Empowering Independence.

2022: One year – many challenges.

In addition to a pandemic that has not yet been definitively consigned to history, war has broken out in Europe. And the impacts are directly affecting us all. The severity of the current energy crisis has demonstrated how fatal dependencies can be. Furthermore, it is only now that the concept of climate change has shifted from scientific theory to practical reality that we can fully grasp how vital the transition from fossil fuels to renewable energy sources is for humanity as a whole.

Our strategy for a brighter future
is laid out in our

VARTA Independence Charter:

Contents

Key Data

Multi-Year Overview

(€ k)	2015	2016	2017	2018	2019	2020*	2021	2022
Revenue	195,093	213,815	242,157	271,650	362,692	869,583	902,931	806,916
EBITDA	30,991	23,767	33,089	47,389	91,622	212,631	282,179	66,986
Adjusted EBITDA	22,857	26,099	39,132	50,219	97,481	241,030	282,856	69,503
Amortization and depreciation	-8,511	-8,922	-9,446	-10,518	-20,855	-66,617	-95,669	-254,994
EBIT	22,480	14,845	23,643	36,871	70,767	146,014	186,510	-188,008
EBT	19,371	12,073	21,025	36,482	71,079	133,124	177,089	-198,178
Consolidated result	11,596	9,410	13,544	25,703	50,464	95,508	125,956	-200,420
Balance sheet total in € m	155.7	164.9	331.5	401.7	668.8	1,122.8	1,260.4	1,258.5
Cash flow from ongoing business activities	19,288	24,153	18,503	69,846	105,734	232,863	124,732	20,384
Cash flow from investment activities	-1,099	-21,613	-13,426	-58,982	-105,806	-372,969	-189,562	-166,542
Cashflow aus financing activities	-28,531	-1,210	121,577	-114	94,882	19,886	14,173	180,988
FTE employees as of Dec. 31	1,879	2,012	2,112	2,256	2,834	4,584	4,666	4,498
Earnings per share (EPS) in €	16.5	0.59	0.36	0.66	1.28	2.36	3.12	-4.96

Foreword from the Executive Board

Dear Shareholders,

The past year presented its fair share of challenges for our Company. But make no mistake: we will overcome them. VARTA boasts a broad portfolio of innovative products that allow us to benefit from growth trends and, above all, from a tangible desire for mobility, independence and renewable energies in all areas of life. We took the right steps at the right time to respond to drastic transformations in the geopolitical and global economic landscape.

It has to be said that 2022 was far from a normal year - neither for us, nor for a whole host of other manufacturing companies. VARTA emerged from the years of the COVID-19 pandemic from 2020 onwards relatively unscathed. In fact, the Company even recorded huge growth over this period. However, it took some time for the long-term consequences of the pandemic to become truly apparent. Our customers, especially in the area of premium TWS headsets, suffered the effects of lockdowns at their production sites in Asia. In turn, this meant that our planned production volumes were ultimately not required or only requested at a later date. In addition, the Russian invasion of Ukraine has triggered substantial price increases for energy and raw materials. Companies with production activities located in Europe have been hit particularly hard by this situation, while the global deterioration in consumer sentiment has also led to reduced demand for premium products on the part of our customers.

The Executive Board reacted decisively as soon as the culmination of these negative effects became clear. In mid-November 2022, we launched a comprehensive cost-cutting programme across all areas of the Company. Since December 2022, short-time working arrangements have been in place at our largest lithium-ion factory in Nördlingen.

But that's not all. We have also initiated a wide-ranging restructuring programme that includes several specific measures. The aim here is to achieve a consistent reduction of the cost base in the areas of procurement, internal process control and human resources on a Group-wide basis. Our supplier base is to be diversified in order to achieve the lowest possible procurement costs, while further savings are to be generated by adapting administrative processes and a focus on marketing activities. These measures are intended to increase profitability in the areas of Micro Batteries, CoinPower and Consumer Batteries in particular. We are confident that this is the right strategy to ensure that VARTA gets back on track towards a successful future.

VARTA has the right products to achieve this. In the area of Micro Batteries, further innovations will help us to expand our strong market positions, while we shall also endeavour to consolidate and increase our leading position for lithium-ion CoinPower cells. With our lithium-ion battery packs, we can supply major customers in the industrial sector with the battery solutions they need to offer top devices. At present, we are already supplying a customer with lithium-ion large cells, although we have also developed plans to expand our activities here, with the aim of continuing our involvement in the field of e-mobility. Meanwhile, our strong brand is a real advantage for the Household Batteries business.

Our energy storage systems can play a part in meeting the socio-political demand for greater sustainability across the whole of society. VARTA stands for renewable energies and, with innovative product solutions, is enabling ever more households to become energy producers in their own right and therefore independent too. After posting significant growth in 2022, our activities and foothold in this market will be even stronger in future.

Our research and development team is working to develop the technologies of tomorrow. Our ultimate aim is to ensure that we are also in a position to supply the generations to come with battery technologies that make the difference. Despite the global challenges, VARTA has never stopped working on the future. We are playing our part in making the world more mobile and independent. VARTA has been proving this day in, day out for almost 140 years now. And we are working to ensure that, in future, the name VARTA continues to represent innovation and quality trusted by our customers.
We must also express our appreciation to you, our valued shareholders. Thank you for continuing to believe in us.

The Executive Board of VARTA AG

Dr Markus Hackstein, Speaker of the Board

Born in 1975, Austrian nationality

Education

- PhD in Social and Economic Sciences, Institute of Corporate Finance, Johannes Kepler University Linz
- Master in Commerce and Business Administration, Johannes Kepler University Linz

Occupational History

- since 2022 Member of the Executive Board, VARTA AG / Ellwangen
- 2018 – 2022 Managing Director, VARTA Microbattery SAL / Brasov, Romania
- 2016 – 2019 Head of Special Projects, Montana Tech Components / Vienna
- 2013 – 2015 Management Consulting, Restructuring & Efficiency Improvement – Syngroup / Vienna
- 2009 – 2012 Commercial Managing Director, RO-RA Aviation Systems / Upper Austria
- 2005 – 2013 Management Consulting, Restructuring & Efficiency Improvement, Managing Director, Bridge Corporate Finance / Vienna, Linz
- 2000 – 2005 Management Consultancies, Switzerland, India, Malaysia, Austria

Armin Hessenberger, CFO

Born in 1966, Austrian nationality

Education

- Master of Business Administration, California State University Hayward (now CSU East Bay), completed at IMADEC University Vienna
- Degree in commercial studies, special business administration and foreign trade, WU Vienna

Occupational History

- 2016 – 2020 Chief Business Officer, Montana Tech Components AG
- 2005 – 2016 Head of Controlling, Mayr-Melnhof Packaging International GmbH, in addition Chairman of the Board of Directors of Al-Ekbal in Amman/Jordan
- 1997 – 2005 Head of Network Development und Asset Management, in addition Head of Technology, Agip Austria GmbH / Vienna
- 1991 – 1997 Controlling, Solvay Österreich AG / Vienna
- 1990 – 1991 Commercial Services Coordinator, Hewlett Packard / Vienna

Rainer Hald, CTO

Born in 1969, German nationality

Education

- University degree in electronics and technical informatics Dipl.-Ing. (Hochschule Aalen)

Occupational History

- since 2022 Chief Technical Officer VARTA AG
- since 2020 Managing Director VARTA Microbattery GmbH, Ellwangen, VARTA Micro Production GmbH, Nördlingen, VARTA Innovation GmbH, Graz, Managing Director EMEA Consumer Batteries (Shenzhen) Co., Ltd., Chin
- since 2013 CTO VARTA Microbattery
- 2008 – 2012 VARTA Head of Application Department, contact person for sales, product management, development
- 2003 – 2008 VARTA Microbattery GmbH – Head of Production Lithium-Polymer Cells
- 2000 – 2002 VARTA Microbattery GmbH – Development and management of the test laboratory for lithium-ion cell
- 1997 – 2000 DAM Messtechnik, Aalen, Development Engineer

Further engagement

- Advisory board of e-mobil BW – state agency for new mobility solutions
- Member of the Research and Innovation Committee of IHK Ostwürttemberg
- Trustee of the ZSW Baden-Württemberg
- Board member of the industry association „Kompetenznetzwerk Lithium-Ionen-Batterien“ (KLiB)
- Scientific advisory board „Batterieforum Deutschland“
- Board member of ZVEI Batteries Association
- Trustee of Aalen University
- Member of the Industry Committee of IHK Ostwürttemberg
- Expert of IEC – TC35 „Primary cells and batteries“
- Expert of DKE – K372 „Primary batteries“
- Expert of DKE – K371 „Accumulators“
- Advisory board of WBZU Ulm (further education center for innovative energy technologies)

*The Executive Board of VARTA AG at the time of publication

Foreword by the Chairman of the Supervisory Board

Dear Shareholders,

Looking back at the reporting year, we can say that 2022 has been an extraordinary year. After more than two years of the Covid-19 pandemic, which we managed well as a company and, above all, as a team, financial year 2022 presented us with many unexpected challenges: a shocking war in Europe, global supply chain problems, rocketing prices for energy and raw materials and question marks over democracy and liberal values around the world.

We are going through turbulent times and may be on the cusp of major social upheavals as a society, as an economy and as a European economic region.

We are a German company aspiring to global leadership in the area of battery technology. We have grown rapidly, invested heavily in the company, gained widespread confidence and secured important EU grants for research and development for our battery research in Ellwangen, Nördlingen and Graz and for the development of large lithium-ion batteries for electromobility.

We must continue on this path. VARTA possesses a bold vision. Nevertheless, given the current situation, we need to shift down a gear, consolidate, and prepare well for the next steps.

After the full impact of the challenging economic environment became clear in September 2022, we took immediate action to reorganise VARTA's management team: we appointed Markus Hackstein as Spokesperson for the Executive Board and have secured the services of Marc Hundsdorf, an experienced Chief Financial Officer (CFO), from May 2023 onwards. Together with Rainer Hald, appointed CTO in January 2022, who has transferred our strategic corporate goals to product development and innovation, VARTA AG is now ideally positioned to return the German technology leader to a successful growth path.

“With our products we ensure progress in energy independence and are part of the energy revolution.”

In addition to changes in personnel, the Company embarked on a comprehensive programme of restructuring focused on efficiency gains, process optimisations and cost savings across all areas. Beyond this, targeted marketing and sales activities were launched to increase capacity utilisation on the production lines.

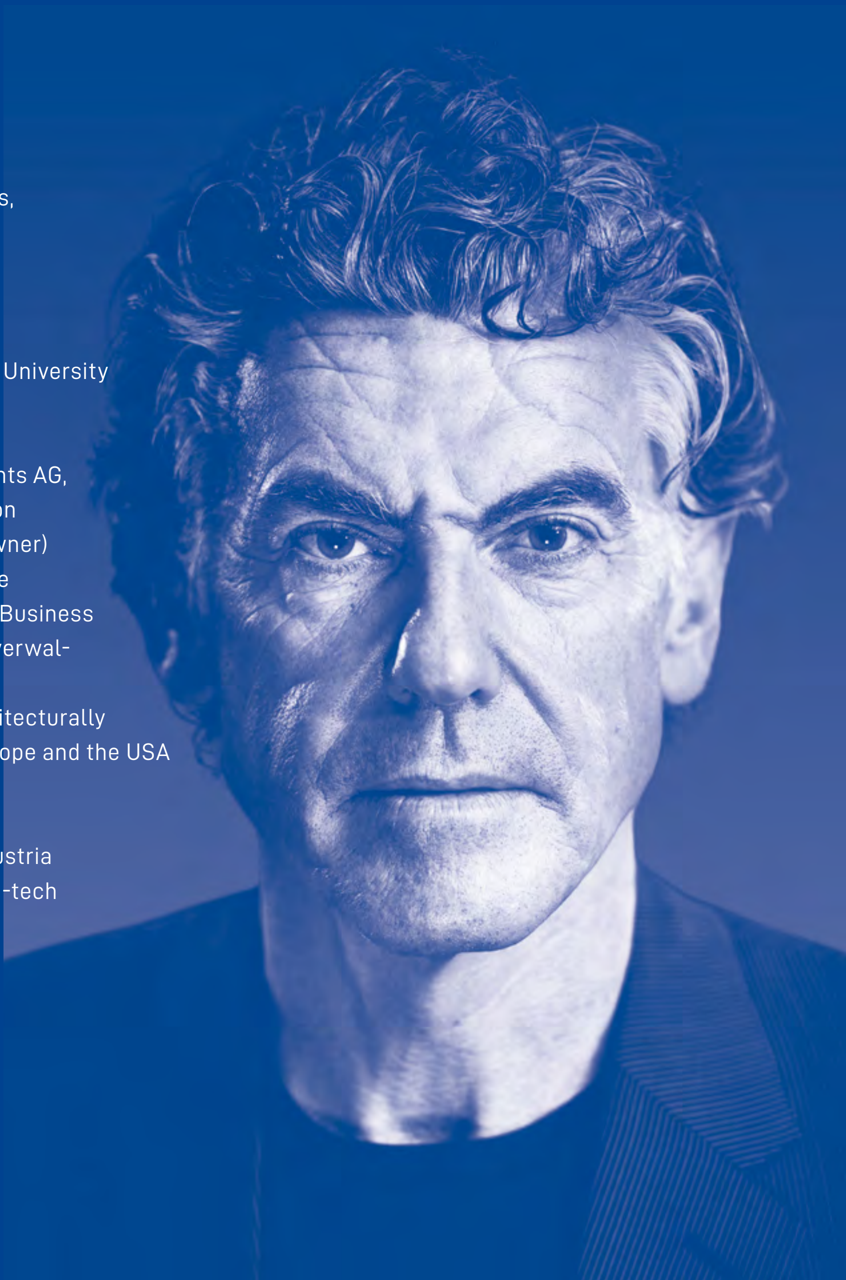
In the spirit of continuous improvement, our aim is to continue to grow and emerge stronger from this phase in the Company's history. The focus here is on further developing and expanding our Energy Storage and V4Drive businesses.

As an additional key measure to safeguard the Group, we also carried out a capital increase at the end of March 2023. As the majority shareholder, I fully supported this capital measure in the amount of around € 51 m, not only to provide rapid support, but also because I believe in VARTA: in all our dedicated experts, in our management, in our innovative strength and in our outstanding products.

Today, we are delivering the next generation of energy storage solutions, battery cells for electromobility, hearing aid batteries, cells for wearables and our household batteries for a wide range of applications. At the same time, we are researching and developing even more advanced solutions for the world of tomorrow. We aim to empower independent living. More than ever, we are committed to generating added value for all our stakeholders as a dependable employer, as a sustainable manufacturing company, as a good corporate citizen and as an investor in future trends and a high-growth company.

In conclusion, I should like to thank our employees for their commitment and dedication, as well as our customers, partners and shareholders for their continued confidence and support in a challenging environment.

Prof. DDr Michael Tojner



Prof. DDr Michael Tojner

Education
- Postgraduate Studies Doctor of Laws, Vienna University
- Postgraduate Studies Doctor for Science of Management, Vienna University
- Harvard Business School & Stanford University

Career
- Since 2006: Montana Tech Components AG, Swiss industrial group with a focus on technology and innovation (CEO & owner)
- Since 1999: Lecturing activities at the Vienna University of Economics and Business
- Since 1998: WertInvest Beteiligungsverwaltungs GmbH, Austria
  Development and realization of architecturally ambitious real estate projects in Europe and the USA (CEO and owner)
- Since 1997: Global Equity Partners Beteiligungs-Management GmbH, Austria
  > 80 equity holdings primarily in high-tech and growth sectors (CEO & owner)

Supervisory Board Report for Fiscal Year 2022

The Supervisory Board of VARTA AG is pleased to report to you on the work undertaken by the Company in financial 2022. In terms of external influences, financial year 2022 was shaped by the impact of the war in Ukraine. In addition to its core tasks, the Supervisory Board also had to oversee the new appointments to the Executive Board and consequently, the Company's new strategic alignment.

In financial year 2022, the Supervisory Board performed the full scope of its duties in accordance with the law, the Articles of Association and the rules of procedure. We monitored and advised the Executive Board in its management of the Company on the basis of detailed written and oral reports from the Executive Board. In addition, the Supervisory Board supported the Management Board in an advisory capacity.

Moreover, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Executive Board or Spokesperson for the Executive Board, in addition to other members of the Executive Board. The Supervisory Board was regularly briefed on intended business policy, corporate planning (including financial, investment and personnel planning), the profitability of the Company and the course of business, as well as the economic position of the Company and the Group. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the Company and discussed these in detail with the Executive Board.

Where the approval of the Supervisory Board is required by law, the Articles of Association or the rules of procedure for decisions or measures of the Executive Board, the members of the Supervisory Board – partly on the basis of information from the committees – approved these after intensive scrutiny and discussion. A particular focus of our activities in the year under review was on Executive Board matters.

The Annual General Meeting (AGM) was held on 21 June 2022. This took place in the form of a virtual AGM. The online format was once again subject to a great deal of interest on the part of our shareholders with more than 60% of the share capital represented at this digital event.

The Supervisory Board monitored Executive Board members on a regular basis and was left in no doubt regarding the legality, expediency and correctness of their work. This close contact with the Executive Board was also maintained in the periods between the Supervisory Board's regular meetings.

The Chairman and individual Supervisory Board members were in regular bilateral communication with the members of the Executive Board, advising on various business matters in the process. The Executive Board participated in all Supervisory Board meetings and provided comprehensive answers to all Supervisory Board questions. In accordance with Section 90 of the German Stock Corporation Act (AktG), the Executive Board regularly, promptly and comprehensively briefed the Supervisory Board, both verbally and in writing, on the key aspects of corporate planning and business development, the course of business, the risk situation and risk management in addition to the economic situation of the Company and the Group. The Supervisory Board also discussed all key business transactions.

A total of eight regular meetings, which were either held in person or in the form of a video conference, as well as regular reports obtained from the Executive Board, allowed the Supervisory Board to keep abreast of the business situation and significant events. In addition, the Supervisory Board adopted several resolutions by telephone or by way of written procedure.

Executive Board members were available for bilateral dialogue with the Supervisory Board for any discussions or clarifications required.

Supervisory Board Meetings and Committees in Fiscal Year 2022

The Executive Board reported in detail on the Company's strategic, operational and financial position at all Supervisory Board meetings.

During the first meeting on **Tuesday, 29 March 2022 (Balance Sheet Meeting)**, the Supervisory Board addressed the annual and consolidated financial statements 2021 before discharging the Executive Board for financial year 2022. The annual financial statements were distributed to all members of the Supervisory

Board, before being discussed in detail and approved at the meeting. The proposal regarding the appropriation of profits 2021 was also formally adopted.

At this meeting, the Supervisory Board also discussed in detail the report of the Audit Committee and its recommendations concerning the selection process for the auditor and decided to propose Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft to the Annual General Meeting as the auditor of the annual financial statements and consolidated financial statements for financial year 2022.

In its meeting on **Wednesday, 30 March 2022**, the Supervisory Board subsequently reviewed the consolidated financial statements for 2021, before finalising and approving them.

The third meeting in financial year 2022 was held on **Thursday, 14 April 2022**. At this meeting, the V4Drive concept was discussed in detail and a decision was made to conclude a rental agreement in Ellwangen, which is also a related party transaction. Prof. DDr Tojner, as the related party in question, abstained from the discussion and resolution.

At the Annual General Meeting on **Tuesday, 21 June 2022**, the Remuneration Report for the 2021 financial year was approved and the auditor for the annual and consolidated financial statements for financial year 2022 was appointed, while new resolutions on authorised and conditional capital were also adopted.

Following the Annual General Meeting, the Supervisory Board convened in Heidenheim. At this meeting, the Supervisory Board focused on the Company's business position and the V4Drive strategy. In addition, two related party transactions were reviewed and approved following the recommendation of the Related Party Committee.

On **Monday, 25 July 2022**, the Supervisory Board met in Nördlingen. At this meeting, the Supervisory Board discussed the Company's organisational structure and the allocation of responsibilities at Executive Board level. Previously, the HR Committee had dealt with these issues. At this meeting, the Supervisory Board resolved to appoint Dr Markus Hackstein as a member of the Executive Board.

The Supervisory Board again convened in Nördlingen on **Thursday, 24 November 2022** for its final in-person meeting of the 2022 reporting period. The main topic of this meeting was the current position of the VARTA AG Group.

In summary, it can be stated that after extensive discussion, the Supervisory Board approved all business transactions and processes subject to mandatory submission. The Executive Board informed the Supervisory Board of all key events that were of material importance to assess the economic position and development of the Company.

Committee activities
There are four Supervisory Board Committees:
- Audit Committee
- HR Committee (this includes the Nomination and Remuneration Committee)
- Related Party Committee
- Investment Committee

The members of the Audit Committee are as follows:
- Dr Harald Sommerer (Chairman)
- Prof. DDr Michael Tojner
- Dr Michael Pistauer

The members of the HR Committee are as follows:
- Prof. DDr Michael Tojner (Chairman)
- Dr Harald Sommerer
- Sven Quandt
- Martin Ohneberg

The members of the Related Party Committee are, or were, as follows:
- Sven Quandt (Chairman)
- Dr Michael Pistauer
- Dr Werner Tillmetz (up to October 31, 2022)

The members of the Investment Committee are, or were, as follows:
- Prof. DDr Michael Tojner (Chairman)
- Dr Werner Tillmetz (up to October 31, 2022)
- Martin Ohneberg
- Dr Harald Sommerer

The committees work to prepare decisions and topics for meetings of the Supervisory Board as a whole. As far as legally permissible, the Supervisory Board transfers decision-making authority to its committees. The committee Chairmen regularly reported on key aspects of committee meetings during meetings of the Supervisory Board.

The Audit Committee held two meetings via video conference in the reporting year.

In the presence of the appointed auditors, the committee discussed, among other issues, the annual financial statements, the accounting process, the internal control system and corporate governance.

The HR Committee held four meetings in the reporting year, with members additionally coordinating matters and holding votes between meetings. In particular, the HR committee dealt with the changes at Executive Board level and related issues.

The Related Party Committee held a total of three meetings via telephone or video conference in the reporting year. The members additionally coordinated matters and held votes between meetings. Among other aspects, the work of the Related Party Committee focused on absorbing costs and rental arrangements in connection with related parties.

The Investment Committee convened for one meeting in the reporting year.

Conflicts of interest

In accordance with the German Corporate Governance Code (DCGK), every member of the Supervisory Board is obliged to disclose any conflicts of interest to which they may be subject. The financial services contract agreed in financial year 2019 between VARTA AG and Montana Tech Components GmbH, a subsidiary company under the ownership of Prof. DDr Michael Tojner, Chairman of the Supervisory Board, was extended again. The extension was approved by the Supervisory Board. In addition, votes were held on agreements concerning cost transfers and rental arrangements in connection with related parties. Prof. DDr Michael Tojner was not involved in discussions on this matter, nor did he play any part in the Supervisory Board's resolution.

No further conflicts of interest arose over the course of financial year 2022.

Annual and consolidated financial statements 2022 audited and approved

The Executive Board prepared the annual financial statements for financial year 2022 in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements in compliance with IFRS provisions as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e HGB. The Executive Board additionally prepared the Management Report combined with the Group Management Report. These were audited by PriceWaterhouse Coopers Wirtschaftsprüfungsgesellschaft, which was appointed as the auditor by the Annual General Meeting on 21 June 2022, who issued an unqualified audit statement in each case.

Individualized disclosure of meeting participations for Supervisory Board members

NUMBER OF MEETINGS (PARTICIPATION IN %)	SUPERVISORY BOARD PLENARY SESSION	AUDIT COMMITTEE	HR COMMITTEE	INVESTMENT COMMITTEE	RELATED PARTY COMMITTEE
Prof. DDr Michael Tojner Chairman	8/8 (100)	2/2 (100)	4/4 (100)	1/1 (100)	
Dr Harald Sommerer Deputy Chairman	8/8 (100)	2/2 (100)	4/4 (100)	1/1 (100)	
Sven Quandt	8/8 (100)		4/4 (100)		3/3 (100)
Dr Michael Pistauer	8/8 (100)	2/2 (100)			3/3 (100)
Martin Ohneberg	6/8 (75)		4/4 (100)		
Dr Werner Tillmetz	7/7 (100)			1/1 (100)	3/3 (100)

The annual and consolidated financial statements 2022 were discussed at the Supervisory Board meeting on **28 April 2023**, which was also attended by representatives of the auditors. These representatives reported on the focal points and the main findings of their audit, in addition to addressing key audit matters. The auditors were also available for an in-depth discussion with members of the Supervisory Board. There were no circumstances that could indicate any bias on the part of the auditors.
The Audit Committee, which received the documents submitted by the Executive Board and the auditor's reports for preliminary examination, reported to the Supervisory Board on the main content and results of its preliminary examination and made recommendations for Supervisory Board resolutions.

The Supervisory Board examined the annual and consolidated financial statements for financial year 2022, the Management Report combined with the Group Management Report and the Executive Board's proposal for the appropriation of profits, taking into account the Audit Committee's report. The Supervisory Board concurred with the results of the audit. On the basis of its own examination, the Supervisory Board determined that there were no objections to the annual and consolidated financial statements or the combined Management Report and Group Management Report. In accordance with the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements prepared by the Executive Board, including the Executive Board's proposal with regard to appropriation of the financial result, at its meeting on **28 April 2023**. As such, the annual financial statements of VARTA AG were adopted accordingly.

In addition, the Supervisory Board reviewed the separate non-financial report and Group report. Based on the results of its examination, the Supervisory Board again raised no objections.

The Supervisory Board also endorsed the Executive Board's proposal regarding the appropriation of the financial result:

The net loss for the year of € -221,454,019.78 will be offset against the existing profit carried forward of € 47,612,946.53, with the remaining deficit amounting to € -173,841,073.25 to be carried forward to the new account.

Relationships with affiliated companies audited

The Executive Board prepared a report on relationships with affiliated companies for the 2022 financial year. The auditors reviewed this report, reported on the results in writing and issued the following unqualified audit statement: "Based on our audit and assessment in accordance with professional standards, we are happy to confirm that:

1. the factual statements in the report are correct
2. the consideration paid by the Company for the legal transactions listed in the report was not unreasonably high."

The respective reports of the Executive Board and the auditor were also discussed at the aforementioned meeting of the Supervisory Board after preliminary examination by the Audit Committee. The representatives of the auditors participating in the meeting reported on the key findings of their audit. The Supervisory Board approved the Executive Board's report on relationships with affiliated companies after its own examination and also agreed with the result of the examination of the audit report. Pursuant to its audit, the Supervisory Board determined that no objections were to be raised in connection with the statement on relationships with affiliated companies made by the Executive Board in concluding its report.

Members of the Supervisory Board in Financial Year 2022

The Supervisory Board of VARTA AG comprises the following members:

- Prof. DDr Michael Tojner, Chairman (since August 30, 2016)
- Dr Harald Sommerer, Deputy Chairman (since April 14, 2016)
- Sven Quandt (since April 14, 2016)
- Dr Michael Pistauer (since May 21, 2019)
- Martin Ohneberg (since June 17, 2021)
- Prof. Dr Werner Tillmetz (until October 31, 2022)

The Supervisory Board would like to express its thanks to the Executive Board and all VARTA employees for their successful work and commitment displayed during an unprecedented financial year 2022.
I would also like to thank you, our valued shareholders, for your continued confidence and trust in VARTA AG and the VARTA AG share.

Ellwangen, April 2023
On behalf of the Supervisory Board

Prof. DDr Michael Tojner
Chairman

Sven Quandt, Dr Harald Sommerer, Prof. DDr Michael Tojner,
Dr Michael Pistauer, Martin Ohneberg

VARTA Vision

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

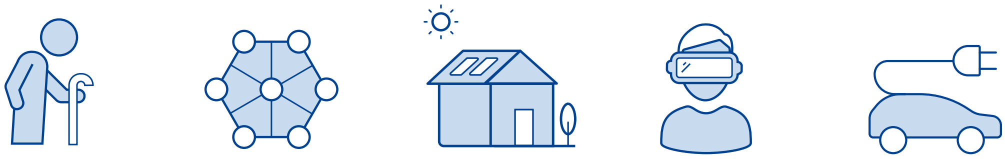
VARTA Mission

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

VARTA Success Factors

External Factors

We are excellently positioned to benefit from long-term growth trends.



Demographic change | Digital networking | Renewable energies | Technological progress | E-Mobility

Internal Factors

VARTA AG combines many years of experience with trend-setting technology in an unique way that sets standards in mass production.

Made in Germany | 135 years of success | Technology leadership | Strong financial profile | Global presence

Product Applications

Wearables | Hearing Aids | IT / Communications | Industrial Robotics | True Wireless Stereo | Medical

Residential Storage Systems | Commercial Storage Systems | Automotive | Home & Garden | Power Tools | Household

Batteries are the decisive components for 21st century applications.

VARTA Independence Charter

1. Pushing the limits

What if electromobility went hand in hand with sustainable high-performance?

What if the excellent performance of lithium-ion cells could be maintained even at low temperatures? What if charging times were shorter, performance higher, reliability more consistent? Or what if even more applications could be powered by even better batteries? Our high-performance lithium-ion round cells are paving the way for higher-performance, more sustainable mobilitysolutions in even more applications, helping to turn those "what ifs" into reality.

VARTA Independence Charter

2. Defining progress

Whether at the North Pole, on the moon or under the sea – wherever technological boundaries have been and are being tested, VARTA has always been there with innovative, high-performance energy solutions.

Innovation is our strength. It constantly motivates us to achieve new peak performances in addition to developing new products that meet current needs and lay the foundations for a better future. However, we have never been complacent with what we have achieved. New solutions always give rise to fresh challenges. From solid-state batteries to ultra-flat energy solutions that have the potential to significantly advance the future of mobility and logistics, we are developing the technology of tomorrow today.

VARTA Independence Charter

3. Consistently advancing climate protection

We are committed to minimising our impact on the environment.

For this reason, our production sites are already ISO 14001 certified and we are continuously working on improving our energy management. We aim to take a leading role in climate protection and are committed to the target of limiting the rise in the global temperature to 1.5°C. To this end, we will increase the annual procurement of electricity from renewable sources to 100 per cent company-wide by 2030. We will also help to reduce greenhouse gases along our value chains by way of sustainable procurement, efficient logistics and production processes that are less material- and energy-intensive, in addition to a commitment to the circular economy. We will additionally offer incentives to our employees to actively involve themselves in climate protection initiatives.

VARTA Independence Charter

4. Seizing opportunities

With our CoinPower cells, we have revolutionised the market for small rechargeable lithium-ion cells. However, we will not simply be resting on our laurels now:

Our next generation product, the A5, provides even more power in the smallest possible dimension. We are also working on new, innovative technologies in order to obtain maximum performance from the smallest devices – with VARTA cells made in Germany.

VARTA Independence Charter

5. Finding and fostering future talent

At VARTA, we place particular value on sharing and further developing the battery expertise we have amassed over 140 years as we seek to develop solutions for the challenges of the future.

Our Talents program is helping the brightest minds of today become the thought leaders of tomorrow. Digitisation is becoming increasingly important, including in HR: Our employees will soon be able to complete HR-related tasks online, while the trainees at our VARTA Academy can access an innovative digital platform from wherever they happen to be to support their studies.

6. Actively shaping the energy transition

With winters practically free of snow and rivers running bone dry in some areas while others burst their banks in summer, the effects of climate change are now being felt everywhere, sometimes with devastating consequences.

Therefore, sustainable action, including in the private sphere, is the order of the day. With its energy storage systems, VARTA offers a way of reducing dependency on fossil fuels and at the same time actively contributing to the success of the energy transition. With a VARTA energy storage device that supplies green energy 24/7 and increases private consumption of green energy to as much as 80%, everyone can play their part in the energy transition.

Our product categories – at a glance

Lithium-ion button cells

The properties of VARTA CoinPower cells make this product series the perfect energy solution for True Wireless Stereo (TWS) headsets. The latest generation of this Lithium-Ion series, A5, was presented at the end of 2022 and is used, among other applications, in next-generation models for high-performance gaming headsets. CoinPower cells are also used in sports and medical wearables as well as in smart key applications. The smallest possible dimensions, outstanding mechanical stability and unparalleled energy densities have now made the miniaturisation of the latest devices possible. The premium cells are "Made in Germany" on fully automated production lines.

Energy solutions for hearing aids and medical products

As a partner to the hearing aid industry, VARTA is the only battery manufacturer in the world to offer a complete range of primary and rechargeable energy solutions. The hearing aid batteries are produced in Germany's largest and most modern manufacturing facility for hearing aid batteries on fully automatic production lines that comply with medical quality standards. For the new rechargeable solutions, a complete portfolio of small, powerful and individually adapted lithium-ion batteries is manufactured at the same location. These energy sources can be tailored to the requirements of our customers devices.

Consumer Batteries

With the Consumer Batteries segment, VARTA AG is the European market leader in the area of household batteries, with production located in Germany. In addition to batteries, the range also includes rechargeable batteries, power banks, chargers and lights. The innovative, top-quality products are developed and manufactured using cutting-edge technology and by leveraging the expertise of internationally qualified specialists. A combination of innovative capacity, breadth, quality and design make the product range unique. For VARTA, a pronounced focus on consumer lifestyles and its close working relationship with retail partners are essential in order to react quickly and flexibly to emerging device trends with the best energy solutions.

Energy Storage Systems

The energy storage solutions developed by VARTA for the home and mass storage markets range from compact, basic models such as the wall-mounted smart VARTA pulse neo to large-scale storage solutions including the VARTA flex storage for commercial applications. The existing product portfolio for private households comprising the VARTA pulse neo and VARTA element backup product series includes AC-coupled systems. With the introduction of the VARTA.wall, a DC-coupled, state-of-the-art system based on round cell technology is presented for the first time. It is extremely flat and space-saving and benefits from a small installation depth of around just 10 centimetres. The VARTA.wall 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.

Our product categories - at a glance

Micro Batteries

The Micro Batteries segment covers a range of various electrochemical systems such as rechargeable nickel-metal hydride button cells, primary silver oxide cells, primary lithium button cells and cylindrical lithium batteries, all the way through to hydrogen gas generating cells and primary VARTA alkaline INDUSTRIAL PRO batteries. These support a wide range of digital applications in many different areas. For example, they are used in innovative plasters and smart pills, in precise measuring, security and monitoring systems, as well as in smart sensor technology.

V4Drive

With V4Drive, we have brought high-performance capabilities to lithium-ion round cells. Based on our experience in lithium-ion technology, we have developed cells that are characterised by very low internal resistance. This means that the cells can be charged and discharged within a very short time – without overheating in the process. This ensures rapid use and consistent performance. In addition, their design ensures that the cells remain effective even in low-temperature environments. As such, V4Drive is predestined for use in the performance area of the premium automotive segment, either as a booster or as a traction battery. The technology is also well-suited to many other applications – essentially, wherever high torque and fast charging are required.

Lithium-ion battery packs

Fully Custom:
This series offers customers an end-to-end process for bespoke battery solutions, from a simple battery pack to a complex battery system. In this way, we are able to ensure that the individual requirements and needs for the battery solution are precisely met throughout the course of the project, right through to mass production. With "Fully Custom" batteries from VARTA Solutions, our customers have access to a complete project team consisting of project managers, battery experts and developers with years of experience in the design, certification and mass production of batteries. Our custom battery solutions are engineered by experts and manufactured in Europe and Indonesia for global use.

Ready to use:
"Ready to use" batteries offer our customers the opportunity to focus completely on the development of their products in addition to benefiting from a fully developed and certified battery solution that is already being produced in large quantities and which has been tested on the market. For example, the VARTA EasyBlade is a ready-to-use battery pack that can be used in automated guided vehicle (AGV) systems, i.e., driverless transport systems. Owing to its off-the-shelf availability and flexible increase in capacity by connecting up to 25 modules in parallel, this battery solution enables an AGV, for example, to be rapidly launched on the market with total cost transparency for our customers.

Share performance

VARTA AG share performance proved disappointing in financial year 2022. Based on Xetra closing prices, the shares lost 80.3% of their value in comparison with year-end 2021. With this, the VARTA AG share underperformed the German benchmark indices and major competitors. Share price performance can be divided into two phases: up to September 2022, the generally weak stock market environment and the interest-led valuation correction for growth stocks were the determining factors for share price performance. With the announcement on September 23 that the Company was retracting its guidance for financial year 2022, VARTA share prices began to diverge markedly from the overall market development. During the past year, Investor Relations (IR) has been working to ensure the broadest research coverage, to maintain dialogue with existing and potential investors and to provide communications support for the change processes taking place within the Company.

Gradual return to physical IR formats

Attendance at international investor conferences and roadshow events again formed a key element of IR work in 2022. In the reporting year, the Company attended eleven investor conferences and held seven roadshows. In addition to discussions with Germany-based investors, a particular focus was placed on events with English-speaking investors in London and the USA. The VARTA Executive Board participated in most of the events and levels of investor interest were high.

Unlike in the previous year, the easing of the global COVID-19 pandemic signalled a gradual return to in-person events, with the majority of meetings taking place face-to-face, in particular in the second half of the year. At the same time, VARTA took inspiration from its positive experiences with digital formats and used these in its IR work by holding some roadshows and individual appointments via web conferences. In order to effectively reach out to a broad investor base, as well as for reasons of sustainability, in future, VARTA is committed to continue using the possibilities offered by digital formats alongside in-person meetings.

Analyst coverage slightly up

Despite the challenging environment, the number of analysts publishing research reports on VARTA continued to increase in the financial year under review. At present, a total of 11 analysts (previous year: 10) are actively covering the VARTA share, with two major US banks (J.P. Morgan and Goldman Sachs) as well as well-known European and German brokers now also reporting on the Company. This results in broad analyst coverage and a diverse range of research assessments. A key goal of VARTA AG's IR activities remains working towards a correspondingly broad research coverage and maintaining the high-level investment appeal of the VARTA AG share.

Broad shareholder base

The anchor investor Montana Tech Components AG held a stake of 50.3% at year-end 2022 (2021: 55.5%), with a total of 49.7% of shares held in free float. An analysis of the shareholder structure compiled in April 2022 with the help of a service provider highlighted the very high share of private investors and private funds (24%). A total of 13% of the shares was held by institutional investors, with a regional focus in this context on the anglophone world, Germany and Switzerland. The remaining share of the stock was attributable to Trading Positions and Other.

Trading volume on the decline

The market capitalisation of the VARTA AG share dropped to around € 900 m over the course of financial year 2022 (2021: € 4.6 bn). The average number of shares traded per day stood at 247,424 in 2022 (2021: 274,778). Although the trading volume has fallen against the previous year, with an average daily volume of € 23.7 m, the investment appeal of VARTA AG remained fundamentally high for many larger investment funds, including those based outside Germany.

SDAX listing

Since its IPO in 2017, the VARTA AG share has been included in the Prime Standard listing of the German stock exchange. Shares have been listed on the SDAX since 19 December 2022. Prior to this, the shares were traded on the MDAX. VARTA was also represented on the TecDAX in 2022. The decisive factor for the change to the SDAX was the lower free float market capitalisation compared with competitors, which was weaker than for comparable companies due to differing share price development during the course of 2022.

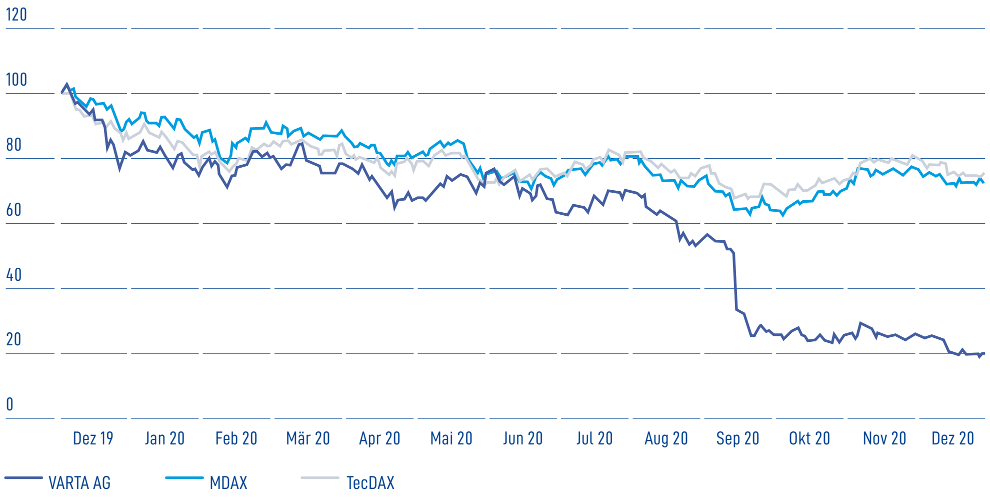
New dividend proposal

The Executive Board and Supervisory Board of VARTA AG will propose to the 2023 Annual General Meeting that no divided payments should be distributed for financial year 2022. This measure is intended to continue further strengthening VARTA AG's equity base and financial position by retaining profits, in addition to improving the Company's ability to take advantage of future growth opportunities.

Annual General Meeting 2022 approves all agenda items by large majority

The Annual General Meeting 2022 again took place in virtual format. All the items on the agenda were broadly supported with a majority of at least 75%. Resolutions on new authorised and conditional capital were approved by very large majorities in excess of 99%. Attendance stood at 60.4%, which was marginally down on than the previous year's attendance of just under 65%.

VARTA AG versus benchmark indices




The Symbol of
Independence.

