

We move on and
move forward.



A large, abstract graphic consisting of numerous thin, yellow, wavy lines that flow across the page from the top left towards the bottom right, creating a sense of movement and depth.

Communication of the Supervisory Board

Supervisory Board Report

Report of the Supervisory Board for the 2023 financial year

The Supervisory Board of VARTA AG is pleased to report on its work in fiscal year 2023.

Fiscal year 2023 was largely shaped by the reorganization and restructuring of VARTA AG. In addition to its central tasks, the Supervisory Board devoted itself in particular to supporting the restructuring process.

Working methods of the Supervisory Board

In the 2023 financial year, the Supervisory Board diligently fulfilled its responsibilities in accordance with legal requirements, the articles of association, and the rules of procedure. It closely monitored and advised the Executive Board based on comprehensive written and oral reports.

There was a continuous exchange of information between the Chairman of the Supervisory Board, the Spokesman of the Executive Board and the other members of the Executive Board.

The Supervisory Board was regularly and comprehensively informed about strategic business policy, corporate planning - including financial, investment and personnel planning - as well as the profitability, business development and economic situation of the company and the Group. In addition, the Supervisory Board was directly involved in all decisions of fundamental importance to the company and discussed these with the Executive Board in depth and in detail.

The Supervisory Board continuously monitored the Executive Board's activities and ensured their legality, appropriateness, and compliance. Where the approval of the Supervisory Board was required by law, the articles of association or the rules of procedure for management decisions or measures, the resolutions were passed - partly prepared by the respective committees - after intensive examination and discussion. A particular focus of activities in the 2023 financial year was on Executive Board matters.

The Supervisory Board also maintained close contact with the Executive Board between regular meetings. The Chairman and individual members were in continuous bilateral exchange with the members of the Executive Board and reported on various business matters.

Due to the transformation and restructuring phase in particular, contact and consultation were even closer this year than in previous years, notably through regular telephone and video conferences.

The Executive Board attended all Supervisory Board meetings and answered all of the Supervisory Board's questions in detail. In accordance with Section 90 of the German Stock Corporation Act (AktG), the Executive Board informed the Supervisory Board regularly, promptly and comprehensively in writing and verbally about the key aspects of corporate planning and development, the course of business, the risk situation and risk management as well as the economic situation of the company and the Group. All important business transactions were also discussed by the Supervisory Board.

The Supervisory Board was kept informed of the business situation and significant events at six ordinary meetings, which were held in person or by video conference, as well as through regular reports from the Executive Board. The Supervisory Board also passed several resolutions by telephone or by written circulation procedure.

The Executive Board was available to the Supervisory Board bilaterally for any discussions and clarifications.

The Annual General Meeting took place on July 11, 2023. This was again held as a virtual Annual General Meeting. More than 50% of the share capital was represented.

Meetings of the Supervisory Board and committees in the 2023 financial year

At all of its meetings during the reporting period, the Supervisory Board dealt intensively with the company's key issues and the economic situation of VARTA AG and its business units.

At all Supervisory Board meetings, the Executive Board reported in detail on the company's position from a strategic, operational and financial perspective.

At its first meeting on **March 17, 2023**, the Supervisory Board discussed the future concept of VARTA AG and the status of negotiations with the syndicate banks, among other things.

On **April 19, 2023**, the Supervisory Board meeting focused on the annual and consolidated financial statements for 2022, which were not yet fully audited at that time. The outstanding issues were discussed in detail together with the auditor.

REPORT OF THE SUPERVISORY BOARD

At the meeting on **April 28, 2023**, the Supervisory Board finally reviewed and approved the audited annual and consolidated financial statements for 2022. The meeting was held as a video and telephone conference.

At the Annual General Meeting on **July 11, 2023**, the remuneration report for the 2022 financial year was approved, the auditor of the annual and consolidated financial statements for the 2023 financial year was elected and the new version of the authorized and conditional capital was resolved. In addition, Mr. Günther Apfalter was elected to the Supervisory Board.

Following the Annual General Meeting, the Supervisory Board met in Heidenheim. At this meeting, the Board dealt with the current business and financial situation, an update on the progress of the restructuring and ongoing considerations regarding the organizational transformation.

On **September 8, 2023**, the Supervisory Board met as part of the Strategy Week in Traunkirchen. The meeting provided insights into the "Agenda 2030 - VARTA Vision for the Future" as well as detailed updates on the business units CoinPower, V4Drive, Consumer and Energy Storage. In addition, an initial budget outlook and a further update on the restructuring were provided.

The Supervisory Board met in Vienna on **November 21, 2023**. The main topics of the meeting were an update on Agenda 2030 and the initiated strategy process as well as developments in current projects. The Board also discussed progress in research and development and the latest developments in the business units.

At its last meeting of the reporting period 2023 on **December 21** in Vienna, the Supervisory Board primarily dealt with a draft budget for 2024 and planned reorganization and restructuring measures.

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:

1. Audit Committee
2. HR Committee (this includes the Nomination and Remuneration Committee)
3. Related Party Committee
4. Investment Committee

The members of the Audit Committee are or were:

- Dr. Harald Sommerer (Chairman)
- Prof. DDr. Michael Tojner (until October 31, 2023)
- Dr. Michael Pistauer
- Martin Ohneberg (since November 1, 2023)

The members of the HR Committee are:

- Prof. DDr. Michael Tojner (Chairman)
- Dr. Harald Sommerer
- Sven Quandt
- Martin Ohneberg

The members of the Related Party Committee are:

- Sven Quandt (Chairman)
- Dr. Michael Pistauer

The members of the Investment Committee are:

- Martin Ohneberg (Chairman)
- Prof. DDr. Michael Tojner
- Dr. Harald Sommerer
- Günther Apfalter (since November 1, 2023)

REPORT OF THE SUPERVISORY BOARD

Meetings of the committees

The **Audit Committee** held two meetings in the reporting year, mainly regarding the topics of the annual and consolidated financial statements for 2022, the internal audit and risk management.

The **HR Committee** held six meetings in the reporting year to deal intensively with the restructuring and the resulting requirements for the Executive Board. In particular, the focus was on Executive Board contracts and the filling of Executive Board positions. In addition, discussions were held regarding the filling of other key positions and measures to retain employees in the course of the company's realignment.

The **Related Party Committee** met nine times during the reporting year, four of which were held via conference call. The committee primarily dealt with cost allocations between affiliated companies, as well as the capital increase of VARTA AG in March 2023, which was subscribed exclusively by Montana Tech Components AG. Additionally, the committee decided to extend the D&O insurance policies.

The **Investment Committee** did not hold any meetings during the reporting year. The investment plans were discussed in the regular Supervisory Board meetings.

Individualized disclosure of meeting attendance by Supervisory Board members

Number of meetings (participation in %)	Supervisory Board plenum	Audit Committee	HR Committee	Related Party Committee
Prof. DDr. Michael Tojner Chairman	7/7 (100)		6/6 (100)	
Dr. Harald Sommerer Deputy Chairman	7/7 (100)	2/2 (100)	5/6 (83.33)	
Sven Quandt	7/7 (100)		6/6 (100)	9/9 (100)
Dr. Michael Pistauer	7/7 (100)	2/2 (100)		9/9 (100)
Martin Ohneberg	7/7 (100)	2/2 (100)	5/6 (83.33)	
Günther Apfalter	*3/3 (100)			

*Mr. Günther Apfalter has been a member of the Supervisory Board of VARTA AG since July 11 and has attended all Supervisory Board meetings since taking office.

Conflicts of interest

Each member of the Supervisory Board discloses any potential conflicts of interest in accordance with the German Corporate Governance Code.

The financial services agreement concluded in the fiscal year 2019 between Montana Tech Components GmbH, a subsidiary of Supervisory Board Chairman Prof. DDr. Michael Tojner, and VARTA AG, as well as the D&O insurance through Montana Tech Components AG, were extended, resulting in cost savings for VARTA AG. Furthermore, short-term consulting services in the HR sector were agreed upon between VARTA AG and Montana Aerospace AG, which is primarily owned by Montana Tech Components AG. In addition, the capital increase of VARTA AG in March 2023 was exclusively subscribed by VGG Beteiligungen SE, a 100% subsidiary of Montana Tech Components AG.

Prof. DDr. Michael Tojner did not participate in the relevant consultations and resolutions of the Supervisory Board. No other commercially relevant conflicts of interest occurred in the fiscal year 2023.

Annual and consolidated financial statements for 2023 audited and approved

Preamble: Due to a cyber attack in mid-February 2024 affecting parts of the IT systems including the administration of the VARTA Group, the ongoing financial restructuring and the implementation of restructuring proceedings in accordance with the German Corporate Stabilization and Restructuring Act (StaRUG), the audit of the financial statements by the auditor could only be carried out after the completion of these proceedings. An auditor's opinion and the subsequent submission for review by the Supervisory Board could therefore only take place on March 24, 2025.

The Executive Board prepared the annual financial statements for the 2023 financial year in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements in accordance with the provisions of the IFRS, as applicable in the EU, and in accordance with the additional provisions of commercial law to be applied in accordance with Section 315e HGB, as well as the management report summarized in the Group management report. These were audited by PwC PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft, which was elected as auditor by the Annual General Meeting on July 11, 2023, and each was issued with an unqualified audit opinion.

The annual and consolidated financial statements for 2023 were the subject of the Supervisory Board meeting on March 24, 2025, which was also attended by representatives of the auditor. The auditors reported on the main points and the key results of their audit, addressing the particularly important key audit matters.

The auditors were available to the members of the Supervisory Board for detailed discussion. There were no circumstances that could suggest a lack of impartiality on the part of the auditor.

The Audit Committee, which had received the documents submitted by the Executive Board and the auditor's reports for a preliminary review, reported to the Supervisory Board on the main content and the result of its preliminary review and made recommendations for the Supervisory Board's resolutions.

The Supervisory Board examined the annual and consolidated financial statements for fiscal year 2023 and the combined management report and Group management report, taking into account the report of the Audit Committee. The Supervisory Board concurred with the results of the audit by the auditor. On the basis of its own examination, the Supervisory Board determined that there were no objections to be raised against the annual and consolidated financial statements and the combined management and Group management report. At its meeting on March 24, 2025, the Supervisory Board approved the annual and consolidated financial statements prepared by the Executive Board in accordance with the recommendation of the Audit Committee. The annual financial statements of VARTA AG were thereby adopted. In addition, the Supervisory Board also examined the separate non-financial report and group report and, based on the results of its audit, had no objections to raise in this regard either.

The Supervisory Board also endorsed the Executive Board's proposal for the appropriation of profits:

The net loss for the year of VARTA AG in the amount of EUR -129,824,860.51 will be offset against the existing loss carryforward of EUR -173,841,073.25. The remaining net loss for the year of EUR -303,665,933.76 will be carried forward to the new account.

Relationships with affiliated companies audited

The Executive Board prepared a report on relations with affiliated companies for the 2023 financial year. The auditor has reviewed this report, reported on the result in writing and issued the following unqualified audit opinion:

"On completion of our audit in accordance with professional standards, we confirm that 1. the actual facts set out in the report are correct, 2. the company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

REPORT OF THE SUPERVISORY BOARD

The respective reports of the Executive Board and the auditor were also discussed at the aforementioned meeting of the Supervisory Board after a preliminary review by the Audit Committee. The representatives of the auditor who attended the meeting reported on the main results of their audit. The Supervisory Board approved the report of the Executive Board on relations to affiliated companies after its own examination and also endorsed the result of the audit of the results of the auditor's findings regarding this report. As a result of its audit, the Supervisory Board found that it had no objections to raise regarding the declaration of the Executive Board at the end of the report on the relations with affiliated companies.

The Supervisory Board of VARTA AG consists of the members

- Prof. DDr. Michael Tojner,
Chairman (since August 30, 2016)
- Dr. Harald Sommerer,
Deputy Chairman (since April 14, 2016)
- Sven Quandt (since 14. April 2016)
- Dr. Michael Pistauer (since 21. Mai 2019)
- Martin Ohneberg (since 17. Juni 2021)
- Günther Apfalter (since 11. Juli 2023)

Acknowledgment

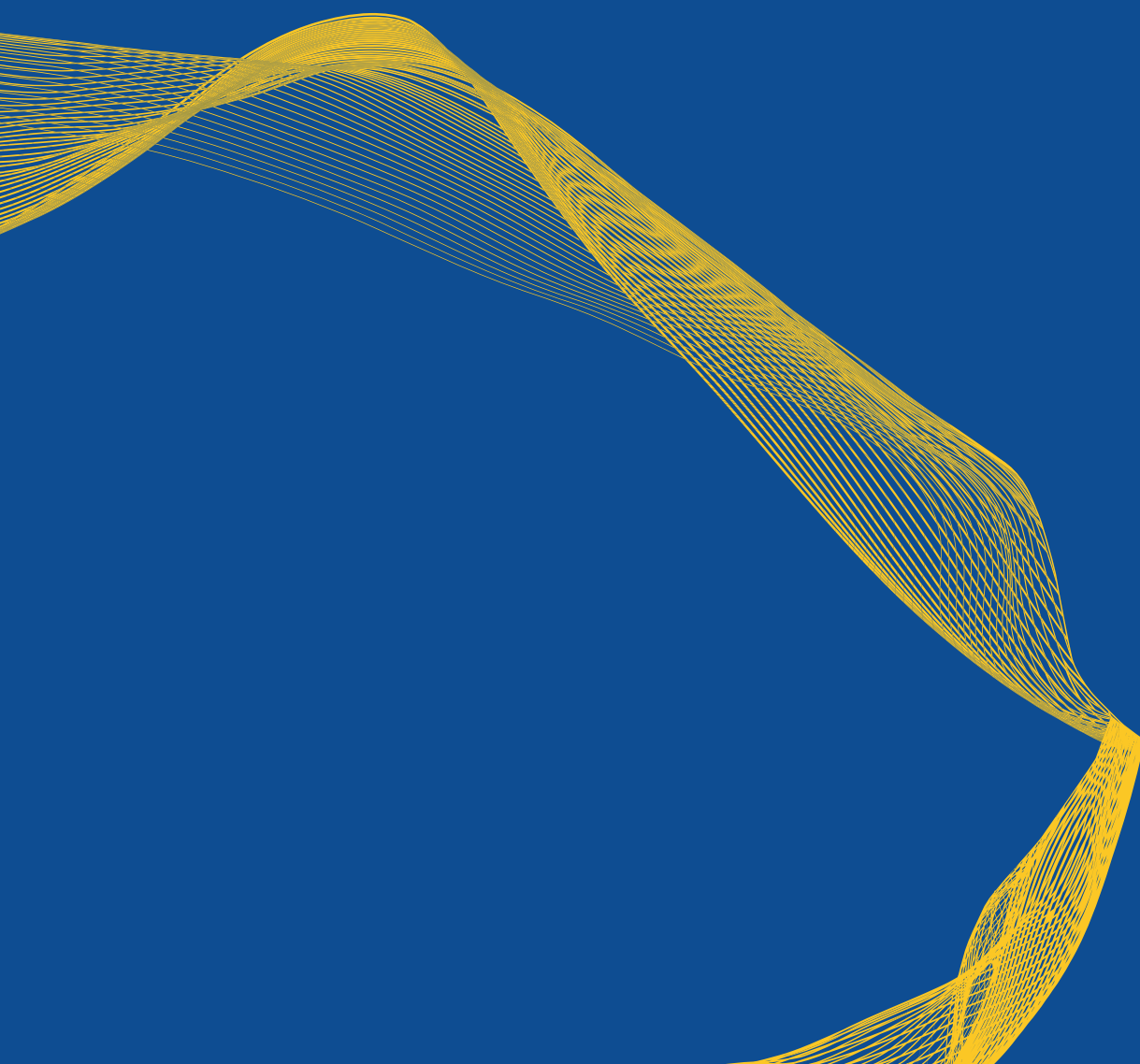
The 2023 fiscal year was once again extremely challenging. In this context, the Supervisory Board expresses its thanks and appreciation to the members of the Executive Board and all employees for their dedicated work. With great commitment, all employees, together with the Executive Board, contributed to the restructuring of the company.

Ellwangen, March 2025

For the Supervisory Board

Prof. DDr. Michael Tojner
Chairman

Consolidated Management Report



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Consolidated management report for financial year 2023

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 (VARTA AG), headquartered in Ellwangen (Jagst), Germany, is the parent company of the corporate group. Since October 2017 VARTA AG was listed in the Prime Standard segment of the Frankfurt Stock Exchange. On 29 January 2025, VARTA AG submitted an application to Deutsche Börse to terminate the admission of its ordinary shares to the Prime Standard as of 12 May 2025, while the listing in the General Standard will remain in place for the duration of VARTA AG's continued presence on the stock exchange. VARTA AG was listed in the SDAX from 19 December 2022 to 9 May 2024. It was also a member of the TecDAX until 20 March 2023. The following description provides a (simplified) overview of the Group as at the balance sheet date.

The business activities of VARTA AG and its subsidiaries encompass the research and development, production, and sale of microbatteries and household batteries, large-format batteries, customer-specific battery solutions and energy storage systems.

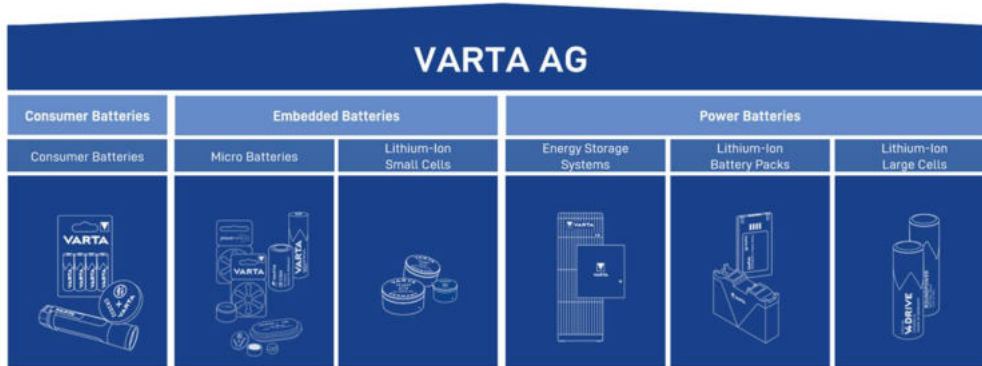
Segments and organisational structure

Segment Structure 2023

Consumer Batteries
Embedded Batteries
Power Batteries

Segment Structure 2022

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



The business activities of the VARTA AG Group are divided into three reportable business segments: Consumer Batteries, Embedded Batteries and Power Batteries. This differs from the previous structure with five reportable segments and optimally reflects the strategic and operational direction of the VARTA AG Group in the financial year 2023. The adjustment was made due to the realignment of the group into a multidimensional organisation (matrix organisation). The Consumer Batteries segment is unchanged from its previous iteration. The newly created Embedded Batteries segment comprises the Micro Batteries and Lithium-Ion Small Cells business areas, which had previously been managed as independent segments. The new Power Batteries segment is made up of the former Energy Storage Systems segment, in addition to the two business areas of Lithium-Ion Large Cells and Lithium-Ion Battery Packs from the former Other segment.

CONSUMER BATTERIES

The Consumer Batteries segment comprises the product categories of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. VARTA AG is one of the European market leaders with production activities located in Germany for household device batteries. Consumer Batteries is predominantly geared towards end customers. The innovative, high-quality products from the Consumer Batteries segment are developed and manufactured using cutting-edge technology and by leveraging the expertise of internationally qualified specialists. A combination of innovative capacity, breadth, quality and design make the product range unique. An intensive focus on the lifestyle of consumers and close cooperation with retailers are crucial in enabling VARTA AG Group to react quickly and flexibly to the latest device trends with the best energy solutions.

EMBEDDED BATTERIES

The Embedded Batteries segment comprises the business with microbatteries and hearing aid batteries (i.e. the Micro Batteries business area), in addition to the business with small-format lithium-ion round cells (Lithium-Ion Small Cells business area). In the Micro Batteries business area, the Group is one of the leading manufacturers of microbatteries for hearing aids. The segment Lithium-Ion Small Cells (previously known as Lithium-Ion CoinPower) represents the business with small lithium-ion round cells, also known as CoinPower, for OEM applications. In the Embedded Batteries segment, VARTA AG counts 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 various other applications operated by microbatteries all the way through to wireless headsets (TWS).

POWER BATTERIES

On the one hand, the Power Batteries segment covers business in the area of energy storage solutions primarily intended for private applications, although some commercial solutions (Energy Storage Systems) are offered as well. On the other hand, this segment also includes the business with (rechargeable) battery packs (Lithium-Ion Battery Packs) and large-format lithium-ion round cells (Lithium-Ion Large Cells). Within the Energy Storage Systems business area, VARTA AG is playing a key role in the realisation of the

energy transition by developing and manufacturing energy storage solutions. These energy storage solutions developed by VARTA AG 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 (alternating current) 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 *VARTA.wall*, the Company has showcased a state-of-the-art system based on round cell technology, which is extremely flat and space-saving and benefits from a small installation depth of around just 10 centimetres. The DC-coupled (direct current) *VARTA.wall* storage system has been 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. 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 area – for medical technology, robotics, connectivity, household, and telecommunications applications. The product portfolio ranges from fully customer-specific battery packs all the way through to fully configured standard batteries that can be used immediately. With the Lithium-Ion Large Cells business area, VARTA AG produces large 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. An investment in a new, modern production facility is planned for large-scale production in co-operation with an OEM customer. In addition to an existing small-scale production, which cells for the first OEM customer, Dr. Ing. h. c. F. Porsche AG ("Porsche AG"), are already being produced, VARTA AG is planning the construction of a large-scale production facility for large lithium-ion round cells at the site in Nördlingen together with Porsche AG. The opening of this line is planned for the first quarter 2025.

Through intensive research and development, VARTA AG 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.

As at year-end 2023, the Group operates five production and battery manufacturing plants in Germany, Romania, and Indonesia in addition to distribution centres in the USA, Europe, and Asia, from which sales to customers in more than 100 countries around the world are coordinated. 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 AG 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.

While the short-term outlook is challenging on account of the prevailing macroeconomic situation, the key structural growth trends for batteries and energy storage solutions remain in full force and effect in the medium to long term. At the same time, long product life cycles and what can partly be described as rather inelastic cyclical demand, especially in the area of household batteries, ensure a reasonably high degree of stability in terms of demand.

The following organigramme depicts global Group activities.



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 three 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 energy independence. 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 devices and therefore likewise for hearing aid batteries over the medium to long term. VARTA AG 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 batteries with higher energy density.

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, which led to huge rises in the cost of energy across Europe, has underlined how vital it is to secure an independent supply of energy. This has increased the desire of many private households not only for an environmentally friendly energy supply but also for one that is as self-sufficient as possible. In turn, this has been reflected in higher demand for energy storage solutions for all types of self-produced energy.

In this respect, the VARTA AG Group focuses on the following growth areas and objectives:

Strengthening and expanding global market position in core products

In fundamental terms, the Group focuses on business areas in which it strives to attain independent and long-term market-leading positions.

In the Consumer Batteries segment, the Company is pursuing a long-term growth strategy for household batteries focused on the VARTA AG brand. In this context, the aim is to further expand the Company's strong position in existing markets.

In the Embedded Batteries segment, the VARTA AG Group is focused on consolidating and expanding its leading position through continual innovation and a high level of technological expertise. This especially applies to the Micro Batteries business area, which serves the healthcare market with zinc-air and rechargeable lithium-ion batteries in particular, as well as to the Lithium-Ion Small Cells division. The latter covers the business with lithium-ion batteries used in True Wireless Stereo (TWS) headsets. The VARTA AG Group has resolved to strengthen its market position in the business with small-format lithium-ion cells, which is to be achieved in particular by focusing on the main customers in the TWS sector. The aim is to thereby secure long-term partnerships with industry leaders, enabling focus on large-volume projects.

The Power Batteries segment offers innovative solutions that support the economic megatrends towards further electrification and increased energy efficiency. In specific terms, increased environmental awareness, the transformation towards forms of sustainable and circular economies, as well as the rising demand for energy self-sufficiency, are boosting growth in the Energy Storage Systems business area over the medium and long term. Here, VARTA AG believes that the Company is well positioned to capitalise on the long-term expected market growth, despite a temporary weakness in the market. In the long term, the Company has plans to develop into one of the three largest European providers of energy storage solutions for private households by expanding the existing product range and making targeted investments. In the area of Lithium-Ion Battery Packs within the Power Batteries segment, the focus is on major customers that operate on a global basis. The European market share in particular is to be maintained in the medium term. The Lithium-Ion Large Cells division produces large-format lithium-ion round cells. In addition to the existing small-series production, the company plans to expand its business for large-format round cells in the long term, in particular through the majority stake held by Dr. Ing. h.c. F. Porsche AG ("Porsche AG"), the main customer in this division. Thanks to Porsche AG's investment, the Lithium-Ion Large Cells division benefits from the new majority shareholder's extensive expertise in the automotive market. In addition, the strategic partner Porsche AG brings the necessary financial resources to drive forward technological innovations and the scaling of production in order to open up further strategic growth areas.

Maintaining innovation dynamic and technology leadership; adjustment of production capacities

In the Embedded Batteries segment in particular, the Group is working on the development of new, innovative products that are manufactured on highly automated high-speed production lines at locations in Germany. Within this segment, VARTA AG 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 CoinPower batteries (from the Lithium-Ion Small Cells business area) for the Entertainment area (TWS), the Group adjusted its production capacities in the previous financial year due to lower utilisation rates. Short-time working arrangements were introduced at the production facility in Nördlingen on December 2022, which was ended in the third quarter of 2022. In addition, temporary employment contracts that expired over the course of the year were not extended. VARTA AG continues to have sufficient reserve capacity allowing it to flexibly react at short notice to a recovery in demand and produce additional quantities.

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. This allows 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 high quality batteries and battery solutions. It will continue to work towards developing new and innovative performance-enhancing button cell technologies and customised smart battery solutions.

Focus remains on cutting costs and organic growth

At the end of 2022, the Company unveiled a comprehensive package of consistent cost-cutting measures, which are to be seen in the context of the restructuring agreement concluded with the Company's financing banks in 2023, that seek to address the weak demand situation for Lithium-Ion CoinPower cells (in the Lithium-Ion Small Cells business area) in particular. The measures aim to improve profitability and optimise the Company's cash flow situation. In addition to short-time working arrangements, the measures include allowing temporary employment contracts for the production of CoinPower cells in Nördlingen within the Lithium-Ion Small Cells segment 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 is continuously working to strengthen its earning power through further planned efficiency measures, which also include continuous process optimisation along the value chain. There is also a particular emphasis on measures to reduce working capital, which were further tightened over the course of the reporting year. In this context, the focus is on continually optimising the management of inventories of raw, auxiliary, and operating materials, as well as finished goods. The investment programme concentrates on absolutely essential measures and growth initiatives with short-term payback and positive cashflow potential. The Group continues to see growth opportunities in connection with 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. As in the previous year, the Executive Board used sales and adjusted EBITDA as key performance indicators for management purposes. 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 financial performance 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 three 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, effects recognised in profit or loss from the reimbursement claim from the collateral promise with regard to pension obligations, effects from the share-based remuneration system, disposal effects linked to sale and lease-back transactions, potential restructuring costs and expenses in connection with M&A transactions. The special effects incurred in financial year 2023 are almost exclusively the result of the ongoing restructuring process. This essentially resulted in costs for personnel measures, costs linked to the creation of the future concept and other consulting services in connection with the restructuring process, as well as expenses for the cancellation of the lease contract for business premises relating to the proposed newly planned headquarters at VARTA-Platz 1 in Ellwangen, which became necessary as part of the restructuring process.

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

Key financial performance indicators: VARTA AG Group

Revenue
Adjusted EBITDA

Key financial performance indicators: VARTA AG

Net Income

In addition, other financial and non-financial performance indicators are taken into consideration for decision-making processes and corporate governance activities. In previous years, 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) served as additional financial performance indicators. Owing to the challenging economic environment and the resultant limited financial resources at the Company's disposal, additional investments in growth areas are only possible to a limited extent. For this reason, CAPEX has no longer been used as a financial performance indicator for Group management purposes since 2023. However, net working capital remains a financial performance indicator. A non-financial key performance indicator is the number of employees. Further details can be found in the sustainability report.

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 in the Bundesanzeiger together with the Group management report in accordance with Section § 325 HGB.

1.5. Management and Control

As at 31 December 2023, the Executive Board of VARTA AG comprised the following members:

Dr Markus Hackstein (Spokesperson for the Executive Board), Marc Hundsdorf (Chief Financial Officer/CFO), Rainer Hald (Chief Technology Officer/CTO) and Michael Giesswein (Chief Restructuring Officer/CRO).

Thomas Obendrauf was a member of the executive board from 19 January 2023 to 17 February 2023. Armin Hessenberger (CFO) resigned his position on the Executive Board with effect from 30 April 2023.

Mr. Michael Ostermann joined the Executive Board as CEO of VARTA AG on 6 May 2024. Dr Markus Hackstein (Speaker of the Board) stepped down from the Executive Board on 17 June 2024.

Mr. Michael Giesswein was a member of the executive board from 15 June 2023 until 31 December 2024. He continues to hold his position as CRO and has also been General Representative of VARTA AG since 1 January 2025.

As at 31 December 2023, the Supervisory Board comprised the following members:

Prof DDr Michael Tojner (Chairman), Dr Harald Sommerer (Vice Chairman), Sven Quandt, Martin Ohneberg and Dr Michael Pistauer. In addition, Günther Apfalter was newly elected to the Supervisory Board at the Annual General Meeting of VARTA AG on 11 July 2023.

Employee representatives have also been members of the Supervisory Board since 23 September 2024. These are Mr. Oliver Milbich (current Deputy Chairman), Mr. Josef Reichhart, Mr. Thomas Kopf, Mr. Bernd Jandl, Ms. Katja Kalkreuter and Ms. Juliane Deak. The Supervisory Board was reconstituted with the employee representatives. In this context, the Chairman and Deputy Chairman were also newly elected. While Prof. DDr. Michael Tojner was re-elected as Chairman of the Supervisory Board, the Deputy Chairman is now Mr. Oliver Milbich (since 24 September 2024).

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), was published on 16 July 2024 on the VARTA AG website at: www.varta-ag.com/de/investoren/corporate-governance.

2. Economic report

2.1. Markets and influencing factors

The key growth trends for batteries and energy storage solutions remain in full force and effect and support the medium and long-term prospects of the VARTA AG Group. 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 in the process. In addition, the transition to renewable energy sources, a need to store energy and the desire for energy self-sufficiency offer positive impetus in terms of high levels of demand for products in the VARTA AG portfolio.

The macroeconomic environment remained challenging in 2023. Overall, the dynamics of the European economies lagged behind the US economy, while GDP in the domestic market of Germany even contracted marginally. The Federal Reserve Bank in the USA and the European Central Bank continued to tighten their respective monetary policy courses, a process first initiated back in 2022, by hiking key interest rates to combat inflation. This policy was successful over the course of the year, with inflation rates that had previously been stubbornly high starting to fall. At the same time, inflation rates remained above expectations. In combination with significantly increased credit costs, this put a strain on investment and consumption in important sales markets. In turn, demand for important products that rely on VARTA AG solutions was impacted.

The Consumer Batteries segment covers the business with household batteries. Alongside alkaline batteries, this includes rechargeable batteries, chargers, portable power (power banks), and lights, meaning that the range of products and services is unchanged against the previous segment structure. In financial year 2023, too, the segment proved to be extremely resilient. In comparison with the previous year, sales increased slightly. In this context, growth of 1.1 % was recorded, with the segment having benefited from passing on previously increased energy and raw material costs with a degree of time lapse. Supported by their decline over the course of the year and aided by the successfully implemented cost-cutting measures, there was a very significant improvement in margins, which shaped the business development in the second half of the year in particular.

The Embedded Batteries segment comprises the business with microbatteries and hearing aid batteries (i.e. the Micro Batteries business area), in addition to the business with small-format lithium-ion round cells for OEM applications (Lithium-Ion Small Cells business area, previously known as Lithium-Ion CoinPower). Sales in this segment fell by more than a quarter in financial year 2023 compared to the previous year. The majority of this effect can be attributed to the Lithium-Ion Small Cells business. The decline in sales here is mainly due to lower purchase volumes on the part of the main customer for this business area. The weak consumer climate and the loss of income in real terms due to the high inflation rates seen over the past couple of years have curbed end customer demand for consumer electronics products overall. These factors also weigh on demand for high-quality hearing aids. In the Micro Batteries business area, the structural shift towards rechargeable hearing aid batteries had a negative impact on sales of primary batteries for hearing aids. Together with a general reluctance to purchase hearing aid batteries at VARTA AG, this explains the remaining significant decline in sales in the Embedded Batteries segment.

On the earnings side, the two business areas of the Embedded Batteries segment benefit from an improvement in various influencing factors. For example, this relates to the stability of supply chains, the availability of materials and components as well as the development of energy and material costs. On the other hand, a further decline in CoinPower unit sales in the Lithium-Ion Small Cells business area is leading to a significant underutilization of production capacity, resulting in a significant overall negative impact on the segment's earnings compared to the previous year.

On the one hand, the Power Batteries segment covers business in the area of energy storage solutions primarily intended for private applications, although some commercial solutions (Energy Storage Systems) are offered as well. On the other hand, this segment

also includes the business with (rechargeable) battery packs (Lithium-Ion Battery Packs) and large-format lithium-ion round cells (Lithium-Ion Large Cells). Demand for energy storage solutions that facilitate a greater degree of independence from external energy suppliers significantly boosted sales in the Energy Storage Systems business area during financial year 2023 and contributed to sales growth of around +70 % compared to the same period in the previous year. This dynamic weakened over the course of the year, so that sales growth was recently primarily down to the order backlog and hardly attributable to additional new orders. In view of the high level of wholesale trade inventories at the end of the year, it can be expected that this momentum will significantly tail off further. Aggressive pricing policies from competitors, including in Asia, - in addition to the costs for VARTA AG's capacity expansion project - are putting margins under pressure.

The other two business areas within the segment, Lithium-Ion Large Cells and Lithium-Ion Battery Packs, together account for a good third of the Power Batteries segment. The sharply increasing demand for electrical products and applications, particularly on the part of VARTA AG's first customers in the business area Lithium-Ion Large Cells, contributed significantly to the strong overall sales growth of almost 69 %. In this context, agreed capacity adjustments and additional price adjustments linked to the preparations for series production are of crucial importance for the remaining sales growth in addition to energy storage solutions. Weakened demand, particularly in the premium application area, continues to hamper the Lithium-Ion Battery Packs business area. In the Lithium-Ion Battery Packs business area, the slowdown in demand and the resulting lack of sales led to a deterioration in earnings in 2023. In the Lithium-Ion Large Cells business area, on the other hand, increased sales and additional, subsequent price adjustments led to a significant improvement in margins.

In geographical terms, revenue distribution is diversified. Most of our products are sold in Europe, followed by Asia and North America (for further details, please refer to chapter 3.1 Development of Financial Position and Financial Performance). This therefore limits the dependency on individual countries and their respective economic development. Nevertheless, Germany remains VARTA AG Group's most important location in terms of sales. 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

The macroeconomic landscape remained challenging in financial year 2023, as detailed in Chapter 2.1 Markets and Influencing Factors. It is important to distinguish between the structural medium and long-term drivers for the VARTA AG Group and its segments and business areas on the one hand, and the economic and more short-term influencing factors on the other. VARTA AG benefits from a number of structural growth drivers, including in particular demographic change, technological progress – for example in connection with increasing electrification – digitalisation and connectivity, as well as the pursuit of a higher degree of energy independence.

A wide range of battery products, including alkaline batteries, rechargeable batteries, chargers, lights, and portable storage options (power banks) are offered in the Consumer Batteries segment. Despite the robust end customer demand, growth opportunities are emerging in relation to increasing electrification. Verified Market Research is expecting average annual growth of 6.3 % for the global alkaline battery market in the period from 2024 to 2030.

Within the Embedded Batteries segment, the Lithium-Ion Small Cells business area (previously known as Lithium-Ion CoinPower) manufactures batteries for various wireless applications on the basis of lithium-ion technology. In this business area, VARTA AG supplies batteries for the True Wireless Stereo (TWS) headset market in particular. Up to this point, VARTA AG has focused particularly on the premium segment. This segment is characterised by the latest technical features such as active noise cancelling, transparency mode and the longest possible battery life.

Based on the market study carried out by CounterPoint Research, VARTA AG has calculated its own projections in terms of the development in the TWS market. Following a marked decline in this market during the reporting year, VARTA AG Group expects a continuous increase in market volume from 2024 to 2026, which is to be exclusively based on significant increases in volume, while average market prices are expected to consistently fall in the forecast period up to 2028. In the short and medium term, a high level of customer concentration, changeable price developments and the importance of the largest customer in this business area point towards a volatile sales development.

The Micro Batteries business area as part of the Embedded Batteries segment includes microbatteries suitable for use in a range of applications, although there is an emphasis on zinc-air button cells and rechargeable lithium-ion cells for various types of hearing aids in terms of the production activities. Demographic change and an aging population are providing structural, long-term growth impetus. A compound annual growth rate of 4.9 % is expected. VARTA AG forecasts strong and relatively constant market growth for rechargeable hearing aid batteries up to 2030, while a continued slump in the sale of disposable batteries is expected across the same period. Overall, the significant volume growth that is expected in the rechargeable hearing aid battery sector is likely to be accompanied by a further decline in market prices.

The increased importance of energy storage solutions is largely the result of a desire for greater energy autonomy. Based on data from a study carried out by McKinsey on behalf of the VARTA AG Group indicates that global home storage demand is expected to increase by an average of 8.8 % per year in the upcoming years. The authors of the report are working on the assumption that after challenging years 2023 and 2024 for VARTA AG, growth will accelerate, particularly after 2025. Furthermore, the study suggests that growth in the home storage market in the target markets of VARTA AG Group is likely to continue over the next two decades despite price declines. In this context, mass business will play a key role.

The Lithium-Ion Battery Packs business area as part of the Power Batteries segment manufactures battery packs for various applications such as household and garden appliances, intralogistics, communications electronics, medical applications, mobility, and a whole host of industrial applications. Here, VARTA AG Group 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 a study by Marketreportsworld, the global market for battery-powered devices is set to grow by 5.6 % annually from 2024 to 2030.

The business area of Lithium-Ion Large Cells, in which VARTA AG develops large-format lithium-ion round cells, appears from the perspective of the management board promising due to the unique and versatile fields of application for the ultra-high-power cells, with concrete opportunities arising in particular if the initiated customer projects can be brought to high volumes or additional OEMs can be acquired as partners. Growth impulses are also conceivable through the use of the unique lithium-ion round cell

technology, for example for high-performance household appliances, industrial vehicles or in other industrial applications.

2.3. Business development

General comments from the Executive Board regarding the economic situation

Looking back at financial year 2023, VARTA AG managed to hold its own in a macroeconomic landscape shaped by sustained challenges. The successfully implemented capital increase and the initiated restructuring programme, which includes cost-cutting measures across all areas of the Company in addition to targeted investments in growth markets, have laid the first important foundations for the restructuring of the Group. It has become apparent that the assumptions made in the existing IDW S6 report and the restructuring measures agreed on the basis of these assumptions and the recommended corporate strategy are no longer appropriate for the current economic situation of the VARTA AG Group in order to return to a profitable growth path by the end of the restructuring period.

For the full year 2023, VARTA AG increased sales by € 13.4 m to a total of € 820.3 m. However, across the full year 2023, the margin picture deteriorated overall in comparison with the prior year due to higher material costs, in particular during the first half of the year. These burdens, triggered by external factors, are reflected in the adjusted EBITDA for 2023, which ultimately fell by € 19.1 m to € 50.4 m.

In relation to the second half of 2023, an improvement in the margin picture can be seen compared with the first half, which was characterised by high procurement prices and underutilisation of high-margin products. Consistent cost-cutting measures contributed to this improvement, as did recent declines in material and energy costs, subsequent positive price adjustments in relation to customer projects for large-format lithium-ion cells and selective price increases, particularly in the Consumer Batteries segment. The improvement, particularly in the second half of 2023, is supported across the whole business. From the perspective of the Executive Board, the traditional seasonality with regard to business development, in which sales tend to be slightly weaker in the first half of the year followed by a recovery in the second half, supports this development.

The performance of the segments varied:

The Consumer Batteries segment recorded a moderate increase in sales of 1.1 % compared to previous year. A significant recovery in raw material and energy prices in the second half of 2023, as well as selective price pass-throughs, led to a significant improvement in the adjusted EBITDA margin to 14.1 %.

In the Embedded Batteries segment, VARTA AG recorded a 29.1 % decline in revenue, which is attributable in particular to falling sales figures from the Lithium-Ion Small Cells business unit. These reduced sales volumes and the associated high underutilization of production facilities in the Lithium-Ion Small Cells business unit led to a significant overall slump in the adjusted EBITDA margin to -7.9 %.

By contrast, the Power Batteries segment performed more positively, recording a significant increase in sales of 68.9 %. This was primarily due to strong demand for energy storage solutions as well as mainly effects from price adjustments and income from project settlements in the Lithium-Ion Large Cells division. This sales growth also had a positive impact on the improvement in the adjusted EBITDA margin to 6.2 %, despite the decline in sales and earnings in the Lithium-Ion Battery Packs business area.

Comparison of business development with prior year guidance

The consolidated financial statements from last year contained guidance for financial year 2023 on the basis of the key performance indicators listed below. Due to a range of factors, actual business development deviated from the published guidance.

KPI	GUIDANCE FOR 2023	FINANCIAL YEAR 2023
Financial indicators:		
Group		
Revenue	€ 820 – 870 m	€ 820.3 m
Adjusted EBITDA	At least similar with previous year (€ 69.5 m)	Significant reduction to € 50.4 m
Financial indicators based on old segmentation:		
Segment Micro Batteries		
Revenue	Similar to prior year	Significant reduction to € 146.0 m
Adjusted EBITDA	Significant double-digit percentage growth	Significant double-digit percentage increase to € 24.7 m
Financial indicators based on old segmentation:		
Segment Lithium-Ion CoinPower		
Revenue	Very significantly below prior year	Significant reduction to € 67.0 m
Adjusted EBITDA	Very significantly below prior year	Significant reduction to – € 41.4 m
Financial indicators based on old segmentation:		
Segment Consumer Batteries		
Revenue	Low single-digit percentage increase	Low single-digit percentage increase to € 370.0 m
Adjusted EBITDA	Slightly above prior year	Significant increase to € 52.3 m
Financial indicators based on old segmentation:		
Segment Energy Storage Systems		
Revenue	Very significant double-digit percentage growth	Significant double-digit percentage increase to € 153.6 m
Adjusted EBITDA	Significant triple-digit percentage growth	Significant double-digit percentage increase to € 6.5 m
Financial indicators based on old segmentation:		
Segment Others		
Revenue	Significantly below prior year	Significant increase to € 83.7 m
Adjusted EBITDA	Significantly below prior year	Significant increase to € 8.3 m

3. Development of Financial Position and Financial Performance

3.1. Financial Performance

Consolidated income statement for the period 1 January 2023 to 31 December 2023 VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Sales revenue	820,305	806,916
Decrease (PY: Increase) in finished and unfinished goods	-25,494	41,877
Own work capitalized	1,415	29,178
Other operating income	46,768	60,414
Cost of materials	-391,695	-433,177
Personnel expenses	-251,858	-265,600
Other operating expenses	-173,963	-172,622
EBITDA	25,478	66,986
Depreciation	-403,906	-254,994
Operating income (EBIT)	-378,428	-188,008
Interest income	1,903	2,450
Interest expenses	-33,468	-13,762
Other financial income	735	5,472
Other financial expenses	-3,259	-4,330
Financial result	-34,089	-10,170
Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes	-8	0
Earnings before taxes	-412,525	-198,178
Income taxes	-1,789	-2,242
Group result	-414,314	-200,420
Appropriation of loss:		
Shareholders of VARTA AG	-414,314	-200,420

Revenue

In financial year 2023, revenue at the VARTA AG Group increased by € 13.4 m, rising from € 806.9 m to € 820.3 m in the process.

Revenue in the Consumer Batteries segment rose from € 365.9 m to € 370.0 m, which corresponds to growth of € 4.1 m. Sustained high levels of demand for household batteries, in addition to price increases that could be passed on to customers in part, contributed to this positive development.

Revenue in the Embedded Batteries segment fell from € 300.5 m by € 87.5 m to € 213.0 m. In addition to the diversification of the supply chain of the major customer in the Lithium-Ion Small Cells business unit (formerly: Lithium-Ion CoinPower), the decline in global consumer demand for various battery-powered lifestyle products, particularly for True Wireless Stereo (TWS) headsets, depressed sales. In addition, falling demand for zinc-air batteries in the Micro Batteries business area led to a further marginal reduction in sales.

Revenue in the Power Batteries segment rose from € 140.5 m to € 237.3 m, reflecting growth of € 96.8 m overall. This pleasing development is primarily down to incredibly high demand for energy storage solutions as well as mainly due to price adjustments and income from project settlements in the Lithium-Ion Large Cells business.

In financial year 2023, the order intake situation at VARTA AG remained largely stable despite the period of general economic downturn. Contrary to our original expectations, a decline in demand was only observed towards the end of the year in the Energy Storage Systems segment. The main reasons for this are high levels of wholesale inventories and competitors opting for an aggressive pricing strategy. However, a significant market recovery is forecasted to set in from 2025, from which VARTA AG hopes to benefit in particular through the product launch of the *VARTA.wall*.

The following chart shows the breakdown of Group revenue on a regional basis. The markets in Asia and Europe are the most important sales regions for VARTA AG. Sales revenues on the European market developed in positive fashion, which can be attributed to the impressive business development seen in the Consumer Batteries and Power Batteries segments. Owing to the disappointing business development in the Embedded Batteries segment, particularly in connection with rechargeable batteries in the TWS market, revenue in Asia fell significantly below the level recorded in the prior year. For further information on the geographical breakdown of the segments, please refer to the notes to the consolidated accounts under chapter 6 Financial performance: Segments.

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022	CHANGE (in %)
Europe	658,585	571,359	15.3 %
Thereof in Germany	333,017	247,351	34.6 %
Asia	115,849	190,432	-39.2 %
Thereof in China	54,235	86,917	-37.6 %
North America	37,478	34,711	8.0 %
Other	8,393	10,414	-19.4 %
Total	820,305	806,916	1.7 %

Expenses, other operating income and own work capitalised

In financial year 2023, the cost of materials fell from € 433.2 m in the prior year to € 391.7 m. This equates to a reduction of € 41.5 m or 9.6 %. As such, the cost of materials ratio declined to 49.3 % (2022: 51.0 %). The reduction in the cost of materials primarily results from the significant drop in prices of raw materials and the diversification of the supplier base in order to better balance regional fluctuations and reduce dependencies on individual suppliers. Despite lower procurement prices, VARTA AG continues to be confronted with higher raw material costs compared with the period prior to the Russian military invasion of Ukraine.

Personnel costs fell from € 265.6 m to € 251.9 m, which equates to a decline of € 13.7 m or 5.2 %. This development can be attributed in particular to the personnel measures implemented as part of the restructuring programme. Personnel expenses include restructuring expenses of € 5.5 m. Further severance payments incurred are not attributable to the restructuring measures. As a result of the measures, personnel expenses fell significantly, particularly in the second half of the year. Personnel expenses include costs in connection with share-based remuneration in the amount of € 1.0 k (2022: € 17.0 k).

Other operating expenses rose marginally, increasing from € 172.6 m in the previous year by € 1.3 m, or 0.8 %, to € 174.0 m. Legal and consulting fees in connection with the restructuring programme, in addition to various other legal and consulting services in connection with the recovery, led to an increase of € 13.3 m, while expenses for guarantees also rose by € 9.7 m. The reason for this was, among other aspects, increased sales in the area of energy storage devices as well as individual guarantee cases. In addition to this, there were expenses related to purchase obligations in the amount of € 9.4 m as well as for the termination of a rental agreement totalling € 6.7 m. In contrast

to this, there was a significant reduction in energy costs amounting to € 10.6 m. Expenses in relation to foreign currency hedges fell by € 13.2 m owing to volatile price trends in the previous year. Furthermore, costs in relation to maintenance by € 3.7 m, marketing by € 2.8 m, related company transactions by € 0.6 m, outward freight and customs by € 2.1 m, commission payments by € 1.3 m as well as for cleaning by € 0.7 m were all down. In connection with a planned capital increase at VARTA AG, an MTC company issued a guarantee for a capital increase. The fees incurred for this amount to € 1.8 m in financial year 2023.

The reduction in the change in inventories of € 67.4 m from € 41.9 m in the previous year to € -25.5 m in finished and unfinished goods in financial year 2023 was primarily the result of decreased inventories in the semi-finished and finished products sector. This is due both to a strong fourth quarter in terms of sales and the associated sale of warehouse stock, as well as to the implementation of working capital measures.

Other operating income fell by € 13.6 m from € 60.4 m in the prior year to € 46.8 m in 2023. In financial year 2023, income from subsidies and government grants totalled € 38.5 m, which represents a decline of € 4.6 m year on year. This reduction essentially results from the "Important Project of Common European Interest on Batteries" (IPCEI). Moreover, compensation received from patent disputes fell by € 3.8 m. Own work capitalised declined significantly by € 27.8 m, falling from € 29.2 m to now stand at € 1.4 m. In the previous year, capitalised development costs amounting to € 27.2 m were incurred here in the context of the IPCEI Special Formats project. Due to the scheduled completion of a project phase as part of the IPCEI project, no further capitalised development costs will arise in the current financial year.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) fell from € 67.0 m to € 25.5 m. This was mainly due to the lack of fixed cost coverage in the Embedded Batteries segment on account of the significant sales decline, in addition to one-off costs in connection with the restructuring programme totalling € 24.9 m. However, the decline in costs of raw materials and energy compared with the previous year did help to partially offset these effects.

Adjusted EBITDA

Adjusted EBITDA (operating earnings before interest, taxes, depreciation and amortization adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is the appropriate control parameter for the Executive Board to assess the operating earnings capacity of the Group and the three segments. Costs incurred under the restructuring programme in the amount of € 24.9 m, almost all of which are non-recurring, were adjusted as special effects. Of this, personnel measures account for a sum of € 5.5 m, while sums of € 12.6 m are attributable to the preparation of the restructuring report and other consulting services in connection with the restructuring programme and € 6.7 m to the cancellation of the commercial lease for the new headquarters at VARTA-Platz 1 in Ellwangen, which became necessary as part of the restructuring.

In addition, non-cash expenses for share-based remuneration in the amount of € 1.0 k (2022: € 17.0 k) and expenses in connection with M&A transactions totalling € 0.0 m (2022: € 2.5 m) are included in adjusted EBITDA. The table below shows the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
EBITDA	25,478	66,986
Expenses from share-based remuneration	1	17
Expenses for M&A transactions	0	2,500
Restructuring costs VARTA AG	24,916	0
adjusted EBITDA	50,395	69,503

In financial year 2023, adjusted EBITDA fell from € 69.5 m to € 50.4 m. This corresponds to a decline of € 19.1 m or 27.5 %. In relation to revenue, the adjusted EBITDA-margin also dropped back significantly by 2.6 percentage points from 8.7 % in 2022 to 6.1 % in 2023.

Depreciation and amortisation

In comparison with the previous year, depreciation and amortisation increased from € 255.0 m to € 403.9 m. The increase is mainly due to impairments totalling € 326.5 m compared to € 146.3 m in the previous year. Particularly in the Embedded Batteries segment, there was an increased need for impairment due to market developments.

Operating result (EBIT)

Operating earnings fell from € -188.0 m to € -378.4 m year on year. This effect is mainly the result of the development of the operating business and the negative factors described. The increased level of amortisation and depreciation had a disproportionately significant impact in comparison with the previous year. Impairments relating to asset impairment were responsible for the increased depreciation and amortisation totalling € 148.9 m.

Financial result

The financial result significantly deteriorated from € -10.2 m in 2022 to € -34.1 m in 2023. The reason for this is the increase in interest expenses, in particular due to the changes in credit terms in relation to the restructuring agreement with the syndicate banks and the increased interest rates applying to the variable-interest components of the syndicated loan and the promissory note loan.

Taxes

On account of the negative pre-tax result, tax expenses fell from € 2.2 m in 2022 to € 1.8 m in 2023. This produced an effective tax ratio of -0.4 % (2022: -1.1 %) in relation to the pre-tax result. For further information on taxes, please refer to the notes to the consolidated accounts under 38 Income tax expenses.

Consolidated result

The consolidated result fell significantly by € -213.9 m year on year to stand at € -414.3 m as at year-end 2023 (2022: € -200.4 m).

3.2. Financial position

Consolidated balance sheet as at 31 December 2023 VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
ASSETS		
Non-current assets	409,766	749,220
Current assets	460,909	509,234
Total assets	870,675	1,258,454

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
EQUITY AND LIABILITIES		
Equity	-124,585	239,465
Total liabilities	995,260	1,018,989
Non-current liabilities	182,022	196,035
Current liabilities	813,238	822,954
Total equity and liabilities	870,675	1,258,454

Non-current assets

Non-current assets declined from € 749.2 m in 2022 to € 409.8 m in financial year 2023, reflecting a drop of € 339.5 m. This reduction stems primarily from developments in relation to property, plant and equipment. These dropped back from € 591.9 m to € 276.8 m as at 31 December 2023 owing primarily to impairments in the amount of € 324.6 m. In addition, intangible assets fell from € 99.6 m to € 89.5 m, largely as a result of current depreciation and amortisation. Deferred tax assets fell in comparison with 31 December 2022 by € 12.5 m from € 19.7 m to € 7.2 m as a result of a reorganisation within the Group.

Current assets

Current assets fell by € 48.3 m in comparison with 31 December 2022, dropping from € 509.2 m to € 460.9 m as at 31 December 2023. This decline is the result of the reduction in inventories totalling € 33.4 m. This huge decline in inventories, especially in terms of finished products and merchandise, can on the one hand be attributed to working capital measures, and on the other increased sales in the fourth quarter of 2023. Moreover, other assets declined by € 13.6 m and other receivables fell by € 3.8 m due to planned changes in relation to receivables for promotional projects. Conversely, cash and cash equivalents increased by € 11.5 m year on year. This is essentially due to the strong sales in the fourth quarter of 2023, in addition to positive effects from the implementation of working capital measures.

Equity/equity ratio

Equity fell from € 239.5 m as at year-end 2022 to € -124.6 m as at 31 December 2023. As at the reporting date, the equity ratio therefore amounts to -14.3 % (31 December 2022: 19.0 %). The decline in equity can mainly be put down to the negative consolidated result in the amount of € -414.3 m. A significant contrary effect amounting to € 50.7 m is the result of the capital increase implemented in the first quarter of the year.

Non-current liabilities

Non-current liabilities fell by € 14.0 m from € 196.0 m on 31 December 2022 to € 182.0 m in the year under review. The key factor in this decline is the € 16.5 m reduction in deferred tax liabilities, which fell from € 16.9 m to around € 0.5 m in the process as a result of a reorganisation within the Group.

Current liabilities

There was a marginal reduction in current liabilities from € 823.0 m to € 813.2 m as at 31 December 2023. The decline essentially stems from a reduction in tax liabilities, which fell by € 16.2 m from € 46.4 m to € 30.2 m. This impacted the 2020 tax year in particular. Conversely, deferred liabilities increased by € 25.2 m from € 96.4 m to € 121.6 m, mainly on account of invoices yet to be settled. Bank liabilities increased mainly from accrued interests of € 3.9 m to € 492.6 m.

Net working capital

Net working capital fell from € 162.7 m as at year-end 2022 to € 158.7 m as at 31 December 2023. This corresponds to a reduction of € 4.0 m year on year. The net working capital ratio is calculated in relation to the revenue of the last three months extrapolated to a period of one year and stands at 14.9 % as at 31 December 2023 (31 December 2022: 17.1 %). The improvement in the net working capital ratio amounting to 2.2 percentage points can mainly be attributed to the positive effects from the working capital measures, in addition to the strong sales recorded in the fourth quarter of the year.

Cash flow statement

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Cash and cash equivalents as at 1 January	108,709	73,107
Cash flow from operating activities	86,586	20,384
Cash flow from investing activities	-74,379	-166,542
Cash flow from financing activities	-228	180,988
Net change in cash and cash equivalents	11,979	34,830
Effects of exchange rate fluctuations	-525	772
Cash and cash equivalents as at 31 December	120,163	108,709

The cash flow from operating activities amounted to € 86.6 m in financial year 2023 and was therefore up by € 66.2 m on the value recorded in the prior year.

Over the course of financial year 2023, inventories were reduced by € 33.4 m. Excess inventory accumulated on the back of supply chain uncertainties in 2022 was reduced in 2023 through the successful implementation of inventory reduction measures as part of the restructuring programme.

In addition, other receivables were reduced, mainly as a result of payments received for subsidies. In contrast, trade receivables developed in the opposite direction, resulting in an increase of € 4.4 m. Trade payables and other current and non-current liabilities fell by € 14.4 m. A fall of € 13.0 m was also recorded in connection with provisions and personnel related accruals.

