VARTA AG

9M 2023 Earnings Presentation

14 November 2023

Executive Summary

Q3 2023 has been the strongest quarter of FY 2023 to date with regards to revenue and adjusted EBITDA.

- Q3 2023 results exceed Q3 2022: revenue Q3 2023: €215.1 m (Q3 2022: €193.9 m), adjusted EBITDA Q3 2023: €29.4 m (Q3 2022: -€1.9 m)
- This also applies when considering positive effects totaling EUR €12.5 m, which result from the reimbursement of ramp-up costs that incurred primarily in the first half of the year in in the area of large-format lithium-ion cells.
- Broad product portfolio carries overall success in Q3 2023.

Seasonal increase in demand, successful restructuring measures, decrease of costs for raw materials and energy have positive impact.

- Personnel costs YTD reduced by €7.8 m; personnel costs in Q3 2023 lower than €60 m for the first time since Q1 2022.
- Material costs decreased by €23.1 m compared to 9M 2022.
- Other operating expenses reduced by €25.3 m (-19.8% y/y) through stringent cost reduction programs.
- Thereof, Energy costs virtually halved from €18.3 m in 9M 2022 to €9.6 m in 9M 2023.
- Level of inventories has declined by 18.6% from €262.5 m as at 30 September 2022 to €213.7 m as at 30 September 2023.

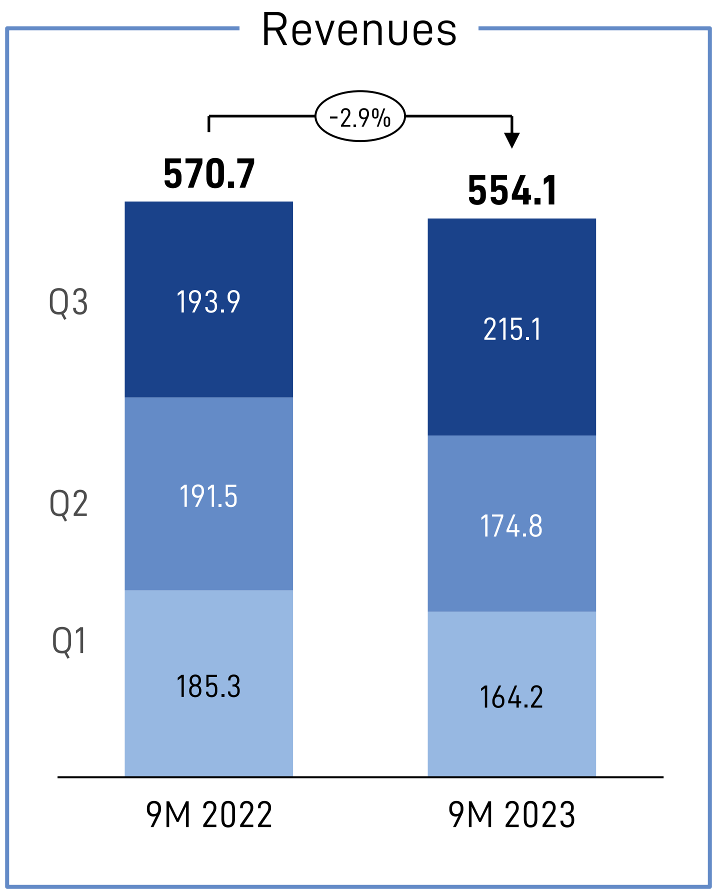
Confirmation of guidance for full financial year 2023:

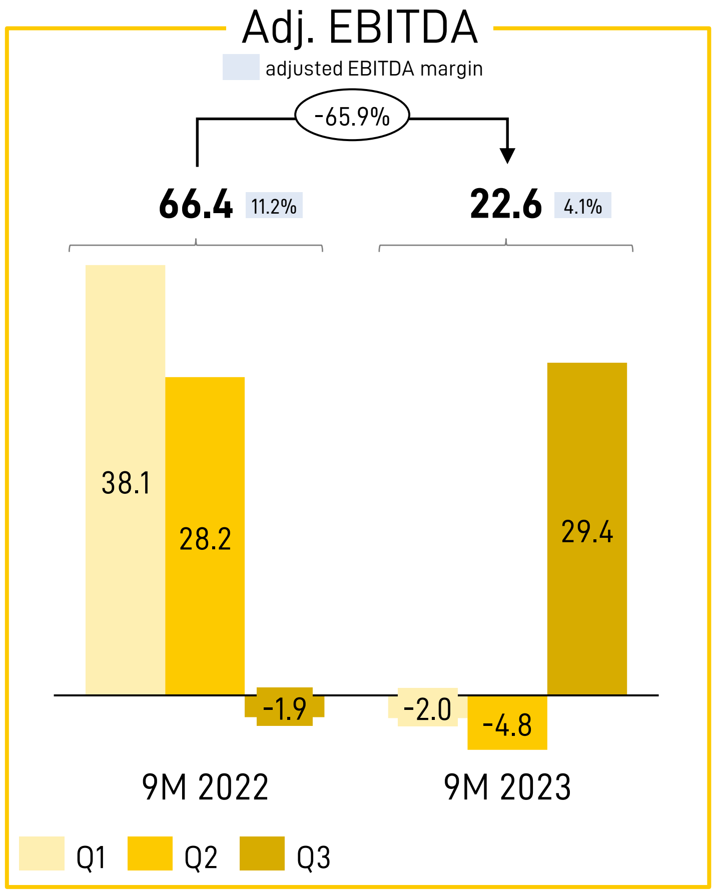
- Revenue around €820 m.
- Adjusted EBITDA* between €40 m and €60 m.

