

Corporate News

Ellwangen, October 29, 2019

VARTA AG further accelerates high growth momentum in the first nine months of 2019 – guidance for FY 2019 raised once again

- **Highly dynamic growth in Group revenue in the first nine months – up 22.0% to € 242.8m**
- **Disproportionately high increase of 66.5% to € 63.0m again recorded for Adjusted EBITDA**
- **Adjusted EBITDA margin improves very sharply by 6.9 percentage points to 25.9%**
- **Microbatteries segment records exceptionally strong first nine months – Power & Energy continues to trend in line with expectations**
- **Revenue and Adj. EBITDA guidance for FY19 raised again:**
 - **Revenue expected to be between € 330m-340m (previously: € 320m-330m);**
 - **Adjusted EBITDA set to be between € 84m-88m (previously: € 72m-76m);**
- **CAPEX of € 95m-110m expected due to additional capacity expansion (previously: € 75m-90m)**

VARTA AG is today announcing its financial figures for the first nine months of 2019. Thanks to a very strong third quarter, the Group has further accelerated its high growth momentum and has again improved its profitability very significantly. Highly dynamic growth of 22.0% to € 242.8m was again registered for Group revenue. Adjusted EBITDA again recorded a significantly above-average increase of 66.5% to EUR 63.0m. The Adjusted EBITDA margin improved very sharply by 6.9 percentage points to 25.9%. Group net profit increased by 66.1% to € 33.0m.

Herbert Schein, CEO of VARTA AG: “In the first nine months of 2019, we again increased revenue and profits significantly. This success is above all due to our lithium-ion technology – as a leader in innovation and technology, we are benefitting from the strong growth seen in the market segment for premium headsets. To this end, we are investing massively in the expansion of our production capacities and will, as a result, further accelerate growth.”

Steffen Munz, CFO, added: “We have again accelerated high growth momentum due to a very strong third quarter and achieved further step-change improvement in profitability. On the back of these impressive first nine months during which we have had an enormous and steadily growing order volume, we have taken the decision to again revise upwards our sales and profit forecast for financial year 2019.”

“Microbatteries” segment records exceptionally strong first nine months – “Power & Energy” segment continues to trend in line with expectations

The “Microbatteries” segment continued the exceptionally strong revenue and profit growth seen over the current fiscal year. There was highly dynamic growth in revenue, rising by 25.5% to € 201.5m. In

the third quarter of the year, revenue increased by 38.5% year on year. By far the strongest revenue growth is again being recorded for rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets. This is a consequence of continued high customer demand in a market that is growing by more than 30% annually. As leaders in technology and innovation, VARTA AG has carved out unique competitive advantages and is therefore growing significantly faster than the market as a whole. In terms of hearing aid batteries, VARTA's market-leading position in the structurally growing hearing aid market was further expanded. The Group is currently benefiting from the trend towards rechargeable hearing aids and, as a leader in technology, is playing its part in this technological shift. Adjusted EBITDA in the "Microbatteries" segment grew very significantly in the first nine months of the year, rising by 72.0% to € 60.7m. As a result, a step-change improvement in the Adjusted EBITDA margin of 8.1PP to 30.1% of revenue was recorded.

The "Power & Energy" segment continues to trend in line with expectations during fiscal year 2019. Revenue in the first nine months of the year rose by 8.5% to € 40.9m, with revenue in Q3 increasing by 17.3% year on year. A positive Adjusted EBITDA of € 2.3m was recorded for the first nine months of 2019. At 5.7%, the adjusted EBITDA margin is essentially in line with the medium-term margin corridor target of between 6% and 8% in relation to revenue.

Continued high investment expenses from expansion of production capacities for lithium-ion batteries – further expansion to over 150 million cells per year in 2022

In the first nine months of 2019, CAPEX stood at € 67.9m. The focus of investment activities remains on the massive expansion of production capacities for rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets.

On account of the continued very high level of customer demand for lithium-ion batteries, particularly with regard to premium true wireless headsets, VARTA AG announced in September its intention to further expand production facilities – from the previous target of 100 million cells per year in 2020 to more than 150 million cells per year by 2022. Work to implement this further capacity expansion will be initiated in the current fiscal year. The capacity expansion requires an additional investment of around € 130m (to manufacture an additional 50 million cells per year). The investment volume is to be financed by the cash flow from the operating activities in connection with further customer pre-payments. Furthermore, a revolving credit facility in the amount of € 80m is available to the Group.

Revenue and Adjusted EBITDA guidance for fiscal year 2019 raised again – higher CAPEX from further production capacity expansion

After the financial results for the first nine months of 2019 exceeded expectations and due to the enormous and steadily growing order backlog, VARTA AG has again raised its revenue and Adjusted EBITDA guidance for fiscal year 2019. The revenue guidance has now been raised from € 320m-330m up to € 330m-340m. This equates to revenue growth of approximately 21% to 25%. The Adjusted EBITDA guidance has been increased from the previously communicated range of € 72m-76m to € 84m-88m, which would represent year-on-year growth of between 67% and 75%.

The acquisition of VARTA Consumer Batteries has not been factored into either the revenue or Adjusted EBITDA guidance. The closing of the transaction is currently expected on January 02, 2020. On account of the further expansion of production capacities to more than 150 million cells per year by 2022 outlined above, CAPEX is anticipated to range between € 95m and € 110m for fiscal year 2019 (previously: € 75m-90m).

In €m	9M 2019	9M 2018
Revenue	242.8	198,9*
EBITDA	61.0	36.2*
Adjusted EBITDA	63.0	37.8*
Adjusted EBITDA margin (%)	25.9%	19.0%
Group net profit	33.0	19.9*
Investments (CAPEX)	67.9	36.5
Free Cash Flow	-23.4	-26.2
Equity ratio	64.8%	64,6 %**
Total assets	612.9	401,7**
Staff (as at September 30)	2,613	2,272

* Changes to the previous year's figures due to conversion to IFRS 15

** as of December 31, 2018

Calendar:

Feb. 18, 2020	Preliminary figures 2019
March 31, 2020	Annual financial statements 2019
May 15, 2020	Interim report Q1 2020
Aug. 14, 2020	Half-year report 2020
Nov. 12, 2020	Interim report Q3 2020

Contact:

Bernhard Wolf
 Head of Investor Relations
 Tel: +49 79 61 921-969
bernhard.wolf@varta-ag.com

Nicole Selle
 Corporate Communications
 Tel.: +49 79 61 921-221
nicole.selle@varta-ag.com

About VARTA AG

As the parent company of the Group, VARTA AG is active in the business segments Microbatteries and Power & Energy through its operating subsidiaries VARTA Microbattery GmbH and VARTA Storage GmbH. Already today an innovation leader in the microbatteries sector and one of the market leaders for hearing-aid microbatteries, VARTA Microbattery GmbH also aspires to market leadership for lithium-ion batteries in wearables and, in particular, hearables. VARTA Storage GmbH focuses on intelligent energy solutions for customized battery storage systems for OEM customers and the design, system integration and assembly of stationary lithium-ion energy storage systems. The VARTA AG Group's operating subsidiaries are currently active in more than 75 countries around the world, with six production and assembly facilities in Europe and Asia as well as distribution centers in Asia, Europe and the USA.