The cash flow from investing activities decreased significantly from € -166.5 m in the previous year to € -74.4 m. Payment outflows in connection with investments in intangible assets and property, plant and equipment (CAPEX) are significantly lower than in the previous year and amount to € 73.9 m (2022: € 111.6 m). These were adjusted to the current business development.

In the financial year under review, cash flow from financing activities fell from € 181.0 m in financial year 2022 to € -0.2 m by year-end 2023. The positive cash flow from financing activities in financial year 2022 was down to the utilisation of credit totalling € 319.2 m, comprising a promissory note loan of € 250.0 m and drawing down the remaining

syndicated loan credit line in full amounting to € 70.0 m. In financial year 2023, interest paid amounting to € 25.1 m and the repayment of lease liabilities in the amount of € 22.0 m were offset by the inflow of funds amounting to € 50.7 m from the capital increase, which was fully borne by the majority shareholder. As at the reporting date of 31 December 2023, cash and cash equivalents totalled € 120.2 m overall, and were therefore in excess of the previous year's value of € 108.7 m. As at the balance sheet date, existing credit lines had been drawn down in full. Details on Group financing is explained in chapter 13 Information on VARTA AG Financial Position under the section covering liabilities.

Overall statement on the financial position and financial performance

With financial year 2023 now having come to an end, it can be stated that the development of the financial position and financial performance of the VARTA AG Group was disappointing overall. External factors such as the downturn in the consumer climate, disadvantageous political legislation and the resulting reduction in demand had a significant impact on the Company's earnings situation. In addition, our customers were forced to implement necessary price reductions and multisourcing strategies, which at our end necessitated impairments on property, plant and equipment, as well as on goodwill. This ultimately resulted in a negative consolidated result, which, in combination with a high level of debt, placed VARTA AG's equity ratio as at 31 December 2023 under strain. Taken as a whole, these extraordinary external factors meant that the overall business development deviated significantly from the Company's original expectations and goals at the start of the year.

4. Research and development

In addition to the further development of state-of-the-art technology, the VARTA AG Group has opened up the possibility of identifying new technologies at an early stage through strategic selection and participation in nationally and EU-funded projects. This enables close networking with partners from industry and the research community. This process is continuously continued, evaluated and adapted to the strategic framework conditions. Furthermore, participation in conferences and trade fairs ensures the constant expansion of the knowledge base and networking in the research landscape. Close contact with the research community is also ensured through internships, final theses and doctorates.

Another contribution to ensuring continuous technological progress and the development of leading battery cell technology is the close cooperation with VARTA Innovation GmbH in Graz. This collaboration enables the evaluation and development of electrode materials in the early phase and forms the basis for the development of new, technologically leading battery cells.

By means of strategic evaluation and according to the technology level of the respective technologies, R&D provides the basis for industrialisation and market launch from an economic point of view in the segments and management for decision-making.

For the VARTA AG Group, research and development expenses increased to € 27.4 m in the 2023 financial year (previous year: € 23.2 m). This results in an R&D expense ratio of 3.3 % in relation to revenue compared with 2.9 % in the previous year.

Of the capitalised development costs of € 1.4 m (2022: € 29.2 m), self-manufactured intangible assets, which are not yet ready for use, of € 0.6 m (2022: € 27.2 m) were recognised in 2023. This mainly relates to the Power Batteries segment.

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 collaborate on the further development of the alkaline-manganese battery. The focus here is on optimising the mechanical design, in addition to evaluating improved materials and optimised formulations.

In financial year 2023, research and development expenses in the Consumer Batteries segment amounted to € 2.2 m (2022: € 1.9 m). This produces an R&D expense ratio of 0.6 % in relation to sales (2022: 0.5 %).

Embedded Batteries

In the area of microbatteries and hearing aid batteries, a particular focus in 2023 was on increasing energy density. This was achieved by developing a new housing concept for microbatteries of the VARTA AG. The market launch of the new housing is planned for 2025.

Lithium-Ion Small Cells represents the business area for small lithium-ion round cells for OEM applications. In this area, the focus in 2023, as was the case in 2022, was again on further developments in relation to rechargeable lithium-ion cells for high-tech consumer products, in particular for premium True Wireless Stereo (TWS) headsets. The focus remained on further increasing energy density, evaluating, and qualifying new materials, reducing costs in relation to the procurement of raw materials and developing more efficient manufacturing processes. In line with the Battery Roadmap presented in 2022, which covers the period up to 2027, further progress was made in terms of development work. In 2023, the main focus on the development side for type approval was securing three new products for series production starting in 2024.

In financial year 2023, research and development expenses in the Embedded Batteries segment amounted to € 13.3 m (2022: € 16.6 m). This produces an R&D expense ratio of 6.2 % in relation to sales (2022: 5.5 %).

Power Batteries

The Power Batteries segment primarily includes energy storage solutions intended for private applications, although some commercial solutions are offered as well. In the area of energy storage systems, improvements were achieved across the entire product portfolio through the addition of new functionalities and the expansion of connectivity capabilities to include additional device classes. Moreover, the development of an ultra-slim, high-voltage energy storage system is being driven forward, which was introduced into the market in 2024. The segment also comprises the business areas of Lithium-Ion Battery Packs and Lithium-Ion Large Cells. Products with unique selling points are being developed and produced in the area of cylindrical cells. This is achieved in particular through innovative mechanical solutions for current conduction, which enable high power density due to very low internal resistances. This innovation will be combined with new, high-energy electrode materials so that power and energy density can be combined in one cell in the future. In addition, it will also be possible to better combine fast charging capability with high energy density in the future. This means that VARTA AG clearly stands out from the solutions available today, something which was impressively demonstrated via the manufacturer-neutral benchmark of the Batemo database. The development of the first cell of the first generation has been completed and will be ramped up in 2024. Furthermore, extensive development activities for a second-generation cell were initiated in 2023. This includes, among other aspects, research into battery materials and components with the target application of power tools for professionals. At the same time, the focus here is also on the technological development

of efficient and sustainable manufacturing processes for future industrial scaling of the second generation of innovative cell technologies.

In financial year 2023, research and development expenses in the Power Batteries segment came in at € 12.0 m (2022: € 4.6 m). This produces an R&D expense ratio of 5.0 % in relation to sales (2022: 3.3 %).

5. Investments excluding M&A (CAPEX)

The Group refers to investments in intangible assets and property, plant and equipment as CAPEX. A series of measures were pursued with the aim of expanding the requisite production capacities for lithium-ion button cells. In addition, the Company is pursuing an objective of opening up new business activities with the completion and industrialisation of a small scale production line for large-format cells in addition to additional manufacturing capacities for energy storage solutions.

Cash outflows from the purchase of intangible assets and property, plant and equipment totalled € 73.9 m overall in financial year 2023 (2022: € 111.6 m) and serve in major parts to expand production capacity for lithium-ion button cells, the construction of a pilot production line for large-format cells and a new factory for energy storage. The investments are in line with expectations. Follow-on investments are 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 following segments: Consumer Batteries, Embedded Batteries and Power Batteries.

Across the full year 2023, the margin picture deteriorated overall in comparison with the prior year due to higher material costs, in particular during the first half of the year, and a reduction in sales of products with a high gross margin. In relation to the second half of 2023, an improvement in the margin picture can be seen compared with the first half, which was characterised by high procurement prices. Consistent cost-cutting measures contributed to this improvement, as did recent declines in material and energy costs, positive non-recurring effects from customer projects and selective price increases, particularly in the Consumer Batteries segment.

The improvement in margin, particularly in the second half of 2023, is supported across the whole business. The traditional seasonality with regard to business development, in which sales tend to be slightly weaker in the first half of the year followed by a recovery in the second half, would appear to support this development. Typically, this pattern is particularly strong in the Consumer Batteries and Embedded Batteries segments. In the latter, VARTA AG is able to maintain its globally leading position in a rapidly changing market environment, although at the same time is confronted by the most challenging business area in terms of earnings quality in the form of Lithium-Ion Small Cells (CoinPower cells). This is the result of volatile forecasts, in particular due to the constantly fluctuating purchase projections on the part of a major customer in this area. In the financial year 2023, sales figures in this business area fell significantly compared to the previous year. The Consumer Batteries segment remains a stable, core pillar of VARTA AG's business development, while the Power Batteries segment represents the development of highly promising technologies, among other aspects. Based on the improvement already achieved, the VARTA AG Group will consistently continue with its strategy and restructuring plan.

Consumer Batteries is and will remain a stable, supporting pillar of VARTA AG in the future

	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022	Change
Sales revenue (€ k)	370,026	365,927	1.1 %
Adjusted EBITDA (€ k)	52,342	30,438	72.0 %
Adjusted EBITDA margin (in %)	14.1 %	8.3 %	5.8 PP

The Consumer Batteries segment comprises the product categories of household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. In this segment, revenue rose from € 365.9 m in the previous year to € 370.0 m in financial year 2023. This corresponds to growth of 1.1 %.

Adjusted EBITDA for financial year 2023 rose by 72.0 % year on year. This was the result of a recovery in the cost of raw materials and energy across as well as selective price pass-ons in the second half of 2023 in particular, which led to a marked improvement in the adjusted EBITDA margin. This increased by 5.8 percentage points to 14.1 %.

Restrained end customer demand for household batteries was successfully counteracted by targeted measures, above all through securing new commercial customers. The decline in energy and raw material costs seen over the course of the year, selective price increases and, the successfully implemented cost-cutting measures resulted in a significant improvement in margins. The typical seasonal tailwind in the second half of the year additionally supported this development.

In the Embedded Batteries segment, VARTA AG offers innovative, proven solutions for hearing aids, wireless headsets and medical applications

	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022	Change
Sales revenue (€ k)	212,969	300,471	-29.1 %
Adjusted EBITDA (€ k)	-16,747	34,046	<-100 %
Adjusted EBITDA margin (in %)	-7.9 %	11.3 %	-19.2 PP

The Embedded Batteries segment comprises the business with microbatteries and hearing aid batteries, in addition to the business with small-format lithium-ion round cells for OEM applications.

In financial year 2023, revenue amounted to € 213.0 m, which equates to a decline in revenue of 29.1 %. Across the full year 2023, adjusted EBITDA fell by € 50.8 m year on year to stand at € -16.7 m. The adjusted EBITDA margin came to -7.9 %, which corresponds to a deterioration totalling 19.2 percentage points in comparison with the previous year.

Demand in the market for Embedded Batteries was muted overall. The majority of the decline in sales revenue in this segment can be attributed to the Lithium-Ion Small Cells business. The lost revenue here is mainly due to lower purchase volumes on the part of the major customer in this business area. Alongside this, both the weak consumer climate and loss of income in real terms over the past couple of years, in addition to the diminished end customer demand for consumer electronics products, have adversely impacted the segment's development.

VARTA AG successfully implemented the personnel measures announced for 2023, such as short-time working hours at the Nördlingen plant and allowing temporary working contracts to expire, so as to take account of changes in the sales trend. VARTA AG still has sufficient reserve capacity in order to flexibly react to short-term recoveries in demand and produce additional volumes. Furthermore, the plant should be more flexibly

geared towards fluctuations in capacity utilisation by optimising the production structures.

Power Batteries is VARTA AG's long-term growth driver in flourishing future markets

	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022	Change
Sales revenue (€ k)	237,310	140,518	68.9 %
Adjusted EBITDA (€ k)	14,788	5,019	>100 %
Adjusted EBITDA margin (in %)	6.2 %	3.6 %	2.6 PP

The Power Batteries segment includes the Energy Storage Systems, Lithium-Ion Battery Packs and Lithium-Ion Large Cells business areas. In addition, potential special effects at Group level fall into this segment.

In financial year 2023, revenue in the Power Batteries segment rose from € 140.5 m to € 237.3 m year on year. This equates to revenue growth of 68.9 %. Adjusted EBITA increased from € 5.0 m to € 14.8 m, which corresponds to growth of € 9.8 m and results from an improvement in the adjusted EBITDA margin that rose by 2.6 percentage points to 6.2 %.

Strong revenue growth in the Power Batteries segment was primarily the result of significant demand for energy storage solutions that facilitate a greater degree of independence from external energy suppliers. In addition, the reimbursement was mainly due to subsequent price adjustments as well as project settlements for large-format round cells positively effected the result. This effect amounted to € 39.0 m across the year as a whole. These two effects together largely help to explain the improvement in sales revenue compared with previous quarters. In contrast, the Lithium-Ion Battery Packs business area developed in the opposite direction and continues to be characterised by subdued demand in the premium segment.

The new VARTA.wall factory in Neunheim near Ellwangen, which was put into operation in 2024, opens additional growth opportunities for VARTA AG in the long term. However, we have recently experienced a significant downturn in demand for energy storage solutions. High levels of wholesale inventories and competitors opting for an aggressive pricing strategy have recently caused margins to fall and will also lead to a short-term decline in demand. Moreover, it can be assumed that start-up costs for *VARTA.wall* production will additionally impair the margin picture. However, according to a market study carried out by McKinsey on behalf of VARTA AG, a significant market revival should set in from 2025. The study also forecasts continuous attractive growth rates for energy storage solutions, from which VARTA AG will also seek to benefit, particularly on the back of launching the *VARTA.wall* product.

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 area of HR as well, VARTA AG is focusing on the digitisation of key HR processes.

As a technology company, a high proportion of VARTA AG's global workforce is made up of female employees (45.0 %). To best meet the needs of all employees and promote a healthy work-life balance, VARTA AG 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 AG locations for a limited period of time are in the pipeline, in addition to standardised regulations on mobile working.

The 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. VARTA AG's claim is to offer health services tailored to the needs of its employees and in this way to bolster their performance and motivation over the longer term.

VARTA AG 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, business informatics, industrial engineering, and business administration. On average, the company supports around 90 apprentices: in 2023, 28 new apprentices and dual course students began their careers at the VARTA AG Group. In the VARTA AG Academy training centre, which covers an area of more than 1,000 square metres, 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 serve to 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. This is essential, especially in times of economic challenges.

Group executives meet up at regular management workshops, while junior managers are prepared for future leadership tasks with targeted training and mentoring. In addition to this, needs-based development initiatives are promoted for career development within the Company.

The number of employees in the Group as a whole decreased from 4,498 in the previous year to 3,999 employees as at 31 December 2023.

As at the balance sheet date, the number of employees was split on a regional basis as follows:

	2023	2022
Europe	3,331	3,729
Thereof Germany	2,717	3,065
Asia	652	750
USA	16	19

8. Opportunity and risk report

Within the scope of global business activities, VARTA AG and its subsidiaries are confronted by a variety of risks that could potentially have a marked impact on the financial results of the Group. Because of the implemented risk management system, these risks are identified, assessed, and reported at an early stage.

Probability of occurrence	> 50% likely				
	≤ 50% possible				
	≤ 10% unlikely				
	≤ 2% very unlikely				
		≤ 500 €k very low	> 500 €k low	> 2.500 €k medium	> 5.000 €k high
Amount of damage (net loss value)					

marginal* ≤ 250 €k	moderate* > 250 €k - 2.500 €k	material* > 2.500 €k
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*expected net loss value

In the second half of 2023, the risk management system was thoroughly reworked. The currently valid regulations are described and explained in greater detail below. For financial year 2023, a qualitative approach was chosen to portray the TOP risks. Opportunities that arise for the VARTA AG Group are continuously reflected in the monthly forecasts. As is the case with risks, clustering is not carried out for opportunities within the Group.

8.1. Risk management system

Risk management procedures help the Company to comply with regulations, facilitate informed decision-making processes, improve operational efficiency, and reduce the likelihood of failure. The Company has instituted various management and control measures for the early identification, analysis, and evaluation of risks as well as for the handling of existing risks. These are enshrined in an internal control and risk management system.

In accordance with the legal requirements pursuant to Section 91 (2) and (3) of the German Stock Corporation Act (AktG), this includes an early risk detection system. Key components of early risk detection 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 projected and actual figures in addition to various performance metrics across the Group as a whole.

The overall responsibility for risk management lies with the Executive Board, which factors the insights obtained from risk management activities into its decision-making processes. The Supervisory Board, including the Audit Committee, is involved in risk management processes as part of regular reporting and also evaluates VARTA AG's risk strategy defined by the Executive Board and the risk management system. Executive Board meetings are held on a quarterly basis at least, which allows the risks and opportunities linked to business activities to be analysed and discussed. The risk management system differentiates between financial, operative, strategic and compliance risks. In this process, the risks are categorised as marginal, moderate or material on the basis of a risk matrix. The following chart illustrates the newly introduced risk matrix as well as the ranges applied to quantify risks.

The opportunity and risk report includes the identification, evaluation, control, and monitoring of TOP risks. These risks include all circumstances deemed to pose a material threat that, as a result, might have a material impact on the earnings or liquidity position of the Company. In addition, the TOP risks are expanded to include the ten largest risks

according to their net loss value. The anticipated net loss value is measured uniformly throughout the Group as part of a standard process and comprises two aspects: the net loss value and the probability of occurrence.

To identify the risks, new risk owners were defined in the financial year. These positions are tasked with monitoring and quantifying the risk situation in their respective area, before reporting to the risk manager. In order to ensure a close alignment with the operating and financial issues, risk management, including the risk manager, is positioned directly beneath the Chief Financial Officer. Risk management processes are internally audited on an annual basis and, where necessary, improvements are made.

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 loss values, i.e. the risks taking into account risk mitigation measures, are included in this risk aggregation, as are the probabilities of occurrence for the TOP risks.

In the Monte Carlo simulation, independent simulations run one hundred thousand potential risk-related future scenarios in relation to the Company's TOP risks, with the impacts on the projected profit and loss account and projected balance sheet also calculated. After all simulation runs, the simulated projected result with a confidence level of 90.0 % is subtracted from the originally projected result to provide a fuller picture on the overall risk position. 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 are the basis for reporting the risk-bearing capacity of the Company to the Executive Board and the Supervisory Board.

Risk management and the elements that go into it are regularly the subject of audit activities performed by the internal auditing. In this way, in the event that deficiencies are uncovered, appropriate measures can be initiated to resolve them. To this end, the aim is to ensure that the Executive Board and Supervisory Board are fully and promptly informed about material risks.

8.2. Internal control system

The accounting-related internal control system of VARTA AG is a cornerstone of the risk management strategy. Accordingly, 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 Group.

Internal control systems are implemented at subsidiaries that are adapted to 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 Ellwangen headquarters.

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

8.3. Risk situation

Among all identified risks, we explain below those risks which from today's viewpoint could materially impact the financial position and financial performance in a negative manner during the period to which the guidance applies, which currently stands at 36 months.

In line with the above-mentioned assessment of the TOP risks, the overall risk situation for the VARTA AG Group as at 31 December 2023 can be summarised as follows:

RISK CATEGORY	RISKS	NET LOSS VALUE (AMOUNT OF DAMAGE)	PROBABILITY OF OCCURRENCE	EXPECTED NET LOSS VALUE
Operative	IT risks	high	possible	material
Operative	Customer order risks	high	possible	material
Operative	Supplier risks	high	very unlikely	moderate
Strategic	Research and development risks	high	possible	material
Strategic	Funding risks	high	possible	material
Strategic	Risks from natural hazards	high	very unlikely	moderate
Strategic	Risks from extreme weather events	high	unlikely	moderate
Compliance	Compliance risks	high	possible	material

Given that VARTA AG undertook substantially changes to its risk guidelines as part of the risk management system last year, there would be no informative value in presenting the changes versus the previous year due to the changed parameters governing risk quantification.

Due to various events after the reporting date of 31 December 2023 (see **47 Events after the reporting date**), the risk situation has changed continuously since then with each new risk assessment. In this context, lower IT risks should be emphasised, which were classified lower due to extensive measures resulting from the consequences of the cyberattack in February 2024. A possible refinancing risk with a high net loss value was also included in the first half of 2024 due to the tense financial situation and the in July 2024 started StaRUG proceedings that have begun.

The main opportunity and risk categories at the reporting date are presented below without further categorisation.

8.4. Operative risks

The VARTA AG Group IT department is responsible for all information systems and user authorisations worldwide. The IT landscape is globally uniform with little fragmentation. This guarantees seamless access to the relevant data, systems, and technical applications for employees. The loss or manipulation of data can lead to disruption of business operations and would therefore also affect our customers. System failures can have a serious impact on production activities and therefore lead to lost sales. Lack of IT availability and possible cybercrime continue to pose serious risks despite the recent cyberattack. For these reasons, the IT risk is assessed as material.

To reduce risks in this regard, the system landscape is continuously optimised to ensure optimum protection against external attacks. The IT department also continuously monitors system operations, implements new software solutions where possible, 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 makes a key contribution to the internal control system.

The decline in demand recorded in 2022, as well as the dependency on a major customer in the Lithium-Ion Small Cells business area within the Embedded Batteries segment,

continued in 2023. As a result, production capacities continue to be underutilised. Against the backdrop of the insights gained and developments seen in financial year 2023, the risk in the Lithium-Ion Small Cells business area remains material. The risk also implies potential price pressure on the sales markets and an inability to fully pass on increased costs to end customers. This entails profitability risks for the Group.

Measures seeking to adapt capacities to the present market situation were launched as early as 2022. High levels of capacity utilisation are required for the Group to operate profitably in the capital-intensive lithium-ion business, which was built up on the back of substantial investments. In this context, revenue streams should be structured in a far more differentiated manner, while the importance of a single, major customer is to be reduced further as a result. New customer projects should stabilise the capacity utilisation situation and increase sales again. It is also possible that this could lead to potential risks with a direct impact on earnings.

To manufacture our products in the individual business areas, the VARTA AG Group sources numerous individual components and raw materials from external suppliers. Here, the main objective is to diversify dependencies on individual suppliers by constantly working with additional suppliers and, above all, to establish a broader base in terms of climate-related, physical and (geo)political influence factors. By maintaining regular contact with our suppliers, we also strive to identify potential supply bottlenecks at the earliest possible stage or to avoid them altogether. However, it is not possible to mitigate this risk in full; it is therefore classified as moderate.

8.5. Strategic risks

On account of intensive research and development (R&D) activities, the VARTA AG Group sets global standards in many areas and ranks among the innovation leaders in key growth markets. The production processes that we have developed, allied with a highly qualified and experienced workforce, round off the Company's competence profile. This circumstance directly leads to a material risk in that the Company may not be able to develop the necessary replacement or next generation products in a timely manner, among other aspects. There is also a risk that comparable solutions on the market will catch up a potentially development gap to the VARTA AG Group. This could result in trends being missed and planned sales not being achieved. Nevertheless, technological mastery and innovative capacity, in particular, are key strengths of the Company and will continue to account for a large proportion of business activities in the years to come. There is still an opportunity to help shape the technological advances in the various segments.

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, the Group is obliged to fulfil conditions for the use of the funds. In the event of non-compliance with these requirements, there is the risk of pro rata repayments. Owing to the current economic situation and a lack of orders hampering our ability to hit targets in some cases, the risk of an infringement of the funding conditions is assessed as material. However, a monitoring process has been instigated to supervise and control this risk, which allows deviations to be identified immediately and countermeasures to be initiated. In addition, we maintain close contact with the funding agencies in order to coordinate the respective situation.

Due to climatic changes, extreme weather events, and the associated climate-related impacts are on the rise. Given the size of the Company, the local conditions present at individual locations and the existing assets, this has the potential to impact both the Company's own business operations as well as suppliers and corresponding transport

routes. The same goes for potential damage arising from natural hazards such as fire, lightning, storms, earthquakes, and floods. Both risks are assessed as moderate due to their low probability of occurrence. However, in the event that such situations do materialise, the potential damage can be substantial. In order to mitigate the risks in the long term, appropriate insurance policies have been taken out to avert financial consequences that might otherwise threaten the Company's continued existence and, where possible, various safeguards have been put in place.

ESG and sustainability issues remain of critical importance to the VARTA AG Group. The regulatory requirements with which the Group must comply continue to become ever more stringent. Our sustainability department is focusing intensively on this development and is introducing appropriate measures to meet future requirements. At present, the Group is keeping a close eye on these changes. Further details can be found in the section Sustainability Report.

8.6. Financial risks

The particular features of this risk category will be discussed below. Further details can be found in chapter 40.3 Financial risk management.

Due to its global market presence and the worldwide purchasing of raw materials and components, the Group is exposed to foreign currency risks. These foreign currency risks are analysed and assessed in detail and, in the case of substantially volumes, are hedged against third parties through hedging transactions.

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.

Receivables from the main German and Austrian entities are sold within the framework of a factoring programme. We also obtain credit information and gather historical data from past business transactions, in particular regarding past payment behaviour, in order to evaluate the creditworthiness of clients and to avoid payment defaults. A comprehensive debtor management system has been set up for this purpose. To the extent that default risks can be discerned among individual financial assets, their value is corrected accordingly.

Due to the business development in the 2022 financial year, VARTA AG Group was faced with an increased financing risk. Based on the restructuring concept in accordance with IDW-S6 drawn up with the restructuring expert, an restructuring agreement was concluded with the banks in 2023.

This restructuring agreement obliges the Executive Board of VARTA AG to implement 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 comply with certain conditions of the restructuring agreement, in principle the financing banks have the right to terminate the financing agreement and demand repayment of the loans granted to VARTA AG. For this reason, a financing risk was included in risk management as a material risk in the first half of 2024. For further information, please refer to chapter 47 Events after the reporting date.

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 the execution of the measures provided and still to be carried out to be implemented in the restructuring plan. The restructuring plan was voted for and legally confirmed by the regional court in Stuttgart on 01 January 2025. This includes waivers of claims from creditors, a capital write-down and delisting, as well as the increase of new equity and debt capital. Apart

from this, the achievement of operational budget targets that take the restructuring measures into account is required. Subsequently, the Executive Board is convinced that the Company will return to the growth path with the corresponding profitability.

8.7. Compliance 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. This also includes potential risks arising from compliance with human rights due diligence obligations under the Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG; commonly referred to as the Supply Chain Act), which has been mandatory since 2023. With the possibility for severe punishment in the event of infringements of this nature, the risk is assessed as material. Risk mitigation measures implemented by VARTA AG in this area include, for example, the targeted use of software solutions as well as a Code of Conduct for relevant suppliers.

8.8. Opportunities for further growth

Alongside generally favourable macroeconomic framework conditions, the development of the relevant markets for battery applications is of crucial importance for the further growth of the VARTA AG Group.

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. Potential opportunities are also taken into account in the Monte Carlo simulation using best-case assessments of profit and loss account items.

Technological mastery and innovative capacity, in particular, are key strengths of VARTA AG. 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 relevant industrial sectors. The constraints of potential replacement technologies are being monitored very closely. The Group still has an opportunity to play its part in determining technological developments in the segments.

In the Consumer Batteries segment, restrained end customer demand for household batteries was successfully counteracted by securing new commercial customers. Moreover, the Group is well positioned here following the decline in energy and raw material costs seen over the course of 2023 as well as the successfully implemented cost-cutting measures.

Demand in the Embedded Batteries segment was muted overall in the previous financial year. Nevertheless, in the Micro Batteries business, VARTA AG sees itself as well prepared for a potential transition to rechargeable hearing aid batteries. Despite the downturn in demand, VARTA AG remains very well positioned in the Lithium-Ion Small Cells business area in order to benefit from structural market growth.

In the Lithium-Ion Large Cells division, lithium-ion round cells have been further developed into high-performance made with the intention of delivering the highest performance. This predestines the cell for use in areas where fast charging and discharging of the cell is required. Due to its unique properties, the technology can be used in many areas such as power tools or high-performance household appliances where high torque and fast-charging capability are required.

In addition, VARTA AG continues to benefit from the megatrend towards decentralized, self-sufficient energy storage solutions, which also form part of the Power Batteries

segment. The energy storage solutions in the portfolio are considered to have a strong long-term market growth potential despite the market weaknesses that can be observed. These are seen as a key element in the successful implementation of the energy transition. VARTA AG expects to continue to see medium and long-term growth potential in this business area despite a significant increase in competitive pressure, including through product innovations. With the existing production capacities in Germany, demand can be met very quickly with products bearing the – Made in Germany – seal of quality.

8.9. Overall assessment of the Executive Board

The Executive Board bears responsibility for managing all opportunities and risks. This is an integral part of corporate governance. At quarterly meetings of the Executive Board, the Group-wide risk situation is evaluated, with the results explained and an overall statement made regarding the appropriateness and efficacy of the Company's internal control and risk management systems once per year. Based on this, the Executive Board is not aware of any circumstance that would render these inappropriate or ineffective in their entirety as at the end of financial year 2023.

Following a comprehensive revision of the risk guidelines in the second half of 2023, VARTA AG now has a more detailed overview of the risk situation as a whole at its fingertips. In particular, this has improved the quality of reporting risks as well as the associated risk-mitigating measures.

VARTA AG is confronting the current financing and liquidity situation through the successful implementation of comprehensive restructuring measures. Nevertheless, the Executive Board remains 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 the risk management system are considered adequate. Both are adapted 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. In the 2023 financial year, we began to continuously increase the level of formalization of processes and controls. The risk management system will also be further developed on a continual basis in order to enhance its adequacy and efficacy. 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 2023 financial year, the VARTA AG Group maintains a 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 the end of 2022 are to a certain extent providing the Group with a sense of impetus at the start of the new financial year. Nevertheless, supplier risks, especially for key raw materials and components, remain a potential impediment to business development. However, the expected net loss value is classified as moderate here. In contrast, at an operational level, the Company sees

significant potential expected net loss values for both IT risks and risks in connection with customer orders. The cyberattack on VARTA AG's system landscape in February 2024 resulted in a temporary global production standstill. Higher security requirements on the IT infrastructure as the systems are gradually restarted are intended to reduce the likelihood of future IT risks. While risks from natural hazards or extreme weather events are assessed as unlikely at a strategic level and therefore categorised as moderate, the Company classifies research and development risks as well as funding risks and compliance risks as significant. A monitoring process has been established to ensure compliance with the requirements of existing funding programmes. Moreover, the Company maintains continuous dialogue with the funding agencies in order to update them as early as possible about any changes to the framework conditions. In addition, VARTA AG benefits from its existing extensive network of research partners in order to jointly advance the technological roadmap within the relevant industrial sector. To reduce possible compliance risks, VARTA AG specifically uses software solutions and has also implemented a Code of Conduct for relevant suppliers.

VARTA AG's technological mastery and innovative capacity, especially in the area of lithium-ion technology, continue to allow the Company to stand out from the crowd and should ensure that its strong positioning in the most important growth markets is consolidated in the future. The Company continues to see long-term growth opportunities, particularly in the Power Batteries segment. For 2024, VARTA AG Group expects, however, a sales decline, however, a sales decline at Group level as well as a decrease in adjusted EBITDA compared to 2023 due to the overall challenging market environment.

In the Consumer Batteries segment, the VARTA AG Group was able to partially pass on increased prices for energy and raw materials to customers during the course of the financial year 2023. Price adjustments were implemented in several phases in the Consumer Batteries segment, which had a positive effect on margin with the progression of the year. Moreover, a reduction in the prices of raw materials and energy led in this segment in particular to a recovery in the margin. Against this background, management estimates suggest that the margin for household batteries in 2024 should be slightly above the value in 2023, depending on customer negotiations and future commodity price developments. Sales of household batteries registered slight growth again in the 2023 financial year. In view of the projected market growth rate of approximately 6.3 % per year from 2024 to 2030, moderate sales growth in the area of household batteries can also be expected for VARTA AG over the years to come.

VARTA AG also expects slight growth in the Embedded Batteries segment over the next few years. Based on a study from the Counterpoint Research, VARTA AG expects continuous market growth for true wireless stereo headsets (TWS) from 2024 until 2026. Current purchase plans of the main customer confirm this positive development at VARTA AG. However, this growth is expected to be entirely volume-driven by 2028 due to the anticipated fall in market prices. Taking into account the extensive product expertise within the Company and the high projected market growth rates, VARTA AG Group regards itself as being well positioned in the long term to meet the anticipated rising demand with the corresponding installed capacity. However, a high level of customer concentration means that VARTA AG is working on the assumption that the sales trend in this business area could be subject to volatility. In the Micro Batteries business, demographic change and an aging population are expected to generate long-term, structural growth impetus. For the next couple of years, studies from Business Research Insights, Vantage Market Research and Growth Market Reports forecast global market growth of 4.9 % per year on average for hearing aid batteries. VARTA AG expects this growth for rechargeable hearing aid batteries in particular, while sales of disposable hearing aid batteries are expected to decline slightly across the same period.

In the Power Batteries segment, which includes the business areas of Energy Storage Systems, Lithium-Ion Battery Packs and Lithium-Ion Large Cells, VARTA AG Group also expects continual, long-term market growth. The desire for a higher degree of energy autarky is expected to result in the increased importance of energy storage solutions. Based on a market study carried out by McKinsey on behalf of the VARTA AG Group, global home storage demand is expected to increase by an average of 8.8 % yearly in the upcoming years, with growth expected to accelerate from 2025 in particular. This study also suggests that growth in the home storage market in VARTA AG's target markets is likely to continue over the next two decades. In this context, mass business will play a key role. In the area of Lithium-Ion Battery Packs, VARTA AG serves customers by developing both customised products and standard solutions (off-the-shelf products) with an emphasis, among other aspects, on applications such as household and garden appliances, intralogistics, communications electronics, medical applications, and a whole host of industrial applications. In this way, VARTA AG takes the view that the Company is sufficiently positioned to participate in this market growth. The Lithium-Ion Large Cells business area is considered promising due to the unique properties of the technology (ultra-high-power cell with very fast charging and discharging). Concrete opportunities will arise for the VARTA AG Group in particular if the initiated customer projects can be successfully implemented in high volumes as part of the capacity expansion with the strategic partner, Porsche AG. It is also conceivable that growth impetus will come in the form of using VARTA AG's unique lithium-ion round cell technology, for example in connection with high-performance household appliances, power tools or in other industrial applications.

In view of the risk situation for the 2024 financial year, the business outlook for the VARTA AG Group is associated with high levels of uncertainty compared with previous years: these above-mentioned and other risks are being counteracted at Group level via targeted measures that are monitored throughout the year by way of the risk management system. This facilitates well-informed decision-making processes, improves efficiencies, and reduces the likelihood of misjudgements. Management and control measures are enshrined in an internal control and risk management system, with the aim of facilitating the early identification, analysis and evaluation of risks, in addition to allowing existing risks to be handled effectively.

Overall statement on future development

The sales forecast in financial year 2024 relating to the guidance presented below was originally published on 11 October 2024, when the sales forecast issued on 11 August 2023 was revised for the first time. Guidance with regard to adjusted EBITDA in addition to information covering the development of individual segments was first published in this report.

VARTA AG Group – Forecast 2024

The Executive Board of VARTA AG anticipates that Group revenue of between € 750 m and € 800 m will be generated in financial year 2024 (2023: € 820 m) and expects adjusted EBITDA to total between € 30 m and € 50 m (2023: € 50.4 m). The forecast issued on 11 October 2023 for revenue in 2024 (at least € 900 million) was thus adjusted in an ad hoc announcement due to a further slowdown in the market for energy storage systems in the second quarter of 2024. The current guidance is based on the assumption that the challenging economic environment and existing global crises will remain in place in 2024. This has corresponding negative consequences for costs, supply chains and consumer demand. Moreover, forecasts with regard to customer purchase volumes remain highly volatile and the market environment for energy storage systems remains challenging, which makes precise guidance difficult.

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 on in the fourth quarter 2024 with the financing parties within the framework of a term sheet. 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 2024 financial year is subject to an above-average level of risk.

KPI	GUIDANCE FOR 2024	FINANCIAL YEAR 2023
Financial indicators: Group		
Revenue	€ 750 - 800 m	€ 820.3 m
Adjusted EBITDA	€ 30 - 50 m	€ 50.4 m
Financial indicators: Segment Consumer Batteries		
Revenue	Similar to prior year	€ 370.0 m
Adjusted EBITDA	Slightly above prior year	€ 52.3 m
Financial indicators: Segment Embedded Batteries		
Revenue	Significantly above prior year	€ 213.0 m
Adjusted EBITDA	Significantly above prior year	€ -16.7 m
Financial indicators: Segment Power Batteries		
Revenue	Significantly below prior year	€ 237.3 m
Adjusted EBITDA	Significantly below prior year	€ 14.8 m

Legend (deviations versus financial year 2023)

On a par with the previous year: 1-4 % deviation

Slightly below/above the previous year: 5-9 % deviation

Significantly below/above the previous year: ≥ 10 % deviation

Consumer Batteries segment – Forecast 2024

The Consumer Batteries segment comprises business activities in the area of household batteries, rechargeable batteries, chargers, portable power (power banks), and lights. Sales revenue in financial year 2024 is likely to be more or less on a par with the previous year, with this stagnation also due to the temporary production downtime following the cyberattack in February 2024. Growth impetus is likely to come from a further slight expansion of the brand business, although given the currently uncertain market environment no significant sales growth can be expected for this segment. There was a strong recovery in adjusted EBITDA in 2023 on account of the significant reduction in the price of energy and raw materials. However, despite the temporary production downtime in the first quarter of 2024, this should come in only slightly above the previous year's value.

Embedded Batteries segment – Forecast 2024

The Embedded Batteries segment comprises the business areas of Micro Batteries, where the focus is on microbatteries and hearing aid batteries, and Lithium-Ion Small Cells, which covers VARTA AG's CoinPower cells for True Wireless Stereo (TWS) headsets. In the business with microbatteries and hearing aid batteries, the Company intends to further consolidate its market-leading position in a market that is set to record modest growth. On the back of a structural transformation in the direction of rechargeable hearing aid batteries that will entail a reduction in the volume of zinc-air batteries,

however, the Company expects sales revenue to remain fairly constant overall. The business area Lithium-Ion Small Cells, which focuses on small-format lithium-ion round cells for OEM applications, the Company expects a marked improvement in sales year on year. This is based on higher purchase volumes on the part of the main customer in this business area. As such, significant sales growth can be expected in the Embedded Batteries segment. Owing to the increased volume in the Lithium-Ion Small Cells business area and the associated higher utilisation of production capacities, adjusted EBITDA is expected to also rise significantly versus the prior year.

Power Batteries segment – Forecast 2024

In the Power Batteries segment, which includes the business areas of Energy Storage Systems, Lithium-Ion Battery Packs and Lithium-Ion Large Cells, VARTA AG anticipates that it will be able to generate long-term growth impetus. Due to the significant slowdown in the business with energy storage systems in 2024, revenues for the Power Batteries segment will be significantly below previous year, despite the substantial sales growth recorded in the area of large-format lithium-ion cells. Despite positive long-term market prospects for the energy storage market, sales of energy storage systems are expected to fall significantly in 2024. This expected decline in sales, which is to be driven by both price and volume, will consequently also lead to a significant reduction in adjusted EBITDA for the Power Batteries segment.

VARTA AG Group – Forecast 2025

For fiscal year 2025, the Executive Board of VARTA AG expects revenue of € 700m to € 750m (2023: € 820m) and assumes an adjusted EBITDA of € 50m to € 80m (2023: € 50.4m). This forecast is also based on the assumption that the challenging economic situation and the existing global crises will continue in 2025.

In the fourth quarter of 2024, the Executive Board decided to adapt the segment structure of the VARTA AG Group. Instead of the three reportable segments (Consumer Batteries, Embedded Batteries and Power Batteries), the Group will once again be divided into six reportable segments from the fourth quarter of 2024: Consumer Batteries, Micro Batteries, Lithium-Ion Small Cells, Energy Storage Systems, Lithium-Ion Battery Packs and Lithium-Large Cells. In the view of the Executive Board, the new segmentation from the end of 2024 reflects the current Group management of the individual divisions more accurately than under the old segmentation.

KPI	GUIDANCE FOR 2025	GUIDANCE FOR 2024	FINANCIAL YEAR 2023
Financial indicators: Group			
Revenue	€ 700 – 750 m	€ 750 – 800 m	€ 820.3 m
Adjusted EBITDA	€ 50 – 80 m	€ 30 – 50 m	€ 50.4 m
Financial indicators: Segment Consumer Batteries			
Revenue	Similar to 2023 level	Similar to 2023 level	€ 370.0 m
Adjusted EBITDA	Significantly above 2023 level	Significantly above 2023 level	€ 52.3 m
Financial indicators: Segment Micro Batteries			
Revenue	Similar to 2023 level	Similar to 2023 level	€ 146.0 m
Adjusted EBITDA	Significantly below 2023 level	Slightly above 2023 level	€ 24.7 m
Financial indicators: Segment Lithium-Ion Small Cells			
Revenue	Significantly above 2023 level	Significantly above 2023 level	€ 67.0 m
Adjusted EBITDA	Significantly above 2023 level	Significantly above 2023 level	-€ 41.4 m
Financial indicators: Segment Energy Storage Systems			
Revenue	Significantly below 2023 level	Significantly below 2023 level	€ 153.6 m
Adjusted EBITDA	Significantly below 2023 level	Significantly below 2023 level	€ 6.5 m
Financial indicators: Segment Lithium-Ion Battery Packs			
Revenue	Significantly below 2023 level	Slightly below 2023 level	€ 44.0 m
Adjusted EBITDA	Significantly above 2023 level	Significantly above 2023 level	-€ 15.8 m
Financial indicators: Segment Lithium-Ion Large Cells			
Revenue	-	Significantly above 2023 level	€ 39.7 m
Adjusted EBITDA	-	Significantly below 2023 level	€ 24.1 m

Legend (identical to forecast 2024)

On a par with the previous year: 1-4 % deviation

Slightly below/above the previous year: 5-9 % deviation

Significantly below/above the previous year: ≥ 10 % deviation

Consumer Batteries segment – Forecast 2025

Consumer Batteries covers the business with household batteries, rechargeable batteries, chargers, portable power (power banks) and lights. In 2024 and 2025, sales are likely to be at around the same level as in 2023. A moderate expansion of the brand business could potentially provide growth impetus, but the current uncertain market environment means that no significant increase in sales can be expected in this segment. Adjusted EBITDA could even be significantly higher in 2024 and 2025 than in 2023 due to internal efficiency measures.

Micro Batteries segment - Forecast 2025

The Micro Batteries segment comprises the micro and hearing aid battery business. The company aims to further strengthen its market-leading position in a moderately growing market. However, due to the structural shift towards rechargeable hearing aid batteries, which is accompanied by a reduction in the sales volume of zinc-air batteries, an overall stable level of sales is expected for 2024 and 2025 compared to the 2023 financial year. Adjusted EBITDA is expected to decline in 2025 significantly compared to the 2023 financial year due to relative margin pressure.

Lithium-Ion Small Cells segment - Forecast 2025

The Lithium-Ion Small Cells segment is the business with VARTA AG's CoinPower cells

for true wireless stereo headsets (TWS). In this segment, which focuses on small-format lithium-ion round cells for OEM applications, a significant increase in sales is targeted for fiscal year 2024 and 2025 compared to 2023. This is primarily based on the increased purchase forecasts of the main customer compared to 2023. Adjusted EBITDA is also expected to grow significantly in 2024 and 2025, which is attributable to the increased production volume in the Lithium-Ion Small Cells division and the associated better utilization of production capacities.

Energy Storage Systems segment - Forecast 2025

The Energy Storage Systems segment is the business with energy storage solutions for private and commercial applications. In this segment, VARTA AG expects to benefit from the growth of the market for decentralized energy storage solutions in the long term. According to market studies, this market is expected to pick up again from 2025. After VARTA AG's sales figures for energy storage systems fell significantly in 2024, a substantial reduction in revenue is expected for 2025 compared to the 2023 level. However, revenue should be above the 2024 level in 2025 due to an expected recovery of the market. Adjusted EBITDA is expected to be significantly lower in 2024 and 2025 than in 2023 due to persistently high competitive pressure.

Lithium-Ion Battery Packs segment - Forecast 2025

VARTA AG aims to secure its market position in the lithium-ion battery pack segment in the long term. The ongoing trend towards wireless devices opens up a wide range of business opportunities with sustainable growth potential in this area. While slight declines in revenue are expected in 2024 compared to 2023, the company is forecasting significant revenue growth in 2025 compared to 2023 due to targeted price adjustments. A significant increase in profitability is expected for adjusted EBITDA in 2024 and 2025, which is attributable to planned price optimisations and extensive cost-saving measures.

Lithium-Ion Large Cells segment - Forecast 2025

In the Lithium-Ion Large Cells segment, the VARTA AG Group produces large-format lithium-ion round cells. In 2024, revenue increased significantly compared to 2023, while adjusted EBITDA declined significantly. This segment will be significantly strengthened by the majority stake held by Porsche AG. Due to Porsche AG's majority shareholding, this segment will no longer be fully consolidated in VARTA AG's consolidated financial statements from 2025. For this reason, a separate segment forecast will no longer be published. However, it is certain that higher production volumes can be realized through the cooperation with Porsche AG and the expansion of additional production capacities, which will further strengthen the growth potential of this segment.

10. Events after the balance sheet date

Please refer to the disclosures made in the notes to the consolidated financial statements in section 47 Events after the reporting date.

11. Final declaration on dependency report

In accordance with Section 312 (3) AktG [German Stock Corporation Act], the Executive Board declares that VARTA AG, Ellwangen (Jagst), received appropriate consideration for each legal transaction listed in the report on relationships with affiliated companies in accordance with the circumstances known at the time the legal transactions were carried out. No measures subject to reporting requirements in accordance with Section 312 AktG have been taken or omitted.

12. Takeover related information

The subscribed capital of VARTA AG amounted to € 42,641,686 as at 31 December 2023.

The subscribed capital is divided into 42,641,686 no-par value shares. These are no-par value bearer shares representing a pro rata amount of the share capital of € 1.00.

Appointment and dismissal of members of the Executive Board

Members of the Executive Board are appointed and dismissed on the basis of Sections 84 and 85 AktG. In accordance with Section 6 of the Articles of Association, the Executive Board shall consist of at least two members. The number of members of the Executive Board is determined by the Supervisory Board. The Supervisory Board may appoint a Chair of the Executive Board (CEO) and a Deputy Chair of the Executive Board.

Powers of the Executive Board to issue shares

By resolution of the Annual General Meeting on 11 July 2023, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the company's share capital by up to € 8.5 m (Authorised Capital 2023 I) against cash and/or non-cash contributions on one or more occasions until 10 July 2028. The resolution of the Annual General Meeting on 21 June 2022 to increase the company's share capital once or several times by up to € 1.0 m (Authorised Capital 2022 II) against cash and/or non-cash contributions with the approval of the Supervisory Board by 20 June 2027 remains unchanged.

The Annual General Meeting on 11 July 2023 resolved to conditionally increase the share capital by up to € 8.5 m (Conditional Capital 2023 I). The authorisation of the Executive Board resolved by the Annual General Meeting on 21 June 2022 to increase the company's share capital by up to € 8.1 m (Authorised Capital 2022 I) and the conditional capital resolved on 21 June 2022 (Conditional Capital 2022 I) was cancelled.

Restrictions affecting voting rights or the transfer of shares

There are no restrictions on voting rights. All shares in the company carry the same voting rights. There are no restrictions on the transferability of the company's shares.

Shareholdings exceeding 10 % of the voting rights

As at the reporting date of 31 December 2023, Prof DDr Michael Tojner, as Chair of the Supervisory Board of VARTA AG and main shareholder of Montana Tech Components AG, Reinach (Switzerland), holds a 50.12 % stake (2022: 50.30 %) in VARTA AG via its subsidiary VGG Beteiligungen SE, Vienna (Austria).

Shares with special rights that confer powers of control

There are no shares with special rights that confer powers of control.

13. Information on VARTA AG

The Management Report of VARTA AG and the Group Management Report for financial year 2023 have been combined in accordance with Section 315 (3) HGB [German Commercial Code] in conjunction with Section 298 (3) HGB.

Description of the Company

VARTA AG is a holding company that is solely responsible for managing the Group and its operating subsidiaries. The following figures and notes relate to the annual financial statements of VARTA AG prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act.

Significant business events

In the reporting year, restructuring and distributions were carried out within the Group with the aim of simplifying the company and Group structure for the purposes of reducing future costs. Firstly, the shares in VARTA Consumer Europe Holding GmbH were transferred from VARTA Consumer Benelux B.V. to VARTA AG in order to integrate the German VARTA Consumer companies into the tax group of VARTA AG. In a second step, the shares in VARTA Consumer Benelux B.V. were transferred to VARTA Consumer Europe Holding GmbH as part of a share swap. In addition, non-cash dividends were paid to VARTA AG via receivables from VARTA Consumer Europe Holding GmbH. The restructuring and distributions resulted in high investment income.

Revenue

Sales

Revenue of € 1,0 k was generated in financial year 2023 (2022: € 3.6 m). The previous year's revenue resulted from a license agreement with VARTA Storage GmbH, which was terminated with effect from the beginning of the financial year 2023.

Other operating income

Other operating income fell in the same period from € 1.8 m in the previous year to € 1.2 m in 2023. Income from the recharging of sponsorship expenses to subsidiaries in the amount of € 0.6 m (2022: € 1.4 m) decreased due to expired agreements.

Personnel expenses

In financial year 2023, the number of members of the Executive Board of VARTA AG totalled six members (2022: four members). Thomas Obendrauf was a member of the Executive Board from 19 January 2023 to 17 February 2023. Armin Hessenberger resigned from the Executive Board on 30 April 2023. Dr Markus Hackstein stepped down on 17 June 2024. In addition to the Executive Board, eight other employees worked for VARTA AG. Personnel expenses increased by € 1.0 m year on year from € 3.0 m to € 4.0 m due to higher bonuses.

Depreciation and amortization

The amortisation of intangible fixed assets and depreciation of property, plant and equipment amounting to around € 3.2 m primarily includes impairment losses of € 2.9 m on planning costs for the interior fittings of the new headquarters at VARTA-Platz 1 in Ellwangen, as the project was discontinued and the office lease agreement was terminated.

Other operating expenses

Other operating expenses amounted to € 34.4 m (2022: € 19.4 m). The strongest increase was recorded in the item fees for consulting and auditing costs. These rose by € 8.9 m and mainly relates to the restructuring concept as well as additional advisory costs in context with the restructuring.

In addition, expenses of € 7.5 m (2022: € 0.0 m) were incurred in the financial year 2023 for the termination of the office lease agreement for the new headquarters at VARTA-Platz 1 in Ellwangen. In conjunction with the capital increase executed in March 2023, Montana Tech Components AG issued a guarantee in the amount of € 50.0 m. A fee of 3.5 % of the guaranteed amount was agreed for this and charged in the amount of € 1.8 m.

Investment income and income from loans

The restructuring and distribution of shares in affiliated companies and receivables from affiliated companies within the Group resulted in investment income totalling € 265.1 m after taking into account a reduction of € 73.1 m in the carrying amounts of the distributing companies.

Income from loans with € 24.8 m (2022: € 20.7 m) come from interest on long-term financing loans within the group.

Depreciation on financial assets

As part of the investment valuation in accordance with IDW RS HFA 10, there was a need for impairment to the lower fair value for investments in affiliated companies amounting to € 30.3 m (2022: € 0 m) and loans amounting to € 232.1 m (2022: € 0 m).

Financial result

Interest income in 2023 amounted to € 1.5 m (2022: € 0.4 m), interest expenses to € 21.8 m (2022: € 5.8 m). Additional loans as part of internal financing were the main reason for the change in interest income. The significant increase in interest expenses is mainly due to the changes in the loan conditions as part of the reorganisation agreement with the syndicate banks and the higher interest rate level, which has an impact on the variable-rate components of the syndicated loan and the promissory note loans.

Result from profit transfer agreements

The balance of income from profit transfer agreements and expenses from the absorption of losses from subsidiaries amounted to € -96.2 m in 2023 (2022: € -227.3 m). The continued high level is due to the necessary impairment losses on property, plant and equipment as a result of expected permanent impairment at one subsidiary and the negative operating results of other subsidiaries.

Retained earnings

Net loss for financial year 2023 amounted to € 303.7 m (2022: € 173.8 m).

Income statement of VARTA AG
for the financial year 1 January 2023 to 31 December 2023

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
1. Revenue	1	3,634
2. Other operating income	1,180	1,810
– of which from currency conversions € 51 k (prev. year € 45 k)		
3. Personnel expenses		
a) Wages and salaries	-3,852	-2,904
b) Social charges and costs for pension plans and support	-128	-72
	-3,980	-2,976
4. Depreciation and amortization of intangible assets and property, plant and equipment	-3,207	-614
5. Other operating expenses	-34,367	-19,441
– of which from currency conversions € -76 k (prev. year € -46 k)		
6. Income from investments	265,129	1,068
– of which from affiliated companies € 265,129 k (prev. year € 1,068 k)		
7. Income from profit transfer agreements	14,460	0
8. Income from loans forming part of the financial assets	24,816	20,661
– of which from affiliated companies € 24,816 k (prev. year € 20,661 k)		
9. Other interest and similar income	1,519	366
– of which from affiliated companies € 1,440 k (prev. year € 143 k)		
10. Depreciation of financial assets	-262,416	0
11. Expenses from assumption of losses	-110,709	-227,287
12. Interest expenses and similar expenses	-21,813	-5,824
– of which from affiliated companies € -787 k (prev. year € -9 k)		
13. Expense from Taxes on income and profit (Previous Year: Income)	-392	7,156
14. Result after tax	-129,779	-221,447
15. Other taxes	-47	-7
16. Loss for the year	-129,826	-221,454
17. Loss carryforward (prev. year: Retaining earning)	-173,841	47,613
18. Net loss	-303,667	-173,841

Net assets and financial position

Fixed assets

Fixed assets decreased by € 456.5 m compared with the previous year, down from € 817.1 m in 2022 to € 360.6 m as at 31 December 2023. The decrease is mainly due to the change in financial assets from € 814.1 m to € 360.1 m. The decrease in shares in affiliated companies is with € 53.4 m the result of restructuring measures in the reporting year aimed at simplifying the company and Group structure in order to reduce future costs. In addition there is an impairment requirement of € 30.3 m, which resulted from the valuation of the investment. Loans to affiliated companies decreased in financial year 2023 due to the offsetting of losses incurred by subsidiaries in financial year 2022 on the basis of existing profit and loss transfer agreements and impairment adjustments made in the amount of € 232.1 m.

Receivables and other assets

Current assets increased by € 275.0 m, up from € 63.1 m in 2022 to € 338.2 m as at 31 December 2023. The increase in receivables from affiliated companies is mainly due to distribution of receivables from subsidiaries of VARTA Consumer Europe Holding GmbH.

Cash and cash equivalents

Cash at banks increased from € 22.5 m in 2022 to € 31.3 m in 2023.

Equity

Equity decreased from € 117.5 m in 2022 to € 38.4 m as at 31 December 2023. The decrease stems from negative operating results of the subsidiaries in the amount of € 110.7 m and the impairments in financial assets. This was offset by the investment income from non-cash dividends recognised in profit or loss as part of the restructuring and from the capital increase of € 50.2 m.

Provisions

With a slight decrease of € 2.8 m from € 27.8 m in 2022 to € 25.0 m in 2023, provisions remained at virtually the previous year's level. A decrease in tax provisions for years not yet finally assessed is offset by an increase in other provisions, mainly for compensation claims arising from the suspension and termination of the office lease agreement for the planned new headquarters at VARTA-Platz 1 in Ellwangen.

Liabilities

Liabilities decreased by € 99.6 m, down from € 735.2 m in 2022 to € 635.6 m in 2023. The reduction in liabilities is due to the change in liabilities from the assumption of losses in the amount of € 110.7 m after € 227.3 m in the previous year.

In financial year 2021, a syndicated loan agreement was concluded for the period until 2026 in the amount of € 235.0 m, of which € 100.0 m consists of a bullet loan and € 135.0 m of a revolving credit facility with terms of 1 to 6 months. In financial year 2022, a new promissory note loan in the amount of € 250.0 m with terms until 2027 (€ 60.0 m) and 2029 (€ 190.0 m) was concluded and a further € 70.0 m of the syndicated loan was utilised.

As at 31 December 2022 liabilities to banks were reported short-term due to the threat of non-compliance with existing covenants. In financial year 2023, VARTA AG reached an agreement with the financing banks and the majority shareholder Montana Tech Components AG on a restructuring concept with an extension of the existing financing until 31 December 2026 and changes to the loan conditions (covenants).

Based on the business development in 2023 and the need to update the report on which the restructuring agreement with the consortium banks is based, an agreed covenant was no longer adhered to. Therefore, as of 31 December 2023, liabilities to banks will again be shown in the short term.

Overall statement on the financial position of VARTA AG

The financial position of VARTA AG is largely contingent on the development of its subsidiaries. VARTA AG participates in the operating results of the subsidiaries through distributions and profit transfers. Consequently, in principle, the financial position of VARTA AG corresponds to that of the VARTA AG Group, which is explained in the section entitled: "General statement on the financial position".

