



QUARTERLY REPORT Q3 / 2020
VARTA AG GROUP AS OF SEPTEMBER 30, 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 technologies and customization in aspiring to market leadership in our business areas.

VARTA AG – SELECTED GROUP KPIs

(€k)	JAN 1-SEP 30, 2020	JAN 1-SEP 30, 2019
Revenue	630,339	242,764
EBITDA	151,555	60,993
Adjustments:		
Costs of share-based payment	701	1,990
Non-cash effects from the purchase price allocation (PPA)	8,661	0
Expenses for M&A transactions	1,784	0
Restructuring costs for VARTA Consumer	14,065	0
Adjusted EBITDA	176,766	62,983
Adjusted EBITDA margin (%)	28.0%	25.9%
Consolidated result	78,314	32,968
Investment expenditure (CAPEX)	190,521	67,854
Free cash flow	-140,961	-23,372
Equity ratio	45.4%	62.0%*
Balance sheet total	1,070,968	668,830*
Staff (as of quarter-end)	4,601	2,613

* as of December 31, 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** employs more than 4,500 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. **VARTA AG** ranks among the most important companies for its customers and manufactures 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 two segments, Healthcare and Entertainment & Industrial, 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 relationship 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 nine months

VARTA AG continues growth course and again raises annual guidance for 2020

- Group revenue rises by 159.7% to € 630.3m over the first nine months of fiscal year 2020 (excluding Consumer Batteries: +69.7%)
- Adjusted EBITDA rises by 180.7% to € 176.8m (excluding Consumer Batteries: +127.8%)
- Adjusted EBITDA margin stands at 28.0% (+2.1 PP)
- Microbatteries & Solutions segment: Revenue totals € 388.9m (+71.4%), adjusted EBITDA stands at € 141.3m (+130.6%), adjusted EBITDA margin comes in at 36.3% (+9.3 PP)
- Household Batteries segment: Revenue of € 241.2m, adjusted EBITDA totals € 35.5m, adjusted EBITDA margin stands at 14.7% (+3.6 PP)
- Revenue and income guidance¹⁾ for 2020 raised again:
Revenue anticipated to total € 840m–860m (previously: € 810m–830m),
Adjusted EBITDA expected to stand at € 230m–235m (previously: € 210m–215m),
Projected CAPEX payments of € 290m–320m due to ongoing capacity expansion project (previously: € 320m–360m)

Strong growth in revenue and operating earnings continues

The VARTA Group has continued its high-level revenue and profit growth: Group revenue rose by 159.7% to € 630.3m over the first nine months of the year. Organic sales growth amounted to 69.7% (excluding the first-time consolidation of Consumer Batteries). Adjusted EBITDA increased by 180.7% to € 176.8m when adjusted for special effects (excluding Consumer Batteries: +127.8%), a development which produced an improved adjusted EBITDA margin, rising by 2.1 PP to 28.0%. With growth of 137.5% to € 78,3m, Group profit more than doubled.

