130
Maintenance	6,415	8,219
Outward freight and customs duties	5,505	6,618
Information Technology	4,167	4,989
Warranties	3,926	2,136
Other sales and distribution costs	3,443	4,376
Marketing, advertising and representation	3,375	3,841
Commission	2,043	2,807
Rent and leases	1,699	1,657
Insurance contracts	1,494	1,413
Licenses and patent fees	987	763
Travel expenses	978	1,099
Cleaning	813	1,091
Expenses for foreign currency hedges	691	5,507
Impairment losses from trade receivables	465	711
Contributions and fees	392	1,026
Apprenticeship and training costs	362	472
Bank charges / fund transfer fees	323	493
Other tax expense (excluding income tax)	318	269
Customer credit insurance	150	273
Expenses to related companies	148	195
Engineering and professional fees	0	31
Miscellaneous other operating expenses	7,217	9,018
Total	70,733	79,916

Other operating expenses have fallen by € 9.2 m overall, dropping from € 79.9 m to € 70.7 m in the process. Due to short-time working and the drop in sales, energy costs decreased by € 3.3 m and outward freight plus customs duties fell by € 1.1 m. Expenses for foreign currency hedges fell by € 4.8 m due to price volatility in the previous year. IT expenses decreased by € 0.8 m and maintenance expenses declined by € 1.8 m.

The item "legal, auditing and consultancy fees" trended in the opposite direction, rising by € 6.2 m, which was largely attributable to consulting services associated with the restructuring and other miscellaneous consulting services. Warranty expenses have risen by € 1.8 m year on year, largely due to higher revenue in the "Energy Storage Systems" segment.

The item "Miscellaneous other operating expenses" decreased by € 1.8 m, which was largely the result of lower compensation claims compared with the previous year.

37. Net interest income

(€ k)	30 June 2023	30 June 2022
Interest income	811	970
Interest expense	-16,165	-3,504
Interest result	-15,354	-2,534

Interest income for 2023 has only fallen marginally by € 0.2 m to € 0.8 m.

Interest expenses have risen in the reporting period from € 3.5 m to € 16.2 m. This was due firstly to increased borrowing and secondly to the rise in variable interest rates compared with the same period in the previous year.

38. Net financial result

Sundry financial income and sundry financial expense comprise the following:

(€ k)	30 June 2023	30 June 2022
Foreign exchange gains	584	19
Income from financial instruments measured at fair value	0	747
Sundry financial income	584	766
Foreign exchange losses	-1,827	-5,241
Other financial expense with third parties	-560	-181
Sundry financial expense	-2,387	-5,422

The fall in sundry financial income resulted from lower earnings from financial instruments measured at fair value. Gains from currency fluctuations trended in the opposite direction.

Sundry financial expenditure decreased by € 3.4 m year on year largely due to currency fluctuations, in particular in relation to the USD.

39. Income tax expenses

Income tax expenditure is recorded on the basis of the estimate of the weighted average annual income tax rate for the full financial year. Accordingly, the estimated tax rate for the interim reporting period up to 30 June 2023 comes to -7.70 % (30 June 2022: 28.84 %).

40. Financial risk management

The following table shows the carrying amounts of financial instruments by category as well as the fair values by class:

(in € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 30. JUN 2023	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Active financial instruments				
Other assets non-current		38,396		
- of which not measured in accordance with IFRS 9	n/a	38,383	n/a	n/a
- of which other receivables and assets	AC	13	n/a ¹	n/a
Trade receivables		79,465		
- of which trade receivables	AC	78,782	n/a ¹	n/a
- thereof from continuing involvement	n/a	683	n/a	n/a
Other financial assets current		108		
- of which stand-alone derivatives	FVTPL	108	108	2
Other assets current		50,803		
- of which not measured in accordance with IFRS 9	n/a	9,175	n/a	n/a
- of which other receivables and assets	AC	41,628	n/a ¹	n/a
Cash and cash equivalents	AC	53,991	n/a ¹	n/a
Total		222,763		

