



QUARTERLY REPORT Q1 / 2020
VARTA AG GROUP AS OF MARCH 31, 2020



VISION

We are defining the future of battery technology with the aim of facilitating a more independent life.

MISSION

Through investing continuously in research and development, we set the standard for battery technology and customization in aspiring to market leadership in our business areas.

VARTA AG Group – SELECTED KPIs

| in K€ | Period Ended Mar. 31, 2020 | Period Ended Mar. 31, 2019 |
|------------------------------------|-------------------------------|-------------------------------|
| Revenue | 198,509 | 73,445 |
| EBITDA | 46,560 | 16,800 |
| Adjustments: | | |
| Cost of share-based payment | 203 | 605 |
| Cost of Acquisition VARTA Consumer | 4,932 | 0 |
| Adjusted EBITDA | 51,695 | 17,405 |
| Adjusted EBITDA Margin (%) | 26.0% | 23.7% |
| Group net result | 24,530 | 9,248 |
| Investments (CAPEX) | 69,493 | 6,098 |
| Free Cash Flow | -137,955 | 2,565 |
| Equity ratio | 48.3% | 62.0%* |
| Balance sheet total | 910,648 | 668,830* |
| Employees as of March 31 | 4,151 | 2,296 |

*per 31.12.2019



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 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** currently employs around 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.

MICROBATTERIES & SOLUTIONS

The “**Microbatteries & Solutions**” segment focuses on the OEM business for microbatteries and the lithium-ion battery pack business. The Group is an internationally leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries in the area of Entertainment. The most important companies are amongst **VARTA AG’s** customers. We produce batteries in numerous key electro-chemical systems as well as in a variety of structural shapes and sizes. The range of applications extends from hearing aid batteries to wireless headsets all the way through to automotive applications operated on the basis of microbatteries. The Healthcare and Entertainment & Industrial divisions work together in a synergistic manner. In the Power Pack Solutions segment, the Group boasts comprehensive industry experience in the construction of high-performance, safe and needs-based lithium battery packs – for medical technology, robotics, connectivity and telecommunications. The product portfolio ranges from customer-specific battery packs to fully configured standard batteries.

HOUSEHOLD 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. In the area of household batteries, **VARTA AG** is the European market leader via the Consumer Batteries segment with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and by way of the expertise of internationally qualified specialists. A combination of innovative capacity, diversity, quality and design make the product range unique. For **VARTA**, a pronounced focus on consumer lifestyles and close working relationships with retail partners are essential in order to react quickly and flexibly to emerging device trends with the best energy solutions. By developing and manufacturing energy storage solutions within its “Energy Storage” business segment, **VARTA** is contributing to the energy revolution. The energy storage solutions developed by **VARTA** in the home and mass storage markets range from compact, basic models such as the wall-mounted **VARTA** pulse neo to large-scale storage solutions such as the **VARTA** flex storage for commercial applications. The AC-coupled systems feature integrated battery inverters and can be combined with all sources of green energy without the need for additional PV inverters.

This makes them suitable for all new installations and retrofit projects. The smart energy management system also ensures optimal use of self-produced solar energy and is designed to significantly increase domestic solar power use.

Business development in the first three months

VARTA AG makes a positive start to the new fiscal year 2020 with sharp increases in revenue and EBITDA – guidance 2020 confirmed

- Group revenue grows in Q1 2020 by 170.3% to € 198.5m (+68.2% excluding acquisition of VARTA Consumer)
- Adjusted EBITDA increases by 197.0% in the first three months of 2020 to € 51.7m (+135.0% excluding acquisition of VARTA Consumer)
- The adjusted EBITDA margin improved by 2.3PP to 26.0%
- Acquisition of VARTA Consumer Batteries business from Energizer concluded successfully on January 2 and taken into account in the consolidated financial statements for the first time
- Segment „Microbatteries & Solutions“ with very strong quarterly results
- Segment „Household Batteries“ makes good start to Q1
- Guidance for fiscal year 2020 confirmed¹⁾:
 - Group revenue of € 780m-800m expected;
 - Adjusted Group EBITDA set to come in at € 175m-185m;
 - Planned CAPEX of € 300m-330m