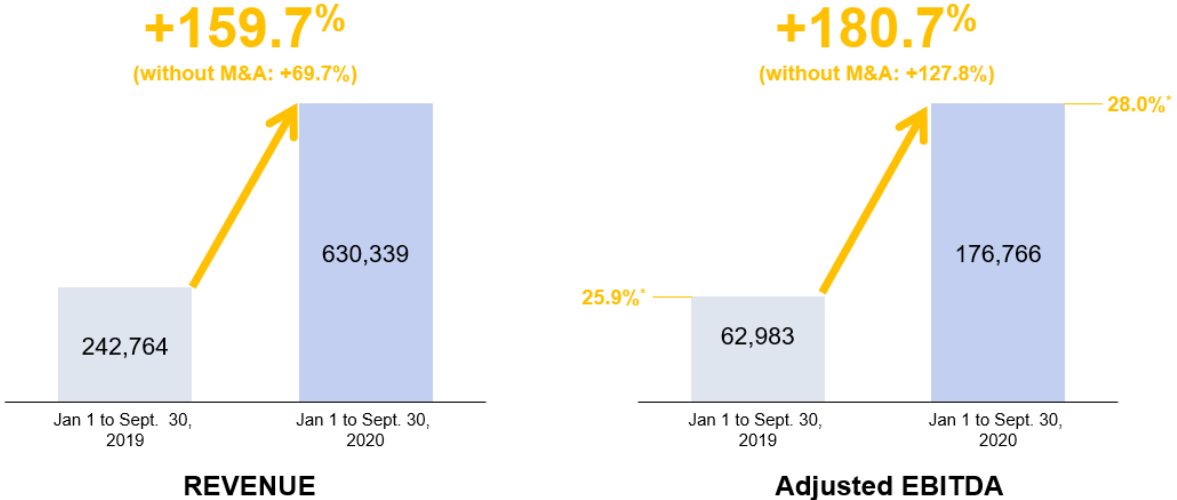
“VARTA is continuing on its growth path. For this reason, we are raising our guidance for the current year”, says Herbert Schein, Chief Executive Officer of VARTA AG, before adding: “We continue to look ahead to the future with optimism. The trend seen at cellphone manufacturers is clear: Cables are a thing of the past. In the near future, the only interface to the devices will be wireless. Moving forward, it can therefore be expected that the trend toward True Wireless Stereo (TWS) Headsets will be consolidated further and accelerated further. Technological progress in the area of TWS, which VARTA is actively helping to drive forward, is advancing rapidly. VARTA is excellently positioned to deal with such a development. In this context, we shall be upping the pace of production by more than 50 percent over the coming year, thereby making VARTA even more efficient. The increased energy density of our small lithium-ion batteries is set to be available on schedule by the end of the year. This will open up additional competitive advantages for us”.

1) In view of the situation regarding coronavirus (COVID-19), it is still not possible to rule out any negative impacts on the VARTA AG Group. At the time that these statements were compiled, these risks were not assessable and could therefore not be factored into guidance.

Steffen Munz, Chief Financial Officer (CFO), comments: "We have continued the high level of revenue and profit growth over the third quarter of the year, in addition to again improving profitability as well. On the back of the highly pleasing business development over the first nine months of the year, we are once again raising the revenue and profit guidance for fiscal year 2020".

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 Jan 01-Sept 30, 2020 (unaudited)

(€k)	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019
Sales revenue	630,339	242,764
Increase/decrease in finished and unfinished goods	5,879	6,597
Own work capitalized	4,030	3,269
Other operating income	28,897	5,912
Cost of material	-237,856	-83,883
Personnel expenses	-191,636	-81,122
Other operating expenses	-88,098	-32,544
EBITDA	151,555	60,993
Depreciation and amortization	-36,869	-12,657
Operating earnings (EBIT)	114,686	48,336
Financial income	283	273
Financial expense	-2,308	-575
Other financial income	1,116	183
Other financial expense	-3,967	-1,674
Financial result	-4,876	-1,793
Shares of profits and losses in companies accounted for in accordance with the equity method	0	-6
Pre-tax result	109,810	46,537
Income tax expenses	-31,496	-13,569
Consolidated result	78,314	32,968
Allocation of the profit:		
Shareholders of VARTA AG	78,219	32,773
Non-controlling interests	95	195

Revenue

In the first nine months of fiscal year 2020, the revenue of the **VARTA AG Group** increased by 159.7% from € 242.8m to € 630.3m. Organic revenue growth, excluding **VARTA Consumer**, which was consolidated for the first time, amounted to 69.7%. By far the strongest organic growth was again recorded for 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. 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 robust business model with primary hearing aid batteries and the new business with a leading US chain, which started in the last fiscal year. **VARTA Consumer** achieved revenue of € 218.3m in the reporting period 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 € 237.9m compared with € 83.9m in the previous year. This corresponds to an increase of 183.6%. Excluding **VARTA Consumer**, the increase in the cost of material was disproportionately low, at 29.1%, compared with revenue.

Personnel expenses posted a below average increase compared with revenue of 136.2% from € 81.1m to € 191.6m. Excluding **VARTA Consumer**, the personnel expenses ratio was 28.8%, meaning that it increased far less than 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 € 0.7m (2019: € 2.0m). The personnel expenses of **VARTA Consumer** included restructuring costs of € 14.1m.