Contents

Consolidated management report for financial year 2022

VARTA Aktiengesellschaft, Ellwangen (Jagst)

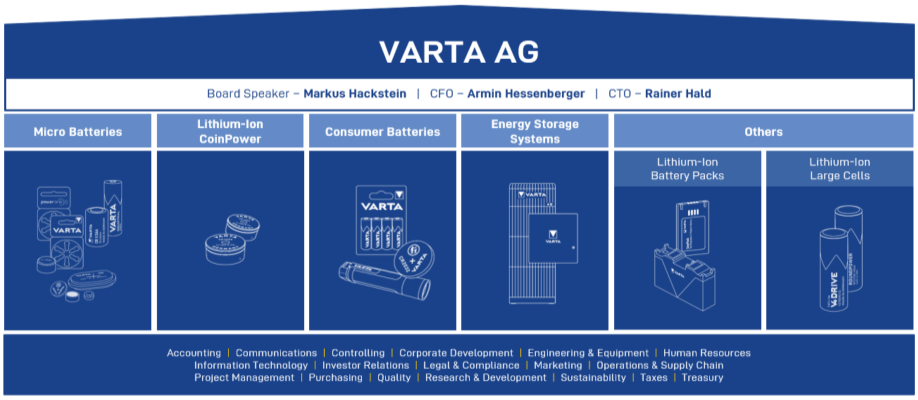
The present report combines the management report of both VARTA Aktiengesellschaft (VARTA AG) and the VARTA AG Group.

1. Group structure

1.1. Business Model

VARTA Aktiengesellschaft, Ellwangen (Jagst), Germany (VARTA AG), is the parent company of the corporate group. Since October 2017, VARTA AG has been listed on the Frankfurt Stock Exchange in the Prime Standard segment. On 19 December 2022, the VARTA AG share was delisted from the MDAX and has since been listed on the SDAX. Up to 20 March 2023, the Company was also listed on the TecDAX. The following description provides a (simplified) overview of the Group as at the balance sheet date.

VARTA AG is a company headquartered in Ellwangen (Jagst). 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".

In particular, this differs from the previous breakdown, which featured two reportable segments, namely "Lithium-Ion Solutions & Microbatteries" and "Household Batteries", in that the four former business areas of "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries" and "Energy Storage Systems" have been elevated to the status of segment. The segment "Other" in the new structure comprises the business areas "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (previously V4Drive/RoundPower).

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

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 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.

At the end of 2022, the Group has 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.

The Group strives to always offer the best quality on the market by making continuous improvements to both products and processes, as well as through the reliability and performance of its battery solutions. There is a focus on battery systems with high energy densities for primary batteries and rechargeable batteries on the basis of lithium-ion technology. Regarding semi-customised or fully customised battery solutions, VARTA offers its customers comprehensive advice and strategic planning in terms of the right choice of components and optimal end product design to ensure the most efficient energy supply for any given application.

The sales markets for battery and energy storage solutions are benefiting from structural growth trends. At the same time, a certain degree of market stability is ensured by way of long product life cycles and what can be described as rather inelastic cyclical demand, especially in the area of consumer batteries.

The following organigramme depicts the Group structure including subsidiaries operating in different countries.

Segments and organisational structure

Segment structure 2022	**Segment structure 2021**
Micro Batteries	Lithium-Ion Solutions & Microbatteries
Lithium-Ion CoinPower	Household Batteries
Consumer Batteries	
Energy Storage Systems	
Other	

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 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 this year, 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 10,000 round cells per week, which are already being used in the pre-series 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. For further information on specific Group objectives, please refer to chapter 9. "Outlook" of this consolidated management report.

Demographic Change

Both increasing life expectancy and increased customer acceptance due to advances made in hearing aid technology are leading to rising demand for hearing aid batteries. VARTA serves this market with zinc-air and rechargeable lithium-ion batteries.

Technological progress

The unabated trend towards wireless devices across all areas is increasing the demand for reliable, predominantly rechargeable energy solutions of the highest quality. At the same time, there is a trend towards smaller devices with increased functionality, leading to demand for high energy density batteries.

Connectivity

The advances made in connectivity and convergence due to the Internet of Things, further developments in telecommunications and the wider prevalence of smart solutions are driving demand for batteries in a wide range of industries such as IT, telecommunications and the healthcare sector. The increasing importance of renewable energies, the pursuit of greater energy efficiency and greater independence from fossil fuels as well as the EU climate goals are leading to sustained growth in the demand for energy storage systems.

Energy independence

The attack on Ukraine and the resultant energy crisis in Europe have underlined how vital energy independence from a single supplier is. This has increased the desire of many private households to be energy self-sufficient, which is reflected in high-level demand for energy storage solutions for all types of self-produced energy.

E-Mobility
The technological transition from the conventional combustion engine to purely electric cars (BEVs) is in full swing across the automotive industry. Around the world, there is huge demand for the large-format cells that form the backbone of this innovative, battery-operated drive concept. Moreover, complementary and transitional technologies for cars with booster cells or batteries for plug-in hybrid vehicles are required in order to help shape the transformation process.

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

Strengthening and expanding the global market position in core products
In fundamental terms, the Group focuses on business areas in which it strives to attain long-term market-leading positions.

For the Micro Batteries segment, which serves the healthcare market with zinc-air and rechargeable lithium-ion batteries in particular, the Company is striving to consolidate and expand its market position over the medium-term on the back of further innovations.

Similarly to Micro Batteries, with the Lithium-Ion CoinPower product, the Group has developed a leading position for True Wireless Stereo Headsets (TWS) in particular. The focus of the Lithium-Ion CoinPower segment in the medium term is on increasing offtake by existing customers, broadening the customer base and growth through future capacity utilization projects.

In the Consumer Batteries segment, the Company is pursuing a long-term growth strategy for consumer batteries focused on the VARTA brand. In this context, the aim is to further expand the Company's strong position in existing markets. Trends towards increased environmental awareness, the transformation in the direction of forms of sustainable and circular economies, as well as the rising demand for energy self-sufficiency are boosting our growth ambitions in connection with intermediate energy storage solutions in the Energy Storage Systems segment.

In the Lithium-Ion Battery Packs business area, which comes under the segment "Other", the focus is on major customers that operate on a global basis. The European market share is to be strengthened over the medium term in particular. The Lithium-Ion Large Cells division is still in the process of being properly established. In addition to the existing small series production line, the Company plans to continue expanding the business for large-format round cells for the automotive and non-automotive market over the long term. These plans also envisage the construction of new production facilities in cooperation with external strategic partners, although alternative financing options are also under discussion.

Maintaining innovation dynamic and technology leadership; adjustment of production capacities
In the two segments "Micro Batteries" and "Lithium-Ion CoinPower", the Group is working on new innovative products which are manufactured on fully automated high-speed production lines at locations in Germany. Within this segment, VARTA covers the entire value-added chain, from materials research to the finished product, including customer-friendly packaging concepts. On account of the reduced level of demand for rechargeable Lithium-Ion CoinPower batteries for the Entertainment area (TWS), the Group adjusted its production capacities in the past financial year due to lower utilisation rates. Short-time working arrangements were introduced at the production facility in Nördlingen on 01 December 2022. In addition, temporary employment contracts that are set to expire and that relate to the production facility have not been extended further. The Group has

secured a competitive edge on the back of a combination of a strong market position, internal research and development activities and long-term customer relationships, allowing the Group to benefit from sustained growth trends that remain dynamic in nature in the markets for microbatteries in the healthcare, entertainment and industrial sectors. The Group aims to supply its customers with the highest quality batteries and battery solutions. It will continue to work towards developing new, innovative and high-performance button cell technologies and customised smart battery solutions.

Focus on cutting costs and organic growth

At the end of the year 2022, the Company unveiled a comprehensive package of consistent cost-cutting measures that seek to address the weak demand situation for Lithium-Ion CoinPower cells. The measures aim to improve profitability and optimise the Company's cash flow situation. They include temporary short-time working arrangements and allowing temporary employment contracts for the Lithium-Ion CoinPower segment in Nördlingen to expire, a reduction in fixed costs for the sales and administration divisions, as well as the optimisation and renegotiation of costs in connection with the procurement of raw materials, energy and components. In addition, the Company will seek to strengthen its profitability by way of further planned personnel measures. There is also a particular emphasis on measures to reduce working capital, with the focus here on reducing the inventory of raw, auxiliary and operating materials, particularly of finished goods. The investment programme will be limited to absolutely essential measures and growth initiatives with high cash flow and very short amortisation periods. Furthermore, growth initiatives in the field of rechargeable lithium-ion batteries (CoinPower) are set to be strengthened as well. The Group continues to see growth opportunities in connection with intensive R&D activities for existing products as well as for promising and innovative technologies.

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 has changed its internal control and management mechanisms in comparison with the prior year. As in the previous year, 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 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.

Financial and non-financial indicators

Revenue is one of the most important key indicators used to track the growth of the VARTA AG Group. As part of the budgeting process, total revenue is broken down by individual segment and monitored on an ongoing basis.

Adjusted EBITDA (operating earnings before interest, taxes, depreciation and amortisation adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is a suitable control variable for the Executive Board to assess the operating earnings capacity of the Group and/or the two segments.

As was the case in the prior financial year, the Executive Board defined as special effects costs related to an IPO or capital increase, impacts on the profit and loss account resulting from the reimbursement claim from an assumption of debt in connection with pension obligations, effects from the share-based remuneration, disposal effects from sale and lease-back transactions, potential restructuring costs and expenses in connection with M&A transactions. In accordance with this definition, the earnings effect from share-based remuneration and from expenses incurred in connection with M&A deals were adjusted in financial year 2022.

These previously mentioned financial indicators represent the key steering variables for VARTA AG.

KPI	KPI
Central steering variables: Group	**Central steering variables: Holding**
Sales revenue	Profit for the year
Adjusted EBITDA	

In addition, other financial and non-financial performance indicators are taken into consideration for decision-making processes and corporate management activities. In terms of additional financial performance indicators, CAPEX (Investments in tangible and intangible assets and property, plant and equipment excluding M&A transactions) and net working capital (inventories plus trade receivables and contract assets less trade payables, current advance payments, contract liabilities and customer bonus accruals) are to be highlighted in particular. Another important non-financial key performance indicator is the number of employees.

1.4. Separate non-financial Group report

The separate non-financial Group report in accordance with Section § 315b of the German Commercial Code (HGB) is published on the website (https://www.varta-ag.com/en/investoren/publications) at the latest four months after the reporting date for the consolidated financial statements.

1.5. Management and Control

As at 31 December 2022, the Executive Board of VARTA comprised the following members:

Dr Markus Hackstein (spokesperson), Armin Hessenberger (Chief Financial Officer/CFO), Rainer Hald (Chief Technology Officer/CTO) and Herbert Schein. The Executive Board members share joint responsibility for the management of the Company. With effect from 31 December 2022, Herbert Schein resigned from his position on the Executive Board.

The Supervisory Board was composed of the following members as at 31 December 2022:

Prof. DDr Michael Tojner (Chairman), Dr Harald Sommerer (Vice Chairman), Sven Quandt, Martin Ohneberg, and Dr Michael Pistauer. With effect from 31 October 2022, Prof. Dr Werner Tillmetz resigned from the Supervisory Board.

1.6. Corporate Management Declaration

The corporate management declaration in accordance with Section 315d in connection with Section 289f of the German Commercial Code (HGB), which also contains the declaration of conformity in accordance with the German Corporate Governance Code (DCGK) pursuant to Section 161 of the German Stock Corporation Act (AktG), is published on the VARTA AG website (www.varta-ag.com/de/investoren/corporate-governance).

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, continuing to benefit from the trend towards portable and wireless devices that rely on batteries in the VARTA product portfolio in the process. 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 macroeconomic environment in financial year 2022 deteriorated versus the prior year, which has adversely impacted several of VARTA's target markets. The various economic strains caused by rising raw material and energy prices, the ramifications of the war in Ukraine, the direct effects of the ongoing global pandemic, the lack of available components (primarily semiconductors), the temporary shutdown of production facilities, especially in Asia, and significantly increased transport costs either directly or indirectly impaired VARTA's business activities via the Company's customers. In addition, there are strong fluctuations in the TWS end customer business, which consequently also affects sales of lithium-ion batteries.

In the year under review, the two segments "Consumer Batteries" and "Energy Storage Systems" developed in positive fashion to a varying extent. Similar to previous years, the Consumer Batteries segment proved to be extremely resilient as far as sales are concerned. The demand for alkaline batteries, rechargeable batteries, chargers, lights and portable storage systems (power banks) was hardly affected by external factors such as the war in Ukraine and resultant supply bottlenecks. Net sales grew by around 5%, with sales figures remaining practically constant. In the Energy Storage Systems segment, net sales actually increased by a factor of more than 2. External factors continued to drive the steady growth recorded over recent years and also contributed to the very positive business development in this segment. The impacts of the Ukraine war have boosted demand for self-sufficient energy solutions both in the area of commercial and private customers. Significant growth was seen in sales of PV systems and energy storage systems, as these facilitate a higher degree of independence from external energy suppliers. Demand for energy storage solutions also benefited from the fact that the energy transition has been defined even more clearly as a political priority. In this context, state subsidies and incentives have also ensured strong growth in the market for PV systems and energy storage solutions. Steadily falling feed-in tariffs on the German power grid, which expire in some cases totally, are providing additional impetus to the sales of energy storage systems in the domestic market of Germany. In the "Energy Storage Systems" segment, the earnings situation remained more or less the same as the previous year. However, on account of a sharp rise in expenses for raw materials and higher energy prices, there was a deterioration here for the "Consumer Batteries" segment.

Conversely, the "Micro Batteries" segment suffered at the hands of external factors including the Ukraine war, supply chain issues, the shortage of materials and components, as well as highly diminished consumer sentiment in general. In this context, sales revenue fell by just over -15% in comparison with the prior year. The "Lithium-Ion CoinPower" segment was negatively affected by delays to highly profitable customer projects. Furthermore, the noticeable clouding in consumer demand, especially in the area of high-end consumer electronics and home appliances, adversely impacted VARTA's business (The Conference Board, 2023). In addition, supply chain problems at several commercial customers meant that VARTA products were ordered to a lesser extent. Lockdowns and temporary closures to production facilities made product availability an even greater challenge across many industries. Revenue in the Lithium-Ion CoinPower segment fell by around -47% versus the previous year. Significantly increased transport costs also impacted earnings for this international segment. In comparison with the previous year, earnings deteriorated significantly in the two segments "Micro Batteries" and "Lithium-Ion CoinPower".

In geographical terms, revenue distribution is diversified. Most of our products are sold in Europe, followed by Asia and North America (more in chapter 3. Development of Financial Position and 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

The macroeconomic landscape deteriorated in comparison with the prior year due to weaker economic growth and rampant inflation, as outlined in chapter (2.3. Business development). Although VARTA did not suffer any COVID-19-related production interruptions in financial year 2022, the consequences of the pandemic and the effects of the war in Ukraine have had a significant impact on production activities across the five reportable segments, with a particular emphasis in this regard on the Lithium-Ion CoinPower segment. Moreover, the resultant supply chain problems, especially in the areas of semiconductors and power electronics, have led to delays in launching projects and partial production shutdowns at VARTA customers. In addition, rampant inflation rates in 2022 led to a degree of restraint on the part of consumers and a significant deterioration in the market environment of our customers. Reduced consumer spending on the part of private households, also in the area of consumer electronics and household appliances, led to a marked drop in sales at our customers. This situation is likewise reflected in VARTA's sales of products in the aforementioned markets. Although VARTA was certainly hit hard by external factors, the energy crisis and the rising energy prices in part positively impacted sales in the Energy Storage Systems segment.

Demographic developments are key to growth trends for microbatteries used in hearing aids, while it is trends in the area of consumer electronics that exert the greatest influence on sales of batteries for True Wireless Stereo (TWS) headsets and the trend in favour of wireless products in numerous markets that most impacts sales of products in the Lithium-Ion Battery Packs business. The Consumer Batteries business is benefiting from structural growth across a broad product portfolio that includes batteries, rechargeable batteries, chargers, portable power solutions and lights. In the Energy Storage Systems segment, the newly installed capacity of PV systems each year is particularly key.

Our largest customers in the "Lithium-Ion CoinPower" segment manufacture their products (TWS) in Asia, where individual factories have had their production processes temporarily restricted by temporary lockdowns due to COVID-19 in the first half of 2022 in particular. This also led to sporadic delays in launching some new customer projects. In the TWS market, major customers have changed their battery purchase mix, which has led to a sharp reduction in assembled cells and a rise in deliveries of bare cells. The market environment was also shaped to a significant degree by the sharp rises in the price of energy and raw materials, which hit VARTA particularly hard in the material-intensive "Consumer Batteries" and "Energy Storage Systems" segments. This was due to the fact that the price rises were not sufficiently offset by efficiency gains and increased costs could only be partially passed on to customers for the time being.

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. In 2022, around 771 million people belonged to this age group, which is three times as many as in 1980. Moreover, this group is expected to comprise just under one billion people by 2030, before rising to more than 1.6 billion people by 2050. As such, this share of the global population would increase from the current level of 9.7% to 11.7% in 2030 and 16.4% in 2050. At the same time, life expectancy is continually rising. In 2019, this stood at 72.8 years on a global basis, and is expected to rise to 77.2 years by 2050 (United Nations: World Population Prospects 2022). The human requirement for hearing aids is therefore also set to increase. An uptick in demand for OTC hearing aids will also have a positive impact. These affordable hearing amplifiers offer fewer adjustment options than medical devices, although these can be adapted by users themselves, e.g. via an app. Following their launch on the market at the end of 2020, a global market share of more than 30% is expected for these products by 2030 (IDTechEx, 2021). The proliferation of OTC devices is expected to lead to significantly lower price points for entry-level models. This may positively impact demand both for hearing aids for advanced hearing loss as well as devices to help less severe hearing impairments at an earlier stage. While around 220 million people are affected by moderate or severe hearing loss, around one billion people worldwide suffer from a mild hearing impairment. OTC hearing aids could therefore occupy an interesting market position between professional hearing aids (medical devices) and personal sound amplification products (PSAPs; these are non-medical devices). The increased use of rechargeable coin-shaped batteries will provide additional growth impetus here. Overall, market growth of just under 22% is anticipated for traditional hearing aids and OTC devices between 2022 and 2030 (2022: $ 8.7 bn; 2030: $ 10.6 bn; IDTechEx, 2021).

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. All of these technical features are made possible in the smallest possible dimensions owing to the high energy density of Lithium-Ion CoinPower cells. According to a study by Persistence Market Research (2023), the USD market grew by around 34.6% each year in the period between 2018 and 2022. As such, the global market for TWS headsets is estimated to be worth roughly $ 42 bn in 2022. With a CAGR (compound annual growth rate) of 24.9% from 2023 to 2033, the TWS market is expected to grow to over $ 500 bn in 2033. Current estimates indicate that the US market will account for around a third of sales, which should also grow at a disproportionately fast rate. According to experts, other key markets by 2033 will also include the UK ($ 26.4 bn), South Korea ($ 31.3 bn) and China ($ 45.2 bn) (Persistence Market Research, 2023).

The Consumer Batteries segment covers a range of battery products including alkaline batteries, rechargeable batteries, chargers, lights and portable storage options (power banks). In terms of the global demand for household batteries, annual growth of 3.5% for the period between 2020 and 2027 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). The European market for branded batteries, which is crucial for VARTA, has also experienced growth. According to the most recent figures published by the European Portable Battery Association (EPBA), growth in this segment came in at 3.7% for 2021.

The Energy Storage Systems segment, which is highly successful as measured by revenue growth, develops energy storage solutions primarily intended for private applications, although some commercial solutions are offered as well. In recent years, the market has experienced very strong growth in demand. The installation of domestic storage devices (R-BESS = Residential Battery Storage Systems) has increased substantially in Europe in particular. According to Solar Power Europe (2022), more than 100,000 energy storage systems were installed in Europe for the first time in 2020, which, as per the study, equates to a storage capacity in excess of 1 GWh in installed output. In 2021, newly installed storage units grew by more than 100% to around 260,000 systems, which corresponds to 2.3 GWh of storage capacity (Solar Power Europe, 2022). According to Solar Power Europe (2022), new installations in Europe amounted to 3.9 GWh in Europe as per the median scenario (lower range: 3.0 GWh, upper range: 5.2 GWh), which reflects growth of roughly 70% for 2022. The installed capacity of energy storage systems in Europe is expected to continue growing, with an annual installed capacity of 4.5 GWh in 2023 (+16%), 5.1 GWh in 2024 (+11%), 6.0 GWh in 2025 (+19%) and 7.3 GWh in 2026 (+22%). As such, the overall installed capacity in Europe is expected to increase from 5.4 GWh in 2021 to 32.2 GWh in 2026 (Solar Power Europe, 2022). With a share of more than 59% of total sales in Europe, VARTA's domestic market of Germany remains by far the most important market in 2021. Against the backdrop of the accelerated energy transition towards renewable energy sources, Germany looks set to consolidate its position as the leading European market in this regard. In addition, the German market is characterised by a very high degree of solar power systems coupled with installed R-BESS (around 70% in 2021), which means that the market for energy storage will benefit to a similar extent (Solar Power Europe, 2022). Furthermore, feed-in tariffs into the power grid are being steadily reduced and existing feed-in contracts are set to expire. This is providing a further boost to the market for retrofitted energy storage installations (Energieversum, 2022). The war in Ukraine and resultant increases in energy prices, as well as the desire of many people for energy independence, has contributed to exceptionally high demand for energy storage solutions. In many cases, this demand has even exceeded supply. In particular, the shortage of battery modules and inverters for energy storage as well as limited production capacities are leading, in many cases, to months of delays in delivery and installation (Solar Power Europe, 2022). However, VARTA itself was only affected by this to a minor extent. With the further expansion of its capacities, VARTA is well-positioned to benefit from the structural growth in demand for PV systems and the 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. Here, VARTA serves customers by developing both customised products and standard solutions (off-the-shelf products). A significant driving force within the market is the trend towards wireless devices that offer a higher degree of application flexibility. According to Transparency Market Research (2021), it is also expected that the market for lithium-ion-based battery packs will benefit from the increasing shift towards electromobility over the next few years in particular. Alongside Asia and North America, it is also anticipated that Europe will play a significant role in the production of the battery packs. Away from electromobility, demand for battery-powered electronic devices, especially in the area of wireless home and garden appliances, is enjoying steady growth. However, this growth trend was overshadowed somewhat by consumer restraint due to economic developments in 2022. With a CAGR of around 11%, the lithium-ion battery pack market is projected to grow to in excess of $ 120 billion by 2031, with a significant portion of this growth attributable to the mobility sector (Transparency Market Research, 2021).

The Lithium-Ion Large Cells business, likewise structured under the "Other" segment, designs lithium-ion round cells for automotive and non-automotive product solutions. Developments here are being supported by the pronounced growth trend towards electrification. According to a study carried out by Avicenne, Frauenhofer, 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. In addition to conventional Battery Electric Vehicles (BEV) and commercial vehicles, the highest growth rates are expected to be recorded for Mild Hybrid Electric Vehicles (MEHV), Fully Hybrid Electric Vehicles (FHEV) and Plug-In Electric Vehicles (PHEV). 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. Batemo GmbH, the independent test centre and global technology leader for simulation software for lithium-ion batteries, confirmed this competitive edge as part of a comparison study involving more than 50 competitors. At present, the volumetric power density of over 7,500 W/l is a clear USP on the market (Batemo, 2023). The battery technology is being deployed on a commercial basis for the first time as part of a first contract with a German premium car manufacturer. 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.

2.3. Business development

General comments from the Executive Board regarding the economic situation
Financial year 2022 was a challenging period for the VARTA AG Group. The Company's business development in financial year 2022 was hampered by various economic strains, including rising raw material and energy prices as a result of the war in Ukraine, production interruptions and declining demand from customers linked to the COVID-19 pandemic, limited availability of components and sharp rises in transportation costs.

In the year under review, development at segment level was varied: on balance, business development in the "Micro Batteries" and "Lithium-Ion CoinPower" segments was disappointing. In addition to the reasons outlined above, the decline in global consumer demand for battery-powered consumer products also impaired the high-margin Lithium-Ion CoinPower segment. In the other business segments, a more differentiated picture emerges: the sales growth seen in the Consumer Batteries segment over the past few years was maintained. Revenue in the Energy Storage Systems segment actually more than doubled versus the previous year. However, the earnings development does not reflect this. In both segments, the substantial increases in the costs of energy and raw materials were initially unable to be fully passed on to customers or counteracted by other efficiency gains. In the "Other" segment, increased energy and raw material costs, in tandem with decreased sales demand due to a deterioration in sentiment on the part of end consumers, adversely affected revenue and adjusted EBITDA.

At Group level, Group revenue of € 806.9 m was recorded in the 2022 financial year, which corresponds to a decline of 10.6% compared with the previous year (€ 902.9 m).

The operating consolidated result declined disproportionately sharply in comparison with revenue. Adjusted EBITDA fell by € 213.4 m to stand at € 69.5 m, which corresponds to a decline of 75.4%. While the "Lithium-Ion CoinPower" and "Micro Batteries" segments experienced a significant drop in earnings due to considerable reluctance on the part of end consumers, delays in major customer projects and supply bottlenecks, the sharp decline in adjusted EBITDA recorded in the resource-intensive "Consumer Batteries" and "Energy Storage Systems" segments was attributable to the significant increase in the costs of raw materials and energy. After the end of the reporting year, VARTA AG developed a redevelopment concept with the aim of ensuring that the Company can return to the growth path. In this context, VARTA has reached an agreement End of March 2023 with the syndicate banks and majority shareholder Montana Tech Components AG within the framework of a term sheet to implement the redevelopment concept by extending the financing until 31 December 2026 and adjusting the loan conditions. On 17 April 2023, all syndicate banks had lifted their committee reservations and agreed to extend the financing until 31 December 2026. The documentation of the restructuring agreement and the amendment of the syndicated loan agreement are still outstanding. Further information on the restructuring agreement can be found in section "8. opportunity and risk report" of the consolidated management report and section "47. events after the reporting date" of the notes to the consolidated financial statements.

As a first measure of the concept, VGG Beteiligungen SE, a 100% subsidiary of Montana Tech Components AG, subscribed 2,220,000 new shares on 21 March 2023 in the context of a capital increase under exclusion of the subscription right. VARTA AG generated gross proceeds of € 50,727,000 from the capital increase. In operational terms, the redevelopment concept provides for the adjustment of manufacturing and administrative costs as well as targeted investments in growth areas such as the energy transition and e-mobility.

Comparison of business development with prior year guidance

The consolidated financial statements from last year contained guidance for financial year 2022 on the basis of the key performance indicators listed below. Due to a range of various factors, actual business development deviated from the published guidance.

KPI	GUIDANCE FOR 2022	FINANCIAL YEAR 2022
Financial indicators: Group		
Revenue	High single-digit percentage revenue growth	Around 10 % revenue reduction
Adjusted EBITDA	Above average margin increase up to 30 %	Significant margin reduction to 8.7 %
CAPEX	Increase in the range of € 150 m to € 200 m	Reduction to 111.6 Mio. €
Financial indicators based on old segmentation: Segment Lithium-Ion Solutions & Microbatteries		
Revenue	Further revenue growth	High double-digit percentage revenue decline
Adjusted EBITDA	Huge increase and above-average development in relation to revenue	Disproportionately high negative development in relation to revenue
Financial indicators based on old segmentation: Segment Household Batteries		
Revenue	Mid-single-digit percentage increase	Significant double-digit percent increase
Adjusted EBITDA	Low double digit margin	Mid-single-digit margin

3. Development of Financial Position and Financial Performance

3.1. Financial Performance

Consolidated income statement for the period 1 January 2022 to 31 December 2022 VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Sales revenue	**806,916**	**902,931**
Increase in finished and unfinished goods	41,877	11,311
Own work capitalized	29,178	19,547
Other operating income	60,414	61,802
Cost of materials	-433,177	-333,154
Personnel expenses	-265,600	-247,805
Other operating expenses	-172,622	-132,453
EBITDA	**66,986**	**282,179**
Depreciation	-254,994	-95,669
Operating income (EBIT)	**-188,008**	**186,510**
Interest income	2,450	1,545
Interest expenses	-13,762	-6,490
Other financial income	5,472	358
Other financial expenses	-4,330	-4,834
Financial result	**-10,170**	**-9,421**
Earnings before taxes	**-198,178**	**177,089**
Income taxes	-2,242	-51,133
Group result	**-200,420**	**125,956**
Appropriation of loss (PY profit):		
Shareholders of VARTA AG	-200,420	125,956

Revenue
VARTA AG Group revenue fell by € 96.0 m from € 902.9 m to € 806.9 m in the 2022 financial year.

Revenue in the Micro Batteries segment fell by € 30.8 m from € 194.7 m to €163.9 million. The economic slowdown has led to a decline in demand that has impacted business with rechargeable hearing aid batteries in particular, as well as zinc-air batteries to a lesser extent.

Revenue in the Li-Ion CoinPower segment was down by € 121.1 m, falling from € 257.6 m to € 136.6 m in the process. The challenging economic situation at present and the slowdown in global consumer demand for various battery-powered lifestyle products, especially for True Wireless Stereo (TWS) headsets, impaired the business development of the Lithium-Ion CoinPower segment. Alongside delays to new customer projects, this led to the significant decline in sales.

In the Consumer Batteries segment, revenue increased from € 345.7 m to € 365.9 m, which reflects a rise of € 20.2 m. The continuing high demand for household batteries contributed to this very positive development.

Revenue in the Energy Storage Systems segment rose from € 42.9 million to € 90.9 million, an increase of € 48.0 million. This pleasing development is due to the high demand for home storage solutions.

The chart below shows the regional breakdown of the Group's sales revenue. The markets in Europe and Asia are the most important sales regions for VARTA. Sales in the European market developed positively due to the good business development of the Consumer Batteries and Energy Storage Systems segments. However, given the disappointing business development with rechargeable batteries in the TWS business as well as battery packs in premium household appliances, sales in the Asia region are significantly below the previous year. The decline in the Americas is attributable to the Micro Batteries, Lithium-Ion CoinPower and Lithium-Ion Battery Packs segments. Further information on the geographical breakdown of the segments can be found in the notes to the consolidated accounts in the chapter 6. Segment reporting.

(€ k)	2022 REVENUE	2021 REVENUE	CHANGE (%)
Europe	571,359	523,189	9.2 %
Thereof in Germany	247,351	210,853	
Asia	190,432	318,889	-40.3 %
Thereof China	86,917	196,720	-55.8 %
North America	34,711	49,196	-29.4 %
Other	10,414	11,657	-10.7 %
Group Total	**806,916**	**902,931**	**-10.6 %**

Expenses, other operating income and own work capitalized
In the financial year, the cost of materials amounted to € 433.2 m compared to € 333.2 m in the previous year, which equates to an increase of 30.0%. The cost of materials ratio correspondingly rose to 51.0% (2021: 36.4%). The disproportionate increase compared with sales revenue is primarily accounted for by cost increases in the prices of raw materials, which are related to the war in Ukraine and changes in the product mix.

Personnel expenses increased by 7.2% from € 247.8 m to € 265.6 m due to the increase in the average number of employees in the first two quarters of the reporting period. Personnel expenses include expenses in connection with share-based remuneration in the amount of € 0.02 m (2021: € 0.6 m).

Other operating expenses rose by a total of 30.3% from € 132.5 m to € 172.6 m. This is mainly due to the increase in energy costs, which were up by € 12.5 m. Expenses for raw materials hedging increased by € 8.9 m, while legal and consulting expenses in connection with patent litigation, preparations for the restructuring plan and other miscellaneous consulting services recorded an increase of € 7.5 m. As a result of increasing digitisation and the associated data security costs, IT expenses increased by € 3.4 m. The change in other operating expenses is mainly due to compensation payments, which increased by € 2.7 m.

The increase of € 30.6 m in the change in inventories from € 11.3 m to € 41.9 m in finished goods is mainly the result of higher production and material costs due to energy price rises and the weaker fourth quarter. In addition, inventories were increased in order to safeguard the Company's ability to complete deliveries to customers.

Other operating income fell by € 1.4 m, down from € 61.8 m in the previous year to € 60.4 m in 2022. Income from subsidies and public grants amounted to € 43.1 m in the 2022 financial year, representing a reduction of € 2.4 m compared with the previous year. The decrease is primarily attributable to the Important Project of Common European Interest (IPCEI) on Batteries. Moreover, the € 3.8 m compensation received from patent litigation had a positive effect, while the one-time charge of € 1.9 m to a related company from the previous year had the opposite effect. Own work capitalised increased by € 9.6 m from

€ 19.5 m to € 29.2 m. This essentially relates to capitalised development costs in the amount of € 27.2 m (2021: € 17.6 m). The increase is mainly due to the IPCEI project.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) fell from € 282.2 m to € 67.0 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, as well as to the changes in the product mix, which proved unfavourable for the development of earnings.

Adjusted EBITDA

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation, adjusted for extraordinary effects) is 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 in the amount of € 0.02 m (2021: € 0.6 m) and the expenses from M&A transactions in the amount of € 2.5 m (2021: € 0.1 m) were adjusted as special effects. The table below shows the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
EBITDA	66,986	282,179
Expenses from share-based remuneration	17	571
Expenses for M&A transactions	2,500	106
adjusted EBITDA	**69,503**	**282,856**

Adjusted EBITDA fell from € 282.9 m to € 69.5 m in the 2022 financial year. This corresponds to a decrease of € 213.4 m. The margin in relation to sales revenue also declined very sharply by 22.6 percentage points from 31.3% to 8.7%.

Depreciation and amortisation

In comparison with the previous year, depreciation and amortisation rose from € 95.7 m to € 255.0 m. This increase was essentially due to asset impairment within the framework of the impairment test amounting to € 145.7 m. Of this figure, a total of € 114.5 m relates to the CGU Li Ion Cells and € 31.2 m to the CGU Li Ion Large Cells. Further details on impairment can be found in the notes to the consolidated financial statements under chapter 8. "Intangible assets".

Operating result (EBIT)

The operating result declined from € 186.5 m to € -188.0 m year on year. The main effect results from the operating business as well as the negative influencing factors outlined previously. The increased level of amortisation and depreciation had a disproportionately significant impact in comparison with the previous year. The key factor in the increased amortisation and depreciation totalling € 159.3 m was the impairment losses resulting from asset impairment. In addition, last year's high investments in property, plant and equipment for the expansion of production capacities led to this increase.

Financial result

The financial result deteriorated slightly in the financial year under review from € -9.4 m in 2021 to € -10.2 m in 2022. This is due to the increase in interest expenses, particularly on account of the newly raised promissory note loanand, and exchange rate fluctuations, especially of the US dollar.

Taxes

Tax expenses fell from € 51.1 m in 2021 to € 2.2 m in 2022 due to the negative pre-tax result. This produced an effective tax ratio of -1.1% (2021: 29.0%) in relation to the pre-tax profit. For further details on taxes, please refer to the relevant section of the notes to the consolidated accounts under chapter 38. Income tax expenses.

Consolidated result

The consolidated result declined significantly by € -326.4 m compared with the previous year's level and amounts to € -200.4 m (2021: € 126.0 m).

1.2 Financial position

Consolidated balance sheet as at 31 December 2022

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS		
Non-current assets	749,220	816,541
Current assets	509,234	443,861
Total assets	**1,258,454**	**1,260,402**

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
EQUITY AND LIABILITIES		
Equity	239,465	532,496
Total liabilities	1,018,989	727,906
Non-current liabilities	196,035	300,146
Current liabilities	822,954	427,760
Total equity and liabilities	**1,258,454**	**1,260,402**

Non-current assets

Non-current assets decreased by € -67.3 m, falling from € 816.5 m in 2021 to € 749.2 m in the process. This decrease is mainly attributable to the decline in property, plant and equipment, which was down from € 711.3 m to € 591.9 m as at 31 December 2022 due to impairments on property, plant and equipment amounting to € 142.1 m. By contrast, intangible assets increased from € 81.5 m to € 99.6 m. This is attributable in the main to the capitalisation of development costs. Other assets also increased due to the addition of the reimbursement claim from the debt assumption agreement between VARTA Consumer Batteries GmbH & Co. KGaA and VC Pensionen GmbH, Ellwangen, Germany, in the amount of € 28.7 m. For further details on this, please refer to chapter 21.2 „Pensions". Conversely, the reimbursement claims for the two debt contributions made so far decreased by € 8.7 m due to the development of interest on pension obligations. Deferred tax assets rose by € 13.7 m to € 19.7 m, primarily as a result of the capitalisation of deferred taxes on tax loss carryforwards.

Current assets

Compared with 31 December 2021, current assets increased by € 65.4 m from € 443.9 m to € 509.2 m as at 31 December 2022. The increase results from the build-up of inventories to the tune of € 66.2 m, the increase of € 6.9 m in other assets due to the change in receivables for development projects and the rise of € 13.5 m for tax refund claims. In addition, cash and cash equivalents rose by € 35.6 m. This is mainly due to the new promissory note loan and the utilisation of the syndicated loan. Trade receivables declined by € 52.5 m, a reduction mainly due to the significantly weaker fourth quarter compared with the same period of the previous year.

Equity/equity ratio

Equity declined from € 532.5 m as at 31 December 2021 to € 239.5 m as at 31 December 2022. The equity ratio was 19.0% as at the reporting date (31 December 2021: 42.6%). The decrease in equity is primarily accounted for by the negative consolidated result of € 200.4 m and dividend payments totalling € 100.2 m. Furthermore, the raising of funds through long-term promissory note loans in the amount of € 250.0 m and the remaining full drawdown of the syndicated loan credit line of € 70.0 m also reduced the equity ratio.

Non-current liabilities

In the reporting year, non-current liabilities decreased by € 104.1 m from € 300.1 m as at 31 December 2021 to € 196.0 m. The change is largely the result of the reclassification of non-current financial liabilities. Due to non-compliance with existing covenant conditions in the 2023 financial year, non-current liabilities to banks in the amount of € 100.0 million were classified in full as current as at 31 December 2022.

Current liabilities

A huge increase from € 427.8 m to € 823.0 m was recorded under current liabilities as at 31 December 2022. This increase is primarily attributable to the reclassification of the entire non-current liabilities to banks due to the risk of non-compliance with existing covenant conditions, which is why these are now classified as current. In addition, liabilities to financial institutions increased significantly, which is largely due to borrowing in the form of promissory note loans in the amount of € 250.0 m. Moreover, the full credit line of the syndicated loan in the amount of € 235.0 m was drawn, which also led to an increase of € 70.0 m.

Net working capital

Net working capital increased from € 134.2 m at the end of 2021 to € 162.7 m as at 31 December 2022. Compared with the previous year, this represents an increase of € 28.4 m. The net working capital ratio is calculated in relation to the revenue of the last three months extrapolated to one year and is 17.1% as at 31 December 2022 (31 December 2021: 12.0%). The change in the net working capital ratio by 5.1 percentage points is mainly due to the restrained development of sales revenue in the last three months, the significant increase in inventories and the decrease in receivables.

Cash flow statement

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Cash and cash equivalents as at 1 January	**73,107**	**121,889**
Cash flow from operating activities	20,384	124,732
Cash flow from investing activities	-166,542	-189,562
Cash flow from financing activities	180,988	14,173
Net change in cash and cash equivalents	**34,830**	**-50,657**
Effects of exchange rate fluctuations	772	1,875
Cash and cash equivalents as at 31 December	**108,709**	**73,107**

The cash flow from operating activities amounted to € 20.4 m in the financial year and is therefore € 104.3 m below the figure for the previous year.

Over the course of the 2022 financial year, inventories were increased by € 66.2 m. This action was mainly taken to ensure that production could be maintained undiminished in the event of supply bottlenecks. In addition, price developments on the raw materials market and energy price development had an impact on the end products. Trade receivables developed in the opposite direction, resulting in a decrease of € 52.5 m. Trade accounts payable and other current and non-current liabilities also decreased by € 4.9 m. In addition, there was a reduction of € 5.3 m in provisions and personnel related accruals.

The cash flow from investing activities decreased from € -189.6 m in prior-year period to € -166.5 m. Payment outflows in connection with investments in intangible assets and property, plant and equipment (CAPEX) are significantly lower than in the same period of the previous year and amount to € 111.6 m (2021: € 174.8 m). They were adjusted to the current business development.

In the financial year under review, cash flow from financing activities rose from € 14.2 m in 2021 to € 181.0 m in 2022. The reason for this is the raising of a promissory note loan in the amount of € 250.0 m as well as the complete drawing down of the remaining credit line of the syndicated loan amounting to € 70.0 m. This was offset by dividend payments of € 100.2 m, the payment of € 28.7 m as part of the debt assumption agreement between VARTA Consumer Batteries GmbH & Co. KGaA and VC Pensionen GmbH, Ellwangen, Germany, as well as the repayment of lease liabilities amounting to € 18.1 m.

Cash and cash equivalents totalled € 108.7 m as at the reporting date of 31 December 2022 (2021: € 73.1 m).). As at the balance sheet date, existing credit lines had been drawn down in full. Details on Group financing are explained in chapter 13. "Information about VARTA AG" under the section covering liabilities.

Overall statement on the financial position and financial performance
After the end of financial year 2022, it can be said that the development of the financial position and financial performance of the VARTA Group was disappointing overall. External factors such as the deterioration in the consumer climate and the resulting reduction in demand, supply bottlenecks and the sharp rise in raw material and energy prices had a considerably negative impact on the company's earnings position. As a result, impairments on property, plant and equipment also had to be made. This ultimately resulted in a loss-making consolidated result, which, in combination with additional borrowed capital (promissory note loan), impaired the equity ratio of VARTA AG as at 31 December 2022. Taken in combination, these extraordinary external factors led to a development that deviated greatly from the company's original expectations and targets at the beginning of 2022.

