

VARTA AG Group

# Quarterly Report Q3/2023

as at 30 September 2023

[www.varta-ag.com](http://www.varta-ag.com)



**VARTA**



## VISION

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

## MISSION

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

## VARTA AG – SELECTED GROUP KPIs

(€ k)	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022
Revenue	554,100	570,726
EBITDA	3,312	64,307
Adjustments:		
Cost of share-based payment	1	13
Costs of M&A transactions	0	2,041
Restructuring costs VARTA AG Group	19,313	0
Adjusted EBITDA	22,626	66,361
Adjusted EBITDA Margin (%)	4.1 %	11.6 %
Group result	-115,804	-20,134
Earnings per share	-2.72	-0.50
Investments (CAPEX)	55,731	91,350
Free Cash Flow**	-82,661	-185,432
Equity ratio*	15.3 %	19.0 %
Balance sheet total*	1,145,801	1,258,454
Employees at the end of quarter	4,049	4,577

\* 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 4,049 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 for household device batteries, with production activities located in Germany. 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 making an important contribution 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 which benefits from a small installation depth of around only 10 centimetres. The DC-coupled *VARTA.wall* storage system is sold 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 business unit, 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 is focused on the V4Drive large-format lithium-ion round cells. An initial small scale production line is expected to supply up to 10 million 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, sales are not being generated here in noteworthy amounts.

# VARTA AG

Speaker of the Board - **Markus Hackstein** | CTO - **Rainer Hald** | CFO - **Marc Hundsdorf** | CRO - **Michael Giesswein**

Micro Batteries	Lithium-Ion CoinPower	Consumer Batteries	Energy Storage Systems	Other	
					

# Performance in the third quarter of 2023

## **VARTA AG achieves best quarter of the current financial year to date**

- Rising seasonal demand, successful restructuring measures, falling material and energy costs and selective price adjustments have a positive impact on results.
- Significant increase compared to the same quarter of the previous year: revenue Q3 2023: € 215.1 m (Q3 2022: € 193.9 m), adjusted EBITDA Q3 2023: € 29.4 m (Q3 2022: € -2.5 m).
- Broad product portfolio supports good result in the 3<sup>rd</sup> quarter.
- VARTA maintains its leading global position in Micro Batteries over the course of the year.
- The Lithium-Ion CoinPower segment shows significant improvement in Q3 2023.
- Consumer Batteries remains a stable mainstay of VARTA AG.
- Energy Storage Systems is a sustainable growth driver.
- Guidance confirmed: Revenue of around € 820 m expected at the end of the year, with adjusted EBITDA between € 40 m and € 60 m.

VARTA AG remains confident about 2023 thanks to the positive development in the third quarter of 2023, the traditionally stronger second half of the year, the consistent implementation of restructuring measures and falling material and energy costs. The combination of these factors gave the Company the highest quarterly revenue of the current year between July and September. Compared to the same quarter of the previous year, revenue increased by around 11 %. Adjusted EBITDA also improved significantly compared to the previous quarters and the same quarter of the previous year: Q3 2023 € 29.4 m (Q3 2022: € -2.5 m).

Dr Markus Hackstein, Speaker of the Executive Board of VARTA AG: "Our measures are taking effect. We have effectively reduced costs. The current Christmas business is developing as we had planned, and we have been able to pass on our increased costs to our customers in some areas. We are therefore confident that we will achieve our guidance for the current year. Going forward, we will continue to consistently pursue our restructuring programme and thus return to a profitable growth path."

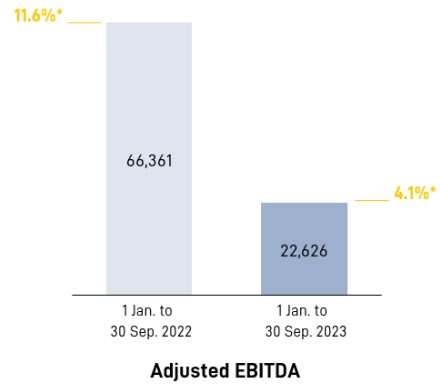
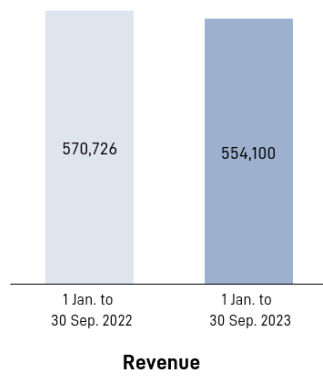
The persistently challenging macroeconomic environment has recently had a negative impact on VARTA AG's business development. Between January and September 2023, revenue fell by € 16.6 m compared to the same period of the previous year, while adjusted EBITDA for the first nine months of the year totalled € 22.6 m (2022: € 66.4 m). In the opinion of the Company's management, however, the good third quarter demonstrates both the seasonality of the business and the solid positioning of VARTA AG.

