

VARTA AG FY2018 Final Results

March 28, 2019



Forward-Looking Statements

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- **Continuing to drive our profitable growth strategy – executing the largest investment program in the history to expand the production capacity**
 - **Delivered strong FY18 results, with again double-digit growth rates: Revenue up 12% – EBITDA up 28% – EBITDA margin +2,3PP**
 - **Both segments contributed to the strong performance in FY18**
 - **Entertainment is gaining more and more momentum – further expansion of the production capacity in lithium-ion batteries to >60m cells p.a.**
 - **Strong balance sheet enabling further investments for capacity expansions and investments in new products using own funds**
 - **Generated 10,5 Mio. € in free cash flow despite the massive investments for capacity expansion thanks to the very strong operating cash flow**
 - **Reaffirming our very positive outlook for FY19, with H2 stronger than H1**
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Business Highlights



We continue to execute our profitable growth strategy



Attractive exposure to the healthcare end-market

- **Continuing to set the industry standard in hearing aid batteries**
 - Launched the EVOLUTION series, with a ~15% longer runtime of hearing aids
 - Enabled by the proprietary and patented foil sealing production technology (TFT)
 - Gaining access to the underpenetrated mass retail channel in the US
- **Strengthening our #1 market position in rechargeable hearing aid batteries with new innovative products ready to be launched in 2019**



Rapidly-growing entertainment end-market

- **Continuing to improve our leading technology and innovation position**
 - Higher energy density by +20% through silicon-dominated anode electrodes
 - Batteries with smaller form factors – Cell diameter as small as 8 to 7 mm
- **Targeting the #1 market position in premium wireless headsets by 2020**
- **Massively expanding the production capacity in lithium-ion batteries to meet the visible future demand – further capacity expansion to >60m cells by 2020**

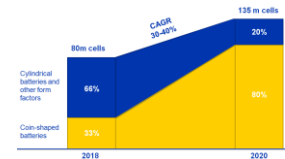


Attractive growth opportunities in Power & Energy

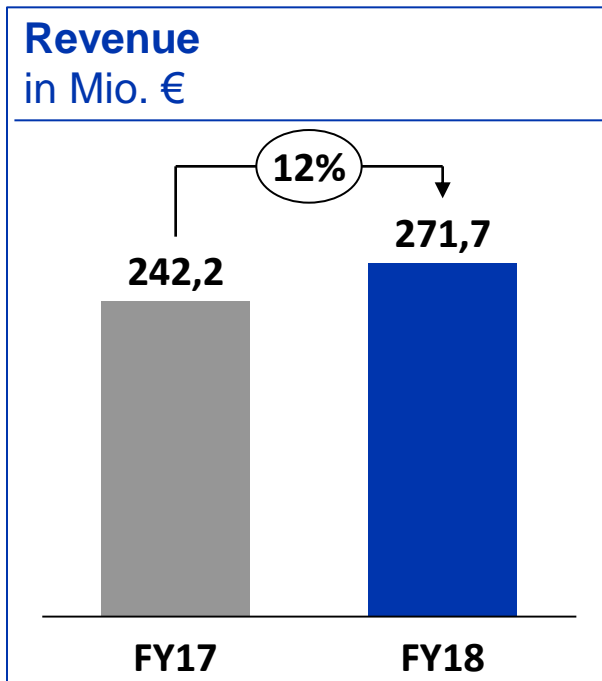
- **Power & Energy with a step-change improvement in profitability in 2018**
- **Proof of strategy to grow profitable** in the energy storage solutions market
- **Entering 2019 with a healthy sales funnel in battery packs (PPS),** supporting the growth momentum in 2H 2019
- **Expanding the geographical reach in residential storage (Italy and Australia)**