4. Research and Development

For the VARTA AG Group, research and development expenses increased to € 23.2 m in the 2022 financial year (previous year: € 22.8 m). This results in an R&D expense ratio of 2.9% in relation to revenue compared with 2.5% in the previous year.

Of the capitalised development costs of € 29.2 m (2021: € 19.5 m), self-manufactured intangible assets, which are not yet ready for use, of € 27.2 m (2021: € 6.9 m) were recognised in 2022. This mainly relates to the "Other" segment.

Micro Batteries
The Micro Batteries segment includes micro and hearing aid batteries. A special focus in 2022 was on an innovation project in the area of printed batteries, which are set to provide the necessary energy to power an array of future applications. Printed batteries will play an important role in the future, especially in the Internet of Things (IoT) sector and its applications.

Research and development expenses in the Micro Batteries segment amounted to € 8.2 m in the 2022 financial year (2021: € 6.2 m). This resulted in an R&D expense ratio of 5.0% in relation to sales (2021: 3.2%).

Lithium-Ion CoinPower
Lithium-Ion CoinPower is the segment for small-format lithium-ion round cells for OEM applications. In this segment, as in 2021, the focus in 2022 was on the further development of rechargeable lithium-ion cells for high-tech consumer products, especially for premium True Wireless Stereo (TWS) headsets. The spotlight was on further increasing energy density, evaluating and qualifying new materials for CoinPower batteries, using low-cost raw materials and developing more efficient manufacturing processes. In 2021, the company presented a roadmap for the period up to 2027. Higher energy densities of up to almost 100mAh were announced for the next versions, the A5, A6 and A7. At the end of 2022, the now fifth generation of the A version, which offers up to 15% more capacity than its predecessor cells, was launched on the market. With the benefit of optimised electrochemistry, more active material in the button cell generates even higher energy densities. This product series also stands out on account of the excellent cycle stability. In addition, two new series with even higher energy density have been developed and will be ready for type release in 2023: the B series with a silicon-based anode and the C series with a carbon-based anode and an LCO-based cathode.

Research and development expenses in the Lithium-Ion CoinPower segment amounted to € 8.4 m in financial year 2022 (2021: €7.0 m). This resulted in an R&D expense ratio of 6.2% (2021: 2.7%). Amortisation of capitalised development costs amounts to € 0.0 m in 2022 (2021: € 0.4 m).

Consumer Batteries
The Consumer Batteries segment covers business in household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. At the R&D Centre in Dischingen, scientists, engineers and technicians work on the further development of the alkaline-manganese battery. Every month, around 50 battery tests are carried out in the R&D Centre and a total of 10,000 sample batteries are produced for this purpose. The performance of the AA and AAA batteries has been increased by up to 6 %. This was achieved through optimised mechanical design, improved materials and optimised formulations.

Research and development expenses in the Consumer Batteries segment amounted to € 1.9 m in financial year 2022 (2021: € 2.0 m). This resulted in an R&D expense ratio of 0.5% in relation to sales (2021: 0.6%).

Energy Storage Systems
The Energy Storage Systems segment primarily includes energy storage solutions intended for private applications, although some commercial. Improvements were achieved in energy storage across the entire product portfolio through new functions and the expansion of connectivity to further device classes. In addition, the development of an ultra-slim high-voltage energy storage system is being advanced, with a market launch scheduled for later in 2023.

Research and development expenses in the Energy Storage Systems segment amounted to € 2.2 m in financial year 2022 (2021: € 1.9 m). This resulted in an R&D expense ratio of 2.5% in relation to sales (2021: 4.4%). Amortisation of capitalised development costs amounts to € 1.3 m in 2022 (2021: € 1.4 m).

Other
The segment Other includes the Lithium-Ion Battery Packs and Lithium-Ion Large Cells (V4Drive/RoundPower) business areas. The cylindrical cell area develops and manufactures products with unique selling points. This is achieved, in particular, through innovative mechanical solutions for current conduction, which enable high power density due to their very low internal resistance. This innovation is combined with new, high-

energy electrode materials, so that in future, power and energy density can be combined in one cell. In future, it will be possible to better combine fast charging capability with high energy density. This clearly sets VARTA apart from the solutions available today. Intensive research and development activities are essential to achieving the ambitious goals defined by the Company. This includes research into next-generation battery materials and components and their integration into battery cells. Above all, however, it is also about the technological development of efficient and sustainable production processes for initial industrial implementation of innovative cell technology.

Research and development expenses in the Other segment amounted to € 2.4 m in financial year 2022 (2021: € 5.7 m). This resulted in an R&D expense ratio of 4.9% in relation to sales (2021: 9.2%). Amortisation of capitalised development costs amounts to € 0.9 m in 2022 (2021: € 0.7 m).

5. Investments excluding M&A (CAPEX)

The Group refers to investments in intangible assets and property, plant and equipment as CAPEX. This is an important control variable for high-growth manufacturing companies. The company is pursuing the measures to expand those capacities already planned for CoinPower cell production (TWS). In addition, with the V4Drive cell for the automotive sector and the RoundPower cell for all applications outside the automotive sector, the Company is pursuing its target of opening up new business activities with the construction of a pilot production line for large-format lithium-ion round cells.

Cash outflows from the purchase of intangible assets and property, plant and equipment totalled € 111.6 m in financial year 2022 (previous year: € 174.8 m) and are consequently in line with expectations. The main area of investment in property, plant and equipment is in the expansion of production capacities for lithium-ion button cells and the construction of a pilot production line for large-format cells. Investments in the "Lithium-Ion CoinPower" segment were slowed down due to large overcapacities. Follow-on investments are also necessary at regular intervals to renew production facilities, to develop new products and for quality assurance measures.

6. 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. The current war in Ukraine, the resulting cost increases in raw materials and energy prices, the temporary production interruptions caused by the pandemic and the shortage of semiconductors are leading to production and demand shortfalls at our customers and consequently, to reduced demand for our batteries. This primarily affects our OEM customers, while the direct consumer business is developing favourably.

Micro Batteries

	31 DECEMBER 2022	31 DECEMBER 2021	Change
Sales revenue (€ k)	163,919	194,736	-15.8%
Adjusted EBITDA (€ k)	15,296	52,520	-70.9%
Adjusted EBITDA margin %	9.3%	27.0%	-17.7 PP

The Micro Batteries segment comprises business with microbatteries and hearing aid batteries. At the end of the 2022 financial year, revenue stood at € 163.9 m, which corresponds to a decline in revenue of -15.8%.

In financial year 2022, adjusted EBITDA fell from € 52.5 m to € 15.3 m compared with the same period the previous year, which corresponds to a disproportionate decrease by comparison with revenue development. The adjusted EBITDA margin is 9.3%, which represents a decline of 17.7 percentage points compared with the previous year.

This decline in earnings results from the rise in manufacturing costs, in particular due to the negative development of the energy and raw material prices to which VARTA is subject.

Lithium-Ion CoinPower

	31 DECEMBER 2022	31 DECEMBER 2021	Change
Sales revenue (€ k)	136,552	257,612	-47.0%
Adjusted EBITDA (€ k)	18,750	150,680	-87.6%
Adjusted EBITDA margin %	13.7%	58.5%	-44.8 PP

The Lithium-Ion CoinPower segment includes the small-format lithium-ion round cells for OEM applications. At the end of the 2022 financial year, revenue stood at € 136.6 m, which corresponds to a decline in sales revenue of -47.0 %.

In the year under review, adjusted EBITDA fell from € 150.7 m in the same period of the previous year to € 18.8 m, representing a disproportionate decline compared with the development of revenue. The adjusted EBITDA margin is 13.7%, which corresponds to a drop of 44.8 percentage points compared with the previous year.

The currently challenging economic climate and the slowdown in global consumer demand for various battery-powered lifestyle products, especially for True Wireless Stereo (TWS) headsets, are behind the significant decline in sales. During 2022, personnel were retained in order to serve larger customer projects, but these were not called off to the planned extent. In order to counteract this deviation from anticipated levels in the future, a series of initial personnel measures, such as the instigation of short-time work in Nördlingen as well as the non-extension of limited temporary employment contracts, were already initiated for the Lithium-Ion CoinPower segment at the end of the year. 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

	31 DECEMBER 2022	31 DECEMBER 2021	Change
Sales revenue (€ k)	365,927	345,696	5.9%
Adjusted EBITDA (€ k)	30,438	61,255	-50.3%
Adjusted EBITDA margin %	8.3%	17.7%	-9.4 PP

The Consumer Batteries segment represents the business with household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. Compared with the same period of the previous year, sales revenue in this segment rose from € 345.7 m to € 365.9 m, which corresponds to an increase of 5.9%. By comparison, adjusted EBITDA fell by -50.3%. The adjusted EBITDA margin is 8.3%, which represents a drop of 9.4 percentage points compared with the previous year.

The very marked increase in raw material prices and the high additional energy costs had a negative impact here. These cost increases could only be partially passed on to customers. VARTA is facing up to the current trend in energy and raw material costs with confidence and is also striving to be able to pass 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

	31 DECEMBER 2022	31 DECEMBER 2021	Change
Sales revenue (€ k)	90,868	42,872	111.9%
Adjusted EBITDA (€ k)	5,168	5,107	1.2%
Adjusted EBITDA margin %	5.7%	11.9%	-6.2 PP

Sales revenue in the Energy Storage Systems segment increased from € 42.9 m to € 90.9 m in 2022 compared with the same period the previous year. This corresponds to a growth totalling 111.9 %. This pleasing development is due to the high demand for home storage solutions. Adjusted EBITDA rose by € 0.1 m from € 5.1 m to € 5.2 m, an increase of 1.2%. The adjusted EBITDA margin is 5.7% in relation to sales, which reflects a decline of 6.2 percentage points compared with the prior year.

VARTA anticipated higher adjusted EBITDA growth in line with the increase in revenue for the material-intensive Energy Storage Systems segment in 2022. However, the margin was significantly impacted due to the sharp increase in raw material prices as well as the more difficult procurement of components required for production. In terms of measures taken, VARTA was able to pass on the increased costs at the beginning of the 2023 financial year and is therefore anticipating a significant improvement in the EBITDA margin.

Other

	31 DECEMBER 2022	31 DECEMBER 2021	Change
Sales revenue (€ k)	49,650	62,013	-19.9%
Adjusted EBITDA (€ k)	-149	13,294	-101.1%
Adjusted EBITDA margin %	-0.3%	21.4%	-21.7 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. At the end of financial year 2022, the revenue of the Other segment amounted to € 49.6 m, which corresponds to a decline in revenue of -19.9 %. The adjusted EBITDA fell by -101.1 % to € -0.1 m compared with the previous year. The adjusted EBITDA margin is -0.3% in relation to revenue, which corresponds to a decrease of 21.7 percentage points year on year.

7. Employees

The successful development of the Group is based on the competence and skills of its employees, as well as their identification with the company. In addition to training members of staff, further education and training ensure a high level of competence. The Group is interested in committed, motivated employees that enjoy working in strong teams to drive the company's innovative profile even further forward. In order to advance innovation in the HR area as well, VARTA is focusing on the digitisation of key HR processes.

As a technology company, VARTA employs a high proportion of women (43%). To best meet the needs of all employees and promote a healthy work-life balance, VARTA supports flexible working time models. Depending on the area of operation, the company offers various shift models, flexitime arrangements, partial retirement and mobile working. For the future, the implementation of a job rotation programme and development of opportunities to work at other VARTA locations for a limited period of time are in pipeline.

These aim here is to ensure that employees are bound to VARTA AG over the long term, enabling our staff to identify with the Company via common corporate goals and values. Employees tend to stay with the Company for many years, allowing them to gain profound professional expertise within their respective area of responsibility.

As a responsible, conscientious employer, occupational health and safety and preventative healthcare are matters taken very seriously by the VARTA AG Group. This is also reflected in the fact that VARTA was able to establish itself in the excellence class of the Corporate Health Awards. VARTA's claim is to offer health services tailored to the needs of its employees and in this way to strengthen their performance and motivation over the longer term.

VARTA offers a wide range of training in both technical and commercial fields as well as dual study courses with a focus on electrical engineering, mechanical engineering, information systems, industrial engineering and business administration. On average, the company supports around 100 apprentices: in 2022, 42 new apprentices and dual course students began their careers at VARTA. In the VARTA Academy training centre, which covers an area of more than 1,000 m2, the Company offers state-of-the-art applications and equipment such as laser marking and 3D printers. Digital learning platforms that can be accessed anytime, anywhere complement the knowledge transfer process.

Employer appeal

Specific, targeted measures are implemented across VARTA AG, which, in tandem with attractive offers and cooperations, aim to bind employees to the Company over the long term.

In addition, Group executives meet annually at a management conference as well as at annual management workshops. Junior managers are prepared for future leadership tasks with targeted training and mentoring, in addition to which, needs-based development initiatives are promoted for career development within the Company.

The number of employees in the Group as a whole decreased from 4,666 employees in the previous year to 4,498 employees as at 31 December 2022. As at the balance sheet date, the number of employees was broken down on a regional basis as follows:

	2022	2021
Europe	3,729	3,858
thereof Germany	3,065	3,164
Asia	750	780
USA	19	28

8. Opportunity and risk report

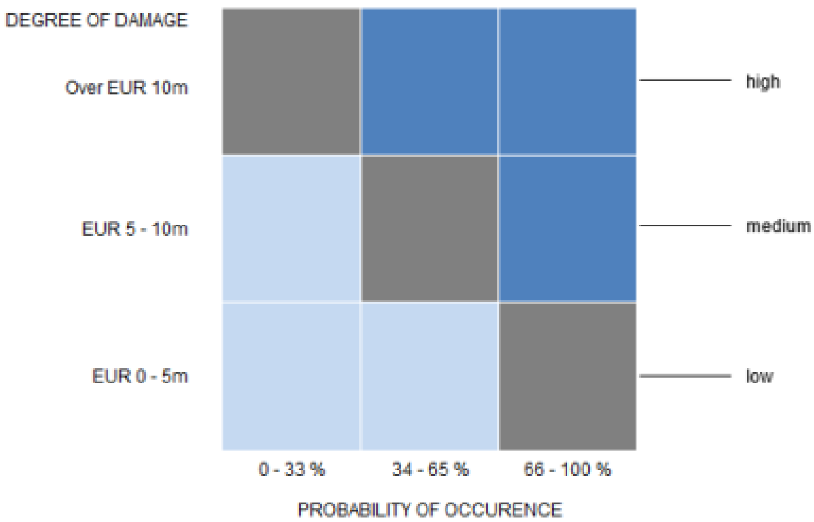
8.1. Opportunity and risk management system

The Company has instituted management and control measures for the early detection and assessment of risks as well as for the handling of existing risks. These are enshrined in an early risk detection, internal control and risk management system.

The risk management system evaluates and focuses on operating, financial, strategic and other risks at Group level. This includes an early risk detection system in coherence to the legal requirements pursuant to Section 91 (2) and (3) of the German Stock Corporation Act (AktG). In this process, the risks are categorised as low, medium or high on the basis of a risk matrix (see matrix below). There is no risk quantification for assessing legal or compliance risks, although these risks are taken properly into account.

Key components of the risk management system include a strategically oriented planning system, an annual budget that is reviewed several times during the year and adapted to new insights, monthly reports comparing target and actual figures in addition to regular communications concerning risks and opportunities. The risk management system is supported by regular management meetings in which the opportunities and risks for business development are analysed and discussed.

The following chart shows the ranges applied to quantify risks.



The opportunity and risk report includes the identification, assessment, control and monitoring of core risks. These risks include all circumstances that pose a significant threat to success factors and which might have a material impact on the earnings or liquidity position of the company. They can be assigned to individual risk classes (high, medium, low) based on their anticipated loss value. The anticipated loss value is measured uniformly throughout the Group as part of a regular process and is made up of the combination of probability of occurrence and the anticipated effect of the extent of the loss on the consolidated result. The TOP risks in the Group are presented and reported. For the financial year, a qualitative approach was also chosen to present the risks in order to show any changes in the TOP risks. Opportunities that arise for VARTA are shown continuously in the monthly forecasts. Unlike for the risks, opportunities in the Group are not currently aggregated.

Risk Officers monitor the risk situation for their business area on a decentralised basis and report to Group Risk Management. In order to ensure a close alignment with the operating and financial issues, risk management is located within the central "Corporate

Controlling" division. Risk management is audited on an annual basis internally, with areas for improvement identified and relevant measures implemented where necessary.

Risks are aggregated by means of a Monte Carlo simulation for the early detection of developments that could potentially threaten the existence of the company and for the determination of the overall scope of risk. The net risks, i.e. the risks taking into account risk management measures, are included in the risk aggregation. The aggregation of all risks determines the total risk volume. In the Monte Carlo simulation, the effects of the most important individual risks of the Company are assigned to the corresponding items of the projected P&L (profit and loss account) and projected balance sheet. Independent simulations run one hundred thousand potential risk-related future scenarios and in each case, the impact on the P&L and balance sheet is calculated. The totality of the simulation runs provides a representative sample of all potential risk scenarios for the Company in respect of the probability of over-indebtedness and illiquidity. The results of the aggregation form the basis for reporting on the overall risk position and risk-bearing capacity to the Executive Board and the Supervisory Board.

8.2. Internal control system

The accounting-related internal control and risk system of VARTA AG is a cornerstone of the risk management strategy. The internal control system refers to the principles, procedures and measures introduced by the management which are aimed at the organisational implementation of management decisions in order to ensure the efficacy and profitability of the business activities, the propriety and reliability of the internal and external accounting measures and compliance with the regulations relevant to the VARTA Group.

Internal control systems are implemented at individual Group companies that are adapted for the respective situations. These are then subject to continuous further improvement and enhancement measures. The accounting system observes the principle of the separation of functions.

There are uniform accounting guidelines throughout the corporate Group. Furthermore, the accounting system is largely centralised at the Company's headquarters in Ellwangen.

The Executive Board bears responsibility for the internal control and risk management system with regard to the corporate accounting process.

8.3. Risk position

Among all identified opportunities and risks, we explain below those areas which from today's viewpoint could materially affect the financial position and financial performance negatively or positively during the period to which the guidance applies, wich covers 12 months at the moment. The respective classification of the potential loss amount of the risk existing before counter-measures are implemented is indicated for the risks according to the above-mentioned assessment of the expected amount of loss in relation to the consolidated result, i.e. the gross amount of the expected loss.

The risk position of the VARTA AG Group as at 31 December 2022 was as follows:

RISK CLASS	INDIVIDUAL RISKS	GROSS AMOUNT OF THE EXPECTED LOSS	PROBABILITY OF OCCURRENCE	GROSS AMOUNT OF THE EXPECTED LOSS
Operational risks	Production and logistics risks	medium	low	↑
	Sourcing risks	medium	low	↓
	Securing of Gas Supply	high	low	-
	IT	low	low	-
Strategic risks	Customer concentration	high	medium	↑
	Funding Risks	medium	low	-
	Industrialization of new customer projects	medium	low	-
	Sustainabiliity related riks	low	low	-
Financial and default risks	Financing risk	high	medium	new
Compliance-Risks	Compliance risks & others	low	low	-

8.4. Operational risks

The drastic decline in demand and delays related to customer projects in the area of small lithium-ion cells in financial year 2022 led to significant under-utilisation of production capacities. Measures were initiated in 2022 to adjust capacities to the current market situation. The aim is for new customer projects to produce a further stabilisation of the capacity utilisation situation. High capacity utilisation is necessary to operate the capital-intensive lithium-ion business profitably, which has been built up with considerable investment. The VARTA AG Group currently assumes that the lithium-ion market for coin cells will continue to grow. However, the risk currently remains for 2023 and is classified as medium. The COVID-19 pandemic has not led to any significant disruption to the Group's operations due to the adaptation of processes and the protective measures taken. From today's perspective, the pandemic appears to be largely overcome. However, a regional flare-up or the development of new virus mutations cannot be completely ruled out. Consequently, this means that impairments of production sites, transport logistics, procurement and sales markets also cannot be ruled out. Overall, however, the risk is currently assessed as low.

Procurement risks, particularly in the case of key raw materials and components, are minimised by permanent market observations, long-term supplier cooperations with a pronounced emphasis on quality and by purchasing strategic components from more than one source. The currently strained political and economic situation is also impacting VARTA's procurement chains, with the result that there were sometimes considerable price increases for raw materials and components. Their availability, however, was continuous. The procurement and logistics risks for the VARTA AG Group were classified as high for financial year 2022 and have significantly burdened the operating result, mainly due to the considerable increase in material costs, in particular as a result of the sharp rise in energy prices. From today's perspective, the VARTA AG Group expects that the price level on the procurement markets will have reached its peak in 2022. In conjunction with newly launched purchasing initiatives aimed at restoring profitability at an early stage, the risk for the 2023 financial year is classified as medium.

Geopolitical risks remain significant, especially due to the ongoing Russian war of aggression versus Ukraine. Implications for sales and supply chains are conceivable. VARTA now assesses the risk of an interruption in gas supply as low, but the potential impact would be very significant, so that the gross expected loss is assessed as high.

The central Group IT department is responsible for all information systems and user authorisations worldwide. The IT landscape is globally very uniform with little fragmentation. This guarantees seamless access to the relevant data, systems and technical applications for all employees, despite the growing size of the enterprise. IT availability and potential cybercrime, for example attacks on the VARTA network, present serious risks in the current environment. The loss or manipulation of data can lead to disruption of business operations and would therefore also affect our customers. For this reason, VARTA relies on continuous optimisation of the system landscape to ensure the best possible protection against external attacks. One milestone was the achievement of TISAX certification in the year under review, which underlines and confirms these efforts.

The IT department continuously monitors all system operations, examines the existing authorisations of individual users on a regular basis and adjusts the access rights to individual systems if necessary. The end result is that this authorisation concept essentially contributes to the internal control system.

For these reasons, the risks in the IT area are also considered to be manageable or low.

8.5. Strategic risks

Customer concentration and dependency on a single customer has increased significantly over time due to the strong growth in Lithium-Ion CoinPower business. The Company is countering the higher customer concentration in the Lithium-Ion CoinPower business by selectively broadening its customer base. Revenue streams have already become significantly more diverse through the acquisition of VARTA Consumer in 2020 and as a result, it has been possible to reduce the importance of a single customer. However, against the background of the insights and developments of financial year 2022, the risk in the Lithium-Ion CoinPower business area is classified as high. The risk implies potential price pressure on the sales markets and a low ability to fully pass on cost increases to end customers. This entails profitability risks for the Group.

The VARTA AG Group participates in national and international funding programmes to further promote product innovations. These give rise to opportunities for the Group to use such funding to develop new technologies and open up new markets. In this respect, VARTA AG has to fulfil conditions for the use of the funds. In the event of non-compliance with the funding conditions, there is a risk of pro rata repayment. A monitoring process has been installed to monitor and control the risk. This allows deviations to be detected immediately and countermeasures to be initiated. At present, the risk of an infringement of the funding conditions is assessed as medium.

A large-scale industrialisation project in the Lithium-Ion Large Cells business for a new major customer requires considerable investment to ensure the rapid ramp-up of the project. The VARTA AG Group is dependent on external sources of financing for this. The risk that these external financing sources cannot be accessed is currently assessed as medium.

ESG and sustainability issues are also becoming ever more important for VARTA AG. The regulatory requirements with which the Group must comply are becoming increasingly stringent. Our sustainability department is focusing intensively on this development and is introducing appropriate measures to meet future requirements. At present, VARTA is closely monitoring the changes and regulatory requirements and currently assumes that the potential risk is manageable. Further details on this subject can be found in VARTA's sustainability report.

8.6. Financial and default risks

The Group is exposed to foreign currency risks due to its global market presence and the worldwide purchase of raw materials and components. These foreign currency risks are analysed and evaluated in detail. Foreign currency risks are hedged through FX transactions. For financial year 2022, the USD was hedged, although, due to natural hedging, no FX hedging is in place for 2023. Details can be found in the he notes to the consolidated accounts. Commodity derivatives will be deployed in 2023, with zinc and silver hedged on the procurement side.

Trade credit insurance is concluded as far as possible to minimise the default risk for credit relationships relating to the supply of goods and services.

Due to the overall weakness of business development in financial year 2022 - especially in the Lithium-Ion CoinPower segment - as well as the significantly increased material and energy prices, the VARTA AG Group is confronted with an increased financing risk. An agreement was reached with the banks on the basis of the restructuring plan developed with the restructuring assessor according to IDWS6.

Due to the threat of non-compliance with contractually defined key financial metrics (covenants), VARTA is reliant on the conclusion of a restructuring agreement with the financing banks in connection with the adjusted syndicated loan terms. This restructuring plan means that the Executive Board of VARTA AG is obliged to implement comprehensive restructuring measures. The Company's restructuring ability must be verified on an ongoing basis by an external restructuring expert and confirmed in writing. In the event that VARTA AG is unable to ensure compliance with the conditions of the restructuring agreement, the financing banks have the right to terminate the financing agreement and demand repayment of the loans granted to VARTA AG at any time.

In this context, the Executive Board of VARTA AG points out in particular that the continued existence of the Company and Group is dependent on successfully adjusting the terms of the syndicated loan agreement with the lending banks on the basis of the restructuring plan and achievement of operational budget targets that take the restructuring measures into account. There is a material uncertainty in this regard, which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, there is the risk that the Company and Group may potentially be unable to realize its assets or settle its liabilities in the ordinary course of business.

Owing to the measures already initiated, also taking account of 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.

Further details can be found in section "47. Events after the reporting date" of the notes to the consolidated financial statements. According to current estimates, the financing risk is classified as medium.

8.7. Compliance and other risks

Compliance risks are understood to comprise penalties, financial or other material losses due to infringements of the law and non-compliance with internal company regulations, principles and all other risks not mentioned individually. These risks are classified as low overall.

8.8. Opportunities for further growth

The identification, recognition and utilisation of opportunities are controlled on a decentralised basis and are the responsibility of the operational management. The goals and strategies set by the Executive Board form the basis for this. Opportunity management is controlled with the help of the risk management and controlling process. Opportunities are also taken into account in risk aggregation using best-case assessments of market risks.

Technological mastery and innovative capacity, in particular, are key strengths. With the benefit of the focus on research and development and the existing extensive network of research partners, the Group is excellently positioned to help shape technological progress in the relevant industry sector. The constraints of potential replacement technologies are being monitored very closely. In the medium term, no significant impact of potential replacement technologies on the Group's core business has been identified. On the contrary, there is an opportunity to help shape technological developments in the segments.

The fast-growing business with small-format rechargeable lithium-ion batteries remains particularly promising for the VARTA AG Group. This is an area where VARTA is currently particularly well positioned. With the existing production capacities in Germany, the increasing demand for lithium-ion batteries in a market subject to continuing growth can be met very quickly with products that bear the seal of quality - Made in Germany.

In addition, the Group is benefiting from the megatrend in energy storage systems, which are expected to register very strong market growth according to various studies. Energy storage systems are regarded as a core element for the successful implementation of energy transition. The VARTA AG Group anticipates considerable growth potential, including through product innovations, in this business area.

8.9. Executive Board: Overall assessment of the opportunity and risk situation

The Executive Board bears responsibility for managing all opportunities and risks. It is an integral part of corporate governance. Based on the assessment of the Executive Board, a threat to the continued existence of the company as a going concern can no longer be completely ruled out with regard to the risks described at the time of publication. Due to the threat of non-compliance with contractually defined key financial metrics (covenants), VARTA is reliant on the conclusion of a restructuring agreement with the financing banks in connection with the adjusted syndicated loan terms. This restructuring plan means that the Executive Board of VARTA AG is obliged to implement comprehensive restructuring measures.

The financing and liquidity position represents the greatest challenge for VARTA AG. Nevertheless, the Executive Board is convinced that the Group is well positioned with its product portfolio to take advantage of opportunities that arise and to successfully overcome the financing issue.

8.10. Non-management report disclosures

The adequacy and efficacy of the internal control system and risk management system are guaranteed by way of various internal and external quality assurance measures in addition to the audit, among other aspects. The internal control system and risk management systems are adjusted on an ongoing basis in order to reflect any changes in the business model as well as the type and scope of business transactions and responsibilities. The degree of formalization of processes and controls is continuously increased. As non-management report disclosures, this information goes beyond the legal requirements governing the preparation and publishing of the management report. As such, these disclosures are excluded from the auditor's content review of the management report.

9. Outlook

Despite the challenges presented by the 2022 financial year, the VARTA AG Group maintains a very good position in its core markets and is promisingly positioned to benefit from long-term market developments – especially in the case of lithium-ion batteries and the range of application options these offer. Marked declines in the prices of energy and raw materials that have been evident since autumn 2022 are to a certain extent providing the Group with a sense of impetus at the start of the new financial year. Nevertheless, procurement risks, especially for key raw materials and components, remain a potential risk factor for the business development. The focus in this regard remains on geopolitical risks, especially in connection with the ongoing war in Ukraine. Although the probability of a gas shortage would now appear to be low, the expected gross value of damage that this would cause remains at a high level due to the potentially significant impacts. In view of higher inflation rates, it seems possible that the major central banks will continue on a tighter monetary policy course beyond what the markets were expecting. In so doing, aggregate demand would be curbed. However, the indications from VARTA customers up to now, such as the high order volume for energy storage systems, are grounds for a certain degree of optimism. Revenue growth is expected for the financial year 2023. adjusted EBITDA is expected to be at least on a par with the previous year.

In the Consumer Batteries and Energy Storage Systems segments, the VARTA AG Group was only able to partially pass on increased prices for energy and raw materials to customers in financial year 2022. Price adjustments are being implemented in several phases in the Consumer Batteries segment. Against this background, management estimates suggest that the margin for household batteries will only fully recover in the space of four to six quarters, depending on customer negotiations and future commodity price developments. Sales of household batteries continued to grow in the 2022 financial year. In view of the projected market growth rate of approximately 3.5% per year up to 2027 (Reportlinker, 2022), moderate sales growth in the area of household batteries can also be expected for VARTA over the years to come. In the Energy Storage Systems segment, the impacts associated with increased raw material and energy costs in financial year 2022 will be passed on to customers in full for deliveries from the start of 2023. In this regard, from the 2023 financial year onwards, VARTA therefore expects a return to the usual low double-digit margins seen in the years prior to 2022. This is significant not least in the context of the revenue guidance, which, as was the case in the 2022 financial year, again envisages high growth for 2023. Visibility in this business area is particularly high due to the high order volume, which extends well into the fourth quarter of 2023. The VARTA AG Group expects the planned product launch of the VARTA.wall to generate above-average growth for this business area in the next few years in a market subject to strong growth.

In the Lithium-Ion CoinPower segment, the Company was adversely impacted by weak demand for wireless consumer electronics and household appliances in the 2022 financial year. In view of high energy prices and the general high inflation environment, demand on the part of private consumers has fallen. This altered consumer behaviour has had a significant impact on the business success of the VARTA AG Group. The competitive situation and the sharp fall in demand for lithium-ion batteries from one major customer have exacerbated this development to a significant extent. Given the influence of this diverse set of external factors, the segment outlook for the 2023 financial year is also subject to particular uncertainties. As things stand at present, sales are expected to decline very significantly year-on-year, which means that adjusted EBITDA will also be significantly lower than in the previous year. The medium and long-term prospects for this segment remain positive, with market studies for True Wireless Stereo (TWS) headsets forecasting annual market growth of approximately 24.9% up to 2033

(Persistence Market Research, 2023). VARTA plans to use its free capacities in targeted fashion in order to acquire and implement new customer projects. Due to product lead times and design-in times, potential new customer projects in the Lithium-Ion CoinPower segment could boost revenues over the long term from 2024 onwards. In addition to the established wireless headphones applications, VARTA has identified additional growth potential for CoinPower cells in other markets (e.g., medical applications) over the medium and long term. Taking into account the extensive product expertise within the Company and the very high projected market growth rates, VARTA regards itself as being very well positioned in the long term to meet the anticipated rising demand with the corresponding installed capacity.

In the Micro Batteries segment, sales of hearing aid batteries are expected to be more or less stable in the long term, with a downward trend. The growing global population, higher average life expectancy and the rise in the global population aged 65+ are trends seen in highly developed industrialised nations in particular that can be regarded as key sales growth drivers. OTC hearing aids represent an additional area of growth potential. These are not as expensive as traditional hearing aids and could therefore allow VARTA to tap into new customer groups. Due to the fact that the Company boasts a strong market position and high-level technical expertise in both zinc-air cells for hearing aids with replaceable batteries and lithium-ion batteries for rechargeable hearing aids, VARTA is of the view that the Company is well prepared to deal with the expected increase in importance of rechargeable batteries in comparison with primary batteries.

The Lithium-Ion Battery Packs and Lithium-Ion Large Cells business areas within the Other segment are well placed to benefit both from the shift away from wired devices to those operated on a battery-powered basis and the associated rising importance of lithium-ion batteries that this is anticipated to entail. The long-term business prospects are exceptionally positive in view of the projected double-digit annual growth rate up to 2031 (Transparency Market Research, 2021), which is primarily expected to result from growth in electromobility, but also from increased demand for battery-powered devices such as electrical household and garden appliances. The short-term potential is much smaller, due to the fact that completing individualised new customer projects requires a significant amount of planning and long project lead times. In this sense, new projects agreed in the Lithium-Ion Battery Packs business area during the 2023 financial year are therefore only likely to have a significant sales impact from 2024 onwards. For potential new projects in the Lithium-Ion Large Cells business area, the required project lead times can even extend to several years.

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 require significant investment and would therefore also be contingent on securing external financing sources, for example from strategic partners and customers. A medium-sized risk profile can presently be assigned to the financing situation at VARTA. Following the successful implementation of a capital increase excluding subscription rights on 21 March 2023, VARTA generated gross proceeds of € 50.7 m. The resultant agreement with the syndicate banks recently alleviated the financing situation of the Company to a significant degree. On 17 April 2023, all syndicate banks had lifted their committee reservations and agreed to extend the financing until 31 December 2026. The documentation of the restructuring agreement and the amendment of the syndicated loan agreement are still outstanding. In addition to implementing the restructuring concept, which will lead to operational adjustments in terms of the production and administrative costs, 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 28 April 2023.

VARTA AG Group
The Executive Board of VARTA AG anticipates that Group revenue of € 820–870 m will be generated in financial year 2023 (2022: € 807 m), with adjusted EBITDA expected to to be at least on a par with the previous year (2022: € 69.5 m). This guidance is based on the assumption that the challenging economic environment and existing global crises will continue in 2023, with the corresponding negative impact on costs, supply chains and consumer demand that these entail.

The range of the forecasts takes account of these expected negative developments. However, the further course of developments linked to energy costs, raw material prices and supply chains, as well as the financing situation, can only be estimated to a limited extent for the coming year. This equally applies to the scope and expenses related to planned restructuring measures that have been agreed with the syndicate banks within the framework of a term sheet, subject to the approval of the relevant committees. With the costs related to the implementation of the restructuring agreement and the resulting internal operational measures also dependent on external factors such as inflation, the consumer climate and interest rates within the EU, the guidance for the 2023 financial year is subject to an above-average level of risks.

In order to overcome present and future challenges, the Executive Board already launched a comprehensive package of cost-cutting measures in financial year 2022. Capacities for CoinPower cells (TWS) are being scaled back, but can be increased again at short notice depending on the demand situation. As part of these adjustments, personnel measures are also in the pipeline, 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. Construction activities in connection with the new factory for large-format lithium-ion round cells (V4Drive/RoundPower) will only continue once binding customer commitments have been secured and the syndicated banks approve the investment. The operation of the first series production line is continuing as planned. Moving forwards, this will supply cells to fulfil an OEM contract with a premium car manufacturer.

KPI	GUIDANCE FOR 2023	FINANCIAL YEAR 2022
Financial indicators: Group		
Revenue	€ 820 – 870 m	806.9
Adjusted EBITDA	At least similar with previous year	69.5
Financial indicators: Segment Micro Batteries		
Revenue	Similar to prior year	163.9
Adjusted EBITDA	Significant double-digit percentage revenue growth	15.3
Financial indicators: Segment Lithium-Ion CoinPower		
Revenue	Very significantly below prior year	136.6
Adjusted EBITDA	Very significantly below prior year	18.8
Financial indicators: Segment Consumer Batteries		
Revenue	Low single-digit percentage increase	365.9
Adjusted EBITDA	Slightly above prior year	30.4
Financial indicators: Segment Energy Storage Systems		
Revenue	Very significant double-digit percentage revenue growth	90.9
Adjusted EBITDA	Significant triple-digit percentage growth	5.2
Financial indicators: Segment Others		
Revenue	Significantly below prior year	49.6
Adjusted EBITDA	Significantly below prior year	-0.1

Micro Batteries
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. Revenue should remain stable, adjusted EBITDA is expected to see double-digit percentage growth compared to the previous year.

Lithium-Ion CoinPower
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 been negatively impacted by the economic conditions described previously. According to current estimates, VARTA anticipates a very significant decline in sales revenues and a very significant decline in adjusted EBIDAT for the segment compared to the previous year due to continued low demand.

Consumer Batteries

The Consumer Batteries segment comprises business activities in the area of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. In 2023, revenue is expected to rise moderately versus the prior year. Growth impetus is likely to come from a further slight expansion of the brand business. Adjusted EBITDA is set to improve slightly 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

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 growth of as much as around 70% in comparison with the 2022 sales revenue could potentially be generated. This would produce huge double-digit percentage revenue growth compared with the previous year. Very strong growth is likewise expected in the area of adjusted EBITDA.

Other

The Other segment comprises the business areas of Lithium-Ion Battery Packs and Lithium-Ion Large Cells (V4Drive and RoundPower). VARTA anticipates a significant reduction in sales and adjusted EBITDA in this segment.

10. Supplementary report

Regarding events that occurred after the balance sheet date, please refer to the information provided in the notes to the consolidated accounts.

11. Final declaration regarding the independence report

The Executive Board declares pursuant to Section 312 (3) of the German Stock Corporation Act (AktG) that VARTA AG, Ellwangen (Jagst), received good and valuable consideration in the legal transactions specified in the report regarding the relations with affiliated enterprises in accordance with the facts known at the time the legal transactions were implemented. No reportable actions pursuant to Section 312 AktG have either been taken or omitted.

12. Takeover law information

As at 31 December 2022, the subscribed capital of VARTA AG totalled € 40,421,686. The subscribed capital is divided into 40,421,686 shares. These are par value shares registered to the bearer representing a pro rata amount of the nominal capital of € 1.

Appointment and dismissal of Executive Board members
The appointment and dismissal of members of the Executive Board is regulated by Sections 84 and 85 of the German Stock Corporation Act (AktG). The Executive Board comprises a minimum of two members pursuant to Article 6 of the Articles of Association. The number of Executive Board members is determined by the Supervisory Board. The Supervisory Board is authorised to nominate both a Chairman of the Executive Board (CEO) and a Deputy Chairman of the Executive Board.

Executive Board authorisation to issue shares
By resolution of the Annual General Meeting on 6 October 2017, the Executive Board was authorised to increase the share capital one or several times up to 5 October 2022 against contributions in cash and/or in kind up to a current amount of € 9,618,314.00 (Authorised Capital I) or up to an amount of € 2,960,000 (Authorised Capital 2017 II). No use was made of authorised capital during the reporting year. Moreover, the Annual General Meeting of 6 October 2017 approved a conditional capital increase of the share capital of up to € 11,840 k to grant shares upon the exercising of option and/or conversion rights or the fulfilment of option and/or conversion obligations.

Restrictions concerning voting rights or share transfers
There are no restrictions on voting rights. All shares of the Company have the same voting right. There are no restrictions on the transferability of the Company's shares.

Shareholdings exceeding 10% of the voting rights
As Chairman of the Supervisory Board at VARTA AG and majority shareholder of Montana Tech Components AG, Reinach (Switzerland), Prof. DDr Michael Tojner holds a stake in VARTA AG amounting to 50.30% via the latter's subsidiary VGG Beteiligungen SE, Vienna (Austria).

Shares with special rights conveying a controlling authority
There are no shares with special rights conferring controlling powers.

13. Information about VARTA AG

The management report of VARTA AG and consolidated management report for financial year 2022 are combined pursuant to Section 315 (3) of the German Commercial Code (HGB) in conjunction with Section 298 (3) HGB.

Description of the Company
VARTA AG is a holding company that exclusively performs tasks related to the management of the Group and its operating subsidiaries. The following figures and explanations refer to the annual financial statements of VARTA AG, prepared according to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Earnings situation
Revenue
Revenue in financial year 2022 stood at € 3.6 m (2021: € 1.6 m). This figure is essentially the result of royalties from VARTA Storage GmbH.

Expenses and other operating income
In the same period, other operating income fell from € 3.5 m in the previous year to € 1.8 m in 2022. Income from the on-charging of sponsoring expenses to various subsidiaries amounting to € 1.4 m (2021: € 1.3 m) was essentially unchanged.

Other operating expenses amounted to € 19.4 m in 2022 (2021: € 11.2 m). The sharpest increase was recorded in the item for consulting and auditing fees, which rose by € 4.2 m to € 7.0 m (2021: € 2.8 m).

In financial year 2022, the number of Executive Board members at VARTA AG increased to four (2021: two members). VARTA AG employed two further members of staff in addition to the Executive Board. In comparison with the prior year, personnel expenses reduced from € 6.5 m by € 3.6 m to € 2.9 m on account of lower management bonuses.

The balance sheet item depreciation and amortisation predominantly includes depreciation of intangible assets totalling € 0.6 m and is therefore practically unchanged in comparison with the previous year.