*) Including adj. items from shared-based payments, expenses from M&A transactions, restructuring and integration costs and inventory step-up from purchase price allocation (PPA)
**) Negative effects on the VARTA AG Group cannot be ruled out. For details refer to the outlook in this presentation and VARTA's 9M 2023 report

VARTA Group – Significantly improved Q3 leads to adj. EBITDA of €22.6 m in 9M 2023

Revenue and adj. EBITDA, € m





Description

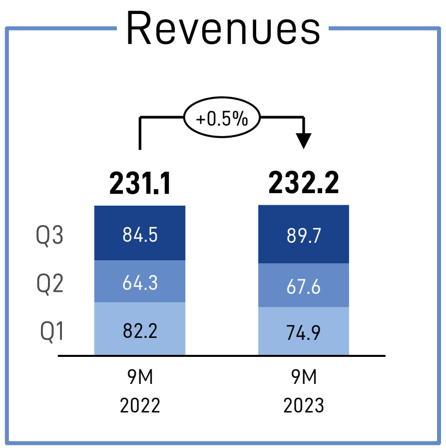
- **Revenues down 2.9%** y/y to **€554.1 m**.
- At segment level, the revenue decline in 9M was driven by **Micro Batteries and Lithium-Ion CoinPower**. Revenues in **Consumer Batteries** were in line with previous year's level while **Energy Storage Systems** revenues grew substantially (86.2% y/y growth).
- **Significant improvement on the cost side through strict cost containment measures:** personnel expenses fell by 4.0% to €190.3 m; other operating expenses fell by 19.8% to €102.2 m; higher material prices in 9M 2023, and effects from product mix led to a higher cost of materials ratio (52.2% from 49.2%). Cost of materials ratio for Q3 alone declined (47.1% in Q3 2023 from 49.2% in Q3 2022).
- **Adjusted EBITDA of €22.6 m** down from €64.3 m, mainly resulting from the volume decline in Lithium-Ion CoinPower in HY1 2023. **Q3 2023 strongly improved at €29.4 m** vs. -€1.9 m in Q3 2022.

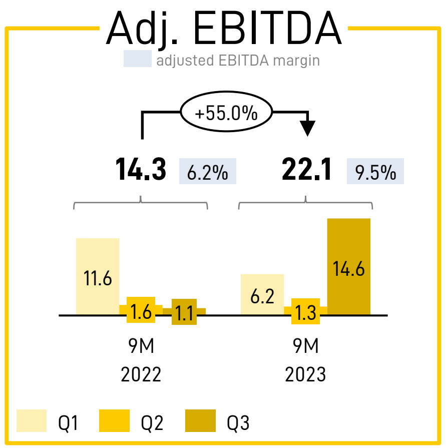
Strong margin improvement in Consumer Batteries and further growth in Energy Storage (ESS)

Revenue and adj. EBITDA, € m

Consumer Batteries

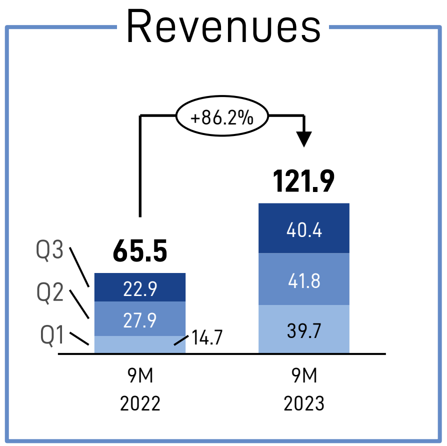
The power of freedom: From radio to toys to blood pressure monitor – we provide you the optimal power.

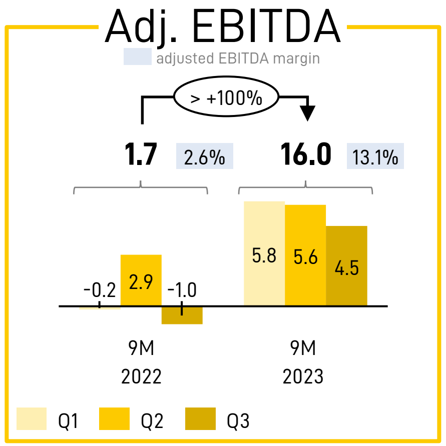




Energy Storage Systems (ESS)

Future-proof and flexible: The storage capacity can be expanded at any time, even after installation.