Balance sheet of VARTA AG as at 31 December 2023

ASSETS

(€ k)

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

184

451

II. Property, plant and equipment

1. Other equipment, factory and office equipment
2. Advance payments and assets under construction

295

304

8

2,333

303

2,637

III. Long-term investments

1. Shares in affiliated companies
2. Loans to affiliated companies

28,625

112,404

331,492

701,650

360,117

814,054

360,604

817,142

B. Current assets

I. Receivables and other assets

1. Receivables against affiliated companies
2. Other assets

295,470

21,237

11,340

19,335

306,810

40,572

II. Balances with credit institutions

31,346

22,540

338,156

63,112

C. Prepaid expenses

217

228

D. Deferred tax assets

8,074

8,898

Total assets

707,051

889,380

LIABILITIES

(€ k)

A. Equity

I. Subscribed capital

42,642

40,422

II. Capital reserve

292,628

244,121

III. Revenues reserves

Statutory reserves

6,811

6,811

IV. Net loss

-303,667

-173,841

38,414

117,513

B. Provisions

1. Tax accruals
2. Other provisions

12,409

24,813

12,593

2,988

25,002

27,801

C. Liabilities

1. Liabilities to financial institutions
2. Trade payables
3. Liabilities to affiliated companies
4. Other liabilities

488,462

488,396

2,862

2,612

143,291

243,363

946

797

- of which from taxes € 343 k (prev. year € 182 k)

635,561

735,168

D. Deferred tax liabilities

8,074

8,898

Total equity and liabilities

707,051

889,380

Risks and opportunities

The business development of VARTA AG depends to a large extent on the opportunities and risks of the VARTA AG Group, which are described in chapter 8 Opportunity and risk report of the combined Management Report of the VARTA AG Group. In the Executive Board's assessment, the risks described in the section on anticipated developments, opportunities, and risks in the combined Management Report of the VARTA AG Group cannot be completely ruled out at the time of publication.

There is a risk that the value of investments in and loans to affiliated companies may be impaired. These are reviewed at least once a year.

In addition, reference must be made to the risks from legacy assets that exist at VARTA AG. The former properties of VARTA AG and its former subsidiaries were predominantly used as production sites for battery manufacturing and are contaminated in a manner typical of the industry. A buyer of all former foreign and one domestic companies in which the company held stock has assumed these risks and potential risks arising in the future, and has indemnified VARTA AG against these risks. However, VARTA AG's liability continues to exist in relation to third parties due to the legal circumstances that give rise to liability on the part of the polluter. The buyer has since been liquidated. Global Equity Partners Beteiligungs-Management GmbH, Vienna, a company affiliated with the buyer, has secured this indemnification by issuing a guarantee in the amount of € 20.0 m with a term until 2031. VARTA AG has assessed the remaining risks and has not recognised any provisions as it does not expect any claims to be lodged.

Outlook

The expectations for VARTA AG with regard to its financial indicators and risk profile essentially follow the forecasts of the VARTA AG Group (due to its importance within the Group and the interrelationships of the Group companies), which are described in detail in the section on the outlook and in the opportunities and risks report of the combined Management Report. The economic development of VARTA AG's earnings is largely contingent on the contribution to income made by its operating subsidiaries, at least some of which flows directly to VARTA AG via the existing profit and loss transfer agreements. The financial year 2024 is expected with a negative annual result of VARTA AG of € 200 m. The financial year 2025 is anticipated positive in a high double-digit million range, mainly due to waivers of claims by the financing banks, see chapter 8.6 financial risks.

Ellwangen (Jagst), 28 February 2025

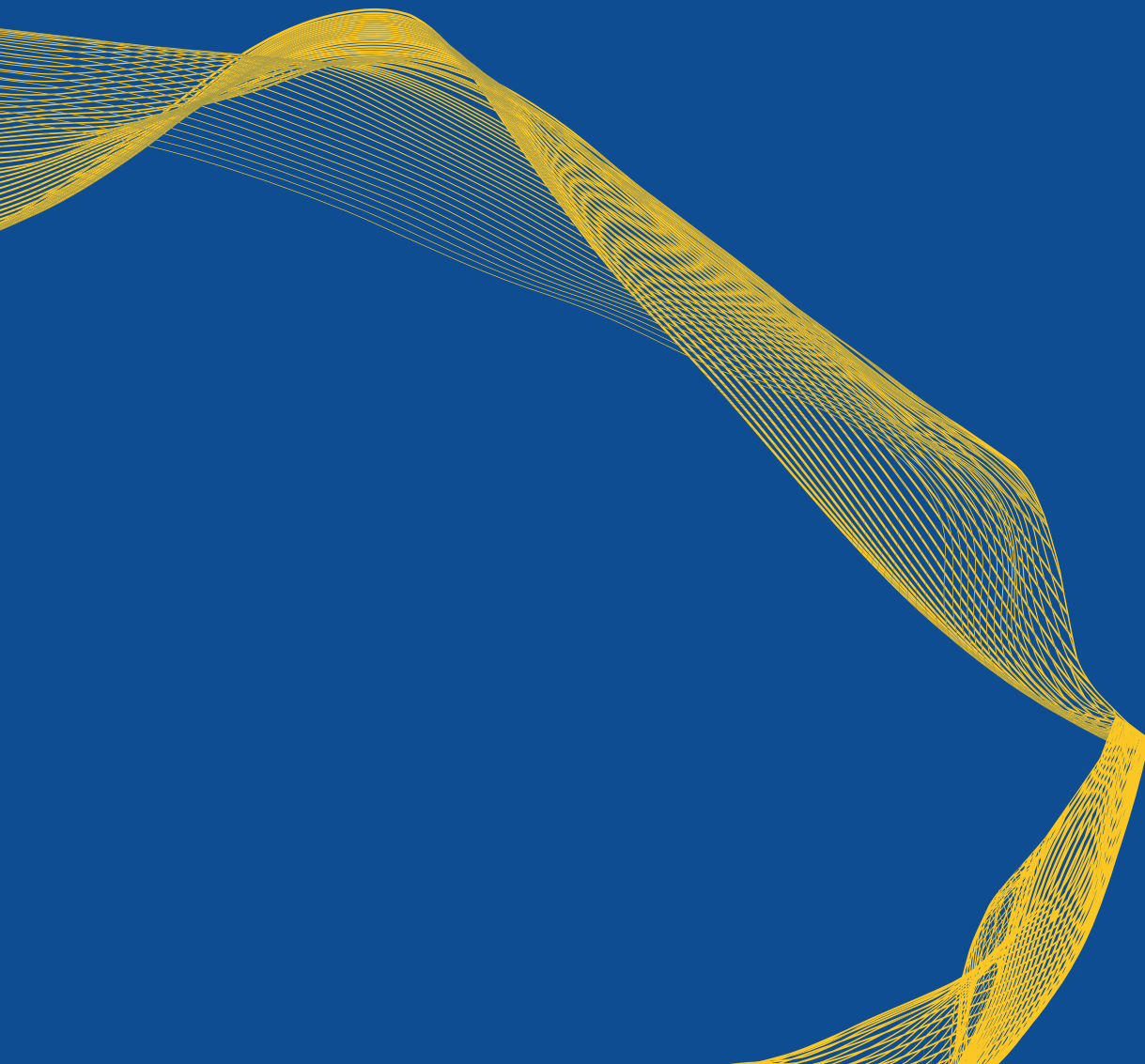
VARTA Aktiengesellschaft

Chairman of the Executive Board
(CEO)
- Michael Ostermann -

Chief Financial Officer (CFO)
- Marc Hundsdorf -

Chief Technology Officer (CTO)
- Rainer Hald -

Consolidated Financial Statements



Consolidated financial statements

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Consolidated statement of financial position as at 31 December 2023
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

ASSETS

Property, plant and equipment

Intangible assets

Long-term investments and other participations recognised in the balance sheet under the equity method

Deferred tax assets

Other assets

Non-current assets

Inventories

Contract assets

Trade receivables

Other financial assets

Tax refund claims

Other assets

Cash and cash equivalents

Current assets

Total assets

NOTES	31 DECEMBER 2023	31 DECEMBER 2022
7/10	276,822	591,893
8	89,527	99,612
9	47	58
17	7,205	19,704
15/40/41	36,165	37,953
	409,766	749,220
12	189,928	223,317
13/40	3,401	3,959
13/40/41	114,811	110,378
11/40/41	63	675
14	3,644	17,238
15/40/41	28,899	44,958
16	120,163	108,709
	460,909	509,234
	870,675	1,258,454

(€ k)

EQUITY AND LIABILITIES

Subscribed capital

Capital reserve

Retained earnings

Group result

Other reserves

Equity of the VARTA AG Group

Lease liabilities

Other financial liabilities

Provisions for employee benefits

Other liabilities

Deferred tax liabilities

Other provisions

Deferred liabilities

Non-current liabilities

Tax liabilities

Lease liabilities

Other financial liabilities

Provisions for employee benefits

Contract liabilities

Trade payables and advance payments received

Other liabilities

Other provisions

Deferred liabilities

Current liabilities
Liabilities
Equity and total liabilities

NOTES

31 DECEMBER 2023

31 DECEMBER 2022

42,642

40,422

300,800

252,292

-56,199

144,027

-414,314

-200,420

2,486

3,144

18
-124,585
239,465

10

68,799

69,700

20/40/41

19,223

18,795

21

51,563

53,932

24/40/41

25,874

27,396

17

474

16,925

25

13,633

6,768

26

2,456

2,519

182,022
196,035

22

30,246

46,434

10

16,773

17,397

20/40/41

495,696

497,000

21

5,864

3,711

13/23

1,660

2,534

23/40/41

96,308

116,667

24/40/41

30,951

33,364

25

14,118

9,438

26

121,622

96,409

813,238
822,954
995,260
1,018,989
870,675
1,258,454

Consolidated income statement for the period 1 January to 31 December 2023 VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Sales revenue	27/6	820,305	806,916
Decrease (PY: increase) in finished and unfinished goods	28	-25,494	41,877
Own work capitalised	7/8	1,415	29,178
Other operating income	33	46,768	60,414
Cost of materials	30	-391,695	-433,177
Personnel expenses	31	-251,858	-265,600
Other operating expenses	34	-173,963	-172,622
EBITDA		25,478	66,986
Depreciations and impairments	32	-403,906	-254,994
Operating income (EBIT)		-378,428	-188,008
Interest income	36	1,903	2,450
Interest expenses	36	-33,468	-13,762
Other financial income	37	735	5,472
Other financial expenses	37	-3,259	-4,330
Financial result		-34,089	-10,170
Profit and loss shares in companies recognised in the balance sheet under the equity method, after taxes	9	-8	0
Earnings before taxes		-412,525	-198,178
Income taxes	38	-1,789	-2,242
Group result		-414,314	-200,420
Appropriation of loss: Shareholders of VARTA AG		-414,314	-200,420
Earnings per share			
	NOTES	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Basic earnings per share (in €)	19	-9.83	-4.96
Diluted earnings per share (in €)	19	-9.83	-4.96

Consolidated statement of comprehensive income for the period 1 January to 31 December 2023

(€ k)	NOTES	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Group result		-414,314	-200,420
Items that will not be reclassified under profit or loss			
Revaluation of the net defined benefit liability	21	-3,416	16,604
Revaluation of the reimbursement claim	21	3,613	-6,412
Related tax	38	-3	-2,905
		194	7,287
Items that were reclassified or may be reclassified later under profit or loss			
Currency translation differences	18	-658	331
		-658	331
Other comprehensive income for the period, net of tax		-464	7,618
Comprehensive income		-414,778	-192,802
Profit attributable to: Shareholders of VARTA AG		-414,778	-192,802

Consolidated statement of cash flows for the period 1 January to 31 December 2023

(€ k)	NOTE	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Cash flow from ongoing operating activities	-		
Earnings before taxes	-	-412,525	-198,178
Interest result	36	31,565	11,312
Results from at equity measurement	9	8	0
Depreciation	32/7/8	403,906	254,994
Losses from the sale of property, plant and equipment and intangible assets	-	1	185
Other non-cash income	-	-106	-38
Change in working capital	-		
Inventories	12	32,757	-65,239
Trade receivables and other current and non-current assets	11/13/14/15/17	12,015	50,449
Trade payables and other current and non-current liabilities	10/17/20/23/ 24/26	14,438	-4,899
Provisions and liabilities from post-employment benefits	21/25	12,996	-5,333
Income tax paid		-8,469	-22,869
Net cash flow from ongoing operating activities		86,586	20,384
Cash flow from investing activities			
Capital expenditure on the acquisition of intangible and tangible assets	23/7/8	-73,923	-111,582
Payments in connection with own work capitalised	7/8	-1,415	-29,178
Cash receipts from the sale of intangible and tangible assets		314	10
Payments from raising loans		96	0
Payments from the assumption of the joint debt obligation	-	0	-28,737
Receipts from the repayment of loans	-	4	2,774
Interest received	36	545	171
Cash flow from investing activities		-74,379	-166,542
Cash flow from financing activities			
Receipts/payments from capital measures		50,727	0
Repayments for leasing liabilities	10	-22,035	-18,128
Raising of interest-bearing financial liabilities	20	0	319,188
Raising of other financial liabilities	20	1,298	6,920
Repayments of interest-bearing current financial liabilities	20	-5,089	-19,232
Repayments of interest-bearing non-current financial liabilities	20	0	-876
Payment of dividend and distribution to non-controlling interests	18	0	-100,246
Interest paid	36	-25,129	-6,638
Cash flow from financing activities		-228	180,988
Net change in cash and cash equivalents		11,979	34,830
Cash and cash equivalents as of 1 January	16/39	108,709	73,107
The effects of changes in foreign exchange rates		-525	772
Cash and cash equivalents as of 31 December	16	120,163	108,709

Consolidated statement of change in equity for the period 1 January to 31 December 2023
(see chapter 18. Equity)

(€ k)	OTHER RESERVES					TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	
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 without effect on profit or loss	0	0	21	0	-21	0
Comprehensive income						0
Net income	0	0	-200,420	0	0	-200,420
Other comprehensive income	0	0	7,287	331	0	7,618
Total 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

(€ k)	OTHER RESERVES					TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	
As of 1 January 2023	40,422	252,292	-56,393	3,144	0	239,465
Effect of share-based payment	0	1	0	0	0	1
Capital increase	2,220	48,507	0	0	0	50,727
Comprehensive income						
Group result	0	0	-414,314	0	0	-414,314
Other comprehensive income	0	0	194	-658	0	-464
Comprehensive income	0	0	-414,120	-658	0	-414,778
As of 31 December 2023	42,642	300,800	-470,513	2,486	0	-124,585

* Retained earnings including profit / loss for the year

Consolidated Notes of VARTA AG

for financial year 2023

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 February 2025 by the executive board. The reporting date for VARTA AG, all subsidiaries and for the consolidated accounts is 31 December 2023. These consolidated financial statements 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.

The business activities of VARTA AG, which it conducts through its operating subsidiaries, comprise, production, sales, research and development in three business segments: Consumer Batteries, Embedded Batteries and Power Batteries. 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 2023, there were the following changes in the scope of consolidation:

	2023		2022	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
As of 1 January	45	1	44	1
Disposal scope of consolidation	-3	-1	0	0
Start-Up	0	0	1	0
As of 31 December	42	0	45	1

The changes in the scope of consolidation were of no material significance for the consolidated financial statements. Auditas GmbH, Nördlingen was merged with the Group company Varta Microbattery GmbH, Ellwangen retroactively on 31 December 2022. Three additional companies were liquidated during the financial year, of which VW-VM Verwaltungsgesellschaft mbH i.L., Ellwangen, was included via equity consolidation.

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 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the supplementary provisions of the 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 2023, 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.

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	
	2023	2022	31 DECEMBER 2023	31 DECEMBER 2022
US-Dollar (USD)	1.081	1.053	1.105	1.067
British pound (GBP)	0.870	0.853	0.869	0.887
Romanian leu (RON)	4.947	4.931	4.976	4.950
Danish crowns (DKK)	7.451	7.440	7.453	7.437
Swedish crowns (SEK)	11.479	10.630	11.096	11.122

From these exchange rate effects, only USD/EUR are material for third parties. The remaining transactions are mainly between affiliated companies. The Chinese yuan (CNY), Norwegian krone (NOK), Hungarian forint (HUF), Swiss franc (CHF), Czech koruna (CZK), Russian rouble (RUB), Polish zloty (PLN), Bulgarian lev (BGN) and Turkish lira (TRY) also affect the consolidated financial statements but the effect is not material 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. Financial liabilities include trade payables, liabilities to banks, liabilities under financial lease agreements, derivative financial liabilities 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 obliged 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 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 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 realisation 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 as 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 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 programme, which are therefore subject to the "sell" business model, and derivative financial assets, which are assigned to the measured at fair value through profit and 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 measured at amortised cost category. This does not include derivative financial liabilities (including embedded derivatives that have been separated from the host contract), which fall into the measured at fair value through profit and loss category, 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 and 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 income statement 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 other operating expenses 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 and 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.

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. Interest effects are recognised in interest expenses.
- At fair value through profit and loss (FVTPL): gains and losses on such financial liabilities 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 credit losses expected over the entire lifetime 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. For trade receivables that are not credit-impaired, impairment losses for anticipated credit losses are determined on the basis of 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 period 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 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 credit 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 values of the individually identifiable assets and liabilities acquired is recognised as goodwill. The subsequent annual impairment test is described in note 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 relating 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 amortisation and other loss allowances (for other 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 21 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 VARTA, this primarily concerns goodwill 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 are written down on a straight-line basis through profit and loss in line with 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 production facilities, office buildings, warehouses as well as plants and vehicles. Leases are usually concluded for fixed periods ranging from 1.5 to 10 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 AG 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 AG 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 AG Group 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 (see 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 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 on the basis of the moving average method. 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. Write-downs are recognised if the net realisable value is below the carrying amount or if there are other indications of impairment (marketability, technical risks).

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 settled in shares or cash. The personnel costs are recognised at VARTA AG over the vesting period. The offsetting is made in the capital reserves, as it is an equity-settled plan.

The fair value of the 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 less disposal costs. 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 a 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 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 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 context, the accrued pension obligations existing as at 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 whereas the maximum value is the amount of the pension obligations assumed. The fair value of the asset is reviewed

annually, taking into account of the safeguards that have been implemented (see note 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 context, the accrued pension obligations existing as at 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 where the maximum value is the amount of the pension obligations assumed. The fair value of the asset is reviewed annually taking into account of the safeguards that have been implemented (see note 21.2 Pensions). Changes in fair value are recognised in other comprehensive income.

4.12. Government grants

Performance-related 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.

Government grants for the creation or procurement of 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. 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 that are uncertain in terms of amount and/or timing. 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 the 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 on the basis of the best-possible estimate 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 on the basis of the best-possible estimate. For consignment stock, revenue is to be recognised by VARTA AG 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 from leases and financial instruments measured in accordance with the effective interest method are recognised in the period in which they accrue in profit or loss.

The other financial result largely comprises 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 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 was realigned in the course of the financial year and now operates as a multi-dimensional or matrix organisation. Its operating activity is organised via the reportable Consumer Batteries, Embedded Batteries and Power Batteries segments. Business is managed in the respective segments along the operating value-added chain across all geographical regions and countries. The effect on the previous year's figures is shown in chapter 6 Segment reporting. The segments are expected to be adjusted again in the 2024 annual report.

The business activities of the VARTA AG Group are divided into three reportable business segments: Consumer Batteries, Embedded Batteries and Power Batteries. This differs from the previous structure with five reportable segments and optimally reflects the strategic and operational direction of the VARTA AG Group. The adjustment was made due to the realignment of the group into a multidimensional organisation (matrix organisation). The Consumer Batteries segment is unchanged from its previous iteration. The newly created Embedded Batteries segment comprises the Micro Batteries and Lithium-Ion Small Cells business areas, which had previously been managed as independent segments. The new Power Batteries segment is made up of the former Energy Storage Systems segment, in addition to the two business areas of Lithium-Ion Large Cells and Lithium-Ion Battery Packs from the former Other segment.

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 or 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.

Segment Structure 2023

Consumer Batteries
 Embedded Batteries
 Power Batteries

Segment Structure 2022

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

Consumer Batteries

In the Consumer Batteries segment, VARTA AG Group is a European market leader in the area of household device batteries with production located in Germany. In addition to traditional alkaline batteries, these include rechargeable batteries, chargers, portable power (power banks) and lights. 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 AG Group, a pronounced focus on consumer lifestyles and a close working relationship with retail partners are essential in order to react quickly and flexibly to emerging device trends with the best energy solutions.

Embedded Batteries

Zinc-air batteries for use in microbatteries and hearing aid devices as well as high-end lithium-ion battery solutions are manufactured for applications in the Embedded Batteries segment.

The zinc-air batteries 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 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).

High-end lithium-ion battery solutions are primarily manufactured for premium wireless headphones (hearables). Further application areas are "wearables", which include medical devices to measure hypertension (high blood pressure), blood sugar and other bodily functions.

Power Batteries

The Power Batteries segment firstly comprises business activities in the area of energy storage solutions intended for private applications, although some commercial solutions are offered as well (energy storage systems). Secondly, this segment includes business activities involving battery and rechargeable battery packs (lithium-ion battery packs) as well as large lithium-ion round cells.

By developing and manufacturing energy storage solutions in the segment, VARTA AG Group is contributing to the energy transformation. The energy storage solutions developed by VARTA AG 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. With the *VARTA.wall*, VARTA AG Group has launched a modern system based on round cell technology on the market. The DC-coupled *VARTA.wall* storage system, which can be installed and working in 30 minutes, will offer

capacities of 10 to 20 kWh and is therefore geared to the 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.

This segment also includes the lithium-ion large cells product group. These serve primarily as rechargeable battery solutions for industrial and original equipment manufacturers (OEMs). The technology is characterised by very fast charging and discharging of the cell and is therefore suitable for a wide range of applications.

The lithium-ion battery packs business is also included in this segment. It focuses 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 focuses on solutions for portable industrial applications, communications devices, electric power tools, devices used in medical applications and devices for use at home and in the garden.

4.20.Changes to accounting standards

Accounting standards applied for the first time in 2023

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

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and therefore sets uniform requirements for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts where 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.

IAS 8 – Amendment to the definition of accounting estimates

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

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

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

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

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

IFRS 17 – First-time application of IFRS 17 and IFRS 9 – Comparative information

The amendment to IFRS 17 introduces the possibility of applying a classification overlay approach if certain 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.

IAS 12 – International Tax Reform – Pillar 2 Model Rules

The Group applied the exception regarding the accounting for deferred taxes resulting from the introduction of global minimum taxation immediately upon issuance of the amendments in May 2023. The Group also published new disclosures as to the extent it would be affected by global minimum taxation.

4.21. New and amended IFRS Standards after 31 December 2023

The following new and revised standards and interpretations were adopted but will not come into force until later and were not applied prematurely in the present consolidated financial statements. The company does not plan to apply them prematurely either.

Unless specified otherwise below, the effects are currently being investigated.

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

New or amended standards and interpretations		ENACTMENT
Amendments 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
IAS 7/ IFRS 7	Supplier finance arrangements	1 January 2024
Not yet adopted in EU law:		
Standards:		
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments:		
IFRS 10	Sale or contribution of assets	undetermined
IAS 21	Lack of exchangeability	1 January 2025

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

The amendments to IAS 1 adopted in January 2020 relate to the 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 to reporting periods starting on or after 1 January 2024.

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 related to the right of use 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 to financial years starting on or after 1 January 2024.

IAS 7 / IFRS 7 – Supplier Finance Arrangements

The amendments aim to make supplier finance arrangements and their impact on an entity's liabilities, cash flow and liquidity risk more transparent. The amendments supplement the existing disclosure requirements to the effect that entities are obliged to provide qualitative and quantitative information about supplier finance arrangements.

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

IAS 21 – Lack of Exchangeability

The amendments oblige entities to apply a uniform approach when assessing if a currency is not exchangeable and, if this is the case, in determining the exchange rate to apply as well as the disclosures that will be required in the notes to the financial statements.

The amendments are applicable – subject to adoption in EU law – to financial years starting on or after 1 January 2025. Premature application of the amendment is permissible, but requires EU endorsement.

IFRS 10 – Sales or Contributions of Assets

The amendments make clear that in the case of transactions with associates or joint ventures, the extent to which the gain or loss is recognised depends on whether the assets sold or contributed constitute a business.

The date for enactment has been deferred indefinitely.

IFRS 18 Presentation and disclosures in financial statements

IFRS 18 contains requirements for the presentation and disclosure of information in financial statements for all companies that apply IFRS.

IFRS 18 was published in April 2024 and applies – subject to endorsement by the EU – for financial years beginning on or after 1 January 2027, whereby the standard is already applicable for the corresponding comparative period.

IFRS 19 Subsidiaries without public accountability: disclosures

IFRS 19 sets out reduced disclosure requirements that a qualifying entity may apply instead of the disclosure requirements in the other IFRS accounting standards.

Subject to endorsement by the EU, IFRS 19 is voluntarily applicable for reporting periods beginning on or after 1 January 2027.

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 book value would be depreciated over the remaining shorter or longer useful life, and this would lead to higher or lower amounts of annual depreciation.

Certain intangible assets are categorised as indefinite in terms of their useful lives in the event that 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 agreements for real estate, in some cases, extension or mutual termination 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 AG Group. In this respect, this was not taken into account when determining the remaining contract durations.

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. The corporate planning figures are based on the data from the plans valid as of 31 December 2023 in the restructuring report being prepared for the years 2024 to 2027.

Due to the business development of 2023 and the resulting need to update the expert opinion on which the reorganisation agreement with the syndicate banks was based, an agreed covenant was no longer met. This factual indication was classified as a triggering event for impairment tests of the Group's various CGUs. These event-driven impairment tests were carried out as at the reporting date of 31 December 2023.

Accordingly, the Executive Board reassessed the recoverable amount of the cash-generating units at the end of 2023. The recoverable amount was initially determined on the basis of fair value less selling costs. Due to extensive future remediation measures, the fair value less selling costs exceeds the value in use of the cash-generating units.

The measurement of the cash-generating unit Lithium-Ion Small Cells 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 reorganisation measures. The fair value less selling costs was determined on the basis of a discounted cash flow model with seven planning years and no perpetual annuity. The number of planning years taken into account was derived from the useful life of the leading assets of the cash-generating unit in 2023 and measured at seven years total useful life.

As the carrying amount exceeds the fair value less selling costs of the cash-generating unit, an impairment loss of € 222.7 m had to be recognised. In determining the fair value less selling costs, the future cash flows were determined on the basis of planning figures from a reorganisation report. In determining the fair value less selling costs, the future cash flows were determined on the basis of the plans valid as of 31 December 2023 of the restructuring report being prepared for the years 2024 to 2027.

The fair value of the cash-generating unit Lithium-Ion Large Cells was determined on the basis of a discounted cash flow model with eleven planning years and no perpetual annuity. Due to the cooperation with a customer, additional new investments are planned, which have extended the useful life of the production facilities until the end of 2034. No need for impairment was identified.

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. No need for impairment were identified for the cash-generating unit Consumer Batteries and cash-generating unit Energy Storage Systems. An impairment loss of € 62.5 m was calculated for the cash-generating unit Micro Batteries and of € 4.5 m for the cash-generating unit Lithium-Ion Battery Packs.

In determining the fair value less selling costs, the future cash inflows were determined under the assumption that the assets will continue to be used. This was based on the valid planning figures as at 31 December 2023, which were the foundation for the restructuring report being prepared at this time.

The impairment test as of 31 December 2023 thus resulted in a total need for impairment of € 289.7 m, of which a partial amount of € 0.5 m relates to goodwill, € 1.4 m to intangible assets and the major part of € 287.8 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 changes, which could lead to impairment losses in future periods.

Inventories and idle capacity costs

In measuring inventories of finished and unfinished goods and work in progress, it was assumed that production capacity would be utilised as normal. If production output at plant level deviates significantly from the standard range, the resulting idle capacity costs are taken into account in the inventory valuation.

Normal utilisation of capacity is defined as the mean of output quantities in the last five years; it is calculated at plant level. If there are no data covering five years, shorter periods or a different calculation of normal utilisation can also be defined. A significant shortfall is when the value falls below 70 % of the standard range. If a significant negative deviation was established, the fixed manufacturing costs of finished and unfinished goods are eliminated by the deviation factor. Here, the deviation factor is the difference between the standard range and the deviation from the standard range.

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 the defined benefit plans.

The actuarial measurement of provisions for employee benefits are based on assumptions regarding 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 and existing guarantees, which Colibri Beratungs GmbH 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 Pensionen GmbH, Dillingen/Saar, in 2016, the previous pension debtor VARTA AG is jointly and severally liable to the new pension debtor VRT Pensionen 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 the corresponding plan assets amounting to € 26.9 m and thus an asset surplus of € 1.4 m. As of 31 December 2023, there was an asset surplus of € 2.4 m of the plan assets of € 18.0 m over the separated pension obligations of € 15.6 m.

In addition, there could be a fault-based liability due to insufficient funding of VRT Pensionen GmbH, 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 recognised in the consolidated financial statements of VARTA AG Group with regard to the pension payments within the ten-year subsequent liability period in the amount of € 3.3 m as of 31 December 2023.

Other provisions

Provisions are created for various circumstances as part of the 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 amount of deferred taxes emerges 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 AG 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 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 AG Group 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).

In the VARTA AG Group, it was determined that, for the projects currently being subsidised, the awarding of 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 AG Group, grants are accounted for as "grants" in other operating income or as a liability item.

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 31 December 2022, non-current liabilities to banks were reclassified as current liabilities due to the threat of non-compliance with existing covenants. In fiscal year 2023, VARTA AG reached an agreement with the financing banks and the majority shareholder Montana Tech Components AG on a restructuring concept with an extension of the existing financing until 31 December 2026 and changes to the loan conditions (covenants). At the end of the financial year 2023, liabilities to banks from the syndicated loan and the promissory note loans will be recognised on short notice, as a need to adjust the restructuring concept has become apparent and non-compliance with the agreed covenants as at 31 December 2023 requires new discussions with the banks (see chapter 47 Events after the reporting date).

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 comprehensive risk management and the low probability of occurrence of physical climate risks, no specific climate risk were included in the recognition and measurement of assets and liabilities in the 2023 financial year.

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 Group was realigned in the course of the financial year and now operates as a multi-dimensional or matrix operation. Its business activity is organised via the use-related Consumer Batteries, Embedded Batteries and Power Batteries segments. The division corresponds to the internal organisational and reporting structure.

A summary of the elimination of intra-group interdependencies between the segments is provided in the reconciliation column. The reconciliation 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 reportable 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 to 31 December 2023:

(€ k)	CONSUMER BATTERIES	EMBEDDED BATTERIES	POWER BATTERIES	TOTAL	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENT
Segment revenue	388,464	230,936	237,346	856,746	-36,441	820,305
Revenue with other segments	-18,438	-17,967	-36	-36,441	36,441	0
Revenue with third parties	370,026	212,969	237,310	820,305	0	820,305
Thereof Point-in-time (optional information)	369,083	208,607	207,159	784,849	0	784,849
Thereof Point-over-time (optional information)	943	4,362	30,151	35,456	0	35,456
Depreciation	-15,815	-368,955	-19,136	-403,906	0	-403,906
Thereof Impairment	-983	-315,914	-9,626	-326,523	0	-326,523
EBITDA	52,343	-16,747	14,799	50,395	-24,917	25,478

Information by reportable segments 1 January to 31 December 2022:

(€ k)	CONSUMER BATTERIES	EMBEDDED BATTERIES	POWER BATTERIES	TOTAL	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENT
Segment revenue	386,437	317,628	140,520	844,585	-37,669	806,916
Revenue with other segments	-20,510	-17,157	-2	-37,669	37,669	0
Revenue with third parties	365,927	300,471	140,518	806,916	0	806,916
Thereof Point-in-time (optional information)	360,798	296,971	124,066	781,835	0	781,835
Thereof Point-over-time (optional information)	5,129	3,500	16,452	25,081	0	25,081
Depreciation	-14,713	-203,176	-37,105	-254,994	0	-254,994
Thereof Impairment	0	-115,029	-31,287	-146,316	0	-146,316
EBITDA	30,438	34,046	5,019	69,503	-2,517	66,986

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

(€ k)	1 JAN. TO 31 DEC. 2023		1 JAN. TO 31 DEC. 2022	
	SPECIAL EFFECTS	TOTAL	SPECIAL EFFECTS	TOTAL
Effects in income and expenses	24,917	24,917	2,517	2,517
EBITDA	24,917	24,917	2,517	2,517

Circumstances taken into account in adjusting EBITDA are shown in the column "Special effects". Such circumstances exist at VARTA AG in financial year 2023. "Special effects" from the M&A transactions of € 0.0 m (2022: € 2.5 m), the effects of restructuring of € 24.9 m (2022: € 0.0 m) and the effects of share-based payment of € 1.0 k (2022: € 17.0 k) are allocated to VARTA AG as the parent company.

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

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
EBITDA	25,478	66,986
Depreciation and impairment	-403,906	-254,994
EBIT	-378,428	-188,008
Financial result	-34,089	-10,170
Share of profit and loss of associates and joint ventures accounted for using the equity method	-8	0
Earnings before taxes	-412,525	-198,178

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)	REVENUES*	NON-CURRENT ASSETS**	REVENUES*	NON-CURRENT ASSETS**
	1 JAN. TO 31 DEC. 2023	31 DECEMBER 2023	1 JAN. TO 31 DEC. 2022	31 DECEMBER 2022
Europe	658,585	356,908	571,359	674,823
Thereof Germany	333,017	302,482	247,351	617,979
America	37,478	1,257	34,711	3,860
Asia	115,849	8,184	190,432	12,822
Thereof China	54,235	60	86,917	0
Other	8,393	0	10,414	0
Total	820,305	366,349	806,916	691,505

* 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 Power Batteries segments is mainly included in the item for Europe. The revenue of the Asia and America regions is mainly assigned to the Embedded Batteries segment.

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)	REVENUES	TRADE RECEIVABLES AND CONTRACT ASSETS	REVENUES	TRADE RECEIVABLES AND CONTRACT ASSETS
	1 JAN. TO 31 DEC. 2023	31 DECEMBER 2023	1 JAN. TO 31 DEC. 2022	31 DECEMBER 2022
Thereof from product sales	816,645	117,411	804,465	113,460
Thereof from the sale of services	3,660	801	2,451	877
Total	820,305	118,212	806,916	114,337

Significant customers

In financial year 2023, no customer accounted for a share of more than 10 % of consolidated revenue. In the previous year, revenue with one customer amounted to € 125.5 m, which equated to a share of revenue of more than 10 %. The revenue was assigned to the Embedded Batteries 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 costs									
As of 1 January 2023	3,165	19,926	114,542	488,932	12,093	108,651	7,926	278,110	1,033,345
Currency differences	0	-6	-267	-507	0	-125	-74	-67	-1,046
Additions	0	519	15,598	9,907	10	6,158	2,702	43,707	78,601
Disposals	0	0	-1,983	-3,032	-6,432	-3,519	-2,468	-9,039	-26,473
Reclassifications	0	0	0	60,967	0	19,540	0	-80,507	0
As of 31 December 2023	3,165	20,439	127,890	556,267	5,671	130,705	8,086	232,204	1,084,427
Cumulative depreciation									
As of 1 January 2023	0	2,216	35,383	266,538	8,178	47,575	4,575	76,987	441,452
Currency differences	0	0	-164	-254	1	-89	-40	-39	-585
Additions	0	788	14,913	33,764	2,510	14,102	2,326	0	68,403
Additions Impairment	0	6,158	0	166,046	0	45,693	0	106,707	324,604
Disposals	0	0	-1,929	-3,000	-6,432	-3,463	-2,412	-9,033	-26,269
Reclassifications	0	0	0	18,972	0	2,196	0	-21,168	0
As of 31 December 2023	0	9,162	48,203	482,066	4,257	106,014	4,449	153,454	807,605
Carrying amounts on 31 December 2023	3,165	11,277	79,687	74,201	1,414	24,691	3,637	78,750	276,822

(€ 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

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 as well as a new factory for energy storage systems.

Replacement investment to renew production equipment, to develop new products and for quality assurance measures is also required at regular intervals. The value of technical equipment and machinery decreased from € 222.4 m in 2022 to € 74.2 m as at 31 December 2023, in particular due to impairment losses.

Accordingly, depreciation and amortisation of property, plant and equipment decreased from € 101.7 m in 2022 to € 68.4 m in 2023. This sharp decrease is mainly due to the decrease in demand-driven investment in property, plant and equipment for the expansion of production capacity. Due to economic developments, impairment losses of € 324.6 m were recognised in the reporting year.

Additions in technical equipment and machinery as well as other facilities include own work capitalised of € 0.8 m (2022: € 0.6 m). Additions to assets under construction include capitalised own work amounting to € 0.6 m (2022: € 1.3 m).

There were no restrictions on rights of ownership or disposal for property, plant and equipment during financial years 2022 and 2023. Order commitments from the purchase of property, plant and equipment amounted to € 20.6 m (2022: € 71.2 m).

8. Intangible assets

(€ k)	GOODWILL	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	DEVELOPMENT COSTS	TOTAL
Acquisition costs					
As of 1 January 2023	4,936	32,912	32,501	65,142	135,491
Currency differences	0	-6	0	0	-6
Additions	0	805	0	0	805
Disposals	0	-1,511	0	0	-1,511
As of 31 December 2023	4,936	32,200	32,501	65,142	134,779
Cumulative depreciation					
As of 1 January 2023	4,299	14,969	1,441	15,170	35,879
Currency differences	0	-3	-1	0	-4
Additions	0	4,466	281	4,233	8,980
Addition Impairment	500	1,401	0	7	1,908
Disposals	0	-1,511	0	0	-1,511
As of 31 December 2023	4,799	19,322	1,721	19,410	45,252
Carrying amounts on 31 December 2023	137	12,878	30,780	45,732	89,527

(€ k)	GOODWILL	COMMERCIAL PROPERTY RIGHTS AND OTHER INTANGIBLE ASSETS	TRADEMARK RIGHT AND OTHER INTANGIBLE RIGHTS	DEVELOPMENT COSTS	TOTAL
Acquisition costs					
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
Additions 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

Of the capitalised development costs of € 1.4 m (2022: € 29.2 m), self-manufactured intangible assets, which are not yet ready for use, amounting to € 0.6 m (2022: € 27.2 m) were recognised in 2023.

Utilisation of capitalised development costs of € 44.1 m started during 2023. The probable useful life of these assets will amount to 15 years. Amortisation of € 2.4 m was recognised for these assets in 2023. Subsidies of € 27.4 m were received for these capitalised development costs. The deferred subsidies will be reversed through profit or loss over the useful life of the intangible assets. In 2023, reversal of the deferred subsidies through profit or loss amounted to € 1.5 m.

Research and development expenses amounting to € 27.4 m (2022: € 23.2 m) were recognised through profit or loss in the income statement.

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

There were no contractual obligations to acquire intangible assets either.

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.

The carrying amount 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 Small Cells € 5.3 m, Lithium-Ion Battery Packs € 1.2 m, Consumer Batteries € 21.5 m, Energy Storage Systems € 0.7 m and Micro Batteries € 1.9 m. The useful life of the brand is classed as indefinite, as VARTA AG has succeeded in creating a strong brand during more than 135 years of company history, which contributes significant value to the company with its unique selling proposition.

The carrying amount of the trademark was confirmed within the impairment test via the fair value, which has been calculated on the basis of the relief-from-royalty method. A licence rate of 1.0 % and a discount factor of 9.5 % were used.

The goodwill of € 0.6 m existing at the beginning of the financial year results from the acquisitions of Auditas and the VARTA Consumer business. 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.

Due to the business development of the year 2023, which necessitated an update of the reorganisation report on which the structuring agreement with the syndicate banks was based, an agreed covenant could no longer be complied with. This fact was classified as triggering event for testing the Group's various CGUs for impairment. These event-driven impairment tests were performed as of the reporting date 31 December 2023.

At VARTA AG, goodwill is monitored at the level of the CGUs, which are also business areas. 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 selling costs. The determined fair value is to be allocated to IFRS 13 category three due to the use of unobservable influencing factors. Due to extensive restructuring measures in the future, the fair value less selling costs exceeds the value in use of the cash-generating units. As a result, the recoverable amount was determined by the fair value less selling costs. For the calculation, the data based on the valid planning figures as at 31 December 2023 from the restructuring report being prepared at that time was used for the years 2024 to 2027. The most important planning parameter for determining the cash flows is the development of earnings, which is particularly driven by the development of sales revenue. Past experience and market expectations for the future are used to derive the cash flows. 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 Small Cells, the fair value less selling costs was determined within the framework of a discounted cash flow on the basis of future cash flows and a weighted average cost of capital (WACC). The planning horizon was limited to seven years in 2023 and no perpetual annuity was taken into account. The future cash flows were determined on the basis of the planning figures from a reorganisation report and developed until the end of the planning horizon. A discount factor of 8.7 % after tax was taken into account as the WACC. A recoverable amount of € 98.5 m and thus a need for impairment of € 222.7 m was determined. The impairment was allocated to property, plant and equipment in the amount of € 222.0 m and to intangible assets in the amount of € 0.7 m, taking into account the fair value less costs to sell of the individual assets.

For the CGU Lithium-Ion Large Cells, the fair value less selling costs was determined within the framework of a discounted cash flow on the basis of future cash flows and a weighted average cost of capital (WACC). The planning horizon was limited to eleven years in 2023 and no perpetual annuity was taken into account. The WACC of 8.5 % after tax was taken into account as the discount factor. No need for impairment was identified here.

The fair value less cost 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 cost to sell determined in this way exceeds the carrying

amounts of the CGU Consumer Batteries and the CGU Energy Storage Systems, no impairment was recognised for these CGUs.

A discount factor of 10.7 % after tax was taken into account as the WACC for the CGU Micro Batteries. The recoverable amount of € 7.1 m determined in this way led to an impairment requirement of € 101.8 m. This led to the goodwill of € 0.5 m allocated to this CGU being written off entirely. The remaining impairment required was subsequently allocated to property, plant and equipment in the amount of € 61.4 m and to intangible assets in the amount of € 0.5 m, taking the fair values of individual assets into account as a floor value.

A discount factor of 9.3 % after tax was taken into account as the WACC for the CGU Lithium-Ion Battery Packs. The recoverable amount of € -7.8 m determined in this way led to an impairment loss, taking existing floor values into account. In this context, impairment losses of € 4.3 m were allocated to property, plant and equipment and € 0.2 m to intangible assets.

In response to expectations of lower sales in 2023, an unscheduled impairment loss of € 25.9 m was recognised on the property, plant and equipment in the CGU Lithium-Ion Small Cells as of 30 June 2023. A discount factor of 8.9 % after tax was taken into account as the WACC.

In addition, unscheduled impairment losses on individual fixed assets amounting to € 10.9 m occurred, which essentially resulted from investment projects for planned buildings and technical systems and machines which are not pursued further.

In financial year 2022, impairment losses on intangible assets and property, plant and equipment totalling € 114.5 m and € 31.2 m were recognised in the CGU Lithium-Ion Small Cells and the CGU Lithium-Ion Large Cells, respectively.

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

31 DECEMBER 2022						
(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
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
31 DECEMBER 2023						
(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
Discount rate (WACC) after tax	8.7	9.3	10.2	8.5	10.7	8.5
Growth rate	n/a	1.0	1.4	1.0	1.5	n/a
Tax rate	28.8	28.8	28.8	28.8	28.8	28.8

As part of the impairment tests, VARTA AG Group 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 modelled:

- Discount rate: +1.0 % and -1.0 %

- Growth rate: +0.2 % and -0.2 %
- Changes in future cash inflows: +20.0 % and -20.0 %

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

No impairment loss was identified at the cash-generating unit Lithium-Ion Large Cells. An increase in the discount rate of 1.0 % would result in an impairment loss of € 3.3 m. Any variation in the growth rate is not appropriate due to the finite planning horizon. Assuming a reduction of 20.0 % in the future cash flows on which the calculation is based, the impairment loss would be € 14.2 m.

The determined fair value of the cash-generating unit Lithium-Ion Large Cells exceeds the carrying amount as of the reporting date by € 0.8 m. If the discount rate increases by 0.2 % points, the determined fair value corresponds to the carrying amount. If the future cash flows decrease by 1.1 %, the determined fair value corresponds to the carrying amount.

An impairment loss of € 222.7 m was recognised for the cash-generating unit Lithium-Ion Small Cells. A reduction in the discount rate of 1.0 % would result in a lower impairment loss of € 2.3 m. An increase in the discount rate would result in a correspondingly higher impairment loss of € 2.1 m. Any variation in the growth rate is not appropriate due to the finite planning horizon. Assuming a reduction of 20.0 % in the future cash inflows on which the calculation is based, the impairment loss would be € 9.8 m higher. If future cash inflows were to increase by 20.0 %, the recognised impairment would reduce by € 9.8 m.

An impairment of € 12.3 m was calculated for the cash-generating unit Lithium-Ion Battery Packs. Sensitisation of the above parameters does not lead to any additional impairment requirement due to the maximum available impairment potential. An impairment of € 103.8 m was calculated for the cash-generating unit Micro Batteries. A reduction in the discount rate of 1.0 % would result in a € 3.1 m higher impairment due to partly negative cash inflows. An increase in the discount rate of 1.0 % would reduce the impairment by € 2.4 m. A change in the growth rate of +/- 0.2 % would result in a corresponding change in the calculated impairment of € +/- 0.4 m. Assuming a reduction of 20.0 % in the future cash inflows on which the calculation is based, the impairment loss would be € 1.0 m higher. If the future cash inflows were to increase by 20.0 %, the calculated impairment loss would be reduced by € 1.0 m.

An impairment of € 101.8 m was calculated for the cash-generating unit Micro Batteries. A reduction in the discount rate of 1.0 % would result in a € 2.9 m higher impairment. An increase in the discount rate of 1.0 % would reduce the impairment by € 2.2 m. A change in the growth rate of +/- 0.2 % would result in a corresponding change in the calculated impairment of € +/- 0.4 m. Assuming a reduction of 20.0 % in the future cash inflows on which the calculation is based, the impairment loss would be € 1.4 m higher. If the future cash inflows were to increase by 20.0 %, the calculated impairment loss would be reduced by € 1.4 m.

With regard to the development of the value-determining factors in 2024, there were no additional impairments in relation to the reporting date of 31 December 2023.

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

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
VW-VM Verwaltungsgesellschaft mbH i.L., Ellwangen, Germany	0	12
Total carrying amounts of long-term investments accounted for using the equity method	0	12
Ecopilhas - Sociedade Gestora de Resíduos de Pilhas e Acumuladores, Lda., Lisboa, Portugal	10	10
Ecobat s.r.o., Prague, Czech Republic	3	2
SA Corepile, Paris, France	8	8
RE'LEM Nonprofit Kft., Budapest, Hungary	26	26
Total carrying amounts of other participations	47	46
Total carrying amounts of investments accounted for using the equity method and other participations	47	58

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 2023.

VW-VM Verwaltungsgesellschaft mbH i.L., Ellwangen was liquidated in financial year 2023. The effects on the consolidated financial statements were minimal.

10. Leases

The Group leases various production facilities, office buildings and warehouses, as well as plants and vehicles. Leases are usually concluded for fixed periods ranging from 1.5 to 10 years, but may include renewal or termination options or, 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: € 24.9 m (2022: € 22.5 m).

Future lease payments based on non-terminable leases total:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Lease liabilities – Non current	68,799	69,700
Lease liabilities – current	16,773	17,397
Total	85,572	87,097

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Thereof residual term of up to 1 year	17,878	18,351
Thereof residual term of 1 to 5 years	51,218	50,975
Thereof residual term of more than 5 years	20,708	21,375
Total minimum lease payments (undiscounted)	89,804	90,701

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Amounts recognised in the income statement		
Interest expense on lease liabilities	1,255	1,205
Income from the subleasing of leased assets	0	-72
Expense from short-term leases	550	1,195
Expense from long-term leases of low-value assets	2,360	1,981
Total	4,165	4,309

There has been a sale & lease back agreement with WertInvest Ellwangen Immobilien GmbH since 2015. The agreement was extended in 2020 to include the new production building constructed in Ellwangen. The tenancy will run until the end of 2030.

As of 31 December 2023, lease obligations have decreased by € 1.5 m to € 85.6 m (2022: € 87.1 m). The change comes from ongoing lease payments beyond financial year 2023. 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 and residual value guarantees do not apply at present. Options to extend or terminate are taken into account.

11. Other financial assets

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Other financial assets measured at fair value through profit or loss	63	675

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

12. Inventories

Inventories are divided into the following items:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Raw materials and supplies	84,816	89,471
Finished goods and merchandise	80,076	100,736
Unfinished goods	25,036	33,110
Inventories	189,928	223,317
Impairment income (+) / expense (-) recognised in the income statement	-7,995	-4,450

In financial year 2023, inventories decreased from € 223.3 m to € 189.9 m in total. The massive decrease, especially in finished products and merchandise, was caused first by working capital measures and secondly by increased sales in the fourth quarter of 2023. Inventories recognised as expense in the reporting year amounted to € 372.5 m (2022: € 414.3 m). They are included in the cost of materials.

Impairments to inventories are recognised as cost of materials in the reporting period and amounted to € 8.0 m (2022: VALUE!). The carrying amount of inventories after impairment totalled € 12.2 m (2022: € 16.2 m). Impairment losses of € 7.3 m relate to the Embedded Batteries segment and of € 0.8 m to the Power Batteries segment, while an increase in value of € 0.1 m is attributable to the Consumer Batteries segment.

13. Trade receivables and contract assets

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Receivables due from third parties (gross)	118,274	111,586
Total trade receivables	118,274	111,586
Contract assets	3,401	3,959
Gross trade receivables and contract assets	121,675	115,545
Less loss allowances	-3,463	-1,208
Net trade receivables and contract assets	118,212	114,337

Receivables due from third parties (gross) have increased by € 6.7 m year on year. This increase is largely due to the strong fourth quarter compared with the same period in the previous year.

The existing gross receivables as of 31 December 2023 are reduced by € 67.1 m (2022: € 55.5 m) due to the sale of receivables (see Section 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 weekly basis. Since the late payment risk remains within 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 within the VARTA AG Group. Due to this, a continuing involvement of € 1.3 m (2022: € 0.7 m) was recognised under trade receivables for receivables sold under these factoring agreements as at the reporting date. The corresponding liability amounts to € 1.3 m (2022: € 0.7 m) and is shown under other financial liabilities.

The receivables include allowances of € 3.5 m (2022: € 1.2 m), of which € 1.6 m (2022: € 0.4 m) relates to the Embedded Batteries segment and € 1.8 m (2022: € 0.8 m) to the Consumer Batteries segment. These changes 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 2023	31 DECEMBER 2022
Trade receivables	114,811	110,378
Contract assets	3,401	3,959
Contract liabilities	1,660	2,534

Contract assets of € 0.4 m (2022: € 0.8 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 € 2.0 m (2022: € 2.3 m). Customer-specific products stocked in the warehouse have increased marginally from € 0.9 m in 2022 to € 1.0 m as at 31 December 2023. Contract assets have decreased by € 0.5 m in total year on 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 2023 are expected to be collected in the next six months.

Contract liabilities relate to the following circumstances:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Stock return	808	1,308
Free goods	478	722
Customer specific	374	477
Others	0	27
Total	1,660	2,534

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 2023 will be recognised as income in the next six months. The amount of € 2.5 m as at 31 December 2022 was recognised almost entirely as revenue in financial year 2023.

14. Tax refund claims

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

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Tax refund claims	3,644	17,238
Of which current	3,644	17,238

The income tax refund claims mainly comprise the expected repayment from the 2023 assessment of the VARTA AG and international subsidiaries tax group (€ 1.1 m) and expected repayments from the 2023 assessment of VARTA Consumer companies (€ 1.3 m).

The reduction of € 13.6 m compared with the previous year is largely attributable to the repayment of advance payments made by the VARTA AG tax group for financial year 2022 and the 2020 assessment of VARTA Consumer companies.

15. Other assets

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Other assets	65,064	82,911
Of which current	28,899	44,958
Of which non-current	36,165	37,953

Both the claim to reimbursement from the assumption of the 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 € 36.0 m (2022: € 37.7 m).

Current other assets consisted of the following:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Receivables from grant projects	9,718	23,326
Other tax receivables	4,083	3,785
Other Receivables	12,348	16,134
Miscellaneous other assets	2,750	1,713
Total	28,899	44,958

Receivables from grants for subsidised projects of € 9.7 m (2022: € 23.3 m) are mainly due from the European Commission, the Federal Ministry for Economic Affairs and Climate Action (BMWi) and the federal states of Bavaria and Baden-Württemberg.

Of these receivables from grants for subsidised projects, € 8.3 m (2022: € 6.8 m) relate on the one hand to the European Commission as the authority granting funding for research projects and on the other hand, to project partners of research projects where the Group acts as a coordinator by receiving the subsidies on a fiduciary basis from the funding authority and passing them to the project partners. As at 31 December 2023, advance payments passed to the cooperation partners involved amounted to € 6.3 m (2022: € 5.0 m).

The remaining receivables stem from the Important Project of Common European Interest (IPCEI) and reduced, as scheduled, from € 16.5 m to € 1.4 m in 2023.

As at 31 December 2023, other receivables decreased by € 3.8 m year on year. This decrease was largely due to settlement of a claim to compensation established by the courts from patent disputes. The remaining receivables from the reimbursement claim against Energizer amounts to € 7.2 m as at 31 December 2023.

The item for miscellaneous other assets largely consist of prepaid expenses, which have increased by € 1.0 m because of various advance payments and stand at € 2.8 m.

16. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Cash equivalents	306	0
Cash	17	18
Credit balances with financial institutions	119,840	108,691
Total	120,163	108,709

In financial year 2023, cash and cash equivalents increased from € 108.7 m to € 120.2 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 lower as cash and cash equivalents.

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

17. Deferred taxes

Deferred taxes can be assigned to the following positions:

(€ k)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	31 Dec 2023 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	31 Dec 2022 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	1 Jan 2022 NET
Intangible assets	2,158	24,957	-22,799	3,096	19,072	-15,976	3,135	16,330	-13,195
Property, plant and equipment	11,850	5,588	6,262	2,049	8,507	-6,458	1,924	9,049	-7,125
Financial assets	0	0	0	2	0	2	18	20	-2
Other non-current assets	0	10,412	-10,412	0	10,893	-10,893	0	5,085	-5,085
Inventories	913	225	688	1,838	976	862	2,454	516	1,938
Trade receivables	785	970	-185	541	540	1	659	2,464	-1,805
Other current assets	1,690	35	1,655	1,315	147	1,168	3,490	40	3,450
Other non-current liabilities	7,597	0	7,597	148	1,437	-1,289	248	1,297	-1,049
Non-current liabilities from pension plans	10,735	866	9,869	11,077	744	10,333	11,882	860	11,022
Current financial liabilities	3,309	22	3,287	1,725	298	1,427	1,803	7	1,796
Non-current financial liabilities	7,628	7	7,621	7,684	8	7,676	7,707	120	7,587
Current provisions from employee benefits	809	185	624	819	176	643	1,024	204	820
Trade payables	1,224	0	1,224	1,846	101	1,745	2,275	372	1,903
Other current liabilities	913	3,954	-3,041	2,023	93	1,930	2,812	595	2,217
Tax loss carryforwards	4,341	0	4,341	11,608	0	11,608	1,166	0	1,166
Offsets	-46,747	-46,747	0	-26,067	-26,067	0	-34,562	-34,562	0
Total	7,205	474	6,731	19,704	16,925	2,779	6,035	2,397	3,638

18. Equity

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

(€ k)	OTHER RESERVES					TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	
As of 1 January 2023	40,422	252,292	-56,393	3,144	0	239,465
Effect of share-based payment	0	1	0	0	0	1
Capital increase	2,220	48,507	0	0	0	50,727
Comprehensive income						
Group result	0	0	-414,314	0	0	-414,314
Other comprehensive income	0	0	194	-658	0	-464
Comprehensive income	0	0	-414,120	-658	0	-414,778
As of 31 December 2023	42,642	300,800	-470,513	2,486	0	-124,585

* Retained earnings including net income for the year

As at 31 December 2023, the share capital of VARTA AG amounts to € 42.6 m and is divided into 42,641,686 shares. These are bearer par-value shares, which represent a pro rata amount of € 1.00 of the share capital. The shares are fully paid and each grant one vote in the Annual General Meeting with equal rights and obligations.

On 21 July 2024, the Executive Board issued an ad hoc announcement informing shareholders that half of the share capital had been used up. The invitation to the Extraordinary General Meeting was then issued on 6 August 2024. This was followed by the Extraordinary General Meeting on 23 September 2024, at which the Executive Board announced that half of the share capital had been lost.

The issue of 2.22 m new bearer shares (ordinary shares) with a pro rata amount of the share capital of € 1.00 each at an issue amount of € 22.85 for each new cash capital increase share was decided by resolution of the Executive Board and the Supervisory Board on 21 March 2023.

The subscription and purchase of the new cash capital increase shares for € 50.7 m in total was carried out by VGG Beteiligungen SE, based in Vienna. The statutory subscription right of the other shareholders was excluded in accordance with Article 4 para. 3b) of the Articles of Association.