(in € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 30. JUN 2023	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Passive financial instruments				
Lease liabilities non-current ²	n/a	70,656	n/a	n/a
Other financial liabilities non-current		373,118		
- thereof other financial liabilities	FLAC	373,118	402,403	3
Lease liabilities current ²	n/a	17,671	n/a	n/a
Other financial liabilities current		140,457		
- of which other financial liabilities	FLAC	138,384	n/a ¹	n/a
- thereof associated liabilities from continuing involvement	n/a	683	n/a	n/a
Trade payables		86,605		
- thereof advance payments received	n/a	13,561	n/a	n/a
- thereof trade accounts payable	FLAC	73,044	n/a ¹	n/a
Other liabilities current		34,891		
- of which not measured in accordance with IFRS 9	n/a	17,535	n/a	n/a
- of which other liabilities	FLAC	17,356	n/a ¹	n/a
Total		723,398		

¹ As the carrying amount is a reasonable approximation of fair value due to its short-term nature, fair value is not disclosed separately.

² Leasing liabilities do not fall under the scope of IFRS 9. The fair value is not to be disclosed according to IFRS 7.29 d.

(IN € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 31. DEC 2022	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Active financial instruments				
Other assets non-current		37,953		
- of which not measured in accordance with IFRS 9	n/a	37,715	n/a	n/a
- of which other receivables and assets	AC	238	n/a ¹	n/a
Trade receivables		110,378		
- of which trade receivables	AC	74,228	n/a ¹	n/a
- of which trade receivables	FVTPL	35,467	35,467	2
		683	n/a	n/a
Other financial assets current		675		
- of which stand-alone derivatives	FVTPL	675	675	2
Other assets current		44,958		
- of which not measured in accordance with IFRS 9	n/a	5,498	n/a	n/a
- of which other receivables and assets	AC	39,460	n/a ¹	n/a
Cash and cash equivalents	AC	108,709	n/a ¹	n/a
Total		302,673		

(IN € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 31. DEC 2021	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Passive financial instruments				
Lease liabilities non-current ²	n/a	69,700	n/a	n/a
Other financial liabilities non-current		18,795		
- thereof other financial liabilities	FLAC	18,795	19,394	3
Lease liabilities current ²	n/a	17,397	n/a	n/a
Other financial liabilities current		497,000		
- of which other financial liabilities	FLAC	496,317	n/a ¹	n/a
- of which associated liabilities from continuing involvement	n/a	683	n/a	n/a
Trade payables		116,667		
- thereof advance payments received	n/a	15,294	n/a ¹	n/a
- thereof trade payables	FLAC	101,373	n/a ¹	n/a
Other liabilities current		33,364		
- of which not measured in accordance with IFRS 9	n/a	18,600	n/a	n/a
- of which other liabilities	FLAC	14,764	n/a ¹	n/a
Total		752,923		

1 As the carrying amount is a reasonable approximation of fair value due to its short-term nature, fair value is not disclosed separately.

2 Leasing liabilities do not fall under the scope of IFRS 9. The fair value is not to be disclosed according to IFRS 7.29 d.

41. Related parties

The contractual relationships with related parties explained in the Annual Report 2022 are virtually unchanged.

Transactions still outstanding with related parties that were entered into after 30 June 2023 and prior to publication of this interim report are described in chapter 44. "Key events after the reporting date" in the notes to the consolidated interim financial statements.

42. Management of VARTA AG

The Executive Board of VARTA AG is composed as follows:

Dr Markus Hackstein, Spokesperson for the Executive Board

Additional board memberships:

- Managing Director VARTA Microbattery S.R.L.
- Managing Director V4Drive Battery GmbH
- Managing Director V4Drive Romania S.R.L.
- Executive Board of Martin Böhler Private Foundation, Austria
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA
- Managing Director VARTA Consumer Europe Holding GmbH
- Managing Director VARTA Storage GmbH

Rainer Hald, Member of the Executive Board, Chief Technology Officer / CTO

Additional board memberships:

- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Storage GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA
- Managing Director VARTA Innovation GmbH
- Managing Director VARTA Consumer Europe Holding GmbH
- Managing Director V4Drive Battery GmbH
- Managing Director EMEA Consumer Batteries (Shenzhen) Co. Ltd.
- Managing Director VARTA Microbattery Japan K.K.