Other operating expenses have increased by € 55.6m in total from € 32.5m to € 88.1m. Excluding **VARTA Consumer**, other operating expenses increased from € 32.5m to € 44.3m. This was largely the result of the increase in legal and consultancy fees associated with the acquisition of **VARTA Consumer**, increased expenditure on consultants to optimize processes and costs resulting from patent disputes in the amount of € 3.5m. Due to the expansion of production capacities, maintenance costs have risen by € 1.9m, guarantee provisions by € 1.6m and the cost of energy by € 1.4m year on year.

Other operating income increased by € 23.0m from € 5.9m in the previous year to € 28.9m in the first nine months of 2020. Excluding **VARTA Consumer**, other operating income fell by 8.1%. Other operating income received by **VARTA Consumer** contained revenue generated by services for the segments (including household appliances and pet food) belonging to the former owner Spectrum Brands, which will not be received in future.

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 steering variable to effectively assess the operating earnings capacity of the Group and the two segments. As special effects, firstly non-cash expenditure for share-based remuneration of € 0.7m (2019: € 2.0m) was adjusted. In connection with the acquisition of **VARTA Consumer**, non-recurring expenses of € 1.8m were adjusted. The acquisition of **VARTA Consumer** and the subsequent purchase price allocation (PPA) also required an adjustment for effects arising from the purchase price allocation that did not affect liquidity. In particular, the (marginal) profit resulting from inventories of € 8.7m will be eliminated over the anticipated consumption period in profit or loss. The reversal of these supplementary amounts represented a non-cash special effect. Finally, restructuring costs of € 14.1m were also adjusted at **VARTA Consumer**. The following table illustrates the reconciliation from EBITDA to adjusted EBITDA:

(€k)	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019
EBITDA	151,555	60,993
Expenses from share-based payment	701	1,990
Non-cash effects from the purchase price allocation (PPA)	8,661	0
Expenses for M&A transactions	1,784	0
Restructuring costs for VARTA Consumer	14,065	0
Adjusted EBITDA	176,766	62,983

In the first nine months of 2020, adjusted EBITDA increased from € 63.0m to € 176.8m. This corresponds to an increase of 180.7% in comparison with the previous year. Excluding **VARTA Consumer**, adjusted EBITDA rose by 127.8%. The increase in adjusted EBITDA can be attributed to the very high and profitable revenue growth in lithium-ion cells and the disproportionately low increase in costs for hearing aid batteries due to the scaling of the business model.

Operating earnings (EBIT)

Operating earnings have more than doubled from € 48.3m to € 114.7m, having risen by 137.3% year on year. Excluding **VARTA Consumer**, EBIT has risen by 137.3%. The substantial increase was primarily attributable to the highly successful development in the Microbatteries segment.

Financial result

In the reporting period, the financial result changed from € -1.8m in 2019 to € -4.9m in 2020. Excluding **VARTA Consumer**, the financial result would have changed from € -0.7m to € -3.2m. The trend in the USD/EUR exchange rate had an adverse impact, with the balance of currency gains and currency losses amounting to € -2.1m.

Taxes

Tax expense increased primarily because of the positive trend in the pre-tax result from € 13.6m in 2019 to € 31.5m in 2020. This produced an effective tax ratio of 28.7% (2019: 29.2%) in relation to the pre-tax result. Excluding **VARTA Consumer**, the tax ratio would have amounted to 28.9%.

Consolidated result

The very profitable growth in revenue from lithium-ion cells and hearing aid batteries in conjunction with the positive performance by **VARTA Consumer** and the below-average increase in fixed costs due to the scaling of our business model had a positive impact on the consolidated result. The consolidated result increased from € 33.0m to € 78.3m in 2020, corresponding to an increase of 137.5% year on year.