Financial result
Interest income in financial year 2022 amounted to € 0.4 m (2021: € 17.8 m), while interest expenses came in at € 5.8 m (2021: € 2.0 m). New loans within the framework of an internal financing scheme were the main reason for the change in interest income. The increase in interest expenses is primarily attributable the newly raised promissory note loan.

Expenses from assumption of losses for subsidiaries amounted to € 227.3 m in 2022. Last year, income from profit transfer agreements amounted to € 138.8 m. The significant increase results from necessary impairment losses on property, plant and equipment due to expected permanent impairment in a subsidiary as well as from the negative operating results of the subsidiaries.

Net loss
The net loss for financial 2022 amounts to € -173.8 m (2021: net profit of € 147.9 m).

Income statement of VARTA AG
for the financial year running from 1 January 2022 to 31 December 2022

(€ k)		31 DECEMBER 2022	31 DECEMBER 2021
1.	Revenue	3,634	1,565
2.	Other operating income	1,810	3,511
	– of which from currency conversions € 45 k (prev. year. € 27 k)		
3.	Personnel expenses		
	a) Wages and salaries	-2,904	-6,488
	b) Social charges and costs for pension plans and support	-72	-46
		-2,976	-6,534
4.	Depreciation and amortization of intangible assets and property, plant and equipment	-614	-984
5.	Other operating expenses	-19,441	-11,227
	– of which from currency conversions € -46 k (prev. year. € -35 k)		
6.	Income from investments	1,068	677
	– of which from affiliated companies € 1068 k (prev. year. € 677 k)		
7.	Income from profit transfer agreements	0	138,753
8.	Income from other investments and loans forming part of the financial assets	20,661	0
	– of which from affiliated companies € 20661 k (prev. year. € 0 k)		
9.	Other interest and similar income	366	17,833
	– of which from affiliated companies € 143 k (prev. year. € 16344 k)		
10.	Expenses from assumption of losses	-227,287	0
11.	Interest expenses and similar expenses	-5,824	-1,954
	– of which from affiliated companies € -9 k (prev. year. € -472 k)		
12.	Income from Taxes on income and profit (Previous Year: Expense)	7,156	-32,619
13.	Result after tax	-221,447	109,021
14.	Other taxes	-7	-348
15.	**Loss for the year (Previous year: Profit for the year)**	**-221,454**	**108,673**
16.	Retaining earnings	47,613	39,186
17.	**Net loss (Previous year: Net profit)**	**-173,841**	**147,859**

Financial position

Assets

Compared with the previous year, non-current assets increased by € 227.2 m, from € 590.0 m in 2021 to € 817.1 m as of 31 December 2022. The increase is mainly attributable to the change in financial assets from € 588.7 m to € 814.1 m. This development was the result of a rise in loans issued to subsidiaries, which mostly served to finance the investment in production capacities of the subsidiaries.

Receivables and other assets

Current assets decreased by -59.1% from € 154.5 m in 2021 to € 63.1 m as of 31 December 2022. The causes here include the decline in receivables from affiliated companies on account of the assumption of losses in financial year 2022 (2021: profit transfer).

Cash and cash equivalents

Cash at banks increased from € 0.2 m in 2021 to € 22.5 m in 2022.

Equity

Overall, equity fell from € 439.2 m in 2021 to € 117.5 m as at 31 December 2022. This decline can be explained by the negative operating earnings at controlled companies amounting to € -227.3 m, as well as the dividend payment made to VARTA AG shareholders in 2022 for financial year 2021 totalling € 100.2 m.

Provisions
Provisions declined by € -15.3 m from € 43.1 m in 2021 to € 27.8 m in 2022. Essentially, this reduction in provisions is attributable to lower tax provisions for years for which final assessments still need to be completed.

Liabilities
Liabilities increased by € 475.2 m from € 260.0 m in 2021 to € 735.2 m in 2022. This growth was the result of the change in liabilities to banks as well as the liabilities associated with the assumption of losses in the amount of € 227.3 m. In financial year 2022, a new promissory note loan agreement in the amount of € 250 m was concluded, while an additional € 70 m was drawn down as part of a syndicated loan.

In financial year 2021, a new syndicated loan agreement was concluded in the amount of € 235.0 m until 2026, consisting of a bullet loan in the amount of € 100.0 m and a revolving loan facility in the amount of € 135.0 m, with terms of 1 to 6 months. The financial resources will be used to finance additional investments in capacity expansion. In finanial year 2022, the full credit facility was drawn down, resulting in an increase of € 70.0 m. The interest rate depends on the term selected and is then based on the respective Euribor. The interest rate for the individual drawings as at the balance sheet date 31 December 2022: 3.75% to 4.46 %. The transaction was linked to the ESG rating of VARTA AG. Depending on the development of VARTA's rating, a sustainability premium or discount on the respective margin may result. The margin is in turn dependent on VARTA AG's compliance with agreed financial ratios. During the term, at least an equity ratio of 30 % and a leverage (ratio of net financial liabilities to EBITDA) of a maximum of 3 to 1 must exist at all times.

Liabilities also increased due to the raising of a promissory note loan. VARTA AG placed the promissory note loan of € 250.0 m in total on the capital market via a consortium consisting of BayernLB, HSBC and UniCredit. The four tranches have terms of five and seven years (approx. 76% of the credit volume) and primarily carry a fixed rate coupon (approx. 66% of the credit volume). The company can access the funds for general financing projects. The interest rate of the individual tranches amounts to 1.57% to 2.71% as of the balance sheet date 31 December 2022. The transaction was linked to the ESG rating of VARTA AG by Morningstar Sustainalytics, the leading independent company in the field of research, rating and analysis of ESG and corporate governance. Depending on the development of VARTA's rating, the spread of the promissory bill may change.

Overall statement on the economic situation of VARTA AG
The economic situation of VARTA AG depends mainly on the development of its subsidiaries. VARTA AG participates in the operating results of the subsidiaries by way of dividend payments and profit transfers. As such, the economic situation of VARTA AG corresponds in general to that of the VARTA Group, which is explained in the section entitled "Overall Statement on the Economic Situation".

Balance sheet of VARTA AG as of 31 December 2022

ASSETS (€ k)	31 DECEMBER 2022	31 DECEMBER 2021
A. Fixed assets		
I. Intangible assets		
1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such right and assets	451	906
II. Property, plant and equipment		
1. Other equipment, factory and office equipment	304	363
2. Advance payments and assets under construction	2,333	0
	2,637	363
III. Long-term investments		
1. Shares in affiliated companies	112,404	117,720
2. Loans to affiliated companies	701,650	470,962
	814,054	588,682
	817,142	**589,951**
B. Current assets		
I. Receivables and other assets		
1. Receivables against affiliated companies	21,237	140,925
2. Other assets	19,335	13,312
	40,572	154,237
II. Balances with credit institutions	22,540	239
	63,112	**154,476**
C. Prepaid expenses	**228**	**63**
D. Deferred tax assets	**8,898**	**4,585**
Total assets	**889,380**	**749,075**

LIABILITIES (€ k)	31 DECEMBER 2022	31 DECEMBER 2021
A. Equity		
I. Subscribed capital	40,422	40,422
II. Capital reserve	244,121	244,121
III. Revenues reserves		
Statutory reserves	6,811	6,811
IV. Net loss (previous year: net profit)	-173,841	147,859
	117,513	**439,213**
B. Provisions		
1. Tax accruals	24,813	36,580
2. Other provisions	2,988	6,556
	27,801	**43,136**
C. Liabilities		
1. Liabilities to financial institutions	488,396	165,061
2. Trade payables	2,612	749
3. Liabilities to affiliated companies	243,363	93,460
4. Other liabilities	797	733
- of which from taxes € 182k (prev. year € 136k)		
	735,168	**260,003**
D. Deferred tax liabilities	**8,898**	**6,723**
Total equity and liabilities	**889,380**	**749,075**

Risks and opportunities

The business development of VARTA AG is to a great extent dependent on the risks and opportunities of the VARTA AG Group, which are outlined in the "Opportunity and risk report" section of the consolidated management report of the VARTA AG Group. According to the assessment of the Management Board, a threat to the continued existence of the VARTA AG Group as a going concern can no longer be fully excluded at the time of publication with regard to the risks described in the forecast, opportunity and risk report of the combined management report of the VARTA AG Group. Due to the threat of non-compliance with contractually defined key financial metrics (covenants), VARTA is reliant on the conclusion of a restructuring agreement with the financing banks in connection with the adjusted syndicated loan terms. This restructuring plan means that the Executive Board of VARTA AG is obliged to implement comprehensive restructuring measures.

There is the risk that the equity interests and loans to affiliated companies will be impaired. This is reviewed at least once a year.

In addition, the risks from legacy liabilities existing at VARTA AG should be highlighted. The former properties of VARTA AG and of its former subsidiaries served mainly as manufacturing plants for the production of batteries and are burdened with industry-typical legacy liabilities. A buyer of all former foreign shareholdings and one domestic equity participation has assumed these risks and possible risks arising in the future, and has indemnified VARTA AG against them; however, the liability of VARTA AG continues to apply externally due to the legal situation which gives rise to liability on the part of the polluter. The buyer has now been liquidated, and an enterprise affiliated with the buyer, Global Equity Partners Beteiligungs-Management GmbH, Vienna, has hedged this indemnity with a guarantee in the amount of € 20 m lasting until 2031. VARTA AG has evaluated the remaining risks and opted not to form provisions here, as the Company does not expect that these would need to be used.

Outlook

The expectations of VARTA AG with regard to its financial indicators as well as to the risk profile essentially match (based on their importance within the corporate Group and the cross shareholdings of the affiliates) the projections of the VARTA AG Group, which are described in detail in the "Outlook" and "Opportunity and risk report" sections of the consolidated management report. The economic growth of VARTA AG depends to a great extent on the contributions to the financial results made by its operating subsidiaries, which flow at least partially directly to VARTA AG by virtue of the existing profit transfer agreements. It is expected that VARTA AG's annual result will improve significantly, but will remain in negative range.

Ellwangen (Jagst), 28 April 2023

VARTA Aktiengesellschaft

Spokesperson for the Executive Board Dr Markus Hackstein	Chief Financial Officer (CFO) Armin Hessenberger	Chief Technology Officer (CTO) Rainer Hald

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Consolidated financial statements

Consolidated statement of financial position as at 31 December, 2022
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS			
Property, plant and equipment	7/10	591,893	711,346
Intangible assets	8	99,612	81,456
Long-term investments and other participations recognised in the balance sheet under the equity method	9	58	60
Deferred tax assets	17	19,704	6,035
Other assets	15/40/41	37,953	17,644
Non-current assets		**749,220**	**816,541**
Inventories	12	223,317	157,110
Contract assets	13/40	3,959	6,736
Trade receivables	13/40/41	110,378	162,903
Other financial assets	11/40/41	675	108
Tax refund claims		17,238	3,764
Other assets	15/40/41	44,958	40,133
Cash and cash equivalents	16	108,709	73,107
Current assets		**509,234**	**443,861**
Total assets		**1,258,454**	**1,260,402**

(€ k)	NOTES	31 DECEMBER 2022	31 DECEMBER 2021
EQUITY AND LIABILITIES			
Subscribed capital		40,422	40,422
Capital reserve		252,292	252,275
Retained earnings		144,027	111,009
Net income		-200,420	125,956
Other reserves		3,144	2,834
Equity of the VARTA AG Group	**18**	**239,465**	**532,496**
Lease liabilities	10	69,700	80,710
Other financial liabilities	20/40/41	18,795	117,990
Provisions for employee benefits	21	53,932	68,837
Advance payments received	23	0	14,208
Other liabilities	24/39	27,396	10,229
Deferred tax liabilities	17	16,925	2,397
Other provisions	25	6,768	2,897
Deferred liabilities	26	2,519	2,878
Non-current liabilities		**196,035**	**300,146**
Tax liabilities	22	46,434	50,540
Lease liabilities	10	17,397	16,995
Other financial liabilities	20/40/41	497,000	85,785
Provisions for employee benefits	21	3,711	3,442
Contract liabilities	13/23	2,534	4,374
Trade payables and advance payments received	23/40/41	116,667	132,132
Other liabilities	24/40/41	33,364	22,747
Other provisions	25	9,438	19,197
Deferred liabilities	26	96,409	92,548
Current liabilities		**822,954**	**427,760**
Liabilities		**1,018,989**	**727,906**
Equity and total liabilities		**1,258,454**	**1,260,402**

Consolidated income statement for the period 1 Januar to 31 December 2022
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	31 DECEMBER 2022	31 DECEMBER 2021
Sales revenue	27/6	**806,916**	**902,931**
Increase in finished and unfinished goods	28	41,877	11,311
Own work capitalised	7/8	29,178	19,547
Other operating income	33	60,414	61,802
Cost of materials	30	-433,177	-333,154
Personnel expenses	31	-265,600	-247,805
Other operating expenses	34	-172,622	-132,453
EBITDA		**66,986**	**282,179**
Depreciation	32	-254,994	-95,669
Operating income (EBIT)		**-188,008**	**186,510**
Interest income	36	2,450	1,545
Interest expenses	36	-13,762	-6,490
Other financial income	37	5,472	358
Other financial expenses	37	-4,330	-4,834
Financial result		**-10,170**	**-9,421**
Earnings before taxes		**-198,178**	**177,089**
Income taxes expenses	38	-2,242	-51,133
Group result		**-200,420**	**125,956**
Appropriation of loss (PY profit):			
Shareholders of VARTA AG		-200,420	125,956

Earnings per share	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
Basic earnings per share	19	-4.96	3.12
Diluted earnings per share	19	-4.96	3.12

Consolidated statement of comprehensive income for the period 1 January 2022 to 31 December 2022

(€ k)	NOTES	31 DECEMBER 2022	31 DECEMBER 2021
Group result		**-200,420**	**125,956**
Items that will not be reclassified under profit or loss			
Revaluation of the net defined benefit liability	21	16,604	6,964
Revaluation of the reimbursement claim	21	-6,412	-1,840
Related tax	38	-2,905	-1,486
		7,287	**3,638**
Items that were reclassified or may be reclassified later under profit or loss			
Currency translation differences	18	331	6,022
		331	**6,022**
Other comprehensive income for the period, net of tax		**7,618**	**9,660**
Comprehensive income		**-192,802**	**135,616**
Profit attributable to:			
Shareholders of VARTA AG		-192,802	135,616

Consolidated statement of cash flows for the period 1 January 2022 to 31 December 2022

(€ k)	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
Cash flow from ongoing operating activities	-		
Earnings before taxes	-	-198,178	177,089
Interest result	36	11,312	4,945
Depreciation	32/7/8	254,994	95,669
Losses from the sale of property, plant and equipment and intangible assets	-	185	155
Other non-cash income	-	-38	-1,632
Change in working capital	-		
Inventories	12	-65,239	-22,866
Trade receivables and other current and non-current assets	11/13/14/15/17	50,449	-34,323
Trade payables and other current and non-current liabilities	10/17/20/23/24/26	-4,899	-22,368
Provisions and liabilities from post-employment benefits	21/25	-5,333	-20,449
Income tax paid		-22,869	-51,488
Net cash flow from ongoing operating activities		**20,384**	**124,732**
Cash flow from investing activities			
Capital expenditure on the acquisition of intangible and tangible assets	23/7/8	-111,582	-174,791
Payments in connection with own work capitalised	7/8	-29,178	-19,547
Cash receipts from the sale of intangible and tangible assets		10	2,395
Receipts from investments less acquired cash and cash equivalents	39	0	557
thereof acquisition of VARTA Consumer less acquired cash and cash equivalents	-	0	5,358
thereof acquisition of VARTA Micro Innovation GmbH less acquired cash and cash equivalents	-	0	-4,290
Payments from the assumption of the joint debt obligation	-	-28,737	0
Receipts from the repayment of loans	-	2,774	285
Interest received	36	171	1,539
Cash flow from investing activities		**-166,542**	**-189,562**
Cash flow from financing activities			
Repayments for leasing liabilities	10	-18,128	-18,408
Raising of interest-bearing financial liabilities	20	319,188	188,178
Raising of other financial liabilities	20	6,920	0
Repayments of interest-bearing current financial liabilities	20	-19,232	-6,192
Repayments of interest-bearing non-current financial liabilities	20	-876	-42,250
Payment of dividend and distribution to non-controlling interests	18	-100,246	-102,265
Interest paid	36	-6,638	-4,890
Cash flow from financing activities		**180,988**	**14,173**
Net change in cash and cash equivalents		34,830	-50,657
Cash and cash equivalents as of 1 January	16/39	73,107	121,889
The effects of changes in foreign exchange rates		772	1,875
Cash and cash equivalents as of 31 December	**16**	**108,709**	**73,107**

Consolidated statement of change in equity for the period 1 January 2022 to 31 December 2022 (see chapter 18 equity)

(€ k)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES		NON-CONTROLLING INTERESTS	TOTAL EQUITY
				CURRENCY TRANSLATION ADJUSTMENTS	*HEDGING RESERVE*		
As of 1 January 2021	**40,422**	**251,705**	**209,825**	**-3,209**	**21**	**311**	**499,075**
Effect of share-based payment	0	570	0	0	0	0	570
Acquisition of minority interest	0	0	-189	0	0	-311	-500
Capital distribution	0	0	-2,019	0	0	0	-2,019
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
Comprehensive income							0
Net income	0	0	125,956	0	0	0	125,956
Other comprehensive income	0	0	3,638	6,022	0	0	9,660
Total comprehensive income	**0**	**0**	**129,594**	**6,022**	**0**	**0**	**135,616**
As of 31 December 2021	**40,422**	**252,275**	**236,965**	**2,813**	**21**	**0**	**532,496**

(€ k)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES		NON-CONTROLLING INTERESTS	TOTAL EQUITY
				CURRENCY TRANSLATION ADJUSTMENTS	*HEDGING RESERVE*		
As of 1 January 2022	**40,422**	**252,275**	**236,965**	**2,813**	**21**	**0**	**532,496**
Effect of share-based payment	0	17	0	0	0	0	17
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
Change in equity without effect on profit or loss	0	0	21	0	-21	0	0
Comprehensive income							
Group result	0	0	-200,420	0	0	0	-200,420
Other comprehensive income	0	0	7,287	331	0	0	7,618
Comprehensive income	**0**	**0**	**-193,133**	**331**	**0**	**0**	**-192,802**
As of 31 December 2022	**40,422**	**252,292**	**-56,393**	**3,144**	**0**	**0**	**239,465**

* Retained earnings including profit / loss for the year

Consolidated Notes of VARTA AG
for financial year 2022

1. 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 consolidated financial statements comprise VARTA Aktiengesellschaft and its subsidiaries (collectively the VARTA AG Group) and was approved for publication on 28 April 2023 by the executive management, which may subsequently amend the financial statements and reissue them. The reporting date for VARTA AG, all subsidiaries and for the consolidated accounts is 31 December 2022. 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.

2. Changes in the scope of consolidation

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

	2022		2021	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
As of 1 January	**44**	**1**	**43**	**1**
Disposal scope of consolidation	0	0	-2	0
Start-Up	1	0	1	0
Acquisition	0	0	2	0
As of 31 December	**45**	**1**	**44**	**1**

Start-ups

V4Drive Romania S.R.L.

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

3. Notes explaining the consolidated accounting principles

3.1. Declaration of compliance

Pursuant to Section 315e (1) of the German Commercial Code (HGB), the consolidated financial statements of VARTA AG and its subsidiaries for financial year 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the supplementary provisions of German commercial law contained in Section 315a (2) HGB. The standards of the IASB applicable on the reporting date, which have been endorsed by the European Union, are applied here. The term IFRS also comprises the International Accounting Standards (IAS), which remain valid. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC), application of which is obligatory on 31 December 2022, were also applied.

3.2. 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 47 Events after the reporting date.

3.3. 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 45 Investment companies.

3.4. Measurement basis

Assets and liabilities are classified and measured at amortised cost or at fair value. 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.

3.5. 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.).

3.6. 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.

3.7. Changes according to IAS 8

Correction of error in the accounting for government grants and internally generated intangible assets in accordance with IAS 20 and IAS 38

Within the scope of accounting for government grants, capitalised production costs of self-generated intangible assets were reduced by government grants recognised as other operating income via own work capitalised in the previous year. Since the government grants were paid to compensate for capitalised production costs, in accordance with IAS 20, the payments received would have had to be recognised as deferred income and reversed through profit or loss over the service lives of the intangible assets. Conversely, in accordance with IAS 38, the capitalised production costs of internally generated intangible assets should not have been reduced.

Consequently, there is a material error within the meaning of IAS 8.8 in the form of an incorrect disclosure in the 2021 consolidated financial statements with regard to valuation, recognition and disclosure (including presentation) in the consolidated statement of the financial position, the consolidated income statement and the Notes to the Consolidated Financial Statements. The material error results from a misapplication of reliable information that was available or could have been obtained at the time the

2021 consolidated financial statements were authorised for issue and therefore had to be taken into account in the preparation and presentation in the 2021 consolidated financial statements. The error correction is made retrospectively for all affected periods in accordance with IAS 8. The 2021 financial year is affected for the first time, which is why no correction is made to the opening balance sheet as at 1 January 2021.

The quantitative effects on the affected balance sheet and income statement items as of 31 December 2021 are as follows:

	PREVIOUS VALUE	CURRENT VALUE
Own work capitalised	9,318	19,547
Other operating income	72,031	61,802
Intangible assets	71,229	81,456
Other liabilities	0	10,229

Moreover, this affects the disclosures given in chapters 8 Intangible Assets, 24 Other liabilities and 33 Other operating income of the Notes to the Consolidated Financial Statements.

Correction of errors in accounting for separated pension obligations and related plan assets in accordance with IAS 19

In 2016, pension obligations and the related plan assets were spun off from VARTA AG to the related party, VRT Pensionen GmbH, Dillingen/Saar. The subsequent derecognition of the pension obligations and the related plan assets would only have been permitted in part in accordance with IAS 19 (r) due to a 10-year post-employment liability period pursuant to Section 133 (3) sentence 3 UmwG (German law regulating transformation of companies), during which VARTA AG must continue to be jointly and severally liable for the spun-off pension obligations.

Consequently, there is a material error within the meaning of IAS 8.8 in the form of incorrect disclosure in the consolidated financial statements 2021 and 2020 with regard to valuation, recognition and presentation (including presentation) in the consolidated statement of the financial position and the Notes to the Consolidated Financial Statements. The material error results from a failure to apply reliable information that was available or could have been obtained at the time the consolidated financial statements for the respective periods were authorised for issue and therefore had to be taken into account in the preparation and presentation of the respective consolidated financial statements. In accordance with IAS 8, errors are corrected retrospectively for all affected periods. The first period affected is the 2016 financial year, which is why a correction will be made to the opening balance sheet as at 1 January 2021. The pension obligations and the related plan assets are netted due to the fulfilment of the plan asset characteristic.

The quantitative effects on the affected balance sheet and income statement items as of 1 January 2021 and 31 December 2021 are as follows:

01 January 2021	PREVIOUS VALUE	CURRENT VALUE
Pension obligations	68,138	77,329
Plan assets	-3,527	-27,613
Asset ceiling	0	14,895
Net obligation	64,611	64,611

The total pension obligation of VRT Pensionen GmbH as of 1 January 2021 amounted to € 24.1 m. This was offset by plan assets of € 24.1 m.

31 December 2021	PREVIOUS VALUE	CURRENT VALUE
Pension obligations	62,099	69,002
Plan assets	-3,747	-27,464
Asset ceiling	0	16,814
Net obligation	58,352	58,352

The total pension obligation of VRT Pensionen GmbH as at 31 December 2021 amounted to € 20.9 m. This was offset by plan assets in the amount of € 23.7 m.

Moreover, this affects the disclosures given in chapters 21 Provisions for employee benefits of the Notes to the Consolidated Financial Statements.

Error correction of segment reporting in accordance with IFRS 8
For the purposes of segment reporting in accordance with IFRS 8, the six operating segments comprising "Micro Batteries", "Lithium-Ion CoinPower", "Lithium-Ion Battery Packs", "Lithium-Ion Large Cells", "Consumer Batteries" and "Energy Storage Systems" were combined to form the two reportable segments "Lithium-Ion Solutions & Microbatteries" and "Household Batteries". The qualitative and quantitative aggregation criteria according to IFRS 8.12 were not cumulatively met for both combined segments.

There is therefore a material error within the meaning of IAS 8.8 in the form of an incorrect disclosure in the consolidated financial statements 2021 with regard to disclosure (including presentation) in the segment reporting. The material error results from a misapplication of reliable information that was available or could have been obtained at the time the consolidated financial statements 2021 were authorised for issue and therefore had to be taken into account in the preparation and presentation of the 2021 segment reporting. The error correction is made retrospectively for all affected periods in accordance with IAS 8. Accordingly, the segment reporting for the financial year 2022 and the disclosures for the comparative period 2021 will be adjusted. As the quantitative thresholds were exceeded, the operating segments "Micro Batteries", "Lithium-Ion CoinPower", "Consumer Batteries" and "Energy Storage Systems" are each presented as reportable segments under segment reporting. The "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" operating segments are reported together as "Other" because they do not meet the quantitative thresholds.

The quantitative effects are described in chapter 6 Segment reporting of the Notes to the Consolidated Financial Statements.

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 consolidated financial statements for financial year 2022, 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 consolidated financial statements 2021 with regard to 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 consolidated financial statements 2021 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 2021. The error corrections are made retrospectively for all affected periods in accordance with IAS 8. Accordingly, the disclosures in the notes for the financial year 2022 and the disclosures for the comparative period 2021 have been adjusted.

Adjusted disclosures for the comparative period are indicated by * in the Notes to the Consolidated Financial Statements for the 2022 financial year and relate in particular to the section on 40.3 Financial risk management and 41 Other disclosures on financial instruments of the Notes to the Consolidated Financial Statements.

4. Key accounting and measurement policies

4.1. Currency translation

The individual companies prepare their financial statements in functional or local currency. In the present consolidated financial statements, assets and liabilities held in foreign currency, from financial statements denominated in foreign currency, are translated into Euro at the rate on the closing date. Equity is stated at historical rates. Expenses and income are translated into euro at average rates in the respective period. The differences resulting from translation are recognised in the consolidated statement of comprehensive income. Translation differences are only recognised through profit or loss on disposal or deconsolidation of a subsidiary.

Transactions in foreign currency are translated into the functional currency at the respective current rate. Outstanding amounts in foreign currencies are translated at closing date rates for cash items and at historical rates for non-cash items. Non-cash foreign currency items accounted for at fair value are translated at the exchange rate at the remeasurement date. The foreign currency gains and losses resulting from translation at closing date rate are, with the exception of net investments in foreign operations, reported in the income statement under other financial result. The exchange rates used for foreign currency translation that have a significant impact on the consolidated financial statements are as follows:

1 EURO EQUALS	AVERAGE RATE		RATE ON THE CLOSING DATE	
	2022	2021	31 DECEMBER 2022	31 DECEMBER 2021
US Dollar (USD)	1.053	1.183	1.067	1.133
British pound (GBP)	0.853	0.860	0.887	0.840
Romanian leu (RON)	4.931	4.922	4.950	4.949
Danish crones (DKK)	7.440	7.437	7.437	7.436
Swedish crones (SEK)	10.630	10.147	11.122	10.250

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), Croatian kuna (HRK), Czech koruna (CZK), Russian ruble (RUB), Polish zloty (PLN), Bulgarian lew (BGN) and Turkish lira (TRY) also affect the consolidated financial statements, but the effect is not significant for the VARTA AG Group.

4.2. Financial instruments

4.2.1. Non-derivative and derivative financial instruments

A financial instrument is a contract that leads simultaneously to the creation of a financial asset at one company and to the creation of a financial liability or equity at another company. Financial assets and liabilities include both primary and derivative claims and obligations.

Financial assets comprise cash and cash equivalents, trade receivables as well as other loans granted and receivables and derivative financial assets held for trading purposes. Financial liabilities include trade payables, liabilities to banks, liabilities under financial lease agreements, derivative financial liabilities held for trading purposes as well as other financial liabilities.

Recognition and derecognition
A financial instrument is recognised at the time at which VARTA becomes a counterparty to the instrument. A market purchase or sale of financial assets is recognised on the trading day, i.e., the day on which the Group agrees to buy or sell the asset.

Financial assets are derecognised when the claims to receive cash flows from the financial assets have expired or have been transferred and the Group has essentially transferred all risks and opportunities arising from ownership.

For factoring transactions, the Group checks whether trade receivables can be fully derecognised in accordance with IFRS 9. If the preconditions for derecognition are not met and the Group has neither fully transferred the risks and opportunities nor essentially retained them, the Group recognises these financial assets to the extent of the continuing commitment. At the current reporting date, this led to an ongoing commitment being recognised in the amount of the opportunities and risks that had not been transferred.

Financial liabilities are derecognised when the obligations specified in the contract have been met or cancelled or have expired.

Classification
The VARTA AG Group classifies its **financial assets** in the following measurement categories:

- those that are subsequently measured at fair value either through other comprehensive income (Fair value through OCI = FVOCI) or through profit and loss (Fair value through profit and loss = FVTPL), and
- those measured at amortised cost (amortised cost = AC).

Financial assets are classified into the above measurement categories on initial recognition. The classification depends on the entity's business model for managing the financial assets and on the contractual cash flows.

The objective of the "hold" business model is to collect contractual cash flows. The "hold and sell" business model provides for the collection of cash flows through both contractual settlement and the sale of financial assets. The "sell" business model involves the realization of cash flows through the sale of financial instruments.

Financial assets held to collect the contractual cash flows and where these cash flows represent solely interest and principal payments are classified as "valued at amortised cost". Financial assets held to collect the contractual cash flows and to sell the financial assets, and where the cash flows represent solely interest and principal payments, are classified as "measured at fair value through other comprehensive income (FVOCI). Financial assets that do not meet the criteria for the (valued at amortised cost) or (FVOCI) category are classified as (FVTPL). For investments in equity instruments that are not held for trading, there is an irrevocable option at the time of initial recognition to classify the equity instruments (measured at fair value through other comprehensive income).

The VARTA AG Group primarily holds debt instruments whose business model is based on the collection of contractual cash flows ("hold" business model) and whose cash flows exclusively represent repayments and interest on the outstanding capital, which is why they are allocated to the category "measured at amortised cost". This does not apply to trade receivables sold under a revolving factoring program, which are therefore subject to the "sell" business model, and derivative financial assets, which are assigned to the "measured at fair value through profit or loss" category.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows represent solely principal and interest payments.

The Group reclassifies debt instruments only when there is a change in the business model for managing such assets.

Financial liabilities are divided into the following categories:

- measured at fair value through profit and loss (FVTPL),
- measured at amortised cost (financial liabilities at amortised cost = FLAC).

In the VARTA AG Group, all financial liabilities are allocated to the category (measured at amortised cost). This does not include derivative financial liabilities (including embedded derivatives that have been separated from the host contract), which fall into the category (measured at fair value through profit or loss), as well as liabilities to be recognised in the event of a transfer of financial assets in the context of a continuing involvement; these are not allocated to any category.

The fair value option under IFRS 9 is not applied to either financial assets or financial liabilities.

Measurement
On initial recognition, the Group measures a financial asset or financial liability at fair value plus or minus - in the case of a financial asset or financial liability not subsequently measured at fair value through profit or loss - the transaction costs directly attributable to the acquisition of that asset or the issue of that liability. This does not apply to trade receivables without a significant financing component, which are valued at their transaction price on initial recognition. In the case of financial assets or financial liabilities at fair value through profit or loss, transaction costs are recognised immediately in profit or loss.

Financial assets
The measurement after recognition of financial assets is based on their measurement category:

- At amortised cost (AC): Such financial assets are measured at amortised cost, taking into account impairment losses. Interest income is recognised in net interest income using the effective interest method. Impairment gains and losses are presented in the consolidated statement of income in the line item "other operating expenses", net. Amounts recovered in subsequent periods that were previously written off are recognised in the same line item. Gains or losses on derecognition are recognised in the income statement under the "other operating expenses" line item and foreign currency gains and losses are recognised in other financial result.
- Debt instruments measured at fair value through other comprehensive income (FVOCI): changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement on disposal. Impairment income and expenses for debt instruments FVOCI are recognised in the income statement. Interest income from these financial assets is recognised in the financial result using the effective interest method. Foreign currency gains and losses are reported in other financial result and impairment losses in a separate line item in the income statement.

- Equity instruments measured at fair value through other comprehensive income (FVOCI EK): changes in fair value are recognised under other comprehensive income, even on disposal.
- At fair value through profit or loss (FVTPL): gains and losses on such financial assets are netted in profit or loss and recognised in accordance with their nature under other operating income / expenses or interest income / expenses in the period in which they arise.

Financial liabilities
The measurement after recognition of financial liabilities is based on their measurement category:

- At amortised cost (FLAC): such financial liabilities are measured at amortised cost using the effective interest method.
- At fair value through profit or loss (FVTPL): Gains and losses on such financial assets are netted in profit or loss and recognised in accordance with their nature under other operating income / expenses, the cost of materials (in the case of commodity swaps) or interest income / expenses in the period in which they arise.

4.2.2. Impairment of financial assets
The impairment provisions of IFRS 9 must be applied to financial assets in the amortised cost (AC) and debt capital instruments measured at fair value through other comprehensive income (FVOCI) categories, contract assets and lease receivables. The standard provides for two models for this purpose: the general approach and the simplified approach. According to the general approach, financial assets with a low risk of default must be taken into account with a loss allowance equal to the credit losses expected in the next twelve months on initial recognition and in subsequent periods if they are all deemed to carry a low risk of default, unless there has been a significant increase in the credit risk (level 1). In the event of a significant increase in the credit risk, the full lifetime expected credit losses must be stated (level 2). Among other factors, a debtor being more than 30 days in arrears is deemed to indicate such an increase. If a financial asset is impaired or has defaulted, it is allocated to level 3. The expected credit losses over the full lifetime of the financial asset will be recognised as an impairment charge. Objective indicators that a financial asset is impaired include its being overdue by more than 91 days as well as additional information about the debtor's material financial difficulties.

For trade receivables and contract assets that do not have a significant financing component, the Group applies the simplified approach under IFRS 9 to measure expected credit losses. According to this approach, allowances are always measured in the amount of the expected credit losses over the term, irrespective of the change in default risk since addition of the financial asset.

For the purpose of measuring anticipated credit losses, trade receivables have been aggregated on the basis of common credit risk characteristics. For trade receivables that are not credit-impaired, impairment losses for anticipated credit losses are determined based on country-specific probabilities of default derived over a three-year period prior to 31 December of the reporting year or 1 January of the reporting year and the corresponding historical defaults in that period. The anticipated loss rates are reviewed at each balance sheet date and, if necessary, adjusted to reflect new conditions affecting the customers' ability to pay.

Trade receivables are regarded as impaired and will be written-down (level 3) as soon as there are objective indications of an impairment. Among other factors, a debtor being more than 90 days in arrears with a contractual payment is deemed to indicate an impairment. The definition of a default with regard to a financial asset depends on regional particularities and customers. Trade receivables are derecognised when, according to reasonable assessment, they are no longer recoverable.

The same basis as for trade accounts receivable was used to measure anticipated credit losses. For contract assets that are not credit-impaired, the impairment losses for expected default risks are determined on the basis of country-specific probabilities of default derived over a period of three years prior to 31 December of the reporting year or 1 January of the reporting year and the corresponding historical defaults in this period. The anticipated loss rates are reviewed at each balance sheet date and, if necessary, adjusted to reflect new conditions affecting the customers' ability to pay.

The Group uses the general model of expected credit losses for other receivables and assets as well as cash. Management considers that the "risk of default is low" if the assets carry an investment grade rating or if the risk of non-performance is low and the issuer is able at all times to fulfil its contractual obligations in the short-term.

With regard to "other receivables", there is in principle no increased credit risk once they are 30 days past due since the majority of these receivables are receivables due from government institutions. Should they be financial assets due from government institutions, impairment is indicated if the debtor is more than a year in arrears.

4.3. Goodwill

The amount by which the amount of consideration transferred as part of a corporate acquisition exceeds the pro rata fair values of the individually identifiable assets and liabilities acquired is recognised as goodwill. The subsequent annual impairment test is described in chapter 4.10 "Impairment test".

4.4. Intangible assets

4.4.1. Research and development

Research expenditure is recognised as expenses with regard to obtaining new fundamental or technological knowledge and understanding. Capitalised development costs are recognised as intangible assets and amortised from the date on which the asset is available for use. Development costs with respect to new products and processes are then capitalised if, in essence, the following conditions are demonstrably and cumulatively met:

- completion of the project in the sense that it can be utilised economically through own use or sale is technically feasible;
- intended completion of the project and utilisation through sale or own use;
- capacity for own use or sale of the intangible asset;
- demonstration of future economic benefit. Among other aspects, the company must provide evidence of the existence of a market for the intangible asset itself or the products to be generated from it. In the event of own use, evidence must be provided that the asset in question is useful.
- availability of the technical, financial and other reserves needed to complete the project or to use or sell the asset;
- reliable determination of the costs to be allocated to the intangible asset during the development phase.

Capitalised development costs are measured at cost of acquisition or manufacture less cumulative depreciation and other loss allowances (for further information, please refer to note 4.10 Impairment test. Determination of the useful life is dependent on the project and is based on the anticipated useful life of the development.

Internally generated intangible assets mainly relate to development costs.

4.4.2. Other intangible assets

In addition to goodwill, other intangible assets include industrial property rights and other intangible assets (such as licenses), trademark rights and other intangible rights (such as customer relationships), and development costs.

Intangible assets with determinable useful lives are accounted for at cost less cumulative depreciation and impairments (for further information, please refer to note 4.10 "Impairment test". Intangible assets are capitalised if it is likely that an economic benefit will be attained from them. All other expenses are charged directly to the income statement at the time they are recognised. Intangible assets are depreciated on a straight-line basis over their estimated useful lives; depreciation starts from the date they are available for use. The estimated useful life for commercial property rights, licenses and other intangible assets amounts to between one and ten years.

Intangible assets with an unlimited useful life are not depreciated but subjected to an impairment test each year (for further information, please refer to note 4.10 Impairment test). At VARTA, this primarily concerns goodwill, development costs and brand names.

4.5. Property, plant and equipment

Property, plant and equipment is measured at cost of acquisition or manufacture less cumulative depreciation and cumulative impairments. The costs of manufacture include material and production costs as well as directly attributable overheads. Subsequent investments are only capitalised if they increase the future economic benefit of the fixed asset. All other expenses for property, plant and equipment are recognised immediately in expenditure.

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

With the exception of land, property, plant and equipment is written down on a straight-line basis through profit and loss over the following expected useful lives:

Buildings	6 - 50 years
Technical plant and machinery	3 - 20 years
Other equipment	1 - 15 years

The depreciation methods, useful lives and assumed residual values are reviewed each year, if not insignificant, and adjusted if necessary.

If an asset is disposed of, the differences between the carrying amounts and the net sales proceeds are recognised through profit or loss in other operating income or in other operating expenses.

4.6. Leases

The Group leases various office buildings, warehouses as well plant and vehicles. Leases are usually concluded for fixed periods ranging from 1.5 to 13 years, but may include options to extend and indefinite terms. When determining the term of the lease, all facts and circumstances that may offer an economic incentive to exercise options to extend or not to exercise them are taken into consideration. When defining the term, such options are only taken into consideration if exercise thereof is sufficiently certain. Lease terms are negotiated individually and include a multitude of different terms. Leases do not include any credit conditions, but leased assets may not be used as collateral for raising loans.

The Group assesses whether the agreement establishes a leasing relationship or contains one. This is the case if the agreement entitles use of an identified asset to be controlled for a certain period in return for payment of a fee. VARTA uses the definition of a leasing relationship specified in IFRS 16 to assess whether an agreement contains the right to control an identified asset. Each lease instalment is divided into a repayment portion and a financing portion. Financing expenses are recognised through profit or loss over the term of the leasing relationship, meaning that a constant periodic interest rate on the remaining amount of the liability is produced for each period. The right of use is written down on a straight-line basis over the shorter of the two periods of the useful life and term of the lease agreement. Non-lease components are recognised under other operating expenses.

Assets and liabilities under leasing relationships are recognised at present values when recognised for the first time. Lease liabilities comprise the present value of the following lease payments:

- fixed payments (including de facto fixed (in-substance fixed) payments, less any lease incentives to be received)
- variable lease payments, which are linked to an index or (interest) rate

Lease payments are discounted by the implicit interest rate on which the leasing relationship is based, if this can be determined. Otherwise, they are discounted by the incremental borrowing rate of interest, i.e., the interest rate that the VARTA Group would have to pay if it had to raise funds to acquire an asset with a comparable value and comparable terms in a comparable economic environment.

Rights of use are measured at cost, which comprises the following:

- the amount of the first valuation of the lease liability
- all initial direct costs incurred and
- if necessary, estimated costs arising from dismantling or removing the underlying asset, from restoring the site in which it is located or from returning the underlying asset to the condition required in the lease agreement.

VARTA makes use of both the relief for short-term leases as well as for leases based on minor-value assets. These are recognised as expense in profit or loss on a straight-line basis. Leases with a term of up to 12 months are regarded as short-term leases. Low value assets include, for instance, IT equipment and smaller office furniture.

The lease liability is measured at amortised carrying amounts using the effective interest method. They are remeasured if future lease payments change because of a change to an index or (interest) rate, if the Group changes its assessment of whether an option to purchase, extend or terminate will be exercised or an in-substance fixed lease payment changes. In the event of a lease liability being remeasured in this way, the carrying amount of the right of use is adjusted accordingly.

4.7. Trade receivables

Trade receivables are accounted for at amortised cost, which usually equates to the nominal value less loss allowances created for the credit risk (for further information, please refer to note 40.3 Financial Risk Management).