Marc Hundsdorf, CFO: "Our business is broadly positioned, and this strategic advantage has contributed to the improvement in our results. After a traditionally weaker first half of the year, all divisions were able to improve in the past quarter. Our Consumer Batteries in particular have proven to be a mainstay and the energy storage business continues to be our growth driver."

Based on the results for the first nine months of 2023, the Executive Board of VARTA AG continues to expect revenue of around € 820 m for the fiscal year. Adjusted EBITDA is still expected to be between € 40 m and € 60 m.

## Revenue & Adjusted EBITDA

(€ k, unaudited)



\*Margin: Adjusted EBITDA to revenue

# 1. Development of financial position and financial performance

## 1.1. Financial performance

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

(€ k)	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022
<b>Sales revenue</b>	<b>554,100</b>	<b>570,726</b>
Decrease (PY Increase) in finished and unfinished goods	-3,707	60,765
Own work capitalized	19,112	8,611
Other operating income	13,566	60,221
Cost of materials	-287,284	-310,403
Personnel expenses	-190,265	-198,110
Other operating expenses	-102,210	-127,503
<b>EBITDA</b>	<b>3,312</b>	<b>64,307</b>
Depreciation	-89,543	-79,855
<b>Operating income (EBIT)</b>	<b>-86,231</b>	<b>-15,548</b>
Interest income	1,229	1,083
Interest expenses	-23,816	-5,627
Other financial income	897	2,061
Other financial expenses	-3,120	-5,923
<b>Financial result</b>	<b>-24,810</b>	<b>-8,406</b>
Profit and loss share in companies recognized in the balance sheet under the equity method, after taxes	-8	0
<b>Earnings before taxes</b>	<b>-111,049</b>	<b>-23,954</b>
Income taxes	-4,755	3,820
<b>Group result</b>	<b>-115,804</b>	<b>-20,134</b>
Appropriation of loss:		
Shareholders of VARTA AG	-115,804	-20,134

### Revenue

As at 30 September 2023, VARTA AG Group revenue has indeed fallen slightly by 2.9 % compared with the same period in the previous year from € 570.7 m to € 554.1 m, however, significant growth in revenue was reported for the third quarter, which was the highest revenue-generating quarter in the financial year to date. It was also significantly higher than in the same quarter in the previous year. This also applies when taking into account a positive reimbursement of € 12.5 m for ramp-up costs in customer projects in the area of large-format round cells, which was fully recognised in profit or loss.

Revenue in the Energy Storage Systems segment rose from € 65.5 m to € 121.9 m, an increase of € 56.4 m. This pleasing development is due to the high demand for home storage solutions.

Revenue in the Consumer Batteries segment rose from € 231.1 m to € 232.2 m, an increase of € 1.1 m. The increase in revenue was achieved despite a slight fall in volume because prices were adjusted somewhat later and the increase in costs was passed onto customers in some cases.



Revenue in the Micro Batteries segment decreased by € 17.6 m from € 123.7 m to € 106.1 m. This development was attributable to structural changes in the market environment in favour of rechargeable hearing aids.

Revenue in the Lithium-Ion CoinPower segment decreased by € 70.1 m from € 114.5 m to € 44.4 m. Revenue did indeed pick up significantly in the third quarter, even exceeding the level of the previous year in August and September. However, VARTA is assuming that demand, particularly from our key customer, will remain volatile over the next few quarters.

### **Expenses and other operating income**

In the first nine months, material expenses came to € 287.3 m compared with € 310.4 m in the same period in the previous year. This corresponds to a reduction of 7.4 %. The cost of materials ratio in relation to total output (revenue plus the change in finished and unfinished goods) increased from 49.2 % to 52.2 % year on year. Gratifyingly, at 47.1 %, the cost of materials ratio for the third quarter was down on the level of the previous 1.5 years. This was attributable not only to the reimbursement of ramp-up costs, but also to a significant reduction in raw material prices.

Personnel expenses declined by 4.0 % from € 198.1 m to € 190.3 m despite the increase in wage costs and restructuring expenses. Personnel measures, such as short time working at the plant in Nördlingen in the first half of the year, as well as the restructuring measures to date and staff turnover have had a significant impact on the decline in personnel costs.

Other operating expenses fell by 19.8 % overall from € 127.5 m to € 102.2 m. On account of the fall in energy costs, lower production in connection with short-time working at the Nördlingen plant and the targeted reduction in inventories, energy expenses were virtually halved by € 8.7 m. A reduction of € 5.4 m in expenses for foreign currency hedging due to the volatile exchange rate changes in the past year also had a positive effect. The miscellaneous other operating expenses decreased by € 11.3 m.