The Executive Board is authorised by resolution of the Annual General Meeting on 11 July 2023, subject to approval by the Supervisory Board, to increase the share capital of the company on one or more occasions until 10 July 2028 in return for cash and/or contributions in kind up to € 8.5 m (Authorised Capital 2023 I).

The 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 by up to 20 June 2027 in return to cash and/or contributions in kind by up to € 1.0 m (Authorised Capital 2022 II) remains in effect.

The Executive Board's authorisation by the Annual General Meeting on 21 June 2022 to increase the share capital of the company by up to € 8.1 m (Authorised Capital 2022 I) and the contingent capital resolved on 21 June 2022 (Contingent Capital 2022 I) was revoked.

For the current financial year, a total of € 1.0 k (2022: € 17.0 k) was recognised in equity as share-based remuneration. These share-based remuneration components are explained under Section 35 Share-based payment arrangements.

Capital reserves

The capital reserves mainly include share premiums from the issue of shares and expenses from the exercise of stock option plans exercisable until 2023.

Retained earnings

Retained earnings comprise the accumulated net profits and losses of all companies included in the consolidated financial statements, less any profits distributed. In addition, revaluation of the net defined benefit liability as well as the related deferred taxes recognized directly in equity are reported in retained earnings. In 2023, other comprehensive income includes a profit of € 0.2 m (2022: profit of € 7.3 m) from the revaluation of the net defined benefit liability, which cannot be reclassified to the income statement in the future.

Other reserves

Other reserves include the cumulative differences from the currency translation of the financial statements of consolidated foreign subsidiaries recognized directly in equity. The changes in other reserves are included in other comprehensive income and are presented in the consolidated statement of comprehensive income. In 2023, other comprehensive income includes a loss of € 0.7 m (2022: profit of € 0.3 m) from currency translation recognized directly in equity, which may be reclassified to the income statement in the future.

Dividend payment

No dividend payment for the financial year 2022 was resolved in financial year 2023. In the previous year, a dividend payment of € 100.2 m was approved and paid out for the financial year 2021.

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

In financial year 2023, VARTA AG received notifications of notifiable changes in accordance with the German Securities Trading Act (WpHG).

Goldman Sachs (The Goldman Sachs Group, Inc.) 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 50.12 % (2022: 50.30 %) via the latter's subsidiary VGG Beteiligungen SE, Vienna (Austria) as at 31 December 2023.

(IN € k)	1 JAN. TO 31 DEC. 2023			1 JAN. TO 31 DEC. 2022		
	before Taxes	Tax income / expense	after Taxes	before Taxes	Tax income / expense	after Taxes
Taxes recognised in other comprehensive income						
Revaluation of net debt	197	-3	194	10,192	-2,905	7,287
Total	197	-3	194	10,192	-2,905	7,287

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 2023	31 DECEMBER 2022
Earnings, attributable to shareholders (in € k*)	-414,314	-200,420
Weighted average of ordinary shares in circulation ('000 shares)	42,155	40,422
Basic earnings per share (in €)	-9.83	-4.96
Diluted earnings per share (in €)	-9.83	-4.96

* Earnings per share relate to the shares of VARTA AG

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

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

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

20. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Other financial liabilities	514,919	515,795
Of which non-current	19,223	18,795
Of which current	495,696	497,000

Composition of other financial liabilities

Total	514,919	515,795
Subtotal other non-derivative financial liabilities	514,835	515,795
Liabilities to financial institutions	492,595	488,724
Other financial liabilities	22,240	27,071
Derivative financial instruments	84	0

Liabilities to banks have risen from € 488.7 m to € 492.6 m. This figure includes accrued interest in the amount of € 3.5 m (2022: € 3.7 m).

In financial year 2021, a syndicated loan agreement was concluded until 2026 in the amount of € 235.0 m, 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 one to six months. In financial year 2022, the full credit facility was drawn down, resulting in an increase of € 70.0 m and this was the case in financial year 2023 as well. 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 2023: 7.09 % to 7.39 % (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 grid also envisages dependence on VARTA AG complying with agreed financial ratios (equity and leverage as a ratio of net financial liabilities to EBITDA).

In financial year 2022, VARTA AG placed a 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 (66 % of the credit volume). The interest rate of the individual tranches amounts from 1.55 % to 5.46 % as at the balance sheet date 31 December 2023 (2022: 1.57 % to 2.71 %). 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 AG's rating, the spread of the promissory bill may change. The margin is also dependent on VARTA AG complying with agreed financial ratios.

On 31 December 2022, the non-current liabilities to banks were reclassified as current liabilities due to the threat of non-compliance with existing covenants. In financial year 2023, VARTA agreed with the financing banks and the majority shareholder Montana Tech Components AG on a restructuring concept, with an extension of the existing financing until 31 December 2026 and changes to the credit conditions (covenants). At the end of financial year 2023, the liabilities to banks under the syndicated loan and the promissory note loan were shown as current liabilities, as it was clear that the restructuring concept had to be adjusted and the threat of non-compliance with existing covenants necessitate new discussions with the banks. Through a waiver concluded on

17 January 2024, the banks waived the right of termination arising from a breach of the covenants. For further details see Section 5 Material assumptions and estimates.

As a result of a reassessment of future interest payment flows from liabilities to banks, an increase of € 4.6 m (2022: € 2.4 m) in the carrying amount of financial liabilities had to be recognised through profit or loss.

On 18 September 2024, a commercial agreement with the banks on the supplement to the restructuring concept and on bridge financing of € 30.0 m was achieved. The liquidity until the end of 2024 was secured by this very bridge financing. In October 2024, a lock-up agreement with the financing banks, a majority of the promissory note lenders, and investment companies of DDr. Tojner was closed. Due to a partial waiver of claims from the syndicated loan contract and the promissory note the debt burden shall reduce by approximately € 255 m from € 485 m to € 230 m. The completion of the measures of the restructuring concept still depends, amongst other, on merger control clearance, some operational evidence, and the legally binding confirmation of the restructuring plan for VARTA AG in the ongoing restructuring proceedings under the German Corporate Stabilisation and Restructuring Act (StaRUG) and is currently expected in the first quarter of 2025. Further details can be found in chapter 157 Events after the reporting date.

Other financial liabilities have changed only insignificantly. There is still a liability to VGG Beteiligungen SE, Vienna, of € 8.9 m (2022: € 8.4 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. Due to the merger of VARTA Micro AG, this waiver passed to VARTA Storage GmbH. 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 € 8.9 m (2022: € 8.4 m) including interest on the reporting date. The anticipated future cash flows are based on internal business planning. Due to the economic development in the financial year 2024, the debtor warrant was derecognised in profit or loss in 2024. In addition, the restructuring plan of VARTA AG provides waiver of claims by this creditor. (47 Events after the reporting date).

In financial year 2023, there were framework agreements by VARTA AG and material subsidiaries for the sale of receivables. For the receivables of € 67.1 m (2022: € 55.5 m) sold within the scope of these contractual relationships, in addition to the continuing commitment of € 1.3 m (2022: € 0.7 m), a corresponding liability of € 1.3 m (2022: € 0.7 m) was accounted for and shown under other liabilities. In addition, as at the reporting date 31 December 2023, a total of € 1.5 m (2022: € 6.9 m) was already received but not yet paid to the factor. These liabilities to the bank (factor) are also reported under other financial liabilities (for further details, please refer to note 40.3 Financial risk management).

As in the previous year, there were also other current financial liabilities of € 0.6 m (2022: € 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, Fürstenfeldbruck, with effect from 1 March 2021. Due to the fact that VARTA AG Group has a contractually regulated option to buy back the property at fair value, 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 December 2023, those other financial liabilities amounted came to € 10.4 m (2022: € 10.4 m).

21. Provisions for employee benefits

21.1. Composition of provisions for employee benefits

Composition of provisions for employee benefits comprised the following:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Total	57,427	57,643
Of which non-current	51,563	53,932
Of which current	5,864	3,711

Composition of provisions for employee benefits

Total	57,427	57,643
Pensions	42,643	42,893
Severance payments	8,942	8,719
Service anniversary bonuses	1,534	1,565
Partial retirement	4,308	4,466

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 AG 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 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 of 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 € 12.7 m (2022: € 13.0 m), a claim for reimbursement against Colibri Beratungs GmbH was recognised in this amount.

In financial year 2023, a reduction in the revaluation reserve of € -0.3 m (2022: reduction of € -4.4 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 2023, 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, Ellwangen (Jagst), 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 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 underlying assumptions and estimates are explained in Section 5 Material assumptions and estimates. 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 of 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.

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 € 23.3 m (2022: € 24.7 m). A claim for reimbursement against VC Pensionen GmbH was recognised in this amount.

In financial year 2023, a reduction in the revaluation reserves of € -1.1 m (2022: € -2.0 m) was booked in other comprehensive income as a result of this joint debt assumption.

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 assets.

As at 31 December 2023, the assets of VARTA Consumer Pensions-Treuhand e.V. essentially consisted of the following items:

- **Loan to Motto Entertainment und Veranstaltungs GmbH, Vienna (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 have been agreed, although the borrower can opt to repay the loan prematurely in partial amounts. Interest is 5.0 % 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, Vienna (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, Vienna, 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, Vienna (Austria), "Motto"-Hotel). The loan amount amounts to € 14.0 m. A term until 31 December 2027 has been agreed. The repayment amount will increase by an 18.67 % share in the increase in value of the hotel building if this exceeds € 71.0 m. 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, Satu Mare (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. € 1.0 m, 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 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 Alu 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, Vienna (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 € 0.8 m has been invested.
- **Limited partner shares in VI Immobilienentwicklung GmbH & Co. KG, Ellwangen (Jagst):**
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, Frankfurt am Main (the managing director is a related person) from MGG GmbH & Co. KG, Waiblingen. Eisele GmbH has a right to buy the property up to 1 January 2036 at the original purchase price.
- **Loan to VI Immobilienentwicklung GmbH & Co. KG:**
The borrower is VI Immobilienentwicklung GmbH & Co. KG, a German limited partnership. The trust association is the majority (89.0 %) 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 3.0 % 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 (bank guarantee) from Commerzbank AG in the amount of € 5.0 m.
- additional independent guarantee from VGG Beteiligungen SE, Vienna (Austria) to fulfil the payment obligation of VC Pensionen GmbH, limited to a maximum of € 13.0 m.

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

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Present value of the pension obligation (DBO) at reporting date	45,373	46,261
Fair value of plan assets	-2,730	-3,368
Net obligation (+) / Net assets (-) in balance sheet	42,643	42,893

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 2023	31 DECEMBER 2022
Reinsurance	2,730	3,368
Total	2,730	3,368

For the companies based in Germany, the plan assets consist solely of reinsurance policies; there are no plan assets for the companies abroad. Reinsurance policies are concluded at the date of the commitment to employees with the aim of ideally matching the term and amount at the date of disbursement and reducing the risk to the employer.

Payments due within the next financial year because of pension commitments amount to € 1.8 m (2022: € 2.4 m). The duration of the pension plans comes to a period of around 14.4 years as a weighted average (2022: 18.7 years). The fall compared with the previous year is the result of lower interest rates, changes in the portfolio and current pensions not being adjusted during the restructuring period.

The defined benefit German pension plan mainly provides systemic 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 resulting from the German 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 60.0 % of the (anticipated) retirement pension. The German 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 60.0 %, while the disability benefits total 40.0 % 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 2023	31 DECEMBER 2022
Current employees	2,213	2,350
Claimants (former employees)	698	653
Current pensioners	1,155	1,141
Total	4,066	4,144

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

(€ k)	NET OBLIGATION		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PENSION OBLIGATIONS		REIMBURSEMENT CLAIM	
	2023	2022	2023	2022	2023	2022	2023	2022
Fair value or present value as of Jan 1	42,893	58,352	-3,368	-3,747	46,261	62,099	37,715	46,368
Included in the income statement								
Employer's current service cost	768	1,529	0	0	768	1,529	0	0
Interest income/interest expenses	1,543	619	-114	-40	1,657	659	1,358	532
	2,311	2,148	-114	-40	2,425	2,188	1,358	532
Included in other comprehensive income								
(i) Re-measurement:								
Actuarial gains/losses	-1,034	-16,301	0	0	-1,034	-16,301	-1,437	-6,412
- of which adjustments to the pension obligation based on experience	-4,421	2,543	0	0	-4,421	2,543	-4,101	2,355
- of which change in financial assumptions about the pension obligation	3,387	-18,844	0	0	3,387	-18,844	2,664	-8,767
Income/expenses from net assets, excluding interest income/expenses	187	272	187	272	0	0	0	0
	-847	-16,029	187	272	-1,034	-16,301	-1,437	-6,412
Other								
Retirement benefits paid directly by the employer	-2,270	-1,725	0	0	-2,270	-1,725	0	0
Benefits paid	556	147	565	147	-9	0	-1,593	-2,773
	-1,714	-1,578	565	147	-2,279	-1,725	-1,593	-2,773
Fair value or present value as of Dec 31	42,643	42,893	-2,730	-3,368	45,373	46,261	36,043	37,715
Of which pension entitlements covered by provisions					41,692	42,199		
Of which funded pension entitlements					3,681	4,062		

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

Information on VRT Pensionen GmbH

By the 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.

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 2023, the pension obligations of € 3.3 m (2022: € 5.0 m) due by 31 December 2025 are offset by plan assets of € 18.0 m (2022: € 19.7 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 € 14.7 m (2022: € 14.5 m) exceeding the pension obligation is not available to VARTA AG for reimbursement.

(€ k)	NET OBLIGATION		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PENSION OBLIGATIONS		ASSET CEILING	
	2023	2022	2023	2022	2023	2022	2023	2022
Fair value or present value as of Jan 1	0	0	-19,707	-23,717	5,091	6,903	14,616	16,814
Interest income / interest expense	0	0	-691	-160	187	48	504	112
Included in other comprehensive income								
(i) Re-measurement:								
Actuarial gains/losses	0	0	0	0	-87	65	87	-65
of which change in financial assumptions about the pension obligation	0	0	0	0	-87	65	87	-65
- Income/expenses from net assets, excluding interest income/expenses	0	0	495	2,245	0	0	-495	-2,245
	0	0	495	2,245	-87	65	-408	-2,310
Other								
Benefits paid	0	0	1,864	1,925	-1,864	-1,925	0	0
	0	0	1,864	1,925	-1,864	-1,925	0	0
Fair value or present value as of Dec 31	0	0	-18,039	-19,707	3,327	5,091	14,712	14,616

Actuarial assumptions

Provisions were measured according to the actuarial principles based on the mortality tables 2018 G produced by Prof. Dr Klaus Heubeck. Given current high rates of inflation, the actuarial assumptions were taken into account through special effects and are as follows:

	31 DECEMBER 2023	31 DECEMBER 2022
Discount rate (in %)	3.2	3.7
Expected increases in pensions (in %)	2	2
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 2023:

	31 DECEMBER 2023	31 DECEMBER 2022
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 previous year as an adjustment based on experience. The effect of suspending pension adjustments during the term of the restructuring agreement and, coupled with this, a correction of the premium for the higher short-term inflation expectation (inflation shock) taken into account in the previous year 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 remain unchanged from the previous year.

Any change to the above-mentioned actuarial assumptions used to determine the DBO as at 31 December 2023 would increase the or reduce the DBO, 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 %)	-1,670	1,784
Life expectancy (+/-1 Year)	1,541	-1,537
Pension trend (+/-0,25 %)	1,178	-1,127

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

The expected maturities break down as follows:

(k €)	31 DECEMBER 2023	31 DECEMBER 2022
Up to 1 year	1,837	2,432
Between 1 and 5 years	8,484	9,064
Over 5 to 10 years	12,566	13,480
Total	22,887	24,976

In order to finance these defined benefit 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 in the consolidated balance sheet are made up as follows:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Present value of the provision for severance payments at reporting date (DBO)	8,942	8,719
Obligation in the balance sheet (provision for severance payments)	8,942	8,719

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

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Present value of the provision for severance as of Jan 1	8,720	8,410
Addition consolidation scope	0	0
Foreign exchange differences	-336	431
Employer's current service cost	2,406	873
Interest expense	0	0
Actuarial gains (-) / losses (+)	-771	-569
Benefits paid	-1,077	-426
Present value of the provision for severance payments as of Dec 31	8,942	8,719

Severance expenditure comprised the following:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Employer's current service cost	2,349	797
Expenses unrelated to the accounting period	46	58
Expenses recognised in the income statement	2,395	855
Actuarial gains (-) / losses (+)	-771	-569
Revaluations recognised in the statement of comprehensive income	-771	-569
Cost of severance payments in the period	1,624	286

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

	31 DECEMBER 2023	31 DECEMBER 2022
Discount rate (in %)	7.0 %	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 2023	31 DECEMBER 2022
Present Value of the service anniversary bonuses as of 1 January	1,565	1,932
Consumption	-230	-370
Addition	199	88
Reversal	0	-85
Present Value of the service anniversary bonuses at 31 December	1,534	1,565

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.

(IN T€)	31 DECEMBER 2023	31 DECEMBER 2022
Present value of the partial retirement obligation at 1 January	4,466	3,585
Consumption	-1,539	-2,067
Addition	1,851	3,110
Reversal	-470	-162
Present Value of the partial retirement obligation at 31 December	4,308	4,466

22. Tax liabilities

Liabilities from income taxes of € 30.2 m exhibit the following age structure:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Income tax liabilities		
...concerning 2023 (2022)	3,446	2,211
...concerning 2022 (2021)	260	19,043
...concerning 2021 (2020)	17,977	14,156
...older than 2021 (2020)	8,563	11,024
Total	30,246	46,434

Income tax liabilities have decreased by € 16.2 m year on year. This decrease is largely attributable to the payment of taxes for previous years.

The income tax liabilities in the amount of € 8.3 m dating back to 2021 and earlier are largely the result of the findings of the current external audit of the German VARTA Consumer companies.

23. Trade payables, contract liabilities and advance payments received

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

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Trade payables to third parties	71,767	78,080
Liabilities from the acquisition of tangible and intangible assets	8,934	23,164
Liabilities to related parties	1,924	129
Sum trade payables	82,625	101,373
Contract liabilities	1,660	2,534
Advance payments received	13,683	15,294
Current liabilities	97,968	119,201
Total trade payables, contract liabilities and advance payments received	97,968	119,201
of which due immediately	7,222	43,151
of which residual term of up to 1 year	90,746	76,050

Trade payables, including advance payments received and contract liabilities, have fallen by € 21.2 m in total. This is largely attributable to the fall in liabilities from the acquisition of property, plant and equipment and intangible assets.

Advance payments received came to € 13.7 m (2022: € 15.3 m) overall and were associated with obligations arising from to some extent pending transactions on the part of the VARTA AG Group mainly for the delivery of machines. The resultant liabilities of the VARTA AG Group are repaid as part of 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 orders. The cash inflow is included in net cash flow from ongoing operating activities. In financial year 2023, the advance payments received shown in the previous year were netted off entirely against matching receivables. New contracts concluded in 2023 were netted off with matching receivables from orders in the amount of € 11.9 m (2022: € 0.0 m).

As of 31 December 2023, contract liabilities decreased slightly year on year to € 1.7 m (2022: € 2.5 m). For further explanations, please refer to Section 13 Trade receivables and contract assets Trade receivables and contract assets .

24. Other liabilities

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Other non-current liabilities	25,874	27,396
Other current liabilities	30,951	33,364
Other liabilities	56,825	60,760

Current other liabilities decreased from € 33.4 m to € 31.0 m. The reduction in other liabilities is mainly due to the € 4.3 m decrease in customer credit balances. Inversely,

liabilities from grants for subsidised projects of € 6.3 m (2022: € 5.0 m) and customs liabilities of € 3.7 m (2022: € 2.6 m) increased.

The non-current other liabilities as at 31. Dezember 2023 in the amount of € 25.9 m (2022: € 27.4 m) are deferred income.

25. Other provisions

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

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2023
Maturity					
Non-Current	0	13,633	0	0	13,633
Current	2,863	7,789	19	3,447	14,118
Total provisions	2,863	21,422	19	3,447	27,751

Changes in other provisions in 2023

As of Jan 1, 2023	0	11,312	15	4,879	16,206
Reclassification	0	2	0	0	2
Addition incl. accrued interest	2,880	13,195	19	1,473	17,567
Consumption	0	-3,062	-15	-2,815	-5,892
Reversal	0	-14	0	-63	-77
Foreign exchange differences	-17	-11	0	-27	-55
As of 31 December 2023	2,863	21,422	19	3,447	27,751

(€ 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

Restructuring

Personnel costs had to be reduced in the wake of the restructuring measures. The provision for restructuring is the result of outstanding payments to employees for a voluntary programme at the German sites in Ellwangen and Neunheim amounting to € 2.1 m and reductions in employee numbers in Batam (Indonesia) amounting to € 0.7 m.

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 Embedded Batteries segments. It is assumed that utilisation will increase towards the end of the guarantee period in the case of Power Batteries. Allocations to provisions occur when the products are sold. Sharp growth in revenue in the Power Batteries Segment is a significant factor driving the increase in provisions with a rise in lump-sum warranty provision of € 3.3 m compared with the previous year. A total of € 0.2 m of the amount is attributable to the increase in the discounted amount due to the passage of time during the reporting period. The effect of the change in the discount rate amounts to € 0.1 m. In addition, individual warranty provisions of € 4.7 m and € 1.3 m were recognized in the Energy Storage Systems segment and the Lithium-Ion Small Cells segment respectively for the first time.

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 (2022: € 0.8 m), as well as provisions for restoration liabilities of € 0.5 m (2022: € 0.5 m). Other uncertain liabilities came to € 0.7 m at the end of the financial year (2022: € 2.2 m).

26. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Holiday entitlements, overtime and time off	10,787	10,496
Bonuses to employees and Management	8,049	5,851
Other deferred liabilities for personnel	6,945	10,083
Total Deferred liabilities for personnel	25,781	26,430
 Audit, tax and legal advice	 2,235	 2,361
Outstanding invoices	43,446	12,985
Customer bonus	51,506	55,777
Miscellaneous deferred liabilities	1,110	1,375
Other deferred liabilities	98,297	72,498
Deferred liabilities	124,078	98,928
Thereof non-current	2,456	2,519
Thereof current	121,622	96,409

Deferred liabilities to employees have decreased from € 26.4 m to € 25.8 m compared with the previous year. Other deferred liabilities to personnel include € 1.9 m non-current liabilities.

The fall in provisions for deferred liabilities for employees resulted from lower provisions for severance and a reduction in employee time accounts. Premiums for the Executive Board and employees trended in the opposite direction.

Other deferred liabilities came to € 98.3 m (2022: € 72.5 m). The major part of this was attributable to provisions for customer bonuses of € 51.5 m (2022: € 55.8 m) and outstanding invoices of € 43.4 m (2022: € 13.0 m). The increase in outstanding invoices was largely the result of purchase obligations and cancellation costs against suppliers of € 13.2 m as well as costs for cancelling the tenancy agreement for the new headquarters at VARTA-Platz 1 in Ellwangen of € 6.7 m. The restructuring plan of VARTA AG provides waiver of claims by this creditor with an amount of € 6.7 m. This will result in derecognition income for this obligation once the measures are implemented in 2025. The other 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)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Sales revenue	820,305	806,916
of which from the sale of products	816,645	804,465
of which from the provision of services	3,660	2,451

Sales revenue includes income from other periods of € 7.5 m (2022: € 8.7 m) from the adjustment to provisions for customer bonuses.

Revenue from product sales contained revenue from all segments (please refer to the explanations in 6 Segment reporting).

In 2023, additional increases in the transaction price were agreed by contract in connection with 2023 cell deliveries. As a result, the sales revenue for financial year 2023 contained an additional € 35.8 m.

Revenue from the sale of services contained revenue from product design of € 2.7 m (2022: € 1.2 m), revenue of € 0.2 m (2022: € 0.6 m) from the provision of services to research institutes and of € 0.7 m (2022: € 0.3 m) for research services.

28. Decrease in finished and unfinished goods

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Change in unfinished goods	-8,863	-1,419
Change in finished goods	-16,631	43,296
Decrease (PY: Increase) in finished and unfinished goods	-25,494	41,877

The change in finished and unfinished goods largely resulted from the sharp fall in the cost of material and energy, increased sales of warehouse stock in response to strong sales in the fourth quarter and the actual reduction in the inventories stockpiled in the previous year.

29. Own work capitalised

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Own work capitalised	1,415	29,178

In the previous year, own work capitalised of € 27.2 m comprised capitalised development costs from the IPCEI project. Following the planned completion of a development phase of the IPCEI project, there were no further capitalised development costs in the current financial year, which is why own work capitalised has decreased by € 27.8 m year on year.

30. Cost of material

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Cost of raw materials, supplies and goods purchased	358,048	400,128
Materials processing and refining by third parties	14,710	13,086
Miscellaneous cost of materials and purchased services	14,491	15,627
Other	4,446	4,336
Total	391,695	433,177

Thanks to, among others, the sharp decline in commodity prices, expenses for raw materials, supplies and goods purchased decreased year on year. Sustained strong demand for energy storage systems led to an increase in the item for Materials processing and refining by third parties. The item Other contains consumables directly purchased for production or customer orders that were consumed without being stored. Expenses for packaging, waste disposal, storage and pre-carriage freight are also included here. Expenses for securing commodities are shown in cost of materials.

31. Personnel expenses

Personnel expenses contained the following items:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Wages and salaries	200,629	217,167
Expenses for statutory social security contributions	23,092	22,476
Pension expenses	15,910	18,599
Expenses for severance payments	9,248	4,068
Other personnel expenses	2,979	3,290
Total	251,858	265,600

Pension expenses comprised the following:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Defined contribution plans*	15,152	16,780
Defined benefit plans	758	1,819
Total	15,910	18,599

* 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 at the VARTA AG Group, including the Executive Board, are entitled to purchase ordinary shares in VARTA AG. The vesting period taken as a basis amount 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 € 1.0 k (2022: € 17.0 k) 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 2023, total expenses for these contributions amounted to € 11.7 m (2022: € 15.3 m). As at the reporting date, contributions not yet calculated or not yet paid are deferred and reported under other liabilities or provisions.

A voluntary programme was launched at the sites in Ellwangen and Neunheim as part of the restructuring measures at VARTA Microbattery GmbH. The programme was based on the principle of double voluntary action, which means that both the employees and the employer had to agree to a termination agreement. This and increased staff turnover led to a reduction in the number of employees.

The Group employed 3,999 staff at the year-end 2023 (2022: 4,498). On average, 4,153 employees were employed in 2023 (2022: 4,560). Of these, 2,784 were wage earners and 1,369 were salaried employees.

The reduction in the number of employees was also reflected in personnel expenses. These reduced in the current financial year to € 251.9 m (2022: € 265.6 m). This was mainly driven by the reduction in wages and salaries. The severance agreements incorporated in the voluntary programme increased severance expenditure in the current financial year to € 9.2 m (2022: € 4.1 m).

32. Depreciation and amortisation

Depreciation and amortisation comprised the following:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Scheduled depreciations of property, plant and equipment (excluding right-of-use assets)	48,654	82,767
Scheduled depreciations of right-of-use assets	19,749	18,904
Scheduled depreciations of intangible assets	8,980	7,007
Impairment of property, plant and equipment and intangible assets	326,523	146,316
Total	403,906	254,994

As expected, as a result of the extraordinary impairment losses of € 146.3 m required in the previous year, scheduled depreciation of property, plant and equipment (excluding rights of use) and scheduled amortisation of intangible assets is lower in the current financial year.

Global economic developments and the resulting consequences for the VARTA AG Group again gave rise to a further extraordinary impairment loss in the amount of € 326.5 m (2022: € 146.3 m) in the current financial year. Further details are provided in the comments on the impairment tests carried out in Section 8 Intangible assets.

Besides the effects of the impairment tests, additional write-downs totalling € 10.9m were required in the financial year for discontinued investment projects. These are included in the impairment losses.

33. Other operating income

Other operating income contained the following items:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Grants and public donations	38,477	43,079
Reversal of provisions & accrued liabilities	2,885	2,747
Income from the sale of property, plant and equipment	43	3
Other	5,363	14,585
Total	46,768	60,414

In financial year 2023, government grants amounted to € 38.5 m (2022: € 34.1 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. If there is sufficient certainty that the conditions will be met, a claim is submitted, and other operating income recognised. For further details, please refer to Section 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. 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 the sites Ellwangen and Nördlingen as locations 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 decline in the item "Other" mainly relates to income in the previous year from a reimbursement from Energizer in the amount of € 5.3 m for the settlement of taxes from the periods before the acquisition of the VARTA Consumer business and income from patent litigation in the amount of € 3.8 m.

34. Other operating expenses

Other operating expenses contained the following items:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Legal, auditing and consultancy fees	38,711	25,405
Warranties	14,934	5,225
Maintenance	13,736	17,392
Cost of energy	12,599	23,177
Outward freight and customs duties	12,482	14,585
Purchase obligations	9,410	0
Information technology	8,595	9,953
Other sales and distribution costs	8,539	10,481
Marketing, advertising and representation	6,808	9,567
Costs for lease cancellation	6,723	0
Commission	3,851	5,146
Cancellation costs suppliers	3,842	0
Rent and leases	2,910	3,176
Insurance contracts	2,360	2,155
Travel expenses	2,033	2,368
Impairment losses from trade receivables	1,952	-620
Licenses and patent fees	1,948	1,717
Cleaning	1,533	2,253
Workwear	1,438	1,400
Contributions and fees	1,375	1,532
Expenses for commodity price hedges	758	13,935
Apprenticeship and training costs	727	1,235
Other tax expense (excluding income tax)	587	1,048
Bank charges / fund transfer fees	542	795
Customer credit insurance	499	506
Expenses to related companies	1,964	2,565
Miscellaneous other operating expenses	13,107	17,626
Total	173,963	172,622

Other operating expenses have increased in total by € 1.3 m from € 172.6 m to € 174.0 m.

The item "Legal, auditing and consultancy fees" rose by € 13.3 m, which was largely attributable to miscellaneous consulting services associated with the reorganisation and restructuring.

Expenses for warranties rose by € 9.7 m to € 14.9 m. This was largely driven by provisions for individual warranty matters in the Power Batteries segment (€ 4.7 m) and the Embedded Batteries segment (€ 1.3 m). In addition, the increase resulted from strong sales growth in the Power Batteries segment and the increase in the lump-sum provision for warranties associated therewith of € 3.3 m.

In the reporting period, electricity costs in the item "costs of energy" reduced year on year, meaning that the item decreased by € 10.6 m to € 12.6 m compared with the same period in the previous year, having almost doubled by € 12.5 m to € 23.2 m in the previous year.

A provision of € 9.4 m was recognised as a liability for purchase obligations from supplier orders, which are no longer needed because of weaker market demand in the Energy Storage Systems segment.

The item "costs for lease cancellation" with an amount of € 6.7 m relates to the cancellation of the lease for the new headquarters at VARTA-Platz 1 in Ellwangen. Costs for not cancelling orders for goods on time are shown in the item "Cancellation costs suppliers".

In the previous year, the item "Expenses for raw material hedges" essentially contained amounts from foreign currency derivatives for hedging the EUR/USD currency pair. No hedging transactions were conducted for this purpose in the reporting year; the current amounts resulted from raw material price hedges.

The fall in the item "Miscellaneous other operating expenses" mainly related to expenses for the settlement of claims, which decreased from € 5.6 m to € 1.6 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:

(€ k)	2023		2022	
	NUMBER OF OPTIONS	Weighted average exercise price	NUMBER OF OPTIONS	Weighted average exercise price
Outstanding as of 1 January	9,553		23,229	
Lapsed during the year	-7,322		0	
Exercised during the year	-2,231	21.00	-13,676	78.64
Outstanding as of 31 December	0		9,553	
Exercisable as of 31 December	0		9,553	

The options exercised in 2023 had an exercise price of € 14.00 (2022: between € 29.41 and € 98.88).

The weighted average share price at the exercise date of the share options exercised in 2023 was € 21.00 (2022: € 78.64).

Determination of fair values

The fair value of the 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 payment on profit/loss for the period and financial position

The expense recognised in the income statement for share-based payment came to € 1.0 k in financial year 2023. The effects in equity amounted to € 1.0 m and consisted of allocations from the forward projection of the ESOP.

	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 %

36. Net interest income

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Interest income	1,903	2,450
Interest expense	-33,468	-13,762
Interest result	-31,565	-11,312

In 2023, interest income fell by € 0.5 m to € 1.9 m. Interest income decreased due to the loss of the previous year's effects of interest rates changing in favour of the VARTA AG Group.

Interest expenses have risen in the current financial year from € 13.8 m to € 33.5 m. The increase in interest expenses was mainly attributable to the changes in credit terms in the wake of the restructuring agreement with the syndicate banks and higher interest rates, which had an impact on the floating rate components of the syndicated loan and the promissory note loan.

37. Other financial result

Sundry financial income and sundry financial expenses comprised the following:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Foreign exchange gains	735	4,697
Income from financial instruments measured at fair value	0	775
Sundry financial income	735	5,472
Foreign exchange losses	-2,759	-4,062
Other financial expense with third parties	-500	-268
Sundry financial expense	-3,259	-4,330

The decline in other financial income resulted from lower gains from currency fluctuations and falling income from financial instruments measured at fair value.

Sundry financial expenditure decreased by € 1.1 m to € 3.3 m. Largely due to exchange rate fluctuations, involving the US Dollar in particular, which decreased by € 1.3 m.

38. Income tax expenses

The tax rate of the VARTA AG Group amounted to 28.84 % in the financial year (2022: 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 % (2022: 13.02 %) for VARTA AG. For the foreign companies, the respective country-specific tax rates within a range from 10.00 % and 34.60 % were used to calculate the taxes. The reconciliation of the expected tax expense with actual tax expense is shown below:

(€ k)	1 JAN. TO 31 DEC. 2023	1 JAN. TO 31 DEC. 2022
Earnings before tax (EBT)	-412,525	-198,178
Companies income tax rate (in %)	28.84 %	28.84 %
Expected (theoretical) tax expenses	118,972	57,155
Effects of different tax rates within the group	2,342	95
Adjustment due to local tax rate change compared to prior year	-75	34
Tax-free income	-849	320
Non capitalised loss carryforwards - actual period	-18,013	-14,743
Usage of tax loss carryforwards	16	18
Capitalisation of tax loss carryforwards	27	0
Expenses not recognised under tax law	-5,383	-1,762
Interest not recognised under tax law	-8,802	-532
Effective tax expense/tax income for previous years	1,913	1,951
Tax effect on temporary differences for which no deferred tax assets were recognised in the current period	-74,381	-42,040
Effect on non-capitalised loss carryforwards due to consolidated restructuring - current period (-)	-6,711	0
Deferred tax expense for previous years	-9,558	-3,047
Change in measurement of deferred tax assets	76	-297
Other	-1,363	606
Income tax expenses	-1,789	-2,242

Income tax expense included current taxes of € 5.8 m (2022: € 4.3 m) and deferred tax income of € 4.1 m (2022: € 2.0 m), resulting from temporary differences.

As a result of the profit transfer agreements concluded in VARTA AG as at 1 July 2016, 31 August 2021 and 16 November 2023, there was an income tax group on the reporting date involving VARTA Microbattery GmbH, Ellwangen, VARTA Micro Production GmbH, Nördlingen, VARTA Storage GmbH, Nördlingen and VARTA Consumer Europe Holding, Ellwangen, VARTA Consumer Kommandit GmbH, Ellwangen, VARTA Consumer Komplementär GmbH, Ellwangen, VARTA Consumer Batteries GmbH & Co. KGaA, Ellwangen and Anabasis Handelsgesellschaft mbH, Dischingen, 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 € -3.0 k (2022: € -2.9 m). Both items were recorded in other comprehensive income.

The Group has unrecognised and unused tax loss carryforwards from corporation tax of € 295.0 m (2022: € 207.4 m) and from trade tax of € 288.1 m (2022: € 203.9 m).

The reported values for non-capitalised and unused tax loss carryforwards from corporation tax in the amount of € 61.0 m and from trade tax in the amount of € 57.5 m in the 2022 consolidated financial statements as at 31 December 2022 did not include the impairment losses on property, plant and equipment in the amount of € 146.4 m and should therefore have amounted to € 207.4 m for corporation tax and € 203.9 m for trade tax.

Consequently, there is a material error in accordance with IAS 8.8 in the form of an incorrect disclosure in the consolidated financial statements for 2022 with regard to disclosure (including presentation) in the notes to the consolidated financial statements.

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 by the 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.

On 31 December 2023, temporary differences of € 4.4 m (2022: € 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.

The act to ensure a global minimum level of taxation for groups of companies (Minimum Tax Act – MinStG, Pillar II) came into effect on 28 December 2023. The MinStG applies for the first time for financial years beginning after 30 December 2023. The VARTA AG Group falls within the scope of the Minimum Tax Act. VARTA AG itself is not an ultimate parent entity. As the group parent of the minimum tax group within the meaning of Section 3 of the German Minimum Tax Act, VARTA AG may in future bear any additional tax burden arising for all business units located in Germany. In addition, it would have to bear the tax burden resulting from foreign minimum tax laws for jurisdictions in which no national supplementary tax is levied, as it is to be categorised as a partially owned parent company. If it is not designated as the parent company of the group, it will generally not

be subject to any additional tax burden. However, it is obliged to compensate the group parent company, which must bear any future additional tax burdens for all business units located in Germany, for any national supplementary tax amounts caused by itself and its subsidiaries, plus any tax burden resulting from its subsidiaries for jurisdictions in which no national supplementary tax is levied, as it qualifies as a partially owned parent company. The Group is examining the impact of this but is not yet able to make a final statement on the level of taxes. The company applies the exemption for recording deferred taxes and the disclosures required by IAS 12.

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 are subject to an insignificant risk of changes in value.

The other non-cash income of T€ 106.0 (2022: T€ 38.0) from the share-based payment with an amount of T€ 1.0 (2022: T€ 17.0), see notes 31 Personnel expenses. The financial result includes € 0.1 m in currency gains from the liquidation of the Russian company.

The item Payments for the purchase of intangible assets and property, plant and equipment cannot be reconciled with the corresponding additions to Intangible assets and property, plant and equipment due to outstanding items that were not payable. The differences essentially result from the change in liabilities. These liabilities from investments in property, plant and equipment decreased by € -14.2 m (2022: € 5.3 m) compared to the previous year. The outstanding items from the previous year's investments were paid in full in the following year and allocated to the item "Payments for the purchase of property, plant and equipment and intangible assets" in the cash flow statement.

The development of financial liabilities consisted of the following:

	01 JANUARY 2023	CASH CHANGE				NON-CASH CHANGE		CURRENCY TRANSLATION	31 DECEMBER 2023
(€ k)		BORROWINGS	REPAYMENTS	INTEREST PAID	OTHER CHANGES	INTEREST EXPENSE			
Liabilities to financial institutions	488,724	0	-839	-21,450	0	26,160	0		492,595
Other financial liabilities	27,071	1,298	-4,599	-3,697	-1,463	3,714	0		22,324
Lease liabilities	87,097	18,254	-22,035	-1,255	2,255	1,255	1		85,572
Liabilities from financing activities	602,892	19,552	-27,473	-26,402	792	31,129	1		600,491

	01 JANUARY 2022	CASH CHANGE				NON-CASH CHANGE		CURRENCY TRANSLATION	31 DECEMBER 2022
(€ k)		BORROWINGS	REPAYMENTS	INTEREST PAID	OTHER CHANGES	INTEREST EXPENSE			
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

Interest expenses include cash interest totalling € 0.5 m for non-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 the Group reporting is correct.

The Audit Committee monitors 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 material 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 financial statements. 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. For further information, please refer to the explanations regarding the capital measures in the section 47 Events after the reporting date.

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 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 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 AG 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.

The carrying amount of financial assets equates to the maximum credit risk. This largely comprised the following as of the reporting date:

(€ k)	CARRYING AMOUNT	
	31 DECEMBER 2023	31 DECEMBER 2022
Cash and cash equivalents	120,163	108,709
Trade receivables	114,811	110,378
Contract assets	3,401	3,959
Other financial assets	63	675
Other assets*	22,188	39,698
Total financial assets	260,626	263,419

* excluding receivables from debt assumptions € 36.0 m (2022: € 37.7 m), other tax receivables € 4.1 m (2022: € 3.8 m) and prepaid expenses € 2.7 m (2022: € 1.7 m).

The VARTA AG Group sells revolving trade receivables to a bank (factor). The sale of receivables takes place weekly. The receivables paid during the month are presented under other financial liabilities in the amount of € 1.5 m to the bank (see note Trade receivables and contract assets). As at 31 December 2023, the Group has sold receivables of € 67.1 m (2022: € 55.5 m) 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 AG Group, a financial asset in the amount of the continuing involvement continued to be recognised under trade receivables. Further details can be found in Section 13 Trade receivables and contract assets

As at the balance sheet date of 31 December 2023, other assets mainly related to receivables from government grants of € 9.7 m (2022: € 23.3 m). Other assets also contained refund claims of € 7.2 m against Energizer. These are for the settlement of taxes from the periods before the acquisition of VARTA Consumer business.

The maximum credit risk is assessed as low, since the default risk inherent in basic business with business partners of € 91.0 m (2022: € 129.6 m) was partly covered by credit insurance. In the case of one customer, an advance payment of € 11.9 m (2022: € 15.3 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 after loss allowances comprised the following:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Trade receivables	118,274	111,586
Loss allowances	-3,463	-1,208
Trade receivables - net	114,811	110,378

There have been the following changes to loss allowances:

(€ k)	2023	2022
As of the beginning of the fiscal year	1,208	2,893
Allocation of expected credit losses	2,528	853
Consumption of expected credit losses	-114	-158
Reversal of expected credit losses	-134	-2,325
Foreign exchange differences	-25	-55
Total loss allowances	3,463	1,208

At the balance sheet date, or as soon as it is known that a receivable is uncollectible, an allowance for doubtful accounts is established for all trade receivables, irrespective of maturity, in an amount equal to the expected loss over the expected life of the receivable. 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 associated with trade receivables from € 114.8 m to € 71.9 m. The loss allowance rate is calculated each year on the basis of a country risk.

The following table shows the gross carrying amounts of trade receivables according to default risk rating classes:

(€ k)	31 DECEMBER 2023	31 DECEMBER 2022
Europe	102,458	93,221
America	5,607	7,327
Asia	7,624	9,341
Other	2,585	1,697
Total	118,274	111,586

For contract assets, comparable default risk rating classes are used.

Financial assets to which the general approach applies within the meaning of IFRS 9 were not written down, as no significant defaults due 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. Management thereof ranges from the constant comparison of forecasted and actual cash flows to 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 obligation, 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.

Due to the cyberattack in February 2024 and the associated production stoppage, the liquidity situation deteriorated noticeably in the first half of 2024. As a result of further developments, the Executive Board decided on 21 July 2024 to restructure the company financially using the instruments of the German Corporate Stabilisation and Restructuring Act (StaRUG). On 18 September 2024, a commercial agreement was reached with the banks on a supplement to the restructuring concept and on bridge financing. This bridge financing secured liquidity until the end of 2024. On 9 October 2024, a lock-up agreement was concluded with the financing banks, the majority of the promissory note loan creditors and DDr Tojner's investment companies. The completion of the measures under the reorganisation concept still depends, among other things, on merger control clearance, some operational evidence and the legally binding confirmation of the restructuring plan for VARTA AG in the ongoing restructuring proceedings under the StaRUG and is currently expected in the first quarter of 2025. Weitere Einzelheiten hierzu in Kapitel 47 Events after the reporting date.

The undiscounted contractual maturities of non-derivative and derivative financial liabilities are shown below:

31 December 2023

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	4 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Other non-derivative financial liabilities	514,835	522,424	0	6,948	496,253	9,730	9,493
Lease liabilities	85,572	89,804	1,330	3,184	13,364	51,218	20,708
Trade payables	82,625	82,625	7,222	74,845	558	0	0
Other liabilities*	2,609	2,609	966	1,060	583	0	0
Total non-derivative financial liabilities	685,641	697,462	9,518	86,037	510,758	60,948	30,201
Derivative financial liabilities							
Forward exchange transactions (cash flow hedge)	84	637	0	159	478	0	0
Total derivative financial liabilities	84	637	0	159	478	0	0
Total Group	685,725	698,099	9,518	86,196	511,236	60,948	30,201

* Excluding deferred income € 35.0 m, liabilities from subsidised projects € 6.3 m, customs liabilities € 3.7 m and other liabilities from taxes € 8.9 m

31 December 2022

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	4 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Other non-derivative 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 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

Market price risks

Market price risks include currency, commodity and interest rate risks, which are explained in more detail below.

Commodity price risk

The Group buys commodities in different quantities and these are subject to the risk of price changes. The key commodities are determined by analysing the planned quantities of commodities and hedged in part through commodity swaps (mainly for silver and nickel). The remaining commodity risk for the Group is rated low. These derivatives were valued at € 0.1 m at the balance sheet date.

Raw material requirements totalling € 41.0 m for silver and € 3.1 m for nickel are subject to a raw material price risk.

A price increase of one percentage point would have reduced the Group result by € 0.4 m (2022: reduced by € 1.3 m). A reduction in the commodity price of one percentage point would have resulted in an improvement in the Group result of € 0.4 m (2022: improvement of € 0.02 m). For the purposes of this analysis, it is assumed that all other variables, in particular foreign currency effects, remain constant.

Currency risk

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 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 2023	31 DECEMBER 2022
Cash and cash equivalents	21,905	2,013
Trade receivables	15,234	6,522
Receivables due from related companies	3,532	2,891
Trade payables	17,173	19,253
Loans from related companies	11,240	9,282
Liabilities to related companies	-11,854	2,233
Total currency exposure gross	24,112	-19,342
Total currency exposure net*	24,112	-19,342

Other currency pairs of relevance to the Group are less significant, as these mainly originate from transactions within the VARTA AG Group.

An appreciation (depreciation) of the functional currency of the VARTA AG Group against the US Dollar 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 2023	31 December 2022
EUR/USD	+7,3 % (PY: +8,0 %)	-687	-1,841
(€ k)		LOSS	
		31 December 2023	31 December 2022
EUR/USD	-7,3 % (PY: -8,0 %)	795	2,162

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 assumed 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 manage. The syndicated loan, consisting of a term loan in the amount of € 100.0 m and a revolving credit facility in the amount of € 135.0 m, has different maturities due to the usually short-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.

The VARTA AG Group currently classifies the interest rate risk as low due to the currently forecast interest rate cuts. Nevertheless, an increase in interest rates can be expected in connection with the adjustment of financing planned in the StaRUG process. An increase in interest expenses cannot be ruled out.

At the balance sheet date, the following interest-bearing financial instruments exist:

(€ k)		CARRYING AMOUNT	
		31 DECEMBER 2023	31 DECEMBER 2022
Variable interest financial instruments			
Financial assets*		119,840	108,691
Financial liabilities**		328,968	324,224

* include bank balances as well as short-term investments

** include other financial liabilities, excluding derivative financial instruments € 0.1 m (2022: € 0.0 m)

An increase in the interest rate by one percentage point would have reduced the Group's net profit by € 1.5 m (2022: reduced by € 1.3 m). A reduction in the interest rate of one

percentage point would result in an improvement in consolidated net income of € 1.5 m (2022: increase of € 0.02 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 commodity prices. It uses commodity swaps to reduce the short-term effects of fluctuations in 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 2023, the recognised loss on derivative financial instruments shown amounted to € 0.5 m (2022: loss of € 13.3 m).

Hedging transactions are concluded over the maturity at average hedging rates.

Commodity hedges are recognised in other financial assets with a value of € 0.1 m (2022: € 0.7 m) in other financial liabilities with a value of € 0.1 m (2022: € 0.0 m).

41. Other disclosures on financial instruments

Netting 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 IAS 32 for off-setting. Despite this, there is a legal right to offset outstanding transactions subject to certain requirements, such as a default or insolvency on the part of a counterparty. No financial items were offset nor was there any potential for offsetting as at the balance sheet date.

Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts of financial instruments by category and at fair value by category:

(in € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 31 DECEMBER 2023	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Active financial instruments				
Other assets non-current		36,165		
- of which not measured in accordance with IFRS 9	n/a	36,044	n/a	n/a
- of which other receivables and assets	AC	121	n/a ¹	n/a
Trade receivables		114,811		
- of which trade receivables	AC	44,565	n/a ¹	n/a
- of which trade receivables	FVTPL	68,951	68,951	2
- thereof from continuing involvement	n/a	1,295	n/a	n/a
Other financial assets current		63	0	
- of which stand-alone derivatives	FVTPL	63	63	2
Other assets current		28,899		
- of which not measured in accordance with IFRS 9	n/a	6,832	n/a	n/a
- of which other receivables and assets	AC	22,066	n/a ¹	n/a
Cash and cash equivalents	AC	120,163	n/a ¹	n/a
Total		300,101		
(in € k)	CATEGORY ACCORDING TO IFRS 9	CARRYING AMOUNTS AS AT 31 DECEMBER 2023	FAIR VALUES	LEVEL ACCORDING TO IFRS 13
Passive financial instruments				
Lease liabilities non-current ²	n/a	68,799	n/a	n/a
Other financial liabilities non-current		19,223		
- thereof other financial liabilities	FLAC	19,223	24,278	3
Lease liabilities current ²	n/a	16,773	n/a	n/a
Other financial liabilities current		495,696	452,371	0
- of which other financial liabilities	FLAC	494,317	n/a ¹	n/a
- thereof associated liabilities from continuing involvement	n/a	1,295	n/a	n/a
- of which stand-alone derivatives	FVTPL	84	n/a ¹	n/a
Trade payables		96,308		
- thereof advance payments received	n/a	13,683	n/a	n/a
- thereof trade accounts payable	FLAC	82,625	n/a ¹	n/a
Other liabilities current		30,951		
- of which not measured in accordance with IFRS 9	n/a	18,004	n/a	n/a
- of which other liabilities	FLAC	12,947	n/a ¹	n/a
Total		727,750		

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 DECEMBER 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
- of which 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 DECEMBER 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		
- of which other financial liabilities	FLAC	18,795	19,394	3
Lease liabilities current ²	n/a	17,397	n/a	n/a
Other financial liabilities current		497,000		
- of which other financial liabilities	FLAC	496,317	n/a ¹	n/a
- of which stand-alone derivatives	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 payables	FLAC	101,373	n/a ¹	n/a
Other liabilities current		33,364		
- of which not measured in accordance with IFRS 9	n/a	18,600	n/a	n/a
- of which other liabilities	FLAC	14,764	n/a ¹	n/a
Total		752,923		

(IN € k)		31 DECEMBER 2023	31 DECEMBER 2022
Financial assets AC	Amortised Cost	186,915	222,635
Financial assets and liabilities FVTPL	Fair Value through Profit and Loss	69,014	36,142
Financial assets and liabilities FVTPL	Fair Value through Profit and Loss	84	-
Financial liabilities FLAC	Financial Liabilities at Amortised Cost	609,112	631,249

- 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.

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 date 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 asset or liability either directly (as a price) or indirectly (as derived from prices)
- Level 3: measurement parameters for assets or liabilities 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. 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 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 FVTPL, 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 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 by 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 2023	31 DECEMBER 2022
Financial assets AC	Amortised Cost	-50	3,070
Financial assets and liabilities FVTPL	Fair Value through Profit and Loss	-758	-13,935
Financial liabilities FLAC	Amortised Cost	-33,468	-13,762

The net result recognised for financial assets measured at amortised cost is primarily the result of interest effects and changes in value adjustments. The net result recognized for financial assets and liabilities measured at fair value through profit and loss results in particular from unrealised changes in fair value. 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 expenses:

Total interest income and expenses from financial instruments not measured at fair value through profit or loss are as follows:

(IN € k)		31 DECEMBER 2023	31 DECEMBER 2022
Interest income from financial assets measured at amortised cost		1,903	2,450
Interest expense from financial liabilities measured at amortised cost		-33,468	-13,762
Total		-31,565	-11,312

42. Related parties

The following persons and companies were identified as related parties for the reporting periods 2023 and 2022:

- 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 offsets from and to related companies are included in the consolidated financial statements shown:

(€ k)	2023		2022	
	TRANSACTION VOLUME		TRANSACTION VOLUME	
	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				
Transactions with MTC Companies	19	2,467	349	3,088
Transactions with Prof DDr Tojner companies	32	10,541	104	3,368
Total	51	13,008	453	6,456

The following receivables and liabilities are outstanding as at 31 December 2023:

(€ k)	31 DECEMBER 2023		31 DECEMBER 2022	
	OUTSTANDING ITEMS		OUTSTANDING ITEMS	
	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
TRANSACTIONS				
Transactions with MTC Companies	23,344	10,824	25,430	8,526
Transactions with Prof DDr Tojner companies	14	6,723	6	11
Total	23,358	17,547	25,436	8,537

Transactions with MTC companies

The following transactions were conducted with MTC companies:

(€ k)	2023		2022	
	TRANSACTION VOLUME		TRANSACTION VOLUME	
	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				
Services	-	1,949	-	681
other Settlements	19	518	349	2,407
Total	19	2,467	349	3,088

As at 31 December 2023, outstanding receivables and liabilities with related MTC companies were as follows:

(€ k)	31 DECEMBER 2023		31 DECEMBER 2022	
	OUTSTANDING ITEMS		OUTSTANDING ITEMS	
	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
TRANSACTIONS				
Services	0	1,923	8	129
other Settlements	23,344	8,901	25,422	8,397
Total	23,344	10,824	25,430	8,526

There is still a financial liability to MTC companies from the debtor warrant (see section 20 Other financial liabilities) of € 8.9 m (2022: € 8.4 m).

In connection with a planned capital increase at VARTA AG, a MTC company issued a guarantee for a capital increase. The incurred fees amount to € 1.8 m in financial year 2023. Due to the economic development in the financial year 2024, the debtor warrant was derecognised in profit or loss in 2024. In addition, the restructuring plan of VARTA AG provides a waiver of this claim by creditor. (see 47 Events after the reporting date)

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with VC Pensionen GmbH, Ellwangen, (Germany) in which VC Pensionen GmbH 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 outstanding receivables due from an MTC company essentially result from accounting for the claim for reimbursement against VC Pensionen GmbH.

Outstanding receivables are collateralised as far as possible.

In financial year 2023, there were no dividend payments to the majority shareholder VGG Beteiligungen SE (2022: € 54.9 m).

The subordinate guarantee from VGG Beteiligungen SE of € 8.0 m was still in place in financial year 2023 with the amount unchanged. There is also a further guarantee in the amount of € 13.0 m, which was issued by VGG Beteiligungen SE in the previous year. For further details, please refer to note 21.2 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 Leases), rental expenses of € 3.5 m (2022: € 3.1 m) were incurred from the leaseback of land and buildings and the associated accretion agreements in financial year 2023. A further rental agreement was concluded with this company controlled by Prof DDr Tojner in the previous year for a building yet to be constructed. A provision of € 6.7 m was recognized in the financial year for the termination of this agreement and the resulting obligations. The restructuring plan of VARTA AG provides waiver of claims by this creditor. This will result in derecognition income for this obligation once the measures are implemented in 2025.

In total, the transaction volume with Prof. DDr Michael Tojner companies was as follows:

(€ k)	2023		2022	
	TRANSACTION VOLUME		TRANSACTION VOLUME	
	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
TRANSACTION TYPE				
Services	32	10,541	104	3,368
Total	32	10,541	104	3,368

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 2023		31 DECEMBER 2022	
	OUTSTANDING ITEMS		OUTSTANDING ITEMS	
	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
TRANSACTIONS				
Services	14	6,723	6	11
Total	14	6,723	6	11

The guarantee from Global Equity Beteiligungs-Management GmbH, Vienna, worth € 20.0 m for contingent liabilities was still in place in financial year 2023 with the amount

unchanged (for further details, please refer to note 44 Other financial obligations and contingent liabilities).

Transactions with companies controlled by key management personnel

There is a loan agreement with the Herbert Quandt Foundation for € 0.52 m (2022: € 0.52 m). As of the reporting date, there is a liability of € 0.57 m (2022: € 0.59 m). Accrued interest for this loan amounts to € 0.05 m as of the reporting date (2022: € 0.07 m). A repayment of € 0.03 m took place in the financial year (2022: € 0.00 m).

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, the remaining administrative company VW-VM Verwaltungsgesellschaft mbH was liquidated and deleted in 2023.

Transactions with companies in which participations are held

As at 31 December 2023, there were no companies in which participations are held.

42.2.Related persons

The Key Management Personnel consisting of the Executive Board, the division management and Supervisory Board of VARTA AG. The key management personnel excluding the Supervisory Board received the following remuneration:

(€ k)	2023	2022
Shot-term employee benefits	3,111	3,288
Benefits after termination of employment	2	1
Benefits due to termination of the employment relationship	158	-
Total amount of remuneration of key management personnel	3,271	3,289

The members of the Supervisory Board received compensation of € 0.4 m (2022: € 0.4 m). There were no liabilities to members of the Supervisory Board as of 31 December 2023 (2022: € 0.1 m).

