



Annual General Meeting 2022

Speech manuscript Armin Hessenberger, CFO VARTA AG

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Ladies and Gentlemen,
Valued Shareholders,

I am delighted to welcome you today to our virtual Annual General Meeting 2022. Within the next 15 minutes, I will be giving you an overview of some of the VARTA AG Group's key financial figures which characterize the very pleasing fiscal year 2021.

At the end of 2021, the Group once again recorded an exceptionally successful year that saw yet another year-on-year improvement in the financial result. VARTA AG was able to continue its successful growth path for revenue, EBITDA and profitability.

The first chart gives an overview of the key metrics. I will go into more detail in the charts that follow. At this point, I would like to highlight the Company's constant revenue growth, high EBITDA margins and low debt ratios despite the high level of investments in recent years. The outstanding financial result and low debt ratio allow the Executive Board to once again recommend a dividend payout of € 2.48 per share.

At € 903m in fiscal year 2021, growth in Group revenue was slightly down on the figures recorded in recent years. The reasons for this were explained by Herbert Schein in his presentation. Nevertheless, it must be emphasized that VARTA has registered an average annual growth rate of 39% since the IPO. With this revenue growth, disproportionately high EBITDA growth averaging almost 65% was achieved both in the previous fiscal year as well as continuously over recent years.

In the previous year, adjusted EBITDA also increased at a faster rate than sales, rising by 17% to total € 282.9m. This was by far the highest result since the IPO in 2017. In addition to this, I would like to point out that only minor adjustments were carried out in fiscal year 2021. Both organic and inorganic growth in the form of the acquisition of the Consumer business and the first-time consolidation in 2020 contributed to the improvement in EBITDA. As a result, there has been a seven-fold increase in EBITDA since 2017.

This seven-fold EBITDA growth has been achieved in particular because VARTA has grown significantly on an organic basis in high-margin areas over recent years. However, aspects including productivity gains, fixed cost degression as well as continual margin improvements in the Consumer business since the acquisition was completed have made a contribution to the significant rise in profitability. In comparison with 2020, when the margin was already at a high level,



further growth of 3 percentage points has been recorded to bring the margin to its current level of 31%. Moreover, this means that the margin has practically doubled since 2017.

However, VARTA was not only able to significantly improve sales and EBITDA over the years, EBIT and the consolidated result also grew disproportionately to revenue. As you can see from the chart, both EBIT and the consolidated result have more or less doubled each year up to 2020. Last year, EBIT rose by approximately € 40m to stand at over € 186m. There was a further rise of € 30m in the consolidated result, which came in at € 126m.

Ladies and Gentlemen, you can see that VARTA has managed to record disproportionately high growth in relation to revenue in the areas of EBIT and the consolidated result as well. Over the years, growth here has averaged around 70%.

The Executive Board and Supervisory Board are recommending a dividend of € 2.48 per share for resolution at today's Annual General Meeting. This corresponds to a dividend payout of approximately € 100m. At a share price of around € 85.00, this corresponds to a current dividend yield of roughly 2.9%.

We now come to the earnings situation of the two segments – and I will begin with an overview.

While the revenue growth is largely attributable to the Household Batteries segment, the Lithium-Ion-Solutions & Microbatteries segment was the main contributor to the growth in EBITDA.

Further details of this can be seen on the next couple of slides. Last year, the Lithium-Ion Solutions & Microbatteries segment recorded an increase of just under € 30m in adjusted EBITDA to achieve a result of nearly € 217m overall for this metric. This EBITDA increase enabled the margin to be improved by a further 5 percentage points. As a result, the EBITDA margin in 2021 was just over 42%.

All three areas in this segment contributed to the increase in profitability, attributable in the main to CoinPower. Additional productivity and efficiency gains were realized here, which made it possible to achieve the disproportionately high growth in EBITDA compared to sales.

In the area of microbatteries, we were able to maintain our high market share and have been highly successful both in the area of primary cells – where we produce about half of the global market demand for zinc-air batteries at the Ellwangen site – and in rechargeable lithium-ion batteries, where we have also claimed a significant share of the global market. This ensures that we will maintain our global market share in this area, irrespective of which technology ultimately ends up dominating the market in the years to come.

The third area in this segment, lithium-ion battery packs, is also very successful and can boast permanent sales growth. With our plant in Romania, we are ideally positioned to offer our customers individual solutions in this competitive market.

Development in the Household Batteries segment was likewise highly positive in 2021, which was supported by both areas. In the Consumer Batteries business, by focusing on the brand business VARTA was able to secure further revenue growth on the one hand, and on the other, to further



improve the margin. Herbert Schein went into detail in his presentation about the excellent positioning of Consumer products in the European market.

