

## Corporate News

Ellwangen, 14<sup>th</sup> August 2020

### **VARTA AG with very high growth dynamics in the first half of 2020 – forecast for the 2020 financial year will be raised**

- Group revenue grow in the first half of 2020 by almost 158% to EUR 390.7 million (+66.5% without the acquisition of VARTA Consumer)
- Adjusted group EBITDA even increases by 174% to EUR 102.1 million (+124.8% without acquisition of VARTA Consumer)
- Adjusted group EBITDA margin improves by 1.5 percentage points to 26.1%
- "Microbatteries & Solutions" segment: H1 revenue EUR 239.7 million (+70%), adjusted EBITDA EUR 82.4 million (+132%), margin 34.4% (+9.1PP)
- "Household Batteries" segment better than expected: H1 revenue EUR 150.8 million, adjusted EBITDA EUR 19.7 million, margin 13,0% (-3.1PP)
- Expansion of the production capacities for lithium-ion batteries to 300 million cells annually by the end of 2021
- Forecast<sup>1</sup> for the 2020 financial year increased:  
Group revenue between EUR 810 and 830 million (previously: EUR 780-800 million);  
Adjusted group EBITDA between EUR 210 and 215 million (previously: EUR 175-185 million);  
CAPEX for further capacity expansion between EUR 320 and 360 million (previously: EUR 300-330 million)

#### **Strong growth in revenues and EBITDA despite COVID-19**

VARTA Group is continuing its high revenue and earnings growth: Group revenues rose by 158% to EUR 390.7 million in the first half of the year. Organic revenue growth was 66.5% (without first-time consolidation of VARTA Consumer). Adjusted EBITDA rose by 174% to EUR 102.1 million (+ 124.8% without VARTA Consumer). The adjusted EBITDA margin improved by 1.5 percentage points to 26.1%. The group profit more than doubled with an increase of 104.9% to 39.8 million EUR.

Herbert Schein, CEO of VARTA AG: "We have more than doubled revenue and almost tripled the operating result. All business areas contributed to this gratifying result in the first half of the year, with our lithium-ion cells continuing to record the highest growth rates. We are continuing our growth path with the expansion of production capacities for lithium-ion cells to 300 million batteries by the end of 2021. There continues to be a high demand for VARTA products because the market demands innovative and powerful batteries – especially in the area of premium headsets."

<sup>1</sup> This outlook is based on the assumption of constant exchange rates. In view of the coronavirus, negative influences on the VARTA AG Group cannot be ruled out. At the time the financial statements were prepared, these risks could not be assessed and could therefore not be taken into account in the planning.

Chief Financial Officer (CFO) Steffen Munz adds: "We have increased the high revenue and earnings growth of the past in the first half of the year and improved profitability again. Since we continue to have a high order backlog despite the macroeconomic conditions, we are increasing the revenue and earnings forecast for the 2020 financial year."

**"Microbatteries & Solutions" segment with an extraordinarily strong first half of the year**

Revenue in the "Microbatteries & Solutions" segment rose in the first six months by 70.2% to EUR 239.7 million. Adjusted EBITDA increased by 131.7% to EUR 82.4 million. This led to a significant improvement in the adjusted EBITDA margin by 9.1 percentage points to 34.4%. By far the strongest revenue growth will continue to be achieved with rechargeable lithium-ion cells for high-tech consumer products, especially for wireless premium headphones (hearables). Despite the ongoing shock in global demand, demand in this dynamically growing market remains high. With hearing aid batteries, VARTA has further expanded its global market position in a structurally growing market. In addition, the group is currently benefiting from its very robust business model for primary hearing aid batteries and the new business with a leading US retail chain that began in the past financial year.

**"Household Batteries" segment developed better than expected in the first half of the year**

The "Household Batteries" segment achieved revenue of EUR 150.8 million in the first half of the year. The adjusted EBITDA was EUR 19.7 million, which corresponds to an adjusted EBITDA margin of 13.0%. This positive result is partly due to the unexpectedly strong development of VARTA Consumer Batteries, the profitability of which has improved significantly due to the focus on brand business. In addition, the energy storage solutions business grew very dynamically and faster than the market in the first six months.

**Production capacities for lithium-ion batteries will be expanded to 300 million cells annually by the end of 2021**

With an expected annual market growth of 30 to 40%, the VARTA Group has a market share of more than 50% and is therefore the technology and innovation leader in rechargeable lithium-ion cells for high-tech consumer products, especially for wireless premium headphones. Due to the sustained high growth in demand for lithium-ion batteries (CoinPower), VARTA is expanding its production capacities for lithium-ion cells from the previously planned 200 million cells per year to 300 million cells by the end of 2021. By doing so, VARTA can respond quickly and flexibly to increasing demand. For this purpose, the company is planning an additional investment volume of around EUR 175 million. The expansion will mainly be carried out at the production site in Nördlingen, Germany, where a new building will expand the existing production area. As a premiere, a new generation of production systems with even higher efficiency will be installed there.

