

## Corporate News on the audited figures for the 2019 fiscal year

### **VARTA AG closes 2019 with strong business figures – continued positive outlook for 2020**

- Dynamic growth of 33.5% to € 362.7m in Group revenue
- Adjusted EBITDA rises by 94.1% to € 97.5m
- Adjusted EBITDA margin improves by 8.4PP to 26.9%
- Group net profit practically doubles, rising by 96.3% to € 50.5m
- Strong performance in the “Microbatteries” segment in fiscal year 2019 – “Power & Energy” segment makes further positive contribution to growth
- Healthy balance sheet and good operating cash flow facilitates financing of further investments
- Huge investment in the expansion of production capacities in 2019 financed by operating cash flow in full
- Continued\* positive outlook fiscal year 2020:  
Group revenue expected to total € 780m–800m;  
Adjusted Group EBITDA anticipated to stand at € 175m–185m;  
Investment expenditure (CAPEX) of € 300m–330m budgeted

Ellwangen, March 31, 2020. VARTA AG is today presenting its audited consolidated financial statements for fiscal year 2019. The Group can look back on yet another successful fiscal year. The already high revenue and profit growth in the past was increased once again: In fiscal year 2019, dynamic growth of 33.5% to € 362.7m was recorded in Group revenue. By scaling the business model, growth in the operating Group net profit once more outpaced that of revenue. Adjusted EBITDA rose by 94.1% to € 97.5m. The adjusted EBITDA margin significantly improved by 8.4PP to 26.9%. Group net profit practically doubled, rising by 96.3% from € 25.7m to € 50.5m.

Herbert Schein, Chief Executive Officer (CEO) of VARTA AG: “The strong business figures underline the growth dynamics of the VARTA AG Group. We currently see no adverse effects of the coronavirus on our business and have taken all conceivable measures to protect our employees and our company. Due to the high demand for our lithium-ion batteries, we will continue to massively expand our production capacities and continue our dynamic growth.”

Steffen Munz, Chief Financial Officer (CFO) of VARTA AG, adds: “We have further accelerated the high pace of growth in the previous fiscal year and again recorded an improvement in profitability. Our healthy balance sheet with high equity ratio and low debt level, combined with a continued expected solid operating cash flow from the Group, facilitates the financing of additional investments in the expansion of production capacities. We continue to look ahead to 2020 with confidence.”

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\* In view of the global spread of the corona virus (COVID-19), negative impacts on the VARTA AG Group cannot be ruled out. At the time that the 2019 annual financial statements were prepared, these risks were not present.

### **Strong growth in the “Microbatteries” segment – “Power & Energy” continues to make positive growth contribution**

Dynamic growth in revenue, equating to an increase of 37.7% to € 301.5m, was recorded in the “Microbatteries” segment. By far the strongest revenue growth is again being recorded in the area of rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets (hearables). This is a consequence of continued high customer demand in a market that continues to grow dynamically. Our global market position for hearing aid batteries was further expanded in a market that is subject to structural growth. The Group is currently benefiting from the trend toward rechargeable hearing aids in addition to the new business with a leading US retail chain that was initiated during fiscal year 2019. Adjusted EBITDA increased by 99.7% to € 94.4m. A step-change improvement was recorded in the adjusted EBITDA margin, which rose by 9.7PP to 31.3% of revenue.

Highly dynamic revenue growth of 17.4% to € 60.8m was also generated in the Power & Energy segment. The segment is benefiting in particular from a new customer order in the area of battery packs with a German premium electrical device manufacturer. Energy storage solutions continue to make a positive contribution to the growth of this segment. Adjusted EBITDA improved from € 2.9m in 2018 to € 3.1m in 2019. At 5.1%, the adjusted EBITDA margin is slightly down on the level recorded in the prior year.