The second area in the Household Batteries segment, Energy Storage Systems, also recorded high growth in 2021 - and we are certain that this growth will continue to run at the level we achieved last year in the years to come.

In the next three slides, I will touch on the development of some of our balance sheet figures and outline the funds available for additional investments in the future.

Non-current assets rose further in 2021 due to the high level of investment activities, and now stand at more than € 800m. Although net working capital increased in 2021 compared with the prior year, this metric – still - remains at a very low level of 12% of revenue. The low ratio of just under 6% in 2020 can be explained by the high level of customer prepayments that are now set to gradually diminish up to 2023. The net debt/EBITDA ratio was below 1.0x at the end of 2021. The increased debt in comparison with 2020 can be attributed to the high level of investments and the dividend payment. At just under 43%, the equity ratio remains at a high level that is virtually unchanged on the previous year.

In the next chart, I would like to take a closer look at cash flow and investments.

After the substantial investment activities carried out in 2020, also due to the purchase of VARTA Consumer, investments in 2021 amounted to € 180m, with the majority going towards the development of the Nördlingen production site and CoinPower production. The investments were financed almost entirely from the operating cash flow for 2021, whereby in this presentation, the operating cash flow was corrected for non-recurring positive one-off effects in comparison with the previous year. The customer prepayments received in 2020 related to prefinancing, which, among other aspects, is also allocated to fiscal year 2021, so that there is a corresponding period shift here. In 2022 there will also be a further reduction in customer prepayments of a similar magnitude. These will then become due for the final time and at a lower value in 2023.

I will now provide a brief overview of the funding available to VARTA for the consistent pursuit of its growth strategy for the coming years.

As at year-end 2021, VARTA has net debt of around € 230m, or to be precise € 228m. This debt produces a net debt/EBITDA ratio of 0.8x. In the event that the debt ratio rises by a factor of 2, a further € 560m would be available. With the issuance of the promissory note loan in the amount of € 250m in spring 2022, a portion of this was used up. In addition, cash flow from operating activities at VARTA is expected to generate around € 400m in the next two years. VARTA would therefore have approximately € 1.0bn available for further expansion activities, including capacity expansion projects, in the coming years. This therefore ensures that sufficient financial resources are available to finance the targeted growth of VARTA.

Before I go into the shareholder structure and the outlook, please allow me to comment on items 7 to 10 on the agenda, for which we are seeking your approval today:



With the resolution on items 7 and 8 of the agenda, we are asking you to approve the creation of new authorized capitals. The old provisional resolutions on Authorized Capital 2017 I and II are set to expire on October 5, 2022 and are therefore to be repealed and subsequently renewed or replaced. Under agenda item 7, the Executive Board, with the approval of the Supervisory Board, is seeking your authorization to increase the share capital of the company by up to EUR 8,084,337.00 until June 20, 2027, corresponding to around 20% of the current share capital. The previous Authorized Capital 2017 I, which currently still amounts to EUR 9,618,314.00, is to be repealed in the wake of this.

When new shares are issued, it should be possible to exclude subscription rights in certain cases, namely to compensate for fractional amounts, in the case of a cash capital increase close to the stock market price of up to 10 percent of the share capital, in the case of a capital increase against contributions in kind, for example as part of acquisition projects, and, if necessary, to provide protection against dilution in the event of bond issuances.

Under agenda item 8, we then propose that Authorized Capital 2017 II, which still exists in full, be revoked and that the Executive Board be authorized until June 20, 2027, with the approval of the Supervisory Board, to increase the share capital by issuing new shares for cash and/or contributions in kind of up to EUR 1,010,542.00 - this corresponds to around 2.5% of the current share capital. Authorized Capital 2022 II is intended exclusively to enable the company to issue new shares as part of share participation or other share-based programs to employees of the Company as well as employees and board members of an affiliated company. In this way, shareholder subscription rights are necessarily excluded.

Under agenda item 9, the Executive Board and the Supervisory Board propose that the authorization to issue bonds with warrants or convertible bonds, profit participation rights or participating bonds, which expires on October 5, 2022 and has not been used, and the associated conditional capital, be repealed and a new authorization until June 20, 2027 for the issuance of bonds with warrants or convertible bonds or participation rights, or a combination of these instruments, be created in addition to a new conditional capital. The Conditional Capital 2022 I is to have a total volume of up to EUR 8,084,337.00, which corresponds to around 20% of the current share capital. An exclusion of subscription rights should also be possible when issuing bonds with warrants or convertible bonds, participation rights or participating bonds, namely to balance out fractional amounts, in the case of contributions in kind, when granting participation rights with a structure similar to that of bonds and when issuing convertible bonds or bonds with warrants close to the market value against cash payment of up to 10 percent of the share capital.