Other operating income decreased by € 46.7 m, declining from € 60.2 m in the same period in the previous year to € 13.6 m in the third quarter of 2023. This decline is primarily the result of reduced income from subsidies and public grants of € 42.0 m. This reduction in grants results, among other reasons, from the as expected finalization of a project for small-format lithium-ion cells that was completed in 2022. In the course of this project, the Lithium-Ion CoinPower segment received grants of € 29.2 m in the same period of the previous year. A further difference results from the change in presentation described in the 2022 annual financial statements under "Changes in accordance with IAS 8".

### **EBITDA**

EBITDA (earnings before interest, taxes, depreciation and amortisation) fell sharply from € 64.3 m in the same period in the previous year to € 3.3 m. This was mainly due to the negative factors described above and the weaker sales development, especially in the Lithium-Ion CoinPower segment, 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 reportable 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)	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022
EBITDA	3,312	64,307
Expenses from share-based remuneration	1	13
Expenses for M&A transactions	0	2,041
Restructuring costs VARTA AG Group	19,313	0
<b>adjusted EBITDA</b>	<b>22,626</b>	<b>66,361</b>

The preparation of the restructuring concept and the measures defined therein resulted in additional expenses. These have been identified as an extraordinary effect and are to be adjusted this year.

### Depreciation

Scheduled depreciation amounted to € 63.7 m as at the third quarter. In addition, a non-cash impairment of € 25.9 m was recognised in the Lithium-Ion CoinPower cash generating unit in the first half of 2023 due to lower volume expectations for 2023. There was no further need for impairment in the third quarter. Continuing fluctuations in call-off volumes in the Lithium-Ion CoinPower segment could, in principle, lead to the recognition of additional impairments at the end of the financial year.

### Operating result (EBIT)

The operating result is € -86.2 m and therefore significantly lower than in the same period in the previous year (2022: € -15.5 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 € -8.4 m in 2022 to € -24.8 m in 2023. This is primarily due to the growth in interest expenses, which rose by € 18.2 m from € 5.6 m to € 23.8 m. This was caused by the increase in borrowing and the sharp rise in variable interest rates compared with the same period in the previous year. Interest expenses to financial institutions increased by € 16.4 m from € 3.0 m to € 19.4 m. An additional increase in interest expenses resulted from higher interest rates for pension obligations.

### Taxes

As at 30 September 2023, there was a tax expense of € 4.8 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. Due to this tax expense, the effective tax rate is -4.3 %. In the same period of the previous year, the losses were offset against tax, resulting in tax income and a positive tax rate of 15.9 %.

### Consolidated result

Due to the above-mentioned reasons, the consolidated result is well down on the previous year's figure, amounting to € -115.8 m (2022: € -20.1 m).

## 1.2. Net assets and financial position

### Consolidated balance sheet as at 30 September 2023 (unaudited)

(€ k) 30 SEPTEMBER 2023 31 DECEMBER 2022

#### ASSETS

Non-current assets	722,864	749,220
Current assets	422,937	509,234
<b>Total assets</b>	<b>1,145,801</b>	<b>1,258,454</b>

(€ k) 30 SEPTEMBER 2023 31 DECEMBER 2022

#### EQUITY AND LIABILITIES

Equity	175,310	239,465
Total liabilities	970,491	1,018,989
Non-current liabilities	549,107	196,035
Current liabilities	421,384	822,954
<b>Total equity and liabilities</b>	<b>1,145,801</b>	<b>1,258,454</b>

#### Non-current assets

Non-current assets decreased from € 749.2 m as at 31 December 2022 to € 722.9 m. The change mainly results from the decline in property, plant and equipment due to the impairment of € 25.9 m, which was recognised at the end of the first half, as well as the decline in deferred tax assets from € 19.7 m to € 9.3 m as at 30 September 2023. Intangible assets developed in the opposite direction, rising from € 99.6 m to € 113.3 m. This was largely due to the capitalisation of development costs for large-format lithium-ion round cells.

#### Current assets

In comparison with 31 December 2022, current assets decreased by € 86.3 m from € 509.2 m to € 422.9 m as at 30 September 2023. This change is due to the reduction in tax refund claims of € 12.8 m and in cash and cash equivalents of € 68.9 m.

#### Equity/equity ratio

Equity fell from € 239.5 m as at 31 December 2022 to € 175.3 m as at 30 September 2023. The equity ratio amounted to 15.3 % as at the reporting date (31 December 2022: 19.0 %). The main effects are the capital increase of € 50.7 m carried out in the first quarter and the consolidated result of € -115.8 m.

#### Non-current liabilities

Non-current liabilities increased by € 353.1 m from € 196.0 m as at 31 December 2022 to € 549.1 m as at 30 September 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 € 353.3 m being classified as non-current. Other non-current liabilities have also increased from € 27.4 m to € 38.6 m. This was offset by the fall in deferred tax liabilities from € 16.9 m to € 7.8 m.

