

VARTA AG

9m Earnings Presentation

November 15th, 2022

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Speaking to you today



**Armin
Hessenberger**
CFO



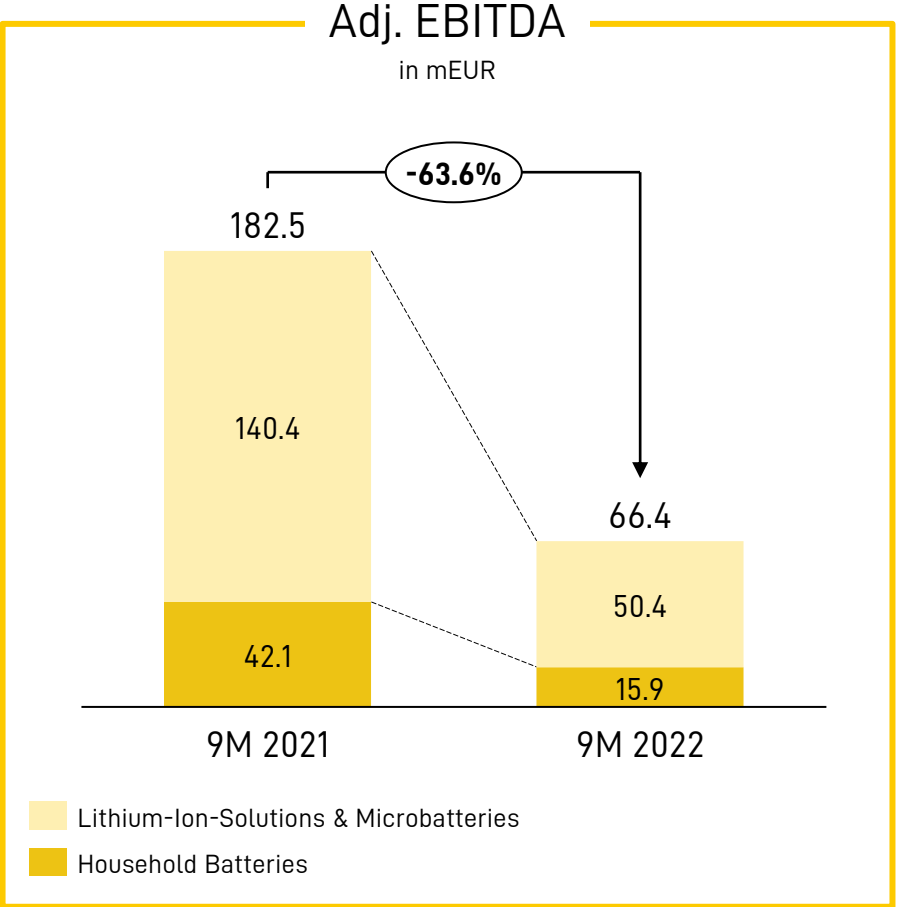
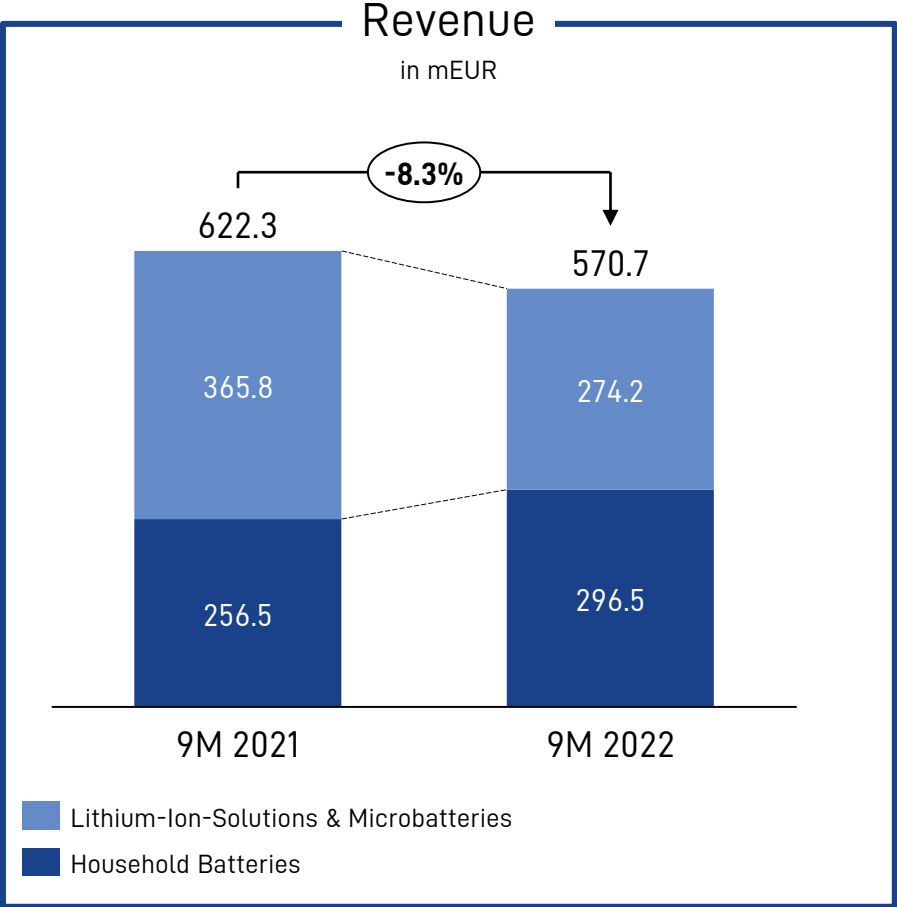
**Dr. Markus
Hackstein**
Speaker of
the board



