



Annual General Meeting 2022

Speech Herbert Schein, CEO VARTA AG

Ellwangen, June 21, 2022

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Ladies and Gentlemen,
Valued Shareholders,

2021 was the most profitable year in the history of our company. But not only that: VARTA AG's sales have also risen while at the same time we have set the course for further growth. With that, Ladies and Gentlemen, I am delighted to welcome you to the VARTA AG Annual General Meeting 2022.

I would like to look back with you today over the past year and give you an insight into what drives us and ensures our sustainable success. Innovations are the key to this. Being innovative and reliable, including to our shareholders is our claim – and this is as true today as it was exactly 135 years ago when VARTA was first founded.

Once again, we have a successful year behind us. We have been able to increase our profitability to a record level, and our revenue has also grown.

However, the world has changed in recent months and we have seen how COVID-19 is having stronger long-term impacts than previously thought. Even though VARTA did not lose a single day of production as a result of the pandemic, and although COVID-19 did not cause any problems in our supply chain, many of our customers were nonetheless very seriously affected by the crisis. Local lockdowns brought their production processes to a standstill. The shortage of raw materials and semiconductors meant that they were unable to produce devices in the numbers planned. This meant that ultimately, VARTA was also indirectly affected by the consequences of the COVID-19 pandemic.

In addition, there is a war going on against Ukraine. We can see how energy prices have risen enormously, along with the price of raw materials and other resources as well as logistics costs. We are already feeling the cost pressure very clearly and this is also leading to price increases for VARTA products.

Despite all this, Ladies and Gentlemen, we will continue to grow. As I said at the beginning, VARTA is reliable and this also applies here. Revenue is up by 4% and our EBITDA has grown by 17%. Our margin has increased by a further three percentage points. As I said, in the past year, we have achieved an EBITDA margin of more than 30%. This makes 2021 the most profitable year in the history of our company. It's true to say that we had planned to do even better. We were aiming to increase revenue even further last year, but as I said, the reasons this has proved impossible are obvious.



VARTA

We have continuously increased revenue and profitability since the IPO. We have nearly quadrupled revenue while, as planned, our EBITDA has grown faster than revenue. Indeed, we have nearly doubled our EBITDA margin.

We are set to become a multi-billion euro business by the end of this decade. We may not reach the first billion this year, but we definitely will do next year. Because we never stop innovating. Because we make new products that give our customers a strategic competitive advantage.

And this is true of all our product groups. In the following, I would now like to explain what I mean by this. VARTA has a clear growth strategy. Growth comes from our two segments: Household Batteries and Lithium-Ion Solutions & Microbatteries.

In the Household Batteries segment, we have Consumer Batteries and Energy Storage Systems. The Lithium-ion Solutions & Microbatteries segment comprises the following product groups: Microbatteries, Lithium-Ion CoinPower, Lithium-Ion RoundPower, Lithium-Ion V4Drive and Lithium-Ion Solutions.

Let's first take a look at our Household Batteries segment. We have gained additional market shares for the Consumer Batteries product group. Why? Because we have placed a clear focus on the brand business. This strategy, which we have been pursuing since the segment was reintegrated into VARTA AG two years ago, has paid off. During the pandemic, we experienced the benefits of the "local for local" trend firsthand.

Our customers value our batteries because they can rely on quality 'Made in Germany'! They know the advantages of having a battery manufacturer here in Germany that does not have to transport its products from Asia, that does not have to contend with lockdown-induced production difficulties, that offers a product that is delivered reliably and that reliably delivers what they want: mobile energy.

And here, too, we are proving that we produce better products – and sustainably at that: Our new packaging is completely plastic-free and recyclable. Using this packaging as an example, you can see our new brand identity with the new, updated VARTA logo.

This is an investment in our future. We will continue to strengthen our Consumer Batteries business by continuing to focus on the brand business.

Our aim is to always offer our customers the best batteries. This is why we have already increased energy density by 6-7 percent over the past year, and we will continue to increase it in the coming years.

Now let's take a look at energy storage systems. Valued shareholders, here we have seen a marked sales increase in this product group! Why? Because the market is also seeing rapid growth at the moment.

Sustainability is the order of the day. This is both social consensus and a political requirement. The general political and social climate in this area is giving us a strong tailwind.

VARTA stands for renewable energies. For the end consumer, purchasing an energy storage system is an investment in their future and in order to make such a decision, they need a reliable partner.

With our 135 years of experience with energy storage solutions, VARTA is that reliable partner.



VARTA

We recently launched the next generation of devices. VARTA.wall, which you saw at the beginning, is the first step. Our new storage unit, which is set to be delivered to our customers at the start of next year, comes in an extremely attractive design. It is a thin storage unit ten centimeters in depth. It can fit into any space and looks good too! It is an extremely efficient system with highly innovative technology.

Its modular design makes it expandable. If customers decide to store more energy – for example, if they purchase another electric car – they can quickly and simply enlarge their VARTA.wall system. More devices are in the pipeline.

VARTA is set to play a key role in decentralized energy supply for homeowners, offering a sense of security in times of rising energy prices along with independence at a time when one-sided energy dependence can be clearly felt in our pockets. We have paved the way for and expect to see high growth rates in the energy storage sector.

Let me now turn to the Lithium-Ion Solutions & Microbatteries segment.

We continue to be market leaders for hearing aid batteries and are seeing growth in this area with our rechargeable hearing aid batteries. Our market share here is even bigger than that for primary hearing aid batteries and as a company, we are anticipating a global market share of significantly above 50%.