VARTA AG published on 15th May its figures for the first quarter of 2020 – including the consolidated figures of the acquired European **VARTA Consumer** Batteries business (**VARTA Consumer**) for the first time following its acquisition. The Group has made a positive start to the new fiscal year, building upon the substantial organic growth in revenue and income achieved in the past. Group revenue grew by 170.3% in the first quarter to € 198.5m. Organic revenue growth, excluding the first-time consolidation of **VARTA Consumer**, amounted to 68.2%. Adjusted EBITDA increased by 197.0% to € 51.7m. Excluding **VARTA Consumer**, adjusted EBITDA rose by 135.0%. The adjusted EBITDA margin improved by 2.3PP to 26.0%, while Group profit rose by 265% to € 24.5m.

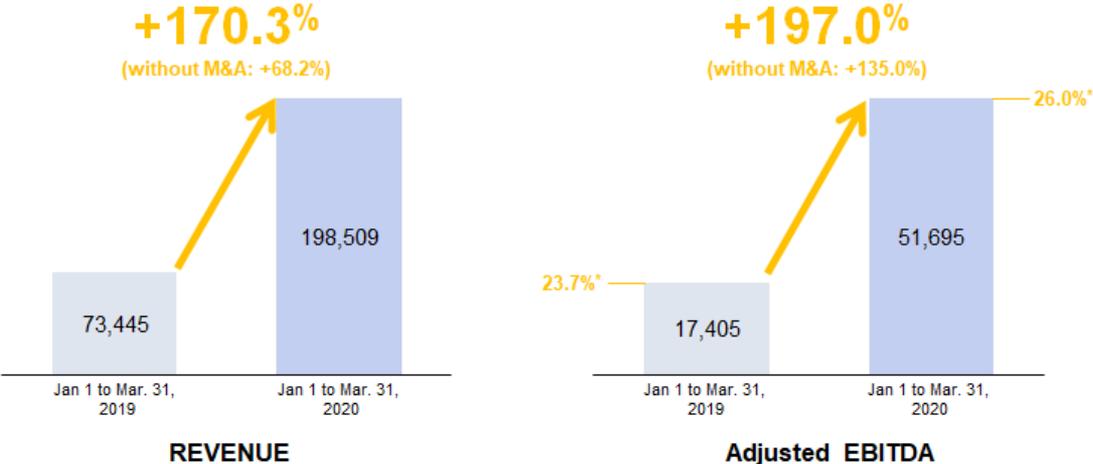
Herbert Schein, CEO of **VARTA AG**, explains: “Together with **VARTA Consumer**, we have made a very positive start to the new fiscal year and have again accelerated our high growth momentum. The pleasing result is primarily attributable to sustained strong demand for our lithium-ion cells, while we significantly increased sales by rapidly expanding production capacities. Our business model is also proving to be highly robust, while the high level of discipline we have shown in implementing protective measures against COVID-19 has meant we have been able to continue production without any restrictions so far.”

¹⁾ In view of the global spread of the coronavirus (COVID-19), negative impacts on the **VARTA AG Group** cannot be ruled out. At the time that these quarterly 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.

Steffen Munz, CFO, adds: “We confirm our guidance for fiscal year 2020. Our exceptionally healthy balance sheet with its high equity ratio and low debt combined with an anticipated increase in operating cash flow allow us to finance further investment in the expansion of production capacity.”

Revenue & Adjusted EBITDA

(IN K€, unaudited)