NET ASSETS AND FINANCIAL POSITION

Consolidated statement of financial position as of September 30, 2020 (unaudited, provisional)

(€k)	SEPTEMBER 30, 2020	DECEMBER 31, 2019
ASSETS		
Non-current assets	599,322	288,462
Current assets	471,646	380,368
Balance sheet total	1,070,968	668,830
(€k)	SEPTEMBER 30, 2020	DECEMBER 31, 2019
EQUITY AND LIABILITIES		
Equity	486,664	414,802
Non-current liabilities	208,103	88,779
Current liabilities	376,201	165,249
Liabilities	584,304	254,028
Balance sheet total	1,070,968	668,830

Acquisition of VARTA Consumer Batteries

A claim for the reimbursement of income tax was agreed in the purchase contract, which could not be taken fully into account on the basis of the information available to date. Acknowledgment of the claim by the seller meant that this claim to reimbursement was sufficiently substantiated in the third quarter. This event constitutes a new finding. Therefore the amounts associated therewith amounting to € 21.7m were recognized retrospectively. The net purchase price is reduced to € 84.0m by the claim to reimbursement. As a result of these adjustments to the valuation, intangible assets decrease by € 25.9m and deferred taxes by € 7.5m at the acquisition date. Provisional goodwill amounts to € 0.1m.

Non-current assets

Non-current assets increased by € 310.9m from € 288.5m in 2019 to € 599.3m in the reporting year. This significant increase mainly resulted from the increase in property, plant and equipment from € 247.9m as of September 30, 2019 to € 510.4m. Of this figure, about € 65m (provisional figures) is attributable to **VARTA Consumer**. The remaining increase is based on investment in the expansion of production capacities for rechargeable lithium-ion cells, particularly premium wireless headsets (hearables).

An additional € 41.5m (provisional figures) was added to intangible assets as a result of the acquisition of **VARTA Consumer**. Other assets were essentially unchanged and have increased only marginally from € 17.9m at the end of 2019 to € 19.3m at the end of the third quarter of 2020.

Current assets

Current assets have risen from € 380.4m as of December 31, 2019 to € 471.6m as of September 30, 2020. As a result of the increase in revenue and the first-time consolidation of **VARTA Consumer** (provisional figures), trade receivables have risen by € 88.6m. Inventories have also risen by € 72.9m. Other current assets increased by € 26.9m because of a claim to reimbursement. Cash and cash equivalents have decreased by € 114.0m. The reduction is due to both payment of the provisional purchase price for **VARTA Consumer** and investment in the expansion of production capacity for rechargeable lithium-ion cells.

Equity/equity ratio

In the third quarter, equity increased from € 414.8m as of December 31, 2019 to € 486.7m (provisional) as of September 30, 2020. At the end of the third quarter, the equity ratio was 45.4% (December 31, 2019: 62.0%). The acquisition of **VARTA Consumer**, which led to a disproportionate increase in borrowings in the **VARTA AG Group**, was a factor in the decline in equity.

Non-current liabilities

Non-current liabilities have risen by € 119.3m from € 88.8m as of December 31, 2019 to € 208.1m (provisional) as of September 30, 2020. The pension obligations, lease liabilities and deferred tax liabilities assumed under the **VARTA Consumer** acquisition (approximately € 80m) were a factor in this rise. Drawings under a syndicated loan have increased non-current liabilities at **VARTA AG** by € 40.0m.

Current liabilities

Current liabilities have risen from € 165.2m to € 376.2m (provisional). Of this figure, approximately € 141m (provisional), was attributable to the **VARTA Consumer** acquisition, primarily for the tax liabilities, lease liabilities, contractual assets, trade payables and deferred liabilities assumed. Previously at the **VARTA AG Group**, advance payments from customers of € 46.6m and liabilities from the acquisition of fixed assets of € 36.5m led to higher current liabilities.

Net working capital

Net working capital has risen from € 18.0m at the end of 2019 to € 100.0m as of September 30, 2020. This corresponds to an increase of € 82.0m in comparison to the previous year. Net working capital has increased by around € 62.1m (provisional figures) through the acquisition of **VARTA Consumer**. Excluding **VARTA Consumer**, net working capital has increased by € 19.9m. The net working capital ratio was 15.9%, or 9.2% when excluding **VARTA Consumer**.