Entertainment is gaining more and more momentum

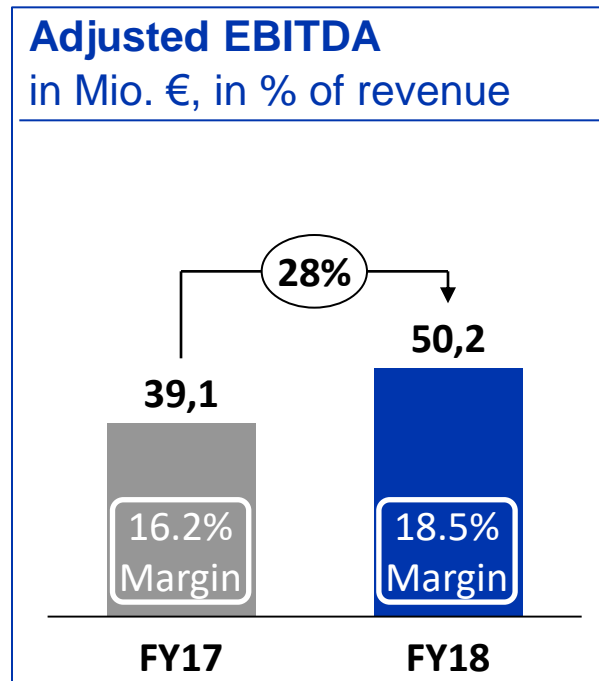
- VARTA is the **technology leader in lithium-ion batteries** for high-tech consumer products, such as **true wireless headsets**
- **Market for lithium-ion batteries is growing rapidly** (~30-40% CAGR), with VARTA benefiting from the **structural shift to coin-shaped batteries**
- **Targeting the #1 market position**, with a market share of **50%**
- **Massively expanding the production capacity** to meet the visible future demand – further expansion of the production capacity to **>60m cells p.a. by 2020**
- **Smartphone manufacturers** put more focus on **accessories** with attractive margins, such as **headsets or ear buds**
- **Bundling of smartphones with wireless headsets** could become a new standard, **radically expanding the addressable market for lithium-ion batteries**
- Pre-sale promotion of SAMSUNG to get an ear bud for free when buying a new S10 smartphone



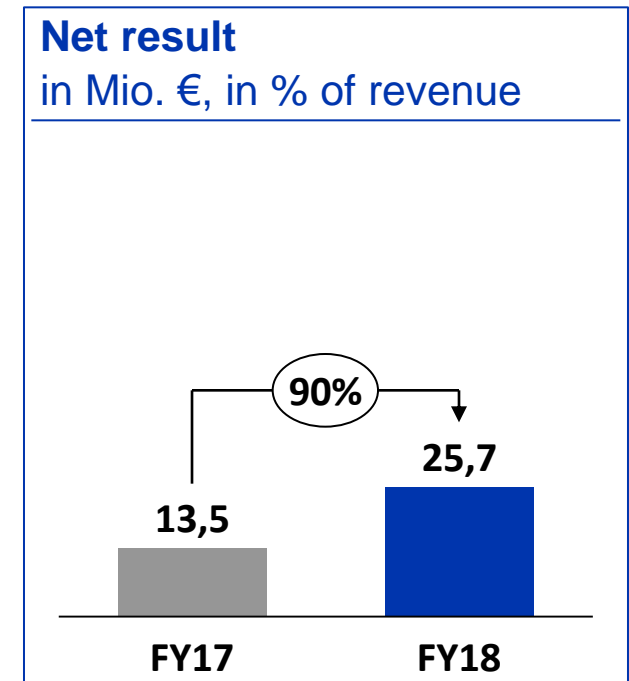
Delivered strong FY18 results, with continued double-digit growth rates both in revenue and profit



- Both segments grew significantly
- In the Microbatteries segment, the strongest growth was once again achieved by the lithium-ion batteries (CoinPower)
- Revenue in the Power & Energy segment grew by 37%