*Margin: Adjusted EBITDA to revenue

DEVELOPMENT OF EARNINGS, FINANCIAL POSITION AND NET ASSETS

EARNINGS SITUATION

Consolidated income statement for the period January 1 to March 31, 2020

| (IN K€) | Period ended March 31, 2020 | Period ended March 31, 2019 |
|--|--------------------------------|--------------------------------|
| Sales revenue | 198,509 | 73,445 |
| Increase/decrease in finished and unfinished goods | 3,647 | -415 |
| Own work capitalized | 1,085 | 3,527 |
| Other operating income | 11,801 | 1,783 |
| Cost of materials | -83,004 | -26,519 |
| Personnel expenses | -56,038 | -25,370 |
| Other operating expenses | -29,440 | -9,651 |
| EBITDA | 46,560 | 16,800 |
| Depreciation and amortization | -10,447 | -3,763 |
| Operating earnings (EBIT) | 36,113 | 13,037 |
| Financial income | 150 | 55 |
| Financial expenses | -612 | -195 |
| Sundry financial income | 560 | 507 |
| Sundry financial expenses | -1,759 | -350 |
| Financial result | -1,661 | 17 |
| Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes | 0 | -6 |
| Earnings before taxes | 34,452 | 13,048 |
| Income tax expenses | -9,922 | -3,800 |
| Consolidated result | 24,530 | 9,248 |
| Appropriation of profit: | | |
| Shareholders of VARTA AG | 24,520 | 9,099 |
| Non-controlling interests | 10 | 149 |

Revenue

In fiscal year 2020, the revenue of the **VARTA AG** Group increased by 170.3% from € 73.4m to € 198.5m. Organic revenue growth, excluding the first-time consolidation of **VARTA Consumer**, amounted to 68.2%. By far the strongest organic growth was again recorded in rechargeable lithium-ion batteries for high-tech consumer products, particularly premium wireless headsets (hearables). This is a consequence of unabated high customer demand in a rapidly expanding market. In the case of hearing aids, the company is benefiting from structural growth, the trend toward rechargeable hearing aids as well as the new business with a leading US retail chain initiated in the second half of 2019. **VARTA Consumer** achieved revenue of € 74.9m in the first quarter and recorded far more rapid growth in its brand business than in its private label business.

Expenses and other operating income

In the reporting year, material expenses came to € 83.0m compared with € 26.5m in the previous year. This corresponds to an increase of 213.0%. Excluding **VARTA Consumer**, the increase in the cost of materials was disproportionately low, at 36.3%, compared with revenue.

Personnel expenses increased by 120.9%, rising from € 25.4m to € 56.0m. Excluding **VARTA Consumer**, the increase in personnel expenses was disproportionately low, at 37.7%, compared with revenue. In particular, the increase in staff

numbers to cope with very dynamic growth in the area of rechargeable lithium-ion batteries resulted in higher expenditure. Personnel costs also included expenses for share-based remuneration in the amount of € 0.2m (2019: € 0.6m).

Other operating expenses have increased by € 19,789k in total from € 9,651k to € 29,440k. Excluding **VARTA Consumer**, other operating expenses have increased by 50.0%. This was largely the result of the increase in legal and consultancy fees associated with the acquisition of **VARTA Consumer** companies and the ongoing patent dispute in the amount of € 2,248k. Because of the expansion in production capacity, maintenance costs have risen by € 547k and the cost of energy by € 444k year on year.

Other operating income increased by € 10.0m from € 1.8m in the previous year to € 11.8m in 2020. Excluding **VARTA Consumer**, other operating income has increased by 10.5%.

Adjusted EBITDA

Adjusted EBITDA (operating earnings before interest, taxes, depreciation and amortization adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is a suitable control variable to effectively assess the operating earnings capacity of the Group and/or the two segments. As special effects, firstly, non-cash expenditure for share-based remuneration of € 0.2m (2019: € 0.6m) and, secondly, non-recurring expenses from the acquisition of **VARTA Consumer** of € 0.5m were adjusted. Market value was also taken as a basis when measuring the inventories of **VARTA Consumer**. The (partial cost) profit resulting from inventories will be eliminated over the anticipated consumption period in profit or loss following the acquisition. The reversal of these supplementary amounts represented a non-cash special effect. The following table shows the reconciliation from EBITDA to adjusted EBITDA:

| (IN K€) | Period ended Mar, 31, 2020 | Period ended Mar, 31, 2019 |
|--|----------------------------|----------------------------|
| EBITDA | 46,560 | 16,800 |
| Expenses from share-based remuneration | 203 | 605 |
| Expenses for M&A transactions | 464 | 0 |
| Inventory step-up from PPA | 4,468 | 0 |
| Adjusted EBITDA | 51,695 | 17,405 |

Adjusted EBITDA increased in the first three months of 2020 from € 17.4m to € 51.7m. This corresponds to an increase of 197.0% in comparison to the previous year. Excluding **VARTA Consumer**, adjusted EBITDA rose by 135.0%. The increase in adjusted EBITDA can be attributed to the very high and profitable sales growth in lithium-ion cells and hearing aid batteries in addition to the simultaneous disproportionately low increase in costs due to the scaling of the business model.