#### Current liabilities

Current liabilities have fallen from € 823.0 m to € 421.4 m as at 30 September 2023. This change is largely due to the reclassification of loan liabilities as non-current liabilities. Moreover, trade payables and advance payments received have fallen by € 27.5 m in comparison with 31 December 2022.

#### Net working capital

Net working capital increased from € 162.7 m at the end of 2022 to € 189.1 m as at 30 September 2023. This corresponds to an increase of € 26.4 m in comparison with the

previous year. Compared to 30 September 2022, the net working capital ratio decreased by 5.6 percentage points from 27.6% to 22.0%. This is calculated in relation to the sales revenue of the last three months extrapolated to one year. The reduction in net working capital by € 24.9 m from € 214.0 m as at 30 September 2022 to € 189.1 m as at 30 September 2023 is mainly due to lower inventories. This was offset by the decrease in liabilities and a slight increase in receivables.

## Cash flow statement

(€ k)	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022
<b>Cash and cash equivalents as at 1 January</b>	<b>108,709</b>	<b>73,107</b>
Cash flow from operating activities	-8,263	-58,363
Cash flow from investing activities*	-74,398	-127,069
Cash flow from financing activities*	13,974	142,505
<b>Net change in cash and cash equivalents</b>	<b>-68,687</b>	<b>-42,927</b>
Effects of exchange rate fluctuations	-180	2,183
<b>Cash and cash equivalents as at 30 September</b>	<b>39,842</b>	<b>32,363</b>

\* Prior year adjusted according to IAS 8

The cash flow from operating activities amounts to € -8.3 m in the financial year and is therefore € 50.1 m above the previous year's figure. The ongoing restructuring programme in conjunction with consistent cash flow management has resulted in a significant improvement in cash flow compared to the same period last year.

The cash flow from investing activities has improved from € -127.1 m in the same period in the previous year to € -74.4 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 € 55.7 m (2022: € 91.4 m). As far as possible, they were adjusted to the current business development in relation to the commitments resulting from orders placed in previous years.

Cash flow from financing activities decreased in the reporting period from € 142.5 m in 2022 to € 14.0 m. The positive cash flow in the first nine months of 2023 results from the capital increase in the amount of € 50.7 m. However, higher interest expenses reduced the cash flow by € -15.5 m (2022: € -2.7 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, although this was reduced by payment of the dividend of € 100.2 m.

As at the reporting date 30 September 2023, cash and cash equivalents totalled € 39.8 m (2022: € 32.4 m). Existing credit lines have been drawn down in full as at the balance sheet date.

## 2. Financial performance: Segments

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

In the third quarter of 2023, the VARTA AG Group achieved the highest quarterly revenue in the financial year to date despite the challenging macroeconomic conditions. Compared with the same quarter in the previous year, revenue rose by 10.9 % in the third quarter. Adjusted EBITDA also improved very significantly compared with previous quarters and the same quarter in the previous year. The improvement on comparative periods in terms of revenue and adjusted EBITDA is still apparent even after taking account of the effects resulting from the reimbursement of ramp-up costs in customer projects involving large-format round cells, which have been fully recognised in the amount of € 12.5 m in the income statement.

Overall, the margin picture has deteriorated in the period from January to September 2023 compared with the same period in the previous year due to higher cost of materials, especially at the beginning of the year. Compared to the first half of 2023, which was characterised by high purchase prices, a clear improvement in the margin picture can be seen in the third quarter of 2023. The consistent cost-cutting measures contributed to the improvement, as did the recent decline in material and energy costs, positive one-off effects from customer projects and selective price increases, particularly in the Consumer Batteries segment.

On the basis of the results for the first nine months of 2023, the Executive Board of VARTA AG is still anticipating revenue of around € 820 m for the financial year (9M 2023: € 554 m). Adjusted operating result (adjusted EBITDA) is still expected to be within the previous guidance range of € 40 m to € 60 m (9M 2023: € 22.6 m).

The performance improvement is apparent across the business, particularly in the third quarter of 2023. This development is likely to be helped by the traditional seasonal nature of the Group's business development, featuring somewhat lower sales in the first half followed by a seasonal upturn in the second half. Typically, this pattern is particularly evident in the Consumer Batteries and Lithium-Ion CoinPower segments. In the Micro Batteries segment, VARTA has maintained its position as a global leader in a rapidly changing market environment over the year to date. There has been a marked improvement in the Lithium-Ion CoinPower segment in Q3 2023, however, it is still the most challenging area as far as the quality of its results is concerned. This is due to the volatility of its forecasts caused by constant changes in the call-off projections of our key customer. The Consumer Batteries segment has proved to be a key pillar of VARTA's business, while Energy Storage Systems continues to drive sustainable growth in a flourishing market for the Group. The Other segment stands for the development of promising technologies. On the basis of the already achieved improvement, the VARTA AG Group will continue to pursue its strategy and implement the restructuring programme resolutely.