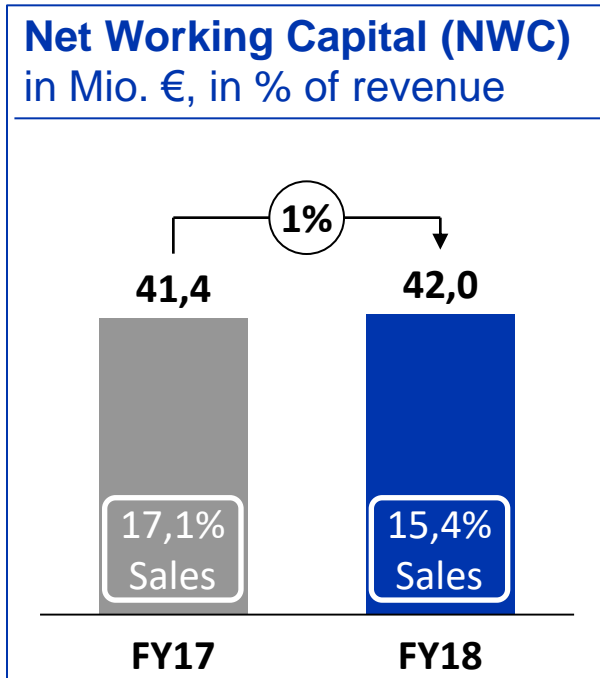


- Adj. EBITDA grew again faster than the revenue due to the continued scaling of the business model
- Significant improvement in the Adj. EBITDA margin: up 2.3PP to 18.5%

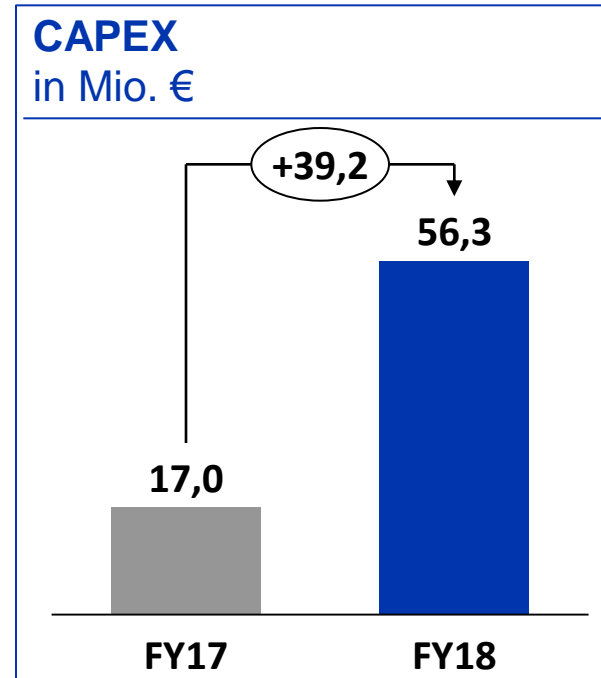


- Strong increase primarily due to the strong year-on-year growth of the operating result
- Adjusted for the special items related to the IPO in 2017, the net result increased by 81% YoY

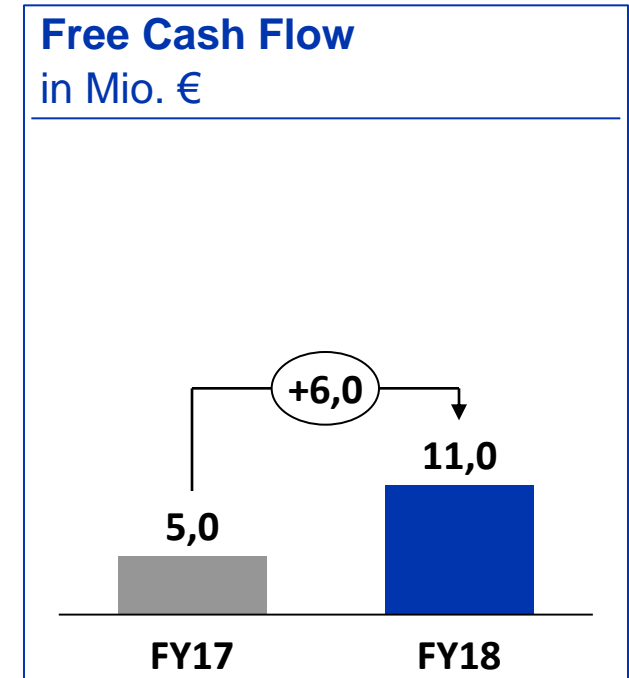
Positive Free Cash Flow generated despite massive investments for capacity expansions