Description

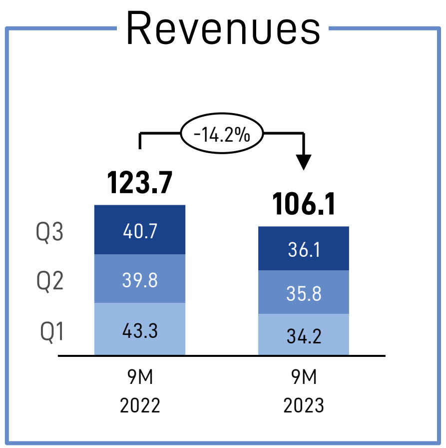
- HY1 2023 **Consumer Batteries** revenues slightly up y/y. Partial price pass-ons and new customer acquisition outweighed slight volume decline and contributed to the improved sales momentum (Q3 2023: +6.1% y/y).
- **Falling costs for raw materials and typical stronger net sales in HY2** significantly improved profitability for Consumer Batteries (9M 2023: 9.5%; +3.3 percentage points). VARTA expects to return to its 2020/21 margin levels in the medium term.
- Revenues in **Energy Storage Systems** continue to grow impressively at >86% y/y, driven by the structural shift towards home storage solutions and VARTA's highly competitive product and service offering.
- In Q3 2023, the **very high adj. EBITDA margin has fallen slightly** due to price reductions (sales price adjustments of around -7% in August 2023). Margin for 9M 2023 stands at 13.1%.

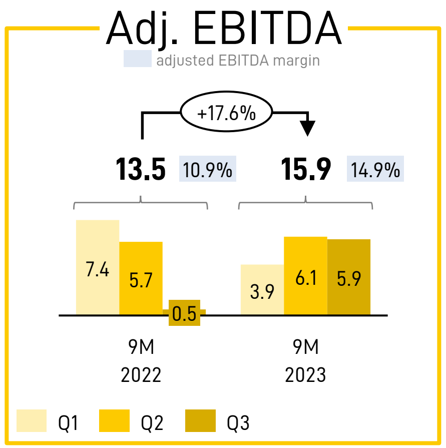
Sustained high margins in Micro Batteries, Q3 improvement in challenging year for CoinPower

Revenue and adj. EBITDA, € m

Micro Batteries

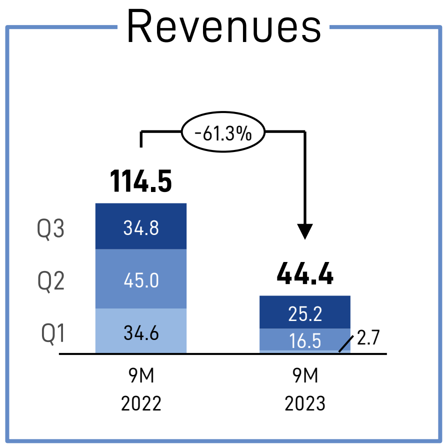
Hearing aid batteries with an even higher energy density are the result of consistent research and ongoing development.

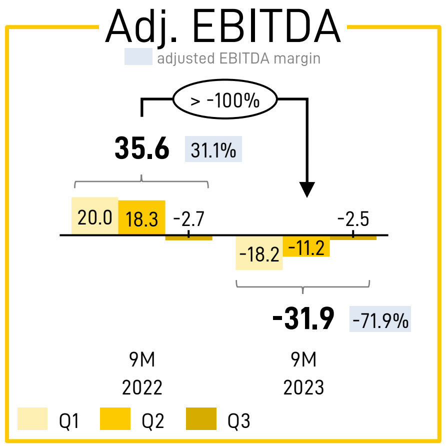




Lithium-Ion CoinPower

Lithium-Ion Cells:
Main power for portable and cordless devices like true wireless headsets.