Operating earnings (EBIT)

Operating earnings improved from € 13.0m to € 36.1m, equating to an increase of 177.0% in comparison with the previous year. Excluding **VARTA Consumer**, the increase would have amounted to 154.6%. The above-average increase compared with revenue growth was attributable to the highly successful development in the Microbatteries segment.

Financial result

In the reporting year, the financial result changed from € 0.0m in 2019 to € -1.7m in 2020. Excluding **VARTA Consumer**, the financial result would have changed from € 0.0m to € -0.4m. The result was adversely affected by the balance of currency gains and currency losses of € 0.5m.

Taxes

Tax expenses increased primarily because of the positive trend in the pre-tax result from € 3.8m in 2019 to € 9.9m in 2020. This produced an effective tax ratio of 28.8% (2019: 29.1%) in relation to the pre-tax result. This reduction was

largely attributable to the foreign companies owned by **VARTA Consumer**, which are subject to a lower tax rate. Excluding **VARTA Consumer**, the tax ratio would have amounted to 29.5%.

NET ASSETS AND FINANCIAL POSITION

Consolidated statement of financial position as of March 31, 2020

| (IN K€) | MARCH 31, 2020 | DECEMBER 31, 2019 |
|---------------------|-------------------|----------------------|
| ASSETS | | |
| Non-current assets | 482,518 | 288,462 |
| Current assets | 428,130 | 380,368 |
| Total assets | 910,648 | 668,830 |

| (IN K€) | MARCH 31, 2020 | DECEMBER 31, 2019 |
|-------------------------------|-------------------|----------------------|
| EQUITY AND LIABILITIES | | |
| Equity | 440,135 | 414,802 |
| Non-current liabilities | 159,677 | 88,779 |
| Current liabilities | 310,836 | 165,249 |
| Total liabilities | 470,513 | 254,028 |
| Total assets | 910,648 | 668,830 |

Non-current assets

Non-current assets increased by € 194.0m from € 288.5m in 2019 to € 482.5m in the reporting year. This increase mainly resulted from the increase in property, plant and equipment from € 247.9m as of March 31, 2020 to € 375.9m. Of this figure, approximately € 64m (preliminary figures) was attributable to **VARTA Consumer**. Production capacity was increased in response to strong demand for rechargeable lithium-ion cells for high-tech consumer products, particularly premium wireless headsets (hearables). Around € 44m was attributable to this organic growth.

Other assets were essentially unchanged and have decreased slightly from € 17.9m at the end of 2019 to € 16.2m at the end of the first quarter of 2020.

Current assets

Current assets have risen significantly from € 380.4m in 2019 to € 428.1m as of March 31, 2020. As a result of the increased revenue volume and the first-time consolidation of **VARTA Consumer** (preliminary figures), trade receivables have increased by € 74.1m, while inventories have risen by € 61.2m and other assets by € 45.4m. The cash outflow from the payment of the provisional purchase price for **VARTA Consumer** had the opposite effect, leading essentially to a decline in cash and cash equivalents to € 102.5m.

Equity/equity ratio

In the first three months, equity increased from € 414.8m as of December 31, 2019 to € 440.1m as of March 31, 2020. At the end of the first quarter, the equity ratio was 48.3% (December 31, 2019: 62.0%). The main reason for the decline in the equity ratio was the acquisition of **VARTA Consumer**.

Non-current liabilities

As a result of the first-time consolidation of **VARTA Consumer** (preliminary figures), non-current liabilities increased by € 70.9m from € 88.8m at the end of 2019 to € 159.7m as of March 31, 2020.

Current liabilities

Current liabilities have risen from € 165.2m to € 310.8m. Excluding **VARTA Consumer**, non-current liabilities have risen by € 19.2m. In particular, the increase in income tax liabilities of € 8.5m and the rise in current provisions of € 8.7m were key factors behind this development.