- Efficiently managing net working capital
- Net working capital grew significantly slower than the revenue
- Improved NWC as a percent of revenue by 1.7PP to 15.4%



- Executing the largest investment program in the history to expand the production capacity
- Focusing on the capacity expansion in lithium-ion batteries
- CAPEX was ~3,5X higher than in the previous year(s)



- Generated 10,5 Mio. € in free cash flow despite the massive investments for capacity expansion thanks to the very strong operating cash flow
- Self-funded the investments in FY18

Microbatteries – FY2018 Highlights



(€m)	FY2017 Actual	FY2018 Actual	YoY Change
Revenue	203,6	218,9	+7,5%
Adjusted EBITDA	43,7	47,3	+8,2%
Adjusted EBITDA Margin	21.5%	21.6%	+0.1PP

Highlights:

- Microbatteries is continuing its solid growth trajectory, with revenue up 8% Y/Y
- *Healthcare* delivered FY18 in-line with our expectations – strong year-end finish
- *Entertainment* is continuing the high-growth momentum due to the ongoing very high demand for lithium-ion batteries (CP)
- *Industrial* with a temporary sales dip due to an interim regulatory issue of a major customer, resulting in delayed orders
- Adjusted EBITDA up 8%, slightly faster than revenue growth – H2 impacted by the upfront costs in lithium-ion batteries (CoinPower) due to the planned massive ramp-up in 2019



Rechargeable lithium-ion coin cell (CoinPower) for premium wearable devices

Power & Energy – FY2018 Highlights



(€ m)	FY2017 Actual	FY2018 Actual	YoY Change
Revenue	37,7	51,8	+37,4%
Adjusted EBITDA	-4,4	2,9	nm
Adjusted EBITDA Margin	-11.6%	5.7%	+17.3PP

Highlights:

- Power & Energy continuing to gain momentum, with revenue up 37% Y/Y – revenue growth increased sequentially
- *Energy storage solutions* remain on the strong growth trajectory, particularly in residential storage
- *Power pack solutions (PPS)* gain traction throughout 2018 due to the ramp-up of new customer projects
- Step-change improvement in profitability – delivered a positive Adj. EBITDA of €2.9M, resulting in a 5.6% Adj. EBITDA margin
- Confirming our objectives to deliver a 6-8% Adj. EBITDA margin in the mid-term, resulting in an attractive return on the invested capital being an asset-light solutions provider



Wall mounted energy storage system for private households

Reaffirming our very positive outlook* for FY19, **VARTA** with H2 stronger than H1

VARTA AG Group

- **Revenue:** ~€303-309 m (ex FX effects), up ~12-14% YoY
- **Adjusted EBITDA:** ~€61-64m (ex FX effects), up ~22-28% YoY
- **CAPEX:** ~€65-75m – continuing to expand the production capacity in lithium-ion batteries (CoinPower) to >60 mio. cells p.a. by 2020

Segment Microbatteries

- **Revenue:** Double-digit growth – outpacing the market growth
- **Adjusted EBITDA:** Strong Adj. EBITDA growth, with a faster growth rate than revenue growth
- Strong growth momentum in **Entertainment**

Segment Power & Energy

- **Revenue:** Double-digit growth – in-line with the market growth
- **Adjusted EBITDA:** Significant positive Adjusted EBITDA