**Rainer
Hald**
CTO

- Today, we discuss **VARTA's Q3 financial results** and the **guidance** for **FY2022**
- We are in a **serious situation** due to **macro-economic effects**
- VARTA is built on a **stable foundation**, and we have a **long-term vision for the company**
- We have formulated a **stabilization plan** with **immediate measures** of delivering additional >40 mEUR in 2023 and will **launch** a **holistic cost transformation** and **dedicated sales push**

VARTA Group: Weak global economy, rising raw material prices and depressed consumer sentiment impact VARTA's 9M development



Adverse macro-economics realities affect industries across Europe ...



Energy prices

Short-term energy price increases in Germany triggered by Europe-wide gas shortage



Raw material prices

Temporary basic materials price increases for key input materials like Lithium, cobalt, nickel, aluminum and steel



Consumer sentiment

Lower demand for premium consumer products as a result of reduced disposable incomes

transformational program within the next 4 weeks



Impact

Top-Line

Lever

Price adjustments

Started initiatives

Re-negotiations with customers to pass through short-term input price increases

Volume increase

CoinPower sales initiatives targeting: i) technology cooperation with existing customers, ii) additional TWS value pools

ESS growth initiative to continue growth

Cost-down

Workforce flexibilization and capacity adjustments

Implementation of **reduced working hours** ("Kurzarbeit" for CoinPower production facilities has been started) and non-extension of **temporary contracts** in CP production

Fix cost reduction

Fix cost reduction in **sales and administration**

Procurement optimization

Re-negotiations with top suppliers to mitigate effects of short-term price hikes

Cash optimization

Working capital measures

Increasing **leverage of factoring** to improve flexibility and strengthen cash positions

Reduce **raw material stock and inventory**

**Σ EBITDA impact:
~40 mEUR
in 2023**

Adverse macro-economic realities affect industries across Europe ...

2023 expectation:  Improves  Persists

Selected trends



Energy prices

Short-term energy price increases in Germany triggered by Europe-wide gas shortage

MACRO
IMPACT

> 300 EUR/MWh¹
baseload Power price increase in Germany (2022 vs. 21)²



OUTLOOK
2023



Relaxation of energy markets after Q1 2023 expected



Raw material prices

Temporary basic materials price increases for key input materials like Lithium, cobalt, nickel, aluminum and steel

+ 600% (Lithium)
+ 60% (Cobalt, Manganese)
+ 20% (Nickel, Aluminum)
+ 15% (Zinc)

raw material price increases 01/21 vs. 07/22³



Potential downward trend initiated, e.g., decline of Lithium and Nickel prices expected by Q4/2022



Consumer sentiment

Lower demand for premium consumer products as a result of reduced disposable incomes

- 50 %
2022 TWS market forecast correction by CounterPoint⁴

- 2%
Market growth consumer appliances in Europe (22 vs. 21)⁵



Consumer sentiment expected to remain at low level⁶

1. Power price in 2022 is the average of actuals and forwards from Montel and in 2023-24 are taken from Montel; from 2025 output of the power model displayed