Net Working Capital

Net working capital has risen from € 18.0m at the end of 2019 to € 107.9m at March 31, 2020. This corresponds to an increase of € 89.9m in comparison to the previous year. Due to the **VARTA Consumer** acquisition the net working capital increased by around € 77.2m (preliminary figures). Excluding **VARTA Consumer**, net working capital has risen by € 12.7m or 70.5%. The increase is mainly attributable to the sharp rise in receivables and inventories and the smaller rise in liabilities. Excluding **VARTA Consumer**, a net working capital ratio of 8.0% (in comparison to December 31, 2019: 5.0%) was produced.

Statement of cash flows

| (IN K€) | Period ended Mar, 31, 2020 | Period ended Mar, 31, 2019 |
|---|----------------------------|----------------------------|
| Cash and cash equivalents as at January 1 | 244,781 | 149,741 |
| Cash flow from ongoing business activities | 33,945 | 11,943 |
| Cash flow from investment activities | -171,900 | -9,378 |
| Cash flow from financing activities | -4,449 | -1,010 |
| Net change in cash and cash equivalents | -142,404 | 1,555 |
| Effects of exchange rate fluctuations | 159 | 293 |
| Cash and cash equivalents as at March 31 | 102,536 | 151,589 |

Cash flow from ongoing operating activities amounted to € 33.9m in the first three months and is therefore € 22.0m up on the figure for the previous year. This is primarily attributable to organic growth in operating earnings.

Negative cash flow from investing activities rose sharply in Q1 2020 to € 171.9m (previous year: € 9.4m). The increase was predominantly caused by the acquisition of a stake in **VARTA Consumer Batteries** for a provisional purchase price of € 131.1m. Settlement of the final purchase price is expected in the second quarter of 2020. Inversely, the Group will receive the cash holdings of the newly acquired companies totaling € 29.4m from this acquisition. A further increase in cash flow from investment activities resulted from investment in property, plant and equipment to expand production capacity for lithium-ion button cell batteries in response to strong demand. Disbursements for investments in intangible assets and property, plant and equipment (CAPEX) amounted to € 69.5m (previous year € 6.1m).

Cash flow from financing activities changed in the first three months from € -1.0m in 2019 to € -4.4m in 2020. The cash outflow from the repayment portions in accordance with IFRS 16 was decisive here. A total of € 1.7m was attributable to the first-time consolidation of **VARTA Consumer**.

Holdings of cash and cash equivalents have decreased mainly due to higher cash flow from investing activities. These amounted to € 102.5m as of March 31, 2020 (March 31, 2019: € 151.6m).

Investments excluding M&A (CAPEX)

The Group refers to investments in intangible and tangible assets (property, plant and equipment) as CAPEX. This is an important control variable for manufacturing companies. **VARTA AG** has launched an extensive investment program which is expected to be implemented in the period from 2019 to 2021. The aim of these investments is to expand capac-

ities in the Microbatteries segment substantially. In the first quarter of 2020, capital expenditure for the acquisition of intangible assets and property, plant and equipment totaled € 69.5m (previous year: € 6.1m). The major part of investment in property, plant and equipment served to expand production capacity of lithium-ion button cells in response to demand. Replacement investment to renew production equipment, to develop new products and for quality assurance measures is also required at regular intervals.

SEGMENT EARNINGS

Since the beginning of the year, the company has undertaken a resegmentation of its operating business and combined Healthcare, Entertainment and Power Pack Solutions in the Microbatteries & Solutions segment. The second segment, Household Batteries, comprises the **VARTA Consumer Batteries** business and energy storage solutions. Both segments have performed well in the first three months. In particular, the Microbatteries & Solutions segment continued its very dynamic growth and recorded a further improvement in profitability. By far the strongest growth was again recorded for rechargeable lithium-ion batteries for high-tech consumer products, particularly premium wireless headsets (hearables). The Household Batteries segment also made a very solid start to fiscal year 2020. The Consumer Batteries business, in particular, had a better start than expected.