As of 31 December 2023, there are accrued liabilities for members of key management personnel in the amount of € 1.5 m (2022: € 0.4 m) from bonus agreements and provisions for pensions totalling € 0.02 m (2022: € 0.7 m).

Related parties of key management personnel received remuneration totalling € 0.1 m (2022: € 0.1 m). In addition, there are accrued liabilities of € 0.03 m (2022: € 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 AG Group. The fixed non-performance-related compensation components comprise the fixed annual salary and fringe benefits. The variable performance-related compensation components comprise a short-term component (STI) and a long-term component (LTI). The Executive Board member must invest the LTI amount in the company's shares, which are subject to a minimum holding period of four years. The variable compensation is subject to malus and clawback arrangements.

Fees totalling € 0.4 m and cost reimbursement of € 0.05 m were invoiced in the current financial year (2022: € 0.00 m) for key management personnel services provided by another company. As in the previous year, there were no liabilities to this company.

43. Management of VARTA AG

The **Executive Board of VARTA AG** is composed as follows:

Michael Ostermann, Member of the Executive Board, Chairman of the Executive Board / CEO since 6 May 2024

Additional board memberships:

- Member of the Supervisory Board of Industriedruck GmbH
- Member of the Supervisory Board of VARTA Microbattery GmbH since 1 June 2024

Dr Markus Hackstein, Spokesman of the Executive Board until 6 May 2024, Member of the Executive Board until 17 June 2024

Additional board memberships:

- Chairman of the Supervisory Board of VARTA Microbattery GmbH until 31 May 2024

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

Marc Hundsdorf, Member of the Executive Board, Chief Financial Officer / CFO since 15 May 2023

Michael Giesswein, Member of the Executive Board, Chief Restructuring Officer / CRO from 15 June 2023 until 31 December 2024

Additional board memberships:

- Member of the Supervisory Board of VARTA Microbattery GmbH since 15 July 2023
- Member of the Supervisory Board of V42 Vorratsgesellschaft SE since 19 September 2023

Armin Hessenberger, Member of the Executive Board, Chief Financial Officer / CFO until 30 April 2023

Thomas Obendrauf, 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 and majority owner of Montana Tech Components AG, Reinach

Additional board memberships:

- Deputy Chairman of the Board of Directors of Montana Aerospace AG, Reinach
- Chairman of the Board of Directors of Montana AS Beteiligungs Holding AG, Zug
- Member of the Supervisory Board of Dorotheum GmbH, Vienna
- Member of the Board of Directors and Executive Director of Hydrox Green Power SPAC SE, Vienna since 21 December 2023

Dr Harald Sommerer (Deputy Chairman until 24 September 2024)

Entrepreneur

Additional board memberships:

- Deputy Chairman of the Supervisory Board of Kapsch Traffic Com AG, Vienna

Sven Quandt

Managing Director of X-raid GmbH, Trebur-Astheim and entrepreneur

Additional board memberships:

- Foundation Board of the Herbert Quandt Foundation, Hannover

Martin Ohneberg

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

Additional board memberships:

- Chairman of the Board of Aluflexpack AG, Reinach,

- Chairman of the Supervisory Board of VERBUND AG, Vienna
- Vice-Chairman of the Board of Directors of Montana Aerospace AG, Reinach
- Member of the Supervisory Board of Getzner Werkstoffe Holding GmbH, Bürs

Dr Michael Pistauer

Chief Financial Officer / CFO and Co-CEO Montana Aerospace AG, Reinach and entrepreneur

Additional board memberships:

- Chairman of the Board of Directors of Alu Menziken Extrusion AG, Reinach
- Chairman of the Board of Directors of Montana AS Beteiligungs Holding AG, Zug
- Chairman of the Supervisory Board of ASTA Energy Solutions AG, Oed / Bezirk Wiener Neustadt since 12 August 2023
- Chairman of the Supervisory Board of VARTA Microbattery GmbH

Günther Apfalter since 11 July 2023

Entrepreneur

Additional board memberships:

- Chairman of the Supervisory Board of SWARCO AG, Wattens
- Member of the Supervisory Board of Hirschmann Automotive GmbH, Rankweil
- Member of the Supervisory Board of LEONI AG, Nuremberg

Josef Reichhart since 23 September 2024

Member of the Works Council of VARTA Microbattery GmbH

No additional board memberships

Thomas Kopf since 23 September 2024

Chairman of the Works Council of VARTA Micro Production GmbH

No additional board memberships

Bernd Jandl since 23 September 2024

Deputy Chairman of the Works Council of VARTA Storage GmbH

No additional board memberships

Oliver Milbich (Deputy Chairman) since 23 September 2024

Chairman of the General Works Council of VARTA Consumer Batteries GmbH & Co. KG aA

No additional board memberships

Katja Kalkreuter since 23 September 2024

Trade Union Secretary of IG Metall

No additional board memberships

Juliane Deak since 23 September 2024

Trade Union Secretary of IG Metall

No additional board memberships

44. Other financial obligations and contingent liabilities

(€ k)	2023	2022
Service obligations, Rent		
Due up to 2024 / 2023	4,333	2,505
Due up to 2025 – 2029 / 2024 – 2028	7,923	16,893
Due after 2029 / 2028	6,078	29,063
Purchase commitments from approved investment		
Due up to 2024 / 2023	20,626	71,205
Other purchase obligations		
Due up to 2024 / 2023	160,624	143,997
Total	199,584	263,663

Other financial obligations for services and rents include services that have been commissioned but have not yet been supplied and tenancy agreements that have been concluded but have not yet commenced.

The purchase commitment from approved investment comprises outstanding amounts from investment orders that have not yet been carried out by suppliers and will lead to assets being recognised in fixed assets on completion or delivery.

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 decrease primarily due to termination of the lease agreement for the new headquarters at VARTA-Platz 1 in Ellwangen. Other financial obligations to related parties amount to € 66.7 m (2022: € 58.9 m).

In addition, reference should be made to the risks arising from contaminate 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 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 contaminated sites exceed the coverage potential of the guarantor or the guarantor cannot fulfil its contractual obligations, VARTA AG will be charged accordingly. VARTA AG has assessed these remaining risks and has not identified any need to recognise a provision.

In connection with the pension obligations spun off from VARTA AG to VRT Pensionen GmbH in 2016, VARTA AG is liable as a joint and several debtor for 10 years after the spin-off and therefore until 2026 in accordance with Section 133 (3) sentence 2 UmwG. As 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 under the subsequent liability. For more details, please refer to Section 5 Material assumptions and estimates.

The reported values for service or service obligations, rent within the contingent liabilities in the 2022 consolidated financial statements as at 31 December 2022 in the amount of € 119.5 m included leasing obligations for current rental agreements already recognised in the balance sheet in the amount of € 71.0 m and would therefore have amounted to € 48.5 m.

Consequently, there is a material error within the meaning of IAS 8.8 in the form of an incorrect disclosure in the 2022 consolidated financial statements with regard to valuation, recognition and disclosure (including presentation) in the Notes to the Consolidated Financial Statements.

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 %
Auditax 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 %
Mezzanin Finanzierungs GmbH	Vienna	Austria	EUR	100.00 %
V42 Vorratsgesellschaft SE1	Ellwangen	Germany	EUR	100.00 %
P.T. VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00 %
V4Smart GmbH & Co. KG ²	Nördlingen	Germany	EUR	100.00 %
V4Drive Romania S.R.L.	Otopeni	Romania	RON	100.00 %
VARTA Consumer Austria GmbH	Brunn am Gebirge	Austria	EUR	100.00 %
VARTA Consumer Batteries Benelux B.V.	Utrecht	Netherlands	EUR	100.00 %
VARTA Consumer Batteries GmbH & Co. KGaA	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Batteries Iberia S.L.U.	Madrid	Spain	EUR	100.00 %
VARTA Consumer Batteries Italia s.r.l.	Basiglio	Italy	EUR	100.00 %
VARTA Consumer Batteries Poland Sp.z.o.o.	Warsaw	Poland	PLN	100.00 %
VARTA Consumer Batteries UK Ltd.	Oldham	United Kingdom	GBP	100.00 %
VARTA Consumer Bulgaria EOOD	Sofia	Bulgaria	BGN	100.00 %
VARTA Consumer Czech spol. s.r.o.	Česká Lípa	Czech Republic	CZK	100.00 %
VARTA Consumer Denmark A/S	Albertslund	Denmark	DKK	100.00 %
VARTA Consumer Europe Holding GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Finland Oy	Vantaa	Finland	EUR	100.00 %
VARTA Consumer France S.A.S.	Courbevoie	France	EUR	100.00 %
VARTA Consumer Hrvatska d.o.o.	Zagreb	Croatia	EUR	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 GmbH1	Ellwangen	Germany	EUR	100.00 %
VARTA Microbattery Inc.	Rye, NY	United States of America	USD	100.00 %
VARTA Microbattery Japan KK	Tokyo	Japan	USD	100.00 %
VARTA Microbattery Pte. Ltd.	Singapore	Singapore	USD	100.00 %
VARTA Microbattery S.R.L.	Brasov	Romania	RON	100.00 %
Varta Pilleri Ticaret Limited Sirketi	Istanbul	Turkey	TRY	100.00 %
VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00 %
VHB Real Estate Holdings LLC	Delaware	United States of America	EUR	100.00 %

1 formerly V4Drive SE
2 Formerly V4Drive Battery GmbH

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) HGB for disclosure and non-preparation of notes to the financial statements and management report. VARTA AG prepares the consolidated financial statements for the smallest group of these companies, which are the exempting consolidated financial statements for these companies.

VGG Beteiligungen SE, Vienna, holds a stake of 50.12 % of the subscribed capital of VARTA AG. The remaining 49.88 % is held in free float. The ultimate parent company of VGG Beteiligungen SE is Montana Tech Components AG in Reinach, Switzerland. Montana prepares the consolidated financial statements for the largest group of companies. The consolidated statements of Montana Tech Components AG can be downloaded from the website www.montanatechcomponents.com.

Exemptions in accordance with Section 291 (2) HGB

The companies included in the consolidated financial statements in accordance with IFRS, namely VARTA Microbattery GmbH, Ellwangen, Germany, VARTA Consumer Europe Holding GmbH, Ellwangen, Germany and VARTA Consumer Komplementär GmbH, Ellwangen, Germany are exempted from the obligation to prepare sub-consolidated financial statements.

Liabilities

The debt waiver by a related company in the amount of € 8.9 m described in the position 20 Other financial liabilities 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 2,8 Mio. € in the financial year (2022: € 2.4 m). Members of the Supervisory Board received expenses allowances totalling 0,4 Mio. € (2022: € 0.4 m). As at the reporting date, there were no outstanding liabilities to members of the Supervisory Board. Former members of the Board of Management or their surviving dependants received compensation totalling 0,4 Mio. € (2022: € 0.0 m). Provisions for pensions and pensions entitlements totalling € 0.02 m have been recognised for this group of persons.

Information on the Supervisory Board and the Executive Board remuneration in 2023 is presented in the VARTA AG Remuneration Report and will be published at <https://www.varta-ag.com/en/investors/publications>.

Total fees 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 expenses for the current financial year are to be broken down as follows:

(€ k)	2023	2022
	1,608	1,201
Audit services	8	
Total	1,608	1,201

Proposal for the appropriation of earnings

VARTA AG generated a net loss of € 129.8 m in the financial year 2023. It is proposed that the net loss for the year will be offset and carried forward to new account. Taking into account the loss carried forward of 173.8 Mio. € and the net loss for the year of 129.8 Mio. €, this results in an accumulated loss of 303.7 Mio. € as at 31 December 2023.

German Corporate Governance Code

In July 2024, the Executive Board and Supervisory Board of VARTA AG issued the annual declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available on the website www.varta-ag.com.

47. Events after the reporting date

Cyberattack

On 12 February 2024, the VARTA AG Group was the target of a cyberattack on large parts of its IT systems at the five production sites, numerous sales locations and in administrative areas. The SAP systems as well as central production systems were operational again in the short term. As of today, communication with customers and suppliers via the previous communication channels is working again at the same level as before the cyberattack. A key focus in recent months has been on increasing IT security by replacing firewalls and other critical systems, among other things. The IT infrastructure is expected to be almost fully restored during the first half of 2025.

Due to the consequences of the cyberattack and the existing restructuring situation (in particular due to the ongoing negotiations with financial creditors and investors at that time as well as the subsequently ongoing restructuring proceedings), the Executive Board of VARTA AG had to postpone the publication of the consolidated financial statements and the Company's annual financial statements for the financial year 2023, originally scheduled for end of March 2024, several times.

Personnel changes

In May 2024, Mr Michael Ostermann was appointed as a new member of the Executive Board of VARTA AG and as the new Chief Executive Officer (CEO). Dr Hackstein stepped down from his function as Spokesman of the Executive Board on 6 May 2024. He resigned from his position as a member of the Executive Board of VARTA AG with effect from 17 June 2024.

In a notification dated 7 May 2024, the Executive Board of VARTA AG announced the launch of status proceedings in accordance with Section 97 of the German Stock Corporation Act (AktG). The shareholders' and employees' representatives' court applications regarding the composition of the Supervisory Board were approved by the court. Accordingly, since the end of September 2024, the Supervisory Board has consisted of six shareholders' representatives and six employees' representatives, i.e. a total of twelve members, see also Section 43 Management of VARTA AG.

In accordance with the limited term set out in the appointment resolution, Michael Giesswein's Executive Board mandate ended on 31 December 2024. Since 1 January 2025, Mr Giesswein has been General Representative of VARTA AG and continues to serve as CRO.

With effect from 28 February 2025, Marc Hundsdorf resigned from his position as a member of the Executive Board (CFO) at his own request. Rolf Glessing was appointed as his successor by the Supervisory Board on 11 February 2025 and will take up his position on 1 March 2025.

After the Supervisory Board of VARTA AG approved the appointment of Michael Giesswein as a member of the Executive Board of VARTA AG at the beginning of February, subject to the condition precedent (among other things, the delisting of VARTA AG), the financial creditors, the Supervisory Board of VARTA AG and the future investor Porsche agreed to appoint Sebastian Rudow as CRO in the course of February. Sebastian Rudow will be appointed by 10 March 2025 at the latest (subject to the delisting of VARTA AG).

Economic changes

VARTA AG adjusted its revenue forecast for the financial year 2024 several times as published in ad hoc announcements - initially in June 2024 from the original figure of at least € 900 m to between € 820 m and € 870 m and subsequently in October 2024 to a corridor of between € 750 m and € 800 m. The main reasons for this were the slowdown in the energy storage market and a delayed product launch in this area as well as lower sales in the Lithium-Ion Large Cells division.

Restructuring

In 2024, VARTA AG was still in a restructuring situation. Due to economic developments, VARTA AG had to re-evaluate the restructuring programme adopted in 2023 and update the expert opinion prepared in accordance with the IDW-S6 standard dated April 2023. The analysis by the new restructuring expert, Auxil Management GmbH ("**Auxil**"), revealed that several assumptions in the existing expert opinion were too optimistic and led to a need to adjust the restructuring measures. As a result, VARTA AG discussed possible recapitalisation and financing options with its financial creditors, the majority shareholder and potential investors and ultimately agreed on a new restructuring solution with them.

On 21 July 2024, VARTA AG announced a restructuring project in accordance with the German Corporate Stabilization and Restructuring Act (StaRUG). The restructuring project is intended in particular to significantly reduce VARTA AG's debt and create the conditions for raising new equity and debt capital.

The restructuring project comprises the following key points:

- Reduction of VARTA AG's share capital to zero, resulting in the current shareholders leaving the Company without compensation and the "cold" delisting of VARTA AG;
- Provision of new equity in the total amount of € 60 m, which is made up as follows:
 - Capital increase with mixed cash and non-cash contributions to € 100,000 with exclusion of subscription rights of existing shareholders and subscription of the new shares by a company controlled by Dr. Ing. h.c. F. Porsche AG controlled company (Dr. Ing. h.c. F. Porsche AG together with its subsidiaries, "**Porsche**"), a company controlled by Dr. Dr Michael Tojner ("**MT InvestCo**") and a company controlled equally by Porsche and MT InvestCo;
 - Payment of a cash premium in the amount of almost € 30 m by Porsche;
 - Payment of a premium in the amount of almost € 30 m by MT InvestCo, consisting of a cash premium of nearly € 10 m and a non-cash premium of around € 20 m in the form of shares in real estate companies that own operating properties of the VARTA AG Group in Nördlingen and Ellwangen (Jagst);
- Debt haircut: partial waiver of receivables from the syndicated loan agreement and the promissory note loans, thereby reducing the debt burden from € 485 m by around € 255 m to € 230 m;

- Debt write-offs (partly also by means of confusion) by Porsche and various companies controlled by Dr Dr Michael Tojner totalling up to € 80 m;
- Taking out a new senior loan in the amount of 60 m to cover liquidity requirements;
- Instruments of revaluation in the form of profit participation rights for certain financial creditors who grant the New Money Facility and are affected by the haircut;
- Investment by Porsche in the V4Drive division (now V4Smart);
- General reorganisation within the VARTA AG Group.

After a pre-sale of certain V4Drive patents to Porsche in July 2024 in order to raise additional liquidity in the amount of € 20 m in advance of the implementation of Porsche's investment in the V4Drive division (now V4Smart), a commercial agreement on a restructuring concept was reached in August 2024 and the restructuring concept was supplemented in September 2024 with an improved offer to the promissory note creditors. In October 2024, the corresponding agreements in connection with this reorganisation concept were then concluded with the financial creditors, MT InvestCo and Porsche, in particular

- a notarised investor agreement most recently amended on 14 February 2025 concluded with Porsche and a company controlled by Dr Dr Michael Tojner with regard to the capital reduction of VARTA AG and the implementation of the capital increase ("**Investor Agreement**");
- a notarised participation agreement most recently amended on 14 February 2025 concerning V4Drive (now V4Smart) between VARTA AG, VARTA Microbattery GmbH, VARTA Micro Production GmbH and Porsche ("**Participation Agreement**");
- a lock-up agreement most recently amended on 14 February 2025 between VARTA AG and the financing banks, the majority of the promissory note loan creditors and Dr. Dr. Tojner's investment companies, which guarantees support in the StaRUG proceedings and contains a restructuring term sheet with further provisions on the planned restructuring;
- a bridge loan agreement in the amount of € 30 m with certain lenders and a most recently extended term until 27 March 2025 to eliminate a liquidity shortfall that has occurred in the meantime.

An extraordinary general meeting of VARTA AG was also held on 23 September 2024, at which the Executive Board announced the loss of half of the share capital.

After VARTA AG submitted the restructuring plan to the Local Court - Restructuring Court - Stuttgart on 31 October 2024, the discussion and voting meeting took place on 25 November 2024. The majority of the creditors affected by the plan approved the restructuring plan. Only the group of free float shareholders voted against the restructuring plan.

On 6 December 2024 (most recently amended on 28 February 2025), the New Money Facility Agreement was concluded with syndicated lenders and some of the promissory note loan creditors, who are granting the VARTA AG Group a new senior loan (super

senior) of in the amount of € 60 m to cover its liquidity requirements. Furthermore, the Restructuring and Amendment Agreement was concluded on 6 December 2024 between VARTA AG, its subsidiaries and parts of the syndicated lenders and promissory note loan creditors, among others, with which the restructuring agreement from 2023 is adapted to the new restructuring situation. Furthermore, an initial agreement was concluded to regulate the instruments of revaluation for financial creditors who grant the New Money Facility.

On 11 December 2024, the Local Court - Restructuring Court - Stuttgart confirmed the restructuring plan. Some shareholders subsequently lodged an immediate appeal against this decision. By order dated 23 January 2025, the Regional Court of Stuttgart rejected all immediate appeals filed against the plan confirmation order of the Local Court - Restructuring Court - Stuttgart as inadmissible and did not admit an appeal on points of law. The restructuring plan thus became legally binding.

On 16 December 2024, a further agreement was signed to regulate the instruments of revaluation for financial creditors affected by the haircut.

On 29 January 2025, VARTA AG applied for the revocation of the admission of its shares to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) and for inclusion in trading in the Prime Standard. This application was granted by the Frankfurt Stock Exchange with effect from the end of 12 May 2025. The admission of VARTA AG shares to the regulated market (General Standard) is not affected by the cancellation.

On 12 February 2025, a convertible loan in the amount of € 25 m was agreed between Porsche and the VARTA AG Group to procure additional liquidity. As part of the execution of the Participation Agreement, Porsche will contribute its repayment and interest claim in return for an increase in its future fixed capital share, which will then expire due to confusion.

On 25 February 2025, Auxil submitted the completed updated expert opinion on the assessment of restructuring capability in accordance with IDW S 6. The measures envisaged therein were already the basis for the restructuring plan submitted to the Local Court of Stuttgart on 31 October 2024. On the basis of the restructuring measures contained therein, Auxil confirmed the positive statement on the ability to restructure the VARTA AG Group. On the operational side, the restructuring measures include in particular cost and process optimisation, a reduction in personnel and targeted investments. In addition, the short-term spin-off of the V4Drive business unit (now V4Smart) is planned.

The restructuring measures set out in the legally binding restructuring plan are agreed in various contracts between VARTA AG, the investors and financial creditors, the fulfilment of which is subject to certain conditions. The agreed completion conditions must therefore be fulfilled before the restructuring measures are implemented, unless the completion conditions have been waived by the respective parties. This applies in particular to the Participation Agreement, the Investor Agreement, the two agreements governing the instruments of revaluation for financial creditors that grant the New Money Facility and the New Money Facility Agreement. A part of the closing conditions set out in these agreements have already been fulfilled. The outstanding closing conditions and closing actions are to be fulfilled in the near future. The Executive Board, the legal advisors of VARTA AG as well as the restructuring expert consider the fulfilment of the outstanding closing conditions and closing actions to be predominantly probable.

The closing of the Participation Agreement regarding V4Smart is expected to take place on 3 March 2025.

Also at the beginning of March, after the V4Smart closing has been completed, the capital measures (capital increase with mixed cash and non-cash contributions in the total amount of € 100,000) are currently planned to be filed for entry in the commercial register in accordance with the Investor Agreement and entered in the commercial register shortly thereafter. As a result, all shareholders affected by the plan will leave VARTA AG. Furthermore, the entry of the capital reduction will automatically result in the cancellation of the admission of VARTA AG shares to trading on the regulated market (delisting).

Shortly after registration of the capital measures, probably in mid-March 2025, an extraordinary general meeting of VARTA AG is to be held, at which, among other things, the issue of the instruments of revaluation is to be resolved.

In accordance with the Investor Agreement, MT InvestCo will then pay the non-cash premium of approximately € 20 m and the cash premium of almost € 10 m, while Porsche will pay the cash premium of almost € 30 m.

As a result, the debt waivers by Porsche and various companies controlled by Dr Dr Michael Tojner take effect.

Once all the preceding steps, which constitute closing conditions under the New Money Facility Agreement, have been implemented, the New Money Facility in the amount of € 60 m is expected to be paid out to VARTA AG and one of its subsidiaries in mid-March 2025 as the last major step in the restructuring. This will be used to repay the bridge loan agreement in the amount of € 30 m.

Due to the not yet complete implementation of the Participation Agreement, the Investor Agreement, the two agreements governing the instruments of revaluation for financial creditors that grant the New Money Facility and are affected by the haircut, the New Money Facility Agreement and the uncertainty of achieving the operating budget targets, taking into account the restructuring measures, there is an existential financing risk and an associated liquidity risk that jeopardises the ability of VARTA AG and its subsidiaries to continue as a going concern in accordance with Section 322 para 2 sentence 3 of the German Commercial Code (HGB). Against this background, there is material uncertainty in connection with events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern. The Group may therefore not be in a position to realise its assets and settle its liabilities in the ordinary course of business.

The Executive Board is convinced that the restructuring measures provided for in the restructuring plan and contractually agreed will continue to be implemented in March 2025 so that the sustainable financing of the VARTA AG Group is ensured and the VARTA AG Group is future-proof.

Ellwangen (Jagst), 28 February 2025

VARTA Aktiengesellschaft

CEO

CFO

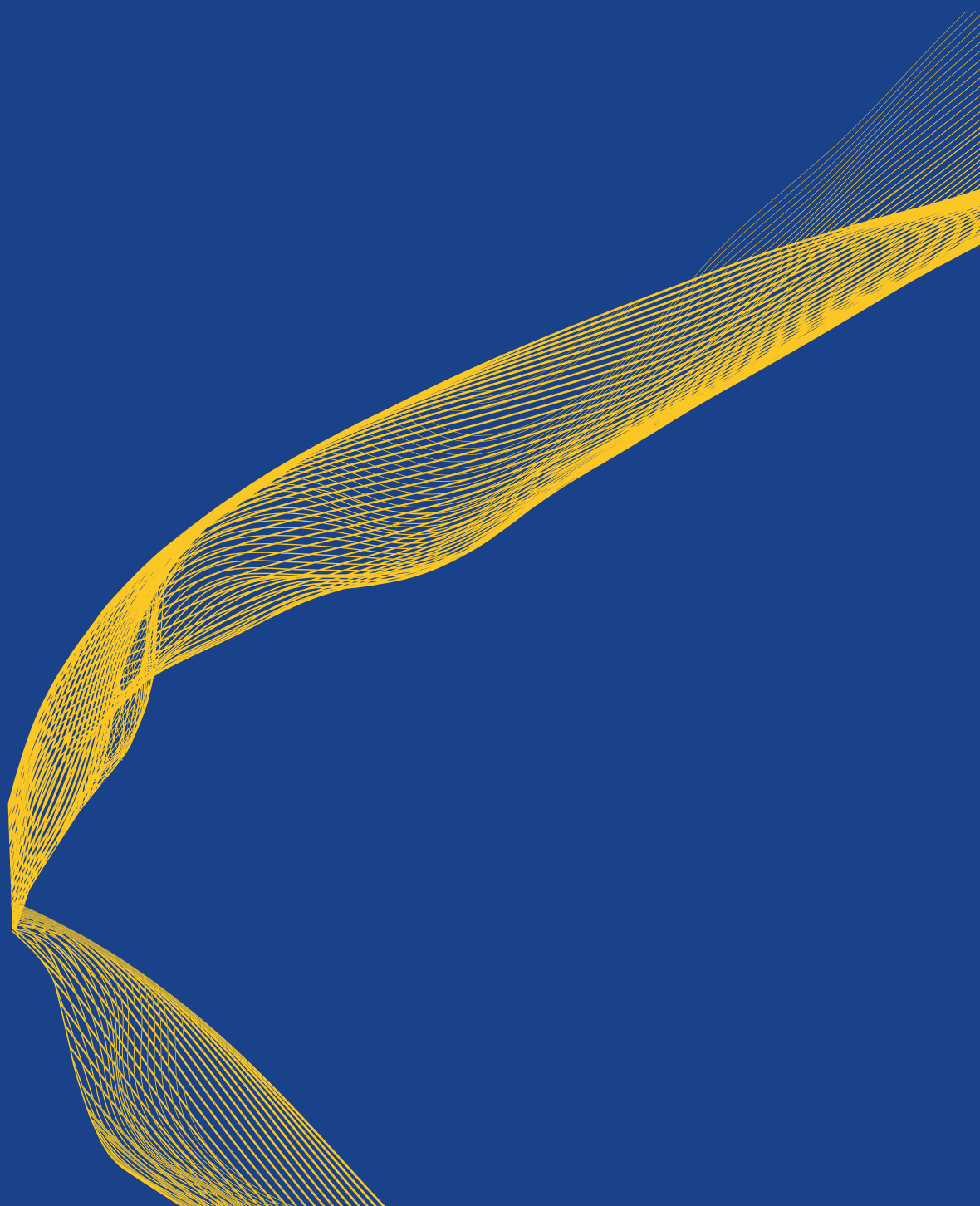
- Michael Ostermann -

- Marc Hundsdorf -

CTO

- Rainer Hald -

Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To VARTA AKTIENGESELLSCHAFT, 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 AKTIENGESELLSCHAFT, Ellwangen (Jagst), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of VARTA AKTIENGESELLSCHAFT, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the subsection "8.10. None-management report disclosures" of 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 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, 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 risks“ 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 implementation of the restructuring measures provided for in the restructuring plan and contractually agreed, as well as the achievement of the operating budget targets that take these measures into account.

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 risks“ 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 assessed, among other things, the written assessment of the company’s legal advisors regarding the successful implementation of the restructuring plan and also evaluated the expert restructuring opinion obtained by the company and the professional qualifications of the external expert. In this context, we also assessed the appropriateness of the assumptions made in the expert restructuring opinion and evaluated whether the measures presented in the expert restructuring opinion were appropriately derived on the basis of these assumptions. In addition, we assessed the progress of the implementation of the restructuring plan on the basis of discussions and documents. Our audit opinions on the consolidated financial statements and on the group management report 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 2023. 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:

- ① Testing the recoverability of property, plant and equipment and equipment and intangible assets
- ② Assumption of debt in connection with the pension obligations of the subsidiaries VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA

- ③ 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:

① Testing the recoverability of property, plant and equipment and equipment and intangible assets

① In the consolidated financial statements of the Company EUR 276,8 million and EUR 89,5 million are reported under the balance sheet items "Property, plant and equipment" and "Intangible assets", respectively (in total 42.1% of total assets or -294.1% 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 Consumer Batteries", "Microbatteries", "Lithium-Ion Small Cells", "Lithium-Ion Large Cells", "Lithium-Ion Battery Packs" 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 financial year 2023, 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 business plan prepared by executive directors and acknowledged by the supervisory board, which is updated with assumptions about long-term growth rates. Expectations relating to future market developments and assumptions about the development of macroeconomic factors 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 222,7 million with respect to the "Lithium-Ion Small Cells" cash-generating unit, a write-down amounting to a total of EUR 62,5 million with respect to the "Micro Batteries" cash-generating unit and a write-down amounting to a total of EUR 4,5 million with respect to the "Lithium-Ion Battery Packs" 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 flows 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 Group'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 business plan prepared by executive directors and acknowledged by the supervisory board 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 uncertainties inherent in the projections, we examined the planning premises of the business plan made by executive directors. 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 and growth rates 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.

② 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 36 million in reimbursement claims from an assumption of debt measured at fair value in accordance with IAS 19 (4.1% 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 AKTIENGESSELLSCHAFT and its subsidiaries. With respect to an assumption of debt relating to Colibri Beratungsgesellschaft mbH, Fürstenfeldbruck, 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, Ellwangen, 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 in particular 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.

③ 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 under the so-called Important Project of Common European Interest ("IPCEI") on Batteries received for project-related subsidies at an amount of EUR 38,5 million (4.4% of consolidated revenue or 151% 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 their view only eligible cost categories are involved and the individual subsidy projects, based on the evaluations of the projects taking into

account the respective after-tax cash flows, do not exceed the positive net present value calculated in the preliminary calculation.

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. 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. In addition 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, 29 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 section „Opportunity and risk report" of the group management report, which we obtained prior to the date of our auditor's 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, which we obtained prior to the date of our auditor's report

the separate non-financial group report to comply with §§ 315b to 315c HGB, which we obtained prior to the date of our auditor's report

all remaining parts of the annual report, which are expected to be made available to us after the date of the auditor's 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 Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work 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 (hereinafter the "ESEF documents") contained in the electronic file VARTA_KA+KLB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format").

In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the “Report on the Audit of the Consolidated Financial Statements and on the Group Management Report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above 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). Our responsibility in accordance therewith is further described in the “Group Auditor’s Responsibilities for the Assurance Work on the ESEF Documents” section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

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

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 11 July 2023. We were engaged by the supervisory board on 21 September 2023. We have been the group auditor of the VARTA AKTIENGESELLSCHAFT, 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).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Denis Etzel.

Stuttgart, February 28, 2025

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Denis Etzel
Wirtschaftsprüfer
(German Public Auditor)

ppa Christian Derosa
Wirtschaftsprüfer
(German Public Auditor)

We move on and move forward.

VARTA AG Sustainability Report 2023



Sustainability Statements

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1. General information

1.1. Basis for the preparation of the sustainability statements

The reporting period for the sustainability statements is 1 January 2023 to 31 December 2023 and, unless otherwise stated, corresponds to the reporting period for the company's financial statements. The sustainability statement was prepared on a consolidated basis in line with the scope of consolidation of the annual consolidated financial statements. The scope of consolidation includes all companies that VARTA AG controls directly or indirectly. Details of the companies included can be found in the Annual Report (please refer to chapter 3 Notes explaining the consolidated accounting principles).

The sustainability statements will be published in March 2025 and are also available in German. In the event of any discrepancies, the German version of the document takes precedence over the English translation. The sustainability statements contain statements on the future business development of the VARTA AG Group ("VARTA AG"). These statements are based on assumptions about the development of the economic, political, and legal environment in individual countries, economic regions and markets, which were made based on available information and which the company considered to be realistic at the time of publication. The estimates given involve certain risks and actual developments may differ from those forecasted. Any changes to key parameters relating to VARTA AG's most important sales markets or any significant shifts in exchange rates, energy, and other raw materials or the supply of parts relevant to the company presented in this Sustainability Statement will have a corresponding impact on VARTA AG's business development.

In addition, there may be deviations from the expected business development if the assessments of the factors influencing sustainable value enhancement, and of opportunities and risks, presented in this sustainability report develop differently than expected at the time of publication or if additional opportunities and risks or other factors that influence the company's business development emerge. The Sustainability Statements contain key information on the companies of VARTA AG and the upstream and downstream value chain. The upstream and downstream value chain was included in the course of the materiality assessment and to fulfil sustainability-related due diligence requirements and reporting obligations.

The information on the non-financial statements can be found in the relevant sections of the sustainability statement and was prepared in accordance with the standards of the Global Reporting Initiative. The non-financial report serves to fulfil the disclosure requirements of the German CSR Directive Implementation Act (CSR-RUG). Selected key indicators were subjected to an external audit and are marked with *** or corresponding note.

For better readability, the generic masculine form is used in selected places in this sustainability statements. This form is also used for corporate entities such as suppliers or customers. The personal designations used refer to all genders, unless otherwise indicated.

1.2. ESG highlights

In recent years, VARTA AG has introduced measures to improve its sustainability performance by consistently developing its environmental, social, and governance (ESG) strategy. We have set goals of integrating appropriate measures into our business operations and those of our business partners. This is part of our sustainability-related due diligence strategy to ensure that the company and its supply chain comply with

current and future sustainability requirements and meet increasing customer demands for more sustainable products.

Our continuous efforts have been recognised in the industry: The ESG risk rating Sustainalytics has awarded VARTA AG the "ESG Industry Top Rated for 2024" badge. Over the last three years, we have gradually improved to a score of 14.5 (as of January 2024), moving from a "medium risk" to a "low risk" for ESG-related material financial impact. We were also upgraded from BBB to A in the MSCI ESG rating. In 2024, VARTA AG is also among the top 5 % of all companies rated by a globally recognised, cross-industry sustainability rating.

In our endeavours towards a sustainable future, we attach great importance to transparent reporting of our ESG progress and ongoing initiatives. We are committed to the Science-Based Targets Initiative (SBTi) and setting ourselves ambitious targets in line with the 1.5 degree pathway. We have conducted a thorough assessment of our greenhouse gas emissions along the entire value chain in accordance with the ISO 14064 guidelines. This verification by a third party underlines the commitment to transparent reporting of our Corporate Carbon Footprint (CCF) to provide stakeholders with a comprehensive insight into our environmental impact. Our efforts have been recognised with an upgrade from a C to a B rating by the Carbon Disclosure Project (CDP). This recognition emphasises our efforts in disclosure and transparency and demonstrates our proactive approach to managing climate-related risks and opportunities. Furthermore, our water data management has been significantly improved. With this robust foundation, we plan to set targets for water usage to ensure efficient and sustainable water practices in the future.

To verify the effectiveness of the measures taken, VARTA AG has undergone a critical and independent audit of working conditions, workplace safety, and further social and environmental aspects. All of our production sites were audited in November 2022 in accordance with the Workplace Conditions Assessment Standards for compliance with the requirements of various environmental and social aspects. All audited locations achieved a Workplace Performance Index of more than 85 % and thus achieved a "very good" overall result. The headquarters in Ellwangen which has the highest headcount of all sites, was re-audited in 2023 and was able to improve the result to 98 % by implementing targeted measures.

In recognition of our achievements, VARTA AG was presented with the Social Responsibility Award 2023 by Laerdal Medical. We have been the main supplier of batteries to the provider of training, educational and therapy products for medical training since 2014. The adoption of measures in line with international frameworks, including the implementation of the UN Guiding Principles on Business and Human Rights, the OECD Guidelines and the UN Sustainable Development Goals were key to receiving the award. In this way, we are contributing to Laerdal's sustainability agenda. In addition, VARTA AG launched its supplier competition for the first time in 2023 to gain detailed insights into suppliers' commitment to sustainability (please refer to chapter 3.2. section Supplier Sustainability Awards) and to motivate and incentivise suppliers to improve their sustainability performance.

1.3. Principles of good corporate governance

Good corporate governance with responsible and far-sighted behaviour is an essential prerequisite for sustainable success. In this context, the VARTA AG Code of Conduct forms the basis for our interaction with internal and external stakeholders. VARTA AG is the parent company of the Group and is based on a dualistic system. In accordance with the German Stock Corporation Act (AktG), it consists of the Supervisory Board and the Executive Board. They observe the principles of the German Corporate Governance Code

and issue an annual Corporate Governance Declaration. The document is published on the VARTA AG website at <https://www.varta-ag.com/en/investoren/corporate-governance>. Sustainability is anchored throughout the entire structure at VARTA AG and is represented in the Audit Committee of the Supervisory Board and on the Executive Board by the Chief Technology Officer. The Audit Committee is responsible for decision-making and monitoring the management of the organisation's impact on the economy, people and the environment, including the climate. The Supervisory Board advises and monitors the Executive Board in the context of corporate governance. Overall responsibility for the strategic direction for compliance with and monitoring of sustainability activities lies with the Executive Board of VARTA AG. It monitors the strategy regarding the organisation of processes, the definition and achievement of targets, and the allocation of resources for their implementation. The task of monitoring the impacts, risks, and opportunities is therefore the responsibility of the Executive Board of VARTA AG. For more than 60 % of the relevant Executive Board members, the variable remuneration is linked to ESG criteria. The Chief Restructuring Officer is not subject to the remuneration system for Executive Board members and is therefore not subject to the incentive systems contained therein. The ESG variable of the Chief Executive Officer and the Chief Technical Officer accounts for 10 % of the individual targets in 2023. The content of these individual targets includes sustainability performance in ESG ratings, the management and monitoring of GHG emissions. The Supervisory Board is responsible for approving and updating the incentive systems. Further general information on the Executive Board and Supervisory Board can be found in the chapter **1.5 Management and Control** and in chapter 3.1 section Anti-discrimination, diversity, and equal opportunities. Information on Supervisory Board remuneration and Executive Board remuneration in 2023 is presented in the remuneration report of VARTA AG and can be accessed at <https://www.varta-ag.com/en/investoren/publications>.

The heads of the respective locations are responsible for monitoring the implementation of the strategy. At the departmental level, managers are responsible for implementing appropriate measures in their area. The dedicated Sustainability Department is responsible for managing sustainability activities and their implementation throughout the company. The Sustainability Department reports directly to the Executive Board on its cooperation with the relevant departments regarding the material impacts, opportunities and risks as well as the effectiveness of the strategies, measures, parameters, and targets that have been adopted. The reports focus on the processes and progress to mitigate climate change and on information relating to the implementation of sustainability due diligence. At an operational level, cross-departmental representatives meet regularly to coordinate ongoing projects and initiate new ones. Employees at all locations also play an important role in driving sustainability forward by submitting ideas or initiatives to the Sustainability Department.



The Sustainability Department has an allocated budget for projects to reduce greenhouse gas emissions and improve its sustainability performance in the social sphere. The Executive Board and the Supervisory Board are primarily responsible for integrating ESG into the corporate strategy.

1.4. VARTA AG management system

The high level of quality of the products available on the global market is the result of a comprehensive quality and sustainability policy. The prerequisites for their effective application are robust, controlled processes and compliance with legal and statutory requirements. The global VARTA AG management system was introduced to achieve this goal. It considers risks and opportunities while ensuring the best possible fulfilment of requirements by those involved. The VARTA AG management system has a hierarchical structure. The management manual (level 0) and the global processes (level 1) are binding for all locations. We strive for global harmonisation of all processes across all locations. Globally binding requirements are defined by global rules. Site-specific additions can be made through local processes (level 2). These additions are required specifically for areas for which there are no global guidelines. However, local processes must never contradict global level 1 guidelines. In case of doubt, the global rule applies. Level 3 includes local documents of limited scope or coverage such as work instructions, manufacturing instructions, test instructions, control plans, specifications, drawings, data sheets, training documents, and templates. VARTA AG's management system is controlled centrally. Control activities comprise the following:

- Structuring, implementing, and monitoring the management system
- Review of the global management system, including input from internal stakeholders
- Management and monitoring of the global internal audit programme

The existing local management systems in the subsidiaries of VARTA AG are currently being merged into the global VARTA AG management system. This procedure follows the management manual, which provides for a multi-stage introduction to global processes. The local processes and regulations will remain valid until the transition to the global processes has been completed.



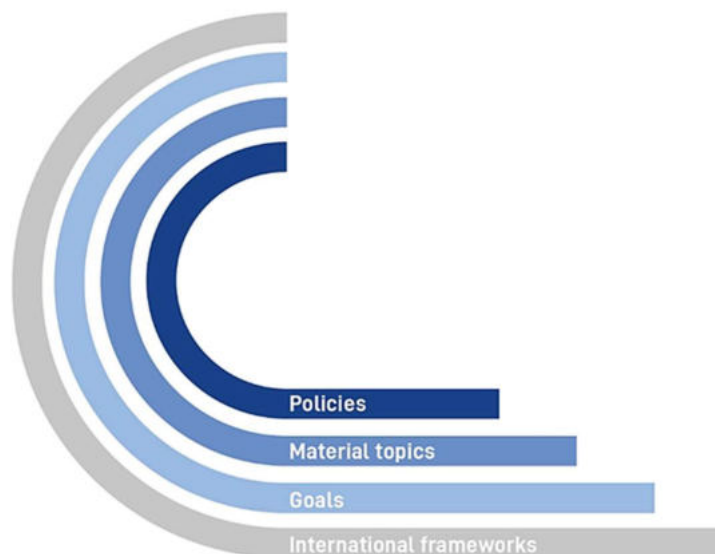
1.5. Sustainability strategy

The world is facing major environmental and social challenges. We are meeting these challenges by offering solutions that enable independent living and support the energy and mobility transition (please refer to chapter 1.2 section Strategy and goals).

Sustainability Framework

As a pioneer and innovator that acts in harmony with social, ecological, and economic values, we are committed to fair and equitable business practices. Conserving resources by using materials sparingly and ensuring high product performance and safety are of the utmost importance to VARTA AG. We align our actions with international frameworks that provide a global context for our sustainability efforts and guide corporate goals and practices. We work in accordance with UN, OECD, and ILO guidelines and support the guiding principles of the UN Global Compact as well as the amfori Business Social and Compliance Initiative (BSCI), the Carbon Disclosure Project (CDP), the Science Based Target initiative (SBTi) and the UN Sustainable Development Goals (SDGs).

At corporate level, our five sustainability goals enable us to implement our sustainability strategy. They serve as a compass for evaluating current and future performance. The identification of material topics provides guidance for prioritising measures and in this way shapes the company's sustainability strategy. Policies serve as guidelines and work instructions, to align the behaviour of our employees toward the achievement of our goals. The policies in all ESG areas are described in detail in the corresponding chapters.



Our contribution to the SDGs and the UN Global Compact

The United Nations has set 17 Sustainable Development Goals (SDGs) to be achieved by 2030. Based on ten universal principles and the Sustainable Development Goals, the UN Global Compact pursues the vision of a more inclusive and sustainable economy that benefits all people, communities, and markets today and in the future.

In our business activities, we pay particular attention to the ten principles of the UNGC. We are committed to support internationally affirmed human rights (Principle 1) and to ensure that our activities do not cause human rights violations (Principle 2). We are also committed to freedom of association (Principle 3), the abolition of forced and child labour (Principles 4 & 5), and the elimination of discrimination in the workplace (Principle






6). From the environmental perspective, we support the precautionary principle (Principle 7) and introduce initiatives to promote greater environmental responsibility (Principle 8). We also actively promote the development and dissemination of environmentally friendly technologies (Principle 9). Finally, we are dedicated to fighting all forms of corruption, including extortion and bribery (Principle 10).

VARTA AG supports these international frameworks and has identified five SDGs that are strongly related to our business activities. To demonstrate our commitment to the SDGs, we participated in the UN Global Compact Climate Change Accelerator Programme in 2023. As part of the programme, we are focusing on SDG 13 "Climate Action" to create a solid foundation for measures to mitigate climate change. Our measures related to climate change mitigation and adaptation are an integral part of our corporate strategy and are managed by a comprehensive climate change management system. In this context, we are committed to achieving a science-based near-term target in line with the 1.5 degree pathway according to the Science Based Target initiative (SBTi). We are setting standards with ambitious targets related to climate change mitigation and adaptation. We support and promote the transition to a low-carbon economy (SDG7) with our products and business activities. In the reporting year, VARTA AG sources 100 % of its electricity from renewable sources at its largest production sites and has increased its self-generation of low-carbon electricity from PV systems by sevenfold. To create decent work for all (SDG 8), we are constantly enhancing our due diligence processes and maintaining high standards. VARTA AG promotes innovation (SDG 9) to advance technologies. To support sustainable consumption and production patterns (SDG 12), we aim to maximise resource efficiency. By using life cycle assessments as a tool to support decision-making, we aim to reduce negative environmental impacts and improve sustainability performance. In 2024, we will participate in the UN Global Compact's SDG Innovation Accelerator for Young Professionals to continue working on innovative solutions that are in line with the SDGs. Further details on the contribution to the frameworks can be found in the corresponding topic-specific chapters.



VARTA AG's sustainability goals

Setting overarching corporate goals supports the successful implementation of international frameworks at the corporate level. The goals set the direction, while the policy defines the rules and guidelines for achieving these goals. To measure progress, targets are defined with key figures and specifications that are continuously monitored during their implementation (please refer to section Sustainability performance in this chapter).

	Goal 1: Shaping the future	Everything at VARTA is driven by the pursuit for a better quality of life for future generations.
	Goal 2: Sincere responsibility for people	An integral part of VARTA's success is its employees as well as everyone within its supply chain.
	Goal 3: Diversity and equal opportunities	Diversity is key in meeting the needs of VARTA's customers, suppliers, and stakeholders.
	Goal 4: Sincere responsibility for the planet	VARTA cares for the planet. Therefore, it aims to increase the capacity of its supply chain to align it with its environmental ambitions.
	Goal 5: Striving for energy efficiency	VARTA constantly strives to optimise its use of resources in production processes and increase energy efficiency of its products.

Sustainability performance

Progress and the effectiveness of measures are monitored by examining key figures and key performance indicators.

Shaping the future

	2023	2022	TREND
Research & development expenditure/revenue (in %)	3.3 %	2.9 %	positive
Initial applications for protective rights	21	21	consistent
Funded research projects	47	42	positive
Production sites certified in accordance with ISO 9001 (in %)	100.0 %	100.0 %	consistent
Penalties or legal proceedings concerning product safety, marketing or labelling	0	0	consistent

Sincere responsibility for people*

	2023	2022	TREND
Number of new employees	192	534	declining
Hours of training at German locations (in h)	137.008 h	138.045 h	declining
Employees trained on sustainability topics	1,433	179	positive
Contract type of employees (in %)	Limited: 1.9 % Unlimited: 98.1 %	Limited: 12 % Unlimited: 88 %	N/A
Number of apprenticeships and dual study programmes	14	14	consistent
Production sites with WCA audit (in %)	100.0 %	100 %	consistent
Employees covered by worker representatives (in %)	94.1 %	92.0 %	positive
Lost Time Injury (LTI**) Severity Rate	0.1	0.11	consistent
Lost Time Injury Rate (LTIR***)	13.3	12	declining
Complaints via grievance mechanism	0	0	consistent
Average share of local sourcing (in %)	53.5 %	51 %	positive
Focus suppliers that have signed the VARTA AG Supplier Code of Conduct or provided equivalent (in %)	96.5 %	84 %	positive
Purchasing volume at focus suppliers (in %)	34.9 %	39 %	positive
Targeted suppliers audited according to amfori BSCI or equivalent (in %)	68.3 %	42 %	positive

*Due to a change in rounding rules, the key figures are shown with one decimal place from 2023. In previous years, these key figures were rounded without decimal places. To determine the trend, the rounded key figures without decimal places are considered this year.

**Key figure only includes production sites

***LTIR for the 2023 reporting year was subject to an external assurance. Key figure only includes production sites.

Diversity and equal opportunities*

		2023	2022	TREND
Gender distribution (in %)	Female	43.8 %	43 %	positive
	Male	56.2 %	57 %	
Age distribution (in %)	<30 years	17.6 %	21 %	N/A
	30-50 years	55.8 %	39 %	
	>50 years	26.6 %	40 %	
Regional distribution (in %)	Europe	83.8 %	82%	N/A
	Asia	15.8 %	17%	
	North America	0.4 %	0.4 %	
Nationalities		54	48	positive
Employees with nationality other than country of site location (in %)		11.3 %	11 %	consistent
Employees covered by collective bargaining agreements or aligned with such (in %)**		94.7 %	96 %	declining

*Due to a change in rounding rules, the key figures are shown with one decimal place from 2023. In previous years, these key figures were rounded without decimal places. To determine the trend, the rounded key figures without decimal places are considered this year.

***Key figure of Employees covered by collective bargaining agreements or aligned with such for the 2023 reporting year was subject to an external assurance.

Sincere responsibility for the planet

	2023	2022	TREND
Share of renewable energies of total energy consumption (in %)	71.4 %	71 %	positive
Share of renewable energies in electricity consumption (in %)	94.0 %	93 %	positive
Share of total water consumption of water withdrawal (in %)	13.0 %	N/A	N/A
Share of recycled waste (in %)	61.0 %	58 %	positive
Share of recycled non-hazardous waste (in %)	80.6 %	N/A	N/A
Share of incinerated non-hazardous waste (in %)	13.8 %	N/A	N/A
Share of landfilled non-hazardous waste (in %)	5.6 %	N/A	N/A
Production sites certified in accordance with ISO 14001 (in %)	100.0 %	100 %	consistent
Relevant waste management companies that accepted the waste policy (in %)	97.5 %	93 %	positive
CDP Score	B	C	positive
Ellwangen Scope 1&2 (in tCO ₂ eq*)	1,514	1,680	positive
Nördlingen Scope 1&2 (in tCO ₂ eq*)	1,282	1,458	positive
Dischingen & Neunheim Scope 1&2 (in tCO ₂ eq*)	749	864	positive
Brasov Scope 1&2 (in tCO ₂ eq*)	396	1,151	positive
Batam Scope 1&2 (in tCO ₂ eq*)	1,195	1,374	positive

*Included Scope 2 GHG emissions are calculated using the market-based approach in accordance with the GHG Protocol standard for Scope 2 reporting.

Striving for energy efficiency

	2023	2022	TREND
Regular energy-related audit of production sites in Europe (in %)	100.0 %	100.0 %	consistent
Share of total energy consumption audited in accordance with ISO 50001 (in %)	76.3 %	75.5 %	positive
Change in total energy consumption compared to the previous year (in %)	-17.0 %	+5.8 %	positive
Change in energy intensity compared to the previous year (in MWh/m€) (in %)	-14.5 %	+18.4 %	positive

Shaping the future

Since founding the company, VARTA AG's pioneering spirit has been a driving force in the development of tomorrow's energy solutions. VARTA AG's central brand pillars – Explorer, Performance, Tomorrow – pave the way to the future. We want to be seen as an innovator that actively shapes the world of tomorrow and enables the development of technologies and solutions to resolve societal challenges. The storage of low-carbon electricity and the electrification of mobility are crucial to energy transition.

VARTA AG's energy storage systems enable every single homeowner to become energy-independent and support energy transition. Our activities are driven by the pursuit of a better quality of life. Together, all business units and products contribute to the realisation of our vision "Empower Independence". Our products specially designed for hearing aids in the Micro Batteries business unit enable all people to lead independent and fulfilling lives in an inclusive society. The Lithium-ion Small Cells business unit supplies true wireless Bluetooth headsets, wearable technologies, medical devices, and much more. In addition, with our lithium-ion battery packs, we offer standardised products with the necessary flexibility to meet the complex requirements of our customers.

VARTA AG continuously strives to research new technologies. In 2023, our research and development efforts led to 21 initial applications for intellectual property rights. Many of these originate from the Lithium-ion Large Cells business unit. By developing innovative cell chemistry in combination with new materials and consistent optimisation of internal resistance, we have succeeded in offering a high-performance cell that is unique on the market. This technology enables our customers to electrify untapped areas and make

them less dependent on fossil fuels. Another focus was on the development of energy storage systems. To maintain our innovative edge, we work in an international research network, which means we are always thinking one step ahead. In 2023, expenditure on research and development activities increased from € 23.2 m to € 27.4 m as compared to the same period of the previous year. Our efforts range from short-term optimisations of existing products to medium-term improvements, such as the continuous reduction of cobalt in lithium-ion batteries, and long-term innovations, such as the establishment of innovative, more sustainable process technologies. At VARTA Innovation GmbH, basic electrochemical research is conducted in cooperation with Graz University of Technology to extend the technological lead. The research capacities at the site are currently being expanded in order to contribute to strengthening Europe as an industrial and research centre.

We are also involved in 47 publicly funded research projects. The projects cover topics such as research into new materials and technologies, the digitalisation of processes, sustainable production, and recycling. We are aware of our responsibility as an established battery manufacturer. We therefore recognise the opportunities in the challenges and strive to comply with future regulations, take responsibility for our complex supply chain, and optimise production processes. We continuously monitor our sustainability performance to identify opportunities for improvement and implement effective measures. In addition, energy efficiency is constantly being improved using modern sustainable technologies. Proactively addressing the fundamental challenges of our time strengthens our innovative power and gives us the opportunity to shape the future.

Selected funding projects

PROJECT	BRIEF DESCRIPTION
ECO ² LIB	Ecologically and economically viable production and recycling of lithium-ion batteries
ÖkoMatBatt	Development of ecologically and economically sustainable materials for lithium-ion batteries
NoVOC	Environmentally compatible processing techniques for the large-scale production of electrodes and cell components for lithium-ion batteries
ReLiBat	Recycling of next-generation automotive lithium-ion batteries for reuse in electromobile and stationary applications
ReUpDirekt, Pro Direkt	Recyclate upcycling through hydrogalvanic processing of NMC from direct recycling of traction batteries

Stakeholder analysis

Companies do not operate in a vacuum, but impact both internal and external stakeholders and vice versa. VARTA AG endeavours to respond to the expectations of our stakeholders and views cooperation with them as an important opportunity for further development. During cross-departmental discussions, all stakeholders potentially impacted by VARTA AG's operations and those stakeholders potentially impacting VARTA AG's activities, were identified.

Depending on their relevance to the strategy and business model, our various company departments involve stakeholders both on a topic-specific and overarching level. The aim is to obtain information on potential and actual impacts on stakeholders as well as opportunities and risks and to develop suitable strategies. Depending on their strategic relevance, the results of stakeholder analysis are communicated to the Executive Board and Supervisory Board via internal reporting processes.

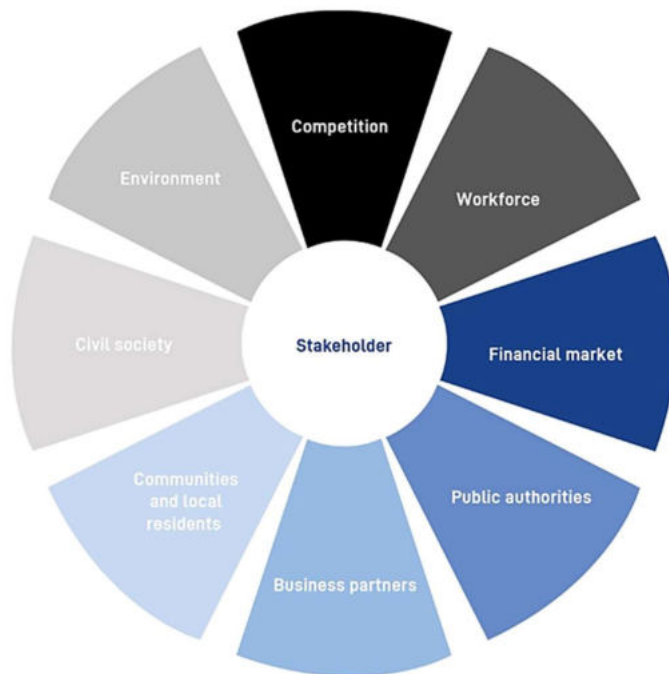
The stakeholder analysis forms the basis for carrying out the materiality assessment. In this process, external sources from recognised organisations as well as internal

employee perspectives are obtained to assess the impacts, opportunities, and risks. The findings of the grievance mechanism, which is accessible to all groups of people, are also incorporated into the materiality assessment and thus into the further development of the sustainability and corporate strategy (please refer to section Materiality assessment in this chapter, and chapter 4.8 VARTA AG Grievance Mechanism). The interests of most of the employees are also protected by collective labour agreements and are represented by elected representatives from the entire workforce as well as individual groups. The works councils are involved in various corporate and decision-making processes, to represent the interests of the workforce. Interviews as part of social audits and employee surveys at selected locations are used to obtain additional information on working conditions and employee well-being. Training courses on sustainability and compliance issues also offer our employees the opportunity to ask questions and provide input for the further development of potential topics and measures. Employees are informed about current corporate developments via various internal channels such as the intranet, e-mail, newsletters, and notices.

