

Written report of the Executive Board pursuant to Sections 203 para. 2 sentence 2, 186 para. 4 sentence 2 of the German Stock Corporation Act (AktG) on item 9 of the Agenda on the reasons for authorising the Executive Board to exclude shareholders' subscription rights when using the Authorised Share Capital 2023 I

The authorisation of the Executive Board resolved by the Annual General Meeting on 21 June 2022 to increase, with the consent of the Supervisory Board, the share capital of the Company by up to EUR 8,084,337.00 by issuing new no-par value bearer shares against contributions in cash and/or in kind, which after partial utilisation, currently still exists in the amount of EUR 5,864,337.00 (Authorised Share Capital 2022 I), shall be cancelled and superseded.

The Executive Board and the Supervisory Board propose to the Annual General Meeting under agenda item 9 the creation of the new Authorised Share Capital 2023 I in Article 4 paragraph 3 of the Articles Association of up to EUR 8,528,337.00, corresponding to approximately 20% of the current share capital of EUR 42,641,686.00.

For reasons of flexibility, the new Authorised Share Capital 2023 I is to be used for both cash and non-cash capital increases. In the case of capital increases from Authorised Share Capital 2023 I, the Company's shareholders generally have a subscription right. The shares may also be taken over by one or more credit institutions, securities' institutions or companies specified by the Executive Board within the meaning of Section 186 para. 5 sentence 1 AktG with the obligation to offer them to the shareholders for subscription (indirect subscription rights).

However, the Executive Board shall also be authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights,

- a) in order to exclude fractional amounts from shareholders' subscription right;
- b) if the new shares are issued against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of the shares already listed with essentially the same features. The number of shares issued in this manner under exclusion of subscription rights may not exceed 10% of the share capital, neither at the time the present authorisation comes into force nor at the time it is exercised. Other shares issued or sold during the term of the present authorisation under exclusion of the subscription rights in direct or corresponding application of Section 186 section 3 sentence 4 of AktG shall count towards the maximum limit of 10% of the share capital. Also counting towards the maximum limit are shares to be issued to service option and/or conversion rights or obligations under bonds with warrants and/or convertible bonds and/or profit participation rights, provided that these bonds or profit participation rights are issued during the term of the present authorisation under exclusion of the subscription rights in corresponding application of section 186 para. 3 sentence 4 of AktG;
- c) if the capital increase is made against contributions in kind, in particular for the purpose of acquiring companies, parts of companies, interests in companies or other assets connected with an acquisition project or in the context of mergers; or
- d) to the extent necessary to grant holders or creditors of bonds with warrants and/or convertible bonds and/or profit participation rights with option or conversion rights or option or conversion obligations previously issued by the Company or companies in which the Company directly or indirectly holds a 100% interest, a subscription right to new shares to the extent to which they would be entitled after exercising the option or conversion rights or after fulfilling option or conversion obligations;

and only to the extent that the shares issued during the term of the present authorisation on the basis of this authorisation [or other authorised capital] under exclusion of the shareholders' subscription rights against

contributions in cash and/or in kind do not exceed a total of 10% of the share capital, either at the time the present authorisation comes into force or at the time it is exercised.

The following shall be counted towards the above indicated maximum limit of 10%

- treasury shares sold during the term of the present authorisation under exclusion of subscription rights, as well as
- new shares to be issued on the basis of convertible bonds and/or bonds with warrants and/or profit participation rights issued during the term of the present authorisation under exclusion of the subscription rights.

With regard to the present authorisation to exclude shareholders' subscription rights with the consent of the Supervisory Board, the Executive Board submits the following report pursuant to Sections 203 para. 2 sentence 2, 186 para. 4 sentence 2 AktG:

It shall initially be possible to exclude subscription rights for fractional amounts. The present authorisation serves to ensure that a practicable subscription ratio can be presented with regard to the amount of the respective capital increase. Without the exclusion of the subscription rights to fractional amounts, the technical implementation of the capital increase would be considerably more difficult, especially in the case of a capital increase by round amounts. The new shares excluded from shareholders' subscription rights as fractional shares will either be sold on the stock exchange or otherwise disposed of by the Company in the best possible manner. For these reasons, the Executive Board and the Supervisory Board consider the authorisation to exclude subscription rights to be appropriate.

Moreover, it shall be possible to exclude the subscription rights if the new shares are issued in accordance with Sections 203 para. 1, 186 para. 3 sentence 4 of AktG against cash contributions at an amount that is not significantly lower than the stock exchange price and if the total proportionate amount of the share capital attributable to the issued shares does not exceed 10% of the share capital, either at the time the authorisation comes into force or at the time it is exercised. The authorisation enables the Company to cover capital requirements even at short notice and in this way to take advantage of market opportunities quickly and flexibly. The exclusion of subscription rights enables the Company to act very quickly without having to carry out the subscription rights procedure, which is both more costly and more time-consuming, and enables a placement close to the market price, i.e. without the usual discount for subscription issues. The Company will also be in a position to attract new investors at home and abroad with such capital increases. When exercising the authorisation, the Executive Board - with the consent of the Supervisory Board - will set the discount on the stock exchange price as low as possible according to the market conditions prevailing at the time of the final determination of the issue price. As a rule, the discount on the stock exchange price will not exceed 3 to 5% of the stock exchange price.