*) TWS = True Wireless Stereoheadsets

Description

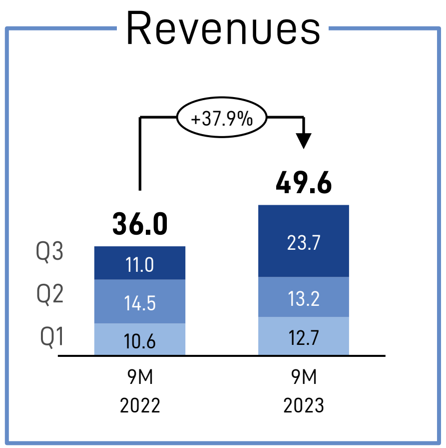
- Demand for **Micro Batteries** continued to be affected by **subdued market sentiment**, reflecting e.g. customer stock piling during the pandemic and the market shift to rechargeable hearing devices.
- Adjusted EBITDA increased significantly in Q3 y/y due to **lower raw material prices and the favorable product mix**. The adjusted EBITDA margin rose to the attractive level of 14.9% YTD (9M 2022: 10.9%).
- **In Lithium-Ion CoinPower,** the strong decline in demand for TWS* had a significant impact on revenues. Q3 2023 significantly improved: Revenue in Q3 (€ 25.2 m) > HY1 (€ 19.2m).
- **Y/y decline in sales volumes**, in particular from the major customer, and costs from underutilization resulted in **highly negative adjusted EBITDA**. The 2022 bottom-line was positively impacted by gov. grants payments of €29.2 m from a funding program that was finalized as expected in 2022.

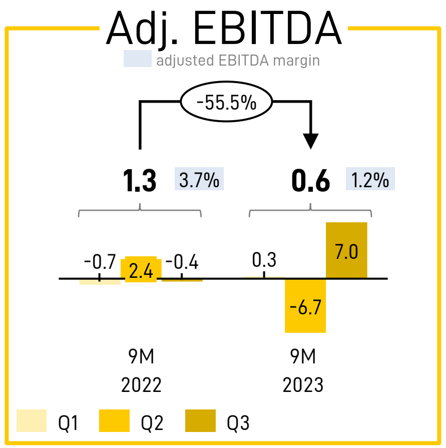
Reimbursement of ramp-up costs in Li-Ion Large Cells drives top- and bottom-line growth

Revenue and adj. EBITDA, € m

Other

Includes the businesses of "Lithium-Ion Battery Packs" and "Lithium-Ion Large Cells" (V4Drive and RoundPower).
Potential special effects of the Group may fall into this segment.

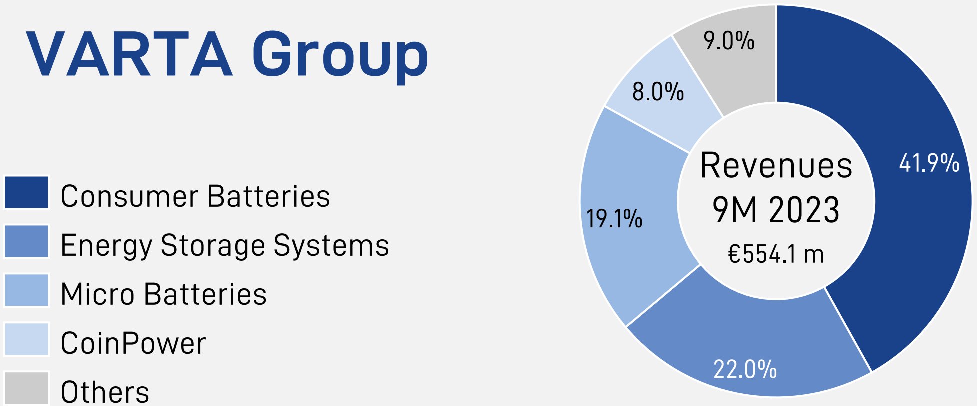


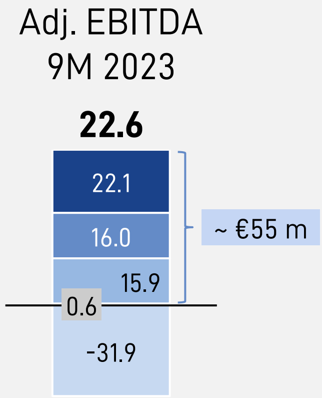


Description

- The segment **Other** consists of the business divisions **Lithium-Ion Battery Packs** and **Lithium-Ion Large Cells** (V4Drive and RoundPower).
- **9M 2023 net revenues up 37.9% y/y,** due to effects from reimbursement of ramp-up costs in Q3 of €12.5 m. Lower adj. EBITDA margin in 2023 (9M 2023: 1.2%) attributable to subdued Battery-Pack business revenues.