As a listed company, VARTA AG informs shareholders and interested members of the public about events relevant to the company as part of communications and reporting and during the Annual General Meeting. Our sustainability performance is regularly assessed as part of various ESG ratings and communicated publicly. We work closely with local authorities, auditing institutes, and consultancies to continuously improve measures and strategies. We also hold cross-departmental workshops, are involved in local and international associations and organisations, participate in trade and consumer fairs, and implement joint projects with external stakeholders. Among other aspects, we support external research projects, regularly respond to customer enquiries on various topics, and work closely with suppliers.

These stakeholder engagement efforts allow VARTA AG to gain insight into the challenges faced by parties along our value chain to ensure a more transparent assessment of the impact of its business activities on these groups. The effectiveness of the measures taken is monitored using various indicators (please refer to section Sustainability performance in this chapter).

Stakeholder Analysis

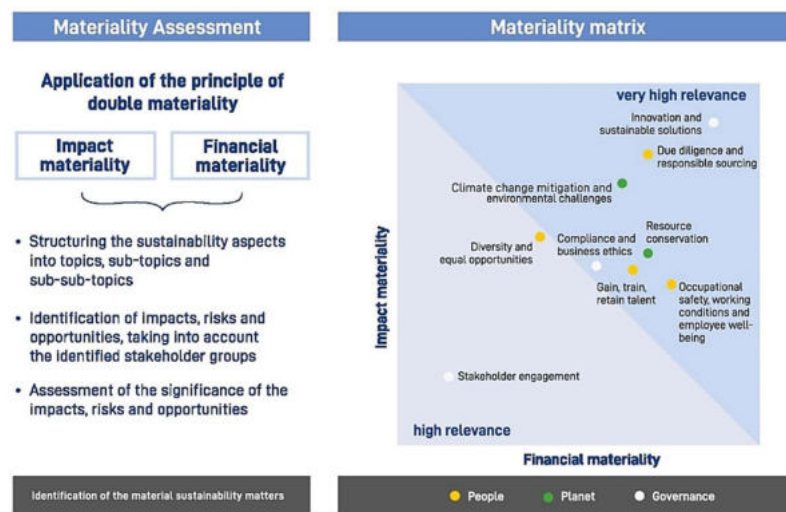


STAKEHOLDERS	DEFINITION
Competition	Competition manifests itself through the constant striving of similarly aligned companies and industry leaders to outperform each other in aspects such as quality, innovation and market presence. This dynamic results in continuous improvement and excellence within the sector.
Workforce	The workforce of a company includes people of all ages and genders. The term includes both those who are in an employment relationship with VARTA AG ("employees") and non-employees such as temporary workers and the self-employed. Institutions such as works councils and trade unions represent the interests of the workforce and stand up for the creation of good working conditions.
Financial market	The financial market refers to the interconnected system of institutions, platforms, shareholders and mechanisms where various financial instruments are bought, sold, and traded. The financial market plays a crucial role by providing companies with access to capital and facilitating investments.
Public authorities	Authorities are government agencies, regulatory bodies and institutions at local, regional, national and international level that are responsible for creating, enforcing and monitoring laws, regulations and guidelines. The decisions of public authorities therefore have an impact on various aspects of a company's business activities and behaviour.
Business partners	"Business partners" include suppliers, customers (B2B & B2C), dealers, end users and waste disposal service providers who form a collaborative network. Employees in the value chain, i.e. people in the various stages of a company's supply and distribution process who are directly or potentially affected by VARTA AG's activities, are taken into account. The network of business partners is the basis for operational efficiency, customer satisfaction and sustainability throughout a company's ecosystem.
Communities and local residents	Communities and local residents refer to a varied group of people of all ages and genders living in a specific area. They contribute to the region's culture and social dynamics and might be affected directly or indirectly by VARTA AG's business activities.
Civil society	"Civil society" includes the collective of non-governmental organisations (NGOs), community groups, activists, social movements, and individuals who actively engage in advocating for social, environmental, and ethical concerns beyond their personal or commercial interests. Civil society plays a crucial role in promoting transparency, advocating responsible business practices and influencing social change.
Environment	The term "environment" describes the natural surroundings, ecosystems, resources and ecological balance that are influenced by a company's activities, operations, and decisions. The environment is an important stakeholder because it includes the comprehensive context in which a company operates. The direct impact of environmental health on the actions and long-term success of the company emphasises its central role in this context.

Materiality assessment

To guarantee long-term value creation for all our stakeholders and to ensure that the most relevant aspects are addressed in this Sustainability Statement, we have conducted a materiality assessment. This is intended to identify the most significant impacts, opportunities and risks that require in-depth consideration. The materiality matrix illustrates the most significant attributes for VARTA AG and our stakeholders as well as their impact on the economic, environmental, and social areas. The analysis is conducted annually and on an ad hoc basis in the event of business developments (e.g. entry into new markets, launch of new products) that could alter the assessment.

Our approach to conducting the materiality assessment is based on the principle of double materiality, which encompasses both financial materiality and impact materiality. In conducting the analysis, we adhere to the guidelines set out in European Sustainability Reporting Standards (ESRS) and report in accordance with the GRI framework.



Prior to conducting the materiality assessment, an environmental analysis was first carried out. As part of this process, the company's business activities, business model and value chains were analysed in detail. The relevant legal and regulatory framework conditions were duly considered. To conduct the analysis, internal and external sources were collated and reviewed for local and global trends, opportunities and risks related to VARTA AG and impacts on stakeholders. The collected sustainability aspects were collated in the form of a list and then, following a top-down approach, structured as a "short list" in three levels (topic, sub-topic, and sub-sub-topic). Any topic for which there was no valid justification for their applicability to VARTA AG, were not included in the short list, with the relevant information noted.

The potential and actual as well as positive and negative impacts on stakeholder groups resulting from VARTA AG's business activities were assigned to the individual sustainability aspect ("impact materiality"). The impacts were identified by sustainability experts, considering the results and material of the environmental analysis. As part of the determination of financial materiality, information was identified that is considered material to the main users of general financial reporting in making decisions relating to providing resources to the company. The objective of analysing financial materiality was to identify aspects with a significant influence on the company's development, financial position, financial performance, access to funds or other key performance indicators. This involved analysing opportunities and risks that could arise from dependencies on resources and have a short-, medium- or long-term impact on the company's success.

The results and materials of the analysis were considered when identifying opportunities and risks. The perspective is reviewed with the relevant stakeholder group using suitable communication concepts and supplemented where necessary.

The impacts and related opportunities and risks are assessed based on the criteria specified in the ESRS. The assessment is carried out separately for each identified impact and related opportunity and risk according to a defined methodology. If a predefined threshold is exceeded, the respective aspect is considered material. The assessment is carried out for each impact. Subsequently, all severity categories are summed up and multiplied by the multiplication factor of the probability of occurrence.

When assessing financial materiality, all opportunities and risks that could have a significant financial impact on VARTA AG are considered at topic level. These can result from effects and dependencies and relate to factors that contribute to the value of the company. The time horizon (short-term/medium-term/long-term) of the financial impact is determined for the opportunities and risks. The opportunities and risks are then assessed at the most abstract level regarding the potential financial impact and the probability of occurrence. Information is material for the relevant stakeholders if it directly influences their decisions, based on the information presented in the sustainability statement.

The next step involves calculating the mean value of the impacts and related opportunities and risks at topic level. This assessment forms the basis for categorisation in the materiality matrix. The matrix serves as a visual representation of the high-level strategic priorities. The assessment of the materiality of the individual impacts and related opportunities and risks remains unaffected by this.

There were no significant changes in the materiality compared to the previous year. The preliminary results have been validated by financial and sustainability experts. This was followed by a review and validation by senior management, including the Executive Board of VARTA AG. Further details on the material topics and the manner in which they are addressed can be found in the relevant sections.

While some of the impacts and related opportunities and risks associated with these topics fall below the materiality threshold, they may still be relevant sustainability topics at VARTA AG and for our value chains. Accordingly, we provide a comprehensive overview of all the topics listed in the following table.

Material topics

TOPIC

DEFINITION

Diversity & equal opportunities

Diversity encompasses various aspects including gender, disability, age, origin, language, culture, level of education, religion, ethnicity, and sexual orientation. Regardless of these aspects, all people should be entitled to the same opportunities including equal and fair pay, protected from discrimination and should be promoted within the framework of entrepreneurial activity to ensure gender equality and the upholding of everyone's rights. The benefits of diversity in a company can be manifold: Diversity increases employee retention, improves teamwork, increases employee satisfaction, and reduces turnover. Diversity also breeds a culture of inclusivity, and multiplicity of ideas and approaches to creativity and problem-solving.

Gain, train, retain

Recruiting and retaining employees is increasingly becoming a challenge in the context of the changing work culture and flexible working time models, and the shortage of skilled workers. Training and education concepts can encourage individual growth of employees and contribute to human capital development while enhancing employer attractiveness. In this way, this advances the employee, company and society.

Compliance and business ethics

Compliance refers to the act of adhering to laws, regulations, and ethical standards in business operations, with the aim of ensuring that the business operates in a responsible and sustainable manner. It includes a range of factors, such as anti-competitive behaviour, anti-corruption measures, business integrity, the integration of environmental, social, and governance (ESG) considerations into the governance structure, cyber security and privacy, ethical marketing campaigns that focus on social and environmental impact, management systems and processes, the resilience of the business model, political engagement, tax transparency and contributions. By adhering to laws, regulations, and ethical standards, companies can build trust and confidence among stakeholders, including customers, investors, employees, and the wider community.

Innovation and sustainable solutions

Proactively addressing the fundamental challenges of our time strengthens innovative power and offers opportunities to shape the future. As one part of product stewardship, the safety of products is a top priority and is an essential starting point in the development of new technologies.

Resource conservation

Appropriate due diligence processes implemented concerning battery production, contribute towards the protection of surrounding habitat, soil, and water. Taking action concerning resource conservation aims to preserve quality, biodiversity, and promote recycling concepts as well as circularity.

Due diligence and responsible sourcing

Due diligence means the introduction of processes to ensure compliance sustainability criteria throughout the value chain. An essential starting point is responsible sourcing of raw materials. Due diligence enhances the respect and promotion of human and workers' rights including the fight against child and forced labour, and the empowerment of workers and affected communities.

Stakeholder engagement

Stakeholder management is an important component in leading projects and companies to success. Effective communication with stakeholders generates new perspectives, identifies risks and enables positive social impact. Stakeholder engagement involves a variety of activities, such as community outreach, contribution to the development of local communities, promotion of stakeholder participation, donations, sponsoring, volunteering, memberships and partnerships.

Occupational health & safety and employee wellbeing

Compliance with human and workers' rights standards in the workplace, including the creation of healthy working conditions, sufficient breaks as well as appropriate working hours, have a positive impact on the health and upkeep of the living standards of employees. A clean and safe workplace, personal protective equipment of employees and access to healthcare reduce safety risks and serve as effective measures against negative health effects when handling chemicals, machinery, metals, or minerals.

Climate change and environmental challenges

Businesses play a significant role in mitigating climate change and addressing environmental challenges. The reduction of non-GHG air emissions and measures to reduce greenhouse gas emissions by corporates over the entire value chain is crucial. Taking action concerning climate change and environmental impact, impacts societies, economies, and the environment positively. Measures in the area of energy management and the reduction of the CO₂ footprint of the products are important elements here.

1.6. Memberships and associations

amfori BSCI	amfori Business Social Compliance Initiative
bayme	Bavarian Employers' Associations for the Metalworking and Electrical Industries
BME	German Association for Materials Management, Purchasing and Logistics
BSW	German Solar and Solar Storage Industry Association
BVES	Energy Storage System Association
DICO	German Institute for Compliance
DIN	German Institute for Standardization
EPBA	European Portable Battery Association
ERP	European Recycling Platform
Herstellerverband Haus & Garten	Manufactures' Association Home & Garden
IEC	International Electrotechnical Commission
Markenverband	Trade Mark Association
KLiB	Competence Network Lithium-Ion Batteries
OE-A	Organic and Printed Electronics Association
RMI	Responsible Minerals Initiative
Südwestmetall	Association of the Metal and Electrical Industry Baden-Württemberg
UN GCD	UN Global Compact Network Germany
USW	Southwest Business Association
ZVEI	German Electro and Digital Industry Association - Batteries Division
RECHARGE	Europe's industry association for advances rechargeable and lithium batteries

2. Environment

During the reporting year, we achieved significant progress in the environmental sector. Further product groups could be assigned to the environmental target "Contribution to the transition to a circular economy" as part of the EU Taxonomy, which emphasises VARTA AG's focus on sustainable practices. Self-generation of renewable energy from solar panels increased more than sevenfold, contributing to a significant decrease in CO₂ emissions. A further reduction of GHG emissions in Scope 1, 2, and 3 by more than 100,000 tCO₂-eq was driven forward. Measures included projects in logistics, an increase in self-generated electricity, district heating, and the purchase of electricity from renewable sources. The data basis of the GHG inventory was improved through the increased use of primary data, which enables more precise analysis and reporting. To achieve our climate targets and a positive environmental impact along the supply chain, we have intensified our supplier engagement. The successful recertification in accordance with ISO 50001 at all relevant locations emphasises the commitment to efficient energy management. A solid data basis and risk approach for water utilisation were developed. The active involvement of external stakeholders strengthens the holistic approach to water management further. For the coming year, we plan to set ambitious targets aimed at continuous progress. Detailed analyses of waste streams were carried out to identify and implement efficiency improvements. Progress has already been achieved, such as the reduction of plastic packaging and the promotion of reparability in designing removable modules, demonstrating our commitment to sustainable practices. In the reporting year, the climate management system was significantly strengthened as part of the corporate strategy. These efforts led to an improvement from C to B in the internationally recognised CDP Climate Change company rating.

2.1. EU Taxonomy

The EU Taxonomy is an important initiative of the European Union (EU) towards executing the "European Green Deal" and the "Financing Sustainable Growth" action plan. These measures pursue the goal of achieving a carbon-neutral economy by 2050. The main objectives of the EU Taxonomy are to improve transparency and provide an objective comparison to channel capital into environmentally sustainable economic activities. The

EU Taxonomy is a classification system that categorises economic activities as environmentally sustainable based on predefined technical assessment criteria. To be classified as an economic activity with a significant contribution toward achieving one of the six environmental objectives, the activity must fulfil certain requirements. These environmental objectives include climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and reduction, and protection and restoration of biodiversity and ecosystems. It is crucial that the economic activity does not significantly affect another environmental objective and that the operating company has established minimum safeguards, including respecting human rights.

An economic activity is considered Taxonomy-eligible as stated in the Delegated Acts 2020/852, the published Delegated Regulations 2021/2139, and the Environmental Delegated Act 2023/2486 for one of the six environmental objectives, irrespective of the fulfilment of the technical assessment criteria set out in these acts. Following an analysis of the VARTA AG Group's business activities, these can be summarised under environmental objective I "Contribution to climate change mitigation" in the following economic activities:

- Economic activity 3.4 "Manufacture of batteries"
- Economic activity 3.6 "Production of other low-carbon technologies" (includes the production of technologies that aim to significantly reduce greenhouse gas emissions in other economic sectors)

According to the descriptions of the first two economic activities, a large share of the VARTA AG Group's business model therefore falls within the scope of the EU Taxonomy. VARTA AG's business activities that relate to criteria set 3.4 "Manufacture of batteries" and include rechargeable battery solutions for transport, energy storage and other industrial applications fulfil the eligibility requirements of the EU Taxonomy.

In addition, our efforts in research and development enable a continuous reduction in the negative environmental impact of the company's products, which are intended to reduce greenhouse gas emissions in other sectors of the economy. For this reason, these activities are classified as Taxonomy-eligible as per criteria set 3.6 "Production of other low-carbon technologies", due to the high cycle stability and energy density of the products, which leads to a potentially significantly lower CO₂ footprint compared to alternative products.

Other parts of the business model are best summarised as an economic activity under environmental objective IV "Contribute to the transition to a circular economy":

- Economic activity 1.2 "Manufacture of electrical and electronic equipment"

The business activities as per criteria set 1.2 essentially fulfil the requirements for EU Taxonomy eligibility. These activities include the manufacture of both rechargeable and non-rechargeable portable batteries. According to the criteria of economic activity 1.2, further parts of the VARTA AG Group's business model therefore fall within the scope of the EU Taxonomy.

VARTA AG's business activities were also assessed against the other economic activities. No activities from Annex 2 DeLVO 2021/2139 and DeLVO 2023/2486 were identified that are not already covered by the allocation to activities from Annex 1 DeLVO 2021/2139.

To determine the EU Taxonomy alignment of the above-mentioned economic activities in the reporting year, the technical evaluation criteria must be reviewed, including

- 1) Significant contribution to the fulfilment of the environmental objective based on the specific criteria
- 2) Avoidance of significant harm to the other environmental objectives, based on specific requirements for each relevant economic activity ("Do No Significant Harm" or "DNSH")

In addition, it must be ensured that the operating company has established minimum safeguards that are specifically aimed at respecting human rights and consider the issues of bribery and corruption, taxation, and fair competition ("minimum safeguards").

An analysis of the technical evaluation criteria reveals that, due to the demanding requirements, not all Taxonomy-eligible activities meet the necessary technical evaluation standards. Therefore, a detailed analysis of the individual activities is carried out to determine their significant contribution. To ensure that the products according to criteria set 3.6 fulfil the requirements of the delegated regulations, proof of compliance according to the industry standard is required. However, there is currently a lack of transparency and available data to compare products and fulfil the necessary criteria for compliance. In addition to reviewing taxonomy alignment and significant contribution, relevant experts from the respective fields have assessed specific criteria for "Do No Significant Harm" (DNSH) at the economic activity level. The criteria set out in Annexes A, B, C, and D in Annex I of Delegated Regulation (EU) 2021/2139, as well as the requirements for "minimum safeguards", were assessed at company level. In 2022, we reported on physical climate risks for the first time in accordance with the TCFD guidelines. As part of the climate risk and vulnerability assessment, types of climate risks were identified and assessed in accordance with the list in Section II of Appendix A. A detailed adaptation plan is currently being developed to implement adaptation solutions for the main climate risks of activities and physical assets. The comparatively lower Taxonomy-alignment can be attributed to various causes. As an adjustment plan is a prerequisite for EU Taxonomy alignment, the investments, operating expenses, and revenue corresponding to economic activities under the EU Taxonomy are reported as non-Taxonomy-aligned for 2023. A CapEx plan to upgrade to Taxonomy-aligned economic activities is under development. However, the ongoing uncertainties regarding the interpretation of the EU Taxonomy may lead to different interpretations in the coming year. In addition, the difference between revenue, investments, and operating costs of Taxonomy-eligible and Taxonomy-aligned activities is mainly due to the criteria for pollution prevention and control in Annex C, exceeding the requirement under applicable national regulations. This is predominantly due to the fact that the required additional documentation is not yet fully available.

Calculation of the EU Taxonomy Performance indicators

A project team carried out an analysis to identify VARTA AG's business activities that meet the requirements of the EU Taxonomy. This team consisted of experts from the legal, finance, and sustainability departments, who analysed all business activities and assigned them to the appropriate categories. A detailed review of the EU Taxonomy alignment of each activity was carried out by experts from the relevant departments. Finally, VARTA AG structured the activities into revenue, capital expenditure (CapEx), and operating expenses (OpEx). VARTA AG's economic activities that meet the requirements of the EU Taxonomy include battery solutions from the Lithium-Ion Battery Packs, Energy Storage Systems, and Lithium-Ion Large Cells business units as per criteria set 3.4 of Environmental Target I, Lithium-Ion Small Cells, and Micro Batteries as per criteria set 3.6 of Environmental Target I, and further parts of the business unit Micro Batteries, and Consumer Batteries as per criteria set 1.2 of Environmental Target IV.

EU Taxonomy – Sales revenue

The basis for determining revenue is Article 2(5) of Directive 2013/34/EU. Revenue includes the income and earnings as per International Accounting Standard (IAS) 1 Art. 82 (a) in the version of Commission Regulation (EC) No. 1126/2008.

EU Taxonomy – Capital expenditure

Capital expenditure is calculated on the basis of IAS 16.73(e)(i) and (iii) for property, plant and equipment, IAS 38.118(e)(i) for intangible assets and IFRS 16.53(h) for leases. In accordance with the definition of capital expenditure provided in Annex I of the Commission Delegated Regulation (EU) 2021/2178 and taking into account the adjustments made by Delegated Regulation (EU) 2023/2486, the KPI figure used for taxonomy purposes comprises additions to intangible assets, additions to property, plant and equipment as well as right-of-use assets in accordance with IFRS 16. The investment companies VARTA Microbattery S.R.L., P.T. VARTA Microbattery Indonesia, and the VARTA Consumer sales offices are not taken into account to calculate the CapEx-KPI.

EU Taxonomy – Operating expenses

Ongoing operating expenses (OpEx) include non-capitalisable expenses that are reported in the consolidated income statement. These include items such as research and development, building refurbishment, short-term leases, maintenance, and repair and all other direct costs associated with the maintenance of property, plant, and equipment to ensure that the assets that meet the taxonomy criteria are operational.

Parameters

Proportion of revenue

Financial year 2023

Economic Activities (1)	Code (2)	2023		Substantial contribution criteria					
		Revenue (3)	Proportion of Revenue, 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		(in k €)	(in %)	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1.)									
Of which enabling									
Of which transitional									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of electric and electronic equipment	1.2	346,100	42.2 %					EL	
Manufacture of batteries	3.4	231,900	28.3 %	EL					
Manufacture of other low-carbon technologies	3.6	94,900	11.6 %	EL					
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		672,900	82.0 %	39.9 %				42.2 %	
A. Revenue of Taxonomy-eligible activities (A.1+A.2)		672,900	82.0 %	39.9 %				42.2 %	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Revenue of Taxonomy-non-eligible activities		147,400	18.0 %						
Total		820,300	100.0 %						

Proportion of revenue (part 2)

Financial year 2023	DNSH criteria (Do No Significant Harm)									
	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) revenue 2022 (in %)	Category enabling activity (19)	Category transitional activity (20)
Economic Activities (1)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N		E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1.)										
Of which enabling										
Of which transitional										
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Manufacture of electric and electronic equipment								14.0 %		
Manufacture of batteries										
Manufacture of other low carbon technologies								17.0 %		
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								31.0 %		
A. Revenue of Taxonomy-eligible activities (A.1+A.2)								31.0 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
Revenue of Taxonomy-non-eligible activities								69.0 %		
Total										

Proportion of CapEx

Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		(IN k €)	(in %)	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)									
Of which enabling									
Of which transitional									
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of electric and electronic equipment	1.2	6,679	8.8 %					EL	
Manufacture of batteries	3.4	14,357	18.9 %	EL					
Manufacture of other low-carbon technologies	3.6	16,707	22.0 %	EL					
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		37,744	49.7 %	40.9 %				8.8 %	
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		37,744	49.7 %	40.9 %				8.8 %	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities		38,148	50.3 %						
TOTAL		75,892	100.0 %						

Proportion of CapEx (part 2)

Financial year 2023

Economic Activities (1)	DNSH criteria (Do No Significant Harm)							Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx 2022 (in %)	Category enabling activity (19)	Category transitional activity (20)
	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)			
A. TAXONOMY-ELIGIBLE ACTIVITIES	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	(in %)	E	T
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)										
Of which enabling										
Of which transitional										
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Manufacture of electric and electronic equipment								0.5 %		
Manufacture of batteries								16.0 %		
Manufacture of other low-carbon technologies										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								16.5 %		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)								16.5 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
CapEx of Taxonomy-non-eligible activities										
TOTAL										

Proportion of OpEx

Financial year 2023

Economic Activities (1)	Code (2)	2023		Substantial contribution criteria					
		OpEx (3)	Proportion of OpEx 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		(in € k)	(in %)	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)									
Of which enabling									
Of which transitional									
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of electric and electronic equipment	1.2	9,233	17.1 %					EL	
Manufacture of batteries	3.4	17,787	33.0 %	EL					
Manufacture of other low-carbon technologies	3.6	1,777	3.3 %	EL					
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		28,797	53.4 %	36.3 %				17.1 %	
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		28,797	53.4 %	36.3 %				17.1 %	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities		25,176	46.6 %						
TOTAL		53,974	100.0 %						

Proportion of OpEx (part 2)

Financial year 2023

Economic Activities (1)	DNSH criteria (Do No Significant Harm)							Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx 2022 (in %)	Category enabling activity (19)	Category transitional activity (20)
	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)			
A. TAXONOMY-ELIGIBLE ACTIVITIES	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N		E	T
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)										
Of which enabling										
Of which transitional										
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Manufacture of electric and electronic equipment								12.0 %		
Manufacture of batteries								21.0 %		
Manufacture of other low-carbon technologies										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								34.0 %		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)								34.0 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
OpEx of Taxonomy-non-eligible activities										
TOTAL										

2.2. Climate change

Transition plan for climate change mitigation

VARTA AG faces the challenge of aligning its business practices and production processes with global efforts to limit global warming to 1.5°C. A corresponding transition plan is intended to provide insight into our past, current, and future efforts toward climate change mitigation. This should demonstrate that the Federal Republic of Germany's goal of achieving climate neutrality by 2045 is in line with our business strategy and business model.

The greenhouse gas emission reduction targets are an integral part of the commitment under the Science Based Target initiative (SBTi). As part of the commitment, decarbonisation levers are to be identified and measures implemented. We are planning to invest in renewable energy sources to significantly increase the proportion of self-generation in energy consumption at the production sites. PV systems, which provided 722 MWh of low-emission electricity in the reporting year have already been installed at several German production sites to self-generate renewable electricity. Development of energy-efficient battery technologies is at the centre of the research and development activities to create sustainable products. Initiatives to reduce waste and promote recycling are being introduced to minimise the environmental footprint of battery products. 47.5 % of capital expenditure is eligible under the EU taxonomy in 2023.

The timeline envisages sourcing 100 % of energy consumption at all production sites worldwide from renewable energies by 2030 and reducing greenhouse gas emissions (GHG emissions) in Scope 1 & 2 by at least 42 % by 2030, starting from the base year 2020. VARTA AG will report annually on the progress made by implementing the transition plan and communicate progress to relevant stakeholders. The carbon inventory at corporate level has been reviewed annually by independent auditors in accordance with ISO 14064 to ensure high-quality reporting (please refer to chapter 5 Verification Opinion on Greenhouse Gas Declaration).

In the reporting year, the climate change management system within the company's strategy was significantly strengthened, which led to an upgrade in the CDP Climate Rating from C to B. This positive development reflects our continuous improvement and understanding of processes, impacts, opportunities and risks relating to GHG emissions as well as the integration of sustainable practices into business operations.

Strategies related to climate change mitigation and adaptation to climate change

We will present comprehensive strategies aiming to address material impacts, risks, and opportunities relating to climate change mitigation and adaptation. As a first step, the organisation identifies potential climate-related risks based on the location of its operations and the potential impact of climate change on these areas and the value chain. This includes analysing climate models and scientific studies to assess risks such as an increased frequency of extreme weather events. In this context, we liaised with local authorities at the largest production sites regarding assessment of potential risks in the context of climate change in the reporting year.

Relevant potential climate hazards of the VARTA AG Group based on the TCFD classification

	TEMPERATURE	WIND	WATER
Chronic	Temperature change Heat stress Temperature variability	Change in wind conditions	Change in precipitation patterns and types (rain, hail, snow/ice) Variability of precipitation or hydrology Water shortage
Acute	Heat wave Cold snap/frost	Cyclone/typhoon Storm (including snowstorms)	Rise in sea level Drought Heavy precipitation (rain, hail, snow/ice) Floods (river floods, pluvial floods, ground water floods)

VARTA AG addresses the potential challenges and opportunities of climate change by integrating a company-wide climate change management system. We successfully implemented the TCFD guidelines in the management system in 2022 and are continuously improving our reporting on potential climate risks and opportunities. Transition and physical risks are identified and addressed. Physical risks, including acute events such as flooding and heatwaves, are monitored and assessed by VARTA AG. Measures such as installing valves and renovating the sewage system in Ellwangen are taken to prevent production disruptions. Long term risks such as rising temperatures are also identified and managed accordingly. Conducting a scenario analysis assesses the potential impact of various climate-related risks on the business model. This may include consideration of different scenarios, such as the impact of a temperature rise above 2 degrees on the organisation's supply chain or the impact of more frequent natural disasters on operations. VARTA AG relies on the Shared Socioeconomic Pathways (SSPs) and the Representative Concentration Pathways (RCPs) to strengthen strategic resilience, as a comprehensive framework for future analyses of physical and transitory risks. The SSPs and RCPs represent standardised scenarios that describe the potential impacts of climate change worldwide. These climate scenarios range from a low-emission scenario that leads to global warming of less than +1.5°C (in accordance with the Paris Agreement, RCP1-2.6 & SSP1-2.6), to a medium scenario with an average

warming of +2.5°C (medium pathway, RCP2-4.5 & SSP2-4.5), to a scenario with a warming of more than +4°C (fossil development, RCP5-8.5 & SSP5-8.5). We analyse and link these scenarios to assess the potential impact of climate change on key economic activities and facilities. The consideration of short, medium, and long term time horizons as part of the analysis of climate-related risks and opportunities enables a comprehensive consideration. Scenario SSP4.5, which represents a medium pathway and assumes some efforts to reduce emissions, is considered by VARTA AG to be the most likely. This scenario is in line with the Nationally Determined Contributions (NDCs) set by the individual countries. VARTA AG is committed to aligning its business activities with the low-emission scenario of the Paris Climate Agreement. Furthermore, our long term corporate planning is consistently aligned with the commitment.

Climate-related, transitory risks refer to financial and strategic effects. These arise from changes in policy, technology, and market conditions during the transition to a lower-carbon economy.

Examples of climate-related transition events relevant to VARTA AG based on the TCFD classification

POLITICS AND LAW	TECHNOLOGY	MARKET	REPUTATION
Higher pricing of greenhouse gas emissions	Replacing existing products and services with lower-emission options	Change in consumer behaviour	Changes in consumer preferences
Increased emissions reporting obligations	Unsuccessful investments in new technologies	Uncertainty with regard to market signals	Stigmatisation of the sector
Mandates and regulation in relation to existing products, services and production processes	Costs of the transition to lower-emission technologies	Increased raw material costs	Increasing concern among stakeholders
Risk of legal disputes			Negative feedback from stakeholders

VARTA AG is proactively responding to future regulations such as the CO₂ tax, carbon border adjustment mechanism, and the EU Battery Regulation to manage regulatory and political risks. By using state-of-the-art technologies to conduct life cycle assessments (LCA) to develop low emission batteries, we are strengthening our competitiveness and creating opportunities for sustainable product development. Technology risks refer to the possibility of low-carbon alternatives replacing existing products. VARTA AG invests in research and development to produce more sustainable products and to strengthen its technological competitiveness. Market risks arising from customer behaviour are considered to be low, as demand for battery-powered products is expected to grow. The structural medium- and long-term drivers for the VARTA AG Group and its segments and business units must be distinguished from the economic and shorter-term influential factors. VARTA AG benefits from a range of structural growth drivers. These include demographic change, technological progress – for example in conjunction with increasing electrification – digitalisation and connectivity, the pursuit of a higher degree of energy independence, and the growing importance of e-mobility. Based on the results of the risk assessment and scenario analyses, we aim to develop a plan to mitigate identified climate-related risks. This may include implementing measures to reduce greenhouse gas emissions, strengthening the resilience of operations and supply chains, and investing to reduce exposure to climate-related risks. As a company in the manufacturing industry, climate change management strategies pay particular attention to external factors such as the cost of raw materials, which could impact the Group's financial results. Higher operating costs are assumed due to climate change, including energy consumption and cost increases. To meet demand and reduce our greenhouse gas emissions, VARTA AG is expanding its own PV systems and is procuring electricity from renewable sources at all German production sites. In the reporting year, further vehicles in our fleet were electrified. As a result, we were able to achieve a reduction of

over 24 tonnes of CO₂ equivalents in the reporting year. At the same time, internal processes are continuously optimised. Overall, the risk situation is considered manageable and therefore low. Other important components of the system include strategic planning, a quarterly review, and regular communications on risks and opportunities. This risk management system is supported by an annual workshop with all relevant stakeholders, in which the opportunities and risks for business development are analysed and discussed in detail.

VARTA AG monitors and reports on the progress of the implementation of the climate-related risk management plan. This includes ongoing risk assessment and scenario analysis to ensure the organisation is prepared for emerging climate-related risks. It also includes transparent reporting on the organisation's climate-related risks and management strategies to stakeholders, including investors, customers, and regulators. The status and progress of the implemented measures are measured by conducting regular internal and external audits in accordance with ISO 14001 and ISO 50001. ISO 50001-certified production sites account for 76.3 % of total energy consumption, demonstrating our commitment to energy-efficient production.

In addition to minimising risks, maximising opportunities plays a key role in the VARTA AG Group's climate strategy. Assessing climate-related opportunities involves evaluating various factors to identify potential areas for investment, innovation, and positive impact. The process is iterative, adaptive, and responsive to policy changes, technological advances, and trends. VARTA AG identifies potential climate impacts on the business model and associated profit potential and cost reductions. 47.5 % of capital expenditure is eligible under the EU taxonomy. This emphasises our strategic focus on sustainable business activities. Understanding risks is crucial to identifying opportunities and aiming to manage them. Once the impact of risks has been identified, we create an overview of potential opportunities arising from climate-related challenges. VARTA AG is striving for innovative solutions, technologies, and business models that will contribute to climate resilience, emissions reduction, and sustainability. We pay particular attention to possible measures such as renewable energy, energy efficiency, sustainable transport, waste management, and low-emission buildings. In addition, the company identifies more sustainable practices, which can create new markets or transform existing markets. VARTA AG conducts a detailed analysis considering factors such as market demand, regulatory support, technological readiness, financial viability, and scalability. We assess the potential, economic, social, and environmental benefits of each opportunity. This considers the risks and barriers associated with implementation. Political uncertainties, market competition, and resource availability are included in this analysis. This assessment helps to prioritise opportunities with the highest potential for success. We engage with relevant stakeholders to gain diverse perspectives and expertise. This approach includes industry experts, community representatives, and academic sources. We set clear goals, objectives, and targets that align with our vision and mission.

Measures and resources related to climate change management

To increase our contribution to reducing emissions, we implemented measures in the reporting year that led to cumulative savings of 22,532 tCO₂ eq.

Measures related to climate change management

(IN tCO₂eq)

	DECARBONISATION LEVERAGE	SAVINGS
Conversion of means of transport	Electrification	407
Installation of PV systems	Low-emission in-house power generation	304
District heating from biogenic sources	Utilisation of renewable energy	595
Purchasing electricity from renewable sources	Utilisation of renewable energy	21,173
Construction measure	Saving of fossil fuels	29
Electrification vehicle fleet	Saving of fossil fuels	24

VARTA AG is cooperating within the scope of funding projects with multiple stakeholders to develop innovative technologies in the battery sector including the reduction of greenhouse gas emissions. In 2023, 47 research projects with a volume of over € 27.4 m have been implemented. Moreover, VARTA AG invested its resources to measure, analyse, and reduce direct and indirect GHG emissions.

Targets related to climate change mitigation and adaptation

We are committed to reducing greenhouse gas emissions in line with the SBTi 1.5 degree pathway. VARTA AG quantifies, assesses, and monitors greenhouse gas emissions from all relevant sources, including CO₂, methane, nitrous oxide, and other gases generated in its business operations and the value chain. By including Scope 3 emissions in the inventory, we are rising to the challenge of mitigating the effects of climate change and taking appropriate action. The development of a solid data framework through re-verification by third parties marks the first step towards a comprehensive and scientifically sound approach to the ambitious reduction targets.

An energy review of all relevant energy consumers as well as an estimate of the projected use of renewable energy sources and the substitution of materials, resources, and technical processes form the basis of a target. At least 42 % of absolute GHG emissions in Scope 1 & 2 are to be reduced by 2030 compared to base year 2020. This is our contribution to Germany's long-term goal of achieving CO₂ neutrality by 2045. Furthermore, greenhouse gas intensity in the value chain is to be significantly reduced over the same period. In 2023, the "VARTA pulse neo 6" storage system was recognised as the most efficient AC-coupled solar power storage system in the power class up to 5 kW by the electricity storage inspection of the HTW Berlin scientific institute. With its high battery efficiency of 97.8 % and a standby consumption of just 2 watts, the efficiency approach plays a central role in the use phase. Specific savings targets for GHG emissions are set to provide a clear roadmap to mitigate and adapt to climate change. The action plan for achieving short, medium, and long term targets includes a comprehensive energy saving concept and increasing energy supply from renewable energy sources. In addition, the focus is on the substitution of resources, energy and resource conserving process optimisation, and the use of process heat. Upgrading heating, cooling, and ventilation systems and the reduction of energy and resource losses are crucial steps to reduce the emission of greenhouse gases. In our endeavours to promote sustainability throughout the entire product life cycle, we regularly carry out life cycle assessments (LCA). These assessments allow us to understand the environmental impact of our products at different stages of their life cycle, including raw material extraction, manufacturing, use-phase, and disposal. The integration of reduction targets into the corporate culture plays a central role. The entire organisation is actively involved in the transformation process by anchoring GHG reduction targets in the corporate strategy, raising employee awareness of climate targets, promoting innovation, and clear communication of targets as well as regular progress reports.

Energy consumption and energy mix

We see energy management as an iterative process to continuously identify further savings potential. A management review meeting is held annually to inform the Executive Board about ongoing and completed projects. The basis is a regular energy audit at all European sites, which consume more than 97 % of the VARTA AG Group's total energy. In the reporting year, we supported employees who were committed to sustainability by providing training on relevant guidelines (please refer to chapter 3.1 section Employee training on sustainability). To reduce energy costs and minimise our environmental impact, we are striving to improve our overall sustainability performance. In 2023, VARTA AG procured electricity from renewable sources at all German production sites and implemented a digital energy management system. This system identifies and prioritises energy-saving potential, optimises production processes, promotes energy-efficient behaviour, and supports the switch to energy-efficient systems. In the reporting period, 160 MWh or just under 30 tCO₂-eq were saved at the Ellwangen site by structural improvements. All production sites are certified in accordance with ISO 14001, and European production sites have undergone energy audits. As a result, relevant key figures have been reviewed and monitored in line with the legal requirements.

VARTA AG's total energy consumption includes various sources such as fuel, heating oil, natural gas, and biogas. The company obtains electricity from renewable and non-renewable sources. Energy consumption does not include sales locations, which represent only 6.7 % of the workforce. Over 98 % of the electricity used is derived from the power grid. Over 97 % of the remaining electricity is self-generated and originates from renewable sources. Certificates of origin are available for quality assurance purposes for the electricity purchased from renewable sources at the German production sites. The data was collected from invoices and meter readings at all production sites.

Energy consumption and energy mix

(IN MWh)	2023	2022	2021	2020
(1) Fuel consumption from coal and coal products	0	0	0	0
(2) Fuel consumption from crude oil and petroleum products	1,045	2,345	5,608	1,765
(3) Fuel consumption from natural gas	16,356	18,767	20,026	16,849
(4) Fuel consumption from other fossil sources	0	0	0	0
(5) Consumption from purchased or received electricity, heat, steam and cooling and from fossil sources	2,895	3,692	3,073	47,571
(6) Total consumption of fossil energy (sum of rows 1 to 5)	20,296	24,804	28,707	65,962
Share of fossil sources in total energy consumption (in %)	28.6 %	29.0 %	35.5 %	99.1 %
(7) Consumption from nuclear power sources	0	0	0	0
Share of consumption from nuclear sources in total energy consumption (in %)	0	0	0	0
(8) Fuel consumption for renewable sources, including biomass (including industrial and municipal waste of biological origin, biogas, hydrogen from renewable sources, etc.)	3,353	2,664	1,598	352
(9) Consumption from purchased or received electricity, heat, steam and cooling and from renewable sources	46,649	58,066	50,487	223
(10) Consumption of self-generated renewable energy other than fuels	722	37	54	54
(11) Total consumption of renewable energy (sum of lines 8 to 10)	50,724	60,767	52,139	629
Share of renewable sources in total energy consumption (in %)	71.4 %	71.0 %	64.5 %	0.9 %
Total energy consumption (sum of lines 6 and 11)	71,020	85,571	80,846	66,591

Energy consumption by location

(IN MWh)	NATURAL GAS	HEATING OIL	FUEL	PURCHASED ELECTRICITY RENEWABLE	PURCHASED ELECTRICITY NON- RENEWABLE	PURCHASED HEAT RENEWABLE	SELF- GENERATION ELECTRICITY RENEWABLE	SELF GENERATION ELECTRICITY NON- RENEWABLE
Ellwangen	7,204	5	105	22,316	0	0	0	0
Nördlingen	6,021	3	122	12,537	37	3,353	611	0
Dischingen & Neunheim	3,131	16	168	11,796	0	0	111	20
Brasov	0	603	0	0	1,292	0	0	0
Batam	0	0	23	0	1,566	0	0	0
Total	16,356	627	418	46,649	2,895	3,353	722	20

Share of renewable energy by location

(IN %)	RENEWABLE SOURCES	NON-RENEWABLE SOURCES
Ellwangen	74.0 %	25.0 %
Nördlingen	73.0 %	27.0 %
Dischingen & Neunheim	78.0 %	22.0 %
Brasov	0.0 %	100.0 %
Batam	0.0 %	100.0 %
Total	71.0 %	29.0 %

Total energy consumption

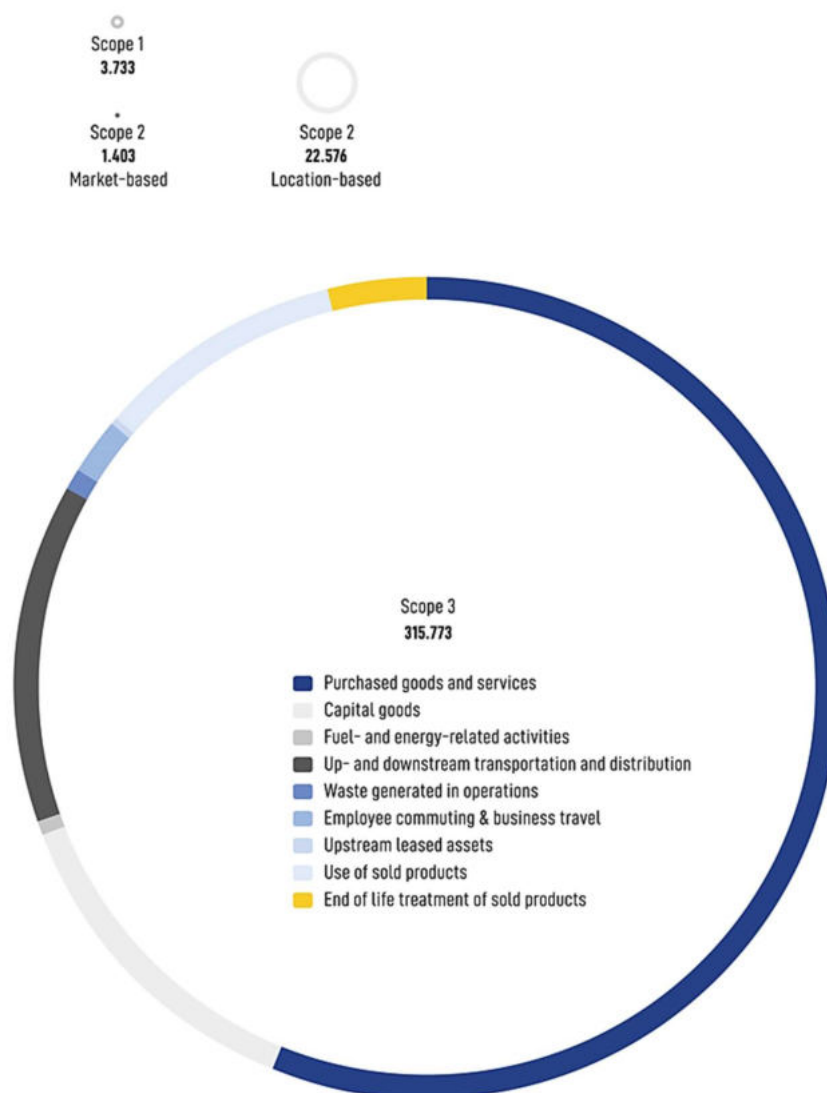
(IN MWh)	2023	2022	2021	2020
Ellwangen	29,630	32,528	33,379	31,034
Nördlingen	22,684	29,126	23,345	13,313
Dischingen & Neunheim	15,222	19,171	19,058	18,017
Brasov	1,895	2,949	2,990	1,986
Batam	1,589	1,797	2,074	2,241
Total	71,020	85,571	80,846	66,591
Total energy consumption/headcount (in MWh/HC)*	17.8	18.7	17.3	14.5
Total energy consumption/net revenue (in MWh/m€)	86.6	106.1	89.6	76.6

*While the number of employees was stated as full-time equivalents (FTE) in the last report, this year the headcount is used as an indicator for counting employees due to the available data basis. Similarly, net revenue is now used as the data basis.

Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions

In 2023, we used Ecolnvent 3.10 (IPCC 2021, GWP 100) databases, which include environmentally enhanced input/output analysis databases (EIOA), to calculate greenhouse gas emissions. We have intensified our efforts to integrate emissions generated outside the company. Internationally recognised emissions databases and emission factors from government authorities were used for this purpose. Emissions data from the past were recalculated using the aforementioned references where necessary.

Greenhouse gas inventory of VARTA AG



Greenhouse gas inventory of VARTA AG

	RETROSPECTIVE				MILESTONES AND TARGET YEARS		
	2020	2021	2022	2023	2025	2030	ANNUAL % OF TARGET / BASE YEAR
Scope 1 greenhouse gas emissions							
Scope 1 GHG gross emissions (in tCO ₂ eq)	4,085	5,546	4,380	3,733	3,227	2,369	4,2
Percentage of Scope 1 greenhouse gas emissions from regulated emissions trading schemes (in %)	0	0	0	0	0	0	0
Scope 2 greenhouse gas emissions							
Location-based Scope 2 GHG gross emissions (in tCO ₂ eq)	28,553	25,959	29,606	22,576	22,557	16,561	4,2
Market-based Scope 2 GHG gross emissions (in tCO ₂ eq)	13,278	1,817	2,148	1,403	10,490	7,701	4,2
Significant Scope 3 greenhouse gas emissions							
Total indirect (Scope 3) gross GHG emissions (in tCO ₂ eq)	-	387,364	414,840	315,773			
1 Purchased goods and services	-	240,779	252,257	178,126			
2 Capital goods	-	58,101	70,223	41,208			
3 Activities related to fuels and energy (not included in Scope 1 or Scope 2)	-	1,717	1,635	1,220			
4 Upstream transport and distribution	-	39,845	44,132	41,619			
5 Waste generation in production	-	2,567	4,133	2,742			
6 Business travel	-	88	480	577			
7 Employee commuting	-	4,338	8,358	6,439			
8 Upstream leased assets	-	166	579	389			
9 Downstream transport	-	693	816	923			
10 Processing of sold products	-	-	-	-			
11 Use of sold products	-	24,834	17,808	30,582			
12 Treatment of products at the end of their service life	-	13,884	14,420	11,947			
13 Downstream leased assets	-	-	-	-			
14 Franchises	-	-	-	-			
15 Investments	-	-	-	-			
Total GHG emissions	-	418,869	448,826	342,082			
Total GHG emissions (market-based) (in tCO ₂ eq)	-	394,727	421,843	321,504			

The data for the reporting years 2022 and 2023 were subjected to an external assurance.

The greenhouse gas inventory was prepared and calculated following the guidelines of the WRI/WBCSD Greenhouse Gas (GHG) Protocol and ISO 14064. Following these standards, we have recorded our emissions separately according to Scope 1, 2, and 3. Emissions from sales locations and non-production locations are included in category 8 of Scope 3. We are actively working to improve data quality to ensure a complete corporate carbon footprint. Both the market-based and location-based methodologies were applied for Scope 2. The Scope 3 categories were calculated using a combination of supplier-specific, hybrid, average, and spend-based methods. The company is working hard to improve the availability and quality of the data. VARTA AG's report covers emissions from global production sites, using the operational control approach as the boundary for recording emissions.

GHG intensity per net revenue

(IN tCO₂eq/€)

Total GHG emissions (location-based) per net revenue

Total GHG emissions (market-related) per net revenue

2023

0.42

0.39

Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

VARTA AG assesses the anticipated financial impact of significant physical and transitory risks affecting relevant business activities. This assessment takes various criteria into account. These include the scope of application, the time horizons, the calculation methods, and critical assumptions and parameters. The assessment covers the entire company. Short-, medium-, and long-term time horizons are defined, ensuring a close link to the expected lifespan of assets, strategic planning, and capital allocation plans. We base our assessment on a sound process for identifying material physical risks and defining climate scenarios. The process was conducted on a consistent and transparent basis to ensure the credibility of the results. The assessment is based on comprehensible assumptions and parameters, considering uncertainties and possible changes in these factors. Overall, the potential physical and transitory climate-related risks in the Group-wide risk management system were assessed as moderate and not material. This is based on a thorough analysis, clear assessment criteria, and a comprehensive understanding of the physical risk factors associated with the company's business activities and assets.

2.3. Environmental protection

Strategies for environmental protection

We pursue a strategy for managing the material impacts related opportunities and risks associated with pollution prevention and mitigation. The overarching objective is to ensure sustainable and environmentally sound business practices while considering key aspects. The strategy aims to both minimise negative environmental impacts and utilise opportunities for innovative and more environmentally friendly solutions.

The company regularly carries out a materiality analyses to identify the most important environmental impacts and sustainability aspects within its business activities. The focus is on its business activities as a company of the manufacturing industry. These analyses serve as the basis for strategic alignment and enable resources to be used specifically for key areas. Four areas of action were identified:

- Use of environmentally friendly production processes and materials
- Implementation of strict emission controls and wastewater treatment processes
- Continuous monitoring and improvement of processes to reduce emissions
- Research and development of technologies to minimise environmental impact

We strive to minimise the use of substances of concern. This includes proactively substituting hazardous materials with environmentally friendlier alternatives, monitoring and complying with relevant environmental and safety regulations, and engaging with suppliers and partners. Comprehensive training and education programmes are carried out for relevant employees to prevent incidents and emergencies. The training is designed to minimise accidents, provide information on continuous maintenance, monitoring systems, and facilities to identify and eliminate potential hazards. Other measures include the development and regular updating of emergency plans, response protocols, and cooperation with local authorities to minimise the impact of emergencies.

Our strategy to prevent and minimise pollution and to strengthen environmental protection is already firmly anchored in our business practices through ISO 14001 certification at all production sites. VARTA AG pursues continuous improvement and adaptation of its strategy to set the highest standards for environmental compliance and sustainability in battery production. The company therefore intends to introduce the Eco-Management and Audit Scheme (EMAS) in accordance with Regulation (EC) No. 1221/2009 at its German production sites by 2027. The aim is to shape a clean and low emission future and play a leading role in the industry.

Actions and resources related to environmental protection

We are committed to minimising our impact on the environment and creating sustainable business practices. This commitment is reflected in many measures taken to prevent and reduce pollution.

VARTA AG has already implemented production processes to minimise emissions of potentially hazardous gases and waste. This includes the use of state-of-the-art technologies and continuous monitoring of emissions. We operate advanced wastewater treatment plants to ensure that wastewater quality meets the highest environmental standards. This encompasses the efficient removal of pollutants and contaminants. VARTA AG is actively committed to reducing environmental impact by substituting hazardous materials with environmentally friendly alternatives. Investments in environmentally friendly technologies and equipment continue to minimise the environmental impact of production facilities. The research and development department focuses on developing innovative solutions and materials to reduce the environmental impact. The company utilises internal and external audits to ensure that all measures and processes comply with the applicable environmental regulations. Continuous monitoring ensures compliance with these standards. Regular training courses for employees and relevant personnel help to continuously promote environmental awareness and responsibility. In this way, we are strongly committed to protecting the environment.

Targets related to environmental protection

We attach great importance to environmentally friendly products and environmentally friendly production. A comprehensive assessment of the potential environmental impact over the entire life cycle is carried out during product development. The company endeavours to conserve resources. This can be achieved through the economical use of materials, recyclability, and reusability of products. Where feasible, environmentally harmful substances are replaced by less harmful alternatives. In the production phase, advanced technologies that utilise integrated environmental protection processes are at the centre of focus. This includes the minimisation of GHG emissions and the efficient treatment of waste and wastewater. We are collaborating with suppliers to promote a principle of equal environmental standards. Working with qualified waste management companies is a commitment that aims to minimise and recycle production scrap and waste. We have established continuous monitoring of environmental performance and the reduction measures.

Protection of the quality of air, water and soil

As part of its environmental management practices in accordance with ISO 14001, VARTA AG acts consistently to protect the quality of air, water, and soil. We improve our environmental performance in a targeted manner by implementing environmental management systems. These systems use environmental performance indicators or environmental key figures to provide a comprehensive overview of the environmental impact, accomplishments, and potential for improvement. Measurable environmental indicators serve as the foundation for setting specific and measurable environmental targets to establish comparability and trends over time.

The direct environmental aspects are associated with the company's activities, products, and services, and are subject to direct operational control. Indirect environmental aspects are the result of VARTA AG's interaction with suppliers and service providers and cannot be fully influenced by the company. The definition of assessment criteria has led us to categorise certain environmental aspects as particularly relevant. These include energy consumption, water consumption, use of hazardous substances, protection of soil/groundwater resources, raw material consumption, emissions, wastewater treatment (direct/indirect), waste (hazardous/non-hazardous), and potential hazards. Emissions to air have emerged as a key environmental aspect, with CO₂ emissions associated with energy consumption playing a central role. We understand that both direct and indirect environmental aspects are important, hence we emphasise on the significance of our climate and energy management strategies.

2.4. Water resources

As part of our sustainability strategy, we place particular emphasis on effective water management to minimise our ecological footprint and use resources responsibly. We undertake a detailed review of our business activities as a foundation to identify the actual and potential impact of our business activities on water resources. This analysis is based on internationally recognised standards, such as the WWF Water Risk Filter, and takes the following factors into account:

RISK TYPE	RISK CATEGORY
Physical	Water shortage
	Flooding
	Water quality
	Ecosystem services
Regulatory	General conditions
	Institutions and governance
	Management tools
	Infrastructure
Reputation	Cultural significance
	Media coverage
	Conflicts

We also attach great importance to engaging with affected communities to develop a multifaceted understanding of local concerns. The aim is to include local perspectives in the decision-making process. A regular review of this approach is based on a combination of internal audits, external experts, and independent third parties. In the reporting year, we liaised with water suppliers and local authorities at the largest production sites regarding the assessment of potential water-related risks. The company uses advanced environmental technologies and data analyses to monitor water consumption and quality. Scenario analyses are used to assess potential risks and opportunities in the event of changes in water availability or quality. These are based on a combination of the most relevant climate scenarios (IPCC Representative Concentration Pathways – RCP) and socioeconomic scenarios (IIASA Shared Socioeconomic Pathways – SSP). The scenarios considered for 2030 and 2050 therefore comprise three different pathways:

- Optimistic: RCP2.6 – 4.5 & SSP1
- Current trend: RCP4.5 – 6.0 & SSP2
- Pessimistic: RCP6.0 – 8.5 & SSP3

Each scenario is based on the WWF Water Risk Filter data from 2020 (base year) and is supplemented by projected changes from the best available data sets.

Strategies related to water and marine resources

The water management approach at VARTA AG involves monitoring and optimising water consumption and developing suitable measures to achieve targets. The responsible use of natural resources is a top priority, which is why high standards are applied in wastewater treatment. Although water is mainly used for sanitary purposes, the assessment of potential water risks at the production sites is part of environmental management. Our environmental policy promotes the prudent use of water by all employees and includes strategies for managing water risks across the value chain.