**Federal and state governments support VARTA's innovation projects in the field of lithium-ion technology**

In addition to the development of the latest generation of small-format lithium-ion cells with even higher energy densities, the innovative VARTA technology shall be transferred to larger formats for new applications, such as VARTA energy storage. The Federal Ministry of Economics (BMWi) and the states of Bavaria and Baden-Württemberg announced on 29<sup>th</sup> June 2020 that they would support this project as part of an IPCEI ("Important Project of Common European Interest"). They are providing VARTA AG with funds of up to EUR 300 million until the end of 2024.

### **VARTA signs supply contract with Samsung and settles dispute over patent infringements**

As announced on 3<sup>rd</sup> August, VARTA and Samsung Electronics are ending their patent disputes and are expanding their existing cooperation. VARTA will remain the main supplier of rechargeable batteries for Samsung headsets in the years to come.

### **Revenue and earnings forecast<sup>2</sup> for the 2020 financial year will be increased - higher payments for investments (CAPEX) due to further expansion of production capacities**

Following the very good revenue and earnings development in the first half of the year and the continuing high order backlog, the group is increasing its revenue and earnings forecast for the 2020 financial year: The revenue forecast will be increased from EUR 780 to 800 million to EUR 810 to 830 million. This corresponds to a revenue growth of between 123% and 129% compared to the previous year (including VARTA Consumer). The organic revenue growth (i.e. without VARTA Consumer) is expected to be between 47% and 53%. Adjusted EBITDA for 2020 is expected to be in a corridor between EUR 210 million and EUR 215 million (previously EUR 175 million and EUR 185 million), and should therefore increase by 115% to 121% compared to the previous year (including VARTA Consumer) .

For the planned expansion of production capacities from previously 200 million cells per year to 300 million cells per year by the end of 2021, the group is increasing its forecast payouts from the purchase of intangible assets and property, plant and equipment (CAPEX) for 2020 from previously 300 to 330 million EUR to EUR 320 to 360 million.

### **VARTA AG Group - Selected key figures**

<b>in million EUR</b>	<b>HY1-2020</b>	<b>HY1-2019</b>
Revenue	390.7	151.5
EBITDA	81.4	35.9
Adjusted EBITDA	102.1	37.2
Adjusted EBITDA margin (%)	26.1%	24.6%
Group result	39.9	19.5
Investment (Capex)	123.7	20.0
Free cash flow	-125.5	-4.8
Equity ratio (%)	44.2%	62.0%*
Total assets	1,021.7	668.8*
Employees (per 30 <sup>th</sup> June)	4,342	2,394

\*per 31<sup>st</sup> December 2019

<sup>2</sup> This outlook is based on the assumption of constant exchange rates. In view of the coronavirus, negative influences on the VARTA AG Group cannot be ruled out. At the time the financial statements were prepared, these risks could not be assessed and could therefore not be taken into account in the planning.

## Upcoming events:

12<sup>th</sup> November 2020 Interim report 3<sup>rd</sup> quarter 2020

### Contacts:

Bernhard Wolf  
Head of Investor Relations  
Tel: +49 79 61 921-2969  
[bernhard.wolf@varta-ag.com](mailto:bernhard.wolf@varta-ag.com)

Nicole Selle  
Corporate Communications  
Tel.: +49 79 61 921-2221  
[nicole.selle@varta-ag.com](mailto:nicole.selle@varta-ag.com)

### About VARTA AG

VARTA AG produces and markets a comprehensive battery portfolio from micro batteries, household batteries, energy storage systems to customer-specific battery solutions for a variety of applications and, as a technology leader, sets the industry standards in important areas. As the group's parent company, it operates in the "Microbatteries & Solutions" and "Household Batteries" business segments.

The "Microbatteries & Solutions" segment focuses on the OEM business for microbatteries and the lithium-ion battery pack business. With intensive research and development, VARTA sets the global standards in the microbattery sector and is a recognized innovation leader in the important growth markets of lithium-ion technology and in primary hearing aid batteries. The "Household Batteries" segment comprises the battery business for end customers, including household batteries, accumulators, chargers, portable power (power banks) and lights, as well as energy storage devices. The VARTA AG Group with its main location in Ellwangen currently employs over 4,000 people. With five production and manufacturing facilities in Europe and Asia as well as sales centers in Asia, Europe and the USA, the subsidiaries of VARTA AG are currently active in over 75 countries worldwide.