## With Micro Batteries, VARTA is maintaining a globally leading position in a changing industry

	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022	Change
Sales revenue (€ k)	106,105	123,716	-14.2 %
Adjusted EBITDA (€ k)	15,850	13,476	17.6 %
Adjusted EBITDA margin %	14.9 %	10.9 %	4.0 PP

The Micro Batteries segment comprises business with microbatteries and hearing aid batteries. In the first nine months of 2023, revenue amounted to € 106.1 m, reflecting a revenue drop of 14.2 %. In the third quarter of 2023, in which revenue of € 36.1 m was achieved, revenue was therefore some 11 % down on the same quarter in the previous year (Q3 2022: € 40.7 m).

Within the first nine months of financial year 2023, adjusted EBITDA has risen from € 13.5 m year on year to € 15.9 m. The adjusted EBITDA margin stands at 14.9 %, which corresponds to an improvement of 4.0 percentage points in comparison with the previous year. Adjusted EBITDA stood at € 5.9 m in the third quarter of 2023, while the previous year's figure was € 0.5 m. Following the first nine months of 2023, adjusted EBITDA already exceeds the corresponding figure for financial year 2022 as a whole.

Demand in the market for microbatteries remains subdued, which explains the decline in revenue compared with the comparative periods. The increasing significance of rechargeable hearing devices is a significant factor here. The improvement in margins, which has gained momentum in Q3 2023, reflects the segment's favourable product mix as well as the recent fall in the cost of materials and energy.

## Lithium-Ion CoinPower remains the most challenging segment in terms of the quality of the financial result

	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022	Change
Sales revenue (€ k)	44,357	114,498	-61.3 %
Adjusted EBITDA (€ k)	-31,871	35,624	> -100,0%
Adjusted EBITDA margin %	-71.9%	31.1 %	> -100,0 PP

The Lithium-Ion CoinPower segment includes the small lithium-ion round cells for OEM applications. In the first three quarters, revenue amounted to € 44.4 m. This corresponds to a revenue decline of 61.3 % compared with the same period in the previous year. Demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) has recovered in Q3 2023, especially in August and September. However, revenue at segment level has still declined by 27.6 % compared with the same quarter in the previous year.

The main cause for the decline in revenue over the year to date is the fact that the main customer for the Lithium-Ion CoinPower segment has purchased significantly fewer items in response to a fall in end customer demand and the diversification of supplier relationships. Agreed price reductions and inventory reduction by major customers also led to an additional decline in revenue.

Within the first nine months of financial year 2023, adjusted EBITDA declined from € 35.6 m to € -31.9 m compared with the same period in the previous year. It should be noted here that € 29.2 m from grants had a positive impact on adjusted EBITDA in 2022.

Slightly negative EBITDA of € -2.5 m resulted in Q3 2023 (Q3 2022: € -2.7 m). VARTA has already successfully implemented the promised personnel measures, such as short time

work at the factory in Nördlingen and the non-renewal of limited employment contracts, to take account of changes in sales volumes. VARTA still maintains sufficient capacity to react rapidly and produce additional quantities in the event of a sudden recovery in demand. In addition, the plant is to be made more flexible to fluctuations in capacity utilization by optimizing production structures.

VARTA is expecting demand for small lithium-ion round cells, especially that from its key customer, to remain volatile over the next few quarters. For the second half of 2023 as a whole, VARTA is expecting negative adjusted EBITDA in the single-digit millions.

## Consumer Batteries is and will remain a stable, core pillar of VARTA AG into the future

	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022	Change
Sales revenue (€ k)	232,155	231,080	0.5 %
Adjusted EBITDA (€ k)	22,090	14,251	55.0 %
Adjusted EBITDA margin %	9.5 %	6.2 %	3.3 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 increased from € 231.1 m to € 232.2 m compared with the same period in the previous year, which equates to a rise of 0.5 %. With regard to the third quarter of 2023, in which revenue amounted to € 89.7 m, growth of 6.1 % year on year was achieved.

Adjusted EBITDA has risen significantly faster, by 55.0 %, over the first nine months, resulting in a significant improvement to the adjusted EBITDA margin, which has risen by 3.3 percentage points to 9.5 %. The improvement compared with the same period in the previous year was particularly marked in the third quarter of 2023. Adjusted EBITDA increased from € 1.1 m in Q3 2022 to € 14.6 m in Q3 2023.

Subdued end customer demand for household batteries was successfully countered through targeted measures, in particular by attracting new customers. Lower energy and raw material costs as well as the successful implementation of price adjustments played a crucial role in the marked improvement in margins. With the benefit of the typical seasonal tailwinds associated with Christmas business, VARTA is expecting a generally gratifying trend in revenue for financial year 2023.