Revenue is recognised by the Group when control of the goods or services is transferred to the customer. VARTA recognises a contract asset for revenue when it has a legal right to receive a consideration for goods or services transferred to a customer, unless that right is conditional solely on the passage of time. A contract liability is recognised when there is an obligation to transfer goods or services to a customer for which it has received (or is to receive) a consideration from the customer.

4.8. Inventories

Inventories are measured at cost of acquisition or manufacture or at the lower net realisable value. The net realisable value is the expected average sale price less completion and sales costs still to be incurred.

Self-manufactured products are measured at the cost of manufacture, while purchased products are measured at the cost of acquisition. The costs of manufacture include direct material and production costs as well as directly attributable overheads. Production overheads are determined on the basis of normal production capacity. Inventories are usually measured on the basis of the moving average method. They are written down if the net realisable value is lower than the carrying amount.

4.9. Share-based remuneration

The VARTA AG Group currently offers a single share-based remuneration programme. This is an employee stock option programme (ESOP), which was established by VGG Beteiligungen SE, Vienna, Austria.

The ESOP is paid in shares or cash. At VARTA AG, personnel costs are recognised over the vesting period. They are offset under capital reserves, as it is an equity-settled plan.

The fair value of share-based payment systems was determined in accordance with the Black Scholes formula. For further details, please refer to note 35 Share-based payment arrangements .

4.10. Impairment test

The carrying amounts of non-financial assets or cash-generating units (CGUs) within the scope of IAS 36 are assessed on each reporting date to discover whether there are indications of impairment. If such indications are uncovered, an impairment test will be carried out.

For intangible assets that have an indeterminable useful life or are not yet available for use, the recoverable amount is determined annually at the same time for the CGU. At VARTA, 31 December was specified as the reporting date for this purpose.

The recoverable amount of a CGU is determined using the discounted cash flow (DCF) method and is the higher of value in use and fair value less disposal costs. The DCF method reacts especially sensitively in relation to the discount rate chosen and the future cash flows estimated by the Executive Board. The discount rate is based on the weighted average cost of capital (WACC) of the respective CGUs. It is calculated from a risk-free interest rate and a market risk premium. The discount rate also reflects the current market assessment and risks of CGUs taking account of peer group information. When determining the recoverable amount, the estimated future cash flows are discounted to the present value. To carry out impairment tests, the assets are divided into the smallest group of assets, which generate independent cash flows (cash generating units).

An impairment exists if the carrying amount of an asset or CGU exceeds the estimated recoverable amount. At VARTA, the recoverable amount is initially determined through fair value. If this calculation indicates that the asset should be written down, the value in use is also determined. Impairments are posted in profit or loss. Impairments to a CGU or a group of CGUs are first allocated to goodwill and subsequently pro rata to the other assets of the unit or group. Individual assets of a unit or group whose fair values less disposal costs exceed their carrying amount are exempt from this rule.

Impaired assets (apart from goodwill) are assessed each reporting date to determine whether there are any indications that the loss has become smaller or no longer exists. Impairments are written up to the increased recoverable amount, but not to more than the updated original carrying amount of the asset.

4.11. Defined benefit obligations and defined contribution commitments

In addition to the state retirement benefits, the Group offers defined benefit and defined contribution pension plans for parts of the workforce. The pension plans offer age-related benefits and benefits in the event of death or invalidity. In essence, there are "Employee Benefits" defined benefit plans as defined in IAS 19 in Germany and Singapore.

Defined contribution plans

In the case of defined contribution plans, the expenses reported in the consolidated income statement equate to the employer's contributions.

Defined benefit plans

For all material defined benefit plans, the defined benefit obligation (DBO) is determined each year by independent actuaries by calculating the present value of the DBO using the projected unit credit method. The discount rate is based on the interest rate for high quality corporate bonds with virtually identical maturities to the defined benefit obligations. The costs of the employee benefits that accrued in the current period are reported in the consolidated income statement. In the balance sheet, the plan assets measured at fair value are netted off against the defined benefit obligation.

An increase in plan costs from past employee service that is attributable to new or improved plan benefits is not recognised in actuarial gains or losses as past service cost incurred, but is recognised immediately under personnel expenses (service cost) in accordance with IAS 19.103. The increase in plan costs is recognised in profit or loss.

The Group determines the net interest expenses (income) on the net defined benefit liability (asset) for the reporting period using the discount rate that was applied to measure the defined benefit obligation at the beginning of the annual reporting period. This discount rate is applied to the net defined benefit liability (asset) at this time. In so doing, possible changes that occur to the net defined benefit liability (asset) during the reporting period as a result of contribution and benefit payments are taken into consideration. Net interest expenses and other expenses for defined benefit plans are recognised in profit or loss.

Revaluation of the net defined benefit liability is recognised directly in other comprehensive income. The revaluation includes the actuarial gains and losses, income from plan assets (without interest) and the impact of the possible asset ceiling (without interest).

If the benefits of a plan are changed, or if a plan is curtailed, the past service cost incurred is not recognised in actuarial profit or loss but immediately in personnel expenses (service cost) in accordance with IAS 19.103. The past service cost is recognised in profit or loss. A service cost or curtailment gain or loss is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan at the date of settlement.

Surpluses are only recognised if they are actually available to the Group in the form of future contribution payments or reductions.

Assumption of a joint debt obligation
An agreement was concluded with the external company Colibri Beratungs GmbH, Fürstenfeldbruck, in 2017 in which the company agreed to assume the pension obligations of a Group company as part of a joint debt obligation in return for payment of an agreed fee. In this connection, the accrued pension obligations existing as of 31 December 2016 are accounted for in the Group company in question and settled with the beneficiaries; at the same time, a claim for reimbursement against the company and the regular netting off of paid pension claims is accounted for. The amortised claim to reimbursement is determined in accordance with IAS 19; the fair value of the asset is reviewed annually, taking account of the safeguards that have been implemented (see chapter 21.2 "Pensions"). Changes in the fair value are recognised in other comprehensive income.

An agreement was also concluded with a related company VC Pensionen GmbH in 2021 in which the company agreed to assume the pension obligations of a Group company as part of a joint debt obligation in return for payment of an agreed fee. In this connection, the accrued pension obligations existing as of 31 December 2020 are accounted for in the Group company in question and settled with the beneficiaries; at the same time, a claim for reimbursement against the company and the regular netting off of paid pension claims is accounted for. The amortised claim to reimbursement is determined in accordance with IAS 19; changes in the fair value are recognised in other comprehensive income. The fair value of the asset is reviewed annually, taking account of the safeguards that have been implemented (see chapter 21.2 "pensions"). Changes in fair value are recognised in other comprehensive income.

4.12. Government grants

Government grants, which are used to offset expenses incurred, are recognised as scheduled in profit or loss in the periods in which the expenses are incurred.

Other government grants in relation to assets are initially recognised as deferred income if there is an appropriate degree of certainty that they will be awarded, and that the Group will meet the conditions associated with the grant. Subsequently, these other government grants are recognised as other income in profit or loss on a scheduled basis over the term of the asset's useful life.

Accounting for short-time allowances
Short-time working arrangements mean that the Company's usual working hours are reduced for a temporary period and the employer pays a correspondingly reduced remuneration. Employees affected by short-time working are entitled to claim a short-time allowance from the responsible agency (the Federal Labour Office in Germany), which is paid by the employer as the paying agent. Incoming payments that are to be paid to employees are treated as pass-through items in personnel expenses. Supplementary amounts paid by the VARTA AG Group are recognised in personnel expenses. There were no social security reimbursements in the reporting year.

4.13. Contingent liabilities

If the recognition criteria for provisions are not met and the possibility of a cash outflow if they are met is unlikely, they will be disclosed as a contingent liability (if they can be measured sufficiently). The amount disclosed as a contingent liability corresponds to the best-possible estimate of the possible obligation on the reporting date. This also includes short-term liabilities to employees (for example bonuses and holiday entitlements). Provisions and contingent liabilities are reviewed regularly and amended in the event of new findings or changes to circumstances.

4.14. Deferred liabilities

Deferred liabilities cover future expenses where the amount or timing is uncertain but where there is less uncertainty than with provisions. These are liabilities for received or supplied items or services, which have neither been paid nor invoiced nor even formally agreed. These also include current liabilities to employees (such as bonuses or holiday entitlements). Deferred liabilities are recognised as liabilities in the amount of anticipated utilisation.

4.15. Provisions

Provisions are liabilities where the amount or timing is uncertain. They are recognised if the Group has a present obligation to third parties based on a past event, a cash outflow to meet this obligation is likely and the amount can be reliably determined. Provisions are discounted if the effect is material. Provisions where the probable cash outflow will take place within the next year are classified as current, while all other provisions are classified as non-current.

4.16. Revenue recognition

In accordance with IFRS 15, revenue is recognised when a customer obtains control of goods and services.

Judgements are required to determine whether control passes at a specific point in time or over a period of time. Therefore, in the case of revenue recognition over a period of time, for example, it is necessary to check whether products are "customer-specific" and whether there is a legal right to receive payment including an appropriate profit margin for services already supplied in the event of the contract being broken.

The majority of the revenue from product sales is recognised at a point in time, since in most cases no customer-specific products are sold without an alternative use. In the VARTA AG Group, an alternative use also exists when specific products can be sold to other customers at negligible cost (e.g., change of packaging).

Rebate in kind claims are taken into account at the time of the product delivery from which the claim accrues. When the rebate in kind is supplied, the revenue-reducing contractual obligation is cancelled. Take-back obligations are recognised as a contract liability at the time of the product delivery on the basis of the best-possible estimate. Customer claims from bonus agreements are recognised as other provisions. For consignment stock, revenue is to be recognised at VARTA when the customer obtains control.

In the VARTA AG Group, the recognition of revenue over time essentially relates to revenue from customer-specific products. In this case, determination of the performance progress takes place using the input-based cost-to-cost method.

The key payment terms include a maturity of 30 days net. Warranty and liability claims associated with the sale of products are based on the provisions of the law or market practices.

4.17. Financial result

Net interest income contains income from other receivables, other financial assets and cash and cash equivalents, as well as expenses from other financial liabilities. Interest income and expenses are recognised in the period in which they accrue in profit or loss using the effective interest method.

The other financial result comprises impairments of financial assets and translation differences from foreign currency transactions.

4.18. Income taxes

Income taxes contain both current and deferred income taxes. Normally, income taxes are recognised in profit or loss unless they are directly associated with an item that is recognised directly in the consolidated statement of comprehensive income.

Current income taxes are calculated on the basis of the taxable result using the tax rates applicable at the reporting date.

Deferred taxes are calculated in principle on all temporary differences between the reported balance sheet values of assets and liabilities. They are measured at the tax rates applicable or probably applicable to the respective Group companies.

No deferred taxes are recognised for the following temporary differences: initial recognition of goodwill, assets or liabilities associated with a transaction recognised for the first time that affect neither the taxable result nor the profit/loss for the year, and temporary differences on shares in subsidiaries if it is probable that the temporary differences will not be realised in the foreseeable future.

Deferred tax assets from loss carryforwards that can be offset and temporary differences will only be considered insofar as it is likely that they can be offset against future taxable profits or deferred tax liabilities. The assessment is based on the corporate planning approved by the Supervisory Board.

The assessment for income tax purposes basically takes place at the level of the individual circumstances, taking account of any reciprocal effects. If recognition that it can be used for tax purposes is probable, current and deferred taxes must be recognised on this basis. If, however, there is uncertainty regarding recognition (not probable), in principle, the most likely amount that will be recognised for tax purposes must be used unless the expected amount from different scenarios leads to more meaningful results. In this context, it is assumed at all times that the tax authorities will be fully aware of the circumstances. Finally, the assumptions and decisions made are reviewed at each reporting date and, if applicable, adjusted on the basis of new findings.

4.19. Segment reporting

The Group is set up as a divisional or branch organisation. Its operating activity is organised via the application-oriented Micro Batteries, Lithium-Ion CoinPower, Consumer Batteries, Energy Storage Systems and Other business segments. Business is managed in the respective divisions along the operating value-added chain across all geographical regions and countries.

The CODM (Chief Operation Decision Maker) is responsible for monitoring. The CODM is the Executive Board of VARTA AG, since it uses the internal management reporting to scrutinise the segments' performance and allocation of resources at regular intervals. Performance per segment is assessed on the basis of EBITDA or adjusted EBITDA. The former denotes earnings before interest, taxes, depreciation of property, plant and equipment and amortisation of intangible assets. This key figure does not therefore take account of any interest and financing elements. Neither does it take account of the shares of profits or losses of companies included in the consolidated financial statements under the equity method.

Micro Batteries
For applications in the area of Micro Batteries segment, zinc-air batteries are primarily manufactured for use in microbatteries and hearing aid devices. These are marketed under the "power one" and "ecopack" brands in addition to proprietary customer brands. Commercial success in the area of hearing aid batteries is dependent on innovative, reliable solutions that offer a long service life as well as consistent quality. Our market position is secured by proprietary automation processes within production in addition to our ability to provide an end-to-end service to our customers, ranging from initial product to the point of sale (POS).

Lithium-Ion CoinPower
High-end lithium-ion battery solutions for premium wireless headphones (hearables) are manufactured for the Lithium-Ion CoinPower business area. Further application areas are "wearables", which include medical devices to measure hypertension (high blood pressure), blood sugar and other bodily functions as well as the power supply for COVID19 antibody tests.

Consumer Batteries
In the Consumer Batteries segment, VARTA is a European market leader in the area of household device batteries with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and the expertise of internationally qualified specialists. A combination of innovative capacity, breadth, quality and design make the product range unique. For VARTA, a pronounced focus on consumer lifestyles and close working relationship with retail partners are essential in order to react quickly and flexibly to emerging device trends with the best energy solutions.

Energy Storage Systems
By developing and manufacturing energy storage solutions within its Energy Storage Systems business segment, VARTA is contributing to the energy revolution. The energy storage solutions developed by VARTA in the home and mass storage markets range from compact, basic models such as the wall-mounted VARTA pulse neo to large-scale storage solutions such as the VARTA flex storage for commercial applications. The AC-coupled systems feature integrated battery inverters and can be combined with all sources of green energy without the need for additional PV inverters. This makes them suitable for all new installations and retrofit projects. The smart energy management system also ensures optimal use of self-produced solar energy and is designed to significantly increase domestic solar power use.

Others
The lithium-ion large cells product group is located in the Other segment. These are mainly produced for rechargeable battery solutions for industrial and original equipment manufacturers (OEMs). These include applications such as servers, applications in alarm systems or smart meters. It also includes the Lithium-Ion Battery Packs business. This is focused on the development, system integration and assembly of lithium-ion battery packs for OEM customers in various markets. This segment is responsible for the production of rechargeable, standardised and customised battery packs. These can be seamlessly integrated into various industrial and wireless applications. Irrespective of the technology or complexity of tasks at hand, the Company offers a full service from design to production for OEM customers. This segment is concentrated on solutions for portable industrial applications, communications devices and electric power tools in addition to devices used at home, in the garden and for medical applications.

4.20.Changes to accounting standards

Accounting standards applied for the first time in 2022

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

IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract – Cost of Fulfilling a Contract) contain the definition of which costs a company should include when assessing whether a contract is onerous. It states that the costs of fulfilling the contract are all costs that relate directly to the contract. Therefore, both costs that would not accrue without the contract (incremental costs) and other costs that are directly attributable to the contract must be taken into consideration.

Annual Improvements to IFRS (2018-2020 Cycle)

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

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

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

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

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

IFRS 3 – Reference to a Conceptual Framework

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

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

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

4.21. New and amended IFRS standards after 31 December 2022

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

New or amended standards and interpretations		ENACTMENT
Amendments adopted in EU law:		
Standards		
IFRS 17	Insurance contracts (incl. Amendments to IFRS 17)	1 January 2023
Amendments:		
IAS 8	Amendment Definition of Accounting Estimates	1 January 2023
IAS 1 / IFRS	Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
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.

IFRS 17 – Insurance Contracts

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

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

IAS 8 – Amendment to the definition of accounting estimates

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

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

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.

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

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.

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

IFRS 17 – First-time application of IFRS 17 and IFRS 9 - Comparative Information
The amendment to IFRS 17 introduces the possibility of applying a classification overlay approach if certain preconditions are met. This makes the comparative information on financial instruments in the year before first-time application of IFRS 17, i.e., in financial year 2022, more meaningful.

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

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. Inter alia, the newly inserted paragraphs use illustrative examples to explain various possible approaches, especially in the case of variable lease payments.

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.

5. Material assumptions and estimates

The consolidated financial statements contain the following material items, where the amount stated is crucially dependent on the underlying assumptions and estimates:

Useful lives of non-current assets
Property, plant and equipment and intangible assets acquired for consideration are stated at cost of acquisition or manufacture and depreciated on a scheduled, straight-line basis over their respective useful lives. In determining useful life, factors such as wear and tear, ageing, technical standards, contract term and changes in demand are taken into consideration. Changes to these factors can entail a reduction or extension in the economic useful life of an asset. In this case, the remaining useful life would be depreciated over the remaining shorter or longer useful life, and this would lead to higher or lower amounts of annual depreciation. Due to the underutilisation in the CoinPower area accompanied by the impairment loss recognised on property, plant and equipment in the reporting year, the need to adjust the useful life of machinery and equipment in this area was identified at the end of the financial year.

Certain intangible assets are categorised as indefinite in terms of their useful lives in the event that an analysis of all relevant factors does not indicate an end to the period for which the asset contributes to the generation of cash flows. This analysis is reviewed annually to determine whether the assessment of an indefinite useful life is still justified. In the case of long-term rental agreements for real estate, in some cases, extension options have been agreed with the owners. As the remaining term of the contracts as at the balance sheet date is several years in each case, it was also not possible to sufficiently determine whether these options would be exercised due to the general economic situation of the VARTA Group. In this respect, this was not taken into account when determining the remaining terms.

Loss allowances on non-current assets
The impairment test to measure the recoverable amount of a CGU is based on corporate planning figures, the discount rate, the growth rate, anticipated inflation and exchange rates.

Due to the business development of 2022, VARTA contacted the syndicated lenders for a waiver in October/November, as the agreed covenants could no longer be achieved due to the withdrawn annual forecast. This event was classified as a triggering event for impairment tests of the various cash generating units of the Group.

Accordingly, the Executive Board reassessed the recoverable amount of the cash-generating units at the end of 2022. The recoverable amount was initially determined on the basis of fair value less costs to sell. Due to extensive future remediation measures, the fair value less costs to sell exceeds the value in use of the cash-generating units.

The measurement of the Lithium-Ion CoinPower cash-generating unit is based on the assumption that it will be able to generate positive cash flows in the future with the existing production capacities and the planned reorganization measures. The fair value less costs to sell was determined on the basis of a discounted cash flow model with eight planning years and no perpetual annuity. The number of plan years taken into account was derived from the useful life of the leading assets of the cash-generating unit.

As the carrying amount exceeds the fair value less costs to sell of the cash-generating unit, an impairment loss of € 114.5 m had to be recognised. In determining the fair value less costs to sell, the future cash inflows were determined on the basis of a sensitive planning from the continued use of the assets. The sensitive planning deviates from the planning approved by the legal representatives in order to take into account possible negative deviations from the planning on a probability-weighted basis.

The fair value of the cash-generating unit "Lithium-Ion Large Cells" was also determined on the basis of a discounted cash flow model with eight planning years and no perpetual annuity. The number of plan years taken into account was derived from the useful lives of the leading assets of the cash-generating unit.

The impairment test resulted in an impairment loss of €31.2 m. The future cash flows were determined on the basis of probability-weighted scenarios, which were estimated as best as possible by the Executive Board. The scenarios take into account, among other things, different characteristics of the future positive cash flows and different possible uses of the existing assets.

The fair value less costs to sell of all other cash-generating units was determined on the basis of the maturity of the underlying business models using discounted cash flow models with perpetual annuities. As the fair value less costs to sell determined in this way exceeds their carrying amounts, no impairment loss was recognised.

In determining the fair value less costs to sell, the future cash inflows were determined on the basis of a sensitive planning from the continued use of the assets. The sensitive planning deviates from the planning approved by the legal representatives in order to take into account possible negative deviations from the planning on a probability-weighted basis.

The impairment test thus resulted in a total impairment requirement of € 145.7 m, of which a partial amount of € 4.3 m relates to goodwill and the major part of € 141.4 m to property, plant and equipment.

More detailed information on the impairment tests performed can be found under 4.10 Impairment test. However, the assumptions made for this purpose may be subject to change, which could lead to impairment losses in future periods.

Defined benefit obligations

There are various pension plans for some of the employees in the Group. To be able to determine the resulting credit balances and/or obligations, the Group must first assess whether they are defined benefit or defined contribution plans. To estimate future development, statistical assumptions are made for defined benefit plans.

The actuarial measurement of provisions for employee benefits are based on discount rates, salary increases, staff turnover and the pensionable age (demographic and financial variables). If these assumptions change in response to changes in the economic situation or new market conditions, actual data may deviate significantly from actuarial opinions and calculations. These deviations may have a material influence on expenses and income from pension plans in the medium term. More detailed information on pension plans is provided under note 21.2 "Pensions".

In connection with the joint debt assumption of the pension obligations, checks must be carried out at the reporting date to verify that the capitalised claim for reimbursement is not impaired. The recognised value of the claim for reimbursement is influenced by the recognised value of the individual assets, which Colibri Beratungsgesellschaft mbH has lodged with VARTA Microbattery Pensions-Treuhand e.V. on a fiduciary basis. The same applies to the joint debt assumption with VC Pensionen GmbH and VARTA Consumer

Pensions-Treuhand e.V. Here, the greatest scope for discretion applies to the valuation of property and long-term investments.

The assessment is performed annually by an independent expert who reviews the adequacy of the financial statements relating to the trust assets. Based on these appraisals, VARTA AG assumes that the reimbursement rights are recoverable and can be used to cover the pension obligations covered by the debt contribution.

With regard to the pension obligations spun off from VARTA AG to VRT Pensions GmbH, Dillingen/Saar, in 2016, the previous pension debtor VARTA AG is jointly and severally liable with the new pension debtor VRT Pensions GmbH for the fulfilment of the pension obligations for a period of ten years. VARTA AG does not anticipate any claims arising from this joint liability under company law, irrespective of fault, as the spin-off of the € 25.5 m pension obligations also involved the transfer of corresponding plan assets amounting to € 26.9 m and thus an asset surplus of € 1.5 m. As of 31 December 2022, there was an asset surplus of € 3.4 m of the plan assets of € 19.7 m over the separated pension obligations of € 16.3 m.

In addition, there could be a fault-based liability due to insufficient funding of VRT, which could justify claims for damages by the employees due to a concrete endangerment of assets resulting from the insufficient funding. Due to the asset surplus of the plan assets over the spun-off pension obligations, VARTA AG assumes that there is sufficient funding and therefore no such claims for damages.

Based on this assessment, the affected pension obligations are only recognized in the consolidated financial statements of VARTA AG with regard to the pension payments within the ten-year subsequent liability period in the amount of € 5.0 m as of 31 December 2022.

Other provisions
Provisions are created for various circumstances as part of ordinary operating activities. The amount of the anticipated cash outflows is determined on the basis of assumptions and estimates for each specific circumstance. These assumptions may be subject to changes, which lead to a deviation in future periods.

Income taxes
Deferred taxes are recognised on temporary differences between the amounts in the consolidated balance sheet and the carrying amounts in the tax balance sheet and on tax loss carryforwards, where it is probable that they can be utilised. Deferred taxes are calculated on the basis of those tax rates, which apply according to the current legal position at the date at which the temporary differences will be offset and on the basis of an assessment of the future ability to generate taxable earnings based on the corporate planning approved by the Supervisory Board. Possible changes in tax rates or future taxable earnings that differ from the assumptions may lead to the realisation of deferred tax assets becoming unlikely and an allowance having to be recognised for these assets. Changes in the tax rate may also lead to adjustments to deferred tax liabilities. The carrying amounts of deferred taxes emerge from the consolidated balance sheet and are assigned to the balance sheet items in the notes to 17. "Deferred taxes".

Tax matters are assessed according to the legal regulations currently in force but may also be subject to estimates if the legal regulations are not definitive or the basic principles can lead to a different assessment. The calculation of income tax is therefore subject to estimates, however, given the level of technical expertise involved, any tax risk arising from such estimates is considered low.

Sales revenue
The VARTA Group's sales revenue primarily comprises revenue from standard products and to a lesser extent from customer-specific products. Revenue is measured on the basis of the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or a service to a customer.

There is scope for discretion with regard to the indicators for assessing the time at which control is transferred, which differ depending on the type of contract and the performance obligation. In principle, the way in which the contract is structured, such as the structure of Incoterms, plays a significant role. For consignment warehouses, the interpretation of consignment contracts is significant, namely whether control is transferred on withdrawal or when the items are delivered to the consignment warehouse. In addition, variable payments or rebates in kind agreements are reached with customers. Rebates in kind are usually accounted for as a substantial right. The judgement of whether the products are customer-specific products depends on the extent to which they are bespoke and whether there are alternative, commercially viable uses for them. For customer projects, the assessment of the contract depends on whether the delivery or performance takes place at a specific point in time or over a period of time.

Subsidies and public grants
VARTA receives government grants to promote important projects of common European interest. They are granted on application, i.e., they are not a contractually agreed service (and consideration). In principle, the grants are not designed to be repayable either.

The Group recognises government grants – in accordance with IAS 20.7 – if there is reasonable assurance that the Group will meet the conditions associated with the grants and that they will be awarded. Receipt of a grant does not of itself provide conclusive evidence that the conditions connected to the grant have been or will be fulfilled (IAS 20.8).

VARTA established that in the present case the awarding of the grants is linked to actual expenses incurred for the subsidised projects. This means that the earliest point at which possible grants can be recognised is when the respective expenditure was incurred, or investment was undertaken.

An assessment as to whether or when there is reasonable assurance that the grants will be received will be made from this point, bearing in mind the following aspects, among others:

- that the planned incidental provisions are met
- that the claw-back mechanism does not lead to repayment of the respective grant, as there are no surpluses or insufficient surpluses in the period under review
- that there are sufficient budget funds available from the German government and the state government for grants to be paid out

If the overall assessment is that there is reasonable assurance regarding the grants (and non-repayment of these grants), the respective grant will be recognised in accordance with IAS 20.7. IAS 20.29 offers an option for the presentation of performance-related grants. At VARTA, grants are accounted for as "grants" in other operating income.

Term of financing contracts in the context of effective interest rate measurement
In financial year 2021, a syndicated loan agreement was concluded in the amount of € 235.0 m, which is divided into a portion of € 100.0 m limited to five years from the date of the agreement and a revolving credit facility of € 135.0 m.

In addition, several promissory note loans were raised in 2022. VARTA AG placed promissory note loans totalling € 250.0 m on the capital market via a consortium. The four tranches run for five or seven years (76 % of the loan volume) and are mainly equipped with a fixed interest coupon (approx. 66 % of the loan volume).

On 8 December 2022, Varta AG applied to the lenders of the syndicated loan for a waiver of the right to terminate the loan due to a breach of the financial covenants up to and including 31 March 2023. A majority of the lenders have approved this second waiver request. Depending on the content of the restructuring concept prepared by KPMG, a restructuring of the syndicated financing may become necessary. In this case, the promissory bill may also have to be renegotiated and restructured with the respective noteholders.

Due to non-compliance with existing covenants in the syndicated loan agreement, the liabilities to banks as at 31 December 2022 were classified in full as current and a repayment/refinancing date of 31 March 2023 was assumed for the purpose of measuring the effective interest rate.

Climate risks and climate-related estimation uncertainties.
The impact of any climate risks is taken into account in the recognition and valuation of assets and liabilities. Due to the business model of the VARTA Group, no climate risks had to be taken into account in the recognition and valuation of assets and liabilities in financial year 2022.

6. 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, Lithium-Ion Battery Packs, Lithium-Ion Large Cells, Consumer and Energy Storage Systems 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 breakdown is consistent with the internal organisational and reporting structure. For the adjusted presentation compared with the previous financial year, please refer to section 3.7 Changes in accordance with IAS 8.

A summary of the elimination of intra-group interdependencies 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.

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 January 2022 to 31 December 2022:

(€ k)	MICRO BATTERIES	LITHIUM-ION COINPOWER	CONSUMER BATTERIES	ENERGY STORAGE SYSTEMS	OTHERS	TOTAL	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENT
Segment revenue	181,076	136,552	386,437	90,870	49,650	844,585	-37,669	806,916
Revenue with other segments	-17,157	0	-20,510	-2	0	-37,669	37,669	0
Revenue with third parties	**163,919**	**136,552**	**365,927**	**90,868**	**49,650**	**806,916**	**0**	**806,916**
Thereof Point-in-time (optional information)	160,419	136,552	360,798	90,868	33,198	781,835	0	781,835
Thereof Point-over-time (optional information)	3,500	0	5,129	0	16,452	25,081	0	25,081
Depreciation	-13,424	-189,752	-14,713	-2,011	-35,094	-254,994	0	-254,994
EBITDA	15,296	18,750	30,438	5,168	-149	69,503	-2,517	66,986

Information by reportable segments 1 January 2022 to 31 December 2021:

(€ k)	MICRO BATTERIES	LITHIUM-ION COINPOWER	CONSUMER BATTERIES	ENERGY STORAGE SYSTEMS	OTHERS	TOTAL	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENT
Segment revenue	210,295	257,612	345,696	42,876	62,014	918,493	-15,562	902,931
Revenue with other segments	-15,559	0	0	-4	1	-15,562	15,562	0
Revenue with third parties	**194,736**	**257,612**	**345,696**	**42,872**	**62,015**	**902,931**	**0**	**902,931**
Thereof Point-in-time (optional information)	190,398	257,612	340,164	42,872	36,753	867,799	0	867,799
Thereof Point-over-time (optional information)	4,338	0	5,532	0	25,262	35,132	0	35,132
Depreciation	-13,217	-63,294	-15,116	-2,014	-2,028	-95,669	0	-95,669
EBITDA	**52,520**	**150,680**	**61,255**	**5,107**	**13,294**	**282,856**	**-677**	**282,179**

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

(€ k)	31 DECEMBER 2022 SPECIAL EFFECTS	31 DECEMBER 2022 TOTAL	31 DECEMBER 2021 SPECIAL EFFECTS	31 DECEMBER 2021 TOTAL
Effects in income and expenses	-2,517	-2,517	-677	**-677**
EBITDA	**-2,517**	**-2,517**	**-677**	**-677**

Circumstances taken into account in adjusting EBITDA are shown in the column "Special effects". Such circumstances exist at VARTA AG in financial year 2022. "Special effects" from the M&A transactions of € € 2.5 m (2021: € € 0.1 m) and the effects of share-based payment of € € 0.02 m (2021: € € 0.6 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)	31 DECEMBER 2022	31 DECEMBER 2021
EBITDA	66,986	282,179
Depreciation and impairment	-254,994	-95,669
EBIT	-188,008	186,510
Financial result	-10,170	-9,421
Earnings before taxes	**-198,178**	**177,089**

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)	31 DECEMBER 2022 REVENUES*	31 DECEMBER 2022 NON-CURRENT ASSETS**	31 DECEMBER 2021 REVENUES*	31 DECEMBER 2021 NON-CURRENT ASSETS**
Europe	571,359	674,823	523,189	776,287
Thereof Germany	247,351	617,979	210,853	731,705
America	34,711	3,860	49,196	4,005
Asia	190,432	12,822	318,889	12,510
Thereof China	86,917	-	196,720	-
Other	10,414	0	11,657	0
Total	**806,916**	**691,505**	**902,931**	**792,802**

* Revenues are based on the location of the customer's registered office.
** Non-current assets include, for this purpose, 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 "Li-Ion CoinPower", "Micro Batteries" and "Other" segments.

Products and services

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

(€ k)	31 DECEMBER 2022 REVENUES	31 DECEMBER 2022 TRADE RECEIVABLES AND CONTRACT ASSETS	31 DECEMBER 2021 REVENUES	31 DECEMBER 2021 TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	804,465	113,460	899,123	165,809
Of which from the sale of services	2,451	877	3,808	3,830
Total	**806,916**	**114,337**	**902,931**	**169,639**

Significant customers

In 2022, revenue with a specific customer amounted to € 125.5 m, which equates to a share of revenue of more than 10% of consolidated revenue. In the previous year, revenue with one customer and a share of revenue of more than 10% amounted to € 236.5 m. The revenue is assigned to the "Li-Ion CoinPower" segment.

7. 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 PREPAY-MENTS	TANGIBLE ASSETS
Acquisition values									
As of 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 of 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 of 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 of 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**

(€ 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 PREPAY-MENTS	TANGIBLE ASSETS
Acquisition values									
As of 1 January 2021	3,165	18,057	71,819	344,598	14,408	64,950	7,910	198,191	723,098
Currency differences	0	-4	434	522	571	197	-453	-61	1,206
Additions	0	348	34,944	15,878	0	5,307	1,399	147,539	205,415
Additions consolidation scope	0	0	475	439	0	6	0	0	920
Disposals	0	0	-667	-8,982	-8	-1,121	-1,022	0	-11,800
Reclassifications	0	1,276	0	44,428	0	8,714	0	-55,119	-701
As of 31 December 2021	**3,165**	**19,677**	**107,005**	**396,883**	**14,971**	**78,053**	**7,834**	**290,550**	**918,138**
Cumulative depreciation									
As of 1 January 2021	0	651	9,790	86,357	2,786	24,083	2,849	0	126,516
Currency differences	0	-1	274	242	212	156	-226	0	657
Additions	0	788	12,326	61,949	3,085	8,187	2,256	0	88,591
Disposals	0	0	-446	-7,529	-8	-135	-854	0	-8,972
Reclassifications	0	0	0	-8	29	8	-29	0	0
As of 31 December 2021	**0**	**1,438**	**21,944**	**141,011**	**6,104**	**32,299**	**3,996**	**0**	**206,792**
Carrying amounts on 31 December 2021	**3,165**	**18,239**	**85,061**	**255,872**	**8,867**	**45,754**	**3,838**	**290,550**	**711,346**

The major part of the investment in property, plant and equipment served to expand production capacity for lithium-ion button cells and the construction of a pilot production line for large-format cells. Replacement investment to renew production equipment, to develop new products and for quality assurance measures is also required at regular intervals. Due, in particular, to impairment losses of € 255.9 m in 2021 dropped down to € 222.4 m as at 31 December 2022.

Accordingly, depreciation and amortisation of property, plant and equipment rose from € 88.6 m in 2021 to € 101.7 m in 2022. This sharp increase is mainly due to the rise in demand-driven investment in property, plant and equipment for the expansion of production capacity. Due to economic developments, impairment losses of € 146.3 m were recognised in the reporting year.

Additions include own work capitalised of € 0.6 m (2021: € 0.5 m). Additions to assets under construction include capitalised own work amounting to € 1.3 m (2021: 1.5 Mio. €).

There were no restrictions on rights of ownership or disposal for property, plant and equipment during financial years 2021 and 2022. Order commitments from the purchase of property, plant and equipment amounted to € 71.2 m (2021: € 95.1 m).

8. Intangible assets

(€ k)	GOODWILL	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	DEVELOPMENT COSTS	TOTAL
Acquisition values					
As of 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 of 31 December 2022	**4,936**	**32,912**	**32,501**	**65,142**	**135,491**
Cumulative depreciation					
As of 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 of 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**

(€ k)	GOODWILL	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	DEVELOPMENT COSTS*	TOTAL
Acquisition values					
As of 1 January 2021	638	28,857	31,630	20,394	81,519
Currency differences	0	3	0	12	15
Additions	0	1,291	150	17,586	19,027
Additions in the scope of consolidation	4,298	673	0	0	4,971
Disposals	0	-130	0	-69	-199
Reclassifications	0	0	701	0	701
As of 31 December 2021	4,936	30,694	32,481	37,923	106,034
Cumulative depreciation					
As of 1 January 2021	0	6,171	828	10,588	17,587
Currency differences	0	1	0	0	1
Additions	0	4,317	307	2,454	7,078
Disposals	0	-88	0	0	-88
As of 31 December 2021	0	10,401	1,135	13,042	24,578
Carrying amounts on 31 December 2021	**4,936**	**20,293**	**31,346**	**24,881**	**81,456**

* Due to subsequent capitalization of development costs in 2022 for the year 2021, the addition to development costs was adjusted by €10.2 million for correct presentation.

Of the capitalised development costs of € 29.2 m (2021: € 19.5 m), self-manufactured intangible assets, which are not yet ready for use, of € 27.2 m (2021: € 6.9 m) were recognised in 2022. Further explanations can be found in Chapter 3.7 Changes according to IAS 8. A further € 0.03 m (2021: € 0.6 m) was recognised in intangible assets that are already ready for use.

Research and development expenses amounting to € 23.2 m were recognised through profit or loss in the income statement (2021: € 22.8 m).

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

Impairment test

An impairment test is carried out each year on 31 December for goodwill and intangible assets, which have an indeterminable useful life, and for self-constructed intangible assets, which are not yet ready for use, for which the value in use is used as the recoverable amount.

The book value of the brand amounting to € 30.6 m was allocated to the individual cash-generating units (CGUs) as follows - unchanged from the previous year:

"Lithium-Ion CoinPower" € 5.3 m, "Lithium-Ion Battery Packs" € 1.2 m, "Consumer Batteries" € 21.5 m, "Energy Storage System" € 0.7 m and "Micro Batteries" € 1.9 m. The useful life of the brand is classified as indefinite, as VARTA has succeeded in creating a strong brand during more than 130 years of company history, which contributes significant value to the company with its unique selling proposition. The capitalised development costs, which have not yet been completed as of the reporting date and are therefore not yet in use, amount to € 44.1 m and relate to the CGU "Lithium-Ion Large Cells", of which € 27.4 m are subsidised and deferred.

The goodwill of € 4.9 m existing at the beginning of the financial year results from the acquisitions of Auditas, the VARTA Consumer business and VARTA Innovation GmbH. The goodwill of € 0.5 m from Auditas is fully allocated to the CGU "Micro Batteries", while the goodwill of € 0.1 m from the VARTA Consumer business is fully allocated to the CGU "Consumer Batteries". The goodwill of € 4.3 m from VARTA Innovation is allocated to the CGUs "Lithium-Ion CoinPower".

Due to the business development of the year 2022, VARTA contacted the lenders for a waiver in October/November, as the agreed covenants could no longer be achieved due to the withdrawn annual forecast. This event was classified as a triggering event for impairment tests of the various cash generating units of the Group. These event-driven impairment tests were performed as of the reporting date 31 December 2022.

At VARTA, goodwill is monitored at the level of the CGUs, which are also operating segments. Therefore, for cash-generating units to which goodwill is allocated, the event-driven impairment test and the annual impairment test were combined.

The recoverable amount of individual CGUs was initially determined on the basis of fair value less costs to sell. The determined fair value is to be allocated to IFRS 13 category three due to the use of unobservable influencing factors. Due to extensive future restructuring measures, the fair value less costs to sell exceeds the value in use of the cash-generating units. As a result, in contrast to the previous year, the recoverable amount was initially determined by the fair value less costs to sell. For the calculation, the data from the current long-term planning for the years 2023 to 2026 were used, whereby the year 2023 corresponds to a detailed budget planning, the years 2024, 2025 and 2026 are extrapolated. The most important planning parameter for determining the cash flows is the development of earnings, which is essentially driven by the development of turnover. Past experience and market expectations for the future are used to derive the cash flows. The growth rates include a discount of 50 % on the respective weighted underlying inflation rates. The planning is based on expectations with regard to future market shares, the general market development and the profitability of the respective product groups.

For the CGU "Lithium-Ion CoinPower", the fair value less costs to sell was determined within the framework of a discounted cash flow model on the basis of future cash flows and a weighted average cost of capital (WACC). The planning horizon was limited to eight years and no perpetual annuity was taken into account. To derive the planning horizon, the technical useful lives of all machine groups involved in the production process were reassessed and the leading assets and their useful lives were determined based on the bottleneck process. The future cash inflows were determined on the basis of a sensitive planning from the continued use of the assets. The sensitive planning deviates from the planning approved by the legal representatives in order to take into account possible negative planning deviations on a probability-weighted basis. This applies in particular to different estimates of the effectiveness and timing of the restructuring measures developed as part of the restructuring concept. The sensitive planning calculation over four years was extrapolated to eight years using a growth rate of 1.0 %. Due to the finite planning horizon, no replacement investments were taken into account, only regular maintenance and repairs. A discount factor of 9.13% after tax was used as the WACC. A recoverable amount of € 307.4 m and thus an impairment requirement of € 114.5 m was determined and recognised in the impairments on property, plant and equipment and intangible assets. The impairment is initially attributable to the goodwill allocated to this CGU in the amount of €4.3 m. The remaining impairment of €110.2 m was allocated to various categories of property, plant and equipment (€ 53.4 m plant and machinery; € 5.8 m other equipment; € 51.0 m construction in progress), taking into account the fair value less costs to sell of the individual assets. The brand allocated to the CGU was not impaired as its fair value exceeds its carrying amount. The individual fair value was calculated based on the relief-from-royalty method. A licence rate of 1.0 % and a discount factor of 9.13 % were used.