Marc Hundsdorf, Member of the Executive Board, Chief Financial Officer / 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

Michael Giesswein, Member of the Executive Board, Chief Restructuring Officer / CRO

The Supervisory Board of VARTA AG is composed as follows:

Prof. DDr Michael Tojner (Chairman)

Chairman of the Board of Directors and majority owner of Montana Tech Components AG

Additional board memberships:

- 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
- Member of the Supervisory Board of Dorotheum GmbH, Austria
- CEO, founder and owner of the WertInvest Group
- CEO, founder and owner of Global Equity Partners
- CEO, founder and owner of Michael Tojner Industriebeteiligungs und -beratungs GmbH

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

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,
- 1st 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

Dr Michael Pistauer

Chief Financial Officer / CFO and co-CEO 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
- Foundation Board WLF Private Foundation for Science, Teaching and Research
- Association Board VARTA Consumer Pensions-Treuhand e.V
- Executive Board Albona Private Foundation
- Managing Director IndustrieCapital Alpha GmbH
- Association Board VARTA Pensions-Treuhand e.V
- Managing Director IndustrieCapital Eins GmbH
- Managing Director Virtus Vier Beteiligungs GmbH
- Managing Director Communications Laboratories GmbH
- Managing Director Snews GmbH
- Managing Director Pi- Beteiligungs- und Unternehmensberatungs GmbH

43. 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) Nos. 1 – 6 of the German Commercial Code (HGB):

COMPANY NAME	REGISTERED OFFICE	COUNTRY	CURRENCY	PARTICIPATION STAKE
VARTA Aktiengesellschaft	Ellwangen	Germany	EUR	mother company
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 %
V4Drive SE	Ellwangen	Germany	EUR	100.00 %
P.T. VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00 %
V4Drive Battery GmbH ¹	Nördlingen	Germany	EUR	100.00 %
V4Drive Romania S.R.L.	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 %

1 previous VARTA Drive GmbH, previous V4Drive Ellwangen GmbH

44. Key events after the reporting date

After the profit collapse in 2022, VARTA AG developed a restructuring concept to facilitate the Company's return to the growth path. In a final report of the restructuring expert for the assessment of the restructuring ability according to IDW S6, VARTA AG was certified to have the restructuring ability and growth prospects with short-term financing requirements for the further stabilisation of the company.

VARTA has agreed on a restructuring agreement for the implementation of a restructuring concept with the financing banks and the majority shareholder Montana Tech Components AG, which was signed on 30 June 2023, including an extension of the existing financing until 31 December 2026 and changes to the credit conditions (covenants).

In the wake of this agreement, a capital increase was required by the banks and successfully carried out on 21 March 2023. As a result, VARTA AG generated gross issuance proceeds of € 50,727,000. VGG Beteiligungen SE, a wholly owned subsidiary of Montana Tech Components AG, subscribed for 2,220,000 new shares while excluding other shareholders' subscription rights.

For further information, please refer to the detailed explanations in the risk report and supplementary report of the consolidated financial statements 2022 dated 28 April 2023.

On the basis of the measures already initiated, also taking into account the corporate planning reviewed by an external expert, the Executive Board is convinced that the Company will return to the growth path with corresponding profitability. To this end, the construction of a gigawatthour factory for energy storage systems was given the green light in the second quarter of 2023. The first modules for the VARTA.wall are expected to be manufactured in Neunheim in the second half of the year. Over 500 MWh of energy storage systems per year is expected to be produced in an initial expansion stage, which corresponds to an annual output of approximately 50,000 systems. Expansion of existing capacity to over 1 GWh by 2025 is planned, after which up to 100,000 VARTA.wall energy storage systems are expected to be produced per year.

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

Ellwangen (Jagst), 10 August 2023

VARTA Aktiengesellschaft

.....
Spokesman for the Executive Board
- Dr Markus Hackstein -

.....
Chief Financial Officer (CFO)
- Marc Hundsdorf -

.....
Chief Technology Officer (CTO)
- Rainer Hald -

.....
Chief Restructuring Officer (CRO)
- Michael Giesswein -

Statement by the legal representatives

We hereby declare that to the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements provide a true and fair view of the Group's financial position and financial performance, 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 (Jagst), 10 August 2023

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Explanatory notes to the half-yearly 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 statements prepared as at 31 December 2022.

The condensed consolidated interim financial statements as at 30 June 2023 and the Group Interim Management Report have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Financial calendar

Financial statements 2022	28 April 2023
Interim statement Q1 2023	15 May 2023
Annual General Meeting	11 July 2023
Half-year report 2023	11 August 2023
Interim statement Q3 2023	14 November 2023

Imprint

Half-year report 2023:
<https://www.varta-ag.com/publications/>

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