### **Healthy balance sheet facilitates additional investment financing**

The balance sheet total of the VARTA AG Group increased by € 267.1m to € 668.8m as of December 31, 2019. The rise in the balance sheet total resulted above all from the increase of € 135.1m in property, plant and equipment on account of the huge investment in the expansion of production capacities. By the same token, cash and cash equivalents likewise increased by € 95.0m. This was predominantly the result of the capital increase implemented in June 2019. Equity rose further by € 155.4m to € 414.8m as of December 31, 2019. Gross proceeds generated from the capital increase totaling € 102.1m helped to strengthen the equity base. This produced another high equity ratio of 62.0% (previous year: 64.6%). The healthy balance sheet total has facilitated the financing of additional investments in the expansion of production capacities.

### **Operating cash flow finances huge investment in the expansion of capacities**

The extensive investment program aimed at expanding production capacities for lithium-ion cells was continued in the previous fiscal year. This resulted in investment expenditure (CAPEX) totaling € 102.8m (previous year: € 56.3m). It is very pleasing to note that investment expenditure was financed by the cash flow from ongoing business activities in full. A cash flow from ongoing business activities of € 105.7m was generated.

### **Continued positive outlook\* for fiscal year 2020 – investment activity to be increased further**

The VARTA AG Group continues to look ahead to the rest of fiscal year 2020 with optimism. The Group expects to further accelerate organic growth over the course of the current fiscal year. The first-time consolidation of the acquired VARTA Consumer business will also lead to a significant increase in Group revenue and adjusted EBITDA.

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Group revenue of between € 780m and € 800m is anticipated for 2020. This would equate to revenue growth of between 115% and 120% year on year (including VARTA Consumer). Organic revenue growth (excluding VARTA Consumer) is set to stand in a corridor between 32% and 38%.

In 2020, adjusted Group EBITDA is expected to total somewhere in the region of € 175m and € 185m. This would represent a year-on-year increase of 79% to 90% (including VARTA Consumer). Excluding VARTA Consumer, growth of between 50% and 60% in comparison with 2019 will be recorded in adjusted EBITDA.

Due to the continued very high demand for lithium-ion cells for high-tech consumer products, particularly true wireless premium headsets (hearables), production capacities will again be massively expanded. Moreover, this will take place faster than originally planned, with production capacities set to be expanded to 200 million cells per year by 2021. Investment expenditure (CAPEX) is expected to be in a corridor of between € 300m and € 330m for fiscal year 2020.

The majority of the investment volume is to be financed from the cash flow from operating activities, from payments received from customers and those due in future as well as, in the medium term, from the attractive cash flow profile of the acquired VARTA Consumer business. Moreover, a revolving credit line of € 80m is available to the Group.

Furthermore, a proposal is to be submitted to the Annual General Meeting (provisionally scheduled for June 18, 2020) that net profit for the 2019 fiscal year should be carried forward in full. By opting for profit retention, the Company's intention is to strengthen its proprietary financing power for the huge, essential expansion of production capacities.

In view of the global spread of the coronavirus (COVID-19), negative impacts on the VARTA AG Group cannot be ruled out. This could impact production activities and production expansions at our locations, transportation to customers and our suppliers. It can also not be ruled out that our customers are temporarily unable to accept deliveries of our products due to disrupted production processes at their own sites. At the time that the annual financial statements were prepared, these risks were not present, meaning that VARTA does not therefore expect any adverse impacts for its outlook due to COVID-19.

#### **VARTA AG – selected Group key metrics**

<b>in € m</b>	<b>2019</b>	<b>2018</b>
Revenue	362.7	271.7
Adjusted EBITDA	97.5	50.2
Adjusted EBITDA margin (%)	26.9	18.5%
Group net profit	50.5	25.7
Equity ratio	62.0%	64.6%
Balance sheet total	668.8	401.7
Investment expenditure (CAPEX)	102.8	56.3
Free cash flow	-0,1	10.9
Staff (as of December 31)	2,857	2,284

#### **Annual report 2019:**

<https://www.varta-ag.com/publications/>

**Dates:**

May 15, 2020	Interim report Q1 2020
June 18, 2020	Annual General Meeting
August 14, 2020	Half-year report 2020
October 29, 2020	Interim report Q3 2020

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**About VARTA AG**

VARTA AG produces and markets a comprehensive battery portfolio that ranges from microbatteries, household batteries and energy storage systems all the way to customer-specific battery solutions for a wide range of uses, setting the industry standards as technology leader in many important areas. As the parent company of the Group, it is active 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. Through intensive research and development, VARTA sets the global standards in the microbatteries segment and is a recognized innovation leader in the important growth markets of lithium-ion technology and primary hearing aid batteries. The "Household Batteries" segment covers the battery business for end customers, including household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems.