For the CGU "Lithium-Ion Large Cells", the fair value less costs to sell was determined using a discounted cash flow model based on future cash flows and a weighted average cost of capital (WACC). The planning horizon was limited to eight years and no perpetual annuity was taken into account. To derive the planning horizon, the technical useful lives of all machine groups involved in the production process were reassessed and the leading assets and their useful lives were determined based on the bottleneck process. The future cash inflows were determined on the basis of three probability-weighted scenarios. The scenarios take into account, among other things, different characteristics of the future positive cash flows as well as different possible uses of the existing assets. 80% of the scenarios were based on an increase in future cash flows and no change in the use of the assets. 15% of the scenarios were based on an alternative use of the assets. For 5%, a scenario was selected that is based on no increase in future cash flows and no change in the use of the assets. The probability-weighted planning deviates from the planning approved by the legal representatives in order to take into account possible negative planning deviations on a probability-weighted basis. The probability-weighted planning calculation over four years was extrapolated to eight years with a growth rate of 1.0 %. Due to the finite planning horizon, no replacement investments were taken into account, only regular maintenance and repair. A discount factor of 8.98 % after tax was taken into account as the WACC. A recoverable amount of € 95.1 m and thus an impairment requirement of € 31.2 m was determined and recognised in the impairments on property, plant and equipment. The impairment of €31.2 m was allocated to various categories of property, plant and equipment (€5.0 m technical equipment and machinery; € 0.2 m other equipment; € 26.0 m assets under construction), taking into account the fair value less costs to sell of the individual assets. The development costs in progress allocated to the CGU were not impaired as their fair value exceeds their carrying amount. The individual fair value was calculated based on the relief-from-royalty method. A licence rate of 4.0 % and a discount factor of 8.98 % were used.

The fair value less costs to sell of all other CGUs was determined using discounted cash flow models with perpetual annuities due to the maturity of the underlying business models. As the fair value less costs to sell determined in this way exceeds their carrying amounts, no impairment was recognised. In determining the fair value less costs to sell, the future cash inflows were determined on the basis of a sensitive planning from the continued use of the assets. The sensitive planning deviates from the planning approved by the legal representatives in order to take into account possible negative planning deviations on a probability-weighted basis. This applies in particular to different estimates of the effectiveness and timing of the restructuring measures developed as part of the restructuring concept.

The key assumptions used in estimating the values in use were as follows:

(IN PER CENT)	CGU LI ION COINPOWER	CGU LI ION BATTERY PACKS	CGU CONSUMER BATTERIES	CGU ENERGY STORAGE SYSTEMS	CGU MICRO BATTERIES	CGU LI ION LARGE CELLS
			31 DECEMBER 2021			
Discount rate (WACC) after tax	11.3	10.7	11.5	11.6	10.9	0
Growth rate	1.1	1.0	1.0	0.8	1.1	0
Tax rate	28.0	28.0	28.0	28.0	28.0	0

(IN PER CENT)	CGU LI ION COINPOWER	CGU LI ION BATTERY PACKS	CGU CONSUMER BATTERIES	CGU ENERGY STORAGE SYSTEMS	CGU MICRO BATTERIES	CGU LI ION LARGE CELLS
			31 DECEMBER 2022			
Discount rate (WACC) after tax	9.1	9.4	9.4	9.0	10.3	9.0
Growth rate	1.0	1.0	1.0	1.0	1.2	1.0
Tax rate	28.8	28.8	28.8	28.8	28.8	28.8

As part of the impairment tests, VARTA performed sensitivity analyses for the value-determining factors of the fair value less costs to sell for the respective cash-generating units.

In this context, the following possible deviations of certain value-determining factors were modeled:

- Discount rate: +1 % and -1 %
- Growth rate: +0.5 % and -0.5 %
- Changes in future cash inflows: +2.5% and -2.5
- Change in weighting of scenarios: Scenario increase in future cash flows and no change in asset utilization +10% and -10%; Scenario alternative asset utilization -10% and +10%.

In the case of the cash-generating units Consumer Batteries, Microbatteries, Energy Storage Systems and Lithium-Ion Solutions, the change in the above parameters still does not result in any need for impairment.

An impairment loss of € 114.8 m was recognized for the cash-generating unit Lithium-Ion CoinPower. A reduction in the discount rate by 1% would result in a € 16.5 m lower impairment. An increase in the discount rate would result in a correspondingly higher impairment loss of €15.4 m. A change in the growth rate of +/- 0.5 % would result in a corresponding change in the recognized impairment loss of +/- € 0.9 m. Assuming a reduction of 2.5 % in the future cash inflows on which the calculation is based, the impairment loss would be € 6.3 m higher. If future cash inflows were to increase by 2.5%, the recognized impairment loss would be reduced by €6.3 m.

An impairment loss of €30.4 m was recognized for the Lithium-Ion Large Cells cash-generating unit. A reduction in the discount rate by 1% would result in a €6.5 m lower impairment loss. An increase in the discount rate would result in a correspondingly higher impairment loss of €5.6 m. A change in the growth rate of +/- 0.5% would result in a corresponding change in the recognized impairment loss of € -1.5 m / € + 1.4 m. Assuming a reduction of 2.5% in the future cash inflows on which the calculation is based, the impairment loss would be €2.6 m higher. If future cash inflows were to increase by 2.5%, the recognized impairment loss would be reduced by €2.6 m. In the impairment test, the fair value less costs to sell was determined on the basis of various scenarios and their probability of occurrence. A change in the weighting of the scenarios in favor of the scenario with an increase in future cash flows and no change in the use of the assets would result in a lower impairment loss of €1.4 m. A change in favor of the scenario with alternative use of the assets would result in a corresponding increase in the recognized impairment loss of €1.4 m.

9. Long-term investments accounted for using the equity method and other participations

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
VW-VM Verwaltungsgesellschaft mbH i.L., Ellwangen, Germany	12	12
Total carrying amounts of long-term investments accounted for using the equity method	**12**	**12**
Ecopilhas - Sociedade Gestora de Residous de Pilhas e Acumuladores, Lda., Lisboa, Portugal	10	10
Ecobat s.r.o., Prague, Czech republic	2	2
SA Corepile, Paris, France	8	8
RE'LEM Nonprofit Kht., Budapest, Hungary	26	28
Total carrying amounts of other participations	**46**	**48**
Total carrying amounts of investments accounted for using the equity method and other participations	**58**	**60**

On conclusion of the liquidation of VW-VM Forschungsges. mbH & Co. KG, VW-VM Verwaltungsgesellschaft mbH i.L. subsequently went into liquidation, as planned, with effect from 16 June 2020. The company was still in liquidation as of 31 December 2022.

In response to country-specific obligations arising from VARTA Consumer business, all remaining other participations have been established as special purpose vehicles jointly with other battery manufacturers to take back batteries. There were no other participations in financial year 2022.

10. Leases

The Group leases various production facilities, office buildings and warehouses, as well 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 underlying material assumptions and estimates are described in section 5. "Material assumptions and estimates" The development of leased assets is described in the Notes in section 7. "Property, plant and equipment".

The total amount of payments for leases in the reporting year is as follows: € 22.5 m (2021: € 21.2 m).

Future lease payments based on non-terminable leases total:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Lease liabilities - current	17,397	16,995
Lease liabilities - non current	69,700	80,710
Total	**87,097**	**97,705**

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
thereof residual term of up to 1 year	18,351	17,826
thereof residual term of 1 to 5 years	50,975	54,533
thereof residual term of more than 5 years	21,375	31,299
Total minimum lease payments (undiscounted)	**90,701**	**103,658**

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Amounts recognised in the income statement		
Interest expense on lease liabilities	1,205	1,160
Income from the subleasing of leased assets	-72	-144
Expense from short-term leases	1,195	1,796
Expense from long-term leases of low-value assets	1,981	1,028
Total	**4,309**	**3,840**

There has been a sale & lease back agreement with WertInvest Ellwangen Immobilien GmbH since 2015. The agreement was extended to include the new production building constructed in Ellwangen in 2020. The tenancy will end in 2028 at the earliest.

As of 31. Dezember 2022, lease obligations have decreased by 10.9 % to € 87.1 m (2021: € 97.7 m). The change comes from ongoing lease payments beyond financial year 2022. The increase in new capitalisations is due to the fact that major leases are index-linked. The disposals mainly result from reassessments of lease terms.

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

11. Other financial assets

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Other financial assets measured at fair value through profit or loss	**675**	**108**

Other financial assets measured at fair value only contain derivative financial assets that are not included in hedge accounting. Further disclosures regarding other financial assets can be found in chapter 40.3 "Financial risk management".

12. Inventories

Inventories are divided into the following items:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Raw materials and supplies	89,471	74,891
Unfinished goods	33,110	34,525
Finished goods and merchandise	100,736	47,678
Advance payments made	0	16
Inventories	**223,317**	**157,110**
Impairment income (+) / expense (-) recognised in the income statement	-4,450	-4,128

In financial year 2022, inventories increased from € 157.1 m to € 223.3 m in total. The massive increase, especially in finished products and merchandise, was caused by price trends on commodity markets and higher production costs due to increases in energy prices, which fed through to end products as well as being due to the weaker fourth quarter. In addition, inventories were increased to ensure the ability to deliver to customers. Inventories recognised as an expense in the reporting year amounted to € 414.3 m (2021: € 311.6 m). They are included in the cost of materials.

Impairments to inventories recognised as expense in the reporting period amounted to € 4.5 m (2021: € 4.1 m). The carrying amount of inventories after impairment totalled € 16.2 m (2021: € 12.3 m). Impairment losses of € 3.7 m, relate to the segments "Lithium-Ion CoinPower," "Micro Batteries" and "Other" and € 0.7 m to the segments "Consumer Batteries" and "Energy Storage Systems".

13. Trade receivables and contract assets

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Receivables due from third parties (gross)	111,586	163,621
Receivables due from related parties	0	2,175
Total trade receivables	111,586	165,796
Contract assets	3,959	6,736
Gross trade receivables and contract assets	**115,545**	**172,532**
Less loss allowances	-1,208	-2,893
Net trade receivables and contract assets	**114,337**	**169,639**

Receivables due from third parties (gross) have fallen by € € -52.0 m year on year. This decrease is largely due to the significantly weaker fourth quarter compared with the same period in the previous year. The existing net receivables as of 31. Dezember 2022 fell by € € 55.5 m (2021: € € 55.3 m) (see chapter 40.3 financial risk management).

VARTA AG and other Group companies have entered into factoring agreements with a contractual partner for the revolving sale of trade receivables of the respective Group company. The sale of the receivables and the payment of the purchase prices take place on a monthly basis. The power of disposal of the receivables and the late payment risk remains with the VARTA AG Group. As the late payment risk remains with the VARTA AG Group, the opportunities and risks associated with the receivables sold are essentially neither transferred nor retained. In addition, the economic power of disposal over the receivables remains with the VARTA AG Group. Due to this, a continuing involvement of € 0.7 m was recognised under trade receivables for receivables totalling € 55.5 m sold under these factoring agreements as at the reporting date. The corresponding liability amounts to € 0.7 m and is shown under other financial liabilities.

The receivables include allowances of € 1.2 m, of which € 0.4 m relates to the "Micro Batteries" segment and € 0.8 m to the "Consumer Batteries" segment. These loss allowances are recognised under other operating expenses.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Trade receivables	110,378	162,903
Contract assets	3,959	6,736
Contract liabilities	2,534	4,374

Contract assets of € 0.8 m (2021: € 0.7 m) mainly relate to the Group's claims for revenue not yet invoiced. Furthermore, the Group's claims to consideration for products, which are held in consignment warehouses and had therefore not been invoiced at the reporting date, came to € 2.3 m (2021: € 1.8 m). Customer-specific products stocked in the warehouse have decreased from € 4.3 m in 2021 to € 0.9 m as at 31 December 2022, which led to a reduction in contract assets in comparison with the previous year. Contract assets are reclassified into receivables if the rights become unconditional and the Group issues an invoice to the customer. The contract assets as at 31 December 2022 are expected to be collected in the next 6 months

Contract liabilities relate to the following circumstances:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Bonuses in kind	1,308	1,336
Take-back obligations	722	2,827
Provisions for customer bonuses	477	211
Customer projects	27	0
Total	**2,534**	**4,374**

By definition, only circumstances from claims to reimbursement and project business were recognised within contract liabilities.
Experience shows that contract liabilities as at 31 December 2022 will be recognised as income in the next six months. The amount of € 4.4 m as at 31 December 2022 was recognised almost entirely as revenue in financial year 2022.

14. Tax refund claims

The following tax refund claims exist as at the balance sheet date:

(IN T€)	31. DEZEMBER 2022	31. DEZEMBER 2021
Tax refund claims	**17,238**	**3,764**
Of which current	17,238	3,764

Income tax refund claims mainly comprise the repayment of advance payments made for the 2022 financial year by the VARTA AG tax group (€ 7.4 m) and expected repayments from the 2020 assessment of the VARTA Consumer companies (€ 4.9 m).

The increase of € 13.5 m compared with the previous year is mainly due to the repayment in financial year 2023 of advance payments made by VARTA AG and the VARTA Consumer companies for the 2022 financial year.

15. Other assets

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Other assets	**82,911**	**57,777**
Of which current	44,958	40,133
Of which non-current	37,953	17,644

Both the claim to reimbursement from the assumption of a joint debt obligation for pensions 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 € 37.7 m (2021: € € 17.6 m).

Current other assets consisted of the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Receivables from grant projects	23,326	18,455
Other tax receivables	3,785	6,475
Other Receivables	16,134	13,521
Miscellaneous other assets	1,713	1,682
Total	**44,958**	**40,133**

Receivables from promotional projects of € 23.3 m (2021: € 18.5 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 € 6.8 m (2021: € 6.0 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 projects, where the Group acts as coordinator by receiving and managing the subsidies on a fiduciary basis from the funding authority. As at 31 December 2022, advance payments passed to the cooperation partners involved amounted to € 5.0 m (2021: € 4.4 m).

Receivables from the Important Project of Common European Interest (IPCEI) increased in 2022 from € 12.5 m to € 16.5 m.

As at 31. Dezember 2022, other receivables increased by € 2.6 m year on year. This increase was largely due to a claim to compensation established by the courts from patent disputes. The remaining receivable from this reimbursement claim amounts to € 7.8 m as at 31 December 2022.

The item for miscellaneous other assets largely consists of prepaid expenses, which have only changed very slightly over the financial year and still stand at € 1.7 m.

16. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Cash	18	19
Credit balances with financial institutions	108,691	73,088
Total	**108,709**	**73,107**

In financial year 2022, cash and cash equivalents increased from € 73.1 m to € 108.7 m.

The Group views all credit balances with banks, cash holdings and short-term deposits with a term calculated from the acquisition date of three months or fewer as cash and cash equivalents.

As in the previous year, the cash and cash equivalents shown are freely available and are not subject to a restriction in the rights of disposal.

17. Deferred taxes

Deferred taxes can be assigned to the following items:

(€ k)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Dec 31, 2022 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Dec 31, 2021 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Jan 1, 2021 NET
Intangible assets	3,096	19,072	-15,976	3,135	16,330	-13,195	3,773	17,530	-13,757
Property, plant and equipment	2,049	8,507	-6,458	1,924	9,049	-7,125	1,999	10,536	-8,537
Financial assets	2	0	2	18	20	-2	16	16	0
Other non-current assets	0	10,893	-10,893	0	5,085	-5,085	0	5,772	-5,772
Inventories	1,838	976	862	2,454	516	1,938	3,349	447	2,902
Trade receivables	541	540	1	659	2,464	-1,805	816	2,057	-1,241
Other current assets	1,315	147	1,168	3,490	40	3,450	3,525	1,621	1,904
Other non-current liabilities	148	1,437	-1,289	248	1,297	-1,049	2,617	0	2,617
Non-current liabilities from pension plans	11,077	744	10,333	11,882	860	11,022	14,019	827	13,192
Current financial liabilities	1,725	298	1,427	1,803	7	1,796	1,524	434	1,090
Non-current financial liabilities	7,684	8	7,676	7,707	120	7,587	5,197	0	5,197
Current provisions from employee benefits	819	176	643	1,024	204	820	920	0	920
Trade payables	1,846	101	1,745	2,275	372	1,903	2,623	281	2,342
Other current liabilities	2,023	93	1,930	2,812	595	2,217	2,261	2,525	-264
Tax loss carryforwards	11,608	0	11,608	1,166	0	1,166	1,274	0	1,274
Offsets	-26,067	-26,067	0	-34,562	-34,562	0	-37,806	-37,806	0
Total	**19,704**	**16,925**	**2,779**	**6,035**	**2,397**	**3,638**	**6,107**	**4,240**	**1,867**

18. Equity

The following changes in equity were recorded at the VARTA AG Group in 2022:

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY DIFFERENCES*	OTHER RESERVES *HEDGING RESERVE*	TOTAL EQUITY
As of 1 January 2022	**40,422**	**252,275**	**236,965**	**2,813**	**21**	**532,496**
Effect of share-based payment	0	17	0	0	0	17
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	-100,246
Change in equity not recognised in profit or loss	0	0	21	0	-21	0
Comprehensive income						
Group result	0	0	-200,420	0	0	-200,420
Other comprehensive income	0	0	7,287	331	0	7,618
Comprehensive income	**0**	**0**	**-193,133**	**331**	**0**	**-192,802**
As of 31 December 2022	**40,422**	**252,292**	**-56,393**	**3,144**	**0**	**239,465**

* Retained earnings including net income for the year

The subscribed capital is divided into 40,421,686 shares. These are bearer par-value shares, which represent a pro rata amount of € 1.00 of the share capital.

The Executive Board was authorised by resolution of the Annual General Meeting on 21 June 2022, subject to approval by the Supervisory Board, to increase the share capital of the company on one or more occasions up to 20 June 2027 in return for cash and/or contributions in kind up to € 8.1 m (Authorised Capital 2022 I).

The Executive Board is authorised by resolution of the Annual General Meeting on 21 June 2022, subject to approval by the Supervisory Board, to increase the share capital of the company on one or more occasions up to 20 June 2027 in return for cash and/or contributions in kind up to € 1.0 m (Authorised Capital 2022 II). Shareholder subscription rights are excluded.

The Annual General Meeting on 21 June 2022 resolved the contingent increase in the share capital of up to € 8.1 m (Contingent Capital 2022 I).

The Executive Board's authorisation by the Annual General Meeting on 6 October 2017 to increase the share capital of the company by up to € 11.8m (Authorised Capital 2017 I) and the Executive Board's authorisation to increase the share capital of the company by up to € 3.0 m (Authorised Capital 2017 II) have been revoked. The Annual General Meeting on 21 June 2022 revoked the contingent capital resolved on 6 October 2017 (Contingent Capital 2017).

For the current financial year, a total of € € 0.0 m (2021: € € 0.6 m) was recognised in equity as share-based remuneration. These share-based remuneration components are explained under note 35. "Share-based payment arrangements".

Dividend payment

The following dividend payment of € 2.48 per share entitled to dividends for the previous financial year was resolved at the Annual General Meeting on 21 June 2022 and paid out in financial year 2022.

(€ k)	2022	2021
Dividend in € per no-par value share entitled to dividend	2.48	2.48
Amount paid out for no-par value shares entitled to dividends	100,246	100,246
Total	**100,246**	**100,246**

Changes subject to reporting requirements under the German Securities Trading Act (WpHG)

In financial year 2022, VARTA AG received notifications of notifiable changes in accordance with the German Securities Trading Act (WpHG).

Both Goldman Sachs (The Goldman Sachs Group, Inc.) and Morgan Stanley submitted various notifications of changes in voting rights in the reporting period. Those arise from options, futures and swap transactions or from option writer transactions concluded in the context of securities lending transactions. There is no direct investment via the investment funds mentioned in the publications.

As Chairman of the Supervisory Board at VARTA AG and majority shareholder of Montana Tech Components AG, Reinach (Switzerland), Prof. DDr Michael Tojner holds a stake in VARTA AG amounting to 50.30% (2021: 55.45%) via the latter's subsidiary VGG Beteiligungen SE, Vienna (Austria).

19. 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.

	31 DECEMBER 2022	31 DECEMBER 2021
Earnings, attributable to shareholders in € k*	-200,420	125,956
Weighted average of ordinary shares in circulation ('000 shares)	40,422	40,422
Basic earnings per share in €	-4.96	3.12
Diluted earnings per share in €	-4.96	3.12

* Earnings per share relate to the shares of VARTA AG

The number of shares has developed as follows in financial years 2021 and 2022:

	NUMBER OF SHARES
1 January 2021	40,421,686
31 December 2021	40,421,686
31 December 2022	40,421,686

The subscribed capital is divided into 40,421,686 shares. These are bearer par-value shares, which represent a pro rata amount of € 1.00 of the share capital.

20. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Other financial liabilities	**515,795**	**203,775**
Of which non-current	18,795	117,990
Of which current	497,000	85,785

Compositon of other financial liabilities		
Total	**515,795**	**203,775**
Subtotal other non-derivative financial liabilities	515,795	198,118
Liabilities to financial institutions	488,724	164,643
Other financial liabilities	27,071	33,475
Derivative financial instruments	0	5,657

Liabilities to banks have risen from € € 164.6 m to € € 488.7 m. This figure includes accrued interest in the amount of € 3.7 m.

In financial year 2021, a new syndicated loan agreement was concluded in the amount of € 235.0 m until 2026, consisting of a bullet loan in the amount of € 100.0 m and a revolving loan facility in the amount of € 135.0 m, with terms of 1 to 6 months. The financial resources will be used to finance additional investments in capacity expansion. In finanial year 2022, the full credit facility was drawn down, resulting in an increase of € 70.0 m. The interest rate depends on the term selected and is then based on the respective Euribor. The interest rate for the individual drawings as at the balance sheet date 31 December 2022: 3.75 % to 4.46 %. The transaction was linked to the ESG rating of VARTA AG. Depending on the development of VARTA's rating, a sustainability premium or discount on the respective margin may result. The margin is in turn dependent on VARTA AG's compliance with agreed financial ratios. During the term, at least an equity ratio of 30 % and a leverage (ratio of net financial liabilities to EBITDA) of a maximum of 3 to 1 must exist at all times. Further details are given in chapter 47. „Events after the reporting date".

Liabilities also increased due to the raising of a promissory note loan. VARTA AG placed the promissory note loan of € 250.0 m in total on the capital market via a consortium consisting of BayernLB, HSBC and UniCredit. The four tranches have terms of five and seven years (approx. 76% of the credit volume) and primarily carry a fixed rate coupon (approx. 66% of the credit volume). The company can access the funds for general financing projects. The interest rate of the individual tranches amounts to 1.57% to 2.71% as of the balance sheet date 31 December 2022. The transaction was linked to the ESG rating of VARTA AG by Morningstar Sustainalytics, the leading independent company in the field of research, rating and analysis of ESG and corporate governance. Depending on the development of VARTA's rating, the spread of the promissory bill may change.

Due to the threat of non-compliance with existing covenant conditions, the liabilities to banks were classified in full as current as of 31 December 2022. Further details see chapter 5 Material assumptions and estimates.

As a result of the reassessment of future interest payment flows from liabilities to banks, an increase of € 2.4 m in the book value of financial liabilities had to be recognised under profit or loss.

Other financial liabilities have changed only insignificantly. There is still a liability to VGG Beteiligungen SE, Vienna, a company in the Montana Tech Components AG Group, of € 8.4 m (2021: € 8.8 m).

In financial year 2015, VGG Beteiligungen SE, Vienna, waived part of its claim of € 6.0 m against VARTA Storage GmbH, Nördlingen, from a loan issued against a debtor warrant. Furthermore, in financial year 2016, VGG Beteiligungen SE waived a further part of its claim of € 0.2 m against the former VARTA Micro AG, Ellwangen, from a loan issued against a debtor warrant. This waiver passes to VARTA Storage GmbH because of the merger of VARTA Micro AG. Both debtor warrants envisage the loan liability plus interest being revived if a minimum profit for the year is achieved within ten years of the claim being waived. If the waiver amount is not repaid in full by 31 December 2025 and 30 June 2026 respectively, the remaining difference shall lapse finally and irrevocably.

Following the debt waiver, the original loan liability of € 6.2 m was derecognised and, at the same time, an obligation from the anticipated repayments from the debtor warrant was reported as a liability. The obligation from the debtor warrant, which is measured at amortised cost, amounted to € 8.4 m (2021: € 55.3 m) including interest on the reporting date. A discounted cash flow model involving risk-dependent interest rates is used to calculate the fair value. The anticipated future cash flows are based on internal business planning.

In financial year 2022, there were still two framework agreements for the sale of receivables resulting from the acquisition of VARTA Consumer companies, one of which were terminated to the end of September 2022. Within the scope of these contractual relationships, receivables in the amount of € 55.5 m (31 December 2021: € 55.3 m) had been sold as at the reporting date. In addition, as at the reporting date 31 December 2022, a total of € 6.9 m (2021: € 13.0 m) was already received but not yet paid to the factor. These were reported as other financial liabilities due to the bank (factor) (for further details, please refer to note 40. "Financial risk management").

As in the previous year, there were also other current financial liabilities of € 0.6 m (2021: € 0.6 m) to foundations.

Following the acquisition of the VARTA Consumer Group, the properties were restructured. In this context, the commercial property held by the subsidiary VHB Real Estate Holdings, LLC at the main production site of VARTA Consumer Batteries GmbH & Co. KGaA in Dischingen was sold to Colibri Dischingen Immobilien GmbH with effect from 1 March 2021. Due to the fact that VARTA has a contractually regulated option to buy back the property at market price, the transaction does not qualify as a sale. Consequently, the sale price of € 10.6 m was recognised in its entirety in other financial liabilities. As at 31. Dezember 2022, the other financial liability came to € 10.4 m (2021: € 10.5 m).

21. Provisions for employee benefits

21.1. Composition of provisions for employee benefits

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Total	**57,643**	**72,279**
Of which non-current	53,932	68,837
Of which current	3,711	3,442
Composition of provisions for employee benefits		
Total	**57,643**	**72,279**
Pensions	42,893	58,352
Severance payments	8,719	8,410
Service anniversary bonuses	1,565	1,932
Partial retirement	4,466	3,585

21.2. Pensions

There are both defined benefit and defined contribution pension schemes for some employees within the scope of consolidation. For the defined contribution commitments, the companies pay contributions to government or private pension insurance schemes based on statutory or contractual provisions or on a voluntary basis. On payment of the contributions, the company has no additional benefit obligations. The current contribution payments are reported as expenditure in the respective year.

Within the VARTA Group the pension schemes are largely based on defined benefit plans, with a distinction then made between provisions and externally financed pension schemes. In accordance with IAS 19, the pension provisions for defined benefit commitments are determined in accordance with the internationally accepted projected unit credit method by independent actuaries.

Here, future obligations are measured on the basis of the benefit entitlement acquired pro rata at the reporting date. On measurement, actuarial assumptions for the discount rates, pay and pension trends, staff turnover rates and life expectancy are taken into consideration, which are determined for each Group company depending on the economic framework conditions. Actuarial gains or losses result from deviations between actual developments and the previous year's assumptions.

These are recognised in equity without impacting the income statement in the period in which they accrue, taking account of any deferred taxes.

These pension plans provide benefits in the event of old age, death and invalidity. There are defined benefit pension plans in Germany. There are plan assets for only a minor share of the obligations.

The defined benefit plans are subject to inflation risks as regular inflation-related pension adjustments have to be made. In addition, the commitments guarantee lifelong pension payments, which is why higher life expectancy leads to higher pension obligations.

In the case of defined contribution obligations, there is a risk that the commitments to employees will not be fully covered by the reinsurance policies concluded as plan assets.

In 2017, VARTA Microbattery GmbH concluded an agreement with the external company Colibri Beratungs GmbH Fürstenfeldbruck (Germany) in which Colibri Beratungs GmbH agreed to assume the pension obligations of VARTA Microbattery GmbH within the framework of a joint debt obligation against payment of € 11.5 m. The underlying assumptions and estimates are explained in section 5. "Material assumptions and estimates". The following agreements were reached in this connection:

- Colibri Beratungs GmbH will guarantee all pension claims of VARTA Microbattery GmbH, which were already acquired as at 31 December 2016 and fall due after 1 January 2017, and
- will honour fulfilment of these payment obligations vis-à-vis VARTA Microbattery GmbH.

Safeguards were implemented with regard to the financial assets (€ 11.5 m), which were assigned in connection with the joint debt assumption to Colibri Beratungs GmbH.

For the pension obligations (DBO) assumed in accordance with IAS 19, the amortised value on the reporting date amounted to € 13.0 m (2021: € € 17.6 m), a claim for reimbursement against Colibri Beratungs GmbH was recognised in this amount.

In financial year 2022, a reduction in the revaluation reserve of € -4.4 m (2021: reduction of € -1.8 m) was booked in other comprehensive income as a result of this joint debt assumption.

In financial year 2018, Colibri Beratungs GmbH concluded a trust agreement with VARTA Microbattery Pensions-Treuhand e.V. and as a result of this will transfer the existing assets to secure the pension obligations to the association on a fiduciary basis.

As at 31 December 2022, the assets of VARTA Microbattery Pensions-Treuhand e.V. essentially consisted of the following items:

- Participation in Colibri Immobilien GmbH:
  With effect from 29 December 2017, 94% of the shares in Colibri Immobilien GmbH were acquired; it is the owner of two properties in Nördlingen for which two tenancy agreements were concluded with VARTA Micro Production GmbH.
- Loans to Colibri Immobilien GmbH:
  In accordance with an agreement dated 10 February 2020, VARTA Microbattery Pensions-Treuhand e.V. has issued a loan to Colibri Immobilien GmbH.
- Loan to Wertinvest Nekretnine d.o.o. za usluge (Croatia):
  In accordance with an agreement dated 27 December 2018, VARTA Microbattery Pensions-Treuhand e.V. has issued a loan to Wertinvest Nekretnine d.o.o. za usluge. Wertinvest Nekretnine d.o.o. za usluge currently manages industrial buildings, which are let to companies owned by Aluflexpack AG, Reinach, Switzerland, a joint stock company listed on the Zurich stock exchange, in which Montana Tech Components AG

holds the majority of shares. To use the property as collateral for refinancing purposes, MTC AG has told a bank that the debt assumption is replacement collateral.
- Shares in Montana Tech Components AG:
  In accordance with the agreement dated 16 October 2018, 289,476 registered shares were transferred to VARTA Microbattery Pensions-Treuhand e.V.

The value and appropriateness of investments is reviewed annually by an external independent expert as part of the preparation of the annual report.

The claim for reimbursement is secured by the following collateral with an unlimited term, which is unchanged on the previous year:

- a private irrevocable guarantee by the partner in Colibri Beratungs GmbH to fulfil the payment obligation of Colibri Beratungs GmbH limited to a maximum of € 4.9 m.
- additional bank guarantee in the amount of € 4.0 m for the partner's private guarantee
- subordinate guarantee from VGG Beteiligungen SE, Vienna (Austria) in connection with the above-mentioned guarantee for the partner in Colibri Beratungs GmbH limited to a maximum of € 8.0 m, reduced by all payments by Colibri Beratungs GmbH.

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with the related party VC Pensionen GmbH, Ellwangen, (Germany) in which VC Pensionen GmbH agreed to assume the pension obligations of VARTA Consumer Batteries GmbH & Co. KGaA of € 38.8 m as of 31 December 2020 as part of a joint debt obligation in return for payment of € 28.7 m. The following agreements were reached in this connection:

- VC Pensionen GmbH will guarantee all pension claims of VARTA Consumer Batteries GmbH & Co. KGaA, which were already acquired as at 31 December 2020 and fall due after 1 January 2021, and
- will honour fulfilment of these payment obligations vis-à-vis VARTA Consumer Batteries GmbH & Co. KGaA.

The joint debt assumption was subject to the condition precedent of the first part payment by VARTA Consumer Batteries GmbH & Co. KGaA being received, which took place on 17 January 2022. As a result, the amount carried forward for claims to reimbursement from the assumption of joint debts was increased by the agreed payment amount of € 28.7 m. More in chapter 5. Material assumptions and estimates.

Safeguards were implemented with regard to the financial assets (€ 28.7 m), which were assigned in connection with the joint debt assumption to VC Pensionen GmbH.

For the pension obligations (DBO) assumed in accordance with IAS 19, the amortised value on the reporting date amounted to € 24.7 m (2021: € 32.9 m). A claim for reimbursement against VC Pensionen GmbH was recognised in this amount.

In financial year 2022, a reduction in the revaluation reserves of € -2.0 m was booked in other comprehensive income as a result of this joint debt assumption, whereby this amount was divided into a partial amount of € -7.3 m for 2022 and an inverse partial amount of € 5.0 m for 2021 (2021: € 0.0 m).

In financial year 2021, VC Pensionen GmbH concluded a trust agreement with VARTA Consumer Pensions-Treuhand e.V. and as a result of this will transfer the existing assets to secure the pension obligations to the association on a fiduciary basis. According to the trust agreement with VC Pensionen GmbH, in the event of insolvency or in the event of a shortfall in the trust assets not being remedied, VARTA Consumer Batteries GmbH & Co.

KGaA can immediately ask VARTA Consumer Pensions-Treuhand e.V. to retransfer the trust assets.

As at 31 December 2022, the assets of VARTA Consumer Pensions-Treuhand e.V. essentially consisted of the following items:

- Loan to Motto Entertainment und Veranstaltungs GmbH (Austria):
  The borrower is an Austrian corporation, the purpose of which is to manage participations and supply services. The borrower uses the amount to refinance the acquisition of a participation (this in turn serves to finance the "Cobenzl" catering project). The loan volume amounts to € 1.4 m. A term until 31 December 2025 and a bullet repayment has been agreed, although the borrower can opt to repay the loan prematurely in partial amounts. Interest is 5% p.a. and is capitalised as of 31 December each year. There is a personal guarantee declaration by a related person regarding the claims arising from the loan agreement.
- Loan to Gamma WertInvest GmbH & Co. KG (Austria):
  The borrower is Gamma WertInvest, an Austrian limited partnership, the purpose of which is to own property and to hold participations in this area. Gamma WertInvest is the sole limited partner in AHL REAL KUM GmbH & Co. KG, which has in turn acquired the former, listed Hotel Kummer in Vienna with the aim of refurbishing it, modernising it and subsequently leasing it to a hotel operating company (Hotel Motto BetriebsgesmbH (Austria), "Motto"-Hotel). The loan amount amounts to € 14 m. A term until 31 December 2027 has been agreed. The repayment amount will increase by an 18.67% share in the increase in the value of the hotel building if this exceeds € 71 m on maturity. There is no fixed interest rate. The provision of a personal guarantee from a related person and a lien over the shares in Gamma WertInvest have been agreed as collateral.
- Shares in Medies Investimo SRL (Romania):
  Medies Investimo is a corporation that manages assets. The purpose of Medies Investimo is to acquire from Alu Menziken SRL (Romania) an industrial property, financed by borrowing and let to Alu Menziken SRL, and let it back to the company long term. There are undeveloped properties alongside worth ca. € 1m, which can be sold at any time. The share equates to a ratio of 100%; complete control is possible.
- Loan to Medies Investimo SRL (Romania):
  The borrower is Medies Investimo SRL, a Romanian corporation, the purpose of which is to own property and to hold participations in this area. The trust fund association is the sole shareholder in Medies Investimo, which has acquired business premises from the related party Menziken SRL, a Romanian affiliate of Varta AG, as part of a sale-and-lease-back transaction. The loan amount amounts to € 8.0 m. A term until 31 December 2029 has been agreed. No interest and capital payments are made during the term. The subordinate, uncollateralised shareholder loan replaces equity.
- Limited partner shares in JPI Hospitality Investors Club GmbH & Co. KG (Austria):
  The partnership is a closed property fund in the legal form of an Austrian GmbH Co. KG designed as an investment vehicle. A sum of € 0.5 m has been invested.
- Limited partner shares in VI Immobilienentwicklung GmbH & Co. KG:
  An investment has been made in a limited partner share with a nominal value of € 8,900. The commercial purpose of the limited partnership is to own property and to hold participations in this area. The share equates to a ratio of 89.0%
  The share ratio will allow significant control to be exercised over the limited partnership.
  The limited partnership has acquired a commercial property used by Eisele GmbH (the managing director is a related person) from MGG GmbH & Co. KG.
  Eisele GmbH has a right to buy the property up to 1 January 2036.
- Loan to VI Immobilienentwicklung GmbH & Co. KG:
  The borrower is VI Immobilienentwicklung GmbH & Co. KG, Ellwangen (Jagst), a German limited partnership. The trust fund association is the majority (89%) limited partner in the limited partnership. The loan amount amounts to € 0.5 m. A term until

31 December 2025 and a bullet repayment have been agreed. Interest is charged at 3% p.a.

The value and appropriateness of investments is reviewed annually by an external independent expert as part of the preparation of the annual report.

The claim for reimbursement is secured by the following collateral with an unlimited term:

- an independent, unconditional guarantee from VGG Beteiligungen SE, Vienna (Austria) to fulfil the payment obligation of VC Pensionen GmbH, limited to a maximum of € 3.0 m, which was increased by a further € 10.0 m to a total of € 13.0 m in 2022.
- additional independent, unconditional contract performance guarantee (bank guarantee) from Commerzbank AG in the amount of € 5.0 m.

The Group's defined benefit plans have a net obligation with the following components:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Present value of the pension obligation (DBO) at reporting date	46,261	62,099
Fair value of plan assets	-3,368	-3,747
Net obligation (+) / Net assets (-) in balance sheet	**42,893**	**58,352**

The plan assets of the material pension obligations of the companies VARTA Microbattery GmbH, VARTA Storage GmbH and VARTA Consumer Batteries GmbH & Co. KG break down as follows:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Reinsurance	3,368	3,747
Total	**3,368**	**3,747**

For the companies based in Germany, the plan assets consist solely of reinsurance policies; there are no plan assets for the companies abroad. The general risk is minimised by the different characteristics in the composition of the plan assets.

Payments due within the next financial year because of pension commitments amount to € 2.4 m (2021: € 1.7 m). The duration of the pension plans comes to a period of around 18.7 years as a weighted average.

The defined benefit German pension plan mainly provides systematic cover for the employees of VARTA Microbattery GmbH, VARTA Storage GmbH as well as VARTA Consumer Batteries GmbH & Co. KGaA against the risks of old age, death and invalidity.

The retirement benefits from the domestic defined benefit plans are paid in the form of a lifelong pension resulting from a service-dependent employer direct commitment. The death benefits amount to 60 % of the (anticipated) retirement pension. The domestic defined contribution plans provide for lump-sum payments. The one-time pension capital is formed by wage-dependent employee and employer contributions. The death benefits amount to 60 %, while the disability benefits total 40 % of the (anticipated) lump-sum payment.

VARTA Microbattery GmbH, VARTA Storage GmbH and VARTA Consumer Batteries GmbH & Co. KGaA employees covered by the pension plan as at the balance sheet date are shown below:

	31 DECEMBER 2022	31 DECEMBER 2021
Current employees	2,350	2,164
Claimants (former employees)	653	652
Current pensioners	1,141	1,160
Total	**4,144**	**3,976**

There have been the following changes in pension obligations and the plan assets for the defined benefit pension plans:

	NET OBLIGATION		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PENSION OBLIGATIONS		REIMBURSEMENT CLAIM	
(€ k)	2022	2021	2022	2021	2022	2021	2022	2021
Fair value or present value as of Jan 1	**58,352**	**64,611**	**-3,747**	**-3,527**	**62,099**	**68,138**	**46,368**	**19,849**
Included in the income statement								
Employer's current service cost	1,529	1,833	0	0	1,529	1,833	0	0
Interest income/interest expenses	619	354	-40	-20	659	374	532	0
	2,148	**2,187**	**-40**	**-20**	**2,188**	**2,207**	**532**	**0**
Included in other comprehensive income								
(i) Re-measurement:								
Actuarial gains/losses	-16,301	-6,796	0	0	-16,301	-6,796	-6,412	-1,839
- of which adjustments to the pension obligation based on experience	2,543	-492	0	0	2,543	-492	2,355	-47
- of which change in demographic assumptions for the pension obligation	0	180	0	0	0	180	0	0
- of which change in financial assumptions about the pension obligation	-18,844	-6,484	0	0	-18,844	-6,484	-8,767	-1,792
Income/expenses from net assets, excluding interest income/expenses	272	-45	272	-45	0	0	0	0
	-16,029	**-6,841**	**272**	**-45**	**-16,301**	**-6,796**	**-6,412**	**-1,839**
Other								
Retirement benefits paid directly by the employer	-1,725	-1,450	0	0	-1,725	-1,450	0	0
Benefits paid	147	-155	147	-155	0	0	-2,773	-379
	-1,578	**-1,605**	**147**	**-155**	**-1,725**	**-1,450**	**-2,773**	**-379**
Fair value or present value as of Dec 31	**42,893**	**58,352**	**-3,368**	**-3,747**	**46,261**	**62,099**	**37,715**	**17,631**
Of which pension entitlements covered by provisions					42,199	57,124		
Of which funded pension entitlements					4,062	4,975		

* The amount carried forward as of January 1, 2022 for reimbursement rights from debt assumption is increased by the debt as sumption of VC Pensionen GmbH vis-à-vis VARTA Consumer Batteries GmbH & Co. KGaA.

Information on VRT Pensions GmbH

By demerger and acquisition agreement dated 30 June 2016 concluded between VARTA AG and VRT Pensionen GmbH, Dillingen/Saar, all pension obligations and the related pension assets were spun off from VARTA AG as at 1 January 2016. For more details, please refer to chapter 3.7"Changes according to IAS 8".

In accordance with Section 133 para. 3 sentence 2 UmwG (German law regulating transformation of companies) and the ruling of the German Federal Employment Court (BAG) on the spin-off of pension liabilities of 11 March 2008 (3 AZR 358/06), the previous pension debtor VARTA AG is jointly and severally liable with the new pension debtor VRT Pensionen GmbH for the fulfilment of the pension liabilities for a period of ten years. The underlying assumptions and estimates are described in section 5. "Material assumptions and estimates".