Initiatives and measures to conserve water resources

We take measures to protect water resources and provide human resources to achieve the strategic goals of sustainability management. Site-specific and risk-specific strategies are introduced to minimise the use of water resources. This includes the introduction of processes aimed at minimising water consumption at the production sites. We rely on technologies and processes that are based on more sustainable water utilisation practices. Reducing the use of water resources is a continuous process. Efficiency measures to reduce water consumption are constantly evaluated. Investments in water management, and monitoring systems help to minimise water consumption and reduce the strain on water resources. Another important initiative concerns the treatment of water. The company has implemented advanced water treatment technologies at several production sites to fulfil regulatory and environmental requirements.

Targets related to water resources

We carefully analyse the water-related challenges arising from the company's specific activities and position in the value chain. This involves a comprehensive identification of potential impacts on water resources that could be significant to VARTA AG. A comprehensive risk assessment is then carried out based on the challenges identified. At the same time, the RCP and IIASA scenarios are to be incorporated into risk management in the future. Particular attention is paid to areas with potential future water shortages where we are striving to minimise water consumption to uphold our sustainability goals. This includes the implementation of efficiency measures and the responsible use of water resources.

Water utilisation

VARTA AG is committed to disclosing information on its water use of its material impacts and related opportunities and risks. Water use includes all production sites and no sales offices. The scope covers over 93 % of the workforce. The company publishes detailed information on its water consumption. Water volumes, efficiency metrics, and comparisons with previous periods are presented transparently.

Water withdrawal

(IN m³)	2023	2022	2021	2020
Ellwangen	18,646	18,540	17,215	17,359
Nördlingen	4,328	6,740	3,252	2,989
Dischingen & Neunheim	8,767	9,163	8,468	9,203
Brasov	2,767	2,956	3,045	2,679
Batam	9,122	12,078	14,204	13,695
Total***	43,630	49,477	46,184	45,925
Water withdrawal/headcount (in m³/HC)*	10.9	10.8	9.9	10.0
Water withdrawal/net revenue (in m³/€m)	53.2	61.3	51.2	52.8

Water withdrawal refers to the volume of water withdrawn directly from third parties.

*While the number of employees was stated as full-time equivalents (FTE) in the last report, this year the headcount is used as an indicator for counting employees due to the available data basis. Similarly, net revenue is now used as the data basis.

***The data for water withdrawal of the 2023 reporting year was subjected to an external assurance

Water consumption

(IN m³)	2023
Ellwangen	2,585
Nördlingen	1,230
Dischingen & Neunheim	1,853
Brasov	-
Batam	-
Total	5,668
Water consumption per headcount (in m³/HC)*	1.4
Water consumption per net revenue (in m³/€m)	6.9

Water consumption is the amount of water used in business operations, including any use that results in an irreversible loss or alteration of water.

*While the number of employees was stated as full-time equivalents (FTE) in the last report, this year the headcount is used as an indicator for counting employees due to the available data basis. Similarly, net revenue is now used as the data basis.

Water discharge

(IN m³)	2023
Ellwangen	16,061
Nördlingen	3,098
Dischingen & Neunheim	6,914
Brasov	2,767
Batam	9,122
Total	37,962
Water consumption per headcount (in m³/HC)*	9.5
Water consumption per net revenue (in m³/€m)	46.3

The amount of water discharged from business operations, either by returning it to natural bodies of water or by discharging it into water systems, is referred to as water discharge.

*While the number of employees was stated as full-time equivalents (FTE) in the last report, this year the headcount is used as an indicator for counting employees due to the available data basis. Similarly, net revenue is now used as the data basis.

In 2023, we introduced improved water management at our production sites by integrating additional meters for monitoring and implementing an extended monthly meter reading cycle by building management specialists. Clear processes ensure precise data collection. Internal experts are consulted for precise estimates for meters that simultaneously record water consumption and discharge. These assessments serve as a reliable basis for the aggregation and calculation of data across all locations. The information collected serves as the starting point for a detailed hotspot analysis. This analysis enables us to identify and implement effective measures to increase water efficiency. The procedure is orientated towards the corporate strategy of achieving ecological and economic benefits. We are therefore planning to set an ambitious reduction target for the 2024 calendar year.

2.5. Biodiversity and ecosystems

Our most recent efforts to preserve biodiversity focused on a forest near the Ellwangen production site. An infestation of a specific insect species was detected in this protected natural monument and biotope, which posed a threat to both human health and the forest ecosystem. In close co-operation with local and regional authorities, measures were developed and implemented that proved to be effective. These steps have helped to successfully contain the threat posed by the invasive insect population in 2022 and 2023. Monitoring is to continue in 2024 in coordination with the authorities in the event of a resurgence to evaluate the effectiveness of the measures taken. As a company committed to the principle of sustainability, we are aware of our responsibility to minimise negative impacts on the regions and natural habitats around our sites. We are actively committed to positive change and progress in this field.

2.6. Resource use and circular economy

Strategies related to resource use and circular economy

Our commitment to sustainable resource management and the circular economy aligns with developed strategies to manage the main impacts, risks, and opportunities. Our objective is to increase our focus on the use of secondary resources (recycled materials). This approach helps to reduce the consumption of primary raw materials. These strategies are implemented across all business areas of the company. We collaborate closely with suppliers, partners, and stakeholders to ensure that resource utilisation and circular economy practices meet the highest standards. By implementing this approach, we can contribute to the management of significant impacts, risks, and opportunities in resource utilisation and the circular economy. We strive to promote sustainability and to minimise the environmental impact of our business activities.

Actions and resources related to resource use and circular economy

We have implemented measures to reduce the consumption of primary raw materials in packaging. The strategy further incorporates concrete measures for resource efficiency and minimising the ecological footprint. Funds are allocated to recycling, reprocessing, and reuse initiatives within research projects. Furthermore, the company invests in research and development to improve circular economy practices and eco-design. In 2023, € 27.4 m was allocated to research and development for this purpose. In comparison to the previous year, the proportion of waste management companies that have accepted our sustainability guidelines has increased to 97.5 %. This indicates an increasing acceptance and implementation of high sustainability standards within the industry. We are therefore demonstrating our commitment to implementing these measures and ensuring that the necessary resources are available.

Targets related to resource use and the circular economy

Our objective is to enhance our product design on an ongoing basis. The focus is on durability, performance, and efficient use of resources. The goal is to develop products that are used for longer and can be efficiently recycled at the end of their life cycle. The utilisation rate of materials in the production process is monitored on an ongoing basis to ensure continuous improvement. This includes the efficient use of materials and the minimisation of waste. In line with the cascade principle, we focus on the sustainable procurement and utilisation of renewable resources from our suppliers and their suppliers. This is intended to minimise environmental impact and reduce dependence on non-renewable resources. Our goal is effective waste management, including the preparation for proper waste treatment and the reduction of landfill. VARTA AG is committed to reducing waste and increasing recycling. Furthermore, the company has set qualitative targets in relation to other aspects of resource utilisation and the circular economy, including energy efficiency and the promotion of environmental awareness in the supply chain. As part of this process, a questionnaire is sent to our focus suppliers using a risk-based approach. This encourages suppliers to disclose their strategies and targets for improving sustainability performance. In addition, we are implementing global recycling initiatives to enhance awareness of the significance of battery recycling and achieve the objectives of the EU Battery Regulation. With our Europe-wide recycling campaign, we have reached over 500 million people in 23 countries. Consumers are encouraged to recycle their household batteries and become "game changers" who actively contribute to reducing the CO₂ footprint and conserving valuable resources. This contributes to the objectives of the EU Green Deal and the new EU Battery Regulation, which includes setting target collection rates and target shares of recycled material content.

We have set ourselves ambitious targets for 2024. The packaging of our main VARTA Consumer Batteries product range in the primary battery segment (AAA/AA/C/D/9V) will be completely plastic-free. We are aiming to increase the proportion of recycled

materials in the VARTA AG Recharge Accu Recycled product line to up to 25 %. In addition, the Portable Power product category will be offered in plastic-free packaging. In the Special Batteries segment, we aim to reduce the amount of plastic used in packaging by up to 60 %, while at the same time complying with the highest safety standards in accordance with legal requirements and industry standards. By 2025, we strive to reduce plastic consumption in product packaging by a further 20 % to achieve an overall reduction of 50 % from 2020 to 2025. These goals demonstrate our commitment to more sustainable resource use and the circular economy, as well as our efforts to create a positive impact on the environment and society.

Resource inflows

As a pioneer in the technology sector, we are increasing our investment in environmentally friendly packaging and constantly expanding our range of single-material packaging to meet the market demand. VARTA AG's strategy for making product packaging more sustainable is to increase the use of recycled materials and reduce the volume of packaging. This progress is achieved by increasing the proportion of fibres sourced from suppliers with FSC-certified products. Furthermore, the company is working closely with its suppliers to develop more sustainable packaging practices. The company's packaging is a testament to its dedication to using cutting-edge and eco-friendly materials in the technology industry. All VARTA Consumer Batteries product packaging is labelled with the relevant legal markings. The ink used for colouring and packaging is in compliance with RoHS and REACH regulations. All products bearing the Nordic Swan Ecolabel consist of at least 80 % recycled materials in their packaging. We pay particular attention to ensuring that all individual parts, such as cardboard, paper, and plastic, can be easily dismantled to facilitate recycling.

In line with our commitment to more sustainable packaging solutions, VARTA AG made significant progress in 2023. The target of plastic reduction in packaging of our VARTA Consumer Batteries range by 35 % compared to 2020 was successfully achieved due to the implementation of consistent measures and initiatives. Moreover, we have implemented targeted measures to increase the proportion of recycled materials in several product segments. The Recharge Accu Recycled range contains a minimum of 21 % recycled material. A new generation of chargers is manufactured from 75 % recycled plastic. By expanding the range of single-material packaging and packaging in cardboard boxes, we have achieved a 62 % reduction in the use of plastic. By 2023, more than 90 % of all packaging of products in the Portable Power & Accessories division will be plastic-free. These successful measures demonstrate our long-term commitment to implementing our packaging strategy.

Resource outflows

Our battery products are designed with durability, reusability, and reparability in mind. We are currently exploring the possibility of switching to more environmentally friendly materials and identifying alternative sources for critical raw materials and rare earths. This is part of our strategy to reduce our dependence on finite resources.

By extending the life cycle of battery solutions, we are raising awareness of sustainability among customers and business partners. We have launched an industry initiative to increase durability and are focusing on materials and production techniques that maximise the service life of batteries in the Consumer Batteries and Lithium-Ion Small Cells segments. The objective is to maintain a shelf life for our batteries that exceeds the industry average. Furthermore, we provide spare parts and repair instructions for our products, extending their service life. The research department is engaged in ongoing efforts to develop batteries comprising a higher percentage of recycled material. The objective is to assess the performance indicators of recycled material in comparison to primary material. As part of our commitment to the circular economy, we are committed

to ensuring that used batteries are recycled via a collection and take-back system. VARTA AG has entered partnerships with recycling companies to ensure that batteries are properly disposed of and recycled at the end of their life cycle. As a result, these partners have achieved a 51 % collection rate of the batteries placed on the market in Germany in 2022, 93 % of which were recycled.

Waste generated

(IN t)	WASTE GENERATION	NON-HAZARDOUS	HAZARDOUS
Ellwangen	1,176	589	587
Nördlingen	651	200	451
Dischingen & Neunheim	1,717	1,501	216
Brasov	277	276	1
Batam	64	53	11
Total	3,885	2,619	1,266

Treatment of non-hazardous waste

(IN t)	RECYCLING	OTHER TREATMENT PROCESSES
Ellwangen	537	52
Nördlingen	162	38
Dischingen & Neunheim	1,141	360
Brasov	258	18
Batam	14	39
Total	2,112	507

Treatment of hazardous waste

(IN t)	RECYCLING	OTHER TREATMENT PROCESSES
Ellwangen	179	408
Nördlingen	66	385
Dischingen & Neunheim	7	209
Brasov	1	-
Batam	0	11
Total	253	1,013

Disposal process of non-hazardous waste

(IN t)	INCINERATION	LANDFILL	OTHER DISPOSAL OPERATIONS
Ellwangen	46	6	-
Nördlingen	35	3	-
Dischingen & Neunheim	240	120	-
Brasov	0	18	-
Batam	39	0	-
Total	360	147	-

Disposal process of hazardous waste

(IN t)	INCINERATION	LANDFILL	OTHER DISPOSAL OPERATIONS
Ellwangen	408	0	-
Nördlingen	379	6	-
Dischingen & Neunheim	209	0	-
Brasov	0	0	-
Batam	4	8	-
Total	1,000	14	-

In the reporting year, 61 % of the total waste from production was recycled. In addition, total waste generated was reduced by over 24 % compared to 2022. Waste generation does not include sales locations, representing 6.7 % of the workforce. We are committed to setting specific targets to reduce waste and reporting on our progress regularly. Our objective is to reduce the total volume of liquid waste within the next five years. Furthermore, detailed analyses of the materials contained in the waste have been conducted. This allows us to implement targeted measures to minimise waste streams.

As a battery manufacturer, VARTA AG has identified the waste streams relevant to its sector. These include waste such as electronic waste and materials such as critical raw materials and rare earths. By conducting in-depth analyses of waste characteristics, the company is able to develop targeted measures to minimise specific waste streams. The disclosure of this information demonstrates our commitment to the transparent use of resources and the contribution to the transition to the circular economy. This underlines our commitment to reducing the environmental impact of our industry and contributing to the conservation of resources and the reduction of waste.

3. Social

Highly qualified and motivated employees and engaged stakeholders are essential to our long-term success. Our corporate culture is characterised by solid values determining the way we work. The benchmark for the ethical behaviour of every employee is the Human Rights Policy Statement and the VARTA AG Code of Conduct. We have set ourselves the goal of continuously improving working conditions and supporting employees in their development. VARTA AG collaborates with stakeholders to optimise best practices across the industry. We maintain a continuous dialogue with various organisations and suppliers to improve transparency and reduce potential risks at every level of our complex value chains. Local communities play a central role in our business activities. Consequently, we support projects to promote local communities and sustainability within the framework of our community engagement programme. The well-being and safety of consumers and end users of our products are central concerns for us. To fulfil our responsibility and maintain high standards, we are certified according to international standards. To ensure compliance with regulations and standards, we have implemented regular quality controls and specific processes for product safety.

3.1. People

At VARTA AG, we place great importance on valuing our employees and protecting their rights. We follow the precautionary principle and take preventive measures for environmental and social concerns. We take responsibility for respecting human rights, and these are reflected in established processes, implemented guidelines, and the VARTA AG Code of Conduct. Ethical behaviour is fundamental to respectful cooperation and business success, as is the continuous improvement of working conditions. The safety and well-being of employees is a top priority and is upheld by various processes, training,

and personal protective equipment. We promote targeted programmes for professional and personal development. VARTA AG acts in accordance with national laws and is guided by international standards to create optimal working conditions. There are various channels for submitting information on violations of laws or internal guidelines.

Human Rights Policy Statement

VARTA AG is committed to complying with Human Rights Due Diligence (HRDD) standards, strengthening human rights and enabling remedial action for those affected in the event of identified human rights violations. This applies both to the company's business division – and therefore its entire workforce worldwide – and to the value chain and is a central component of all business relationships.

The Human Rights Policy Statement describes our strategic approach to due diligence and its organisational implementation, e.g. in the form of guidelines and procedures. To take different perspectives into account, feedback was obtained from external human rights experts in addition to various internal perspectives during the development of the policy statement. The Human Rights Policy Statement and the associated strategy are addressed to all stakeholder groups and are a central component of the VARTA AG Management System (please refer to chapter 1.4 VARTA AG management system).

A particular focus of the policy is on the communication of expectations towards the entire workforce, set out in the VARTA AG Code of Conduct, as well as the requirements placed on business partners in the Supplier Code of Conduct. The Human Rights Policy Statement and the associated HRDD strategy are based on the following international frameworks:

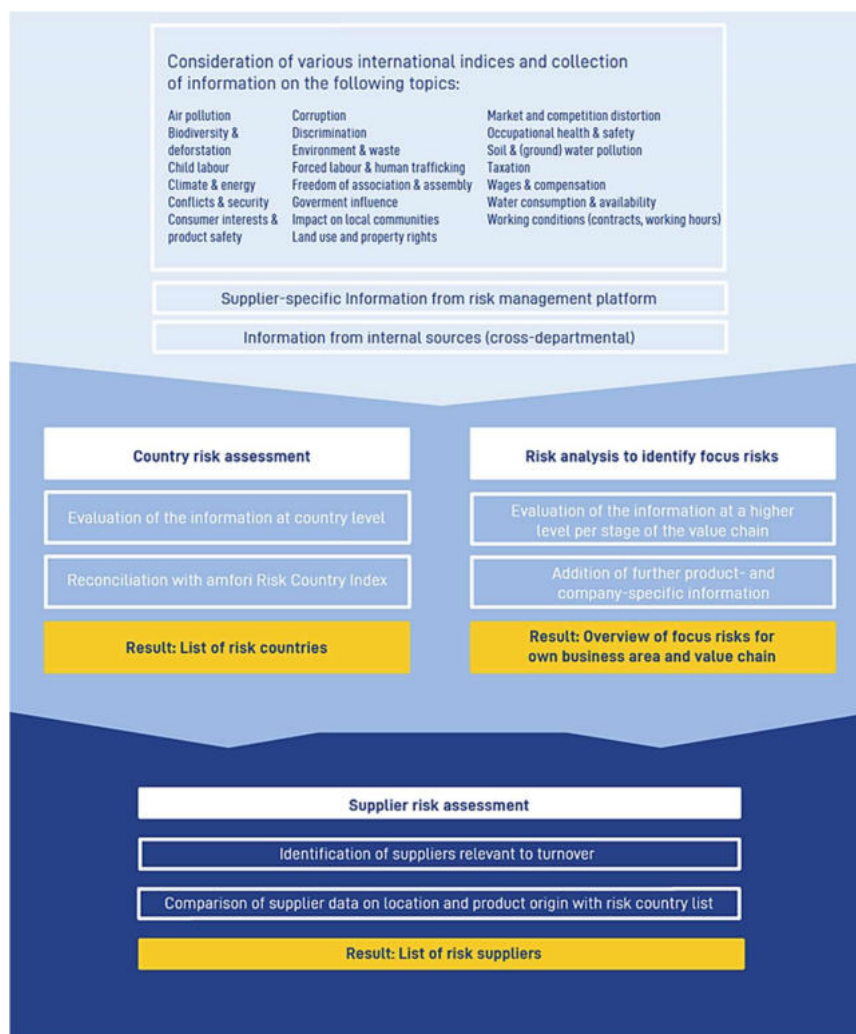
- International Bill of Human Rights
- Conventions and recommendations of the International Labour Organisation, in particular the Declaration on Fundamental Rights and Principles at Work and the core conventions that underpin it
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- OECD Guidelines for Multinational Enterprises
- Principles of the United Nations Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- UN Children's Rights and Business Principles
- UN Convention on the Elimination of All Forms of Discrimination against Women
- UN Guiding Principles on Business and Human Rights
- UN Sustainable Development Goals

In addition, legal requirements (e.g. German Supply Chain Act, CSDDD draft) and customer expectations were comprehensively taken into account while developing the policy.



We prioritise actual and potential challenges related to environmental and human rights issues and develop our strategy from there. To this end, we regularly carry out a detailed sustainability-related risk analysis for our business activities and value chain. Social (e.g. occupational safety, working conditions), governance (e.g. corruption, market, and competitive distortions), and environmental aspects (e.g. environment, waste, and water consumption) are taken into account in this context. The information is obtained internally as part of cross-departmental consultations and collected externally from official sources such as reports and indices from internationally recognised organisations. Impacts on the local population and the environment were considered in the analysis at all stages of the value chain.

Human-rights related risk analysis of the value chain



The risk analysis revealed that the following risks ("salient risks") are prioritised in the company's business area and in the supply chain due to the company's activities in the context of battery production:

- Working conditions
- Occupational health and safety
- Soil, groundwater, and air pollution
- Climate and energy-related risks
- Risks relating to conflict and high-risk minerals

The analysis put a focus on direct material – active material – used to produce batteries and associated technologies. As is customary in the industry, these risks are highest at the origin of the value chain and decrease with each stage of the value chain. Certain population groups are exposed to a higher risk of having their rights impaired by external factors such as environmental pollution and potential human rights violations. Protecting the rights of women, indigenous peoples, minorities and disadvantaged groups is therefore an important concern for us. Particularly vulnerable workers include pregnant women, people with disabilities, and young people under the age of 18.

The Executive Board of the VARTA AG Group is responsible for the overall strategic direction of the company and ultimately decides on the approach for compliance and monitoring of human rights due diligence. The responsibilities include the procedures and allocation of resources to implement the necessary measures. Monitoring the implementation of the strategy is the responsibility of those responsible for the respective locations. The relevant departments, in particular Sustainability, Human Resources, and Quality, oversee the implementation and continuous development of measures within the framework of the strategy. The Sustainability Department is responsible for monitoring risk management in connection with human rights due diligence obligations.

The Human Rights Policy Statement contributes to complying with the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and entails the recommended steps for implementing further international frameworks. The statement was communicated to our stakeholders in German and English via the company website, social media, and the intranet. In the reporting year, we provided the Federal Office for Economic Affairs and Export Control (BAFA) with information on the definition of internal responsibilities and the implementation of the grievance mechanism as part of a request for information. Further, we will publish the mandatory report in due time on our website.

In 2022, all production sites were audited in line with the Workplace Conditions Assessment (WCA) standard. All audited sites achieved a score of over 85 %. In 2023, the headquarters in Ellwangen, where large parts of VARTA AG employees work, was re-audited. The aspects audited included labour (e.g. child/forced labour, discrimination, discipline, harassment/abuse, freedom of association, employment contracts), wages and working hours, health and safety, management systems (documentation and records, employee feedback and participation, audits, and corrective actions) and environment (legal compliance, environmental management systems, waste, and air emissions). In addition to customised CSR and sustainability audits, further follow-up audits based on international standards are planned for all production sites in the coming years. Any findings and any potential for improvement will be analysed across departments and rectified or implemented as quickly as possible, with a focus on eliminating the actual cause.

In 2023, VARTA AG participated in the UN Global Compact Business & Human Rights Accelerator. As part of the programme, in dialogue with external experts, we reflected on the measures taken and planned in our business activities and the upstream and downstream value chains. Participation in the programme helped to ensure continuous improvement and development of the HRDD system (please refer to chapter 3.2 Sustainability in the value chain).

VARTA AG Code of Conduct

The VARTA AG Code of Conduct serves as a common framework and guideline for our business activities at all locations worldwide. It describes essential binding rules of conduct for all employees that are fundamental to VARTA AG's national and international business activities:

- Principle 1: We are honest and fair in our relationships with customers, suppliers, competitors, other business partners, and with each other.
- Principle 2: We avoid conflicts of interest that may arise due to very close relationships with business partners, competitors, and other persons or institutions outside VARTA AG.
- Principle 3: We do not tolerate any form of bribery, venality, extortion, or any other form of corruption. We do not grant business partners and other third parties

inappropriate gifts, hospitality, benefits, entertainment, or other advantages of any kind.

- Principle 4: We comply with our duty of confidentiality and discretion at all times.
- Principle 5: Safety in the workplace, the safety of our products, and environmental protection are key principles.
- Principle 6: The present Code of Conduct constitutes the basis of our operating conduct and must therefore be strictly observed.
- Principle 7: If we believe or find that the above rules are not being or have not been followed by a line manager or an employee, we will not hesitate to report the matter.

The VARTA AG Code of Conduct is based on international frameworks, contains further explanations of the individual principles, and refers to the whistleblower system as well as other options for submitting anomalies and complaints (please refer to chapter 4.8 VARTA AG Grievance Mechanism). The document is published on the VARTA AG website at <https://www.varta-ag.com/en/about-varta/compliance>.

In 2022, the VARTA AG Code of Conduct was developed and implemented with the involvement of various stakeholder groups, including employee councils. The additions to the Code of Conduct include harmonisation with international frameworks, the inclusion of freedom of association and assembly, as well as detailed descriptions of how to deal with donations (including donation thresholds), and conflicts of interest. The document is accessible via the website and our intranet. New employees receive both a digital and a printed version of the document to ensure accessibility for employees without computer access. We have set the goal of implementing the values defined in the VARTA AG Code of Conduct not only in our business area but also in the value chain. For this reason, our VARTA AG Supplier Code of Conduct also includes the obligation to respect labour and human rights and to implement due diligence obligations in our relationships with business partners (please refer to section Supplier Code of Conduct in this chapter).

Anti-discrimination, diversity, and equal opportunities

Innovation thrives in a diverse environment where everyone can contribute. A diverse workforce strengthens innovation and creativity through a broad spectrum of knowledge and perspectives within the organisation and beyond. Diversity can make an important contribution to teamwork and the corporate culture as a whole, increase employee retention and satisfaction, and have an anti-discriminatory effect. The concept of diversity recognises the diverse and complex life situations and experiences of people and aims at the equal opportunity for participation and rights. Promoting diversity within the workforce also strengthens our external perception and can have a positive impact on attracting new employees in the context of the existing skills shortage. These positive potential and actual effects are therefore closely linked to VARTA AG's strategy and business model and, conversely, also influence our corporate and sustainability strategy.

VARTA AG operates in over 75 countries around the world and employs people of different nationalities and cultural backgrounds. More than 11 % of our employees are foreign nationals in the country of their location. In the reporting year, VARTA AG employed 54 different nationalities. We are proud that women make up around 45 % of our workforce worldwide, that 2.5 % of our employees are people with disabilities, and that people of different age groups work together daily. A diverse workforce promotes different ideas and approaches so that we can develop new innovative solutions. In this way, we contribute to a diverse corporate culture. Further key figures for employees can be found in the Employees section in this chapter. All key figures relate to the actual number of employees (headcount).

Diversity indicators at management level

	SUPERVISORY BOARD		EXECUTIVE BOARD		MANAGEMENT EMPLOYEES	
	NUMBER	SHARE IN PERCENT	NUMBER	SHARE IN PERCENT	NUMBER	SHARE IN PERCENT
Gender						
Male	6	100.0 %	4	100.0 %	35	89.7 %
Female	0	0.0 %	0	0.0 %	4	10.3 %
Age group						
<30 years	0	0.0 %	0	0.0 %	0	0.0 %
30-50 years	0	0.0 %	2	50.0 %	14	35.9 %
>50 years	6	100.0 %	2	50.0 %	23	59.0 %
N/A	0	0.0 %	0	0.0 %	2	5.1 %
Nationality						
Europe	6	100.0 %	4	100.0 %	25	64.1 %
Thereof Germany	1	16.7 %	2	50.0 %	8	20.5 %
Thereof Austria	5	83.3 %	2	50.0 %	4	10.3 %
Asia	0	0.0 %	0	0.0 %	14	35.9 %
North America	0	0.0 %	0	0.0 %	0	0.0 %
Total	6	100.0 %	4	100.0 %	39	100.0 %

Employees by age group

	NUMBER	SHARE IN PERCENT
<30 years	620	15.5 %
30-50 years	2,277	56.9 %
>50 years	1,098	27.5 %
N/A	4	0.1 %
Total	3,999	100.0 %

Employees by nationality

Percentage of employees with nationality that differs from the country of the location	11.3 %
Total number of nationalities	54

VARTA AG is committed to the elimination of discrimination in respect of employment and occupation. The recruitment process is clearly and formally communicated to all applicants. Job vacancies are advertised in a gender-neutral manner internally and externally and no recruitment fees are charged. Internal job opportunities are accessible to all employees via the intranet and local noticeboards. Our values are circulated in the form of the VARTA AG Code of Conduct, which is given to all newly recruited employees as part of their recruitment documents. At the German sites, these include the employee handbook, which refers to the provisions of the German General Equal Treatment Act (AGG) and provides options for submitting information and complaints about discrimination. VARTA AG also takes measures to improve the work-life balance for all employees (please refer to section Employees in this chapter).

Key figures for new employees

	NUMBER	SHARE IN PERCENT
Gender		
Female	69	35.9 %
Male	123	64.1 %
Region		
Europe	188	97.9 %
Thereof Germany	95	49.5 %
Thereof Romania	72	37.5 %
Asia	4	2.1 %
Thereof Indonesia	0	0.0 %
North America	0	0.0 %
Age group		
<30	83	43.2 %
30-50	88	45.8 %
>50	19	9.9 %
N/A	2	1.0 %
Total	192	100.0 %

Employee councils are consulted at all German locations before various individual personnel measures such as hiring, transfers, and classifications according to collective agreements and regulations. Additional training on employment law is offered for managers. Anti-discrimination training for all employees is being organised or is in the process of being developed at various locations.

As stated in the Human Rights Policy Statement, our business operations are based on the standards of the International Labour Organisation (ILO), and other relevant bodies. This also includes consideration of ILO Convention No. 111. VARTA AG prohibits any form of discrimination and the use of violence, harassment, or hostile behaviour in the working environment. This includes discrimination on the grounds of race, origin, skin colour, nationality, gender, gender identity, gender expression, and/or sexual orientation, religion and belief, disability, age, political opinion, or trade union activity, as well as other forms of discrimination covered by EU and national law. Further details on how to submit complaints can be found in the Code of Conduct (please refer to chapter 4.8 VARTA AG Grievance Mechanism).

It is of great importance to us to ensure the protection of the rights of potentially disadvantaged groups. The term "vulnerable employees" encompasses expectant mothers, individuals with disabilities, and young people under the age of 18. In accordance with local legislation and collective agreements, special protective measures are in place for these employees, including overtime, night work, work with hazardous substances, and for (expectant) mothers, maternity protection, and nursing time protection. The interests of employees with disabilities and young people are also supported at selected locations by the youth and trainee representatives and the representatives for severely disabled employees in respecting and promoting their rights. In 2023, there have been no reports or known incidents of discrimination or violations of the rights of indigenous peoples.

We are dedicated to maintaining our commitment to addressing equal opportunities in the coming years. Our objective is to break down barriers and develop existing approaches. Inclusion teams are currently established at the German sites in collaboration with the Employee councils to provide additional support to the existing representatives for severely disabled employees. Furthermore, the VARTA AG Group has

set a target of 30 % representation of women in the first two management levels in the VARTA AG Group below the Executive Board of VARTA AG. The deadline for achieving the target was set for 16 March 2026. The Supervisory Board has set a target of 30 % for the proportion of women on the Executive Board and Supervisory Board. The deadline for achieving the target was set for 31 December 2027. A women's network is being established with the objective of achieving the targets.

Child, forced and compulsory labour

VARTA AG does not tolerate any form of child labour or exploitation of children and young people. We strongly condemn all forms of forced and compulsory labour and slavery and advocate the elimination of all forms of forced labour. We operate in accordance with the international framework conditions, in particular the relevant conventions of the International Labour Organisation (ILO) and have incorporated their requirements into our processes and guidelines. In accordance with the relevant ILO conventions and laws, we only employ workers who are at least 15 years old. If a higher minimum age for employment applies in a country in which a permanent establishment is maintained, this must be complied with.

VARTA AG adheres to the prohibition of the worst forms of child labour for children under the age of 18, as set out in ILO Convention No. 182. Furthermore, we do not employ any person who performs work or services under threat of any penalty and for which they have not voluntarily made themselves available. This includes the prohibition of forced labour as defined by the ILO Convention No. 29. We adhere to the strictest standards of conduct in the workplace, prohibiting all forms of human trafficking, slavery, slavery-like practices, servitude, or other forms of domination or oppression. This includes extreme economic exploitation and humiliation. Further details on the measures to identify and address modern slavery and human trafficking can be found in the Modern Slavery Statement and the Human Rights Policy Statement. The aforementioned policies are available on the VARTA AG website at <https://www.varta-ag.com/en/about-varta/sustainability/social>.

VARTA AG has implemented internal control and protection mechanisms to ensure compliance with relevant requirements. These include proof of age during the hiring process of new employees. In accordance with statutory and collectively agreed regulations, underage employees are also subject to protective measures regarding working hours, locations, and activities, among other aspects. The interests of trainees and dual students – students combining work with studies – at the German locations under collective agreements are represented by the elected youth and trainee representatives (JAV) (please refer to section Freedom of association and the right to collective bargaining in this chapter).

Following an analysis of the activities performed, the geographical location of the sites, and local measures, it can be confirmed that there is no increased risk of child or forced labour at the VARTA AG sites. As part of the 2022 Workplace Conditions Assessment (WCA), all sites were evaluated for potential risks related to child and forced labour. The audit was repeated in 2023 at the company's headquarters in Ellwangen. No findings were identified, and no complaints were received via the grievance mechanism on these matters.

VARTA AG ensures that labour rights are respected at all sites. Membership of amfori BSCI includes compliance with its principles such as "No bonded labour, forced labour or human trafficking" and other applicable standards from international frameworks. The amfori BSCI principles include compliance with the international principles for responsible recruitment, including the "Employer Pays" principle. This principle encompasses a number of key areas, including the charging of recruitment fees and

other costs charged to the employer, the provision of transparent and clear employment contracts, and access to free dispute resolution and effective legal remedies.

In instances, it is necessary to engage the services of recruitment agencies and temporary employment agencies at selected locations to recruit new employees and cover production peaks. We apply the same high standards to personnel service providers as we do to ourselves and other business partners. The service providers are therefore obliged to ensure compliance with the VARTA AG Supplier Code of Conduct, which also includes acceptance of the amfori BSCI principles (please refer to chapter 3.2 section Supplier Code of Conduct).

Freedom of association and the right to collective bargaining

The right to freedom of association, the right to collective bargaining, and the right to information, consultation, and co-determination are fundamental rights for all employees. Every individual has the right to freely join or establish an Employee council or other form of employee representation to promote and defend their respective interests without fear of disadvantage or discrimination in any form. By complying with local laws and authorising employee representation and collective agreements, we contribute to upholding freedom of association in accordance with the third principle of the UN Global Compact.

Key figures on collective agreements and employee representation

COVERAGE RATE	COLLECTIVE AGREEMENT COVERAGE***		SOCIAL DIALOGUE
	EMPLOYEES - EEA COUNTRIES	EMPLOYEES - NON-EEA COUNTRIES	WORKPLACE REPRESENTATION
0-19 %			
20-39 %			
40-59 %			
60-79 %			
80-100 %	Austria Benelux France Germany Romania	Indonesia	Germany Indonesia Romania
Total number of employees	3,194	594	3,764
Share of employees	79.9 %	14.9 %	94.1 %

***The data for employees under collective agreement coverage of the 2023 reporting year was subjected to an external assurance

94.1 % of the global workforce is represented by employee representatives who are actively engaging with the company. All four German production sites and the La Garenne-Colombes site in France have elected Employee councils. Employee representatives are also elected at the site in Brasov, Romania. At the Batam site in Indonesia, employees are represented by trade union representatives. All representatives act on behalf of employees in their dealings with management. At the German sites, weekly meetings are held to discuss issues requiring co-determination between the company and the Employee council. Furthermore, regular meetings and ad hoc meetings are held with the respective works council members to discuss current issues. In accordance with legal and collectively agreed requirements, there is an economic committee consisting of the Employee council and the employer, represented by members of the Management Board and the HR department, to discuss economic matters. The minimum notification periods for certain operational changes are based on local legislation, location-based and collective bargaining agreements. The supervisors of the relevant departments and, in the final instance, the managers of the respective locations or the Executive Board of VARTA AG are responsible for operational involvement of employee representatives.

The sites in Ellwangen, Dischingen, and Neunheim are members of regional metal industry employer associations under the Gesamtmetall umbrella of metal industry employer association. As members in these associations, companies are bound by the collective labour agreements of IG Metall (trade union for the metal and electrical industry). Ceemet, the overarching European umbrella organisation of Gesamtmetall, has been a recognised European social partner since 2010. It engages in discussions with the trade union association industriAll Europe on industry-relevant topics, including competitiveness and employment. The two legal entities in Nördlingen in Germany, and in Austria, France, and Benelux are also guided by the regulations of applicable collective agreements. In addition, corresponding regulations for temporary workers are stipulated by the collective agreement and therefore apply to the German locations that are bound by collective agreements. Members of the Executive Board, managing directors, authorized signatories and selected managers, mandatory interns, bachelor's and master's students and freelancers are employed on a non-pay-scale basis, which is why the contents of collective agreements for the conclusion, content and termination of employment relationships do not apply to these individuals. With the exception of selected non-pay-scale employees (primarily managers), these employee groups are not included in the above-mentioned key figures (please refer to section Employees in this chapter), in line with standard practice for collecting data on employee key figures. The sites in Brasov, Romania, and Batam, Indonesia, are also covered by binding collective agreements.

The collective agreements provide a framework for the respective working conditions and regulate several key areas, including equal and fair pay, payment for overtime, shift work, holidays, total working hours, the implementation of performance appraisals, and the inclusion and special protection of employee representatives. In addition, there are site-specific work agreements between the employee representatives and the company. The agreements include regulations on pay, company support measures in the event of addiction, integration, shift models, and IT systems.

Employees

VARTA AG's employees are an essential part of the company's success. In the reporting year, 3,999 employees worked to achieve our vision, including more than 2,700 specialists in Germany.

General employee data

	EMPLOYEES		PERMANENT EMPLOYEES		TEMPORARY EMPLOYEES		FULL-TIME EMPLOYEES		PART-TIME EMPLOYEES	
	Number	Share in percent	Number	Share in percent	Number	Share in percent	Number	Share in percent	Number	Share in percent
Gender										
Female	1,786	44.7 %	1,769	45.1 %	17	21.8 %	1,508	43.2 %	278	54.9 %
Male	2,213	55.3 %	2,152	54.9 %	61	78.2 %	1,985	56.8 %	228	45.1 %
Region										
Europe	3,333	83.3 %	3,295	84.0 %	64	82.1 %	2,827	80.9 %	506	100.0 %
Thereof Germany	2,712	67.8 %	2,652	67.6 %	60	76.9 %	2,220	63.6 %	492	97.2 %
Thereof Romania	430	10.8 %	428	10.9 %	2	2.6 %	427	12.2 %	3	0.6 %
Asia	650	16.3 %	610	15.6 %	14	17.9 %	650	18.6 %	0	0.0 %
Thereof Indonesia	594	14.9 %	588	15.0 %	6	7.7 %	594	17.0 %	0	0.0 %
North America	16	0.4 %	16	0.4 %	0	0.0 %	16	0.5 %	0	0.0 %
Total	3,999	100.0 %	3,921	100.0 %	78	100.0 %	3,493	100.0 %	506	100.0 %

The figures relate to the end of the specified reporting period, which commenced on 31 December 2023. Unless otherwise stated, all salaried employees at all locations (production and sales locations) are included in the calculations. The calculation is based

on the actual number of employees (headcount). This applies to both tariff and non-tariff bound employees. It should be noted that self-employed, non-salaried employees abroad are also included in the key figures, although they do not represent a significant proportion of the workforce. In accordance with the provisions of the German Commercial Code (HGB), interns, trainees, temporary and holiday workers, and senior executives are not included in the key figures. Part-time employees are categorised according to their weekly working hours. Furthermore, we engage the services of external contractors providing VARTA AG with services such as security and cleaning services, catering, maintenance and repair service providers, and consultancy services on short term and long term contracts. Due to the nature of their activities, the employees of these companies fall under the definition of "Workforce in the value chain" (please refer to chapter 3.2 Sustainability in the value chain).

The Human Resources (HR) department is tasked with recruiting, developing, and retaining employees. The tasks of the HR department include various operational and strategic activities that are coordinated at site level:

HR functions

HR EMPLOYEE SERVICE

Provision of services for employees such as payroll accounting, social security, time recording, forms and documents for communication with official institutions, advice and implementation of regulations from collective agreements

HR BUSINESS PARTNERS

Support for managers; advice and implementation of personnel and organisational changes, application of employment law, personnel planning and recruitment, disciplinary measures

EDUCATION & HR STRATEGY

Recruitment and marketing, personnel development and talent management, projects and processes; remuneration; vocational training, management and implementation of quality-oriented vocational training and dual study programmes in cooperation with vocational schools and universities

HR PLANNING UND CONTROLLING

Personnel planning, HR controlling and reporting

FURTHER SERVICES

Reception, medical care

As part of the HR Business Partners function, local HR managers share best practices across locations at an international level, providing mutual support. Information is continuously shared with the General Manager of HR, Legal, and Compliance, who reports directly to the Speaker of the Executive Board. Our focus is on active talent management, increasing employer attractiveness, creating a positive working environment, developing the corporate culture, optimising, and harmonising HR processes, as well as digitising and implementing a personnel management system and New Work concepts. To ensure successful implementation, these topics are incorporated into the individual goals of the employees in the HR department. The HR processes form part of the management system and are subject to regular review and further development as part of internal and external audits, which are carried out several times a year. In 2022, a risk analysis of HR-related business risks was conducted, and subsequent measures were implemented to prevent risks. The risk management system also considers risks relating to the HR department. As the HR department plays a pivotal role within the company, its processes are integrated into the VARTA AG Management System (please refer to chapter 1.4 VARTA AG management system).

VARTA AG as an employer

Our vision is to shape a future that builds on the values of the traditional company. We operate in a culture characterised by flat hierarchies based on trust and a strong team spirit. VARTA AG creates opportunities for creativity in interesting tasks and projects in the future market of innovative energy solutions. We are dedicated to social engagement,

family-friendliness, employee orientation, environmental issues, and health and safety in the workplace. Our average tenure is approximately 10 years, which is indicative of the high level of loyalty our employees have towards the company. The rate of unintentional staff turnover in 2023 was 7.6 %^{***}. ^{***}The data used to calculate the staff turnover rate was subjected to an external assurance. In recognition of its commitment to its employees, VARTA AG received the regional "TOP-Arbeitgeber DONAURIES 2021-2024" (Top Employer Donauries) award.

We implement measures to create fair working conditions with the objective of improving employee satisfaction and loyalty. Most employees are employed on a permanent basis, offering them the greatest possible level of security. The weekly working hours of employees may not exceed 60 hours, except in exceptional circumstances, including overtime. Overtime must be agreed upon mutually. Overtime is remunerated at a higher hourly rate, can be compensated, but may not be demanded regularly. In the event of a conflict between national statutory provisions and applicable collective labour agreements, the latter shall prevail if weekly working hours are shorter. VARTA AG considers fair remuneration, which is above the statutory minimum wage, to be essential. This remuneration ensures a livelihood, including social and cultural participation, in accordance with the principle of "equal pay for work of equal value". All employees receive appropriate remuneration in accordance with the applicable reference values. Monitoring of key figures and the consultation with the employees council at the relevant German and French sites in the event of changes to remuneration contribute to the supervision of remuneration practices. In Brasov, an independent salary benchmark is commissioned every six months to enable a comparison of salaries paid within the industry. Employees are employed and promoted based on their qualifications and skills.

VARTA AG supports flexible working time models to align with the needs of employees and support a healthy work-life balance. Depending on the nature of the work tasks, we offer various shift models, flexitime arrangements, partial retirement, job sharing, and mobile working. In the future, we also plan to implement a job rotation programme and offer the opportunity to work at other VARTA AG locations for a limited period. Another important measure to promote a balance between professional commitment and family obligations is family-related sabbatical. In 2023, 132 employees took the opportunity to take family-related leave (maternity leave, parental leave), 43 % of whom were men. The benefits are intended to reflect the working and living conditions of employees and are therefore adapted to country and location-specific conditions. All international locations offer statutory social and health insurance and social security benefits as well as the granting of paid holiday, maternity protection, and maternity leave. Some locations also subsidise food and health offers, grant leave for certain family-related events, and pay financial bonuses for long service, travel allowances, individual performance, or business success. These benefits are available regardless of the working time model (part-time or full-time). All salaried employees at our production sites are eligible for parental leave, pension subsidies, and medical care. Higher management levels are covered by company-wide accident insurance in the event of death or disability. These employees are as well eligible for profit participation programmes. Special regulations apply in certain cases for those employed by us on a temporary basis.

Selected employees in management positions worldwide are eligible for bonuses based on individually agreed targets, which may also be linked to the company's performance. This is a financial reward for employees in addition to their basic salary. Employees at German locations receive a performance bonus in addition to their basic monthly salary in accordance with the collective labour agreements. Additionally, special bonuses are paid to selected employees in Germany and many parts of the world (e.g. 13th month salary).

Training and further education

VARTA AG is committed to fostering the professional growth and advancements of talent in its employees. In 2023, we invested almost €560,000 in the training of employees at all levels and across all functions at our German sites. VARTA AG is dedicated to fostering the growth and development of young talent because we believe that the future leaders in the battery industry will emerge from the ranks of young talent today. VARTA AG is therefore striving to fill a significant proportion of key positions with internal talent. We are currently developing a trainee programme with the aim of achieving this goal.

In 2023, we offered 14 different apprenticeships and dual study programmes. A total of 127 individuals were trained at the company in 2023, collectively completing 137,008 hours of training as part of these programmes. Furthermore, the VARTA AG Academy, the company's training centre at its headquarters in Ellwangen, provides training on modern equipment for technical apprenticeships and dual study programmes. VARTA AG identifies and employs young talent directly at the source through its presence at training fairs and direct project-related cooperation with schools and universities. We are currently developing plans to expand our training and study programmes in the coming years to include specific sustainability topics. From 2024, we will also be offering an "IT specialist for application development (m/f/d)" apprenticeship and a "Sustainable Management in Business (B.Sc.*)" dual degree programme, while the current dual degree programme will be phased out.

Apprenticeships and dual study programmes

APPRENTICESHIPS

Machine and plant operator
Industrial mechanics
Tool mechanics
Electronic technician for automation technology
Industrial clerk
Warehouse clerk
IT specialists for system integration

DUAL STUDY PROGRAMMES

B.A. Business & industry
B.A. Digital business management
B.Sc. Business informatics
B.Eng. Business Engineering
B.Eng. Mechanical engineering
B.Sc. Electrical engineering
Dual degree program
(double qualification commercial training + university degree (B.A.))

The sites in Ellwangen and Dischingen are participating in Girls'Day – the nationwide career orientation day for girls from the 5th grade up. This is an opportunity to motivate girls to consider technical and scientific professions. In addition, the aforementioned locations organise an "Apprenticeship Day" to present the opportunities for apprenticeships and dual studies at VARTA AG to interested parties. Applicant workshops are also organised in collaboration with local schools to provide pupils with the necessary preparation and support throughout the application process. Moreover, workshops with pupils and students on product and company-related topics were held at the site in Brasov. In October 2023, a group of preschool children were also welcomed at the factory in Brasov. They were enthusiastic about the factory and the products on display.

To complete the project, the attractiveness of Generation Z to an employer was also examined in an internal, anonymised survey. In particular, the dimensions of working time flexibility, motivation, working environment, material aspects, work-life balance, employee management, personnel development, internal communications, innovativeness, and image were analysed. Based on the findings of the project, recommendations for action have been made to further enhance the employer brand for this target group. These recommendations are currently being reviewed and further developed.

To facilitate career progression at German locations, VARTA AG offers training programmes and workshops for experienced, new and prospective managers. These programmes provide support for existing, aspiring and future managers, with coaching provided by external experts. The programme enables participants to develop their personalities, leadership styles and communication skills in teams.

Needs-orientated training

Training is provided at all locations as required to enhance knowledge and skills. The majority of employees receive a standardised performance appraisal, which can be used to determine individual training needs and other relevant information. The training programmes can include both technical and soft skill-oriented content. We will be intensifying our efforts and standardising processes to gain digital access to training and development plans within the next year. In accordance with the collective labour agreement, employees at the German sites are permitted to reduce their working hours for a limited period (educational part-time) to pursue their education part-time at a vocational school or university. Alternatively, we also offer the option of "exit with rehire" agreements if an employee opts for external full-time training.

Employee training on sustainability

Our objective is to increase awareness of sustainability among our employees and provide them with the knowledge they require to contribute to our company's sustainability goals. To that end, training courses were organised on topics such as human rights, sustainable supply chains, and greenhouse gas emissions. During the reporting year, a digital training course on the topic of human rights was developed and made available to employees at the German locations. The training is an integral part of the target matrix for all employees and must therefore be refreshed annually. A total of 1,400 employees received training on sustainability topics during the reporting year.

Due to the heightened sustainability-related risks in the supply chains, 100 % of employees in the international strategic procurement department have undergone additional training on the topic of sustainability in the supply chain and on supplier-related requirements over the past two years. The content of the training on responsible procurement included explanations of topics such as modern slavery and human trafficking, the application of specifications and guidelines, and addressing potential conflicts of interest between purchasing and minimising human rights risks. Furthermore, the training concept was extended to encompass supply chain management and quality departments, given the interactions with suppliers. In addition, a further 28 employees were trained in 2022. Security personnel have a responsibility to protect the production facilities and work in close contact with people. To ensure that they carry out their work responsibly, all relevant internal employees and external security staff, almost 30 in total, received training focussing on the topic of human rights.

In 2022, VARTA AG launched a one-day, cross-company, and cross-departmental workshop leadership programme for managers on the topic of sustainability. A total of 56 managers were made aware of the importance of sustainability and given guidance on how to implement their leadership style in their departments. In the reporting year, approximately 20 relevant managers and employees received training on environmental, occupational health, and safety requirements. In 2023, the training programmes were expanded to encompass additional areas, with selected employees who had already received training being given the opportunity to refresh their knowledge.

Safety in the workplace

We are committed to the health, safety, and well-being of all employees, contractors, and visitors at our workplaces. Occupational safety issues and the associated prevention of accidents at work are managed on a site-specific basis, with the relevant information

shared across all sites. The primary objective is to reduce the number of accidents to a minimum. Consequently, health and safety risk assessments are conducted at all production sites on a regular basis and whenever circumstances change.

It is the responsibility of management to provide and maintain safe equipment, systems, and tools, and to provide training to enable all employees to work safely. All reported incidents are investigated and regular reviews and assessments of the health and safety systems in place are carried out. It is the responsibility of employees to take reasonable care to ensure that good health and safety procedures are implemented. It is their responsibility to identify and implement measures to eliminate or minimise unsafe conditions. Additionally, employees are expected to take personal responsibility for their own safety and that of their colleagues by always acting safely and appropriately. The responsibilities described and other requirements are based on legal requirements and/or recognised standards or guidelines and are defined in the VARTA AG management system. As such, they apply to all employees worldwide. We strive to enhance employee awareness to prevent accidents and negative health effects. Annually, the occupational health and safety (OHS) specialists present their current and completed projects to the Executive Board as part of the management review. The occupational health and safety system at the German VARTA AG sites is monitored by the Employers' Liability Insurance Association (BG ETEM), which provides advice on how to further improve the system.

All production sites have occupational health and safety specialists on hand to provide advice and support to the company and managers in implementing the relevant legislation. The OHS specialists provide assistance with risk and hazard assessments, machine inspections, specific procedures for hazard protection (e.g. laser protection) and ergonomic measures, the selection of personal protective equipment, the creation of concepts for handling hazardous substances and accident investigations as well as the development of health prevention measures. Based on the risk assessments, the occupational safety specialists develop suitable general and activity-related training and instruction concepts, which are carried out regularly in cooperation with the specialist departments. Training courses are held in addition to the general safety briefings, which are mandatory for all employees every year. To ensure a safe working environment for all employees at all production sites, we provide instructions and supporting documents for external business partners, such as subcontractors, who work on the premises. The occupational safety specialists also provide advisory services in the procurement and approval of new equipment and construction planning. The processes and procedures are set out in various work instructions and guidelines. In the reporting year, a self-built obstacle course has been installed at the Dischingen site to raise awareness among employees of the importance of preventive measures around tripping, slipping, and falling accidents. In 2024, a visit by a BG ETEM training van is planned to offer additional on-site training with experienced instructors. The aforementioned initiatives are to be extended to other locations.

Operating instructions for machines and work instructions detail the safe use of equipment. These include for example, information on potential hazards and personal protective equipment that must be worn by employees when carrying out their professional activities. Based on the risk assessment, employees are provided with appropriate and high quality protective equipment free of charge and in sufficient quantities to reduce their exposure to work-related health and safety risks. To guarantee the safe handling of machinery and other facilities and equipment, such as roller shutters and cranes, internal and external inspections are conducted in accordance with regulations.

It is standard practice for workplaces to be subject to regular inspections to identify potential sources of danger and risks. These are then proactively identified and

eliminated. For this reason, all accidents, whether occurring on the way to work or on site, are documented and reported to the relevant top management. In addition to these measures, a system is in place for employees to submit suggestions for improvements to environment, energy, and occupational safety matters. All employees are able to communicate relevant information to the EHS team via the EHS suggestion system on the intranet, which is then processed by the responsible employees. A variety of indicators are employed to assess occupational safety performance. We are pleased to report that there have been no fatal accidents at work in the last three years. Furthermore, the LTIR and LTI indicators are collated for the production sites on a monthly basis. The Lost Time Injury Rate (LTIR) is a measure of accident frequency, expressed as the number of accidents multiplied by 1 million, divided by the number of hours worked. The Lost Time Injury (LTI) Severity Rate provides insight into the severity of accidents suffered by employees. To calculate the LTI Severity Rate, the number of days lost due to injury is multiplied by 1,000 and set against the number of hours worked.

EHS key figures

	2023	2022
Lost Time Injury (LTI)	0.1	0.1
Lost Time Injury Rate (LTIR***)	13.3	12.0
Work-related accidents \geq 1 day lost	68	81
Fatalities from work-related accidents	0	0

***LTIR for the 2023 reporting year was subject to an external assurance

The handling and storage of hazardous substances used in production are subject to special requirements. It is therefore necessary to have separate regulations, authorisation procedures and training for employees handling these substances to ensure safe handling, protect employees and protect the environment from exposure to these substances. The instructions are available in the national language of the site, as well as other local languages, to ensure that all employees have a clear understanding of the relevant information.

In accordance with legal requirements, cross-departmental committees for occupational safety meet regularly at all production sites. In 2023, the German and Romanian committees met on a quarterly basis, while the committee in Batam held three meetings a year. The committees discuss the results of internal and external inspection audits. Areas for improvement and challenges are identified and then addressed collectively. On average, at least 73 % of the planned participants attended the meetings, and all participants were informed of progress through minutes. The committees represent the interests of the entire workforce at all production sites.

In accordance with legal requirements, regular preventive measurements are carried out among other aspects, on noise, radiation, light intensity, and hazardous substances. The objective of these measurements is to reduce the potential negative impact of these emissions on human health and ecosystems. Based on the results of the measurements, the necessary measures are taken, such as noise reduction projects, which have been implemented at all German sites.

Occupational safety and the plant fire brigade are key elements of operational safety in an industrial company. For over 73 years, the Ellwangen headquarters has had its plant fire brigade, which is responsible for emergency response and disaster control. The members of the plant fire brigade are specially trained for the safety requirements of the plant and can provide first aid. The plant fire brigade currently consists of 24 active members, most of whom work on a voluntary basis. The members of the plant fire brigade are trained to perform tasks such as firefighting, technical assistance, and rescue from heights (e.g. in the event of accidents in the high-bay warehouse). Specially

trained fire safety assistants support the plant fire brigade in emergencies and in averting danger in their work area. Through regular evacuation drills and fire safety training, employees are taught how to leave the building quickly and safely in an emergency and gather in a safe place. Regular evacuation drills are conducted at all production sites.

As a subdivision of the fire brigade, the rescue team is primarily responsible for the care of sick and injured persons as well as the protection of its emergency services, particularly during operations and exercises of the plant fire brigade. The 14 members of the rescue team have undergone various specialised medical training courses. In addition to the rescue team, there are company paramedics at the Ellwangen (13), Nördlingen (16), and Neunheim (29) sites who also have extensive first aid training. Training and practice events are held at regular intervals under the supervision of the rescue team, as well as the training of other first aiders. First aiders are on duty at all production sites and are responsible for providing first aid to injured persons within the work areas. It is our policy to ensure that a sufficient number of trained first aiders are always on site. These colleagues are regularly engaged in advanced first aid tasks. The rescue team provides voluntary support to civil protection organisations and the German Red Cross first aid services, for instance, at football stadiums or concerts.

Employee wellbeing

At all production sites, external doctors are engaged to conduct regular health checks in accordance with the risk assessment of the area of activity. The examinations facilitate the prevention of work-related illnesses, guarantee the employees' ability to work, and assess the effectiveness of the existing control measures. The doctors work closely with the sites, ensuring that information on the health of employees is kept confidential. In accordance with legal requirements, all first aiders at production sites receive regular training. Furthermore, they assist with the preparation of accident reports and disseminate information to occupational safety specialists. We are committed to ongoing enhancements to occupational health care and the adaptation of our system to evolving circumstances. Regular immunisation campaigns, such as those against influenza, are carried out at various locations to protect the health of employees and make a positive contribution to society.

In 2021, we were presented with the Corporate Health Award from EUPD Research and the Handelsblatt newspaper. The award recognises an above-average commitment to employee health and a forward-looking and sustainable HR strategy. In 2023, we will continue our success as an award-winning company, with our audited company healthcare system. This success motivates us to continue our efforts regarding employee wellbeing in the coming years.



The wellbeing of our employees is of the utmost importance to us. We have initiated a number of programmes with the objective of enhancing employee well-being and

encouraging a healthier lifestyle. These initiatives were implemented on a site-specific basis and included courses on sport and health, the hire of sports facilities for employees, campaigns to stop smoking, and the subsidising of external offers. An annual employee survey is conducted at the Brasov site in Romania to obtain feedback on working conditions. A comprehensive employee survey was also conducted by Great Place to Work® at the German sites in December 2023. The results will be analysed in 2024 to identify opportunities to enhance employee engagement, loyalty, and satisfaction.