* 2019 guidance assumes constant FX and organic growth

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Financial Calendar

07.05.2019	Interim statement Q1 2019
21.05.2019	Annual General Meeting
06.08.2019	Half-year report 2019
29.10.2019	Interim statement Q3 2019

Consolidated income statement for the period 01/01/-12/31/2018



(in K €)	<i>Special effects</i>	2018	<i>Special effects</i>	2017
Sales revenue		271,650		242,157
Increase in finished and unfinished goods		3,899		3,145
Own work capitalized		4,152		3,517
Other operating income		7,109		14,472
Cost of materials		-106,867		-99,928
Personnel expenses		-92,440		-86,047
Other operating expenses		-40,114		-44,227
EBITDA		47,389		33,089
Costs of IPO	0		6,115	
Reimbursement claim from pensions	0		-3,629	
Costs of share-based payment	2,830		3,557	
Adjusted EBITDA	50,219		39,132	
Depreciation and amortization		-10,518		-9,446
Operating earnings (EBIT)		36,871		23,643
Financial income		160		63
Financial expenses		-416		-783
Other financial income		368		687
Other financial expenses		-631		-889
Financial result		-519		-922
Profit and loss shares in companies recognized in the balance sheet under the equity method		130		-1,696
Earnings before taxes		36,482		21,025
Income tax expenses		-10,779		-7,481
Consolidated result		25,703		13,544
Appropriation of profit:				
Shareholders of VARTA AG		25,260		13,268
Non-controlling interests		443		276

Consolidated statement of financial position as of December 31, 2018 (1/2)



(EURk)	Dec. 31, 2018	Dec. 31, 2017
ASSETS		
Property, plant and equipment	112,803	63,447
Intangible assets	21,174	21,556
Long-term investments and other participations recognized in the balance sheet under the equity method	348	1,718
Other financial assets	359	444
Deferred tax assets	1,477	2,313
Other assets	15,670	15,780
Non-current assets	151,831	105,258
Inventories	56,699	53,770
Contract assets	2,370	0
Trade receivables	26,345	20,103
Tax refund claims	549	744
Other assets	14,161	13,069
Cash and cash equivalents	149,741	138,536
Current assets	249,865	226,222
Total assets	401,696	331,480

Consolidated statement of financial position as of December 31, 2018 (2/2)



(EURk)	Dec. 31, 2018	Dec. 31, 2017
EQUITY AND LIABILITIES		
Subscribed capital	38,200	38,200
Capital reserve	149,305	146,719
Revenue reserves	41,627	28,575
Profit/loss for the year	25,260	13,268
Other reserves	3,604	2,710
Equity of the VARTA AG Group	257,996	229,472
Non-controlling interests	1,426	980
Equity	259,422	230,452
Other financial liabilities	6,200	6,200
Provisions for employee benefits	23,639	22,775
Advance payments received	30,247	0
Other liabilities	93	448
Other provisions	243	0
Non-current liabilities	60,422	29,423
Tax liabilities	7,261	4,724
Other financial liabilities	2,720	2,201
Provisions for employee benefits	1,048	1,087
Contract liabilities	8,435	0
Trade payables and advance payments received	35,021	32,479
Other liabilities	11,018	10,285
Other provisions	4,304	4,256
Deferred liabilities	12,045	16,573
Current liabilities	81,852	71,605
Liabilities	142,274	101,028
Equity and total liabilities	401,696	331,480

Cash flow statement for the period 01/01/-12/31/2018



EURk	2018/12	2017/12
Cash and cash equivalents as at January 1, 2018	138,536	12,347
Cash flow from ongoing business activities	69,846	22,020
Cash flow from investment activities	-58,982	-16,943
Cash flow from financing activities	-114	121,577
Net change in cash and cash equivalents	10,750	126,654
Effects of exchange rate fluctuations	455	-465
Cash and cash equivalents as at December 30, 2018	149,741	138,536