As at the balance sheet date 31 December 2022, the pension obligations of € 5.0 m (2021: € 6.9 m) due by 31 December 31 2025 are offset by plan assets of € 19.7 m (2021: € 23.7 m).

The capitalisation of plan assets is limited in amount (asset ceiling) to the present value of the economic benefit in the form of reimbursements from the plan, as the difference in plan assets of € 14.5 m (2021: € 16.8 m) exceeding the pension obligation is not available to VARTA AG for reimbursement.

	NET OBLIGATION		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PENSION OBLIGATIONS		ASSET CEILING	
(€ k)	2022	2021	2022	2021	2022	2021	2022	2021
Fair value or present value as of Jan 1	**0**	**0**	**-23,717**	**-24,086**	**6,903**	**9,191**	**16,814**	**14,895**
Interest income / interest expense	**0**	**0**	**-160**	**-60**	**48**	**24**	**112**	**36**
Included in other comprehensive income								
(i) Re-measurement:								
Actuarial gains/losses	0	0	0	0	65	-262	-65	262
- of which change in financial assumptions about the pension obligation	0	0	0	0	65	-262	-65	262
Income/expenses from net assets, excluding interest income/expenses	0	0	2,245	-1,621	0	0	-2,245	1,621
	0	**0**	**2,245**	**-1,621**	**65**	**-262**	**-2,310**	**1,883**
Other								
Benefits paid	0	0	1,925	2,050	-1,925	-2,050	0	0
	0	**0**	**1,925**	**2,050**	**-1,925**	**-2,050**	**0**	**0**
Fair value or present value as of Dec 31	**0**	**0**	**-19,707**	**-23,717**	**5,091**	**6,903**	**14,616**	**16,814**

Actuarial assumptions

Provisions were measured according to actuarial principles based on the mortality tables 2018 G produced by Prof. Dr Klaus Heubeck. The actuarial assumptions of the major pension plans were as follows in financial year 2022:

	31 DECEMBER 2022	31 DECEMBER 2021
Discount rate (in %)	3.7	1.1
Expected increases in pensions (in %)	2	1.5
Male pensionable age (in years)	63	63
Female pensionable age (in years)	63	63

The turnover rate of employees of VARTA companies affected by the pension plan broke down as follows in financial year 2022:

	31 DECEMBER 2022	31 DECEMBER 2021
Staff turnover	5.0 %	5.0 %

Since financial year 2021, the turnover rate has been determined on the basis of the underlying quantity structure of the individual companies with the help of Heubeck's guideline tables for staff turnover.

The actuarial assumptions are redetermined at the end of the respective financial year. The actuarial assumptions determined in the process are used to determine the liabilities at the end of the year and the personnel pension costs for the following year.

In addition to an adjustment to the expectation of the long-term pension trend, a premium for the higher short-term inflation expectation (inflation shock) was recognised in the reporting year as an adjustment based on experience.

Sensitivity analyses

The sensitivity analysis below is based on the change of one assumption while all other assumptions remain the same. In practice, this is unlikely and some of the assumptions may correlate with each other. In calculating the sensitivities, the same method was used as for the defined benefit obligations recognised in the balance sheet (present value of defined benefit obligations at the end of the reporting period determined using the projected unit credit method).

The methods used in preparing the sensitivity analysis and the selection of assumptions remained unchanged from the previous year.

Any change in the above-mentioned actuarial assumptions used to determine the DBO as at 31 December 2022 would increase or reduce the corresponding DBO of the respective company, assuming all other parameters remain unchanged, as follows:

Change in the DBO resulting from an increase/decrease in the parameters:

(€ k)	INCREASE	DECREASE
Discount rate (+/-0,5%)	-3,108	3,302
Pension trend (+/-0,25%)	1,367	-1,526
Life expectancy (+/-1 Year)	1,110	-1,065

Expected maturities of undiscounted anticipated pension payments from defined benefit pension commitments

The expected maturities break down as follows:

(IN T€)	DECEMBER 31, 2022	DECEMBER 31, 2021
Up to 1 year	2,432	1,849
Between 1 and 5 years	9,064	8,291
Over 5 to 10 years	13,480	12,308
Total	**24,976.0**	**22,448.0**

In order to finance these defined benefit pension commitments, debt assumption agreements were concluded under which the contractual partners assume the pension obligations in the Group company concerned that have been earned at the contractually defined point in time and reimburse the partial amount covered by the debt assumption agreement at the time of payment.

21.3. Provisions for severance payments

Provisions for severance payments are created for legal and contractual claims of employees largely in Indonesia. Severance payments mainly constitute termination benefits. The provisions are calculated in the same way as pensions, namely in accordance with the projected unit credit method. The provisions for severance payments were classified as non-current in their entirety and have a term of more than one year.

The provisions for severance payments in the consolidated balance sheet are made up as follows:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Present value of the provision for severance payments at reporting date (DBO)	8,719	8,410
Obligation in the balance sheet (provision for severance payments)	**8,719**	**8,410**

There have been the following changes in the provisions for severance payments:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Present value of the provision for severance as of Jan 1	8,410	8,462
Addition consolidation scope	0	85
Foreign exchange differences	431	548
Employer's current service cost	873	-449
Interest expense	0	0
Actuarial gains (-) / losses (+)	-569	-128
Benefits paid	-426	-108
Present value of the provision for severance payments as of Dec 31	**8,719**	**8,410**

Severance expenditure comprised the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Employer's current service cost	797	-450
Expenses unrelated to the accounting period	58	25
Expenses recognised in the income statement	**855**	**-425**
Actuarial gains (-) / losses (+)	-569	-128
Revaluations recognised in the statement of comprehensive income	**-569**	**-128**
Cost of severance payments in the the period	**286**	**-553**

The actuarial assumptions which were used for the calculation in Indonesia were as follows:

	31 DECEMBER 2022	31 DECEMBER 2021
Discount rate (in %)	7.6	7.6
Expected salary increases (in %)	11.5	11.5
Pensionable age males (in years)	55	55
Pensionable age females (in years)	55	55

21.4. Service anniversary bonuses

Essentially, the provision for service anniversary bonuses comprises claims by employees of VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA for many years of loyalty to the business.

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Present Value of the service anniversary bonuses as of 1 January	1,932	2,183
Currency differences	0	-8
Consumption	-370	-339
Addition	88	89
Reversal	-85	7
Present Value of the service anniversary bonuses at 31 December	**1,565**	**1,932**

21.5. Partial retirement

Essentially, the provision for partial retirement comprises claims under collective agreements by employees of VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA for many years of loyalty to the business.

(IN T€)	31 DECEMBER 2022	31 DECEMBER 2021
Present value of the partial retirement obligation at 1 January	3,585	4,178
Consumption	-2,067	-1,243
Addition	3,110	1,264
Reversal	-162	-614
Present Value of the partial retirement obligation at 31 December	**4,466**	**3,585**

22. Tax liabilities

Liabilities from income taxes of € € 46.4 m exhibit the following age structure:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Income tax liabilities		
...concerning 2021	2,211	23,837
...concerning 2020	19,043	17,375
...concerning 2019	14,156	40
...older than 2019	11,024	9,288
Total	**46,434**	**50,540**

Income tax liabilities have decreased by € 4.1 m year on year. This decrease is largely attributable to the payment of taxes for previous years and recognising a loss carryback.

The income tax liabilities in the amount of € 8.9 m dating back to 2019 and earlier are largely the result of the findings of the current external audit of the German VARTA Consumer companies. They also included tax provisions of € 0.5 m for the current external audits of VARTA AG and VARTA Microbattery.

23. Trade payables, contract liabilities and advance payments received

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

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Advance payments received	0	14,208
Non-current liabilities	**0**	**14,208**
Trade payables to third parties	78,080	77,084
Liabilities from the acquisition of tangible and intangible assets	23,164	17,890
Liabilities to related parties	129	269
Sum trade payables	**101,373**	**95,243**
Contract liabilities	2,534	4,374
Advance payments received	15,294	36,889
Current liabilities	**119,201**	**136,506**
Total trade payables, contract liabilities and advance payments received	**119,201**	**150,714**
of which due immediately	43,151	26,449
of which residual term of up to 1 year	76,050	110,057
of which residual term over to 1 year	0	14,208

Trade payables including advance payments received have fallen by € € 31.5 m in total. This is largely attributable to the fall in advance payments received.

Advance payments received came to € 15.3 m overall and were associated with obligations arising from (to some extent pending) transactions on the part of the VARTA AG Group to deliver batteries. The resultant liabilities of the VARTA AG Group are repaid as part of future deliveries and meet the requirements for recognition as advance payments received in accordance with IFRS 15.16. This presentation is based on the assessment that the advance payments will be covered in full by subsequent call-offs and consequently do not contain a financing component. The cash inflow is included in net cash flow from ongoing operating activities. In financial year 2022, a total of € 36.0 m of the advance payments received shown in the previous year were netted off against matching receivables from call-offs (2021: € 43.7 m).

As at 31. Dezember 2022, contract liabilities decreased slightly year on year to € 2.5 m (2021: € 4.4 m). For further explanations, please refer to chapter 13. "Trade receivables and contract assets".

24. Other liabilities

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Other non-current liabilities	27,396	10,229
Other current liabilities	33,364	22,747
Other liabilities	**60,760**	**32,976**

Current other liabilities increased from € 22.7 m to € 33.4 m. This is primarily attributable to the increase in liabilities from promotional projects of € 5.0 m (2021: € 4.1 m) and deferred income, which largely relates to government grants, of € 10.5 m (2021: € € 2.2 m).

The non-current other liabilities as at 31 December 2022 in the amount of € 27.4 m are deferred income. Further details are given in chapter 3.7. "Changes according to IAS 8".

25. Other provisions

Other provisions in financial years 2022 and 2021 consisted of the following:

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2022
Maturity					
Non-Current	0	6,768	0	0	6,768
Current	0	4,544	15	4,879	9,438
Total provisions	**0**	**11,312**	**15**	**4,879**	**16,206**
Changes in other provisions in 2022					
As of Jan 1, 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 of 31 December 2022	**0**	**11,312**	**15**	**4,879**	**16,206**

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

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 costs 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 Microbatteries and 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. 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 consist of provisions for commissions of € 0,8 m (2021: € 3.2 m), as well as provisions for restoration liabilities of € 0.5 m (2021: € 0.4 m). Other uncertain liabilities came to € 2.2 m at the end of the financial year (2021: € 1.3 m). Furthermore, other provisions include risks for legal disputes amounting to € 0.8 m.

26. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Holiday entitlements, overtime and time off	10,496	8,820
Bonuses to employees and Management	5,851	9,098
Other deferred liabilities for personnel	10,083	8,104
sum Deferred liabilities for personnel	**26,430**	**26,022**
Audit, tax and legal advice	2,361	2,576
Outstanding invoices	12,985	5,870
Customer bonus	55,777	56,004
Miscellaneous deferred liabilities	1,375	4,954
Other deferred liabilities	**72,498**	**69,404**
Deferred liabilities	**98,928**	**95,426**

Deferred liabilities to employees have only risen very slightly from € 26.0 m to € 26.4 m compared with the previous year. Other deferred liabilities to personnel include € 1.9 m non-current liabilities.

The change was caused by the growth in holiday provisions, which was attributable to increased capacity utilisation in the Consumer Batteries segment. Other deferred liabilities for personnel have also increased due to severance agreements. Bonuses for employees trended in the opposite direction, with this reduction essentially due to the negative trend in income in the reporting year.

Other deferred liabilities came to € 72.5 m (2021: € 69.4 m). The major part of this was attributable to provisions for customer bonuses of € 55.8 m (2021: € 56.0 m). The miscellaneous deferred liabilities include € 0.6 m non-current liabilities.

27. Sales revenue

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

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Sales revenue	**806,916**	**902,931**
of which from the sale of products	804,465	899,123
of which from the provision of services	2,451	3,808

Sales revenue includes income from other periods of € 8.7 m (2021: € 7.9 m) from the adjustment to provisions for customer bonuses.

Revenue from product sales includes sales from all segments (see chapter 6 "Segment reporting").

Revenue from sales of services contained revenue from product design of € 1.2 m (2021: € 1.2 m), and revenue of € 0.6 m (2021: € 0.8 m) from the provision of services to research institutes and of € 0.3 m (2021: € 0.7 m) for research services.

28. Increase in finished and unfinished goods

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Change in unfinished goods	-1,419	10,079
Change in finished goods	43,296	1,232
Increase in finished and unfinished goods	**41,877**	**11,311**

The increase in the change in inventories of finished goods was mainly the result of higher production and material costs due to energy price increases and the weaker fourth quarter. In addition, inventories were increased to ensure delivery capability to customers.

29. Own work capitalised

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Own work capitalised	29,178	19,547

Capitalised own work mainly relates to capitalised development costs in the amount of € 27.2 m (2021: € 17.6 m). The increase is mainly due to the IPCEI project. Further details in chapter 3.7 Changes according to IAS 8.

30. Cost of material

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Cost of raw materials, supplies and goods purchased	400,128	297,844
Miscellaneous cost of materials and purchased services	15,627	19,703
Materials processing and refining by third parties	13,086	11,327
Other	4,336	4,280
Total	**433,177**	**333,154**

The increase in "expenses for raw materials, supplies and goods purchased" was largely caused by the increases in commodity prices associated with the war in Ukraine and the change in the product mix. In the previous year, the item "other material expenses and services purchased" temporarily included higher costs for temporary staff because of the expansion in capacity and the 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.

31. Personnel expenses

Personnel expenses contained the following items:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Wages and salaries	217,167	203,887
Expenses for statutory social security contributions	22,476	22,169
Pension expenses	18,599	17,852
Expenses for severance payments	4,068	499
Other personnel expenses	3,290	3,398
Total	**265,600**	**247,805**

Pension expenses comprised the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Defined contribution plans*	16,780	14,744
Defined benefit plans	1,819	3,108
Total	**18,599**	**17,852**

* The expenses for defined contribution plans include the employer's contributions to the statutory pension scheme.

In 2018, a share option programme for employees (ESOP) was launched by the parent company VGG Beteiligungen SE (Vienna), under which participating employees of the VARTA AG Group, including the Executive Board, are entitled to purchase ordinary shares in VARTA AG. The vesting period taken as a basis amounts to four years and the precondition for exercise is that the beneficiaries are in an ongoing employment relationship with VARTA AG or with one of its affiliated companies at the date the option is exercised. Non-cash expense from the ESOP of € 0.02 m (2021: € 0.6 m) was recognised in "Wages and salaries".

Expenses for defined contribution plans largely include the employer's contributions to the German statutory pension insurance scheme. In financial year 2022, total expenses for these contributions amounted to € 15.3 m (2021: € 14.3 m). As at the reporting date, contributions not yet calculated or not yet paid are deferred and reported under other liabilities or provisions.

The Group employed 4,498 staff as at year-end 2022 (2021: 4,666). On average, 4,560 employees were employed in 2022 (2021: 4,599). Of these, 3,191 were wage earners and 1,369 were salaried employees.

32. Depreciation and amortisation

Depreciation and amortisation comprised the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Scheduled depreciations of property, plant and equipment (excluding right-of-use assets)	82,767	70,924
Scheduled depreciations of right-of-use assets	18,904	17,667
Scheduled depreciations of intangible assets	7,007	7,078
Impairment of property, plant and equipment and intangible assets	146,316	0
Total	**254,994**	**95,669**

As expected, the balance sheet item depreciation and amortisation significantly increased year on year on the back of the commissioning of new machinery and equipment.

Global economic developments and the resulting consequences for the VARTA Group gave rise to an extraordinary impairment loss in the amount of € 146.3 Mio. €. Further details are provided in the comments on the impairment tests carried out in section 8. "Intangible assets".

33. Other operating income

Other operating income contained the following items:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Grants and public donations	43,079	45,432
Reversal of provisions & accrued liabilities	2,747	5,283
Income from the sale of property, plant and equipment	3	1
Other	14,585	11,086
Total	**60,414**	**61,802**

*Previous year adjusted according to IAS 8

In financial year 2022, government grants amounted to € 43.1 m (2021: € 45.4 m) in total and were essentially provided for VARTA Microbattery GmbH, VARTA Micro Production GmbH and VARTA Microbattery S.R.L. As part of the Important Project of Common European Interest (IPCEI) on Batteries, 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 Federal States of Baden-Württemberg and Bavaria. In the reporting year, the funding amount was reduced by € 108.0 m to around € 192.0 m. If there is sufficient certainty that the conditions will be met, a claim is put in and other operating income recognised. For further details, please refer to sections 3.7 "Changes according to IAS 8" and 5 "Material assumptions and estimates".

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 spillover 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 and Nördlingen 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 item "Other" mainly relates to income from reimbursement to Energiser in the amount of € 5.3 m and income from patent litigation in the amount of € 3.8 m. The increase in the item "Other" is mainly attributable to compensation from patent litigation in the amount of € 3.8 m.

34. Other operating expenses

Other operating expenses contained the following items:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Legal, auditing and consultancy fees	25,405	17,893
Cost of energy	23,177	10,697
Maintenance	17,392	15,036
Outward freight and customs duties	14,585	13,322
Expenses for foreign currency hedges	13,935	5,028
Other sales and distribution costs	10,481	9,565
Information Technology	9,953	6,524
Marketing, advertising and representation	9,567	8,606
Warranties	5,225	7,537
Commission	5,146	4,367
Rent and leases	3,176	2,824
Expenses to related companies	2,565	406
Travel expenses	2,368	1,164
Cleaning	2,253	1,934
Insurance contracts	2,155	2,513
Licenses and patent fees	1,717	1,809
Contributions and fees	1,532	1,370
Apprenticeship and training costs	1,235	662
Engineering and professional fees	1,048	3,024
Bank charges / fund transfer fees	795	923
Impairment losses from trade receivables	-620	2,267
Miscellaneous other operating expenses	19,532	14,982
Total	**172,622**	**132,453**

Other operating expenses have increased in total by € 40.2 m from € 132.5 m to € 172.6 m. In order to standardise the reporting of effects from currency derivatives, both realised and unrealised gains and losses from currency derivatives will be shown in the operating result from the reporting year onwards due to their economic content. This results in a positive effect on operating profit of € 5.6 m for financial year 2022.

Due to higher energy costs, the item "cost of energy" more than doubled, rising by € 12.5 m to € 23.2 m year on year. Price volatility has increased expenses for "expenses for foreign currency hedges" by € 8.9 m in the last year. The item "legal, auditing and consultancy fees" rose by € 7.5 m, which was largely attributable to patent disputes the preparation of the restructuring concept and other miscellaneous consulting services. IT expenses rose by € 3.4 m.

The item Miscellaneous other operating expenses mainly relates to expenses for the settlement of claims amounting to € 5.6 m, expenses for work clothing amounting to € 1.4 m, expenses for ancillary services from leases amounting to € 0.6 m and expenses for employee canteen meals amounting to € 0.5 m. The change in miscellaneous other operating expenses was largely the result of compensation payments, which have risen by € 2.7 m.

35. Share-based payment arrangements

Employee share option programme (ESOP)

The Employee Share Option Programme (ESOP) was launched by the parent company VGG Beteiligungen SE (Vienna, Austria) to allow employees to subscribe to ordinary shares in VARTA AG. The vesting period on which the programme is based amounts to four years. The share-based payment arrangement requires employees to be in an active employment relationship with the Company whenever options are exercised.

The number and weighted average of the exercise prices of the share options developed as follows:

	2022		2021	
(€ k)	NUMBER OF OPTIONS	Weighted average exercise price	NUMBER OF OPTIONS	Weighted average exercise price
Outstanding as of 1 January	**23,229**		**197,272**	
Exercised during the year	-13,676	78.64	-174,043	123.79
Outstanding as of 31 December	**9,553**		**23,229**	
Exercisable as of 31 December	9,553		20,640	

The options exercised in 2022 had an exercise price between € 29.41 and € 98.88 (2021: € 112.33 and € 135.84).

The weighted average share price at the exercise date of the share options exercised in 2022 was 78.64 € (2021: € 123.79).

Determination of fair values

The fair value of share-based payment system was determined in accordance with the Black Scholes formula.

The following parameters were used to determine the fair values on the date share-based payment with settlement by equity instruments was granted:

	MANAGEMENT STOCK OPTION PROGRAM (MSOP) 2018	MANAGEMENT STOCK OPTION PROGRAM (MSOP) 2019
Fair value (average in EUR)	8.07	23.93
Share price on the date the option was granted (in EUR)	21.6	38.5
Exercise price (in EUR)	14.0	14.0
Expected volatility (in %)	30.9 %	36.1 %
Expected term (in years)	4.0	4.0
Expected dividends (average, in %)	0.55 %	0.85 %
Risk-free interest rate (in %)	-0.69 %	-0.58 %

Expected volatility is based on an assessment of historical volatility in the Company's share price, especially over a period corresponding to the anticipated maturity. The anticipated maturity of the instruments is based on historical experience and the general conduct of option holders.

Impact of share-based payments on profit/loss for the period and financial position
The expense recognised in the income statement for share-based payment came to € 0.02 m in financial year 2022 (2021: € 0.6 m). The effects in equity amounted to € 0.02 m (for further information, please refer to the notes under 18. Equity) and consisted of allocations from the forward projection of the ESOP.

36. Net interest income

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Interest income	2,450	1,545
Interest expense	-13,762	-6,490
Interest result	**-11,312**	**-4,945**

In 2022, interest income increased by € 0.9 m to € 2.5 m. Interest income rose in response to changes in interest rates in favour of the VARTA AG Group.

Interest expenses have risen in the current financial year from € 6.5 m to € 13.8 m. The increase resulted from interest expenses for the newly raised promissory note loan and changes to interest rates.

37. Net financial result

Sundry financial income and sundry financial expenses comprised the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Foreign exchange gains	4,697	5
Income from financial instruments measured at fair value	775	353
Sundry financial income	**5,472**	**358**
Foreign exchange losses	-4,062	-4,205
Other financial expense with third parties	-268	-289
Loss from disposal of IC investment	0	-340
Sundry financial expense	**-4,330**	**-4,834**

The increase in other financial income resulted from gains from currency fluctuations.

Sundry financial expenditure decreased by € 0.3 m due to the non-recurring effect from the disposal of IC participations in the prior year. Expenditure fell by € 0.1 m due to exchange rate fluctuations, involving the USD in particular.

38. Income tax expenses

The tax rate of the VARTA Group amounted to 28.84 % in the financial year (2021: 28.84 %). The corporation tax rate amounted to 15.00 %, the solidarity surcharge thereon was 5.50 % and the combined trade tax was 13.02 % (2021: 13.02 %) for VARTA AG. For the foreign companies, the respective country-specific tax rates were used to calculate the taxes and these range from 10.00 % to 34.60 %. The reconciliation of the expected tax expense with actual tax expense is shown below:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Earnings before tax (EBT)	-198,178	177,089
Companies income tax rate	28.84 %	28.84 %
Expected (theoretical) tax expenses	57,155	-51,072
Effects of different tax rates within the group	95	2,504
Adjustment due to local tax rate change compared to prior year	34	305
Tax-free income	320	320
Non capitalised loss carryforwards - actual period	-14,743	0
Usage of tax loss carryforwards	18	74
Expenses not recognised under tax law	-1,762	-1,089
Interest not recognised under tax law	-532	-423
Effective tax expense/tax income for previous years	1,951	-1,292
Tax effect on temporary differences for which no deferred tax assets were recognised in the current period	-42,040	0
Deferred tax expense for previous years	-3,047	0
Change in measurement of deferred tax assets	-297	-507
Other	606	47
Income tax expenses	**-2,242**	**-51,133**

Income tax expense included current taxes of € 4.3 m (2021: € 54.3 m) and deferred tax income of € 2.0 m (2021: € 3.2 m), of which a total of € -5.1 m resulted from temporary differences and € 7.1 m from loss carryforwards.

As a result of the profit transfer agreements concluded in the Group as at 1 July 2016 and 31 August 2021, there was an income tax group on the reporting date involving VARTA Microbattery GmbH, Ellwangen, VARTA Micro Production GmbH, Nördlingen, and VARTA Storage GmbH, Nördlingen, as controlled companies, and VARTA AG, Ellwangen, as the controlling company.

Income tax on the remeasurement of defined benefit plans in accordance with IAS 19 amounted to € -2.9 m (2021: € -1.5 m). Both items were recorded in other comprehensive income.

The Group has unrecognised and unused tax loss carryforwards from corporate income tax of € 61.0 m (2021: € 13.1 m) and from trade tax of € 57.5 m (2021: € 2.9 m). The capitalisation of deferred tax assets on the loss carryforwards is not required, as the probability of future profits being able to be offset against the accumulated loss carryforwards is considered to be low in the companies concerned at the time of recognition. The loss carryforwards mentioned are unlimited in time in their ability to be carried forward in their entirety.

The capitalisation of tax loss carryforwards is reassessed annually and is based on current and long-term assumptions and estimates made by management. Loss carryforwards are capitalised if they can be utilised within the next few years on the basis of the earnings situation of individual companies or tax groups. In countries or companies where it is not foreseeable that the loss carryforwards will be utilised, they are not capitalised.

At 31 December 2022, temporary differences of € 36.1 m (2021: € 36.1 m) existed in connection with shares in subsidiaries and joint ventures. These deferred tax liabilities were not recognised as the Group is able to control the timing of the reversal and the temporary differences will not reverse in the foreseeable future.

39. Consolidated cash flow statement

Cash and cash equivalents comprise cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Miscellaneous non-cash income of € -0.04 m (previous year income of € 1.6 m) resulted mainly from share-based remuneration of € 0.02 m (2021: € 0.6 m). For further information, please refer to the notes 35. Share-based payment arrangements.

The item "Acquisition of property, plant and equipment and intangible assets" cannot be reconciled with the additions of "intangible assets and property, plant and equipment" because of outstanding items where there was no payment obligation. Essentially, the differences resulted from the change in liabilities. These liabilities from investments in property, plant and equipment have reduced by € 10.4 m year on year (2021: € 6.3 m). The outstanding items from the previous year's investment were paid in full in the following year and allocated to the item "Acquisition of property, plant and equipment and intangible assets".

Cash payments increased by € 100.2 m as a result of the dividend payment in financial year 2022.

The development of financial liabilities consisted of the following:

(€ k)	01 JANUARY 2022	CASH CHANGE BORROWINGS	CASH CHANGE REPAYMENTS	INTEREST PAID	NON-CASH CHANGE OTHER CHANGES	NON-CASH CHANGE INTEREST EXPENSE	NON-CASH CHANGE CURRENCY TRANSLATION	31 DECEMBER 2022
Liabilities to financial institutions	164,643	319,188	0	-2,383	36	7,240	0	488,724
Other financial liabilities	39,132	6,920	-20,108	-737	0	1,864	0	27,071
Lease liabilities	97,705	9,923	-18,128	-1,205	-2,447	1,205	44	87,097
Liabilities from financing activities	**301,480**	**336,031**	**-38,236**	**-4,325**	**-2,411**	**10,309**	**44**	**602,892**

(€ k)	01 JANUARY 2021	CASH CHANGE BORROWINGS	CASH CHANGE REPAYMENTS	INTEREST PAID	NON-CASH CHANGE OTHER CHANGES	NON-CASH CHANGE INTEREST EXPENSE	NON-CASH CHANGE CURRENCY TRANSLATION	31 DECEMBER 2021
Liabilities to financial institutions	42,843	163,960	-42,250	-1,166	90	1,166	0	164,643
Other financial liabilities	14,583	24,218	-6,192	0	6,392	108	23	39,132
Lease liabilities	78,487	36,333	-18,408	0	0	1,161	132	97,705
Liabilities from financing activities*	**135,913**	**224,511**	**-66,850**	**-1,166**	**6,482**	**2,435**	**155**	**301,480**

* Prior year adjusted according to IAS 8

Interest expense includes cash interest of € 2.3 m for non-financial liabilities.

The increase in liabilities to banks results from the drawing in full of the credit line under the syndicated loan agreement in the amount of € 70.0 m and the raising of new promissory note loans in the amount of € 250.0 m. For further information, please refer to the section 20. "Other financial liabilities".

As in the previous year, the cash and cash equivalents shown are freely available and are not subject to a restriction in the rights of disposal.

40. Risk management

40.1. Internal control system

The management of VARTA AG has established internal control and management systems for financial reporting to guarantee that the consolidated financial statements of VARTA AG comply with the applicable accounting principles and that Group reporting is correct.

The Audit Committee monitors both compliance with the policies and processes of Group risk management by the Executive Board and the efficacy of the risk management system with regard to the risks to which the Group is exposed. An Internal Audit mechanism has been set up in order to ensure that audits can be carried out on a regular basis, the results of which are reported directly to the Audit Committee.

Each internal control system has its limits, however well it may have been designed. Therefore, even those internal control and management systems that were considered effective do not offer complete security as far as the preparation and presentation of financial statements is concerned.

Estimates and assumptions regarding the future are made when accounting for and measuring items. Estimates and assumptions which represent a significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown under the individual items in the notes to the consolidated accounts. Overall, in the past financial year, risks or estimation uncertainties were identified in the area of accounting for government grants, impairment losses on intangible assets and property, plant and equipment and the recoverability of reimbursement claims arising from debt contributions and appropriate impairment losses were recognised where necessary. Further details can be found in section 5. "Material assumptions and estimates".

40.2.Capital Management

The aim of capital management is to maintain a capital base in order to secure the confidence of investors and creditors and to enable the sustainable development of the Group. In the medium term, the Group aims to achieve a cost- and risk-optimised balance between equity and debt capital, while at the same time complying with the requirements arising from the syndicated loan.

40.3.Financial risk management

The primary aim of financial risk management is to identify the financial risks to which the Group is exposed, to monitor them and to establish efficient security measures. Financial risks emerge from operating activities and the financing structure. These include in particular credit risk, liquidity risk and market price risk (currency, interest rate and commodity price risk).

In addition to the identification, analysis and measurement of financial risks, decisions about the use of financial instruments to manage these risks are made in principle by the management and the Executive Board of the VARTA AG Group, which generally pursue a strategy of low appetite for risk.

The following sections provide an overview of the extent of the individual risks as well as the objectives, principles and processes for measuring, monitoring and hedging financial risks.

Credit risk

Credit risk quantifies the risk of economic loss in the event that a transaction partner fails to meet its contractual payment obligation. In the Group, credit risk arises from trade receivables, other assets and cash and cash equivalents, with credit risks concentrated in trade receivables. The default risk from receivables is countered through targeted measures such as ongoing credit assessment, insuring receivables against insolvency in some cases, agreeing payments in advance, dunning processes and factoring.

The Group policy of only investing cash and cash equivalents throughout the world as deposits with financial institutions of impeccable financial standing or related companies means that the credit risk arising from credit balances with banks is also limited. All contract partners with which derivatives are concluded are well-known international banks, with which the Group maintains ongoing business relationships. All VARTA Group investments must be rated investment grade. Accordingly, the Group views the risk of non-performance by a counterparty and consequently the risk of losses here as low.

With the exception of other financial assets, the carrying amount of financial assets equates to the maximum credit risk. This largely comprised the following as of the reporting date:

	BOOK VALUES	
(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Trade receivables	110,378	162,903
Cash and cash equivalents	108,709	73,107
Contract assets	3,959	6,736
Other financial assets	675	108
Other assets*	39,698	31,992
Total financial assets **	**263,419**	**274,846**

* * excluding receivables from debt assumption € 37.7 m (2021: € 17.6 m), other tax receivables € 3.8 m (2021: € 6.5 m) and prepaid expenses € 1.7 m (2021: € 1.7 m).
** Previous year adjusted in accordance with IAS 8

The VARTA AG Group sells revolving trade receivables to a bank (factor). The sale of receivables takes place at the end of a month. The receivables paid during the month are presented under other financial liabilities in the amount of € 6.9 million to the bank (see note 13 Trade receivables and contract assets). As at 31 December 2022, the Group has sold receivables of €55.5 million (31 December 2021: €55.3 million) under this contract.

The purpose of factoring is in particular to improve liquidity. In addition to the immediate conversion of receivables into cash, the credit risk was transferred to the factor. As the late payment risk remains in the VARTA Group, a financial asset in the amount of the continuing involvement continued to be recognised under trade receivables as at 31 December 2022. Further details can be found in chapter 13 "Trade receivables and contract assets".

As at the balance sheet date of 31 December 2022, other assets mainly related to receivables from government grants of € 23.3 m (2021: € 18.5 m). Other assets also contained tax refund claims of € 7.7 m against Energizer. These are for the settlement of taxes from the periods before the acquisition of the VARTA Consumer business.

The maximum credit risk is assessed as low, since the default risk inherent in basic business with business partners of € 129.6 m (2021: € 73.9 m) was partly covered by credit insurance. In the case of one customer, an advance payment of € 15.3 m (2021: € 51.1 m) functions as collateral. The criteria to be applied for assessing creditworthiness are laid down in contracts with credit insurers and in internal guidelines. In addition, the credit risk is not concentrated, as the Group's customer base consists of a large number of customers. Receivables outstanding at the reporting date must stand up to the Group's risk assessment criteria regardless of when they are due. In principle, a risk is considered for all financial assets based on internal and external experience. There are no financial assets where terms were renegotiated.

Trade receivables and contract assets after loss allowances comprised the following:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Trade receivables	111,586	165,796
Loss allowances	-1,208	-2,893
Trade receivables - net*	**110,378**	**162,903**

* Previous year adjusted in accordance with IAS 8

There have been the following changes to loss allowances:

(€ k)	2022	2021
As of the beginning of the fiscal year	2,893	631
Allocation of expected credit losses	853	2,788
Consumption of expected credit losses	-158	0
Reversal of expected credit losses	-2,325	-417
Foreign exchange differences	-55	-109
Total loss allowances	**1,208**	**2,893**

Loss allowances equal to the anticipated full lifetime losses are recognised for all trade receivables at the reporting date regardless of when they are due or as soon the Company becomes aware that they are not recoverable. Deviations from this principle are possible for non-recoverable or disputed items, for example, or if there are credit balances available.

To take account of experience from previous years, outstanding receivables less those where insurance is in place or have already been written down and less public sector receivables are written down every year using a flat-rate market-based method. Credit insurance reduced the Group's default risk from € 110.4 m to € 71.9 m. The loss allowance rate stated is calculated each year on the basis of a country risk.

The following table discloses information on trade receivables past due in accordance with the simplified approach:

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Europe	93,221	144,080
America	7,327	9,608
Asia	9,341	10,489
Others	1,697	1,619
Total Group*	**111,586**	**165,796**

* Previous year adjusted in accordance with IAS 8

For contract assets, comparable default risk rating classes are used.

Financial assets to which the general approach applies were not written down, as no significant defaults linked to collateral are expected under the current circumstances.

Liquidity risks

The safeguarding of liquidity is continuously monitored by the VARTA AG Group's treasury department. The management ranges from the constant comparison of forecast and actual cash flows to the reconciliation of the maturity profiles of financial assets and liabilities. The main liquidity risks are that the VARTA AG Group is unable to meet its payment obligations, in particular from liabilities to banks and trade payables. To mitigate this risk, rolling liquidity plans are prepared and monitored taking into account incoming payments. Following the collapse in profits in 2022, VARTA AG has drawn up a restructuring concept to stabilise the tight liquidity situation. In addition to measures to cut costs and increase profitability, the majority shareholder also carried out a capital increase of € 50.7 million in March 2023 in order to close an impending liquidity gap in the detailed planning period. This capital increase will ensure the Group's solvency in the detailed planning period. For further details see chapter 5 Material assumptions and estimates.

The undiscounted contractual maturities of non-derivative and derivative financial liabilities are shown below:

31 December 2022

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Other financial liabilities	515,795	526,161	17	148,218	359,131	9,152	9,643
Lease liabilities	87,097	90,701	1,584	3,253	13,514	50,975	21,375
Trade payables	101,373	101,373	43,151	57,860	362	0	0
Other liabilities*	14,765	14,765	765	7,078	6,922	0	0
Total non-derivative financial liabilities	**719,030**	**733,000**	**45,517**	**216,409**	**379,929**	**60,127**	**31,018**
Derivative financial liabilities							
Total derivative financial liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Group	**719,030**	**733,000**	**45,517**	**216,409**	**379,929**	**60,127**	**31,018**

* Excluding accrued expenses and deferred income €37.9 m, liabilities from subsidised projects €5.0 m, customs liabilities €2.6 m and other liabilities from taxes €8.1 m

31 December 2021

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Other financial liabilities*	198,118	198,118	0	78,221	1,907	107,849	10,141
Lease liabilities	97,705	103,658	1,578	3,115	13,133	54,533	31,299
Trade payables	95,243	95,243	26,281	68,877	85	0	0
Other liabilities**	4,599	4,599	1,382	1,337	1,880	0	0
Total non-derivative financial liabilities	**395,665**	**401,618**	**29,241**	**151,550**	**17,005**	**162,382**	**41,440**
Derivative financial liabilities							
Forward exchange transactions (cash flow hedge)	5,657	5,657	0	1,334	4,323	0	0
Total derivative financial liabilities	**5,657**	**5,657**	**0**	**1,334**	**4,323**	**0**	**0**
Total Group	**401,322**	**407,275**	**29,241**	**152,884**	**21,328**	**162,382**	**41,440**

* Excluding derivative financial instruments € 5.7 m.
** Excluding deferred income € 2.2 m, liabilities from subsidy projects € 4.1 m, customs liabilities € 3.0 m and other liabilities from taxes € 8.9 m
*** Previous year adjusted in accordance with IAS 8

Market risk
Market risk includes currency, commodity and interest rate risks, which are explained in more detail below.

Commodity risks
The Group buys commodities in different quantities and these are subject to the risk of prices changing. The key commodities are determined by analysing the planned quantities of commodities and hedged in part through commodity swaps (mainly for silver and zinc). The remaining commodity risk for the Group is rated low. These derivatives were valued at € 0.7 m as at the balance sheet date.

Raw material requirements of € 17.8 m for zinc and € 1.7 m for silver are subject to raw material price risk.

A one percentage point increase in the interest rate would have reduced the Group's net profit by € 1.3 m (2021: by € 0.7 m). A reduction in the interest rate of one percentage point would have improved consolidated net income by € 0.02 m (2021: increase by € 0.7 m). For the purposes of this analysis, it is assumed that all other variables, in particular foreign currency effects, remain constant.

Currency risks

The Group settles its purchases and sales of goods on the basis of the functional currency of three regions, mainly in euro (Europe) and US dollar (USA, Asia). Currency risks relating to trade receivables are hedged by way of forward exchange transactions if they are material amounts involving third parties. Internally, it counters currency risks by largely billing outgoing invoices at foreign companies in the respective local currency. Likewise, purchases of inventories and/or services are mainly conducted in the local currency of subsidiaries.

As at the balance sheet date, interest bearing liabilities, the majority of which are lease and loan liabilities, are predominantly reported in EUR and USD, which correspond to the local currencies of the respective Group companies, meaning that, according to the assessment carried out by the Group, there is no material currency risk in this respect either.

The following illustration shows financial assets and liabilities according to the currency pair EUR/USD, where the currency differs from the functional currency of the respective Group company that holds these financial instruments.

(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Cash and cash equivalents	2,013	31,408
Trade receivables	6,522	58,899
Receivables due from related companies	2,891	12,656
Trade payables	19,253	9,109
Loans from related companies	9,282	14,259
Liabilities to related companies	2,233	3,858
Total currency exposure gross	**-19,342**	**75,737**
Forward exchange transactions	0	-84,997
Total currency exposure net*	**-19,342**	**-9,260**

*Previous year adjusted according to IAS 8

Other currency pairs relevant for the Group are less significant, as these mainly originate from transactions within the VARTA Group.

An appreciation (depreciation) of the functional currency against the USD in the amount of the percentage points listed below would have increased (reduced) the profit/loss of the consolidated financial statements by the amounts shown below as at 31 December. The other variables, especially interest rates, were kept constant in this analysis.

(€ k)		PROFIT	
		31 December 2022	**31 December 2021**
EUR/USD	+8,0% (VJ: +5,1%)	-1,841	-2,593

(€ k)		LOSS	
		31 December 2022	**31 December 2021**
EUR/USD	-8,0% (VJ:-5,1%)	2,162	2,886

The volatility for the individual relevant currency pairs was calculated from historical data for the last 250 trading days (before the respective reporting date). On the basis of the daily exchange rate trend (change in current rates compared with the previous day), the annual volatility shown was determined by upscaling this daily volatility.

Interest rate risk

Interest rate risk is the risk that future interest payments or fair values will change due to fluctuations in the market interest rate.

The Group is exposed to interest rate risk resulting from raising and investing financial resources at variable interest rates. In the Group, neither financial assets (fixed deposits) nor financial liabilities (liabilities to banks), which carry a fixed rate of interest, are measured at fair value through profit or loss. These financial instruments are measured at amortised cost. Consequently, it is not exposed to any risks from raising and investing financial resources at fixed interest rates. Of the promissory note loan, around 66% consists of fixed tranches, while the far smaller, variable portion is not hedged against changes in interest rates. The high proportion of fixed tranches was chosen because they are easier to plan and to manage. The syndicated loan, consisting of a term loan in the amount of €100.0 million and a revolving credit facility in the amount of €135.0 million, has different maturities due to the usually shorter-term drawings. The term of the credit agreement ends in 2026 and can be drawn in different maturities from 1 to 6 months. The interest rate depends on the respective term selected and is then based on the respective Euribor. Therefore, no interest hedging instruments are concluded here either.

By making the best possible use of its liquidity, the VARTA AG Group currently classifies the interest rate risk as low.