The VARTA AG Group, headquartered in Ellwangen, currently employs almost 4,000 staff. VARTA AG's operating subsidiaries are currently active in more than 75 countries around the world, with five production and assembly facilities in Europe and Asia as well as distribution centers in Asia, Europe and the USA.

### Consolidated income statement for the period January 1, 2019 to December 31, 2019

(€ k)	2019	2018
<b>Revenue</b>	<b>362,692</b>	<b>271,650</b>
Change in finished and unfinished goods	643	3,899
Own work capitalized	4,313	4,152
Other operating income	7,760	7,109
Cost of materials	-123,527	-106,867
Personnel expenses	-114,406	-92,440
Other operating expenses	-45,853	-40,114
<b>EBITDA</b>	<b>91,622</b>	<b>47,389</b>
Depreciation and amortization	-20,855	-10,518
<b>Operating earnings (EBIT)</b>	<b>70,767</b>	<b>36,871</b>
Financial income	601	160
Financial expenses	-1,127	-416
Other financial income	3,488	368
Other financial expenses	-2,644	-631
<b>Financial result</b>	<b>318</b>	<b>-519</b>
Profit and loss shares in companies recognized in the balance sheet under the equity method	-6	130
<b>Earnings before taxes</b>	<b>71,079</b>	<b>36,482</b>
Income tax expenses	-20,615	-10,779
<b>Consolidated result</b>	<b>50,464</b>	<b>25,703</b>
Appropriation of profit:		
Shareholders of VARTA AG	50,390	25,260
Non-controlling interests	74	443

### Transition from EBITDA to Adjusted EBITDA

(€ k)	2019	2018
EBITDA	91,622	47,389
Expenses from share-based remuneration	2,853	2,830
Expenses for M&A transactions	3,006	0
<b>Adjusted EBITDA</b>	<b>97,481</b>	<b>50,219</b>

### Consolidated balance sheet as at December 31, 2019

(€ k)	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>288,462</b>	<b>151,831</b>
<b>Current assets</b>	<b>380,368</b>	<b>249,865</b>
<b>Total assets</b>	<b>668,830</b>	<b>401,696</b>

(€ k)	2019	2018
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>414,802</b>	<b>259,422</b>
<b>Non-current liabilities</b>	<b>88,779</b>	<b>60,422</b>
<b>Current liabilities</b>	<b>165,249</b>	<b>81,852</b>
<b>Total liabilities</b>	<b>254,028</b>	<b>142,274</b>
<b>Total assets</b>	<b>668,830</b>	<b>401,696</b>

### Cash flow statement

(€ k)	2019/12	2018/12
<b>Cash and cash equivalents as at January 1, 2019</b>	<b>149,741</b>	<b>138,536</b>
Cash flow from ongoing business activities	105,734	69,846
Cash flow from investment activities	-105,806	-58,982
Cash flow from financing activities	94,882	-114
<b>Net change in cash and cash equivalents</b>	<b>94,810</b>	<b>10,750</b>
Effects of exchange rate fluctuations	230	455
<b>Cash and cash equivalents as at December 31, 2019</b>	<b>244,781</b>	<b>149,741</b>

### Earning Situation: Segments

	2019	2018
<b>Microbatteries</b>		
Revenue (€ m)	301.5	218.9
Adjusted EBITDA (€ m)	94.4	47,3
Adjusted EBITDA margin (%)	31.3	21.6
<b>Power &amp; Energy</b>		
Revenue (€ m)	60.8	51.8
Adjusted EBITDA (€ m)	3.1	2.9
Adjusted EBITDA margin (%)	5.1	5.6