Sources: 2. Bundesamt für Statistik, 3. Consensus Economics, 4. CounterPoint (2022), 5. Euromonitor, 6. GfK KonsumKlimaindex

... and have impacted VARTA performance in 2022



IMPACT ON VARTA



Energy prices

Price increase up to max. 500EUR/MWh during Q3 2022



Raw material prices

26% material cost increase (2022FC vs. 2021), partially driven by energy cost increases for suppliers and transportation

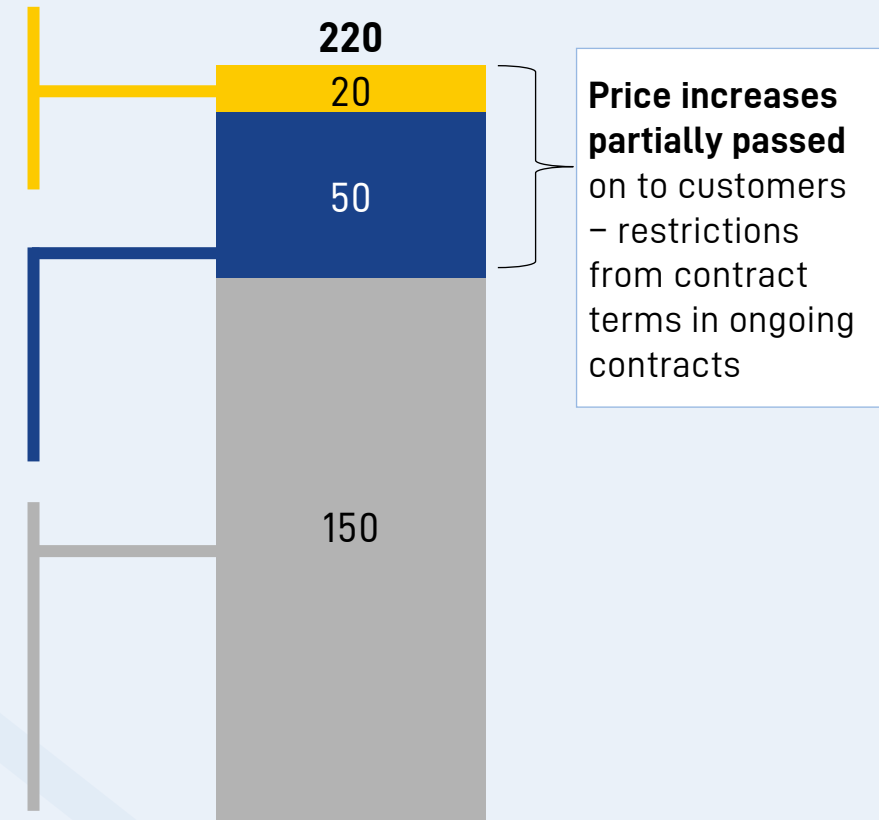


Consumer sentiment

End-user demand in TWS and consumer appliances below expectations with main VARTA customers adjusting volumes very short-term