VARTA Group

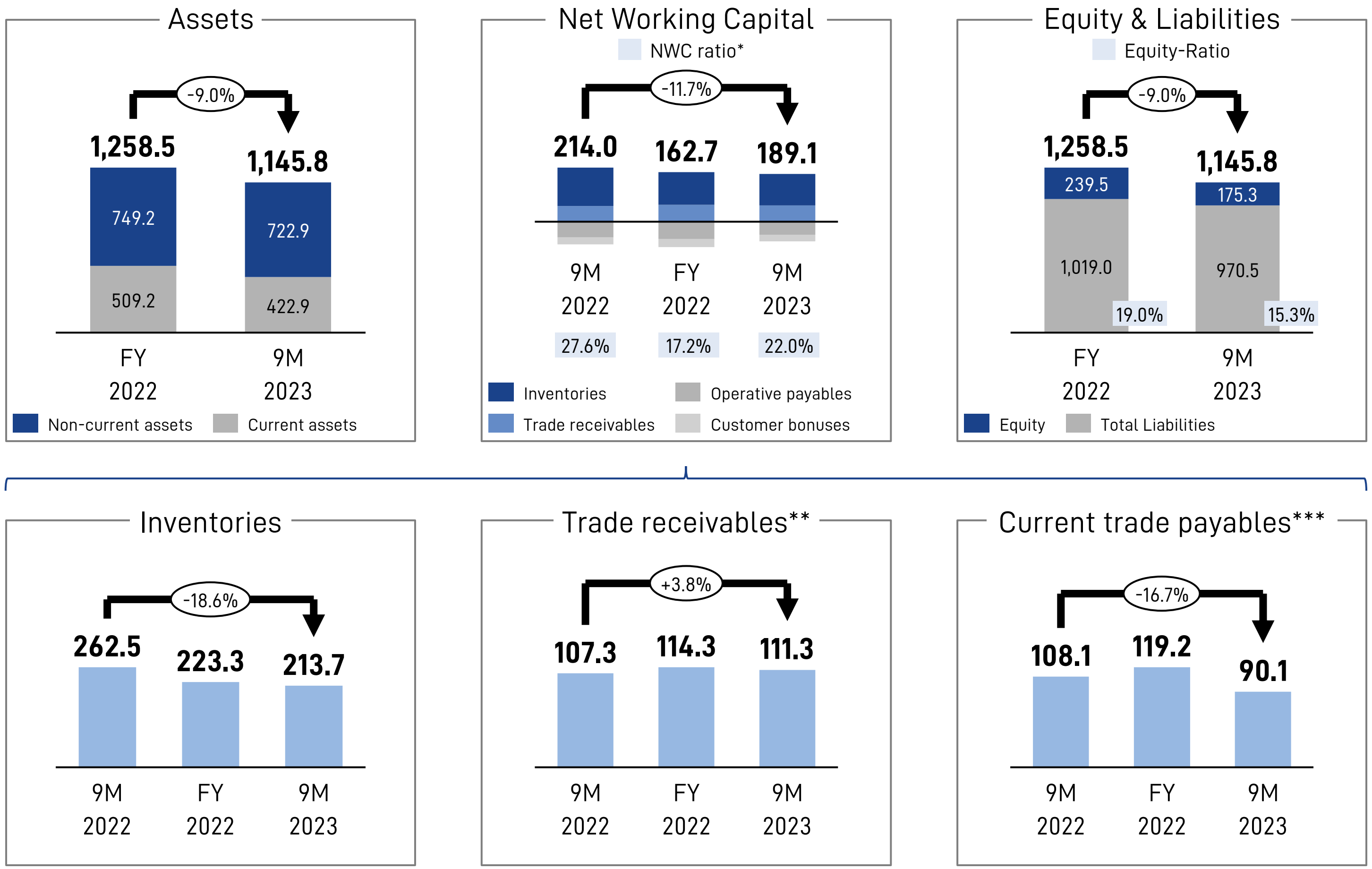




- **~42% of Group revenues** attributable to **Consumer Batteries**.
- **Energy Storage Systems** has become the second largest segment accounting for **22% of company revenues**.
- **Significant bottom-line contribution** from Consumer, Micro Batteries and Energy Storage Systems. Substantial improvement of Lithium-Ion CoinPower in Q3, but still a highly negative adj. EBITDA for 9M 2023.