Statement of cash flows

(€k)	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019
Cash and cash equivalents as of January 01	244,781	149,741
Cash flow from ongoing operating activities	134,157	46,289
Cash flow from investing activities	-275,118	-69,661
Cash flow from financing activities	28,021	98,470
Net change in cash and cash equivalents	-112,940	75,098
The effects of changes in foreign exchange rates	-1,103	705
Cash and cash equivalents as of September 30	130,738	225,544

Cash flow from ongoing operating activities amounted to € 134.2m following the third quarter of 2020 and is therefore € 87.9m up on the figure for previous year. This is primarily attributable to organic growth in operating earnings. The negative cash flow from investing activities has increased by € 205.5m year on year to € 275.1m (previous year: € 69.7m). The increase was caused firstly by the acquisition of shares in **VARTA Consumer Batteries** in the amount of € 81.5m, which resulted from the provisional purchase price paid of € 110.9m less the cash holdings acquired of € 29.4m, and secondly by the substantial investment in property, plant and equipment to expand production capacity for lithium-ion button cells in response to demand. Capital expenditures for investments in intangible assets and property, plant and equipment (CAPEX) amounted to € 190.5m (previous year € 67.9m).

Cash flow from financing activities decreased up to the end of the third quarter from € 98.5m in 2019 to € 28.0m in 2020. A capital increase was carried out in 2019, which led to a cash inflow of € 102.1m. The Group also received € 40.0m in 2020 by drawing a tranche of the existing syndicated loan. This was offset by repayments of lease liabilities amounting to € 10.3m and interest expenses of € 1.2m.

Holdings of cash and cash equivalents have decreased, mainly due to an increase in investing activities. As of September 30, 2020, this item amounted to € 130.7m (previous year: € 244.8m).

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 made positive contributions to the growth in revenue and profit in the first nine months of the year. In particular, the Microbatteries & Solutions segment continued its very dynamic growth and improved profitability compared with the same period in the previous year. 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 developed better than expected in the first nine months of the year.

Microbatteries & Solutions	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019*	YoY
Revenue (€m).	388,883	226,885	71.4%
Adjusted EBITDA (€m)	141,252	61,259	130.6%
Adjusted EBITDA margin in %	36.3	27.0	9.3pp

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

In the first nine months of fiscal year 2020, revenue in the Microbatteries & Solutions segment increased from € 226.9m to € 388.9m. This equates to very significant growth in revenue of 71.4% 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 headphones (hearables). This is a consequence of continued high customer demand in a market that is continues to grow very dynamically. In terms of hearing aid batteries, **VARTA** has further expanded its global market position. The Group is currently benefiting from its very robust business model with primary hearing aid batteries and the new business with a leading US chain, which started in the last fiscal year. The rapid growth in business involving Power Pack Solutions continued as a result of the new customer projects started in the last year. Adjusted EBITDA increased from € 61.3m to € 141.3m, which equates to an increase of 130.6%. The increased profit is due to strong growth in the comparatively high-margin product groups and the disproportionately low rise in costs due to the scaling of our business model. This results in an adjusted EBITDA margin of 36.3% of sales, which corresponds to an improvement in the adjusted EBITDA margin of 9.3pp year on year.

Household Batteries	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019*	YoY
Revenue (€m).	241,164	15,464	1,459.5%
Adjusted EBITDA (€m)	35,512	1,724	1,959.9%
Adjusted EBITDA margin in %	14.7	11.1	3.6pp

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

The Household Batteries segment comprises the Consumer Batteries business and energy storage solutions. In the previous year, only business involving energy storage was included in the segment reporting. The first-time consolidation of **VARTA Consumer Batteries** has resulted in a sharp increase in revenue and adjusted EBITDA (revenue: 1,459.5%; adjusted EBITDA: 1,959.9%). **VARTA Consumer Batteries** performed better than expected in the reporting period. By focusing on brand business, profitability has improved. Business involving energy storage solutions posted very dynamic growth in the first nine months and outpaced that of the market.