EBITDA impact of lower volumes, COGS and high inventory levels

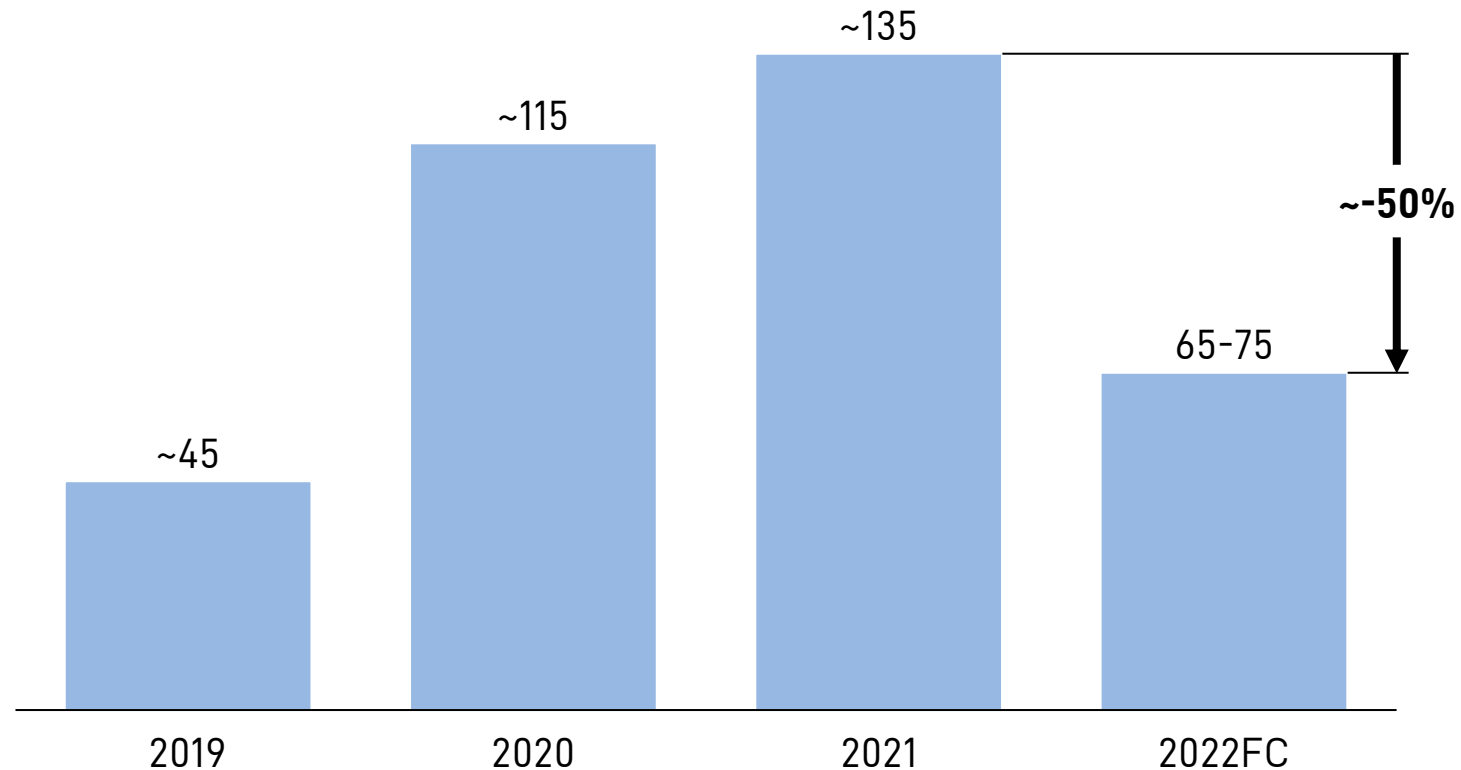
Expected VARTA EBITDA IMPACT 2022, mEUR



1. Difference in EBITDA between plan of beginning 2022 to current guidance

EBITDA effect of sales reduction caused by significantly lowered CoinPower volumes

Volume evolution CoinPower, mn cells



Core driver of VARTA EBITDA impact (2022) of -154 mEUR

Considerations

Year 2019-2021:

- Steady growth driven by substantial customer demand
- Favorable macro-economic environment propelled end-consumer demand for TWS
- Convergence of different generations of TWS products