| Microbatteries & Solutions | 2020 | 2019 | YoY |
|---------------------------------------|---------|--------|---------|
| Sales revenue (K€) | 118,743 | 67,742 | 75.3% |
| Adjusted EBITDA (K€) | 40,767 | 16,236 | 151.1% |
| Adjusted EBITDA margin (%) | 34.3 | 24.0 | 10.4 PP |

*Previous year's figures were adjusted to the new segmentation (retrospective pro-forma adjustment)

In the first three months of fiscal year 2020, revenue in the Microbatteries & Solutions segment increased from € 67.8m to € 118.7m. This corresponds to very significant sales growth of 75.3% year on year. By far the strongest growth in revenue is still being achieved by rechargeable lithium-ion cells for high tech consumer products, especially for premium wireless headsets (hearables). This is a consequence of unabated high customer demand in a very dynamically expanding market. Due to the market and customer structure, the Asian market plays the most important role; many major manufacturers of wireless headsets produce their products in this region. The business has not been significantly impaired by Covid-19. Our global market position for hearing aid batteries has been further expanded in a market subject to structural growth. The Group is currently benefiting from its very resilient business with primary hearing aid batteries, from additional revenue from new business with a leading US retail chain initiated in the prior fiscal year, and strong demand for rechargeable hearing aid batteries. The rapid growth in business involving battery packs continued thanks to the new customer projects launched in the last year. Adjusted EBITDA rose from € 16.2m to € 40.8m, which equates to growth of 151%. The increased profit is due to strong growth in the comparatively high-margin product groups and the disproportionately low rise in fixed costs due to the scaling of our business model. This resulted in an adjusted EBITDA margin of 34.3% in relation to revenue compared with 24.0% in the prior year, which corresponds to an improvement in the adjusted EBITDA margin of 10.4 percentage points.

| Household Batteries | 2020 | 2019 | YoY |
|----------------------------|--------|-------|----------|
| Sales revenue (K€) | 79,671 | 5,476 | 1,354.9% |
| Adjusted EBITDA (K€) | 10,927 | 1,167 | 836.3% |
| Adjusted EBITDA margin (%) | 13.7 | 21.3 | -7.6 PP |

* Q1 2019 includes only the energy storage business

The Household Batteries segment comprises the Consumer Batteries business and the energy storage business. The first quarter of the previous year only contains business with energy storage solutions. The first-time consolidation of **VARTA Consumer Batteries** has resulted in a sharp increase in revenue and adjusted EBITDA (revenue: + 1,355%;

adjusted EBITDA: +836%). **VARTA Consumer Batteries** performed better than expected in the reporting period. By focusing on brand business, profitability has improved significantly. Business involving energy storage solutions matched expectations in the first quarter of 2020.

The following table illustrates the reconciliation from the previous segment reporting to the new segment reporting:

| (IN €m) | Period ended Mar, 31, 2020 | Period ended Mar, 31, 2019 | YOY in % |
|---|-------------------------------|-------------------------------|----------|
| Microbatteries | | | |
| Revenue | 107.2 | 61.5 | 74.3% |
| adjusted EBITDA | 40.9 | 16.6 | 146.4% |
| adjusted EBITDA-Margin | 38.2% | 27.0% | 11.2 PP |
| Power & Energy | | | |
| Revenue | 16.3 | 11.7 | 39.3% |
| adjusted EBITDA | 0.1 | 0.8 | -87.5% |
| adjusted EBITDA-Margin | 0.6% | 6.8% | -6.2 PP |
| Total VARTA without acquisition VARTA Consumer | | | |
| Revenue | 123.5 | 73.2 | 68.7% |
| adjusted EBITDA | 41.0 | 17.4 | 135.6% |
| adjusted EBITDA-Margin | 33.2% | 23.8% | 9.4 PP |
| Consumer Batteries | | | |
| Revenue | 74.9 | | |
| adjusted EBITDA | 10.7 | | |
| adjusted EBITDA-Margin | 14.3% | | |
| Total VARTA inclusive acquisition VARTA Consumer | | | |
| Revenue | 198.4 | | |
| adjusted EBITDA | 51.7 | | |
| adjusted EBITDA-Margin | 26.1% | | |

EMPLOYEES

The number of employees has risen by 1,855 or 80.8% from 2,296 to 4,151 employees in the reporting period. A total of 1,165 employees were added from the acquisition of **VARTA Consumer Batteries**.