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 is a sustainable growth driver for VARTA AG in a flourishing market

	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022	Change
Sales revenue (€ k)	121,882	65,467	86.2 %
Adjusted EBITDA (€ k)	15,965	1,693	> 100,0 %
Adjusted EBITDA margin %	13.1 %	2.6 %	10.5 PP

In the first nine months of 2023, revenue in the Energy Storage Systems segment increased from € 65.5 m to € 121.9 m year on year. This corresponds to revenue growth of 86.2 %. In the third quarter, growth of 76.3 % to € 40.4 m was achieved. Adjusted EBITDA increased from € 1.7 m to around € 16.0 m. This corresponds to growth of € 14.3 m and led to a marked improvement in the adjusted EBITDA margin, which rose by 10.5 percentage

points to 13.1 %. With regard to the third quarter, adjusted EBITDA of € 4.5 m (Q3 2022: € -1.0 m) was generated.

The pleasing sales growth in the Energy Storage Systems segment is continuing. Order volume in the segment declined somewhat recently but is still at around two quarters' worth of revenue and gives grounds for anticipating a gratifying performance. The planned opening of the new factory for energy storage systems in Neunheim, Ellwangen, at the end of the year will provide VARTA with additional opportunities to claim its share of the dynamic growth in the market for energy storage systems. As expected, the previously very high margin has recently fallen slightly due to price reductions. It can be assumed that ramp-up costs for *VARTA.wall* production will have an additional slightly dampening effect on the margin.

### The Other segment: Developing further technologies for future-orientated markets

	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022	Change
Sales revenue (€ k)	49,600	35,965	37.9 %
Adjusted EBITDA (€ k)	592	1,316	-55.0%
Adjusted EBITDA margin %	1.2 %	3.7 %	-2.5 PP

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

In the first nine months of 2023, revenue in the Other segment amounted to € 49.6 m, which equates to sales growth of 37.9 %. This growth in Q3 2023 is largely attributable to reimbursement payments amounting to € 12.5 m, which resulted from ramp-up costs that occurred primarily in the first half of 2023 in joint projects involving large-format round cells. Adjusted EBITDA has fallen to € 0.6 m year on year, which is attributable in particular, to a reduction in grants received by the Lithium-Ion Large Cells business area.

As expected, the significant increase in revenue in the third quarter of 2023 resulted from the reimbursement of ramp-up costs mentioned above. This largely explains the improvement in revenue and results compared with previous quarters. The performance of Lithium-Ion Battery Packs ran counter to this, as it was still suffering from weak demand for battery packs in the premium segment. In the first nine months of 2023, the adjusted EBITDA margin stood at 1.2 %, which corresponds to a decline of 2.5 percentage points year on year.

## 3. Employees

The number of employees across the Group as a whole fell from 4,577 employees in the third quarter of the previous year to 4,049 employees as at 30 September 2023. This is mainly due to staff turnover and the restructuring measures to date.

## 4. Key events after the reporting date

There have been no noteworthy events since the reporting date.



## 5. Outlook

The VARTA AG Group maintains a very good position in its core markets and is promisingly positioned to benefit from long-term growth trends, for example in the area of lithium-ion batteries with their diverse range of applications and energy storage solutions. Macroeconomic conditions mean that the short-term revenue and profit outlook remains challenging. This is the case despite the significantly improved momentum in the quarter under review.

Demand is still being curbed in several segments – albeit to a lesser extent – 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. Significant fluctuations in the purchase volumes from key customers are leading to increased volatility in sales projections and consequently an elevated level of uncertainty associated with forecasting for the VARTA AG Group. This applies to the Lithium-Ion CoinPower segment, in particular. Demand for these small lithium-ion round cells picked up significantly in the third quarter 2023, even exceeding the previous year's level in August and September. However, VARTA still expects demand from individual key customers to remain volatile.

The rapid increase in the importance of renewable energies and the desire for self-sufficient energy solutions on the part of many customers has continued to drive demand in the Energy Storage Systems segment. The segment's order backlog has recently decreased slightly, but still amounts to around two quarterly revenues and indicates a pleasing development. The planned opening of the new factory for *VARTA.wall* energy storage systems in Neunheim, Ellwangen, at the end of the year offers VARTA additional opportunities to claim its share of dynamic market developments in the area of energy storage solutions.

Over the first nine months of the VARTA AG financial year, the margin picture has deteriorated in comparison with the same period in the previous year, especially in the first half, due to higher cost of materials, especially in the first half of the year. Consistent cost-cutting measures have led to personnel expenses falling below € 60 m per quarter for the first time since Q1 2020. This development is being underpinned by price increases, especially in Consumer Batteries, and lower prices for materials and energy. The reimbursement of ramp-up costs in customer projects in the Lithium-Ion Large Cells business area of around € 12.5 m in total was a positive supporting event in the third quarter of 2023.

Throughout the 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 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 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. Projects that go beyond the existing contractual terms and installed facilities require significant investment and would therefore also be contingent on securing external funding 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 the VARTA AG Group, 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 into the equation.