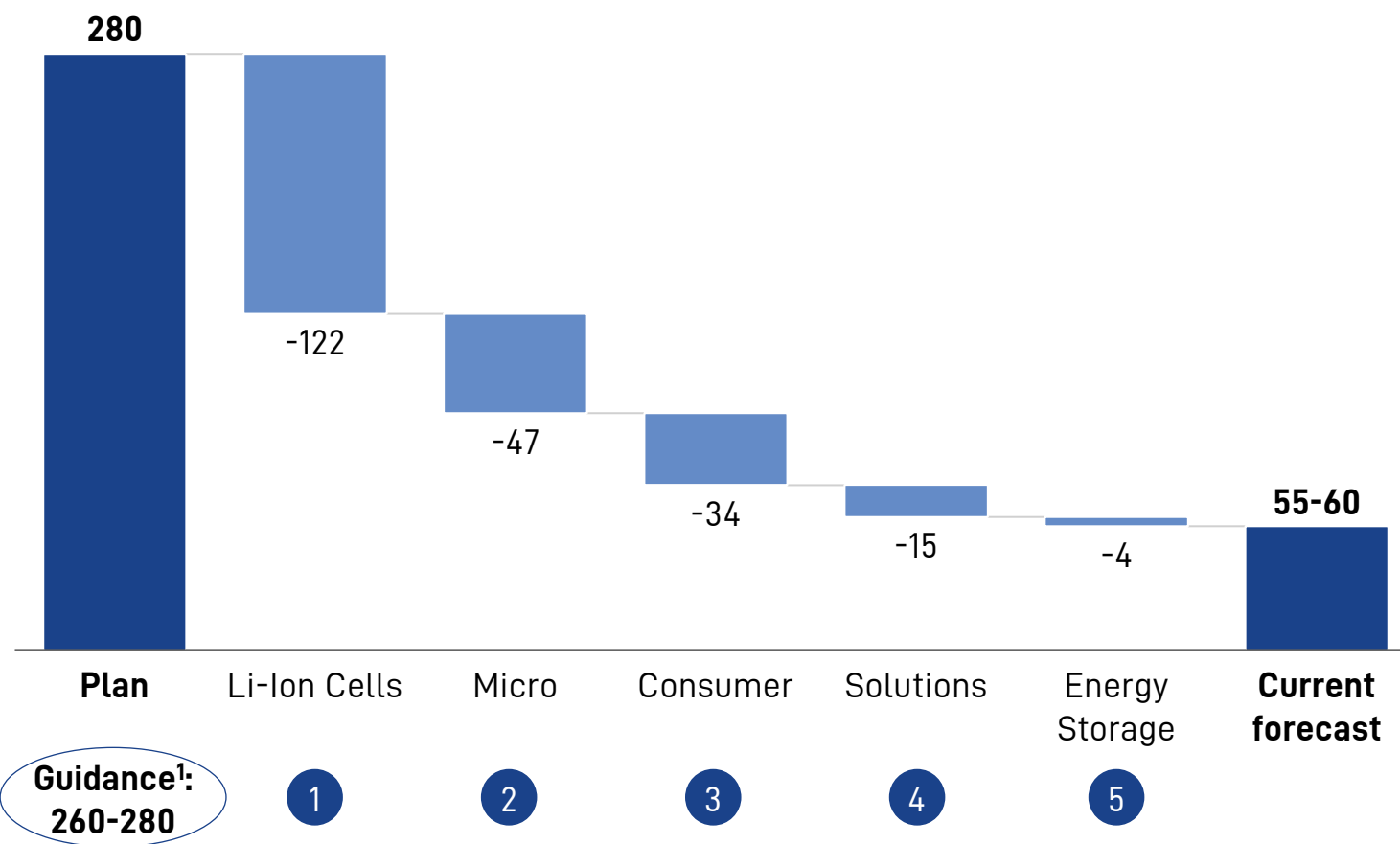
Reduction in 2022 caused by

- Product generation of major customer running out
- Dual sourcing strategy of customers
- Lagging TWS sales due to current economic environment (lower- than- expected sales for core products that use CoinPower)

~60% of EBITDA deviation from plan is attributable to Li-Ion cells (CoinPower)