Consistent focus on balance sheet resilience and net working capital management

Balance sheet positions, € m



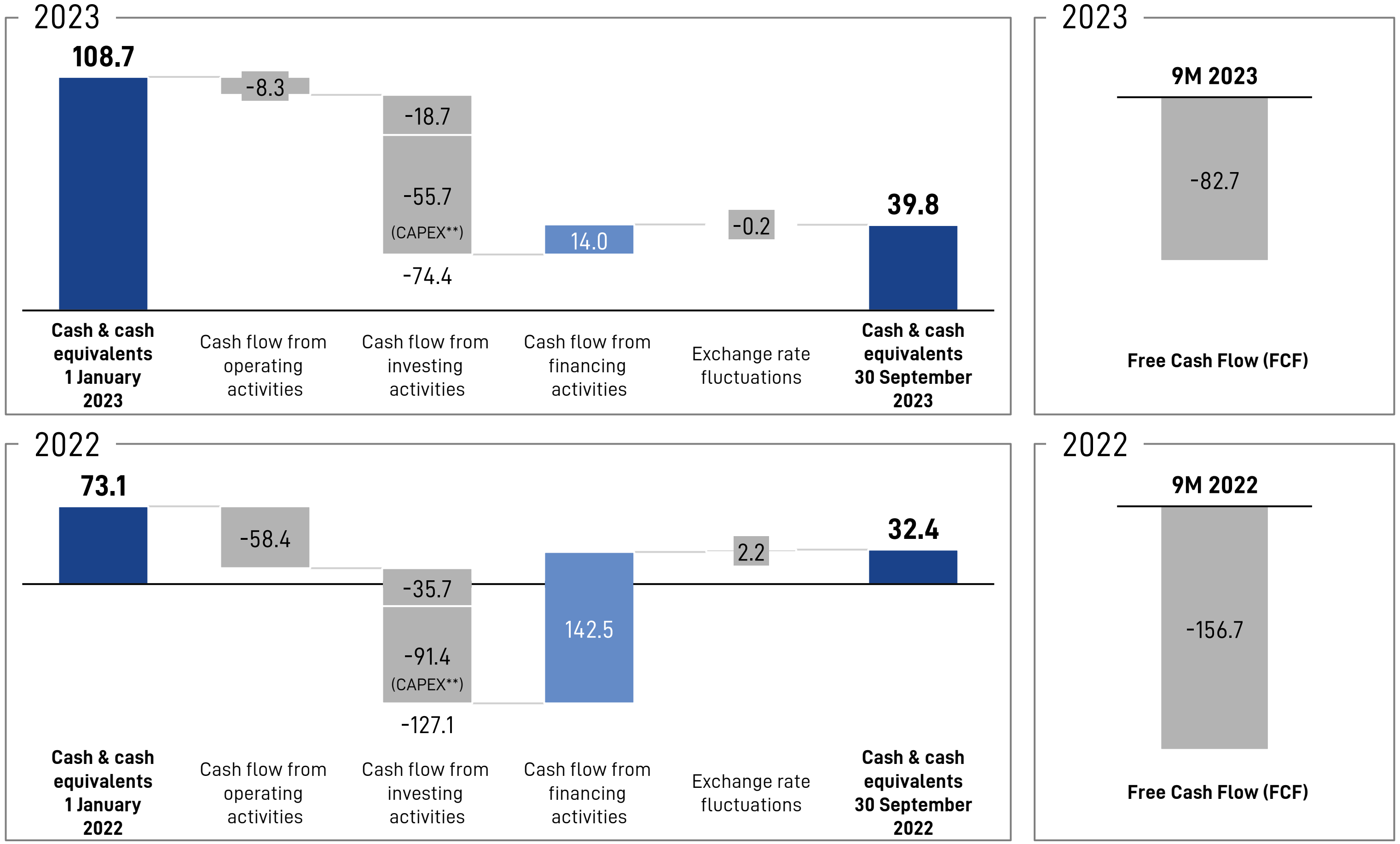
*) The net working capital ratio is calculated in relation to the revenue of the last three months extrapolated to one year
**) Trade receivables including contract assets
***) Current trade payables including advanced payments received and contract liabilities

Description

- Total assets declined by 9.0% vs. end- 2022, reflecting lower non-current and current assets.
- The net working capital increased from €162.7 m end-2022 to €189.1 m as at 30 September 2023. It was well below the €214.0 m as at 30 September 2022, though.
- The letter was mainly due to the substantial decline in inventories which fell from €262.5 m (30 September 2022) to €213.7 m as (30 September 2023).
- As a result, the NWC ratio* fell from 27.6% on 30 September 2022 to 17.2% in FY 2022 and amounted to 22.0% on 30 September 2023.
- Equity fell from € 239.5 m as at 31 December 2022 to € 175.3 m as at 30 September 2023. The equity ratio amounted to 15.3 % as at the reporting date (31 December 2022: 19.0 %). The main effects are the capital increase of € 50.7 m carried out Q1 2023 and the negative consolidated result of -€115.8 m.

Further improvement of Free Cash Flow remains a top priority

Cash flow statement, € m



*) 2022 financial figures adjusted according to IAS 8 (further details can be found in the annual report 2022)
**) CAPEX denotes investments in intangible assets and property, plant and equipment

Description

- The Free Cash Flow substantially improved vs. the previous year but has remained negative.
- The cash flow from operating activities improved to -€8.3 m in 9M 2023. Thus, it rose by €50.1 m. The improvement was driven by the ongoing restructuring programme and the consistent cash flow management.
- The cash flow from investing activities has improved from -€127.1 m in the same period of the previous year to -€74.4 m, largely reflecting the lower CAPEX**.
- Cash flow from financing activities decreased in the reporting period from €142.5 m in 2022 to €14.0 m. Main drivers: capital increase (+€50.7 m), higher interest expenses (-€15.5 m), both in 2023, and base effects from promissory note (€250.0 m) and dividend payment (-€100.2 m) in 2022.
- As at 30 September 2023, cash and cash equivalents totalled €39.8 m (2022: €32.4 m).