VARTA's financing position has improved 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 – as reported in the Half-year Financial Report 2023 – 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**

The guidance outlined in the following sections was published on 26 July 2023. It was reviewed on 10 November 2023 and remains unchanged.

#### **VARTA AG Group**

The Executive Board of VARTA AG still anticipates revenue of around € 820 m for the financial year (9M 2023: € 554 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 expected to be in the guidance corridor of between € 40 m and € 60 m (9M 2023: € 22.6 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 fact that there is only a short period remaining before the end of the financial year reduces the level of uncertainty surrounding the result for the year as a whole accordingly. 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 costs associated with implementation of the restructuring agreement and risks resulting from the operational implementation of measures represent additional risks in connection with the guidance.

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 was ended when production was ramped up in the third quarter. 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 was given the green light in 2023 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 in the first half of 2024. 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 30 SEPTEMBER 2023	FINANCIAL YEAR 2022	1 JAN. TO 30 SEP. 2023
<b>Financial indicators: Group</b>			
Revenue	Around € 820 m	€ 806.9 m	€ 554.1 m
Adjusted EBITDA	€ 40 m to € 60 m	€ 69.5 m	€ 22.6 m
<b>Financial indicators: Segment Micro Batteries</b>			
Revenue	Very significantly below prior year	€ 163.9 m	€ 106.1 m
Adjusted EBITDA	Significant double-digit percentage revenue growth	€ 15.3 m	€ 15.9 m
<b>Financial indicators: Segment Lithium-Ion CoinPower</b>			
Revenue	Very significantly below prior year	€ 136.6 m	€ 44.4 m
Adjusted EBITDA	Very significantly below prior year	€ 18.8 m	-€ 31.9 m
<b>Financial indicators: Segment Consumer Batteries</b>			
Revenue	Similar to prior year	€ 365.9 m	€ 232.2 m
Adjusted EBITDA	Very significantly above prior year	€ 30.4 m	€ 22.1 m
<b>Financial indicators: Segment Energy Storage Systems</b>			
Revenue	Very significant double-digit percentage revenue growth	€ 90.9 m	€ 121.9 m
Adjusted EBITDA	Significant triple-digit percentage growth	€ 5.2 m	€ 16.0 m
<b>Financial indicators: Segment Other</b>			
Revenue	Very significantly above prior year	€ 49.6 m	€ 49.6 m
Adjusted EBITDA	Very significantly above prior year	€ -0.1 m	€ 0.6 m

**Legend (deviation from financial year 2022)**

Similar to prior year: 1-3 % deviation

Slightly above/below prior year: 3-5 % deviation

Significantly above/below prior year: 5-10 % deviation

Very significantly above/below prior year: >10 % deviation

At segment level, the VARTA AG Group adjusted the outlook published in the Half-year Financial Report 2023 in the Micro Batteries, Consumer Batteries and Other segments:

**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. For the year as a whole, the Company now assumes that revenue will be very significantly below level of the previous year

(previously: slightly down on prior year, original guidance: on a par with the prior year). At the same time, VARTA still expects adjusted EBITDA to increase by a significant double-digit amount year on year due to the success of its cost-cutting measures and a favourable product mix in the second half.

#### **Lithium-Ion CoinPower segment**

The Lithium-Ion CoinPower segment concentrates on small Lithium-Ion round cells for OEM applications. Demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the area of Lithium-Ion CoinPower recovered sharply in Q3 2023 following the slump in H1 2023. VARTA expects that demand for small lithium-ion round cells, especially from the key customer, will remain volatile over the next few quarters and its outlook for the segment for the year as a whole remains unchanged: revenue and adjusted EBITDA are each likely to fall very significantly year on year.

#### **Consumer Batteries segment**

Consumer Batteries represents the business with household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. VARTA still expects revenue to be more or less on a par with the previous year (original guidance: low single-digit growth in percentage terms). In contrast, VARTA now expects a very significant improvement in adjusted EBITDA (previously: slightly up on prior year). The crucial factor here is lower energy and raw material costs plus the partially successful implementation of price increases.

#### **Energy Storage Systems segment**

The Energy Storage Systems segment primarily includes energy storage solutions intended for private applications, although some commercial applications 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 as high as 70 % in comparison with the previous year. Accordingly, VARTA's expectation of very significant double-digit percentage growth in revenue is unchanged. In terms of adjusted EBITDA, VARTA still expects significant triple-digit percentage growth. As expected, the margin is likely to fall slightly because of price cuts and additional ramp-up costs for *VARTAwall* production.

#### **Other segment**

The Other segment comprises the business areas of Lithium-Ion Battery Packs and Lithium-Ion Large Cells (V4Drive/RoundPower). VARTA now expects revenue that will likely be very significantly above the prior year (previously: slightly above prior year). This sharp jump in revenue is largely due to the reimbursement of ramp-up costs in joint projects by contractual partners.