As of the balance sheet date, the following interest-bearing financial instruments exist:

	CARRYING AMOUNT	
(€ k)	31 DECEMBER 2022	31 DECEMBER 2021
Variable interest financial instruments		
Financial assets*	108,691	73,088
Financial liabilities**	324,224	175,198

* include bank balances and fixed-term deposits as well as short-term investments
** include other financial liabilities, excluding derivative financial instruments € 0.0 m (2021: € 5.7 m)
*** Previous year adjusted in accordance with IAS 8

An increase in the interest rate by one percentage point would have reduced the Group's net profit by € 1.3 m (2021: reduced by € 0.7 m). A reduction in the interest rate of one percentage point would result in an improvement in consolidated net income of € 0.002 m (2021: increase of € 0.7 m). For the purpose of this analysis, it is assumed that all other variables, in particular foreign currency effects, remain constant.

Derivative financial instruments

The Group essentially uses derivative financial instruments to reduce the risks of changes in exchange rates and commodity prices. It uses forward exchange transactions and commodities swaps to reduce the short-term effects of fluctuations in exchange rates and commodity prices. All the counterparties it uses for this purpose are well-known international banks, with which the Group maintains ongoing business relationships. Accordingly, the Group views the risk of non-performance by a counterparty and consequently the risk of losses here as low. As at 31 December 2022, the gain on derivative financial instruments shown amounted to € 13.3 m (31 December 2021: gain of
€ 11.1 m).

Hedging transactions are concluded over the maturity at average hedging rates.

Forward exchange transactions are shown at a value of € 0.7 m (2021: € 0,1 m) in other assets.

41. Other disclosures on financial instruments

Offsetting of financial assets and liabilities
Derivatives are concluded within the German master agreement for financial derivative transactions, which allows outstanding positions to be offset. The underlying contract does not meet the criteria of IFRS 9 for off-setting. Despite this, there is a legal right to offset outstanding transactions subject to certain requirements, such as default or insolvency on the part of a counterparty. No financial items were offset as at the balance sheet date. As the derivatives used have exclusively positive fair values as of the reporting date, there is no potential offsetting option for these instruments as at the reporting date.

Categories of financial instruments
The following table shows the carrying amounts of financial instruments at fair value by category.

(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
- thereof from continuing involvement	n/a	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 2022	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
- thereof 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	n/a
- thereof trade accounts payable	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, the fair value is not disclosed separately.
2 Lease liabilities are not within the scope of IFRS 9, and fair value is not required to be disclosed in accordance with IFRS 7.29d.

(IN € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 31. DEC 2021	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Active financial instruments				
Other assets non-current		17,644		
- of which not measured in accordance with IFRS 9	n/a	17,630	n/a	n/a
- of which other receivables and assets	AC	14	n/a1	n/a
Trade receivables		162,903		
- of which trade receivables	AC	126,753	n/a1	n/a
- davon Forderungen aus Lieferungen und Leistungen	FVTPL	36,150		
Other financial assets current		108		
- of which stand-alone derivatives	FVTPL	108	108	2
Other assets current		40,133		
- of which not measured in accordance with IFRS 9	n/a	8,141	n/a	n/a
- of which other receivables and assets	AC	31,992	n/a1	n/a
Cash and cash equivalents	AC	73,107	n/a1	n/a
Total		**293,895**		

(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	80,710	n/a	n/a
Other financial liabilities non-current	FLAC	117,990	121,448	3
Lease liabilities current[2]	n/a	16,995	n/a	n/a
Other financial liabilities current		85,785		
- of which other financial liabilities	FLAC	80,128	n/a1	n/a
- of which stand-alone derivatives	FVTPL	5,657	5,657	2
Trade payables	FLAC	132,132		
- thereof advance payments received		36,889	n/a1	n/a
- thereof trade payables		95,243	n/a1	n/a
Other liabilities current		22,747		
- of which not measured in accordance with IFRS 9	n/a	4,599	n/a	n/a
- of which other liabilities	FLAC	18,148	n/a1	n/a
Total*		**456,359**		

(IN € k)		31. DECEMBER 2022	31. DECEMBER 2021
AC	Amortised Cost	222,635	231,866
FVPL	Fair Value through Profit and Loss	36,142	36,258
FVPL	Fair Value through Profit and Loss	-	5,657
FLAC	Financial Liabilities at Amortised Cost	631,249	311,509

1 As the carrying amount is a reasonable approximation of the fair value due to its short-term nature, the fair value is not disclosed separately.
2 Lease liabilities do not fall within the scope of IFRS 9, and fair value is not disclosed in accordance with IFRS 7.29d.
* Previous year adjusted in accordance with IAS 8

Calculation of fair value:
A number of accounting policies and disclosures by the Group require determination of the fair values for financial and non-financial assets and liabilities. The fair value is the price which would be received in a normal transaction between market participants on the measurement day when selling an asset or would have to be paid when transferring a liability (IFRS 13.9).

When determining the fair value of an asset or liability, the Group uses data that is observable on the market where possible. Based on the input factors used in the measurement techniques, fair values are categorised in different levels in the fair value hierarchy:

- Level 1: listed prices (unadjusted) on active markets for identical assets and liabilities
- Level 2: measurement parameters, which are not the prices based on a listing taken into account in level 1, but which can be observed for the liability either directly (as a price) or indirectly (as derived from prices)
- Level 3: measurement parameters for assets or debts that are not based on observable market data.

If the input factors used to determine the fair value of an asset or a liability can be categorised in different levels of the fair value hierarchy, measurement at fair value in its entirety will be allocated to the level of the fair value hierarchy, which corresponds to the lowest input factor of significance for the measurement as a whole. As at the balance sheet date, the Group only had financial instruments from Level 2 measured at fair value.

The fair values for commodity derivatives are determined by the credit institutions with which these agreements have been concluded. The fair values for foreign exchange derivatives are determined by the treasury department of Varta AG. In both cases, the derivatives are valued on the basis of the market data valid for the respective reporting date using recognised mathematical valuation methods (present value method).

Although there are no quoted prices in liquid markets at the reporting date for trade receivables classified as FVPL, they can be measured using other input parameters observable in the market at the reporting date. As these observable inputs are not significantly adjusted and no unobservable inputs are used, a Level 2 measurement exists. The fair value is generally determined by discounting the future contractual cash flows using a market interest rate that reflects the risk and the maturity of the asset.

Fair values of non-current non-derivative financial liabilities carried at amortised cost are measured by discounting the contractual cash flows at maturity and risk-adjusted discount rates as at the measurement date. As the creditworthiness of the VARTA AG Group as a non-observable input factor has a significant influence on the amount when determining the fair value, this is a level 3 fair value.

The carrying amounts of current financial assets and liabilities carried at amortised cost are a reasonable approximation of fair value due to their short-term nature and are therefore not disclosed separately.

Net result by measurement category:

(IN € k)		31. DECEMBER 2022	31. DECEMBER 2021
Financial assets AC	Amortised Cost	3,070	3,812
Financial assets and liabilities FVTPL	Fair Value through Profit and Loss	-13,935	-5,028
Financial liabilities FLAC	Amortised Cost	-13,762	-6,490

* Previous year adjusted in accordance with IAS 8

The recognised net gains and losses on financial assets measured at amortised cost mainly result from currency effects and changes in valuation allowances. The recognised net gains/losses from financial liabilities measured at amortised cost mainly result from currency effects and interest expenses including amortisation effects from the application of the effective interest method. The net result recognised for financial liabilities measured at amortised cost mainly results from currency effects and interest expenses including the amortisation effects from the application of the effective interest method.

Total interest income and total interest expense:
Total interest income and expenses from financial instruments not measured at fair value through profit or loss are as follows:

(IN € k)	31. DECEMBER 2022	31. DECEMBER 2021
Interest income from financial assets measured at amortised cost	2,450	1,545
Interest expense from financial liabilities measured at amortised cost	-13,762	-6,490
Total	**-11,312**	**-4,945**

* Previous year adjusted in accordance with IAS 8

42. Related parties

The following persons and companies were identified as related parties for the reporting periods 2022 and 2021:

- MTC as the ultimate parent company and all companies that are controlled directly or indirectly by MTC, controlled jointly or subject to significant influence;
- All companies that are directly or indirectly controlled by members of the management, controlled jointly or subject to significant influence;
- Prof. DDr. Michael Tojner as the ultimate supervisory authority and all companies that are controlled directly or indirectly by Prof. DDr. Michael Tojner, controlled jointly or subject to significant influence;
- Executive and Supervisory Board members of VARTA AG and their family members; we also refer to the disclosures on VARTA Microbattery Pensions-Treuhand e.V. under 21. "Provisions for employee benefits".

Transactions with related parties are conducted on the basis of normal market conditions. Transactions with the Group's related parties are reported in the following categories:

Related companies:
- Companies that are controlled by MTC, controlled jointly or subject to significant influence and MTC itself (hereinafter "MTC companies");
- Companies that are controlled by Prof. DDr. Michael Tojner or subject to significant influence (hereinafter "Prof. DDr. Tojner companies");
- The Group's joint ventures;
- Companies in which participations are held;
- Companies controlled or jointly controlled by Key Management

Related persons:
- Persons who have the authority and responsibility, directly or indirectly, for planning, directing and controlling the Group's activities, and persons closely associated with them.

42.1. Related companies

Sales and acquisitions of assets and services as well as other offsets from and to related companies are included in the consolidated financial statements shown:

(€ k)	2022 TRANSACTION VOLUME		2021 TRANSACTION VOLUME	
TRANSACTIONS	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES
Transactions with MTC Companies	349	3,088	2,718	887
Transactions with Prof. DDr. Tojner companies	104	3,368	27	3,482
Total	**453**	**6,456**	**2,745**	**4,369**

The following receivables and liabilities are outstanding as at 31 December 2022:

(€ k)	31 DECEMBER 2022 OUTSTANDING ITEMS		31 DECEMBER 2021 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Transactions with MTC Companies	25,430	8,526	2,252	9,035
Transactions with Prof. DDr. Tojner companies	6	11	20	38
Total	**25,436**	**8,537**	**2,272**	**9,073**

Transactions with MTC companies

The following transactions were conducted with MTC companies in the financial year under review:

(€ k)	2022 TRANSACTION VOLUME		2021 TRANSACTION VOLUME	
TRANSACTIONS	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES
Services	-	681	521	389
other Settlements	349	2,407	2,197	498
Total	**349**	**3,088**	**2,718**	**887**

As at 31 December 2022, outstanding receivables and liabilities with related MTC companies are as follows:

(€ k)	31 DECEMBER 2022 OUTSTANDING ITEMS		31 DECEMBER 2021 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Services	8	129	273	237
other Settlements	25,422	8,397	1,979	8,798
Total	**25,430**	**8,526**	**2,252**	**9,035**

There is still a financial liability to MTC companies from the debtor warrant (see 20. "Other financial liabilities") of € € 8.4 m (2021: € 8.8 m).

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with VC Pensionen GmbH, Ellwangen, (Germany) in which VC Pensionen agreed to assume the pension obligations of VARTA Consumer Batteries GmbH & Co. KGaA as part of a joint debt obligation in return for a payment of € 28.7 m.

The assumption of debt became effective with the first part payment on 17 January 2022. The pension obligations are still accounted for in VARTA Consumer Batteries GmbH & Co. KGaA and settled with the beneficiaries; at the same time a claim for reimbursement against VC Pensionen GmbH and the regular netting off of paid pension claims is accounted for. As a result of this, the outstanding receivables due from an MTC company have risen by € 25.4 m in financial year 2022.

Outstanding receivables are collateralised as far as possible.

In the financial year 2022, dividend payments to the majority shareholder VGG Beteiligungen SE amounted to € 54.9 m (2021: € 55.6 m).

The subordinate guarantee from VGG Beteiligungen SE of € 8.0 m was still in place in financial year 2022 with the amount unchanged. A further guarantee in the amount of € 13.0 m was also issued by VGG Beteiligungen SE in financial year 2022. For further details, please refer to note 34.2 Pensions.

Transactions with Prof. DDr. Tojner companies
As part of a sale and leaseback transaction in 2015 with a company controlled by Prof. DDr. Michael Tojner (see note 10. Leasing), rental expenses of € 3.1 m (previous year: € 3.0 m) were incurred from the leaseback of land and buildings and the associated accretion agreements in financial year 2022. In total, the transaction volume with Prof. DDr Michael Tojner companies was as follows:

(€ k)	2022 TRANSACTION VOLUME		2021 TRANSACTION VOLUME	
TRANSACTION TYPE	SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES	SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES
Services	104	3,368	27	3,482
Total	**104**	**3,368**	**27**	**3,482**

As at the balance sheet date, the following receivables and liabilities from transactions on the reporting date are outstanding in the consolidated financial statements:

(€ k)	31 DECEMBER 2022 OUTSTANDING ITEMS		31 DECEMBER 2021 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Services	6	11	20	38
Total	**6**	**11**	**20**	**38**

The guarantee from Global Equity Beteiligungs-Management GmbH, Vienna, worth € 20.0 m for contingent liabilities was still in place in financial year 2022 with the amount unchanged (for further details, please refer to note 44. "Other financial commitments and contingent".

Transactions with companies controlled by Key Management Personnel
There is a loan agreement with the Herbert Quandt Foundation for € 0.52 m (2021: € 0.52 m). As of the reporting date, there is a liability of € 0.59 m (2021: € 0.57 m). Accrued interest for this loan amounts to € 0.07 m as of the reporting date (2021: € 0.05 m). No payments were made in connection with this loan in the financial year.

Transactions with joint ventures
Since operating activity at the joint venture VW-VM Forschungsgesellschaft mbH & Co.KG stopped in 2018 and the joint venture was liquidated in 2019, there are currently no transactions with joint ventures.

Transactions with companies in which participations are held
As at 31 December 2022, there are no companies in which participations are held.

42.2. Related persons

The members of the top management and monitoring level (key management personnel) consisting of the Board of Directors VARTA AG, the management VARTA Microbattery GmbH/VARTA Consumer Batteries GmbH & Co. KGaA/VARTA Storage GmbH/VARTA Micro Production GmbH and the Supervisory Board of VARTA AG. The key management personnel without supervisory board received the following remuneration:

(€ k)	2022	2021
Shot-term employee benefits	3,288	6,753
Share-based payments	-	614
Benefits after termination of employment	1	3
Management remuneration in total	**3,289**	**7,370**

* previous year adjusted according to IAS 8

The members of the Supervisory Board received compensation of € 0.4 m (2021: € 0.4 m). As of 31 December 2022, there are liabilities of € 0.1 m to members of the Supervisory Board.

As of 31 December 2022, there are accrued liabilities for members of Key Management Personnel in the amount of € 0.4 m (2021: € 3.6 m) from bonus agreements and provisions for pensions in the amount of € 0.7 m (2021: € 0.5 m).

Related parties of key management personnel received compensation of € 0.1 m (2021: € 0.06 m). In addition, there are accrued liabilities of € 0.01 m (2021: € 0.01 m).

The compensation of the top management and supervisory level mainly comprises fixed basic salaries and variable bonus payments. Variable bonus payments are based on various performance indicators (in particular Adjusted EBITDA) of the VARTA Group.

43. Management of VARTA AG

The Executive Board of VARTA AG is composed as follows:

Herbert Schein, Member of the Executive Board until 31 December 2022
Additional board memberships:

- Chairman of the Supervisory Board V4Drive SE

Additional board memberships until 31 December 2022:

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

Armin Hessenberger, 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

Rainer Hald, Member of the Executive Board, Chief Technical Officer / CTO since 1 January 2022
Additional board memberships:

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

Dr Markus Hackstein, Spokesperson for the Executive Board, since 1 August 2022
Additional board memberships:

- Managing Director VARTA Microbattery S.R.L.
- Managing Director V4Drive Ellwangen GmbH
- Managing Director V4Drive Romania S.R.L.

Thomas Obendrauf was a member of the Executive Board from 19 January 2023 until 17 February 2023

The Supervisory Board of VARTA AG is composed as follows:

Prof. DDr Michael Tojner (Chairman)
Chairman of the Board of Directors of Montana Tech Components AG and entrepreneur
Additional board memberships (among others):

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

Dr Harald Sommerer (Deputy Chairman)
Entrepreneur
Additional board memberships:

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

Sven Quandt
Managing Director of X-raid GmbH and entrepreneur
Additional board memberships:

- Foundation Board of the Herbert Quandt Foundation, Germany
- Co-Director 3Q GbR, Germany
- Co-Director Q Motorsport GmbH, Germany

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

Prof. Dr Werner Tillmetz, until 31 October 2022

University professor (retired)

Additional board memberships:

- Advisory Board of the Nationale Organisation Wasserstoff- und Brennstoffzellentechnologie (NWO GmbH), Germany
- Science Council of TOTAL S.A., France

Dr Michael Pistauer

Chief Financial Officer / CFO Montana Aerospace AG and entrepreneur

Additional board memberships:

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

44. Contingent liabilities

(€ k)	2022	2021
Service obligations , Rent		
Due up to 2023 / 2022	12,464	9,932
Due up to 2024 – 2028 / 2023 – 2027	64,952	53,921
Due after 2028 / 2027	42,053	25,331
Purchase commitments from approved investment		
Due up to 2023 / 2022	71,205	95,342
Other purchase obligations		
Due up to 2023 / 2022	143,997	138,597
Total	**334,671**	**323,123**

The other purchase commitments mainly relate to orders and supply contracts that have been established with various suppliers to cover short-term requirements for raw materials, intermediate products and semi-finished products. Future obligations will increase primarily due to a business premises lease agreement concluded for the new headquarters at VARTA-Platz 1 in Ellwangen. The lease is expected to start at the beginning of 2025. Other financial obligations to related parties amount to € 58.9 m (2021: €25.1 m).

In addition, reference should be made to the risks arising from contaminated sites that exist at VARTA AG. The former properties of VARTA AG or its former subsidiaries were predominantly used as production sites for battery manufacture and contain almost all the contaminated sites typical of the industry. A purchaser of all former foreign as well as a domestic participation has assumed these risks and possible risks arising in the future and has indemnified VARTA AG from these risks; however, in the external relationship VARTA AG's liability continues to exist. In the meantime, the purchaser has been liquidated. Global Equity Partners Beteiligungs-Management GmbH, Vienna, a company affiliated with the purchaser and a related party of VARTA AG, has additionally secured this indemnification with a guarantee issued in the amount of € 20.0 m with a term until 2031. Only if the risks from the legacy burdens exceed the coverage potential of the guarantor or if the guarantor cannot fulfill its contractual obligations, VARTA AG will be charged accordingly. VARTA AG has assessed these remaining risks and has not identified any need to form a provision.

In connection with the pension obligations spun off from VARTA AG to VRT Pensions GmbH in 2016, VARTA AG is liable as joint and several debtor for 10 years after the spin-off and thus until 2026 in accordance with § 133 (3) sentence 2 UmwG. As the spin-off of the € 25.5 m. Since the spin-off of the € 25.5 m pension obligations also included corresponding plan assets for the pension obligations in the amount of € 26.9 m, VARTA AG assumes, due to the asset surplus of € 1.4 m, that it will not be called upon from the subsequent liability. For more details, please refer to chapter 5. Key assumptions and estimates.

45. 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[1]	Ellwangen	Germany	EUR	100.00 %
P.T. VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00 %
V4Drive Ellwangen GmbH[2]	Ellwangen	Germany	EUR	100.00 %
V4Drive Romania S.R.L.[3]	Otopeni	Romania	RON	100.00 %
VARTA Consumer Austria GmbH	Brunn am Gebirge	Austria	EUR	100.00 %
VARTA Consumer Batteries Benelux B.V.	Utrecht	Netherlands	EUR	100.00 %
VARTA Consumer Batteries GmbH & Co. KGaA	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Batteries Iberia S.L.U.	Madrid	Spain	EUR	100.00 %
VARTA Consumer Batteries Italia s.r.l.	Basiglio	Italy	EUR	100.00 %
VARTA Consumer Batteries Poland Sp.z.o.o.	Warsaw	Poland	PLN	100.00 %
VARTA Consumer Batteries UK Ltd.	Oldham	United Kingdom	GBP	100.00 %
VARTA Consumer Bulgaria EOOD	Sofia	Bulgaria	BGN	100.00 %
VARTA Consumer Czech spol. s.r.o.	Česká Lípa	Czech Republic	CZK	100.00 %
VARTA Consumer Denmark A/S	Albertslund	Denmark	DKK	100.00 %
VARTA Consumer Europe Holding GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Finland Oy	Vantaa	Finland	EUR	100.00 %
VARTA Consumer France S.A.S.	Courbevoie	France	EUR	100.00 %
VARTA Consumer Hrvatska d.o.o.	Zagreb	Croatia	HRK	100.00 %
VARTA Consumer Hungaria Kft.	Budapest	Hungary	HUF	100.00 %
VARTA Consumer Kommandit GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Komplementär GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Norway AS	Oslo	Norway	NOK	100.00 %
VARTA Consumer Schweiz GmbH	Dietlikon	Switzerland	CHF	100.00 %
VARTA Consumer Slovakia spol. s.r.o.	Prievidza	Slovakia	EUR	100.00 %
VARTA Consumer Sweden AB	Bromma	Sweden	SEK	100.00 %
VARTA Consumer Trgovina d.o.o.	Ljubljana	Slovenia	EUR	100.00 %
VARTA Innovation GmbH	Graz	Austria	EUR	100.00 %
VARTA Micro Production GmbH	Nördlingen	Germany	EUR	100.00 %
VARTA Microbattery GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Microbattery Inc.	Rye, NY	United States of America	USD	100.00 %
VARTA Microbattery Japan KK	Tokyo	Japan	USD	100.00 %
VARTA Microbattery Pte. Ltd.	Singapore	Singapore	USD	100.00 %
VARTA Microbattery S.R.L.	Brasov	Romania	RON	100.00 %
Varta Pilleri Ticaret Limited Sirketi	Istanbul	Turkey	TRY	100.00 %
VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00 %
VHB Real Estate Holdings LLC	Delaware	United States of America	EUR	100.00 %
VW-VM Verwaltungsgesellschaft mbH i.L.[4]	Ellwangen	Germany	EUR	50.00 %

1 formerly Youco B21-D439 Stock SE, formerly Pertrix V SE
2 formerly VARTA Drive GmbH
3 Company founded with effect from 22 March 2022

4 Accounted for using the equity method, in liquidation since 1 July 2020

46. Additional disclosures in accordance with HGB

Exemptions in accordance with Section 264 (3) HGB

The companies included in the consolidated financial statements in accordance with IFRS, namely VARTA Microbattery GmbH, Ellwangen, Germany, VARTA Micro Production GmbH, Nördlingen, Germany, VARTA Storage GmbH, Nördlingen, Germany, and VARTA Consumer Batteries GmbH & Co. KGaA, Ellwangen, Germany, make use of the exemptions provided in Section 264 (3) of the German Commercial Code (HGB) for disclosure and non-preparation of notes to the financial statements and management report. The consolidated financial statements of VARTA AG are the exempting consolidated financial statements for these companies.

VGG Beteiligungen SE, Vienna, holds a stake of 50.30 % of the subscribed capital of VARTA AG. The remaining 49.7 % is held in free float. The ultimate parent company of VGG Beteiligungen SE is Montana Tech Components AG in Reinach, Switzerland. The consolidated financial statements of Montana Tech Components AG can be downloaded from the website www.montanatechcomponentts.com.

Liabilities

The debt waiver by a related company in the amount of € 8.4 m described in the item 20. Other financial liabilties has a residual term of one to five years. There are no other significant liabilities with a residual term of more than five years. There are no collateralised Group liabilities.

Number of employees

Please refer to note 31. "Personnel expenses".

Executive Board and Supervisory Board remuneration

The total remuneration of the Board of Management amounted to € 2.4 m in the financial year (2021: € 6.0 m). Members of the Supervisory Board received expense allowances totaling € 0.4 m (2021: € 0.4 m). At the reporting date, € 0.1 m was still outstanding as a liability to Supervisory Board members. Former members of the Board of Management received compensation totaling € 0.0 m (2021: € 0.2 m).

Information on Supervisory Board and the Executive Board remuneration in 2022 is presented in the VARTA AG Remuneration Report and can be found at https://www.varta-ag.com/en/investoren/publications.

Total fee for the auditor of the consolidated financial statements

Pursuant to Section 314 (1) No. 9 of the German Commercial Code (HGB), the fees for the auditor of the consolidated financial statements, Price WaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, recognised as expense for the current financial year are to be broken down as follows:

(€ k)	2022
Audit services	1,201
Total	**1,201**

Proposal for the appropriation of earnings

VARTA AG generated a net loss of € 221 m in fiscal year 2022. It is proposed to carry forward the net loss for the year. Taking into account the profit carried forward of € 48 m and the net loss of € 221 m, the accumulated loss as of 31 December 2022 is € 174 m.

German Corporate Governance Code
In April 2023, the Executive Board and the Supervisory Board of VARTA AG submitted the annual declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible on the website at www.varta-ag.com.

47. Events after the reporting date

After the profit collapse in 2022, VARTA AG has developed a restructuring concept to enable a return to the growth path. In a final report of the restructuring accessor for the assessment of the restructuring ability according to IDW S 6, 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 with the financing banks and the majority shareholder Montana Tech Components AG on a term sheet for the implementation of the restructuring concept, with an extension of the existing financing until 31 December 2026 and changes to the credit conditions (covenants). The boards of the financing banks approved this agreement on 17 April 2023; the provisions of the term sheet still have to be contractually documented with the banks in a restructuring agreement.

As a first measure of the restructuring, a capital increase from authorised capital excluding shareholders' subscription rights of € 2,220,000 was implemented on 21 March 2023 by issuing 2,220,000 new shares at a price of € 22.85 per share and therefore, at a discount of 4 % to the relevant Xetra closing price. The new shares carry full dividend rights for financial year 2022 and carry the same rights as the existing shares. The capital increase generated gross issue proceeds of 50,727,000 Euro, of which a partial amount of 2,220,000 Euro increased VARTA AG's share capital. The remaining amount of 48,507,000.00 Euro was transferred to the capital reserve. The subscription of the new shares was carried out exclusively by VGG Beteiligungen SE, Vienna/Austria, a 100% subsidiary of Montana Tech Components AG. The implementation of the capital increase was entered in the commercial register on 23 March 2023. The new shares were admitted to trading without a prospectus on the regulated market and simultaneously to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.

As a further measure, the term sheet with the financing banks provided for the appointment of a Chief Restructuring Officer (CRO), who took up his position at VARTA AG in April 2023 and is to be appointed to the Executive Board after a familiarisation period. In this function, he will be responsible for the future implementation of the restructuring concept. Armin Hessenberger (CFO) will leave the Executive Board as at 30 April 2023. Under Armin Hessenberger, the agreement with the banks on VARTA AG's extensive restructuring program was reached in March 2023. His successor, Marc Hundsdorf, will take up his position at VARTA on 15 May 2023.

On the operational side, the restructuring measures include an adjustment of production and structural costs as well as targeted investments in growth areas such as the energy transition and e-mobility. Supplemented by measures to strengthen operations, this will create the key conditions for stabilising the company and achieving positive performance in the longer term. In addition to extensive measures in the operational area, personnel measures are also necessary. To this end, the VARTA AG Executive Board held initial talks with employee representatives in April. A concrete social plan or similar was not yet available at the time of preparing the consolidated financial statements. The restructuring program agreed with the banks provides for cost savings in the personnel area amounting to around 800 full-time positions across the company in order to make the structures fit for the future. Planned departures and annual fluctuation in the global

Group will reduce this figure to around 400. Provisions for restructuring may have to be recognised in connection with severance payments.

Due to the non-compliance with contractually defined financial covenants, VARTA is dependent on the conclusion of the restructuring agreement with the financing banks as part of the adjustment of the syndicated loan. This restructuring agreement obliges the Executive Board of VARTA AG to implement far-reaching restructuring measures. The ability to restructure is to be continuously reviewed by an external restructuring expert and confirmed in writing. In the event of non-compliance with the conditions of the restructuring agreement, the financing banks have the right to terminate the financing agreement and to call in the loans granted to VARTA AG at any time.

In this context, the Management Board of VARTA AG points out in particular that the continued existence of the Group as a going concern is therefore dependent on the successful adjustment of the financing by the syndicated lenders on the basis of the restructuring agreement, as well as on the achievement of the operating budget targets aimed at taking into account the restructuring measures. In this context, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The Group may therefore not be able to realise its assets and settle its liabilities in the ordinary course of business.

Due to non-compliance with existing covenants in the syndicated loan agreement, the liabilities under both the syndicated loan and the promissory note loan were classified in full as current. Upon conclusion of the restructuring agreement, which is expected to take place in the 2nd quarter of 2023, the liabilities will be reclassified as non-current liabilities in line with the newly agreed maturities.As the loan agreements had not yet been contractually modified at the time the consolidated financial statements were prepared, it is not possible to assess conclusively whether the contractual modifications will have a quantitative or qualitative impact.

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 we will return to a growth path with corresponding profitability.

Ellwangen (Jagst), 28. April 2023

VARTA Aktiengesellschaft

Spokesperson for the Executive Board	Chief Financial Officer (CFO)	Chief Technology Officer (CTO)
Dr Markus Hackstein	Armin Hessenberger	Rainer Hald

"Translation - the German text is authoritative"

„INDEPENDENT AUDITOR'S REPORT

To VARTA AKTIENGESELSCHAFT, Ellwangen (Jagst)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of VARTA AKTIENGESELSCHAFT, Ellwangen (Jagst), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated cashflow statement for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of VARTA AKTIENGESELSCHAFT for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the subsection "8.10. None-management report disclosures" of the section „Opportunity and risk report" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the subsection of the group management report referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Material Uncertainty Related to Going Concern

We draw attention to the disclosures in section „47. Events after the reporting date" of the notes to the consolidated financial statements as well as the disclosures in section „8. Opportunity and risk report", subsection „8.6 Financial and default risk" of the group management report, where the executive directors describe that the Group's ability to continue as a going concern depends on the successful conclusion of a consortium loan agreement adjusted on the basis of a reorganization agreement, and on the achievement of the operational budget targets which are aimed at taking into consideration the reorganization measures.

As stated in section „47. Events after the reporting date" of the notes to the consolidated financial statements and section „8. Opportunity and risk report", subsection „8.6 Financial and default risk " of the group management report, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and that represents a risk that the Group's ability to continue as a going concern is threatened pursuant to § 322 Abs. 2 Satz 3 HGB. As part of our audit, we evaluated, among other things, the external expert's reorganization report obtained by the company and the professional competence of the external expert. In this context, we also assessed the appropriateness of the assumptions made in the reorganization report and evaluated whether the measures presented in the reorganization report were appropriately derived on the basis of these assumptions. In addition, we assessed the progress of the negotiations on the adjustment of the consortium loan on the basis of discussions and documents. Our audit opinions are not modified in respect of this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

In our view, the matters of most significance in our audit were as follows:

❶ Testing the recoverability of property, plant and equipment and equipment and intangible assets

❷ Assumption of debt in connection with the pension obligations of the subsidiaries VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA

❸ Accounting treatment of a possible repayment obligation for government grants received in connection with the Important Project of Common European Interest ("IPCEI") on Batteries

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Testing the recoverability of property, plant and equipment and equipment and intangible assets**

① In the consolidated financial statements of the Company EUR 592 million and EUR 100 million are reported under the balance sheet items "Property, plant and equipment" and "Intangible assets", respectively(in total 54.9% of total assets or 288.8% of equity). Property, plant and equipment mainly includes technical equipment and machinery as well as construction in progress and advance payments made. Immaterial assets mainly includes trademark rights and other immaterial assets as well as development costs. Property plant and equipment and intangible assets are allocated to the cash-generating units "Microbatteries", "Lithium-Ion CoinPower", "Lithium-Ion Battery Packs", "Lithium-Ion Large Cells", "Consumer" and "Energy Storage Systems". The Company tests the assets for impairment at the level of the cash-generating units (so-called "impairment tests") if internal or external indicators indicate a possible impairment or if there are indications that the reason for an impairment loss recognized in a prior reporting period in accordance with IAS 36 no longer exists, either in full or in part. In the current financial year, the negative economic development of the Group as well as the non-compliance with financial covenants agreed in a syndicated loan agreement were the main events triggering the impairment tests. The recoverable amount of intangible assets with indefinite useful lives and intangible assets not yet available for use are calculated annually as at 31 December, also at the level of the cash-generating units. Since such intangible assets and/or goodwill are allocated to all six of the aforementioned cash-generating units, it was also necessary to determine the recoverable amounts. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined on the basis of fair value less any costs of disposal. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. The starting point for this is the Group's medium-term business plan prepared by executive directors. Due to the uncertainties involved, various planning scenarios are taken into consideration. Expectations relating to future market developments and assumptions about the development of macroeconomic factors and growth rates are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. As a result of the impairment test it was necessary to recognize a write-down amounting to a total of EUR 115 million with respect to the "Lithium-Ion CoinPower" cash-generating unit and a write-down amounting to a total of EUR 31 million with respect to the "Lithium-Ion Large Cells" cash-generating unit.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating unit, the discount rate used, the rates of growth and other assumptions made by the executive directors, and is therefore subject to considerable uncertainty. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

② As part of our audit, we examined, among other things, with the assistance of our internal valuation specialists the methodology used for the purposes of performing the impairment test. In doing so, we compared the expected cash flows used in the discounted cash flow models with the Group's medium-term business plan (subjected to sensitivity analyses) prepared by an external reorganization expert as part of a reorganization report in accordance with IDW Standard 6 and obtained detailed explanations from the executive directors on the key value drivers underlying the expected cash flows. In order to take into account the uncertainty inherent in the projections, we examined the planning premises of the Group's medium-term business plan (subjected to sensitivity analyses) presented in the reorganization report prepared in accordance with IDW Standard 6 and the executive directors' various planning scenarios. We also carried out a comparison with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and examined the measurement model. In the case of impairment losses, we assessed whether these were properly assigned to the assets allocated to the cash-generating unit. We examined that the necessary disclosures were made in the notes to the consolidated financial statements relating to cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the relevant cash-generating units.

Taking into consideration the information available, the valuation parameters and assumptions used by the executive directors are within the ranges considered by us to be reasonable.

③ The Company's disclosures on property, plant equipment and intangible assets can be found in sections 4.10, 5, 7, and 8 of the notes to the consolidated financial statements.

❷ Assumption of debt in connection with the pension obligations of the subsidiaries VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA

① In the Company's consolidated financial statements EUR 38 million in reimbursement claims from an assumption of debt measured at fair value in accordance with IAS 19 (3.0% of consolidated total assets) are reported under the balance sheet item "other non-current assets". The measurement of the reimbursement claims in turn depends on the recoverability of the individual assets held directly and indirectly by the legal entity assuming the debt as well as further guarantee declarations issued in favor of VARTA AKTIENGESELLSCHAFT and its subsidiaries. With respect to an assumption of debt relating to Colibri Beratungsgesellschaft mbH there exists a contractual performance bond from a credit institution in the amount of up to EUR 4 million, and in addition a subordinated guarantee from VGG

Beteiligungen SE, Vienna, for a maximum amount of EUR 8 million. With respect to an assumption of debt relating to VC Pensionen GmbH there exists a contractual performance bond from a credit institution in the amount of up to EUR 5 million as well as guarantee declarations from VGG Beteiligungen SE, Vienna, for a maximum amount of EUR 13 million. Due to the lack of marketability of individual assets held directly and indirectly by the legal entities assuming the debt and the guarantee declarations issued in favor of VARTA AKTIENGESELLSCHAFT and its subsidiaries, parameters that are not observable on the market are also used for the valuation models applied which is why the fair value determined is allocated to Level 3 of the IFRS 13 valuation hierarchy. These parameters may include data derived in the form of approximations using, among other things, historical data. Based on the results of the measurement of the reimbursement claims, the executive directors assume that they are recoverable as at the balance sheet date.

In this context, the reimbursement claims to be measured are subject to an increased measurement risk due to their lower degree of objectivity as well as the underlying judgments, estimates and assumptions of the executive directors. Since the estimates and assumptions, in particular with regard to interest rates and cash flows, and the valuation methods applied may have a material impact on the measurement of these reimbursement claims and the assets, liabilities and financial performance of the Group, this matter was of particular significance in the context of our audit.

② As part of our audit we obtained an understanding of the transactions by inspecting the contractual bases underlying the transaction. On that basis, we evaluated the measurement models applied by the Company and the underlying methodology. Furthermore, we assessed, among other things, the appropriateness of the measurement of the assets held directly and indirectly by the legal entities assuming the debt, which was obtained from an auditing firm, and the professional qualifications of the external experts. As part of this assessment, we inspected working papers of the auditing firm and questioned the estimates and assumptions applied by the executive directors.

Based on our audit procedures performed, we were able to satisfy ourselves that the methods and assumptions used by the executive directors to measure reimbursement claims in relation to the assumption of debt are appropriate overall.

③ The Company's disclosures on provisions for pensions and the reimbursement claims in connection with the assumption of debt can be found in sections 4.11, 5, 15, 21.2 and 40.1 of the notes to the consolidated financial statements.

❸ **Accounting treatment of a possible repayment obligation for government grants received in connection with the Important Project of Common European Interest ("IPCEI") on Batteries**

① In the Company's consolidated financial statements other operating income from government grants received for project-related subsidies at an amount of EUR 43 million (5.3% of consolidated revenue or 64.3% of consolidated EBITDA) is reported. The grants are awarded subject to various ancillary conditions and are generally non-repayable in accordance with the terms of the grant. A possible repayment obligation may arise in the course of an audit of the use of funds by the funding provider or a price audit by a price auditing body. In addition, repayment obligations may arise if the net present value of all after-tax cash flows associated with the project (including investments, but excluding payments for grant disbursements and financing cash flows) positively exceeds the net present value calculated in a preliminary calculation (claw-back mechanism). Based on the assessment made and the project evaluation carried out by the Company, in the view of the executive directors, there was no requirement to recognize a reimbursement liability, as from there view only eligible cost categories are involved and, based on the evaluation of the project, the individual subsidy projects do not exceed a positive net present value, taking into account their respective after-tax cash flows.

The determination of eligible cost categories is subject to a number of discretionary estimates and assumptions. These include, in particular, the derivation of appropriate personnel cost rates and overhead rates. The calculation of the net present value of the after-tax cash flows associated with the project is also subject to discretionary estimates and assumptions that are related in particular to the accurate derivation of future cash flows. As the estimates and assumptions applied may have a material impact on the assessment of the recognition of a reimbursement obligation and on the assets, liabilities and financial performance of the Group, this matter was of particular significance in the context of our audit.

② As part of our audit we obtained an understanding of the scope and nature of the eligible cost categories by inspecting the terms of the grant and the project reports made available to us to gain an . In addition, together with our internal specialists in our national office for international accounting, we evaluated a possible accounting treatment of a reimbursement obligation. Furthermore, together with our internal subsidy law specialists, we examined the Company's methodology for deriving the eligible cost categories and, in particular, personnel cost rates and overhead rates, as well as for project evaluation. Based on this, we evaluated the appropriateness of the determination of eligible cost categories and, in particular, personnel cost rates and overhead rates. Based on the Group's approved medium-term business plan (subjected to sensitivity analyses), we examined the derivation of the respective net present value of the after-tax cash flows associated with the project. In this context, the Company provided us with information in writing on the pending funding measures, the project evaluations carried out as well as the assessments of the executive directors regarding a possible outcome of the recovery proceedings. In doing so, we obtained explanations of the underlying assumptions on which the project evaluations and the estimates of the executive directors are based, as well as the legal assessment of the facts, and examined them on the basis of the underlying evidence. We also attended meetings between the project managers of the Company and the funding provider in order to understand the current developments and reasons for the corresponding estimates made by the executive directors. As part of our audit, we also assessed whether the conditions for not recognizing provisions were met and whether the underlying estimates made by the executive directors are appropriate.

Based on our audit procedures performed, we were able to satisfy ourselves that the estimates made by the executive directors regarding a non-existent reimbursement obligation are sufficiently substantiated and documented.

③ The Company's disclosures on the government grants received in connection with the Important Project of Common European Interest ("IPCEI") on Batteries are contained in sections 4.12, 5, 15 and 33 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the subsection "8.10. None-management report disclosures" of the section „Opportunity and risk report of the group management report as an unaudited part of the group management report.

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report to comply with §§ 315b to 315c HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report to be Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Disclaimer of Opinion

We were engaged to perform an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report to be prepared for publication purposes (hereinafter the "ESEF documents") complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format").

We do not express an assurance opinion on the ESEF documents. Because of the significance of the matter described in the "Basis for the Disclaimer of Opinion" section of our report we have not been able to obtain sufficient appropriate assurance evidence to provide a basis for an assurance opinion on the ESEF documents.

Basis for the Disclaimer of Opinion

As the executive directors have not submitted any ESEF documents to us until the time of the issuance of the auditor's report, we do not express an assurance opinion on the ESEF documents.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB].

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

It is our responsibility to conduct an assurance engagement on the ESEF documents in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). As a result of the matters described in the „Disclaimer of Opinion“ section of our report, we have not been able to obtain sufficient appropriate assurance evidence to provide a basis for an assurance opinion on the ESEF documents.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 21 June 2022. We were engaged by the supervisory board on 27 October 2022. We have been the group auditor of the VARTA AKTIENGESELSCHAFT, Ellwangen (Jagst), without interruption since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Denis Etzel."

Stuttgart, April 28, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd Jürgen Schwehr)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. Denis Etzel)
Wirtschaftsprüfer
(German Public 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

Annual Report 2022:
https://www.varta-ag.com/en/investoren/publications

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