Ladies and Gentlemen, the trend is clearly headed toward rechargeable batteries. We are benefiting here from our position as an innovation leader in the field of lithium-ion technology.

Let's take a look at CoinPower: These are the cells of choice for manufacturers of Premium True Wireless stereo headsets. And they will continue to remain so in the future: We are represented in this market with new design-ins for new premium devices and we aim to grow further. Because the market for CoinPower applications will continue to grow. Here, VARTA offers strategic advantages today and we are already preparing the next generation of these cells.

Last year we announced the launch of our lithium-ion round cells. We have named the cells used in automotive applications V4Drive, while we have called those used for all other applications RoundPower.

As you know, we create very high value added for our products: From material research to production. This also includes system integration in the Solutions segment. Our aim is to sell complete systems to our customers, including battery and energy management

As you can see, Ladies and Gentlemen: Lithium-ion technology has the greatest potential. Our lithium-ion business is set to be the biggest driver of VARTA's future growth.

CoinPower, V4Drive/RoundPower, Solutions and energy storage systems all use this technology. Our lithium-ion business already accounts for as much as 50% of our sales and this figure is set to rise substantially. This is how we have positioned ourselves for the future market: With CoinPower for small applications requiring high energy in small spaces, with our large lithium-ion round cells for everything from power tools, drones and robots, to construction machines, energy storage systems and electric cars, and with our battery packs serving as a complete solution for our partners.

However, CoinPower was just the spearhead in the growth market for lithium-ion technology. We have transferred our experience to larger cells, enhancing them with further innovations. The result:



VARTA

Our lithium-ion round cells. These can charge faster than any other lithium-ion cells on the market and deliver more power.

In the automotive sector, in this first step, our V4Drive is intended to serve as an ultra-high performance cell for manufacturers in the top performance segment. With this cell, VARTA offers manufacturers of modern electric sports cars the opportunity to make a difference. Until now, with the end of the combustion engine looming, it has been a challenge for these manufacturers to transfer their USPs into the electrified future. With our technology, VARTA is now making this possible.

As I have already said, RoundPower is being used in power tools, home & garden applications, robotics and industrial applications. In the future, we will also use these cells in our new energy storage systems and this will make the devices even more powerful. As you can see, we also control the entire value chain for storage systems: From the cell, the battery management system and the battery pack to energy management and production.

We have already been supplying our lithium-ion round cells to customers since the end of last year from a pilot production line. Our plans for mass production are already well advanced. We will start as early as the fall of this year with the construction of our first GWh production plant – subject to a pending formal decision by the federal states of Baden-Württemberg and Bavaria because, as we communicated last year, the construction of the first section of the production plant is being funded by the federal and state governments as part of the IPCEI.

Ladies and Gentlemen, here you can see the plan for our first lithium-ion round cell production plant. Production will take place on highly automated lines. We are taking advantage of synergies with CoinPower as these batteries are produced at the same site. We are starting out now with one GWh capacity. Due to the high levels of demand we are now receiving, we are already planning our next expansion phase. I see a good and sustainable business here for VARTA by the end of this decade, with a production capacity in the two-digit GWh range.

In the initial phase, this production plant will focus on one cell format for all applications: For RoundPower, Solutions, energy storage systems and electromobility, but with optimized electrochemistry for the respective application. In this way, we will quickly achieve scaling and efficiencies. The first format is 21700. The demand is huge. Both the configuration and the optimized electrochemistry help guarantee that our production plant will be highly efficient.

But that's not all: we are making plans for a second production plant for energy storage systems. We are going to build a new production plant for our energy storage systems, which I have already presented to you today. This will form part of the strategic expansion of our business activities in the renewable energy segment.

The high-performance VARTA energy storage systems will help more and more households to generate and store their own electricity. Our products are intelligent and modular so that they can communicate with all applications and can be quickly and simply expanded if needed.

As I said, we are operating in a very fast-growing market. Our goal is for VARTA to take the leading role in the home storage sector! We are preparing for this growth with the new production plant and our strong brand is helping us to achieve all this. VARTA is also synonymous with energy storage systems.



VARTA

As you can see, valued shareholders, we have a clear vision for the future and have made sure that we consistently pursue it. It is a future that we aim to secure in the long term for us and for the people who work for us and of course, we do all this for you, our valued shareholders. The trust you place in us enables us to do what we do. For this, I would like to express my sincere thanks to you all.

Before I hand over to our CFO, Armin Hessenberger and our CTO, Rainer Hald, allow me to share one more piece of news with you.

Recently, we were able to honor our long-serving employees for the first time in more than two years. The pandemic had unfortunately made such celebrations impossible. At the ceremony, we had a huge number of employees who had been with VARTA for 40 years and some who had been loyal to our company for as many as 50 years! Employment biographies like these are few and far between indeed. They are not just a reflection of outstanding loyalty to our business, but also a testament to our attractiveness as an employer. However, they are also proof that VARTA is not a business that follows short-lived trends.

It is also my pleasure to see every day the enthusiasm and commitment displayed by the young people who complete an apprenticeship with us. VARTA has set an example with the opening of our new training center. We have experienced a huge influx of new talent here at VARTA that we are promoting and training to become battery experts.

As you can see, valued shareholders, VARTA is both tradition and future. It is a company built on innovation. We are here to stay. Because, Ladies and Gentlemen, we help develop the future and will continue to do so for many years to come.

Thank you for your attention!