x Detailed next

EBITDA 2022 plan vs. current forecast – BUs, mEUR



Description

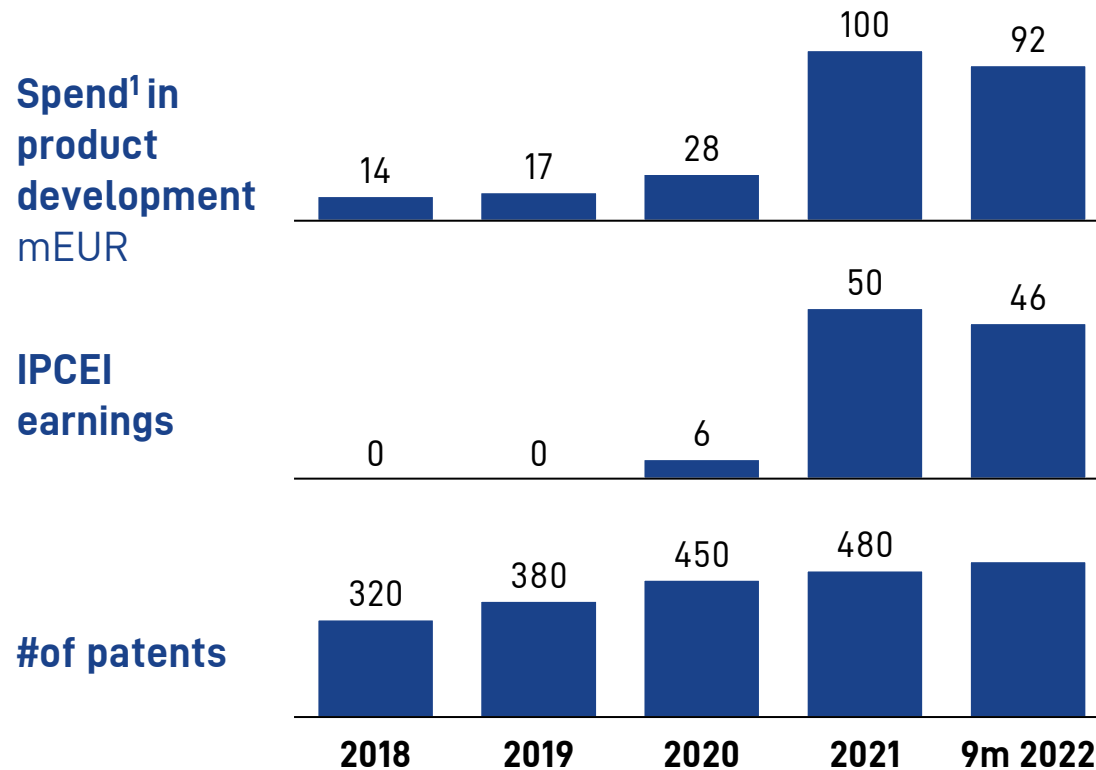
- 1 Li-Ion Cells:** EBITDA reduction mainly results from the lower-than-expected quantities from a single customer in CoinPower
- 2 Micro:** Lower EBITDA contribution because of higher material/energy costs as well as lower than expected volumes and delay in price increases due to contracts
- 3 Consumer:** Decrease in EBITDA contribution mainly resulting from higher cost as well as a delay in price pass-throughs
- 4 Solutions:** Both volume and cost had a negative impact on EBITDA
- 5 Energy Storage:** Higher material cost influenced the EBITDA negatively

1. Communicated guidance as of 30.03.2022

VARTA's technology leadership is based on high investments in product development



VARTA's investments in product development



Considerations

- VARTA has substantial focus on product and process development compared to competition, as indicated
- VARTA's R&D is subsidized as part of „Important Projects of Common European Interest“ by the European commission through subsidies of around **300 mEUR**
- VARTA spent **around to 200 mEUR** in the last 2 years.
- **Control of the value chain** through **high degree of vertical integration** supports **VARTA's innovation**
- **Almost 500** patents form **VARTA's technology leadership backbone**

1. Including personnel, material, processes, material research, machine development

Foundation – VARTA has a strong foundation that is proven by its exceptional track record