The scope of the cash capital increase under exclusion of subscription rights pursuant to Section 186 para. 3 sentence 4 of AktG is also limited to 10% of the share capital at the time the authorisation comes into force or if this amount is lower at the time the authorisation to exclude subscription rights is exercised. Included in the 10% limit are those shares that have been issued or sold during the term of the authorisation under exclusion of subscription rights in direct or corresponding application of Section 186 para. 3 sentence 4 AktG, e.g. treasury shares. Also counting towards the maximum are shares to be issued for the purpose of servicing option and/or conversion rights or conversion and/or option obligations under convertible bonds or bonds with warrants or profit participation rights, provided that these bonds or profit participation rights were issued during the term of the authorisation under exclusion of subscription rights in corresponding application of Section 186 para. 3 sentence 4 of AktG. This limitation takes into account the shareholders' need for protection against dilution of their shareholdings. Since the new shares are placed close to the stock exchange price, all shareholders can acquire shares on the market at approximately the same conditions in order to maintain their participation quota.

In addition, it shall be possible to exclude the subscription rights of shareholders if the capital increase is carried out against contributions in kind, in particular for the purpose of acquiring companies, parts of

companies, participations in companies or other assets in connection with an acquisition project or in the context of mergers. This gives the company the necessary room to manoeuvre quickly and flexibly and in a way that does not put a strain on liquidity, enabling it to be able to take advantage of opportunities that arise for the acquisition of other companies, participations in companies or parts of companies as well as for mergers, but also for the acquisition of other assets that are essential for the company in order to improve its competitive position and strengthen its earning power and that are connected with an acquisition project. In some cases, such transactions often imply that very high considerations must be paid, which should or can no longer be paid in cash. In some cases, the owners of attractive companies or other attractive acquisition targets also demand shares in the buyer as consideration of their own accord. In order for the Company to acquire such companies or other acquisition objects, it must be possible for it to offer shares as a consideration. Since such an acquisition usually takes place at short notice, as a rule, it cannot be decided by the Annual General Meeting, which generally takes place only once a year. This requires the creation of authorised capital, which the Executive Board - with the consent of the Supervisory Board - can access quickly. In such a case, the Executive Board ensures that the interests of the shareholders are adequately protected when determining the valuation ratios. In doing so, the Executive Board shall take into account the stock exchange price of the Company's shares. The Executive Board will only make use of the present authorisation if the exclusion of subscription rights is in the unequivocal interest of the Company in an individual case. There are currently no concrete acquisition plans for which the possibility of capital increases against contributions in kind with the exclusion of subscription rights granted by the proposed authorisation is to be used.

In conclusion, it shall be possible to exclude subscription rights to the extent necessary to grant the holders or creditors of bonds with warrants and/or convertible bonds and/or profit participation rights issued by the Company or Group companies in which the Company directly or indirectly holds a 100% interest, on utilisation of the authorised capital, a subscription right to new shares to which they would be entitled after exercising the option or conversion right or after fulfilment of a conversion and/or option obligation under these bonds. In order to facilitate the placement of bonds on the capital market, the corresponding option or bond terms and conditions usually contain protection against dilution. One possibility of protection against dilution is that the holders or creditors of the bonds are granted subscription rights to new shares in subsequent share issues, to which shareholders are entitled. They are consequently placed in the same position as if they were already shareholders. In order to be able to provide the bonds with such protection against dilution, shareholder subscription rights to the bonds must be excluded. This serves to facilitate the placement of the bonds and consequently, assure the interests of shareholders in the best possible financial structure for the Company.

Alternatively, for the purpose of protection against dilution, only the option or conversion price could be reduced, to the extent permitted, by the option or bond terms and conditions. However, this would be more complicated and cost-intensive for the Company. In addition, it would reduce the inflow of capital from the exercise of option and conversion rights or conversion and option obligations. It would also be conceivable to issue bonds without dilution protection. However, these would be significantly less attractive to the market.

Moreover, the Executive Board is authorised to exclude subscription rights when using Authorised Share Capital 2023 I only to the extent that the total proportionate amount of the share capital attributable to the new shares issued during the term of the present authorisation under exclusion of the subscription rights on the basis of the present authorisation or other authorised share capital does not exceed 10% of the share capital, either at the time the authorisation comes into force or at the time it is exercised. In this context, treasury shares sold during the term of the present authorisation under exclusion of subscription rights as well as new shares to be issued on the basis of convertible bonds and/or bonds with warrants and/or profit participation rights issued during the term of the authorisation under exclusion of subscription rights shall count towards the maximum limit of 10%. This capital limit restricts the total scope of an issue of shares without subscription rights. This gives shareholders additional protection against a dilution of their shareholdings.

The Executive Board and the Supervisory Board will carefully examine in each individual case whether they will make use of one of the authorisations to increase the capital under exclusion of the shareholders'

subscription rights. This option will only be used if, in the opinion of the Executive Board and the Supervisory Board, this is in the unequivocal interests of the Company and therefore, of its shareholders.

The Executive Board will report on utilisation of the authorisation at the Annual General Meeting following any issue of shares of the Company from the authorised capital with exclusion of subscription rights.

We would point out that, apart from the new Authorised Share Capital 2023 I proposed under agenda item 9, the Authorised Share Capital 2022 II and the new Conditional Capital 2023 I proposed under agenda item 10, the Company will not have any other authorised or conditional capital at the time of the Annual General Meeting.

Ellwangen Jagst, May 2023

VARTA Aktiengesellschaft
Executive Board