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

(€ m)	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019	YOY in %
Microbatteries			
Revenue	354.2	201.5	75.8%
Adjusted EBITDA	139.1	60.7	129.3%
Adjusted EBITDA margin	39.3%	30.1%	9.2pp
Power & Energy			
Revenue	57.5	40.9	40.7%
Adjusted EBITDA	4.3	2.3	84.9%
Adjusted EBITDA margin	7.5%	5.7%	1.8pp
Total VARTA excluding acquisition of VARTA Consumer			
Revenue*	412.0	242.8	69.7%
Adjusted EBITDA	143.4	63.0	127.6%
Adjusted EBITDA margin	34.8%	25.9%	8.9pp
Consumer Batteries			
Revenue	218.3		
Adjusted EBITDA	33.4		
Adjusted EBITDA margin	15.3%		
Total VARTA including acquisition of VARTA Consumer			
Revenue	630.3		
Adjusted EBITDA	176.8		
Adjusted EBITDA margin	28.0%		

*incl. revenue that cannot be allocated to a segment.

EMPLOYEES

In the reporting period ending September 30, 2020, the number of employees rose by 1,988 or 76.1% from 2,613 to 4,601 employees. The completed acquisition of **VARTA Consumer Batteries** has added 1,101 employees. For the expansion of production capacity for lithium-ion cells, 692 additional employees were recruited at the two main production sites in Nördlingen and Ellwangen.

OUTLOOK

VARTA AG has raised its revenue and profit guidance for fiscal year 2020 on the back of better than expected business development in the first nine months and a healthy order book. The structural growth of core markets, what we regard as our strong market position in these core markets and the planned expansion of production capacity for lithium-ion cells will lead to positive business development in 2020 and subsequent years.

In view of the global spread of Covid-19 and the fact that infection rates are currently rising again, negative impacts on the **VARTA AG Group** can still not be ruled out. This could impact our ability to produce at our sites, our ability to transport to our customers and also lead to problems with our suppliers. The fact that our customers may not be able to purchase products from us at times because of their own production being disrupted cannot be ruled out either. These risks were not assessable at the time that these financial statements were prepared and could not therefore be taken into consideration in the Group's planning.

VARTA AG Group

Group revenue of between € 840m and € 860m (previously: € 810m and € 830m) is expected for 2020. This corresponds to revenue growth of 131%-137% in comparison with the previous year (including **VARTA Consumer**). Organic revenue growth, excluding **VARTA Consumer**, will be between 45%-49%.

Adjusted Group EBITDA for 2020 will be in a corridor between € 230m and € 235m (previously € 210m and € 215m) and is therefore expected to increase by 135% to 140% compared with the previous year (including **VARTA Consumer**). Adjusted EBITDA is adjusted for special effects: the Executive Board defined (if 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.

By optimizing processes, production capacity will be expanded, as planned, at lower investment costs per unit up to the end of 2021. As a result, initially planned CAPEX payments will come in lower than originally anticipated and will, in part, be deferred into the following year. With no changes to the expansion in production capacity, the company is assuming CAPEX of between € 290m and € 320m for fiscal year 2020 (previously: €320m-360m).

The **VARTA Group** will also register further growth over the course of the next fiscal year, with the Company set to be on the brink of hitting the revenue threshold of € 1bn by 2021. Growth in EBITDA adjusted for special effects ("adjusted EBITDA") is also expected to outpace revenue in the next fiscal year.

In the medium and long term, **VARTA** expects market growth for lithium-ion battery cells for premium true wireless stereo headsets ("TWS") of between 30% and 40% – although the Company expects this to come in at the lower end of this growth corridor due to the COVID-19 pandemic and the effects on some customers over the next 12 months. According to current estimates, **VARTA's** quantitative growth will still outpace the market. Its leading position in the Coin Power cells segment of the market is unchanged. Despite shifts in the product mix that impact pricing structures, **VARTA** expects that the gross margins in this segment will remain at least stable. We expect a moderate upward trend in the EUR against the USD.

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 further production capacity expansion in the Entertainment & Industrial area; this will constitute the largest growth potential in the Microbatteries & Solutions segment and is expected to lead to very significant growth, namely in double-digits, 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 huge rise in adjusted EBITDA, which is set to experience further above-average growth in relation to revenue.