OUTLOOK

Following a better than expected start to the new fiscal year, the **VARTA AG Group** remains committed to its outlook for the fiscal year published on March 31, 2020 despite the major macroeconomic uncertainties resulting from the coronavirus pandemic.

Positive business development in 2020 will be driven by structural growth in core markets, what we regard as our strong market position in core markets and continued major investments in the expansion of production capacities. The first-time consolidation of the recently acquired **VARTA Consumer** business will also lead to a very significant increase in Group revenue and adjusted EBITDA. This outlook is based on the assumption of constant exchange rates.

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 at our locations, transportation to our customers as well as disrupting our suppliers. It can also not be ruled out that our customers are temporarily unable to purchase products from **VARTA** due to disrupted production processes at their own sites. At the time that these financial statements were prepared, these risks were not assessable and could not therefore be taken into consideration in the Group's planning.

VARTA AG Group

Group revenue of €780m-800m is still expected for 2020. This corresponds to revenue growth of 115%-120% in comparison with the previous year (including **VARTA Consumer**). Organic growth in revenue, excluding **VARTA Consumer**, will be 32%-38%.

In 2020, adjusted Group EBITDA will still be in a corridor between € 175m and € 185m and will therefore increase by 79% to 90% in comparison with the previous year (including **VARTA Consumer**). Excluding **VARTA Consumer**, adjusted EBITDA will grow between 50% and 60% in comparison with 2019. Adjusted EBITDA is modified for special effects: the Executive Board defined (where applicable) costs related to a capital increase, impacts on the profit and loss account resulting from the reimbursement claim from an assumption of debt in connection with pension obligations, effects from the share-based remuneration, disposal effects from sale and lease-back transactions, potential restructuring costs and expenses in connection with M&A transactions as well as non-cash effects from the purchase price allocation (PPA) as special effects.

Due to the unabated high demand for lithium-ion batteries (CoinPower), production capacities are being further expanded on a huge scale. CAPEX – i.e. payments made to purchase intangible assets and property, plant and equipment – will total €300m-330m in 2020.

Microbatteries & Solutions segment

In the hearing aid batteries business, the company intends to further consolidate what it regards as its market-leading position in a market subject to structural growth. Due to strong demand for lithium-ion batteries for wireless headsets, the company plans to carry out a huge production capacity expansion in the Entertainment & Industrial area; this will constitute the largest growth potential in the Microbatteries & Solutions segment. The Microbatteries & Solutions segment is expected to achieve very significant double-digit percentage revenue growth on a comparable basis in fiscal year 2020. As a result of the further scaling of our business model, we also expect to see a sharp rise in adjusted EBITDA, which is set to experience above-average growth in relation to revenue.

Household Batteries segment

Very significant growth is expected for stationary energy storage solutions, which should at least match market growth. In addition, the acquired **VARTA Consumer** business will generate additional revenue of around € 300m in fiscal year 2020. An EBITDA margin in the low double-digit range is expected for fiscal year 2020.

Our long-standing experience over many years in the battery business is factored into the opportunity and risk guidance mapping further business development. This report contains information and guidance referring to the company's future development. However, it must be noted that actual results may vary greatly from the expectations surrounding the projected developments.

Consolidated interim statement of financial position per 31 March, 2020 (unaudited, preliminary)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

| (IN K€) | 31 March 2020 | 31 December 2019 |
|--|----------------|------------------|
| ASSETS | | |
| Property, plant and equipment | 375,921 | 247,896 |
| Intangible assets | 84,476 | 20,783 |
| Long-term investments and other participations recognized in the balance sheet under the equity method | 103 | 55 |
| Other financial assets | 283 | 548 |
| Deferred tax assets | 5,534 | 1,271 |
| Other assets | 16,201 | 17,909 |
| Non-current assets | 482,518 | 288,462 |
| Inventories | 125,172 | 63,995 |
| Contract assets | 10,470 | 2,032 |
| Trade receivables | 126,059 | 51,966 |
| Tax refund claims | 1,159 | 216 |
| Other assets | 62,734 | 17,378 |
| Cash and cash equivalents | 102,536 | 244,781 |
| Current assets | 428,130 | 380,368 |
| Total assets | 910,648 | 668,830 |