Moving forward to restore operational excellence – base for the successful turnaround

Action plan

Implementation of **sales initiatives** across segments to increase top line and **bring VARTA back to the growth path**

Execution on **cost reduction** through clearly defined restructuring concept to boost EBITDA and **return to an adequate profitability level**

Leveraging operational excellence, installed **capacities**, **strong brand** and **position** in growing markets to **increase top- and bottom-line**

Clear management focus

Outlook FY 2023 & FY2024*

as amended on 26 July 2023 and confirmed on 10 November 2023

FY sales revenue
at ~ €820 m

[confirmed]

FY adj. EBITDA**
at €40 m to €60 m

[confirmed]

Management laying the foundation for the successful turnaround

*) The outlook is subject to the further developments of the very high inflationary pressure and the associated central-bank increases in interest rates as well as the development in the wars in Ukraine and Israel/Gaza and their impact on the global economy. The further macroeconomic and geopolitical development therefore results in an exceptionally high level of uncertainty. Furthermore, the outlook is dependent on impact of the intended restructuring measures. Adj. EBITDA accounts, among other factors, for potential costs associated with restructuring and adjusts them accordingly.
**) Including adj. items from shared-based payments, expenses from M&A transactions, restructuring and integration costs and inventory step-up from purchase price allocation (PPA)

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Financial Calendar

28 March 2024	Annual Report 2023
15 May 2024	Interim report Q1 2024
23 May 2024	Annual General Meeting
12 August 2024	Interim report Q2 2024
13 November 2024	Interim report Q3 2024

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Disclaimer

This presentation contains certain financial measures (including forward-looking measures) that are not calculated in accordance with IFRS and are therefore considered "non-IFRS financial measures". The management of VARTA believes that these non-IFRS financial measures used by VARTA, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS, enhance an understanding of VARTA' s results of operations, financial position or cash flows. A number of these non-IFRS financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of other companies with which VARTA competes. These non-IFRS financial measures should not be considered in isolation as a measure of VARTA' s profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income and the other income or cash flow data prepared in accordance with IFRS. In particular, there are material limitations associated with the use of non-IFRS financial measures, including the limitations inherent in determination of each of the relevant adjustments. The non-IFRS financial measures used by VARTA may differ from, and not be comparable to, similarly-titled measures used by other companies. Certain numerical data, financial information and market data (including percentages) in this presentation have been rounded according to established commercial standards. Furthermore, in tables and charts, these rounded figures may not add up exactly to the totals contained in the respective tables and charts. This presentation contains forward-looking statements which are based on certain assumptions, expectations and opinions of the management of VARTA AG (the "Company") or cited from third-party sources. These statements are, therefore, subject to certain known or unknown risks and uncertainties. A variety of factors, many of which are beyond the Company's control, affect the Company's business activities, business strategy, results, performance and achievements. Should one or more of these factors or risks or uncertainties materialize, actual results, performance or achievements of the Company may vary materially from those expressed or implied as being expected, anticipated, intended, planned, believed, sought, estimated or projected in the relevant forward-looking statement. The Company does not guarantee that the assumptions underlying such forward-looking statements are free from errors nor does the Company accept any responsibility for the actual occurrence of the forecasted developments. The Company neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Appendix

to the presentation

Consolidated income statement (unaudited)

VARTA

1 January to 30 September 2023, € k

(€ k)	30 SEPTEMBER 2023	30 SEPTEMBER 2022
Sales revenue	**554,100**	**570,726**
Decrease (PY Increase) in finished and unfinished goods	-3,707	60,765
Own work capitalized	19,112	8,611
Other operating income	13,566	60,221
Cost of materials	-287,284	-310,403
Personnel expenses	-190,265	-198,110
Other operating expenses	-102,210	-127,503
EBITDA	**3,312**	**64,307**
Depreciation	-89,543	-79,855
Operating income (EBIT)	**-86,231**	**-15,548**
Interest income	1,229	1,083
Interest expenses	-23,816	-5,627
Other financial income	897	2,061
Other financial expenses	-3,120	-5,923
Financial result	**-24,810**	**-8,406**
Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes	-8	0
Earnings before taxes	-111,049	-23,954
Income taxes	-4,755	3,820
Group result	**-115,804**	**-20,134**
Appropriation of loss:		
Shareholders of VARTA AG	-115,804	-20,134
EBITDA	**3,312**	**64,307**
Expenses from share-based remuneration	1	13
Expenses for M&A transactions	0	2,041
Restructuring costs VARTA AG Group	19,313	0
Adjusted EBITDA	**22,626**	**66,361**