My last explanation relates to the proposal contained under agenda item 10 of today's Annual General Meeting to renew the authorization to acquire treasury shares in the company, which will also expire unused on October 5, 2022. This is intended to give the Executive Board the opportunity, with the approval of the Supervisory Board – for a limited period up to June 20, 2027 – to acquire shares in the company up to a notional share of 10% of the capital stock. The shares may be acquired in compliance with the principle of equal treatment under stock corporation law via the stock exchange or on the basis of a public purchase offer addressed to all shareholders of the Company or an invitation to all shareholders to submit offers for sale.

The company should be able to use the acquired treasury shares for legally permissible purposes. As with the acquisition of treasury shares, the resolution stipulates that the Executive Board decides on their use in conjunction with the approval of the Supervisory Board.

At this juncture, I would like to emphasize that the resolutions on agenda items 7 to 10 are only provisional resolutions intended to offer the company the flexibility it needs for the next five years,



particularly when it comes to raising capital. At present, there are no specific projects that would require the short-term utilization of one of these authorizations. The content of the provisional resolutions and authorizations corresponds almost exactly to the previous resolutions and authorizations. Any adverse effect on shareholders in the form of potential exclusions of subscription rights is also limited by the fact that these are restricted to a total of 10% of the share capital.

With regard to the details of the proposed resolutions, I would like to refer you to the detailed explanations given by the Executive Board in the agenda provided to you.

I shall now return to the presentation and will provide you with further information on the composition of the shareholder structure before turning my attention to the outlook.

Regarding the shareholder structure of VARTA AG: The analysis was carried out by an established market provider in April. In total, 45% of the shares in the Company are held in free float, with our majority shareholder accounting for a stake of 55%. In the pie chart on the left you can see an unchanged share of 20% compared to the previous year, which is attributable to private investors and private funds. The share of institutional investors stands at 12%, a slight decrease compared with 17% last year. However, this change is essentially a reallocation in favor of the "Brokerage and Trading" investor group. The stakeholders in this group of investors are also institutional investors.

The central pie chart shows the country breakdown of the institutional investors. The share of North American investors has risen sharply. As a technology company, we feel really comfortable with this development. The share of institutional investors from Germany has also risen, and now stands at 20%. In third places comes Switzerland, followed by British investors.

The third pie chart breaks down the investment style of the institutional investors. Here, the significant increase in the share of index-oriented investors – from 23% last year to a current level of 35% - is striking. This growth is also a reflection of the huge appeal of indexed funds, otherwise known as EFTs (exchange-traded funds). Our company is attractive to this target group because we are listed on both the MDAX and the TecDAX. This strong increase came at the expense of investors focused on high-growth companies. Their share has fallen sharply from 45% to 30%, although we consider this to be a temporary development. The growth initiatives we have announced will also make us more attractive to this group of investors.

There were few changes in the other categories, and hedge funds continue to play no role in our shareholder base.

I will now turn to the outlook for fiscal year 2022. For 2022, Group revenue of at least € 950m is expected. The revenue growth that we had originally been anticipating for this year will unfortunately not materialize due to the global developments with which we are all familiar. Despite these circumstances, however, we will again record revenue growth. The substantial rises in the cost of raw materials and energy prices can only be passed on to our customers in the form of price increases with a degree of time delay. This has already impacted our Q1 results and means that for the first time, EBITDA cannot be increased compared to the previous year. However, we expect to return to the original margin level of 2020 and 2021 once the raw material price increases have been passed on to our customers.



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Production capacities are to be further expanded, whereby this year, in addition to further investments in the CoinPower area, larger-scale investments are also in the pipeline for large round cells. In the future, the focus of investments will be on the large lithium-ion cell. The funds for this are available thanks to the recently issued promissory note loan.

In summary, it can be stated that:

- We recorded the most successful fiscal year in the history of the Company in 2021.
- VARTA AG is excellently positioned to benefit from the long-term growth trends in all of our business areas, even if the usual increase in earnings and profitability of the past few years cannot be sustained in 2022 due to the current global situation.
- We are investing in lithium-ion technology because this is where we have identified the greatest growth opportunities of all battery technologies.
- With the planned investment in a factory for the production of large round cells, VARTA is laying the foundations for further growth and, in so doing, will be diversifying both the application areas of the Group's products as well as its customer portfolio.

Ladies and Gentlemen, valued shareholders, many thanks for the trust you have placed in us!