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

(€ k)

30 SEPTEMBER 2023 31 DECEMBER 2022

**ASSETS**

Property, plant, and equipment	564,297	591,893
Intangible assets	113,281	99,612
Long-term investments and other participations recognised in the balance sheet under the equity method	46	58
Deferred tax assets	9,327	19,704
Other assets	35,913	37,953
<b>Non-current assets</b>	<b>722,864</b>	<b>749,220</b>
Inventories	213,651	223,317
Contract assets	3,493	3,959
Trade receivables	107,812	110,378
Other financial assets	120	675
Tax refund claims	4,435	17,238
Other assets	53,584	44,958
Cash and cash equivalents	39,842	108,709
<b>Current assets</b>	<b>422,937</b>	<b>509,234</b>
<b>Total assets</b>	<b>1,145,801</b>	<b>1,258,454</b>

(€ k)

30 SEPTEMBER 2023 31 DECEMBER 2022

**EQUITY AND LIABILITIES**

Subscribed capital	42,642	40,422
Capital reserve	300,800	252,292
Retained earnings	-55,389	144,027
Group result	-115,796	-200,420
Other reserves	3,053	3,144
<b>Equity of the VARTA AG Group</b>	<b>175,310</b>	<b>239,465</b>
Lease liabilities	67,676	69,700
Other financial liabilities	373,130	18,795
Provisions for employee benefits	52,760	53,932
Other liabilities	38,564	27,396
Deferred tax liabilities	7,848	16,925
Other provisions	6,768	6,768
Deferred liabilities	2,361	2,519
<b>Non-current liabilities</b>	<b>549,107</b>	<b>196,035</b>
Tax liabilities	31,256	46,434
Lease liabilities	16,616	17,397
Other financial liabilities	143,703	497,000
Provisions for employee benefits	3,192	3,711
Contract liabilities	955	2,534
Trade payables and advance payments received	89,147	116,667
Other liabilities	34,158	33,364
Other provisions	18,013	9,438
Deferred liabilities	84,344	96,409
<b>Current liabilities</b>	<b>421,384</b>	<b>822,954</b>
<b>Liabilities</b>	<b>970,491</b>	<b>1,018,989</b>
<b>Equity and total liabilities</b>	<b>1,145,801</b>	<b>1,258,454</b>

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

(€ k)	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022
<b>Sales revenue</b>	<b>554,100</b>	<b>570,726</b>
Decrease / Increase in finished and unfinished goods	-3,707	60,765
Own work capitalised	19,112	8,611
Other operating income	13,566	60,221
Cost of materials	-287,284	-310,403
Personnel expenses	-190,265	-198,110
Other operating expenses	-102,210	-127,503
<b>EBITDA</b>	<b>3,312</b>	<b>64,307</b>
Depreciation	-89,543	-79,855
<b>Operating income (EBIT)</b>	<b>-86,231</b>	<b>-15,548</b>
Interest income	1,229	1,083
Interest expenses	-23,816	-5,627
Other financial income	897	2,061
Other financial expenses	-3,120	-5,923
<b>Financial result</b>	<b>-24,810</b>	<b>-8,406</b>
Profit and loss share in companies recognised in the balance sheet under the equity method	-8	0
<b>Earnings before taxes</b>	<b>-111,049</b>	<b>-23,954</b>
Income taxes	-4,755	3,820
<b>Group result</b>	<b>-115,804</b>	<b>-20,134</b>
Appropriation of loss: Shareholders of VARTA AG	-115,804	-20,134
<b>Earnings per share</b>		
	1 JAN. TO 30 SEP. 2023	1 JAN. TO 30 SEP. 2022
Basic earnings per share	-2.72	-0.50
Diluted earnings per share	-2.72	-0.50

# Explanatory notes to the quarterly report

The condensed consolidated interim financial statements were prepared on the basis of all IAS / IFRS published by the International Accounting Standards Board (IASB) that were applicable on the reporting date as well as all interpretations (IFRIC / SIC) drawn up by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, provided these have been adopted by the European Union through the endorsement process. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements prepared as at 31 December 2022.

The condensed consolidated interim financial statements as at 30 September 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

Annual report 2023	28 March 2024
Interim report Q1 2024	15 May 2024
Annual General Meeting	23 May 2024
Interim report Q2 2024	12 August 2024
Interim report Q3 2024	13 November 2024

# Imprint

Quarterly report Q3 2023:  
<https://www.varta-ag.com/en/investoren/publications>

Investor Relations  
VARTA AG  
Emanuel Sican  
T: +49 79 61 921 3115  
E: [IR@varta-ag.com](mailto:IR@varta-ag.com)

Corporate Communications  
VARTA AG  
Dr Christian Kuczniarz  
T: +49 79 61 921 2727  
E: [christian.kuczniarz@varta-ag.com](mailto:christian.kuczniarz@varta-ag.com)