Description

- Revenue fell slightly by 2.9% y/y. At €215.1 m, Q3 2023 was the strongest quarter YTD, even when eliminating for reimbursement effects in Large Lithium-Ion Cells.
- Material expenses fell by 7.4% y/y. In Q3 2023 alone, the material cost ratio stood at 47.1%, the lowest in 1.5 years.
- Personnel expenses declined by 4.0% despite labor cost increases, due to implemented personnel measures as part of the restructuring concept.
- Other operating expenses fell by 19.8% mainly driven by a lower expenses for claims settlement and declining energy prices (-€8.7 m y/y). Furthermore, miscellaneous other expenses fell by €11.3 m y/y.
- Other operating income declined by 46.7 m€ from lower subsidies and public grants of €42 m. Here, the Lithium-Ion CoinPower segment received grants of € 29.2 m in the first nine months of 2022 through a funding program that has ended as expected in December 2022.
- Adjusted EBITDA of €22.6m, 29.4 m€ in Q3 alone. 9M 2023 adjustments for restructuring costs of €19.3 m.
- Depreciation of -€89.5 m, of which €25.9 m resulted from an impairment in the CGU Lithium-Ion CoinPower in HY1 2023.
- Financial result of -€24.8 m: Interest expenses of -€23.8 m, thereof interest expenses to financial institutions of -€19.4 m due to increase in borrowing and sharp rise in variable interest rates.

Consolidated balance sheet (unaudited)

As at 30 September 2023, € k

(€ k)	30 SEPTEMBER 2023	31 DECEMBER 2022
ASSETS		
Non-current assets	722,864	749,220
Current assets	422,937	509,234
Total assets	**1,145,801**	**1,258,454**

(€ k)	30 SEPTEMBER 2023	31 DECEMBER 2022
EQUITY AND LIABILITIES		
Equity	175,310	239,465
Total liabilities	970,491	1,018,989
Non-current liabilities	549,107	196,035
Current liabilities	421,384	822,954
Total equity and liabilities	**1,145,801**	**1,258,454**

*) The net working capital ratio is calculated in relation to the revenue of the last three months extrapolated to one year

Description

- Non-current assets decreased by €26.4 m mainly from impairment for the CGU Lithium-Ion CoinPower in HY1 as well as the decline in deferred tax assets.
- Intangible assets developed in the opposite direction, rising from €99.6 m to €113.3 m. This was largely due to the capitalization of development costs.
- Current assets decreased by €86.3 m due to the reduction in tax refund claims of €12.8 m, as well as in cash and cash equivalents of €68.9 m.
- Equity fell from €239.5 m as at 31 December 2022 to €175.3 m as at 30 September 2023. The equity ratio amounted to 15.3 % (31 December 2022: 19.0 %). The main effects are the capital increase of €50.7 m and the negative consolidated result of -€115.8 m.
- Non-current liabilities stand at 549.1 m€ while current liabilities amount to 421.4 m€ as at 30. September 2023.
- NWC stood at 189.1 m€ as at 30. September 2023. The net working capital ratio* at the end of Q3 2023 amounted to 22.0% and was thereby 5.6 percentage points below last year's NWC ratio of 27.6%. This reduction derived primarily from a significant reduction in inventory, while payables decreased, and receivables increased slightly.

Cash flow statement (unaudited)

1 January to 30 September 2023, € k

(€ k)	30 SEPTEMBER 2023	30 SEPTEMBER 2022
Cash and cash equivalents as at 1 January	**108,709**	**73,107**
Cash flow from operating activities	-8,263	-58,363
Cash flow from investing activities*	-74,398	-127,069
Cash flow from financing activities*	13,974	142,505
Net change in cash and cash equivalents	**-68,687**	**-42,927**
Effects of exchange rate fluctuations	-180	2,183
Cash and cash equivalents as at 30 September	**39,842**	**32,363**

*) Prior year adjusted according to IAS 8

**) CAPEX denotes investments in intangible assets and property, plant and equipment

Description

- The cash flow from operating activities amounted to -€8.3 m in 9M 2023 and was therefore €50.1 m above the previous year's figure. The ongoing restructuring and the measures imposed have resulted in a significant improvement in the operating cash flow compared with the same period in the previous year.
- The cash flow from investing activities improved from -€127.1 m in the same period of the previous year to -€74.4 m. Payment outflows in connection with CAPEX** were below the same period in the previous year, amounting to € 55.7 m (2022: € 91.4 m). As far as possible, they were adjusted to the current business development and existing commitments.
- Cash flow from financing activities decreased in the reporting period from €142.5 m in 2022 to €14.0 m. The positive cash flow in the first half of 2023 results from the capital increase in the amount of €50.7 m. Higher interest expenses reduced the cash flow by -€15.5 m. The high cash inflow in the same period of 2022 resulted from the raising of the promissory note loan in the amount of € 250.0 m and opposing effect through the payment of the dividend.
- As at 30 September 2023, cash and cash equivalents totaled €39.8 m (2022: €32.4 m). As at the balance sheet date, existing credit lines have been drawn down in full.