Household Batteries segment

Very significant growth is expected for stationary energy storage solutions, which will exceed market growth. The **VARTA Consumer** business acquired will achieve revenue of around € 310m to € 320m in fiscal year 2020 and will therefore exceed previous expectations. An EBITDA margin of approximately 15% is expected for fiscal year 2020. Business involving energy storage solutions is expected to grow with 50%, which will exceed market growth.

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

Ellwangen, November 12, 2020

VARTA Aktiengesellschaft

CEO
- Herbert Schein -

CFO
- Steffen Munz -

Executive Board member
- Armin Hessenberger -

Consolidated statement of financial position as of September 30, 2020 (unaudited, provisional)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€k)	SEPTEMBER 30, 2020	DECEMBER 31, 2019
ASSETS		
Property, plant and equipment	510,394	247,896
Intangible assets	63,816	20,783
Long-term investments and other participations recognized in the balance sheet under the equity method	60	55
Other financial assets	286	548
Deferred tax assets	5,482	1,271
Other assets	19,284	17,909
Non-current assets	599,322	288,462
Inventories	136,852	63,995
Contract assets	3,277	2,032
Trade receivables	140,530	51,966
Other financial assets	1,224	0
Tax refund claims	2,072	216
Other assets	56,953	17,378
Cash and cash equivalents	130,738	244,781
Current assets	471,646	380,368
Balance sheet total	1,070,968	668,830

(€k)	SEPTEMBER 30, 2020	DECEMBER 31, 2019
EQUITY AND LIABILITIES		
Subscribed capital	40,422	40,422
Capital reserve	251,320	250,619
Revenue reserves	116,964	68,700
Profit/loss for the year	78,219	50,390
Other reserves	-571	4,456
Equity of the VARTA AG Group	486,354	414,587
Non-controlling interests	310	215
Equity	486,664	414,802
Lease liabilities	52,385	20,476
Other financial liabilities	45,962	2,832
Provisions for employee benefits	70,918	27,241
Advance payments received	32,242	34,296
Other liabilities	65	95
Deferred tax liabilities	4,501	0
Other provisions	1,415	3,839
Deferred liabilities	615	0
Non-current liabilities	208,103	88,779
Tax liabilities	58,332	14,325
Lease liabilities	12,146	4,603
Other financial liabilities	6,521	4,058
Provisions for employee benefits	2,335	1,195
Contract liabilities	43,867	11,198
Trade payables and advance payments received	136,778	88,807
Other liabilities	34,454	20,025
Other provisions	39,064	4,407
Deferred liabilities	42,704	16,631
Current liabilities	376,201	165,249
Liabilities	584,304	254,028
Balance sheet total	1,070,968	668,830

Consolidated income statement for the period Jan 01-Sept 30, 2020 (unaudited)
VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€k)	JAN 1-SEPT 30, 2020	JAN 1-SEPT 30, 2019
Sales revenue	630,339	242,764
Increase/decrease in finished and unfinished goods	5,879	6,597
Own work capitalized	4,030	3,269
Other operating income	28,897	5,912
Cost of material	-237,856	-83,883
Personnel expenses	-191,636	-81,122
Other operating expenses	-88,098	-32,544
EBITDA	151,555	60,993
Depreciation and amortization	-36,869	-12,657
Operating earnings (EBIT)	114,686	48,336
Financial income	283	273
Financial expense	-2,308	-575
Other financial income	1,116	183
Other financial expense	-3,967	-1,674
Financial result	-4,876	-1,793
Shares of profits and losses in companies accounted for in accordance with the equity method	0	-6
Pre-tax result	109,810	46,537
Income tax expenses	-31,496	-13,569
Consolidated result	78,314	32,968
Allocation of the profit:		
Shareholders of VARTA AG	78,219	32,773
Non-controlling interests	95	195

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 September 30, 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

Preliminary figures for 2020	Second half of February 2021
Annual Financial Statements	March 31, 2021
Interim report Q1 2021	May 12, 2021
Annual General Meeting	June 17, 2021
Half-year report 2021	August 13, 2021
Interim report Q3 2021	November 11, 2021

Imprint

Quarterly Report Q3 / 2020:

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

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