1 Strong portfolio
combining stable revenues with attractive growth perspective

2 Innovative tech-based company
with 135 years of experience made in Germany

3 Leadership in different segments
in CoinPower for TWS and Microbatteries for Hearing Aids

4 Protected technology leadership
through innovation power

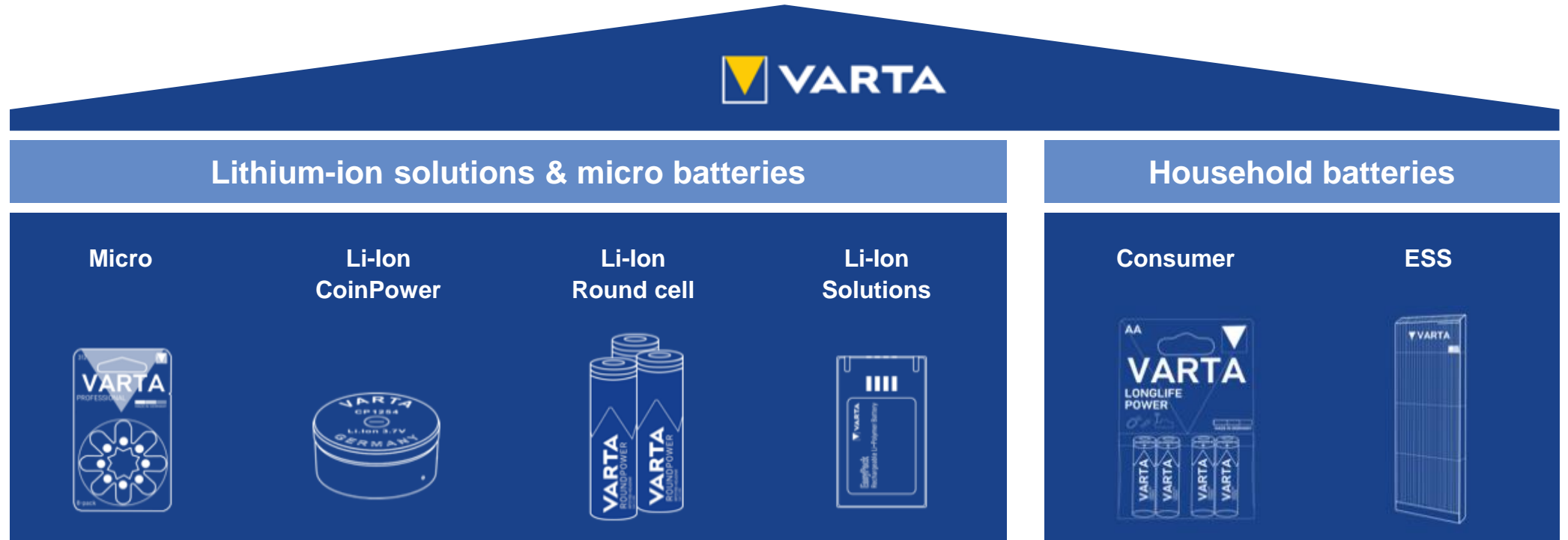
5 Sustainability pioneer
that acts responsibly and empowers the clean energy transition

6 Experienced management team
that is deeply rooted within the company

VARTA builds on solid business units with attractive growth perspectives



VARTA 2022



USP



Full range offering, premium product (high energy density, high reliability)¹

High energy density, allows short-term customization, high charging currents

Good low temperature performance, fast charge capability and excellent charge efficiency

Flexible off-the-shelf solutions, design support

Long lasting and precise performance, best AAA performance, plastic free packaging

Energy storage ecosystem comprising in-house produced storage units, add-on services and extensions

1. For primary and rechargeable battery

Despite current headwinds, we expect a rebound of all business units through 2023



1 Li-Ion CoinPower



CoinPower diversifies technology portfolio and takes decisive action to alleviate headwinds from economic situation

2 Micro



Microbatteries has market leading position in hearing aid batteries and provides stable, high-volume business

3 Consumer



Consumer batteries leverage outstanding brand reputation to generate stable income – ongoing push to achieve further pass-through of cost increase

4 Li-Ion Solutions



Li-Ion solutions continuously expands portfolio with flexible offerings to capture new attractive markets – initiatives to reduce costs ongoing

5 ESS



Launch of new VARTA.wall home storage product to expand existing home storage portfolio, deepen value-chain and exploit high-growth residential storage market

6 Li-Ion round cell



Innovative round cell technology meets strong market outlook in auto and non-auto segments with expansion opportunity with partner

VARTA expects revenues in the range of EUR 805mn and EUR 820mn for FY2022



Outlook FY2022

Financials

- Revenues FY2022 expected in the range between EUR 805m and EUR 820m.
- Adj. EBITDA FY2022 between EUR 55m and EUR 60m
- CAPEX FY2022 between EUR 105m and EUR 115m

Operational

- Negative impact from the Ukraine crisis, chip shortages, etc. cannot fully compensated
- Economic situation remains challenging
- Raw material and energy prices with negative impact to company performance
- Supply chain and Covid situation creates uncertainty for our clients and could lead to lower needs for our batteries
- Depressed consumer sentiment with negative impact to TWS sales of our clients

Outlook FY2023

Financials

- Revenues FY2023 expected in the range between EUR 850m and EUR 880m.
- Adj. EBITDA FY2023 between EUR 90m and EUR 110m

Ending

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Financial Calendar

15.11.2022 Interim report Q3 2022

30.03.2023 Consolidated financial statements

11.05.2023 Annual general meeting

15.05.2023 Interim report Q1

11.08.2023 Half-year report 2023

14.11.2023 Interim report Q3

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