| (IN K€) | 31 March 2020 | 31 December 2019 |
|--|----------------|------------------|
| EQUITY AND LIABILITIES | | |
| Subscribed capital | 40,422 | 40,422 |
| Capital reserve | 250,821 | 250,619 |
| Retained earnings | 122,771 | 68,700 |
| Net income | 24,520 | 50,390 |
| Other reserves | 1,376 | 4,456 |
| Equity of the VARTA AG Group | 439,910 | 414,587 |
| Non-controlling interests | 225 | 215 |
| Total Equity | 440,135 | 414,802 |
| Lease liabilities | 41,226 | 20,476 |
| Other financial liabilities | 6,660 | 2,832 |
| Provisions for employee benefits | 60,795 | 27,241 |
| Advance payments received | 29,613 | 34,296 |
| Other liabilities | 89 | 95 |
| Deferred tax liabilities | 16,989 | 0 |
| Other provisions | 1,415 | 3,839 |
| Other accruals | 2,890 | 0 |
| Non-current liabilities | 159,677 | 88,779 |
| Tax liabilities | 43,309 | 14,325 |
| Lease liabilities | 10,461 | 4,603 |
| Other financial liabilities | 6,367 | 4,058 |
| Provisions for employee benefits | 2,123 | 1,195 |
| Contract liabilities | 37,949 | 11,198 |
| Trade payables and advance payments received | 115,849 | 88,807 |
| Other liabilities | 34,716 | 20,025 |
| Other provisions | 14,683 | 4,407 |
| Other accruals | 45,379 | 16,631 |
| Current liabilities | 310,836 | 165,249 |
| Liabilities | 470,513 | 254,028 |
| | | |
| Equity and total liabilities | 910,648 | 668,830 |

Consolidated interim income for the period ended 31 March, 2020 (unaudited)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

| (IN K€) | Period ended Mar, 31, 2020 | Period ended Mar, 31, 2019 |
|--|-------------------------------|-------------------------------|
| Revenue | 198,509 | 73,445 |
| Increase/ decrease in finished and unfinished goods | 3,647 | -415 |
| Own work capitalized | 1,085 | 3,527 |
| Other operating income | 11,801 | 1,783 |
| Cost of materials | -83,004 | -26,519 |
| Personnel expenses | -56,038 | -25,370 |
| Other operating expenses | -29,440 | -9,651 |
| EBITDA | 46,560 | 16,800 |
| Depreciation and amortization | -10,447 | -3,763 |
| Operating earnings (EBIT) | 36,113 | 13,037 |
| Financial income | 150 | 55 |
| Financial expenses | -612 | -195 |
| Sundry financial income | 560 | 507 |
| Sundry financial expenses | -1,759 | -350 |
| Financial result | -1,661 | 17 |
| Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes | 0 | -6 |
| Earnings before taxes | 34,452 | 13,048 |
| Income tax expenses | -9,922 | -3,800 |
| Consolidated result | 24,530 | 9,248 |
| Appropriation of profit: | | |
| Shareholders of VARTA AG | 24,520 | 9,099 |
| Non-controlling interests | 10 | 149 |

Explanatory notes to the quarterly report

The condensed consolidated interim financial statements were prepared on the basis of all IAS / IFRS published by the International Accounting Standards Board (IASB) that were applicable on the reporting date as well as all interpretations (IFRIC / SIC) drawn up by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, provided these have been adopted by the European Union through the endorsement process. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements prepared as of December 31, 2019.

The condensed consolidated interim financial statements as of March 31, 2020 and the Group Interim Management Report have neither been audited in accordance with section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Financial Calendar

| | |
|--------------------------------|------------|
| Virtuel Annual General Meeting | 18.06.2020 |
| Half-year report 2020 | 14.08.2020 |
| Interim report Q3 2020 | 12.11.2020 |



Imprint

Quarterly report 2020:

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

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