3.2. Sustainability in the value chain

Human rights, environmental due diligence and responsible sourcing are becoming increasingly important not only in society but also at VARTA AG. Our business is built on a complex network of many long-standing suppliers. We source a wide range of commodities, materials, and services from all over the world. The workforce in the value chain is central to production processes and is therefore essential to the resilience of supply chains. It is important to consider the perspective of these workers, particularly with regard to human and labour rights. We are continuously developing our due diligence management system for selected minerals by refining processes and guidelines. These new structures are based on international frameworks that align with our Human Rights Policy Statement. We monitor the effectiveness of our developed approaches using various indicators and incorporate these into our ongoing strategies for improvement. Selected key figures are reported regularly and as required by the Sustainability department to senior management and the Executive Board via the defined reporting channels.

Risk analysis and management in the supply chain

VARTA AG takes responsibility in the supply chain and monitors risks closely. In addition to identifying focus risks at a high level by performing a risk analysis, we also conduct a detailed analysis at the supplier level. As part of the initial analysis, 100 % of VARTA AG's operational sites and around 3,700 suppliers were screened and assessed based on various human rights and environmental criteria. The final determination of suppliers at significant sustainability-related risk is based on the category of products supplied and the type of business relationship. The analysis revealed an elevated risk exposure of suppliers of direct materials and purchased products with production facilities in countries with increased sustainability-related risks. In addition, selected suppliers are subject to additional legal and customised sustainability requirements. The latter suppliers and suppliers at significant sustainability-related risks are summarised under the term "focus suppliers" due to similar underlying processes. Compared to the previous VARTA AG Sustainability Report 2022, the term "suppliers at significant sustainability-related risk" has therefore been changed to increase the precision of the meaning and the associated transparency of the content. In 2023, 113 focus suppliers accounted for 35 % of the annual purchasing volume.

The supply chain risk management process is supported by an artificial intelligence (AI)-based software to monitor risks in the supply chain as well as sustainability and compliance issues (e.g. corruption). 100 % of the active suppliers and operational sites of VARTA AG, regardless of purchasing volume, location, and materials supplied, have been screened for these ESG risks and are continuously monitored via the digital risk management platform. The tool enables the company to identify, evaluate and categorise risks related to its supply chain in social and environmental aspects. It also monitors information about suppliers on social media and other channels, automatically generating alerts. Data collected by the platform is used to create risk profiles of direct and indirect suppliers, including refineries. Over the reporting year, the platform helped to identify environmental issues at two existing suppliers. The incidents were discussed with the companies concerned. We acted immediately, implementing measures to

minimise the impact. Our supply chain risk assessment process is enhanced by using the Supply Chain Questionnaire to refine the risk assessment. In 2023, we further improved the risk assessment by supplementing the analysis with additional supplier-specific information (please refer to section Supply Chain Questionnaire in this chapter and chapter 3.1 section Human Rights Policy Statement).

In the case that any potential negative impacts and risks relating to human rights become known in the context of VARTA AG's business activities or value chain, appropriate measures will be taken to avoid or mitigate such matters. The company utilises the standards set out in the amfori Business Social and Compliance Initiative (BSCI) to integrate social standards into supplier selection and to improve working conditions and selected environmental aspects in the existing supplier network.

In the event of a violation of human rights or environmental obligations by a direct supplier, we will take immediate action to prevent, end, or minimise the extent of the violation. If it is not possible to end the breach in the foreseeable future, VARTA AG will develop a scheduled concept to end or minimise the breach. If a very serious breach of the agreement cannot be remedied through agreed measures and/or if our influence is insufficient, we reserve the right to suspend the contract or, as a last resort, to terminate it. In the event of an identified or imminent violation of human rights at indirect suppliers, options for remedial action will be examined. The type and scope of the measures taken depend on the extent the company is contributing to the incident and its ability to influence the matter. There were no serious incidents relating to human rights or environmental issues within the upstream and downstream value chain reported during the reporting year.

The implementation of human rights due diligence is a continuous process that requires regular review. All measures described for the fulfilment of due diligence obligations, including the risk analysis and the Human Rights Policy Statement, are subject to an annual and ad hoc review regarding their topicality, effectiveness, and efficiency and if necessary, are revised. The review is carried out based on collective knowledge and experience and is further developed with the involvement of various stakeholder groups and indicators. VARTA AG monitors the impact of its business activities on respect for human rights on an ongoing basis and reports to employees and external stakeholders via the policy statement and other formats and channels.

Third-party social audit

VARTA AG ensures that its suppliers comply with its sustainability expectations by conducting social audits. The audits are carried out by a third party at selected suppliers in accordance with international standards, including amfori BSCI, SMETA 4 pillars, or SA8000. As part of this process, various aspects are reviewed by an independent auditor, including working conditions, occupational safety, employee participation, environmental protection, and ethical business practices. In addition to a local inspection of the sites, discussions are held with employees on-site to confirm the successful implementation and effectiveness of strategies and measures including the VARTA AG Code of Conduct and complaints mechanism.

Based on our assessment of supplier-specific circumstances and the associated risk level, we have set the goal of requiring further measures from 36 % of our focus suppliers. This includes conducting third-party social audits or completing the Supply Chain Questionnaire. In 2023, 68 % of these targeted suppliers had a valid amfori BSCI audit or equivalent. A further 15 % of the targeted suppliers provided feedback on the Supply Chain Questionnaire. During the course of the audits, moderate infringements of environmental expectations were identified in six cases. Corrective action plans on

environmental issues were agreed with 100 % of these suppliers. No significant negative environmental impacts were identified in the supply chain.

In the event of any violations, the appropriate corrective measures will be initiated. This approach enables us to identify and address supply chain-specific challenges, thereby reducing risk. All audited suppliers with findings were asked to submit a corrective action plan to demonstrate how they would improve their audit performance. A total of 11 % of audited suppliers did not require any corrective actions. More than 96 % of suppliers audited in accordance with the amfori BSCI standard in 2023 have already submitted a corrective action plan. This demonstrates an improvement of the submission of corrective action plans by nearly 100 % to the previous year. Furthermore, participation in training courses can be agreed upon as part of the measures. The amfori BSCI platform offers training courses on human rights and environmental issues, which enable suppliers to gain knowledge and support ongoing optimisation. The audits and follow-up of the results contribute to the continuous improvement of the labour and human rights situation.

VARTA AG quality audits

VARTA AG regularly conducts quality audits of suppliers. In this context suppliers are audited on various fundamental aspects of environmental protection and health and safety in the workplace. The Sustainability Quick Check was developed to broaden the scope of the audit to encompass additional sustainability-related criteria and to align with the values of the amfori BSCI initiative. This tool is designed to identify any potential deficiencies in the sustainability aspects of the supplier's operations. The Quick Check is based on the zero-tolerance criteria of the amfori BSCI and serves as an initial assessment of the supplier's risk level. The check is conducted as part of the quality audits in high-risk countries. If initial suspicions arise and/or actual violations are uncovered, the supplier is requested to carry out comprehensive audits, in accordance with a social standard. There were no irregularities in the reporting year.

Local procurement

Raw materials are often extracted in geographically congregated regions, while processing is limited to a small number of countries with the necessary industrial capacities. This poses a challenge for local procurement in the battery industry. Nevertheless, VARTA AG is committed to supporting local sourcing at its largest operating sites, i.e. the production sites. Regarding our production sites, the term 'local procurement' is defined according to the location of the headquarters of the relevant suppliers of VARTA AG, and according to the financial purchasing volume considered in the respective country. Across all locations, the share of local procurement was 54 %, with significant regional variations.

Supplier Code of Conduct

The VARTA AG Supplier Code of Conduct outlines the company's commitment to respect human rights and to comply with the duty of care in the context of relationships with business partners. The document is based on international frameworks. It also sets out expectations of business partners, including the need to ensure cross-sectoral human and employee rights, such as the prohibition of child and forced labour, the creation of fair working conditions, employee participation, non-discrimination, and equal opportunities. It also covers principles on occupational safety and environmental protection. The document includes sector-specific requirements for tracing conflict minerals, the agreement to carry out social audits, and the creation of transparency in supply chains. VARTA AG is committed to the principles set out in ILO Convention 169 on Indigenous and Tribal Peoples and has incorporated the right to consultation and free, prior, and informed consent (FPIC) into its policy. The Supplier Code of Conduct also

provides opportunities for suppliers to submit reports and complaints, as well as a training platform on various sustainability topics.

The VARTA AG Supplier Code of Conduct is incorporated into the contractual provisions for suppliers. In short, all suppliers are required to adhere to these principles and to ensure compliance by their business partners. To reinforce the mutual commitment to the requirements and provide a basis for supplier development, the focus suppliers were also requested to sign the Supplier Code of Conduct. 96 % of the focus suppliers have already signed the VARTA AG Supplier Code of Conduct or submitted equivalent documents to fulfil the requirements. This provides a contractual basis for further negotiations on the implementation of sustainability aspects, such as the environment, labour, and human rights.

Supply Chain Questionnaire

The market and regulatory environment are in a constant state of flux, with new requirements for companies being introduced on a regular basis. Furthermore, we have set ourselves ambitious targets for the future. These objectives can only be achieved in close cooperation with suppliers. Consequently, the integration of requirements into target agreements is of key importance. The Supply Chain Questionnaire has been developed for the purpose of enabling suppliers to self-assess their sustainability practices. It allows them to provide detailed information on the status of the implementation of sustainability aspects.

The document is divided into two sections. The first outlines specific requirements for suppliers, while the second collects information in the form of a questionnaire. The requirements extend beyond those set out in the Supplier Code of Conduct and place greater expectations on suppliers of product groups with increased sustainability risks. These accounted for 28 % of focus suppliers in the reporting year. In 2023, we received feedback from 85 % of suppliers contacted. We are aware that the integration of sustainability standards in the industry is an ongoing process. Moreover, we acknowledge that suppliers are at different stages of implementing sustainability measures. VARTA AG is therefore committed to supporting this process, enhancing its capacity for more sustainable growth, and taking the next steps together with its business partners.

Mineral due diligence

All purchased goods that contain what are known as "conflict minerals" must comply with increased sustainability standards. We have therefore been monitoring the relevant players in the supply chain for 3TG (tin, tantalum, tungsten, and gold) and cobalt for several years. In addition, transparency is being sought for other critical minerals, including aluminium, copper, graphite, lithium, manganese, nickel, and zinc. VARTA AG has implemented a comprehensive due diligence management system for minerals in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRA). The implementation of this management system for the supply chains of minerals and metals represents a key component of our due diligence and sustainability objectives. The system helps to mitigate the existing and potential risks of these supply chains and to support the respect and promotion of human rights, including the fight against child and forced labour, as well as the strengthening of the rights of indigenous peoples. A questionnaire is used to request information from relevant suppliers on the implementation of due diligence management systems based on the OECD recommendations. This contributes to the creation of greater transparency and the promotion of responsible supply chains.

The Responsible Sourcing Policy was created as part of the development of the management system. The policy is based on the current OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

and sets out VARTA AG's values and expectations to suppliers. The policy and a comprehensive due diligence report with various key figures are available for download on the VARTA AG website at <https://www.varta-ag.com/en/about-varta/sustainability/social>.



VARTA AG has joined external initiatives that address human rights due diligence, such as the Responsible Minerals Initiative (RMI). The multi-stakeholder initiative provides companies with resources to support the responsible sourcing of minerals in the supply chain. The RMI also supports local projects for workers and communities in small-scale mining in high-risk areas, smelters and refineries. The templates (CMRT, EMRT) and databases provided by the RMI facilitate the traceability of minerals back to their country of origin. Furthermore, smelters and refineries, particularly in the supply chain of 3TG and cobalt, are required to undergo audits in accordance with the RMI standard, the Responsible Minerals Assurance Process. The Supply Chain Questionnaire gathers information on the due diligence processes for minerals introduced at suppliers and on minerals not yet covered by the RMI templates (please refer to section Supplier Code of Conduct in this chapter). In the reporting year, 73 % of the suppliers from whom feedback was received provided information on the upstream value chain. A tool based on artificial intelligence provides additional support in obtaining more information, particularly about refineries, monitoring this information and thus creating greater transparency. In the coming years, we plan to expand our involvement in this area with the objective of increasing the exchange of information and the transparency of suppliers.

Supplier Sustainability Awards

In the reporting year, suppliers from all sectors were invited to share their sustainability initiatives, to highlight their commitment to the environment, social responsibility, and ethical behaviour. VARTA AG recognises suppliers who actively contribute to a more sustainable future by hosting the VARTA AG Supplier Sustainability Awards. The following awards were presented during the event:

- Environmental Protection Award
- Diversity & Social Responsibility Award

The purpose of the supplier engagement initiative was to establish a dialogue with suppliers to learn from each other and drive forward collective action. Based on the positive experiences and feedback, we plan to organise another similar competition in 2024.

Downstream value creation

It is our expectation that our company's stakeholders, in particular our business partners and their business partners, will support and adhere to the values based on international frameworks. In the context of our business relationships with various customers, we review, implement and document codes of conduct and other sustainability-related requirements of these parties. We also answer questionnaires and carry out sustainability-related audits at all locations worldwide. Export controls are used to verify

the intended uses, countries of destination, and other relevant information for all goods, personnel, and activities. The company recognises its responsibility to ensure the safety of its products. To fulfil this responsibility, appropriate measures are in place (please refer to chapter 4.4 Export control and chapter 3.4 section Product Responsibility).

In 2022, a Waste Disposal Service Provider Policy (WSDPP) was introduced with the aim of ensuring compliance with sustainability standards among waste disposal service providers. The policy requires suppliers to comply with the amfori BSCI Code of Conduct and to observe additional human rights and environmental due diligence obligations. Furthermore, a questionnaire was used to request sustainability-related information from the waste management companies of all international production sites (please refer to chapter 2.6 Resource use and circular economy).

A preliminary human rights-focused risk analysis was carried out in 2022, considering the frameworks outlined in the Human Rights Policy Statement for the company's business division, as well as the upstream and downstream stages of the value chain. This was subsequently updated in 2023 (please refer to chapter 3.1 section Human Rights Policy Statement). The analysis did not identify any increased risks for the players in the downstream value chain. Consequently, the focus of the measures taken was initially on the upstream stages. The existing concepts for the downstream value chain will be further developed in 2024 to provide more in-depth insights into the challenges and offer starting points for potential further measures.

Supply chain Grievance Mechanism

VARTA AG works closely with its suppliers and has established grievance mechanisms based on the criteria of the UN Guiding Principles on Business and Human Rights (please refer to chapter 4.8 VARTA AG Grievance Mechanism). The grievance mechanisms of the amfori BSCI and the Responsible Minerals Initiative (RMI) provide workers and other stakeholders in the supply chains with the option to submit reports and complaints. The objective is to enhance transparency and sustainability performance in the supply chains. By providing channels for raising concerns and mechanisms for resolving them, it contributes to the early identification of problems, their impartial investigation and fair resolution.

3.3. Engaging with affected communities

The relationship between the human rights of affected communities and our activities is interdependent. For this reason, communities that exist both near the operating sites and along the entire value chain are taken into consideration. A particular focus is placed on communities at the start and end points of the supply chain, such as indigenous peoples. The Human Rights Policy Statement and the Supplier Code of Conduct also contain requirements that can contribute to the protection of affected communities. The management systems and associated measures implemented, including the ISO 14001 standard and the due diligence management system, make a significant contribution to recognising, reducing, and eliminating potential negative impacts on affected communities. Further information on the measures implemented can be found in the topic-specific chapters.

In addition, VARTA AG regularly evaluates opportunities to build relationships with affected communities and establish a respectful dialogue. This involves close cooperation with authorities, associations, and technical experts. The VARTA AG grievance mechanism is available to anyone wishing to report violations of applicable laws, the Code of Conduct, or other guidelines. As an international company with a strong regional presence, we are committed to sharing our growth with people in the region and around the world. As a corporate citizen, VARTA AG utilises resources to create opportunities for communities and collaborate with stakeholders. Engaging with

stakeholders supports us in reflecting on our actions and strategies while adequately considering the interests of these groups.

Community engagement in sport

VARTA AG has been committed to supporting local clubs such as TSV Ellwangen and FC Ellwangen for a long time. The aim is to promote an active and vibrant sports culture and actively support a lively leisure and sports programme in the region. VARTA AG has been a partner of 1. FC Heidenheim since 2018 and has supported the club on its way to the German Bundesliga ("1. Bundesliga"). In 2023, the commitment was extended for a further season, once again underlining VARTA AG's clear commitment to the region. The entire ticket contingent released under the terms of the sponsorship will benefit our employees and is intended to promote team spirit and cohesion. VARTA is strongly involved in the promotion of young talent and sponsors both the annual international U15 VARTA AG tournament organised by SK Rapid and the VARTA AG Cup for U12 football teams from across Austria. VARTA AG has also supported the German Deaf Sports Association for several years. This long-standing partnership aims to prepare hearing-impaired people for participation in international sporting events in a goal- and performance-orientated manner and to enable them to complete their training. In addition, the programme promotes young talent by introducing them to hearing impaired European and world athletes. In Brasov, various sporting events such as a speed skating cup for children and participation in the Ju-Jitsu Championship in Podgorica, Montenegro, were financially supported.

Engagement on site

In 2023, employees collaborated to promote strong teamwork and demonstrated their sporting spirit at various events. In addition to taking part in a series of company runs, employees biked as part of the "Stadtradeln" city cycling campaign to promote cycling, climate protection, and high quality of life. The "Gesundheitsbündnis" alliance regularly organises talks and events on sports and health topics at the Ellwangen headquarters. To ring in the end of the year, a digital sustainability advent calendar was shared with all employees globally, promoting 24 ideas relating to environmental protection, mindfulness, and charity. Employees brought the year 2023 to a close by celebrating a get-together at all German locations. Within various employee campaigns, including "Just Say Thank You" and a charity raffle, prizes in kind and vouchers were distributed among the employees. The proceeds in a four-digit range were donated to the "Schneeflocke Heidenheim" association, which organises projects to support socially disadvantaged children in the district of Heidenheim, Germany. In February 2023, donations in kind were also provided to support Red Cross disaster relief following the earthquakes in Turkey and Syria.

Various activities were organised by our colleagues at the Brasov site in Romania, such as the "Day of Traditional Costumes", a photo competition for employees as well as gift and donation campaigns for children in need. A particular highlight in 2023 was the personal support provided by VARTA AG employees for a charity cookout for senior citizens organised by a local non-governmental organisation (NGO). VARTA AG also distributed gifts to the children of employees in Brasov on special occasions. At the Batam site in Indonesia, employees participated in local waste collection campaigns as part of World Clean Up Day. In addition, a cooperation with the "FREE THE SEA" local organisation was launched in the reporting year. Jointly with the NGO, disposable plastic bottles are collected at the site. FREE THE SEA collaborated with other local NGOs and companies, some of which are run exclusively by women, thereby also helping to create jobs. The collected waste is separated, processed into plastic granulate, and returned into the cycle by using recycled material in household appliances, among other things.

3.4. Consumers and end users

Product responsibility

Product safety and the associated protection of the health of employees, customers, and end users is a top priority for VARTA AG. Processes relating to quality, the environment, and energy are integrated into our management system to ensure safe and high-quality battery solutions (please refer to chapter 1.4 VARTA AG management system). The close connection between perceived product responsibility and customers is a central pillar of our success. Customers attach great importance to products that guarantee their health and safety. Through transparent communications about safety measures, we demonstrate a proactive sense of responsibility and emphasise the inclusion of customer and end-user perspectives.

Certified management systems

In addition to the company-wide quality management standard ISO 9001, international standards for the automotive sector (IATF 16949) and the medical industry (ISO 13485) have also been implemented at selected locations. The production site in Batam is certified as per the ISO 80079-34 standard, which defines specific requirements for the introduction and maintenance of quality management systems for the manufacture of products for use in potentially explosive atmospheres. In addition to the site-related certifications, there are other product-specific certifications, such as UL 1642 for lithium cells from VARTA Consumer Batteries and VARTA Microbattery.

Customer health and safety

To continuously improve the measures taken, product safety is regularly monitored, audited, and certified by independent third parties as per international safety and labelling standards published by organisations such as the International Electrotechnical Commission (IEC), Underwriters Laboratories (UL), and legal requirements. The standardised product safety tests are a central part of the development process and are regularly tested during production. A good example here is the observation of standard IEC 62619:2017 for the safe operation of lithium secondary cells and batteries and IEC 60086-5 for the safety of primary batteries with aqueous electrolyte.

Safety-relevant and other product-related information is communicated to customers and other interested parties on a product-specific basis on the packaging, through material safety data sheets (MSDS) and in other publicly accessible communication formats on the company website. We endeavour to raise end-user awareness of product safety issues and provide guidance on emergency preparedness processes and facilities for collecting feedback on health and safety issues.

Pursuant to regulations and standards, all products are regularly tested for their impact on health and safety to ensure high product quality and identify potential for improvement. Approval processes and quality controls are designed to ensure that only tested goods leave the VARTA AG premises. All purchased products are qualified by VARTA AG and tested in the laboratory. The test cycles depend on the respective product. In addition, conformity reports are requested from the supplier for selected products to prove that the requirements are met. If product safety defects occur despite all preventive measures, we have mechanisms in place to respond to complaints and initiate a recall and emergency management procedure. These are aimed at investigating the incident, eliminating the underlying cause, and facilitating rapid remedial action. Complaints can be received via various channels such as supervisory bodies, the website, national companies, or customer service. Serious complaints are analysed by a cross-departmental team in a defined process. In 2023, there were no sanctions or legal proceedings relating to product safety, marketing, or labelling. In addition, the VARTA AG Grievance Mechanism is open to all persons for reports relating to violations of

applicable laws, the Code of Conduct, or other guidelines (please refer to chapter 4.8 VARTA AG Grievance Mechanism).

VARTA AG aims to manufacture the safest products on the market. We endeavour to replace hazardous substances in batteries through continuous innovation in safe design and dialogue within the framework of various initiatives. We are currently involved in research projects on safe solid-state batteries ("Solids", "ALANO") and on metal-polymer current collectors to increase the safety of lithium-ion batteries ("PolySafe"). We have substance approval processes for development materials and production materials which, in addition to protecting customer health, also help to ensure suitable occupational health and safety measures for employees. These efforts have successfully resulted in safe products that do not release any hazardous substances during proper use. VARTA AG complies with the product-specific testing and labelling requirements for batteries and other technologies. Applications include the EU Battery Directive, WEEE Directive, EMC Directive, Low Voltage Directive, Radio Equipment Directive, IEC 62471, IEC 60086-1 to IEC 60086-5, IEC 61951-2, IEC 62133-2, UL 1642, Nordic Ecolabel, CE and country-specific labelling regulations. Our products are compliant with applicable substance restrictions according to international laws such as PoPs regulation, REACH and RoHS. In addition, we fulfil the registration and declaration obligations for substances. We take customer feedback into account, for example through regular surveys, to develop better, safer, and more sustainable products. The results of the above measures are also incorporated into the human rights-related risk analysis under the aspect of "customer interests and product safety" (please refer to chapter 3.1 section Human Rights Policy Statement).

Medical application

Hearing aid batteries are considered medical devices in Europe and Canada and are therefore subject to strict requirements. Safety tests are carried out as per these requirements. Post-market surveillance, including regular market surveillance, is carried out for these products to ensure compliance. The results of the surveillance are incorporated into the risk management of these products. Employees involved in the manufacture of medical devices are regularly trained on safety issues and product labelling as per legal requirements.

Childproof Packaging

VARTA Consumer Batteries supplies selected lithium button cells in childproof packaging to fulfil the industry standard IEC 60086-4 "Child Safety". Each battery is individually packaged in a blister pack containing one, two, four, or five button cells. This eliminates the risk of other batteries falling out of an opened package. The package cannot be opened without scissors, in this way ensuring maximum safety. In addition, the warning "Keep out of reach of children" is printed on the front and back of the package and on the battery itself. Due to legal requirements, childproof packaging will be introduced for hearing aid batteries exported into the USA in 2024.

EU Product Safety Awards: Gold Award

The European Commission has presented VARTA AG with the EU Product Safety Gold Award for the "Advanced Safety Technology" of its power banks. According to the Commission, we were awarded first place in the "Large Companies" category as the extensive safety features of the power banks guarantee maximum safety even in the event of foreseeable product misuse. We have developed six safety features as standard that will be implemented in all new product developments for power banks. According to the Commission, the EU Product Safety Award promotes and recognises innovative company initiatives and research work that improve consumer safety beyond the legal requirements.

4. Governance

4.1. Corporate approach to good corporate governance

It is of the utmost importance to VARTA AG that its employees adhere to the highest standards of ethical conduct and comply with all applicable laws and regulations. At VARTA AG, respect for human rights is an essential component of our corporate responsibility. VARTA AG's corporate culture is defined by a set of core values that guide the company's operations. The UN Global Compact and the amfori BSCI serve as the basis for the company's actions and are reflected in the Code of Conduct. VARTA AG works with organisations and suppliers to enhance transparency and mitigate risks across the entire complex supply chains. Ensuring compliance with legal, social, and environmental standards help to strengthen stakeholder trust and build long-term, sustainable business relationships. The integration of stakeholder interests in compliance strategies is an effective means of fostering a responsible corporate culture.

An exemplary corporate policy for good corporate governance is characterised by a holistic and transparent approach that encompasses various key aspects. In the fight against corruption and bribery, the company has clear guidelines and training in place to ensure business integrity. It is vital to avoid anti-competitive behaviour and comply with strict export controls to ensure fairness in the market and respect international standards. Furthermore, the company is engaged in political discussions, whereas transparency and ethical principles are at the core of its activities. An established grievance mechanism, such as the VARTA AG Grievance Mechanism, encourages open communication and enables employees and external partners to report any concerns or violations of company guidelines and other compliance issues. This comprehensive approach to corporate policy establishes a foundation for responsible and sustainable business practices in the marketplace.

The Compliance department ensures that VARTA AG and its stakeholders comply with all relevant laws, regulations, and guidelines. The department is headed by the General Manager of HR, Legal & Compliance and reports directly to the Executive Board. The Audit Committee of the Supervisory Board is tasked with overseeing Environmental, Social and Governance (ESG) and compliance issues. The Audit Committee and the Executive Board therefore oversee compliance and the ESG programme at the highest management level. Monitoring and compliance with topic-specific laws fall within the purview of individual departments, which draw on the expertise of the Compliance department. We are currently developing a comprehensive compliance management system, which will encompass the establishment of a cross-divisional compliance committee and the implementation of specific risk analyses.

To guarantee that all employees are aware of and comply with the Code of Conduct and anti-corruption policy, digital training materials have been developed and made available to employees at Group level via the intranet (please refer to chapter 3.1 section VARTA AG Code of Conduct). The training can be completed independently by employees at any time. The training covers measures to prevent corruption, including rules on accepting gifts and issuing invitations, information on conflicts of interest, rules on working with external parties and requirements for managers. Furthermore, the code of conduct and/or the document as a whole are referenced in other internal training programmes (please refer to chapter 3.1 section Training and further education).

4.2. Combating corruption and bribery

VARTA AG has a zero-tolerance policy towards any form of bribery or corruption. This principle is an integral part of the VARTA AG Code of Conduct, which sets out the company's obligations in this regard. The Executive Board and the General Manager of Human Resources, Legal & Compliance are responsible for enforcing and implementing

these guidelines. During the reporting year, there were no instances of non-compliance with anti-corruption and anti-bribery regulations, and no legal proceedings were initiated in relation to these matters. Our management approach is designed to identify potential risks and prevent violations of its guidelines. VARTA AG's anti-corruption policy provides additional guidance to employees on the interpretation of existing rules. The document contains important information about processes that could be defined as corruption or bribery and violate company guidelines. VARTA AG's anti-corruption policy is aligned with the United Nations Convention against Corruption.

4.3. Anti-competitive behaviour

It is vital that regulations are in place to protect fair competition in a free market economy. VARTA AG therefore considers fair, respectful, and reliable dealings with all business partners to be the foundation of sustainable success. VARTA AG provides regular training workshops for management to raise awareness of anti-competitive behaviour. By investing in the training of managers, we are able to maintain solid relationships with business partners based on trust and transparency.

4.4. Export control

Export control is implemented to prevent existing conflicts from being exacerbated and human rights violations from being promoted, as well as to support the enforcement of embargoes. In accordance with the relevant legislation, all goods, individuals, intended uses and countries are subject to scrutiny as part of the export control process. VARTA AG employs a multi-stage authorisation process and adheres to the dual control principle to ensure compliance with the relevant regulations. All employees involved in export control processes receive annual training on changes to legal and internal requirements.

4.5. Taxes

Compliance with tax-related regulations is a fundamental aspect of VARTA AG's operations. VARTA AG considers the control of tax-related regulations to be an important element of its supervisory and general risk management systems. It falls to the Chief Financial Officer of VARTA AG to be accountable for taxes, while the tasks have been delegated within the finance department. Any risks that are not currently apparent are reported as required as part of the general risk management system reporting process. In cases of suspected tax fraud, the VARTA AG complaints procedure can be used. VARTA AG's business model does not include a presence in tax havens. The company was not found guilty of tax evasion during the reporting period. The transfer pricing principle (arm's length principle) is applied to intragroup transactions. External sources, such as benchmark studies, are employed for this purpose. External auditing firms are engaged in the preparation of tax returns in the local jurisdictions of individual legal entities. This ensures that local regulatory requirements are met and that VARTA AG acts in accordance with the law. VARTA AG works closely with the relevant authorities and provides any information that is legally required. As VARTA AG is included in the consolidated financial statements of Montana Tech Components AG, VARTA AG is exempt from the obligation of independent country-by-country tax reporting. Tax policy principles and systems for compliance with tax regulations, such as a tax compliance management system, are developed and applied proactively, for example through the dual control principle.

4.6. Cybersecurity and data protection

VARTA AG processes its sensitive customer information and employs technological solutions to ensure that information security requirements are met. The cyber security and data protection systems at the Ellwangen and Nördlingen sites have been certified by the Trusted Information Security Assessment Exchange (TISAX). This is a testing and exchange mechanism of the German Association of the Automotive Industry (VDA) in cooperation with the European Network Exchange Association (ENX), and is an online

platform for cross-company exchanges of test results on information security in the automotive industry. The standard addresses the secure processing of information from business partners, the protection of prototypes and data protection. By sharing the results on the platform, companies can inform their direct business partners or all participating companies that their information security is TISAX®-compliant. In order to comply with the standard, an information security management system (ISMS) was implemented and integrated into the corporate VARTA AG Management System. To ensure the ISMS is embedded within the organisation, a comprehensive information security policy was developed and is binding to all employees. In addition, work instructions and processes were revised in line with this policy and are subject to ongoing review at management level to ensure their continued effectiveness. The policy is based on the requirements of ISO/IEC 27001, TISAX and GDPR and is binding for VARTA AG and 100 % of its subsidiaries and sister companies. Employees have received training in cyber security and data protection, with the aim of preventing information security breaches. Regular risk assessments are carried out to guarantee the objectives of information security (confidentiality, availability, integrity). Should the need arise, ad hoc assessments may also be conducted. Risk management for information security forms part of VARTA AG's company-wide risk management system (RMS), which is aligned with the RMS in terms of risk classification, roles and reporting channels. The protection of personal data is a core value at VARTA AG. It is the expectation of employees, customers, and business partners that their data will be handled confidentially. In line with this, a data protection policy was established in 2022 and integrated into the company's processes. This ensures that the principles of data protection are adhered to at every stage of the company's activities. The policy outlines the responsibilities, general obligations, risk management, response to data protection violations and reporting procedures. The effectiveness of the processes is evaluated through annual, externally conducted data protection audits.

4.7. Political commitment

To guarantee the ongoing success of VARTA AG, the company and its representatives represent its interests in a number of different matters (please refer to chapter 1.6 Memberships and associations). Specifically, this involves representing our interests in research and development as well as in the production of battery cells and engaging with political representatives on these matters. VARTA AG views itself as a global leader in lithium-ion technology and as a counterweight to Asian dominance of the battery market.

VARTA AG does not make any donations to political parties. Further details on VARTA AG's political engagement and the individuals involved can be found in the EU Transparency Register and the Lobby Register at the German Bundestag (register number: R004131). The estimated annual costs attributable to the activities recorded in the EU Transparency Register amounted to € 50,000 - 99,999 in 2022 (register number 805877650318-71).

4.8. VARTA AG Grievance Mechanism

The VARTA AG Integrity Line has been established on the company's website to provide publicly available and accessible possibility to seek advice, raise concerns about misconduct, unethical behaviour, or breaches of the law in activities or business relationships. This whistleblower mechanism is accessible to all individuals. The system can be accessed via the website <https://varta.integrityline.org/>. Depending on their place of work, VARTA AG employees have access to other internal grievance channels, such as compliance contact persons, open mailboxes, email addresses and Employee councils. Any instances of non-compliance are reported in the annual Compliance Report. The Compliance Report is available on the VARTA AG website at <https://www.varta-ag.com/en/about-varta/compliance>. In addition to the above channels, VARTA AG supports external whistleblower systems (please refer to chapter 3.2 section Supply chain Grievance Mechanism).

Complaints can be submitted anonymously or with the provision of contact information. All complaints are investigated promptly, impartially, and independently. Once the report has been input into the whistleblower system, the individual who submitted the complaint will receive an email confirmation. The report is processed by a duly authorised VARTA AG employee and follows a formal process. Those responsible for implementing the procedure are obliged to act impartially, confidentially, independently and without instructions. Should the circumstances require it, other departments and personnel may also be involved in the incident's processing. Each case is treated on an individual basis, with measures determined according to the specific circumstances. If necessary, an additional investigation team may be formed to clarify the facts. The team is composed entirely of employees or managers who are not implicated in the incident in question. The confidentiality of the identity of the person concerned is guaranteed, and the procedures offer effective protection against victimisation, including retaliation, discrimination, intimidation, or punishment. VARTA AG ensures that whistleblowers are protected and that they will not face any negative consequences because of their disclosure of information. It is irrelevant whether the employee's suspicions prove to be true or not. It is unacceptable to retaliate against any employee for reporting a violation of the Code of Conduct, regardless of whether the report has been made or is intended to be made. Retaliation includes, for example, coercing an employee not to report a suspected violation. The process for taking disciplinary action was revised in the reporting year and communicated to HR managers at all locations. Any employee who demonstrably violates the VARTA AG Code of Conduct will be subject to disciplinary action. Disciplinary measures are carried out with the mandatory involvement of the Human Resources department to ensure compliance with local legal requirements and the provisions of collective labour agreements. Withholding or reducing wages as a disciplinary measure is not permitted at any location.

If a violation of human rights or environmental obligations has already occurred or is imminent within its own business area, VARTA AG will take immediate action to prevent or end the violation and to minimise the extent of the violation. The type and scope of the measures taken, as well as measures for redress, depend on the extent to which the company is responsible for the violation and on VARTA AG's ability to exert influence. During the reporting year, the complaints management process was revised and further specified in the form of a detailed process description. Any critical matters or other concerns that arise in the course of the various channels and processes within the grievance mechanism are forwarded directly to the Executive Board via the General Manager HR, Legal & Compliance.

	2023	2022	2021
Submitted complaints*	0	0	0

*The VARTA AG Complaints Mechanism is a channel for addressing all complaints, including but not limited to: Violations of competition and antitrust law, corruption, bribery, discrimination, harassment, bullying, employee issues (including occupational health and safety), financial offences, e.g. fraud, theft, embezzlement, human rights issues (including violation of human rights and/or environmental due diligence).

During the reporting year, no instances of non-compliance with the United Nations Guiding Principles on Business and Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises involving workers in the value chain were identified in its upstream and downstream value chain.

As part of the 2022 Workplace Conditions Assessment (WCA) audit, the accessibility of the whistleblower system at all production sites was reviewed, along with the awareness of the VARTA AG Code of Conduct. The WCA audit was repeated at the main site in Ellwangen in 2023. The audit findings were used to analyse the existing compliance communications at VARTA AG's German sites. In addition, the awareness and accessibility of the compliance guidelines and channels, as well as the preferences of

employees and selected business partners, were reviewed in greater detail. Based on this analysis, measures have been developed to improve communications, which are being implemented in a phased approach.

5. Annex

Non-financial statement

MANDATORY DISCLOSURE PURSUANT TO SECTION 289 c-e HGB

Anti-corruption and bribery matters

Business model

Environmental matters

Employee matters

EU Taxonomy

Social matters

Respect for human rights

VARTA SUSTAINABILITY STATEMENTS

4.2. Combating corruption and bribery

1.1. Business model

2. Environment

3.1. People

4.1. Corporate approach to good corporate governance

2.1. EU Taxonomy

Stakeholder analysis (chapter 1.5.)

1.6. Memberships and associations

3.3. Engaging with affected communities

3.1. People

3.2. Sustainability in the value chain

4.1. Corporate approach to good corporate governance

TCFD Index

CATEGORY	TCFD REPORT	SUSTAINABILITY STATEMENTS VARTA AG
Governance	Describe the board's oversight of climate-related risks and opportunities.	4.1 Corporate approach to good corporate governance
	Describe management's role in assessing and managing risks and opportunities.	4.1 Corporate approach to good corporate governance
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Transition plan for climate change mitigation (chapter 2.2.) Strategies related to climate change mitigation and adaptation to climate change (chapter 2.2.) Strategies related to climate change mitigation and adaptation to climate change (chapter 2.2.)
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities (chapter 2.2.)
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategies related to climate change mitigation and adaptation to climate change (chapter 2.2.)
	Describe the organization's processes for identifying and assessing climate-related risks.	Strategies related to climate change mitigation and adaptation to climate change (chapter 2.2.)
Risk management	Describe the organization's processes for managing climate-related risks.	Strategies related to climate change mitigation and adaptation to climate change (chapter 2.2.)
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	4.1 Corporate approach to good corporate governance Anticipated financial effects from material physical and transition risks and potential climate-related opportunities (chapter 2.2.)
		Strategies related to climate change mitigation and adaptation to climate change (chapter 2.2.) Measures and resources related to climate change management (chapter 2.2.)
Metrics and targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Energy consumption and energy mix (chapter 2.2.) Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.) Anticipated financial effects from material physical and transition risks and potential climate-related opportunities (chapter 2.2.)
	Disclose scope 1, scope 2, and, if appropriate, scope 3 GHG emissions, and the related risks.	Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.)
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Targets related to climate change mitigation and adaptation (chapter 2.2.) Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.)

GRI Index

Statement of use: VARTA AG has reported the information cited in this GRI Content Index for the period 1. January to 31. December 2023 in accordance with the GRI Standards.

GRI 1 used: Foundation 2021

Applicable GRI Sector Standards: Not applicable

GRI STANDARD	DISCLOSURE	VARTA SUSTAINABILITY STATEMENTS	COMMENT
GRI 2: General Disclosures 2021	2-1 Organizational details	1.2 Strategy and goals 1.1 Business model	
	2-2 Entities included in the organization's sustainability reporting	45. Investment companies	
	2-3 Reporting period, frequency and contact point	GRI Index (chapter 5.) Imprint	VARTA sustainability reports are issued annually.
	2-4 Restatements of information	2. Environment	In the reporting year, headcount is used as an indicator for counting employees due to the data basis. Similarly, net revenue is used as the data basis.
	2-5 External assurance	Water utilisation (chapter 2.4.) Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.) Freedom of association and the right to collective bargaining (chapter 3.1.) Safety in the workplace (chapter 3.1.) Employees (chapter 3.1.) VARTA AG as an employer (chapter 3.1.)	Selected key figures were audited by third-party.
	2-6 Activities, value chain and other business relationships	1.1 Business model Stakeholder analysis (chapter 1.5.) 3.2. Sustainability in the value chain	
	2-7 Employees	Employees (chapter 3.1.)	
	2-8 Workers who are not employees	Employees (chapter 3.1.)	
	2-9 Governance structure and composition	1.3. Principles of good corporate governance Anti-discrimination, diversity, and equal opportunities (chapter 3.1.) 1. Executive Board and Supervisory Board	
	2-10 Nomination and selection of the highest governance body	1. Executive Board and Supervisory Board Rules of Procedure for the Supervisory Board	https://www.varta-ag.com/en/ueber-varta/overview/supervisory-board
	2-11 Chair of the highest governance body	1. Executive Board and Supervisory Board	
	2-12 Role of the highest governance body in overseeing the management of impacts	1.3. Principles of good corporate governance Human Rights Policy Statement (chapter 3.1.)	
	2-13 Delegation of responsibility for managing impacts	1.3. Principles of good corporate governance Human Rights Policy Statement (chapter 3.1.)	
	2-14 Role of the highest governance body in sustainability reporting	1.3. Principles of good corporate governance Materiality assessment (chapter 1.5.)	
	2-15 Conflicts of interest	1. Executive Board and Supervisory Board Rules of Procedure for the Supervisory Board	https://www.varta-ag.com/en/ueber-varta/overview/supervisory-board

		Board	
	2-16 Communication of critical concerns	1.3. Principles of good corporate governance 4.8. VARTA AG Grievance Mechanism	
	2-17 Collective knowledge of the highest governance body	1.3. Principles of good corporate governance	
	2-18 Evaluation of the performance of the highest governance body	1.3. Principles of good corporate governance Remuneration report Excerpt from articles of association of VARTA Aktiengesellschaft	https://www.varta-ag.com/en/ueber-varta/overview/supervisory-board https://www.varta-ag.com/en/about-varta/overview/executive-board
	2-19 Remuneration policies	Remuneration report Excerpt from articles of association of VARTA Aktiengesellschaft	https://www.varta-ag.com/en/ueber-varta/overview/supervisory-board https://www.varta-ag.com/en/about-varta/overview/executive-board
	2-20 Process to determine remuneration	Remuneration report Excerpt from articles of association of VARTA Aktiengesellschaft	https://www.varta-ag.com/en/ueber-varta/overview/supervisory-board https://www.varta-ag.com/en/about-varta/overview/executive-board
	2-21 Annual total compensation ratio	Remuneration report Excerpt from articles of association of VARTA Aktiengesellschaft	https://www.varta-ag.com/en/ueber-varta/overview/supervisory-board https://www.varta-ag.com/en/about-varta/overview/executive-board
	2-22 Statement on sustainable development strategy	Human Rights Policy Statement (chapter 3.1.) 1.5. Sustainability strategy	https://www.varta-ag.com/en/about-varta/sustainability
	2-23 Policy commitments	VARTA AG Code of Conduct (chapter 3.1.) Human Rights Policy Statement (chapter 3.1.)	
	2-24 Embedding policy commitments	Human Rights Policy Statement (chapter 3.1.) Supplier Code of Conduct (chapter 3.2.)	
	2-25 Processes to remediate negative impacts	4.8. VARTA AG Grievance Mechanism Human Rights Policy Statement (chapter 3.1.) 3.2. Sustainability in the value chain	
	2-26 Mechanisms for seeking advice and raising concerns	1.3. Principles of good corporate governance 4.8. VARTA AG Grievance Mechanism Supply chain Grievance Mechanism (chapter 3.2.)	
	2-27 Compliance with laws and regulations		No cases in 2023
	2-28 Membership associations	1.6. Memberships and associations	
	2-29 Approach to stakeholder engagement	Stakeholder analysis (chapter 1.5.) Materiality assessment (chapter 1.5.) 3.3. Engaging with affected communities	
	2-30 Collective bargaining agreements	Freedom of association and the right to collective bargaining (chapter 3.1.)	
Material topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality assessment (chapter 1.5.)	
	3-2 List of material topics	Materiality assessment (chapter 1.5.)	
Economic performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	3. Development of Financial Position and Financial	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	3. Development of Financial Position and Financial 3.3. Engaging with affected communities	
	201-2 Financial implications and other	Anticipated financial effects from material physical and transition risks and potential	

	risks and opportunities due to climate change	climate-related opportunities (chapter 2.2.)	
	201-3 Defined benefit plan obligations and other retirement plans	21. Provisions for employee benefits	
	201-4 Financial assistance received from government	15. Other assets Shaping the future (chapter 1.5.) 4.7. Political commitment	
Market presence			
GRI 3: Material Topics 2021	3-3 Management of material topics	VARTA AG as an employer (chapter 3.1.)	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Freedom of association and the right to collective bargaining (chapter 3.1.)	Information unavailable/incomplete
	202-2 Proportion of senior management hired from the local community		Information unavailable/incomplete
Procurement practices			
GRI 3: Material Topics 2021	3-3 Management of material topics	3.2. Sustainability in the value chain	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	3.2. Sustainability in the value chain	
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	VARTA AG Code of Conduct (chapter 3.1.) 4.1. Corporate approach to good corporate governance 4.2. Combating corruption and bribery	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Human Rights Policy Statement (chapter 3.1.)	
	205-2 Communication and training about anti-corruption policies and procedures	4.1 Corporate approach to good corporate governance 4.2. Combating corruption and bribery	
	205-3 Confirmed incidents of corruption and actions taken	VARTA AG Code of Conduct (chapter 3.1.) 4.1. Corporate approach to good corporate governance 4.2. Combating corruption and bribery 4.8. VARTA AG Grievance Mechanism	
Anti-competitive behavior			
GRI 3: Material Topics 2021	3-3 Management of material topics	VARTA AG Code of Conduct (chapter 3.1.) 4.1. Corporate approach to good corporate governance	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	VARTA AG Code of Conduct (chapter 3.1.)	
Tax			
GRI 3: Material Topics 2021	3-3 Management of material topics	VARTA AG Code of Conduct (chapter 3.1.) 4.1. Corporate approach to good corporate governance 4.5. Taxes	
GRI 207: Tax 2019	207-1 Approach to tax	VARTA AG Code of Conduct (chapter 3.1.) 4.1. Corporate approach to good corporate governance 4.5. Taxes	
	207-2 Tax governance, control, and risk	4.5. Taxes	

	management		
	207-3 Stakeholder engagement and management of concerns related to tax	4.5. Taxes	
	207-4 Country-by-country reporting	4.5. Taxes	
Materials			
GRI 3: Material Topics 2021	3-3 Management of material topics	2.6. Resource use and circular economy	
GRI 301: Materials 2016	301-1 Materials used by weight or volume		Confidential
	301-2 Recycled input materials used		Confidential
	301-3 Reclaimed products and their packaging materials		Confidential
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Energy consumption and energy mix (chapter 2.2.)	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy consumption and energy mix (chapter 2.2.)	
	302-2 Energy consumption outside of the organization		Information unavailable/incomplete
	302-3 Energy intensity	Energy consumption and energy mix (chapter 2.2.)	
	302-4 Reduction of energy consumption	Energy consumption and energy mix (chapter 2.2.)	
	302-5 Reductions in energy requirements of products and services	Targets related to climate change mitigation and adaptation (chapter 2.2.)	
Water and effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	2.4. Water resources	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	2.4. Water resources	
	303-2 Management of water discharge-related impacts	2.4. Water resources	
	303-3 Water withdrawal	Water utilisation (chapter 2.4.)	Without c; b not relevant, since no production site is in an area of high water stress (reference: WWF Water Risk Filter); data in cubic meters; information not available/incomplete; Data of sales offices cannot be recorded due to tenancy law and infrastructural circumstances; identification of a valid and representative data basis until 2025
	303-4 Water discharge	Water utilisation (chapter 2.4.)	
	303-5 Water consumption	Water utilisation (chapter 2.4.)	
Biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	2.5. Biodiversity and ecosystems	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and	2.5. Biodiversity and ecosystems	

	areas of high biodiversity value outside protected areas		
	304-2 Significant impacts of activities, products and services on biodiversity	2.4. Water resources 2.5. Biodiversity and ecosystems	
	304-3 Habitats protected or restored	2.5. Biodiversity and ecosystems	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	2.2. Climate change	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.)	
	305-2 Energy indirect (Scope 2) GHG emissions	Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.)	
	305-3 Other indirect (Scope 3) GHG emissions	Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.)	
	305-4 GHG emissions intensity	Gross GHG emissions in Scope 1, 2, and 3 categories and total GHG emissions (chapter 2.2.)	
	305-5 Reduction of GHG emissions	2. EnvironmentEnvironment	
	305-6 Emissions of ozone-depleting substances (ODS)		Information unavailable/incomplete
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Information unavailable/incomplete
Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	2.6. Resource use and circular economy	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Resource outflows (chapter 2.6.)	
	306-2 Management of significant waste-related impacts	2.6. Resource use and circular economy	
	306-3 Waste generated	Resource outflows (chapter 2.6.)	
	306-4 Waste diverted from disposal	Resource outflows (chapter 2.6.)	
	306-5 Waste directed to disposal	Resource outflows (chapter 2.6.)	
Supplier environmental assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	3.2. Sustainability in the value chain	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Human Rights Policy Statement (chapter 3.1.) 3.2. Sustainability in the value chain	

	308-2 Negative environmental impacts in the supply chain and actions taken	Human Rights Policy Statement (chapter 3.1.) 3.2. Sustainability in the value chain	
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics 401-1 New employee hires and employee turnover	Employees (chapter 3.1.) Employees (chapter 3.1.) VARTA AG as an employer (chapter 3.1.)	Information unavailable/incomplete for b) The effort required to calculate the total number and rate of employee turnover by age, gender and region is disproportionate from the company's perspective. For this reason, only the total fluctuation is reported. The preliminary evaluation of the data revealed no evidence of discrimination.
GRI 401: Employment 2016			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	VARTA AG as an employer (chapter 3.1.)	
Labor/management relations			
GRI 3: Material Topics 2021	3-3 Management of material topics	Freedom of association and the right to collective bargaining (chapter 3.1.)	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Freedom of association and the right to collective bargaining (chapter 3.1.)	
Occupational health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	Safety in the workplace (chapter 3.1.)	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Safety in the workplace (chapter 3.1.)	
	403-2 Hazard identification, risk assessment, and incident investigation	Safety in the workplace (chapter 3.1.)	
	403-3 Occupational health services	Safety in the workplace (chapter 3.1.)	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Safety in the workplace (chapter 3.1.)	
	403-5 Worker training on occupational health and safety	Safety in the workplace (chapter 3.1.)	
	403-6 Promotion of worker health	Safety in the workplace (chapter 3.1.)	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety in the workplace (chapter 3.1.)	
	403-8 Workers covered by an occupational health and safety management system	Safety in the workplace (chapter 3.1.)	

	403-9 Work-related injuries	Safety in the workplace (chapter 3.1.)	Without b, c, d; information not available/incomplete Data only refers to production sites, for the remaining sites data quality and availability is limited. Data gaps will be identified and closed.
	403-10 Work-related ill health	Safety in the workplace (chapter 3.1.)	
Training and education			
GRI 3: Material Topics 2021	3-3 Management of material topics	Training and further education (chapter 3.1.)	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Training and further education (chapter 3.1.)	
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and further education (chapter 3.1.)	
	404-3 Percentage of employees receiving regular performance and career development reviews	Training and further education (chapter 3.1.)	
Diversity and equal opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-discrimination, diversity, and equal opportunities (chapter 3.1.)	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Anti-discrimination, diversity, and equal opportunities (chapter 3.1.) Employees (chapter 3.1.)	
	405-2 Ratio of basic salary and remuneration of women to men		Information unavailable/incomplete
Non-discrimination			
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-discrimination, diversity, and equal opportunities (chapter 3.1.)	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Anti-discrimination, diversity, and equal opportunities (chapter 3.1.)	
Freedom of association and collective bargaining			
GRI 3: Material Topics 2021	3-3 Management of material topics	Freedom of association and the right to collective bargaining (chapter 3.1.)	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of association and the right to collective bargaining (chapter 3.1.)	
Child labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	Child, forced and compulsory labour (chapter 3.1.)	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Child, forced and compulsory labour (chapter 3.1.)	
Forced or compulsory labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	Child, forced and compulsory labour (chapter 3.1.)	
GRI 409: Forced or	409-1 Operations and	Child, forced and compulsory labour	

Compulsory Labor 2016	suppliers at significant risk for incidents of forced or compulsory labor	(chapter 3.1.)
Security practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee training on sustainability (chapter 3.1.)
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Employee training on sustainability (chapter 3.1.)
Rights of indigenous peoples		
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-discrimination, diversity, and equal opportunities (chapter 3.1.)
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Anti-discrimination, diversity, and equal opportunities (chapter 3.1.)
Local communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Policy Statement (chapter 3.1.) 3.3. Engaging with affected communities 3.3. Engaging with affected communities
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs 413-2 Operations with significant actual and potential negative impacts on local communities	Human Rights Policy Statement (chapter 3.1.) 3.3. Engaging with affected communities
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	3.2. Sustainability in the value chain
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken	3.2. Sustainability in the value chain 3.2. Sustainability in the value chain
Public policy		
GRI 3: Material Topics 2021	3-3 Management of material topics	1.3. Principles of good corporate governance VARTA AG Code of Conduct (chapter 3.1.)
GRI 415: Public Policy 2016	415-1 Political contributions	4.7. Political commitment
Customer health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	3.4. Consumers and end users
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	3.4. Consumers and end users 3.4. Consumers and end users
Marketing and labeling		
GRI 3: Material Topics	3-3 Management of	3.4. Consumers and end users

2021	material topics		
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	3.4. Consumers and end users	
	417-2 Incidents of non-compliance concerning product and service information and labeling	3.4. Consumers and end users	
	417-3 Incidents of non-compliance concerning marketing communications	3.4. Consumers and end users	
Customer privacy			
GRI 3: Material Topics 2021	3-3 Management of material topics	4.6. Cybersecurity and data protection	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		No substantiated complaints were recorded in 2023.

Verification Opinion

VS-3926471 – rev.1

The Greenhouse Gas Declaration dated 5 March 2024, prepared by

VARTA AG
VARTA-Platz 1
73479 Ellwangen, Germany,

for the reporting period **1 January 2023 to 31 December 2023**
 was verified in accordance with DIN EN ISO 14064-03:2020
 regarding compliance with the requirements of
 DIN EN ISO 14064-01:2019 and the calculation approach defined here
 by the VARTA Group.

Corporate Carbon Footprint

GHG balance with categorization according to GHG Protocol

Total Sum	321,504 t CO ₂ -equivalent
of which	
Scope 1 emissions	3,733 t CO ₂ -equivalent
Scope 2 emissions	1,998 t CO ₂ -equivalent
of which biogenic emissions from district heating	595 t CO ₂ -equivalent
Scope 3 emissions	315,773 t CO ₂ -equivalent

GHG balance with categorization according to ISO 14064-1

Total Sum	321,504 t CO ₂ -equivalent
of which	
Category 1	3,733 t CO ₂ -equivalent
Category 2	3,218 t CO ₂ -equivalent
of which biogenic emissions from district heating	598 t CO ₂ -equivalent
Category 3	49,559 t CO ₂ -equivalent
Category 4	222,465 t CO ₂ -equivalent
Category 5	42,529 t CO ₂ -equivalent

Agreed level of assurance reasonable

Materiality thresholds 5 % for total sum
 of reported greenhouse gas emissions

This verification opinion is only valid for the scope of assessment and in
 combination with the objectives, explanations and criteria for evaluation
 specified in the verification report (see following pages).

TÜV SÜD Industrie Service GmbH
 Verification body accredited by DAkkS according to ISO 17029
 Westendstrasse 199, 80686 Munich, Germany

Munich, 15 March 2024




Industria Service

Add value.
 Inspire trust.

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information¹

To VARTA AG, Ellwangen

We have performed a limited assurance engagement on the disclosures denoted with “***” “Water withdrawal”, “Employees covered by collective bargaining agreements or aligned with such”, „Staff turnover“ und “Lost Time Injury Rate (LTIR)” in the sustainability section of the annual report of VARTA AG, Ellwangen (hereinafter “the Company”), for the period from 1 January to 31 December 2023 (hereinafter the “Report”). Our engagement in this context relates solely to the disclosures denoted with the symbol “***”.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the “GRI-Criteria”) and for the selection of the disclosures to be evaluated.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

Audit Firm's Independence and Quality Management

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer”: “BS WP/vBP”) as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures denoted with “***” in the Report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the disclosures denoted with “***” in the Company's Report for the period from 1 January to 31 December 2023 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria. This does not mean that a separate conclusion is expressed on each disclosure so denoted.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization of the Company
- Inquiries of the executive directors and relevant personnel involved in the preparation of the Report regarding the preparation process and selected disclosures in the Report
- Analytical evaluation of selected disclosures in the Report
- Review of processes for the collection, analysis and aggregation of selected data from different locations of the Company on a sample basis

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures denoted with "***" in the Company's Report for the period from 1 January to 31 December 2023 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Cologne, 28 February 2025

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Theres Schäfer
Wirtschaftsprüferin
(German Public Auditor)

ppa. Tom Nagel

Financial calendar

Financial statements 2023

March 2025

Imprint

Annual Report 2023:
<https://www.varta-ag.com/en/investoren/publications>

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